(A free translation of the original in Portuguese)

Indústrias Romi S.A. and its subsidiaries

Parent company and consolidated financial statements at December 31, 2016 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of Indústrias Romi S.A. (the "Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2016 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Indústrias Romi S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indústrias Romi S.A. and of Indústrias Romi S.A. and its subsidiaries as at December 31, 2016, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

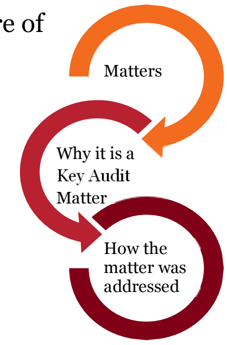
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Rua José Pires Neto 314, 10º, Campinas, SP, Brasil 13025-170, Caixa Postal 3136
T: (19) 3794-5400, F: (19) 3794-5454, www.pwc.com/br

Indústrias Romi S.A.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why it is a Key Audit Matter	How the matter was addressed in the audit
Revenue recognition *Details of the accounting policy and significant notes related to revenue recognition are described in Notes "2.20 - Recognition of revenue from sales of products" and "22 - Net sales revenue" in the financial statements.* We focused our work on revenue recognition because significant sales are made and, as a result of the client's delivery logistics, there may be a time frame between the period of issuance of the invoice of the products and the actual period of transfer of the risks and rewards of the products sold to the Company's customers.	Our audit procedures related to revenue recognition included, among others, the procedures described as follows. Understanding and testing the significant Information Technology General Controls related to the management of changes, accesses and operations, as well as the controls of the significant transactions regarding the process of revenue recognition in the correct period of accrual, existence and correct value. Additionally, we checked the consistency of the application of the accounting policy for revenue recognition by testing the sales transactions performed during the year and at the end of the year. The results of our procedures have provided us with appropriate and adequate audit evidence regarding this matter.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Projections of results used in the assessment of the recoverable value of assets and in the realization of deferred taxes. *Notes "2.11 - Provision for impairment of assets and reversal of any provision recorded - non-financial assets", "10 - Property, plant and equipment", "11 - Intangible assets" and "20 - Segment reporting - consolidated" to the consolidated financial statements.* *Notes "2.15 - Current and deferred income tax and social contribution" and "15 - Income tax and social contribution" to the financial statements.* The projections of results are the basis for the preparation of discounted future cash flows which, in turn, demand: (i) proper identification of Cash Generating Units ("CGUs") of Romi Machinery, Burkhardt + Weber Machinery and Cast and Machined products, in order to measure the recoverable value of property, plant and equipment items and intangible assets; and (ii) adoption of assumptions and judgments to prepare the projections. We focused our work on the projections of results made by management, as they involve judgments and assumptions that are not always objective. These projections include assumptions referring to the performance of the Brazilian and international economy, foreign exchange rate selection, sales volume and price, tax bases and corresponding tax rates, among others, which may result in amounts different from the actual results of the Company.	Among other procedures, we tested the consistency between the main assumptions used, and compared them with the current approved budgets and the expectations of the markets and sectors in which the Company operates. We performed a sensitivity analysis and recalculated the projections considering certain time frames and scenarios of growth and discount rates, and we also read the disclosures made. Additionally, we compared the projections with the results actually realized in previous years. Our audit procedures have demonstrated that the judgments and assumptions used by management in the projection of results are reasonable.

Indústrias Romi S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Provision for impairment of trade receivables *Details on the accounting policy related to the provision for impairment of trade receivables are described in Note "2.5 (b) - Assessment of the impairment of financial assets" to the financial statements.* We focused our work on this area since the assessment carried out by the Company's management for recording provisions for impairment of trade receivables involves a high level of judgment and critical assumptions. Accordingly, among other factors, the following are considered: (i) customers' ability to pay; (ii) the existence of real guarantees, as well as their fair values; and (iii) the history of loss of the customer portfolio and a corresponding deflator to be applied on the risk portfolio. These estimates are related to the trade receivables, as mentioned in Note 4 to the financial statements, and to the amounts receivable - manufacturer's Government Agency for Machinery and Equipment Financing (FINAME) onlendings, as mentioned in Note 5 to the financial statements.	We carried out procedures, among others, to understand and test the significant Information Technology General Controls related to the management of changes, accesses and operations, as well as reached and understanding and performed testing of the significant transaction controls related to the provision for impairment of trade receivables. Our audit approach also comprised testing regarding the integrity of the database used to measure and recognize the provision for impairment of trade receivables, recalculation of the model used and the analysis of the significant assumptions used for measurement, such as the aging of past-due securities and estimated amounts of the realization of guarantees, potential loss for customers that do not have past-due securities, and customers' ability to pay. Our audit procedures demonstrated that the judgments and assumptions used by management in relation to this topic are reasonable in all material respects in the context of the financial statements.

Indústrias Romi S.A.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

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

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Campinas, February 7, 2017

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

Marcos Roberto Sponchiado
Marcos Roberto Sponchiado
Contador CRC 1SP175536/O-5

INDÚSTRIAS ROMI S.A.

BALANCE SHEET

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

ASSETS	Note	Parent Company December 31, 2016	Parent Company December 31, 2015	Consolidated December 31, 2016	Consolidated December 31, 2015
CURRENT					
Cash and cash equivalents	3	81,502	102,580	122,341	144,581
Trade accounts receivable	4	60,227	56,010	94,216	122,126
Onlending of FINAME manufacturer financing	5	102,356	120,908	102,356	120,908
Inventories	6	182,215	192,596	264,587	267,786
Related parties	8	36,566	33,022	-	-
Taxes recoverable		21,980	19,196	24,402	22,923
Other receivables		12,852	21,695	14,472	23,208
		497,698	546,007	622,374	701,532
Trade accounts receivable	4	11,996	8,941	11,996	8,941
Onlending of FINAME manufacturer financing	5	67,323	99,541	67,323	99,541
Related parties	8	-	798	-	-
Taxes recoverable		777	1,203	777	1,203
Deferred income tax and social contribution	15	56,232	48,738	58,053	48,738
Judicial deposits	14	2,115	2,627	2,115	2,627
Other receivables		8,806	5,577	9,065	5,959
		147,249	167,425	149,329	167,009
Investment in subsidiary and associated companies	7	122,505	172,667	-	-
Property, plant and equipment	10	193,721	199,931	252,033	277,809
Investment properties	9	13,227	15,978	17,538	17,000
Intangible assets	11	758	473	42,846	55,368
		477,460	556,474	461,746	517,186
TOTAL ASSETS		975,158	1,102,481	1,084,120	1,218,718

LIABILITIES AND EQUITY	Note	Parent Company December 31, 2016	Parent Company December 31, 2015	Consolidated December 31, 2016	Consolidated December 31, 2015
CURRENT					
Borrowings	12	96,221	41,857	99,435	45,825
FINAME manufacturer financing	13	67,177	82,785	67,177	82,785
Trade accounts payable		28,165	20,330	34,482	28,400
Payroll and related taxes		15,548	17,656	19,013	20,834
Advances from customers		1,172	2,144	2,596	6,354
FINAME manufacturer financing		8,318	11,614	53,787	37,851
Dividends and interes on capital		-	1,487	-	1,487
Profit sharing		158	527	158	527
Other payables		5,713	6,346	14,241	23,499
Provision for net capital deficiency - subsidiary	7	-	4	-	-
Related parties	8	758	634	-	-
		223,230	185,384	290,889	247,562
NON-CURRENT					
Borrowings	12	87,761	152,227	100,338	170,817
FINAME manufacturer financing	13	62,953	92,124	62,953	92,124
Taxes recoverable		539	539	539	545
Provision for tax, labor and civil risks	14	713	1,459	1,920	1,459
Other payables		-	29	96	505
Deferred income tax and social contribution	15	-	-	25,853	32,711
		151,966	246,378	191,699	298,161
TOTAL LIABILITIES		375,196	431,762	482,588	545,723
EQUITY					
Capital	16	492,025	492,025	492,025	492,025
Treasury shares	16	-	(5,078)	-	(5,078)
Profit reserve	16	90,243	140,721	90,243	140,721
Cumulative translation adjustments	16	17,694	43,051	17,694	43,051
		599,962	670,719	599,962	670,719
NON CONTROLLING INTEREST		-	-	1,570	2,276
TOTAL EQUITY		599,962	670,719	601,532	672,995
TOTAL LIBILITIES AND EQUITY		975,158	1,102,481	1,084,120	1,218,718

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

INDÚSTRIAS ROMI S.A.

