(A free translation of the original in Portuguese)

Indústrias Romi S.A.

Parent Company and Consolidated
Financial statements at December, 31 2017
And independent auditor's report

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Independent auditor's report on individual and consolidated financial statements

The Board of Directors and Shareholders of
Indústrias Romi S.A.
Santa Bárbara d'Oeste - SP

Qualified opinion

We have audited the accompanying individual and consolidated financial statements of Romi S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2017 and the statement of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" section of our report, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Indústrias Romi S.A. as at December 31, 2017, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for qualified opinion

Reversal of provision for ICMS tax on sales included in the PIS and COFINS calculation bases

As disclosed in Note 14, as at December 31, 2017, the Company recorded in its Provision for tax, labor and civil contingencies the amount of R$ 53,736 thousand related to the effect of the exclusion of State VAT (ICMS) from the Contribution Tax on Gross Revenue for Social Integration Program (PIS) and the Contribution Tax on Gross Revenue for Social Security Financing (COFINS) bases, which were not collected from November 2006 to December 2017 but were deposited in court in that period. In a high-profile decision handed down by the Federal Supreme Court (STF) on March 15, 2017, the STF understood that the ICMS tax is not to be included in the PIS and COFINS contribution tax bases.Accordingly, based on the guidelines set down in CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, we understand that it is no longer probable that an outflow of resources that incorporate future economic benefits will be necessary to settle this obligation and, therefore, this provision should have been reversed at the statement of financial position date. As a consequence, at December 31, 2017, the amount of individual and consolidated noncurrent assets and total assets are understated by R$ 81,320 thousand, whilst individual and consolidated equity at December 31, 2017 and individual and consolidated net income for the year then ended are understated by R$ 53,671 thousand, net of tax effects.

We conducted our audit in accordance with Brazilian and International standards on auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Company management is responsible for such other information, including the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is significantly inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise seems to contain material misstatements. If, based on our work, we conclude that there are material misstatements in the Management Report, we are required to communicate this matter.

As described in the "Basis for qualified opinion" above, the provision recorded by the Company referring to a lawsuit challenging the constitutionality of the inclusion of ICMS on sales in the PIS and COFINS bases does not meet the criteria for recognition of the provision, in accordance with accounting standards adopted in Brazil and IFRS. The maintenance of that provision significantly affects the presentation of the Company's individual and consolidated financial statements. We conclude that the other information presents material misstatement for the same reason in respect of the amounts and other aspects described in the "Basis for qualified opinion" section of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the overall individual and consolidated financial statements, and in forming our opinion on the individual and consolidated financial statements. Therefore, we did not express a separate opinion on these matters. In addition to the matter described in the "Basis for qualified opinion" section, we have determined that the matters described below are the key audit matters to be disclosed in our report. For each matter below, a description of how our audit has addressed the matter, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section, including those relating to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

Deferred income tax asset

The Company and its subsidiaries recognized deferred income and social contribution tax assets on temporary differences, income (IRPJ) and social contribution tax (CSLL) losses as detailed in Note 15. At December 31, 2017, the amount of deferred tax assets, net corresponded to R$ 49,426 thousand in the Parent and R$ 49,426 thousand in the Consolidated. The Company recognizes these deferred taxes to the extent that there is taxable profit in the future.

This matter was deemed to be one of the key audit matters due to subjectivity and judgment calls in the estimation of future taxable profit, which considers projections of future results prepared and grounded on internal assumptions and future economic scenarios.

As part of our auditing procedures, we engaged our valuation experts to assist us in analyzing the projections of results and future realization of these deferred tax assets; we engaged our tax experts to assist us in analyzing the calculation of deferred tax assets; we performed tests of the controls implemented by the Company on deferred tax assets, including controls on the analysis of the realization of such taxes; we analyzed the projections for the realization of deferred taxes prepared by Management, which mainly included: i) test of projected financial information used; ii) comparison of the assumptions and methodologies used in the respective industry, competitors and economic and economic and financial scenario of the national and international environment, and iii) analysis of the use of valuation method and external information. This information derives from the Company's business plan approved by those charged with governance.

In addition, we assessed the disclosures in the financial statements in respect of deferred tax assets.

Based on the results of the audit procedures performed on the recognition, measurement and recoverability of deferred income tax assets through the availability of future taxable profits, which is consistent with management's assessment, we consider that the criteria and assumptions of the recoverable amount of the deferred income tax assets adopted by management, as well as the respective disclosures in Note 15 are acceptable in regard to the financial statements taken as a whole.

Recoverability of property, plant and equipment

The Company and its subsidiaries have significant property, plant and equipment, as detailed in Note 10. At December 31, 2017, these amounts corresponded to R$ 190,852 thousand (Parent) and R$ 257,939 thousand (Consolidated). The Company recognizes and maintains these recorded assets to the extent that there are indications that they are fully recoverable over the useful life based on the discounted future cash flows. Management evaluated the recoverability of these assets through the preparation of future cash flow projections for the three identified Cash Generating Units (CGU). Management used subjective assumptions and judgments upon calculating the projections for each of their CGUs. We have thus made significant auditing efforts in the analysis of the units' cash generation projections.

Our auditing procedures included, among others, the use of valuation experts to assist us in assessing the assumptions and methodologies used by the Company, particularly those related to the projections of future cash flows and the process by which they are prepared. We tested the main assumptions that served as a basis for them, such as volumes and sales prices, performance expectations of Brazilian and international economy as well as exchange rates.

In addition, we assessed the disclosures in the financial statements in respect of the recoverability of property, plant and equipment.

Based on the results of the audit procedures performed on the recoverability assets, which is consistent with management's assessment, we consider that the criteria and assumptions of the recoverable amount of the respective asset items, as well as the related disclosures in Notes 2.8 and 10 are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2017, prepared under the responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purpose of forming our opinion, we evaluate whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

Audit of corresponding figures

The individual and consolidated financial statements of the Company for the year ended December 31, 2016 were examined by another independent auditor who issued their report on February 7, 2017 with an unmodified opinion on these financial statements.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the overall individual and consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of the audit conducted in accordance with Brazilian and International standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control relevant to the audit 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 internal control of Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt as to the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, of the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Campinas, February 6, 2018

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP034519/O-6

Luís Alexandre Marini
Accountant CRC-1SP182975/O-5

INDÚSTRIAS ROMI S.A.

BALANCE SHEET

In thousands of reais unless otherwise stated

ASSETS	Note	Parent December 31, 2017	Parent December 31, 2016	Consolidated December 31, 2017	Consolidated December 31, 2016
CURRENT					
Cash and cash equivalents	3	66,634	60,671	102,510	101,510
Financial investments	3	16,842	20,831	16,842	20,831
Trade accounts receivable	4	70,359	60,227	120,303	94,216
Onlending of FINAME manufacturer financing	5	88,114	102,356	88,114	102,356
Inventories	6	162,517	182,215	241,891	264,587
Related parties	8	42,052	36,566	-	-
Taxes recoverable		7,119	21,980	11,780	24,402
Other receivables		8,594	12,852	10,753	14,541
		462,231	497,698	592,193	622,443
NON-CURRENT					
Trade accounts receivable	4	11,310	11,996	11,310	11,996
Onlending of FINAME manufacturer financing	5	79,819	67,323	79,819	67,323
Taxes recoverable		778	777	778	777
Deferred income tax and social contribution	15	49,426	56,232	49,426	57,984
Judicial deposits	14	2,057	2,115	2,057	2,115
Other receivables		10,835	8,806	11,125	9,065
		154,225	147,249	154,515	149,260
Investment in subsidiary and associated companies	7	137,727	122,505	-	-
Property, plant and equipment	10	190,852	193,721	257,939	252,033
Investment properties	9	13,500	13,227	18,602	17,538
Intangible assets	11	1,124	758	52,174	42,846
		497,428	477,460	483,230	461,677
TOTAL ASSETS		959,659	975,158	1,075,423	1,084,120

LIABILITIES	Note	Parent December 31, 2017	Parent December 31, 2016	Consolidated December 31, 2017	Consolidated December 31, 2016
CURRENT					
Borrowings	12	71,246	96,221	74,170	99,435
FINAME manufacturer financing	13	55,463	67,177	55,463	67,177
Trade accounts payable		27,405	28,165	33,802	34,482
Payroll and related taxes		20,484	15,548	28,148	19,013
Taxes payable		4,918	1,172	5,896	2,596
Advances from customers		12,755	8,318	56,512	53,787
Profit sharing		1,551	158	1,551	158
Dividends and interests on capital		8,335	-	8,335	-
Other payables		5,802	5,713	16,649	14,241
Related parties	8	778	758	-	-
Provision for net capital deficiency - subsidiary	7	664	-	-	-
		209,401	223,230	280,526	290,889
NON-CURRENT					
Borrowings	12	34,748	87,761	47,066	100,338
FINAME manufacturer financing	13	72,770	62,953	72,770	62,953
Taxes payable		-	539	-	539
Provision for tax, labor and divil risks	14	768	713	1,561	1,920
Other payables		3	-	115	96
Deferred income tax and social contribution	15	-	-	29,885	25,853
		108,289	151,966	151,397	191,699
TOTAL LIABILITIES		317,690	375,196	431,923	482,588
EQUITY					
Capital	16	492,025	492,025	492,025	492,025
Profit reserve	16	118,960	90,243	118,960	90,243
Cumulative translation adjustments	16	30,984	17,694	30,984	17,694
		641,969	599,962	641,969	599,962
NON CONTROLLING INTEREST		-	-	1,531	1,570
TOTAL EQUITY		641,969	599,962	643,500	601,532
TOTAL LIBILITIES AND EQUITY		959,659	975,158	1,075,423	1,084,120

The accompanying notes are na integral part of these Interim financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF INCOME
YEARS ENDED DECEMBER 31
In thousands of reais unless otherwise stated

	Note	Parent		Consolidated	
		2017	**2016**	**2017**	**2016**
Net Operating revenue	22	468,502	445,097	672,873	586,917
Cost of sales and services	6	(340,111)	(370,025)	(483,236)	(469,921)
Gross profit		128,391	75,072	189,637	116,996
Operation income (expenses)					
Selling	23	(39,339)	(46,751)	(67,736)	(72,846)
General and administrative	23	(26,941)	(34,129)	(52,143)	(64,592)
Research and development	23	(16,772)	(19,492)	(16,772)	(19,492)
Management profit sharing and fees	8	(6,718)	(5,134)	(6,815)	(5,230)
Equity in subsidiaries	7	5,710	(14,690)	-	-
Other operating income, net	25	3,179	1,249	5,094	730
		(80,881)	(118,947)	(138,372)	(161,430)
Operating profit (loss)		47,510	(43,875)	51,265	(44,434)
Financial income (expenses)					
Financial income	24	13,805	17,630	15,822	20,773
Financial expenses	24	(12,926)	(15,999)	(14,840)	(19,458)
Foreign exchange gains, net	24	3,102	(5,013)	2,846	(5,098)
		3,981	(3,382)	3,828	(3,783)
Profit (loss) before taxation		51,491	(47,257)	55,093	(48,217)
Income tax and social contribution		(13,829)	7,562	(17,139)	8,748
Profit (loss) for the year		37,662	(39,695)	37,954	(39,469)
Attributable to:					
Controlling interests				37,662	(39,695)
Non-controlling interests				292	226
				37,954	(39,469)
Basic and diluted earnings (loss) per share (R$)	16	0.60	(0.63)		

The accompanying notes are na integral part of these Interim financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF INCOME
YEARS ENDED DECEMBER 31
In thousands of reais unless otherwise stated

	Parent		Consolidated	
	2017	2016	2017	2016
Profit (loss) for the year	37,662	(39,695)	37,954	(39,469)
Foreign currency translation effects	13,290	(25,357)	13,290	(25,357)
Comprehensive profit (loss) for the year	50,952	(65,052)	51,244	(64,826)
Attributable to:				
Controlling interests			50,952	(65,052)
Non-controlling interests			292	226
			51,244	(64,826)

The accompanying notes are na integral part of these Interim financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER
In thousands of reais unless otherwise stated

