

Indústrias Romi S.A.

Quarterly Information (ITR) at

June 30, 2018

and reporting on review of quarterly information

Basis for qualified conclusion

Reversal of provision for ICMS tax on sales included in the PIS and COFINS calculation bases

As disclosed in Note 14, as at March 31, 2018, the Company recorded in its Provision for tax, labor and civil contingencies the amount of R\$ 55,420 thousand (53,736 thousand as of December 31, 2017) related to the effect of the exclusion of State VAT (ICMS) from the Contribution Tax on Gross Revenue for Social Integration Program (PIS) and the Contribution Tax on Gross Revenue for Social Security Financing (COFINS) bases, which were not collected from November 2006 to June 2018 but were deposited in court in that period. In a high-profile decision handed down by the Federal Supreme Court (STF) on March 15, 2017, the STF justices understood that the ICMS tax is not to be included in the PIS and COFINS contribution tax bases. Accordingly, based on the guidelines set down in CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, we understand that it is no longer probable that an outflow of resources that incorporate future economic benefits will be required to settle this obligation and, therefore, this provision should have been reversed at the statement of financial position date. As a consequence, at June 30, 2018, the amount of individual and consolidated noncurrent assets and total assets are understated by R\$ 82,807 thousand (R\$ 81,320 thousand at December 31, 2017), whilst individual and consolidated equity at June 30, 2018 are understated by R\$54,653 thousand (R\$ 53,671 thousand at December 31, 2017) and individual and consolidated net income for the 3-month and 6-month periods then ended are understated by R\$486 thousand and R\$981 thousand, respectively, net of tax effects.

Modified conclusion on the interim individual and consolidated financial information

Based on our review, except for the effects of the matter described in the "Basis for qualified conclusion" section of our report, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Independent auditor's review report on quarterly financial information

Introduction

We have reviewed the individual and consolidated interim financial information of Indústrias Romi S.A. (Company) contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, comprising the statement of financial position at June 30, 2018, and the related statements of profit or loss and of comprehensive income for three and six-month periods then ended, and the statements of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added (SVA), for the six-month period ended June 30, 2018, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, in a manner consistent with the overall accompanying individual and consolidated interim financial information.

Campinas, July 24, 2018.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP034519/O-6

Luís Alexandre Marini
Accountant CRC-1SP182975/O-5

A large, stylized handwritten signature in blue ink is written over the text of the accountant's name and registration number.

INDÚSTRIAS ROMI S.A.

STATEMENT OF FINANCIAL POSITION

(In thousands of reais unless otherwise stated)

		Parent		Consolidated				Parent		Consolidated	
		June	December	June	December			June	December	June	December
ASSETS	Note	30, 2018	31, 2017	30, 2018	31, 2017	LIABILITIES AND EQUITY	Note	30, 2018	31, 2017	30, 2018	31, 2017
CURRENT						CURRENT					
Cash and cash equivalents	3	33,152	69,806	66,455	105,682	Borrowings	12	73,773	71,246	83,414	74,170
Short-term investments	3	475	13,670	475	13,670	FINAME manufacturer financing	13	52,074	55,463	52,074	55,463
Trade accounts receivable	4	77,162	70,359	128,819	120,303	Trade accounts payable		43,608	27,405	61,648	33,802
Onlending of FINAME manufacturer financing	5	78,705	88,114	78,705	88,114	Payroll and related taxes		22,544	20,484	31,475	28,148
Inventories	6	195,313	162,517	326,354	241,891	Borrowings		3,190	4,918	4,362	5,896
Related parties	8	63,903	42,052	-	-	FINAME manufacturer financing		12,808	12,755	75,744	56,512
Taxes recoverable		22,320	7,119	26,600	11,780	Advances from costumers		856	1,551	856	1,551
Other receivables		8,672	8,594	14,272	10,753	Profit sharing		23,768	8,335	23,768	8,335
						Other payables		5,977	5,802	18,069	16,649
		479,702	462,231	641,680	592,193	Related parties	8	1,110	778	-	-
						Provision for net capital deficiency - subsidiary	7	1,156	664	-	-
								240,864	209,401	351,410	280,526
NON-CURRENT						NON-CURRENT					
Trade accounts receivable	4	13,476	11,310	13,476	11,310	Borrowings	12	27,277	34,748	40,006	47,066
Onlending of FINAME manufacturer financing	5	84,925	79,819	84,925	79,819	FINAME manufacturer financing	13	70,201	72,770	70,201	72,770
Trade accounts receivable		28,267	778	28,267	778	Provision for tax, labor and divil risks	14	792	768	792	1,561
Deferred income tax and social contribution	15	48,124	49,426	50,762	49,426	Other payables		-	3	220	115
Judicial deposits	14	2,119	2,057	2,119	2,057	Deferred income tax and social contribution	15	-	-	33,500	29,885
Other receivables		10,041	10,835	10,370	11,125			98,270	108,289	144,719	151,397
		186,952	154,225	189,919	154,515	TOTAL LIABILITIES		339,134	317,690	496,129	431,923
Investment in subsidiary and associated companies	7	144,124	137,727	-	-	EQUITY	16	492,025	492,025	492,025	492,025
Property, plant and equipment	10	190,490	190,852	264,617	257,939	Capital		139,131	118,960	139,131	118,960
Investment properties	9	13,500	13,500	18,602	18,602	Capital reserve		45,515	30,984	45,515	30,984
Intangible assets	11	1,037	1,124	59,517	52,174	Cumulative translation adjustments		676,671	641,969	676,671	641,969
		536,103	497,428	532,655	483,230	NON CONTROLLING INTEREST		-	-	1,535	1,531
						TOTAL EQUITY		676,671	641,969	678,206	643,500
TOTAL ASSETS		1,015,805	959,659	1,174,335	1,075,423	TOTAL LIABILITIES AND EQUITY		1,015,805	959,659	1,174,335	1,075,423