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

		Parent Company		Consolidated	
	Note	**2016**	**2015**	**2016**	**2015**
Net operating revenue	22	445,097	408,299	586,917	606,632
Cost of sales and services	23	(370,025)	(320,500)	(469,921)	(468,605)
Gross profit		75,072	87,799	116,996	138,027
Operation income (expenses)					
Selling	23	(46,751)	(46,771)	(72,846)	(69,761)
General and administrative	23	(34,129)	(39,954)	(64,592)	(68,060)
Research and development	23	(19,492)	(18,235)	(19,492)	(18,235)
	8	(5,134)	(5,282)	(5,230)	(5,380)
Equity income	7	(14,690)	14,160	-	-
Other operating income, net	25	1,249	1,112	730	21,367
		(118,947)	(94,970)	(161,430)	(140,069)
Operating loss		(43,875)	(7,171)	(44,434)	(2,042)
Financial income (expenses)					
Financial income	24	17,630	17,142	20,773	19,212
Financial expenses	24	(15,999)	(20,047)	(19,458)	(20,958)
Foreign exchange gains, net	24	(5,013)	12,726	(5,098)	12,643
		(3,382)	9,821	(3,783)	10,897
Profit (loss) before taxation		(47,257)	2,650	(48,217)	8,855
Income tax and social contribution	15	7,562	3,604	8,748	(1,509)
Profit (loss) for the year		(39,695)	6,254	(39,469)	7,346
Attributable to:					
Controlling interests				(39,695)	6,254
Non-controlling interests				226	1,092
				(39,469)	7,346
Basic and diluted earnings (loss) per share (R$)	16	(0.63)	0.09		

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

INDÚSTRIAS ROMI S.A.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years ended December 31
All amounts in thousands of Reais (A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2016	**2015**	**2016**	**2015**
Profit (loss) for the year	(39,695)	6,254	(39,469)	7,346
Foreign exchange variation on investees located abroad	(25,357)	28,491	(25,357)	28,491
Total comprehensive income for the year	(65,052)	34,745	(64,826)	35,837
Attributable to:				
Controlling interests			(65,052)	34,745
Non-controlling interests			226	1,092
			(64,826)	35,837

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

INDÚSTRIAS ROMI S.A.

STATEMENT OF CHANGES IN EQUITY

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

	Attributable to the controlling interests										
				Profit reserve							
	Capital	Capital reserve	Theasury shares	Reitaned earnings	legal reserve	Total	Carrying value adjustments	Reitaned earnings (accumulated deficit)	Total	Non-controlling interests	Total
At January 1, 2015	**489,973**	**2,052**	**(10,349)**	**104,859**	**41,442**	**146,301**	**14,560**	**-**	**642,537**	**1,624**	**644,161**
Net income for the year	-	-	-	-	-	-	-	6,254	6,254	1,092	7,346
Foregein currency translation effects	-	-	-	-	-	-	28,491	-	28,491		28,491
Total comprehensive income of the year	-	-	-	-	-	-	28,491	6,254	34,745	1,092	35,837
Purchases of treasury shares	-	-	(5,078)	-	-	-	-	-	(5,078)	-	(5,078)
Cancellation of shares in treasury	-	-	10,349	(10,349)	-	(10,349)	-	-	-	-	-
Capital increase	2,052	(2,052)	-	-	-	-	-	-	-	-	-
	-	-	-	-	313	313	-	(313)	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	-	-	(440)	(440)
Mandatory dividends	-	-	-	-	-	-	-	(1,485)	(1,485)	-	(1,485)
Transfers between reserves	-	-	-	4,456	-	4,456	-	(4,456)	-	-	-
Total contribuitions by and distribuitions to controlling interests	2,052	(2,052)	5,271	(5,893)	313	(5,580)	-	(6,254)	(6,563)	(440)	(7,003)
At December 31, 2015	**492,025**	**-**	**(5,078)**	**98,966**	**41,755**	**140,721**	**43,051**	**-**	**670,719**	**2,276**	**672,995**
At January 1, 2016	**492,025**	**-**	**(5,078)**	**98,966**	**41,755**	**140,721**	**43,051**	**-**	**670,719**	**2,276**	**672,995**
Net income (loss) for the year	-	-	-	-	-	-	-	(39,695)	(39,695)	226	(39,469)
Foregein currency translation effects	-	-	-	-	-	-	(25,357)	-	(25,357)	-	(25,357)
Total comprehensive income of the year	-	-	-	-	-	-	(25,357)	(39,695)	(65,052)	226	(64,826)
Purchases of treasury shares	-	-	(5,705)	-	-	-	-	-	(5,705)	-	(5,705)
Cancellation of shares in treasury	-	-	10,783	(10,783)	-	(10,783)	-	-	-	-	-
Absorption of the loss for the year	-	-	-	(39,695)	-	(39,695)	-	39,695	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	-	-	(932)	(932)
Mandatory dividends	-	-	-	-	-	-	-	-	-	-	-
Total contribuitions by and distribuitions to controlling interests	-	-	5,078	(50,478)	-	(50,478)		39,695	(5,705)	(932)	(6,637)
At December 31, 2016	**492,025**	**-**	**-**	**48,488**	**41,755**	**90,243**	**17,694**	**-**	**599,962**	**1,570**	**601,532**

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

INDÚSTRIAS ROMI S.A.

STATEMENT OF CASH FLOWS
Years ended December 31
All amounts in thousand of Reais (A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2016	**2015**	**2016**	**2015**
Cash flow from operating activities				
Profit (loss) before taxation:	**(47,257)**	**2,650**	**(48,217)**	**8,855**
Adjustments from:				
(Revenue), finance expenses and exchange rate	17,249	(5,040)	10,102	4,741
Depreciation and amortization	27,375	26,245	34,385	34,445
Allowance for doubtful accounts and for other receivables	(513)	(725)	(2,515)	(1,685)
Provision for inventory losses	(11,395)	(16,510)	(14,579)	(14,009)
Cost of property, plant and equipment and disposals of intangible assets	(58)	(653)	729	(22,535)
Equity in subsidiaries, net of dividends received	14,690	(14,160)	-	-
Provision for contingent liabilities	4,347	(1,839)	4,756	(224)
Changes in operating assets and liabilities				
Trade accounts receivable	(9,811)	23,700	24,318	30,536
Related parties (assets and liabilities)	(2,439)	4,757	-	2,329
Onlending of FINAME manufacturer financing	51,537	87,274	51,537	87,274
Inventory	21,776	33,839	17,779	8,351
Taxes recoverable	(2,319)	(2,747)	(10,368)	(7,803)
Judicial deposits	(1,537)	(1,343)	186	(1,343)
Other receivables	12,747	22,739	12,763	24,561
Suppliers	8,711	(2,996)	6,958	(5,160)
Payroll and relared taxes	(1,389)	3,245	(1,102)	3,561
Taxes payable	(972)	(2,407)	(825)	5,676
Advances from customers	(3,296)	196	15,936	(3,077)
Other payables	(6,543)	(1,585)	(15,614)	5,668
Cash provided by operations	70,903	154,640	86,229	160,161
Income tax and social contribuition paid	-	-	(1,049)	(846)
Net cash provided by operating activities	70,903	154,640	85,180	159,315
Cash flow from investment activities				
Purchases of property, plant and equipment	(23,201)	(13,663)	(24,993)	(16,927)
Increase in intangibles	(59)	-	(333)	(372)
Disposals of property, plant and equipment	2,237	2,400	2,237	5,091
Dividends paid	12,543	5,927	-	-
Capital increase	(50)	(10,311)	-	-
Net cash used in investiment activities	(8,530)	(15,647)	(23,089)	(12,208)
Cash flow from financing activities				
Interest on capital and dividends paid	(1,483)	(1,717)	(2,415)	(2,157)
Purchase or treasury shares	(5,705)	(5,078)	(5,705)	(5,078)
New borrowing	28,451	61,808	40,151	83,704
Payment of other financing	(40,148)	(101,166)	(50,794)	(121,039)
Interest paid	(12,863)	(12,034)	(14,243)	(13,302)
New FINAME - manufacturer financing	41,513	64,712	41,513	64,712
Payment of FINAME manufacturer financing	(86,433)	(139,824)	(86,433)	(139,824)
Interest paid - FINAME manufacturer financing	(6,783)	(9,284)	(6,783)	(9,284)
Net cash used in financing activities	(83,451)	(142,583)	(84,709)	(142,268)
Increase (decrease) in cash and equivalents	(21,078)	(3,590)	(22,618)	4,839
Cash and cash equivalents - at the beginning of the exercise	102,580	106,170	144,581	145,580
Foregein exchange income (losses) of cash equivalents of foreign subsidiaries	-	-	378	(5,838)
Cash and cash equivalents - at the the end of the exercise	81,502	102,580	122,341	144,581
Transactions not affecting cash				
Capital increase in subsidiaries through capitalization of loans	-	2,382		

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	
	2016	**2015**	**2016**	**2015**
Revenues				
Sales of products and services	507,761	477,470	649,845	675,803
Allowance for doubtful accounts and for other receivables	544	(3,657)	(14,530)	(3,658)
	508,305	473,813	635,315	672,145
Inputs acquired from third parties				
Material used	(225,898)	(201,694)	(267,128)	(288,428)
Others costs of products and services	(42,457)	(18,125)	(51,290)	(30,766)
Electricity, third party services and other expenses	(35,530)	(54,717)	(40,205)	(61,007)
	(303,885)	(274,536)	(358,623)	(380,201)
Gross value added	204,420	199,277	276,692	291,944
Depreciation and amortization	(27,374)	(26,245)	(34,385)	(34,445)
Net value added generated by the Company	177,046	173,032	242,307	257,499
Value added received through transfers				
Equity in earnings of subsidiaries	(14,690)	14,160	-	-
Financial income and net foreign exchange gains	(3,381)	29,868	(3,783)	31,855
Total value added to distribute	158,975	217,060	238,524	289,354
Distribuition of value added				
Employees				
Payroll and related changes	125,616	123,264	200,218	193,406
Sales commission	4,506	3,416	4,506	3,416
Management profit sharing and fees	5,134	5,282	5,228	5,380
Profit sharing	-	313	-	313
Pension plans	152	548	152	548
Taxes				
Federal	41,490	43,896	42,658	43,947
State	888	8,354	888	8,354
Municipal	1,393	1,096	1,393	1,096
Interest	15,999	20,047	19,458	20,958
Rentals	3,492	4,590	3,492	4,590
Non-controlling interests	-	-	226	1,092
Accumnulated profit (loss) for the year	(39,695)	6,254	(39,695)	6,254
Value added distributed	158,975	217,060	238,524	289,354

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

1 General information

Indústrias Romi S.A. (the “Parent Company” and/or “Company”) and its subsidiaries (together referred to as the “Company” and/or as “Consolidated”), has been listed on the "New Market" of the São Paulo Stock Exchange ("Bovespa") since March 23, 2007, and is based in Santa Barbara d’Oeste, São Paulo. The Company is engaged in the assembly and sale of capital goods in general, including machine tools, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts, as well as providing systems analysis and developing data processing software related to the production, sale, and use of machine tools and plastic injectors; the manufacture and sale of rough 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 its own and/or third party assets.