	Attributable to the controlling interests									
			Profit reserve			Other	Profit			
		Theasury	Reitaned	Legal		comprehensive	(loss)		Non-controlling	
	Capital	shares	earning	reserve	Total	income	for the year	Total	interests	Total
At December 31, 2015	**492,025**	**(5,078)**	**98,966**	**41,755**	**140,721**	**43,051**	**-**	**670,719**	**2,276**	**672,995**
Profit (loss) for the year	-	-	-	-	-	-	(39,695)	(39,695)	226	(39,469)
Foreign currency translation effects	-	-	-	-	-	(25,357)	-	(25,357)		(25,357)
Total comprehensive income for the year	-	-	-	-	-	(25,357)	(39,695)	(65,052)	226	(64,826)
Purcharse of theasury shares	-	(5,705)	-	-	-	-	-	(5,705)	-	(5,705)
Cancellation of theasury shares	-	10,783	(10,783)	-	(10,783)	-	-	-	-	-
Absorption of the loss for the year	-	-	(39,695)	-	(39,695)	-	39,695	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	-	(932)	(932)
Total contribuitions by and distribuitions to controlling interests		5,078	(50,478)	-	(50,478)		39,695	(5,705)	(932)	(6,637)
At December, 2016	**492,025**	**-**	**48,488**	**41,755**	**90,243**	**17,694**	**-**	**599,962**	**1,570**	**601,532**
Profit for the year	-	-	-	-	-	-	37,662	37,662	292	37,954
Foreign currency translation effects	-	-	-	-	-	13,290	-	13,290	-	13,290
Total comprehensive income for the year	-	-	-	-	-	13,290	37,662	50,952	292	51,244
Proposed dividends	-	-	-	-	-	-	-	-	(331)	(331)
Mandatory dividends	-	-	-	-	-	-	(8,945)	(8,945)	-	(8,945)
Transfers between reserves	-	-	26,834	1,883	28,717	-	(28,717)	-	-	-
Total contribuitions by and distribuitions to controlling interests	-	-	26,834	1,883	28,717		(37,662)	(8,945)	(331)	(9,276)
At December, 2017	**492,025**	**-**	**75,322**	**43,638**	**118,960**	**30,984**	**-**	**641,969**	**1,531**	**643,500**

The accompanying notes are na integral part of these Interim financial statements

INDÚSTRIAS ROMI S.A.

STATMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31
In thousand of reais unless othewise stated

	Parent		Consolidated	
	2017	**2016**	**2017**	**2016**
Cash flows operating activities				
Profit (loss) before taxation	**51,491**	**(47,257)**	**55,093**	**(48,217)**
Adjustments from:				
Finance expenses (revenue) and exchange rate	4,785	17,249	(3,944)	10,102
Depreciation and amortization	23,675	27,375	30,255	34,385
Allowance for doubtful accounts and for other receivbable	(630)	(513)	(2,638)	(2,515)
Provision for inventory losses	(9,184)	(11,395)	(11,190)	(14,579)
Cost of property, plant and equipment and disposals of intangible assets	(4,106)	(58)	(5,151)	729
Equity in subsidiaries	(5,710)	14,690	-	-
Provision for contingent liabilities	1,695	4,347	1,169	4,756
Changes in operationg assets and liabilities				
Financial investiments	3,989	(17,838)	3,989	(17,838)
Trade accounts receivable	(1,617)	(9,811)	(15,564)	24,318
Related parties (assets and liabilities)	(5,560)	(2,439)	-	-
Onlendinf of Finame manufacturer financing	6,708	51,537	6,708	51,537
Inventories	28,882	21,776	33,887	17,779
Taxes receivables	7,840	(2,319)	21,179	(10,368)
Judicial deposits	(2,776)	(1,537)	(2,776)	186
Others credits	9,065	12,747	8,564	12,763
Trade accounts payables	(1,167)	8,711	(1,087)	6,958
Payroll and related taxes	5,757	(1,389)	9,956	(1,102)
Taxes payable	3,914	(972)	(8,918)	(825)
Advances from costumers	4,437	(3,296)	2,725	15,936
Others payable	522	(6,543)	2,851	(15,614)
Cash provided by operations	122,010	53,065	125,108	68,391
Income tax and social contribuition paid	(1,317)	-	(2,038)	(1,049)
Cash provied by operating activities	120,693	53,065	123,070	67,342
Cash flow investments activities				
Purcharse of property, plant and equipment	(22,317)	(23,201)	(29,432)	(24,993)
Intangible increase	(652)	(59)	(5,747)	(333)
Disposal of property, plant and equipment	5,630	2,237	7,981	2,237
Dividends received	4,442	12,543	-	-
Capital increase	-	(50)	-	-
Net cash used by investments activities	(12,897)	(8,530)	(27,198)	(23,089)
Cash flow from financing activities				
Interests on capital and dividends paid	-	(1,483)	(331)	(2,415)
Purcharse of theasury shares	-	(5,705)	-	(5,705)
New borrowing	14,038	28,451	14,112	40,151
Financing payment	(93,814)	(40,148)	-	(50,794)
Interests paid	(10,962)	(12,863)	(96,644)	(14,243)
New Finame - manufacturer financing	66,975	41,513	66,975	41,513
Payment of Finame - manufacturer financing	(70,122)	(86,433)	(70,122)	(86,433)
Interests paid Finance - manufacturer financing	(7,948)	(6,783)	(7,948)	(6,783)
Net cash used in financing activities	(101,833)	(83,451)	(93,958)	(84,709)
Increase (decrease) in cash and cash equivalents	5,963	(38,916)	1,914	(40,456)
Cash and cash equivalents at the beggining of the year	60,671	99,587	101,510	141,588
Foreign exchanges losses of cash equivalents of foreign subsidiaries	-	-	(914)	378
Cash and cash equivalents at the end of the year	66,634	60,671	102,510	101,510

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

INDÚSTRIAS ROMI S.A.

STATEMENT OF VALUE ADDED
PERIOD ENDED DECEMBER 31
In thousand of reais unless othewise stated

	Parent		Consolidated	
	2017	**2016**	**2017**	**2016**
Revenues				
Sales of products and services	546,356	507,761	750,788	649,845
Allowance for doubtful accounts and for the other receivables	(1,064)	544	(1,064)	(14,530)
Others operating revenues, net	3,179	-	5,094	-
	548,471	508,305	754,818	635,315
Inputs acquired from third parties				
Materials used	(273,403)	(225,898)	(361,692)	(267,128)
Others costs of products and services	(23,358)	(42,457)	(37,584)	(51,290)
Eletricty, third parties services and other expenses	(28,102)	(35,530)	(37,315)	(40,205)
	(324,863)	(303,885)	(436,591)	(358,623)
Gross value added	223,608	204,420	318,227	276,692
Depreciation and amortization	(23,675)	(27,374)	(30,255)	(34,385)
Net value added generated by the Company	199,933	177,046	287,972	242,307
Value added received through transfers				
Equity in the earnings of subsidiaries	5,710	(14,690)	-	-
Finance income (loss) and net foreign exchange gains	16,905	(3,381)	18,668	(3,783)
Total value added to distribute	222,548	158,975	306,640	238,524
Distribution of value added				
Employees				
Payroll and related changes	110,795	125,616	189,316	200,218
Sales commision	4,248	4,506	4,248	4,506
Managment profit sharing and fees	6,718	5,134	6,812	5,228
Participation in results	5,649	-	5,649	-
Pension plans	685	152	685	152
Taxes	41,635	43,771	42,715	44,939
Interests	12,926	15,999	14,840	19,458
Rentals	2,230	3,492	4,421	3,492
Interest on own capital already distributed	5,029	-	5,029	-
Declared and not yet distributed dividends	3,916	-	3,916	-
Non-controling interests	-	-	292	226
Profit (loss) for the year	28,717	(39,695)	28,717	(39,695)
Value added distributed	222,548	158,975	306,640	238,524

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

1 General information

Indústrias Romi S.A. (Parent), listed on the "New Market" of B3 S.A. - Brasil, Bolsa, Balcão) since March 23, 2007, and headquartered in Santa Bárbara d' Oeste, São Paulo, and its subsidiaries (jointly referred to as "Company") are engaged in the manufacture 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 system 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; the export, import and representation on its own account or on behalf of third parties; and the provision of related services. It also holds interest in other companies as partner, shareholder or member in other civil or business entities, business ventures of any nature, in Brazil or abroad, as well as the management of its 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 latter is a large tooling machine manufacturer. It also holds interest in subsidiaries in Brazil and abroad.

These financial statements were approved by the Company's Board of Directors and authorized for issue on February 6, 2018.

2 Basis of preparation and accounting policies

The parent and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which comprise the standards of the Brazilian Securities and Exchange Commission (CVM), thus in accordance with the pronouncements issued by Brazil's FASB (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and contains all material information specific to the financial statements, which is consistent with that used by management. The accounting policies of the subsidiaries are consistent with those of the Parent.

The Company management has reassessed its criteria for classification of financial Instruments that are pledged as collateral for borrowing transactions and concluded that the best presentation of these assets would be as financial investments and no longer as cash and cash equivalents. Therefore, the amounts that meet the aforementioned criteria have been classified as financial investments in the parent and consolidated financial statements and the comparative periods have been reclassified for a better comparability between them.

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 parent and consolidated financial statements have been prepared at historical cost, which is generally based on the fair value of the consideration paid in exchange for the assets. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment calls 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.

The presentation of the parent and consolidated statements of value added is required by the Brazilian corporate law and the accounting practices adopted in Brazil for listed companies, but 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.

(a) Changes in accounting policies and disclosures

There are no amendments or interpretations effective for the financial year beginning on January 1, 2017 that would be expected to have a material impact on the Company’s financial statements.

2.2 Investments in subsidiaries - Consolidated

(a) Parent:

Subsidiaries include all entities (including structured entities) over which the Parent has control. The Parent controls an entity when it is exposed or has rights to variable returns as a result of 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 Parent. They are deconsolidated from the date on which that control ceases.

Investments in subsidiaries are accounted for using the equity method from the date on which control is acquired. Based on 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 Parent’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 the translation of 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 as at 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) Consolidation

The Company has fully consolidated the financial statements of the parent and all of its subsidiaries.

Third-party interests in the equity and profits of subsidiaries are presented separately in the consolidated statement of financial position and in the consolidated statement of profit or loss, respectively, in the line item "Non- controlling interests".

Intra-group transactions and balances are eliminated upon consolidation, and any gains or losses on these transactions are also eliminated. Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

2.3 Translation of foreign currency and of foreign subsidiaries' financial statements

The assets and liabilities of the parent and foreign subsidiaries (none of which has the currency of a hyperinflationary economy) are translated into reais at the exchange rates prevailing at the end of the reporting period, and their statement of profit or loss accounts (income and expenses) are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the 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.

(a) Functional and reporting currency

The Parent and Consolidated financial statements are presented in Brazilian Reais (R$), which is the functional currency of the parent and of its subsidiaries located in Brazil. The functional currency of subsidiaries is determined based on the primary economic environment in which they operate, and when their functional currency is different from the reporting currency, the subsidiaries' financial statements are translated into reais at the end of the reporting period.

(b) 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 profit or loss. Non-monetary items measured at their historical costs in foreign currency are translated using the exchange rates prevailing at the dates of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined.

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.

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 noncurrent assets. Loans and receivables are carried at amortized cost using the effective interest method. The Company's loans and receivables comprise cash and cash equivalents and financial investments (Note 3), trade notes receivable (Note 4), receivables – onward lending of FINAME manufacturer financing (Note 5), other receivables, related parties (Note 8) and judicial deposits. Loans and receivables are carried at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events, and must be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(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 situation of the corporate group to which they belong, the debt collaterals, 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 loss is recognized in the statement of profit or loss. 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 profit or loss.

2.6 Trade notes receivable

Trade notes receivable refer mainly to amounts due from customers for goods sold in the ordinary 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 noncurrent assets.

Trade notes receivable 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 Inventory

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

2.8 Property, plant and equipment

Property, plant and equipment is 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 the replaced item is derecognized. All other repairs and maintenance are charged to the statement of profit or loss in 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 10.

