(A free translation of the original in Portuguese)

Indústrias Romi S.A.

Financial Statements at December 31, 2013 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. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2013 and the 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.

We have also audited the accompanying consolidated financial statements of Indústrias Romi S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2013 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 the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, 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.

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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.

In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Indústrias Romi S.A. as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Indústrias Romi S.A. and its subsidiaries as at December 31, 2013, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Indústrias Romi S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries and associates based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Indústrias Romi S.A.

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, 2013, 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 11, 2014

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, 2013	Parent company December 31, 2012	Consolidated December 31, 2013	Consolidated December 31, 2012
Current					
Cash and cash equivalents	4	63,834	45,110	107,232	84,232
Trade receivables	5	96,535	95,844	120,371	121,658
Onward lending of FINAME manufacturer financing	6	243,434	317,633	243,434	317,633
Inventories	7	220,826	233,435	274,066	279,095
Related parties	9	15,307	9,779	643	456
Taxes recoverable		12,247	8,942	13,932	10,316
Other receivables	6 (b)	20,944	26,721	25,118	28,139
		673,127	737,464	784,796	841,529
Non-current					
Long-term receivables					
Trade receivables	5	10,814	13,842	10,814	13,842
Onward lending of FINAME manufacturer financing	6	190,712	312,805	190,712	312,805
Related parties	9	45,617	31,076		
Taxes recoverable		1,267	874	1,267	874
Deferred income tax and social contribution	16	50,487	52,004	50,487	52,004
Judicial deposits	15	1,465	1,697	1,465	1,697
Other receivables	6 (b)	36,268	27,681	37,771	28,628
Assets from discontinued operations	27				34,133
Investments in subsidiaries and associates	8	108,334	105,601	2,327	1,944
Property, plant and equipment	11	217,387	223,907	272,559	265,508
Investment property	10	14,211	14,202	19,989	16,103
Intangible assets	12	4,365	6,169	48,943	45,493
		680,927	789,858	636,334	773,031
Total assets		1,354,054	1,527,322	1,421,130	1,614,560

Liabilities and equity	Note	Parent company December 31, 2013	Parent company December 31, 2012	Consolidated December 31, 2013	Consolidated December 31, 2012
Current					
Borrowings	13	51,262	67,605	54,169	70,192
FINAME manufacturer financing	14	210,429	285,440	210,429	285,440
Trade payables		46,979	30,565	43,392	40,443
Payroll and related taxes		20,765	16,975	23,960	20,399
Taxes payable		10,980	9,573	16,364	11,253
Advances from customers		18,275	10,844	54,836	41,353
Dividends and interest on capital		359	70	396	112
Profit sharing		373	322	373	322
Other payables		7,350	9,411	9,269	15,981
Provision for net capital deficiency - subsidiary	8	19,530	4,890		
Related parties	9	1,065	435	198	590
Other payables - discontinued operations	27				3,872
		387,367	436,130	413,386	489,957
Non-current					
Borrowings	13	135,704	142,790	148,704	152,490
FINAME manufacturer financing	14	172,274	302,279	172,274	302,279
Taxes payable		2,214	3,461	2,214	3,461
Provision for tax, labor and civil risks	15	7,829	6,520	7,829	6,520
Other payables		431	615	823	299
Deferred income tax and social contribution	16			25,977	22,284
		318,452	455,665	357,821	487,333
Total liabilities		705,819	891,795	771,207	977,290
Equity					
Attributable to the controlling interests					
Capital	17	489,973	489,973	489,973	489,973
Capital reserve	17	2,052	2,052	2,052	2,052
Treasury shares	17	-	(17,850)	-	(17,850)
Profit reserve	17	140,784	157,591	140,784	157,591
Carrying value adjustments	17	15,426	3,761	15,426	3,761
		648,235	635,527	648,235	635,527
Non-controlling interests		-	-	1,688	1,743
Total equity		648,235	635,527	649,923	637,270
Total liabilities and equity		1,354,054	1,527,322	1,421,130	1,614,560

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

Indústrias Romi S.A.

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

	Note	Parent company 2013	Parent company 2012	Consolidated 2013	Consolidated 2012
Net operating revenue	23	541,938	463,731	667,423	599,105
Cost of sales and services	24	(393,636)	(365,243)	(474,151)	(462,597)
Gross profit		148,302	98,488	193,272	136,508
Operating income (expenses)					
Selling	24	(56,487)	(56,947)	(72,003)	(69,185)
General and administrative	24	(48,038)	(67,409)	(66,506)	(84,881)
Research and development	24	(19,011)	(20,687)	(19,066)	(20,940)
Management profit sharing and fees	9	(6,045)	(6,803)	(6,174)	(6,936)
Equity in the earnings (losses) of subsidiaries	8	8,063	15,806	-	-
Other operating income (expenses), net	26	273	(957	754	8,199
		(121,245)	(136,997	(162,995)	(173,743)
Operating profit (loss)		27,057	(38,509	30,277	(37,235)
Finance income (costs)					
Finance income	25	14,736	19,547	19,041	21,043
Finance costs	25	(17,897)	(22,839)	(21,625)	(23,365)
Foreign exchange gains, net		6,829	478	6,817	469
		3,668	(2,814)	4,233	(1,853)
Profit (loss) before taxation		30,725	(41,323)	34,510	(39,088)
Income tax and social contribution	16	(4,823)	18,405	(8,131)	16,808
Profit (loss) for the year from continuing operations		25,902	(22,918)	26,379	(22,280)
Discontinued operations					
Loss for the year from discontinued operations	27	(24,537)	(15,089)	(24,537)	(15,089)
Profit (loss) for the year		1,365	(38,007)	1,842	(37,369)
Attributable to:					
Controlling interests				1,365	(38,007)
Non-controlling interests				477	638
				1,842	(37,369)
Basic and diluted earnings (losses) per share (R$)					
From continuing operations	17	0.36	(0.31)		
From discontinued operations	17	(0.34)	(0.21)		
		0.02	(0.52)		

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	
	2013	**2012**	**2013**	**2012**
Profit (loss) for the year	1,365	(38,007)	1,842	(37,369)
Other comprehensive income				
Items to be subsequently reclassified to profit or loss				
Foreign exchange variation of investees located abroad	11,665	9,009	11,665	9,009
Total comprehensive income for the year	13,030	(28,998)	13,507	(28,360)
Attributable to				
Controlling interests			13,030	(28,998)
Non-controlling interests			477	638
			13,507	(28,360)

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

Statement of changes in equity

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

					Attributable to the controlling interests							
					Profit reserve							
	Note	Capital	Capital reserve	Treasury shares	Retained earnings	Legal reserve	Total	Carrying value adjustments	Retained earnings (accumulated deficit)	Controlling interest	Non-controlling interests	Total
At January 1, 2012		489,973	2,052	(4,599)	154,586	41,012	195,598	(5,248)		677,776	1,968	679,744
Comprehensive income for the year												
Loss for the year									(38,007)	(38,007)	638	(37,369)
Foreign currency translation effects	8							9,009		9,009		9,009
Total comprehensive income for the year								9,009	(38,007)	(28,998)	638	(28,360)
Total contributions by and distributions to controlling interests												
Purchase of treasury shares	17			(13,251)						(13,251)		(13,251)
Loss absorption for the year					(38,007)		(38,007)		38,007			
Dividends paid by subsidiary											(863)	(863)
Total contributions by and distributions to controlling interests				(13,251)	(38,007)		(38,007)		38,007	(13,251)	(863)	(14,114)
At December 31, 2012		489,973	2,052	(17,850)	116,579	41,012	157,591	3,761		635,527	1,743	637,270
At January 1, 2013		489,973	2,052	(17,850)	116,579	41,012	157,591	3,761		635,527	1,743	637,270
Comprehensive income for the year												
Profit for the year									1,365	1,365	477	1,842
Foreign currency translation effects	8							11,665		11,665		11,665
Total comprehensive income for the year								11,665	1,365	13,030	477	13,507
Total contributions by and distributions to controlling interests												
Cancellation of shares in treasury	17			17,850	(17,850)		(17,850)					
Mandatory dividends									(322)	(322)		(322)
Dividends paid by subsidiary											(532)	(532)
Legal reserve						68	68		(68)			
Transfer between reserves					975		975		(975)			
Total contributions by and distributions to controlling interests				17,850	(16,875)	68	(16,807)		(1,365)	(322)	(532)	(854)
At December 31, 2013		489,973	2,052		99,704	41,080	140,784	15,426		648,235	1,688	649,923

Indústrias Romi S.A.

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

	Parent company		Consolidated	
	2013	2012	2013	2012
Cash flows from operating activities				
Profit (loss) before taxation from continuing operations	**30,725**	**(41,323)**	**34,510**	**(39,088)**
Loss before taxation from discontinued operations	**(24,537)**	**(15,089)**	**(24,537)**	**(15,089)**
Adjustments from:				
Finance income and costs and foreign exchange variations	(2,897)	7,551	3,266	9,994
Depreciation and amortization	30,281	31,472	36,453	37,543
Allowance for doubtful accounts and for other receivables	12,306	24,381	12,306	27,100
Cost of property, plant and equipment disposals	(207)	(239	(207	(239
Equity in subsidiaries, net of dividends received	16,266	87		
Provision for inventory losses	5,738	7,960	2,219	7,960
Provision for contingent liabilities	5,644	7,649	5,644	7,649
Negative goodwill on the acquisition of foreign subsidiary				(8,094)
Changes in operating assets and liabilities				
Trade receivables	13,938	(15,377)	26,263	(23,521)
Related parties	(12,418)	(3,071)	(383)	
Onward lending of FINAME manufacturer financing	182,337	162,935	182,337	162,935
Inventories	22,183	54,571	47,264	68,603
Taxes recoverable	461	3,572	1,903	8,419
Judicial deposits	232	(1,697)	232	(1,697)
Other receivables	(1,503)	1,295	5,127	(170)
Trade payables	15,587	(8,394)	(149)	(5,074)
Payroll and related taxes	(545)	(5,839)	(3,032)	(5,777)
Taxes payable	(5,960)	3,903	(7,102)	(1,413)
Advances from customers	7,431	1,522	12,998	(10,366)
Other payables	(2,234)	(4,464)	(8,275)	(1,727)
Changes in operating assets and liabilities from discontinued operations				3,095
Cash provided by operations	292,828	211,405	326,837	221,043
Income tax and social contribution paid	(1,345)	(596)	(2,306)	(2,109)
Net cash provided by operating activities	291,483	210,809	324,531	218,934
Cash flows from investing activities				
Purchases of property, plant and equipment	(22,663)	(5,015)	(28,057)	(11,503)
Disposals of property, plant and equipment	1,232	824	2,394	1,032
Dividends received	6,651	10,799		
Acquisition of foreign subsidiary				(46,830)
Cash provided from the acquisition of foreign subsidiary				5,939
Capital increase in foreign subsidiary	(55)	(2,368)		
Net cash used in investing activities	(14,835)	4,240	(25,663)	(51,362)

Indústrias Romi S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of reais **(Continuance)**

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Cash flows from financing activities				
Interest on capital and dividends paid		(11)	(532)	(874)
Purchase of treasury shares		(13,251)		(13,251)
New borrowings	40,635	82,917	37,403	91,902
Payment of other financing	(63,975)	(109,160)	(63,510)	(109,745)
Interest paid	(13,779)	(16,560)	(14,172)	(16,953)
New FINAME manufacturer financing	93,241	159,299	93,241	159,299
Payment of FINAME manufacturer financing	(287,632)	(313,733)	(287,632)	(313,733)
Interest paid - FINAME manufacturer financing	(26,092)	(43,147)	(26,092)	(43,147)
Net cash used in financing activities	(257,602)	(253,646)	(261,294)	(246,502)
Increase (decrease) in cash and cash equivalents	18,718	(38,597)	36,155	(78,930)
Cash and cash equivalents from continuing and discontinued operations – at the beginning of the period	45,110	83,467	82,320	162,813
Foreign exchange gains on cash equivalents of foreign subsidiaries	(322)	240	(11,142)	2,261
Cash and cash equivalents from continuing and discontinued operations – at the end of the period	63,834	45,110	107,232	86,144
Cash provided by (used in) discontinued operations				(1,912)
Cash and cash equivalents from continuing operations - at the end of the period	63,834	45,110	107,232	84,232

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

Indústrias Romi S.A.

