(Convenience Translation into English from the Original Previously Issued in Portuguese)

Indústrias Romi S.A.

Individual and Consolidated
Financial Statements
for the Year Ended
December 31, 2021 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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INDEPENDENT AUDITOR'S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
Indústrias Romi S.A.

Opinion on the individual and consolidated financial statements

We have audited the accompanying individual and consolidated financial statements of Indústrias Romi S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2021, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Indústrias Romi S.A. as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion on the individual and consolidated financial statements

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 individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

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Property, plant and equipment and intangible assets - Assessment of the potential indicators of impairment of property, plant and equipment and intangible assets for the "Burkhardt + Weber Fertigungssysteme GmbH ("B+W")" segment

During the year ended December 31, 2021, mainly due to the instabilities in the B+W segment market as a result of the "Covid-19", we consider that the assessment of the potential indicators of impairment of property, plant and equipment and intangible assets was important during each one of the quarters for the year then ended.

In the last quarter of the year ended December 31, 2021, Management has assessed the existence of indicators that could require the performance of impairment test for property, plant and equipment and intangible assets for this cash-generating unit and concluded on the non-existence of any indicators. We performed preliminary auditing procedures on some of the relevant business estimates and assumptions that could indicate whether the assets might be impaired, when applicable, for any potential identification of the risk of material misstatement of the individual and consolidated financial statements. Based on the audit evidence obtained through the preliminary procedures applied, we did not identify any indicators of impairment for the B+W segment and thus we consider acceptable the amount of property, plant and equipment and intangible assets for the B+W segment in the context of the individual and consolidated financial statements for the year ended December 31, 2021 taken as a whole.

Tax positions

a) As disclosed in note 15 to the individual and consolidated financial statements, the Company has tax matters under discussion at various court levels for which, based on the opinion of its legal advisors, a provision for risks was recognized in current and noncurrent liabilities in the amount of R$1,792 thousand (R$1,512 thousand as at December 31, 2020) for those lawsuits assessed as probable loss and disclosed R$72,563 thousand (R$65,011 thousand as at December 31, 2020) and R$73,005 thousand (R$65,011 thousand as at December 31, 2020), in the Parent and Consolidated, respectively, for those risks assessed as possible loss.

b) As disclosed in note 9 to the individual and consolidated financial statements, the Company is a party to a lawsuit filed in 2019 where it seeks the recovery of taxes (income tax and social contribution) paid on the amounts related to inflation adjustment and late payment interest in the refund and reimbursement of tax credits. On September 24, 2021, the Federal Supreme Court (STF), in analyzing the matter on a general effect basis, has decided that the levy of income tax (IRPJ) and social contribution (CSLL) on the amounts relating to the Selic rate received as a result of undue tax payment is unconstitutional. This decision is applicable only on the merit of the matter and does not define when its application is allowed to the taxpayer. As it refers to taxes levied on the Company's profit, ICPC 22 - Uncertainty over Income Tax Treatments, equivalent to IFRIC 23, was applied by the Company's Management, which requires an entity to assess whether it is "more likely than not" that the tax treatment adopted will be accepted by the tax authority, which may include the courts, and, consequently, in the quarter ended September 30, 2021 a credit in the approximate amount of R$47,433 thousand was recorded.

The determination of the amount of the provision (item a) above), of the amount recognized as income tax and social contribution credit (item b) above) and of the amounts disclosed depends on Management's critical judgments, based on the analysis and conclusion about the technical pronouncements applicable to each matter, individual analysis of lawsuits and corresponding likelihood of loss of its legal advisors. Also, and considering the significance of the respective amounts, any changes in the estimates or assumptions, which impact the likelihood of loss, or accounting technical interpretation to assess whether "it is more likely than not" that the tax treatment adopted will be accepted by the tax authority, could have significant impacts on the Company's financial statements. In light of the foregoing, this matter was considered a key audit matter. Our audit procedures included, among others, involving more experienced professionals and tax specialists, considering the technical pronouncements applicable to each significant matter, and reviewing the opinion of other legal advisors obtained by the Company's Management. Also, we requested and obtained confirmation from the Company's legal advisors of the amounts and likelihood of loss of the Company's lawsuits, including potential tax positions for which there is not yet an ongoing lawsuit, and assessed the understandability of the disclosures included in the notes on tax uncertainties and income tax and social contribution credits. Based on the procedures performed, we consider acceptable Management's estimates related to the disclosure and recognition of tax positions in line with the information and documents presented.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2021, prepared under the responsibility of the Company's Management, were subject to audit procedures performed together with the audit of the Company's individual and consolidated financial statements. In forming our opinion, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for the other information. Such other information comprises the Management Report.

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

In connection with our audit of the individual 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.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and IFRS, issued by the 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 individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the individual 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 individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the 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, when 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 year 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.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, February 1, 2022

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Paulo de Tarso Pereira Jr.
Engagement Partner

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INDÚSTRIAS ROMI S.A.
BALANCE SHEETS
AS AT DECEMBER 31
(In thousands of Brazilian reais - R$)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

		Parent		Consolidated	
ASSETS	Note	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
CURRENT ASSETS					
Cash and cash equivalents	3	28.047	140.932	99.911	195.418
Short-term investments	3	74.786	127.166	74.786	127.166
Trade accounts receivable	4	123.874	98.974	237.952	186.183
Onlending of FINAME - manufacturer financing	5	152.775	131.494	152.775	131.494
Inventories	6	431.176	266.114	536.699	358.674
Related parties	8	53.303	47.052	-	-
Taxes recoverable	9	40.337	44.538	48.935	51.204
Other receivables		6.833	13.686	13.224	18.556
		911.131	869.956	1.164.282	1.068.695
NONCURRENT ASSETS					
Trade accounts receivable	4	13.439	11.161	20.714	13.106
Onlending of FINAME - manufacturer financing	5	218.866	203.222	218.866	203.222
Related parties	8	51.473	34.223	-	-
Taxes recoverable	9	70.466	28.250	70.472	28.256
Deferred income tax and social contribution	16	9.599	23.552	10.557	23.934
Judicial deposits	15	12.097	1.884	12.097	1.884
Other receivables		5.932	3.054	6.498	3.687
		381.872	305.346	339.204	274.089
Investments in subsidiaries	7	191.012	180.393	-	-
Property, plant and equipment	11	275.200	212.188	370.348	314.748
Investment property	10	13.500	13.500	16.621	18.388
Intangible assets	12	945	1.096	64.065	70.788
		862.529	712.523	790.238	678.013
TOTAL ASSETS		1.773.660	1.582.479	1.954.520	1.746.708

		Parent		Consolidated	
LIABILITIES AND EQUITY	Note	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
CURRENT LIABILITIES					
Borrowings	13	70.541	115.025	70.732	115.422
FINAME manufacturer financing	14	142.830	122.704	142.830	122.704
Trade accounts payable		115.340	87.756	129.391	96.054
Payroll and related taxes		37.882	27.272	46.062	36.163
Taxes payable		7.086	7.553	21.246	13.182
Advances from customers		53.046	32.156	103.997	70.462
Profit sharing		7.680	4.856	7.680	4.856
Dividends and interest on capital		17.983	91.130	18.191	91.130
Provision for tax, labor and civil risks	15	1.445	1.216	1.445	1.216
Other payables		5.020	3.811	34.579	35.612
Related parties	8	3.096	430	-	-
		461.949	493.909	576.153	586.801
NONCURRENT LIABILITIES					
Borrowings	13	117.868	62.384	149.499	96.668
FINAME manufacturer financing	14	219.104	201.710	219.104	201.710
Provision for tax, labor and civil risks	15	347	296	347	296
Other payables		15	48	3.095	3.277
Provision for equity deficit of subsidiaries	7	11.089	11.129	-	-
Deferred income tax and social contribution	16	-	-	41.361	43.372
		348.423	275.567	413.406	345.323
TOTAL LIABILITIES		810.372	769.476	989.559	932.124
EQUITY					
Capital	17	637.756	637.756	637.756	637.756
Earnings reserve		233.695	86.894	233.695	86.894
Carrying value adjustment		91.837	88.353	91.837	88.353
		963.288	813.003	963.288	813.003
NONCONTROLLING INTERESTS		-	-	1.673	1.581
TOTAL EQUITY		963.288	813.003	964.961	814.584
TOTAL LIABILITIES AND EQUITY		1.773.660	1.582.479	1.954.520	1.746.708

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

INDÚSTRIAS ROMI S.A.
STATEMENTS OF PROFIT AND LOSS
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais - R$, except for earnings per share expressed in Brazilian reais)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

		Parent		Consolidated	
	Note	**2021**	**2020**	**2021**	**2020**
Net operating revenue	23	1.064.134	656.244	1.383.499	973.150
Cost of sales and services	24	(722.832)	(444.225)	(936.710)	(674.321)
Gross profit		341.302	212.019	446.789	298.829
Operating income (expenses)					
Selling	24	(62.100)	(43.932)	(110.895)	(91.055)
General and administrative	24	(37.287)	(30.731)	(85.846)	(74.005)
Research and development	24	(27.077)	(22.518)	(27.077)	(22.518)
Management profit sharing and fees	8	(15.585)	(11.584)	(15.721)	(11.687)
Equity in earnings of subsidiaries	7	9.147	(6.267)	-	-
Other operating income (expenses), net	26	2.042	6.848	4.298	7.304
		(130.860)	(108.184)	(235.241)	(191.961)
Operating profit		210.442	103.835	211.548	106.868
Finance income (costs)					
Finance income	25	11.387	68.696	12.332	69.529
Finance costs	25	(11.727)	(9.411)	(14.000)	(11.772)
Foreign exchange gains (losses), net		3.084	4.403	3.386	4.520
		2.744	63.688	1.718	62.277
Profit before taxation		213.186	167.523	213.266	169.145
Income tax and social contribution	16	(9.412)	6.954	(9.118)	5.554
Current	16	4.541	6.979	3.434	6.220
Deferred	16	(13.953)	(25)	(12.552)	(666)
Profit for the year		203.774	174.477	204.148	174.699
Attributable to					
Controlling interests				203.774	174.477
Noncontrolling interests				374	222
				204.148	174.699
Basic and diluted earnings per share in reais - R$	17	2,78	2,69		

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

INDÚSTRIAS ROMI S.A.
STATEMENTS OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais - R$)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
Profit for the year	203.774	174.477	204.148	174.699
Foreign currency translation effects	3.484	42.576	3.484	42.576
Comprehensive profit for the year	207.258	217.053	207.632	217.275
Attributable to				
Controlling interests			207.258	217.053
Noncontrolling interests			374	222
			207.632	217.275

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

INDÚSTRIAS ROMI S.A.
STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais - R$)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

		Attributable to the controlling interests								
			Earnings reserve							
	Note	**Capital**	**Earnings reserve**	**Legal reserve**	**Total**	**Carrying value adjustment**	**Profit for the year**	**Total**	**Noncontrolling interests**	**Total**
At December 31, 2019		**492.025**	**165.161**	**54.321**	**219.482**	**45.777**	**-**	**757.284**	**1.598**	**758.882**
Profit for the year		-	-	-	-	-	174.477	174.477	222	174.699
Foreign currency translation effects		-	-	-	-	42.576	-	42.576	-	42.576
Total comprehensive income for the year		-	-	-	-	42.576	174.477	217.053	222	217.275
Interest on capital		-	-	-	-	-	(161.334)	(161.334)	-	(161.334)
Dividends paid by subsidiary		-	-	-	-	-	-	-	(239)	(239)
Transfers between reserves		145.731	(141.312)	8.724	(132.588)	-	(13.143)	-	-	-
Total contributions by and distributions to controlling interests		145.731	(141.312)	8.724	(132.588)	-	(174.477)	(161.334)	(239)	(161.573)
At December 31, 2020		**637.756**	**23.849**	**63.045**	**86.894**	**88.353**	**-**	**813.003**	**1.581**	**814.584**
At December 31, 2020		**637.756**	**23.849**	**63.045**	**86.894**	**88.353**	**-**	**813.003**	**1.581**	**814.584**
Profit for the year		-	-	-		-	203.774	203.774	374	204.148
Foreign currency translation effects		-	-	-	-	3.484	-	3.484	-	3.484
Total comprehensive income for the year		-	-	-	-	3.484	203.774	207.258	374	207.632
Interim dividends		-	-	-	-	-	(16.867)	(16.867)	-	(16.867)
Interest on capital	17	-	-	-	-	-	(40.106)	(40.106)	-	(40.106)
Dividends paid by subsidiary		-	-	-	-	-	-	-	(282)	(282)
Transfers between reserves		-	136.612	10.189	146.801	-	(146.801)	-	-	-
Total contributions by and distributions to controlling interests		-	136.612	-	146.801	-	(203.774)	(56.973)	(282)	(57.255)
At December 31, 2021		**637.756**	**160.461**	**73.234**	**233.695**	**91.837**	**-**	**963.288**	**1.673**	**964.961**

