



**ROMI**®

A TRADITION OF INNOVATION



**Earnings Release – 3Q08**

**October 23, 2008**



*This release contains forward-looking statements subject to risks and uncertainties. Such forward-looking statements are based on the management's beliefs and assumptions on information currently available to the Company. The reservations as to forward-looking statements also apply to information on possible or presumed operating results, as well as any statements preceded, followed or including words such as "believes", "may", "will", "expects", "intends", "plans", "estimates" or similar expressions. Forward-looking statements are not performance guarantees; they involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances which may or may not occur. Future results may differ materially from those expressed or suggested by forward-looking statements. Many of the factors which will determine these results and figures are beyond Romi's control or prediction capacity.*



- **Net Operating Revenue reaches R\$ 199.8 million in 3Q08 and grows 21.5% compared with 3Q07,**
- **The Machine Tool Order Book reports a year on year increase of 33.4%,**
- **Growth in Net Operating Revenue at all Business Units,**
- **Exports in US dollars increase 65.2% in 3Q08, compared with 3Q07,**
- **Romi acquires assets and subsidiaries of Sandretto.**



**A Capital Goods Company focused on Machine Tools, Plastic Processing Machines and Rough and Machined Casting Iron Parts:**

- 9 Industrial Plants in Brazil and 2 in Italy
- 6 Subsidiaries located in USA, Germany, France, UK, Spain, The Netherlands
- Presence in more than 60 countries, in all continents with sales to 32 countries in 2007.
- In 78 years of history Romi has built and sold more than 146,000 machines of which approx. 27,000 were exported.
- Installed capacity: 3,600 Machines/year and 40,000 tons/year

**Net Revenue: R\$ 530 Million (9M08):**

## Machine Tools



**63%**

## Plastic Processing Machines



**18%**

## Rough and Machined Casting Iron Parts



**19%**

# Machine Tools - Sectors



	Job Shops	Automotive	Capital Goods	Hydraulic Equipment	Tooling	Agricultural Equipment	Oil & Gas	Others
CNC Lathes – Flat Bed	●	●	●	○		○		
Heavy CNC Lathes	●		●	○		○		
Machining Center	●	●	●		●			
CNC Lathes Combination	●		●	●	●	○	●	
CNC Lathes Slant	●	●		○		●	○	
Conventional Lathes	○		●				●	
MF ROL	21%	19%	12%	8%	7%	7%	5%	21%

● High

● Moderate

○ Low



## Plastic Machines



Sector	%
Automotive	18%
Job Shops	17%
Packaging	16%
Home Utilities	13%
Real Estate	10%
Furniture	3%
Outros	23%