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

These financial statements were approved by the Company’s Board of Directors and authorized for issue on February 7, 2017.

2 Basis of preparation and accounting policies

The Parent Company and Consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), as well as according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties. There is no Generally Accepted Accounting Principles (“GAAP”)difference in the Parent Company and Consolidated financial statements.

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

2.1 Basis of preparation

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

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, but is not required by IFRS. Therefore, under IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

(a) Changes in accounting policies and disclosures

There are no amendments or interpretations effective for the financial year beginning on January 1, 2016 that would be expected to have a material impact on the Company's financial statements.

2.2 Investments in subsidiaries - Consolidated

(a) Parent Company

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

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

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

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

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

(b) Consolidation

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

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

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

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

The assets and liabilities of 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 (income and expenses) are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates). Exchange differences arising on the translation of these balances are separately recognized in equity, in the line item "Carrying value adjustments".

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

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of 90 days or less, with an immaterial risk of changes in value, and are carried at cost plus income earned through the end of the reporting period.

2.5 Financial assets

(a) Classification

The Company classifies its financial assets, upon initial recognition, as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for, in the applicable cases, those with maturities longer than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are carried at amortized cost using the effective interest method. The Company's loans and receivables comprise cash and cash equivalents (Note 3), trade accounts receivable (Note 4), receivables – onward lending of FINAME manufacturer financing (Note 5), other receivables, related parties (Note 8) and judicial deposits. Loans and receivables are carried at amortized cost using the effective interest method.

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

(b) Impairment of financial assets

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

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

2.6 Trade receivables

Trade receivables refer mainly to amounts due from customers for merchandise sold in the ordinary course of the Company's activities. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

2.7 Inventory

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

2.8 Property, plant and equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of property, plant and equipment items by category are set out in Note 10.

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

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

2.9 Investment property

Investment property represents land and buildings held to earn rental income and/or for capital appreciation, as disclosed in Note 9. Investment property is recognized at its acquisition or construction cost, less accumulated depreciation, calculated using the straight-line method at rates that take into consideration the useful lives of the assets.

2.10 Intangible assets

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

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

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

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

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

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

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

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

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

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

2.12 Trade payables

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

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

2.13 Borrowing

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

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

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

2.14 Discounting to present value

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

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

2.15 Current and deferred income tax and social contribution

The current income tax and social contribution expense is calculated on the basis of the tax laws enacted at the end of the reporting period in the countries where the Parent Company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken by the Company in its income tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities. The current tax is the expected tax payable or receivable on the taxable profit or loss for the year, at the tax rates prevailing at the end of the reporting period.

Deferred income tax and social contribution are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss. Deferred income tax and social contribution are determined based on the tax rates (and laws) in effect at the end of the reporting period and applicable when the related income tax and social contribution are realized, and are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized. Deferred income tax and social contribution assets are reviewed at the end of each reporting period and written down to the extent that their realization is no longer probable.

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

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

2.16 Employee benefits

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

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

2.17 Other current and non-current assets and liabilities

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

2.18 Share capital

Common shares are classified in equity.

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

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

2.19 Distribution of dividends and interest on capital

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

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

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value added taxes, returns, rebates and discounts, after eliminating sales within the Group. Taxes on sales are recognized when sales are billed and discounts are recognized when known.

(a) Sales of goods

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

(b) Interest income

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

2.21 Provision

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

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

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

2.22 Leases

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

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

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

(a) Useful lives of long-lived assets: management reviews the useful lives of the main assets with finite useful lives annually.

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

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

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

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

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

2.24 Standards, interpretations and amendments to accounting standards

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

The following new standards were issued by IASB but are not effective for 2016. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the CPC.

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

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

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

2.25 Segment reporting

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

(In thousands of reais unless otherwise stated)

3 Cash and cash equivalents

	Parent Company		Consolidated	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Cash and banks	3,474	1,529	19,594	26,267
Bank Deposit Certificates ("CDBs") (a)	28,845	65,655	46,422	81,164
Short-term investments backed by debentures (a)	47,189	32,025	49,245	33,775
Short-term investments in foreign currency - US$ (Time deposits)	1,955	2,413	7,025	2,413
Other	39	958	55	962
Total	81,502	102,580	122,341	144,581

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

4 Trade accounts receivable

	Parent Company		Consolidated	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Current				
Domestic customers	59,169	55,271	59,170	73,085
Foreign customers	3,601	3,414	40,473	57,105
Allowance for doubtful accounts	(2,543)	(2,675)	(5,427)	(8,064)
	60,227	56,010	94,216	122,126
Non-current				
Domestic customers	10,959	8,967	10,959	8,967
Foreign customers	1,268	353	1,268	353
Allowance for doubtful accounts	(231)	(379)	(231)	(379)
	11,996	8,941	11,996	8,941

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

(In thousands of reais unless otherwise stated)

The balance of current trade receivables as at December 31, 2016 and 2015, Parent Company and Consolidated, is distributed as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Not yet due	50,792	43,486	75,096	98,007
Past due:				
1 to 30 years	6,742	5,112	12,609	7,833
31 to 60 years	378	774	1,796	3,712
61 to 90 years	76	627	793	1,807
91 to 180 years	469	1,435	965	2,934
181 to 360 years	677	3,325	2,013	7,352
Over 360 days	3,636	3,926	6,371	8,545
	11,978	15,199	24,547	32,183
Total	62,770	58,685	99,643	130,190
Allowance for doubtful accounts	(2,543)	(2,675)	(5,427)	(8,064)
Total - current	60,227	56,010	94,216	122,126

As at December 31, 2016, trade accounts receivable amounting to R$ 9,204 (2015 – R$ 12,145 - Parent Company) and R$ 18,889 (2015 – R$ 23,740 - Consolidated) were past due but not impaired. These accounts relate to a number of independent customers for whom there is no recent history of default or for which the Company does not have guarantees.

The balance of non-current trade accounts receivable as at December 31, 2016, Parent Company and Consolidated, is distributed as follows:

	Parent Company and Consolidated
Not yet due:	
2018	11,027
2019	1,200
Allowance for doubtful accounts	(231)
Total - non-current	11,996

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

		Consolidated

	Parent Company			
	2016	**2015**	**2016**	**2015**
As at January 1	3,054	3,131	8,443	8,067
Additional allowance recorded	454	1,198	808	1,879
Receivables written off	(734)	(1,275)	(2,530)	(2,917)
Foreign exchange rate variations	-	-	(1,063)	1,414
As at December 31	2,774	3,054	5,658	8,443

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

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

5 Receivables - onward lending of FINAME manufacturer financing

	Parent Company and Consolidated	
	December 31, 2016	**December 31, 2015**
Current		
FINAME not yet due	74,828	95,640
FINAME awaiting release (a)	339	399
FINAME past due (b)	39,622	37,230
	114,789	133,269
Allowance for doubtful accounts	(12,433)	(12,361)
	102,356	120,908
Non-current		
FINAME not yet due	67,073	99,916
FINAME awaiting release (a)	1,357	1,596
	68,430	101,512
Allowance for doubtful accounts	(1,107)	(1,971)
	67,323	99,541
Total	169,679	220,449

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

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

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

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

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

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

The machines seized as part of the implementation process are recorded at their carrying amount, not exceeding their fair value, under the category of “Other receivables”, pending a final court decision, following which they are repossessed and transferred to inventory. As at December 31, 2016, the balance of repossessed machinery, included under the line item of “Other receivables”, Parent Company and Consolidated, amounted to R$ 4,015 (R$ 14,572 as at December 31, 2015) in current assets and R$ 8,246 (R$ 5,260 as at December 31, 2015) in non-current assets.

(In thousands of reais unless otherwise stated)

As at December 31, 2016 and 2015, the balances of "Receivables - onward lending of FINAME manufacturer financing", Parent Company and Consolidated, were as follows:

	Parent Company and Consolidated	
	December 31, 2016	**December 31, 2015**
Not yet due	75,167	96,039
Past due:		
1 to 30 years	2,070	3,108
31 to 60 years	1,292	1,626
61 to 90 years	1,346	1,614
91 to 180 years	3,633	4,452
181 to 360 years	5,295	6,227
Over 360 days	25,986	20,203
	39,622	37,230
Total - current	114,789	133,269

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

	Parent Company and Consolidated
Not yet due:	
2018	43,749
2019	19,216
2020	5,458
2021 and thereafter	7
Total - non-current	68,430

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

	Parent Company and Consolidated	Parent Company and Consolidated
	December 31, 2016	**December 31, 2015**
Opening balance	14,332	14,979
Allowance recorded (or written off) during the year, net	(792)	(647)
Closing balance	13,540	14,332

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

(In thousands of reais unless otherwise stated)

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

6 Inventory

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Finished products	38,077	47,858	70,461	77,683
Used machines	22,939	31,159	22,940	31,159
Work in progress	62,146	52,988	94,964	77,681
Raw materials and components	57,487	59,461	74,656	79,566
Imports in transit	1,566	1,130	1,566	1,697
Total	182,215	192,596	264,587	267,786

The inventory balances, Parent Company and Consolidated, as at December 31, 2016 are net of the amounts of R$ 47,242 and R$ 50,662 respectively (R$ 58,636 Parent Company and R$ 61,360 Consolidated respectively as at December 31, 2015) corresponding to the provision for slow-moving inventories with a remote probability of being realized through sale or use.