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

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

2.9 Investment property

Investment property represents land and buildings held to earn rental income and/or for capital appreciation, as disclosed in Note 9. 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

Intangible assets are carried at their acquisition cost, less accumulated amortization and impairment losses, where applicable. Intangible assets are amortized based on their actual use or using 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 intangible assets when the development requirements are meet. When these criteria are not meet, such expenditure is recognized in the statement of profit or loss 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 noncurrent liabilities.

Trade payables are recognized initially at fair value 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 Borrowing

Borrowing is 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 profit or loss over the period of the borrowing using the effective interest method.

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

The other borrowing costs are recognized as financial expenses in the period in which they are incurred.

2.14 Discount 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 assessments of market conditions. 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 expense is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the parent and its subsidiaries operate and generate taxable profit. Management periodically evaluates the positions taken by the Company in its income tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities. The 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 recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss. 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 are realized, and are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized. 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.

The income tax and social contribution benefit or expense for the period include current and deferred taxes. Current and deferred taxes are recognized in the statement of profit or loss, except to the extent that they relate to business combinations, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are presented on a net basis in the statement of financial position when there is a legally enforceable right and an intention to offset them against 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 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, to 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 noncurrent 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 in equity. There are no preferred shares.

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 equity

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

The tax benefit of interest on equity is recognized in the statement of profit or loss.

2.20 Revenue recognition

Revenue comprises 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 taxes, returns, rebates and discounts, after eliminating sales within the Group. 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 warranty services.

(b) Interest income

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

2.21 Provisions

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 can be reliably estimated.

The amount recognized as a provision represents 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 be required 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 under 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 profit or loss 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 regarding 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: management reviews the useful lives of the main assets with finite useful lives annually.

(b) Impairment testing of long-lived assets and assets with indefinite useful lives: the Company tests annually the impairment of assets with indefinite useful lives and, when necessary, tests the impairment of assets with finite useful lives. The recoverable amounts of Cash-Generating Units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 2.11).

(c) Inventory realization and obsolescence: the assumptions used are described in Note 2.7.

(d) Analysis of the credit risk to determine the loss on doubtful accounts: the assumptions used are described in Note 2.5 (b).

(e) Deferred income tax assets on tax losses carried forward (Note 2.15) 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 (Note 2.21).

(f) Analysis of other risks to determine the provisions, including the provision for contingencies. Provisions are recognized for all contingencies in which it is probable that an outflow of resources will be required for their settlement. The assessment of the likelihood of loss includes the assessment of available evidence, hierarchy of laws, available case laws, recent court decisions and their relevance in the legal system, as well as the assessment made by outside counselors.

The settlement of transaction involving these estimates may result in amounts different from those recognized in the financial statements due to inaccuracies inherent to the estimation process. These estimates and assumptions are periodically reviewed.

2.24 Standards, interpretations and amendments to accounting standards

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 - *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments*: *Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

In 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes in 2018, when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and statement of changes in equity.

IFRS 15 - *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five -step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption will be required for annual periods beginning on or after January 1, 2018, and the method known as cumulative effect will be adopted.

- Romi Machinery and B+W Machinery: Under these contracts the main performance obligation is expected to be the delivery of machines. The identification of other performance obligations such as the installation/technical delivery and training on the adoption of IFRS 15 have no significant effects on the Company's financial statements for the year ended December 31, 2017.
- Cast and Machined Products: Under these contracts, the sale of equipment is generally expected to be the only performance obligation. Therefore, the adoption of IFRS 15 will not have material impact on the Company's revenue and profit or loss.

(i) Variable consideration:

Some contracts with customers of Cast and Machined Products provide a right of a future discount for increase in volume/productivity; however, initially and based on the Company's history, it does not expect significant impact of this variable consideration at December 31, 2017.

(ii) Warranty obligations

The Company generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with its current practice.

(iii) Financing component

Under IFRS 15, at Romi Machinery, the Company identified that in the sale of used machines there is a financing component, since this transaction is financed to the final customer with Company resources, and the finance cost is embedded in the machine's sale price (invoice). Accordingly, the Company estimates that the first-time adoption of IFRS 15 will not have a significant impact on the statement of financial position at December 31, 2017.

(iv) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Company expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Company will disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Transfers of Investment Property **— Amendments to IAS 40**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Effective for annual periods beginning on or after January 1, 2018. The

In thousands of reais, unless otherwise stated

Company will apply amendments when they become effective. The Company does not expect any effect on its financial statements.

IFRS 16 - *Leases*

The new standard requires companies to recognize most of its leases in the statement of financial position, recognizing new assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and it replaces IAS 17 - *Leases* and its interpretations. Management is assessing the impacts of its adoption.

2.25 Segment reporting

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

3 Cash and cash equivalents and financial investments

	Parent		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Cash and banks	2,899	3,474	14,545	19,594
Bank deposit certificates ("CDBs") (a)	10,839	25,854	29,380	43,431
Short-term investments backed by debentures (a)	19,445	21,435	19,442	23,491
Investment funds DI and fixed income	34,774	7,913	34,774	7,913
Short-term investments in foreign currency - US$ (Time deposit)	1,819	1,955	7,511	7,025
Other	30	40	30	56
Total cash and cash equivalents	69,806	60,671	105,682	101,510
Bank deposit certificates ("CDBs") (b)	13,670	17,841	13,670	17,841
Short-term investments backed by debentures (b)	-	2,990	-	2,990
Total assets held for trading	13,670	20,831	13,670	20,831

In thousands of reais, unless otherwise stated

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

(b) These investments are substantially pegged to the Interbank Deposit Certificate ("CDI") rate and are pledged as collateral for commitments assumed.

4 Trade notes receivable

	Parent		Consolidated	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Current				
Domestic customers	63,443	59,169	64,243	59,170
Foreign customers	8,017	3,601	61,283	40,473
Allowance for doubtful accounts	(1,101)	(2,543)	(5,223)	(5,427)
	70,359	60,227	120,303	94,216
Noncurrent				
Domestic customers	8,399	10,959	8,399	10,959
Foreign customers	2,912	1,268	2,912	1,268
Allowance for doubtful accounts	(1)	(231)	(1)	(231)
	11,310	11,996	11,310	11,996

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

The balance of current trade notes receivable as at December 31, 2017 and 2016, parent and consolidated, is distributed as follows:

In thousands of reais, unless otherwise stated

	Parent		Consolidated	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Falling due	56,453	50,792	97,023	75,096
Past due:				
1 to 30 days	8,203	6,742	14,073	12,609
31 to 60 days	1,371	378	2,745	1,796
61 to 90 days	662	76	1,182	793
91 to 180 days	816	469	2,259	965
181 to 360 days	1,201	677	1,527	2,013
Over 360 days	2,754	3,636	6,717	6,371
	15,007	11,978	28,503	24,547
Total	71,460	62,770	125,526	99,643
Allowance for doubtful accounts	(1,101)	(2,543)	(5,223)	(5,427)
Total - current	70,359	60,227	120,303	94,216

As at December 31, 2017, trade notes receivable amounting to R$ 13,907 (2016 – R$ 9,435 - Parent) and R$ 23,281 (2016 – R$ 19,120 - Consolidated) were past due but not impaired. These accounts relate to a number of independent customers for whom there is no recent history of default or for which the Company does not have guarantees.

The balance of noncurrent trade notes receivable as at December 31, 2017, parent and consolidated, is distributed as follows:

	Parent and Consolidated
Falling due:	
2019	9,071
2020	2,148
2021	88
After 2021	4
Allowance for doubtful accounts	(1)
Total - Noncurrent	11,310

Changes in allowance for doubtful accounts, parent and consolidated, are as follows:

In thousands of reais, unless otherwise stated

	Parent		Consolidated	
	2017	**2016**	**2017**	**2016**
Balance at January 1	2,774	3,054	5,658	8,443
Receivables recognized for the year	4,358	454	4,589	808
Receivables written off	(6,030)	(734)	(6,419)	(2,530)
Foreign exchange difference	-	-	1,396	(1,063)
Balance at December 31	1,102	2,774	5,224	5,658

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

The maximum exposure to credit risk as at the statement of financial position date is the carrying amount of each class of receivable mentioned above. The other receivables at the statement of financial position date do not contain impaired assets.

5 Receivables - onward lending of FINAME manufacturer financing

	Parent and Consolidated	
	December 31, 2017	**December 31, 2016**
Current		
FINAME falling due	60,903	74,828
FINAME awaiting release (a)	1,635	339
FINAME past due (b)	36,174	39,622
	98,712	114,789
Allowance for doubtful accounts	(10,598)	(12,433)
	88,114	102,356
Noncurrent		
FINAME falling due	73,862	67,073
FINAME awaiting release (a)	6,540	1,357
	80,402	68,430
Allowance for doubtful accounts	(583)	(1,107)
	79,819	67,323
Total	167,933	169,679

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

FINAME manufacturer is a line used by Romi with terms of up to 48 months with grace period of up to three months and estimated cost of 13.1% per year, in accordance with the terms defined by BNDES at the time of the financing.

The financing terms are also based on a customer's characteristics. Funds are released by the BNDES on identification of a customer and sale, as well as checking that a customer has fulfilled the terms of Circular 195 dated July 28, 2006 issued by 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 that 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 on their due dates. The Company records provisions 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 enactment of covenant regarding reservation of title over the machinery sold (security interest) and the value of the receivables from defaulting customers. In instances in which the security interest cannot be located, a full loss provision is set up for balance of the receivable.

The machinery seized as part of the execution process are recorded at its carrying amount, not exceeding its fair value, under the category of “Other receivables”, pending a final and unappealable court decision, after which it is repossessed and transferred to inventories. As at December 31, 2017, the balance of repossessed machinery, included under the line item of “Other receivables”, parent and consolidated, amounted to R$ 1,699 (R$ 4,015 as at December 31, 2016) in current assets and R$ 10,404 (R$ 8,246 as at December 31, 2016) in noncurrent assets.

In thousands of reais, unless otherwise stated

As at December 31, 2017 and 2016, the balances of "Receivables - onward lending of FINAME manufacturer financing", parent and consolidated, were as follows:

	Parent and Consolidated	
	December 31, 2017	December 31, 2016
Falling due	62,538	75,167
Past due:		
1 to 30 days	1,496	2,070
31 to 60 days	1,082	1,292
61 to 90 days	885	1,346
91 to 180 days	2,718	3,633
181 to 360 days	4,579	5,295
Over 360 days	25,414	25,986
	36,174	39,622
Total - current	98,712	114,789

The expected realization of noncurrent receivables relating to the onward lending of FINAME manufacturer financing, parent and consolidated, is as follows:

	Parent and Consolidated
Falling due:	
2019	39,937
2020	25,415
2021 onwards	15,050
Total - Noncurrent	80,402

Changes in allowance for doubtful accounts, parent and consolidated, are as follows:

In thousands of reais, unless otherwise stated

	Parent and Consolidated	Parent and Consolidated
	December 31, 2017	**December 31, 2016**
Opening balance	13,540	14,332
Allowance recognized (or written off) for the year	(2,359)	(792)
Closing balance	11,181	13,540

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

The maximum exposure to credit risk as at the statement of financial position date is the carrying amount of each class of receivable mentioned above.

6 Inventory

	Company		Consolidated	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Finished products	27,389	38,077	56,620	70,462
Used machinery	16,501	22,939	16,501	22,939
Work-in-process	57,515	62,146	88,709	94,964
Raw materials and components	58,806	57,487	77,499	74,656
Imports in transit	2,306	1,566	2,562	1,566
Total	162,517	182,215	241,891	264,587

The inventory balances, parent and consolidated, as at December 31, 2017 are net of R$ 33,911 and R$ 35,325 (R$ 43,095 Parent and R$ 46,515 Consolidated as at December 31, 2016), respectively, corresponding to the provision for slow-moving inventories and inventories posing a remote probability of being realized through sale or use.

