(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, 2020 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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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, 2020, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year 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, 2020, 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 - IFRSs, 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 we do not provide a separate opinion on these matters.

Property, plant and equipment and intangible assets - Assessment of the indicators of impairment of property, plant and equipment and intangible assets

During the year ended December 31, 2020, mainly due to the instabilities in the market as a result of the "Covid-19", we consider that the assessment of the indicators of impairment of property, plant and equipment and intangible assets was important during each one of the quarters for the year then ended.

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Management tested the recoverability of these assets (property, plant and equipment and intangible assets) using the Discounted Cash Flow method. The cash flow projections used for the impairment test were prepared for the cash-generating units and took into account the business judgment estimates and assumptions. We performed audit 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 risk of material misstatement of the individual and consolidated financial statements. Based on the audit evidence obtained through the preliminary procedures applied, we consider acceptable the amount of property, plant and equipment and intangible assets in the context of the individual and consolidated financial statements for the year ended December 31, 2020 taken as a whole.

Provision for tax risks

As detailed 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 in the amount of R$1,512 thousand was recognized for those lawsuits assessed as probable loss and R$65,011 thousand was disclosed for those risks assessed as possible loss. The determination of the provision amount and the disclosed amounts depends on Management's critical judgments, based on an analysis of the lawsuits and corresponding likelihood of loss of its legal counsel. Also, and considering the significance of the respective amounts, any changes in the estimates or assumptions, which impact the likelihood of loss, 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 and reviewing the opinion of 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, when applicable, opinions from other legal advisors, for purposes of assessing the reasonableness of the likelihood of losses determined by the attorneys defending the respective lawsuits, as well as assessing the arguments, case law and/or defense strategy adopted by the Company's legal advisors, as well as the understandability of the disclosures included in the notes on tax uncertainties. Based on the procedures performed, we consider acceptable Management's estimates related to the disclosure and provision for tax risks 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, 2020, 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.

Comparative amounts

The corresponding information and figures for the year ended December 31, 2019, presented for purposes of comparison, were previously audited by another independent auditor, who issued a report dated February 11, 2020 with the following qualification:

”As disclosed in note 15 to the individual and consolidated financial statements, during the first quarter of the year ended December 31, 2019, as a result of the final and unappealable favorable decision on its lawsuit, the Company reversed the provision related to the effect from the deduction of the State VAT (ICMS) from the taxes on revenue (PIS and COFINS) tax basis, which were not paid from November 2006 to March 2019, but were deposited in an escrow account. When considering the ruling from the Federal Supreme Court (STF) handed down on March 15, 2017 and in analyzing the general effect of the matter, which decided that the ICMS must not comprise the PIS and COFINS tax basis and, based on the guidelines set out in technical pronouncement CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, in the year ended December 31, 2017, it was no longer probable that an outflow of resources would be required to settle the obligation previously recognized and, accordingly, such provision should have been reversed in that year. Consequently, individual and consolidated profit for the year ended December 31, 2019 is overstated by R$56,302 thousand and individual and consolidated equity as at December 31, 2018 is understated by the same amount, net of taxes.”

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.

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 the International Financial Reporting Standards - IFRSs, 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 9, 2021

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Paulo de Tarso Pereira Jr.
Engagement Partner

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INDÚSTRIAS ROMI S.A.

STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais unless otherwise stated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

		Parent		Consolidated	
ASSETS	Note	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
CURRENT ASSETS					
Cash and cash equivalents	3	140,932	102,838	195,418	147,807
Short-term investments	3	127,166	683	127,166	683
Trade accounts receivable	4	98,974	73,377	186,183	140,395
Onlending of FINAME manufacturer financing	5	131,494	97,053	131,494	97,053
Inventories	6	266,114	239,476	358,674	344,878
Related parties	8	47,052	65,169	-	-
Taxes recoverable	9	44,538	8,058	51,204	15,347
Other receivables		13,686	11,029	18,556	14,019
		869,956	597,683	1,068,695	760,182
NON-CURRENT ASSETS					
Trade accounts receivable	4	11,161	11,489	13,106	11,489
Onlending of FINAME manufacturer financing	5	203,222	166,959	203,222	166,959
Related parties	8	34,223	-	-	-
Taxes recoverable	9	28,250	54,401	28,256	54,401
Deferred income tax and social contribution	16	23,552	23,577	23,934	24,822
Judicial deposits	15	1,884	1,930	1,884	1,930
Other receivables		3,054	5,353	3,687	5,681
		305,346	263,709	274,089	265,282
Investment in subsidiaries	7	180,393	140,715	-	-
Property, plant and equipment	11	212,188	191,596	314,748	269,235
Investment properties	10	13,500	13,500	18,388	18,181
Intangible assets	12	1,096	600	70,788	54,361
		712,523	610,120	678,013	607,059
TOTAL ASSETS		1,582,479	1,207,803	1,746,708	1,367,241

		Parent		Consolidated	
LIABILITIES	Note	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
CURRENT LIABILITIES					
Borrowings	13	115,025	78,723	115,422	91,649
FINAME manufacturer financing	14	122,704	82,177	122,704	82,177
Trade accounts payable		87,756	35,123	96,054	51,451
Payroll and related taxes		27,272	15,248	36,163	21,288
Taxes payable		7,553	9,567	13,182	15,553
Advances from customers		32,156	12,186	70,462	68,200
Profit sharing		4,856	1,205	4,856	1,205
Dividends and interest on capital		91,130	39,523	91,130	39,523
Provision for tax, labor and civil risks	15	1,216	806	1,216	806
Other payables		3,811	3,158	35,612	23,577
Related parties	8	430	1,679	-	-
		493,909	279,395	586,801	395,429
NON-CURRENT LIABILITIES					
Borrowings	13	62,384	13,468	96,668	22,866
FINAME manufacturer financing	14	201,710	152,786	201,710	152,786
Provision for tax, labor and civil risks	15	296	454	296	454
Other payables		48	12	3,277	5,194
Provision for net equity deficiency - subsidiary	7	11,129	4,404	-	-
Deferred income tax and social contribution	16	-	-	43,372	31,630
		275,567	171,124	345,323	212,930
TOTAL LIABILITIES		769,476	450,519	932,124	608,359
EQUITY					
Capital	17	637,756	492,025	637,756	492,025
Retained reserve		86,894	219,482	86,894	219,482
Carrying value adjustment		88,353	45,777	88,353	45,777
		813,003	757,284	813,003	757,284
NON CONTROLLING INTEREST		-	-	1,581	1,598
EQUITY		813,003	757,284	814,584	758,882
TOTAL LIABILITIES AND EQUITY		1,582,479	1,207,803	1,746,708	1,367,241

The accompanying notes are an integral part of these financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais unless otherwise stated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

		Parent		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Net operating revenue	23	656,244	501,124	973,150	765,506
Cost of sales and services	24	(444,225)	(364,314)	(674,321)	(556,808)
Gross profit		212,019	136,810	298,829	208,698
Operating income (expenses)					
Selling	24	(43,932)	(44,758)	(91,055)	(85,621)
General and administrative	24	(30,731)	(32,063)	(74,005)	(70,138)
Research and development	24	(22,518)	(20,470)	(22,518)	(20,470)
Management profit sharing and fees	8	(11,584)	(7,210)	(11,687)	(7,305)
Equity in earnings of subsidiaries	7	(6,267)	(7,148)	-	-
Other operating income (expenses), net	26	6,848	78,209	7,304	79,329
		(108,184)	(33,440)	(191,961)	(104,205)
Operating profit		103,835	103,370	106,868	104,493
Financial income (expenses)					
Financial income	25	68,696	67,646	69,529	69,942
Financial expenses	25	(9,411)	(2,611)	(11,772)	(4,741)
Foreign exchange gains (losses), net		4,403	(2,904)	4,520	(3,601)
		63,688	62,131	62,277	61,600
Profit (loss) before taxation		167,523	165,501	169,145	166,093
Income tax and social contribution	16	6,954	(35,837)	5,554	(36,183)
Current	16	6,979	(19,648)	6,220	(20,652)
Deferred	16	(25)	(16,189)	(666)	(15,531)
Profit for the year		174,477	129,664	174,699	129,910
Attributable to:					
Controlling interests				174,477	129,664
Non-Controlling interests				222	246
				174,699	129,910
Basic and diluted earnings per share in reais - R$	17	2.69	2.06		

The accompanying notes are an integral part of these financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31
(In thousands of Brazilian reais unless otherwise stated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit for the year	174,477	129,664	174,699	129,910
Foreign currency translation effects	42,576	2,043	42,576	2,043
Comprehensive profit for the year	217,053	131,707	217,275	131,953
Attributable to:				
Controlling interests			217,053	131,707
Non-Controlling interests			222	246
			217,275	131,953

The accompanying notes are an integral part of these financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF CHANGES IN EQUITY
(In thousands of Brazilian reais unless otherwise stated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

