



ROMI

WWW.ROMI.COM



October 23, 2018 3Q18 Earnings Release

September 30, 2018

Share price

ROMI3 - R\$7.56 per share (on 10/22/2018)

Market capitalization

R\$475.2 million
US\$ 128.8 million

Number of shares

Common: 62,857,647
Total: 62,857,647

Free Float = 45.5%

Investor Relations Contact

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October 24, 2018

Meeting with APIMEC-SP Analysts

Time: 5:00 pm (São Paulo)
Location: Blue Tree Faria Lima
Av. Brig. Faria Lima, 3.989

Web streamed,
with access *link* at www.romi.com

Earnings Conference Call in English

Time: 11:00 am (São Paulo)
3:00 pm (London)
10:00 am (New York)

Dial-in numbers:
USA +1 (786) 924-6977
Brazil +55 (11) 3193-1001
Other + 1 (888) 700-0802
Access Code: Romi



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Santa Bárbara d'Oeste, SP, October 23, 2018 – Indústrias Romi S.A. ("Romi" or "Company") (B3: ROMI3), domestic market leader in the Machine Tools and Plastic Processing Machines markets, as well as an important producer of Raw and Machined Cast Iron Parts, announces its results for the third quarter of 2018 ("3Q18"). Except where otherwise stated, the Company's operating and financial information is presented on a consolidated basis, in accordance with International Financial Reporting Standards (IFRS).

Highlights

Order entry in 3Q18, when compared to 3Q17, increased by 40.5%

- Order entry in 3Q18, when compared to 3Q17, increased by 40.5%, especially in the Romi Machines Business Unit, which increased by 49.6%, as a result of the release of new products and the gradual economic recovery in 2018;
- In 3Q18, the Romi Machines Business Unit posted a 35.3% increase in net operating revenue in relation to 3Q17 and 9.6 p.p. and 9.8 p.p. in gross and operating margin, respectively, in the same period of comparison, due to the higher volume of operations of this business unit in 2018;
- In the B+W Machines Business Unit, order entry in the first nine months of 2018 increased by 44.4% over the same period in 2017, as a result of the release of new product lines in 2017 and the development of solutions to serve new segments;
- The Company's net debt decreased BY R\$8.8 million in 3Q18, reflecting the increase in machine deliveries in this quarter;

R\$'000	Quarter					Accumulated		
	3Q17	2Q18	3Q18	Chg. 3Q18/2Q18	Chg. 3Q18/3Q17	9M16	9M17	Chg. 2018/2017
Revenues Volume								
Machines (units)	195	183	227	24.0%	16.4%	498	554	11.2%
Burkhardt + Weber (units)	5	4	9	125.0%	80.0%	17	16	-5.9%
Raw and Machined Cast Iron Parts (tons)	5,773	5,453	5,520	1.2%	-4.4%	17,824	15,565	-12.7%
Net Operating Revenue	168,018	158,119	205,954	30.3%	22.6%	478,318	496,720	3.8%
<i>Gross margin (%)</i>	28.9%	26.4%	29.4%			27.6%	27.6%	
Operating Income (EBIT)	14,375	112	15,407	13656.3%	7.2%	29,989	16,163	-46.1%
<i>Operating margin (%)</i>	8.6%	0.1%	7.5%			6.3%	3.3%	
Net Income	9,122	45,443	15,931	-64.9%	74.6%	23,100	63,210	173.6%
<i>Net margin (%)</i>	5.4%	28.7%	7.7%			4.8%	12.7%	
EBITDA	21,877	8,346	23,886	186.2%	9.2%	52,573	41,124	-21.8%
<i>EBITDA margin (%)</i>	13.0%	5.3%	11.6%			11.0%	8.3%	
Investments	5,104	4,542	4,139	-8.9%	-18.9%	14,033	17,302	23.3%

EBITDA = Earnings before interest, taxes, depreciation and amortization.

* As described in the "Success in Judicial Proceedings (Plano Verão)" section of this report, the Company recognized in the 2Q18 financial statements the effects of the favorable outcome of tax proceedings (Plano Verão), which impacted the quarterly P&L as follows: (i) EBITDA: decreased by R\$1.6 million, due to the recognition of expenses with legal fees, under "Other operating income (expenses), net"; (ii) finance income (costs): increased by R\$32.1 million, related to monetary restatement of the original amount of the tax credits; (iii) income tax and social contribution: increased by R\$10.7 million, referring to the original amount of the tax credits; and (iv) profit: increased by the impact of the net gain of R\$40.1 million, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of interest on equity, proposed in April 2018, as per Notice to Shareholders dated April 17, 2018.

Corporate Profile



Romi, founded in 1930, is the leader in the Brazilian industrial machinery and equipment market, and an important manufacturer of raw and machined cast iron parts.

The Company is listed on B3's "New Market", which is reserved for companies with a higher level of corporate governance. Romi manufactures machine tools (Conventional Lathes, CNC - Computerized Numerical Control Lathes, Lathing Centers, Machining Centers, Vertical and Horizontal Heavy and Extra-Heavy Lathes and Drilling Mills), Plastic Injection or Blow Molding Machines, and ductile or CDI gray cast iron parts, which may be supplied in raw or machined form. The Company's products and services are sold around the world and used by various industrial segments, such as the automotive (light and heavy), agricultural machinery, capital goods, consumer goods, tools, hydraulic equipment and wind power industries, among many others.

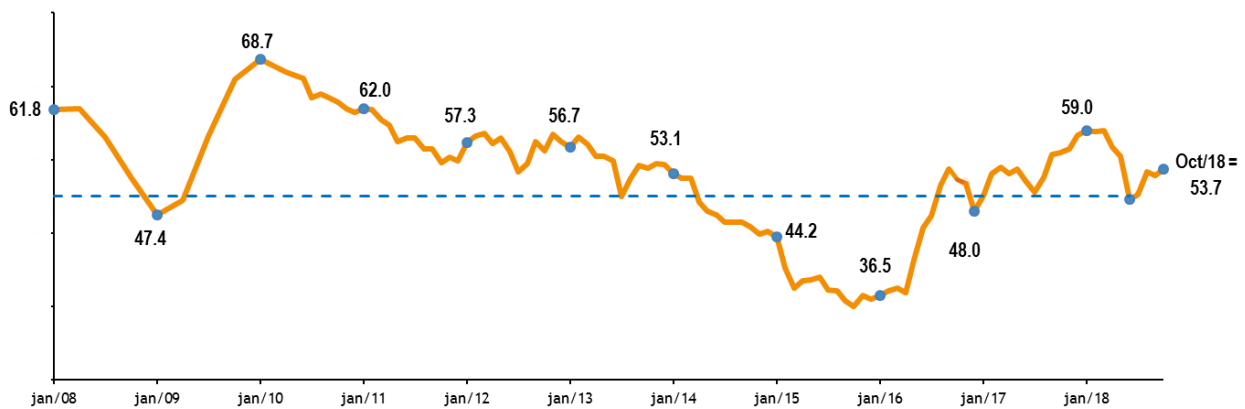
The Company has eleven manufacturing units, four of which for final assembly of industrial machinery, two foundries, three units for machining of mechanical components, one unit for manufacture of steel sheet components, and one unit for assembly of electronic panels. Of these, nine are located in Brazil and two in Germany. The installed capacity of industrial machines and casting production is of, respectively, about 3,500 units and 50,000 tons per year.