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

INDÚSTRIAS ROMI S.A.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais - R$)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	Note	Parent		Consolidated	
		2021	2020	2021	2020
Cash flows from operating activities					
Profit before taxation		**213.186**	**167.523**	**213.266**	**169.145**
Adjustments from:					
Unrealized finance costs and foreign exchange difference		(15.811)	(59.237)	(16.387)	(80.611)
Depreciation and amortization	11, 12	25.955	21.284	42.376	36.847
Allowance (reversal) for doubtful accounts and other receivables	4, 5	(532)	948	(980)	3.510
Recognition (reversal) of inventory realization	6	(3.885)	(804)	(5.435)	8.558
Gain (loss) on disposals of property, plant and equipment and intangible assets	26	(2.251)	(4.492)	(2.251)	(4.792)
Equity in earnings of subsidiaries	7	(9.147)	6.267	-	-
Recognition (reversal) of provision for contingent liabilities	15	(234)	42	(234)	42
Change in operating assets and liabilities					
Trade accounts receivable		(13.003)	(627)	(44.754)	(3.433)
Related parties (assets and liabilities)		(21.127)	(17.735)	-	-
Onlending of FINAME - manufacturer financing		(36.257)	(78.134)	(36.252)	(78.134)
Inventories		(163.138)	(25.834)	(160.223)	(22.354)
Taxes recoverable		(33.507)	(3.314)	(26.573)	(3.270)
Judicial deposits		(10.213)	46	(10.213)	46
Other receivables		13.334	72.678	11.881	70.329
Trade accounts payable		29.199	49.468	34.952	41.438
Payroll and related taxes		10.610	12.024	9.899	14.875
Taxes payable		(467)	(23.182)	(2.343)	(22.980)
Advances from customers		20.890	19.970	33.535	2.262
Other payables		4.539	4.664	2.115	14.715
Cash provided by operations		8.141	141.555	42.379	146.193
Income tax and social contribution paid		-	-	(722)	(559)
Net cash provided by operating activities		8.141	141.555	41.657	145.634
Cash flows from investing activities					
Short-term investments	3	52.380	(126.483)	52.380	(126.483)
Purchase of property, plant and equipment	11	(90.808)	(42.345)	(100.321)	(46.784)
Purchase of intangible assets	12	(291)	(901)	(2.791)	(1.131)
Proceeds from the sale of property, plant and equipment		4.505	5.361	4.505	5.361
Dividends received	7	3.970	3.216	-	-
Net cash used in investing activities		(30.244)	(161.152)	(46.227)	(169.037)
Cash flows from financing activities					
Interest on capital and dividends paid	17	(130.120)	(88.676)	(130.398)	(88.916)
New borrowings		124.745	192.567	129.906	209.469
Financing paid		(112.586)	(130.793)	(118.226)	(140.013)
Interest paid		(10.341)	(4.861)	(12.438)	(4.865)
New Finame - manufacturer financing		220.079	184.305	220.079	184.304
Payment of Finame - manufacturer financing		(151.067)	(83.574)	(151.067)	(83.574)
Interest paid - Finame - manufacturer financing		(31.492)	(11.277)	(31.492)	(11.276)
Net cash provided by (used in) financing activities		(90.782)	57.691	(93.636)	65.129
Increase (decrease) in cash and cash equivalents, net		(112.885)	38.094	(98.206)	41.726
Cash and cash equivalents at the beginning of the year		140.932	102.838	195.418	147.807
Foreign exchange gains (losses) on cash equivalents of foreign subsidiaries		-	-	2.699	5.885
Cash and cash equivalents at the end of the year		28.047	140.932	99.911	195.418

The accompanying notes are an integral part of this financial information.

INDÚSTRIAS ROMI S.A.
STATEMENTS OF VALUE ADDED
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais - R$)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
Revenues				
Sales of goods, products and services	1.221.749	764.681	1.541.446	1.081.705
Revenues related to the constructions of own assets	76.594	23.899	76.594	23.899
Allowance for doubtful accounts	(532)	(948)	(980)	(3.510)
Other operating income, net	2.042	6.848	4.298	7.304
	1.299.853	794.480	1.621.358	1.109.398
Inputs acquired from third parties				
Materials used	(747.123)	(341.852)	(823.750)	(485.529)
Other costs of products and services	(29.858)	(28.895)	(37.966)	(47.986)
Electricity, third-party services and other expenses	(60.924)	(42.682)	(111.068)	(75.801)
	(837.905)	(413.429)	(972.784)	(609.316)
Gross value added	461.948	381.051	648.574	500.082
Depreciation and amortization	(25.955)	(21.284)	(42.376)	(36.847)
Net value added generated by the Company	435.993	359.767	606.198	463.235
Value added received through transfers				
Equity in earnings of subsidiaries	9.147	(6.267)	-	-
Finance income (costs) and net foreign exchange gains (losses)	14.471	73.099	15.718	74.049
Total value added to distribute	459.611	426.599	621.916	537.284
Distribution of value added				
Employees				
Payroll and related taxes	175.481	109.639	312.661	218.682
Sales commission	9.017	4.412	9.017	4.412
Management profit sharing and fees	15.585	11.584	15.721	11.687
Profit sharing	20.245	15.518	20.245	15.518
Private pension plan	1.310	1.023	1.310	1.023
Taxes, fees and contributions	173.134	101.248	195.404	98.924
Interest	11.728	9.411	10.614	11.772
Rentals	2.816	3.706	6.557	5.225
Interest on capital	40.106	161.334	40.106	161.334
Noncontrolling interests	-	-	92	(17)
Retained earnings	10.189	8.724	10.189	8.724
Value added distributed	459.611	426.599	621.916	537.284

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

1 General information

Indústrias Romi S.A. (Parent) and its subsidiaries (jointly referred to as “Company” or “Consolidated”), listed on the "New Market" of B3 S.A. - Brasil, Bolsa, Balcão, since March 23, 2007, and headquartered in Santa Bárbara d’Oeste, São Paulo, are engaged in the manufacture and sale of capital goods in general, including machine tools, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts, as well as providing system analysis and developing data processing software related to the production, sale, and use of machine tools and plastic injectors; the manufacture and sale of rough cast parts and machined cast parts; the export, import and representation on its own account or on behalf of third parties; and the provision of related services. It also holds interest in other companies as a partner, shareholder or member in other civil or business entities, business ventures of any nature, in Brazil or abroad, as well as the management of its own and/or third-party assets.

The Company’s industrial facilities consist of thirteen 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 plant for large tooling machinery for special applications, with high precision and productivity. It also holds interest in subsidiaries in Brazil and abroad.

These individual and consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on February 1, 2022.

2 Basis of preparation and accounting policies

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

The main accounting policies adopted in the preparation of these individual and consolidated 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 individual and consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration paid in exchange for the assets. The preparation of individual and consolidated 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 individual and consolidated financial statements, are disclosed in Note 2.18.

The preparation of the individual and consolidated statements of value added (DVA) is required by the Brazilian corporate law and the accounting practices adopted in Brazil for listed companies, but is not required by IFRS. Therefore, under IFRS, the presentation of such statements is considered supplementary information, and not part of the set of individual and consolidated financial statements.

Changes in accounting policies and disclosures

There are no amendments or interpretations effective for the financial year beginning on January 1, 2021 that would be expected to have a material impact on the Company's individual and consolidated financial statements.

2.2 Investments in subsidiaries - Consolidated

(a) Parent:

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

Investments in subsidiaries are accounted for using the equity method from the date on which control is acquired. Based on this method, investments in subsidiaries are recognized in the individual and consolidated financial statements at the acquisition cost, and are periodically adjusted to the amount corresponding to the Parent's share of the profits (losses) of the subsidiaries, with a balancing item in the operating profit (loss), except for the foreign exchange effects 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 equity deficit) 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 2.10).

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

(b) Consolidated:

The Company has fully consolidated the financial statements of the Parent and all of its subsidiaries. Information on control is describe in Note 7 - Investments in subsidiaries.
Third-party interests in the equity and profits of subsidiaries are presented separately in the consolidated balance sheet and the consolidated statement of profit and loss, respectively, in the line item "Noncontrolling interests".

Intragroup transactions and balances are eliminated upon consolidation, and any gains or losses on these transactions are also eliminated. Accounting policies of subsidiaries are 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 profit and loss accounts (income and expenses) are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates. Exchange difference 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 individual and consolidated financial statements are presented in Brazilian Reais (R$), which is the functional currency of the Parent and of its subsidiaries located in Brazil. The functional currency of subsidiaries is determined based on the primary economic environment in which they operate, and when their functional currency is different from the reporting currency, the individual and consolidated financial statements are translated into reais at the end of the reporting period.

(b) Transactions and balances

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

2.4 Cash and cash equivalents

i) Cash and cash equivalents:

Cash equivalents are held for the purpose of meeting short-term cash commitments, and not for investment or any other purposes. These include cash, cash on hand and short-term investments realizable within 90 days as of the original date of the notes or considered to be highly liquid or convertible into a known amount of cash, with an immaterial risk of changes in value, which are recorded at fair value through profit or loss, plus income earned through the end of the reporting period, not exceeding their market or realizable values.

ii) Short-term investments:

Short-term investments are comprised of investment funds with notes backed by LTN, LFT and NTN, which are recorded at fair value through profit or loss, plus income earned through the end of the reporting period, not exceeding their market or realizable values.

2.5 Financial Instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) *Financial assets*

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, as disclosed in Note 2.16 - Revenue recognition for sales of goods.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

i. Financial assets at amortized cost (debt instruments).
ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
iv. Financial assets at fair value through profit or loss.

At December 31, 2021, the Company has only financial assets classified as financial assets at amortized cost and financial assets at fair value through profit or loss.

(c) Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade accounts receivable, onlending of FINAME manufacturer financing, related parties and other financial assets recorded as other receivables in current and noncurrent financial assets.

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognized in the statement of profit and loss.

(e) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

i. The rights to receive cash flows from the asset have expired; or

ii. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(f) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade accounts receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further disclosures relating to impairment of trade accounts receivable are also provided in Note 4.

(ii) Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and receivables, and trade accounts payable. All financial liabilities are measured initially at fair value plus or less, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities.

The Company's financial liabilities include trade accounts payable and other payables, and borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(c) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in CPC 48 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

(d) Financial liabilities at amortized cost (borrowings)

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

This category generally applies to interest-bearing borrowings.
For more information, see Notes 13 and 14.

(e) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2.6 Inventories

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

2.7 Property, plant and equipment

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

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

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

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

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

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

2.8 Investment property

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

2.9 Intangible assets

Intangible assets are stated at acquisition cost, less accumulated amortization and impairment losses, when 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 12).

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

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

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

Expenditure on research and development is recognized in intangible assets when the development requirements are meet. When these criteria are not meet, such expenditure is recognized in the statement of profit and loss for the year when it is incurred under "Research and development".

2.10 Impairment of 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 taxes) 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, 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.

2.11 Present value adjustment of assets and liabilities

Assets and liabilities arising from short and long-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 adjustment to present value is measured on a “pro rata” basis, since the origin of each transaction. The reversals of the adjustments of monetary assets and liabilities were recognized as finance income or costs.

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

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 individual and consolidated 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 the tax losses can be utilized. Deferred income tax and social contribution assets are reviewed at the end of each reporting period and written down to the extent that their realization is no longer probable.

The income tax and social contribution benefit or expense for the period include current and deferred taxes. Current and deferred taxes are recognized in the statement of profit and loss, except to the extent that they relate to business combination, or to 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 presented separately, and not on a net basis.

2.13 Employee benefits

The Company has several employee benefit plans, including pension plans (defined contribution), 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 18).

2.14 Capital

Common shares are classified in equity. There are no preferred shares.

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

2.15 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 individual and consolidated 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 profit and loss.

2.16 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 Company. Taxes on sales are recognized when sales are billed.

(a) Sales of goods

Revenue from contracts with customers is recognized when the performance obligation is met. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Romi Machinery and B+W Machinery: Under these contracts the main performance obligation is expected to be the delivery of machines. Distinction from other performance obligations such as technical installation/delivery and training are immaterial in the context of the contract and therefore have no significant impact on the Company’s individual and consolidated financial statements. Cast and Machined Products: Under these contracts, the sale of equipment is generally expected to be the only performance obligation, so that revenue from the sale of equipment is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

(i) Variable consideration:

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Some contracts with customers of Cast and Machined Products provide customers with a right for volume/productivity rebates.

(ii) Warranty obligations

The Company typically provides warranties for general repairs of defects and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15/CPC 47, which will continue to be accounted for under IAS 37/CPC 25 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

(iii) Financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in CPC 47, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. In addition, the Company identified that in the sale of used machines there is a financing component, since this transaction is financed to the final customer with Company resources, and the finance cost is embedded in the machine’s sale price (invoice). The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

(vi) Non-cash consideration

The Company received used machines from certain customers as part of payment from purchase of new ones. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Company obtains control of the equipment. The Company applies the requirements of CPC 46 Fair Value Measurement in measuring the fair value of the noncash consideration.

(b) Finance income

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

2.17 Provisions

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

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

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

2.18 Critical accounting estimates and judgments used in the preparation of the individual and consolidated financial statements

The preparation of individual and consolidated 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, formal expert opinions, when applicable, 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 2.10).

(c) Inventory realization and obsolescence: the assumptions used are described in Note 2.6.