The changes in the provision to bring inventories to their net realizable value, parent and consolidated, are as follows:

In thousands of reais, unless otherwise stated

	Company	Consolidated
As at January 1, 2017	43,095	46,515
Inventory sold or written off	(30,577)	(30,637)
Provision recorded	9,207	9,359
Foreign exchange difference	-	(2,098)
Transfer of provision resulting from machines repossessed In the year	12,186	12,186
As at December 31, 2017	33,911	35,325

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

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Finished products	1,852	2,894	3,266	6,314
Used machines	14,542	19,565	14,542	19,565
Work-in-process	4,520	5,602	4,520	5,602
Raw materials and components	12,997	15,034	12,997	15,034
Total	33,911	43,095	35,325	46,515

The cost of inventory recognized in the statement of profit or loss and included in "Cost of sales and services" amounted to R$ 340,111 (2016 - R$ 370,025) for the Parent, and R$ 483,236 (2016 – R$ 469,921) for the Consolidated.

7 Investments in subsidiaries and affiliates

Company investments in its subsidiaries are as follows:

	Subsidiary	Country	Main activity
1.	Romi Itália S.r.l. (“Romi Italy”)	Italy	Sale of machinery for plastics and machine tools, spare parts and technical support.
1.1	Romi Machines UK Ltd.	United Kingdom	
1.2	Romi France SAS	France	
1.3	Romi Máquinas España S.A.	Spain	
2.	Romi Europa GmbH (“Romi Europe”)	Germany	
2.1	Burkhardt + Weber Fertigungssysteme GmbH (“B+W”)	Germany	Production and sale of large tooling machinery with high technology, precision and productivity, as well as machinery for specialized applications.
2.1.1	Burkhardt + Weber / Romi (Shangai) Co., Ltd	China	Sale of machine tools produced by B+W and provision of services (spare parts and technical support).
2.1.2	Burkhardt + Weber LLC	United States of America	Sale of machine tools produced by B+W and provision of services (spare parts and technical support).
3.	Rominor Comércio, Empreendimentos e Participações S.A. (“Rominor”)	Brazil	Real estate activity, including purchases and sales, lease of company-owned properties, exploration of real estate rights, intermediation of real estate businesses, and provisions of sureties and guarantees.
4.	Romi Machine Tools, Ltd. (“Romi Machine Tools”)	United States of America	Sale of machine tools, spare parts, technical support and cast and machined products in North America.
5.	Rominor Empreendimentos Imobiliários S.A. (formerly named Romi Empreendimentos)	Brazil	Interest in real estate ventures.
6.	Romi A.L. S.A. (“Romi A.L.”)	Uruguay	Sales representation for operations in the foreign market.
7.	Irsa Maquinas Mexico S. de R. L. de C.V. (formerly named Sandretto Mexico)	Mexico	Sale of machinery for plastics and machine tools, spare parts and technical support.

In thousands of reais, unless otherwise stated

December 31, 2017

	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Rominor Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (7)	Total
Investments:								
Number of shares held	(a)	(a)	6,191,156	3,000,000	78	13,028,000	1,188,000	
Ownership interest	100.0%	100.0%	93.1%	100.0%	100.0%	100.0%	100.0%	
Current assets	42,934	87,345	21,742	13,049	2,405	6,138	5,049	
Noncurrent assets	6,443	112,038	522	145	-	-	63	
Current liabilities	31,650	62,507	167	13,858	-	1	4,438	
Noncurrent liabilities	11,453	35,205	-	-	-	-	-	
Equity (equity deficit) of subsidiary	6,274	101,671	22,097	(664)	2,405	6,137	674	
Changes in investment:								
Investment balance as at December 31, 2016	5,566	85,025	21,093	1,530	2,423	5,747	1,121	122,505
Foreign exchange differences on foreign investments	505	12,593	-	(57)	-	(163)	412	13,290
Dividends proposed and paid (b)	-	-	(4,442)	-	-	-	-	(4,442)
Equity pick-up	203	4,053	3,915	(2,137)	(18)	553	(859)	5,710
Equivalent value - closing balance	**6,274**	**101,671**	**20,566**	**(664)**	**2,405**	**6,137**	**674**	**137,063**
Investment in subsidiaries	6,274	101,671	20,566	-	2,405	6,137	674	137,727
Provision for equity deficit - subsidiaries	-	-	-	(664)	-	-	-	(664)

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

(b) Payment of dividends by the subsidiary ROMINOR, approved on the following dates: (i) by the Annual General Meeting on February 7, 2017, in the amount of R$ 1,643, related to the second half of 2016, (ii) by the Board of Directors at the meeting held on July 25, 2017, in the amount of R$ 3,130, related to the first half of 2017. From such payment, the Company received R$ 4,442 (R$ 1,529 related to 2016, as a complement of the mandatory minimum dividends and R$ 2,913 in 2017 as additional dividends).

In thousands of reais, unless otherwise stated

31 de dezembro de 2016

	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Romi Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (7)	Total
Investments:								
Number of shares held	(a)	(a)	6,191,156	3,000,000	78	13,028,000	1,188,000	
Ownership interest	100.0%	100.0%	93.1%	100.0%	100.0%	100.0%	100.0%	
Current assets	35,190	83,077	19,971	14,020	2,423	5,748	5,892	
Noncurrent assets	5,926	93,645	2,984	318	-	-	-	
Current liabilities	25,162	57,515	292	12,808	-	1	4,771	
Noncurrent liabilities	10,388	34,182	-	-	-	-	-	
Equity (equity deficit) of subsidiary	5,566	85,025	22,663	1,530	2,423	5,747	1,121	
Changes in investment:								
Investment balance as at December 31, 2015	14,458	114,883	30,567	5,277	(4)	6,252	1,230	172,663
Foreign exchange differences on foreign investments	(2,954)	(20,507)	-	(608)	-	(1,060)	(228)	(25,357)
Capital increase (b)	-	-	-	-	2,432	-	-	2,432
Dividends proposed and paid (c)	-	-	(12,543)	-	-	-	-	(12,543)
Equity pick-up	(5,938)	(9,351)	3,069	(3,139)	(5)	555	119	(14,690)
Equivalent value - closing balance	**5,566**	**85,025**	**21,093**	**1,530**	**2,423**	**5,747**	**1,121**	**122,505**
Investment in subsidiaries	5,566	85,025	21,093	1,530	2,423	5,747	1,121	122,505

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

(b) At the Board of Directors meeting held on June 14, 2016, a capital increase of the subsidiary Rominor Empreendimentos Imobiliários S.A. by R$ 2,432 was approved. The capital increase was made through capitalization of assets, appraised at book value at R$ 2,382, and through R$ 50 contributed in cash.

(c) Payment of dividends by the subsidiary ROMINOR, approved on the following dates: (i) by the Annual General Meeting on March 21, 2015, in the amount of R$ 13,485, related to 2015, and (ii) by the Board of Directors at the meeting held on July 27, 2016, in the amount of R$ 1,654, related to the first half of 2016. From such payment, the Company received R$ 12,551 (R$ 1,549 in 2015, as a complement of the mandatory minimum dividends and R$ 11,002 in 2016 as additional dividends) and R$ 1,540, respectively.

In thousands of reais, unless otherwise stated

							December 31, 2016
	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Romi Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (7)
Investments:							
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%
Profit (loss) before taxation	211	7,268	5,292	(2,137)	(17)	553	(929)
Income and social contribution tax expense	(8)	(3,215)	(1,087)	-	(1)	-	70
Profit (loss) for the year	203	4,053	4,205	(2,137)	(18)	553	(859)
Company's share of profit (loss) for the year	203	4,053	3,915	(2,137)	(18)	553	(859)
Total comprehensive income							
Other comprehensive income	(207)	-	-	-	-	-	-
Total comprehensive income	(4)	4,053	3,915	(2,137)	(18)	553	(859)
Dividends paid to non-controlling interests	-	-	331	-	-	-	-
Dividends received from subsidiary	-	-	4,442	-	-	-	-

In thousands of reais, unless otherwise stated

December 31, 2016

	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Rominor Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (7)
Investments:							
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%
Profit (loss) before taxation	(5,938)	(11,668)	4,384	(3,139)	(4)	555	157
Income and social contribution tax expense	-	2,317	(1,087)	-	(1)	-	(38)
Profit (loss) for the year	(5,938)	(9,351)	3,297	(3,139)	(5)	555	119
Company's share of profit (loss) for the year	(5,938)	(9,351)	3,069	(3,139)	(5)	555	119
Total comprehensive income							
Other comprehensive income	(990)	-	-	-	-	-	-
Total comprehensive income	(6,928)	(9,351)	3,069	(3,139)	(5)	555	119
Dividends paid to non-controlling interests	-	-	932	-	-	-	-
Dividends received from subsidiary	-	-	12,543	-	-	-	-

In thousands of reais, unless otherwise stated

8 Related party transactions and balances

The balances and transactions with related parties as at December 31, 2017 and 2016 are as follows:

(i) Statement of financial position accounts – Company

	Receivables		Payables	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Direct subsidiaries				
Romi Europe	3,217	4,553	175	168
Romi Italy	5,648	2,273	-	-
Romi Machine Tools	12,944	12,326	-	-
Romi A.L.	-	-	603	566
Irsa Máquinas Mexico	3,335	2,663	-	-
Rominor	4	3	-	24
Indirect subsidiaries				
B+W - Burkhardt+Weber	173	337	-	-
Romi France S.A.S.	5,855	2,986	-	-
Romi Máquinas España S.A.	2,896	1,578	-	-
Romi Machines UK	7,980	9,847	-	-
Total	42,052	36,566	778	758

In thousands of reais, unless otherwise stated

(ii) Transactions

	Sales revenue		Operating expense and finance income (expenses)	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Romi Europe	3,194	3,850	1,305	1,194
Rominor	16	15	-	287
Romi Italy	7,607	4,434	329	42
Romi Machine Tools	7,101	9,144	-	-
Romi France S.A.S.	3,518	5,790	-	-
Romi A.L.	-	-	622	645
Romi Machines UK	6,167	11,488	-	-
Irsa Máquinas Mexico	1,059	1,804	-	-
Rominor Empreendimentos	-	-	-	(2)
B+W - Burkhardt + Weber	1,110	672	-	-
Romi Máquinas Espãna	982	2,127	-	-
Total	30,754	39,324	2,256	2,166

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

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 had property lease agreements with its subsidiary Rominor, which were terminated at December 31, 2016.

The Company entered into trading transactions with certain subsidiaries for the supply and purchase of equipment, parts and pieces, but does not have material transactions with related parties other than those described above. Decisions regarding transactions between the parent 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 its parent company Fênix Empreendimentos S.A. The revenue for 2017 was R$ 152 (2016 – R$ 185).

The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor's 'Office. Donations in 2017 totaled R$ 895 (2016 – R$ 849).

Management compensation for the years ended December 31, 2017 and 2016 was as follows:

In thousands of reais, unless otherwise stated

	December 31, 2017	**December 31, 2016**
Fees and charges	4,933	4,769
Profit sharing	1,394	-
Private pension plan	209	214
Healthcare plan	182	151
Company	6,718	5,134
Fees and charges of subsidiaries	97	96
Consolidated	6,815	5,230

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 14, 2017.

9 Investment property

In 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$ 13,500 (R$ 13,227 – as at December 31, 2016) at the parent and R$ 18,602 (R$ 17,538 – as at December 31, 2016) in the consolidated financial statements.

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 which also uses market evidence related to transaction prices for similar property and assessed the fair value less cost to sell of that property at R$ 51,357 for the parent and R$ 147,194 for the consolidated financial statements.

On June 13, 2017, through its subsidiary ROMINOR Comércio, Empreendimentos e Participações S.A. ("Rominor"), in which the Company holds 93.07% of the shares, the Company entered into an agreement for purchase and sale of property with third parties, involving the sale of the property (land and buildings) owned by Rominor, with a total area of 1,540m², located at Rua Brasílio Iberê, 2.195, district of Rebouças, city of Curitiba (PR), for R$ 2,350. Until the date of this report, R$ 1,550 has been received and the remaining amount is classified under the line item of trade notes receivable in current assets. The proceeds from the sale were classified in the line item of other operating income, with an impact of R$ 1,888 on operating income (expenses) and 1,821 on profit (loss) for the year.