Current Economic Scenario

The year 2018 is showing significant economic recovery, and despite a first two-month period of poor economic activity, there is a significant acceleration in the number of opportunities and businesses generated as from March. Some macroeconomic data indicate solid recovery signs in the Brazilian economy, such as the improvement in the confidence indexes and in the utilization of installed capacity when compared to the last three years, presented below. This improvement in macroeconomic data begins to materialize in the Romi Machines business unit, which, faced with a more stable scenario, encourages customers to resume their investments.

In October 2018, as shown below, the Industrial Entrepreneur Confidence Index (ICEI) reached 53.7, a level that shows the evolution of the index in 2018 when compared to the previous three years; in line with the gradual resumption of the economy.

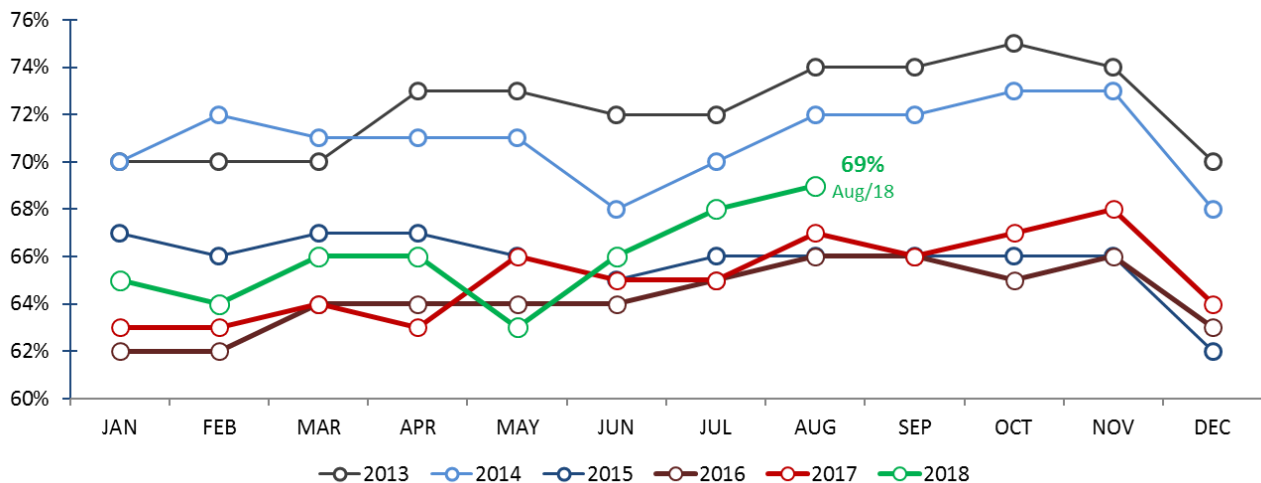
Industrial Entrepreneur Confidence Index – ICEI



Source: CNI – ICEI, October 2018.

The Installed Capacity Utilization (UCI) index of the Brazilian industry in general, as released by the National Confederation of Industries (CNI), has consolidated at an important growth level, when compared to the last 3 years, except for the month of May 2018, due to the truckers' strike, showing an important recovery of the Brazilian economy.

Average Installed Capacity Utilization(UCI)



Source: CNI – UCI, August 2018.

Romi continues to implement actions to streamline its structure and the planning and manufacturing process, to respond quickly to the demand volatility. During the last years we have carried out a number of optimizations, mainly in indirect structures, reinforced the focus on cost and expense reduction projects and invested in automation and productivity, focusing on the increase of profitability, which can be noted since 2017. Strategically, we have defined the release of new product generations as a priority, and the first lines are already successful in the domestic and international market. This gives us great confidence that we are very well prepared for the resumption of the domestic economy.

Market

The Company's main competitive advantages in the market – products with cutting-edge technology, own nationwide distribution network, ongoing technical assistance, availability of attractive customer credit packages in local currency, and short product delivery times – are all recognized by customers, giving the ROMI® brand name a traditional and prestigious reputation.

Order Entry (R\$ 000)	3Q17	2Q18	3Q18	Chg. 3Q18/2Q18	Chg. 3Q18/3Q17	9M17	9M18	Chg. 9M18/9M17
Gross Values, sales taxes included								
Romi Machines	72,806	119,045	108,944	-8.5%	49.6%	204,156	276,853	35.6%
Burkhardt+Weber Machines	41,090	22,270	78,231	251.3%	90.4%	93,884	135,566	44.4%
Rough and Machined Cast Iron Parts	40,238	51,668	29,408	-43.1%	-26.9%	156,224	144,565	-7.5%
Total *	154,134	192,983	216,583	12.2%	40.5%	454,264	556,984	22.6%

* The order entry figures do not include parts and services.

The order entry volume at the Romi Machines Unit observed in 3Q18 was 49.6% higher than in 3Q17, as a result of the adequate strategy of developing new product generations released in 2018. Moreover, the more solid and gradual recovery of the industry has positively reflected the volume of new orders. This growth was also due to exports, which in the same period of comparison also continued to show growth.

At the German subsidiary B+W, order entry in the first nine months of 2018 was 44.4% higher than in the same period of the previous year. The release of new product lines in 2017, coupled with the development of solutions for new segments such as aerospace and oil and gas, boosted the volume of new businesses, demonstrating consistency and solidity in its operations. The number of projects currently in progress and the portfolio orders volume are in a strong pace, which allows us to keep the good expectation regarding future profitability levels.

The Raw and Machined Cast Iron Parts Unit presented in 3Q18 an order entry 26.9% lower when compared to 3Q17. In the last months of the year there is a seasonal deceleration of this business unit, which impacts the order volume in 3Q18. In 2018, there was a reduction of 7.5% in order entry when compared to the same period of 2017, due to the reduction of orders for large wind turbine parts. On the other hand, there was a significant increase in the volume of orders for parts for the commercial automotive, agricultural and earth moving machinery segments, which offset part of the decline in the large cast iron parts segment.