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

(e) Deferred income tax assets on tax losses carried forward (Note 2.12) and the analysis of other risks used to determine other provisions, including contingencies arising from administrative and judicial proceedings (Note 2.17).

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

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

2.19 Leases

CPC 06 (R2) - Leases issued by CPC is equivalent to the international standard IFRS 16 - Leases, issued in January 2016 in replacement of the previous version of said standard (CPC 06 (R1)), equivalent to the international standard IAS 17). CPC 06 (R2) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under CPC 06 (R1). The standard includes two recognition exemptions for lessees - leases of low value assets (i.e. personal computers) and short-term leases (that is, leases with a period of 12 months or less). At the beginning of a lease, the lessee recognizes a liability for the payments (a lease liability) and an asset representing the right to use the underlying asset over the lease term (a right-of-use asset). The lessees should record separately the interest expenses on the lease liability and the depreciation expense of the right-of-use asset.

2.20 New and revised standards and interpretations

<u>New and revised CPCs/IFRSs already issued but not yet adopted</u>

As part of the CPC commitment to adopt in Brazil all the amendments introduced by the International Accounting Standards Board - IASB in IFRS, amendments to certain accounting pronouncements have already been disclosed by the IASB, which are not yet effective and have not been early adopted by the Company in the preparation of these financial statements. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

<u>IFRS 17 - Insurance Contracts</u>

IFRS 17 establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – *Insurance Contracts* (CPC 11).

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address the implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the IASB issued *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)* that defers the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after January 1, 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 (CPC 36 (R3)) – Consolidated Financial Statements and IAS 28 (CPC 18 (R2)) - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 (CPC 36 (R3)) and IAS 28 (CPC 18 (R2)) deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to been set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or noncurrent is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Amendment to IFRS 3 – Business Combinations - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 – *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 - *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate), at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be the direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

Amendments to IFRS 1 - *First Time Adoption of International Financial Reporting Standards*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IFRS 9 - *Financial Instruments*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IFRS 16 – *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with early application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error;
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. These amendments are not expected to have a significant impact on the Company's individual and consolidated financial statements.

Amendments to IAS 12 Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
− Right-of-use assets and lease liabilities
− Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate), at that date.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early application permitted. These amendments are not expected to have a significant impact on the Company’s individual and consolidated financial statements.

There are no other standards or interpretations issued and not yet adopted that, in Management's opinion, may have a significant impact on the profit or loss or equity disclosed by the Company.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, responsible for allocating resources, assessing the performance of the operating segments and making strategic decisions for the Company (Note 21).

2.22 Statement of cash flows

The Company classifies the payment of interest and monetary differences on borrowings and debentures and the receipt of dividends as financing and investing activities, respectively, in its cash flows. This classification was adopted because these refer to borrowing costs and return on investments, in line with the provisions of item 33 of CPC 03 (R2).

(In thousands of Brazilian reais (R$), unless otherwise stated)

2.23 ICPC 22 (IFRIC23) - *Uncertainty over Income Tax Treatments*

IFRIC 23, which is effective for annual reporting periods beginning January 1, 2019, sets out how to determine the accounting and tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group, and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax returns.

3 Cash and cash equivalents and short-term investments

	Parent		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cash and banks	4,272	7,377	52,276	41,510
Bank deposit certificates (CDB) (a)	23,712	133,490	47,572	153,843
Other	63	65	63	65
Total cash and cash equivalents	28,047	140,932	99,911	195,418
Short-term investments backed by debentures (a)	24,400	10,652	24,400	10,652
Investment funds DI and fixed income (b)	50,386	116,514	50,386	116,514
Total assets held for trading	74,786	127,166	74,786	127,166

(a) These investments are substantially pegged to the Interbank Deposit Certificate ("CDI") rate.
(b) They are comprised of investment funds with notes backed by LTN and NTN.

4 Trade accounts receivable

Trade accounts receivable are recorded at their amortized costs, which approximate their fair values.

The balance of current trade accounts receivable as at December 31, 2021 and 2020, parent and consolidated, is distributed as follows:

	Parent		Consolidated	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Current				
Domestic customers (Brazil)	106,984	89,537	109,169	89,537
Foreign customers	18,186	10,803	134,697	103,078
Allowance for doubtful accounts	(1,296)	(1,366)	(5,914)	(6,432)
	123,874	**98,974**	**237,952**	**186,183**

(In thousands of Brazilian reais (R$), unless otherwise stated)

	Parent		Consolidated	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Noncurrent				
Domestic customers (Brazil)	7,248	6,318	7,895	6,318
Foreign customers	6,801	5,240	13,429	7,185
Allowance for doubtful accounts	(610)	(397)	(610)	(397)
	13,439	**11,161**	**20,714**	**13,106**

	Parent		Consolidated	
	December 31, 2021	**December 31, 2020**	**Decembe r 31, 2021**	**December 31, 2020**
Falling due	103,816	82,542	197,743	157,272
Past due:				
1 to 30 days	11,303	11,202	21,507	16,466
31 to 60 days	2,376	2,312	3,612	5,197
61 to 90 days	724	454	3,894	1,194
91 to 180 days	2,060	320	5,031	2,204
181 to 360 days	1,605	543	1,678	1,723
Over 360 days	3,286	2,967	10,401	8,559
	21,354	17,798	46,123	35,343
Total	125,170	100,340	243,866	192,615
Allowance for doubtful accounts	(1,296)	(1,366)	(5,914)	(6,432)
Total current	**123,874**	**98,974**	**237,952**	**186,183**

As at December 31, 2021, trade accounts receivable net of the allowance for doubtful accounts amounting to R$20,058 (2020 – R$16,432 - Parent) and R$40,209 (2020 – R$28,911 - 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 has guarantees.

The balance of noncurrent trade accounts receivable as at December 31, 2021, parent and consolidated, is distributed as follows:

	Parent	Consolidated
Falling due:		
2023	10,534	17,787
2024	3,283	3,305
2025 onward	232	232
Allowance for doubtful accounts	(610)	(610)
Total – noncurrent	**13,439**	**20,714**

(In thousands of Brazilian reais (R$), unless otherwise stated)

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

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
At December 31, 2020	1,763	1,436	6,829	3,940
Receivables recognized for the year	1,668	1,473	1,621	2581
Receivables written off	(1,525)	(1,146)	(1,525)	(1,146)
Foreign exchange difference	-	-	(401)	1,454
Balance at December 31, 2021	1,906	1,763	6,524	6,829

The allowance for doubtful accounts is estimated and recorded based on the individual analysis of each customer, and for the transactions where there are security interests, the expected loss is calculated based on the net realizable value and the amount of the security interest receivable.

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

5 Onlending of FINAME manufacturer financing

	Parent and Consolidated	
	December 31, 2021	**December 31, 2020**
Current		
FINAME falling due	143,370	122,286
FINAME awaiting release (a)	806	614
FINAME past due (b)	14,224	15,526
	158,400	138,426
Allowance for doubtful accounts	(5,625)	(6,932)
	152,775	131,494
Noncurrent		
FINAME falling due	218,059	202,678
FINAME awaiting release (a)	3,455	2,560
	221,514	205,238
Allowance for doubtful accounts	(2,648)	(2,016)
	218,866	203,222
Total	**371,641**	**334,716**

(In thousands of Brazilian reais (R$), unless otherwise stated)

The item “Onlending of FINAME manufacturer financing" refers to sales to customers financed by funds from the Brazilian Development Bank ("BNDES") (Note 14) which are carried at their amortized costs, which approximate their fair values.

FINAME manufacturer refers to financing specifically linked to sales transactions, with terms of up to 60 months with a grace period of up to six months, in accordance with the terms defined by the BNDES at the time of the financing.

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

The differences between onlending of FINAME manufacturer financing receivables and payables (liability) include:

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

(b) FINAME past due: refers to amounts receivable not settled by customers on their due dates. The Company records the 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 (machines) recovered through execution of the covenant regarding reservation of title over the machinery sold (security interest) and the value of the receivables from the defaulting customer. In instances in which the security interest cannot be located, a full loss provision is made for the balance of the receivable.

The machinery repossessed as part of the execution process is recorded at its carrying amount, not exceeding its fair value, under “Other receivables”, pending a final court decision, after which it is transferred to inventories. As at December 31, 2021, the balance of repossessed machinery, included under “Other receivables”, parent and consolidated, amounted to R$169 (R$1,191 as at December 31, 2020) in current assets and R$4,690 (R$2,361 as at December 31, 2020) in noncurrent assets.

As at December 31, 2021 and December 31, 2020, the balances of “Onlending of FINAME manufacturer financing", parent and consolidated, were as follows:

		Parent and Consolidated
	December 31, 2021	**December 31, 2020**
Falling due	144,176	122,898
Past due:		
1 to 30 days	1,522	1,173
31 to 60 days	840	559
61 to 90 days	538	236

(In thousands of Brazilian reais (R$), unless otherwise stated)

		Parent and Consolidated
	December 31, 2021	**December 31, 2020**
91 to 180 days	1,283	540
181 to 360 days	1,141	895
Over 360 days	8,900	12,125
	14,224	15,528
Total - current	**158,400**	**138,426**

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

	Parent and Consolidated
Falling due:	
2023	113,032
2024	77,797
2025	30,362
2026 onward	323
Total – noncurrent	**221,514**

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

	Parent and Consolidated
At December 31, 2020	8,948
Allowance recognized (or written off) for the year	(675)
At December 31, 2021	**8,273**

The allowance for doubtful accounts is estimated and recorded based on the individual analysis of each customer, and for the transactions where there are security interests, the expected loss is calculated based on the net realizable value and the amount of the security interest receivable.

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

6 Inventories

	Parent		**Consolidated**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Finished products	25,891	19,736	68,093	65,253
Used machinery	5,002	10,348	5,002	10,348
Work in progress	117,620	79,005	139,515	97,563

(In thousands of Brazilian reais (R$), unless otherwise stated)

	Parent		**Consolidated**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Raw materials and components	265,902	130,540	301,530	158,999
Imports in transit	16,761	26,485	22,559	26,511
Total	**431,176**	**266,114**	**536,699**	**358,674**

The inventory balances, parent and consolidated, as at December 31, 2021 are net of provision for slow-moving inventories and inventories posing a remote probability of being realized through sale or use, amounting to R$22,6323 and R$33,591 (R$26,508 and R$39,026 as at December 31, 2020), respectively.

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

	Parent	**Consolidated**
At January 1, 2020	26,508	39,026
Inventories sold or written off	(15,849)	(13,872)
Provision recognized	8,828	9,036
Foreign exchange difference	-	(3,735)
Transfer of provision resulting from machinery repossessed during the year	3,136	3,136
At December 31, 2021	22,623	33,591

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

	Parent		**Consolidated**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Finished products	1,266	884	3,869	8,158
Used machinery	2,220	6,890	2,220	6,890
Work in progress	5,249	4,807	5,249	4,807
Raw materials and components	13,888	13,927	22,253	19,171
Total	22,623	26,508	33,591	39,026

(In thousands of Brazilian reais (R$), unless otherwise stated)

7 Investments in subsidiaries

The Company's investments in its subsidiaries are as follows:

		Percentual de participação					
		31 de dezembro de 2021			31 de dezembro de 2020		
		Direta	Indireta	Não Controladores	Direta	Indireta	Não Controladores
1.	Romi Itália S.r.l. ("Romi Itália")	99,99	-	-	99,99	-	-
1.1	Romi Machines UK Ltd.	-	100,00	-	-	100,00	-
1.2	Romi France SAS	-	100,00	-	-	100,00	-
1.3	Romi Máquinas España S.A.	-	100,00	-	-	100,00	-
2.	Romi Europa GmbH ("Romi Europa")	100,00	-	-	100,00	-	-
2.1	Burkhardt + Weber Fertigungssysteme GmbH ("B+W")	-	100,00	-	-	100,00	-
2.1.1	Burkhardt + Weber / Romi (Shangai) Co., Ltd	-	100,00	-	-	100,00	-
3.	Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor Comércio")	93,07	-	6,93	93,07	-	6,93
4.	Romi BW Machine Tools, Ltd.	100,00	-	-	100,00	-	-
5.	Rominor Empreendimentos Imobiliários S.A. ("Rominor Empreendimentos)	100,00	-	-	100,00	-	-
6.	Romi A.L. S.A. ("Romi A.L.")	100,00	-	-	100,00	-	-
7.	Irsa Maquinas México S. de R. L. de C.V.	99,99	-	-	99,99	-	-
8.	Romi Administração e Gestão de Bens Ltda ("Prodz")	100,00	-	-	-	-	-

The following list presents the location and main objectives of subsidiaries:

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

(In thousands of Brazilian reais (R$), unless otherwise stated)

December 31, 2021

	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor Comércio (3)	Romi Machine Tools (4)	Rominor Empreendimentos (5)	Romi A.L. (6)	IRSA Máq. Mexico (7)	Prodz (8)	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%	100.0%	
Current assets	83,374	161,573	24,121	20,885	3,153	12,920	14,666	2,000	
Noncurrent assets	15,011	145,674	300	1,318	597	-	5,796	-	
Current liabilities	69,679	109,608	268	28,579	411	-	25,176	-	
Noncurrent liabilities	19,558	56,513		-	-	-	-	-	
Equity (equity deficit) of subsidiary	9,148	141,126	24,152	(6,376)	3,339	12,920	(4,713)	2,000	
Changes in investment:									
Investment balance as at December 31, 2020	1,549	142,572	21,230	(8,001)	2,517	12,525	(3,128)	-	169,264
Foreign exchange differences on foreign investments	661	2,689	-	(510)	-	894	(250)	-	3,484
Dividends proposed and paid (b)	-	-	(3,771)	-	(199)	-	-	-	(3,970)
Equity in earnings of subsidiaries	6,938	(4,135)	5,020	2,137	1,021	(499)	(1,334)	-	9,147
Equivalent value - closing balance	**9,148**	**141,126**	**22,479**	**(6,376)**	**3,339**	**12,920**	**(4,713)**	**2,000**	**179,923**
Investment in subsidiaries	9,148	141,126	22,479	-	3,339	12,920	-	2,000	191,012
Provision for equity deficit of subsidiaries	-	-	-	(6,376)	-	-	(4,713)	-	(11,089)

(a) The subsidiaries' capital is not divided into units of interest or shares in their articles of organization.
(b) Payment of dividends by subsidiary ROMINOR Comércio, approved by the Board of Directors at the meeting held on February 9, 2021 and July 23, 2021, in the amounts of R$1,789 and R$2,263, respectively, related to 2020 and interim dividends for 2021, respectively. The Company received from this distribution the amounts of R$1,665 and R$2,106, respectively, totaling R$3,771 as at December 31, 2021. The Company also received the distribution of mandatory minimum dividends made by the subsidiary ROMINOR Empreendimentos, to be submitted for approval at the AGM - Annual General Meeting to be held in 2022.