The accompanying notes are na integral part of these Interim financial statements

INDÚSTRIAS ROMI S.A.

STATEMENT OF INCOME
FOR THE PERIOD OF THREE AND SIX MONTHS ENDED JUNE
(In thousands of reais unless otherwise stated)

				Parent	
		current quarter 04/01/2018 to 06/30/2018	Acumulated for current year 01/01/2018 to 06/30/2018	current quarter 04/01/2017 to 06/30/2017	Acumulated for current year 01/01/2017 to 06/30/2017
	Note				
Operations					
Net Operating revenue		125,328	225,434	121,733	229,803
Cost of sales and services		(93,063)	(168,847)	(86,636)	(170,054)
Gross profit		<u>32,265</u>	<u>56,587</u>	<u>35,097</u>	<u>59,749</u>
Operation income (expenses)					
Selling		(10,633)	(19,700)	(10,052)	(18,191)
General and administrative		(7,562)	(13,703)	(7,629)	(14,548)
Research and development		(4,544)	(8,427)	(4,422)	(8,474)
Management profit sharing and fees	8	(2,153)	(3,586)	(1,748)	(3,178)
Equity in earnings of subsidiaries	7	(3,923)	(7,625)	780	(174)
Other operating income (loss), net		(2,026)	(1,068)	326	477
		<u>(30,841)</u>	<u>(54,109)</u>	<u>(22,745)</u>	<u>(44,088)</u>
Operating profit		<u>1,424</u>	<u>2,478</u>	<u>12,352</u>	<u>15,661</u>
Financial income (expenses)					
Financial income		36,424	39,474	4,097	7,861
Financial expenses		(1,949)	(3,989)	(3,324)	(7,037)
Foreign exchange gains, net		3,339	3,639	3,122	2,384
		<u>37,814</u>	<u>39,124</u>	<u>3,895</u>	<u>3,208</u>
Profit before taxation		<u>39,238</u>	<u>41,602</u>	<u>16,247</u>	<u>18,869</u>
Income tax and social contribution	15	6,163	5,598	(4,499)	(5,105)
Profit for the period		<u>45,401</u>	<u>47,200</u>	<u>11,748</u>	<u>13,764</u>
Basic and diluted earnings per share (R\$)	16	0.72	0.75	0.19	0.22

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INDÚSTRIAS ROMI S.A.
STATEMENT OF INCOME
FOR THE PERIOD OF THREE AND SIX MONTHS ENDED JUNE
(In thousands of reais unless otherwise stated)

