(A free translation of the original in Portuguese)

Indústrias Romi S.A.
Financial Statements at December 31, 2015 and Independent Auditor's Report

(A free translation of the original in Portuguese)

Independent auditor's report

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

We have audited the accompanying financial statements of Indústrias Romi S.A. ("Parent Company" or "Company"), which comprise the balance sheet as at December 31, 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Indústrias Romi S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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Indústrias Romi S.A.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indústrias Romi S.A. and of Indústrias Romi S.A. and its subsidiaries as at December 31, 2015, and the parent company and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters

Supplementary information – statements of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2015, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Campinas, February 16, 2016

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

Marcos Roberto Sponchiado
Contador CRC 1SP175536/O-5

Indústrias Romi S.A.

Balance sheet

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

ASSETS	Note	Parent Company December 31, 2015	Parent Company December 31, 2014	Consolidated December 31, 2015	Consolidated December 31, 2014
CURRENT					
Cash and cash equivalents	3	102,580	106,170	144,581	145,580
Trade accounts receivable	4	56,010	62,731	122,126	105,923
Onlending of FINAME manufacturer financing	5	120,908	173,575	120,908	173,575
Inventory	6	192,596	209,832	267,786	262,035
Related parties	8	33,022	27,400	-	492
Taxes recoverable		20,837	15,640	24,564	17,892
Other receivables		21,695	18,406	23,208	21,028
		547,648	613,754	703,173	726,525
NON-CURRENT					
Trade accounts receivable	4	8,941	8,700	8,941	8,700
Onlending of FINAME manufacturer financing	5	99,541	132,239	99,541	132,239
Related parties	8	798	44,442	-	-
Taxes recoverable		1,203	1,682	1,203	1,682
Deferred income tax and social contribution	15	48,738	47,076	48,738	47,128
Judicial deposits	14	986	1,471	986	1,471
Other receivables	5	6,575	23,878	6,957	24,481
		166,782	259,488	166,366	215,701
Investment in subsidiary and associated companies	7	172,667	111,808	-	2,329
Property, plant and equipment	10	199,932	214,171	277,809	278,400
Investment properties	9	15,978	14,211	17,000	19,875
Intangible assets	11	473	2,608	55,368	46,166
		555,832	602,286	516,543	562,471
TOTAL ASSETS		1,103,480	1,216,040	1,219,716	1,288,996

LIABILITIES AND EQUITY	Note	Parent Company December 31, 2015	Parent Company December 31, 2014	Consolidated December 31, 2015	Consolidated December 31, 2014
CURRENT					
Borrowing	12	41,857	100,716	45,825	104,916
FINAME manufacturer financing	13	82,785	133,024	82,785	133,024
Trade accounts payable		20,330	20,758	28,400	30,992
Payroll and related taxes		17,656	16,429	20,834	19,291
Taxes payable		2,144	3,957	6,354	6,610
Advances from customers		11,614	11,418	37,851	40,928
Dividends and interest on capital		1,487	1,719	1,487	1,719
Profit sharing		527	575	527	575
Other payables		6,347	6,953	23,499	14,243
Provision for net capital deficiency - subsidiary	7	4	25,356	-	-
Related parties	8	634	595	-	1,081
		185,385	321,500	247,562	353,379
NON-CURRENT					
Borrowing	12	152,227	129,718	170,817	143,405
FINAME manufacturer financing	13	92,124	117,053	92,124	117,053
Taxes payable		539	1,133	545	1,133
Provision for tax, labor and divil risks	14	2,457	4,099	2,457	4,099
Other payables		29	-	505	350
Deferred income tax and social contribution	15	-	-	32,711	25,416
		247,376	252,003	299,159	291,456
TOTAL LIABILITIES		432,761	573,503	546,721	644,835
EQUITY					
Capital	16	492,025	489,973	492,025	489,973
Capital reserve	16	-	2,052	-	2,052
Treasury shares	16	(5,078)	(10,349)	(5,078)	(10,349)
Profit reserve	16	140,721	146,301	140,721	146,301
Cumulative translation adjustments	16	43,051	14,560	43,051	14,560
		670,719	642,537	670,719	642,537
NON CONTROLLING INTEREST		-	-	2,276	1,624
TOTAL EQUITY		670,719	642,537	672,995	644,161
TOTAL LIBILITIES AND EQUITY		1,103,480	1,216,040	1,219,716	1,288,996

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

Indústrias Romi S.A.

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

		Parent Company		Consolidated	
	Note	2015	2014	2015	2014
Net operating revenue	22	408,299	493,593	606,632	648,611
Cost of sales and services	23	(320,500)	(374,135)	(468,605)	(481,184)
Gross profit		87,799	119,458	138,027	167,427
Operation income (expenses)					
Selling	23	(46,771)	(53,748)	(69,761)	(72,738)
General and administrative	23	(39,954)	(39,439)	(68,059)	(63,793)
Research and development	23	(18,235)	(19,824)	(18,235)	(19,824)
Management profit sharing and fees	8 and 23	(5,282)	(6,315)	(5,380)	(6,442)
Equity income	7	14,160	5,204	-	-
Other operating income, net	25	1,112	1,224	21,366	4,953
		(94,970)	(112,898)	(140,069)	(157,844)
Operating profit (loss)		(7,171)	6,560	(2,042)	9,583
Financial income (expenses)					
Financial income	24	17,142	12,497	19,212	14,403
Financial expenses	24	(20,047)	(11,882)	(20,958)	(12,947)
Foreign exchange gains, net	24	12,726	1,384	12,643	1,292
		9,821	1,999	10,897	2,748
Profit before taxation		2,650	8,559	8,855	12,331
Income tax and social contribution	15	3,604	(1,324)	(1,509)	(4,661)
Profit for the year		6,254	7,235	7,346	7,670
Attributable to:					
Controlling interests				6,254	7,235
Non-controlling interests				1,092	435
				7,346	7,670
Basic and diluted earnings per share (R$)	16	0.09	0.10		

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

Indústrias Romi S.A.

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

	Parent Company		Consolidated	
	2015	**2014**	**2015**	**2014**
Profit for the year	6,254	7,235	7,346	7,670
Items to be subsequently reclassified to profit or loss				
Foreign exchange variation on investees located abroad	28,491	(866)	28,491	(866)
Total comprehensive income for the year	34,745	6,369	35,837	6,804
Attributable to:				
Controlling interests			34,745	6,369
Non-controlling interests			1,092	435
			35,837	6,804

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

Indústrias Romi S.A.

Statement of changes in equity

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

	Attibutable to the controlling interest										
				Profit reserve			Carrying	Retained		Non-	
		Capital	Theasury	Retained	Legal		Value	earnings		controlling	
								(accumulated			
	Capital	reserve	shares	earnings	reserve	Total	adjustments	deficit)	Total	interests	Total
At January 1, 2014	**489,973**	**2,052**	**-**	**99,704**	**41,080**	**140,784**	**15,426**	**-**	**648,235**	**1,688**	**649,923**
Net income of the year	-	-	-	-	-	-	-	7,235	7,235	435	7,670
Foreign currency translation effects	-	-	-	-	-	-	(866)	-	(866)		(866)
Total comprehensive income of the year	-	-	-	-	-	-	(866)	7,235	6,369	435	6,804
Purchases of treasury shares	-	-	(10,349)	-	-	-	-	-	(10,349)	-	(10,349)
Legal reserve	-	-	-	-	362	362	-	(362)	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	-	-	(499)	(499)
Mandatory dividends	-	-	-	-	-	-	-	(1,718)	(1,718)	-	(1,718)
Transfers between reserves	-	-	-	5,155	-	5,155	-	(5,155)	-	-	-
Total contributions by and distributions to controlling interests			(10,349)	5,155	362	5,517		(7,235)	(12,067)	(499)	(12,566)
At December 31, 2014	**489,973**	**2,052**	**(10,349)**	**104,859**	**41,442**	**146,301**	**14,560**	**-**	**642,537**	**1,624**	**644,161**
At January 1, 2015	**489,973**	**2,052**	**(10,349)**	**104,859**	**41,442**	**146,301**	**14,560**	**-**	**642,537**	**1,624**	**644,161**
Net income of the year	-	-	-	-	-	-	-	6,254	6,254	1,092	7,346
Foreign currency translation effects	-	-	-	-	-	-	28,491	-	28,491	-	28,491
Total comprehensive income of the year	-	-	-	-	-	-	28,491	6,254	34,745	1,092	35,837
Purchases of treasury shares	-	-	(5,078)	-	-	-	-	-	(5,078)	-	(5,078)
Cancellation of shares in theasury	-	-	10,349	(10,349)	-	(10,349)	-	-	-	-	-
Capital increase	2,052	(2,052)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	313	313	-	(313)	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	-	-	(440)	(440)
Mandatory dividends	-	-	-	-	-	-	-	(1,485)	(1,485)	-	(1,485)
Transfers between reserves	-	-	-	4,456	-	4,456	-	(4,456)	-	-	-
Total contributions by and distributions to controlling interests	2,052	(2,052)	5,271	(5,893)	313	(5,580)		(6,254)	(6,563)	(440)	(7,003)
At December 31, 2015	**492,025**	**-**	**(5,078)**	**98,966**	**41,755**	**140,721**	**43,051**	**-**	**670,719**	**2,276**	**672,995**

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

	Note	Parent Company 2015	Parent Company 2014	Consolidated 2015	Consolidated 2014
Cash flow from operating activities					
Profit before taxation		**2,650**	**8,559**	**8,855**	**12,331**
Adjustments from:					
(Revenue), finance expenses and exchange rate	24	(5,040)	826	4,741	4,137
Depreciation and amortization	10, 11	26,245	28,689	34,445	35,213
Allowance for doubtful accounts and for other receivables	4, 5, 6	(725)	(1,433)	(1,685)	(1,433)
Provision for inventory losses	6	(16,510)	(4,536)	(14,009)	(4,570)
Cost of property, plant and equipment and disposals of intangible assets	10, 11	(653)	(1,592)	(22,535)	(3,429)
Equity in subsidiaries, net of dividends received	7	(14,160)	(5,204)	-	-
Provision for contingent liabilities		(1,839)	(929)	(224)	(4,995)
Changes in operating assets and liabilities					
Trade accounts receivable		23,700	44,347	30,536	24,991
Related parties (assets and liabilities)		4,757	(11,561)	2,329	(2)
Onlending of FINAME manufacturer financing		87,274	137,200	87,274	137,200
Inventory		33,839	19,551	8,351	20,623
Taxes recoverable		(2,747)	(2,049)	(7,803)	(6,361)
Judicial deposits		(1,343)	(6)	(1,343)	(6)
Other receivables		22,739	2,540	24,561	3,143
Suppliers		(2,996)	(25,795)	(5,160)	(11,974)
Payroll and related taxes		3,245	(3,071)	3,561	(3,404)
Taxes payable		(2,407)	(3,105)	5,676	(1,536)
Advances from customers		196	(6,857)	(3,077)	(13,908)
Other payables		(1,585)	1,525	5,668	7,275
Cash provided by operations		154,640	177,099	160,161	193,295
Income tax and social contribution paid		-	(7,578)	(846)	(9,288)
Net cash provided by operating activities		154,640	169,521	159,315	184,007
Cash flow from investment activities					
Purchases of property, plant and equipment	10	(13,663)	(24,890)	(16,927)	(36,056)
Increase in intangibles	11	-	(91)	(372)	(91)
Disposals of property, plant and equipment	10	2,400	2,858	5,091	7,207
Dividends received	7	5,927	6,690	-	-
Capital increase	7	(10,311)	-	-	-
Net cash used in investment activities		(15,647)	(15,433)	(12,208)	(28,940)

Indústrias Romi S.A.