In thousands of reais, unless otherwise stated

10 Property, plant and equipment

Changes in property, plant and equipment, parent and consolidated, are as follows:

									Company
	Land	**Buildings and yards**	**Machinery and equipment**	**Furniture and fixtures**	**Vehicles**	**Information technology**	**Construction in progress**	**Advances and estimated losses**	**Total**
Cost of property, plant and equipment, gross									
Balance as at January 1, 2016	4.220	186.815	257.490	8.453	3.021	26.282	1.362	333	487.976
Additions	-	6	3.600	189	486	1.290	7.968	9.663	23.201
Disposals	(167)	(803)	(9.034)	(112)	(34)	(8)	(109)	(60)	(10.326)
Transfers	-	844	5.452	-	-	(712)	3.367	(9.663)	(711)
Balance as at December 31, 2016	4.053	186.862	257.507	8.530	3.473	26.852	12.588	273	500.139
Additions	-	576	6.925	24	109	329	13.842	512	22.317
Disposals	-	-	(4.469)	(192)	(25)	(1.162)	(275)	-	(6.123)
Transfers	-	1.881	4.477	-	-	-	(5.763)	(868)	(273)
Balance as at December 31, 2017	4.053	189.319	264.440	8.362	3.557	26.019	20.392	(83)	516.060
Accumulated depreciation									
Balance as at January 1, 2016	-	76.243	177.642	7.209	2.545	24.403	-	-	288.042
Depreciation									-
Disposals	-	9.090	16.265	364	161	1.008	-	-	26.891
Transfers	-	(798)	(7.566)	(110)	(34)	(8)	-	-	(8.516)
Balance as at December 31, 2016	-	84.536	186.341	7.463	2.673	25.403	-	-	306.417
Depreciation	-	9.188	13.132	267	223	578	-	-	23.388
Disposals			(3.221)	(190)	(25)	(1.161)	-	-	(4.597)
Balance as at December 31, 2017	-	93.724	196.252	7.540	2.871	24.820	-	-	325.208
Useful lives	-	25 and 10 years	10 and 15 years	10 years	5 years	5 years	-	-	
Property, plant and equipment, net									
Balance as at January 1, 2016	4.220	110.572	79.848	1.244	476	1.879	1.362	333	199.934
Balance as at December 31, 2016	4.053	102.326	71.166	1.067	800	1.449	12.588	273	193.721
Balance as at December 31, 2017	4.053	95.595	68.188	822	686	1.199	20.392	(83)	190.852

In thousands of reais, unless otherwise stated

									Consolidated
	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances and estimated losses	Total
Cost of property, plant and equipment, gross									
Balance as at January 1, 2016	24,113	232,753	291,735	16,554	4,303	30,184	1,362	333	601,338
Additions	-	6	4,373	818	665	1,500	7,968	9,663	24,993
Disposals	(167)	(803)	(9,332)	(112)	(79)	(13)	(109)	(60)	(10,675)
Transfers	(614)	552	5,452	-	-	(712)	3,367	(9,663)	(1,618)
Foreign exchange differences	(2,056)	(8,505)	(4,763)	184	(130)	(357)	-	-	(15,627)
Balance as at December 31, 2016	21,276	224,003	287,466	17,445	4,759	30,601	12,588	273	598,411
Additions	-	873	7,902	583	176	682	18,704	512	29,432
Disposals	-	-	(4,470)	(218)	(113)	(1,449)	(1,229)	-	(7,480)
Transfers	(885)	1,715	4,477	-	-	-	(5,763)	(868)	(1,323)
	2,518	3,687	1,336	651	56	97	183	-	8,526
							-		
Balance as at December 31, 2017	22,909	230,278	296,711	18,460	4,878	29,930	24,483	(83)	627,566
Accumulated depreciation									
Balance as at January 1, 2016	-	84,326	197,287	11,388	3,177	27,350	-	-	323,529
Additions		10,185	18,773	1,289	327	1,377			31,952
Disposals		(798)	(7,566)	(110)	(51)	(8)			(8,534)
		(135)	(273)	(101)	(17)	(42)			(568)
Balance as at December 31, 2016	-	93,579	208,221	12,465	3,436	28,677	-	-	346,378
Additions		9,861	15,391	1,155	425	863			27,696
Disposals		-	(3,221)	(190)	(92)	(1,405)			(4,909)
		110	225	88	12	27			462
Balance as at December 31, 2017	-	103,550	220,616	13,518	3,781	28,161	-	-	369,627
Useful lives	-	25 and 10 years	10 and 15 years	10 years	5 years	5 years	-	-	
Property, plant and equipment, net									
Balance as at January 1, 2016	24,113	148,427	94,448	5,166	1,126	2,834	1,362	333	277,809
Balance as at December 31, 2016	21,276	130,424	79,245	4,980	1,323	1,924	12,588	273	252,033
Balance as at December 31, 2017	22,909	126,728	76,095	4,942	1,097	1,769	24,483	(83)	257,939

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$ 77,920 as at December 31, 2017 (R$ 168,228 as at December 31, 2016). These items refer to land, facilities, machinery and equipment.

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

Of the amount of R$ 23,388 (2016 - R$ 26,891) related to depreciation expense, R$ 18,866 (2016 - R$ 21,855) was recognized in the statement of profit or loss in "Cost of sales and services ", R$ 1,132 (2016 - R$ 1,181) in "Selling expenses", R$ 3,546 (2016 - R$ 3,808) in "General and administrative expenses", and R$ 156 (2016 - R$ 46) in “Research and development” - Company.

Of the amount of R$ 23,388 (2016 - R$ 31,952) related to depreciation expense, R$ 17,998 (2016 - R$ 25,776) was recognized in the statement of profit or loss in "Cost of sales and services ", R$ 1,688 (2016 - R$ 2,322) in "Selling expenses", R$ 3,546 (2016 - R$ 3,808) in "General and administrative expenses", and R$ 156 (2016 - R$ 46) in “Research and development” - Consolidated.

In thousands of reais, unless otherwise stated

11 Intangible assets

Changes in intangible assets are as follows:

	Company				Consolidated						
Gross cost	**Assignment of rights**	**Technology**	**Other**	**Total**	**Assignment of rights**	**Technology**	**Customer relationship**	**Portfolio of customers**	**Trademarks**	**Other**	**Total**
Balance as at January 1, 2016	3,417	-	4,403	7,820	3,417	20,745	20,673	3,576	22,340	4,403	75,153
Additions	-	-	59	59	-	274	-	-	-	59	333
Foreign exchange differences	-	-	-	-	-	(4,078)	(3,946)	(683)	(4,264)	-	(12,971)
Transfers	-	-	736	736	-	-	-	-	-	736	736
Disposals	-	-	-	-	-	(457)	-	-	-	-	(457)
Balance as at December 31, 2016	3,417	-	5,198	8,615	3,417	16,484	16,727	2,893	18,076	5,198	62,794
Additions	-	497	155	652	-	4,959	-	-	-	787	5,747
Foreign exchange differences	-	-	-	-	-	2,541	2,579	446	2,786	561	8,913
Transfers	-	437	(437)	-	-	437	-	-		(437)	-
Balance as at December 31, 2017	3,417	934	4,916	9,267	3,417	24,421	19,306	3,339	20,862	6,109	77,454
Accumulated amortization											
Balance as at January 1, 2016	3,166	-	4,181	7,347	3,166	4,815	4,048	3,576	-	4,181	19,786
Amortization	251	-	234	485	251	1,010	938	-	-	234	2,433
Foreign exchange differences	-	-	-	-	-	(736)	(876)	(683)	-	-	(2,295)
Transfers	-	-	24	24	-	-	-	-	-	24	24
Balance as at December 31, 2016	3,417	-	4,439	7,856	3,417	5,089	4,110	2,893	-	4,439	19,948
Amortization	-	75	212	287	-	1,039	964	-	-	557	2,560
Foreign exchange differences	-	-	-	-	-	1,692	635	446	-	-	2,773
Balance as at December 31, 2017	3,417	75	4,651	8,143	3,417	7,820	5,709	3,339	-	4,996	25,280
Useful lives	5 years (i)	5 years	5 years		5 years	5 years	5 years	1 year	Indefinite	5 years	
Intangible assets, net											
Balance as at January 1, 2016	251	-	222	473	251	15,930	16,625	-	22,340	222	55,368
Balance as at December 31, 2016	-	-	759	759	-	11,395	12,617	-	18,076	759	42,847
Balance as at December 31, 2017	-	859	265	1,124	-	16,601	13,597	-	20,862	1,113	52,174

On December 22, 2011, the Company approved the acquisition of all of the shares of B+W (Burkhardt + Weber Fertigungssysteme Gmbh) through its direct subsidiary Romi Europa Gmbh. Accordingly, at the acquisition date, the Company carried out the measurement and allocation of the purchase price, with the following nature and characteristics:

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

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

(c) Customer relationships: refers to contractual rights arising from: (i) the history of customer relationships; (ii) the likelihood of occurrence of new business 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, the useful lives of the trademarks were considered to be indefinite and, therefore, the trademarks will be assessed annually for impairment purposes, in accordance with the applicable accounting standards.

The amount of R$ 287 (2016 - R$ 485) related to amortization expense was recognized in the statement of profit or loss in “Research and development” - Company.

Of the amount of R$ 2,560 (2016 - R$ 2,433) related to depreciation expense, R$ 1,464 (2016 - R$ 2,182) was recognized in the statement of profit or loss in "Cost of sales and services" and R$ 969 (2016 - R$ 251) in “Research and development” - Consolidated.

The amount of R$ 4,959 (2016 - R$ 274) refers to expenses on the development of a new equipment and technology incurred by the German subsidiary B+W.

Impairment testing

The impairment testing is conducted considering the CGUs, which are the same as those of the reportable segments (Note 20) - Romi Machinery, Burkhardt + Weber Machinery and Cast and Machined Products.

The calculations of the recoverable amount of each CGU use pre-income tax and social contribution cash flow projections for ten years, which represent the economic useful life of the assets, discounted to present value at the rate of 11.7%. For the five subsequent years, the growth and inflation rates are in line with the macroeconomic projections from financial institutions with significant share in the Brazilian market.

As a result of the test applied, no impairment adjustment was necessary.

In thousands of reais, unless otherwise stated

12 Borrowings

Changes in borrowings, parent and consolidated, are as follows:

	Current		Noncurrent			Principal	Financial		
	2017	2016	2017	2016	Maturity	amortization	charges	Collateral	Total
Export financing (a)	40,098	66,327	-	38,142	12/17/2018	Bullet payment / Montly with a 13-month grace period	Rates of 11.00% p.a. (fixed rate) and 50% (4.26% and 4.71% p.a. + SELIC) + 50% (4.00% and 4.45% p.a. + TJLP)	Promissory note and surety of Rominor	40,098
Inv estment Support Program - BNDES PSI (b1 and b2)	9,233	6,140	28,017	37,188	1/16/2023	Quarterly/Monthly	Rates of 3.00% and 4.00% p.a	Collateral transfers of machinery and mortgages of buildings and land	37,250
Property , plant and equipment - local currency	-	11,882	-	-	11/16/2017	Monthly	TJLP + Interest of 1.63% p.a.	Collateral transfers of machinery and mortgages of buildings and land	-
Sundry FINAME	2,303	2,954	4,615	5,328	1/15/2024	Quarterly/Monthly	Rates of 3.50% to 10.53% p.a. (with TJLP variation 365/366)	Collateral transfer of financed machinery /surety of Rominor/promissory notes	6,918
Import financing (FINIMP)	14,533	3,878	-	-	11/30/2018	Bullet pament	Interest of 3.52% to 6.25% p.a. + Foreign exchange rate variations	No collateral / Surety of Rominor	14,533
Finep URTJ-01 (c)	5,079	5,040	2,116	7,103	5/15/2019	Monthly	TJLP + 5.00% p.a. - Less 6,00%	Bank guarantee	7,195
Company	**71,246**	**96,221**	**34,748**	**87,761**					**105,994**
Working capital	2,924	3,214	-	-	2/16/2017	Bullet payment	3.75% p.a. + 3.50% p.a.	Standby Indústrias Romi S.A.	2,924
Burkhardt + Weber (B+W) - Technology center and administrativ e office construction financing - € (d)	-	-	12,318	12,577	6/30/2027	Quarterly	2.40% p.a.	Property , plant and equipment (building)	12,318
Consolidated	**74,170**	**99,435**	**47,066**	**100,338**					**121,236**

In thousands of reais, unless otherwise stated

(a) The Company received R$ 45,381 through a financing agreement entered into with BNDES, under the Investment Support Program - BNDES PSI (two transactions of August 2015 were outside the PSI). The amount borrowed, the date of disbursement and the interest rates are shown below. The Company undertakes to export, by the agreement settlement date, an amount equivalent to US$ 21,429 and up to December 31, 2017, US$ 8,367 had been exported. This borrowing is secured by promissory note of 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.