Order Book (R\$ 000)	3Q17	2Q18	3Q18	Chg. 3Q18/2Q18	Chg. 3Q18/3Q17
Gross Values, sales taxes included					
Romi Machines	90,189	97,848	154,635	58.0%	71.5%
Burkhardt+Weber Machines	141,676	154,944	199,841	29.0%	41.1%
Rough and Machined Cast Iron Parts	37,595	60,325	41,217	-31.7%	9.6%
Total *	269,460	313,118	395,693	26.4%	46.8%

* The order entry figures do not include parts and services.

At September 30, 2018, orders portfolio totaled R\$395.7 million, amount 46.8% higher than in the same period last year. The increase in the portfolio at the end of 3Q18 at Romi Machines and B+W Machines Units was chiefly due to the increase in the volume of orders of 2018 previously mentioned.

Operational Performance

NET OPERATING REVENUE

Net operating revenue posted by the Company in 3Q18 reached R\$206.0 million, 22.6% higher than in 3Q17 and 30.3% higher than in 2Q18.

By Business Unit

Net Operating Revenue (R\$ 000)	Quarter					Accumulated		
	3Q17	2Q18	3Q18	Chg. 3Q18/2Q18	Chg. 3Q18/3Q17	9M17	9M18	Chg. 9M18/9M17
Romi Machines	72,084	77,840	97,512	25.3%	35.3%	196,509	237,265	20.7%
Burkhardt+Weber Machines	41,774	29,681	58,823	98.2%	40.8%	105,978	117,581	10.9%
Raw and Machined Cast Iron Parts	54,160	50,598	49,619	-1.9%	-8.4%	175,831	141,874	-19.3%
Total	168,018	158,119	205,954	30.3%	22.6%	478,318	496,720	3.8%

Romi Machines

The net operating revenue of this Business Unit reached R\$97.5 million in 3Q18, posting an increase of 35.3% when compared to the same period in 2017, reflecting the increase in new orders since 2Q18. This increase in the volume of orders and, consequently, net operating revenue shows that there is a solid and gradual economic and industrial recovery, in addition to the continued consolidation of Romi's brand in the foreign market.

Burkhardt+Weber Machines

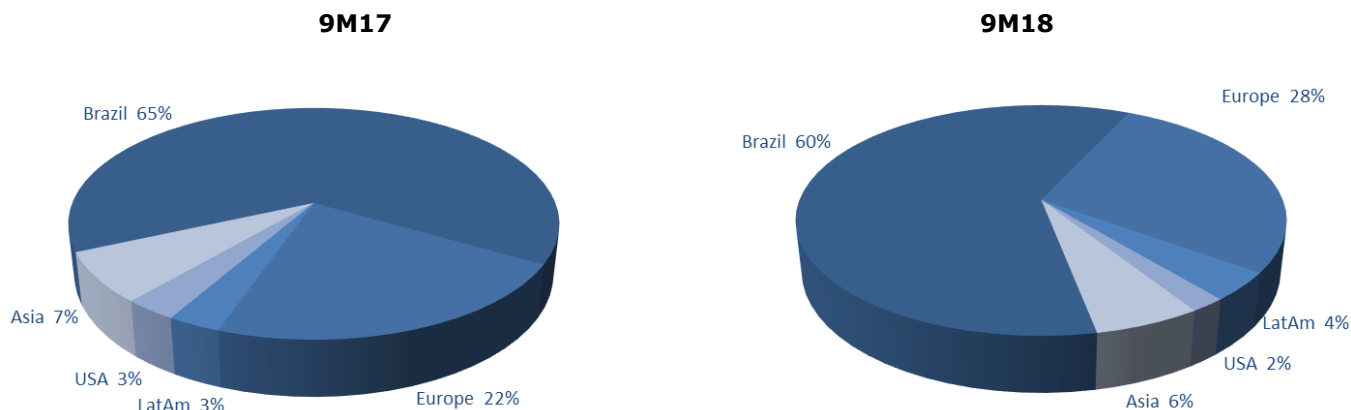
In 3Q18, revenue of the German subsidiary B+W presented a volume 40.8% higher than that recorded in 3Q17 (13.6% when the comparison is made in Euros), as machine deliveries, in 2018, are even more concentrated throughout the second half of this year.

Raw and Machined Cast Iron Parts

The net operating revenue of this Business Unit was R\$49.6 million in 3Q18, representing a 8.4% reduction compared to 3Q17, chiefly due to the reduction in the volume for large raw and machined cast iron parts. On the other hand, part of this reduction is being offset by the improvement in the volume of demand created in 2018 by the commercial automotive and earth moving machinery sectors.

By Geographical Region

The domestic market accounted for 60% of Romi's consolidated revenue in 9M18 (65% in 9M17). Considering the revenue in foreign markets, which takes into consideration sales by Romi subsidiaries abroad (Germany, China, United States, Italy, United Kingdom, France, Mexico and Spain) and direct sales to other markets, the distribution of Romi's consolidated revenue by geographic region was the following:



Below we show the revenue obtained in the foreign market, in Brazilian reais (R\$) and US dollars (US\$):

Foreign Sales	Quarter					Accumulated		
	3Q17	2Q18	3Q18	Chg. 3Q18/2Q18	Chg. 3Q18/3Q17	9M17	9M18	Chg. 2017/2016
Net Sales (R\$ million)	68.2	56.5	90.2	59.5%	32.3%	178.3	198.8	11.5%
Net Sales (US\$ million)	21.5	14.7	22.5	53.6%	4.7%	55.5	52.9	-4.8%

OPERATING COSTS AND EXPENSES

The gross margin of 29.4% obtained in 3Q18 presented a growth of 0.5 percentage points in relation to 3Q17. The operating margin (EBIT), when compared to 3Q17, presented a drop of 1.1 percentage points.

Gross Margin	Quarter					Accumulated		
	3Q17	2Q18	3Q18	Chg. p.p. 3Q18/2Q18	Chg. p.p. 3Q18/3Q17	9M17	9M18	Chg. pp 2018/2017
Romi Machines	33.9%	39.3%	43.5%	4.2	9.6	35.7%	40.1%	4.4
Burkhardt+Weber Machines	22.5%	6.0%	20.2%	14.2	(2.3)	20.4%	15.9%	(4.5)
Raw and Machined Cast Iron Parts	27.1%	18.5%	12.5%	(6.0)	(14.6)	22.9%	16.4%	(6.6)
Total	28.9%	26.4%	29.4%	3.0	0.5	27.6%	27.6%	(0.0)

EBIT Margin	Quarter					Accumulated		
	3Q17	2Q17	2Q17	Chg. p.p. 3Q18/2Q18	Chg. p.p. 3Q18/3Q17	9M17	9M18	Chg. pp 2018/2017
Romi Machines	6.0%	3.4%	15.8%	12.4	9.8	4.4%	7.6%	3.2
Burkhardt+Weber Machines	3.1%	-20.2%	-0.2%	20.0	(3.3)	0.0%	-7.3%	(7.3)
Raw and Machined Cast Iron Parts	16.2%	6.8%	0.2%	(6.6)	(16.0)	12.1%	4.8%	(7.3)
Total	8.6%	0.1%	7.5%	7.4	(1.1)	6.3%	3.3%	(3.0)

Romi Machines

The gross margin of this Business Unit in 3Q18 increased by 9.6 pp when compared to 3Q17 due to the focus that the Company has adopted on profitability improvement projects and the higher revenue volume, which contributes to the dilution of fixed costs. Operating margin also increased by 9.8 percentage points over the same comparison period for the same reasons mentioned above.