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

	Note	Parent Company		Consolidated	
		2015	2014	2015	2014
Cash flow from financing activities					
Interest on capital and dividends paid	16	(1,717)	(369)	(2,157)	(1,253)
Purchase of treasury shares	16	(5,078)	(10,349)	(5,078)	(10,349)
New borrowing		61,808	97,122	83,704	100,484
Payment of other financing		(101,166)	(54,173)	(121,039)	(57,228)
Interest paid		(12,034)	(11,357)	(13,302)	(11,464)
New FINAME - manufacturer financing		64,712	102,087	64,712	102,087
Payment of FINAME manufacturer financing		(139,824)	(219,669)	(139,824)	(219,669)
Interest paid - FINAME manufacturer financing		(9,284)	(15,044)	(9,284)	(15,044)
Net cash used in financing activities		(142,583)	(111,752)	(142,268)	(112,436)
Decrease in cash and cash equivalents		(3,590)	42,336	4,839	42,631
Cash and cash equivalents - at the beginning of the exercise		106,170	63,834	145,580	107,232
Foreign exchange losses of cash equivalents of foreign subsidiaries		-	-	(5,838)	(4,283)
Cash and cash equivalents - at the end of the exercise		102,580	106,170	144,581	145,580
Transactions not affecting cash					
Capital increase in subsidiaries through capitalization of loans	7	39,176			

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

Indústrias Romi S.A.

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

	Parent Company		Consolidated	
	2015	2014	2015	2014
Revenue				
Sales of products and services	477,470	596,236	675,803	756,133
Allowance for doubtful accounts and for other receivables	(3,657)	(768)	(3,658)	281
	473,813	595,468	672,145	756,414
Inputs acquired from third parties				
materials used	(201,694)	(277,663)	(288,428)	(371,724)
Other costs of products and services	(18,125)	(19,283)	(30,766)	(35,010)
Electricity, third party services and other expenses	(54,717)	(34,848)	(61,007)	(43,445)
	(274,536)	(331,794)	(380,201)	(450,179)
Gross value added	199,277	263,674	291,944	306,235
Depreciation and amortization	(26,245)	(28,689)	(34,445)	(35,213)
Net value added generated by the Company	173,032	234,985	257,499	271,022
Value added received through transfers				
Equity in the earnings of subsidiaries	14,160	5,204	-	-
Financial income and net foreign exchange gains	29,868	13,881	31,855	15,695
Total value added to distribute	217,060	254,070	289,354	286,717
Distribuition of value added				
Employees				
Payroll and related charges	123,264	130,813	193,406	161,694
Sales commision	3,416	3,199	3,416	3,199
Management profit sharing and fees	5,282	6,315	5,380	6,442
Profit sharing	313	1,195	313	1,195
Pension plans	548	2,313	548	2,313
Taxes				
Federal	43,896	67,843	43,947	67,982
State	8,354	17,848	8,354	17,848
Municipal	1,096	1,068	1,096	1,068
Interest	20,047	11,882	20,958	12,947
Rentals	4,590	4,359	4,590	4,359
Dividends and interest on capital	1,485	1,718	1,925	2,217
Accumulated profit for the year	4,769	5,517	5,421	5,453
Value added distributed	217,060	254,070	289,354	286,717

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

1 General information

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

These financial statements were approved by the Company’s Board of Directors and authorized for issue on February 16, 2016.

2 Basis of preparation and accounting policies

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and contain all material information specific to the financial statements, which are consistent with those used by management.

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

2.1 Basis of preparation

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

(a) Consolidated financial statements

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

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

(b) Parent company financial statements

The parent company financial statements have been prepared in accordance with the accounting practices adopted in Brazil issued by the CPC. Because the accounting practices adopted in Brazil applicable to individual financial statements, from 2014, do not differ from the International Financial Reporting Standards (IFRS) applicable to separate financial statements, which now allow entities to use the equity method to account for investments in subsidiaries and associates in the separate financial statements, they are also in compliance with the IFRS issued by the International Accounting Standards Board (IASB), and are disclosed together with the Consolidated financial statements.

(c) Changes in accounting policies and disclosures

There are no amendments or interpretations effective for the financial year beginning on January 1, 2015 that would be expected to have a material impact on the Company's financial statements.

2.2 Investments in subsidiaries - Consolidated

(a) Parent company

Subsidiaries include all entities (including structured entities) over which the Company has control. The Company 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 Company. 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 Company's share of the profits (losses) of the subsidiaries, with a balancing item in the operating profit (loss), except for the foreign exchange differences on 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 in the investment balance.

(b) Consolidation

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

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

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

2.2.1 Segment reporting

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

2.3 Foreign currency translation

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

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

(a) Functional and presentation currency

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

Transactions and balances

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

Translation of foreign subsidiaries' financial statements

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

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

2.4 Cash and cash equivalents

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

2.5 Financial assets

(a) Classification

The Company classifies its financial assets, upon initial recognition, as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for, in the applicable cases, those with maturities longer than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are carried at amortized cost using the effective interest method. The Company's loans and receivables comprise cash and cash equivalents (Note 3), trade accounts receivable (Note 4), receivables – onward lending of FINAME manufacturer financing (Note 5), other receivables, related parties 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 balance sheet when there is a legally enforceable right to offset the recognized amounts and an intention to settle them on a net basis or to 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 normal 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 impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been adversely affected. Such evidence includes the history of loss, the creditworthiness of the customer(s), the situation of the corporate group to which they belong, the debt collateral, and assessment of the Company's legal counsel, and is considered sufficient by the Company's management to cover possible losses on receivables.

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

2.6 Trade receivables

Trade receivables refer mainly to amounts due from customers for merchandise 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 non-current assets.

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

2.7 Inventory

Inventory is stated at the lower of its net realizable value (estimated selling price in the normal 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 progress includes design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

2.8 Property, plant and equipment

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

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

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

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

2.9 Investment property

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

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 benefits of the intangible asset.

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

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

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

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

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

The recoverable amount of an asset is the higher of: (a) its fair value less costs to sell, and (b) its value in use. The value in use is equivalent to the discounted cash flow (before tax) arising from the continuous use of the asset up to the end of its useful life.

Regardless whether or not there is evidence of impairment, goodwill balances arising from business combinations and intangible assets with indefinite useful lives are tested for impairment at least once a year, in December. When the carrying amount of an asset exceeds its recoverable amount, the Company recognizes an impairment loss in its profit or loss account.

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

2.12 Trade payables

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

Trade payables are recognized initially at 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 income 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.

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

2.14 Discounting to present value

Assets and liabilities arising from short term transactions, when they are material, are discounted to their present values based on discount rates that reflect the best assessments of 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 company and its subsidiaries operate and generate taxable income. 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 provisions 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 profits 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 income, 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 balance sheet 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 generally presented separately, and not on a net basis.

2.16 Employee benefits

The Company has several employee benefit plans, including pension plans (defined contributions), healthcare, dental care and profit sharing.
Post-employment pension plans are characterized as defined contribution plans, 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 non-current assets and liabilities

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

2.18 Share capital

Common shares are classified in equity.

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

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

2.19 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's shareholders is recognized as a liability in the 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 on which it is approved by the Board of Directors.

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

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 accruals basis, using the effective interest method.

2.21 Provisions

Provisions for tax, labor and civil risks are 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 income on a straight line basis over the period of the lease.

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

The preparation of financial statements involves the use of estimates. The determination of these estimates took into consideration the experiences of past and current events, assumptions 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 definite 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 allowance for doubtful accounts: the assumptions used are described in Note 2.5. (b).

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

The actual results may differ from these estimates. These estimates and assumptions are periodically reviewed.

2.24 Standards, interpretations and amendments to accounting standards.

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

The following new standards were issued by IASB but are not effective for 2015. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

IFRS 9 - "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 1, 2018. It replaces the guidance included in IAS 39 related to the classification and measurement of financial instruments. Management is yet to assess the full impact of IFRS 9.

(i) IFRS 15 – "Revenue from Contracts with Customers": introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. Effective date is January 1, 2018 and replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. Management is yet to assess the full impact of IFRS 15.