		Attributable to the controlling interests								
			Retained reserve							
	Note	Capital	Retained reserve	Legal reserve	Total	Carrying value adjustment	Profit for the year	Total	Non-Controlling interests	Total
At December 31, 2018		**492,025**	**112,380**	**47,838**	**160,218**	**43,734**	**-**	**695,977**	**1,626**	**697,603**
Profit for the year		-	-	-	-	-	129,664	129,664	246	129,910
Foreign currency translation effects		-	-	-	-	2,043	-	2,043	-	2,043
Total comprehensive income for the year		-	-	-	-	2,043	129,664	131,707	246	131,953
Interest on capital		-	-	-	-	-	(70,400)	(70,400)	-	(70,400)
Dividends paid by subsidiary		-	-	-	-	-	-	-	(274)	(274)
Transfers between reserves		-	52,781	6,483	59,264	-	(59,264)	-	-	-
Total contributions by and distributions to controlling interests		-	52,781	6,483	59,264	-	(129,664)	(70,400)	(274)	(70,674)
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	17	-	-	-	-	-	(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**

The accompanying notes are an integral part of these financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2020
(In thousands of Brazilian reais unless otherwise stated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	Note	Parent 2020	Parent 2019	Consolidated 2020	Consolidated 2019
Cash flows from operating activities					
Profit before taxation		**167,523**	**165,501**	**169,145**	**166,093**
Adjustments from:					
Unrealized finance costs and foreign exchange difference		(59,237)	(59,211)	(80,611)	(59,094)
Depreciation and amortization	11, 12	21,284	21,742	36,847	33,548
Allowance for doubtful accounts and for other receivables	4, 5	948	439	3,510	722
Recognition (reversal) of inventory realization	6	(804)	(2,506)	8,558	(4,280)
(Gain) loss on disposals of property, plant and equipment and intangible assets	26	(4,492)	(2,802)	(4,792)	(3,214)
Equity in earnings of subsidiaries	7	6,267	7,148	-	-
Recognition (reversal) of provision for contingent liabilities		42	(61,149)	42	(61,149)
Change in operating assets and liabilities					
Short-term investments		-	(194)	-	(194)
Trade accounts receivable		(627)	15,388	(3,433)	34,294
Related parties (assets and liabilities)		(17,735)	(7,629)	-	-
Onlending of FINAME manufacturer financing		(78,134)	(57,122)	(78,134)	(57,122)
Inventories		(25,834)	(33,837)	(22,354)	(40,050)
Taxes recoverable		(3,314)	(9,976)	(3,270)	20,327
Judicial deposits		46	96,825	46	96,825
Other receivables		72,678	21,340	70,329	20,702
Trade accounts payable		49,468	6,091	41,438	5,011
Payroll and related taxes		12,024	(3,973)	14,875	(3,579)
Taxes payable		(23,182)	6,056	(22,980)	(33,935)
Advances from customers		19,970	(2,638)	2,262	(3,266)
Other payables		4,664	(432)	14,715	8,208
Cash by operations		141,555	99,061	146,193	119,847
Income tax and social contribution paid		-	(3,288)	(559)	(3,791)
Cash by operations		141,555	95,773	145,634	116,056
Cash flow from investing activities					
Short-term investments	3	(126,483)	-	(126,483)	-
Purchase of property, plant and equipment	11	(42,345)	(25,918)	(46,784)	(36,888)
Increase in intangible assets	12	(901)	(30)	(1,131)	(80)
Sales of assets		5,361	3,551	5,361	4,301
Dividends received	7	3,216	3,688	-	-
Capital increase in subsidiary	7	-	(88)	-	-
Net cash used in investing activities		(161,152)	(18,797)	(169,037)	(32,667)
Cash flow from financing activities					
Interest on capital and dividends paid	17	(88,676)	(54,723)	(88,916)	(45,904)
New borrowings		192,567	55,743	209,469	71,412
Financing paid		(130,793)	(76,839)	(140,013)	(94,096)
Interest paid		(4,861)	(1,940)	(4,865)	(1,657)
New FINAME - manufacturer financing		184,305	124,937	184,304	124,937
Payment of FINAME - manufacturer financing		(83,574)	(71,149)	(83,574)	(71,149)
Interest paid of FINAME - manufacturer financing		(11,277)	(17,451)	(11,276)	(17,451)
Cash by (used in) financing activities		57,691	(41,422)	65,129	(33,908)
Increase in cash and cash equivalents		38,094	35,554	41,726	49,481
Cash and cash equivalents at the beginning of the year		102,838	67,284	147,807	100,428
Foreign exchange gains (losses) of cash equivalents of foreign subsidiaries		-	-	5,885	(2,102)
Cash and cash equivalents at the end of the year		140,932	102,838	195,418	147,807

The accompanying notes are an integral part of these financial statements

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INDÚSTRIAS ROMI S.A.

STATEMENT OF VALUE ADDED
YEAR ENDED DECEMBER 31, 2020
(In thousands of Brazilian reais unless otherwise stated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Revenues				
Sales of products and services	764,681	596,145	1,081,705	860,639
Allowance for doubtful accounts	(948)	(4,845)	(3,510)	75
Other operating income, net	6,848	78,209	7,304	79,329
	770,581	669,509	1,085,499	940,043
Inputs acquired from third parties				
Materials used	(320,598)	(333,017)	(464,275)	(460,441)
Other costs of products and services	(28,020)	(19,548)	(47,111)	(40,303)
Electricity, third-party services and other expenses	(40,912)	(42,448)	(74,031)	(54,095)
	(389,530)	(395,013)	(585,417)	(554,839)
Gross value added	381,051	274,496	500,082	385,204
Depreciation and amortization	(21,284)	(21,742)	(36,847)	(33,548)
Net value added generated by the Company	359,767	252,754	463,235	351,656
Value added received through transfers				
Equity in earnings of subsidiaries	(6,267)	(7,148)	-	-
Finance income (costs) and net foreign exchange gains	73,099	67,645	74,049	69,942
Total value added to distribute	426,599	313,251	537,284	421,598
Distribution of value added				
Employees				
Payroll and related taxes	109,639	108,291	218,682	210,478
Sales commission	4,412	3,221	4,412	3,221
Management profit sharing and fees	11,584	7,210	11,687	7,305
Profit sharing	15,518	4,601	15,518	4,601
Private pension plan	1,023	656	1,023	656
Taxes, rates and contributions	101,248	51,755	98,924	52,545
Interests	9,411	5,515	11,772	8,342
Rentals	3,706	2,338	5,225	4,814
Interest on capital	161,334	70,400	161,334	70,400
Non-Controlling interests	-	-	(17)	(28)
Profit for the year	8,724	59,264	8,724	59,264
Value added distributed	426,599	313,251	537,284	421,598

The accompanying notes are an integral part of these financial statements

1 General information

Indústrias Romi S.A. (Parent), listed on the "New Market" of B3 S.A. - Brasil, Bolsa, Balcão, since March 23, 2007, and headquartered in Santa Bárbara d'Oeste, São Paulo, and its subsidiaries (jointly referred to as "Company") are engaged in the manufacture and sale of capital goods in general, including machine tools, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts, as well as providing system analysis and developing data processing software related to the production, sale, and use of machine tools and plastic injectors; the manufacture and sale of 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, with eleven units located in the city of Santa Bárbara d'Oeste, in the State of São Paulo, and two located in the city of Reutlingen, Germany. The latter is a large tooling machine manufacturer. It also holds interest in subsidiaries in Brazil and abroad.

These parent and consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on February 9, 2021.

2 Basis of preparation and accounting policies

The parent and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which comprise the standards of the Brazilian Securities and Exchange Commission (CVM), thus in accordance with the pronouncements issued by Brazil's FASB (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and contains all material information specific to the parent 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 applied in the preparation of these parent 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 parent 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 parent and consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment calls in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent and consolidated financial statements, are disclosed in Note 2.18.

The preparation of the parent 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 parent 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, 2020 that would be expected to have a material impact on the Company's parent 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 parent 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 net capital deficiency) is recognized only to the extent that the investor has incurred a legal or constructive obligation to make payments on behalf of the subsidiary.

Of the acquisition price, the amount exceeding the fair value of the acquiree's equity as at the transaction date is treated as goodwill based on future earnings. Additionally, investment balances may be reduced due to the recognition of impairment losses (Note 2.10).

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 described in Note 7 - Investments in subsidiaries.
Third-party interests in the equity and profits of subsidiaries are presented separately in the consolidated statement of financial position and the consolidated statement of profit or loss, respectively, in the line item "Non-controlling interests".

Intragroup transactions and balances are eliminated upon consolidation, and any gains or losses on these transactions are also eliminated. Accounting policies of subsidiaries 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 or loss accounts (income and expenses) are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the transaction dates. Exchange differences arising on the translation of these balances are separately recognized in equity, in the line item "Carrying value adjustments".

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

(a) Functional and presentation currency

The Parent and Consolidated financial statements are presented in Brazilian Reais (R$), which is the functional currency of the Parent and of its subsidiaries located in Brazil. The functional currency of subsidiaries is determined based on the primary economic environment in which they operate, and when their functional currency is different from the reporting currency, the parent 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 or loss. Non-monetary items measured at their historical costs in foreign currency are translated using the exchange rates prevailing at the dates of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined.