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

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Revenue				
Sales of products and services	655,321	560,989	792,319	717,201
Allowance for doubtful accounts and for other receivables	(8,643)	(24,052)	(8,554)	(24,052)
Other operating income, net		16		8,133
	646,678	536,953	783,765	701,282
Inputs purchased from third parties				
Materials used	(298,056)	(250,746)	(365,443)	(344,388)
Other costs of products and services	(21,139)	(19,190)	(24,575)	(22,418)
Electricity, third-party services and other expenses	(40,525)	(44,358)	(62,211)	(64,809)
	(359,720)	(314,294)	(452,229)	(431,615)
Gross value added	286,958	222,659	331,536	269,667
Depreciation and amortization	(30,281)	(31,472)	(36,453)	(37,543)
Net value added generated by the Company	256,677	191,187	295,083	232,124
Value added received in transfer				
Equity in the earnings of subsidiaries	(16,474)	717		
Finance income and net foreign exchange gains	21,565	20,025	25,858	21,512
Total value added to distribute	261,768	211,929	320,941	253,636
Distribution of value added				
Employees				
Payroll and related charges	132,184	130,526	185,264	168,198
Sales commissions	3,101	3,130	3,101	3,130
Management profit sharing and fees	6,045	6,803	6,174	6,936
Employee profit sharing				
Pension plans	2,004	1,726	2,004	1,726
Taxes				
Federal	71,890	66,126	73,117	68,001
State	20,895	13,865	20,895	13,865
Municipal	1,025	828	1,025	828
Interest	17,897	22,839	21,625	23,365
Rentals	5,362	4,093	5,362	4,093
Dividends and interest on capital			532	863
Accumulated profit (loss) for the year	1,365	(38,007)	1,842	(37,369)
Value added distributed	261,768	211,929	320,941	253,636

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

1 General information

Indústrias Romi S.A. (the "Parent company" and/or "Company") and its subsidiaries (together referred to as the “Company” and/or as “Consolidated”), has been listed on the "New Market" of the São Paulo Stock Exchange ("Bovespa") since March 23, 2007. 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, and representation on its own account or on account of third parties, and the provision of related services. It also holds investments in other companies, and manages it own and/or third party assets. The Company's industrial facilities consist of eleven plants in three units located in the city of Santa Bárbara D’Oeste, in the State of São Paulo, and one located in the city of Reutlingen, Germany. The last one is a high-precision tooling machine manufacturer, which was acquired by the Company on January 31, 2012. 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 11, 2014.

2 Summary of significant accounting policies

2.1. Basis of preparation

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration paid in exchange for assets.

The significant accounting policies applied to the financial statements for the years ended December 31, 2013 and 2012 are as follow:

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.23.

(a) Consolidated financial statements

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

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the 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, and are disclosed together with the consolidated financial statements.

In the parent company financial statements, subsidiaries are recorded based on the equity accounting method. The same adjustments are made in the parent company and consolidated financial statements to reach the same profit or loss and equity attributable to the owners of the parent entity. In the case of Indústrias Romi S.A., the Brazilian accounting practices applicable to the parent company financial statements differ from IFRS applicable to the separate financial statements only in relation to the measurement of investments in subsidiaries, jointly-controlled subsidiaries and associates based on the equity accounting method, instead of at cost or fair value in accordance with IFRS.

(c) Changes in accounting policies and disclosures

There are no new CPCs/IFRS pronouncements or interpretations effective from 2013 that are expected to have a material impact on the Company's financial statements.

2.2 Investments in subsidiaries- Consolidated

(a) Parent company:

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

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

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

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

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

(b) Associates

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

(c) Consolidated:

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

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

Intragroup transactions and balances are eliminated upon consolidation, and any gains or losses on these transactions are also eliminated. Where necessary, adjustments are made to the subsidiaries’ financial statements in order to bring them into line with the IFRS and the accounting policies adopted by the Company.

2.2.1 Business combinations

The Company applies the acquisition method to account for business combinations in which the Company acquires control, measuring goodwill as the fair value of the consideration transferred, less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. The acquisition of Burkhardt + Weber Fertigungssysteme GmbH (“B+W”) in 2012, as described in Note 3, was carried out through the acquisition of all of the quotas of the acquiree, that is, without involvement and, therefore, without the need to measure the non-controlling interest at its fair value, or through the non-controlling interest's proportional share of the identifiable net assets, determined a the acquisition date. Transaction costs other than those associated with debt securities or equity interests, which the Company incurs in connection with a business combination, are recognized as expenses as they are incurred.

The excess of the consideration transferred plus the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income (Note 26).

2.3 Translation of foreign currency balances

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

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

(a) Functional currencies of subsidiaries

The financial statements are presented in Brazilian Real (R$), which is the functional currency of the parent company and of its subsidiaries located in Brazil.

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

- **Transactions and balances**

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

- **Translation of foreign subsidiaries' financial statements**

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

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

2.4 Cash and cash equivalents

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

2.5 Financial assets

(a) Loans and receivables

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

(b) Impairment of financial assets

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

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the respective loss is recognized in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

2.6 Trade receivables

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

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

2.7 Inventories

Inventories are stated at the lower of their net realizable value (estimated selling price in the normal course of business less estimated costs to make the sale) and their average production cost or average purchase price.

Allowances for slow-moving or obsolete inventories are recognized when considered necessary by management. The Company calculates the cost of its inventories by absorption, using the weighted moving average method. The cost of finished goods and work in progress includes design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

2.8 Property, plant and equipment

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

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

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

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

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

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

2.9 Investment property

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

2.10 Intangible assets

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

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

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

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

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

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

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

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

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

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

2.12 Trade payables

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

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

2.13 Borrowings

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

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

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

2.14 Discounting to present value

Assets and liabilities arising from short-term transactions, when they are material, are discounted to their present values based on discount rates that reflect the best market assessments. The discount rate used was approximately 5% per year (6.15% as at December 31, 2012). The discount to present value was measured using the exponential "pro rata die" method, from the origin of each transaction.

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

2.15 Current and deferred income tax and social contribution

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

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

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

The Company only recognizes a provision for tax issues if a past event gives rise to a present obligation. The Company determines whether a present obligation exists at the end of the reporting period taking into consideration all of the available evidence, including, for example, the opinion of legal counsel. The Company also takes into consideration whether it is probable that there will be an outflow of funds and a reliable estimate of this can be made.

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

2.16 Employee benefits

The Company has several employee benefit plans, including pension plans (defined contributions), healthcare, dental care, and profit sharing.

Post-employment pension plans are characterized as a defined contribution plan, for which the Company has no legal obligation in the event that the plan does not have sufficient assets to pay the employees' vested benefits as a result of their past service.

Contributions to defined contribution pension plans are recognized as expenses when actually incurred, i.e., when the employees provide services to the Company (Note 18).

2.17 Other current and non-current assets and liabilities

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

2.18 Share capital

Common shares are classified as equity.

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

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

2.19 Distribution of dividends and interest on capital

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

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

2.20 Revenue recognition

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

(a) Sales of goods

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

(b) Finance income

Interest income is recognized on an accrual 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 of this outflow can be reliably estimated.

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

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

Warranties

Accrued warranty costs are recognized on the date when the goods are sold, based on management's best estimate of the costs to be incurred for the provision of the warranty services.

2.22 Leases

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

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

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

(a) Useful lives of long-lived assets.

(b) Impairment testing of long-lived assets.

(c) Inventories realization and obsolescence.

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

(e) The fair value measurement of financial instruments.

(f) Deferred income tax assets on tax losses carried forwards 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.

(g) The valuation of the assets acquired and liabilities assumed in business combinations.

All amounts in thousands of reais unless otherwise stated

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

2.24 Standards, interpretations and amendments to accounting standards.

(a) Standards, interpretations and amendments to existing standards effective as at December 31, 2012 and that did not have a material impact on the Company's financial statements

The interpretations and amendments to existing standards were issued and became effective as at December 31, 2013. However, they did not have a material impact on the Company’s financial statements.

CPC / IFRS:

Standard	Subject
CPC 19 (R2)/IFRS 11	"Joint Arrangements"
CPC 26 (R1)/IAS 1	"Presentation of Financial Statements"
CPC 33 (R2)/IAS 19	"Employee Benefits"
CPC 36 (R3)/IFRS 10	"Consolidated Financial Statements"
CPC 40 (R1)/IFRS 7	"Financial Instruments: Disclosure"
CPC 19 (R2)/IFRS 11	"Disclosure of Interests in Other Entities"
CPC 46/IFRS 13	"Fair Value Measurement"

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

The following new standards and interpretations of existing standards were issued by the IASB but are not effective for 2013. The early adoption of these standards, even though encouraged by the IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

IFRS:

Standard	Subject
IFRIC 21	"Levies"
IFRS 9	"Financial Instruments"

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

(c) Significant accounting assumptions - discontinued operations

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

Therefore, the assets of Romi Italy were classified as assets from discontinued operations in non-current assets. These assets are stated at the lower of the carrying amount and the fair value less costs to sell. For further details see Note 19.

The Company's management considers that the discontinuance of the activities of Romi Italy satisfies the criteria for its classification as assets from discontinued operations for the following reasons:

- The assets are available for immediate sale, they can be sold to a potential buyer in their current state;
- The Company's management has a plan to sell these assets and started preliminary negotiations;
- On September 18, 2013, certain assets and liabilities were disposed of and the Company's management expects that the negotiation of the remaining assets will be concluded in 2014. For financial statement purposes, the residual balances of the assets and liabilities as at December 31, 2013 were presented in their respective line items in the balance sheet. As the disposal of the discontinued assets and liabilities only occurred in 2013, the assets and liabilities of the discontinued operation as at December 31, 2012 were presented in a specific line item in the balance sheet. The results of the discontinued operation for the years ended December 31, 2013 and 2012 are presented in a specific line item in the statements of income for these years. See details in Note 27.