(In thousands of Brazilian reais (R$), unless otherwise stated)

								December 31, 2020
	Romi Italy and subsidiaries (1)	**Romi Europe and subsidiaries (2)**	**Rominor Comércio (3)**	**Romi Machine Tools (4)**	**Rominor Empreendimentos (5)**	**Romi A.L. (6)**	**IRSA Máq. Mexico (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	61,039	130,880	22,689	16,500	2,517	12,525	14,284	
Noncurrent assets	10,325	155,400	300	84	-	-	1,371	
Current liabilities	52,824	83,246	179	24,334	-	-	18,783	
Noncurrent liabilities	16,991	60,462	-	251	-	-	-	
Equity (equity deficit) of subsidiary	1,549	142,572	22,810	(8,001)	2,517	12,525	(3,128)	
Changes in investment:								
Investment balance as at December 31, 2019	3,196	104,739	21,465	(3,176)	2,522	8,653	(1,228)	136,171
Foreign exchange differences on foreign investments	543	41,082	-	(1,061)	-	2,438	(426)	42,576
Dividends proposed and paid (b)	-	-	(3,216)	-	-	-	-	(3,216)
Equity in earnings of subsidiaries	(2,190)	(3,249)	2,981	(3,764)	(5)	1,434	(1,474)	(6,267)
Equivalent value - closing balance	**1,549**	**142,572**	**21,230**	**(8,001)**	**2,517**	**12,525**	**(3,128)**	**169,264**
Investment in subsidiaries	1,549	142,572	21,230	-	2,517	12,525	-	180,393
Provision for equity deficit of subsidiaries	-	-	-	(8,001)	-	-	(3,128)	(11,129)

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

(b) Payment of dividends by subsidiary ROMINOR, approved by the Board of Directors at the meeting held on February 11, 2020 and July 24, 2020, in the amounts of R$2,041 and R$1,415, respectively, related to the second half of 2019 and the first half of 2020, respectively. The Company received from this distribution the amounts of R$1,899 and R$1,317, respectively, totaling R$3,216 as at December 31, 2020.

(In thousands of Brazilian reais (R$), unless otherwise stated)

8 Related party transactions and balances

The balances and transactions with related parties as at December 31, 2021 and 2020 are as follows:

(i) Balance sheet accounts – Parent

	Receivables		Payables	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Direct subsidiaries				
Romi Europe	10,496	5,057	334	50
Romi Italy	15,407	14,224	-	-
Romi Machine Tools	24,459	23,272	599	-
Romi A.L.	-	67	638	380
Irsa Maquinas Mexico	21,266	16,501	-	-
Rominor Comércio	-	5	-	-
Prodz	-	-	-	-
	71,628	59,126	1,571	430
Indirect subsidiaries				
B+W - Burkhardt+Weber	2,168	316	1,525	-
Romi France S.A.S.	7,799	6,465	-	-
Romi Máquinas España S.A.	10,594	7,714	-	-
Romi Machines UK	12,587	7,654	-	-
	33,148	22,149	1,525	-
Total	104,776	81,275	3,096	430
Current	53,303	47,052	3,096	430
Noncurrent	51,473	34,223	-	-
Total	**104,776**	**81,275**	**3,096**	**430**

(In thousands of Brazilian reais (R$), unless otherwise stated)

(ii) Transactions

	Sales revenue		Operating expense and finance income (costs)	
	December 31, 2021	**December 30, 2020**	**December 31, 2021**	**December 30, 2020**
Romi Europe	7,061	4,074	1,026	1,404
Rominor Comércio	24	18	-	-
Romi Italy	17,187	5,930	-	-
Romi Machine Tools	8,854	5,246	582	14
Romi France S.A.S.	10,414	6,318	412	-
Romi A.L.	-	-	620	355
Romi Machines UK	19,345	9,888	103	94
Irsa Maquinas Mexico	6,424	4,090	-	-
B+W - Burkhardt + Weber	2,906	2,315	-	-
Romi Máquinas Espãna	5,429	2,913	-	-
Prodz	-	-	-	-
Total	77,644	40,792	2,743	1,867

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

The Company entered into trading transactions with certain subsidiaries for the supply and purchase of equipment, parts and pieces, but it does not have material transactions with related parties other than those described above. Decisions regarding transactions between the parent and its subsidiaries are made by management.

The Company provides administrative services, mainly accounting and legal services, to the parent Fênix Empreendimentos S.A. The revenue until December 2021 was R$159 (R$158 as at December 31, 2020).

The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor’s Office. Donations until December 2021 totaled R$991 (R$948 as at December 31, 2020).

(In thousands of Brazilian reais (R$), unless otherwise stated)

Management compensation for the years ended December 31, 2021 and 2020 was as follows:

	December 31, 2021	**December 31, 2020**
Fees and charges	6,779	5,812
Profit sharing	8,155	5,055
Private pension plan	426	471
Healthcare plan	225	246
Parent	15,585	11,584
Fees and charges of subsidiaries	136	103
Consolidated	15,721	11,687

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 16, 2021.

9 Taxes recoverable

The breakdown of taxes recoverable is as follows:

	Note	**December 31, 2021**	**December 31, 2020**
Current			
Withholding Income Tax (IRRF)		175	155
Corporate Income Tax (IRPJ)		134	160
IRPJ/CSLL - “Plano Verão”	15 (b)	-	13,332
Social Contribution on Net Income (CSLL)		16	22
Social Security Contribution (INSS)		5	6
ICMS included in the PIS and COFINS tax base	15 (a)(i)	12,314	21,254
Excise Tax (IPI) - R$		6,854	7,979
Value-added Tax on Sales and Services (ICMS)		3,049	1,333
Social Integration Program (PIS)		3,870	53
Social Contribution on Revenues (COFINS)		13,920	244
Total Parent		40,337	44,538
Taxes recoverable of subsidiaries		8,595	6,666
Total Parent and Consolidated		48,935	51,204

(In thousands of Brazilian reais (R$), unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Noncurrent			
ICMS included in the PIS and COFINS tax base	15 (a)	-	26,824
Selic proceeding	(a)	48,086	-
Value-added Tax on Sales and Services (ICMS)		22,282	1,330
OTHER		104	102
Total Parent and Consolidated		**70,472**	**28,256**

(a) Tax proceedings ("non-levy of IRPJ and CSLL on monetary adjustment and interest from undue payment")

On March 20, 2019, the Company filed for a writ of mandamus in order to recover taxes that it believes were unduly paid in the last five years, since IRPJ (corporate income tax) and CSLL (social contribution on net income) were not levied on the amounts related to monetary adjustment and late payment interest on the refund of tax credits.

This subject was submitted to the analysis of general repercussion on September 24, 2021 when, judging extraordinary appeal 1.063.187, the Supreme Federal Court (STF), by unanimous decision, ruled on the non-levy of IRPJ and CSLL on the amounts related to monetary adjustment and interest on the refund of tax credits, as transcribed below: "The levy of IRPJ and CSLL on the amounts related to the Selic rate received due to claim for refund of undue payment is unconstitutional".

Management analyzed such proceeding considering the accounting literature in effect, the two main pronouncements analyzed were: (i) ICPC 22 - Uncertainty over Income Tax Treatments; and (ii) CPC 25 - Provisions, Contingent Liabilities and Contingent Assets. The analyses considered the opinion of Management and of tax experts. After various analyses and discussions, it was concluded that ICPC 22 - Uncertainty over Income Tax Treatments would be the pronouncement most applicable to this specific situation since the matter involves specifically IRPJ and CSLL, that is, income taxes.

Such pronouncement requires that the Company evaluate whether it is "more likely than not" that the tax treatment adopted will be accepted by the tax authorities. Considering that it is a proceeding with effect of general repercussion, applied to all other proceedings that come to be judged, the recent history of STF decisions and the fact that the Company has a proceeding that was filed before the STF decision, Management concluded that it is more likely than not that the Company is entitled to such credit on the date of approval and issue of the individual and consolidated interim financial information for September 30, 2021 and such conclusion is in accordance with the opinion of our legal counselors, reason why this tax credit was recognized for the period ended September 30, 2021.

The effects of the recognition represented the following impacts on the statements of profit and loss for the third quarter of 2021: (i) finance income: R$2.1 million; and (ii) income tax and social contribution on current income: R$42.9 million.

Lastly, the proceeding has been stayed at the Regional Federal Court of the 3rd Region since March 30, 2021. For the year ended December 31, 2021, the Company's Management reassessed and concluded that there are no facts or factors that change the conclusion previously reached at the time of issue of the individual and consolidated interim financial information at September 30, 2021.

10 Investment property

In 2012, the Company's management decided, based on the perspectives of short and medium-term expansion of operations, to classify certain properties as "Investment Property" for future capital appreciation. The amounts classified as investment property are R$13,500 (R$13,500 as at December 31, 2020) in the parent and R$16,621 (R$18,388 as at December 31, 2020) 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. For the year ended December 31, 2021, there was no significant change in the fair value of these properties, less any transaction costs, in the amount of R$110,661 (R$110,661 as at December 31, 2020) in the parent and R$188,606 (R$188,606 as at December 31, 2020) in the consolidated.

On August 31, 2021, through its subsidiary ROMINOR Empreendimentos Imobiliários S.A., the Company entered into an agreement for purchase and sale of property with third parties, involving the sale of the property "Clube de Campo" (land and buildings) owned by Rominor Empreendimentos, with a total area of 229,900m², located in Santa Bárbara d'Oeste, for R$3,200. The proceeds from the sale were classified in the line item of operating income, with an impact of R$1,152 on net operating income (expenses) and R$1,057 on profit for the year.