2.4 Cash and cash equivalents

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, 2020, 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 receivables included under current and non-current 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 statement of financial position at fair value with net changes in fair value recognized in the statement of profit or 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, borrowings and receivables, trade accounts payable. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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 loans and 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 or loss.

This category generally applies to interest-bearing loans and borrowings.
For more information, refer to 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 or loss.

Offsetting of financial instruments

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

2.6 Inventory

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

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

2.8 Investment property

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

2.9 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 relationships, portfolios of orders) are carried at fair value, less accumulated amortization and impairment losses, when applicable. Intangible assets with finite useful lives are amortized over their useful lives using an amortization method that reflects the economic benefit of the intangible asset.

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

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

Expenditure on research and development is recognized in intangible assets when the development requirements are met. When these criteria are not met, such expenditure is recognized in the statement of profit or loss for the year as 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 tax) arising from the continuous use of the asset up to the end of its useful life. Regardless of whether or not there is evidence of impairment, 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 expenses.

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 the countries where the parent and its subsidiaries operate and generate taxable profit. Management periodically evaluates the positions taken by the Company in its income tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities. The current tax is the expected tax payable or receivable on the taxable profit or loss for the year, at the tax rates prevailing at the end of the reporting 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 parent 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 or loss, except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

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

2.13 Employee benefits

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

Post-employment pension plans are characterized as a defined contribution plan, to which the Company has no legal obligation in the event that the plan does not have sufficient assets to pay the employees' vested benefits as a result of their past service.
Contributions to defined contribution pension plans are recognized as expenses when actually incurred, i.e., when the employees provide services to the Company (Note 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 parent 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 or 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. Distinctions 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 parent 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 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 parent and consolidated financial statements

The preparation of parent 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 parent 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

New and revised CPCs/IFRSs already issued but not yet adopted
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 no been early adopted by the Company in the preparation of these financial statements.

IFRS 17 - Insurance Contracts

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 the 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, term and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty, taking 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 problems and challenges 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 IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current 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 non-current 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.

Amendments to IFRS 3 – 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.

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

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 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 adoption.

Amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendments to IAS 37 – 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 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.
Amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020 Cycle

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.

(In thousands of Brazilian reais unless otherwise stated)

Amendments to IFRS 10 (CPC 36 (R3)) – Consolidated Financial Statements and IAS 28 (CPC 18 (R2)) - 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.

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

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 flow

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).

3 Cash and cash equivalents and short-term investments

	Parent		**Consolidated**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Cash and banks	7,377	3,176	41,510	35,961
Bank deposit certificates (CDB) (a)	133,490	94,067	153,843	106,251
Short-term investments backed by debentures (a)	-	367	-	367
Investment funds in DI and fixed income	-	5,143	-	5143
Other	65	85	65	85

(In thousands of Brazilian reais unless otherwise stated)

Total cash and cash equivalents	140,932	102,838	195,418	147,807
Short-term investments backed by debentures (a)	10,652	683	10,652	683
Investment funds DI and fixed income (b)	116,514	-	116,514	-
Total assets held for trading	127,166	683	127,166	683

(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, 2020 and 2019, parent and consolidated, is distributed as follows:

	Parent		Consolidated	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Current				
Domestic customers (Brazil)	89,537	66,504	89,537	67,178
Foreign customers	10,803	8,250	103,078	77,098
Allowance for doubtful accounts	(1,366)	(1,377)	(6,432)	(3,881)
	98,974	73,377	186,183	140,395
Noncurrent				
Domestic customers (Brazil)	6,318	7,508	6,318	7,508
Foreign customers	5,240	4,040	7,185	4,040
Allowance for doubtful accounts	(397)	(59)	(397)	(59)
	11,161	11,489	13,106	11,489

(In thousands of Brazilian reais unless otherwise stated)

	Parent		**Consolidated**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Falling due	82,542	59,948	157,272	112,993
Past due:				
1 to 30 days	11,202	8,923	16,466	17,412
31 to 60 days	2,312	2,054	5,197	4,073
61 to 90 days	454	92	1,194	984
91 to 180 days	320	705	2,204	3,900
181 to 360 days	543	245	1,723	744
Over 360 days	2,967	2,787	8,559	4,170
	17,798	14,806	35,343	31,283
Total	100,340	74,754	192,615	144,276
Allowance for doubtful accounts	(1,366)	(1,377)	(6,432)	(3,881)
Total current	98,974	73,377	186,183	140,395

As at December 31, 2020, trade accounts receivable net of the allowance for doubtful accounts amounting to R$ 16,432 (2019 – R$ 13,429 - Parent) and R$ 28,911 (2019 – R$ 27,402 - 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, 2020, parent and consolidated, is distributed as follows:

	Parent	**Consolidated**
Falling due:		
2022	8,648	10,483
2023	2,566	2,675
2024 onward	344	344
Allowance for doubtful accounts	(397)	(397)
Total – noncurrent	11,161	13,106

(In thousands of Brazilian reais unless otherwise stated)

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

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
At January 1	1,436	431	3,940	5,408
Receivables recognized for the period	1,473	2,790	2,581	4,033
Receivables written off	(1,146)	(1,785)	(1,146)	(5,561)
Foreign exchange difference	-	-	1,454	60
Balance at December 31	1,763	1,436	6,829	3,940

Allowance for doubtful accounts are 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".

(In thousands of Brazilian reais unless otherwise stated)

5 Onlending of FINAME manufacturer financing

	Parent and Consolidated	
	December 31, 2020	**December 31, 2019**
Current		
FINAME falling due	122,286	87,284
FINAME awaiting release (a)	614	2,841
FINAME past due (b)	15,526	14,912
	138,426	105,037
Allowance for doubtful accounts	(6,932)	(7,984)
	131,494	97,053
Noncurrent		
FINAME falling due	202,678	153,515
FINAME awaiting release (a)	2,560	13,787
	205,238	167,302
Allowance for doubtful accounts	(2,016)	(343)
	203,222	166,959
Total	334,716	264,012

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 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 the enactment of covenant regarding reservation of title over the machinery sold (security interest) and the value of the receivables from defaulting customers. In instances in which the security interest cannot be located, a full loss provision is made for the balance of the receivable.

The machinery repossessed as part of the execution process are recorded at their carrying amount, not exceeding its fair value, under the category of "Other receivables", pending a final and unappealable court decision, after which it is repossessed and transferred to inventories. As at December 31, 2020, the balance of repossessed machinery, included under the line item of "Other receivables", parent and consolidated, amounted to R$ 1,191 (R$ 1,188 as at December 31, 2019) in current assets and R$ 2,361 (R$ 4,645 as at December 31, 2019) in noncurrent assets.

(In thousands of Brazilian reais unless otherwise stated)

As at December 31, 2020 and 2019, the balances of Onlending of FINAME manufacturer financing, parent and consolidated, were as follows:

	Parent and Consolidated	
	December 31, 2020	**December 31, 2019**
Falling due	122,898	90,125
Past due:		
1 to 30 days	1,173	894
31 to 60 days	559	601
61 to 90 days	236	147
91 to 180 days	540	396
181 to 360 days	895	352
Over 360 days	12,125	12,522
	15,528	14,912
Total - current	138,426	105,037

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:	
2022	102,954
2023	69,247
2024	32,089
2025 onward	948
Total – noncurrent	205,238

(In thousands of Brazilian reais unless otherwise stated)

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

	Parent and Consolidated
At December 31, 2019	8,327
Allowance recognized (or written off) for the period	621
At December 31, 2020	8,948

Allowance for doubtful accounts are 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 Inventory

	Parent		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Finished products	19,736	39,542	65,253	81,315
Used machinery	10,348	13,130	10,348	13,130
Work in progress	79,005	75,561	97,563	116,195
Raw materials and components	130,540	105,043	158,999	127,572
Imports in transit	26,485	6,200	26,511	6,666
Total	266,114	239,476	358,674	344,878

The inventory balances, parent and consolidated, as at December 31, 2020 are net of provision for slow-moving inventories and inventories posing a remote probability of being realized through sale or use, amounting to R$ 26,508 and R$ 39,026 (R$ 27,312 and R$ 30,468 as at December 31, 2019), respectively.

(In thousands of Brazilian reais unless otherwise stated)

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

	Parent	Consolidated
At January 1, 2020	27,312	30,468
Inventory sold or written off	(14,902)	(16,087)
Provision recorded	8,574	10,193
Foreign exchange difference		8,928
Transfer of provision resulting from machines repossessed during the period	5,524	5,524
At December 31, 2020	26,508	39,026

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

	Parent		Consolidated	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Finished products	884	2,485	8,158	5,641
Used machinery	6,890	6,321	6,890	6,321
Work in progress	4,807	5,224	4,807	5,224
Raw materials and components	13,927	13,282	19,171	13,282
Total	26,508	27,312	39,026	30,468

The cost of inventory recognized in profit or loss and included in "Cost of sales and services" amounted to R$ 320,598 (2019 - R$ 274,247) for the Parent, and R$ 464,275 (2019 – R$ 376,280) for the Consolidated.