3 Business combination

The Company, on January 31, 2012, through its wholly-owned subsidiary Romi Europe GMBH ("Romi Europe") acquired all of the shares in Burkhardt + Weber Fertigungssysteme GmbH ("B+W") for € 20,500 thousand, equivalent to R$ 46,830 (the "consideration transferred"), entirely paid on the acquisition date.

The B+W acquisition is in line with the Company's strategic plan of expanding its portfolio of products with a higher technology content and globally expanding its operational and market bases. B+W produces and sells large scale tooling machines, with a high level of technology, precision and productivity, as well as machinery for specialized applications. It also has an investment in the associated company Riello Sistemi Trade Co., Ltd. (Riello Shangai), which is an exclusive sales and after-sales service company for B+W products in Asia.

Expenses incurred in connection with the B+W acquisition amounted to R$ 2,769, of which R$ 1,750 during the quarter ended March 31, 2012, recorded in the results of operations for that quarter in "General and administrative expenses".

All amounts in thousands of reais unless otherwise stated

The assets acquired and liabilities assumed at the acquisition date are as follow:

Assets	**Opening balance - book value**	**Fair value adjustment**	**Adjusted opening balance**
Current			
Cash and cash equivalents	5,939		5,939
Trade receivables	7,767	(941)	6,826
Inventories	35,534	8,235	43,769
Taxes recoverable	809		809
Other receivables	644		644
	50,693	7,294	57,987
Non-current			
Deferred income tax	2,319		2,319
Investments	1,144		1,144
Property, plant and equipment, net	14,044	10,319	24,363
Intangible assets	322	36,055	36,377
	17,829	46,374	64,203
Total assets	68,522	53,668	122,190
Liabilities			
Current			
Trade payables	4,879		4,879
Borrowings	738		738
Payroll and related taxes	2,280		2,280
Taxes payable	1,094		1,094
Advances from customers	40,185		40,185
Other payables	2,305		2,305
	51,481		51,481
Non-current			
Deferred income tax	123	15,662	15,785
	123	15,662	15,785
Total liabilities	51,604	15,662	67,266
Net assets acquired	16,918	38,006	54,924
Consideration transferred			46,830
Negative goodwill on acquisition			8,094

All amounts in thousands of reais unless otherwise stated

The negative goodwill on the acquisition, amounting to R$ 8,094, was recognized in the statement of income in "Other operating income (expenses), net" (Note 26).

As at December 31, 2012 the procedures required to confirm the work performed by the Company's management and its consultants to support the market appraisal of the assets acquired and liabilities assumed were concluded, and did not result in any adjustment to the initially recognized amount.

- **Impact of the acquisition on the results of operations**

The consolidated losses for the year ended December 31, 2012 were reduced by the profit attributed to B+W, amounting to R$ 9,558 (including the negative goodwill on the acquisition amounting to R$ 8,094), already reduced by the realization of the fair value of certain assets, mainly inventories, property, plant and equipment and intangible assets. The consolidated revenue for the year ended December 31, 2012 includes R$ 120,160 related to B+W sales from the date of acquisition.

Had this business combination occurred on January 1, 2012, the consolidated revenue and the result for the year ended December 31, 2012 would have been increased by R$ 8,900 and R$ 1,143, respectively.

Due to the seasonality of its business, as well as the amortization of a significant portion of the fair value adjustments into the net results for the period, the Company's management believes that the revenue and the net results of operations, as a result of the pro forma information presented above, should not be taken as an indication of the consolidated performance on an annualized basis.

4 Cash and cash equivalents

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Cash and banks	2,633	2,715	27,375	22,508
Bank Deposit Certificates ("CDBs") (a)	50,038	34,381	68,694	45,781
Short-term investments backed by debentures (a)	7,948	6,378	7,948	14,307
Short-term investments in foreign currency -US$ (Time deposit)	2,810	1,389	2,810	1,389
Other	405	247	405	247
Total cash and cash equivalents	63,834	45,110	107,232	84,232

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

All amounts in thousands of reais unless otherwise stated

5 Trade receivables

	Parent company		Consolidated	
	2013	2012	2013	2012
Current				
Domestic customers	90,914	92,372	91,334	92,985
Foreign customers	7,329	5,154	37,411	34,741
Allowance for doubtful accounts	(1,708)	(1,682)	(8,374)	(6,068)
	96,535	95,844	120,371	121,658
Non-current				
Domestic customers	10,334	13,243	10,334	13,243
Foreign customers	967	1,789	967	1,789
Allowance for doubtful accounts	(487)	(1,190)	(487)	(1,190)
	10,814	13,842	10,814	13,842

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

The balance of current trade receivables as at December 31, 2013 and 2012, parent company and consolidated, is distributed as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Not yet due	80,460	88,327	100,134	113,111
Past due:				
1 to 30 days	13,656	3,213	15,319	3,207
31 to 60 days	424	850	2,525	1,874
61 to 90 days	133	376	1,045	427
91 to 180 days	966	2,190	1,206	2,434
181 to 360 days	494	951	887	958
Over 360 days	2,110	1,619	7,629	5,715
	17,783	9,199	28,611	14,615
Total	98,243	97,526	128,745	127,726
Allowance for doubtful accounts	(1,708)	(1,682)	(8,374)	(6,068)
Total - current	96,535	95,844	120,371	121,658

All amounts in thousands of reais unless otherwise stated

The balance of non-current trade receivables as at December 31, 2013, parent company and consolidated, is distributed as follows:

	Parent company and consolidated
Receivables:	
2015	8,813
2016	2,398
2017	90
Total - non-current	11,301

The changes in the allowance for doubtful accounts, parent company and consolidated, are as follows:

	Parent company	Consolidated
As at January 1, 2012	1,738	5,849
Additional allowance recorded	1,165	1,081
Receivables written off	(31)	(113)
Foreign exchange rate variations	-	441
As at December 31, 2012	2,872	7,258
Additional allowance recorded	487	2,816
Receivables written off	(1,164)	(2,330)
Foreign exchange rate variations	-	1,117
As at December 31, 2013	2,195	8,861

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

The maximum exposure to credit risk as at the balance sheet date is equal to the carrying amount of each class of receivables mentioned above. The guarantees are disclosed in Note 13. The other receivables on the balance sheet do not contain impaired assets.

All amounts in thousands of reais unless otherwise stated

6 Receivables - onward lending of Finame manufucturer financing

	Parent company and consolidated	
	2013	**2012**
Current		
FINAME not yet due	221,585	287,228
FINAME awaiting release (a)	2,285	2,557
FINAME past due (b)	32,297	39,791
	256,167	329,576
Allowance for doubtful accounts	(12,733)	(11,943)
	243,434	317,633
Non-current		
FINAME not yet due	185,188	306,751
FINAME awaiting release (a)	9,140	10,229
	194,328	316,980
Allowance for doubtful accounts	(3,616)	(4,175)
	190,712	312,805
Total	434,146	630,438

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"). These receivables are carried at their amortized costs, which approximate their fair values.

FINAME manufacturer financing refers to funds specifically linked to sales transactions, with terms of up to 60 months, with the option of a grace period of up to 12 months and interest of between 2.5% and 6.5% per year, prefixed or increased by the Long-term Interest Rate ("TJLP"), in accordance with the terms defined by the BNDES at the time of the transaction. As part of the measures adopted by the federal government to foster investment and consumption, the Investment Support Program ("PSI") line of the National Bank for Economic and Social Development (BNDES) that finances capital goods, investments and technology, was extended to December 31, 2013. Up to June 30, 2013 the fixed interest rate is 3.0% per year and 3.5% from that date to December 31, 2013.

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

All amounts in thousands of reais unless otherwise stated

The Company retains title to the financed equipment until the final settlement of the obligation by the customer.

Receivables - onward lending of FINAME manufacturer financing include:

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

(b) FINAME past due: refers to amounts receivable not settled by customers by their due dates. The Company records 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 receivable from the customer. 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 book value, not exceeding their market value, under the category of "Other receivables", pending a final court decision, following which they are repossessed and transferred to inventories. As at December 31, 2013, the balance of repossessed machinery, included under the caption "Other receivables", parent company and consolidated, amounted to R$ 15,105 (R$ 22,031 as at December 31, 2012) in current assets and R$ 35,311 (R$ 22,777 as at December 31, 2012) in non-current assets.

As at December 31, 2013 and 2012, the balances of "Receivables - onward lending of FINAME manufacturer financing", parent company and consolidated, were as follows:

	Parent company and consolidated	
	2013	**2012**
Not yet due	223,870	289,785
Past due:		
1 to 30 days	5,469	6,224
31 to 60 days	2,419	3,160
61 to 90 days	2,247	2,726
91 to 180 days	4,354	7,518
181 to 360 days	5,368	8,920
Over 360 days	12,440	11,243
	32,297	39,791
Total - current	256,167	329,576

All amounts in thousands of reais unless otherwise stated

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
Non-current:	
2014	122,048
2015	52,350
2016	19,398
2017 and thereafter	532
Total - non-current	194,328

The changes in the allowance for doubtful accounts, parent company and consolidated, are as follows:

	Parent company and consolidated	
	2013	**2012**
Opening balance	16,118	13,169
Additional allowance recorded	231	2,949
Receivables written off	-	-
Closing balance	16,349	16,118

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

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

7 Inventories

	Parent company		**Consolidated**	
	2013	**2012**	**2013**	**2012**
Finished products	40,916	64,738	67,460	78,190
Used machines	24,581	21,078	24,581	21,078
Work in progress	75,755	76,932	96,476	99,612
Raw materials and components	76,346	69,833	81,692	79,361
Imports in transit	3,228	854	3,857	854
Total	220,826	233,435	274,066	279,095

All amounts in thousands of reais unless otherwise stated

The inventories balances, parent company and consolidated, as at December 31, 2013 are net of the amounts of R$ 55,540 and R$ 60,180 respectively (R$ 46,282 and R$ 50,851 respectively as at December 31, 2012) corresponding to the provision for slow-moving inventories with a remote probability of being realized through sale or use.

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

	Parent company	Consolidated
As at January 1, 2012	31,984	34,790
Inventories sold or written off	(23,141)	(23,141)
Provision recorded or transfer of provision resulting from machines repossessed during the period	37,439	39,202
As at December 31, 2012	46,282	50,851
Inventories sold or written off	(35,468)	(35,397)
Provision recorded or transfer of provision resulting from machines repossessed during the period	44,726	44,726
As at December 31, 2013	55,540	60,180

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

	Parent company		Consolidated	
	2013	2012	2013	2012
Finished products (a)	3,316	2,610	3,826	6,646
Work in progress	25,201	21,682	25,201	21,682
Raw materials and components	27,023	21,990	31,153	22,523
Total	55,540	46,282	60,180	50,851

(a) The amount of R$ 20,034 parent company and consolidated (R$ 21,682 as at December 31, 2012) refers to the allowance for adjustments to the market value of used machinery, derived from title clause's execution process.