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

(In thousands of reais unless otherwise stated)

3 Cash and cash equivalents

	Parent company		Consolidated	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Cash and banks	1,529	1,538	26,267	23,011
Bank Deposit Certificates ("CDBs") (a)	65,655	54,391	81,164	72,103
Short term investments backed by debentures (a)	32,025	49,218	33,775	49,218
Short term investments in foreign currency - US$ (Time deposit)	2,413	-	2,413	-
Other	958	1,023	962	1,248
Total	102,580	106,170	144,581	145,580

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

4 Trade accounts receivable

	Parent company		Consolidated	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Current				
Domestic customers	55,271	59,549	73,085	59,549
Foreign customers	3,414	5,945	57,105	54,073
Allowance for doubtful accounts	(2,675)	(2,763)	(8,064)	(7,699)
	56,010	62,731	122,126	105,923
Non-current				
Domestic customers	8,967	8,241	8,967	8,241
Foreign customers	353	827	353	827
Allowance for doubtful accounts	(379)	(368)	(379)	(368)
	8,941	8,700	8,941	8,700

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

(In thousands of reais unless otherwise stated)

The balance of current trade receivables as at December 31, 2015 and 2014, Parent company and Consolidated, is distributed as follows:

	Parent company		**Consolidated**	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Not yet due	43,486	47,933	98,007	85,671
Past due:				
1 to 30 days	5,112	9,733	7,833	12,706
31 to 60 days	774	1,788	3,712	3,771
61 to 90 days	627	471	1,807	574
91 to 180 days	1,435	700	2,934	1,095
181 to 360 days	3,325	1,637	7,352	1,897
Over 360 days	3,926	3,232	8,545	7,908
	15,199	17,561	32,183	27,951
Total	58,685	65,494	130,190	113,622
Allowance for doubtful accounts	(2,675)	(2,763)	(8,064)	(7,699)
Total - current	56,010	62,731	122,126	105,923

As at December 31, 2015, trade accounts receivable amounting to R$ 12,145 (2014 – R$ 14,430- Parent company) and R$ 23,740 (2014 – R$ 19,884 - 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 non-current trade accounts receivable as at December 31, 2015, Parent company and Consolidated, is distributed as follows:

	Parent company and Consolidated
Not yet due:	
2017	7,696
2018	1,229
2019	16
Total - non-current	8,941

(In thousands of reais unless otherwise stated)

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

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
As at January 1	3,131	2,195	8,067	8,861
Additional allowance recorded	1,198	1,429	1,879	1,586
Receivables written off	(1,275)	(493)	(2,917)	(2,384)
Foreign exchange rate variations	-	-	1,414	4
As at December 31	3,054	3,131	8,443	8,067

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 at the balance sheet date is the carrying amount of each class of receivable mentioned above. The other receivables at the balance sheet date do not include impaired assets.

5 Receivables - onward lending of FINAME manufacturer financing

	Parent company and Consolidated	
	December 31, 2015	**December 31, 2014**
Current		
FINAME not yet due	95,640	148,137
FINAME awaiting release (a)	399	1,347
FINAME past due (b)	37,230	37,308
	133,269	186,792
Allowance for doubtful accounts	(12,361)	(13,217)
	120,908	173,575
Non-current		
FINAME not yet due	99,916	128,614
FINAME awaiting release (a)	1,596	5,387
	101,512	134,001
Allowance for doubtful accounts	(1,971)	(1,762)
	99,541	132,239
Total	220,449	305,814

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

FINAME manufacturer line PSI is a line specifically linked to sales transactions, used by Romi with terms of up to 48 months, with grace periods between three and six months and fixed costs between 2.5% and 9.5% per year, in accordance with the terms defined by the BNDES at the time of the transaction. The Line PSI (Investment Support Program) was one of the measures adopted by the federal government to foster investment and consumption, started in June 2009, finances capital goods, investments and technology and was in effect through December 2015.

The financing terms are also based on the customer's characteristics. Funds are released by the BNDES by identifying the customer and the sale, as well as checking that the customer has fulfilled the terms of Circular 195 of July 28, 2006 issued by BNDES, through a financial agent, with the formalization of a financing agreement in the name of the Company and the 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 under 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 the onward lending of FINAME manufacturers' financing receivables and payables include:

(a) FINAME transactions awaiting release refer 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 by 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 guarantee and the value of the receivables from the customers. In instances in which the machine guaranteed cannot be located, a full loss provision is made for the balance of the receivable.

The machines seized as part of the implementation process are recorded at their carrying amount, not exceeding their fair value, under the category of "Other receivables", pending a final court decision, following which they are repossessed and transferred to inventory. As at December 31, 2015, the balance of repossessed machinery, included in the line item "Other receivables", Parent company and Consolidated, amounted to R$ 14,572 (R$ 11,919 as at December 31, 2014) in current assets and R$ 5,260 (R$ 27,251 as at December 31, 2014) in non-current assets.

(In thousands of reais unless otherwise stated)

As at December 31, 2015 and 2014, the balances of "Receivables - onward lending of FINAME manufacturer financing", Parent company and Consolidated, were as follow:

	Parent company and Consolidated	
	December 31, 2015	**December 31, 2014**
Not yet due	96,039	149,484
Past due:		
1 to 30 days	3,108	4,216
31 to 60 days	1,626	1,990
61 to 90 days	1,614	1,883
91 to 180 days	4,452	4,944
181 to 360 days	6,227	7,940
Over 360 days	20,203	16,335
	37,230	37,308
Total - current	133,269	186,792

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

	Parent company and Consolidated
Not yet due:	
2017	62,893
2018	29,444
2019	8,648
2020 and thereafter	527
Total - non-current	101,512

The changes in the allowance for doubtful accounts, Parent Company and Consolidated, are as follow:

	Parent company and Consolidated	
	December 31, 2015	**December 31, 2014**
Opening balance	14,979	16,349
Allowance recorded (or written off) during the period, net	(647)	(1,370)
Closing balance	14,332	14,979

(In thousands of reais unless otherwise stated)

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 balance sheet date is equivalent to the carrying amount of each class of receivable mentioned above.

6 Inventory

	Parent company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Finished products	47,858	38,349	77,683	65,832
Used machines	31,159	28,880	31,159	28,881
Work in progress	52,988	64,350	77,681	78,229
Raw materials and components	59,461	77,428	79,566	88,268
Imports in transit	1,130	825	1,697	825
Total	192,596	209,832	267,786	262,035

The inventory balances, Parent Company and Consolidated, as at December 31, 2015 are net of the amounts of R$ 58,636 and R$ 59,112 respectively (R$ 51,445 Parent Company and R$ 51,668 Consolidated respectively as at December 31, 2014) corresponding to the provision for slow-moving inventory with a remote probability of being realized through sale or use.

The changes in the provision to bring inventory to their net realizable value, Parent Company and Consolidated, are as follow:

	Parent company		Consolidated	
	2015	2014	2015	2014
As at January 1	51,445	55,540	51,668	55,729
Inventory sold or written off	(52,237)	(40,757)	(53,462)	(41,129)
Provision recorded	35,727	28,031	39,453	28,437
Transfer of provisions resulting from machines repossessed during the year	23,701	8,631	23,701	8,631
As at December 31	58,636	51,445	61,360	51,668

(In thousands of reais unless otherwise stated)

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

	Parent company		Consolidated	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Finished products	3,057	3,885	6,361	4,108
Used machines	28,885	19,981	28,885	19,981
Work in progress	6,465	9,285	5,800	9,285
Raw materials and components	20,229	18,293	20,314	18,293
Total	58,636	51,445	61,360	51,668

The cost of inventory recognized in the statement of income and included in "Cost of sales and services" amounted to R$ 320,500 (2014 - R$ 374,135) for the Parent company, and R$ 468,605 (2014 – R$ 481,184) for the Consolidated.

(In thousands of reais unless otherwise stated)

7 Investments in subsidiaries and associates

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

	Subsidiary	Country	Main activity
1.	Romi Itália S.r.l. ("Romi Italy")	Italy	Sales of machine tools, spare parts and technical assistance.
1.1	Romi Machines UK Ltd. (indirect subsidiary – 100% interest)	United Kingdom	Sales of machinery for plastics and machine tools, spare parts and technical assistance.
1.2	Romi France SAS (indirect subsidiary – 100% interest)	France	Sales of machinery for plastics and machine tools, spare parts and technical assistance.
1.3	Romi Máquinas España S.A. (indirect subsidiary – 100% interest)	Spain	Sales of machinery for plastics and machine tools, spare parts and technical assistance.
2.	Romi Europa GmbH ("Romi Europe")	Germany	Distribution of machine tools, spare parts and technical assistance.
2.1	Burkhardt + Weber Fertigungssysteme GmbH ("B+W") (indirect subsidiary – 100% interest)	Germany	Production and sale of large tooling machines with high technology, precision and productivity, as well as machinery for specialized applications.
2.1.1	Riello Sistemi (Riello Shangai) Trade Co., Ltd. (indirect associate – 30% interest)	China	Company sold on August 26, 2015.
2.1.2	Burkhardt + Weber/Romi (Shangai) Co., Ltd. (indirect subsidiary – 100% interest)	China	Sale of machine tools produced by B+W and provision of services (spare parts and technical assistance).
2.1.3	Burkhardt + Weber LLC	United States of America	Sale of machine tools produced by B+W and provision of services (spare parts and technical assistance).
3.	Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor")	Brazil	Real estate activity, including purchases and sales, leases 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	Sales of machine tools, spare parts, technical assistance and cast and machined products in North America.
5.	Romi Empreendimentos Imobiliários S.A. (formerly named INTEROCEAN).	Brazil	Interest in real estate developments.
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 México).	Mexico	Sales of machinery for plastics and machine tools, spare parts and technical assistance.

(In thousands of reais unless otherwise stated)

December 31, 2015

	Romi Itay 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	44,939	85,771	33,232	18,528	6	6,253	4,339	
Non-current assets	8,654	122,114	3,023	603	-	-	1	
Current liabilities	27,363	48,111	3,413	13,854	10	1	3,104	
Non-current liabilities	11,772	44,891	-	-	-	-	6	
Equity (net capital deficiency) of subsidiary	14,458	114,883	32,842	5,277	(4)	6,252	1,230	
Changes in investments:								
Investment balance as at December 31, 2014	(13,525)	85,633	21,825	(11,831)	1	4,011	338	86,452
Foreign exchange variations on foreign investments	2,346	24,383	-	(503)	-	1,956	309	28,491
Capital increase (b)	26,610	1,572	-	20,539	-	-	766	49,487
Dividends proposed and paid (c)	-	-	(5,927)	-	-	-	-	(5,927)
Share of profits (losses) of subsidiaries	(973)	3,295	14,669	(2,928)	(5)	285	(183)	14,160
Equivalent value - closing balance	**14,458**	**114,883**	**30,567**	**5,277**	**(4)**	**6,252**	**1,230**	**172,663**
Investments in subsidiaries	14,458	114,883	30,567	5,277	-	6,252	1,230	172,667
Provision for net capital deficiency of subsidiary	-	-	-	-	(4)	-	-	(4)

(a) The subsidiaries' capital is not divided into quotas or shares in their articles of association.
(b) Payment of dividends by the subsidiary ROMINOR, approved on the following dates: (i) by the Annual General Meeting on March 16, 2015, in the amount of R$ 2,428, related to 2014, and (ii) by the Board of Directors at the meeting held on July 29, 2015, in the amount of R$ 2,276, related to the first half of 2015, (iii) R$ 1,664 as mandatory minimum dividends of 2015, classified as liabilities in the subsidiary and dividends receivable in the Parent company, the residual value of the total dividends is derived from the earnings reserve and will be transferred to liabilities together with the publication of the minutes. From this payment amount, the Company received R$ 2,260, R$ 2,118 and R$ 1,549, respectively.
(c) The Board of Directors' Meeting held on June 9, 2015 approved the capital increases in subsidiaries Romi Europe, Romi Machine Tools, IRSA Máquinas México and Romi Itália S.r.l. in the amounts of R$ 1,572 thousand, R$ 20,539 thousand, R$766 and R$ 26,610 thousand, respectively. The capital increases were made through the capitalization of loans and currency remittances as follow: (i) Romi Europe: Loan - R$ 1,454 (equivalent to EUR 418) and currency remittances of R$ 118 (equivalent to EUR 32); (ii) Romi Machine Tools: Loan - R$ 10,972 (equivalent to EUR 3,560) and currency remittances of R$ 9,567 (equivalent to EUR 3,140); (iii) IRSA Máquinas México: Loan - R$ 140 (equivalent to MXN 384) and currency remittances of R$ 626 (equivalent to MXN 3,138); and (vi) Romi Itália S.r.l.: Loan – R$ 26,610.
(d) On August 26, 2015, the Company sold the investment in the indirect associate Riello Sistemi (Riello Shanghai) Trade Co. Ltd, for R$ 1,010, with a loss of R$ 1,319, recognized in the line item "Other operating income, net" in the consolidated statement of income.