(In thousands of Brazilian reais unless otherwise stated)

7 Investments in subsidiaries

Company investments in its subsidiaries are as follows:

		Precentual de participação					
		31 de dezembro de 2020			31 de dezembro de 2019		
		Direta	Indireta	Não Controladores	Direta	Indireta	Não Controladores
1.	Romi Itália S.r.l. ("Romi Itália")	99,99	0,01	-	99,99	0,01	-
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	-
2.1.2	Burkhardt + Weber LLC	-	100,00	-	-	100,00	-
3.	Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor Comércio")	93,07	-	6,93	93,07	-	6,93
4.	Romi Machine Tools, Ltd. ("Romi Machine Tools")	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	0,01	-	99,99	0,01	-

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).
2.1.2	Burkhardt + Weber LLC	United States of America	Sale of machine tools produced by B+W and provision of services (spare parts and technical support).
3	Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor")	Brazil	Real estate activity, including purchases and sales, lease of company-owned properties, exploration of real estate rights, intermediation of real estate businesses, and provisions of sureties and guarantees.
4	Romi Machine Tools, Ltd. ("Romi Machine Tools")	United States of America	Sale of machine tools, spare parts, technical support and cast and machined products in North America.
5	Rominor Empreendimentos Imobiliários S.A.	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.

(In thousands of Brazilian reais 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 variations on foreign investments	543	41,082	-	(1,061)	-	2438	(426)	42,576
Dividends proposed and paid (b)	-	-	(3,216)	-	-	-	-	(3,216)
Equity pickup	(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	-	2517	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\$1,414, 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 unless otherwise stated)

December 31, 2019

	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)	6191156	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	54,295	122,271	23,228	16,025	2,522	8,391	14,083	
Noncurrent assets	7,629	118,663	74	104	-	-	137	
Current liabilities	46,640	106,826	239	19,305	-	2	15,448	
Noncurrent liabilities	12,069	28,984	-	-	-	-	-	
Equity (equity deficit) of subsidiary	3,196	104,739	23,063	(3,176)	2,522	8,653	(1,228)	
Changes in investment:								
Investment balance as at December 31, 2018	7,557	107,625	21,845	(2,108)	2,449	8,053	(545)	144,876
Foreign exchange variations on foreign investments	343	1,596	-	(173)	-	318	(41)	2,043
Dividends proposed and paid (b)	-	-	(3,688)	-	-	-	-	(3,688)
Equity pickup	(4,704)	(4,482)	3,308	(895)	(15)	282	(642)	(7,148)
Capital increase in subsidiary	-	-	-	-	88			88
Equivalent value - closing balance	**3,196**	**104,739**	**21,465**	**(3,176)**	**2,522**	**8,653**	**(1,228)**	**136,171**
Investment in subsidiaries	3,196	104,739	21,465	-	2522	8,653	-	140,575
Provision for equity deficit of subsidiaries	-	-	-	(3,176)	-	-	(1,228)	(4,404)

(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 12, 2019 and July 26, 2019, in the amounts of R$ 2,448 and R$ 1,515, related to the second half of 2018 and the first half of 2019, respectively. The Company received from this distribution the amount of R$ 2,278 and R$ 1,410, respectively.

(In thousands of Brazilian reais unless otherwise stated)

8 Related party transactions and balances

The balances and transactions with related parties as at December 31, 2020 and December 31, 2019 are as follows:

(i) Statement of financial position accounts – Parent

	Receivables		Payables	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Direct subsidiaries				
Romi Europe	5,057	2,425	50	188
Romi Italy	14,224	10,464	-	-
Romi Machine Tools	23,272	18,300	-	722
Romi A.L.	67	-	380	431
Irsa Maquinas Mexico	16,501	11,635	-	-
Rominor	5	4	-	-
	59,126	42,828	430	1,341
Indirect subsidiaries				
B+W - Burkhardt+Weber	316	2,023	-	338
Romi France S.A.S.	6,465	8,678	-	-
Romi Máquinas España S.A.	7,714	4,129	-	-
Romi Machines UK	7,654	7,511	-	-
	22,149	22,341	0	338
Total	81,275	65,169	430	1,679
Current	47,052	65,169	430	1,679
Noncurrent	34,223	-	-	
Total	81,275	65,169	430	1,679

(In thousands of Brazilian reais unless otherwise stated)

(ii) Transactions

	Sales revenue		Operating expense and finance income (costs)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Romi Europe	4,074	6,076	1,404	1,442
Rominor Comércio	18	17	0	0
Romi Italy	5,930	7,198	0	0
Romi Machine Tools	5,246	10,657	14	-
Romi France S.A.S.	6,318	5,678	-	-
Romi A.L.	-	-	355	388
Romi Machines UK	9,888	7,273	94	-
Irsa Maquinas Mexico	4,090	5,001	0	30
B+W - Burkhardt + Weber	2,315	4,167	0	362
Romi Máquinas Espãna	2,913	1,828	-	-
Total	40,792	47,895	1,867	2,222

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. Notes fall due within an average term of one year.

The Company provides administrative services, mainly accounting and legal services, to the parent Fênix Empreendimentos S.A.. The revenue for 2020 was R$ 158 (2019 – R$ 167).

The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor’s Office. Donations in 2020 totaled R$ 948 (2019 – R$ 865).

(In thousands of Brazilian reais unless otherwise stated)

Management compensation for the years ended December 31, 2020 and 2019 was as follows:

	December 31, 2020	December 31, 2019
Fees and charges	5,812	5,497
Profit sharing	5,055	1,205
Private pension plan	471	259
Healthcare plan	246	249
Parent	11,584	7,210
Fees and charges of subsidiaries	103	95
Consolidated	11,687	7,305

The amounts shown above comply with the limits established by the Board of Directors and approved at the Annual General Meeting of Shareholders held on March 17, 2020.

9 Taxes recoverable

The breakdown of taxes recoverable is as follows:

	Note	December 31, 2020	December 31, 2019
Current			
Withholding Income Tax (IRRF)		155	65
Corporate Income Tax (IRPJ)		160	391
IRPJ/CSLL - “Plano Verão”	15 (b)	13,332	-
Social Contribution on Net Income (CSLL)		22	7
Social Security Contribution (INSS)		6	4
ICMS included in the PIS and COFINS tax base	15 (a)	21,254	-
Excise Tax (IPI) - R$		7,979	6,043
Value-added Tax on Sales and Services (ICMS)		1,333	1,174
Social Integration Program (PIS)		53	67
Social Contribution on Revenues (COFINS)		244	307
Total Parent		44,538	8,058

(In thousands of Brazilian reais unless otherwise stated)

	Note	December 31, 2020	December 31, 2019
Taxes recoverable of subsidiaries		6,666	7,289
Total Parent and Consolidated		51,204	15,347
Noncurrent			
ICMS included in the PIS and COFINS tax base	15 (a)	26,824	52,803
Value-added Tax on Sales and Services (ICMS)		1,330	1,598
Other		102	-
Total Parent and Consolidated		28,256	54,401

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 property as "Investment Property" for future capital appreciation. The amounts classified as investment property are R$ 13,500 (R$ 13,500 as at December 31, 2019) in the parent and R$ 18,388 (R$ 18,181 as at December 31, 2019) in the consolidated.

The investment property is stated at historical cost, and for fair value disclosure purposes the Company contracted an independent expert, who applied a methodology accepted by the Brazilian Institute of Engineering Appraisals as well as recent transactions with similar property, and has performed the last assessment in 2020 of the fair value less cost to sell of this property at R$ 110,661 in the parent and R$ 191,306 in the consolidated.

(In thousands of Brazilian reais unless otherwise stated)

11 Property, plant and equipment

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

	Land	Buildings and yards	Machinery and equipment	Furniture and fittings	Vehicles	Information technology	Construction in progress	Advances and estimated losses	Parent Total
Cost of property, plant and equipment, gross								-	
At January 1, 2019	3,997	190,327	262,135	8,359	3,745	26,474	28,822	(83)	523,776
Additions	-	1,225	9,394	399	247	592	14,061	-	25,918
Disposals	-	-	(4,143)	(49)	(49)	(28)	-	1	(4,268)
Transfers	-	7,831	29,016	-	-	-	(36,847)	-	-
At December 31, 2019	3,997	199,383	296,402	8,709	3,943	27,038	6,036	(82)	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)	-	-
At December 31, 2020	3,997	203,749	327,987	9,484	4,091	29,577	6,405	(82)	585,208
Accumulated depreciation									
At January 1, 2019	-	102,959	196,886	7,700	3,046	25,324	-	-	335,915
Depreciation	-	7,701	12,846	157	275	454	-	-	21,433
Disposals	-	-	(3,403)	(48)	(50)	(18)	-	-	(3,518)
At December 31, 2019	-	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
Useful lives	-	25 and 10 years	10 and 15 years	10 years	5 years	5 years	-	-	
Property, plant and equipment, net									
At January 1, 2019	3,997	87,368	65,249	659	699	1,150	28,822	(83)	187,861
At December 31, 2019	3,997	88,723	90,073	900	672	1,278	6,036	(82)	191,596
At December 31, 2020	3,997	86,682	109,744	1,538	625	3,280	6,405	(82)	212,188

