(A free translation of the original in Portuguese)

Indústrias Romi S.A.

Financial Statements at December 31, 2014 and Independent Auditor's Report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Shareholders
Indústrias Romi S.A.

We have audited the accompanying financial statements of Indústrias Romi S.A. ("Parent Company" or "Company"), which comprise the balance sheet as at December 31, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Indústrias Romi S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indústrias Romi S.A. and of Indústrias Romi S.A. and its subsidiaries as at December 31, 2014, and the parent company and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters

Supplementary information – statements of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2014, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Campinas, February 10, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F"

Marcos Roberto Sponchiado
Contador CRC 1SP175536/O-5

Indústrias Romi S.A.

Balance sheet

All amounts in thousands of Reais (A free translation of the original in Portuguese)

ASSETS	Note	Parent company December 31, 2014	Parent company December 31, 2013	Consolidated December 31, 2014	Consolidated December 31, 2013
CURRENT					
Cash and cash equivalents	3	106,170	63,834	145,580	107,232
Trade accounts receivable	4	62,731	96,535	105,923	120,371
Onlending of FINAME manufacturer financing	5	173,575	243,434	173,575	243,434
Inventories	6	205,811	220,826	258,014	274,066
Related parties	8	27,400	15,307	492	643
Taxes recoverable		15,640	12,247	17,892	13,932
Other receivables	5	18,406	20,944	21,028	25,118
		609,733	673,127	722,504	784,796
NON-CURRENT					
Trade accounts receivable	4	8,700	10,814	8,700	10,814
Onlending of FINAME manufacturer financing	5	132,239	190,712	132,239	190,712
Related parties	8	44,442	45,617	-	-
Taxes recoverable		1,682	1,267	1,682	1,267
Deferred income tax and social contribution	15	47,076	50,487	47,128	50,487
Judicial deposits	14	1,471	1,465	1,471	1,465
Other receivables	5	27,899	36,268	28,502	37,771
Investment in subsidiary and associated companies	7	111,808	108,334	2,329	2,327
Property, plant and equipment	10	214,171	217,387	278,400	272,559
Investment properties	9	14,211	14,211	19,875	19,989
Intangible assets	11	2,608	4,365	46,166	48,943
		606,307	680,927	566,492	636,334
TOTAL ASSETS		1,216,040	1,354,054	1,288,996	1,421,130

LIABILITIES AND EQUITY	Note	Parent company December 31, 2014	Parent company December 31, 2013	Consolidated December 31, 2014	Consolidated December 31, 2013
CURRENT					
Borrowings	12	100,716	51,262	104,916	54,169
FINAME manufacturer financing	13	133,024	210,429	133,024	210,429
Trade accounts payable		20,758	46,979	30,992	43,392
Payroll and related taxes		16,429	20,765	19,291	23,960
Borrowings		3,957	10,980	6,610	16,364
FINAME manufacturer financing		11,418	18,275	40,928	54,836
Dividends and interes on capital		1,719	359	1,719	396
Profit sharing		575	373	575	373
Other payables		6,953	7,350	14,989	9,269
Provision for net capital deficiency - subsidiary	7	25,356	19,530	-	-
Related parties	8	595	1,065	335	198
		321,500	387,367	353,379	413,386
NON-CURRENT					
Borrowings	12	129,718	135,704	143,405	148,704
FINAME manufacturer financing	13	117,053	172,274	117,053	172,274
Borrowings		1,133	2,214	1,133	2,214
Provision for tax, labor and divil risks	14	4,099	7,829	4,099	7,829
Other payables		-	431	350	823
Deferred income tax and social contribution	15	-	-	25,416	25,977
		252,003	318,452	291,456	357,821
TOTAL LIABILITIES		573,503	705,819	644,835	771,207
EQUITY					
Capital	16	489,973	489,973	489,973	489,973
Capital reserve	16	2,052	2,052	2,052	2,052
Treasury shares	16	(10,349)	-	(10,349)	-
Profit reserve	16	146,301	140,784	146,301	140,784
Carrying value adjustments	16	14,560	15,426	14,560	15,426
		642,537	648,235	642,537	648,235
NON-CONTROLLING INTEREST		-	-	1,624	1,688
TOTAL EQUITY		642,537	648,235	644,161	649,923
TOTAL LIBILITIES AND EQUITY		1,216,040	1,354,054	1,288,996	1,421,130

The accompanying notes are an integral part of these financial statements.

Indústrias Romi S.A.

Statement of income
Years ended December 31
All amounts in thousands of Reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Parent company 2014	Parent company 2013	Consolidated 2014	Consolidated 2013
Operations					
Net operating revenue	22	493,593	541,938	648,611	667,423
Cost of sales and services	23	(374,135)	(393,636)	(481,184)	(474,151)
Gross profit		119,458	148,302	167,427	193,272
Operation income (expenses)					
Selling	23	(53,748)	(56,487)	(72,738)	(72,003)
General and administrative	23	(39,439)	(48,038)	(63,793)	(66,506)
Research and development	23	(19,824)	(19,011)	(19,824)	(19,066)
Management profit sharing and fees	8	(6,315)	(6,045)	(6,442)	(6,174)
Equity income	7	5,204	8,063	-	-
Other operating income, net	25	1,224	273	4,953	754
		(112,898)	(121,245)	(157,844)	(162,995)
Operating profit (loss)		6,560	27,057	9,583	30,277
Financial income (expenses)					
Financial income	24	12,497	13,575	14,403	15,047
Financial expenses	24	(11,882)	(13,769)	(12,947)	(14,693)
Foreign exchange gains, net	24	1,384	3,862	1,292	3,879
		1,999	3,668	2,748	4,233
Profit (loss) before taxation		8,559	30,725	12,331	34,510
Income tax and social contribution		**(1,324)**	**(4,823)**	**(4,661)**	**(8,131)**
Profit for the year					
Profit for the year from continuing operations		7,235	25,902	7,670	26,379
Loss for the year from discontinued operations		-	(24,537)	-	(24,537)
Profit for the year		7,235	1,365	7,670	1,842
Attributable to:					
Controlling interests				7,235	1,365
Non-controlling interests				435	477
				7,670	1,842
Basic and diluted earnings (loss) per share (R$)	16	0.10	0.02		

The accompanying notes are an integral part of these financial statements.

Indústrias Romi S.A.

Statements of comprehensive income
Years ended December 31
All amounts in thousands of Reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Profit for the year	7,235	1,365	7,670	1,842
Other comprehensive income				
Items to be subsequently reclassified to profit or loss				
Foreign exchange variation of investees located abroad	(866)	11,665	(866)	11,665
Total comprehensive income for the year	6,369	13,030	6,804	13,507
Attributable to				
Controlling interests			6,369	13,030
Non-controlling interests			435	477
			6,804	13,507

The accompanying notes are an integral part of these financial statements.

Indústrias Romi S.A.

Statement of changes in equity

All amounts in t thousands of Reais (A free translation of the original in Portuguese)

		Attributable to the controlling interests										
					Profit reserve							
	Note	Capital	Capital reserve	Treasury shares	Retained earnings	Legal reserve	Total	Carrying value adjustments	Retained earnings (accumulated deficit)	Controlling interest	Non-controlling interests	Total
At January 1, 2013		**489,973**	**2,052**	**(17,850)**	**116,579**	**41,012**	**157,591**	**3,761**	**-**	**635,527**	**1,743**	**637,270**
Net income of the year		-	-	-	-	-	-	-	1,365	1,365	477	1,842
Foreign currency translation effects		-	-	-	-	-	-	11,665	-	11,665		11,665
Total comprehensive income for the year		-	-	-	-	-	-	11,665	1,365	13,030	477	13,507
Purchase of treasury shares	16	-	-	-	-	-	-	-	-	-	-	-
Cancellation of shares in treasury	17	-	-	17,850	(17,850)	-	(17,850)	-	-	-	-	-
Legal reserve		-	-	-	-	68	68	-	(68)	-	-	-
Dividends paid by subsidiary		-	-	-	-	-	-	-	-	-	(532)	(532)
Mandatory dividends		-	-	-	-	-	-	-	(322)	(322)	-	(322)
Transfer between reserves		-	-	-	975	-	975	-	(975)	-	-	-
Total contributions by and distributions to controlling interests				17,850	(16,875)	68	(16,807)		(1,365)	(322)	(532)	(854)
At December 31,2013		**489,973**	**2,052**	**-**	**99,704**	**41,080**	**140,784**	**15,426**	**-**	**648,235**	**1,688**	**649,923**
At January 1, 2014		**489,973**	**2,052**	**-**	**99,704**	**41,080**	**140,784**	**15,426**	**-**	**648,235**	**1,688**	**649,923**
Net income of the year		-	-	-	-	-	-	-	7,235	7,235	435	7,670
Foreign currency translation effects		-	-	-	-	-	-	(866)	-	(867)		(867)
Total comprehensive income for the year		-	-	-	-	-	-	(866)	7,235	6,368	435	6,803
Purchase of treasury shares	16	-	-	(10,349)	-	-	-	-	-	(10,349)	-	(10,349)
Cancellation of shares in treasury	17	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	362	362	-	(362)	-	-	-
Dividends paid by subsidiary		-	-	-	-	-	-	-	-	-	(499)	(499)
Mandatory dividends		-	-	-		-	-	-	(1,718)	(1,718)	-	(1,718)
Transfer between reserves		-	-	-	5,155	-	5,155	-	(5,155)	-	-	-
Total contributions by and distributions to controlling interests				(10,349)	5,155	362	5,518		(7,235)	(12,067)	(499)	(12,566)
At December 31,2014		**489,973**	**2,052**	**(10,349)**	**104,859**	**41,442**	**146,301**	**14,560**	**-**	**642,537**	**1,624**	**644,161**

Indústrias Romi S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of Reais **(A free translation of the original in Portuguese)**

	Parent company		Consolidated	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit before taxation from continuing operations	**8,559**	**30,725**	**12,330**	**34,510**
Loss before taxation from descontinued operations	**-**	**(24,537)**	**-**	**(24,537)**
Adjustments from:				
(Revenue), finance expenses and exchange rate	828	(2,897)	4,137	3,266
Depreciation and amortization	28,689	30,281	35,212	36,453
Allowance for doubtful accounts and for other receivables	(1,433)	12,306	(1,433)	12,306
Provision for inventory losses	1,690	5,738	1,159	2,219
Cost of property, plant and equipment disposals	(1,592)	(207)	(3,429)	(207)
Equity in subsidiaries, net of dividends received	(5,205)	16,266	-	-
Provision for contingent liabilities	(929)	5,644	(4,995)	5,644
Changes in operating assts and liabilities				
Trade receivables	44,347	13,938	24,991	26,263
Related parties	(11,561)	(12,418)	(2)	(383)
Onward lending of FINAME manufacturer financing	137,200	182,337	137,200	182,337
Inventories	13,325	22,183	14,894	47,264
Taxes recoverable	(2,049)	461	(6,361)	1,903
Judicial deposits	(6)	232	(6)	232
Other receivables	2,540	(1,503)	3,143	5,127
Trade payables	(25,795)	15,587	(11,974)	(149)
Payroll and related taxes	(3,071)	(545)	(3,404)	(3,032)
Taxes payable	(3,105)	(5,960)	(1,536)	(7,102)
Advances from customers	(6,857)	7,431	(13,908)	12,998
Other payables	1,525	(2,234)	7,275	(11,707)
Cash provided by operations	177,100	292,828	193,295	323,405
Income tax and social contribution paid	(7,578)	(1,345)	(9,288)	(2,306)
Net cash provided by operating activities	169,522	291,483	184,007	321,099
Cash flows investing activities				
Purchases of property, plant and equipment	(24,891)	(22,663)	(36,056)	(28,057)
Purchases of intangible assets	(91)	-	(91)	-
Disposals of property, planta and equipment	2,858	1,232	7,207	2,394
Dividends received	6,690	6,651	-	-
Capital increase in foreign subsidiary	-	(55)	-	-
Net cash used in investing activities	(15,434)	(14,835)	(28,940)	(25,663)

Indústrias Romi S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of Reais **(continued)**

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Cash flows from financing activities				
Interest on capital and dividends paid	(369)	-	(1,253)	(532)
Purchase of tresuary shares	(10,349)	-	(10,349)	-
New borrowings	97,122	40,635	100,484	37,403
Payment of other financing	(54,173)	(63,975)	(57,228)	(63,510)
Interest paid	(11,357)	(13,779)	(11,464)	(14,172)
New FINAME - manufacturer financing	102,087	93,241	102,087	93,241
Payment of FINAME manufacturer financing	(219,669)	(287,632)	(219,669)	(287,632)
Interest paid - FINAME manufacturer financing	(15,044)	(26,092)	(15,044)	(26,092)
Net Cash used in financing activities	(111,752)	(257,602)	(112,436)	(261,294)
Increase in cash and cash equivalents	42,336	19,046	42,631	34,142
Cash and cash equivalents from continuing and discontinued operations - at the beginning of the year	63,834	45,110	107,232	84,232
Foreign exchange gains on cash equivalents of foreign subsidiaries	-	(322)	(4,283)	(11,142)
Cash and cash equivalents from continuing operations - at the end of the year	106,170	63,834	145,580	107,232

The accompanying notes are an integral part of these financial statements.