Burkhardt+Weber Machines

In this Business Unit, gross and operating margins in 3Q18 decreased by 2.3 and 3.3 percentage points, respectively, in relation to 3Q17, due to the inflationary pressure on costs and product mix, which in 3Q18 presented a larger number of smaller machines.

Raw and Machined Cast Iron Parts

The gross and operating margins of this Business Unit in 3Q18 decreased by 14.6 and 16.0 percentage points in relation to 3Q17, due to the 21.3% reduction in net operating revenue in this quarter. However, even in the face of lower sales volume than in 2017, profitability levels in the first nine months of 2018 remain positive and within the levels expected by Management considering current revenue levels.

EBITDA AND EBITDA MARGIN

In 3Q18, the operating cash generation as measured by EBITDA amounted to R\$23.9 million, representing an EBITDA margin of 11.6% in the quarter, as shown in the table below:

Reconciliation of Net Income to EBITDA (R\$ 000)	Quarter					Accumulated		
	3Q17	2Q18	3Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17	9M17	9M18	Chg. 2018/2017
Net Income	9,122	45,443	15,931	-64.9%	74.6%	23,100	63,210	173.6%
Income tax and social contributions	4,295	(7,696)	(526)	-93.2%	-112.2%	9,352	(8,233)	-188.0%
Net Financial Income	958	(37,635)	2	-100.0%	-99.8%	(2,462)	(38,814)	1476.5%
Depreciation and amortization	7,502	8,234	8,479	3.0%	13.0%	22,579	24,961	10.5%
EBITDA	21,877	8,346	23,886	186.2%	9.2%	52,571	41,124	-21.8%
EBITDA Margin	13.0%	5.3%	11.6%	119.7%	-10.9%	11.0%	8.3%	-
Total Net Operating Revenue	168,018	158,119	205,954	30.3%	22.6%	478,318	496,720	3.8%

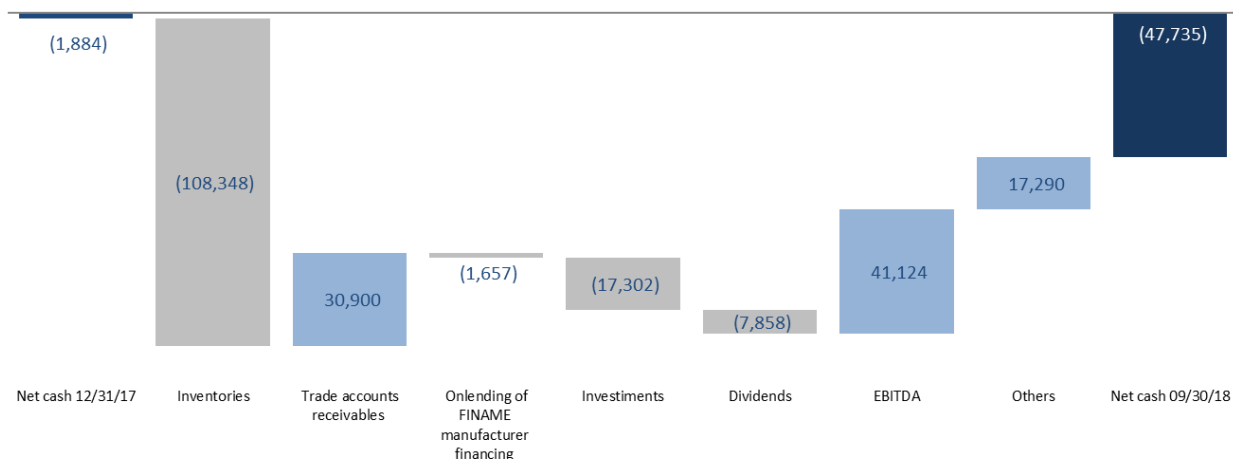
(*) As described in the "Success in Judicial Proceedings (Plano Verão)" section of this report, the Company recognized in the 2Q18 financial statements the effects of the favorable outcome of tax proceedings (Plano Verão), which impacted the quarterly P&L as follows: (i) EBITDA: decreased by R\$1.6 million, due to the recognition of expenses with legal fees, under "Other operating income (expenses), net"; (ii) finance income (costs): increased by R\$32.1 million, related to monetary restatement of the original amount of the tax credits; (iii) income tax and social contribution: increased by R\$10.7 million, referring to the original amount of the tax credits; and (iv) profit: increased by the impact of the net gain of R\$40.1 million, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of interest on equity, proposed in April 2018, as per Notice to Shareholders dated April 17, 2018.

PROFIT FOR THE PERIOD

The profit for the period amounted to R\$15.9 million in 3Q18, representing a net margin of 7.7%.

Evolution of Net Cash (Debt) Position

The main variations in the net debt position during 9M18 are described below in R\$'000:



The balances of "Finame Manufacturer Financing" are not used in the calculation of net debt of the Company.