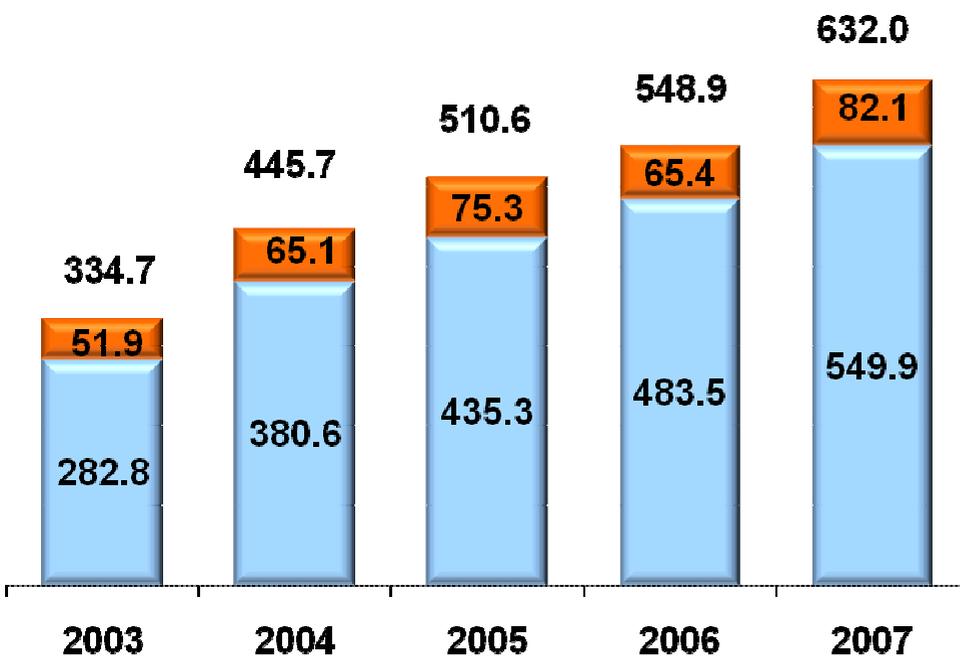
## Castings



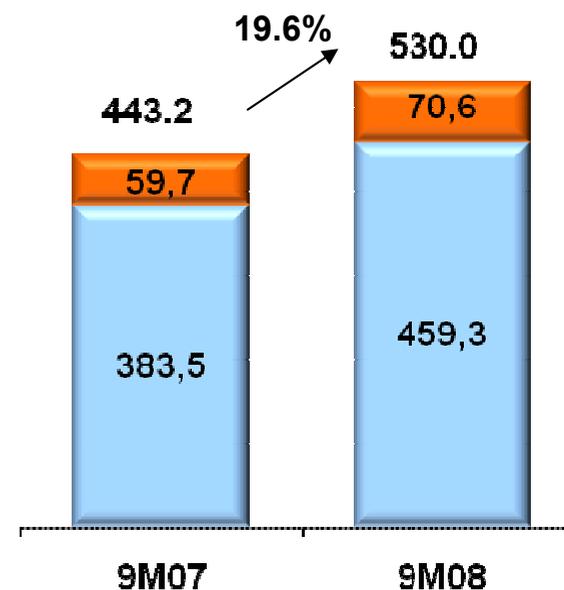
Sector	%
Automotive (Trucks)	39%
Automotive (Cars)	17%
Electricity Generation	21%
Agriculture	15%
Capital Goods	8%