(In thousands of reais unless otherwise stated)

December 31, 2014

	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	78	13,028	1,188,000	
Ownership interest	100.0%	100.0%	93.1%	100.0%	100.0%	100.0%	100.0%	
Current assets	38,761	71,648	18,256	9,289	11	4,011	1,220	
Non-current assets	11,971	98,571	5,525	368	-	-	1	
Current liabilities	55,119	50,558	331	21,486	11	-	924	
Non-current liabilities	9,132	34,239	-	-	-	-	-	
Equity (net capital deficiency) of subsidiary	(13,525)	85,633	23,450	(11,831)	1	4,011	338	
Changes in investments:								
Opening balance as at December 31, 2013	(12,083)	82,363	22,669	(7,447)	5	3,229	68	88,804
Foreign exchange variations on foreign investments	103	(92)	-	(1,406)	-	469	60	(866)
Dividends proposed and paid (b)	-	-	(6,690)	-	-	-	-	(6,690)
Share of profits (losses) of subsidiaries	(1,545)	3,362	5,846	(2,978)	(4)	313	210	5,204
Equivalent value - closing balance	(13,525)	85,633	21,825	(11,831)	1	4,011	338	86,452
Investments in subsidiaries		85,633	21,825		1	4,011	338	111,808
Provision for net capital deficiency of subsidiary	(13,525)			(11,831)				(25,356)
Investments in associates								
30% interest in Riello Sistemi (Shangai) Trade Co., Ltd acquired through a business combination								2,329
Total investments in associates – consolidated								2,329

(a) The subsidiaries' capital is not divided into quotas or shares in their articles of organization.
The Annual General Meeting of shareholders of the subsidiary Rominor, held on March 12, 2014, approved the distribution of dividends of R$ 3,335, from the earnings reserve for 2013, of which R$ 3,104 relate to the Company's ownership. On October 23, 2014, the Board of Directors' meeting of the subsidiary Rominor approved the advance payment of dividends from the profits for the first half of 2014, amounting to R$ 3,852, of which R$ 3,586 relate to the Company's ownership, totaling R$ 6,690 in the year.

(In thousands of reais unless otherwise stated)

December 31, 2015

	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 Mexico (7)
Investments:							
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%
Profit before taxation	(624)	10,727	17,346	(2,928)	(5)	285	(183)
Income tax and social contribution expense	(349)	(7,432)	(1,585)	-	-	-	-
Profit (loss) for the year	(973)	3,295	15,761	(2,928)	(5)	285	(183)
Parent Company's share of profit (loss) for the year	(973)	3,295	14,669	(2,928)	(5)	285	(183)
Total comprehensive income							
Other comprehensive income	663	-	-	-	-	-	-
Total comprehensive income	(310)	3,295	14,669	(2,928)	(5)	285	(183)
Dividends paid to non-controlling interests	-	-	440	-	-	-	-
Dividends received from subsidiary	-	-	5,927	-	-	-	-

December 31, 2014

	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 Mexico (7)
Investments:							
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%
Profit before taxation	(1,545)	5,712	8,085	(2,978)	(4)	313	247
Income tax and social contribution expense	-	(2,350)	(1,586)	-	-	-	(37)
Profit (loss) for the year	(1,545)	3,362	6,281	(2,978)	(4)	313	210
Parent Company's share of profit (loss) for the year	(1,545)	3,362	5,846	(2,978)	(4)	313	210
Total comprehensive income							
Other comprehensive income	99	-	-	-	-	-	-
Total comprehensive income	(1,446)	3,362	5,846	(2,978)	(4)	313	210
Dividends paid to non-controlling interests	-	-	499	-	-	-	-
Dividends received from subsidiary	-	-	6,690	-	-	-	-

(In thousands of reais unless otherwise stated)

8 Related party transactions

The balances and transactions with related parties as at December 31, 2015 and 2014 are as follow:

(i) Balance sheet accounts – Parent company

	Receivables (current and non-current)		Loan receivables (non-current)		Dividends receivable (current and non-current)		Total receivables		Payables (current)	
	December 31 2015	**December 31 2014**	**December 31 2015**	**December 31 2014**	**December 31 2015**	**December 31 2014**	**December 31 2015**	**December 31 2014**	**December 31 2015**	**December 31 2014**
Direct subsidiaries										
Romi Europa	4,567	2,994	-	1,350	-	-	4,567	4,344	-	-
Romi Itália	584	-	700	34,801	-	-	1,284	34,801	-	-
Romi Machine Tools	11,675	12,121	-	8,281	-	-	11,675	20,402	-	-
Romi Empreendimentos	-	-	10	10	-	-	10	10	-	-
Romi A.L.	-	-	-	-	-	-	-	-	594	410
Irsa Máquinas Mexico	2,458	1,189	-	-	-	-	2,458	1,189	-	-
Rominor	4	3	-	-	1,549	-	1,553	3	22	122
Indirect subsidiaries										
B+W - Burkhardt+Weber	-	-	-	-	-	-	-	-	18	63
Romi France S.A.S.	3,339	276	-	-	-	-	3,339	276	-	-
Romi Máquinas España S.A.	-	173	-		-		-	173	-	-
Romi Machines UK	8,934	10,644	-	-	-	-	8,934	10,644	-	-
Total	31,561	27,400	710	44,442	1,549	-	33,820	71,842	634	595

(In thousands of reais unless otherwise stated)

(ii) Transactions

	Sales revenue		Operating expenses		Financial income (expenses)	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Direct subsidiaries						
Romi Europe	4,957	1,169	371	127	(119)	39
Rominor	14	3	773	350	-	-
Romi Italy	2,227	-	-	-	(5,721)	1,031
Romi Machine Tools	11,624	1,060	-	-	(1,390)	161
Romi France S.A.S.	3,831	-	-	-	-	-
Romi A.L.	-	-	498	76	-	-
Romi Machines UK	7,835	976	-	-	-	-
Irsa Máquinas Mexico	876	-	-	-	(22)	-
Romi Máquinas Espãna	1	8	-	-	-	-
Total	31,365	3,216	1,642	553	(7,252)	1,231

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

In the Consolidated financial statements, receivables and payables refer to trading transactions between B+W and its associate Riello Shanghai during 2014.

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

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

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

The Company provides administrative services, mainly accounting and legal services, to the Parent company Fênix Empreendimentos S.A. The revenue for 2015 was R$ 176 (2014 – R$ 164).
The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor Office. Donations in 2015 totaled R$ 777 (2014 – R$ 648).

(In thousands of reais unless otherwise stated)

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

Management compensation for the years ended December 31, 2015 and 2014 was as follows:

	December 31, 2015	**December 31, 2014**
Fees and charges	4,669	5,656
Profit sharing	231	268
Private pension plan	241	283
Healthcare plan	141	108
Parent company	5,282	6,315
Fees and charges of subsidiaries	98	127
Consolidated	5,380	6,442

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 17, 2015.

9 Investment property

During the year ended December 31, 2012, Management decided, based on the completion of the property register review and regularization, as well as the perspectives of short and medium term expansion of operations, to classify certain property as "Investment Property" for future rental income and capital appreciation. The amounts classified as investment property are R$ 15,978 (R$ 14,211 – as at December 31, 2014) in the Parent company and R$ 17,000 (R$ 19,875 – as at December 31, 2014) in the Consolidated.

The investment property is stated at historical cost, and for fair value disclosure purposes the Company contracted an independent expert, who applied a methodology accepted by the Brazilian Institute of Engineering Appraisals as well as recent transactions involving similar property, and assessed the fair value less cost to sell of this property at R$ 121,112 in the Parent company and R$ 141,685 in the Consolidated.

On November 25, 2015, through the subsidiary ROMINOR Comércio, Empreendimentos e Participações S.A. (“Rominor”), of which the Parent company holds 93.07% of the shares, the Company entered into an agreement with Lare Empreendimentos Imobiliários Ltda. (“Lare”) for the sale of the property (land with buildings) owned by Rominor, with a total area of 3,530m² and built-up area of 5,619m², located in the district of Vila Romana, in the city of São Paulo, for a total price of R$ 16,000, of which R$ 1,600 was received in 2015 and R$ 14,400 in January 2016, classified in the line item “Other operating income”, with an impact of R$ 12,188 on operating income and R$ 11,702 on profit for the year.

On October 5, 2015, through its Italian subsidiary Romi Italia S.r.l. (“Romi Italy”), the Company entered into a property sale commitment agreement with the Italian company Barbero Pietro S.p.A. for the sale of the property (land with buildings) owned by Romi Italy, with a total area of 16,073m², located at Via Primo Levi, nº 4, Comune di Grugliasco (TO), Italy, for the price of EUR 3,875 thousand (equivalent to R$ 16,330), fully received in 2015, classified in the line item “Other operating income”, with an impact of EUR 2,300 thousand (equivalent to R$ 9,694) on operating income and EUR 2,217 thousand (equivalent to R$ 9,344) on profit for the year.