		Consolidated	
		current quarter	Acumulated for
		04/01/2018 to	current year
		06/30/2018	01/01/2018 to
			06/30/2018
	Note		
		current quarter	Acumulated for
		04/01/2017 to	current year
		06/30/2017	01/01/2017 to
			06/30/2017
Operations			
Net Operating revenue		158,119	290,766
Cost of sales and services		(116,394)	(214,282)
Gross profit		41,725	76,484
Operation income (expenses)			
Selling		(18,053)	(34,206)
General and administrative		(15,468)	(28,835)
Research and development		(4,544)	(8,427)
Management profit sharing and fees	8	(2,179)	(3,635)
Other operating income (loss), net		(1,369)	(625)
		(41,613)	(75,728)
Operating profit (loss)		112	756
Financial income (expenses)			
Financial income		36,793	40,271
Financial expenses		(2,471)	(5,072)
Foreign exchange gains, net		3,313	3,617
		37,635	38,816
Profit before taxation		37,747	39,572
Income tax and social contribution	15	7,696	7,707
		(4,322)	(5,057)
Profit for the period		45,443	47,279
Attributable to:			
Controlling interests		45,401	47,200
Non-Controlling interests		42	79
		45,443	47,279
		11,916	13,981

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

INDÚSTRIAS ROMI S.A.**STATEMENT OF INCOME
FOR THE PERIOD OF THREE AND SIX MONTHS ENDED JUNE**

(In thousands of reais unless otherwise stated)

			Parent	
	current quarter	Acumullated for	current quarter	Acumullated for
	04/01/2018 to	current year	04/01/2017 to	current year
	06/30/2018	01/01/2018 to	06/30/2017	01/01/2017 to
		06/30/2018		06/30/2017
Profit for the period	45,401	47,200	11,748	13,764
Foreign currency translation effects	11,479	14,531	9,781	8,229
Comphensive profit for the period	<u>56,880</u>	<u>61,731</u>	<u>21,529</u>	<u>21,993</u>

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INDÚSTRIAS ROMI S.A.**STATEMENT OF INCOME
FOR THE PERIOD OF THREE AND SIX MONTHS ENDED JUNE**

(In thousands of reais unless otherwise stated)

	Consolidated	
	current quarter	Acumulated for
	04/01/2018 to	current year
	06/30/2018	01/01/2018 to
		06/30/2018
	current quarter	current quarter
	04/01/2017 to	04/01/2017 to
	06/30/2017	01/01/2017 to
		06/30/2017
Profit for the period	45,443	47,279
Foreign currency translation effects	11,479	14,531
Comprehensive profit for the period	<u>56,922</u>	<u>61,810</u>
Attributable to:		
Controlling interests	56,880	61,731
Non-Controlling interests	42	79
	<u>56,922</u>	<u>61,810</u>

As notas explicativas da administração são parte integrante das demonstrações financeiras.

INDÚSTRIAS ROMI S.A.

STATEMENT OF CHANGES IN EQUITY

(In thousands of reais unless otherwise stated)

	Attributable to the controlling interests								
		Income reserve							
	Capital	Retained earnings	Legal reserve	Total	Other Comprehensive income	Profit for the period	Total	Non- controlling Interests	Total
At December 31, 2016	492,025	48,488	41,755	90,243	17,694	-	599,962	1,570	601,532
Profit for the period	-	-	-	-	-	13,764	13,764	217	13,981
Foreign currency translation effects	-	-	-	-	8,229	-	8,229	-	8,229
Total comprehensive income for the period	-	-	-	-	8,229	13,764	21,993	217	22,210
Dividends paid by subsidiary	-	-	-	-	-	-	-	(114)	(114)
Transfers between reserves	-	13,764	-	13,764	-	(13,764)	-	-	-
Total contributions by and distributions to controlling interests	-	13,764	-	13,764	-	(13,764)	-	(114)	(114)
At June 30, 2018	492,025	62,252	41,755	104,007	25,923	-	621,955	1,673	623,628
At December 31, 2017	492,025	75,322	43,638	118,960	30,984	-	641,969	1,531	643,500
Profit for the period	-	-	-	-	-	47,200	47,200	79	47,279
Foreign currency translation effects	-	-	-	-	14,531	-	14,531	-	14,531
Total comprehensive income for the period	-	-	-	-	14,531	47,200	61,731	79	61,810
Mandatory dividends	-	-	-	-	-	(27,029)	(27,029)	-	(27,029)
Dividends paid by subsidiary	-	-	-	-	-	-	-	(75)	(75)
Transfers between reserves	-	20,171	-	20,171	-	(20,171)	-	-	-
Total contributions by and distributions to controlling interests	-	20,171	-	20,171	-	(47,200)	(27,029)	(75)	(27,104)
At June 30, 2018	492,025	95,493	43,638	139,131	45,515	-	676,671	1,535	678,206