Net Operating Revenue (Cons.) – Year – R\$ mm



Net Operating Revenue (Cons.) – 9M – R\$ mm

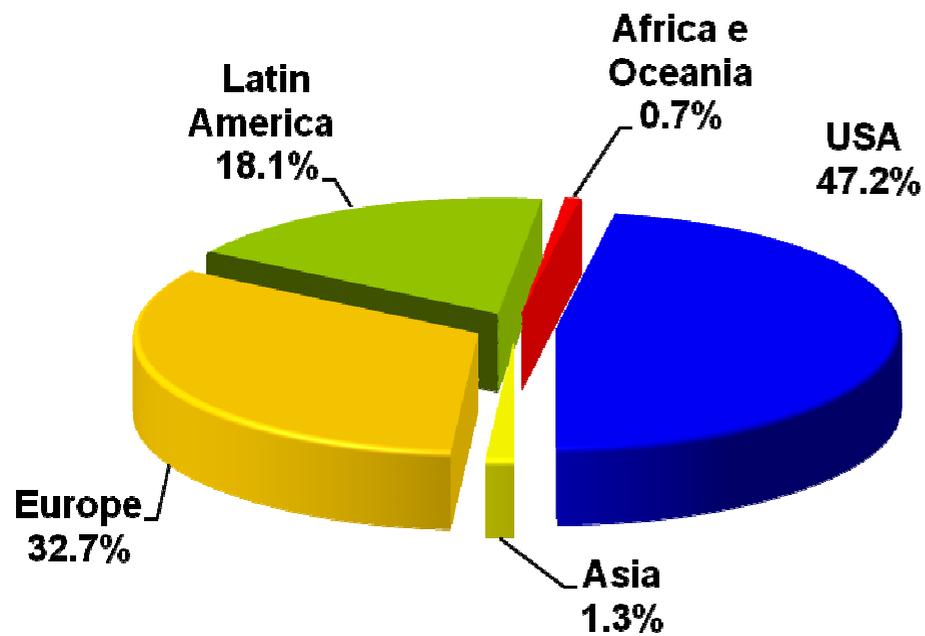


Exports

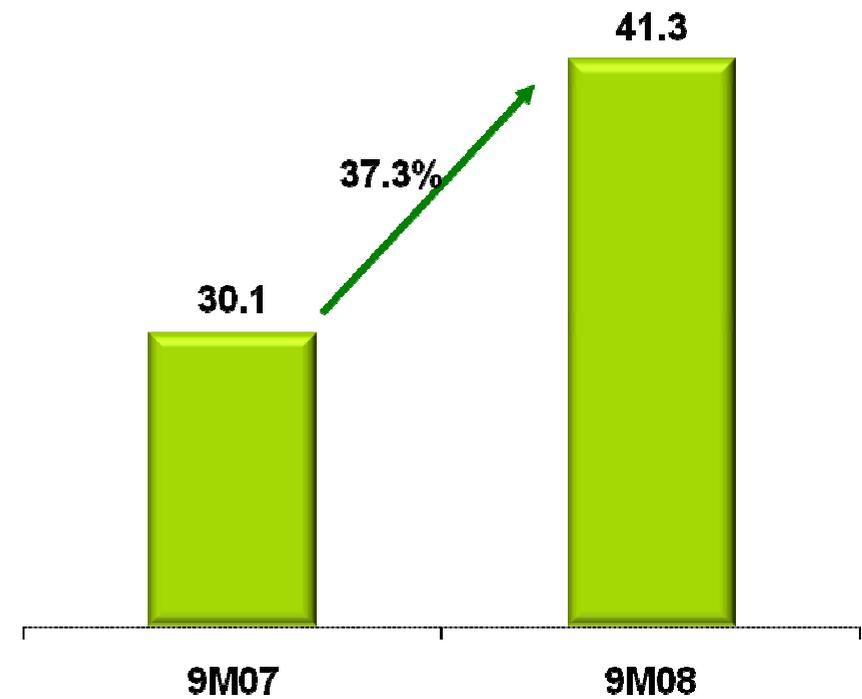
Domestic Sales



Foreign Markets 9M08

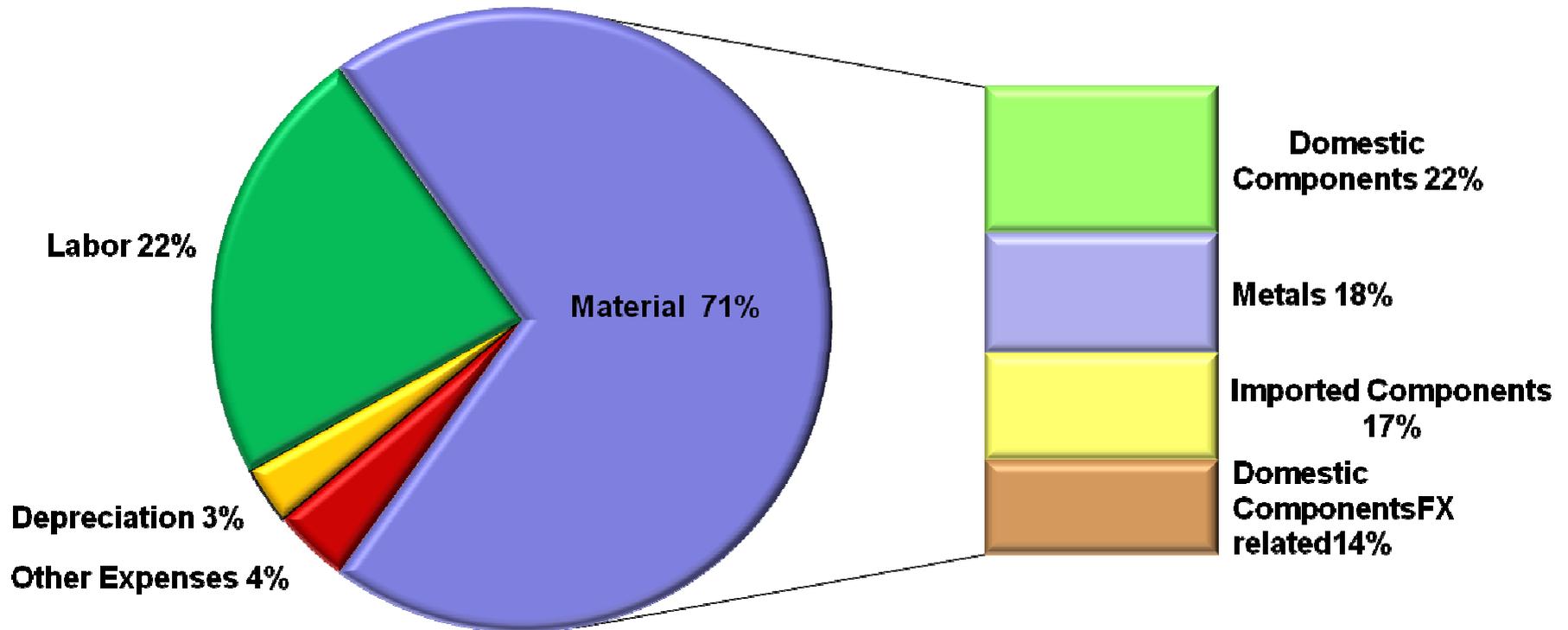


Foreign Markets – KUSD





## Cost Structure – Consolidated – 9M08



Overall sensibility to FX effects: 49%

# Consolidated Margins



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R\$ mm	3Q08	2Q08	3Q07	QoQ	YoY	9M08	9M07	YoY
<b>Gross Profit</b>	<b>83.5</b>	<b>73.6</b>	<b>73.1</b>	13.5%	14.2%	<b>218.2</b>	<b>193.2</b>	13.0%
<b>Gross Margin</b>	41.8%	41.5%	44.4%	0.3 p.p.	-2.6 p.p.	41.2%	43.6%	-2.4 p.p.
<b>Adjusted EBITDA</b>	<b>42.1</b>	<b>36.7</b>	<b>40.0</b>	14.8%	5.3%	<b>107.1</b>	<b>98.4</b>	8.9%
<b>Adj. EBITDA Margin</b>	21.1%	20.7%	24.3%	0.4 p.p.	-3.2 p.p.	20.2%	22.2%	-2.0 p.p.
<b>Adj. Net Income</b>	<b>37.3</b>	<b>32.7</b>	<b>36.9</b>	13.9%	1.1%%	<b>96.0</b>	<b>91.5</b>	4.9%