The cost of inventories recognized in the parent company's statement of income and included in "Cost of sales and services" amounted to R$ 273,137 (2012 - R$ 250,744).

The cost of inventories recognized in the consolidated statement of income and included in "Cost of sales and services" amounted to R$ 391,933 (2012 - R$ 343,939).

8 Investments in subsidiaries and associates

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

Subsidiary	Country	Main activity
Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor")	Brazil	Ventures and investments in general
Romi Machine Tools, Ltd. ("Romi Machine Tools")	United States of America	Distribution of machine tools and cast and machined products in North America
Interocean Comércio Importadora e Exportadora S.A. ("Interocean")	Brazil	Trading company, not operating during the periods presented
Romi A.L. S.A. ("Romi A.L.") - formerly Favel S.A.	Uruguay	Sales representation for operations in the foreign market
Romi Europa GmbH ("Romi Europe")	Germany	Distribution of machine tools, spare parts and technical assistance
Sandretto Mexico - S. de RL. de CV	Mexico	Sale of machine tools, machinery for plastics, casts and machined products in that marketplace
Sandretto UK Ltd.	United Kingdom	Distribution of machinery for plastics and machine tools, spare parts and technical assistance
Sandretto Industries S.A.S.	France	Distribution of machinery for plastics and machine tools, spare parts and technical assistance
Metalmecanica Plast B. V.	The Netherlands	Distribution of machinery for plastics and machine tools, spare parts and technical assistance
Italprensas Sandretto S.A.	Spain	Distribution of machinery for plastics and machine tools, spare parts and technical assistance
Subsidiaries of Romi Europe:		
-Burkhardt + Weber Fertigungssysteme GmbH ("B+W") (i)	Germany	Production and sale of large scale tooling machines with high technology, precision and productivity, as well as machinery for specialized applications
Associate B+W:		
-Riello Sistemi (Riello Shangai) Trade Co.,Ltd	China	Agent for sale and post-sale and direct technical assistance services in machine tools produced by B+W
Subsidiary of B+W:		
- Burkhardt + Weber / Romi (Shangai) Co., Ltda. (ii)	China	Agent for sale and post-sale and direct technical assistance services in machine tools produced by B+W
Romi Itália S.r.l. ("Romi Italy") (i)	Italy	In process of liquidation, as mentioned in Note 27.

(i) The Company, on January 31, 2012, through its wholly-owned subsidiary Romi Europe GMBH (“Romi Europe”) acquired all of the shares in Burkhardt + Weber Fertigungssysteme GmbH (“B+W”) for € 20,500 thousand, equivalent to R$ 46,830 (the "consideration transferred"), entirely paid on the acquisition date.

The B+W acquisition is in line with the Company's strategic plan of expanding its portfolio of products with higher technology content and globally expanding its operational and market bases. B+W produces and sells large scale tooling machines, with a high level of technology, precision and productivity, as well as machinery for specialized applications.

(ii) This subsidiary was established with a capital of €220 thousand.

(iii) On April 23, 2013, the Company's management approved the beginning of the voluntary liquidation of the subsidiary Romi Itália S.r.l., in which part of the assets and liabilities were disposed of/transferred, as described in Note 27.

All amounts in thousands of reais unless otherwise stated

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico	Total Continuing Operation	December 31, 2013 Total Discontinued Operation
Investments:									
Number of shares held	(a)	(a)	6,191,156	3,000	78	13,028	1,188,000		
Ownership interest	100.00%	100.00%	93.07%	100.00%	100.00%	100.00%	100.00%		
Current assets	35,420	71,827	19,019	7,189	15	3,230	188		
Non-current assets	10,981	94,589	5,739	263			2		
Current liabilities	13,122	52,728	401	7,595	10	1	122		
Non-current liabilities	45,628	31,539		7,304					
Equity (net capital deficiency) of subsidiary	(12,083)	82,148	24,357	(7,447)	5	3,229	68		
Changes in investment:									
Opening balance as at December 31, 2011	12,891	66,718	23,413	(4,890)	8	2,546	25	89,138	11,573
Foreign exchange variations on foreign investments	(161)	12,400		(872)		281	18	11,284	381
Capital increase (a)							48	48	
Return of available amounts of foreign subsidiary									
Dividends proposed and paid (b)			(7,146)					(7,146)	
Share of profits (losses) of subsidiaries	(24,813)	3,245	6,403	(1,685)	(3)	402	(23)	8,063	(24,537)
Equivalent value - closing balance	**(12,083)**	**82,363**	**22,669**	**(7,447)**	**5**	**3,229**	**68**	**101,387**	**(12,583)**
Investments in subsidiaries		**82,363**	**22,669**		**5**	**3,229**	**68**	**108,334**	
Provision for net capital deficiency of subsidiary	**(12,083)**			**(7,447)**				**(19,530)**	
Investments in associates									
30% interest in Riello Sistemi (Shangai) Trade Co.,Ltd acquired through a business combination								**2,327**	
Total investments in associates – consolidated								**2,327**	

(a) The subsidiaries' capital is not divided into quotas or shares in their articles of organization.
(b) On March 11, 2013, the subsidiary Rominor approved the payment of dividends for 2012 and the Company received the amount of R$ 3, 848

All amounts in thousands of reais unless otherwise stated

December 31, 2012

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico	Total Continuing Operation	Total Discontinued Operation
Investments:									
Number of shares held	(a)	(a)	6,191,156	3,000	78	13,028	1,188,000		
Ownership interest	100.00%	100.00%	93.07%	100.00%	100.00%	100.00%	100.00%		
Current assets	43,624	68,670	19,762	6,365	21	2,563	25		
Non-current assets	12,531	74,623	5,794	153					
Current liabilities	12,679	51,064	400	5,029	13	17			
Non-current liabilities	30,585	25,511		6,379					
Equity (net capital deficiency) of subsidiary	12,891	66,718	25,156	(4,890)	8	2,546	25		
Changes in investment:									
Opening balance as at December 31, 2011	24,039	51,257	26,443	(3,548)	12	1,996	17	77,758	22,458
Foreign exchange variations on foreign investments	2,329	6,849		(378)		201	8	4,805	4,204
Capital increase (c)	2,336						36	2,372	
Dividends proposed and paid (d)			(11,603)					(11,603)	
Share of profits (losses) of subsidiaries	(15,813)	8,612	8,573	(964)	(4)	349	(36)	15,806	(15,089)
Equivalent value - closing balance	12,891	66,718	23,413	(4,890)	8	2,546	25	89,138	11,573
Investments in subsidiaries	12,891	66,718	23,413		8	2,546	25	94,028	11,573
Provision for net capital deficiency of subsidiary				(4,890)				(4,890)	
Investments in associates									
30% interest in Riello Sistemi (Shangai) Trade Co.,Ltd acquired through a business combination								1,944	
Total investments in associates – consolidated								1,944	

(c) The subsidiaries' capital is not divided into quotas or shares in their articles of organization.
(d) The Annual General Meeting of shareholders of subsidiary Rominor, held on March 12, 2012, approved the distribution of dividends of R$ 7,802, from the profit reserve for 2011, of which R$ 7,261 relate to the Company's ownership. On October 23, 2012, the board of directors' meeting of subsidiary Rominor approved the advance payment of dividends from the profits for the first half of 2012, amounting to R$ 4,342, totaling R$ 11,603 in the year.

All amounts in thousands of reais unless otherwise stated

December 31, 2013

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico	Total Continuing Operation	Total Discontinued Operation
Investments:									
Ownership interest	100.00%	100.00%	93.07%	100.00%	100.00%	100.00%	100.00%		
Profit before taxation	(24,813)	5,254	8,179	(1,685)	(3)	402	(23)		
Income tax and social contribution expense		(2,009)	(1,299)						
Profit (loss) for the year from continuing operations	2,385	3,245	6,880	(1,685)	(3)	402	(23)	11,201	
Profit (loss) for the year from discontinued operations	(27,198)								(27,198)
Profit for the year									
Other comprehensive income	(788)							(788)	
Total comprehensive income	(27,986)								(27,986)
Total comprehensive income allocated to non-controlling interests									
Dividends paid to controlling interests			532					532	
Dividends received from associates and subsidiaries			7,146					7,146	

December 31, 2012

	Romi Italy and subsidiaries	Romi Europe and subsidiaries	Rominor	Romi Machine Tools	Interocean	Romi A.L.	Sandretto Mexico	Total Continuing Operation	Total Discontinued Operation
Investments:									
Ownership interest	100.00%	100.00%	93.07%	100.00%	100.00%	100.00%	100.00%		
Profit before taxation	(15,813)	8,566	10,854	(964)	(4)	349	(36)		
Income tax and social contribution expense		46	(1,643)						
Profit (loss) for the year from continuing operations	(724)	8,612	9,211	(964)	(4)	349	(36)	16,444	
Profit (loss) for the year from discontinued operations	(15,089)								(15,089)
Profit for the year									
Other comprehensive income	272							272	
Total comprehensive income	(14,817)								(14,817)
Total comprehensive income allocated to non-controlling interests									
Dividends paid to controlling interests			864					864	
Dividends received from associates and subsidiaries			11,603					11,603	

All amounts in thousands of reais unless otherwise stated

9 Related party transactions

The balances and transactions with related parties as at December 31, 2013 and 2012 are as follows:

Parent company

(i) Balances

	Receivables		Loan receivable		Total receivable		Payables	
	2013	2012	2013	2012	2013	2012	2013	2012
Direct subsidiaries:								
Romi Europe	1,385	873	1,350	696	2,735	1,569	55	102
Romi Italy	1,304	3,379	36,952	23,992	38,256	27,371		
Romi Machine Tools	7,431	4,688	7,305	6,378	14,736	11,066	71	62
Interocean			10	10	10	10		
Romi A.L.	108				108		353	271
Rominor	3				3		122	
Indirect subsidiaries:								
Sandretto Industries S.A.S.	1,065	147			1,065	147	464	
Italprensas Sandretto S.A.		25				25		
Sandretto UK Ltd.	4,011	667			4,011	667		
Total	15,307	9,779	45,617	31,076	60,924	40,855	1,065	435

(ii) Transactions

	Sales revenue		Operating expenses		Finance income	
	2013	2012	2013	2012	2013	2012
Direct subsidiaries:						
Romi Europe	1,489	1,482	441	787	150	14
Rominor	-	-	1,000	837	-	-
Romi Italy		3,552	-	-	7,048	308
Romi Machine Tools	5,951	9,483	-	-	1,042	119
Sandretto Mexico			634			
Romi A.L.	- -	-	355	397	6	-
Total	7,440	14,517	2,430	2,021	8,246	441

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

The parent company acquired equipment (machine tools) from its indirect foreign subsidiary B+W amounting to R$ 6,058, which represents the construction cost of the equipment items.

All amounts in thousands of reais unless otherwise stated

Loans receivable have predetermined maturities, are payable in the long term 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 14). The Company has seven buildings rented to its subsidiary Rominor, which are used by the sales branch operations in Brazil.