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

INDÚSTRIAS ROMI S.A.
STATEMENT OF CASH FLOW
FOR THE PERIOD OF THREE AND SIX MONTHS ENDED JUNE
(In thousands of reais unless otherwise stated)

	Parent		Consolidated	
	2018	2017	2018	2017
<u>Cash flows from operating activities</u>				
Profit before taxation	41,602	18,869	39,572	19,038
Adjustments from:				
Finance expenses (revenue) and exchange rate	(36,846)	646	(35,150)	2,174
Depreciation and amortization	12,696	12,022	16,482	15,077
Allowance for doubtful accounts and for other receivables	(589)	2,243	(155)	517
Provision for inventory losses	(1,819)	(5,415)	70	(4,901)
Cost of property, plant and equipment and disposals of intangible assets	(852)	(963)	(834)	(2,904)
Equity in earnings of subsidiaries	7,625	174	-	-
Provision for contingent liabilities	2,395	(1,377)	1,555	(2,232)
Change in operating assets and liabilities				
Financial investments	13,195	6,134	13,195	6,134
Trade accounts receivable	3,063	(11,116)	916	(15,041)
Related parties (assets and liabilities)	(22,016)	(5,013)	-	-
Onlending of Finame manufacturer financing	7,043	17,607	7,043	17,607
Inventories	(30,977)	31,307	(84,532)	12,448
Taxes receivable	(35,793)	8,076	(43,645)	11,519
Judicial deposits	(1,685)	(1,381)	(1,685)	(1,381)
Other credits	38,558	1,562	35,083	(514)
Trade accounts payable	14,453	(2,376)	26,096	600
Payroll and related taxes	1,763	6,484	3,030	9,864
Taxes payable	(5,118)	690	6,557	(1,963)
Advances from costumers	53	1,665	19,232	5,886
Other payables	(1,799)	1,582	(455)	4,579
Cash from (used in) operations	4,952	81,420	2,375	76,507
Income tax and social contribution paid	(363)	(593)	(522)	(1,040)
Net cash from operations	4,589	80,827	1,853	75,467
Cash flow from investing activities				
Purchase of property, plant and equipment	(12,303)	(7,351)	(13,163)	(8,234)
Intangible increase	(69)	(638)	(2,127)	(696)
Disposal of property, plant and equipment	977	1,263	977	3,613
Capital increase	1,001	1,528	-	-
Net cash used in investing activities	(10,394)	(5,198)	(14,313)	(5,317)
Cash flow from financing activities				
Interest on capital and dividends paid	(7,848)	-	(7,923)	(114)
New borrowings	10,328	5,214	17,079	5,214
Financing repaid	(18,426)	(21,062)	(18,948)	(23,145)
Interest paid	(2,782)	(5,822)	(4,029)	(6,868)
New Finame - manufacturer financing	23,689	17,601	23,689	17,601
Payment of Finame - manufacturer financing	(29,708)	(37,333)	(29,708)	(37,333)
Interest paid re. Finame - manufacturer financing	(6,102)	(3,578)	(6,102)	(3,578)
Net cash used in financing activities	(30,849)	(44,980)	(25,942)	(48,223)
Decrease in cash and cash equivalents	(36,654)	30,649	(38,402)	21,927
Cash and cash equivalents at beginning of period	69,806	60,671	105,682	101,510
Foreign exchange losses of cash equivalents of foreign subsidiaries	-	-	(825)	(871)
Cash and cash equivalents at end of period	33,152	91,320	66,455	122,566

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

INDÚSTRIAS ROMI S.A.
STATEMENT OF VALUE ADDED
PERIOD OF SIX MONTHS ENDED JUNE 30
(In thousands of reais unless otherwise stated)