(In thousands of Brazilian reais unless otherwise stated)

Consolidated

	Land	Buildings and yards	Machinery and equipment	Furniture and fittings	Vehicles	Information technology	Construction in progress	Advances and estimated losses	Total
Cost of property, plant and equipment, gross									
At January 1, 2019	25,124	234,763	296,565	19,909	5,294	30,532	32,691	(83)	644,795
Additions	-	5,646	10,352	1,563	4,474	2,180	14,060	-	38,275
Disposals	-	(48)	(4,144)	(145)	(210)	(248)	-	1	(4,794)
Transfers	-	7,831	29,016	-	-	-	(36,846)	-	-
Foreign exchange difference	436	1,207	(264)	165	191	56	89	-	1,881
At December 31, 2019	25,560	249,399	331,525	21,492	9,749	32,520	9,994	(82)	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)	-	-
Foreign exchange difference	7,913	17,217	3,283	2,535	2,263	825	1,989	-	36,023
At December 31, 2020	33,473	272,537	368,677	25,197	11,955	35,975	12,352	(82)	760,083
Accumulated depreciation									
At January 1, 2019	-	113,946	224,000	15,002	4,172	28,754	-	-	385,874
Depreciation	-	9,649	15,389	1,383	1,398	946	-	-	28,766
Disposals	-	(5)	(3,462)	(71)	(159)	(227)	-	-	(3,924)
Transfers									-
Foreign exchange difference	-	56	68	32	38	13	-	-	207
At December 31, 2019	-	123,646	235,995	16,346	5,449	29,486	-	-	410,922
Depreciation	-	9,699	16,095	1,377	2,348	1,118	-	-	30,637
Disposals	-	0	(1,378)	1	(156)	(188)	-	-	(1,721)
Transfers									-
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
Useful lives	-	25 and 10 years	10 and 15 years	10 years	5 years	5 years			
At January 1, 2019	25,124	120,817	72,565	4,907	1,122	1,778	32,691	(83)	258,921
At December 31, 2019	25,560	125,753	95,530	5,146	4,300	3,034	9,994	(82)	269,235
At December 31, 2020	33,473	137,472	116,247	6,631	3,445	5,209	12,352	(82)	314,748

Due to the financing agreements with the BNDES for investments in property, plant and equipment, the Company pledged as collateral property, plant and equipment items amounting to R$ 67,736 as at December 31, 2020 (R$ 67,531 as at December 31, 2019). These items refer to land, facilities, machinery and equipment.

Management prepared the discounted cash flow projections for each of the group's business segments and concluded that there is no need to recognize a provision for impairment of property, plant and equipment assets as at March 31, 2020. For December 31, 2020, the Company made a follow-up and did not consider necessary to perform a new test for the year then ended.

Of the amount of R$ 20,811 (2019 - R$ 21,433) related to depreciation expense, R$ 18,487 (2019 - R$ 19,184) was recognized in profit or loss in "Cost of sales and services", R$ 1,075 (2019 - R$ 1,006) in "Selling expenses", R$ 1,177 (2019 - R$ 1,132) in "General and administrative expenses", and R$ 142 (2019 - R$ 111) in “Research and development” – Parent.

Of the amount of R$ 30,637 (2019 - R$ 28,766) related to depreciation expense, R$ 19,134 (2019 - R$ 21,108) was recognized in the statement of profit or loss in "Cost of sales and services", R$ 9,237 (2019 - R$ 6,415) in "Selling expenses", R$ 2,124 (2019 - R$ 1,132) in "General and administrative expenses", and R$ 142 (2019 - R$ 111) in “Research and development” – Consolidated.

The carrying amount of property, plant and equipment under finance leases at December 31, 2020 amounted to R$ 9,100. The Company has discounted these assets to their present value. In 2020, the Company recognized the amount of R$ 3,708 as depreciation expense in profit or loss.

(In thousands of Brazilian reais unless otherwise stated)

12 Intangible assets

Changes in intangible assets are as follows:

			Parent					**Consolidated**
Gross cost	**Technology**	**Other**	**Total**	**Technology**	**Customer relationship**	**Trademarks**	**Other**	**Total**
	-	-	-	-	-	-	-	-
At January 1, 2019	934	4,987	5,921	30,066	21,594	23,335	6,802	81,797
Arising from investment acquisition, at fair value			-					-
Additions	20	10	30	944	-	-	(864)	80
Foreign exchange difference			-	625	445	482	419	1,971
Transfers	(427)	427	-	(427)	-	-	427	-
Disposals	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At December 31, 2019	527	5,424	5,951	31,208	22,039	23,817	6,784	83,848
	-	-	-	-	-	-	-	-
Additions	13	888	901	243	-	-	888	1,131
Foreign exchange difference			-	6,298	5,199	9,711	297	21,505
Transfers	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At December 31, 2020	540	6,312	6,852	37,749	27,238	33,528	7,969	106,484

(In thousands of Brazilian reais unless otherwise stated)

	Parent			Consolidated				
Gross cost	**Technology**	**Other**	**Total**	**Technology**	**Customer relationship**	**Trademarks**	**Other**	**Total**
	-	-	-	-	-	-	-	-
Accumulated amortization								
At January 1, 2019	176	4,866	5,042	10,803	7,463	-	5,550	23,816
Amortization	104	205	309	2,669	1,072	-	1,041	4,782
Foreign exchange difference	-		-	590	182	-	116	888
	-	-	-	-	-	-	-	-
At December 31, 2019	280	5,071	5,351	14,062	8,717	-	6,707	29,486
Amortization		405	405	4,374	1,431	-	405	6,210
At December 31, 2020	280	5,476	5,756	18,436	10,148	-	7,112	35,696
Useful lives	5 years	5 years		5 to 20 years	20 years	Indefinite	5 years	
Intangible assets, net								
At January 1, 2019	758	121	879	19,263	14,131	23,335	1,252	57,981
At December 31, 2019	247	353	600	17,146	13,322	23,817	77	54,361
At December 31, 2020	260	836	1,096	19,313	17,090	33,528	857	70,788

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.

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

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

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

Of the amount of R$ 405 (2019 - R$ 309) related to amortization expense, R$ 8 (2019 - R$ 9) was recognized in the statement of profit or loss in "Cost of sales and services", R$ 254 (2019 - R$ 198) in "General and administrative expenses", and R$ 143 (2019 - R$ 102) in “Research and development” – Parent.

Of the amount of R$ 6,210 (2019 - R$ 4,782) related to amortization expense, R$ 8 (2019 - R$ 9) was recognized in the statement of profit or loss in "Cost of sales and services", R$ 5,805 (2019 - R$ 4,473) in "Selling expenses", R$ 254 (2019 - R$ 198) in "General and administrative expenses", and R$ 143 (2019 - R$ 102) in “Research and development” – Consolidated.

Management prepared the discounted cash flow projections for each of the Company's business segments on the issue dates March 31, 2020 and December 31, 2020, and concluded that there is no need to recognize a provision for impairment of intangible assets at both reporting periods analyzed.

(In thousands of Brazilian reais unless otherwise stated)

13 Borrowings

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

	Current		Noncurrent					
	2020	**2019**	**2020**	**2019**	**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	13,571	-	-	08/27/21	Export-to-maturity order application	Rates of 2.70% to 2.15% p.a. + foreign exchange difference	Surety of Rominor
Investment Support Program - BNDES (b)	5,845	5,564	5,569	11,534	01/16/2023	Monthly	Rates up to 4.00% p.a.	Collateral transfers of machinery and mortgages of buildings and land
Sundry FINAME	1,151	1,120	647	1,934	01/15/2024	Montly	Rates of 3.50% to 10.53% p.a. + TLP	Collateral transfer of financed machinery/Surety of Rominor/Promissory note
Import financing (FINIMP)	3,695	-	-	-	12/10/2021	Bullet payment	Interest of 2.25% to 3.00% p.a.	
Import financing (FINIMP)	18,841	26,871	-	-	12/10/2021	Bullet payment	Rates of 2.25% to 3.00% p.a.	Surety of Rominor
Export financing (NCE)	38,362	31,597	-	-	03/12/2021	Bullet payment	Interest of 2.19% p.a. + CDI.	Surety of Rominor
Line 4131	20,973	-	-	-	03/24/2021	Bullet payment	Interest of 3.97% p.a. + CDI.	Bank guarantee
Export financing - BNDS (d)			56,169		10/15/2024	Bullet payment	Interest of 3.14% p.a. + IPCA.	Collateral transfer
Parent	**115,025**	**78,723**	**62,384**	**13,468**				
B+W - Technology center and ad office construction financing - € (c)	-	-	13,244	9,398	06/30/27	Quarterly	2.40% p.a.	Property, plant and equipment (building)
B+W - Financing (COVID-19 effects) - € (e)	-	-	21,040	-	09/30/2023	Quarterly	2.00% p.a.	Property, plant and equipment (building)
Others - Working capital	397	12,926	-	-	-	-	-	
Consolidated	**115,422**	**91,649**	**96,668**	**22,866**				

(a) In September and December 2018, the Company's officers were authorized to contract financing with financial institutions amounting to R$14,960 and R$31,010, respectively, through advances on exchange contracts (ACC) facilities, with rates of up to 2.5% p.a. plus foreign exchange difference. On October 22, 2019, the Board of Directors approved the conversion of the residual value of the financing to advance on export contracts (ACE), with rates of 2.70% p.a. plus foreign exchange difference, with a 10-month term, with a guarantee provided by its subsidiary Rominor Comércio.