<b>Adj. Net Margin</b>	18.7%	18.5%	22.5%	0.2 p.p.	-3.8 p.p.	18.1%	20.7%	-2.6 p.p.

# Business Units

## Net Revenue and Sales Volume



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R\$ mm	3Q08	2Q08	3Q07	QoQ	YoY	9M08	9M07	YoY
<b>Machine Tools</b>								
R\$ mm	<b>125.7</b>	<b>114.9</b>	<b>109.1</b>	<b>9.4%</b>	<b>15.2%</b>	<b>337.3</b>	<b>289.4</b>	<b>16.6%</b>
Units Sold	<b>697</b>	<b>650</b>	<b>599</b>	<b>7.2%</b>	<b>16.4%</b>	<b>1,865</b>	<b>1,669</b>	<b>11.7%</b>
<b>Plastic Machines</b>								
R\$ mm	<b>37.6</b>	<b>29.8</b>	<b>26.0</b>	<b>26.1%</b>	<b>44.6%</b>	<b>94.1</b>	<b>72.0</b>	<b>30.7%</b>
Units Sold	<b>107</b>	<b>104</b>	<b>113</b>	<b>2.9%</b>	<b>-5.3%</b>	<b>292</b>	<b>266</b>	<b>9.8%</b>
<b>Rough and Machined Cast</b>								
R\$ mm	<b>36.6</b>	<b>32.6</b>	<b>29.4</b>	<b>12.4%</b>	<b>24.3%</b>	<b>98.6</b>	<b>81.8</b>	<b>20.5%</b>
Tons Sold	<b>5,800</b>	<b>5,669</b>	<b>5,467</b>	<b>2.3%</b>	<b>6.1%</b>	<b>17,043</b>	<b>15,379</b>	<b>10.8%</b>