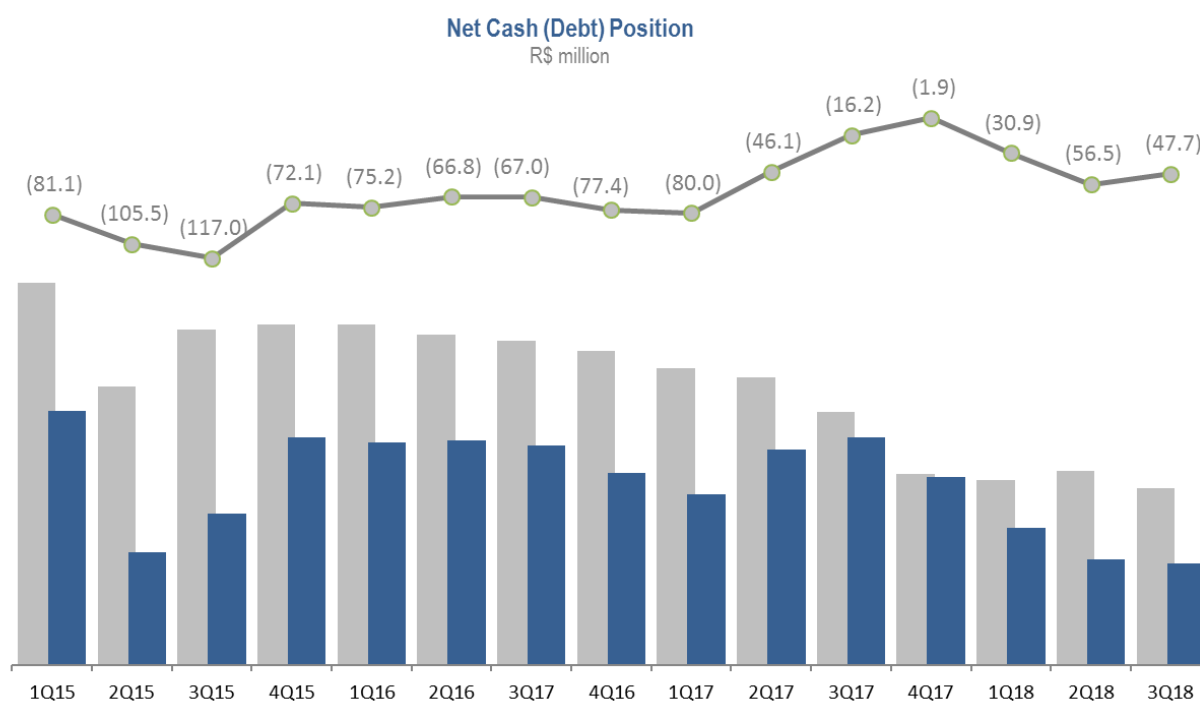
Net debt growth in 9M18 is due to the following main aspects:

- Increase in inventory levels in Brazil and abroad, due to the growth in the volume of operations in Brazil, the higher concentration of deliveries by the German subsidiary B+W in the fourth quarter of 2018, as well as the devaluation of the real against the dollar and the euro.
- Investments made during 2018, most of them for the installation of an automatic molding machine for the Raw and Machined Cast Iron Parts Business Unit. The other expenses were allocated in part to the maintenance, productivity, flexibility and competitiveness of the other units of the industrial park, all within the investment plan already planned for the year.
- Distribution of profits for the year 2017, in the total amount of R\$7.9 million.

Financial Position

Short-term investments, including those backed by debentures, are made with financial institutions with low credit risk and their yield is substantially indexed to the Interbank Certificate of Deposit (CDI). The consolidated net cash (debt) position at September 30, 2018 was negative R\$47.7 million.

The Company's borrowings are used mainly in investments in the modernization of the industrial facilities, research and development of new products and financing of exports and imports. At September 30, 2018, the amount of financing in local currency was R\$50.7 million, and in foreign currency, R\$61.5 million, totaling R\$112.2 million.



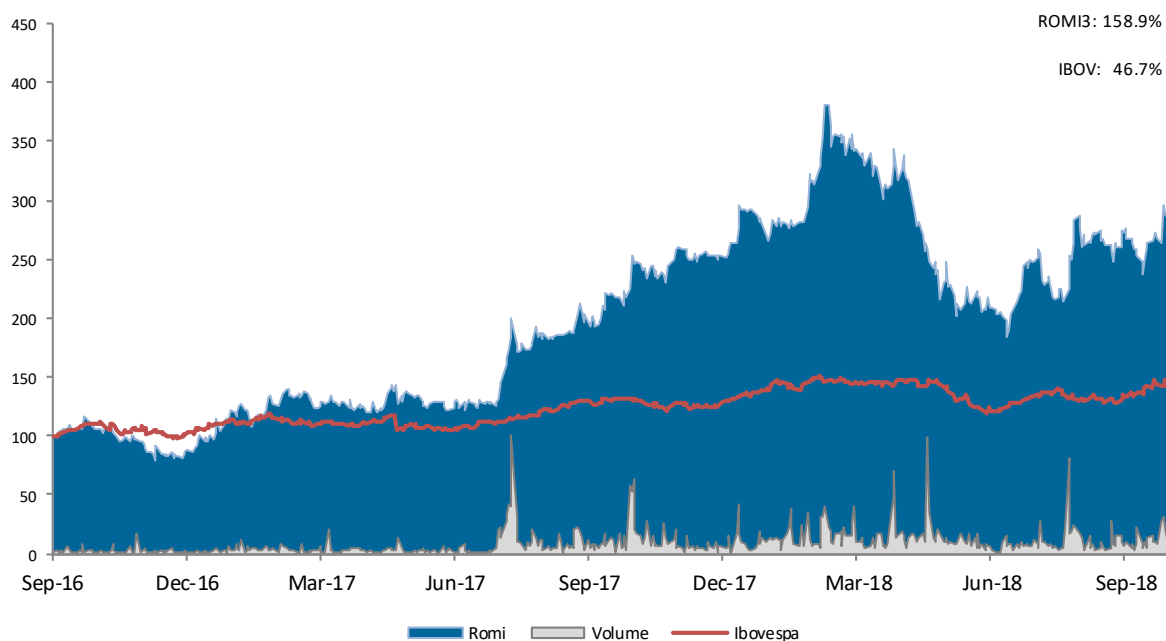
The balances of "Finame Manufacturer Financing" are not used in the calculation of net debt of the Company.

At September 30, 2018, the Company did not have any derivative transactions.

Capital Market

Share Performance ROMI3 vs. Ibovespa

From 09/30/2016 to 10/22/2018



Source: B3.

On October 22, 2018 the Company's common shares (ROMI3), which were quoted at R\$7.56, posted appreciation of 31.9% since September 30, 2017 and 158.9% since September 30, 2016. Ibovespa recorded appreciation of 15.2% and 46.7% in the same period.

The Company's market capitalization on October 22, 2018 was R\$475.2 million. The average daily trading volume during 3Q18 was R\$1.1 million.

Success in Legal Proceeding (“Plano Verão”)

In 2017, the Company was successful in the legal proceeding in which it is the plaintiff and the Federal Government is the defendant, whose object is the right to adjust for inflation the balance sheet of the calendar year 1989, in accordance with the inflation for the months of January and February of that year, and exclude the inflation indexes of the legislation then in force (“Plano Verão”). In September 2017, the Company filed with the Federal Revenue Service a request for utilization of this credit. In April 2018 the Federal Revenue granted the request to utilize this credit, allowing the Company to utilize it for offset against future federal taxes. As a result of the granting of the tax credit, the Company recognized in the 2Q18 financial statements the effects of the favorable outcome of tax proceedings (Plano Verão), which impacted the quarterly P&L as follows: (i) EBITDA: decreased by R\$1.6 million, due to the recognition of expenses with legal fees, under “Other operating income (expenses), net”; (ii) finance income (costs): increased by R\$32.1 million, related to monetary restatement of the original amount of the tax credits; (iii) income tax and social contribution: increased by R\$10.7 million, referring to the original amount of the tax credits; and (iv) profit: increased by the impact of the net gain of R\$40.1 million, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of interest on equity, proposed in April 2018, as per Notice to Shareholders dated April 17, 2018.