Indústrias Romi S.A.

Statement of value added
Years ended December 31
All amounts in thousands of Reais **(A free translation of the original in Portuguese)**

	Note	Parent company		Consolidated	
		2014	2013	2014	2013
Revenue					
Sales of products and services		596,236	655,321	756,133	792,319
Allowance for doubtful accounts and for other receivables		(768)	(8,643)	281	(8,554)
		595,468	646,678	756,414	783,765
Inputs purchased from third parties					
Materials used		(277,663)	(298,056)	(371,724)	(365,443)
Other costs of products and services		(19,283)	(21,139)	(35,010)	(24,575)
Electricity, third-party services and other expenses		(36,994)	(40,525)	(45,591)	(62,211)
		(333,940)	(359,720)	(452,325)	(452,229)
Gross value added		261,528	286,958	304,089	331,536
Depreciation and amortization	10-11	(28,689)	(30,281)	(35,213)	(36,453)
Net value added generated by the Company		232,839	256,677	268,876	295,083
Value added receveid in transfer					
Equity in the earnings of subsidiaries	7	5,205	(16,474)	-	-
Finance income and net foreign exchange gains		16,454	21,565	18,657	25,858
Total value added to distribute		254,498	261,768	287,533	320,941
Distribution of value added					
Employees					
Payroll and related charges		130,813	132,184	161,694	185,264
Sales commissions		3,199	3,101	3,199	3,101
Management profit sharing and fees		4,172	6,045	4,296	6,174
Employee profit sharing		1,195	-	1,195	-
Pension plans		2,313	2,004	2,313	2,004
Taxes					
Federal		67,843	71,890	67,982	73,117
State		17,848	20,895	17,848	20,895
Municipal		1,068	1,025	1,068	1,025
Interest		14,453	17,897	15,909	21,625
Rentals		4,359	5,362	4,359	5,362
Dividends and interest on capital		1,718	-	2,216	532
Accumulated profit for the year		5,517	1,365	5,454	1,842
Value added distributed		254,498	261,768	287,533	320,941

The accompanying notes are an integral part of these financial statements.

1 General information

Indústrias Romi S.A. (the “Parent company” and/or "Company") and its subsidiaries (together referred to as the “Company” and/or as “Consolidated”), has been listed on the "New Market" of the São Paulo Stock Exchange ("Bovespa") since March 23, 2007, and is based in Santa Barbara D’Oeste, São Paulo. The Company is engaged in the assembly and sale of capital goods in general, including machine tools, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts, as well as providing systems analysis and developing data processing software related to the production, sale, and use of machine tools and plastic injectors; the manufacture and sale of raw cast parts and machined cast parts; export and import; representation on its own account or on account of third parties; and the provision of related services. It also holds investments in other companies, and manages it own and/or third party assets.

The Company's industrial facilities consist of 11 plants in three units located in the city of Santa Bárbara D’Oeste, in the State of São Paulo, and one located in the city of Reutlingen, Germany. The last one is a high-precision tooling machine manufacturer. The Company also holds investments in subsidiaries in Brazil and abroad.

These financial statements were approved by the Company’s Board of Directors and authorized for issue on February 10, 2015.

2 Basis of preparation and accounting policies

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), as well as according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration paid in exchange for assets.
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.23.

(a) Consolidated financial statements

The Consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the CPC, as well as according to the IFRS issued by the IASB.

The presentation of the Parent company and Consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

(b) Parent company financial statements

The Parent company financial statements have been prepared in accordance with the accounting practices adopted in Brazil issued by the CPC. As the accounting practices adopted in Brazil applied to the Parent company financial statements as from 2014 do not differ from the IFRS applicable to separate financial statements since they permitted the application of the equity method in separate financial statements, they are also in conformity with the IFRS issued by the IASB. These Parent company financial statements are disclosed together with the Consolidated financial statements.

(c) Changes in accounting policies and disclosures

Amendments and interpretations adopted by the Company

(i) OCPC 07 - "Presentation and Disclosures in General Purpose Financial Statements" addresses quantitative and qualitative aspects in notes to financial statements, reinforcing the requirements already existing in the accounting standards and emphasizing that only relevant information for users of financial statements should be disclosed.

(ii) Amendments to CPC 07 - "Equity Method in Separate Financial Statements" address the wording of CPC 35 - "Separate Financial Statements" to incorporate the amendments made by IASB to IAS 27 - Separate Financial Statements, which now permits the adoption of the equity method in separate financial statements, thus aligning the Brazilian accounting practices with IFRS. Especially for IFRS purposes, the amendments to IAS 27 were applied earlier.

Other amendments and interpretations effective for the financial year beginning on January 1, 2014 are not relevant for the Company.

2.2 Investments in subsidiaries - Consolidated

(a) Parent company:

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for using the equity method from the date on which control is acquired. Under this method, investments in subsidiaries are recognized in the financial statements at the acquisition cost, and are periodically adjusted to the amount corresponding to the Company's share of the profits (losses) of the subsidiaries, with a balancing item in the operating profit (loss), except for the foreign exchange differences on translating these investments, which are recorded in a separate line item in equity called "Carrying value adjustments". These effects are recognized in income and expenses upon the sale or disposal of the investment.

After reducing the carrying amount of the investor's share to nil, additional losses are considered and a liability (provision for net capital deficiency) is recognized only to the extent that the investor has incurred a legal or constructive obligation to make payments on behalf of the subsidiary.

Of the acquisition price, the amount exceeding the fair value of the acquiree's equity on the transaction date is treated as goodwill based on future earnings. Additionally, investment balances may be reduced due to the recognition of impairment losses (Note 2.11).

Dividends received from subsidiaries are recorded as a reduction of the investment balance.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost.

(c) Consolidated

The Company has fully consolidated the financial statements of the Company and all of its subsidiaries. Control of subsidiaries is deemed to exist when the Company directly or indirectly holds most of the voting rights at a Shareholders' Meeting, or has the power to determine the financial and operating policies, so as to obtain benefits from its activities.

Third party shares in the equity and profits of subsidiaries are presented separately in the Consolidated balance sheet and in the Consolidated statement of income, respectively, in the line item "Non-controlling interests".

Intragroup transactions and balances are eliminated upon consolidation, and any gains or losses on these transactions are also eliminated. Where necessary, adjustments are made to the subsidiaries' and associates' financial statements in order to ensure consistency with the policies adopted by the Company.

2.2.1 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes the Company's strategic decisions.

2.3 Translation of foreign currency balances

Assets and liabilities, except for investments, are translated into the local currency (R$) at the exchange rate prevailing at the end of the reporting period.

Gains and losses resulting from exchange differences arising on the translation of these assets and liabilities at the end of the reporting period are recognized as finance income or costs in the statement of income.

(a) Functional and presentation currency

The financial statements are presented in the Brazilian Real (R$), which is the functional currency of the Parent company and of its subsidiaries located in Brazil. The functional currency of each foreign subsidiary is determined based on the primary economic environment in which the subsidiary operates, and when their functional currency is different from the reporting currency, the subsidiaries' financial statements are translated into Reais (R$) at the end of the reporting period.

Transactions and balances

Foreign currency transactions are initially recognized at the exchange rate prevailing on the transaction date. Foreign currency denominated monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the end of the reporting period. All differences are recorded in the statement of income. Non-monetary items measured at their historical costs in foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates prevailing on the date when the fair value was determined.

Translation of foreign subsidiaries' financial statements

The assets and liabilities of foreign subsidiaries (none of which has the currency of a hyper-inflationary economy) are translated into Reais at the exchange rates prevailing at the end of the reporting period, and their statement of income accounts are translated at the exchange rates prevailing on the transaction dates. Exchange differences arising on the translation of these balances are separately recognized in equity, in the line item "Carrying value adjustments".

Fair value adjustments resulting from acquisitions of foreign entities are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of 90 days or less, with an immaterial risk of changes in value, and are carried at cost plus income earned through the end of the reporting period. The balance is presented net of bank overdrafts in the statement of cash flows. In the balance sheet, bank overdrafts are shown within "Borrowings" under current liabilities, if applicable.

2.5 Financial assets

(a) Classification

The Company classifies its financial assets, upon initial recognition, as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for, in the applicable cases, those with maturities longer than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents (Note 4), trade receivables (Note 5), receivables – onward lending of FINAME manufacturer financing (Note 6) and other receivables. Loans and receivables are carried at amortized cost using the effective interest method.

(b) Impairment of financial assets

Financial assets are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been adversely affected. Such evidence includes the history of loss, the creditworthiness of the customer(s), the situation of the corporate group to which they belong, the debt collateral, and assessment of the Company's legal counsel, and is considered sufficient by the Company’s management to cover possible losses on receivables.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the respective loss is recognized in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

2.6 Trade receivables

Trade receivables refer mainly to amounts receivable from the sale of goods in the normal course of the Company's activities. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment of trade receivables.

2.7 Inventories

Inventories are stated at the lower of their net realizable value (estimated selling price in the normal course of business less estimated costs to make the sale) and their average production cost or average purchase price. Allowances for slow-moving or obsolete inventories are recognized when considered necessary by management. The Company calculates the cost of its inventories by absorption, using the weighted moving average method. The cost of finished goods and work in progress includes design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

2.8 Property, plant and equipment

Property, plant and equipment are carried at cost less depreciation, plus capitalized interest incurred during the construction of new units, when applicable. Depreciation is calculated on a straight-line basis, taking into consideration the estimated useful lives of the assets.

Subsequent costs are included in the asset's residual value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company and these benefits can be measured reliably.

The residual value of replaced items is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of property, plant and equipment items by category are set out in Note 11.

An asset's residual value is written down immediately to its recoverable amount when its residual value is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognized within "Other operating income (expenses), net" in the statement of income.

2.9 Investment property

Investment property represents land and buildings held to earn rental income and/or for capital appreciation, as disclosed in Note 10. Investment property is recognized at its acquisition or construction cost, less accumulated depreciation, calculated using the straight-line method at rates that take into consideration the useful lives of the assets.

2.10 Intangible assets

Carried at their acquisition cost, less accumulated amortization and impairment losses, where applicable. Intangible assets are amortized considering their actual use or a method that reflects the economic benefits of the intangible assets. The residual value of an intangible asset is written down immediately to its recoverable amount when the residual balance exceeds the recoverable amount (Note 2.11.).

Intangible assets acquired in the course of a business combination (technology, customer relationships, portfolios of orders) are carried at fair value, less accumulated amortization and impairment losses, when applicable. Intangible assets with finite useful lives are amortized over their useful lives using an amortization method that reflects the economic benefit of the intangible asset.

Intangible assets are assessed annually for indicators of impairment if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The Company reviews the amortization period and amortization method of its intangible assets with finite useful lives at the end of each reporting period.

Expenditure on research and development is recognized in the statement of income for the year as it is incurred, under "Research and development".

2.11 Allowance for asset impairment and reversal of allowances – non-financial assets

At the end of the reporting period, the Company analyzes whether there is evidence that the carrying amount of an asset will not be recovered. If such evidence is identified, the Company estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of (a) its fair value less costs to sell and (b) its value in use. The value in use is equivalent to the discounted cash flow (before tax) arising from the continuous use of the asset up to the end of its useful life.
Regardless of whether or not there is evidence of impairment, goodwill balances arising from business combinations and intangible assets with indefinite useful lives are tested for impairment at least once a year, in December. When the carrying amount of an asset exceeds its recoverable amount, the Company recognizes an impairment loss in its profit or loss account.

Except for impairment of goodwill, the reversal of previously recognized losses is permitted. Reversal in these circumstances is limited to the depreciated balance of the asset at the reversal date, assuming that the reversal has not been recorded.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at their fair values and subsequently measured at amortized cost using the effective interest method. In practice, they are normally recognized at the amount of the corresponding invoice.

2.13 Borrowings

Borrowings are recognized initially at its fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowing using the effective interest method.

Borrowings are classified under current liabilities unless the Company has an unconditional right to defer settlement of the related liabilities for at least 12 months after the reporting period.

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company and costs can be measured reliably. The other borrowing costs are recognized as financial expenses in the period in which they are incurred.

2.14 Discounting to present value

Assets and liabilities arising from short-term transactions, when they are material, are discounted to their present values based on discount rates that reflect the best market assessments. The discount rate used reflects market conditions. The discount to present value was measured using the exponential "pro rata die" method, from the origin of each transaction.

The reversals of the adjustments of monetary assets and liabilities were recognized as financial income or expenses.

2.15 Current and deferred income tax and social contribution

The current income tax and social contribution expenses are calculated according to the legal tax bases effective on the reporting date in the countries where the Parent company and its subsidiaries operate and generate taxable profits. Management periodically evaluates the positions taken in relation to tax matters that are subject to interpretation or controversy, and recognize a provision when the Company expects to pay income tax and social contribution according to their tax bases. Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, at the tax rates prevailing at the end of the reporting period.