# Business Units Margins



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R\$ mm	3Q08	2Q08	3Q07	QoQ	YoY	9M08	9M07	YoY
<b>Machine Tools</b>								
Gross Margin	<b>45.1%</b>	<b>45.2%</b>	<b>47.2%</b>	-0.1 p.p.	-2.1 p.p.	<b>45.6%</b>	<b>46.3%</b>	-0.7 p.p.
EBIT Margin	<b>22.8%</b>	<b>19.9%</b>	<b>23.3%</b>	2.9 p.p.	-0.5 p.p.	<b>21.2%</b>	<b>20.8%</b>	0.4 p.p.
<b>Plastic Machines</b>								
Gross Margin	<b>40.1%</b>	<b>35.7%</b>	<b>38.4%</b>	4.4 p.p.	1.7 p.p.	<b>37.4%</b>	<b>41.5%</b>	-4.1 p.p.
Adjusted EBIT Margin	<b>9.2%</b>	<b>11.8%</b>	<b>14.3%</b>	-2.6 p.p.	-5.1 p.p.	<b>10.3%</b>	<b>16.3%</b>	-6.0 p.p.
<b>Rough and Machined Cast</b>								
Gross Margin	<b>32.0%</b>	<b>33.9%</b>	<b>39.5%</b>	-1.9 p.p.	-7.5 p.p.	<b>29.6%</b>	<b>35.7%</b>	-6.1 p.p.
EBIT Margin	<b>17.3%</b>	<b>20.9%</b>	<b>26.3%</b>	-3.6 p.p.	-9.0 p.p.	<b>15.3%</b>	<b>21.9%</b>	-6.6 p.p.



	9M08			
	Romi Consol. w/o Italy	Romi Itália	Gain from Subsidiaries (*)	Romi Consol.
Net Operating Revenue	524,269	5,686		529,955
EBIT	98,159	(1,746)	19,316	115,729
Net Income	97,478	(1,469)	12,773	108,782

	9M08	9M07	%
	Romi Consol. w/o Italy	Romi Consol.	
Net Operating Revenue	524,27	443,158	18.3%
EBIT	98,16	87,972	11.6%
Net Income	97,48	90,347	7.9%

*(\*) The Operating Income and Net Income were impacted by R\$ 19,316 and R\$ 12,773 respectively, reflecting recognition of the gain resulting from the value paid being less than the preliminary estimate of fair value of the assets acquired and the liabilities assumed, a non-recurring effect, and booked solely for IFRS purposes.*



## Cash and Cash Equivalent – R\$ MM

	<u>Amount</u>
Bank Certificate of Deposit (CDB)	153.9
Financial Investments with debentures	85.0
LFTs - Financial Treasury Bill	3.4
Others	2.9
Banks	<u>10.8</u>
Total	<u>256.0</u>

Net Cash = 166.4

## Loan – R\$ MM

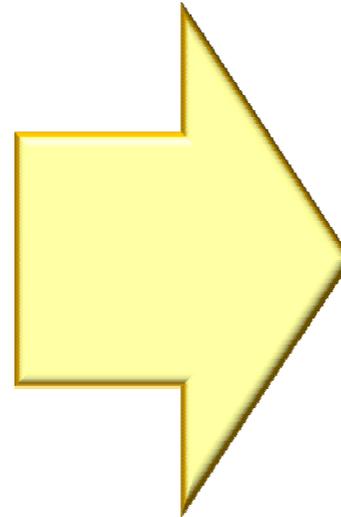
Loans as of 30/09/2008: 89.6

The maturities of financing recorded as of Sept 30, 08 are as follow :