(In thousands of Brazilian reais (R$), unless otherwise stated)

11 Property, plant and equipment

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

Parent

	Land	Buildings and yards	Machinery and equipment	Furniture and fittings	Vehicles	Information technology	Construction in progress	Total
Cost of property, plant and equipment, gross								
Balance at January 1, 2020	3,997	199,383	296,402	8,709	3,943	27,038	6,036	545,426
Additions	-	3,078	17,261	842	216	1,340	19,608	42,345
Disposals	-	-	(2,253)	(67)	(68)	(175)	-	(2,563)
Transfers	-	1,288	16,577	(0)	-	1,374	(19,239)	(0)
At December 31, 2020	3,997	203,749	327,987	9,484	4,091	29,577	6,405	585,208
Additions	-	2,008	25,202	599	523	880	61,596	90,808
Disposals	-	-	(4,390)	(11)	(40)	(13)	-	(4,454)
Transfers	-	4,401	39,816	(0)	-	-	(44,217)	(0)
At December 31, 2021	3,997	210,158	388,615	10,072	4,574	30,444	23,784	671,562
Accumulated depreciation								
At January 1, 2020	-	110,660	206,329	7,809	3,271	25,760	-	353,830
Depreciation	-	6,407	13,292	205	263	712	-	20,879
Disposals	-	-	(1,378)	(68)	(68)	(175)	-	(1,689)
At December 31, 2020	-	117,067	218,243	7,946	3,466	26,297	-	373,020
Depreciation	-	6,130	17,876	277	270	960	-	25,513
Disposals			(2,110)	(11)	(40)	(10)	-	(2,171)
At December 31, 2021	-	123,197	234,009	8,212	3,696	27,247	-	396,362
Useful lives	-	25 and 10 years	10 and 15 years	10 years	5 years	5 years	-	
Property, plant and equipment, net								
At January 1, 2020	3,997	88,723	90,073	900	672	1,278	6,036	191,596
At December 31, 2020	3,997	86,682	109,744	1,538	625	3,280	6,405	212,188
At December 31, 2021	3,997	86,961	154,606	1,860	878	3,197	23,784	275,200

(In thousands of Brazilian reais (R$), unless otherwise stated)

	Land	Buildings and yards	Machinery and equipment	Furniture and fittings	Vehicles	Information technology	Construction in progress	Total Consolidated
Cost of property, plant and equipment, gross								
Balance at January 1, 2020	25,560	249,399	331,525	21,492	9,749	32,520	9,994	680,157
Additions	-	4,686	19,545	1,244	152	1,549	19,608	46,784
Disposals	-	(54)	(2,253)	(73)	(209)	(292)	-	(2,881)
Transfers	-	1,288	16,577	(0)	-	1,374	(19,239)	(0)
Foreign exchange difference	7,913	17,217	3,283	2,535	2,263	825	1,989	36,025
At December 31, 2020	33,473	272,537	368,677	25,197	11,955	35,975	12,352	760,083
Additions	-	6,521	25,347	2,787	2,296	1,784	61,585	100,321
Disposals	-	-	(4,390)	(11)	(40)	(13)	-	(4,454)
Transfers	-	4,401	39,816	(11)	103	(13)	(44,297)	-
Foreign exchange difference	608	(5,270)	(1,002)	(310)	(2,164)	(612)	283	(8,467)
At December 31, 2021	34,081	278,189	428,449	27,652	12,150	37,121	29,923	847,483
Accumulated depreciation								
At January 1, 2020	-	123,646	235,995	16,346	5,449	29,486	-	410,923
Depreciation	-	9,699	16,095	1,377	2,348	1,118		30,637
Disposals	-	-	(1,378)	1	(156)	(188)		(1,721)
Foreign exchange difference	-	1,719	1,717	842	870	350		5,498
At December 31, 2020	-	135,064	252,430	18,566	8,511	30,766	-	445,336
Depreciation	-	9,183	19,608	2,312	903	2,027		34,034
Disposals	-	-	(2,110)	(20)	(40)	(10)		(2,180)
Foreign exchange difference	-	(13)	(16)	(19)	3	(10)		(55)
At December 31, 2021	-	144,234	269,912	20,839	9,377	32,773	-	477,135
Useful lives	-	25 and 10 years	10 and 15 years	10 years	5 years	5 years	-	
Property, plant and equipment, net								
At January 1, 2020	25,560	125,753	95,530	5,146	4,300	3,034	9,994	269,234
At December 31, 2020	33,473	137,473	116,247	6,631	3,444	5,209	12,352	314,747
At December 31, 2021	34,081	133,955	158,537	6,813	2,773	4,348	29,923	370,348

Due to the financing agreements with the BNDES, the Company pledged as collateral property, plant and equipment items amounting to R$446,443 as at December 31, 2021 (R$280,564 as at December 31, 2020). These items refer to land, buildings, facilities, machinery and equipment.

Of the amount of R$25,513 (2020 - R$20,811) related to depreciation expense, R$22,871 (2020 - R$18,487) was recognized in the statement of profit and loss in “Cost of sales and services”, R$1,346 (2020 - R$1,075) in “Selling expenses”, R$1,118 (2020 - R$1,177) in “General and administrative expenses”, and R$178 (2020 - R$142) in “Research and development” – Parent.

Of the amount of R$34,034 (2020 - R$30,637) related to depreciation expense, R$26,126 (2020 - R$19,134) was recognized in the statement of profit and loss in “Cost of sales and services”, R$8,217 (2020 - R$9,237) in “Selling expenses”, R$2,547 (2020 - R$2,124) in “General and administrative expenses”, and R$198 (2020 - R$142) in “Research and development” – Consolidated.

For the year ended December 31, 2021, the Company’s Management assessed each business segment (Note 21) and concluded that there is no indication that would require the recognition of a provision for impairment of property, plant and equipment and intangible assets.

(In thousands of Brazilian reais (R$), unless otherwise stated)

12 Intangible assets

Changes in intangible assets, parent and consolidated, are as follows:

	Parent			Consolidated				
Gross cost	**Technology**	**Other**	**Total**	**Technology**	**Customer relationship**	**Trademarks**	**Other**	**Total**
At January 1, 2020	527	5,424	5,951	31,208	22,039	23,817	6,784	89,769
Additions	13	888	901	1,909	-	-	888	2,797
Foreign exchange difference			-	3,641	5,205	9,764	-	18,610
At December 31, 2020	540	6,312	6,852	36,758	27,244	33,581	7,672	111,176
Additions	23	268	291	2,523	-	-	268	2,791
Foreign exchange difference			-	(559)	(277)	(299)	(38)	(1,135)
Disposals			-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
At December 31, 2021	563	6,580	7,143	38,723	26,967	33,282	7,902	112,832
Accumulated amortization								
At January 1, 2020	280	5,071	5,351	14,062	8,717	-	6,707	29,486
Amortization	-	405	405	5,756	1,325	-	405	7,486
Foreign exchange difference	-	-	-	(2,506)	-	-	-	(2,506)
At December 31, 2020	280	5,476	5,756	17,312	10,042	-	7,112	34,466
Amortization	-	442	442	6,365	1,535	-	442	8,342
At December 31, 2021	280	5,918	6,198	23,677	11,577	-	7,554	42,808
Useful lives	5 years	5 years		5 to 20 years	20 years	Indefinite	5 years	
Intangible assets, net								
At January 1, 2020	247	353	600	17,146	13,322	23,817	77	54,361
At December 31, 2020	260	836	1,096	19,446	17,202	33,581	560	70,788
At December 31, 2021	283	662	945	15,046	15,390	33,282	348	64,065

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, which assure competitive advantages in relation to the product quality and efficiency, with depreciation of 15 to 20 years.

(b) Portfolio of customers: Refers to customer sales orders outstanding as at the acquisition date, fully depreciated at December 31, 2021.

(c) Customer relationship: Refers to contractual rights arising from: (i) the history of customer relationships; (ii) the likelihood of occurrence of new business in the future, with depreciation of 20 years.

(d) Trademarks: refers to the rights of use of the trademark B+W (Burkhardt + Weber Fertigunssysteme), which is related to high-tech products, without a defined depreciation period.

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 relevant accounting standards.

Of the amount of R$442 (2020 - R$405) related to amortization expense, R$9 (2020 - R$8) was recognized in the statement of profit and loss in “Cost of sales and services”, R$277 (2020 - R$254) in “General and administrative expenses”, and R$156 (2020 - R$143) in “Research and development” – Parent.

Of the amount of R$8,342 (2020 - R$6,210) related to amortization expense, R$9 (2020 - R$8) was recognized in the statement of profit and loss in “Cost of sales and services”, R$7,800 (2020 - R$5,805) in “Selling expenses”, R$341 (2020 - R$254) in “General and administrative expenses”, and R$192 (2020 - R$143) in “Research and development” – Consolidated.

For the year ended December 31, 2021, the Company’s Management assessed each business segment (Note 21) and concluded that there is no indication that would require the recognition of a provision for impairment of property, plant and equipment and intangible assets.

(In thousands of Brazilian reais (R$), unless otherwise stated)

13 Borrowings

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

	Current		Noncurrent					
	2021	**2020**	**2021**	**2020**	**Maturity**	**Principal amortization**	**Financial charges**	**Collateral**
Export financing - ACC/ACE (a)	-	15,806	-	-	08/27/2021	Export-to-maturity order application	Rates of 2.70% to 2.15% p.a. + foreign exchange difference	
Export financing - ACC/ACE (a)	-	10,351	-	-	08/27/2021	Export-to-maturity order application	Rates of 2.70% to 2.15% p.a. + foreign exchange difference	Aval Rominor Comércio
Investment Support Program - BNDES (b)	5,547	5,845	461	5,569	01/16/2023	Monthly	Rate of up to 4.00% p.a.	Collateral transfers of machinery and mortgages of buildings and land
Sundry FINAME	596	1,151	481	647	01/15/2024	Monthly	Rates of 3.50% to 10.53% p.a. + TLP	Collateral transfer of financed machinery/Surety of Rominor Comércio/Promissory note
Import financing (FINIMP)	14,288	3,695	-	-	11/18/2022	Bullet payment	Interest of 1.26% to 0.422% p.a.	
Import financing (FINIMP)	7,923	18,841	2,922	-	12/13/2023	Bullet payment	Interest of 1.85% to 1.07% p.a.	Aval Rominor Comércio
Export financing (NCE)	11,180	38,362	-	-	11/07/2022	Bullet payment	Interest of 2.19% p.a. + CDI.	Aval Rominor Comércio
Export financing (NCE)	28,892	-	58,754	-	03/01/2024	Bullet payment	Interest of 2.89% to 0.77% p.a.	
Line 4131	-	20,973	-	-	03/24/2021	Bullet payment	Interest of 3.97% p.a. + CDI.	Bank guarantee
Export financing (BNDS)	2,115		55,249	56,169	10/15/2024	Bullet payment	Interest of 3.14% p.a. + IPCA.	Collateral transfer
Parent	**70,541**	**115,025**	**117,868**	**62,384**				
B+W - Technology center and ad office construction financing - € (c)	-	-	9,410	13,244	06/30/2027	Quarterly	2.40% p.a.	Property, plant and equipment (building)
B+W - Financing (COVID-19 effects) - € (d)	-	-	22,221	21,040	09/30/2023	Quarterly	2.00% p.a.	Property, plant and equipment (building)
Other - Working capital	191	397	-	-	-	-	-	
Consolidated	**70,732**	**115,422**	**149,499**	**96,668**				

(In thousands of Brazilian reais (R$), unless otherwise stated)

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

			Parent			Consolidated
	Domestic currency	Foreign currency	Total	Domestic currency	Foreign currency	Total
Borrowing balance at						
December 31, 2020	128,728	48,681	177,409	128,728	83,362	212,090
New borrowing	-	124,745	124,745	-	129,906	129,906
Payment of principal	(64,389)	(48,197)	(112,586)	(64,389)	(53,837)	(118,226)
Payment of interest	(8,795)	(1,546)	(10,341)	(8,795)	(3,643)	(12,438)
Exchange and monetary differences (principal and interest)	-	(1,097)	(1,097)	-	(2,051)	(2,051)
Interest incurred	8,675	1,604	10,279	8,675	2,275	10,950
Borrowing balance at						
December 31, 2021	64,219	124,190	188,409	64,219	156,012	220,231
Current	8,028	62,513	70,541	8,028	62,704	70,732
Noncurrent	56,191	61,677	117,868	56,191	93,308	149,499
	64,219	124,190	188,409	64,219	156,012	220,231

(a) In December 2014, the Company's officers were authorized to contract a 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 23 months, and a payment term of 96 months (including the grace period). This agreement contained the following covenants related to compliance with contractual obligations:

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

As at December 31, 2021, the Company complied with all the covenants of the above item.

(b) On July 5, 2012, Burkhardt + Weber entered into a Financing Agreement with Commerzbank in Reutlingen (Germany) in the amount of R$9,410 (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% p.a., due quarterly, including during the grace period. There are no clauses stipulating compliance with financial ratios.

(In thousands of Brazilian reais (R$), unless otherwise stated)

(c) On April 28, 2020, the Company was authorized to contract the Exim Pre-Shipment Financing Line from BNDES, with the purpose of financing the Company's production for export, under the terms of Decision No. CCOp 30/2020 - BNDES, with the following conditions: (i) amount equivalent in reais to US$ 10,000,000.00 (ten million dollars), (ii) term of 48 months, (iii) finance cost of 3.4% p.a. plus IPCA, and (iv) guarantee by a 6th mortgage of the buildings registered under No. 34,310 and No. 69,544 in the Real Estate Registry Office of Santa Bárbara d'Oeste, State of São Paulo, owned by the Company. This agreement contained the following covenants related to compliance with contractual obligations: (ii) Audited Consolidated Financial Ratio: (Total Net Debt/EBITDA) lower than or equal to 3.75 As at December 31, 2021, the Company complied with the covenant of the above item.

(d)On July 3, 2020, Burkhardt + Weber entered into a Financing Agreement with Commerzbank, Kreissparkasse and Baden-Württembergische Bank (Germany) in the amount of R$22,221 (equivalent to € 3.3 million), equally divided between the mentioned banks, which is supported by KfW Bank (Kredit-anstalt für Wiederaufbau), with quarterly installments beginning on December 30, 2022 and ending on September 30, 2023. The amount released is intended to finance the operation's working capital, specially due to the effects of the COVID-19 pandemic. The financing has a grace period of 30 months and fixed interest of 2.0% p.a., due quarterly, including during the grace period. During the effective period of the agreement, Burkhardt + Weber cannot pay dividends or settle loans that were outstanding at the time of the execution of the agreement. There are no clauses stipulating compliance with financial ratios.