(In thousands of reais unless otherwise stated)

10 Property, plant and equipment

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

									Parent company
	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Cost of property, plant and equipment, gross									
Balance as at January 1, 2014	5,246	171,705	233,747	8,415	2,598	25,583	5,745	2,745	455,784
Additions	-	546	13,228	65	196	397	10,458	-	24,890
Disposals	(237)	-	(1,974)	(93)	(89)	(15)	-	-	(2,408)
Transfers	-	2,761	7,397	-	-	-	(8,137)	(2,021)	-
Balance as at December 31, 2014	5,009	175,012	252,399	8,387	2,705	25,966	8,066	724	478,267
Additions	-	173	4,842	147	445	167	7,888	-	13,663
Disposals	-	-	(1,678)	(82)	(129)	(21)	-	-	(1,909)
Transfers	(789)	11,629	1,927	-	-	170	(14,592)	(391)	(2,045)
Balance as at December 31, 2015	4,220	186,815	257,490	8,453	3,021	26,282	1,362	333	487,976
Accumulated depreciation									
Balance as at January 1, 2014	-	58,766	150,233	6,527	2,321	20,550	-	-	238,397
Depreciation		8,753	15,386	439	163	2,100			26,841
Disposals		-	(966)	(75)	(89)	(11)			(1,142)
Transfers		-	-	-	-	-	-	-	-
Balance as at December 31, 2014	-	67,519	164,652	6,891	2,395	22,639	-	-	264,096
Depreciation		8,724	14,071	397	152	1,781			25,125
Disposals		-	(1,080)	(79)	(2)	(17)			(1,177)
Transfers		-	-	-	-	-			-
Balance as at December 31, 2015	-	76,243	177,643	7,209	2,546	24,403	-	-	288,044
Useful lives	-	25 years (i)	10 and 15 years	10 years	5 years	5 years	-	-	
Property, plant and equipment, net									
Balance as at January 1, 2014	5,246	112,939	83,514	1,888	277	5,033	5,745	2,745	217,387
Balance as at December 31, 2014	5,009	107,493	87,747	1,496	310	3,327	8,066	724	214,171
Balance as at December 31, 2015	4,220	110,572	79,847	1,244	475	1,879	1,362	333	199,932

(i) Yards – 10 years

(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**	**Total**
Cost of property, plant and equipment, gross									
Balance as at January 1, 2014	26,313	212,297	240,819	15,785	3,257	28,428	5,745	2,745	535,389
Additions	-	1,208	22,507	-	408	662	11,271	-	36,056
Disposals	(450)	(275)	(1,991)	-	(138)	(167)	(813)	-	(3,834)
Transfers	-	2,761	7,556	(374)	-	-	(7,761)	(2,182)	-
Foreign exchange rate variations	(2)	19	3,062	(13)	14	(1)	2,466	(1)	5,544
Balance as at December 31, 2014	25,861	216,010	271,953	15,398	3,541	28,922	10,908	562	573,155
Additions	-	929	6,621	172	711	606	7,888	-	16,927
Disposals	-	-	(2,420)	(82)	(211)	(35)	-	-	(2,748)
Transfers	(3,201)	11,871	1,859	-	-	-	(17,434)	(391)	(7,297)
Foreign exchange rate variations	1,453	3,943	13,722	1,066	262	692	-	162	21,299
Balance as at December 31, 2015	24,113	232,753	291,735	16,555	4,303	30,184	1,362	333	601,338
Accumulated depreciation									
Balance as at January 1, 2014	-	66,393	160,305	10,622	2,756	22,754	-	-	262,830
Additions		9,854	19,278	(137)	236	2,346			31,577
Disposals		(94)	(982)	(667)	(137)	(176)			(2,056)
Transfers		-	-	-	-	-			-
Foreign exchange rate variations		37	2,405	(36)	1	(3)			2,404
Balance as at December 31, 2014	-	76,190	181,006	9,782	2,856	24,921	-	-	294,755
Additions		10,487	16,961	1,519	302	2,366			31,635
Disposals		-	(1,080)	(79)	(2)	(17)			(1,177)
Transfers		(2,552)	-	-	-	-			(2,552)
Foreign exchange rate variations		201	400	166	21	80			868
Balance as at December 31, 2015	-	84,325	197,287	11,388	3,178	27,350	-	-	323,529
Useful lives	-	25 years (i)	10 and 15 years	10 years	5 years	5 years	-	-	
Property, plant and equipment, net									
Balance as at January 1, 2014	26,313	145,904	80,514	5,163	501	5,674	5,745	2,745	272,559
Balance as at December 31, 2014	25,861	139,820	90,947	5,616	685	4,001	10,908	562	278,400
Balance as at December 31, 2015	24,113	148,428	94,447	5,167	1,125	2,834	1,362	333	277,809

(i) Yards – 10 years

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$ 170,079 as at December 31, 2015 (R$ 160,837 as at December 31, 2014). These items refer to land, facilities, machinery and equipment.

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

Of the amount of R$ 25,125 (2014 - R$ 26,841) related to depreciation expenses, R$ 19,511 (2014 - R$ 20,771) was recognized in the statement of income in "Cost of sales and services ", R$ 1,242 (2014 - R$ 1,356) in "Selling expenses", R$ 4,255 (2014 - R$ 4,583) in "General and administrative expenses" and R$ 117 (2014 - R$ 130) in “Research and development” - Parent company.

Of the amount of R$ 34,444 (2014 - R$ 31,577) related to depreciation expenses, R$ 26,773 (2014 - R$ 25,507) was recognized in the statement of income in "Cost of sales and services ", R$ 3,300 (2014 - R$ 1,356) in "Selling expenses", R$ 4,255 (2014 - R$ 4,583) in "General and administrative expenses" and R$ 116 (2014 - R$ 131) in “Research and development” - Consolidated.

(In thousands of reais unless otherwise stated)

11 Intangible assets

Changes in intangible assets are as follow:

	Parent company			Consolidated						
Gross cost	**Assignment of rights**	**Other**	**Total**	**Assignment of rights**	**Technology**	**Customer relationship**	**Portfolio of customers**	**Trademarks**	**Other**	**Total**
Balance as at January 1, 2014	6,407	4,312	10,719	6,407	15,467	15,695	2,715	16,748	4,312	61,344
Additions	-	91	91	-	-	-	-	-	91	91
Foreign exchange rate variations	-	-	-	-	102	103	-	215	-	420
Balance as at December 31, 2014	6,407	4,403	10,810	6,407	15,569	15,798	2,715	16,963	4,403	61,854
Additions	-	-	-	-	372	-	-	-	-	372
Foreign exchange rate variations	-	-	-	-	4,804	4,875	861	5,377	-	15,917
Disposals	(2,990)	-	(2,990)	(2,990)	-	-	-	-	-	(2,990)
Balance as at December 31, 2015	3,417	4,403	7,820	3,417	20,745	20,673	3,576	22,340	4,403	75,153
Accumulated amortization										
Balance as at January 1, 2014	3,996	2,358	6,354	3,996	1,938	1,401	2,299	-	2,767	12,401
Amortization	25	1,823	1,848	25	1,030	758	-	-	1,823	3,636
Foreign exchange rate variations	-	-	-	-	35	26	-	-	(409)	(348)
Balance as at December 31, 2014	4,021	4,181	8,202	4,021	3,003	2,185	2,299	-	4,181	15,689
Amortization	1,120	-	1,120	1,120	793	897	-	-	-	2,810
Foreign exchange rate variations	-	-	-	-	1,019	966	1,277	-	-	3,262
Disposals	(1,975)	-	(1,975)	(1,975)	-	-	-	-	-	(1,975)
Balance as at December 31, 2015	3,166	4,181	7,347	3,166	4,815	4,048	3,576	-	4,181	19,786
Useful lives	5 years (i)	5 years		5 years	5 years	5 years	1 year	-	5 years	
Intangible assets, net										
Balance as at January 1, 2014	2,411	1,954	4,365	2,411	13,529	14,294	416	16,748	1,545	48,943
Balance as at December 31, 2014	2,386	222	2,608	2,386	12,566	13,613	416	16,963	222	46,166
Balance as at December 31, 2015	251	222	473	251	15,930	16,625	0	22,340	222	55,368

(i) Refers to the rights acquired for the production of machines/tools of Lazzati, Litz and PFG, which are amortized over the period of assignment of such rights.

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 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 businesses in the future.

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

The amount of R$ 1,120 (2014 - R$ 1,848) related to amortization expenses was recognized in the statement of income in “Research and development” - Parent company.

Of the amount of R$ 2,810 (2014 - R$ 3,636) related to depreciation expenses, R$ 1,690 (2014 - R$ 1,788) was recognized in the statement of income in "Cost of sales and services" and R$ 1,120 (2014 - R$ 1,847) in “Research and development” - Consolidated.

Impairment testing

The impairment testing is conducted considering the Cash-Generating Units (“CGUs”), which are the same as those of the reportable segments (Note 20).

The recoverable amount of each CGU has been determined based on value-in-use calculations. These calculations use pre-income tax and social contribution cash flow projections based on financial budgets approved by the Board of Directors. The growth rates by CGU do not exceed the long term average growth rates for the segments in which each CGU operates and the discount rate used is the Company’s weighed average cost of capital.