Amount borrowed	Date of disbursement	Maturity	Interest rate
9,460	Aug/15	Aug/18	50% (4.26% p.a. + SELIC) 50% (4.00% p.a. + TJLP)
15,916	Aug/15	Aug/18	50% (4.71% p.a. + SELIC) 50% (4.45% p.a. + TJLP)
20,005	Dec/15	Dec/18	11.00% p.a. (fixed rate)
45,381			

(b1) In June 2013 the Company's officers were authorized to contract financing from BNDES amounting to R$ 27,762, divided into four sub-loans, with the purpose of development of new products, production of domestic prototypes, purchase of domestic machinery, and expansion of the mills' production capacity, with rates between 3.0% and 3.5%, grace periods of 5 to 24 months, and payment terms of 83 months (considering the grace period). 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 equity/Profit for the Year) limited to 0.25

(b2) In December 2014 the Company's officers were authorized to contract financing from BNDES amounting to R$ 35,631, with the purpose of development of new products and production of domestic prototypes in 2015 and 2016, with interest rate of 4.00%, grace period of 23 months, and payment term of 96 months (considering the grace period). This agreement contained the following covenants related to compliance with contractual obligations:

(i) Audited Consolidated Financial Ratio: (Equity/Total Assets) higher than or equal to 0.40
(ii) Audited Consolidated Financial Ratio: (Total Net Debt/Total Liabilities) lower than or equal to 0.25

As at December 31, 2017, the Company was compliant with all covenants of items (b1) and (b2) above.

(c) Agreement entered into between the Company and FINEP on May 15, 2014, for the development of a pilot flexible manufacturing system for machining of machine tool frames to reduce the set up and machining time and the delivery time of its products.

In thousands of reais, unless otherwise stated

(d) 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 disbursed 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 in the grace period. There are no clauses stipulating compliance with financial ratios.

The maturities of financing recorded in noncurrent liabilities as at December 31, 2017, in the parent and consolidated, are as follows:

	Company	Consolidated
2019	12,786	13,234
2020	8,474	20,344
2021	6,403	6,403
2022	6,140	6,140
2023 onwards	945	945
Total	34,748	47,066

13 FINAME manufacturer financing

	Parent and consolidated	
	December 31, 2017	December 31, 2016
Current		
FINAME manufacturer financing	55,463	67,177
Noncurrent		
FINAME manufacturer financing	72,770	62,953
Total	128,233	130,130

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 on-lent in full to the financed customers and amounts received on a monthly basis under the line item Amounts receivable – onlending FINAME Manufacturer Financing are fully used for the repayment of the related financing agreements. The Company, therefore, acts as an agent for the financing, but remains as the main debtor in these transactions.

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, 2017 and December 31, 2016, were adjusted for inflation up to the end of the reporting period. The difference of R$ 39,700 between these line items as at December 31, 2017 (R$ 39,549 as at December 31, 2016) refers to past-due trade notes, renegotiations in progress, and FINAME transactions not yet released 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.

In thousands of reais, unless otherwise stated

The noncurrent maturities of the FINAME manufacturer financing as at December 31, 2017, parent and consolidated, were as follows:

	Parent and consolidated
2019	36,798
2020	23,164
2021	12,693
2022 onwards	115
Total	72,770

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

In thousands of reais, unless otherwise stated

14 Provision for tax, labor and civil contingencies

Company management, based on the opinion of legal counsel, classified the legal proceedings in accordance with the likelihood of loss, as follows:

	Company		Consolidated	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Tax	53,805	51,278	54,598	51,965
Civil	1,986	2,177	1,986	2,380
Labor	3,383	4,204	3,383	4,513
(-) Judicial deposits / other receivables	(53,399)	(50,565)	(53,399)	(50,565)
Total	5,775	7,094	6,568	8,293
Current liabilities	5,007	6,381	5,007	6,373
Noncurrent liabilities	768	713	1,561	1,920
	5,775	7,094	6,568	8,293

The balance of legal proceedings recognized in current liabilities is shown in the line items “Payroll and related taxes” and “Other payables”.

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

	December 31, 2017	December 31, 2016
Tax		
Offsetting of IRPJ - 2002 and 2003	1,267	1,267
Excess of IRPJ and CSLL on interest on equity (JCP)	31,341	30,743
Civil		
Losses and damages	3,270	4,368
Labor	3,302	562
Total	39,180	36,940

In thousands of reais, unless otherwise stated

For legal proceedings classified as probable losses and legal obligations for which unconstitutionality is being challenged at court, Management recognized a provision for any liabilities and payables. Changes in the provision for the year ended December 31, 2017 are as follows:

	December 31, 2016	Additions	Utilizations/ reversals	Monetary restatement	December 31, 2017
Tax	51,278	3,204	(696)	19	53,805
Civil	2,177	13	(106)	(98)	1,986
Labor	4,204	1,283	(2,848)	744	3,383
(-) Judicial deposits / other receivables	(50,565)	(2,834)	-	-	(53,399)
Total Company	**7,094**	**1,666**	**(3,650)**	**665**	**5,775**
Proceedings at subsidiaries	1,199	-	(526)	120	793
Total Consolidated	**8,293**	**1,666**	**(4,176)**	**785**	**6,568**

(a) Tax proceedings

Refer to the provisions for:

(i) Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS) related to State VAT (ICMS) on sales, which amounted to R$ 9,585 (R$ 9,020 as at December 31, 2016) and R$ 44,151 (R$ 39,532 as at December 31, 2016), respectively.

On October 24, 2006, the Company filed a common civil action challenging the constitutionality of the inclusion of ICMS on sales in the PIS and COFINS tax base. On March 15, 2017, when judging the Extraordinary Appeal No. 574.706/PR, regarding the general repercussion effect, the Supreme Federal Court (STF), by majority of votes, decided that the ICMS is not to be included in the PIS and COFINS tax bases since it is intended to the State and, therefore, is not included in the concept of revenue. However, on October 19, 2017, the National Treasury Attorney General's Office (PGFN) filed Motions to Clarify in view of the Court Decision published on October 2, 2017 by the STF. In this motion, PGNF requests the correction of alleged errors in the Court Decision. The most significant are as follows: (i) material error regarding the analysis of gross and net revenue concepts brought by Law 6,404/76; (ii) lack of clarity on the ICMS to be excluded (whether the tax calculated or paid), which reflects on the determination of tax credit to be recovered as well as the future exclusion procedure; and (iii) modulation of judgment effects. The analysis of the motions to clarify by the STF, which can be subject to modificatory effects, and the respective publication of an unappealable final decision, were pending to the date of this report. In view of the current uncertainty situation regarding the outcome of this matter, Management believes that is not possible to conclude on the taxpayer's rights to the credits, neither definitively measure the involved amounts, thus leading to the decision of not recognize gains on this lawsuit in the financial statements. As at December 31, 2017, the amount recognized in the financial statements as payables for tax risks, in noncurrent liabilities, was R$ 53,736, and the Company made judicial deposits for such proceeding that, as at that date, amounted to R$ 46,741. When the matter presents a favorable decision for the taxpayers and its measurement is possible, the Company will calculate the monetary restatement of these amounts and recognize in profit and loss. As the Company elected to make judicial deposits for this proceeding, in the event the final decision is unfavorable, the monetary restatement of the aforementioned amounts will have no impact on the profit for the year.

At the end of the reporting period, Management's best estimate of the restated amount of this proceeding was R$ 87,600, of which R$ 81,218 related to judicial deposits and R$ 6,656 to tax credits.

(ii) The other tax proceedings total R$ 70 (R$ 713 as at December 31, 2016).

The favorable outcome obtained in the proceeding in which the Company is the plaintiff and the Federal Government is the defendant, which claims for the right to monetarily restate the statement of financial position for the calendar year 1989 according to the inflation for January and February of that year and to dismiss the inflation indexes of the legislation then in force (Summer Plan). On September 6, 2017, the Company filed a request with the Federal Revenue Office for utilization of the respective credit and is awaiting the analysis and approval from such body, considering that the credit may be offset against federal taxes in future years. The Company estimates, based on preliminary calculations, that such credit, monetarily restated by the monetary restatement indexes acknowledged by the courts, corresponds to approximately R$ 44 million, before any taxes levied thereon, the impact of which on profit for the year is estimated at approximately R$ 30 million.

(b) Civil proceedings

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

(c) Labor claims

The Company has recorded a provision for contingencies for labor claims in which it is the defendant, the main causes are as follows: (i) additional overtime due to reduction of lunch break; (ii) health hazard premium/hazardous duty premium; (iii) stability prior to retirement; (iv) damages for work-related accident/disease; and (v) jointly liability over outsourced companies, among others.

The tax and civil proceedings and labor claims assessed as representing possible losses involve matters similar to those above. The Company management believes that the outcomes of ongoing legal proceedings shall 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$ 48,799 (2016 – R$ 48,588), of which R$ 46,741 (2016 - R$ 46,473) refers to PIS and COFINS levied on ICMS on sales, as mentioned in item (a), and (i) the other deposits are of a different nature and are classified in noncurrent assets.

In thousands of reais, unless otherwise stated

15 Income and social contribution taxes

Income tax is calculated at the rate of 15% on the taxable profits plus a 10% surtax on taxable profit exceeding R$240, and social contribution is calculated at the rate of 9% on taxable profits, except for subsidiary Rominor which pays income and social contribution taxes based on a percentage of gross revenue.

The reconciliation of the tax effect on the Company's profit (loss) before income and social contribution taxes through application of the prevailing tax rates as at December 31, 2017 and 2016 is as follows:

	Parent		**Consolidated**	
	2017	**2016**	**2017**	**2016**
Income (loss) before income and social contribution taxes	51,491	(47,257)	55,093	48,217
Statutory rates (income and social contribution taxes)	34%	34%	34%	34%
Income and social contribution tax income (expense) at statutory rates	(17,507)	16,067	(18,732)	16,394
Reconciliation to the effective rate:				
Equity pickup and provision for net capital deficiency of subsidiary	1,941	(4,995)	-	-
Unrecorded deferred income and social contribution taxes at subsidiaries	-	-	(1,265)	(4,738)
Transfer pricing	(2,118)	(3,047)	(2,118)	(3,047)
Research and development	2,544	-	2,544	-
Other additions (deductions), net	1,310	(463)	2,432	139
Current and deferred income and social contribution tax income (expense)	(13,829)	7,562	(17,139)	8,748

(i) The amount in the Consolidated financial statements refers basically to the difference in the calculation of income and social contribution taxes between taxable profit based on accounting records <*lucro real*> and profit computed as a percentage of the Company's gross revenue <*lucro presumido*>, due to the fact that the subsidiary Rominor opted to calculate tax based on *lucro presumido* in the years presented.