(iii) Management compensation

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 with 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.

Management compensation for the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Fees and charges	5,500	6,270
Profit sharing	51	
Private pension plan	402	446
Healthcare plan	92	87
Parent company	6,045	6,803
Fees and charges of subsidiaries	129	133
Consolidated	6,174	6,936

The amounts shown above comply with the limits established by the Board of Directors.

10 Investment property

During the year ended December 31, 2012 Management decided, based on the completion of the property register review and regularization, as well as the perspectives of short and medium-term expansion of operations, to classify certain property as "Investment Property" for future rental income and capital appreciation. The amounts classified as investment property are R$ 14,211 (R$ 14,202 – as at December 31, 2012) in the parent company and R$ 19,989 (R$ 16,103 – as at December 31, 2012) in the consolidated.

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

All amounts in thousands of reais unless otherwise stated

11 Property, plant and equipment

Changes in property, plant and equipment in the parent company and consolidated financial statements are as follows:

									Parent company
	Land (a)	**Buildings and yards**	**Machinery and equipment**	**Furniture and fixtures**	**Vehicles**	**Information technology**	**Construction in progress**	**Advances**	**Total**
Cost of property, plant and equipment, gross									
Balance as at January 1, 2012	19,448	163,554	216,754	8,053	2,536	24,432	9,642	422	444,841
Additions		36	2,180	6	42	419	2,332		5,015
Disposals			(560)	(21)	(25)	(598)		(88)	(1,292)
Transfers	(14,202)	7,265	1,187	504	46	473	(9,475)		(14,202)
Balance as at December 31, 2012	5,246	170,855	219,561	8,542	2,599	24,726	2,499	334	434,362
Additions		299	4,661	62		322	7,509	9,810	22,663
Disposals		(245)	(361)	(144)	(1)	(281)	(200)	-	(1,232)
Transfers (a)		796	9,886	(45)		816	(4,063)	(7,399)	(9)
Balance as at December 31, 2013	5,246	171,705	233,747	8,415	2,598	25,583	5,745	2,745	455,784
Accumulated depreciation									
Balance as at January 1, 2012		41,516	116,975	5,757	1,862	15,324			181,434
Additions		8,527	17,195	477	256	3,273			29,728
Disposals			(86)	(19)	(13)	(589)			(707)
Transfers				(1)		1			0
Balance as at December 31, 2012	0	50,043	134,084	6,214	2,105	18,009	0	0	210,455
Additions		8,731	16,266	476	217	2,787			28,477
Disposals		(8)	(117)	(134)	(1)	(275)			(535)
Transfers				(29)		29			0
Balance as at December 31, 2013	0	58,766	150,233	6,527	2,321	20,550	0	0	238,397
Property, plant and equipment, net									
Balance as at January 1, 2012	19,448	122,038	99,779	2,296	674	9,108	9,642	422	263,407
Balance as at December 31, 2012	5,246	120,812	85,477	2,328	494	6,717	2,499	334	223,907
Balance as at December 31, 2013	5,246	112,939	83,514	1,888	277	5,033	5,745	2,745	217,387

All amounts in thousands of reais unless otherwise stated

consolidated

	Land (a)	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Cost of property, plant and equipment, gross									
Balance as at January 1, 2012	26,152	176,218	220,552	8,348	2,957	25,564	9,642	422	469,855
Additions	1,240	37	2,362	472	167	652	6,573		11,503
Disposals		(50)	(758)	(25)	(98)	(601)		(90)	(1,622)
Transfers	(16,103)	7,265	1,187	504	46	473	(9,475)		(16,103)
Assets from the acquisition of investment, at fair value	8,833	7,880	5,586	1,881		183			24,363
Assets from discontinued operation (Note 27)	(1,978)	(4,699)	(2,351)	(82)	(27)	(223)			(9,360)
Foreign exchange rate variations	1,777	2,363	1,318	360	38	119			5,975
Balance as at December 31, 2012	19,921	189,014	227,896	11,458	3,083	26,167	6,740	332	484,611
Additions		11,817	9,249	346	75	507	3,015	3,048	28,057
Disposals	(305)	(972)	(391)	(149)	(82)	(295)	(200)	-	(2,031)
Transfers (a)	2,040	796	3,124	(45)		816	(4,063)	(637)	2,031
Foreign exchange rate variations	4,657	11,642	941	4,175	181	1,233	253	2	23,084
Balance as at December 31, 2013	26,313	212,297	240,819	15,785	3,257	28,428	5,745	2,745	535,389
Accumulated depreciation									
Balance as at January 1, 2012		45,528	119,079	5,979	2,222	16,251			189,059
Additions		9,129	18,679	972	272	3,408			32,460
Disposals			(203)	(19)	(17)	(590)			(829)
Transfers				(1)	-	1			
Assets from discontinued operation (Note 27)		(623)	(1,163)	(43)	(14)	(168)			(2,011)
Foreign exchange rate variations		88	220	13	32	71			424
Balance as at December 31, 2012		54,122	136,612	6,901	2,495	18,973			219,103
Additions		9,100	18,590	1,030	298	3,417			32,435
Disposals		314	(339)	(786)	(122)	(693)			(1,626)
Transfers		(622)							(622)
Foreign exchange rate variations		3,479	5,442	3,477	85	1,057			13,540
Balance as at December 31, 2013		66,393	160,305	10,622	2,756	22,754			262,830
Property, plant and equipment, net									
Balance as at January 1, 2012	26,152	130,690	101,473	2,369	735	9,313	9,642	422	280,796
Balance as at December 31, 2012	19,921	134,892	91,284	4,557	588	7,194	6,740	332	265,508
Balance as at December 31, 2013	26,313	145,904	80,514	5,163	501	5,674	5,745	2,745	272,559

All amounts in thousands of reais unless otherwise stated

During the year ended December 31, 2013, the property, plant and equipment transferred to assets and classified as Investment property totaled R$ 14,211 in the parent company financial statements (R$ 19,989 consolidated) and refer to land intended to earn rentals and for capital appreciation (Note 10).

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$55,463 as at December 31, 2013 (R$55,463 as at December 31, 2012). These items refer to land, facilities, machinery and equipment.

Depreciation rates

The Company depreciates property, plant and equipment items on a straight-line basis using the following depreciation rates:

Buildings	25 years
Machinery and equipment	10 to 15 years
Furniture and fixtures	10 years
Information technology	5 years
Vehicles	5 years
Yards	10 years

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

Of the amount of R$ 28,477 (2012 - R$ 29,728) related to depreciation expense, R$ 21,945 (2012 - R$ 22,834) was recognized in the statement of income in "Cost of sales and services ", R$ 1,243 (2012 - R$ 1,327) in "Selling expenses", R$ 5,129 (2012 - R$ 5,358) in "General and administrative expenses" and R$ 160 (2012 - R$ 209) in “Research and development” - Parent company.

Of the amount of R$ 32,435 (2012 - R$ 32,460) related to depreciation expense, R$ 26,837 (2012 - R$ 25,432) was recognized in the statement of income in "Cost of sales and services ", R$ 1,243 (2012 - R$ 1,327) in "Selling expenses", R$ 4,195 (2012 - R$ 5,492) in "General and administrative expenses" and R$ 160 (2012 - R$ 209) in “Research and development” - Consolidated.

All amounts in thousands of reais unless otherwise stated

12 Intangible assets

Changes in intangible assets are as follows:

	Parent company			Consolidated						
	Assignment of rights	Other	Total	Assignment of rights	Technology (a)	Customer relationship (b)	Portfolio of orders (c)	Trademarks	Other	Total
Gross cost										
Balance as at January 1, 2012	6,626	4,312	10,938	6,626	-	-	-	-	4,312	10,938
Assets from the acquisition of investment, at fair value	-	-	-	-	10,955	11,117	1,923	12,060	322	36,377
Additions	-	-	-	-	-	-	-	-	-	-
Foreign exchange rate variations	-	-	-	-	2,046	2,055	420	1,922	58	6,501
Disposals	(219)	-	(219)	(219)	-	-	-	-	-	(219)
Balance as at December 31, 2012	6,407	4,312	10,719	6,407	13,001	13,172	2,343	13,982	4,692	53,597
Foreign exchange rate variations					2,466	2,523	372	2,766	(380)	7,747
Balance as at December 31, 2013	6,407	4,312	10,719	6,407	15,467	15,695	2,715	16,748	4,312	61,344
Accumulated amortization										
Balance as at January 1, 2012	1,498	1,308	2,806	1,498	-	-	-		1,308	2,806
Amortization	1,556	188	1,744	1,556	734	541	1,655		597	5,083
Foreign exchange rate variations				80	60	75				215
Balance as at December 31, 2012	3,054	1,496	4,550	3,134	794	616	1,655		1,905	8,104
Amortization	942	862	1,804	942	945	697	572		862	4,018
Foreign exchange rate variations	-	-	-	-	119	88	72	-	-	279
Balance as at December 31, 2013	3,996	2,358	6,354	4,076	1,858	1,401	2,299	-	2,767	12,401
Intangible assets, net										
Balance as at December 31, 2012	3,353	2,816	6,169	3,273	12,207	12,556	688	13,982	2,787	45,493
Balance as at December 31, 2013	2,411	1,954	4,365	2,331	13,609	14,294	416	16,748	1,545	48,943

All amounts in thousands of reais unless otherwise stated

The Company amortizes intangible assets on a straight-line basis using the following finite useful lives:

Assignment of rights	5 years
Technology	5 years
Customer relationships	5 years
Portfolio of orders	1 year

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

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

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

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

The amount of R$ 1,804 (2012 - R$ 1,744) related to amortization expense was recognized in the statement of income in “Research and development” - Parent company.

Of the amount of R$ 4,018 (2012 - R$ 5,083) related to depreciation expense, R$ 2,214 (2012 - R$ 3,339) was recognized in the statement of income in "Cost of sales and services" and R$ 1,804 (2012 - R$ 1,744) in “Research and development” - Consolidated.