Deferred income tax and social contribution are fully recognized on differences between the assets and liabilities recognized for tax purposes and the corresponding amounts recognized in the financial statements. However, deferred income tax and social contribution are not recognized if they are generated on the initial recognition of assets and liabilities on transactions that do not affect the tax bases, except for business combinations. Deferred income tax and social contribution are determined based on the tax rates (and laws) in effect at the end of the reporting period and applicable when the related income tax and social contribution liabilities are realized, and are recognized only to the extent that it is probable that there will be a positive tax base against which the temporary differences can be utilized and the tax losses can be offset. Deferred income tax and social contribution assets are reviewed at the end of each reporting period and written down to the extent that their realization is no longer probable.

Income tax and social contribution expenses include current and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they are related to the business combination or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.

2.16 Employee benefits

The Company has several employee benefit plans, including pension plans (defined contributions), healthcare, dental care, and profit sharing.
Post-employment pension plans are characterized as a defined contribution plan, for which the Company has no legal obligation in the event that the plan does not have sufficient assets to pay the employees' vested benefits as a result of their past service.

Contributions to defined contribution pension plans are recognized as expenses when actually incurred, i.e. when the employees provide services to the Company (Note 17).

2.17 Other current and non-current assets and liabilities

These are carried at their realizable amounts (assets) and at known or estimated amounts plus incurred charges and monetary variations (liabilities) when applicable.

2.18 Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from the equity attributable to the Company's shareholders until the shares are canceled or reissued. Where these shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, should be included in the equity attributable to the Company's shareholders.

2.19 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's shareholders is recognized as a liability in the financial statements at the year-end based on the Company's bylaws. Any amount that exceeds the required minimum is only distributed on the date when it is approved by the Board of Directors' meeting.

The tax benefit of any interest on capital is recognized in the statement of income.

2.20 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value added tax and discounts. Taxes on sales are recognized when sales are billed and discounts are recognized when known.

(a) Sales of goods

Revenue from the sale of goods is recognized when the sales amount can be measured reliably, the Company no longer controls the goods sold or has any other responsibility related to the ownership of the goods, the costs incurred or to be incurred in relation to the transaction can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the Company has transferred to the buyer all of the risks and rewards of ownership of the goods. Freight on sales is recorded as selling expenses. Accrued warranty costs are recognized on the date when the goods are sold, based on management’s best estimate of the costs to be incurred for the provision of the warranty services.

(b) Finance income

Interest income is recognized on an accrual basis, using the effective interest method.

2.21 Provision

Provision for tax, labor and civil risks is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of this outflow can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of the relevant cash flow.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.23 Critical accounting estimates and judgments used in the preparation of the financial statements

The preparation of financial statements involves the use of estimates. The determination of these estimates took into consideration the experiences of past and current events, assumptions concerning future events, and other objective and subjective factors. Significant items which are subject to these estimates and assumptions include:

(a) Useful lives of long-lived assets.

(b) Impairment testing of long-lived assets.

(c) Inventories realization and obsolescence.

(d) Analysis of the credit risk to determine the allowance for doubtful accounts.

(e) The fair value measurement of financial instruments.

(f) Deferred income tax assets on tax losses carried forward and the analysis of other risks used to determine other provision, including contingencies arising from administrative and judicial proceedings, and the other assets and liabilities at the end of the reporting period.

(g) The valuation of the assets acquired and liabilities assumed in business combinations.
The actual results may differ from these estimates. These estimates and assumptions are periodically reviewed.

2.24 Standards, interpretations and amendments to accounting standards

(a) Standards, interpretations and amendments to existing standards effective as at December 31, 2014 and that did not have a material impact on the Company's financial statements

(i) CPC 01/IAS 36 - "Impairment of Assets"; (ii) CPC 38/IAS 39 - "Financial Instruments: Recognition and Measurement"; (iii) CPC 39/IAS 32 - "Financial Instruments: Presentation"; (iv) ICPC 19/International Financial Reporting Interpretaions Committee ("IFRIC") 21 - "Levies"; (v) OCPC 08 - "Recognition of Certain and Liabilities in General Purpose Financial Statements of Electric Power Distribution Companies ".

(b) New standards and interpretations of existing standards that are not yet effective

The following new standards were issued by the IASB but are not effective for 2014. The early adoption of these standards, even though encouraged by the IASB, is not permitted in Brazil by the CPC.

(i) IFRS 15 - "Revenue from Contracts with Customers"; (ii) IFRS 9 - "Financial Instruments"

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

c) Significant accounting assumptions - discontinued operations

On April 23, 2013, the Company's management approved the discontinuance of the activities of the subsidiary based in Italy, Romi Italia S.r.l. ("Romi Italy"), which was also the decision of that company's governance bodies.

Therefore, the assets of Romi Italy were classified as assets from discontinued operations in non-current assets, in the period from April 23, 2013 to September 18, 2013, the date of disposal of the discontinued assets and liabilities. For purposes of the financial statements for the year ended December 31, 2013, the remaining assets and liabilities were presented in their related line items in the balance sheet and profit for the year from discontinued operation, of the period above, was presented in a specific line item in the statement of income for 2013.

All amounts in thousands of Reais unless otherwise stated

3 Cash and cash equivalents

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash and banks	1,538	2,633	23,011	27,375
Bank Deposit Certificates ("CDBs") (a)	54,391	50,038	72,103	68,694
Short-term investments backed by debentures (a)	49,218	7,948	49,218	7,948
Short-term investments in foreign currency - US$ (Time deposit)		2,810		2,810
Other	1,023	405	1,248	405
Total	106,170	63,834	145,580	107,232

(a) These investments are substantially pegged to the Interbank Deposit Certificate ("CDI") interest rate.

4 Trade receivables

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current				
Domestic customers	59,549	90,914	59,549	91,334
Foreign customers	5,945	7,329	54,073	37,411
Allowance for doubtful accounts	(2,763)	(1,708)	(7,699)	(8,374)
	62,731	96,535	105,923	120,371
Non-current				
Domestic customers	8,241	10,334	8,241	10,334
Foreign customers	827	967	827	967
Allowance for doubtful accounts	(368)	(487)	(368)	(487)
	8,700	10,814	8,700	10,814

Trade receivables from customers are recorded at their amortized costs, which approximate their fair values.

All amounts in thousands of Reais unless otherwise stated

The balance of current trade receivables as at December 31, 2014 and 2013, Parent company and Consolidated, is distributed as follows:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Not yet due	47,933	80,460	85,671	100,134
Past due:				
One to 30 days	9,733	13,656	12,706	15,319
31 to 60 days	1,788	424	3,771	2,525
61 to 90 days	471	133	574	1,045
91 to 180 days	700	966	1,095	1,206
181 to 360 days	1,637	494	1,897	887
Over 360 days	3,232	2,110	7,908	7,629
	17,561	17,783	27,951	28,611
Total	65,494	98,243	113,622	128,745
Allowance for doubtful accounts	(2,763)	(1,708)	(7,699)	(8,374)
Total - current	62,731	96,535	105,923	120,371

The balance of non-current trade receivables as at December 31, 2014, Parent company and Consolidated, is distributed as follows:

	Parent company and Consolidated
Not yet due:	
2016	6,950
2017	1,370
2018	380
Total - non-current	8,700

All amounts in thousands of Reais unless otherwise stated

The changes in the allowance for doubtful accounts, Parent company and Consolidated, are as follows:

	Parent company		**Consolidated**	
	2014	**2013**	**2014**	**2013**
As at January 1	2,195	2,872	8,861	7,258
Additional allowance recorded	1,429	487	1,586	2,816
Receivables written off	(493)	(1,164)	(2,384)	(2,330)
Foreign exchange rate variations			4	1,117
As at December 31	3,131	2,195	8,067	8,861

The additions to and realization of the provision for impairment of receivables have been included in "General and administrative expenses".

The maximum exposure to credit risk as at the balance sheet date is equal to the carrying amount of each class of receivables mentioned above. The other receivables on the balance sheet date do not contain impaired assets.

5 Receivables - onward lending of FINAME manufacturer financing

	Parent company and Consolidated	
	December 31, 2014	**December 31, 2013**
Current		
FINAME not yet due	148,137	221,585
FINAME awaiting release (a)	1,347	2,285
FINAME past due (b)	37,308	32,297
	186,792	256,167
Allowance for doubtful accounts	(13,217)	(12,733)
	173,575	243,434
Non-current		
FINAME not yet due	128,614	185,188
FINAME awaiting release (a)	5,387	9,140
	134,001	194,328
Allowance for doubtful accounts	(1,762)	(3,616)
	132,239	190,712
Total	305,814	434,146

The item "Receivables - onward lending of FINAME manufacturing financing" refers to sales to customers financed by funds from the National Bank for Economic and Social Development ("BNDES") (Note 13). These receivables are carried at their amortized costs, which approximate their fair values.

FINAME manufacturer financing refers to funds specifically linked to sales transactions, with terms of up to 48 months, with the option of a grace period of up to six months and interest of between 2.5% and 6.5% per year, prefixed or increased by the Long-term Interest Rate ("TJLP"), in accordance with the terms defined by the BNDES at the time of the transaction. As part of the measures adopted by the federal government to foster investment and consumption, the Investment Support Program ("PSI") line of the BNDES that finances capital goods, investments and technology, which until December 31, 2014 was in effect with an interest rate of 4.5% and 6% per year, was extended to December 31, 2015, although with an interest rate of 7.5% and 9% per year, depending on the Company's revenue volume.

The financing terms are also based on the customer's characteristics. Funds are released by the BNDES by identifying the customer and the sale, as well as checking that the customer has fulfilled the terms of Circular 195 of July 28, 2006 issued by the BNDES, through a financial agent, with the formalization of a financing agreement in the name of the Company and consent of the customer to be financed. The amounts, periods and charges of the transaction are fully reflected in the amounts to be received by the Company from the bank mediating the agreement to which the Company is the debtor. The Company retains title to the financed equipment until the final settlement of the obligation by the customer.

The differences between onward lending of FINAME manufacturer financing receivables and payables include:

(a) FINAME transactions awaiting release: refers to FINAME manufacturer financing transactions which meet the specified terms and have been approved by all parties involved. The preparation of documentation, the issue of the sales invoice, and the delivery of the equipment to the customer have all taken place. The crediting of the related funds to the Company's account by the agent bank is pending at the end of the reporting period, in view of the normal operating terms of the agent.

(b) FINAME past due: refers to amounts receivable not settled by customers by their due dates. The Company records provision for possible losses on the realization of these balances, at the amount of the difference between the expected value of the sale of the collateral (machinery) recovered through the guarantee and the value of the receivable from the customer. In instances in which the machine guaranteed cannot be located, a full loss provision is made for balance of the receivable.

The machines seized as part of the implementation process are recorded at their book value, not exceeding their market value, under the category of “Other receivables”, pending a final court decision, following which they are repossessed and transferred to inventories. As at December 31, 2014, the balance of repossessed machinery, included under the caption “Other receivables”, Parent company and Consolidated, amounted to R$ 11,919 (R$ 15,105 as at December 31, 2013) in current assets and R$ 27,251 (R$ 35,311 as at December 31, 2013) in non-current assets.

All amounts in thousands of Reais unless otherwise stated

As at December 31, 2014 and 2013, the balances of "Receivables - onward lending of FINAME manufacturer financing", Parent company and Consolidated, were as follows:

	Parent company and Consolidated	
	December 31, 2014	**December 31, 2013**
Not yet due	149,484	223,870
Past due:		
One to 30 days	4,216	5,469
31 to 60 days	1,990	2,419
61 to 90 days	1,883	2,247
91 to 180 days	4,944	4,354
181 to 360 days	7,940	5,368
Over 360 days	16,335	12,440
	37,308	32,297
Total - current	186,792	256,167

The expected realization of the non-current receivables relating to the onward lending of FINAME manufacturer financing, Parent company and Consolidated, is as follows:

Not yet due:	
2016	78,609
2017	42,814
2018	12,510
2019 and thereafter	68
Total - non-current	134,001

The changes in the allowance for doubtful accounts, Parent company and Consolidated, are as follows:

	2014	**2013**
Opening balance	16,349	16,118
Allowance recorded (or written off) during the year	(1,370)	231
Closing balance	14,979	16,349

The additions to and realization of the provision for impairment of receivables have been included in "General and administrative expenses".

The maximum exposure to credit risk as at the balance sheet date is equal to the carrying amount of each class of receivables mentioned above.

All amounts in thousands of Reais unless otherwise stated

6 Inventories

	Parent company		Consolidated	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Finished products	38,349	40,916	65,832	62,163
Used machines	24,859	24,581	24,860	24,581
Work in progress	64,350	75,755	78,229	98,183
Raw materials and components	77,428	76,346	88,268	85,282
Imports in transit	825	3,228	825	3,857
Total	205,811	220,826	258,014	274,066

The inventories balances, Parent company and Consolidated, as at December 31, 2014 are net of the amounts of R$ 55,466 and R$ 55,689 respectively (R$ 55,540 Parent company and R$ 55,729 Consolidated respectively as at December 31, 2013) corresponding to the provision for slow-moving inventories with a remote probability of being realized through sale or use.