(b) 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, 2020, the Company complied with all the covenants of the above item.

(c) On July 5, 2012, Burkhardt + Weber entered into a Financing Agreement with Commerzbank in Reutlingen (Germany) in the amount of R$ 13,244 (equivalent to € 2.1 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.

(d) 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: (iii) Audited Consolidated Financial Ratio: (Total Net Debt/EBITDA) lower than or equal to 3.75

(d) On July 28, 2020, Burkhardt + Weber entered into a Financing Agreement with Commerzbank, Kreissparkasse and Baden-Württembergische Bank (Germany) in the amount of R$ 21,040 (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.

(In thousands of Brazilian reais unless otherwise stated)

The maturities of financing recorded in noncurrent liabilities as at December 31, 2020, in the parent and consolidated, were as follows:

	Parent	Consolidated
2022	6,130	14,935
2023	906	18,451
2024	55,348	57,114
2025 onward	-	6,168
Total	62,384	96,668

14 FINAME manufacturer financing

	Parent and Consolidated	
	December 31, 2020	December 31, 2019
Current		
FINAME manufacturer financing	122,704	82,177
Noncurrent		
FINAME manufacturer financing	201,710	152,786
Total	324,414	234,963

The agreements related to FINAME manufacturing financing are guaranteed by promissory notes and sureties, and the main guarantor is the subsidiary Rominor. 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, 2020 and December 31, 2019 were adjusted for inflation through the end of the reporting period. The difference of R$ 10,302 between these line items as at December 31, 2020 (R$ 29,049 as at December 31, 2019) refers to past-due trade notes, renegotiations in progress, and FINAME transactions not yet released by the agent bank. Management understands that there are no risks to the realization of these receivables since the amounts are collateralized by the financed machinery.

(In thousands of Brazilian reais unless otherwise stated)

On October 22, 2019, contracting of “Finame Direct Financing” from BNDES was approved, with the purpose of providing financing to Romi's customers for the acquisition of its products, similarly to FINAME Manufacturer, in the total amount of R$ 25,000,000.00 (twenty-five million reais), subject to long-term interest rates (Finame Spread Factor), having as guarantee the mortgage of the Company's 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. This agreement contained the following covenants related to compliance with contractual obligations: Audited Consolidated Financial Ratio: (Total Net Debt/Total Liabilities) lower than or equal to 3.75 Up to December 31, 2020, the Company used the amount of R$ 7.7 million.

The noncurrent maturities of the FINAME manufacturer financing as at December 31, 2020, parent and consolidated, were as follows:

	Parent and Consolidated
2022	101,114
2023	68,279
2024	31,442
2025 onward	875
Total	201,710

(In thousands of Brazilian reais unless otherwise stated)

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, 2020	**December 31, 2019**
Tax	-	52
Civil	581	604
Labor	931	604
Total	1,512	1,260
Current liabilities	1,216	806
Noncurrent liabilities	296	454
	1,512	1,260

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

	December 31, 2020	**December 31, 2019**
Tax		
Excess of IRPJ and CSLL on interest on capital - (a) (ii)	33,647	38,349
Disallowance of PIS and COFINS credits	7,798	16,430
Disallowance of estimated IR/CSLL payable	-	4,972
Social security contribution credit on payment of profit to the Management	3,432	3,373
Negative balance of IRPJ and CSLL	2,502	4,056
Disallowance of IPI credits	5,810	5,707
Isolated fine - Offsetting not approved	516	502
Disallowance of REINTEGRA credits	124	122
Duplicate payment of IRRF	2,805	-
Civil		
Losses and damages	8,321	7,410
Labor	56	38
Total	65,011	80,959

(In thousands of Brazilian reais unless otherwise stated)

For legal proceedings classified as probable losses and legal obligations for which unconstitutionality is being challenged at court, Management recognized a provision for any liabilities and payables. Changes in the provision for the year ended December 31, 2020 are as follows:

	December 31, 2019	Additions	Utilizations / reversals	Monetary restatement Foreign exchange difference	December 31, 2020
Tax	52	-	(52)	-	-
Civil	604	69	(174)	82	581
Labor	604	459	(260)	127	931
Total Parent and Consolidated	**1,260**	**528**	**(486)**	**209**	**1,512**

(a) Tax proceedings

Refer to the provisions for:

(i) As at December 31, 2018, PIS and COFINS balances levied on 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 ICMS on sales 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 bases since it is intended to the State and, therefore, is not included in the concept of revenue. However, on October 19, 2017 the National Treasury Attorney General's Office (PGFN) filed Motions to Clarify in view of the Court Decision published on October 2, 2017 by the STF. In this motion, PGNF requests the correction of alleged errors in the Court Decision. The most significant 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 parent 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 parent 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 period 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 on the judicial level are mostly favorable to taxpayers.

As at December 31, 2020, 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 restate the statement of financial position 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 parent and consolidated financial statements the effects from the outcome on the tax proceeding ("*Plano Verão*"), which impacted profit or loss as follows: (i) EBIT/ EBITDA: reduced by R $955, due to the recognition of attorney's fees, in line item "Other operating income (expenses), net"; (ii) finance income (costs): increased by R$ 26,105, due to the inflation adjustment of the original amount of the credits, net of PIS/COFINS effects; (iii) income tax and social contribution: increased by R$10,794, regarding the original amount of the credits; and (iv) profit for the period: increased by the impact from the net gain of R$ 35,944, 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 restatement, 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 parent 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 inflation adjustments of the original amount of the credits, net of PIS/COFINS effects; and (iii) profit for the period: 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.

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.

(f) Judicial deposits

The Company has judicial deposits amounting to R$ 1,884 as at December 31, 2020 (R$ 1,930 as at December 31, 2019) of different nature and classified in noncurrent assets, referring to possible or remote lawsuits.

(In thousands of Brazilian reais unless otherwise stated)

16 Income tax and social contribution

Income tax is calculated at the rate of 15% on the taxable profits plus a 10% surtax on taxable profit exceeding R$ 240, and social contribution is calculated at the rate of 9% on taxable profits, 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, 2020 and 2019 is as follows:

		Parent		Consolidated
	2020	**2019**	**2020**	**2019**
Profit before income tax and social contribution	167,523	165,501	169,145	166,093
Statutory rate (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution expense at statutory rates	(56,958)	(56,270)	(57,509)	(56,472)
Reconciliation to the effective rate:				
Interest on capital	54,854	23,936	54,854	23,936
IR/CSLL Tax proceeding ("Plano Verão")	10,794	(1,569)	10,794	(1,569)
Research and development ("Lei do Bem" - Law 11,196/05)	2,536	1,686	2,536	1,686
Equity pickup	(2,131)	(2,430)	-	-
Unrecorded deferred income tax and social contribution at subsidiaries	-	-	(3,476)	(2,574)
Management profit sharing	(1,719)	(497)	(1,719)	(497)
Other additions (deductions), net	(423)	(693)	74	(693)
Current and deferred income tax and social contribution income (expense)	6,954	(35,837)	5,554	(36,183)

(In thousands of Brazilian reais unless otherwise stated)

The amount in the parent and consolidated financial information 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 B+W.

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

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Current	6,979	(19,648)	6,220	(20,652)
Deferred	(25)	(16,189)	(666)	(15,531)
Total	6,954	(35,837)	5,554	(36,183)

(In thousands of Brazilian reais unless otherwise stated)

				2020				**2019**
	Temporary differences	**Income tax**	**Social contribution**	**Total**	**Temporary differences**	**Income tax**	**Social contribution**	**Total**
Assets (i):								
Inventories – provision for losses	29,479	7,351	2,653	10,004	29,604	7,382	2,664	10,046
Repossession of machinery	1,779	444	160	604	2,699	673	243	916
Tax loss	55,332	8,929	3,011	11,940	55,776	9,289	3,097	12,386
Discount to present value - trade receivables and trade payables	779	194	70	264	1,071	267	96	363
Provision for tax, labor and civil risks	1,513	377	136	513	1,260	314	113	427
Contingent commissions	444	111	40	151	428	107	39	146
Management profit sharing	5,055	-	455	455	1,205	-	108	108
Other temporary differences in assets	3,017	752	272	1,024	1,733	432	156	588
Liabilities (ii):								
Temporarily non-deductible differences in liabilities:								
Write-off of subsidiary Rominor's negative goodwill	(4,563)	(1,025)	(378)	(1,403)	(4,563)	(1,025)	(378)	(1,403)
Deferred income tax and social contribution, net - parent company	**92,835**	**17,133**	**6,419**	**23,552**	**89,213**	**17,439**	**6,138**	**23,577**
Tax loss	1313	382		382	4,278	1,245		1,245
Deferred income tax and social contribution asset - consolidated	**94,148**	**17,515**	**6,419**	**23,934**	**93,491**	**18,684**	**6,138**	**24,822**
Write-off of negative goodwill on acquisition of subsidiary (ii)	19,029	16,955	-	16,955	19,029	12,044	-	12,044
Goodwill on the acquisition of Burkhardt + Weber (B+W) (ii)	90,751	26,417	-	26,417	67,252	19,586	-	19,586
Deferred income tax and social contribution liability - consolidated	**109,780**	**43,372**	**-**	**43,372**	**86,281**	**31,630**	**-**	**31,630**