	Parent		Consolidated	
	2018	2017	2018	2017
Revenues				
Sales of products and services	264,848	265,213	330,216	345,742
Allowance for doubtful accounts and for other receivables	(316)	(1,745)	(850)	(1,745)
Other operating revenues, net	(1,068)	-	(625)	-
	<u>263,464</u>	<u>263,468</u>	<u>328,741</u>	<u>343,997</u>
Inputs acquired from third parties				
Materials used	(122,717)	(136,791)	(136,389)	(166,546)
Other costs of products and services	(5,507)	(6,749)	(11,944)	(13,230)
Electricity, third-party services and other expenses	(17,728)	(14,511)	(20,029)	(18,260)
	<u>(145,952)</u>	<u>(158,051)</u>	<u>(168,362)</u>	<u>(198,036)</u>
Gross value added	117,512	105,417	160,379	145,961
Depreciation and amortization	(12,696)	(12,022)	(16,482)	(15,077)
Net value added generated by the Company	<u>104,816</u>	<u>93,395</u>	<u>143,897</u>	<u>130,884</u>
Value added received through transfers				
Equity in earnings of subsidiaries	(7,624)	(174)	-	-
Finance income (costs) and net foreign exchange gains	43,110	10,245	43,888	11,125
Total value added to distribute	<u>140,302</u>	<u>103,466</u>	<u>187,785</u>	<u>142,009</u>
Distribution of value added				
Employees				
Payroll and related changes	51,616	54,525	96,507	90,690
Sales commission	1,979	1,599	1,979	1,599
Managment profit sharing and fees	3,586	3,178	3,635	3,225
Gain sharing	351	352	351	352
Taxes	30,738	21,870	31,158	22,509
Interests	3,989	7,037	5,072	8,729
Rentals	843	1,141	1,883	1,141
Dividendos declarados e ainda não distribuídos	-	-	-	-
Non-controlling interests	-	-	(79)	(217)
Profit for the period	<u>47,200</u>	<u>13,764</u>	<u>47,279</u>	<u>13,981</u>
Value added distributed	<u>140,302</u>	<u>103,466</u>	<u>187,785</u>	<u>142,009</u>

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

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

1 General information

Indústrias Romi S.A. (Parent) and its subsidiaries (jointly referred to as “Company” or “Consolidated”), listed on the "New Market" of B3 S.A. - Brasil, Bolsa, Balcão, since March 23, 2007, and headquartered in Santa Bárbara d'Oeste, São Paulo, are engaged in the manufacture and sale of capital goods in general, including machine tools, plastic injection molding machines, industrial equipment and accessories, tools, castings and parts, as well as providing system analysis and developing data processing software related to the production, sale and use of machine tools and plastic injectors; the manufacture and sale of raw 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 11 plants in three units located in the city of Santa Bárbara d'Oeste, in the State of São Paulo, and one located in the city of Reutlingen, Germany. The latter is a large tooling machine manufacturer. It also holds interest in subsidiaries in Brazil and abroad.

This quarterly information was approved by the Company's Board of Directors and authorized for issue on July 24, 2018.

2 Basis of preparation and accounting policies

The Company's financial information for the quarter ended June 30, 2018 has been prepared in accordance with CVM Ruling No. 673, dated October 20, 2011, which approved accounting standard CPC 21 (R1) and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

The accounting practices adopted by the Company in the preparation of the Company's and consolidated quarterly financial information are the same as those used in the preparation of the financial statements for the year ended December 31, 2017 and, therefore, should be read in conjunction with those financial statements.

The purpose of the statement of value added is to disclose the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by Brazilian Corporation Law, as an integral part of its individual quarterly information and as supplementary information to the consolidated financial statements. That statement is not provided for, or required under IFRS.

(a) Notes included in the financial statements as at December 31, 2017 not included in this quarterly information

The quarterly information is presented in accordance with accounting pronouncement CPC 21 and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

The preparation of this quarterly information involves judgment by the Company's management on the materiality and changes that should be disclosed in the accompanying notes. Accordingly, this quarterly information includes selected notes and does not comprise all notes presented for the year ended December 31, 2017. As permitted by Circular Letter 03/2011 of the Brazilian Securities and Exchange Commission (CVM), the following notes are not presented:

- Basis of preparation and accounting practices (Note 2);
- Pension plan (Note 17);
- Insurance (Note 18);
- Financial instruments and operational risks (Note 19);
- Net sales revenue (Note 22);
- Expenses by nature (Note 23);
- Finance income (costs) (Note 24); and
- Other operating revenue, net (Note 25).

(b) New and revised standards applied for the first time in 2018

The Company applied for the first time certain amendments to standards, effective for annual periods beginning on or after January 1, 2018. The nature and impact of each of these new standards and amendments are as follows:

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 (CPC 47 – Revenue from Contracts with Customers) was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The adoption is required for annual periods beginning on or after January 1, 2018 and the method known as cumulative effect will be adopted.