The changes in the provision to bring inventories to their net realizable value, Parent company and Consolidated, are as follows:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
As at January 1	55,540	46,282	55,729	46,400
Inventories sold or written off	(40,757)	(35,468)	(41,129)	(40,757)
Provision recorded or transfer of provision resulting from machines repossessed	40,683	44,726	41,089	44,726
As at December 31	55,466	55,540	55,689	55,729

All amounts in thousands of Reais unless otherwise stated

The changes in the provision for inventory losses by class of inventory are as follows:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Finished products	3,885	3,316	4,108	3,505
Used machines	24,002	25,201	24,002	25,201
Work in progress	9,285	10,545	9,285	10,545
Raw materials and components	18,293	16,478	18,293	16,478
Total	55,466	55,540	55,689	55,729

The cost of inventories recognized in the statement of income and included in "Cost of sales and services" amounted to R$ 278,031 (2013 - R$ 273,137), Parent company, and R$ 379,216 (2013 – R$ 391,933), Consolidated.

7 Investments in subsidiaries and associates

The following list shows the investments of the Company in its subsidiaries:

	Subsidiary	Country	Main activity
1.	Romi Itália S.r.l. ("Romi Italy")	Italy	Subsidiary of Indústrias Romi
1.1	Romi Machines UK Ltd.	United Kingdom	Sale of machinery for plastics and machine tools, spare parts and technical assistance
1.2	Romi France SAS	France	Sale of machinery for plastics and machine tools, spare parts and technical assistance
1.3	Metalmecanica Plast B. V.	The Netherlands	Company liquidated on December 12, 2014
1.4	Romi Máquinas España S.A.	Spain	Sale of machinery for plastics and machine tools, spare parts and technical assistance
2.	Romi Europa GmbH ("Romi Europe")	Germany	Distribution of machine tools, spare parts and technical assistance
2.1	Burkhardt + Weber Fertigungssysteme GmbH ("B+W")	Germany	Production and sale of large scale tooling machines with high technology, precision and productivity, as well as machinery for specialized applications
2.1.1	Riello Sistemi (Riello Shangai) Trade Co.,Ltd	China	Sale of machine tools produced by B+W and provision of services (spare parts and technical assistance)
2.1.2	Burkhardt + Weber / Romi (Shangai) Co., Ltda.	China	Sale of machine tools produced by B+W and provision of services (spare parts and technical assistance)
3.	Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor")	Brazil	Ventures and investments in general
4.	Romi Machine Tools, Ltd. ("Romi Machine Tools")	United States of America	Sale of machine tools, spare parts, technical assistance and cast and machined products in North America
5.	Interocean Comércio Importadora e Exportadora S.A. ("Interocean")	Brazil	Trading company, not operating during the periods presented
6.	Romi A.L. S.A. ("Romi A.L.") -	Uruguay	Sales representation for operations in the foreign market
7.	IRSA MÁQUINAS MÉXICO S. de R. L. de C.V.	Mexico	Sale of machinery for plastics and machine tools, spare parts and technical assistance

All amounts in thousands of Reais unless otherwise stated

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico	Total
								December 31, 2014
Investments:								
	(a)	(a)	6,191,156	3,000	78	13,028	1,188,000	
Number of shares held	100.0%	100.0%	93.1%	100.0%	100.0%	100.0%	100.0%	
Current assets	38.761	71.648	18,256	9,289	11	4,011	1,220	
Non-current assets	11.971	98.571	5,525	368	-	-	1	
Current liabilities	55.119	50.558	331	21,486	11	-	924	
Non-current liabilities	9.132	34.239	-	-	-	-	-	
Equity (net capital deficiency) of subsidiary	(13.525)	85.633	23,450	(11,831)	1	4,011	338	
Changes in investments:								
Opening balance as at December 31, 2014	(12.083)	82.363	22,669	(7,447)	5	3,229	68	88,804
Foreign exchange variations on foreign investments	103	(92)	-	(1,406)	-	469	60	(866)
Dividends proposed and paid (b)	-	-	(6,690)	-	-	-	-	(6,690)
Share of profits (losses) of subsidiaries	(1.545)	3.362	5,846	(2,978)	(4)	313	210	5,204
Equivalent value – closing balance	(13.525)	85.633	21,825	(11,831)	1	4,011	338	86,452
Investments in subsidiaries		85.633	21,825		1	4,011	338	111,808
Provision for net capital deficiency of subsidiary	(13.525)			(11,831)				(25,356)
Investments in associates								
30% interest in Riello Sistemi (Shangai) Trade Co.,Ltd acquired through a business combination.								2,329
Total investments in associates - consolidated								2,329

(a) The subsidiaries' capital is not divided into quotas or shares in their articles of organization.

(b) The Annual General Meeting of Shareholders of subsidiary Rominor, held on March 12, 2014, approved the distribution of dividends of R$ 3,335, from the profit reserve for 2013, of which R$ 3,104 relate to the Company's ownership. On October 23, 2014, the Board of Directors' meeting of the subsidiary Rominor approved the advance payment of dividends from the profits for the first half of 2014, amounting to R$ 3,852, of which R$ 3,568 relates to the Company's ownership, totaling R$ 6,690 in the year.

All amounts in thousands of Reais unless otherwise stated

December 31, 2013

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico	Total
Investments:								
Number of shares held	(a)	(a)	6,191,156	3,000,000	78,000	13,028,000	1,188,000	
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%	
Current assets	35,240	71,827	19,019	7,189	15	3,230	188	
Non-current assets	10,981	94,589	5,739	263	-	-	2	
Current liabilities	13,122	52,728	401	7,595	10	1	122	
Non-current liabilities	45,628	31,539	-	7,304	-	-	-	
Equity (net capital deficiency) of subsidiary	(12,083)	82,363	24,357	(7,447)	5	3,229	68	
Changes in investments:								
Opening balance as at December 31, 2014	12,891	66,718	23,412	(4,890)	8	2,546	26	100,711
Foreign exchange variations on foreign investments	(161)	12,400	-	(872)	-	281	17	11,665
Capital increase	-	-	-	-	-	-	48	48
Dividends proposed and paid (b)	-	-	(7,146)	-	-	-	-	(7,146)
Share of profits (losses) of subsidiaries	(276)	3,245	6,403	(1,685)	(3)	402	(23)	8,063
Share of profit (loss) of discontinued operation	(24,537)							(24,537)
Equivalent value – closing balance	(12,083)	82,363	22,669	(7,447)	5	3,229	68	88,804
Investments in subsidiaries		82,363	22,669		5	3,229	68	108,334
Provision for net capital deficiency of subsidiary	(12,083)			(7,447)				(19,530)
Investments in associates								
30% interest in Riello Sistemi (Shangai) Trade Co.,Ltd acquired through a business combination								2,327
Total investments in associates - consolidated								2.327

(a) The subsidiaries’ capital is not divided into quotas or shares in their articles of organization.
(b) The Annual General Meeting of shareholders of subsidiary Rominor, held on March 12, 2013, approved the distribution of dividends of R$ 4,134, from the profit reserve for 2012, of which R$ 3,848 relates to the Company's ownership. On July 23, 2013, the Board of Directors' meeting of the subsidiary Rominor approved the advance payment of dividends from the profits for the first half of 2013, amounting to R$ 3,544, of which R$ 3,298 relate to the Company’s ownership, totaling R$ 7,146 in the year.

All amounts in thousands of Reais unless otherwise stated

December 31, 2014

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico
Investments:							
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%
Profit before taxation	(1,545)	5,712	6,125	(2,977)	(4)	313	247
Income tax and social contribution expense	-	(2,350)	(279)	-	-	-	(37)
Profit (loss) for the year	(1,545)	3,362	5,846	(2,977)	(4)	313	210
Total comprehensive income							
Other comprehensive income	99	-	-	-	-	-	-
Total comprehensive income	(1,446)	3,362	5,846	(2,977)	(4)	313	210
Dividends paid to controlling interests	-	-	499	-	-	-	-
Dividends received from subsidiary	-	-	6,690	-	-	-	-

December 31, 2013

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico
Investments:							
Ownership interest	100.00%	100.00%	93.07%	100.00%	100.00%	100.00%	100.00%
Profit before taxation	(24,813)	5,254	8,179	(1,685)	(3)	402	(23)
Income tax and social contribution expense	-	(2,009)	(1,299)	-	-	-	-
Profit (loss) for the year from continuing operations	(276)	3,245	6,880	(1,685)	(3)	402	(23)
Profit (loss) for the year from discontinued operations	(24,537)	-	-	-	-	-	-
Total comprehensive income							
Other comprehensive income	(788)						
Total comprehensive income	(25,601)	3,245	6,880	(1,685)	(3)	402	(23)
Dividends paid to controlling interests	-	-	532	-	-	-	-
Dividends received from subsidiary	-	-	7,146	-	-	-	-

All amounts in thousands of Reais unless otherwise stated

8 Related party transactions

The balances and transactions with related parties as at December 31, 2014 and 2013 are as follows:

(i) Balances

	Receivables (current)		Loan receivables (non-current)		Total receivables		Payables (current)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Direct subsidiaries								
Romi Europe	2,994	1,385	1,350	1,350	4,344	2,735		55
Romi Italy		1,304	34,801	36,952	34,801	38,256		
Romi Machine Tools	12,121	7,431	8,281	7,305	20,402	14,736		71
Interocean			10	10	10	10		
Romi A.L.		108				108	410	353
Irsa Máquinas Mexico	1,189				1,189			
Rominor	3	3			3	3	122	122
Indirect subsidiaries								
B+W - Burkhardt+Weber							63	
Romi France S.A.S.	276	1,065			276	1,065		464
Romi Máquinas Espanã S A	173				173			
Romi Machines UK	10,644	4,011			10,644	4,011		
Total	27,400	15,307	44,442	45,617	71,842	60,924	595	1,065

All amounts in thousands of Reais unless otherwise stated

(ii) Transactions

	Sales revenue		Operating expenses		Finance income	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Direct subsidiaries						
Romi Europe	2.005	976	191	373	60	11
Rominor	5	3	333	1.000		
Romi Italy		4.538			1.549	215
Romi Machine Tools	1.583	4.781			662	85
Romi A.L.			115	172		
Romi Machines UK	2.090					
Romi Máqs Espãna	168					
Irsa Máquinas Mexico					8	
Total	5.851	10.298	639	1.545	2.271	311

The main balances and transactions with the aforementioned related parties refer to trading transactions between the Company and its subsidiaries.

In the Consolidated financial statements, receivables and payables refer to trading transactions between B+W and its associate Riello Shangai.

Loans receivable have predetermined maturities, are payable in the short and long terms and bear semi-annual LIBOR plus interest of 1% per annum and foreign exchange variations. The loan agreements between the Company and its subsidiaries are generally intended to increase working capital so as to provide financial support to these subsidiaries.

The subsidiary Rominor is the guarantor of some of the FINAME manufacturing financing transactions involving the Company, and the financing is collateralized by promissory notes and sureties (Note 13). The Company has seven buildings rented to its subsidiary Rominor, which are used by the sales branch operations in Brazil. These rentals were priced according to market practices.

The Company entered into trading transactions with certain subsidiaries for the supply and purchase of equipment, parts and pieces, and does not have material transactions with related parties other than of this nature. Decisions regarding transactions between the Company and its subsidiaries are made by management. Trade notes mature in the short term.

The Company provides administrative services, mainly accounting and legal services, to the Parent company Fênix Empreendimentos S.A. The revenue for 2014 was R$ 164 (2013 – R$ 155).

All amounts in thousands of Reais unless otherwise stated

The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor Office. Donations in 2014 totaled R$ 648 (2013 – R$ 646).

During 2014, the Company adopted the Policy for Transactions with Related Parties (available at www.romi.com) the main purpose of which is to ensure transparency and compliance with market practices in these transactions.

Management compensation for the years ended December 31, 2014 and 2013 was as follows:

	December 31, 2014	**December 31, 2013**
Fees and charges	5,656	5,500
Profit sharing	268	51
Private pension plan	283	402
Healthcare plan	108	92
Parent company	6,315	6,045
Fees and charges of subsidiaries	127	129
Consolidated	6,442	6,174

The amounts shown above comply with the limits established by the Board of Directors and approved at the Annual General Meeting of Shareholders held on March 18, 2014.

9 Investment property

During the year ended December 31, 2012 management decided, based on the completion of the property register review and regularization, as well as the perspectives of short and medium-term expansion of operations, to classify certain property as "Investment Property" for future rental income and capital appreciation. The amounts classified as investment property are R$ 14,211 (R$ 14,211 – as at December 31, 2013) in the Parent company and R$ 19,875 (R$ 19,989 – as at December 31, 2013) in the Consolidated.

The investment property is stated at historical cost, and for fair value disclosure purposes the Company contracted an independent expert, who applied a methodology accepted by the "Brazilian Institute of Engineering Appraisals" as well as recent transactions with similar property and assessed the fair value less cost to sell of this property at R$ 117,681 in the Parent company and R$ 159,140 in the Consolidated.