(In thousands of Brazilian reais unless otherwise stated)

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

(ii) Income tax and social contribution liabilities mainly refer to the write-off of negative goodwill, recognized in accordance with the accounting practices adopted in Brazil, arising on the acquisitions of the subsidiaries Rominor 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, 2020, 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	
2021	15,463
2022	1,839
2023	3,663
2024 onward	2,969
Total	23,934

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

	Asset		**Liabilities**
	Parent	**Consolidated**	**Consolidated**
At December 31, 2019	23,577	24,822	31,630
Changes in the year			
Additions	900	900	-
Realization	(925)	(2,622)	(1,056)
Foreign exchange difference		834	12,798
At December 31, 2020	23,552	23,934	43,372

(In thousands of Brazilian reais unless otherwise stated)

17 Equity

Capital

As at December 31, 2020, the Company's subscribed and paid-up capital amounting to R$ 637,756 (R$ 492,025 as at December 31, 2019) is represented by 73,333,922 (62,857,647 in 2019) book-entry, registered common shares, without par value.

On October 23, 2020, capital increase in the amount of R$ 145,731 was approved, through the capitalization of the Company's income reserve, within the limit of authorized capital, pursuant to Article 7, paragraph one of the Company's Bylaws with bonus shares.

The capital increase was made with the issue of 10,476,275 book-entry common shares, without par value, attributable to shareholders, as a bonus in the proportion of 1 new share to each 6 existing shares.

Income reserve

a) Legal reserve

As required by Article 193 of Law No. 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) Income reserve

At a meeting held on February 9 by the Board of Directors, the parent and consolidated financial statements and the proposal for the allocation of the results for the year ended December 31, 2020 were submitted, which will be submitted for approval at the Annual Shareholders' Meeting to be held in March 16, 2021. The Company distributed, in relation to the profit for the year, the amount of R$ 161,334 as interest on capital. The excess amount not distributed (R$ 4,419) will be incorporated into the Income reserve balance, totaling R$ 86,894.

Dividends

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

	December 31, 2020	December 31, 2019
Profit for the period attributable to the shareholders	174,477	129,664
(-) Recognition of legal reserve	(8,724)	(6,483)
Profit available for distribution	165,753	123,181

(In thousands of Brazilian reais unless otherwise stated)

Interest on capital distributed	(161,334)	(70,400)
Recognition of income reserve	4,419	52,781

Until the year ended December 31, 2020 the distribution of interest on capital in the amount of R$ 161,334 was approved, as communicated to the market on the dates listed below:

a) On March 17, 2020, approval was given for the distribution of interest on capital, to be attributed to the mandatory dividends for 2020 in the gross amount of R$ 31,429, for payment by the end of the 2021 fiscal year.

b) On June 16, 2020, approval was given for the distribution of interest on capital, to be paid on November 16, 2020 in the gross amount of R$ 6,286.

c) On September 24, 2020, approval was given for the distribution of interest on capital, to be paid on December 11, 2020 in the gross amount of R$ 50,286.

d) On December 8, 2020, approval was given for the distribution of interest on capital, to be paid on January 26, 2021 in the gross amount of R$ 73,333.

The total amount paid by the Company for the year ended December 31, 2020, net of withholding income tax, was R$ 88,676.

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.

	December 31, 2020	**December 31, 2019**
Profit for the period attributable to the controlling shareholders	174,477	129,664
Weighted average number of shares outstanding	64,833	62,858
Basic and diluted earnings per share	2.69	2.06

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, 2020 was R$ 1,284 (R$ 911 as at December 31, 2019). The amount incurred on the private pension plan was recorded in the statements for the years ended December 31, 2020 and 2019 in the 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, 2020, the insurance coverage for fire, windstorm, electrical damages and theft was comprised as follows: (i) buildings - R$ 178,816; (ii) machines and equipment - R$ 395,760; (iii) inventory and machines pending repossession - R$ 281,092; (iv) construction works - R$ 5,134; (v) assets held by third parties - R$ 20,127 and (vi) others - R$ 1,154.

20 Financial instruments and operating risks

(a) General considerations

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

- Cash and cash equivalents 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 parent 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 receivables arising from exports from Brazil and investments abroad, which form a natural hedge against currency fluctuations, the Company assesses its exchange exposure.
The Company has financial instruments pegged to the US Dollar and the Euro. The instruments exposed to 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.

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

(In thousands of Brazilian reais unless otherwise stated)

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

				Consolidated
	Less than one year	**Between one and two years**	**Between two and five years**	**Over five years**
At December 31, 2020				
Borrowings	115,422	14,935	78,681	3,052
Trade payables	96,054	-	-	-
At December 31, 2019				
Borrowings	91,649	6,900	12,833	3,133
Trade payables	51,451	-	-	-

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, 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 unless otherwise stated)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
(-) Total borrowings (Note 13 and 14)	501,823	327,154	536,504	349,478
Cash and cash equivalents (Note 3)	(140,932)	(102,838)	(195,418)	(147,807)
Short-term investments (Note 3)	(127,166)	(683)	(127,166)	(683)
Onlending of FINAME manufacturer financing (Note 5)	(334,716)	(264,012)	(334,716)	(264,012)
Net debt (Cash)	(100,991)	(40,379)	(120,796)	(63,024)
Total equity	813,003	757,284	813,003	757,284
Total capital	712,012	716,905	692,207	694,260
Gearing ratio - %	-14.2%	-5.6%	-17.5%	-9.1%

Additional sensitivity analysis required by the CVM

(i) Exchange rate fluctuations

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

As at December 31, 2020, the foreign currency denominated balances were subject to foreign exchange effects. Assets and liabilities exposed to exchange rate fluctuations recognized in the statement of financial position are as follows:

	Parent
Cash and cash equivalents	4,079
Trade accounts receivable	16,012
Receivables from related parties	81,197
Other receivables	4,339
Payables to related parties	(430)
Borrowings	(48,117)
Trade payables	(18,965)
Advances from customers	(4,906)
Other payables	(946)
Net asset exposure	32,263

(In thousands of Brazilian reais unless otherwise stated)

Presented below is the loss that would have been recognized in profit (loss) for the year ended December 31, 2020 according to the following scenarios:

	Parent		
	Probable scenario	Scenario II	Scenario III
Net asset exposure	30,402	38,002	45,603

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 2021, with US Dollar at R$ 4.85 and Euro at R$ 5.61. 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) <u>Interest rate fluctuations</u>

Finance income from short-term 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, 2020, 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	268,098	322,584
Total borrowings linked to CDI	(59,336)	(59,336)
Net asset exposure	208,762	263,248

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, 2020 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, 2021 at 2.1%. Scenarios I and II consider an increase in interest rates of 25% and 50%, respectively.

(In thousands of Brazilian reais unless otherwise stated)

			Parent
	Probable scenario	Scenario II	Scenario III
Net asset exposure	213,146	214,242	215,338

			Consolidated
	Probable scenario	Scenario II	Scenario III
Net asset exposure	268,776	270,158	271,540

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
	2020	2019	2020	2019
Borrowings and receivables:				
Cash and cash equivalents	140,932	102,838	195,418	147,807
Short-term investments	127,166	683	127,166	683
Trade accounts receivable	110,135	84,866	199,289	151,884
Onlending of FINAME manufacturer financing	334,716	264,012	334,716	264,012
Related parties	81,275	65,169	-	-
Other receivables, except advances and machines pending repossession	268	8,764	5,771	12,082
Judicial deposits	1,884	1,930	1,884	1,930
Financial liabilities at amortized cost:				
Borrowings	177,409	92,191	212,090	114,515
FINAME manufacturer financing	324,414	234,963	324,414	234,963
Trade payables	87,756	35,123	96,054	51,451
Other payables	3,859	3,774	38,889	29,375
Related parties	430	1,679	-	-

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

(In thousands of Brazilian reais 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. The information for the year ended December 31, 2020 was prepared and is being presented on a comparative basis with the year ended December 31, 2019:

					December 31, 2020
	Romi Machinery	**Burkhardt + Weber Machinery**	**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 revenues (expenses), net	7,304	-	-		7,304
Operating profit (loss) before finance income (costs)	87,628	2,139	17,101		106,868
Inventory	268,845	40,318	49,511		358,674
Depreciation and amortization	13,326	11,914	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**	**Asia**	**Total**
Net operating revenue	241,917	605,058	50,326	75,849	973,150