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

	Parent Company	Consolidated
As at December 31, 2015	58,636	65,241
Inventory sold or written off	(43,068)	(44,002)
Provision recorded	15,073	16,159
Foreign exchange rate variations	-	(3,337)
Transfer of provision resulting from machines repossessed during the year	16,600	16,600
As at December 31, 2016	47,242	50,662

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

(In thousands of reais unless otherwise stated)

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Finished products	2,894	3,057	6,314	9,662
Used machines	19,565	28,885	19,565	28,885
Work in progress	5,602	6,465	5,602	6,465
Raw materials and components	19,181	20,229	19,181	20,229
Total	**47,242**	**58,636**	**50,662**	**65,241**

The cost of inventory recognized in the statement of income and included in "Cost of sales and services" amounted to R$ 370,025 (2015 - R$ 320,500) for the Parent Company, and R$ 469,921 (2015 – R$ 468,605) for the Consolidated.

7 Investments in subsidiaries and associates

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

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

(*) Indirect subsidiary – 100% interest

(In thousands of reais unless otherwise stated)

	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Romi Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (7)	Total
								December 31, 2016
Investments:								
Number of shares held	(a)	(a)	6,191,156	3,000,000	78	13,028,000	1,188,000	
Ownership interest	100.0%	100.0%	93.1%	100.0%	100.0%	100.0%	100.0%	
Current assets	35,190	83,077	19,971	14,020	2,423	5,748	5,892	
Non-current assets	5,926	93,645	2,984	318	-	-	-	
Current liabilities	25,162	57,515	292	12,808	-	1	4,771	
Non-current liabilities	10,388	34,182	-	-	-	-	-	
Equity (net capital deficiency) of subsidiary	5,566	85,025	22,663	1,530	2,423	5,747	1,121	
Changes in investments:								
Investment balance as at December 31, 2015	14,458	114,883	30,567	5,277	(4)	6,252	1,230	172,663
Foreign exchange variations on foreign investments	(2,954)	(20,507)	-	(608)	-	(1,060)	(228)	(25,357)
Capital increase (b)	-	-	-	-	2,432	-	-	2,432
Dividends proposed and paid (c)	-	-	(12,543)	-	-	-	-	(12,543)
Share of profits (losses) of subsidiaries	(5,938)	(9,351)	3,069	(3,139)	(5)	555	119	(14,690)
Equivalent value - closing balance	**5,566**	**85,025**	**21,093**	**1,530**	**2,423**	**5,747**	**1,121**	**122,505**
Investments in subsidiaries	5,566	85,025	21,093	1,530	2,423	5,747	1,121	122,505

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

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

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

(In thousands of reais unless otherwise stated)

								December 31, 2015
	Romi Italy and subsidiaries (1)	**Romi Europe and subsidiaries (2)**	**Rominor (3)**	**Romi Machine Tools (4)**	**Romi Empreendimentos (5)**	**Romi A.L. (6)**	**IRSA Máq México (7)**	**Total**
Investments:								
Number of shares held	(a)	(a)	6,191,156	3,000,000	78	13,028,000	1,188,000	
Ownership interest	100.0%	100.0%	93.1%	100.0%	100.0%	100.0%	100.0%	
Current assets	44,939	85,771	33,232	18,528	6	6,253	4,339	
Non-current assets	8,654	122,114	3,023	603	-	-	1	
Current liabilities	27,363	48,111	3,413	13,854	10	1	3,104	
Non-current liabilities	11,772	44,891	-	-	-	-	6	
Equity (net capital deficiency) of subsidiary	14,458	114,883	32,842	5,277	(4)	6,252	1,230	
Changes in investments:								
Investment balance as at December 31, 2014	(13,525)	85,633	21,825	(11,831)	1	4,011	338	86,452
Foreign exchange variations on foreign investments	2,346	24,383	-	(503)	-	1,956	309	28,491
Capital increase (c)	26,610	1,572	-	20,539	-	-	766	49,487
Dividends proposed and paid (b)	-	-	(5,927)	-	-	-	-	(5,927)
Share of profits (losses) of subsidiaries	(973)	3,295	14,669	(2,928)	(5)	285	(183)	14,160
Equivalent value - closing balance	**14,458**	**114,883**	**30,567**	**5,277**	**(4)**	**6,252**	**1,230**	**172,663**
Investments in subsidiaries	14,458	114,883	30,567	5,277	-	6,252	1,230	172,667
Provision for net capital deficiency of subsidiary	-	-	-	-	(4)	-	-	(4)

(In thousands of reais unless otherwise stated)

December 31, 2016

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

December 31, 2015

	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Romi Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (7)
Investments:							
Ownership interest	100%	100%	93.07%	100%	100%	100%	100%
Profit (loss) before taxation	(624)	10,727	17,346	(2,928)	(5)	285	(183)
Income tax and social contribution expense	(349)	(7,432)	(1,585)	-	-	-	-
Profit (loss) for the year	(973)	3,295	15,761	(2,928)	(5)	285	(183)
Parent Company's share of profit (loss) for the year	(973)	3,295	14,669	(2,928)	(5)	285	(183)
Total comprehensive income							
Other comprehensive income	663	-	-	-	-	-	-
Total comprehensive income	(310)	3,295	14,669	(2,928)	(5)	285	(183)
Dividends paid to non-controlling interests	-	-	440	-	-	-	-
Dividends received from subsidiary	-	-	5,927	-	-	-	-

(In thousands of reais unless otherwise stated)

8 Related party transactions

The balances and transactions with related parties as at December 31, 2016 and 2015 were as follows:

(i) Balance sheet accounts – Parent Company

	Receivables (current and non-current)		Loan receivables (non-current)		Dividends receivable (current and non-current)		Total receivables		Payables (current)	
	December 31 2016	December 31 2015	December 31 2016	December 31 2015	December 31 2016	December 31 2015	December 31 2016	December 31 2015	December 31 2016	December 31 2015
Direct subsidiaries										
Romi Europe	4,553	4,567	-	-	-	-	4,553	4,567	168	-
Romi Italy	2,273	584	-	700	-	-	2,273	1,284	-	-
Romi Machine Tools	12,326	11,675	-	-	-	-	12,326	11,675	-	-
Romi Empreendimentos	-	-	-	10	-	-	-	10	-	-
Romi A.L.	-	-	-	-	-	-	-	-	566	594
Irsa Máquinas México	2,663	2,458	-	-	-	-	2,663	2,458	-	-
Rominor	3	4	-	-	-	1,549	3	1,553	24	22
Indirect subsidiaries										
B+W - Burkhardt+Weber	337	-	-	-	-	-	337	-	-	18
Romi France S.A.S.	2,986	3,339	-	-	-	-	2,986	3,339	-	-
Romi Máquinas España S.A.	1,578	-	-	-	-	-	1,578	-	-	-
Romi Machines UK	9,847	8,934	-	-	-	-	9,847	8,934	-	-
Total	36,566	31,561	-	710	-	1,549	36,566	33,820	758	634

(In thousands of reais unless otherwise stated)

(ii) Transactions

	Sales Revenue		Operating expenses		Finance income (expenses)	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Romi Europa	3,850	4,957	1,194	371	-	(119)
Rominor	15	14	287	773	-	-
Romi Itália	4,434	2,227	-	-	42	(5,721)
Romi Machine Tools	9,144	11,624	-	-	-	(1,390)
Romi France S.A.S.	5,790	3,831	-	-	-	-
Romi A.L.	-	-	645	498	-	-
Romi Machines UK	11,488	7,835	-	-	-	-
Irsa Máquinas México	1,804	876	-	-	-	(22)
Romi Empreendimentos	-	-	-		(2)	
B+W - Burkhardt + Weber	672	-	-		-	
Romi Máquinas Espãna	2,127	1	-	-	-	-
Total	39,324	31,365	2,126	1,642	40	(7,252)

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

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

The subsidiary Rominor is the guarantor of some of the FINAME manufacturing financing transactions involving the Company, and the financing is collateralized by promissory notes and sureties (Note 13). The Company had property lease agreements with its subsidiary Rominor, which were terminated on December 31, 2016.

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

The Company provides administrative services, mainly accounting and legal services, to the Parent Company Fênix Empreendimentos S.A. The revenue for 2016 was R$ 185 (2015 – R$ 176).
The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor Office. Donations in 2016 totaled R$ 776 (2015 – R$ 777).

Management compensation for the years ended December 31, 2016 and 2015 was as follows:

(In thousands of reais unless otherwise stated)

	December 31, 2016	December 31, 2015
Fees and charges	4,769	4,669
Profit sharing	-	231
Private pension plan	214	241
Healthcare plan	151	141
Parent company	5,134	5,282
Fees and charges of subsidiaries	96	98
Consolidated	5,230	5,380

The amounts shown above comply with the limits established by the Board of Directors and approved at the Annual General Meeting of Shareholders held on March 22, 2016.

9 Investment property

During the year ended December 31, 2012, Management decided, based on the completion of the property register review and regularization, as well as the perspectives of short and medium-term expansion of operations, to classify certain property as "Investment Property" for future rental income and capital appreciation. The amounts classified as investment property are R$ 13,227 (R$ 15,978 – as at December 31, 2015) in the Parent Company and R$ 17,538 (R$ 17,000 – as at December 31, 2015) in the Consolidated.