The maturities of financing recorded in noncurrent liabilities as at December 31, 2021, parent and consolidated, were as follows:

	Parent	**Consolidated**
2023	14,926	32,315
2024 onward	102,942	117,184
Total	117,868	149,499

14 FINAME manufacturer financing

		Parent and Consolidated
	December 31, 2021	**December 31, 2020**
Current		
FINAME manufacturer financing	142,830	122,704
Noncurrent		
FINAME manufacturer financing	219,104	201,710
Total	**361,934**	**324,414**

(In thousands of Brazilian reais (R$), unless otherwise stated)

The agreements related to FINAME manufacturing financing are guaranteed by promissory notes and sureties, and the main guarantor is the subsidiary Rominor Comércio. Balances are directly related to the balances of "Onlending of FINAME manufacturer financing" (Note 5), considering that the loans are directly linked to sales to specific customers. The contractual terms related to the amounts, charges and periods financed under the program are on-lent in full to the financed customers and amounts received on a monthly basis under the line item “Amounts receivable - onlending of FINAME manufacturer financing” are fully used for the repayment of the related financing agreements. The Company, therefore, acts as an agent for the financing, but remains as the main debtor in this transaction.

The balances of the line item “FINAME manufacturer financing” and, consequently, of the line item “Onlending of FINAME manufacturer financing” as at December 31, 2021 and 2020 were monetarily adjusted through the end of the reporting period. The difference of R$9,707 between these line items as at December 31, 2021 (R$10,302 as at December 31, 2020) refers to past-due trade notes, renegotiations in progress, and FINAME transactions not yet released by the agent bank. Management understands that there are no risks to the realization of these receivables, other than the amount of the allowance for doubtful accounts already recorded, since the amounts are collateralized by the financed machinery.

The noncurrent maturities of the FINAME manufacturer financing as at December 31, 2021, parent and consolidated, were as follows:

	Parent and Consolidated
2023	112,240
2024	77,294
2025	29,293
2026 onward	277
Total	219,104

15 Provision for tax, labor and civil risks

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

		Parent and Consolidated
	December 31, 2021	**December 31, 2020**
Tax	8	-
Civil	674	581
Labor	1,110	932
Total	1,792	1,512

(In thousands of Brazilian reais (R$), unless otherwise stated)

		Parent and Consolidated
	December 31, 2021	December 31, 2020
Current liabilities	1,445	1,216
Noncurrent liabilities	347	296
	1,792	**1,512**

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

	December 31, 2021	December 31, 2020
Tax		
Excess of IRPJ and CSLL on interest on capital - (a) (ii)	34,412	33,647
Disallowance of PIS and COFINS credits – (f)	11,144	7,798
Social security contribution credit on payment of profit to the Management	3,506	3,432
Negative balance of IRPJ and CSLL	2,511	2,502
Disallowance of IPI credits	5,936	5,810
Isolated fine - Offsetting not approved	531	516
Disallowance of REINTEGRA credits	125	124
Duplicate payment of IRRF	2,849	2,805
ICMS credit	128	
Civil		
Losses and damages	9,093	8,321
Labor	2,328	56
Total Parent	**72,563**	**65,011**
Lawsuits in subsidiaries		
Labor	63	-
Civil	379	-
Total Parent and Consolidated	**73,005**	**65,011**

(In thousands of Brazilian reais (R$), unless otherwise stated)

For legal proceedings classified as probable losses and legal obligations for which unconstitutionality is being challenged at court, Management recognized a provision for any liabilities and payables. The amount paid by the Company was R$948 for the year ended December 31, 2020. Changes in the provision for the year ended December 31, 2021 are as follows:

	December 31, 2020	Additions	Utilizations/ payments/ reversals	Monetary adjustment and foreign exchange difference	December 31, 2021
Tax	-	8		-	8
Civil	581	179	(160)	75	675
Labor	931	911	(1,172)	439	1,109
Total Parent and Consolidated	**1,512**	**1,098**	**(1,332)**	**514**	**1,792**

As at December 31, 2021, the main legal proceedings classified by Management, based on the opinion of its legal counselors, as probable losses or as legal obligation are as follows:

(a) Tax proceedings

Refer to the provisions for:

(i) As at December 31, 2018, PIS and COFINS balances related to ICMS on sales were R$10,322 and R$47,543, respectively.

On October 24, 2006, the Company filed a common civil action challenging the constitutionality of the inclusion of the ICMS separately stated on sales invoices in the PIS and COFINS tax base, as well as for refund for overpayment retroactively to 5 years.

On March 15, 2017, when judging Extraordinary Appeal No. 574.706/PR regarding the general repercussion effect, the Federal Supreme Court (STF), by majority of votes, decided that the ICMS is not to be included in the PIS and COFINS tax base since it is intended to the State and, therefore, is not included in the concept of revenue. However, on October 19, 2017 the National Treasury Attorney General's Office (PGFN) filed Motions to Clarify in view of the Court Decision published on October 2, 2017 by the STF. In this motion, PGNF requests the correction of alleged errors in the Court Decision. The most significant ones are as follows: (i) modulation of judgment effects (ii) lack of clarity on the ICMS to be excluded (whether the tax calculated or paid), which reflects on the determination of tax credit to be recovered as well as the future exclusion procedure; and (iii) material error regarding the analysis of gross and net revenue concepts brought by Law 6,404/76, the motions to clarify are pending analysis by the STF. In view of these facts, Management decided to maintain the present obligation derived from past events in the individual and consolidated financial statements for the year ended December 31, 2018.

On March 13, 2019, the Company obtained a favorable final decision on the lawsuit on the subject, which decided for the unconstitutionality of the inclusion of the ICMS separately stated on sales invoices in the PIS and COFINS tax base. As a result, the then present obligation derived from a past event was no longer considered as an obligation and, therefore, the Company recorded in the individual and consolidated financial statements for the first quarter of 2019 the effects of the favorable outcome on such lawsuit, amounting to R$138,008, before taxes, of which R$74,321 recorded in "Other operating income (expenses), net", and R$63,686 in line item "Finance income". The impact on profit for the year was R$105,564, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of the interest on capital, proposed in March 2019, in the amount of R$29,542, according to the Shareholder Notice dated March 26, 2019. On September 20, 2019, judicial deposits in the amount of R$88,456 were released and included in the Company's cash and cash equivalents.

(ii) Excess of IRPJ and CSLL on interest on capital: Refers to the deductibility of interest on capital, based on profits from previous years, which were not distributed at the time they were calculated. According to the analysis of our legal counselors, decisions at the judicial level are mostly favorable to taxpayers.

As at December 31, 2021, there were no legal proceedings with risks of losses classified as probable.

(b) Tax proceedings ("Plano Verão")

On February 22, 2017, the Company obtained a favorable outcome in the proceeding in which the Company was the plaintiff and the Federal Government was the defendant, which claimed for the right to monetarily adjust the balance sheet for the calendar year 1989 by reference to the inflation for January and February of that year and to dismiss the inflation indexes of the legislation then in force (Plano Verão). After the final and unappealable decision, the Company measured the amounts arising from the proceeding, and on February 17, 2020, it filed a request with the Federal Revenue Office for authorization related to the inflation purge on the assets for the purpose of determining the complementary balance of the depreciation and their effects on the calculation of income tax and social contribution over the years. On March 16, 2020, the Federal Revenue Office approved the request regarding this credit, authorizing the Company to utilize it to offset future federal taxes. The Company recognized in the financial statements for 1Q20 the effects from the favorable outcome on the tax proceeding "Plano Verão", which impacted the profit or loss for 1Q20 as follows: (i) EBIT/ EBITDA: reduced by R$955, due to the recognition of attorney's fees, in line item "Other operating income (expenses), net"; (ii) finance income (costs): increased by R$25,135, due to the monetary adjustment of the original amount of the credits; (iii) income tax and social contribution: increased by R$10,794, regarding the original amount of the credits; and (iv) profit for the year: increased by the impact from the net gain of R$34,974, already including the effects of income tax and social contribution on the gain, which was reduced by the use of the interest on capital, proposed in March 2020, as per the Shareholder Notice dated March 17, 2020.

(c) Ongoing tax lawsuits – Eletrobras

In June 2020, the Company became aware, through its lawyers, of success in a significant legal proceeding, filed against Centrais Elétricas Brasileiras S.A. - Eletrobras, the subject of which is to obtain the difference in the monetary adjustment, from 1978 to 1993, on calculations of a compulsory loan on electric energy.

On December 3, 2020, the Company received the amount of R$50,469 and recognized in the individual and consolidated financial statements the effects of this favorable final decision rendered in the tax proceeding, which impacted the result as follows: (i) EBIT/EBITDA: increased by R$1,671, net of PIS/COFINS effects and expenses with attorney's fees; (ii), finance income (costs): increased by R$35,761, due to the monetary adjustment of the original amount of the credits, net of PIS/COFINS effects; and (iii) profit for the year: increased by R$37,432 already including the effects of income tax and social contribution on the gain, which was reduced by the use of the interest on capital, proposed in December 2020, as per the Shareholders Notice dated December 8, 2020.

(d) Civil proceedings

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

(e) Labor claims

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

(f) Judicial deposits

The Company has judicial deposits amounting to R$12,097 as at December 31, 2021 (2020 - R$1,884) of different nature and classified in noncurrent assets, referring to possible or remote lawsuits.

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

On August 31, 2021, the Company deposited in court the amount of R$10,072 related to the proceeding regarding ICMS in the PIS and COFINS tax base; although a final and unappealable decision was rendered on February 21, 2019, only on September 2, 2020 the Brazilian Federal Revenue Office decided to verify whether the tax credits stated in the DCFT (Declaration of Federal Tax Debts and Credits) referred to PIS and COFINS levied on ICMS included in the respective tax bases. A tax notice was issued, requiring the presentation of various tax documents.

After analysis, the Federal Revenue Office understood that the Company would have considered, in the calculation of PIS and COFINS levied on ICMS stated in the shipping invoices, operations of sale of goods and services that supposedly would not have been included in the tax bases of such contributions. The Federal Revenue concluded that part of the PIS and COFINS tax credits stated in the DCTF related to the writ of mandamus would not correspond to the amount of ICMS stated in the invoices and thus a collection letter was issued, requiring the payment of these amounts.

(In thousands of Brazilian reais (R$), unless otherwise stated)

After a detailed analysis of such collection, the Company understood that the Federal Revenue made several mistakes in its calculation of PIS and COFINS; thus, for legal reasons it was necessary to make a deposit in court to contest such undue collection.

As at December 31, in an analysis made by our legal counselors, this proceeding was classified as possible loss.

16 Income tax and social contribution

Income tax is calculated at the rate of 15% on taxable profit plus a 10% surtax on taxable profit exceeding R$240, and social contribution is calculated at the rate of 9% on taxable profit, except for subsidiaries Rominor Comércio and Rominor Empreendimentos, which pay income tax and social contribution based on the deemed taxable income method.

The reconciliation of the tax effect on the Company's profit before income tax and social contribution through application of the prevailing tax rates as at December 31, 2021 and 2020 is as follows:

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
Profit before income tax and social contribution	213,186	167,523	213,266	169,145
Statutory rate (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution expense at statutory rates	(72,483)	(56,958)	(72,510)	(57,509)
Reconciliation to the effective rate:				
Interest on capital	13,636	54,854	13,636	54,854
IR/CSLL tax proceeding ("Plano Verão")	-	10,794	-	10,794
Selic proceeding (a)	42,924	-	42,924	-
Research and development ("Lei do Bem" - Law 11,196/05)	4,023	2,536	4,023	2,536
Equity in earnings of subsidiaries	3,110	(2,131)	-	-
Unrecorded deferred income tax and social contribution in subsidiaries	-	-	348	(3,476)
Management profit sharing	(2,773)	(1,719)	(2,773)	(1,719)
Other additions (deductions), net	2,151	(423)	5,234	74
Current and deferred income tax and social contribution income (expense)	(9,412)	6,954	(9,118)	5,554

(In thousands of Brazilian reais (R$), unless otherwise stated)

(a) See information on “IR/CSLL credit tax proceedings” in note 9.

The amount in the individual and consolidated financial statements refers basically to the difference in the calculation of income tax and social contribution between actual income method <lucro real> and deemed taxable income method <lucro presumido>, due to the fact that subsidiaries Rominor Comércio and Rominor Empreendimentos opted to calculate tax based on deemed taxable income method in the years presented, and for non-recognition of deferred income taxes on the tax losses of foreign subsidiaries, except for BW.