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

(In thousands of reais unless otherwise stated)

12 Borrowing

Changes in borrowing in the Parent company and Consolidated financial statements are as follow:

	Current		Non-current			Principal		
	2014	2013	2014	2013	Maturity	amortization	Financial charges	Collateral
Export financing (a)	9,282	52,040	101,522	63,790	12/15/2018	Bullet payment /Monthl	Rates of 5.5% to 11.00% per year (fixed rate) and rates of 4.26% to 4.71% per year + 50% TJLP + 50% SELIC (floating rate)	Promissory note and surety of Rominor
Investment Support Program - BNDES PSI (b1 and b2)	3,697	9,809	20,513	15,707	01/16/2023	Quarterly/Monthly	Rates of 3.00% to 4.00% per year	Collateral transfers of machinery and mortgages of buildings and land
Property, plant and equipment - local currency	14,530	17,794	11,676	26,026	11/16/2017	Monthly	TJLP + interest of 1.36% to 1.63% per year	Collateral transfers of machinery and mortgages of buildings and land
Sundry FINAME	4,274	9,018	6,572	7,207	01/15/2024	Quarterly/ Monthly	Rates of 3.00% to 9.50% per year	Collateral transfer of financed machinery/surety of Rominor/promissory notes
Working capital (c)	-	6,329	-	-	07/15/2015	Monthly	TJLP + Interest of 3.10% per year	Surety of Rominor
Import financing (FINIMP) (d)	4,902	3,392	-	-	04/18/2016	Bullet payment	Interest of 1.10% to 2.6% per year + Foreign exchange rate variations	No collateral
Finep URTJ-01 (e)	4,979	821	11,945	16,826	05/15/2019	Monthly	TJLP + 5.00% per year - Less 6.00%	Bank guarantee
Refinanced drafts - local and other currencies	193	1,513	0	162	07/23/2016	Semiannual	LIBOR + interest of 1.00% per year + 5.40% flat	Customer pledge contract
Parent company	**41,857**	**100,716**	**152,227**	**129,718**				
Other	427	3,092	7,724	2,661				
Burkhardt + Weber (B+W) - Technology center and administrative office construction financing - € (f)	3,541	1,108	10,866	11,026	06/30/2027	Quarterly	2.40% per year	Property, plant and equipment (building)
Consolidated	**45,825**	**104,916**	**170,817**	**143,405**				

(In thousands of reais unless otherwise stated)

(a) The Company received R$ 161,211 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$ 86,643 and up to December 31, 2015, US$ 39,839 had been exported. This borrowing is secured by its subsidiary Rominor. If the export is not completed by the deadline, the Company will be liable for a contractual fine of 10% of the unpaid amount. The Company expects to meet the export requirements set out in the financing agreement. There are no clauses stipulating compliance with financial indicators.

Amount borrowed	Date of disbursement	Maturity	Interest rate
52,040	Jun/12	Jun/15	8.00% p.a. (fixed rate)
8,351	Dec/13	Dec/16	5.50% p.a. (fixed rate)
19,006	Jul/14	Jul/17	8.00% p.a. (fixed rate)
19,268	Nov/14	Nov/17	8.00% p.a. (fixed rate)
17,165	Dec/14	Dec/17	8.00% p.a. (fixed 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)
161,211			

(b) 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, purchases of domestic machinery, and expansion of the mills' production capacity, with rates of 3.0%, 3.5% and TJLP + 3.77%, grace periods of 18 to 24 months, and payment terms of 6 to 60 months. This agreement contained the following covenants related to compliance with contractual obligations:

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

(b) In December 2014 the Company's officers were authorized to contract financing from BNDES amounting to R$ 35,631, with the purpose of developing new products and production of domestic prototypes in 2015 and 2016, with rate of 4.00% p.a., a grace period of 30 months, and a payment term of 66 months. This agreement contained the following covenants requiring 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, 2015, the Company was compliant with all covenants of items (b1) and (b2) above.

(In thousands of reais unless otherwise stated)

(c) On June 28, 2012, the Company signed a Credit Facility Agreement up to the limit of R$ 20 million ("credit") to be provided with funds from FINAME or the BNDES. This credit is intended solely for working capital financing. The principal and interest were fully settled on July 15, 2015.

(d) During 2015 the Company entered into Import Financing Agreements (FINIMP) amounting to R$ 4,012, equivalent to US$ 1,255, restated by the US Dollar exchange variations (March and April 2015), with maturity in 2016, bearing financial charges equivalent to 1.10% to 2.6% p.a. + exchange variations). This borrowing is secured by the subsidiary Rominor. There are no clauses stipulating compliance with financial ratios.

(e) 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.

The Company undertook to inform the expenditure in accordance with the agreement 09.14.0019.00 during 2015 and 2014 as follows:

Expenditure	**2015**	**2014**
Internal R&D	**713**	**753**
External acquisition of R&D	-	-
Acquisition of other external knowledge	-	-
Acquisition of software	-	-
Training	-	**77**
Introduction of technological innovations into the market	-	-
Acquisition of machinery and equipment	**60**	**11,295**
Pioneer production and other preparations for production and distribution:	**1,665**	**1,849**
i. Civil works and installations for pioneer production	-	457
i. Other preparations for production and distribution	-	16
i. Consumables for pioneer production	1,649	1,041
i. Personnel involved in pioneer production	16	335
Mergers and acquisitions	-	-
	2,438	**13,974**

(e) On July 5, 2012, Burkhardt + Weber entered into a Financing Agreement with Commerzbank in Reutlingen (Germany) in the amount of R$ 9,361 (equivalent to € 3.6 million), which is supported by KfW Bank (Kredit-anstalt für Wiederaufbau), with quarterly installments beginning on September 30, 2014 and ending on June 30, 2027 (15 years). The amount 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 during the grace period. There are no clauses stipulating compliance with financial ratios.

The maturities of financing recorded in non-current liabilities as at December 31, 2015, in the Parent Company and Consolidated financial statements, were as follow:

(In thousands of reais unless otherwise stated)

	Parent company	**Consolidated**
2017	88,525	94,054
2018	47,325	48,784
2019	8,170	9,629
2020 and thereafter	8,207	18,349
Total	152,227	170,817

13 FINAME manufacturer financing

	Parent company and Consolidated	
	December 31, 2015	**December 31, 2014**
Current		
FINAME manufacturer financing	82,785	133,024
Non-current		
FINAME manufacturer financing	92,124	117,053
Total	174,909	250,077

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

(In thousands of reais unless otherwise stated)

The balances of the line item “FINAME manufacturer financing” and, consequently, of the line item “Receivables - onward lending of FINAME manufacturer financing” as at December 31, 2015 and December 31, 2014, were adjusted for inflation through the end of the reporting period. The difference of R$ 45,540 between these line items as at December 31, 2015 (R$ 55,737 as at December 31, 2014) refers to past-due trade notes, renegotiations in progress, and transactions not yet disbursed by the agent bank. Management understands that there are no risks related to the realization of these receivables since the amounts are collateralized by the financed machinery.

The non-current maturities of the FINAME manufacturer financing as at December 31, 2015, Parent Company and Consolidated, are as follow:

	Parent company and Consolidated
2017	56,001
2018	28,338
2019	7,469
2020	316
Total	92,124

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

14 Provision for tax, labor and civil risks

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

	Parent company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Tax	49,220	49,139	49,220	49,139
Civil	1,970	1,140	2,160	1,381
Labor	4,923	2,905	4,923	3,002
(-) Judicial deposits	(47,116)	(45,288)	(47,116)	(45,288)
Total	8,997	7,896	9,187	8,234
Current liabilities	6,540	3,797	6,730	4,135
Non-current liabilities	2,457	4,099	2,457	4,099
	8,997	7,896	9,187	8,234

(In thousands of reais unless otherwise stated)

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

	December 31, 2015	December 31, 2014
Tax		
ICMS on the activation of machinery	-	166
Social security contributions - Cooperatives	-	2,357
Offsetting of IRPJ - 2002 and 2003	1,267	1,267
Civil		
Losses and damages	4,192	3,545
Labor	2,444	1,611
Total	7,903	8,946

For lawsuits classified as probable losses, Management recognized a provision for losses. The changes in the provision in the year ended December 31, 2015 are as follow:

	December 31, 2014	Additions	Utilizations/ reversals	Inflation adjustment	December 31, 2015
Tax	49,139	3,086	(3,380)	375	49,220
Civil	1,140	1,289	(612)	153	1,970
Labor	2,905	3,051	(1,427)	394	4,923
(-) Judicial deposits	(45,288)	(1,828)	-	-	(47,116)
Total Parent company	7,896	5,598	(5,419)	922	8,997
Lawsuits in subsidiaries	338	47	(260)	65	190
Total Consolidated	8,234	5,645	(5,679)	987	9,187

As at December 31, 2015, the main lawsuits, which were classified by management as representing probable losses based on the opinion of legal counsel and, therefore, included in the provision for risks, are as follow:

(a) Tax lawsuits

Refer to the provisions for:

(i) Social Integration Program ("PIS") and Social Contribution on Revenue ("COFINS") related to State Value-Added Tax ("ICMS") on sales, which amounted to R$ 8,582 (2014 - R$ 8,040) and R$ 39,532 (2014 - R$ 37,032), respectively.

(ii) The other tax lawsuits total R$ 1,106 (2014 - R$ 1,205).

(b) Civil lawsuits

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

(c) Labor lawsuits

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

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

(d) Judicial deposits

The Company has judicial deposits amounting to R$ 49,100 (2014 – R$ 46,689), of which R$ 48,114 (2014 - R$ 45,288) 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 non-current assets.

15 Income tax and social contribution

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

The table below shows a reconciliation of the tax effect on the Parent company's profit (loss) before income tax and social contribution by applying the prevailing tax rates as at December 31, 2015 and 2014:

(In thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Profit before income tax and social contribution	2,649	8,559	8,855	12,331
Standard rates (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution income (expenses) at standard rates	(901)	(2,910)	(3,011)	(4,193)
Reconciliation with the effective rate:				
Share of the profits (losses) of subsidiaries and provision for the net capital deficiency of the subsidiary	4,814	1,770	-	-
Deferred income tax and social contribution of subsidiaries	-	-	(4,206)	(1,401)
Accumulated loss used of subsidiaries for which no deferred income tax was recognized	-	-	2,484	-
Research and development	-	348	-	348
Interest on capital	-	110	-	110
Management profit sharing	(79)	(91)	(79)	(91)
Other additions (deductions), net (i)	(230)	(551)	3,303	566
Current and deferred income tax and social contribution income (expense)	3,604	(1,324)	(1,509)	(4,661)

(i) The amount in the Consolidated financial statements refers basically to the difference in the calculation of income tax and social contribution between the actual taxable profit and presumed profit basis, due to the fact that the subsidiary Rominor is a taxpayer on a presumed profit basis during the reporting periods.