These tax credits are being used for offset against federal taxes, and the estimated offset period will depend on federal taxes generated in the future, which cannot be estimated at this point. The remaining balance is restated by the inflation adjustment indexes recognized by the courts.

Consolidated Balance Sheet

(R\$ 000)

	09/30/17	12/31/17	06/30/18	09/30/18	LIABILITIES AND SHAREHOLDER'S EQUITY			
ASSETS	09/30/17	12/31/17	06/30/18	09/30/18	09/30/17	12/31/17	06/30/18	09/30/18
CURRENT	633,631	592,193	641,680	681,559	320,205	280,526	351,410	379,892
Cash and Cash equivalents	128,420	105,682	66,455	63,951	108,208	74,170	83,414	75,061
Financial investments	16,592	13,670	475	481	54,261	55,463	52,074	55,931
Trade accounts receivable	117,583	120,303	128,819	134,184	34,387	33,802	61,648	64,702
Onlending of FINAME manufacturer financing	82,231	88,114	78,705	80,479	32,330	28,148	31,475	35,351
Inventories	263,327	241,891	326,354	350,239	2,578	5,896	4,362	2,826
Recoverable taxes	12,471	11,780	26,600	36,671	72,368	56,512	75,744	87,529
Other receivables	13,007	10,753	14,272	15,554	16,073	26,535	42,693	58,492
NON CURRENT	143,749	154,515	189,919	197,651	136,405	151,397	144,719	160,355
Trade accounts receivable	10,962	11,310	13,476	12,526	53,057	47,066	40,006	37,106
Onlending of FINAME manufacturer financing	63,797	79,819	84,925	104,737	54,277	72,770	70,201	87,928
Recoverable taxes	645	778	28,267	20,495	27,635	29,885	33,500	34,419
Deferred income and social contribution taxes	55,109	49,426	50,762	51,719	539	-	-	-
Judicial Deposits	2,102	2,057	2,119	2,129	784	1,561	792	666
Other receivables	11,134	11,125	10,370	6,045	113	115	220	236
Investments					629,857	641,969	676,671	680,796
Property, Plant and Equipment	246,709	257,939	264,617	263,610	492,025	492,025	492,025	492,025
Investment Property	18,602	18,602	18,602	18,602	113,090	118,960	139,131	139,306
Intangible assets	45,271	52,174	59,517	61,119	24,742	30,984	45,515	49,465
NON CONTROLLING INTERESTS					1,495	1,531	1,535	1,498
TOTAL SHAREHOLDER'S EQUITY					631,352	643,500	678,206	682,294
TOTAL ASSETS	1,087,962	1,075,423	1,174,335	1,222,541	1,087,962	1,075,423	1,174,335	1,222,541

Consolidated Income Statement

(R\$ thousand)

	3Q17	2Q18	3Q18	Chg. 3Q18/2Q18	Chg. 3Q18/3Q17	9M17	9M18	Chg. 2018/2017
Net Operating Revenue	168,018	158,119	205,954	30.3%	22.6%	478,318	496,720	3.8%
Cost of Goods Sold	(119,448)	(116,394)	(145,400)	18.9%	0.0%	(346,130)	(359,682)	3.9%
Gross Profit	48,570	41,725	60,554	20.0%	-11.9%	132,188	137,038	3.7%
<i>Gross Margin %</i>	<i>28.9%</i>	<i>26.4%</i>	<i>29.4%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>27.6%</i>	<i>27.6%</i>	<i>0.0%</i>
Operating Expenses	(34,195)	(41,613)	(45,147)	22.0%	18.6%	(102,197)	(120,875)	18.3%
Selling expenses	(16,935)	(18,053)	(23,498)	11.8%	2.9%	(49,146)	(57,704)	17.4%
Research and development expenses	(4,112)	(4,544)	(4,377)	17.0%	2.8%	(12,586)	(12,804)	1.7%
General and administrative expenses	(12,175)	(15,468)	(15,406)	15.7%	14.4%	(38,604)	(44,241)	14.6%
Management profit sharing and compensation	(1,683)	(2,179)	(2,171)	49.7%	22.8%	(4,911)	(5,806)	18.2%
Other operating income, net	710	(1,369)	305	-284.0%	-162.3%	3,052	(320)	-110.5%
Operating Income before Financial Results	14,375	112	15,407	-82.6%	-99.1%	29,992	16,163	-46.1%
<i>Operating Margin %</i>	<i>8.6%</i>	<i>0.1%</i>	<i>7.5%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>6.3%</i>	<i>3.3%</i>	<i>0.0%</i>
Financial Results, Net	(958)	37,635	(2)	3086.7%	855.9%	2,462	38,814	1476.5%
Financial income	4,098	36,793	1,316	957.9%	727.9%	12,827	41,587	224.2%
Financial expenses	(4,220)	(2,471)	(2,114)	-5.0%	-32.1%	(11,925)	(7,186)	-39.7%
Exchange gain (loss), net	(836)	3,313	796	989.8%	5.8%	1,560	4,413	182.9%
Operations Operating Income	13,417	37,747	15,405	1968.3%	132.5%	32,455	54,977	69.4%
Income tax and social contribution	(4,295)	7,696	526	69863.6%	-278.1%	(9,352)	8,233	-188.0%
Net income	9,122	45,443	15,931	2375.1%	281.4%	23,103	63,210	173.6%
<i>Net Margin %</i>	<i>5.4%</i>	<i>28.7%</i>	<i>7.7%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>4.8%</i>	<i>12.7%</i>	<i>0.0%</i>
Net profit concerning:								
Controlling interests	9,083	45,401	15,889	2423.7%	286.5%	22,846	63,089	176.1%
Non controlling interests	39	42	42	13.5%	-75.0%	256	121	-52.7%
	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
EBITDA	21,877	8,346	23,886	-6.1%	-58.0%	52,571	41,124	-21.8%
Profit (loss) for the period	9,122	45,443	15,931	2375.1%	281.4%	23,102	63,210	173.6%
Income tax and social contribution	4,295	(7,696)	(526)	69863.6%	-278.1%	9,352	(8,233)	-188.0%
Financial income, net	958	(37,635)	2	3086.7%	855.9%	(2,462)	(38,814)	1476.5%
Depreciation and amortization	7,502	8,234	8,479	-0.2%	8.9%	22,579	24,961	10.5%
<i>EBITDA Margin %</i>	<i>13.0%</i>	<i>5.3%</i>	<i>11.6%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>32.5%</i>	<i>8.3%</i>	<i>0.0%</i>
Nº of shares in capital stock (th)	62,858	62,858	62,858	0.0%	0.0%	62,858	62,858	0.0%
Profit per share - R\$	0.14	0.72	0.25	2423.7%	286.5%	0.37	1.00	170.9%