All amounts in thousands of Reais unless otherwise stated

10 Property, plant and equipment

Changes in property, plant and equipment in the Parent company and Consolidated financial statements are as follows:

									Parent company
	Land (a)	**Buildings and yards**	**Machinery and equipment**	**Furniture and fixtures**	**Vehicles**	**Information technology**	**Construction in progress**	**Advances**	**Total**
Cost of property, plant and equipment, gross									
Balance as at January 1, 2013	5,246	170,855	219,561	8,542	2,599	24,726	2,499	334	434,362
Additions		299	4,661	62		322	7,509	9,810	22,663
Disposals		(245)	(361)	(144)	(1)	(281)	(200)		(1,232)
Transfers		796	9,886	(45)		816	(4,063)	(7,399)	(9)
Balance as at December 31, 2013	5,246	171,705	233,747	8,415	2,598	25,583	5,745	2,745	455,784
Additions	-	546	13,228	65	196	397	10,458	-	24,891
Disposals	(237)	-	(1,974)	(93)	(89)	(15)	-	-	(2,408)
Transfers (a)	-	2,761	7,397	-	-	-	(8,137)	(2,021)	-
Balance as at December 31, 2014	5,009	175,012	252,399	8,387	2,705	25,966	8,066	724	478,267
Accumulated depreciation									
Balance as at January 1, 2013	-	50,043	134,084	6,214	2,105	18,009	-	-	210,455
Depreciation		8,731	16,266	476	217	2,787			28,477
Disposals		(8)	(117)	(134)	(1)	(275)			(535)
Transfers				(29)		29			-
Balance as at December 31, 2013	-	58,766	150,233	6,527	2,321	20,550	-	-	238,397
Depreciation		8,753	15,386	439	163	2,100			26,841
Disposals		-	(966)	(75)	(89)	(11)			(1,142)
Transfers		-	-	-	-	-			-
Balance as at December 31, 2014	-	67,519	164,652	6,891	2,395	22,639	-	-	264,096
Property, plant and equipment, net									
Balance as at January 1, 2013	5,246	120,812	85,477	2,328	494	6,717	2,499	334	223,907
Balance as at December 31, 2013	5,246	112,939	83,514	1,888	277	5,033	5,745	2,745	217,387
Balance as at December 31, 2014	5,009	107,493	87,746	1,496	310	3,327	8,066	724	214,171

All amounts in thousands of Reais unless otherwise stated

									Consolidated
	Land (a)	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Cost of property, plant and equipment, gross									
Balance as at January 1, 2013	19,921	189,014	227,896	11,458	3,083	26,167	6,740	332	484,611
Additions		11,817	9,249	346	75	507	3,015	3,048	28,057
Disposals	(305)	(972)	(391)	(149)	(82)	(295)	(200)	-	(2,394)
Transfers	2,040	796	3,124	(45)		816	(4,063)	(637)	2,031
Foreign exchange rate variations	4.657	11,642	941	4,175	181	1,233	253	2	23,084
Balance as at December 31, 2013	26,313	212,297	240,819	15,785	3,257	28,428	5,745	2,745	535,389
Additions	-	1,208	22,507	-	408	662	11,271	-	36,056
Disposals	(450)	(275)	(1,991)	-	(138)	(167)	(813)	-	(3,834)
Transfers (a)	-	2,761	7,556	(374)	-	-	(7,761)	(2,182)	-
Foreign exchange rate variations	(2)	19	3,062	(13)	14	(1)	2,466	(1)	5,544
Balance as at December 31, 2014	25,861	216,010	271,953	15,398	3,541	28,922	10,908	562	573,155
Accumulated depreciation									
Balance as at December 31, 2013	-	54,122	136,612	6,901	2,495	18,973	-	-	219,103
Additions		9,100	18,590	1,030	298	3,417			32,435
Disposals		314	(339)	(786)	(122)	(693)			(1,626)
Transfers		(622)							(622)
Foreign exchange rate variations		3,479	5,442	3,477	85	1,057			13,540
Balance as at December 31, 2013	-	66,393	160,305	10,622	2,756	22,754	-	-	262,830
Additions		9,854	19,278	(137)	236	2,346			31,577
Disposals		(94)	(982)	(667)	(137)	(176)			(2,056)
Transfers		-	-	-	-	-			-
Foreign exchange rate variations		37	2,405	(36)	1	(3)			2,404
Balance as at December 31, 2014	-	76,190	181,006	9,782	2,856	24,921	-	-	294,755
Property, plant and equipment, net									
Balance as at January 1, 2013	19,921	134,892	91,284	4,557	588	7,194	6,740	332	265,508
Balance as at December 31, 2013	26,313	145,904	80,514	5,163	501	5,674	5,745	2,745	272,559
Balance as at December 31, 2014	25,861	139,820	90,947	5,616	685	4,001	10,908	562	278,400

During the year ended December 31, 2014, the property, plant and equipment transferred to assets and classified as Investment property totaled R$ 14,211 in the Parent company financial statements (R$ 19,989 Consolidated) and refer to land intended to earn rentals and for capital appreciation (Note 9).

Due to the financing agreements with the BNDES for investments in property, plant and equipment, the Company pledged as collateral machinery and equipment amounting to R$ 39,947 as at December 31, 2014 (R$ 55,463 as at December 31, 2013). These items refer to land, facilities, machinery and equipment.

The Company depreciates property, plant and equipment items on a straight-line basis using the following depreciation rates: (i) buildings - 25 years; (ii) machinery and equipment – ten to fifteen years; (iii) furniture and fixtures – ten years; (iv) information technology – five years; (vii) vehicles – five years; (viii) yards – ten years.

During the year, the Company reviewed the recoverable amounts of long-lived assets and no impairment losses were identified.

Of the amount of R$ 26,841 (2013 - R$ 28,477) related to depreciation expense, R$ 20,771 (2013 - R$ 21,945) was recognized in the statement of income in "Cost of sales and services ", R$ 1,356 (2013 - R$ 1,243) in "Selling expenses", R$ 4,583 (2013 - R$ 5,129) in "General and administrative expenses" and R$ 130 (2013 - R$ 160) in “Research and development” - Parent company.

Of the amount of R$ 31,577 (2013 - R$ 32,435) related to depreciation expense, R$ 25,507 (2013 - R$ 26,837) was recognized in the statement of income in "Cost of sales and services ", R$ 1,356 (2013 - R$ 1,243) in "Selling expenses", R$ 4,583 (2013 - R$ 4,195) in "General and administrative expenses" and R$ 131 (2013 - R$ 160) in “Research and development” - Consolidated.

All amounts in thousands of Reais unless otherwise stated

11 Intangible assets

Changes in intangible assets are as follows:

	Parent company			Consolidated						
Gross cost	**Assignment of rights**	**Other**	**Total**	**Assignment of rights**	**Technology**	**Customer relationship**	**Portfolio of orders**	**Trademarks**	**Other**	**Total**
Balance as at January 1, 2013	6,407	4,312	10,719	6,407	13,001	13,172	2,343	13,982	4,692	53,597
Assets from the acquisition of investment, at fair value	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Foreign exchange rate variations	-	-	-	-	2,466	2,523	372	2,766	(380)	7,747
Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2013	6,407	4,312	10,719	6,407	15,467	15,695	2,715	16,748	4,312	61,344
Assets from the acquisition of investment, at fair value	-	-	-	-	-	-	-	-	-	-
Additions	-	91	91	-	-	-	-	-	91	91
Foreign exchange rate variations	-	-	-	-	102	103	-	215	-	420
Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	6,407	4,403	10,810	6,407	15,569	15,798	2,715	16,963	4,403	61,854
Accumulated amortization										
Balance as at January 1, 2013	3,054	1,496	4,550	3,134	794	616	1,655	-	1,905	8,104
Amortization	942	862	1,804	942	945	697	572	-	862	4,018
Foreign exchange rate variations	-	-	-	-	119	88	72	-	-	279
Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2013	3,996	2,358	6,354	4,076	1,858	1,401	2,299	-	2,767	12,401
Amortization	25	1,823	1,848	25	1,030	758	-	-	1,823	3,636
Foreign exchange rate variations	-	-	-	-	35	26	-	-	(409)	(348)
Disposals	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	4,021	4,181	8,202	4,101	2,923	2,185	2,299	-	4,181	15,689
Intangible assets, net										
Balance as at January 1, 2013	3,353	2,816	6,169	3,273	12,207	12,556	688	13,982	2,787	45,493
Balance as at December 31, 2013	2,411	1,954	4,365	2,331	13,609	14,294	416	16,748	1,545	48,943
Balance as at December 31, 2014	2,386	222	2,608	2,306	12,646	13,613	416	16,963	222	46,166

The Company amortizes intangible assets on a straight-line basis using the following finite useful lives: (i) assignment of rights – five years; (ii) technology – five years; (iii) customer relationships – five years; (iv) portfolio of orders – one year.

(a) Technology: refers to the know-how related to products and processes that are technologically feasible, which assure competitive advantages in relation to the product quality and efficiency.

(b) Portfolio of orders: refers to sales orders outstanding as at the acquisition date.

(c) Customer relationships: refers to contractual rights arising from: (i) the Company's practice in establishing contracts with its customers, (ii) the history of customer relationships, (iii) the high costs for the customer, in the event of a change of contract supplier, (iv) the likelihood of occurrence of new businesses in the future.

According to management's assessment, conducted with the support of its consultants, through the application of procedures for measuring the useful life of trademarks, it was concluded that the useful lives of the trademarks are indefinite and, therefore, the trademark will be assessed annually for impairment purposes, in accordance with the applicable accounting standards.

The amount of R$ 1,848 (2013 - R$ 1,804) related to amortization expense was recognized in the statement of income in “Research and development” - Parent company.

Of the amount of R$ 3,635 (2013 - R$ 4,018) related to depreciation expense, R$ 1,788 (2013 - R$ 2,214) was recognized in the statement of income in "Cost of sales and services" and R$ 1,847 (2013 - R$ 1,804) in “Research and development” - Consolidated.

All amounts in thousands of Reais unless otherwise stated

12 Borrowings

Changes in borrowings in the Parent company and Consolidated financial statements are as follows:

	Current		Non-current			Principal		
	2014	**2013**	**2014**	**2013**	**Maturity**	**amortization**	**Financial charges**	**Collateral**
Export financing (a)	52,040	173	63,790	52,040	12/15/2017	Bullet payment	Rates of 5.5% to 8% per year	Promissory note and surety of the subsidiary Rominor
Investment Support Program - BNDES PSI (b)	9,809	-	15,707	8,351	6/15/2020	Quarterly	Rates of 3.00%, 3.50% and TJLP + 3.77% per year	Collateral transfers of machinery and mortgages of buildings and land
Property, plant and equipment - local currency	17,794	24,551	26,026	43,820	11/16/2017	Monthly	TJLP + interest of 1.36% to 1.63% per year	Collateral transfers of machinery and mortgages of buildings and land
Sundry FINAME	10,666	5,006	4,766	24,327	1/15/2024	Monthly / Quarterly	Rates of 3.00% to 6.00% per year	Collateral transfer of financed machinery/surety of Rominor/promissory notes
Working capital (c)	4,681	10,995	2,441	6,329	7/15/2015	Mensal	TJLP + Interest of 3.10% per year	Surety of the subsidiary Rominor
Import financing (FINIMP) (d)	3,392	8,918	-	-	04/09/2015	Bullet payment	Interest of 1.10% per year + Foreign exchange rate variations	No collateral
Finep URTJ-01	821	-	16,826	-	5/15/2019	Monthly	TJLP + 5.00% per year - Less 6.00%	Bank guarantee
Refinanced drafts - local and other currencies	1,513	1,619	162	837	7/23/2016	Semiannual	LIBOR + interest of 1.00% per year + 5.40% flat	Customer pledge contract
Parent company	**100,716**	**51,262**	**129,718**	**135,704**				
Other	3,092	2,907	2,661	207				
Burkhardt + Weber (B+W) - Administrative office construction financing - € (e)	1,108	-	11,026	12,793	6/30/2027	Quarterly	2.40% per year	Property, plant and equipment (building)
Consolidated	**104,916**	**54,169**	**143,405**	**148,704**				

(a) In June 2012 , December 2013 and July, November and December 2014, the Company received R$ 52,040, R$ 8,351, R$ 19,006, R$ 19,268 and R$ 17,165, respectively, through a financing agreement entered into with BNDES, under the Investment Support Program - BNDES PSI, to be settled in a bullet payment in June 2015, December 2016 and July, November and December 2017, bearing fixed interest of 5.5% to 8% per year, payable quarterly over the agreement term. The Company undertakes to export, by the agreement settlement date, an amount equivalent to US$ 65,215. This borrowing is secured by its subsidiary Rominor. If the export is not completed by the deadline, the Company will be liable for a contractual fine of 10% of the unpaid amount. The Company expects to meet the export requirements set out in the financing agreement. There are no clauses stipulating compliance with financial indicators.

(b) In June 2013 the Company's officers were authorized to contract a financing from BNDES amounting to R$ 27,762, divided into four sub-loans, with the purposes of development of new products, production of domestic prototypes, purchase of domestic machinery, and expansion of the mills' production capacity, with rates of 3.0%, 3.5% and TJLP + 3.77%, grace period of 18 to 24 months, and payment term of 6 to 60 months. This agreement contained the following covenants related to compliance with contractual obligations:

(i) Capitalization Ratio: (Consolidated Equity/Consolidated Total Assets) higher than or equal to 0.30
(ii) Profit Sharing Ratio: (Dividends + Interest on Capital/Profit for the Year) limited to 0.25

(c) On June 28, 2012, the Company signed a Credit Facility Agreement up to the limit of R$ 20 million ("credit") to be provided with funds from FINAME or the BNDES. This credit is intended solely for working capital financing. The principal and interest will be settled within 24 months, after a grace period of 12 months, with the first payment on August 15, 2013. Financial charges correspond to the TJLP plus a spread of 3.1% per year. When TJLP exceeds 6% per year, the difference will be capitalized and required together with the payment of the installments of the principal. This borrowing is secured by its subsidiary Rominor. There are no clauses stipulating compliance with financial indicators.