(In thousands of Brazilian reais unless otherwise stated)

					December 31, 2019
	Romi Machinery	**Burkhardt + Weber Machinery**	**Cast and machined products**	**Eliminations between segments**	**Consolidated**
Net operating revenue	390,794	223,438	151,274		765,506
Cost of sales and services	(209,641)	(183,941)	(163,226)		(556,808)
Transfers remitted	1983	-	27,958	(29,941)	-
Transfers received	(27,958)	-	(1,983)	29,941	-
Gross profit	155,178	39,497	14,023	-	208,698
Operating (expenses) income:					
Selling expenses	(63,584)	(16,628)	(5,409)		(85,621)
General and administrative expenses	(34,035)	(25,534)	(10,569)		(70,138)
Research and development	(16,767)	-	(3,703)		(20,470)
Management fees	(4,929)	-	(2,376)		(7,305)
Other operating income (expenses), net	57,664	855	20,810		79,329
Operating profit (loss) before finance income (costs)	93,527	(1,810)	12,776		104,493
Inventory	243,065	58,895	42,918		344,878
Depreciation and amortization	11,505	9,689	12,354		33,548
Property, plant and equipment, net	87,039	65,532	116,664		269,235
Intangible assets	584	53,760	17		54,361

	Europe	**Latin America**	**North America**	**Asia**	**Total**
Net operating revenue per geographical region	239,269	445,078	29,992	51,167	765,506

(In thousands of Brazilian reais 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
2021	16,731
2022	17,136
2023	17,435
Total	51,302

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, 2020 and 2019 is broken down as follows:

	Parent		Consolidated	
	2020	2019	2020	2019
Domestic market	684,870	515,081	688,393	518,178
Foreign market	79,811	81,064	393,312	342,461
Gross sales revenue	764,681	596,145	1,081,705	860,639
(-) Taxes on sales	(108,437)	(95,021)	(108,555)	(95,133)
Net sales revenue	656,244	501,124	973,150	765,506

(In thousands of Brazilian reais unless otherwise stated)

24 Expenses by nature

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Depreciation and amortization	21,284	21,741	36,847	33,551
Personnel expenses	142,176	134,147	251,322	235,748
Raw materials and consumables	320,598	274,247	464,275	376,200
Freight	13,294	27,857	23,418	33,965
Other expenses	55,638	10,823	97,724	60,878
Total	552,990	468,815	873,586	740,342
Classified as:				
Cost of sales and services	444,225	364,314	674,321	556,808
Selling expenses	43,932	44,758	91,055	85,621
General and administrative expenses	30,731	32,063	74,005	70,138
Research and development	22,518	20,470	22,518	20,470
Management profit sharing and fees	11,584	7,210	11,687	7,305
Total	552,990	468,815	873,586	740,342

25 Finance income (costs)

	Parent		Consolidated	
	2020	**2019**	**2020**	**2019**
Finance income:				
Income from short-term investments	3,568	3,395	4,409	4,692
Interest on trade accounts receivable	2,516	5,207	2,516	5,207
Finance income (costs) in lawsuit	60,620	62,426	60,620	62,426
Other	1,992	(3,382)	1,984	(2,383)
Total	68,696	67,646	69,529	69,942
Finance costs:				
Interest on financing	(6,977)	(2,057)	(9,335)	(4,185)
Others	(2,434)	(554)	(2,437)	(556)
	(9,411)	(2,611)	(11,772)	(4,741)

(In thousands of Brazilian reais unless otherwise stated)

26 Other operating income (expenses), net

		Parent		Consolidated
	2020	2019	2020	2019
Gains on sales of assets	4,492	2,800	4,792	3,269
Successful outcome in lawsuit	716	74,321	716	74,321
Other	1,640	1,088	1,796	1,739
	6,848	78,209	7,304	79,329

27 Events after the reporting period

(i) Subsidiaries: Rominor Comércio, Empreendimentos e Participações S.A. (“Rominor”)

At a meeting of the Board of Directors held on February 9, 2021, the distribution of the remaining dividends was authorized, referring to the fiscal year 2020, in the amount of R$ 1,789, to be paid on February 19, 2021, subject to ratification at the Annual Shareholders’ Meeting to be held on March 16, 2021.

* * *

INDÚSTRIAS ROMI S.A.
MANAGEMENT REPORT - 2020

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, 2020, accompanied by the Independent Auditors’ Report.

The year 2020 was marked by high volatility, but, from June, there was a significant resumption in the volume of business, as may be evidenced by the volume of incoming orders for Romi machines. The lower interest rates and the depreciation of the Brazilian currency stimulated the domestic industry and Brazil in general to allocate a larger share of capital to the productive economy, seeking better productivity and the preservation of competitiveness. In view of the more concrete signs of a rebound in the economy, the Company made sure it was prepared for it by confirming orders with suppliers of raw materials and parts, which guaranteed the proper availability of its products. As a result of this decision, the Company was able to take advantage of a considerable number of opportunities, which even surpassed its expectations, delivering the orders within the deadlines initially agreed upon with its customers. Romi is prepared to continue to support its customers by providing high-technology products, within deadlines suitable for the market’s needs.
The COVID-19 pandemic brought several challenges to the Company; however, with the support of a committed team and solid protocols, these challenges were overcome and 2020 ended with positive results.
However, due to the current scenario of uncertainty and high volatility, the Company continues to implement actions to streamline its structure and render the planning and manufacturing process even more agile and flexible to quickly respond to fluctuations in demand. Over the past few years, several optimizations were made, especially in indirect structures. Romi continues to 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, 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, as of January 2021, the Company became participant of four more B3 indexes: IBRA (Brazil Broad-Based Index), IDIV (Dividend Index), SMLL (SmallCap Index) and IGCT (Corporate Governance Trade Index).

1. OPERATING PERFORMANCE

Net Operating Revenue

Net operating revenue in 2020 was R$ 973.1 million, 27.1% higher than in 2019, 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 2018 and 2019, the gradual recovery of the industry, which affected positively the volume of new orders that also continued to grow in the same comparison period.

In 2020, the domestic market accounted for 60% of the Company’s consolidated net operating revenue. The revenue obtained in the foreign market, which considers the sales made by Romi’s subsidiaries abroad (IRSA Mexico, United States, United Kingdom, France, Italy, Germany and Spain) was US$ 74.2 million, 13.7% lower than in 2020.

In 2020, the order entry was R$ 1,073.3 million, 45.1% higher than the amount achieved in 2019.

Margins

The adjusted operating margin recorded in 2020 was positive at 10.9%, which represented an increase of 7.0% when compared to 2019, due to the increase in the volume of billing from the Rough and Machined Cast Iron Parts unit and the product mix of the Romi Machines unit.

Profit

Profit for 2020 was R$ 174.7 million.

2. INVESTMENTS

During 2020, R$ 44.1 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, 2020, no services other than the audit of the financial statements were performed by the firm Deloitte Touche Tohmatsu Limited.

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 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, 2020, as well as the Management's Proposal concerning 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 9, 2021.

Alfredo Ferreira Marques Filho

Clóvis Ailton Madeira

Vera Lucia de Almeida Pereira Elias

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**SUMMARY REPORT OF THE
AUDIT AND RISK COMMITTEE 2020**

The Audit and Risk Committee of Indústrias Romi S.A. ("Committee"), in the period from 03/17/2020 to 02/08/2021 met in seven occasions, four of which were meetings with the Supervisory Board and Independent Audit Firm, for the review of the Quarterly 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. Quarterly Information and Financial Statements together with the Supervisory Board and Independent Audit Firm;
3. Letter of Recommendations from the Independent Audit Firm;
4. 2021 budgets for the Internal Audit and the Audit and Risk Committee;
5. Audit Plan carried out in 2020 and proposed for 2021; 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, 2020, the Committee concluded that the Company is in compliance with the legal rules, regulatory and statutory standards and its policies.

Márcio Guedes Pereira Júnior
Coordenador

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

EXECUTIVE BOARD REPORT ON THE FINANCIAL STATEMENTS

The Board of Directors mentioned below declare to have prepared, reviewed and discussed the financial statements and nothing has come to our attention that causes us to believe that any further comment besides those already described in the explanatory information of the financial statements are necessary.

Santa Bárbara d'Oeste, February 9, 2021

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

INDÚSTRIAS ROMI S.A.

CNPJ – 56.720.428/0014-88/NIRE 35.300.036.751

PUBLICLY HELD COMPANY

EXECUTIVE BOARD REPORT ON THE OPINION OF INDEPENDENT AUDITORS

The undersigned officers hereby certify that they have reviewed, discussed and agree with the opinion expressed in the report of the independent auditors.

Santa Bárbara d'Oeste, February 9, 2021.

Luiz Cassiano Rando Rosolen – Chief Executive Officer

Fernando Marcos Cassoni – Vice-President

Fábio Barbanti Taiar – Executive Officer

Francisco Vita Júnior – Executive Officer

Douglas Pedro de Alcântara – Executive Officer

Mauricio Lanzellotti Lopes – Executive Officer