In thousands of reais, unless otherwise stated

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

	Parent		**Consolidated**	
	2017	**2016**	**2017**	**2016**
Current	(7,023)	-	(13,192)	-
Deferred	(6,806)	7,562	(3,947)	8,748
Total	(13,829)	7,562	(17,139)	8,748

In thousands of reais, unless otherwise stated

				2017				2016
	Temporary differences	Income tax	Social contribution	Total	Temporary differences	Income tax	Social contribution	Total
Assets (i):								
Inventories - provision for losses	56,551	9,129	3,290	12,419	47,242	11,801	4,252	16,053
Repossession of machinery	2,898	724	261	985	3,861	964	347	1,311
Tax loss	68,834	13,785	6,047	19,832	77,549	16,932	6,914	23,846
Investments	452	113	41	154	335	84	30	114
Present value adjustments - trade receivables and payables	1,575	393	142	535	2,026	506	182	688
Provision for tax, labor and civil risks	59,174	14,780	489	15,269	56,136	14,022	501	14,523
Contingent commissions	814	203	73	276	502	125	45	170
Management profit sharing	1,551	-	140	140	158	-	14	14
Other temporary differences assets	3,587	896	323	1,219	2,685	674	242	916
Deferred income tax and social contribution assets, net – company and consolidated	**195,436**	**40,023**	**10,806**	**50,829**	**190,494**	**45,108**	**12,527**	**57,635**
Liabilities (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 liabilities – consolidated	**190,873**	**38,998**	**10,428**	**49,426**	**185,931**	**44,083**	**12,149**	**56,232**
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	10,549	-	10,549	19,029	9,140	-	9,140
Goodwill on the acquisition of Burkhardt + Weber (B+W)	63,789	19,336	-	19,336	57,385	16,713	-	16,713
Deferred income tax and social contribution liabilities – consolidated	**82,818**	**29,885**	**-**	**29,885**	**76,414**	**25,853**	**-**	**25,853**

(i) The recorded deferred tax assets are limited to the amounts for which the utilization is supported by future taxable profit projections, which do not exceed ten years, 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 and social contribution tax 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 nondeductible differences, the existence of non-taxable profit, nondeductible 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 nondeductible differences should not be considered indicative of the future earnings of the parent 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 Romi 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, 2017, the expected realization of deferred income tax and social contribution, recorded in noncurrent assets, parent and consolidated, was as follows:

	Parent and consolidated
Realization year	
2019	12,523
2020	19,347
2021 onwards	17,557
Total	49,426

In thousands of reais, unless otherwise stated

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

	Asset		Liability
	Parent	Consolidated	Consolidated
As at December 31, 2016	56,232	58,053	25,853
Changes in the year			
Additions	-		758
Realization	(6,806)	(8,829)	(711)
Foreign exchange difference		202	3,985
As at December 31, 2017	49,426	49,426	29,885

16 Equity

Capital

As at December 31, 2017, the Company's subscribed and paid-up capital amounting to R$ 492,025 (R$ 492,025 - 2016) comprised 62,857,647 (62,857,647 - 2016) book-entry, registered common shares, without par value, all with the same rights and benefits.

Profit reserve

a) Legal reserve

As required by Article 193 of Law No. 6404/76, the balance of the line item "Legal reserve" is equivalent to 5% of the profit for the year, limited to 20% of the share capital.

b) Retained earnings reserve

The financial statements and the proposal for profit allocation for the year ended December 31, 2017 were submitted for analysis at the Board of Directors' meeting held on February 6, 2018, the proposal for profit allocation will be submitted for approval at the Annual General Meeting to be held on March 13, 2018. The proposal provides for the payment of minimum mandatory dividends of R$ 8,945, of which R$ 5,029 have already been paid. The excess amount not distributed (R$ 26,834) will be incorporated into the reserve balance, totaling R$ 75,332.

Share buyback

At the meeting held on April 28, 2015, the Company's Board of Directors approved the Program to buy back the Company's common shares (the "Program"), to be held in treasury for subsequent cancelation or sale, without capital reduction, in accordance with its bylaws, Brazilian Securities Commission ("CVM") Instructions 10/80 and 268/97 and other legal provisions in force.

The Company's goal with the Program was to maximize value for its shareholders through the investment of part of its financial resources available within the total amount of the profit and capital reserves. Under the

In thousands of reais, unless otherwise stated

Program, which was completed on January 19, 2016, 3,100,000 Company common shares were acquired for the total price of R$ 5,600, with an average price per share of R$1.81.

At the Extraordinary General Meeting held on April 5, 2016, the Board of Directors approved the cancelation of 3,100,000 common shares, purchased and held in treasury, without capital reduction. After the cancelation, the Company's total common shares amount to 65,657,647.

At the meeting held on April 6, 2016, the Company's Board of Directors approved the 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 was to maximize value for its shareholders through the investment of part of its financial resources available within the total amount of the profit and capital reserves. Under the Program, which was completed on April 29, 2016, 2,800,000 Company common shares were acquired for the total price of R$ 5,183, with an average price per share of R$1.85.

At the Extraordinary General Meeting held on August 2, 2016, the Board of Directors approved the cancelation of 2,800,000 common shares, purchased and held in treasury, without capital reduction. After the cancelation, the Company's total common shares amount to 62,857,647.

Shares as at December 31, 2015	68,757,647
Shares canceled on April 5, 2016	(3,100,000)
Shares canceled on August 2, 2016	(2,800,000)
Shares as at December 31, 2017	62,857,647

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 General Meeting is as follows:

	2017	**2016**
Adjusted profit (loss) for the year	37,662	(39,695)
(-) Recognition of legal reserves	(1,883)	-
Profits available for distribution	35,779	-
Mandatory dividends – 25%	(8,945)	-
Recognition (utilization) of earnings reserve	26,834	(39,695)

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of outstanding common shares in the year, excluding common shares purchased by the parent and held as treasury shares.

	December 31, 2017	December 31, 2016
Profit (loss) for the year attributable to the controlling shareholders	37,662	(39,695)
Weighted average number of shares outstanding in the year (in thousands)	62,858	65,299
Basic and diluted earnings (loss) per share	0.60	(0.61)

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

<u>Cumulative translation adjustments</u>

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 Company. In the statement of changes in equity, the statement of financial position and the statement of comprehensive income, this amount is allocated to “Carrying value adjustments”.

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 (DC) 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, 2017 was R$ 913 (R$ 1,097 as at December 31, 2016). The amount incurred on the private pension plan was recorded in the financial statements for the years ended December 31, 2017 and 2016 in 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

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

As at December 31, 2017, the insurance coverage for fire, windstorm, electrical damage and theft was comprised as follows: (i) buildings - R$ 150,844 (ii) machinery and equipment - R$ 322,935; (iii) inventory and machinery pending repossession - R$ 208,137; (iv) construction works - R$ 14,789; (v) assets held by third parties – R$ 7,177 and (vi) others – R$ 1,211.

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 notes receivable 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 of related parties, which are recognized in the financial statements at their carrying amounts, are substantially similar to those which 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 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 US Dollar and the Euro. The instruments exposed to exchange fluctuations are represented by trade notes receivable, direct investments, export financing and trade payables.

Credit risk: arises from the possibility of the parent 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 parent 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 in the year, and management does not expect any loss as a result of the defaults of these counterparties being higher than the amounts already accrued.

In relation to financial investments, the Company carries out transactions only with financial institutions with a low level of 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 date of the noncurrent portion 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 statement of financial position 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.

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, 2017				
Borrowing	74,170	13,234	32,887	945
Trade payables	28,148			
As at December 31, 2016				
Borrowing	99,435	55,362	38,052	6,924
Trade payables	34,482			

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		Consolidated	
	2017	2016	2017	2016
Total borrowing	234,227	314,112	249,469	329,903
(-) Cash and cash equivalents (Note 4)	(66,634)	(60,671)	(102,510)	(101,510)
(-) Financial investments (Note 4)	(16,842)	(20,831)	(16,842)	(20,831)
FINAME manufacturer financing (Note 6)	(167,751)	(169,679)	(167,751)	(169,679)
Net debt	(17,000)	62,931	(37,634)	37,883
Total equity	641,969	599,962	641,969	601,532
Total capital	624,969	662,893	604,335	639,415
Gearing ratio - %	-2.7%	9.5%	-6.2%	5.9%

In thousands of reais, unless otherwise stated

Additional sensitivity analysis required by the 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 receivables from export customers, and in borrowings and financing denominated in foreign currency.

As at December 31, 2017, the foreign currency denominated balances were subject to changes in foreign exchange rates. Assets and liabilities exposed to exchange rate fluctuations recognized in the statement of financial position are as follows:

	Parent
Cash and cash equivalents	3,133
Trade notes receivable	12,160
Receivables from related parties	41,943
Payables to related parties	(778)
Trade payables	(6,603)
Other payables	(2,683)
Net asset exposure	47,172

Presented below is the loss that would have been recognized in profit (loss) for the year ended December 31, 2017 according to the following scenarios:

	Parent		
	Probable scenario	Scenario II	Scenario III
Net asset exposure	53,998	67,497	80,997

The probable scenario considers future US Dollar and Euro rates, based on quotations obtained from the Brazilian Central Bank, considering the average quotation projected for 2017. Scenarios II and III project a decrease 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 borrowing are impacted by changes in interest rates, such as the Long-term interest rate (TJLP) and the Interbank Deposit Certificate (CDI) rate.

In thousands of reais, unless otherwise stated

As at December 31, 2017, 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:

	Parent	Consolidated
CDBs (Note 4)	24,509	43,050
Total borrowing and financing linked to TJLP	27,244	27,244
Total borrowing and financing linked to SELIC	20,049	20,049
Net asset exposure	71,802	90,343

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

The tables below show the incremental gain (loss) that would have been recognized in profit (loss) for the year ended December 31, 2017 according to the following scenarios:

	Parent		
	Probable scenario	Scenario II	Scenario III
Probable scenario	4,814	6,017	7,220

	Consolidated		
	Probable scenario	Scenario II	Scenario III
Probable scenario	6,040	7,550	9,060

The probable scenario considers the future interest rates according to quotations obtained from B3 - Brasil, Bolsa, Balcão, considering the rates projected for March 2017. Scenarios II and III consider a decrease in interest rates of 50% and 25%, respectively, and scenarios III and IV 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.

In thousands of reais, unless otherwise stated

(c) Financial instruments per category

The main financial assets and liabilities, parent and consolidated, are shown below:

	Parent		Consolidated	
-	2017	2016	2017	2016
Loans and receivables:				
Cash and cash equivalents	66,634	60,671	102,510	101,510
Financial investments	16,842	20,831	16,842	20,831
Trade notes receivable	81,669	72,223	131,613	106,212
Receivables - onward lending of FINAME manufacturer financing	167,933	169,679	167,933	169,679
Related parties	42,052	36,566	-	-
Other receivables, except advances and machines pending repossession	5,426	7,469	7,875	9,348
Judicial deposits	2,057	2,115	2,057	2,115
Financial liabilities at amortized cost:				
Borrowings	105,994	183,982	121,236	199,773
FINAME manufacturer financing	128,233	130,130	128,233	130,130
Trade payables	27,405	28,165	33,802	34,482
Other payables	5,802	5,713	16,649	14,241
Related parties	778	758	-	-

The fair values of the financial instruments approximate their carrying 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 reports its primary information by segment, namely: Romi Machinery, Burkhardt+Weber Machinery and Cast and Machined Products. The information for the year ended December 31, 2017 was prepared and is presented on a comparative basis with the year ended December 31, 2016, according to the Company's new segments:

					December 31, 2017
	Romi Machinery	Burkhardt + Weber Machinery	Cast and machined products	Eliminations between segment	Consolidated
Net operating revenue	292,633	165,980	214,260		672,873
Cost of sales and services	(176,602)	(128,925)	(177,708)		(483,236)
Transfers remitted	5,017	-	16,225	21,242	-
Transfers received	(16,225)	-	(5,017)	21,242	-
Gross profit	104,822	37,055	47,761	-	189,637
Operating (expenses) income:					
Selling expenses	(49,400)	(12,241)	(6,095)		(67,736)
General and administrative expenses	(20,667)	(16,790)	(14,686)		(52,143)
Research and development	(16,772)	-	-		(16,772)
Management fees	(3,152)	-	(3,663)		(6,815)
Other operating income, net	5,094	-	-		5,094
Operating profit before finance income (costs)	19,924	8,024	23,317		51,265
Inventory	152,377	66,539	22,975		241,891
Depreciation and amortization	12,445	6,004	11,806		30,255
Property, plant and equipment, net	92,008	60,729	105,202		257,939
Intangible assets	1,124	51,050	-		52,174