(d) In 2014 the Company entered into an Import Financing Agreement ("FINIMP") amounting to R$ 2,822, equivalent to US$ 1,285 thousand, restated by the U.S. Dollar exchange variations (April 2014), with maturity in 2015, bearing financial charges equivalent to the LIBOR rate plus spread (1.0985% + exchange variations). There are no guarantees for this financing or clauses requiring compliance with financial indicators.

(e) On July 5, 2012, Burkhardt + Weber entered into a Financing Agreement with Commerzbank in Reutlingen (Germany) in the amount of R$ 9,361 (equivalent to € 3.6 million) , which is supported by KfW Bank (Kredit-anstalt für Wiederaufbau), with quarterly installments beginning on September 30, 2014 and ending on June 30, 2027 (15 years). The amount released is intended solely for the construction of the research and development facilities and support activities such as supplies and sales. The financing has a grace period of 24 months and fixed interest of 2.4% per year, due quarterly, including during the grace period. There are no clauses stipulating compliance with financial indicators.

All amounts in thousands of Reais unless otherwise stated

The maturities of financing recorded in non-current liabilities as at December 31, in the Parent company and Consolidated financial statements were as follows:

	Parent company	Consolidated
2016	37,776	38,903
2017	73,086	74,361
2018	9,253	10,316
2019	6,372	14,820
2020 and thereafter	3,231	5,005
Total	129,718	143,405

13 FINAME manufacturer financing

	Parent company and Consolidated	
	December 31, 2014	December 31, 2013
Current		
FINAME manufacturer financing	133,024	210,429
Non-current		
FINAME manufacturer financing	117,053	172,274
Total	250,077	382,703

The agreements related to FINAME manufacturer financing are guaranteed by promissory notes and sureties, and the main guarantor is the subsidiary Rominor. The balances are directly related to the balances of "Receivables - onward lending of FINAME manufacturer financing" (Note 5), considering that the loans are directly linked to sales to specific customers. The contractual terms related to the amounts, charges and periods financed under the Program are fully passed on to the financed customers, and the monthly payments by the customers are fully used for the repayment of the related financing agreements. The Company, therefore, acts as an agent for the financing, but remains the main debtor in these transactions.

All amounts in thousands of Reais unless otherwise stated

The balances of the line item “FINAME manufacturer financing” and, consequently, of the line item “Receivables - onward lending of FINAME manufacturer financing” as at December 31, 2014 and December 31, 2013, were adjusted for inflation through the end of the reporting period. The difference of R$ 55,737 between these line items as at December 31, 2014 (R$ 51,443 as at December 31, 2013) refers to past-due trade notes, renegotiations in progress, and FINAME transactions not yet disbursed by the agent bank. Management understands that there are no risks to the realization of these receivables since the amounts are collateralized by the financed machinery.

The non-current maturities of the FINAME manufacturer financing as at December 31, 2014, Parent company and Consolidated, are as follows:

2016	67,513
2017	38,350
2018	11,190
Total	117,053

The fair value of the FINAME manufacturing financing equals the carrying amount, as the impact of discounting is not significant.

14 Provision for tax, labor and civil risks

The management of the Company and its subsidiaries, based on the opinion of legal counsel, classified the lawsuits according to the risk of loss, as follows:

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Tax	49,139	48,135	49,139	48,135
Civil	1,140	1,673	1,381	1,673
Labor	2,905	1,866	3,002	1,866
(-) Judicial deposits	(45,288)	(40,288)	(45,288)	(40,288)
Total	7,896	11,386	8,234	11,386
Current liabilities	3,797	3,557	4,135	3,557
Non-current liabilities	4,099	7,829	4,099	7,829
	7,896	11,386	8,234	11,386

All amounts in thousands of Reais unless otherwise stated

The management of the Company and its subsidiaries, based on the opinion of its legal counsel, classified the tax, civil and labor lawsuits, involving risks of loss classified by management as possible, for which no provision was recognized as follows:

	December 31, 2014	December 31, 2013
Tax		
ICMS on the activation of machinery	166	158
Social security contributions - Cooperatives	2,357	2,042
Offsetting of IRPJ - 2002 and 2003	1,267	1,267
Civil		
Losses and damages	3,545	3,543
Labor	1,611	1,109
Total	8,946	8,119

For lawsuits classified as probable losses, management recognized a provision for losses. The changes in the provision in the year ended December 31, 2014 are as follows:

	December 31, 2013	Additions	Utilizations/ reversals	Inflation adjustment	December 31, 2014
Tax	48,135	4,947	(4,153)	210	49,139
Civil	1,673	401	(1,119)	185	1,140
Labor	1,866	2,038	(1,424)	425	2,905
(-) Judicial deposits	(40,288)	(5,000)	-	-	(45,288)
Total Parent company	11,386	2,386	(6,696)	820	7,896
Lawsuits in subsidiaries	-	338	-	-	338
Total Consolidated	11,386	2,724	(6,696)	820	8,234

As at December 31, 2014, the main lawsuits, which were classified by management as probable losses based on the opinion of legal counsel and, therefore, included in the provision for risks, were as follows:

(a) Tax lawsuits

Refer to the provision for:

(i) Social Integration Program ("PIS") and Social Contributions on Revenues ("COFINS") related to State Value Added Tax ("ICMS") on sales, which amounted to R$ 8,040 (2013 - R$ 7,190) and R$ 37,032 (2013 - R$ 33,116), respectively.

(ii) National Institute of Social Security ("INSS") contributions on services provided by cooperatives, amounting to R$ 2,862 (2013 - R$ 2,548).

(iii) The other tax lawsuits total R$ 1,205 (2013 - R$ 5,281).

(b) Civil lawsuits

These refer mainly to civil lawsuits in which the Company is the defendant related mainly to the following claims: (i) revision/rescission of contracts; (ii) indemnities; and (iii) annulment of protest of notes with losses and damages, among others.

(c) Labor lawsuits

The Company has recorded a provision for contingencies for labor lawsuits in which it is the defendant, for which the main types of claim are as follows: (i) additional overtime due to reduction of the lunch break; (ii) health hazard premium/hazardous duty premium; (iii) stability prior to retirement; (iv) indemnities for occupational accident/disease; and (v) joint liability of outsourced companies, among others.

The tax, civil and labor lawsuits assessed as possible losses involve matters similar to those above. The Company’s management believes that the outcomes of ongoing lawsuits will not result in disbursements higher than those recognized in the provision. The amounts involved do not qualify as legal obligations.

(d) Judicial deposits

The Company has judicial deposits amounting to R$ 46,689 (2013 – R$ 41,753), of which R$ 45,218 (2013 - R$ 40,288) refers to PIS and COFINS levied on ICMS on sales, as mentioned in item (a) (i) and the other deposits are of a different nature and classified in non-current assets.

15 Income tax and social contribution

Income tax is calculated at the rate of 15% on the taxable profits plus a 10% surcharge on taxable profit exceeding R$240, and social contribution is calculated at the rate of 9% on taxable profits. The subsidiary Rominor pays income tax and social contribution on a presumed profit basis.

The table below shows a reconciliation of the tax effect on the Parent company's profit before income tax and social contribution by applying the prevailing tax rates as at December 31, 2014 and 2013:

All amounts in thousands of Reais unless otherwise stated

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Profit before income tax and social contribution	8,559	30,725	12,331	34,510
Standard rates (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution income (expense) at standard rates	(2,910)	(10,447)	(4,193)	(11,733)
Reconciliation with the effective rate:				
Share of the profits (losses) of subsidiaries and provision for the net capital deficiency of subsidiary	1,770	2,741	-	-
Deferred income tax and social contribution of subsidiaries	-	-	(1,401)	(1,091)
Research and development	348	3,455	348	3,455
Interest on capital	110	-	110	-
Management profit sharing	(91)	(17)	(91)	(17)
Other additions (deductions), net (a)	(551)	(556)	566	1,256
Current and deferred income tax and social contribution income (expense)	(1,324)	(4,823)	(4,661)	(8,131)

(a) The amounts in the Consolidated financial statements refer basically to the differences in the calculation of income tax and social contribution between the actual taxable profit and presumed profit basis, due to the fact that the subsidiary Rominor is a taxpayer on a presumed profit basis during the reporting periods, and due to the non-recognition of deferred taxes on the tax losses of foreign subsidiaries.

The breakdown of income tax and social contribution income (expense) is as follows:

	Parent company		Consolidated	
	2014	2013	2014	2013
Current	1,486	(3,306)	(1,946)	(4,438)
Deferred	(2,810)	(1,517)	(2,715)	(3,693)
Total	(1,324)	(4,823)	(4,661)	(8,131)

All amounts in thousands of Reais unless otherwise stated

	2014				2013			
	Temporary differences	**Income tax**	**Social contribution**	**Total**	**Temporary differences**	**Income tax**	**Social contributionl**	**Total**
Assets (i)								
Inventories - provision for losses	55,467	13,857	4,992	18,849	55,540	13,876	4,999	18,875
Repossession of machinery	23,378	5,840	2,104	7,944	31,900	7,970	2,871	10,841
Tax loss	17,465	3,379	1,572	4,951	20,907	3,379	1,882	5,261
Investments	1,850	462	166	628	1,481	370	133	503
Discount to present value - trade receivables and trade payables	890	222	80	302	1,076	269	97	366
Provision for tax, labor and civil risks	52,509	13,118	669	13,787	51,674	12,911	1,024	13,935
Contingent commissions	248	61	22	83	128	31	12	43
Management profit sharing	575	-	52	52	373	-	34	34
Other temporary differences in assets	5,501	1,388	495	1,883	5,990	1,496	536	2,032
Deferred income tax and social contribution assets – parent company	**157,883**	**38,327**	**10,152**	**48,479**	**169,069**	**40,302**	**11,588**	**51,890**
Liabilitieso (ii):								
Temporarily non-deductible differences in liabilities:								
Write-off of subsidiary Rominor's negative goodwill	4,563	1,025	378	1,403	4,563	1,025	378	1,403
Deferred income tax and social contribution, net - parent company	**153,320**	**37,302**	**9,774**	**47,076**	**164,506**	**39,277**	**11,210**	**50,487**
Assets - consolidated:								
Other temporary differences in assets of subsidiaries	153	38	14	52				
Deferred income tax and social contribution, net - consolidated	**153,473**	**37,340**	**9,788**	**47,128**	**164,506**	**39,277**	**11,210**	**50,487**
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	6,864	1,713	8,577	19,029	6,864	1,713	8,577
Goodwill on the acquisition of Burkhardt + Weber (B+W)	53,528	16,839	-	16,839	54,288	17,400	-	17,400
Deferred income tax and social contribution liabilities – consolidated								
Deferred income tax and social contributon liabilities - consolidated	**72,557**	**23,703**	**1,713**	**25,416**	**73,317**	**24,264**	**1,713**	**25,977**

All amounts in thousands of Reais unless otherwise stated

(i) The recorded deferred tax assets are limited to the amounts for which the utilization is supported by future taxable profit projections, based on management's best judgment and expectations. Future taxable profit projections include estimates related to the performance of the Brazilian and global economies, the selection of foreign exchange rates, sales volumes and prices, tax rates, etc., which may differ from the actual amounts. As the income tax and social contribution results depend not only on the taxable profits, but also on the Company's and its Brazilian and foreign subsidiaries' tax and corporate structure, the expected realization of temporarily non-deductible differences, the existence of non-taxable income, non-deductible expenses, and several other variables, there is no direct correlation between the Company's and its subsidiaries' profit and the actual income tax and social contribution payable. Accordingly, changes in the realization of temporarily non-deductible differences should not be considered indicative of future earnings of the Company and its subsidiaries.

(ii) Income tax and social contribution liabilities refer to the write-off of negative goodwill, recognized in accordance with the accounting practices adopted in Brazil, arising on the acquisitions of the subsidiaries Rominor and Sandretto Italy, as part of the adoption of CPCs. Taxes payable on gains arising from the write-off of negative goodwill will be recognized in profit or loss when the negative goodwill is realized, which will occur when the investment is sold or liquidated.

As at December 31, 2014, the expected realization of deferred income tax and social contribution, recorded in non-current assets, Parent company and Consolidated, was as follows:

	Consolidated	
	2014	**2013**
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	2,513	7,431
Deferred tax assets to be recovered after more than 12 months	50,894	44,459
	48,531	51,890
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	(581)	(421)
Deferred tax liabilities to be settled after more than 12 months	(23,106)	(26,959)
	(26,819)	(27,380)

All amounts in thousands of Reais unless otherwise stated

Breakdown of and changes in deferred income tax and social contribution:

	Asset		Liability
	Parent company	**Consolidated**	**Consolidated**
As at January 1, 2014	50,487	50,487	25,977
Changes in the year:			
Additions	2,199	1,749	-
Realization	(5,610)	(3,804)	(715)
Foreign exchange rate variations		(1,304)	154
As at December 31, 2014	47,076	47,128	25,416

16 Equity

Share capital

As at December 31, 2014 and 2013, the Company's subscribed and paid-up capital amounting to R$ 489,973 was represented by 71,757,647 book-entry, registered common shares, without par value, all with the same rights and benefits.