The investment property is stated at historical cost, and for fair value disclosure purposes the Company contracted an independent expert, who applied a methodology accepted by the Brazilian Institute of Engineering Appraisals as well as recent transactions with similar property and assessed the fair value less cost to sell of this property at R$ 50,245 in the Parent Company and R$ 138,804 in the Consolidated.

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

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

(In thousands of reais unless otherwise stated)

10 Property, plant and equipment

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

									Parent Company
	Land	**Buildings and yards**	**Machinery and equipment**	**Furniture and fixtures**	**Vehicles**	**Information technology**	**Construction in progress**	**Advances**	**Total**
Cost of property, plant and equipment, gross									
Balance as at January 1, 2015	5,009	175,012	252,399	8,387	2,705	25,966	8,066	724	478,267
Additions	-	173	4,842	147	445	167	7,888	-	13,662
Disposals	-	-	(1,678)	(82)	(129)	(21)	-	-	(1,909)
Transfers	(789)	11,629	1,927	-	-	170	(14,592)	(391)	(2,045)
Balance as at December 31, 2015	4,220	186,815	257,490	8,453	3,021	26,282	1,362	333	487,976
Additions	-	6	3,600	189	486	1,290	7,968	9,663	23,201
Disposals	(167)	(803)	(9,034)	(112)	(34)	(8)	(109)	(60)	(10,327)
Transfers	-	844	5,452	-	-	(712)	3,367	(9,663)	(712)
Balance as at December 31, 2016	4,053	186,862	257,507	8,530	3,473	26,852	12,588	273	500,139
Accumulated depreciation									
Balance as at January 1, 2015	-	67,519	164,652	6,891	2,395	22,639	-	-	264,096
Depreciation		8,724	14,071	397	152	1,781			25,125
Disposals		-	(1,080)	(79)	(2)	(17)			(1,177)
Transfers		-	-	-	-	-	-	-	-
Balance as at December 31, 2015	-	76,243	177,642	7,209	2,545	24,403	-	-	288,044
Depreciation		9,090	16,265	364	161	1,008			26,890
Disposals		(798)	(7,566)	(110)	(34)	(8)			(8,516)
Transfers		-	-	-	-	-			-
Balance as at December 31, 2016	-	84,536	186,341	7,463	2,673	25,403	-	-	306,418
Useful lives	-	25 years (i)	10 and 15 years	10 years	5 years	5 years	-	-	
Property, plant and equipment, net									
Balance as at January 1, 2015	5,009	107,493	87,747	1,496	310	3,327	8,066	724	214,171
Balance as at December 31, 2015	4,220	110,572	79,848	1,244	476	1,879	1,362	333	199,931
Balance as at December 31, 2016	4,053	102,326	71,166	1,067	800	1,449	12,588	273	193,721

(i) Yards – 10 years

(In thousands of reais unless otherwise stated)

									Consolidated
	Land	Buildings and yards	Machinery and equipment	Furniture and fixtures	Vehicles	Information technology	Construction in progress	Advances	Total
Cost of property, plant and equipment, gross									
Balance as at January 1, 2015	25,861	216,010	271,953	15,398	3,541	28,922	10,908	562	573,155
Additions	-	929	6,621	172	711	606	7,888	-	16,927
Disposals	-	-	(2,420)	(82)	(211)	(35)	-	-	(2,748)
Transfers	(3,201)	11,871	1,859	-	-	-	(17,434)	(391)	(7,297)
Foreign exchange rate variations	1,453	3,943	13,722	1,066	262	692	-	162	21,299
Balance as at December 31, 2015	24,113	232,753	291,735	16,554	4,303	30,184	1,362	333	601,338
Additions	-	6	4,373	818	665	1,500	7,968	9,663	24,993
Disposals	(167)	(803)	(9,332)	(112)	(79)	(13)	(109)	(60)	(10,675)
Transfers	(614)	552	5,452	-	-	(712)	3,367	(9,663)	(1,618)
Foreign exchange rate variations	(2,056)	(8,505)	(4,763)	184	(130)	(357)	-	-	(15,627)
Balance as at December 31, 2016	21,276	224,003	287,466	17,445	4,759	30,601	12,588	273	598,411
Accumulated depreciation									
Balance as at January 1, 2015	-	76,190	181,006	9,782	2,856	24,921	-	-	294,755
Additions		10,487	16,961	1,519	302	2,366			31,635
Disposals		-	(1,080)	(79)	(2)	(17)			(1,177)
Transfers		(2,552)	-	-	-	-			(2,552)
Foreign exchange rate variations		201	400	166	21	80			868
Balance as at December 31, 2015	-	84,326	197,287	11,388	3,177	27,350	-	-	323,529
Additions		10,185	18,773	1,289	327	1,377			31,952
Disposals		(798)	(7,566)	(110)	(51)	(8)			(8,534)
Transfers		-	-	-	-	-			-
Foreign exchange rate variations		(135)	(273)	(101)	(17)	(42)			(568)
Balance as at December 31, 2016	-	93,579	208,221	12,465	3,436	28,677	-	-	346,378
Useful lives	-	25 anos (i)	10 e 15 anos	10 anos	5 anos	5 anos	-	-	
Property, plant and equipment, net									
Balance as at January 1, 2015	25,861	139,820	90,947	5,616	685	4,001	10,908	562	278,400
Balance as at December 31, 2015	24,113	148,427	94,448	5,166	1,126	2,834	1,362	333	277,809
Balance as at December 31, 2016	21,276	130,425	79,244	4,979	1,323	1,924	12,588	273	252,033

(i) Yards – 10 years

Due to the financing agreements with BNDES for investments in property, plant and equipment, the Company pledged as collateral machinery and equipment amounting to R$ 168,228 as at December 31, 2016 (R$ 170,079 as at December 31, 2015). These items refer to land, facilities, machinery and equipment.

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

Of the amount of R$ 26,890 (2015 - R$ 25,125) related to depreciation expense, R$ 21,855 (2015 - R$ 19,511) was recognized in the statement of income in "Cost of sales and services ", R$ 1,181 (2015 - R$ 1,242) in "Selling expenses", R$ 3,808 (2015 - R$ 4,255) in "General and administrative expenses", and R$ 46 (2015 - R$ 117) in “Research and development” - Parent Company.

Of the amount of R$ 31,952 (2015 - R$ 34,444) related to depreciation expense, R$ 25,776 (2015 - R$ 26,773) was recognized in the statement of income in "Cost of sales and services ", R$ 2,322 (2015 - R$ 3,300) in "Selling expenses", R$ 3,808 (2015 - R$ 4,255) in "General and administrative expenses", and R$ 46 (2015 - R$ 116) in “Research and development” - Consolidated.

(In thousands of reais unless otherwise stated)

11 Intangible assets

Changes in intangible assets are as follows:

	Parent Company			Consolidated						
Gross cost	**Assignment of rights**	**Other**	**Total**	**Assignment of rights**	**Technology**	**Customer relationship**	**Portfolio of customers**	**Trademarks**	**Other**	**Total**
Balance as at January 1, 2015	6,407	4,403	10,810	6,407	15,569	15,798	2,715	16,963	4,403	61,854
Additions	-	-	-	-	372	-	-	-	-	372
Foreign exchange rate variations	-	-	-	-	4,804	4,875	861	5,377	-	15,917
Disposals	(2,990)	-	(2,990)	(2,990)	-	-	-	-	-	(2,990)
Balance as at December 31, 2015	3,417	4,403	7,820	3,417	20,745	20,673	3,576	22,340	4,403	75,153
Additions	-	59	59	-	274	-	-	-	59	333
Foreign exchange rate variations	-	-	-	-	(4,078)	(3,946)	(683)	(4,264)	-	(12,971)
Disposals	-	-	-	-	(457)	-	-	-	-	(457)
Transfers	-	736	736	-	-	-	-	-	736	736
Balance as at December 31, 2016	3,417	5,198	8,615	3,417	16,484	16,727	2,893	18,076	5,198	62,794
Accumulated amortization										
Balance as at January 1, 2015	4,021	4,181	8,202	4,021	3,003	2,185	2,299	-	4,181	15,689
Amortizatoin	1,120	-	1,120	1,120	793	897	-	-	-	2,810
Foreign exchange rate variations	-	-	-	-	1,019	966	1,277	-	-	3,262
Disposals	(1,975)	-	(1,975)	(1,975)	-	-	-	-	-	(1,975)
Balance as at December 31, 2015	3,166	4,181	7,347	3,166	4,815	4,048	3,576	-	4,181	19,786
Amortization										
Foreign exchange rate variations	251	234	485	251	1,010	938	-	-	234	2,433
Transfers	-	-	-	-	(736)	(876)	(683)	-	-	(2,295)
	-	24	24	-	-	-	-	-	24	24
Balance as at December 31, 2016	3,417	4,439	7,856	3,417	5,089	4,110	2,893	-	4,439	19,948
Useful lives	5 anos (i)	5 anos		5 anos	5 anos	5 anos	1 ano	-	5 anos	
Intangible assets, net										
Balance as at January 1, 2015	2,386	222	2,608	2,386	12,566	13,613	416	16,963	222	46,166
Balance as at December 31, 2015	251	222	473	251	15,930	16,625	-	22,340	222	55,368
Balance as at December 31, 2016	0	758	758	0	11,395	12,617	0	18,076	758	42,846

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

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

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

(c) Customer relationships: refers to contractual rights arising from: (i) the history of customer relationships; (ii) the likelihood of occurrence of new business in the future.