Consolidated Cash Flow Statement

(R\$ thousand)

	3Q17	2Q18	3Q18	9M17	9M18
Cash from operating activities					
Net Income before taxation	13,417	37,747	15,405	32,455	54,977
Financial expenses and exchange gain	3,597	(35,598)	625	5,771	(34,525)
Depreciation and amortization	7,502	8,234	8,479	22,579	24,961
Allowance for doubtful accounts and other receivables	(2,199)	582	(1,653)	(1,682)	(1,808)
Proceeds from sale of fixed assets and intangibles	(1,110)	754	(715)	(4,014)	(645)
Provision for inventory realization	430	5	2,142	(4,471)	1,308
Reserve for contingencies	1,544	2	705	(688)	2,260
Change on operating assets and liabilities					
Financial Investments	(1,895)	12,469	(6)	4,239	13,189
Trade accounts receivable	1,279	(2,127)	(1,741)	(13,762)	(825)
Onlending of Finame manufacturer financing	5,842	(4,694)	(20,562)	23,449	(13,519)
Inventories	(6,716)	(54,030)	(25,123)	5,732	(109,655)
Recoverable taxes, net	3,488	(41,324)	(3,256)	15,007	(46,901)
Judicial deposits	(864)	(553)	(1,277)	(2,245)	(2,962)
Other receivables	5,942	34,352	6,944	5,428	42,027
Trade accounts payable	(759)	12,432	2,438	(159)	28,534
Payroll and related taxes	4,497	4,640	4,083	14,361	7,113
Taxes payable	(4,050)	9,005	1,194	(6,013)	7,751
Advances from customers	12,695	22,833	11,785	18,581	31,017
Other payables	(3,058)	559	1,851	1,521	1,396
Cash provided by operating activities	39,582	5,288	1,318	116,089	3,693
Income tax and social contribution paid	(535)	(243)	(3,225)	(1,575)	(3,747)
Net Cash provided by (used in) operating activities	39,047	5,045	(1,907)	114,514	(54)
Purchase of fixed assets	(5,104)	(4,363)	(4,104)	(13,338)	(17,267)
Sales of fixed assets	1,757	208	-	5,370	977
Increase in intangible assets	(11)	(2,119)	(669)	(707)	(2,796)
Net cash Used in Investing Activities	(3,358)	(6,274)	(4,773)	(8,675)	(19,086)
Interest on capital paid	(217)	382	(79)	(331)	(8,002)
New loans and financing	4,383	11,507	33,396	9,597	50,475
Payments of loans and financing	(25,737)	(9,512)	(46,812)	(48,882)	(65,760)
Interests paid (including Finame manufacturer financing)	(5,490)	(5,177)	(2,962)	(15,936)	(13,093)
New loans in Finame manufacturer	14,292	11,925	36,008	31,893	59,697
Payment of Finame manufacturer financing	(16,930)	(14,972)	(14,835)	(54,263)	(44,543)
Net Cash provided by Financing Activities	(29,699)	(5,847)	4,716	(77,922)	(21,226)
Increase (decrease) in cash and cash equivalents	5,990	(7,076)	(1,964)	27,917	(40,366)
Exchange variation changes on cash and cash equivalents abroad	(136)	(557)	(540)	(1,007)	(1,365)
Cash and cash equivalents - beginning of period	122,566	74,088	66,455	101,510	105,682
Cash and cash equivalents - end of period	128,420	66,455	63,951	128,420	63,951

Attachment I – Income Statement by Business Unit

Demonstração do Resultado Consolidado por Unidade de Negócio - 3Q18

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Raw and Machined Cast Iron	Total
Net Operating Revenue	97,512	58,823	49,619	205,954
Cost of Sales and Services	(48,077)	(46,939)	(50,384)	(145,400)
Business Units Transfers	866	-	7,857	8,723
Business Units Transfers	(7,857)	-	(866)	(8,723)
Gross Profit	42,444	11,884	6,226	60,554
<i>Gross Margin %</i>	<i>43.5%</i>	<i>20.2%</i>	<i>12.5%</i>	<i>29.4%</i>
Operating Expenses	(27,031)	(12,013)	(6,103)	(45,147)
Selling	(16,385)	(5,416)	(1,697)	(23,498)
General and Administrative	(5,514)	(6,597)	(3,295)	(15,406)
Research and Development	(4,377)	-	-	(4,377)
Management profit sharing	(1,060)	-	(1,111)	(2,171)
Other operating revenue	305	-	-	305
Operating Income (loss) before Financial Results	15,413	(129)	123	15,407
<i>Operating Margin %</i>	<i>15.8%</i>	<i>-0.2%</i>	<i>0.2%</i>	<i>7.5%</i>
Depreciation and amortization	3,095	2,334	3,052	8,481
EBITDA	18,508	2,205	3,175	23,888
<i>EBITDA Margin %</i>	<i>19.0%</i>	<i>3.7%</i>	<i>6.4%</i>	<i>11.6%</i>

Income Statement by Business Units - 3Q17

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Raw and Machined Cast Iron	Total
Net Operating Revenue	72,084	41,774	54,160	168,018
Cost of Sales and Services	(43,290)	(32,366)	(43,793)	(119,449)
Business Units Transfers	1,203	-	5,531	6,734
Business Units Transfers	(5,531)	-	(1,203)	(6,734)
Gross Profit	24,466	9,408	14,695	48,569
<i>Gross Margin %</i>	<i>33.9%</i>	<i>22.5%</i>	<i>27.1%</i>	<i>28.9%</i>
Operating Expenses	(20,154)	(8,117)	(5,926)	(34,197)
Selling	(11,813)	(3,627)	(1,496)	(16,936)
General and Administrative	(4,259)	(4,490)	(3,426)	(12,175)
Research and Development	(4,112)	-	-	(4,112)
Management profit sharing	(679)	-	(1,004)	(1,683)
Other operating revenue	709	-	-	709
Operating Income before Financial Results	4,312	1,291	8,769	14,372
<i>Operating Margin %</i>	<i>6.0%</i>	<i>3.1%</i>	<i>16.2%</i>	<i>8.6%</i>
Depreciation and amortization	3,065	1,505	2,933	7,503
EBITDA	7,377	2,796	11,702	21,875
<i>EBITDA Margin %</i>	<i>10.2%</i>	<i>6.7%</i>	<i>21.6%</i>	<i>13.0%</i>