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Current	1,942	1,486	(5,534)	(1,946)
Deferred	1,662	(2,810)	4,025	(2,715)
Total	3,604	(1,324)	(1,509)	(4,661)

(In thousands of reais unless otherwise stated)

	2015				2014			
	Temporary differences	**Income tax**	**Social contribution**	**Total**	**Temporary differences**	**Income tax**	**Social contributionl**	**Total**
Assets (i)								
Inventories - provision for losses	58,636	14,649	5,278	19,927	55,467	13,857	4,992	18,849
Repossession of machinery	10,991	2,746	989	3,735	23,378	5,840	2,104	7,944
Tax loss	31,338	6,883	3,099	9,982	17,465	3,379	1,572	4,951
Investments	1,390	347	125	472	1,850	462	166	628
Discount to present value - trade receivables and trade payable	1,213	302	109	411	890	222	80	302
Provision for tax, labor and civil risks	55,439	13,850	659	14,509	52,509	13,118	669	13,787
Contingent commissions	11	3	1	4	248	61	22	83
Management profit sharing	527	-	47	47	575	-	52	52
Other temporary differences in assets	3,106	775	279	1,054	5,501	1,388	495	1,883
Deferred income tax and social contribution assets, net – parent company and consolidated	**162,651**	**39,555**	**10,586**	**50,141**	**157,883**	**38,327**	**10,152**	**48,479**
Liabilitieso (ii):								
Temporarily non-deductible differences in liabilities:								
Write-off of subsidiary Rominor's negative goodwill	4,563	1,025	378	1,403	4,563	1,025	378	1,403
Deferred income tax and social contribution liabilities – consolidated	**158,088**	**38,530**	**10,208**	**48,738**	**153,320**	**37,302**	**9,774**	**47,076**
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	11,296	-	11,296	19,029	6,864	1,713	8,577
Goodwill on the acquisition of Burkhardt + Weber (B+W)	73,533	21,415	-	21,415	53,528	16,839	-	16,839
Deferred income tax and social contribution liabilities – consolidated	**92,562**	**32,711**	**-**	**32,711**	**72,557**	**23,703**	**1,713**	**25,416**

(In thousands of reais unless otherwise stated)

(i) The recorded deferred tax assets are limited to the amounts the utilization of which 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 tax and social contribution results depend not only on the taxable profits, but also on the Company's and its Brazilian and foreign subsidiaries' tax and corporate structure, the expected realization of temporarily non-deductible differences, the existence of non-taxable income, non-deductible expenses, and several other variables, there is no direct correlation between the Company's and its subsidiaries' profit and the actual income tax and social contribution payable. Accordingly, changes in the realization of temporarily non-deductible differences should not be considered indicative of the future earnings of the Company and its subsidiaries.

(ii) Income tax and social contribution liabilities refer to the write-off of negative goodwill, recognized in accordance with the accounting practices adopted in Brazil, arising on the acquisitions of the subsidiaries Rominor and 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, 2015, the expected realization of deferred income tax and social contribution, recorded in non-current assets, Parent Company and Consolidated, was as follows:

	Consolidated	
	2015	**2014**
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	15,153	18,794
Deferred tax assets to be recovered after more than 12 months	33,585	28,334
	48,738	47,128
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(32,711)	(25,416)
	(32,711)	(25,416)

(In thousands of reais unless otherwise stated)

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

	Asset		Liability
	Parent company	**Consolidated**	**Consolidated**
As at January 1, 2015	47,076	47,128	25,416
Changes in the year			
Additions	5,019	5,019	-
Realization	(3,358)	(3,410)	(190)
Foreign exchange rate variations		-	7,485
As at December 31, 2015	48,738	48,738	32,711

16 Equity

Share capital

As at December 31, 2015, the Company's subscribed and paid-up capital amounting to 492,025 (R$ 489,973 as at December 31, 2014) was represented by 68,757,647 (71,757,647 as at December 31, 2014) book-entry, registered common shares, without par value, all with the same rights and benefits.

Legal reserve

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

Share buyback

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

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

At the Extraordinary General Meeting held on March 17, 2015, the Board of Directors approved the cancelation of 3,000,000 shares that were held in treasury, without capital reduction. After the cancelation, the Company's total common shares amount to 68,757,647.

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, to be held in treasury for subsequent cancellation or sale, without capital reductions, in accordance with its bylaws, CVM Instructions 10/80 and 268/97 and other legal provisions in force.

(In thousands of reais unless otherwise stated)

The Company's goal with the program is to maximize value for its shareholders through the investment of part of its financial resources available within the total amount of the earnings and capital reserves. Until December 31, 2015, the Company had acquired 2,756,700 shares for the total price of R$ 5.078, with an average price per share of R$ 1.84.

On January 19, 2016, the share buyback program ("Program") was closed and 3,100,000 (343,300 in 2016) of its shares were acquired for the total price of R$ 5,600, with an average price per share of R$ 1.81.

The shares acquired during the Program will be held in treasury for subsequent sale or cancellation.

Common shares issued – in quantity	**December 31, 2015**
Shares as at December 31, 2014	71,757,647
Shares cancelled on March 17, 2015	(3,000,000)
Treasury shares	(2,756,700)
Shares outstanding as at December 31, 2015	66,000,947

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 earnings reserves submitted to the Annual Shareholders' Meeting is as follows:

	2015	**2014**
Adjusted profit for the year	6,254	7,235
(-) Recognition of legal reserves	(313)	(362)
Profits available for distribution	5,941	6,873
Mandatory dividends – 25%	(1,485)	(1,718)
Recognition of earnings reserve	4,456	5,155

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 during the year, excluding common shares purchased by the Company and held as treasury shares.

	December 31, 2015	December 31, 2014
Profit for the year attributable to the controlling shareholders	6,254	7,235
Weighted average number of shares outstanding in the year (in thousands)	68,758	71,217
Basic and diluted earnings per share	0.09	0.10

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

Cumulative translation adjustments

The Company recognizes in this line item the cumulative effect of the translation of the financial statements of its subsidiaries that use a functional currency different from the Parent Company. In the statement of changes in equity, the balance sheet 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 of its employees and management, which are referred to as "Plano Gerador de Benefício Livre – PGBL", classified as a defined contribution plan.
The nature of the plan allows the Company, at any time and at its sole and exclusive discretion, to suspend or permanently discontinue its contributions to the plan.

The plan is funded by the Company and its participants, according to the type of benefit for which they are eligible.

The amount of contributions made by the Company in the year ended December 31, 2015 was R$ 2,189 (R$ 3,376 as at December 31, 2014). The amount incurred on the private pension plan was recorded in the statements for the years ended December 31, 2015 and 2014 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, 2015, the insurance coverage for fire, windstorm, electrical damages and theft was comprised as follows: (i) buildings - R$140,852; (ii) machinery and equipment - R$335,333; (iii) inventory - R$ 251,808; and (iv) construction works - R$13,877.

19 Financial instruments and operating risks

(a) General considerations

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

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

The Company believes that the other financial instruments, such as payables 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 trade receivables arising from exports from Brazil and investments abroad, which form a natural hedge against currency fluctuations, the Company assesses its exchange exposure.

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

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

Quality of credit: due to its customer portfolio and the fact that these customers do not have a risk rating granted by rating agencies, the Company and its subsidiaries adopt as policy a detailed analysis of the financial situation of its customers, the establishment of a credit limit and the ongoing monitoring of its debt balance. In addition, collateral is required from customers for all FINAME manufacturer financing transactions. No credit limit was exceeded during the year, and management does not expect any loss as a result of the defaults of these counterparties 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 non-current portion of the borrowing are presented in Notes 13 and 14.

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

(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, 2015				
Borrowing	45,825	88,525	61,230	2,472
Trade payables	28,400	-	-	-
As at December 31, 2014				
Borrowing	104,916	101,669	12,782	1,125
Trade payables	30,992	-	-	-

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

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

	Parent company		**Consolidated**	
	2015	**2014**	**2015**	**2014**
Total borrowing	368,993	480,511	391,551	498,398
(-) Cash and cash equivalents (Note 3)	(102,580)	(106,170)	(144,581)	(145,580)
FINAME manufacturer financing (Note 5)	(220,449)	(305,814)	(220,449)	(305,814)
Net debt	45,964	68,527	26,521	47,004
Total equity	670,719	642,537	672,995	644,161
Total capital	716,683	711,064	699,516	691,165
Gearing ratio - %	6%	10%	4%	7%

(In thousands of reais unless otherwise stated)

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

(i) Exchange rate fluctuations

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

As at December 31, 2015, the foreign currency denominated balances were subject to changes in foreign exchange rates. Assets and liabilities exposed to exchange rate fluctuations recognized in the balance sheet are as follow:

	Parent company
Cash and cash equivalents	1,265
Trade receivables	4,164
Receivables from related parties	32,257
Payables to related parties	(612)
Trade payables	(12,926)
Other payables	(6,002)
Net asset exposure	18,146

Presented below is the loss that would have been recognized in profit (loss) for the year ended December 31, 2015 according to the following scenarios:

			Parent company
	Probable scenario	Scenario II	Scenario III
Net asset exposure	23,431	29,289	35,147

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 2016. 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 this 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 TJLP and the CDI.

As at December 31, 2015, 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:

(In thousands of reais unless otherwise stated)

	Parent company	Consolidated
CDBs (Note 4)	65,655	81,164
Total borrowing and financing linked to TJLP	(12,688)	(12,688)
Total borrowing and financing linked to SELIC	(12,688)	(12,688)
Net asset exposure	40,279	55,788

The sensitivity analysis considers the exposure of borrowing 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, 2015 according to the following scenarios:

					Parent company
	Scenario I	Scenario II	Probable scenario	Scenario III	Scenario IV
Net asset exposure	3,175	4,763	6,350	7,938	9,525

					Consolidated
	Scenario I	Scenario II	Probable scenario	Scenario III	Scenario IV
Net asset exposure	4,251	6,377	8,502	10,628	12,753

The probable scenario considers the future interest rates according to quotations obtained from BM&FBOVESPA, considering the rates projected for March 31, 2016. Scenarios II and III consider a decrease in interest rates of 50% and 25%, respectively, while 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 Company and Consolidated, are shown below:

	Parent company		Consolidated	
Financial assets	**2015**	**2014**	**2015**	**2014**
Loans and receivables:				
Cash and cash equivalents	102,580	106,170	144,581	145,580
Trade accounts receivable	64,951	71,431	131,067	114,623
Onlending of FINAME manufacturer financing	220,449	305,814	220,449	305,814
Related parties	33,820	71,842	-	492
Other receivables, except advances and machines pending repossession	7,730	1,774	9,625	4,999
Judicial deposits	986	1,471	986	1,471
Financial liabilities at amortized cost:				
Borrowings	194,084	230,434	216,642	248,321
FINAME manufacturer financing	174,909	250,077	174,909	250,077
Trade accounts payable	20,330	20,758	28,400	30,992
Other payables	6,347	6,953	23,499	14,243
Related parties	634	595	-	1,081

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, and the net revenue by geographical region, the business units on which the Company's segment reporting is based are: machine tools; plastic injectors, and cast and machined products, and the geographical regions in which the Company reports its net revenue are: Europe, North America, Latin America and Asia. The segment reporting for the years ended December 31, 2015 and 2014 - Consolidated is as follows:

					December 31, 2015
	Machine tools	**Plastic injection machines**	**Cast and machined products**	**Eliminations between segments**	**Consolidated**
Net operating revenue	384,599	86,116	135,916		606,632
Cost of sales and services	(275,042)	(57,638)	(135,925)		(468,605)
Transfers remitted	5,698	-	11,846	(17,544)	-
Transfers received	(8,430)	(8,404)	(710)	17,544	-
Gross profit	106,825	20,074	11,128	-	138,027
Operating income (expenses):					
Selling expenses	(44,945)	(21,507)	(3,309)		(69,761)
General and administrative	(47,381)	(10,806)	(9,872)		(68,059)
Research and development	(13,486)	(4,749)	-		(18,235)
Management fees	(3,360)	(707)	(1,313)		(5,380)
Other operating income, net	11,840	9,526	-		21,366
Operating profit (loss) before finance income (costs)	9,493	(8,169)	(3,366)	-	(2,042)
Inventories	198,781	45,907	23,098		267,786
Depreciation and amortization	21,301	2,363	10,781		34,445
Property, plant and equipment, net	165,402	12,927	99,480		277,809
Intangible assets	55,368	-	-		55,368

	Europe	**North America**	**Latin America**	**Asia**	**Total**
Net operating revenue per geographical region	181,395	16,092	375,484	33,661	606,632

(In thousands of reais unless otherwise stated)

					December 31, 2014
	Machine tools	**Plastic injection machines**	**Cast and machined products**	**Eliminations between segments**	**Consolidated**
Net operating revenue	453,799	97,194	97,618		648,611
Cost of sales and services	(304,853)	(55,778)	(120,553)		(481,184)
Transfers remitted	5,942	-	20,407	(26,349)	-
Transfers received	(16,691)	(9,635)	(23)	26,349	-
Gross profit	138,197	31,781	(2,551)	-	167,427
Operating income (expenses):					
Selling expenses	(50,988)	(17,807)	(3,943)		(72,738)
General and administrative	(45,939)	(10,850)	(7,004)		(63,793)
Research and development	(14,018)	(5,806)	-		(19,824)
Management fees	(4,288)	(1,022)	(1,132)		(6,442)
Other operating income, net	4,771	182	-		4,953
Operating profit (loss) before finance income (costs)	27,735	(3,522)	(14,630)	-	9,583
Inventories	187,603	49,429	25,003		262,035
Depreciation and amortization	20,478	2,686	12,048		35,212
Property, plant and equipment, net	170,555	6,950	100,895		278,400
Intangible assets	45,610	556	-		46,166
	Europe	**North America**	**Latin America**	**Asia**	**Total**
Net operating revenue per geographical region	116,569	13,652	474,538	43,852	648,611

(In thousands of reais unless otherwise stated)

21 Future commitments

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

Year of supply	Amount
2016	9,152
2017	9,698
2018	7,607
Total	26,457

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

22 Net sales revenue

Net sales revenue for the years ended December 31, 2015 and 2014 is broken down as follows:

	Parent company		Consolidated	
	2015	2014	2015	2014
Domestic market	424,885	558,741	426,825	559,194
Foreign market	52,584	37,495	248,978	197,939
Gross sales revenue	477,470	596,236	675,803	757,133
(-) Taxes on sales	(69,171)	(102,643)	(69,171)	(108, 522)
Net sales revenue	408,299	493,593	606,632	648,611

(In thousands of reais unless otherwise stated)

23 Expenses by nature

	Parent company		Consolidated	
	2015	2014	2015	2014
Depreciation and amortization	26,245	28,689	34,445	35,213
Personnel expenses	132,371	148,894	206,083	209,531
Raw materials and consumables	187,604	217,552	296,912	305,537
Freight	20,866	26,954	17,248	22,692
Other expenses	63,656	71,372	75,352	71,008
Total	430,742	493,461	630,040	643,981
Classified as:				
Cost of sales and services	320,500	374,135	468,605	481,184
Selling expenses	46,771	53,748	69,761	72,738
General and administrative expenses	39,954	39,439	68,059	63,793
Research and development	18,235	19,824	18,235	19,824
Management profit sharing and fees	5,282	6,315	5,380	6,442
Total	430,742	493,461	630,040	643,981

24 Finance income (costs)

	Parent company		Consolidated	
	2015	2014	2015	2014
Finance income:				
Income from financial investments	10,135	5,473	12,299	7,381
Interest on trade receivables	6,565	6,774	6,565	6,774
Other	442	1,347	348	1,347
Total	17,142	13,594	19,212	15,502
Finance costs:				
Interest on financing	(15,008)	(11,546)	(16,260)	(12,611)
Other	(5,039)	(2,907)	(4,698)	(2,907)
	(20,047)	(14,453)	(20,958)	(15,518)

(In thousands of reais unless otherwise stated)

25 Other operating income, net

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Gains on sales of assets and investment property	1,668	1,592	23,550	3,429
Other	(556)	(368)	(2,184)	1,524
	1,112	1,224	21,366	4,953

* * *

INDÚSTRIAS ROMI S.A.

MANAGEMENT REPORT – 2015

Dear Sirs:

We submit to examination of the shareholders, customers, suppliers, Capital Markets and Society in General, the Management Report and the Financial Statements of Industrias Romi SA ("Romi" or the "Company"), for the fiscal year ended 31 December 2015, together with the Independent Auditors' Report.

With the poor economic activity due to the uncertainties surrounding the market since 2014, the year 2015 continued to show a consistent slowdown of the economic activity and, mainly, of the Brazilian industry.

This scenario of uncertainties and high volatility discourages the expansion of business and affects negatively the investments level of the Country.

On the other hand, the recent depreciation of the Brazilian Real (R$) against the US Dollar (US$) increased the competitiveness of local manufacturers of machinery and equipment compared with imported equipment. The domestic industry as a whole, in light of the Brazilian Real's depreciation, has the chance to become more competitive in Brazil and abroad. However, the uncertain scenario impairs and delays any potential plans for parts that are currently imported.

1. OPERATIONAL PERFORMANCE

Net Operating Revenue

The Net operating revenue in 2015 was R$ 606.5 million, 6.5% less than 2014. The domestic market was responsible for 59% of this amount. Revenue from the foreign market, which considers sales by Romi subsidiaries' abroad (Mexico, United States, United Kingdom, France, Germany, Spain and B+W) was US $ 68.0 million, 18.1% lower than that achieved in 2014.

As at December 31, 2015, the order backlog totaled R$ 243.5 million, 13.2% down from the volume at the end of 4Q14, showing the challenges to be faced in the next quarters, either to adjust the operation to such production level or to look for new markets that demand Romi products.

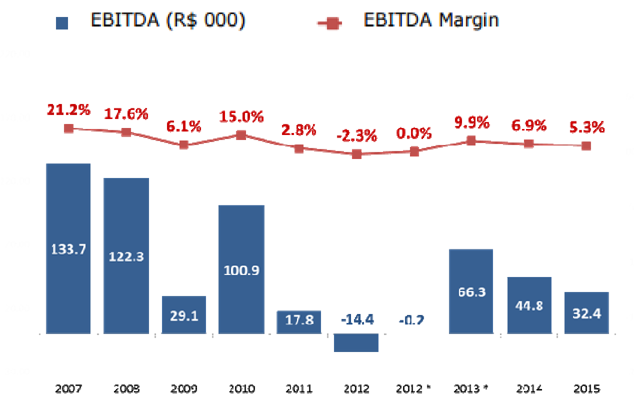
In 2015, the order backlog was R$ 487.4 million, 29.6% less than in 2014.

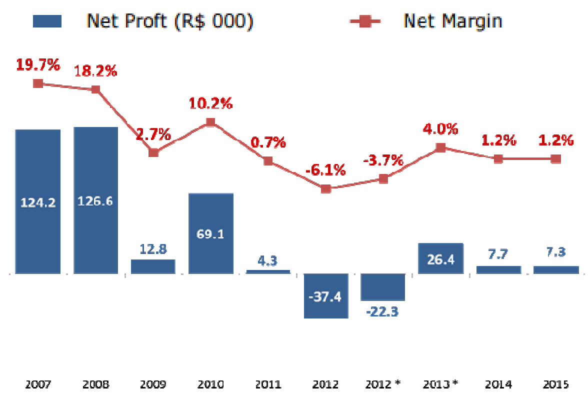
Margins

In 2015, gross margin was 22.8%, 3.1 percentage points inferior than 2014. Out of the whole revenue, the share of the Cast Iron Parts business, which due its type of business, normally brings a smaller gross margin, grew from 15.1% to 22.4%, resulting in a small decreasing of the consolidated gross margin.

Net Profit

The Net Profit in 2015 reached R$ 7.4 million.





*The values presented in 2012 and 2013 excluded the results obtained by Romi Italia, the Italian subsidiary of the Company, whose voluntary liquidation began on September 18, 2013.

2. INVESTMENTS

Throughout the year 2015 R$ 16.9 million was invested, being intended, in part, for the maintenance, productivity and modernization of the industrial park, according to the investment plan for 2015.

3. EXTERNAL AUDIT

In accordance with CVM Instruction 381/03, the Company announced that in the fiscal year ended December 31, 2015, there was no performing of any services other than the audit of the financial statements, provided by PricewaterhouseCoopers Auditores Independentes.

4. ARBITRATION

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

Management

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

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

FISCAL COUNCIL OPINION

In accordance with relevant legal and statutory provisions, the Fiscal Council of Indústrias Romi S.A., having examined the information submitted and having received the clarifications provided by the Executive Officers and the Independent Auditors, declared that: (i) Management Report, the Financial Statements and the Proposal for Allocation of Income and Distribution of Dividends for the year ended December 31, 2015, as well the Capital Budget for the year 2015, are appropriated to be submitted to the General Shareholders' Meeting, and (ii) the proposal for changing the shareholders capital and authorized capital, are appropriated to be submitted to the General Shareholders' Meeting.

Santa Bárbara d'Oeste, February 15th, 2016

Alfredo Ferreira Marques Filho
Clóvis Ailton Madeira
Roberto Heeren

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

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

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 15th, 2016

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.
PUBLICLY-HELD COMPANY

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

EXECUTIVE BOARD REPORT ON THE INDEPENDENT AUDITOR'S REPORT

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

Santa Bárbara d'Oeste, February 15th, 2016

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