All amounts in thousands of reais unless otherwise stated

13 Borrowings

Changes in borrowings in the parent company and consolidated financial statements are as follows:

	Current		Non-current			Principal		
	2013	**2012**	**2013**	**2012**	**Maturity**	**amortization**	**Financial charges**	**Collateral**
Export financing (a)	173	17,512	60,391	52,040	6/15/2015 12/15/2016	Bullet payment	Fixed interest of 5.5% to 8% per year	Promissory note and surety of the subsidiary Rominor
Property, plant and equipment - local currency	24,551	29,944	43,820	68,189	11/16/2017	Monthly	TJLP + interest of 1.3% to 1.9% per year	Collateral transfers of machinery and mortgages of buildings and land
BNDES Pró Engenharia (b)	25	-	16,750	-	6/15/2015 6/15/2020	Monthly	Fixed interest of 3% to 3.5% per year	Mortgages of buildings and land
Sundry FINAME	4,981	4,933	7,577	5,244	6/15/2020	Monthly	TJLP + 1.85 % per year and fixed interest of 3% to 5.5% per year.	Collateral transfer of financed machinery/bonds/promissory notes
Working capital – PROGEREN (c)	10,906	4,947	6,329	15,833	7/15/2015	Monthly	TJLP + interest of 3.1% per year	Surety of the subsidiary Rominor
Import financing (FINIMP) (d)	8,918	8,220	-	-	4/10/2014	Bullet payment	LIBOR + 3.625%, 3.23% and 3.22% per year	No collateral
Refinanced drafts - local and other currencies	1,708	2,049	837	1,484	7/23/2016	Semiannual	LIBOR + 1% spread	Customer pledge contract
Parent company	**51,262**	**67,605**	**135,704**	**142,790**				
Other	2,907	2,587	207	-				
Burkhardt + Weber (B+W) - Research and Development Center- € (e)			12,793	9,700	6/30/2027	Quarterly	2% per year	Property, plant and equipment (building)
Consolidated	**54,169**	**70,192**	**148,704**	**152,490**		-		

(a) In June 2012 and December 2013, the Company received R$ 52,040 and R$ 8,351 , respectively, through a financing agreement entered into with BNDES, under the Investment Support Program - BNDES PSI, to be settled in a bullet payment in June 2015 and December 2016, bearing fixed interest of 5.5% to 8% per year, payable quarterly over the agreement term. The Company undertakes to export, by the agreement settlement date, an amount equivalent to US$ 35,839 thousand. This borrowing is secured by its subsidiary Rominor. If the export is not completed by the deadline, the Company will be liable for a contractual fine of 10% of the unpaid amount. The Company expects to meet the export requirements set out in the financing agreement. There are no clauses stipulating compliance with financial indicators.

(b) In June 2013 the Company's officers were authorized to contract a financing from BNDES – National Bank of Economic and Social Development amounting to R$ 27,762, divided into four subloans, with the purposes of development of new products, production of domestic prototypes, purchase of domestic machinery, and expansion of the mills' production capacity, with rates of 3.0%, 3.5% and TJLP + 3.77%, grace period of 18 to 24 months, and payment term of 6 to 60 months. This agreement contained the following covenants related to compliance with contractual obligations:
(i) Capitalization Ratio: (Consolidated Equity / Consolidated Total Assets) higher than or equal to 0.30
(ii) Profit Sharing Ratio: (Dividends + Interest on Capital / Profit for the Year) limited to 0.25

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

(d) In 2013 the Company entered into an Import Financing Agreement ("FINIMP") amounting to R$ 7,307, equivalent to US$ 3,804 thousand, restated by the U.S. dollar exchange variations, with maturity in 2014, bearing financial charges equivalent to the LIBOR rate plus spread of 3.0625%, 3.23% and 3.22% per year for the amounts of US$ 994 thousand, US$ 1,049 thousand and US$ 1,761, respectively. There are no guarantees for this financing or clauses requiring compliance with financial indicators.

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

All amounts in thousands of reais unless otherwise stated

The maturities of financing recorded in non-current liabilities as at December 31, 2013 in the parent company and consolidated financial statements were as follows:

	Parent company	Consolidated
2015	86,585	87,468
2016	26,640	27,493
2017	14,766	15,619
2018 and thereafter	7,713	18,124
Total	135,704	148,704

The fair value of the borrowings equals their carrying amounts, as the impact of discounting is not significant.

14 FINAME manufacturer financing

	Parent company and consolidated	
	2013	2012
Current:		
FINAME manufacturer financing	210,429	285,440
Non-current:		
FINAME manufacturer financing	172,274	302,279
Total	382,703	587,719

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" (see Note 6), considering that the loans are directly linked to sales to specific customers. The contractual terms related to the amounts, charges and periods financed under the program are fully passed on to the financed customers, and the monthly payments by the customers are fully used for the repayment of the related financing agreements. The Company, therefore, acts as an agent for the financing, but remains the main debtor in these transactions.

All amounts in thousands of reais unless otherwise stated

The balances of the line item "FINAME manufacturer financing" and, consequently, of the line items "Receivables - onward lending of FINAME manufacturer financing" as at December 31, 2013 and 2012, were adjusted for inflation through the end of the reporting period. The difference of R$51,443 between these line items as at December 31, 2012 (R$42,719 as at December 31, 2012) refers to past-due trade notes, renegotiations in progress, and FINAME transactions not yet disbursed by the agent bank. Management understands that there are no risks to the realization of these receivables since the amounts are collateralized by the financed machinery.

The non-current maturities of the FINAME manufacturer financing as at December 31, 2013, parent company and consolidated, are as follows:

	Parent company and consolidated
2015	111,006
2016	44,891
2017	16,038
2018 and after	339
Total	172,274

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

15 Provision for tax, labor and civil risks

The management of the Company and its subsidiaries, based on the opinion of legal counsel, recognized a provision for tax, labor and civil lawsuits as follows:

	Parent company and consolidated	
	2013	**2012**
Tax	48,135	40,802
Civil	1,673	1,152
Labor	1,866	1,582
(-) Judicial deposits	(40,288)	(35,111)
Total	11,386	8,425
Current liabilities	3,557	1,905
Non-current liabilities	7,829	6,520
	11,386	8,425

All amounts in thousands of reais unless otherwise stated

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

	2013	2012
Tax		
ICMS on the activation of machinery	158	150
Social security contributions - Cooperatives	2,042	1,766
Offsetting of IRPJ - 2002 and 2003	1,267	1,267
Civil		
Losses and damages	3,543	5,796
Labor	1,109	1,988
Total	8,119	10,967

For lawsuits classified as probable losses, Management recognized a provision for losses. The changes in the provision in the year ended December 31, 2013 are as follow:

	Parent company and consolidated				
	2012	Additions	Utilizations/ reversals	Inflation adjustment	2013
Tax	40,802	6,993	-	340	48,135
Civil	1,152	1,330	(971)	162	1,673
Labor	1,582	1,880	(1,756)	160	1,866
(-) Judicial deposits	(35,111)	(5,177)			(40,288)
	8,425	5,026	(2,727)	662	11,386

Based on management's and its legal counsel's assessment, the subsidiaries are not parties to any ongoing lawsuits or exposed to material contingent risks.

As at December 31, 2013, the main lawsuits, which were classified by management as probable losses based on the opinion of legal counsel and, therefore, included in the provision for risks, are as follow:

(a) Tax lawsuits

Refer to the provisions for:

(i) Social Integration Program ("PIS") and Social Contributions on Revenues ("COFINS") related to State Value-Added Tax ("ICMS") on sales, which amounted to R$7,190 (R$ 6,280 as at December 31, 2012) and R$ 33,116 (R$ 28,926 as at December 31, 2012), respectively.

(ii) National Institute of Social Security ("INSS") contributions on services provided by cooperatives, amounting to R$ 2,548 (R$ 2,271 as at December 31, 2012).

(iii) During the year ended December 31, 2012, the Company was assessed by the tax authorities, who disallowed part of the offsetting during the period from June to September 2010, related to social security contributions unduly paid on the directors' fees and independent contractors' fees in the period from October 1989 to July 1994. The authorities alleged that the calculations for the period between the payment date judged undue to the credit offset made was performed in disagreement with the requirements of the court and the law. Although the Company's management has presented a defense at the lower administrative court, grounded on the expectation of probable losses, it decided to accrue the amount of R$4,153 (R$ 2,537 as at December 31, 2012), based on the best estimates of the outcome of these assessments.

(iv) Income tax withholding by a government entity, offset in the income tax return, but rejected by the tax authority, in the amount of R$ 28(R$ 28 as at December 31, 2012).

(v) The other tax lawsuits total R$ 1,100 (R$ 760 as at December 31, 2012).

(b) Civil lawsuits

These refer mainly to claims filed in court by customers relating to the review of contractual terms.

(c) Labor lawsuits

The Company has recorded a provision for contingencies for labor lawsuits in which it is the defendant, for which main types of claim 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) jointly liability of outsourced companies, among others.

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

(d) Judicial deposits

The Company has judicial deposits amounting to R$ 41,771, of which R$ 40,288 (R$ 35,111 as at December 31, 2012) refers to PIS and COFINS levied on ICMS on sales, as mentioned in item (a) (i) and the other deposits are of different nature.

All amounts in thousands of reais unless otherwise stated

16 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, 2013 and 2012:

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Profit (loss) before income tax and social contribution	30,725	(41,323)	34,033	(39,088)
Standard rates (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution at standard rates	(10,446)	14,050	(11,571)	13,290
Reconciliation with the effective rate:				
Share of the profits (losses) of subsidiaries and provision for the net capital deficiency of subsidiary	2,741	5,374		
Negative goodwill on acquisition of foreign investment				2,751
Research and development	3,455		3,455	
Interest on capital				
Management profit sharing	(17)		(17)	
Other additions (deductions), net (a)	(556)	(1,019)	2	767
Current and deferred income tax and social contribution benefits (expenses)	(4,823)	18,405	(8,131)	16,808

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

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

	2013		2012	
	Parent company	**Consolidated**	**Parent company**	**Consolidated**
Current	(3,306)	(4,438)		(2,697)
Deferred	(1,517)	(3,693)	18,405	19,505
Total	(4,823)	(8,131)	18,405	16,808

All amounts in thousands of reais unless otherwise stated

Deferred income tax and social contribution:

	2013				2012			
	Temporary differences	**Income tax**	**Social contribution**	**Total**	**Temporary differences**	**Income tax**	**Social contribution**	**Total**
Assets (i)								
Inventories - provision for losses	55,540	13,876	4,999	18,875	46,282	11,563	4,164	15,727
Repossession of machinery	31,900	7,970	2,871	10,841	34,661	8,659	3119	11,778
Tax loss	20,907	3,379	1,882	5,261	29,106	6,800	2,620	9,420
Investments	1,481	370	133	503	1,639	410	147	557
Discount to present value - trade receivables and trade payables	1,076	269	97	366	1,524	381	137	518
Provision for tax, labor and civil risks	51,674	12,911	1,024	13,935	43,536	10,876	750	11,626
Contingent commissions	128	31	12	43	260	65	23	88
Management profit sharing	373		34	34	322		29	29
Other temporary differences in assets	5,990	1,496	536	2,032	10,778	2,693	971	3,664
Deferred income tax and social contribution assets – parent company and consolidated	169,069	40,302	11,588	51,890	168,108	41,447	11,960	53,407
Liabilities (ii)								
Temporarily non-deductible differences in liabilities:								
Write-off of subsidiary Rominor's negative goodwill (ii)	4,563	1,025	378	1,403	4,563	1,025	378	1,403
Deferred income tax and social contribution, net - parent company and consolidated	164,506	39,277	11,210	50,487	163,545	40,422	11,582	52,004
Liabilities								
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	6,864	1,713	8,577	19,029	4,757	1,713	6,470
Goodwill on the acquisition of Burkhardt + Weber (B+W)	54,288	17,400		17,400	54,288	15,814		15,814
Deferred income tax and social contribution liabilities – consolidated	73,317	24,264	1,713	25,977	73,317	20,571	1,713	22,284

All amounts in thousands of reais unless otherwise stated

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

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

As at December 31, 2013, the expected realization of deferred income tax and social contribution, recorded in non-current assets, parent company and consolidated, was as follows:

	Consolidated	
	2013	**2012**
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	7,431	2,513
Deferred tax assets to be recovered after more than 12 months	44,459	50,894
	51,890	53,407
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	(421)	(581)
Deferred tax liabilities to be settled after more than 12 months	(26,959)	(23,106)
	(27,380)	(23,687)

All amounts in thousands of reais unless otherwise stated

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

	Asset		Liability
	Parent company	**Consolidated**	**Consolidated**
Balance as at December 31, 2012	52,004	52,004	22,284
Changes in the year:			
Additions	2,642	2,642	-
Additions through acquisition of investments			
Realization	(4,159)	(4,159)	
Exchange differences			3,693
Balance as at December 31, 2012	50,487	50,487	25,977

17 Equity

Share capital

As at June 30, 2013 and December 31, 2012, the Company's subscribed and paid-up capital amounting to 489,973 is represented by 71,757,647 (74,757,547 as at December 31, 2012) book-entry, registered common shares, without par value, all with the same rights and benefits.