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

The amount of R$ 485 (2015 - R$ 1,120) related to amortization expense was recognized in the statement of income in “Research and development” - Parent Company.

Of the amount of R$ 2,433 (2015 - R$ 2,810) related to depreciation expense, R$ 2,182 (2015 - R$ 1,690) was recognized in the statement of income in "Cost of sales and services" and R$ 251 (2015 - R$ 1,120) in “Research and development” - Consolidated.

Impairment testing

The impairment testing is conducted considering the CGUs, which are the same as those of the reportable segments (Note 20).

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

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

(In thousands of reais unless otherwise stated)

12 Borrowings

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

	Current 2016	Current 2015	Non-Current 2016	Non-Current 2015	Maturity	Principal amortization	Financial charges	Collateral	Total
Export financing (a)	66,327	9,282	38,142	101,522	12/17/2018	Bullet payment /Month	Rates of 7.8864 to 11.00% per year (fixed rate) and rates of 4.26% to 4.71% per year + 50% TJLP + 50% SELIC (floating rate)	Promissory note and surety of Rominor	104,469
Investment Support Program - BNDES PSI (b1 and b2)	6,140	3,697	37,188	20,513	01/16/2023	Quarterly/Monthly	Rates of 3.00% to 4.00% per year	Collateral transfers of machinery and mortgages of buildings and land	43,328
Property, plant and equipment - local currency	11,882	14,530	-	11,676	11/16/2017	Monthly	TJLP + interest of 1.63% per year	Collateral transfers of machinery and mortgages of buildings and land	11,882
Sundry FINAME	2,954	4,274	5,328	6,572	01/15/2024	Quarterly/ Monthly	Rates of 3.50% to 9.50% per year	Collateral transfer of financed machinery/surety of Rominor/promissory notes	8,282
Import financing (FINIMP)	3,878	4,902	-	-	05/16/2017	Bullet payment	Interest of 2.463650 to 2.5% per year + Foreign exchange rate variations	No collateral	3,878
Finep URTJ-01 (e)	5,040	4,979	7,103	11,945	05/15/2019	Monthly	TJLP + 5.00% per year - Less 6.00%	Bank guarantee	12,143
Refinanced drafts - local and other currencies	-	193	-	0	06/21/2013	Semiannual	LIBOR + interest of 1.00% per year + 5.40% flat	Customer pledge contract	68
Parent company	**96,221**	**41,857**	**87,761**	**152,227**					
Other	3,214	427	-	7,724					
Burkhardt + Weber (B+W) - Technology center and administrative office construction financing - € (f)	-	3,541	12,577	10,866	06/30/2027	Quarterly	2.40% per year	Property, plant and equipment (building)	
Consolidated	**99,435**	**45,825**	**100,338**	**170,817**					

(In thousands of reais unless otherwise stated)

(a) The Company received R$ 161,211 through a financing agreement entered into with BNDES, under the Investment Support Program - BNDES PSI (two transactions of August 2015 were outside the PSI). The amount borrowed, the date of disbursement and the interest rates are shown below. The Company undertakes to export, by the agreement settlement date, an amount equivalent to US$ 86,643 and up to December 31, 2016, US$ 55,967 had been exported. This borrowing is secured by its subsidiary Rominor. If the export is not completed by the deadline, the Company will be liable for a contractual fine of 10% of the unpaid amount. The Company expects to meet the export requirements set out in the financing agreement. There are no clauses stipulating compliance with financial indicators.

Amount borrowed	Date of disbursement	Maturity	Interest rate
52.040	Jun/12	Jun/15	8.00% p.a. (fixed rate)
8.351	Dec/13	Dec/16	5.50% p.a. (fixed rate)
19.006	Jul/14	Jul/17	8.00% p.a. (fixed rate)
19.268	Nov/14	Nov/17	8.00% p.a. (fixed rate)
17.165	Dec/14	Dec/17	8.00% p.a. (fixed rate)
9.460	Aug/15	Aug/18	50% (4.26% p.a. + SELIC) 50% (4.00% p.a. + TJLP)
15.916	Aug/15	Aug/18	50% (4.71% p.a. + SELIC) 50% (4.45% p.a. + TJLP)
20.005	Dec/15	Dec/18	11.00% p.a. (fixed rate)
161.211			

(b1) In June 2013 the Company's officers were authorized to contract financing from BNDES amounting to R$ 27,762, divided into four sub-loans, with the purpose of development of new products, production of domestic prototypes, purchase of domestic machinery, and expansion of the mills' production capacity, with rates of 3.0%, 3.5% and TJLP + 3.77%, grace periods of 18 to 24 months, and payment terms of six 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

(b2) In December 2014 the Company's officers were authorized to contract financing from BNDES amounting to R$ 35,631, with the purpose of development of new products and production of domestic prototypes in 2015 and 2016, with rate of 4.00% p.a., a grace period of 30 months, and a payment term of 66 months. This agreement contained the following covenants related to compliance with contractual obligations:

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

As at December 31, 2016, the Company was compliant with all covenants of items (b1) and (b2) above.

(In thousands of reais unless otherwise stated)

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

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

The maturities of financing recorded in non-current liabilities as at December 31, 2016, in the Parent Company and Consolidated financial statements, were as follows:

	Parent Company	**Consolidated**
2018	54,251	55,362
2019	12,449	13,630
2020	8,102	18,387
2021	6,035	6,035
2022 and thereafter	6,924	6,924
Total	87,761	100,338

13 FINAME manufacturer financing

	Parent Company and Consolidated	
	December 31, 2016	**December 31, 2015**
Current		
FINAME manufacturer financing	67,177	82,785
Non-current		
FINAME manufacturer financing	62,953	92,124
Total	130,130	174,909

(In thousands of reais unless otherwise stated)

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

The balances of the line item “FINAME manufacturer financing” and, consequently, of the line item “Receivables - onward lending of FINAME manufacturer financing” as at December 31, 2016 and December 31, 2015, were adjusted for inflation through the end of the reporting period. The difference of R$ 39,549 between these line items as at December 31, 2016 (R$ 45,540 as at December 31, 2015) 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, 2016, Parent Company and Consolidated, were as follows:

	Parent Company and Consolidated
2018	39,723
2019	17,904
2020	5,326
Total	62,953

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

14 Provision for tax, labor and civil risks

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

(In thousands of reais unless otherwise stated)

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Tax	51,278	49,220	51,965	49,220
Civil	2,177	1,970	2,380	2,160
Labor	4,204	4,923	4,513	4,923
(-) Judicial deposits	(50,565)	(48,516)	(50,565)	(48,516)
Total	7,094	7,597	8,293	7,787
Current liabilities	6,381	6,138	6,373	6,328
Non-current liabilities	713	1,459	1,920	1,459
	7,094	7,597	8,293	7,787

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

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

	December 31, 2016	December 31, 2015
Tax		
Offsetting of IRPJ - 2002 and 2003	1,267	1,267
Civil		
Losses and damages	4,368	4,192
Labor	562	2,444
Total	6,197	7,903

For lawsuits classified as probable losses, Management recognized a provision for losses. The changes in the provision in the year ended December 31, 2016 were as follows:

(In thousands of reais unless otherwise stated)

	December 31, 2015	Additions	Utilizations/ reversals	Inflation adjustment	December 31, 2016
Tax	49,220	2,451	(459)	66	51,278
Civil	1,970	183	(182)	206	2,177
Labor	4,923	3,824	(5,160)	617	4,204
(-) Judicial deposits	(48,516)	(2,049)	-	-	(50,565)
Total Parent Company	**7,597**	**4,409**	**(5,801)**	**889**	**7,094**
Lawsuits in subsidiaries	190	1,066	-	(57)	1,199
Total Consolidated	**7,787**	**5,475**	**(5,801)**	**832**	**8,293**

(a) Tax lawsuits

Refers to the provision for:

(i) Social Integration Program ("PIS") and Social Contributions on Revenues ("COFINS") related to State Value Added Tax ("ICMS") on sales, which amounted to R$ 9,020 (2015 - R$ 8,582) and R$ 41,545 (2015 - R$ 39,532), respectively.

(ii) The other tax lawsuits total R$ 713 (2015 - R$ 1,106).

(b) Civil lawsuits

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

(c) Labor lawsuits

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

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

(d) Judicial deposits

The Company has judicial deposits amounting to R$ 48,588 (2015 – R$ 49,100), of which R$ 46,473 (2015 - R$ 48,114) refers to PIS and COFINS levied on ICMS on sales, as mentioned in item (a), and (i) the other deposits are of a different nature and are classified in non-current assets.