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

	Parent		**Consolidated**	
	2021	**2020**	**2021**	**2020**
Current	4,541	6,979	3,434	6,220
Deferred	(13,953)	(25)	(12,552)	(666)
Total	**(9,412)**	**6,954**	**(9,118)**	**5,554**

(In thousands of Brazilian reais (R$), unless otherwise stated)

				2021				2020
	Temporary differences	**Income tax**	**Social contribution**	**Total**	**Temporary differences**	**Income tax**	**Social contribution**	**Total**
Assets (i):								
Inventories – provision for losses	22,623	5,638	2,036	7,674	29,479	7,351	2,653	10,004
Repossession of machinery	1,190	297	107	404	1,779	444	160	604
Tax loss	-	-	-	-	55,332	8,929	3,011	11,940
Discount to present value - trade accounts receivable an trade accounts payable	1,115	278	100	378	779	194	70	264
Provision for tax, labor and civil risks	1,792	447	161	608	1,513	377	136	513
Contingent commissions	497	124	45	169	444	111	40	151
Management profit sharing	7,956	-	716	716	5,055	-	455	455
Other temporary differences in assets	3,107	774	280	1,054	3,017	752	272	1,024
Liabilities (ii):								
Temporarily non-deductible differences in liabilities:								
Write-off of subsidiary Rominor Empreendimentos' negative goodwill	(4,563)	(1,025)	(378)	(1,403)	(4,563)	(1,025)	(378)	(1,403)
Deferred income tax and social contribution, net - parent	**33,717**	**6,532**	**3,067**	**9,599**	**92,835**	**17,133**	**6,419**	**23,552**
Tax loss				979	1,313	382		382
Other temporary differences				(21)				
Deferred income tax and social contribution asset - consolidated	**33,717**	**6,532**	**3,067**	**10,557**	**94,148**	**17,515**	**6,419**	**23,934**
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	16,804	-	16,804	19,029	16,955	-	16,955
Goodwill on the acquisition of Burkhardt + Weber (B+W) (ii)	86,055	24,557	-	24,557	90,751	26,417	-	26,417
Deferred income tax and social contribution liability - consolidated	**105,084**	**41,361**	**-**	**41,361**	**109,780**	**43,372**	**-**	**43,372**

(In thousands of Brazilian reais (R$), 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 substantially 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 Comércio, Romi Italy and Burkhardt + Weber (B+W), 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, 2021, the expected realization of deferred income tax and social contribution, recorded in noncurrent assets, parent and consolidated, was as follows:

	Parent and Consolidated
Year of realization	
2022	2,977
2023	2,356
2024	2,851
2025 onward	2,373
Total	**10,557**

Changes in deferred tax assets and liabilities, parent and consolidated, for the year ended December 31, 2021 were as follows:

	Assets		**Liabilities**	
	Parent	**Consolidated**	**Parent**	**Consolidated**
At December 31, 2020	23,552	23,934	-	43,372
Changes in the year				
Additions	968	1,544	-	-
Realization	(14,921)	(14,921)	-	(825)
Foreign exchange difference	-	-	-	(1,186)
At December 31, 2021	**9,599**	**10,557**	**-**	**41,361**

(In thousands of Brazilian reais (R$), unless otherwise stated)

17 Equity

Capital

As at December 31, 2021, the Company's subscribed and paid-up capital amounting to R$637,756 (R$637,756 as at December 31, 2020) is represented by 73,333,922 (73,333,922 in 2020) book-entry, registered common shares, without par value.

Income reserve

a) 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.

b) 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 Corporate Law. Management's proposal for the distribution of interest on capital as dividends and the recognition of income reserve submitted to the Annual Shareholders' Meeting is as follows:

	December 31, 2021	December 31, 2020
Profit for the year attributable to the shareholders	203,774	174,477
(-) Recognition of legal reserve	(10,189)	(8,724)
Profit available for distribution	193,585	165,753
Mandatory dividends	(48,396)	(41,438)
Additional dividends already distributed	(8,577)	(119,896)
Total dividends distributed	(56,973)	(161,334)
Recognition of income reserve	**136,612**	**4,419**

Until the year ended December 31, 2021, distributions of interest on capital of R$40,106 and interim dividends ("Dividends") of R$16,867 were approved, according to the notice to the market on the dates below:

1. On March 16, 2021, the distribution of interest on capital to be attributed to the mandatory dividends for 2021 in the gross amount of R$11,000, at 0.15 per share, was approved, for payment on April 28, 2021.

(In thousands of Brazilian reais (R$), unless otherwise stated)

2. On June 8, 2021, the distribution of interest on capital to be attributed to the mandatory dividends for 2021 in the gross amount of R$8,800, at 0.12 per share, was approved, for payment on July 20, 2021.

3. On September 14, 2021, the distribution of interim dividends (“Dividends”) in the gross amount of R$16,867, at 0.23 per share, was approved, for payment on October 28, 2021.

4. On September 14, 2021, the distribution of interest on capital to be attributed to the mandatory dividends for 2021 in the gross amount of R$9,533, at 0.13 per share, was approved, for payment by the end of the fiscal year 2022, with date to be set by the Company’s Executive Board.

5. On December 15, 2021, the distribution of interest on capital to be attributed to the mandatory dividends for 2021 in the gross amount of R$10,773, at 0.1469 per share, was approved, for payment on January 26, 2022.

The total amount paid by the Company in the year ended December 31, 2021, net of withholding income tax, was R$130,120.

Earnings per share

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

	Note	December 31, 2021	December 31, 2020
Profit for the year attributable to the controlling interests		203,774	174,477
Weighted average number of shares outstanding		73,334	64,833
Basic and diluted earnings per share		2.78	2.69

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

18 Pension plan

The Company has a defined contribution pension plan managed by an authorized pension plan entity, effective since October 1, 2000, for all its employees and management, which are referred to as “Plano Gerador de Benefício Livre – PGBL”, classified as a defined contribution (DC) plan.

The nature of the plan allows the Company, at any time and at its sole and exclusive discretion, to suspend or permanently discontinue its contributions to the plan.

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

The amount of contributions made by the Company in the year ended December 31, 2021 was R$1,471 (R$1,284 as at December 31, 2020). The amount incurred with the private pension plan was recorded in the statements of profit and loss for the years ended December 31, 2021 and 2020 in line items “Cost of sales and services”, “Selling expenses”, “General and administrative expenses” and “Research and development”, based on the reference cost center of each employee.

19 Insurance

As at December 31, 2021, the insurance coverage for fire, windstorm, electrical damages and theft was comprised as follows: (i) buildings - R$186,143; (ii) machines and equipment - R$477,610; (iii) inventories and machines pending repossession - R$421,278; (iv) construction works - R$5,820; (v) assets held by third parties – R$61,254 and (vi) other – R$1,316.

20 Financial instruments and operational 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 and short-term investments: carried at amortized cost plus income earned through the end of the reporting period, which approximate their fair values.
- Trade accounts receivable and onlending of FINAME manufacturer financing: commented on and presented in Notes 4 and 5.
- Borrowings and FINAME manufacturer financing: commented on and presented in Notes 13 and 14.

The Company believes that the other financial instruments, such as payables of related parties, which are recognized in the individual and consolidated 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 revenues and mainly the cost of sales and services affected by fluctuations in the international prices of its products or 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 accounts receivable 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 foreign exchange difference are represented by trade accounts receivable, direct investments, export financing and trade accounts payable.

Tax risk: related to changes in tax laws and in the understanding of the lawsuits in which the company is a defendant, which may directly or indirectly affect the company's profitability, either by increasing costs/expenses or by increasing the tax burden on the profit obtained.

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.

(In thousands of Brazilian reais (R$), unless otherwise stated)

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

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 flows. The balances due within 12 months are equal to the balances to be carried forward as the impact of discounting is not significant.

				Consolidated
	Less than one year	**Between one and two years**	**Between two and five years**	**Over five years**
At December 31, 2021				
Borrowings	70,732	23,401	122,081	4,017
Trade accounts payable	129,391	-	-	-
At December 31, 2020				
Borrowings	115,025	14,935	78,681	3,052
Trade accounts payable	96,054	-	-	-

Risk related to FINAME manufacturer financing transactions: liabilities related to FINAME manufacturer transactions are backed by the balances of the line item "Onlending 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 and 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.

(In thousands of Brazilian reais (R$), unless otherwise stated)

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
(-) Total borrowings	550,343	501,823	582,165	536,504
Cash and cash equivalents (Note 3)	(28,047)	(140,932)	(99,911)	(195,418)
Short-term investments (Note 3)	(74,786)	(127,166)	(74,786)	(127,166)
Onlending of FINAME manufacturer financing (Note 5)	(371,641)	(334,716)	(371,641)	(334,716)
Net debt (Cash)	75,869	(100,991)	35,827	(120,796)
Total equity	963,288	813,003	963,288	813,003
Total capital	1,039,157	712,012	999,115	692,207
Gearing ratio - %	**7.3%**	**-14.2%**	**3.6%**	**-17.5%**

Additional sensitivity analysis required by the CVM

(i) Exchange rate fluctuations

Exchange rate fluctuations may positively or adversely affect the individual and consolidated financial statements due to an increase or decrease in the balances of accounts payable to suppliers of imported components, in accounts receivable from export customers, and in borrowings denominated in foreign currency.

As at December 31, 2021, the foreign currency denominated balances were subject to foreign exchange effects. Assets and liabilities exposed to exchange rate fluctuations recognized in the balance sheet are as follows:

	Parent
Cash and cash equivalents	2,198
Trade accounts receivable	24,142
Receivables from related parties	104,505
Other receivables	4,327
Payables to related parties	(3,537)
Borrowings	(123,979)
Trade accounts payable	(33,829)
Advances from customers	(15,922)
	-
Net liability exposure	(42,095)

(In thousands of Brazilian reais (R$), unless otherwise stated)

Presented below is the loss that would have been recognized in profit (loss) for the year ended December 31, 2021 according to the following scenarios:

	Parent		
	Probable scenario	**Scenario II**	**Scenario III**
Net liability exposure	(44,425)	(55,531)	(66,637)

The probable scenario considers future US Dollar and Euro rates, based on quotations obtained from the projections report of the Economic Analysis section of Santander Brazil, considering the quotation projected for 2022, with US Dollar at R$5.70 and Euro at R$6.94. Scenarios II and III project an increase in exchange rates of 25% and 50%, respectively. The probable scenarios, II and III, are being presented in conformity with CVM Instruction 475/08. Management uses the probable scenario in the assessment of possible changes in exchange rates and presents such scenario in compliance with IFRS 7 – "Financial Instruments: Disclosure.

(ii) **Interest rate fluctuations**

The finance income from financial investments and the finance costs on borrowing are impacted by changes in interest rates, such as the CDI, TLP and the CDI.

As at December 31, 2021, 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 TLP variation is as follows.

	Parent	**Consolidated**
Total cash and cash equivalents and short-term investments linked to CDI	102,833	174,697
Total borrowings linked to CDI	(39,626)	(59,200)
Net asset exposure	63,207	115,497

The sensitivity analysis considers the exposure of borrowings, net of short-term investments, indexed to CDI.

The tables below show the incremental gain (loss) that would have been recognized in profit (loss) for the year ended December 31, 2021 according to the following scenarios:

The probable scenario considers future interest rates, based on quotations obtained from the projections report of the Economic Analysis section of Santander Brazil, considering the rates projected for December 31, 2022 at 9.25%. Scenarios I and II consider an increase in interest rates of 25% and 50%, respectively.

(In thousands of Brazilian reais (R$), unless otherwise stated)

			Parent
	Probable scenario	Scenario II	Scenario III
Net asset exposure	69,054	70,516	71,977

			Consolidated
	Probable scenario	Scenario II	Scenario III
Net asset exposure	125,706	128,366	139,302

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

(c) Financial instruments by category

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

		Parent		Consolidated
	2021	2020	2021	2020
Loans and receivables:				
Cash and cash equivalents	28,047	140,932	99,911	195,418
Short-term investments	74,786	127,166	74,786	127,166
Trade accounts receivable	137,313	110,135	258,666	199,289
Onlending of FINAME manufacturer financing	371,641	334,716	371,641	334,716
Related parties	104,776	81,275	-	-
Other receivables, except advances and machines pending repossession	6,721	268	13,678	5,771
Judicial deposits	12,097	1,884	12,097	1,884
Financial liabilities at amortized cost:				
Borrowings	188,409	177,409	220,231	212,090
FINAME manufacturer financing	361,934	324,414	361,934	324,414
Trade accounts payable	115,340	87,756	129,391	96,054
Other payables	5,035	3,859	37,674	38,889
Related parties	3,096	430	-	-

(In thousands of Brazilian reais (R$), unless otherwise stated)

21 Segment reporting - consolidated

To manage its business, the Company is organized into three business units on which the Company reports its primary information by segment, namely: Romi Machinery, Burkhardt+Weber Machinery and Cast and Machined Products. Although the Burkhardt+Weber Machines business unit reported an operating loss, due to the gradual recovery from the pandemic effects, the Company concluded that there is no indication that would require the recognition of a provision for impairment of property, plant and equipment and intangible assets, as mentioned in Note 11.