Changes in the number of shares

Common shares issued	**2013**	**2012**
Shares as at December 31, 2013 and 2012	71,757,647	74,757,547
Treasury shares		(2,999,900)
Outstanding shares	71,757,647	71,757,647

Legal reserve

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

Interest on capital

The Company did not distribute interest on capital in 2013 and 2012.

Dividends

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

	2013
Adjusted profit for the year	1,365
(-) Recognition of legal reserves	(68)
Profits available for distribution	1,297
Mandatory dividends – 25%	(322)
Recognition of profit reserve	975

Earnings (losses) per share

Basic earnings (losses) 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.

	2013	**2012**
Profit (loss) for the period attributable to the controlling shareholders – Continuing Operations	25,902	(22,918)
Loss for the period attributable to the controlling shareholders – Discontinued Operations	(24,537)	(15,089)
Weighted average number of shares outstanding (in thousands)	71,758	72,551
Basic and diluted earnings (losses) per share (parent company and consolidated) from Continuing Operations	0.36	(0.32)
Basic and diluted earnings (losses) per share (parent company and consolidated) from Discontinued Operations	(0.34)	(0.21)

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

Profit reserve

The balance of the line item "Profit reserve" refers to the amount of retained earnings that will be used to meet the working capital requirements and enable the investments intended to increase and modernize the production capacity, introduce new products, and invest in subsidiaries, according to the investment plan approved by management to be submitted to the Annual Shareholders' Meeting. As at December 31, 2013, the balance of R$ 975 related to the profit for the year was allocated to the profit reserve. As at December 31, 2012, the balance of R$ 38,007 related to the loss for the year was absorbed by the profit reserve, pursuant to Article 189, sole paragraph of law 6,404/76, going from R$ 195,598 as at December 31, 2011 to R$ 157,591 as at December 31, 2012.

Purchase of treasury shares

The Board of Directors, at its meeting held on August 22, 2011, approved the purchase of its own shares (the "Program"), to be held in treasury for subsequent sale or cancellation during a reduction of capital. This program follows the requirements of the Company's bylaws, CVM Instructions 10/80 and 268/97 and the other provisions of the law.

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 revenue and capital revenue.

Under the program, purchases of shares, which initially were to be made during the period from August 22, 2011 to February 18, 2012 (180 days), has been postponed for the same period of time (180 days). On August 16, 2012 the program ended, with 2,999,900 common shares acquired, representing 8.28% of the outstanding common shares on the market. The total value acquired up to December 31, 2012 was R$ 17,850 (R$ 4,599 as at December 31, 2011), representing an average acquisition value of R$ 5.95 per share as at December 31, 2012 (R$ 6.19 per share as at December 31, 2011). These acquired shares impacted the calculation of the earnings per share for the year.

On March 12, 2013 the Extraordinary General Meeting approved the cancelation of 2,999,900 common shares issued by the Company, amounting to R$ 17,850, held in treasury, without capital reduction, acquired during the share repurchase program ended on August 16, 2012.

Cumulative translation adjustments

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

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

All amounts in thousands of reais unless otherwise stated

18 Pension Plan

The Company has a defined contribution pension plan managed by an authorized pension plan entity, effective since October 1, 2000, for all its employees and Management, which 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, 2013 was R$ 2,406 (R$ 2,171 as at December 31, 2012). The amount incurred on the private pension plan was recorded in the statements for the years ended December 31, 2013 and 2012 under the line items “Cost of sales and services”, “Selling expenses” and “General and administrative expenses”, based on the reference cost center of each employee.

19 Insurance (unaudited)

The insured amounts are determined and contracted on a technical basis and are considered sufficient to cover potential losses arising from permanent assets and inventories. It is the policy of the Company and its subsidiaries to maintain insurance coverage for assets exposed to risks, at amounts considered sufficient by Management to cover potential losses, according to the nature of activities and a risk assessment by specialized consultants.

As at December 31, 2013, the insurance coverage effective through December 2014 was as follows:

Coverage	Coverage amount
Fire, windstorm, electrical damages and theft:	
Buildings	135,711
Machinery and equipment	316,308
Inventories	280,058
Construction works	1,030

20 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.
- Borrowings and FINAME manufacturer financing: commented on and presented in Notes 13 and 14.

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

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

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

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

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

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

All amounts in thousands of reais unless otherwise stated

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

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

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

Liquidity risk: the Company's debt and cash management policy provides for the use of credit facilities, whether or not backed by export receivables, to manage the appropriate levels of short-, medium- and long-term liquidity. The maturity date of the non-current portion of the borrowings is 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.

				Consolidated
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2013				
Borrowings	54,169	114,931	16,148	17,625
Trade payables	43,392			
As at December 31, 2012				
Borrowings	70,192	116,035	28,409	8,046
Trade payables	40,443			

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.

All amounts in thousands of reais unless otherwise stated

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 follow: These limits are periodically reviewed by the Board of Directors.

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Total borrowings	569,669	798,114	585,576	810,401
Less: cash and cash equivalents (Note 5)	(63,834)	(45,110)	(107,232)	(84,232)
Finame manufacturer financing (Note 6)	(434,146)	(630,438)	(434,146)	(630,438)
Net debt	71,689	122,566	44,198	95,731
Total equity	648,235	635,527	649,923	637,270
Total capital	719,924	758,093	694,121	733,001
Gearing ratio - %	10%	16%	6%	13%

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

(i) Exchange rate fluctuations

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

As at December 31, 2013, 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	1,338
Trade receivables - current	9,530
Receivables from related parties	54,847
Other receivables	1,656
Payables to related parties	-
Borrowings	(3,430)
Trade payables	-
Other payables	-
Net asset exposure	63,941

All amounts in thousands of reais unless otherwise stated

Presented below is the loss that would have been recognized in profit for the year ended December 31, 2013 according to the following scenarios:

Description	**Parent company**		
	Probable scenario	**Scenario II**	**Scenario III**
Net asset exposure	(24,381)	(34,271)	(41,009)

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

(ii) Interest rate fluctuations

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

As at December 31, 2013, three scenarios covering an increase or decrease in interest rates were estimated. The exposure to interest rate risk of the transactions linked to the CDI and TJLP variation is as follows:

	Parent company	**Consolidated**
Bank deposit certificate "CDB" (Note 4)	50,038	68,694
Total borrowings and financing linked to TJLP	(167,127)	(167,127)
Net liability exposure	(117,089)	(98,433)

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

The tables below show the incremental gain (loss) that would have been recognized in profit for the year ended December 31, 2013 according to the following scenarios:

Description	**Parent company**		
	Probable scenario	**Scenario II**	**Scenario III**
Net liability exposure	(3,047)	(3,809)	(4,571)

Description	**Consolidated**		
	Probable scenario	**Scenario II**	**Scenario III**
Net liability exposure	(1,068)	(1,335)	(1,602)

All amounts in thousands of reais unless otherwise stated

The probable scenario considers the future interest rates according to quotations obtained from BM&FBOVESPA. Scenarios II and III consider an increase in interest rates of 25% and 50%, respectively.

As the FINAME manufacturer financing is specifically linked to sales transactions payable to the Company, but whose interest rates, under the FINAME Manufacturer system rules, are fully passed on to customers, the Company understands that there is no financial impact on profits arising from fluctuations in this financing interest rate.

(c) Financial instruments per category

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

	Carrying amount		Fair value	
Financial assets	**2013**	**2012**	**2013**	**2012**
Loans and receivables:				
Cash and cash equivalents	107,232	84,232	107,232	84,232
Trade receivables - current	120,371	121,658	120,371	121,658
Receivables - onward lending of Finame manufucturer financing	243,434	317,633	243,434	317,633
Trade receivables - non-current	10,814	13,842	10,814	13,842
Receivables - onward lending of Finame manufucturer financing - non-current	190,712	312,805	190,712	312,805
Judicial deposits	1,465	1,697	1,465	1,697
Financial liabilities at amortized cost				
Borrowings - current	54,169	70,192	54,169	70,192
Borrowings - non-current	148,704	152,490	148,704	152,490
FINAME manufacturer financing- current	210,429	285,440	210,429	285,440
FINAME manufacturer financing - non-current	172,274	302,279	172,274	302,279
Trade payables - current	43,392	40,443	43,392	40,443
Other payables – current	9,269	15,981	9,269	15,981
Other payables - non-current	823	299	823	299

21 Segment reporting - consolidated

The Board of Directors is the chief operating decision maker.

To manage its business, the Company is organized into three business units, on which the Company's segmented reporting is based. The main segments are: machine tools, plastic injectors and cast and machined products.