(In thousands of reais unless otherwise stated)

15 Income tax and social contribution

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

The table below shows a reconciliation of the tax effect on the Parent Company's profit (loss) before income tax and social contribution by applying the prevailing tax rates as at December 31, 2016 and 2015:

	Parent Company		Consolidated	
	2016	**2015**	**2016**	**2015**
Profit (loss) before income tax and social contribution	(47,257)	2,650	(48,217)	8,855
Standard rates (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution income (expense) at standard rates	16,067	(901)	16,394	(3,011)
Reconciliation with the effective rate:				
Shares of the profits (losses) of subsidiaries and provision for the net capital deficiency of the subsidiary	(4,995)	4,814	-	-
Unrecorded deferred income tax and social contribution of subsidiaries	-	-	(4,738)	(2,598)
Provision for inventory impairment	(3,874)	1,077	(3,874)	1,077
Other additions (deductions), net	363	(1,386)	966	3,023
Current and deferred income tax and social contribution income (expense)	7,562	3,604	8,748	(1,509)

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

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

(In thousands of reais unless otherwise stated)

	Parent Company		Consolidated	
	2016	**2015**	**2016**	**2015**
Current	-	1,942	-	(5,534)
Deferred	7,562	1,662	8,748	4,025
Total	7,562	3,604	8,748	(1,509)

(In thousands of reais unless otherwise stated)

				2016				**2015**
	Temporary differences	**Income tax**	**Social contribution**	**Total**	**Temporary differences**	**Income tax**	**Social contributionl**	**Total**
Assets (i)								
Inventories - provision for losses	47,242	11,801	4,252	16,053	58,636	14,649	5,278	19,927
Repossession of machinery	3,861	964	347	1,311	10,991	2,746	989	3,735
Tax loss	77,549	16,931	6,914	23,845	31,338	6,883	3,099	9,982
Tax loss - subsidiaries	9,349	1,822	-	1,822	-	-	-	-
Provision for tax, labor and civil risks	56,136	14,022	501	14,523	55,439	13,850	659	14,509
Other temporary differences in assets	5,706	1,389	513	1,902	6,247	1,427	561	1,988
Deferred income tax and social contribution assets, net – parent company and consolidated	**199,843**	**46,929**	**12,527**	**59,456**	**162,651**	**39,555**	**10,586**	**50,141**
Liabilitieso (ii):								
Temporarily non-deductible differences in liabilities:								
Write-off of subsidiary Rominor's negative goodwill	4,563	1,025	378	1,403	4,563	1,025	378	1,403
Deferred income tax and social contribution liabilities – consolidated	**195,280**	**45,904**	**12,149**	**58,053**	**158,088**	**38,530**	**10,208**	**48,738**
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	9,140	-	9,140	19,029	11,296	-	11,296
Goodwill on the acquisition of Burkhardt + Weber (B+W)Mais v	57,385	16,713	-	16,713	73,533	21,415	-	21,415
Deferred income tax and social contribution liabilities – consolidated	**76,414**	**25,853**	**-**	**25,853**	**92,562**	**32,711**	**-**	**32,711**

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

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

As at December 31, 2016, the expected realization of deferred income tax and social contribution, recorded in non-current assets, Parent Company and Consolidated, was as follows:

	Parent Company		**Consolidated**	
	2016	**2015**	**2016**	**2015**
Deferred tax assets				
Deferred tax assets to be recovered within 12 months	11,227	15,153	12,980	15,153
Deferred tax assets to be recovered after more than 12 months	45,005	33,585	45,073	33,585
	56,232	48,738	58,053	48,738
Deferred tax liabilities				
Deferred tax liabilities to be settled within 12 months			-	-
Deferred tax liabilities to be settled after more than 12 months			(25,853)	(32,711)
			(25,853)	(32,711)

(In thousands of reais unless otherwise stated)

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

	Asset		Liability
	Parent Company	**Consolidated**	**Consolidated**
As at December 31, 2015	48,738	48,738	32,711
Changes in the year:			
Additions	13,868	15,667	-
Realization	(6,374)	(6,352)	(616)
Foreign exchange rate variations	-	-	(6,242)
As at December 31, 2016	56,232	58,053	25,853

16 Equity

Share capital

As at December 31, 2016, the Company's subscribed and paid-up capital amounting to 492,025 (R$ 492,025 as at December 31, 2015) was represented by 62,857,647 (68,757,647 as at December 31, 2015) book-entry, registered common shares, without par value, all with the same rights and benefits.

Legal reserve

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

Share buyback

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

The Company's goal with the Program was to maximize value for its shareholders through the investment of part of its financial resources available within the total amount of the earnings and capital reserves. Under the Program, which was completed on January 19, 2016, 3,100,000 Company common shares were acquired for the total price of R$ 5,600, with an average price per share of R$1.81.

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

At the meeting held on April 6, 2016, the Company's Board of Directors approved the Program, to be held in treasury for subsequent cancelation or sale, without capital reduction, in accordance with its bylaws, CVM Instructions 10/80 and 268/97 and other legal provisions in force.

(In thousands of reais unless otherwise stated)

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

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

Common shares issued – in quantity	**December 31, 2016**
Shares as at December 31, 2015	68,757,647
Shares canceled on April 5, 2016	(3,100,000)
Shares canceled on August 2, 2016	(2,800,000)
Shares outstanding as at December 31, 2016	62,857,647

Dividends

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

	2016	**2015**
Adjusted profit (loss) for the year	(39,695)	6,254
(-) Recognition of legal reserves	-	(313)
Profits available for distribution	-	5,941
Mandatory dividends – 25%	-	(1,485)
Recognition (utilization) of earnings reserve	(39,695)	4,456

Earnings per share

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

	December 31, 2016	**December 31, 2015**
Profit (loss) for the period attributable to the controlling shareholders	(39,695)	6,254
Weighted average number of shares outstanding in the year (in thousands)	65,299	68,758
Basic and diluted earnings (loss) per share	(0.61)	0.09

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

Cumulative translation adjustments

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

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

17 Pension plan

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

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

The amount of contributions made by the Company in the year ended December 31, 2016 was R$ 1,097 (R$ 2,955 as at December 31, 2015). The amount incurred on the private pension plan was recorded in the statements for the years ended December 31, 2016 and 2015 in the line items "Cost of sales and services", "Selling expenses" and "General and administrative expenses", based on the reference cost center of each employee.

18 Insurance

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

As at December 31, 2016, the insurance coverage for fire, windstorm, electrical damages and theft was comprised as follows: (i) buildings - R$ 151,994 (ii) machinery and equipment - R$ 310,406; (iii) inventory and machinery pending repossession - R$ 270,100; (iv) construction works - R$ 2,921; (v) assets held by third parties – R$ 10,939 and (vi) others – R$ 1,821.

19 Financial instruments and operating risks

(a) General considerations

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

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

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

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

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

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

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

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

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

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

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

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

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

(In thousands of reais unless otherwise stated)

	Consolidated			
	Less than one year	**Between one and two years**	**Between two and five years**	**Over five years**
As at December 31, 2016				
Borrowing	99,435	55,362	38,052	6,924
Trade payables	34,482			
As at December 31, 2015				
Borrowing	45,825	94,054	74,291	2,472
Trade payables	28,400			

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

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

	Parent Company		Consolidated	
	2016	**2015**	**2016**	**2015**
Total borrowing	314,112	368,993	329,903	391,551
(-) Cash and cash equivalents (Note 5)	(81,502)	(102,580)	(122,341)	(144,581)
(-) FINAME manufacturer financing (Note 6)	(169,679)	(220,449)	(169,679)	(220,449)
Net debt	62,931	45,964	37,883	26,521
Total equity	599,962	670,719	601,532	672,995
Total capital	662,893	716,683	639,415	699,516
Gearing ratio - %	9%	6%	6%	4%

(In thousands of reais unless otherwise stated)

Additional sensitivity analysis required by the CVM

(i) Exchange rate fluctuations

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

As at December 31, 2016, the foreign currency denominated balances were subject to changes in foreign exchange rates. Assets and liabilities exposed to exchange rate fluctuations recognized in the balance sheet are as follows:

	Parent Company
Cash and cash equivalents	2,316
Trade receivables	5,316
Receivables from related parties	36,245
Payables to related parties	(633)
Trade payables	(5,003)
Other payables	(5,814)
Net asset exposure	32,427

Presented below is the loss that would have been recognized in profit (loss) for the year ended December 31, 2016 according to the following scenarios:

	Parent Company		
	Probable scenario	Scenario II	Scenario III
Net asset exposure	39,666	49,583	59,500

The probable scenario considers future US Dollar and Euro rates, based on quotations obtained from the Brazilian Central Bank, considering the average quotation projected for 2017. Scenarios II and III project a decrease in exchange rates of 25% and 50%, respectively. The probable scenarios, II and III, are being presented in conformity with CVM Instruction 475/08. Management uses the probable scenario in the assessment of possible changes in exchange rates and presents such scenario in compliance with IFRS 7 – "Financial Instruments: Disclosure".

(ii) Interest rate fluctuations

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

(In thousands of reais unless otherwise stated)

As at December 31, 2016, 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
CDBs (Note 4)	28,845	46,422
Total borrowing and financing linked to TJLP	(76,260)	(76,260)
Total borrowing and financing linked to SELIC	(52,235)	(52,235)
Net liability exposure	(99,649)	(82,072)

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

The tables below show the incremental gain (loss) that would have been recognized in profit (loss) for the year ended December 31, 2016 according to the following scenarios:

			Parent company
	Probable scenario	**Scenario II**	**Scenario III**
Net liability exposure	(7,704)	(9,630)	(11,556)

			Consolidated
	Probable scenario	**Scenario II**	**Scenario III**
Net liability exposure	(5,243)	(6,554)	(7,865)

The probable scenario considers the future interest rates according to quotations obtained from BM&FBOVESPA, considering the rates projected for March 31, 2017. Scenarios II and III consider a decrease in interest rates of 50% and 25%, respectively, and scenarios III and IV consider an increase in interest rates of 25% and 50%, respectively.