	Europe	Latin America	North America	Asia	Total
Net operating revenue per geographical region	166,419	419,110	23,759	63,585	672,873

In thousands of reais, unless otherwise stated

					December 31, 2016
	Romi Machinery	**Burkhardt + Weber Machinery**	**Cast and machined products**	**Eliminations between segment**	**Consolidated**
Net operating revenue	262,982	114,861	209,074		586,917
Cost of sales and services	(181,169)	(96,347)	(192,405)		(469,921)
Transfers remitted	2,826	-	13,775	(16,601)	-
Transfers received	(13,775)	-	(2,826)	16,601	-
Gross profit	70,864	18,514	27,618	-	116,996
Operating (expenses) income:					
Selling expenses	(58,098)	(10,118)	(4,630)		(72,846)
General and administrative expenses	(32,897)	(17,181)	(14,514)		(64,592)
Research and development	(19,492)	-	-		(19,492)
Management fees	(3,047)	-	(2,183)		(5,230)
Other operating income (expenses), net	730	-	-		730
Operating profit (loss) before finance income (costs)	(41,940)	8,786	6,291	-	(44,434)
Inventory	185,443	48,564	30,580		264,587
Depreciation and amortization	14,706	6,354	13,324		34,384
Property, plant and equipment, net	99,436	51,256	101,341		252,033
Intangible assets	758	42,088	-		42,846

	Europe	**Latin America**	**North America**	**Asia**	**Total**
Net operating revenue per geographical region	127,112	397,961	17,889	43,955	586,917

In thousands of reais, unless otherwise stated

21 Future commitments

On April 10, 2017, the Parent and Centrais Elétricas Cachoeira Dourada S.A. - - CDSA, belonging to Endesa, decided to amend the agreement for the supply of electric energy entered into on May 1, 2007, which intended to contract a volume of electric energy according to the Company's needs. As a result, the supply of electric energy has been extended for further two years, up to December 31, 2020, and has reflected the following commitments that will be adjusted annually by the General Market Price Index (IGP-M).

Year of supply	Amount
2018	7,607
2019	8,597
2020	8,597
Total	24,801

The Company management believes that this agreement is compatible with the electric energy requirements for the contracted period.

22 Net sales revenue

Net sales revenue for the years ended December 31, 2017 and 2016 is broken down as follows:

	Parent		Consolidated	
	2017	2016	2017	2016
Domestic market	477,847	441,418	479,010	441,523
Foreign market	68,509	66,343	271,778	208,322
Gross sales revenue	546,356	507,761	750,788	649,845
(-) Taxes on sales	(77,854)	(62,664)	(77,915)	(62,928)
Net sales revenue	468,502	445,097	672,873	586,917

In thousands of reais, unless otherwise stated

23 Expenses by nature

		Parent		Consolidated
	2017	**2016**	**2017**	**2016**
Depreciation and amortization	23,675	27,374	30,255	34,385
Personnel expenses	123,255	142,584	208,382	210,547
Raw materials and consumables	245,747	214,007	330,377	308,439
Freight	23,981	21,652	31,060	25,515
Other expenses	13,223	69,914	26,628	53,195
Total	429,881	475,531	626,702	632,081
Classified as:				
Cost of sales and services	340,111	370,025	483,236	469,921
Selling expenses	39,339	46,751	67,736	72,846
General and administrative expenses	26,941	34,129	52,143	64,592
Research and development	16,772	19,492	16,772	19,492
Management profit sharing and fees	6,718	5,134	6,815	5,230
Total	429,881	475,531	626,702	632,081

In thousands of reais, unless otherwise stated

24 Finance income (costs)

	Parent		Consolidated	
	2017	**2016**	**2017**	**2016**
Finance income:				
Income from financial investments	7,464	12,407	9,347	15,004
Interest on trade notes receivable	6,169	4,827	6,169	4,827
Other	171	396	305	942
Total	13,805	17,630	15,822	20,773
Finance costs:				
Interest on financing	(11,974)	(15,161)	(13,886)	(18,620)
Other	(952)	(838)	(954)	(838)
	(12,926)	(15,999)	(14,840)	(19,458)

25 Other operating income (expenses), net

	Parent		Consolidated	
	2017	**2016**	**2017**	**2016**
Gains on sales of assets	4,486	242	6,577	242
Other	(1,307)	1,007	(1,483)	488
	3,179	1,249	5,094	730

* * *

INDÚSTRIAS ROMI S.A.
MANAGEMENT REPORT - 2017

Dear Sirs:

We are submitting for the consideration of the Shareholders, Customers, Suppliers, Capital Market and the Society in general the Management Report and the Financial Statements of Indústrias Romi S.A. ("Romi" or "Company") for the year ended December 31, 2017, accompanied by the Independent Auditors' Report.

2017 is still showing poor economic activity and high volatility, however, it may be noted in some macroeconomic data indications of a possible recovery of the Brazilian economy, such as improvements in levels of confidence when compared to January 2017 and improvement in installed capacity utilization. These improvements in macroeconomic data have not yet materialized in full on the order entry volume of the Romi Machinery Unit, although it is possible to notice a more significant development in the Raw and Machined Cast Parts Unit, in the automotive, trade and agricultural segments.

Romi continues to take measures to streamline its structure and the planning and manufacturing process, and respond quickly to the volatility of demand. During the last three years we have carried out a number of optimizations, mainly in indirect structures, reinforced the focus on cost and expense reduction projects and invested in automation and productivity, focusing on the increase of profitability in 2017, even in a scenario of poor economic activity. The impacts of these measures can be noted in the Company's profitability levels, which presented a significant development in 2017 against 2016.

1. OPERATIONAL PERFORMANCE

Net Operating Revenue

The net operating revenue in 2017 was R$672.9 million, 14.6% higher than in 2016, chiefly due to the following: (i) increase in revenue from domestic market machinery, caused by the slight improvement of the economy in 2017; (ii) increase in foreign market sales, as a result of the Company's strategy of solidifying the brand abroad and (iii) an increase in revenue of the German subsidiary B+W in 2017, of €14.8 million, demonstrating that the revenue has reflected the solid entry and backlog of orders.

In 2017, the domestic market accounted for 59% of the Company's consolidated net operating revenue. The revenue obtained in the foreign market, which considers the sales made by Romi's subsidiaries abroad (Mexico, United States, United Kingdom, France, Italy, Germany, Spain and B+W), was US$83.8 million, 32.8% higher than in 2016. This increase in revenue from the foreign market is due both to the German subsidiary B+W and Romi subsidiaries, whose factors are discussed in the previous paragraph.

In 2017, the order entry was R$707.6 million, 13.6% higher than the amount achieved in 2016.

Margins

In 2017, the gross margin was 28.2%, 8.3 percentage points higher than in 2016. This evolution of the gross margin has as main factors: (i) operational adjustments with adequacy of the structure to the current activity level, mainly in the years 2015 and 2016; (ii) strict monitoring of costs and expenses and (iii) better volume of activity in German subsidiary B+W.

Profit

The profit for 2017 was R$37,954.

2. INVESTMENTS

Investments throughout 2017 totaled R$29 million, of which approximately R$11 million intended for the installation of an automatic molding machine for the Raw and Machined Cast Parts Unit. This equipment will allow for the current process to be automated, making it more competitive, in addition to increasing the capacity and quality in the delivery of medium raw and machined cast parts. The installation will continue throughout 2017, with production go-live planned for 2018. Other investment expenses were intended, in part, to the maintenance, productivity, flexibility and competitiveness of other units of the industrial park, within the investment plan foreseen for 2017.

3. EXTERNAL AUDIT

In accordance with the provisions of CVM Instruction 381/03, the Company informs that in the year ended December 31, 2017, no services other than the audit of the financial statements were performed by the firm Ernst & Young Auditores Independentes S.S.

4. ARBITRATION

Romi's shares are listed on the B3's "New Market", a differentiated listing segment encompassing those Companies that voluntarily stand out in adopting the highest standards of corporate governance. Consequently, the Company is linked to the B3' New Market Arbitration Chamber. In this way, its shareholders, officers and members of the Supervisory Board undertake to resolve, through arbitration, any dispute or controversy that may arise among them, especially related to or resulting from the application, validity, effectiveness, interpretation, breach and its effects, of the provisions set out in the Corporate Law, its Bylaws, rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as other rules applicable to the capital market in general, besides those included in the New Market Listing Regulation, the New Market Participation Agreement and the Arbitration Regulation of the Market Arbitration Chamber.

The Management

FISCAL COUNCIL OPINION

In accordance with relevant legal and statutory provisions, the Fiscal Council of Indústrias Romi S.A., having examined the Management Report, the Financial Statements and the Proposal for Income Allocation and Dividend Distribution for the fiscal year ended December 31st 2017, as well as the Capital Budget for 2018. Based on the information submitted and having received the clarifications provided by the Management and the Independent Auditors, and considering all discussions regarding the qualification contained in the Independent Auditor's Report on the individual and consolidated Financial Statements, the Fiscal Council believes that said documents are appropriated to be submitted to the Annual Shareholders' Meeting.

Santa Bárbara d'Oeste, February 6th, 2018

Alfredo Ferreira Marques Filho

Clóvis Ailton Madeira

Walter Luis Bernardes Albertoni

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

CNPJ (National Register of Legal Entities) Nº 56.720.428/0001-63
NIRE (Company Registration Number) 35.300.036.751

B3 Ticker Symbol: ROMI3

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 6th, 2018

Luiz Cassiano Rando Rosolen – Chief Executive Officer
William dos Reis – Executive Officer
Fábio Barbanti Taiar - Executive Officer
Francisco Vita Júnior – Executive Officer
Fernando Marcos Cassoni – Executive Officer

INDÚSTRIAS ROMI S.A.
CNPJ – 56.720.428/0001-63/NIRE 35.300.036.751

PUBLICY TRADED COMPANY

OFFICERS' STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT

The undersigned officers hereby certify that they have reviewed and discussed the opinion expressed in the report of the independent auditors, Ernst Young, on the financial statements for the year ended December 31, 2017.

Such opinion is that the financial statements present fairly, in all material respects, the individual and consolidated financial position, the individual and consolidated financial performance and the individual and consolidated cash flows, except for the qualification on the reversal of the provision for ICMS (state VAT) on sales, included in the tax base of Pis and Cofins (taxes on gross revenue).

In the Company's opinion, based on accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee and International Accounting Standards (IAS/IFRS), the possibility of shaping the effects, where a decision will be made on a temporary cut among several possible ones, as well as the possibility of changing the system to be used by taxpayers to quantify the credits, represent a great uncertainty about its final outcome. Only after these clarifications, which will possibly be brought by the final and unappealable decision to be published by the Supreme Federal Court, after having completed the analysis of the request for Amendment of Judgment filed by the Federal Government, it will be possible to conduct an analysis and reach an objective conclusion on the success and consequent accounting impact. Therefore, in the current phase of the proceeding, the Company is not able to assess what the shaping will be, or the system to be adopted in determining the PIS and COFINS amount to be paid and, consequently, the amount of the tax credits. As a conclusion, the Company understands that the amount of such provision at December 31, 2017 should be maintained until the final outcome of the matter.

In line with this understanding, on January 29, 2018, the Company filed with the Brazilian Securities and Exchange Commission ("CVM") a consultation in which it requests for a statement from CVM on the accounting treatment regarding the effects of the Supreme Federal Court's preliminary decision on the inclusion of ICMS on sales in the Pis and Cofins tax base, as disclosed by the Company in a Release to the Market on January 30, 2018.

Relevant information on the subject has been disclosed in a note to the financial statements, specifically Note 14 – Provision for tax, labor and civil contingencies to the Financial Statements for the year ended December 31, 2017.

Santa Bárbara d'Oeste, February 6, 2018

Luiz Cassiano Rando Rosolen – CEO
William dos Reis - Vice President
Fábio Barbanti Taiar – Investor Relations Officer
Francisco Vita Júnior – Officer
Fernando Marcos Cassoni – Officer