All amounts in thousands of reais unless otherwise stated

The segment reporting for the years ended December 31, 2013 and 2012 - Consolidated is as follows:

					December 31, 2013
	Machine tools	Plastic injection machines	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	475,725	81,159	110,540		667,423
Cost of sales and services	(306,618)	(44,294)	(123,239)		(474,151)
Transfers remitted	8,634		20,865	(29,499)	
Transfers received	(17,006)	(8,798)	(3,696)	29,499	
Gross profit	160,735	28,067	4,470		193,272
Operating income (expenses):					
Selling expenses	(50,148)	(18,051)	(3,804)		(72,003)
General and administrative	(48,881)	(9,547)	(8,078)		(66,506)
Research and development	(13,136)	(5,930)			(19,066)
Management fees	(4,372)	(784)	(1,018)		(6,174)
Other operating income (expenses), net	754				754
Operating profit (loss) from continuing operations before finance income (costs)	44,952	(6,245)	(8,430)		30,277
Operating loss from discontinued operations before finance income (costs)		(24,093)			(24,093)
Inventories	198,737	52,625	17,704		274,066
Depreciation and amortization – Continuing Operations	21,367	2,345	12,340		36,052
Depreciation and amortization – Discontinued Operations		401			401
Property, plant and equipment, net	176,213	5,723	90,623		272,559
Intangible assets	44,582	4,361			48,943

	Europe	North America	Latin America	Brazil	Africa and Asia	Total
Net operating revenue per geographical region	91,065	9,570	28,459	505,916	32,413	667,423

All amounts in thousands of reais unless otherwise stated

	December 31, 2012				
	Machine tools	**Plastic injection machines**	**Cast and machined products**	**Eliminations between segments**	**Total**
Net operating revenue	440,358	72,525	86,222		599,105
Cost of sales and services	(318,872)	(42,300)	(101,425)		(462,597)
Transfers remitted	12,349		16,572	(28,921)	
Transfers received	(13,580)	(7,673)	(7,668)	28,921	
Gross profit (loss)	120,255	22,552	(6,299)		136,508
Operating income (expenses)					
Selling expenses	(48,713)	(17,198)	(3,274)		(69,185)
General and administrative	(65,291)	(13,415)	(6,175)		(84,881)
Research and development	(14,844)	(6,096)			(20,940)
Management fees	(5,322)	(991)	(623)		(6,936)
Other operating income (expenses), net	6,366	1,833			8,199
Operating profit (loss) from continuing operations before finance income (costs)	(7,549)	(13,315)	(16,371)		(37,235)
Operating loss from discontinued operations before finance income (costs)		(14,640)			(14,640)
Inventories	206,028	53,332	19,735		279,095
Depreciation and amortization – Continuing Operations	23,680	2,131	11,259		37,070
Depreciation and amortization – Discontinued Operations		473			473
Property, plant and equipment, net	159,744	5,473	100,291		265,508
Intangible assets	42,849	2,644			45,493

(*) Amounts relating to the continuing operation

	Europe	**North America**	**Latin America**	**Brazil**	**Africa and Asia**	**Total**
Net operating revenue per geographical region	94,167	15,092	12,679	434,188	42,979	599,105

22 Future commitments

On January 26, 2012, the Company and Centrais Elétricas Cachoeira Dourada S.A. - CDSA, belonging to Endesa, decided to amend the contact for the supply of electricity entered into on May 1, 2007, in order to adjust the volume of electricity originally contracted to the current needs of the Company. As a result, the supply of electricity has been extended for another year, up to December 31, 2014, and reflects the following commitments which will be adjusted annually by the General Market Price Index ("IGP-M").

Year of supply	**Amount**
2015	9,709
Total	9,709

All amounts in thousands of reais unless otherwise stated

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

23 Net operating revenue

Net operating revenue for the years ended December 31, 2013 and 2012 is broken down as follows:

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Domestic market	619,299	524,850	623,968	531,467
Foreign market	36,022	36,140	159,252	167,278
Gross sales revenue	655,321	560,990	783,220	698,745
(-) Taxes on sales	(113,383)	(97,259)	(115,797)	(99,640)
Net sales revenue	541,938	463,731	667,423	599,105

24 Expenses by nature

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Depreciation and amortization	30,280	31,803	36,051	37,543
Personnel expenses	148,255	154,120	199,392	199,415
Raw materials and consumables	226,955	203,590	301,537	277,743
Freight	25,859	12,491	22,617	15,303
Allowance for doubtful accounts	8,643	24,052	8,643	24,052
Other expenses	83,225	91,033	69,660	90,483
Total	523,217	517,089	637,900	644,539
Classified as:				
Cost of sales and services	393,636	365,243	474,151	462,597
Selling expenses	56,487	56,947	72,003	69,185
General and administrative expenses	48,038	67,409	66,506	84,881
Research and development	19,011	20,687	19,066	20,940
Management profit sharing and fees	6,045	6,803	6,174	6,936
Total	523,217	517,089	637,900	644,539

All amounts in thousands of reais unless otherwise stated

25 Finance income (costs)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Finance income:				
Income from financial investments	4,343	5,171	5,767	6,990
Interest on trade receivables	7,713	4,759	10,688	4,509
Interest on Eletrobrás lawsuit (a)		6,312		6,312
Reimbursement CPFL (b)	1,580		1,580	
Other	1,100	3,305	1,006	3,232
Total	14,736	19,547	19,041	21,043
Finance costs:				
Interest on financing	(13,513)	(17,132)	(17,644)	(18,049)
Other	(4,384)	(5,707)	(3,981)	(5,316)
	(17,897)	(22,839)	(21,625)	(23,365)
	(3,161)	(3,292)	(2,584)	(2,322)

(a) In 2012 the Company received a favorable decision regarding its claim to receive an adjustment for inflation on the amounts paid as compulsory loans on electricity in connection with the credits set up from 1988 to 1994.

(b) In 2012 the Company received a favorable decision regarding its claim to receive reimbursement for the improper collection of an increase in the electricity rate for CPFL in 1986.

26 Other operating income (expenses), net

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Provision for losses on Eletrobrás shares	341	(929)	341	(929)
Gains on sales of assets	207	239	207	239
Negative goodwill on acquisition of B+W (Note 3)	-	-		8,094
Other	(275)	(267)	206	795
	273	(957)	754	8,199

27 Discontinued operation – Romi Italy

Romi Italy acquired the set of assets of Sandretto Industrie S.r.l on July 24, 2008, comprising two plants in the cities of Grugliasco and Pont Canavese, both in the region of Turim, in Italy, a set of intangible assets (technology, designs, trademarks, patents, technical and commercial information) and the entire capital of the four wholly-owned subsidiaries of Sandretto, located in the United Kingdom, The Netherlands, Spain and France. This operation was in line with Romi's strategy of expanding its portfolio of products and expanding its operational and market bases. On April 23, 2013, the Company's Board of Directors approved the opening of the process for the voluntary liquidation of the subsidiary based in Italy, Romi Italia S.r.l. ("Romi Italy"), which was also the decision of that company's governance bodies.

On September 18, 2013, according to a material fact disclosed to the market, the Company sold the following assets, for the amount of one Euro (€ 1.00): (i) Sandretto's finished products inventories and machinery and equipment (a) ("Sandretto Net Assets") to Scout One S.r.l. ("Buyer"); and (ii) Sandretto trademark and intellectual property related to engineering projects to the company controlled by Regione de Piemonte (government body). As an essential part of this process, the transfer of a substantial part of Romi Italy's employees to the Buyer, as well as the labor risks related to these employees, were considered.

(a) Sandretto Net Assets comprise the following:

i) a real property with a total area of 22,481 m², located in the city of Pont Canavese, Piemonte region, where the machining and chemical treatment of the components used in Sandretto machines are carried out;
ii) machinery, equipment, furniture and fixtures of Romi Italy's property, plant and equipment; and
iii) inventories (raw materials, work in progress, finished products and spare parts)
related exclusively to Sandretto products.

When making the decision, the Company's management took into consideration the appraisal report on Sandretto Net Assets and several legal opinions prepared by independent qualified entities, which considered the potential risks of labor and civil lawsuits had Romi Italy's decision been to dismiss all employees, among other risks.

The summary of the impacts of the sale on Romi Italy's financial statements is as follows:

Amounts expressed in thousands of Reais	**Net book value**	**Sales value**	**Loss**
Inventories Sandretto products (*)	13,254	0	(13,254)
Machinery and equipment	1,219	0	(1,219)
Real property Pont Canavese	2,127	0	(2,127)
Total Loss		**0**	**(16,600)**
Total provision recorded through June 30, 2013			6,939
Amount of the additional loss recorded in the second half of 2013			**(9,661)**

(*) refers to inventories related to Sandretto products, the inventories of Romi products was not considered;

All amounts in thousands of reais unless otherwise stated

The following assets were not part of the Sandretto Net Assets sold:
i) Romi Italy's real property located in the city of Grugliasco,
ii) sales and post-sale service subsidiaries located in France, England and Spain, which currently sell not only Romi plastic injection machines produced in Brazil, but also Romi machine tools, and will continue to assist in Romi's strategy for expansion and internationalization of its operations.

With the sale of Sandretto net assets, as described in item (a) above, the Company's Management estimates that the liquidation of the other assets and liabilities will take approximately one year and that the residual assets and liabilities are not part of the discontinued operation.

Management also understands that all liabilities known at the base date of this report are recorded in the financial statements, and that all residual assets are recorded at their realizable values.

The main accounts of the balance sheets of the discontinued operation (Sandretto) as at December 31, 2012, and of the statements of income for the years ended December 31, 2013 and 2012 of this discontinued operation are as follows:

	December 31, 2012		December 31, 2012
Assets		**Liabilities and equity**	
Current		**Current**	
Trade receivables	3,910	Trade payables	1,073
Inventories	22,591	Payroll and related taxes	1,382
Related parties	5,599	Related parties	6,381
Other receivables	248	Other payables	1,391
	32,348		10,227
Non-current		**Non-current**	
Other receivables	35	Deferred income tax and social contribution	26
		Related parties	23,711
Investments in subsidiaries	5,805		
Property, plant and equipment, net	7,349		23,737
	13,189	**Total liabilities**	33,964
		Equity (net capital deficiency)	11,573
Total assets	45,537	**Total liabilities and equity (net capital deficiency)**	45,537

Below we present the reconciliation of the balance sheets as at December 31, 2012 of Romi Italy and the balances presented in non-current assets and current liabilities, in the line items Assets from Discontinued Operations and Payables - Discontinued Operations, respectively:

Total assets	45,537	Total liabilities	33,964
(-) Eliminations		(-) Eliminations	
Related parties	(5,599)	Related parties	(30,092)
Investments in subsidiaries	(5,805)		
Assets from discontinued operations	34,133	Payables - discontinued operations	3,872

All amounts in thousands of reais unless otherwise stated

	December 31, 2013	December 31, 2012
Net operating revenue	9,099	18,456
Cost of sales and services	(10,254)	(23,115)
Gross loss	(1,155)	(4,659)
Operating expenses	(22,938)	(9,981)
Operating loss	(24,093)	(14,640)
Finance income (costs)	(444)	(449)
Loss for the period	(24,537)	(15,089)

* * *

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 the Management Report, the Financial Statements and the Proposal for Allocation of Income and Distribution of Dividends for the year ended December 31, 2013, , as well the Capital Budget for the year 2014, are appropriated to be submitted to the General Shareholders' Meeting.

Santa Bárbara d'Oeste, February 10th, 2014

Alfredo Ferreira Marques Filho

Maria José Fernandes Cerqueira de Almeida

Pedro Miotto Leles

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 11th, 2014

Livaldo Aguiar dos Santos – Chief Executive Officer

William dos Reis - Vice - Executive Officer

Fábio Barbanti Taiar - Executive Officer

Hermes Alberto Lago Filho - Executive Officer

Luiz Cassiano Rando Rosolen - Executive Officer

Fábio José de Azevedo Degan - Executive Officer

Ivan de Carvalho Machado – 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 11th, 2014

Livaldo Aguiar dos Santos – Chief Executive Officer

William dos Reis - Vice - Executive Officer

Fábio Barbanti Taiar - Executive Officer

Hermes Alberto Lago Filho - Executive Officer

Luiz Cassiano Rando Rosolen - Executive Officer

Fábio José de Azevedo Degan - Executive Officer

Ivan de Carvalho Machado – Executive Officer