Income Statement by Business Units - 9M18

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron	Total
Net Operating Revenue	237,265	117,581	141,874	496,720
Cost of Sales and Services	(125,939)	(98,863)	(134,880)	(359,682)
Business Units Transfers	2,737	-	18,942	21,679
Business Units Transfers	(18,942)	-	(2,737)	(21,679)
Gross Profit	95,121	18,718	23,199	137,038
<i>Gross Margin %</i>	<i>40.1%</i>	<i>15.9%</i>	<i>16.4%</i>	<i>27.6%</i>
Operating Expenses	(77,157)	(27,348)	(16,370)	(120,875)
Selling	(43,899)	(10,011)	(3,794)	(57,704)
General and Administrative	(17,133)	(17,337)	(9,771)	(44,241)
Research and Development	(12,804)	-	-	(12,804)
Management profit sharing	(3,001)	-	(2,805)	(5,806)
Other operating revenue	(320)	-	-	(320)
Operating Income (loss) before Financial Results	17,964	(8,630)	6,829	16,163
<i>Operating Margin %</i>	<i>7.6%</i>	<i>-7.3%</i>	<i>4.8%</i>	<i>3.3%</i>
Depreciation and amortization	9,427	5,866	9,668	24,961
EBITDA	27,391	(2,764)	16,497	41,124
<i>EBITDA Margin %</i>	<i>11.5%</i>	<i>-2.4%</i>	<i>11.6%</i>	<i>8.3%</i>

Income Statement by Business Units - 9M17

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron	Total
Net Operating Revenue	196,509	105,978	175,831	478,318
Cost of Sales and Services	(119,842)	(84,330)	(141,957)	(346,130)
Business Units Transfers	4,274	-	10,750	15,025
Business Units Transfers	(10,750)	-	(4,274)	(15,025)
Gross Profit	70,190	21,648	40,350	132,188
<i>Gross Margin %</i>	<i>35.7%</i>	<i>20.4%</i>	<i>22.9%</i>	<i>27.6%</i>
Operating Expenses	(61,508)	(21,656)	(19,031)	(102,195)
Selling	(35,261)	(9,212)	(4,673)	(49,146)
General and Administrative	(14,639)	(12,444)	(11,521)	(38,604)
Research and Development	(12,586)	-	-	(12,586)
Management profit sharing	(2,074)	-	(2,837)	(4,911)
Other operating revenue	3,052	-	-	3,052
Operating Income before Financial Results	8,682	(8)	21,319	29,993
<i>Operating Margin %</i>	<i>4.4%</i>	<i>0.0%</i>	<i>12.1%</i>	<i>6.3%</i>
Depreciation and amortization	9,372	4,273	8,934	22,579
EBITDA	18,054	4,265	30,253	52,572
<i>EBITDA Margin %</i>	<i>9.2%</i>	<i>4.0%</i>	<i>17.2%</i>	<i>11.0%</i>

Attachment II – Financial Statements of B+W

Balance Sheet B+W

	(€ 000)		
ASSETS	12/31/17	06/30/18	09/30/18
CURRENT	20,810	25,828	27,198
Cash and Cash equivalents	1,587	511	1,875
Trade accounts receivable	7,011	5,878	6,273
Inventories	11,372	17,644	17,488
Recoverable taxes	527	874	680
Related Parties	99	99	103
Other receivables	214	823	780
NONCURRENT	28,235	27,941	27,703
Investments			
Property, plant and equipment	15,308	14,889	14,711
Investment in subsidiaries	59	59	59
Intangible assets	12,868	12,993	12,933
TOTAL ASSETS	49,045	53,769	54,901
LIABILITIES AND SHAREHOLDER'S EQUITY	12/31/17	06/30/18	09/30/18
CURRENT	14,868	21,620	23,048
Trade accounts payable	953	3,133	3,056
Payroll and related taxes	1,613	1,647	1,305
Advances from customers	10,690	13,515	15,005
Other payables	1,528	1,173	1,342
Related Parties	84	651	840
NON CURRENT	7,979	7,612	7,429
Loans and financing	3,105	2,828	2,689
Deferred income and social contribution taxes	4,874	4,784	4,740
SHAREHOLDER'S EQUITY	26,198	24,537	24,424
Capital	7,025	7,025	7,025
Capital reserve	505	505	505
Profit reserve	18,668	17,007	16,894
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	49,045	53,769	54,901

B+W Income Statement

	(€ 000)				
	3Q17	2Q18	3Q18	9M17	9M18
Net Operating Revenue	11,241	6,912	12,765	29,520	26,891
Cost of Goods Sold	(8,712)	(6,514)	(10,199)	(23,548)	(22,688)
Gross Profit	2,529	398	2,566	5,972	4,203
<i>Gross Margin %</i>	<i>22.5%</i>	<i>5.8%</i>	<i>20.1%</i>	<i>20.2%</i>	<i>15.6%</i>
Operating Expenses	(2,184)	(1,815)	(2,597)	(6,102)	(6,304)
Selling expenses	(974)	(562)	(1,162)	(2,578)	(2,269)
General and administrative expenses	(1,210)	(1,253)	(1,435)	(3,524)	(4,034)
Operating Income before Financial Results	345	(1,417)	(31)	(130)	(2,100)
<i>Operating Margin %</i>	<i>3.1%</i>	<i>-20.5%</i>	<i>-0.2%</i>	<i>-0.4%</i>	<i>-7.8%</i>
Financial Results, Net	(106)	(69)	(83)	(304)	(264)
Operations Operating Income	239	(1,486)	(115)	(434)	(2,364)
Income tax and social contribution	(163)	399	2	32	590
Net income	76	(1,087)	(113)	(402)	(1,774)
<i>Net Margin %</i>	<i>0.7%</i>	<i>-15.7%</i>	<i>-0.9%</i>	<i>-1.4%</i>	<i>-6.6%</i>
EBITDA	859	(880)	583	1,409	(415)
Net income / loss for the period	76	(1,087)	(113)	(402)	(1,774)
Income tax and social contribution	163	(399)	(2)	(31)	(590)
Financial income, net	106	69	83	304	264
Depreciation and amortization	514	537	615	1,538	1,685
<i>EBITDA Margin %</i>	<i>7.6%</i>	<i>-12.7%</i>	<i>4.6%</i>	<i>4.8%</i>	<i>-1.5%</i>

Statements contained in this release related to the Company's business outlook, projections of operating and financial results, and references to the Company's growth potential are mere forecasts and have been based on Management's expectations regarding its future performance. These expectations are highly dependent upon market behavior, economic conditions in Brazil, the industry and international markets. Therefore, they are subject to changes.