<u>Year</u>	<u>Amount</u>
2008	2.3
2009	28.6
2010	19.5
2011	12.0
After 2011	<u>27.2</u>
Total	<u>89.6</u>

*Note: w/o Finame Fabricante*

The Company adopt as a policy do not entering on derivatives agreements, therefore, as of September 30 2008, the Company had no outstanding derivative operations.



- Summary:

Transfer of manufacturing plants from Headquarters site to District site, parallel to the increase on capacity of the transferred units.

- Beginning: 2006
- Conclusion: Under Revision
- Capex: R\$ 210 million

- Capacity Increase: from 2,900 to 4,800 machines/year (Depending on product mix produced).
- Synergies: Reduction of logistic, power and maintenance expenses. Elimination of duplicated structures. Better productive flow. Reduction of in process inventory.

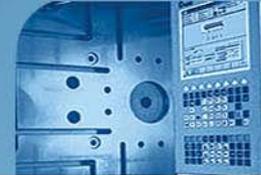


## New Foundry and New Machining Unit

- ▶ Capacity: 40,000 ton/year
- ▶ CAPEX: R\$ 230 million
- ▶ Total area: 48,000 m<sup>2</sup>
- ▶ Location: Santa Barbara d'Oeste
- ▶ Schedule: Under Revision



	Phase 1	Phase 2	Phase 3	Phase 4
Area (m <sup>2</sup> )	22,500	22,500	48,000	48,000
Capacity (t/year)	10,000	20,000	30,000	40,000
Investments (R\$ mi)	60	55	65	50
Accumulated (R\$ mi)	60	115	180	230



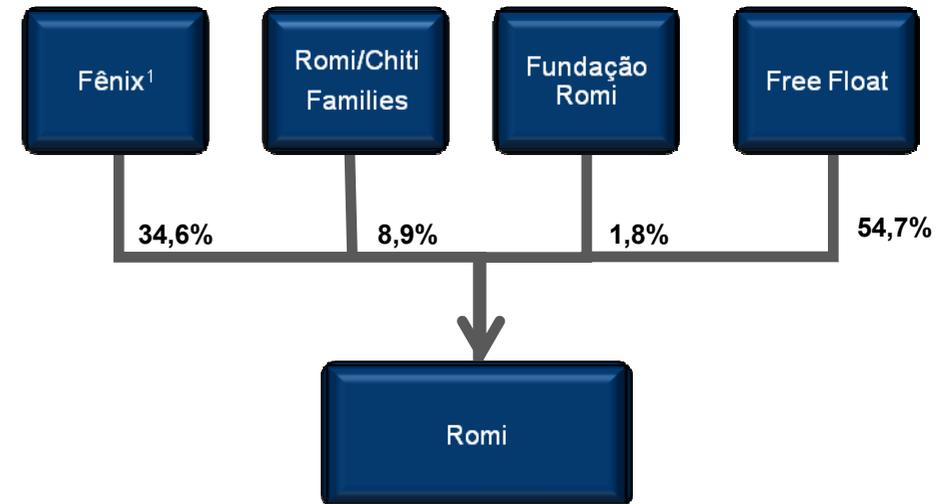
- Transaction Date: January 25, 2008
- Transaction Amount: R\$ 5.5 Millions
- Loans Assumed: R\$ 1.2 Million
- Sinergies:
  - Equivalent manufacturing operations
  - Merger of industrial operations
  - Costumers base



- Closing Date: July 24, 2008
- Transaction Amount: € 7.9 Million
- Revenue of Sandretto 2007YE: Approx. € 30 Million
- Synergies:
  - Technology
  - Sharing of industrial plants
  - Sharing of Distribution's channel
  - Sharing of Supplier's base