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

(In thousands of reais unless otherwise stated)

(c) Financial instruments per category

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

	Parent Company		Consolidated	
Financial assets	**2016**	**2015**	**2016**	**2015**
Loans and receivables:				
Cash and cash equivalents	81,502	102,580	122,341	144,581
Trade accounts receivable	72,223	64,951	106,212	131,067
Onlending of FINAME manufacturer financing	169,679	220,449	169,679	220,449
Related parties	36,566	33,820	-	-
Other receivables, except advances and machines pending repossession	7,469	7,730	9,348	9,625
Judicial deposits	2,115	986	2,115	986
Financial liabilities at amortized cost:				
Borrowings	183,982	194,084	199,773	216,642
FINAME manufacturer financing	130,130	174,909	130,130	174,909
Trade accounts payable	28,165	20,330	34,482	28,400
Other payables	5,713	6,346	13,807	23,499
Related parties	758	634	-	-

The fair values of the financial instruments approximate their carrying amounts.

(In thousands of reais unless otherwise stated)

20 Segment reporting - Consolidated

To manage its business, the Company is organized into three business units, on which the Company's segmented reporting is based. In order to reflect the Company's recent organizational changes and the reports that are currently used by the Board of Directors, the Company's chief operating decision-maker, the segment reporting is now prepared considering three reportable segments, namely: Romi Machinery, Burkhardt+Weber Machinery and Cast and Machined Products (previously the segments were: machine tools; plastic injection machines; and cash and machined products.) The information for the year ended December 31, 2016 was prepared and is being presented on a comparative basis with the year ended December 31, 2015, according to the Company's new segments:

December 31, 2016

	Romi Machinery	Burkwardt+ Weber	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	262,982	114,861	209,074		586,917
Cost of sales and services	(181,169)	(96,347)	(192,405)		(469,921)
Transfers remitted	2,826	-	13,775	(16,601)	-
Transfers received	(13,775)	-	(2,826)	16,601	-
Gross profit	70,864	18,514	27,618	-	116,996
Operating (expenses) income:					
Selling expenses	(58,098)	(10,118)	(4,630)		(72,846)
General and administrative	(32,897)	(17,181)	(14,514)		(64,592)
Research and development	(19,492)	-	-		(19,492)
Management fees	(3,047)	-	(2,183)		(5,230)
Other operating income, net	730	-	-		730
Operating profit (loss) before finance income (costs)	(41,940)	(8,786)	6,291		(44,434)
Inventories	185,443	48,564	30,580		264,587
Depreciation and amortization	14,706	6,354	13,324		34,385
Property, plant and equipment, net	99,436	51,256	101,341		252,033
Intangible assets	758	42,088	-		42,846

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

(In thousands of reais unless otherwise stated)

	December 31, 2015				
	Romi Machinery	Burkwardt+ Weber	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	307,369	163,347	135,916		606,632
Cost of sales and services	(203,705)	(129,066)	(135,834)		(468,605)
Transfers remitted	710	-	11,846	12,556	-
Transfers received	(11,846)	-	(710)	(12,556)	-
Gross profit	92,528	34,281	11,218	-	138,027
Operating (expenses) income:					
Selling expenses	(58,358)	(8,094)	(3,309)		(69,761)
General and administrative	(40,267)	(17,920)	(9,872)		(68,059)
Research and development	(18,235)	-	-		(18,235)
Management fees	(4,067)	-	(1,313)		(5,380)
Other operating income, net	21,366	-	-		21,366
Operating profit (loss) before finance income (costs)	(7,034)	8,266	(3,277)		(2,042)
Inventory	209,477	35,211	23,098		267,786
Depreciation and amortization	16,402	7,262	10,781		34,445
Property, plant and equipment, net	111,455	66,874	99,480		277,809
Intangible assets	473	54,895	-		55,368

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

(In thousands of reais unless otherwise stated)

21 Future commitments

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

Year of supply	Amount
2017	9,698
2018	7,607
Total	17,305

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

22 Net sales revenue

Net sales revenue for the years ended December 31, 2016 and 2015 is broken down as follows:

	Parent Company		Consolidated	
	2016	2015	2016	2015
Domestic market	441,418	424,886	441,523	426,825
Foreign market	66,343	52,584	208,322	248,978
Gross sales revenue	507,761	477,470	649,845	675,803
(-) Taxes on sales	(62,664)	(69,171)	(62,928)	(69,171)
Net sales revenue	445,097	408,299	586,917	606,632

(In thousands of reais unless otherwise stated)

23 Expenses by nature

	Parent Company		Consolidated	
	2016	2015	2016	2015
Depreciation and amortization	27,374	26,246	34,385	34,445
Personnel expenses	142,584	132,371	210,547	206,083
Raw materials and consumables	214,007	187,604	308,439	296,912
Freight	21,652	20,866	25,515	17,248
Other expenses	69,914	63,655	52,165	75,353
Total	475,531	430,742	631,051	630,041
Classified as:				
Cost of sales and services	370,025	320,500	469,921	468,605
Selling expenses	46,751	46,771	72,522	69,761
General and administrative expenses	34,129	39,954	63,886	68,060
Research and development	19,492	18,235	19,492	18,235
Management profit sharing and fees	5,134	5,282	5,230	5,380
Total	475,531	430,742	631,051	630,041

24 Finance income (costs)

	Parent Company		Consolidated	
	2016	2015	2016	2015
Finance income:				
Income from financial investments	12,407	10,135	15,004	12,299
Interest on trade receivables	4,827	6,565	4,827	6,565
Other	396	442	942	348
Total	17,630	17,142	20,773	19,212
Finance costs:				
Interest on financing	(15,161)	(15,008)	(18,620)	(16,260)
Other	(838)	(5,039)	(838)	(4,698)
	(15,999)	(20,047)	(19,458)	(20,958)

(In thousands of reais unless otherwise stated)

25 Other operating income, net

	Parent Company		Consolidated	
	2016	2015	2016	2015
Gains on sales of assets	242	1,668	242	23,550
Other	1,007	(556)	488	(2,184)
	1,249	1,112	730	21,366

* * *

INDÚSTRIAS ROMI S.A.

MANAGEMENT REPORT – 2016

Dear Sirs:

We submit to examination of the shareholders, customers, suppliers, Capital Markets and Society in General, the Management Report and the Financial Statements of Industrias Romi SA ("Romi" or the "Company"), for the fiscal year ended 31 December 2016, together with the Independent Auditors' Report.

The year 2016 was marked by poor economic activity due to the uncertainty surrounding the Brazilian market since 2014. The new Federal Government, which has demonstrated its reform intentions, as well as the new monetary policy, with more pronounced interest cuts, begins to generate some signs of a possible recovery of the Brazilian economy, which can be noticed in the confidence indexes presented below. However, this possible recovery still could not be felt in the volume of Romi's new businesses, which continues to be impacted by the scenario of uncertainties regarding the country's future.

Over the course of 2015, the devaluation of the Brazilian Real (R$) against the US Dollar (US$) increased the competitiveness of local manufacturers of machinery and equipment compared with imported equipment. On the other hand, in 2016, especially since June, the Real (R$) posted appreciation and high volatility, which aligned with the scenario of uncertainties, impaired the decision on potential plans for domestic production of parts currently imported. Such scenario also impacted export margins and the competitiveness of Romi products, which have as main competitors imported equipment, as well as in segments of the Brazilian industry that also compete with imported parts.

1. OPERATIONAL PERFORMANCE

Net Operating Revenue

The Net operating revenue in 2016 was R$ 586.9 million, 3.2% less than 2015 due to the following main factors: (i) decrease of revenue of new machines in the domestic market, caused by the low performance of economy in 2016; and (ii) decrease of the revenue of the Germany subsidiary B+W in 2016, as consequence of slowdown of Chine in the second half of 2015, causing a decrease of order entry for delivery in 2016.

The domestic market accounted for 65% of Romi's consolidated revenues in 2016. The revenue in the foreign market takes into account the sales by Romi's subsidiaries abroad (Germany, United States, Italy, United Kingdom, France, Mexico and Spain) was US$63.1 million, 7.2 less than the value reached in 2015. The decrease of foreign revenue is due to the Germany subsidiary B+W, which all the factors were discussed above,

In 2016, the order entry was R$ 622.7 million, 27.7% greater than in 2015.

Margins

In 2016, gross margin was 19.2%, 2.9 p.p. less than 2015. This decrease was caused mainly by expenses on termination of employment contracts (R$ 8.9 million in 2016 and R$7.5 million in 2015).

Net Profit

The loss of the year 2016 was R$ 39.5 million.

2. INVESTMENTS

Throughout the year 2016 R$ 25.3 million was invested, being intended, in part, for the maintenance, productivity and modernization of the industrial park, specially due acquisition of a new automatic moulding machine for the Cast and Iron parts business unit.

3. EXTERNAL AUDIT

In accordance with CVM Instruction 381/03, the Company announced that in the fiscal year ended December 31, 2016, there was no performing of any services other than the audit of the financial statements, provided by PricewaterhouseCoopers Auditores Independentes.

4. ARBITRATION

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

Management

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

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

FISCAL COUNCIL OPINION

In accordance with relevant legal and statutory provisions, the Fiscal Council of Indústrias Romi S.A., having examined the information submitted and having received the clarifications provided by the Executive Officers and the Independent Auditors, declared that the Management Report and the Financial Statements for the year ended December 31, 2016 are appropriated to be submitted to the General Shareholders' Meeting.

Santa Bárbara d'Oeste, February 6th, 2017

Alfredo Ferreira Marques Filho

Clóvis Ailton Madeira

Thiago Freitas Rodrigues

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 7th, 2017

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

INDÚSTRIAS ROMI S.A.
PUBLICLY-HELD COMPANY

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

EXECUTIVE BOARD REPORT ON THE INDEPENDENT AUDITOR'S REPORT

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

Santa Bárbara d'Oeste, February 7th, 2016

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