The information for the year ended December 31, 2021 was prepared and is being presented on a comparative basis with the year ended December 31, 2020, according to the Company's segments:

					December 31, 2021
	Romi Machines	Burkhardt + Weber Machines	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	746,639	245,312	391,548		1,383,499
Cost of sales and services	(363,322)	(197,734)	(375,654)		(936,710)
Transfers remitted	1,209	-	61,753	(62,962)	
Transfers received	(61,753)	-	(1,209)	62,962	
Gross profit	322,743	47,578	76,438	-	446,789
Operating (expenses) income:					
Selling expenses	(81,871)	(20,742)	(8,282)	-	(110,895)
General and administrative expenses	(35,938)	(31,356)	(18,552)	-	(85,846)
Research and development	(19,435)	-	(7,642)	-	(27,077)
Management fees	(7,966)	-	(7,755)	-	(15,721)
Other operating income, net	2,437	1,861	-		4,298
Operating profit (loss) before finance income (costs)	180,000	(2,659)	34,207	-	211,548
Inventories	405,701	48,094	82,904	-	536,699
Depreciation and amortization	18,427	12,134	11,815	-	42,376
Property, plant and equipment, net	232,292	79,009	59,047	-	370,348
Intangible assets	938	63,120	7	-	64,065

(In thousands of Brazilian reais (R$), unless otherwise stated)

	Europe	Latin America	North America	Africa and Asia	Total
Net operating revenue per geographical region	336,321	979,497	40,151	27,530	1,383,499

December 31, 2020

	Romi Machines	Burkhardt + Weber Machines	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	462,877	261,221	249,052		973,150
Cost of sales and services	(241,338)	(209,955)	(223,028)		(674,321)
Transfers remitted	1,285	-	25,196	(26,481)	
Transfers received	(25,196)	-	(1,285)	26,481	
Gross profit	197,628	51,266	49,935	-	298,829
Operating (expenses) income:					
Selling expenses	(66,149)	(19,854)	(5,052)	-	(91,055)
General and administrative expenses	(28,502)	(29,273)	(16,230)	-	(74,005)
Research and development	(17,085)	-	(5,433)	-	(22,518)
Management fees	(5,568)	-	(6,119)	-	(11,687)
Other operating income, net	7,304	-	-		7,304
Operating profit (loss) before finance income (costs)	87,628	2,139	17,101	-	106,868
Inventories	268,845	40,318	49,511	-	358,674
Depreciation and amortization	13,313	11,927	11,607	-	36,847
Property, plant and equipment, net	110,974	86,669	117,105	-	314,748
Intangible assets	1,084	69,692	12	-	70,788

	Europe	Latin America	North America	Africa and Asia	Total
Net operating revenue per geographical region	241,917	605,058	50,326	75,849	973,150

(In thousands of Brazilian reais (R$), unless otherwise stated)

22 Future commitments

On April 10, 2017, the Company and Centrais Elétricas Cachoeira Dourada S.A. - CDSA, belonging to Endesa, decided to amend the agreement for the supply of electric energy entered into on May 1, 2007, which intended to contract a volume of electric energy according to the Company's needs. On May 30, 2019, the Company entered into an electric energy purchase agreement with Engie Brasil Energia Comercializadora LTDA - Engie, for the periods following the ongoing agreement with CDSA. As a result, the supply of electric energy has been extended for further three years, up to December 31, 2023, and has reflected the following commitments that will be adjusted annually by the General Market Price Index (IGP-M).

Year of supply	Amount
2022	18,866
2023	18,250
	37,116

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

23 Net sales revenue

Net sales revenue for the years ended December 31, 2021 and 2020 is broken down as follows:

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
Domestic market	1,081,326	684,868	1,081,315	688,393
Foreign market	140,423	79,811	460,131	393,312
Gross sales revenue	1,221,749	764,679	1,541,446	1,081,705
(-) Taxes on sales	(157,615)	(108,435)	(157,947)	(108,555)
Net sales revenue	1,064,134	656,244	1,383,499	973,150

(In thousands of Brazilian reais (R$), unless otherwise stated)

24 Costs and expenses by nature

	Parent		Consolidated	
	2021	**2020**	**2021**	**2020**
Depreciation and amortization	25,955	21,284	42,376	36,847
Personnel expenses	173,680	142,176	308,196	251,322
Raw materials and consumables	627,545	320,598	718,975	464,275
Freight	23,154	13,294	31,475	23,418
Other expenses	14,547	55,638	75,227	97,724
Total	864,881	552,990	1,176,249	873,586
Classified as:				
Cost of sales and services	722,832	444,225	936,710	674,321
Selling expenses	62,100	43,932	110,895	91,055
General and administrative expenses	37,287	30,731	85,846	74,005
Research and development	27,077	22,518	27,077	22,518
Management profit sharing and fees	15,585	11,584	15,721	11,687
Total	864,881	552,990	1,176,249	873,586

(In thousands of Brazilian reais (R$), unless otherwise stated)

25 Finance income (costs)

		Parent		Consolidated
	2021	**2020**	**2021**	**2020**
Finance income:				
Income from short-term investments	4,454	3,568	4,473	4,409
Interest on trade accounts receivable	3,950	2,516	3,950	2,516
Finance income related to successful outcome in lawsuit	2,372	60,620	2,372	60,620
Other	611	1,992	1,537	1,984
Total	11,387	68,696	12,332	69,529
Finance costs:				
Interest on financing	(10,279)	(6,977)	(10,950)	(9,335)
Other	(1,448)	(2,434)	(3,050)	(2,437)
	(11,727)	(9,411)	(14,000)	(11,772)

26 Other operating income (expenses), net

		Parent		Consolidated
	2021	**2020**	**2021**	**2020**
Gains on sales of assets	2,251	4,492	2,251	4,792
Successful outcome in lawsuit	-	2,489	-	2,489
Other	(209)	(133)	2,047	23
	2,042	6,848	4,298	7.304

27 Events after the reporting period

(i) Subsidiaries: Rominor Comércio, Empreendimentos e Participações S.A. (“Rominor Comércio”)
At a meeting of the Board of Directors held on February 1, 2022, the distribution of the remaining dividends was authorized, referring to the fiscal year 2021, in the amount of R$3,130, to be paid on February 15, 2022, subject to ratification at the Annual Shareholders’ Meeting to be held on March 15, 2022.

(ii) At a meeting of the Board of Directors held on February 1, 2022, the distribution of interim dividends was authorized, referring to the fiscal year 2021, in the amount of R$7,333, to be paid on April 26, 2022, subject to ratification at the Annual Shareholders’ Meeting to be held on March 15, 2022.

(iii) Subsidiaries: Rominor Comércio, Empreendimentos e Participações S.A. (“Rominor Comércio”)
At the Board of Directors’ meeting held on February 1, 2022, the merger of the shares of “Rominor Comércio” into the Company and the merger of “Rominor Comércio” into Rominor Empreedimentos e Participações Imobiliários S.A. were submittted for the appreciation of the Board for subsequent submission to the General Shareholders’ Meeting.

* * *

INDÚSTRIAS ROMI S.A.
MANAGEMENT REPORT - 2021

Dear Sirs:

We are submitting for the consideration of the Shareholders, Customers, Suppliers, Capital Market and society in general the Management Report and the Financial Statements of Indústrias Romi S.A. ("Romi" or "Company") for the year ended December 31, 2021, accompanied by the Independent Auditor's Report.

2021 ended indicating the continuity of a favorable environment for investments, as started in mid-2020. This important recovery in business volume can be noticed in all business units, both in businesses in the domestic market and in exports and at the Burkhardt Weber business unit. Although the current level of real interest rates and the prospects indicate its increase, the current exchange rate level and the costs and global logistics availability continue to encourage the national industry and the country in general to allocate a greater portion of production to Brazil, as well as to seek greater productivity and preservation of competitiveness. In view of the more concrete signs of this resumption that took place in 2020, the Company prepared itself, especially in relation to orders for raw materials and components along the supply chain, which have allowed us to serve customers in an appropriate and competitive period. Romi is prepared to continue to support its customers by providing high-technology products, within deadlines suitable to the market's needs.

In the foreign market we have also noted a recovery of machine orders, not only for Romi Machines, but also for BW Machines, the latter with relevant orders placed in 2021. These orders reflect the economic recovery and, consequently, the growing volume of opportunities both in the Asian continent and in Europe.

The past few years have been marked by an environment of uncertainty and high volatility, with major challenges in relation to production volume forecasts, for example. Accordingly, we continue to implement actions to streamline the structure and the planning and manufacturing process, to respond quickly to the demand volatility. Over the past few years, several optimizations were made, especially in indirect structures and internal processes automation. We also reinforced the focus on cost and expense reduction projects, in addition to investing in automation and productivity, focusing on the increase of profitability, which can be noted since 2017. Strategically, the Company's priority was the development of new product generations, which has advanced significantly in terms of technological content, aligned to the needs of Industry 4.0, and the first lines launched in 2018 and 2019 are already a success both in the domestic and foreign markets. The Company remains confident that it is prepared to keep seizing the opportunities arising from the rebound in the domestic and foreign economies.

With an important evolution in the liquidity of ROMI3 shares in 2021, the Company became participant of five more B3 indexes: IBRA (Brazil Broad-Based Index), IDIV (Dividend Index), SMLL (SmallCap Index), IGCT (Corporate Governance Trade Index) and INDX (Industrial Sector Index).

1. OPERATING PERFORMANCE

Net Operating Revenue

Net operating revenue in 2021 was R$1,383,499.1 million, 42.2% higher than in 2020, mainly due to growth in sales of Romi machinery in the domestic market, as a result of the adequate strategy to develop new generations of products launched in 2020, the gradual recovery of the industry, which affected positively the volume of new orders and exports that also continued to grow in the same comparison period.

Margins

In 2021, the gross margin was 32.3%, exceeding by 1.6 percentage points the margin obtained in 2020, highlighting the Romi Machines business unit.

The operating margin (Earnings Before Interest and Taxes - EBIT) recorded in 2021 was positive by 15.3%, an increase of 4.3 percentage points compared to 2020, due to increase in revenue aligned with an effective control of operating expenses.

Profit for the Year

Profit for 2021 was R$204.1 million.

2. INVESTMENTS

During 2021, R$99.1 million was invested, the greater part of which was allocated to automation, maintenance, productivity, flexibility, competitiveness of other units of the industrial facilities and machines manufactured by the Company that were allocated to the machinery rental business, all within the investment plan foreseen for the year.

3. EXTERNAL AUDIT

In accordance with the provisions of CVM Instruction 381/03, the Company informs that in the year ended December 31, 2021, no services other than the audit of the financial statements were provided by Deloitte Touche Tohmatsu Auditores Independentes Ltda.

4. ARBITRATION

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

The Management

SUPERVISORY BOARD'S OPINION

In compliance with legal and statutory provisions, the Supervisory Board of Indústrias Romi S.A. has examined the Management Report, the Financial Statements and the Proposal for Allocation of Profit and Distribution of Dividends for the fiscal year ended December 31, 2021, as well as the Management's Proposal concerning the Capital Budget for 2021 and changes in share capital. Based on the information submitted and having received the clarifications provided by Management and the Independent Auditors, the Supervisory Board believes that said documents are appropriate to be submitted to the Annual Shareholders' Meeting.

Santa Bárbara d'Oeste, February 1, 2022.

Alfredo Ferreira Marques Filho

Clóvis Ailton Madeira

Walter Luis Bernardes Albertoni

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SUMMARY REPORT OF THE AUDIT AND RISK COMMITTEE 2021

The Audit and Risk Committee of Indústrias Romi S.A. ("Committee"), in the period from 4/26/2021 to 1/31/2022 met in six occasions, four of which were meetings with the Supervisory Board and Independent Audit Firm, for the analysis of the Interim Financial Information, pursuant to its By-laws.

The main issues discussed were:

1. Internal Audit activities, as well as the development and implementation of the action plans established to remedy the deficiencies identified;
2. Interim Financial Information and Financial Statements together with the Supervisory Board and Independent Audit Firm;
3. Letter of Recommendations from the Independent Audit Firm;
4. 2022 budgets for the Internal Audit and the Audit and Risk Committee;
5. Audit Plan carried out in 2021 and proposed for 2022; and
6. Compliance Program and Risk Management System, including a Whistleblowing Channel.

Considering the analysis of the aforementioned matters, including the Financial Statements for the year ended December 31, 2021, the Committee concluded that the Company is in compliance with the legal, regulatory and statutory standards and its policies.

Márcio Guedes Pereira Júnior
Coordinator

Antônio Cândido de Azevedo Sodré Filho

Antônio Carlos Bonini Santos Pinto

Francisco José Levy

INDÚSTRIAS ROMI S.A.
CNPJ – 56.720.428/0014-88/NIRE 35.300.036.751

PUBLICLY-HELD COMPANY

OFFICERS' REPRESENTATION ON THE FINANCIAL STATEMENTS

The officers mentioned below represent that they have prepared, reviewed and discussed the financial statements and that there is no significant matter requiring additional comments other than those already described in the notes to the financial statements.

Santa Bárbara d'Oeste, February 1, 2022

Luiz Cassiano Rando Rosolen – Chief Executive Officer
Fernando Marcos Cassoni – Vice-President
Fábio Barbanti Taiar – Executive Officer
Douglas Pedro de Alcântara – Executive Officer
Mauricio Lanzellotti Lopes – Executive Officer
Tales Caires Aquino – Executive Officer

INDÚSTRIAS ROMI S.A.

CNPJ – 56.720.428/0014-88/NIRE 35.300.036.751

PUBLICLY-HELD COMPANY

OFFICERS' REPRESENTATION ON THE INDEPENDENT AUDITOR'S REPORT

The officers mentioned below represent that they have reviewed, discussed and agreed with the Report on Review issued by Deloitte Touche Tohmatsu Auditores Independentes on the individual and consolidated financial statements of Indústrias Romi S.A. for the year ended December 31, 2021.

Santa Bárbara d'Oeste, February 1, 2022

Luiz Cassiano Rando Rosolen – Chief Executive Officer

Fernando Marcos Cassoni – Vice-President

Fábio Barbanti Taiar – Executive Officer

Douglas Pedro de Alcântara – Executive Officer

Mauricio Lanzellotti Lopes – Executive Officer

Tales Caires Aquino - Executive Officer