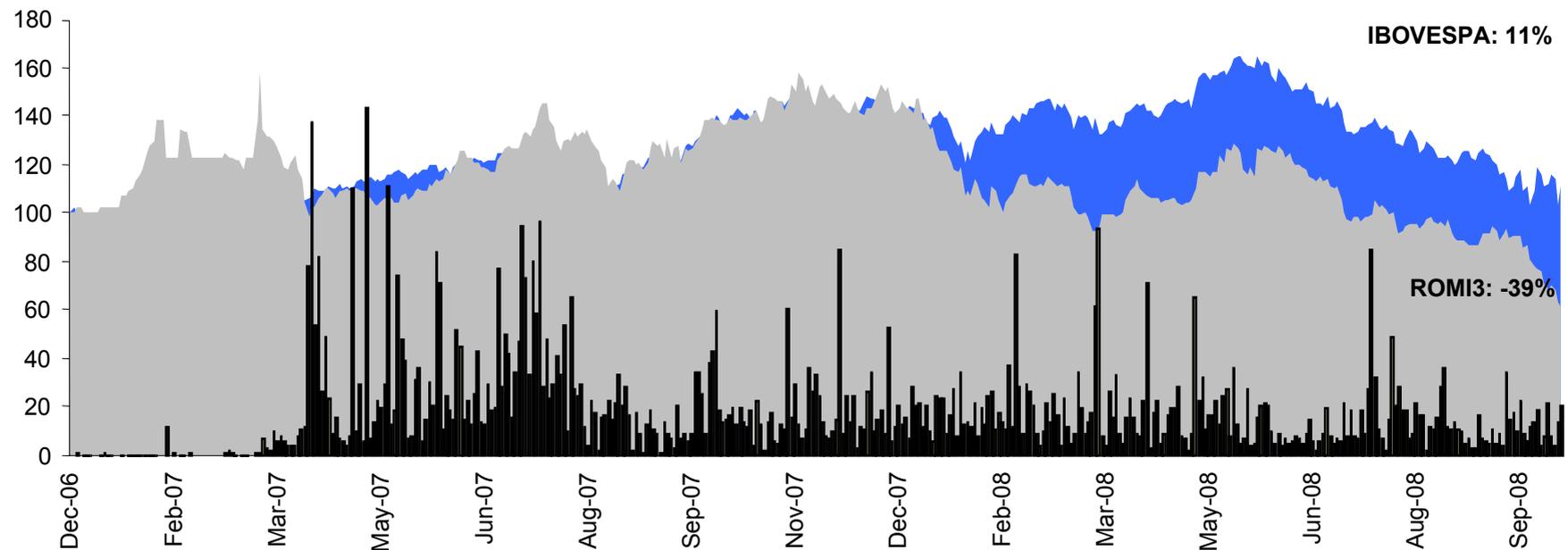


- **Novo Mercado** – joining the Novo Mercado in March 2007 positioned Romi in Bovespa's highest level of Corporate Governance
- **Tag along** - 100%
- **Board of Directors** – one year term, 7 members, being 5 indicated by shareholders and 2 independent
- **Diffuse Capital** - new shares issued and sold in the April Public Offering increasing the free float to 54.7%
- **Brazilian Institute of Corporate Governance (IBGC) Award** – Best evolution on Corporate Governance - 2007





**Share Performance (ROMI3) vs. Bovespa Index (Basis: 100) - R\$/Share**  
**Period: December/2006 - September/2008**



Source: *Economática*



<b>Key Indicators</b>	<b>2008</b>	<b>2009</b>
Grow – Net Operating Revenue	14% - 18%	-2% a 7%
EBITDA Margin	21% - 23%	13% a 17%
CAPEX	R\$ 125 Million	R\$ 75 Million

<b>Assumptions</b>	<b>2009</b>
GDP	3.0%
Dolar x Real (Average)	2.20
Interest Rate – SELIC (Average)	14.0%



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