Legal reserve

As required by Article 193 of Law 6,404/76, the balance of the line item "Legal reserve" is equivalent to 5% of profit for the year, limited to 20% of the share capital.

Share buyback

At the meeting held on July 29, 2014, the Company's Board of Directors approved the Program to buy back the Company's common shares ("Program"), to be held in treasury for subsequent cancelation or sale, without capital reduction, in accordance with its bylaws, CVM Instructions 10/80 and 268/97 and other legal provisions in force.

The Company's goal with the Program is to maximize value for its shareholders through the investment of part of its financial resources available within the total amount of the earnings and capital reserves. Under the Program, which was completed on December 31, 2014, 3,000,000 Company common shares were acquired for the total price of R$ 10,349, with an average price per share of R$3.45. The shares acquired during the Program will be held in treasury for subsequent sale or cancelation.

All amounts in thousands of Reais unless otherwise stated

Common shares issued	**December 31, 2014**
Shares as at December 31, 2013	71,757,647
Treasury shares	3,000,000
Outstanding shares	68,757,647

Dividends

The Company's bylaws provide for the payment of a minimum dividend of 25% of profit for the year adjusted as set forth by the Corporate Law. Management's proposal for the distribution of dividends and the recognition of profit reserves submitted to the Annual Shareholders' Meeting is as follows:

	2014	**2013**
Adjusted profit for the year	7,235	1,365
(-) Recognition of legal reserves	(362)	(68)
Profits available for distribution	6,873	1,297
Mandatory dividends – 25%	(1,718)	(322)
Recognition of profit reserve	5,155	975

Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of outstanding common shares during the year, excluding common shares purchased by the Company and held as treasury shares.

	December 31, 2014	**December 31, 2013**
Profit (loss) for the year attributable to the controlling shareholders – Continuing Operations	7,235	25,902
Profit (loss) for the year attributable to the controlling shareholders – Discontinued Operations	-	(24,537)
Weighted average number of shares outstanding (in thousands)	71,217	71,758
Basic and diluted earnings (losses) per share from Continuing Operations – in R$	0.10	0.36
Basic and diluted earnings (losses) per share from Discontinued Operations – in R$		(0.34)

Basic and diluted earnings (losses) per share are the same, since the Company does not have any instruments diluting the earnings (losses) per share.

Cumulative translation adjustments

The Company recognizes in this line item the cumulative effect of the translation of the financial statements of its subsidiaries that use a functional currency different from the Parent company's functional currency. In the statement of changes in equity, the balance sheet and the statement of comprehensive income, this amount is allocated to "Other comprehensive income".

This cumulative effect is reversed to the income statement as a gain or loss only in the event of a disposal or write-off of the investment.

17 Pension plan

The Company has a defined contribution pension plan managed by an authorized pension plan entity, effective since October 1, 2000, for all its employees and management, which is referred to as "Plano Gerador de Benefício Livre – PGBL", classified as a defined contribution plan.
The nature of the plan allows the Company, at any time and at its sole and exclusive discretion, to suspend or permanently discontinue its contributions to the plan.

The plan is funded by the Company and its participants, according to the type of benefit for which they are eligible.
The amount of contributions made by the Company in the year ended December 31, 2014 was R$ 3,376 (R$ 2,406 as at December 31, 2013). The amount incurred on the private pension plan was recorded in the statements for the years ended December 31, 2014 and 2013 under the line items "Cost of sales and services", "Selling expenses" and "General and administrative expenses", based on the reference cost center of each employee.

18 Insurance (unaudited)

The insured amounts are determined and contracted on a technical basis and are considered sufficient to cover potential losses arising from permanent assets and inventories.

As at December 31, 2014, the insurance coverage for fire, windstorm, electrical damages and theft was comprised as follows: (i) buildings - R$135,711; (ii) machinery and equipment - R$316,308; (iii) inventories - R$ 280,058; (iv) construction works - R$1,030.

19 Financial instruments and operating risks

(a) General considerations

The Company enters into transactions with financial instruments whose risks are managed by means of financial position strategies and risk exposure limits. All transactions are recognized in the accounting records and restricted to the instruments listed below:

- Cash and cash equivalents: carried at amortized cost plus income earned through the end of the reporting period, which approximate their fair values.
- Trade receivables and receivables – onward lending of FINAME manufacturer financing: commented on and presented in Notes 5 and 6.
- Borrowing and FINAME manufacturer financing: commented on and presented in Notes 13 and 14.

The Company believes that the other financial instruments, such as payables for the acquisition of subsidiaries and related parties, which are recognized in the financial statements at their carrying amounts, are substantially similar to those would have been obtained if they were traded in the market. However, as there is no active market for these instruments, there may be differences if the Company decides to settle them in advance.

(b) Risk factors that may affect the Company's business

Commodity price risk: related to the possibility of fluctuations in the prices of the products sold by the Company, or of the raw materials and other inputs used in its production process. Sales revenue and principally the cost of sales and services affected by changes in the international prices of products or raw materials may change. In order to minimize this risk, the Company constantly monitors price fluctuations in the domestic and foreign markets.

Interest rate risk: arises from the possibility of the Company incurring losses (or earning gains) due to fluctuations in the interest rates charged on the Company's assets or liabilities obtained in the market. In order to mitigate the possible impact resulting from interest rate fluctuations, the Company has a diversification policy, alternating between fixed rates and floating rates (such as LIBOR and CDI), and periodically renegotiates its contracts to adjust them to the market.

Exchange rate risk: arises from the possibility of fluctuations in exchange rates affecting finance costs or income and the liability or asset balances of contracts denominated in a foreign currency. In addition to trade receivables arising from exports from Brazil and investments abroad, which form a natural hedge against currency fluctuations, the Company assesses its exchange exposure.

The Company has financial instruments pegged to the U.S. Dollar and the Euro. The instruments exposed to exchange fluctuations are represented by trade receivables, direct investments, import and export financing, trade payables and loan agreements with subsidiaries located in the United States of America and in Europe.

Credit risk: arises from the possibility of the Company and its subsidiaries not receiving amounts generated by sales transactions or receivables from financial institutions generated by financial investments.

Quality of credit: due to its customer portfolio and the fact that these customers do not have a risk rating granted by rating agencies, the Company and its subsidiaries adopt as policy a detailed analysis of the financial situation of its customers, the establishment of a credit limit and the ongoing monitoring of its debt balance. In addition, collateral is required from customers for all FINAME manufacturer financing transactions. No credit limit was exceeded during the year, and management does not expect any loss as a result of the defaults of these counterparties higher than the amounts already accrued.

In relation to financial investments, the Company carries out transactions only with financial institutions with low credit risk. Additionally, each financial institution has a maximum investment balance limit, determined by the Company’s management.

Liquidity risk: the Company’s debt and cash management policy provides for the use of credit facilities, whether or not backed by export receivables, to manage the appropriate levels of short-, medium- and long-term liquidity. The maturity dates of the non-current portions of the borrowings are presented in Notes 13 and 14.

The table below divides the Company's financial liabilities into the relevant maturity groupings based on the remaining period to maturity as at the balance sheet date. The amounts disclosed in the table represent the contractual undiscounted cash flow. The balances due within 12 months are equal to the balances to be carried forward as the impact of discounting is not significant.

All amounts in thousands of Reais unless otherwise stated

				Consolidated
	Less than one year	**Between one and two years**	**Between two and five years**	**Over five years**
As at December 31, 2014				
Borrowings	104,916	101,669	12,782	1,125
Trade payables	30,992			
As at December 31, 2013				
Borrowings	54,169	114,931	16,148	17,625
Trade payables	43,392			

Risk related to FINAME manufacturer financing transactions: liabilities related to FINAME manufacturer transactions are backed by the balances of the line item "Receivables - onward lending of FINAME manufacturer financing". In turn, the equipment related to these receivables is sold with the Company's retention of title registered at the notary's office in order to reduce the risk of loss.

Capital management risk: the Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure, including its debt-to-equity ratio, net of cash and cash equivalents, observing the approval levels and indebtedness limits established and approved by the Board of Directors, as follows. These limits are periodically reviewed by the Board of Directors.

	Parent company		**Consolidated**	
	2014	**2013**	**2014**	**2013**
Total borrowings	480,511	569,669	498,398	585,576
(-) Cash and cash equivalents (Note 5)	(106,170)	(63,834)	(145,580)	(107,232)
FINAME manufacturer financing (Note 6)	(305,814)	(434,146)	(305,814)	(434,146)
Net debt	68,527	71,689	47,004	44,198
Total equity	642,537	648,235	644,161	649,923
Total capital	711,064	719,924	691,165	694,121
Gearing ratio - %	10%	10%	7%	6%

All amounts in thousands of Reais unless otherwise stated

Additional sensitivity analysis required by the Brazilian Securities Commission ("CVM")

(i) Exchange rate fluctuations

Exchange rate fluctuations may positively or adversely affect the financial statements due to an increase or decrease in the balances of trade payables to suppliers of imported components, in trade receivables from export customers, and in borrowings and financing denominated in foreign currency.

As at December 31, 2014, the foreign currency denominated balances were subject to changes in foreign exchange rates. Assets and liabilities exposed to exchange rate fluctuations recognized in the balance sheet are as follows:

	Parent company
Cash and cash equivalents	976
Trade receivables	6,390
Receivables from related parties	71,654
Payables to related parties	(410)
Trade payables	(2,645)
Other payables	(2,271)
Net asset exposure	73,694

Presented below is the loss that would have been recognized in profit (loss) for the year ended December 31, 2014 according to the following scenarios:

			Parent company
	Probable scenario	Scenario II	Scenario III
Net asset exposure	68,404	85,505	128,257

The probable scenario considers future U.S. Dollar and Euro rates, based on quotations obtained from the Brazilian Central Bank. Scenarios II and III project an increase in exchange rates of 25% and 50%, respectively. The probable scenarios, II and III, are being presented in conformity with CVM Instruction 475/08. Management uses the probable scenario in the assessment of possible changes in exchange rates and presents such scenario in compliance with IFRS 7 - Financial Instruments: Disclosure.

(ii) Interest rate fluctuations

Financial income from financial investments and the financial expenses on borrowings are impacted by changes in interest rates, such as the TJLP and the CDI.

As at December 31, 2014, three scenarios covering an increase or decrease in interest rates were estimated. The exposure to interest rate risk of the transactions linked to the CDI and TJLP variation is as follows:

All amounts in thousands of Reais unless otherwise stated

	Parent company	Consolidated
CDBs (Note 4)	54,391	72,103
Total borrowings and financing linked to TJLP	(61,467)	(61,467)
Net asset (liability) exposure	(7,076)	10,636

The sensitivity analysis considers the exposure of borrowings and financing linked to TJPL, net of financial investments, indexed to CDI.

The tables below show the incremental gain (loss) that would have been recognized in profit (loss) for the year ended December 31, 2014 according to the following scenarios:

			Parent company
	Probable scenario	Scenario II	Scenario III
Net asset exposure	3.347	4.184	5.021

			Consolidated
	Probable scenario	Scenario II	Scenario III
Net liability exposure	5,538	6,923	8,308

The probable scenario considers the future interest rates according to quotations obtained from BM&FBOVESPA. Scenarios II and III consider an increase in interest rates of 25% and 50%, respectively.
As the FINAME manufacturer financing is specifically linked to sales transactions payable to the Company, but whose interest rates, under the FINAME manufacturer system rules, are fully passed on to customers, the Company understands that there is no financial impact on profits arising from fluctuations in this financing interest rate.

(c) Financial instruments per category

The main financial assets and liabilities, Parent company and Consolidated, are shown below:

All amounts in thousands of Reais unless otherwise stated

	Carrying amount		Fair value	
	2014	**2013**	**2014**	**2013**
Financial assets				
Loans and receivables:				
Cash and cash equivalents	145,580	107,232	145,580	107,232
Trade receivables - current	105,923	120,371	105,923	120,371
Receivables - onward lending of FINAME manufacturer financing	173,575	243,434	173,575	243,434
Trade receivables - non-current	8,700	10,814	8,700	10,814
Receivables – onward lending of FINAME manufacturer financing - non-current	132,239	190,712	132,239	190,712
Judicial deposits	1,471	1,465	1,471	1,465
Financial liabilities				
Other financial liabilities				
Borrowings - current	104,916	54,169	104,916	54,169
Borrowings - non-current	143,405	148,704	143,405	148,704
FINAME manufacturer financing- current	133,024	210,429	133,024	210,429
FINAME manufacturer financing - non-current	117,053	172,274	117,053	172,274
Trade payables - current	30,992	43,392	30,992	43,392
Other payables – current	14,989	9,269	14,989	9,269
Other payables - non-current	350	823	350	823

All amounts in thousands of Reais unless otherwise stated

20 Segment reporting - Consolidated

To manage its business, the Company is organized into three business units, on which the Company's segmented reporting is based. The main segments are: machine tools, plastic injectors and cast and machined products. The segment reporting for the years ended December 31, 2014 and 2013 - Consolidated is as follows:

					December 31, 2014
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	453,799	97,194	97,618		648,611
Cost of sales and services	(304,853)	(55,778)	(120,553)		(481,184)
Transfers remitted	5,942	-	20,407	(26,349)	-
Transfers received	(16,691)	(9,635)	(23)	26,349	-
Gross profit (loss)	138,197	31,781	(2,551)	-	167,427
Operating income (expenses):					
Selling expenses	(50,988)	(17,807)	(3,943)		(72,738)
General and administrative	(45,939)	(10,850)	(7,004)		(63,793)
Research and development	(14,018)	(5,806)	-		(19,824)
Management fees	(4,288)	(1,022)	(1,132)		(6,442)
Other operating income, net	4,771	182	-		4,953
Operating profit (loss) before finance income (costs)	27,735	(3,522)	(14,630)	-	9,583
Inventories	184,453	48,558	25,003		258,014
Depreciation and amortization	20,478	2,686	12,048		35,212
Property, plant and equipment, net	170,555	6,950	100,895		278,400
Intangible assets	45,610	556	-		46,166

	Europa	América do Norte	América Latina	Ásia	Total
Net operating revenue per geographical region	116,569	13,652	474,538	43,852	648,611

All amounts in thousands of Reais unless otherwise stated

					December 31, 2013
	Machine tools	**Plastic injection machines**	**Cast and machined products**	**Eliminations between segments**	**Consolidated**
Net operating revenue	475,725	81,159	110,539		667,423
Cost of sales and services	(306,618)	(44,294)	(123,239)		(474,151)
Transfers remitted	8,634	-	20,865	(29,499)	-
Transfers received	(17,006)	(8,798)	(3,695)	29,499	-
Gross profit	160,735	28,068	4,470	-	193,272
Operating income (expenses):					-
Selling expenses	(50,148)	(18,051)	(3,804)		(72,003)
General and administrative	(48,881)	(9,547)	(8,078)		(66,506)
Research and development	(13,136)	(5,930)	-		(19,066)
Management fees	(4,372)	(784)	(1,018)		(6,174)
Other operating income (expenses), net	754	-	-		754
Operating profit (loss) before finance income (costs)	44,952	(6,245)	(8,430)	-	30,277
Inventories	203,737	52,625	17,704		274,066
Depreciation and amortization	21,367	2,345	12,340		36,052
Property, plant and equipment, net	176,213	5,723	90,623		272,559
Intangible assets	44,582	4,361	-		48,943

	Europa	**América do Norte**	**América Latina**	**Ásia**	**Total**
Net operating revenue per geographical region	91,065	9,570	534,375	32,413	667,423

All amounts in thousands of Reais unless otherwise stated

21 Future commitments

On June 15, 2014, the Company and Centrais Elétricas Cachoeira Dourada S.A. - CDSA, belonging to Endesa, decided to amend the contact for the supply of electricity entered into on May 1, 2007, in order to contract the volume of electricity according to the current needs of the Company. As a result, the supply of electricity has been extended for another four years, up to December 31, 2018, and reflects the following commitments which will be adjusted annually by the General Market Price Index ("IGPM").

Year of supply	Amount
2015	8,879
2016	9,152
2017	9,699
2018	7,607
Total	35,336

The Company's management believes that this agreement is compatible with the electricity requirements for the contracted period.

22 Net sales revenue

Net sales revenue for the years ended December 31, 2014 and 2013 is broken down as follows:

	Parent company		Consolidated	
	2014	2013	2014	2013
Domestic market	558,742	619,299	559,164	611,148
Foreign market	37,495	36,022	197,939	172,072
Gross sales revenue	596,237	655,321	757,103	783,220
(-) Taxes on sales	(102,644)	(113,383)	(108,492)	(115,797)
Net sales revenue	493,593	541,938	648,611	667,423

All amounts in thousands of Reais unless otherwise stated

23 Expenses by nature

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Depreciation and amortization	28,687	30,280	35,212	36,051
Personnel expenses	148,894	148,255	209,531	199,392
Raw materials and consumables	217,552	226,955	305,537	301,537
Freight	26,954	25,859	22,692	22,617
Other expenses	72,141	91,868	71,776	78,303
Total	494,228	523,217	644,748	637,900
Classified as:				
Cost of sales and services	374,135	393,636	481,184	474,151
Selling expenses	53,748	56,487	72,738	72,003
General and administrative expenses	39,439	48,038	63,793	66,506
Research and development	19,824	19,011	19,824	19,066
Management profit sharing and fees	6,315	6,045	6,442	6,174
Total	494,228	523,217	644,748	637,900

24 Finance income (costs)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Finance income:				
Income from financial investments	5,473	4,343	7,381	5,767
Interest on trade receivables	6,774	7,263	6,774	7,688
Reimbursement CPFL (b)	-	1,580	-	1,580
Other	250	389	248	12
Total	12,497	13,575	14,403	15,047
Finance costs:				
Interest on financing	(11,546)	(13,513)	(12,611)	(14,321)
Other	(336)	(256)	(336)	(372)
	(11,882)	(13,769)	(12,947)	(14,693)

(a) In 2013 the Company received a favorable decision regarding its claim to receive reimbursement for the improper collection of an increase in the electricity rate for CPFL in 1986.

All amounts in thousands of Reais unless otherwise stated

25 Other operating income, net

	Parent company		Consolidated	
	2014	2013	2014	2013
Reversal (provision) for losses Eletrobrás	(306)	341	(306)	341
Gains on sales of assets	1,592	207	3,429	207
Other	(62)	(275)	1,830	206
	1,224	273	4,953	754

* * *

INDÚSTRIAS ROMI S.A.

MANAGEMENT REPORT - 2014

Dear Sirs:

We submit to examination of the shareholders, customers, suppliers, Capital Markets and Society in General, the Management Report and the Financial Statements of Industrias Romi SA ("Romi" or the "Company"), for the fiscal year ended 31 December 2014, together with the Independent Auditors' Report.

The year 2014 presented a slowdown of the economic activity and, mainly of the Brazilian industry, due to the uncertainties surrounding the market since its beginning. This scenario, combined with the consistent increase in interest rates and events such as the World Cup and the presidential election, contributed to the scenario of volatility and lack of confidence negatively impacted the level of investments over the year.

In Brazil, from January to December 2014, industrial production decreased 3.2% over the same period in 2013, according to the Brazilian Institute of Geography and Statistics - IBGE, which also show that the production of the capital goods sector yielded, compared to the same period, 9.6% contraction. The machinery and equipment consumption (sum of sales of domestic and imported machinery and equipment) in Brazil fell 15.0% in 2014 in comparison with 2013, according to data from the Brazilian Machinery and Equipment Industry Association (ABIMAQ).

1. OPERATIONAL PERFORMANCE

Net Operating Revenue

The Net operating revenue in 2014 was R$ 648.6 million, 2.8% less than 2013. The domestic market was responsible for 69.5% of this amount. Revenue from the foreign market, which considers sales by Romi subsidiaries' abroad (Mexico, United States, United Kingdom, France, Germany and Spain and B + W) was US $ 83.0 million, 12.8 % higher than that achieved in 2013.

As at December 31, 2014, the order backlog totaled R$ 280.6 million, 9.3% down from the volume at the end of 4Q13 and 2.3% up from the volume at the end of 3Q14, showing the challenges to be faced in the next quarters, either to adjust the operation to such production level or to look for new markets that demand Romi products.

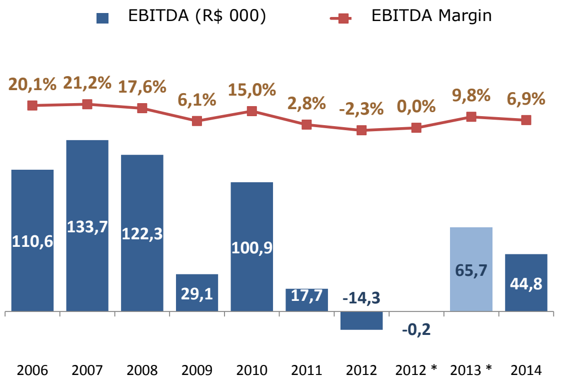
In 2014, the order backlog was R$ 692.2 million, 13.1% less than in 2013.

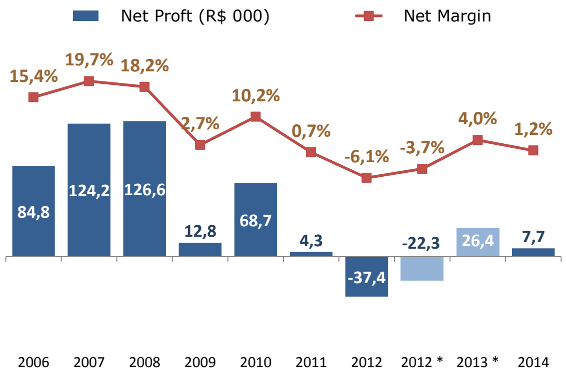
Margins

In 2014, gross margin was 25.8%, 3.1 percentage points inferior than 2013. The machinery segment was impacted by the mix of machine tools, which had a greater share of products with lower sophistication level, whose margins are generally lower than of others due to the characteristics of such equipment and by recurring expenses from the operational structure optimization intended to make the Company more flexible and, consequently, more competitive. Regarding the Cast Iron Parts business, it has suffered the direct negative impact of the decreased production in the automotive-commercial (trucks) and agricultural segments.

Net Profit

The Net Profit in 2014 reached R$ 7.7 million.





*The values presented in 2012 and 2013 excluded the results obtained by Romi Italia, the Italian subsidiary of the Company, whose voluntary liquidation began on April 23, 3013.

2. INVESTMENTS

Throughout the year 2014 R$ 36.1 million was invested, being intended, in part, for the maintenance, productivity and modernization of the industrial park, according to the investment plan for 2014.

3. EXTERNAL AUDIT

In accordance with CVM Instruction 381/03, the Company announced that in the fiscal year ended December 31, 2013, there was no performing of any services other than the audit of the financial statements, provided by PricewaterhouseCoopers Auditores Independentes.

4. ARBITRATION

Romi's shares are listed on the Novo Mercado of BM&FBovespa, a differentiated listing segment that includes companies which spontaneously stand out by adopting the highest standards of corporate governance. Consequently, the Company is subject to the Market Arbitration Chamber (established by BM&FBOVESPA). Thus its shareholders, officers and members of the Fiscal Council resolve to resolve through arbitration any dispute or controversy that may arise between them, related to or arising from, in particular, the validity, effectiveness, interpretation, violation and its effects of the provisions of the Corporation Law, in its Bylaws, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities Commission, as well as other rules applicable to the operation of the capital markets in general, beyond those contained in the Listing Rules of the Novo Mercado, the Participation Agreement, the Novo Mercado and the Rules of Market Arbitration.

Management

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

CNPJ (National Register of Legal Entities) Nº 56.720.428/0001-63
NIRE (Company Registration Identification Number) 35.300.036.751
BM&FBOVESPA Ticker Symbol: ROMI3

FISCAL COUNCIL OPINION

In accordance with relevant legal and statutory provisions, the Fiscal Council of Indústrias Romi S.A., having examined the information submitted and having received the clarifications provided by the Executive Officers and the Independent Auditors, declared that: (i) Management Report, the Financial Statements and the Proposal for Allocation of Income and Distribution of Dividends for the year ended December 31, 2014, as well the Capital Budget for the year 2014, are appropriated to be submitted to the General Shareholders' Meeting, and (ii) the proposal for changing the shareholders capital and authorized capital, are appropriated to be submitted to the General Shareholders' Meeting

Santa Bárbara d'Oeste, February 9th, 2015

Alfredo Ferreira Marques Filho

Andre Ribeiro de Aquino Figueiredo Melo

Maria José Fernandes Cerqueira de Almeida

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

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EXECUTIVE BOARD REPORT ON THE FINANCIAL STATEMENTS

The Board of Directors mentioned below, declare to have prepared, reviewed and discussed the financial statements and nothing has come to our attention that causes us to believe that any further comment besides those already described in the explanatory information of the financial statements are necessary.

Santa Bárbara d'Oeste, February 10th, 2015

Livaldo Aguiar dos Santos – Chief Executive Officer

William dos Reis - Vice - Executive Officer

Fábio Barbanti Taiar - Executive Officer

Luiz Cassiano Rando Rosolen - Executive Officer

Francisco Vita Júnior - Executive Officer

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

CNPJ (National Register of Legal Entities) Nº 56.720.428/0001-63
NIRE (Company Registration Identification Number) 35.300.036.751
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EXECUTIVE BOARD REPORT ON THE INDEPENDENT AUDITOR'S REPORT

The Board of Directors mentioned below, declares that to have reviewed, discussed and agreed with the opinions in the Independent Auditor's Report.

Santa Bárbara d'Oeste, February 10th, 2014

Livaldo Aguiar dos Santos – Chief Executive Officer

William dos Reis - Vice - Executive Officer

Fábio Barbanti Taiar - Executive Officer

Luiz Cassiano Rando Rosolen - Executive Officer

Francisco Vita Júnior - Executive Officer