- Romi Machinery and B+W Machinery: Under these contracts the main performance obligation is expected to be the delivery of machines. The identification of other performance obligations such as the installation/technical delivery and training on the adoption of IFRS 15 have no significant effects on the Company's financial statements for the quarter ended June 30, 2018.
- Cast and Machined Products: Under these contracts, the sale of equipment is generally expected to be the only performance obligation. Therefore, the adoption of IFRS 15 has no material impact on the Company's revenue and profit or loss.

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Notes to the quarterly information (ITR) at June 30, 2018 (In thousands of reais, unless otherwise stated)

3 Cash and cash equivalents and financial investments

	Parent		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Cash and banks	3,332	2,899	10,355	14,545
Bank deposit certificates ("CDBs") (a)	4,995	10,839	24,304	29,380
Short-term investments backed by debentures (a)	19,071	19,445	19,071	19,442
Investment funds DI and fixed income	5,699	34,774	5,699	34,774
Short-term investments in foreign currency - US\$ (Time deposit)	-	1,819	6,971	7,511
Other	55	30	55	30
Total cash and cash equivalents	<u>33,152</u>	<u>69,806</u>	<u>66,455</u>	<u>105,682</u>
Bank deposit certificates ("CDBs") (b)	<u>475</u>	<u>13,670</u>	<u>475</u>	<u>13,670</u>
Total assets held for trading	<u>475</u>	<u>13,670</u>	<u>475</u>	<u>13,670</u>

- (a) These investments are substantially pegged to the Interbank Deposit Certificate ("CDI") rate.
 (b) These investments are substantially pegged to the Interbank Deposit Certificate ("CDI") rate and are pledged as collateral for commitments assumed.

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Notes to the quarterly information (ITR) at June 30, 2018 (In thousands of reais, unless otherwise stated)

4 Trade notes receivable

	Parent		Consolidated	
	June	December	June	December
	30,	31,	30,	31,
	2018	2017	2018	2017
Current				
Domestic customers (Brazil)	70,996	63,443	70,996	64,243
Foreign customers	7,208	8,017	63,521	61,283
Allowance for doubtful accounts	(1,042)	(1,101)	(5,698)	(5,223)
	<u>77,162</u>	<u>70,359</u>	<u>128,819</u>	<u>120,303</u>
Noncurrent				
Domestic customers (Brazil)	9,316	8,399	9,316	8,399
Foreign customers	4,178	2,912	4,178	2,912
Allowance for doubtful accounts	(18)	(1)	(18)	(1)
	<u>13,476</u>	<u>11,310</u>	<u>13,476</u>	<u>11,310</u>

The Company's maximum exposure to credit risk is the balance of trade notes receivable.
The balance of current trade notes receivable as at June 30, 2018 and December 31, 2017, Parent and consolidated, is distributed as follows:

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(In thousands of reais, unless otherwise stated)

	Parent		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Falling due	70,752	56,453	107,817	97,023
Past due:				
1 to 30 days	2,865	8,203	7,440	14,073
31 to 60 days	753	1,371	3,399	2,745
61 to 90 days	74	662	1,462	1,182
91 to 180 days	641	816	4,165	2,259
181 to 360 days	805	1,201	2,468	1,527
Over 360 days	2,314	2,754	7,766	6,717
	7,452	15,007	26,700	28,503
Total	78,204	71,460	134,517	125,526
Allowance for doubtful accounts	(1,042)	(1,101)	(5,698)	(5,223)
Total current	77,162	70,359	128,819	120,303

The balance of noncurrent trade notes receivable as at June 30, 2018, parent and consolidated, is distributed as follows:

	Parent and Consolidated
Falling due:	
2019 (6 months)	6,762
2020	6,119
2021	613
Allowance for doubtful accounts	(18)
Total - noncurrent	13,476

Changes in allowance for doubtful accounts, Parent and Consolidated, are as follows:

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Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

	Parent	Consolidated
Balance at December 31, 2017	1,102	5,224
Receivables recognized for the period	453	446
Receivables written off	(495)	(526)
Foreign exchange difference	-	572
Balance at June 30, 2018	1,060	5,716

5 Receivables - onward lending of FINAME manufacturer financing

	Parent and Consolidated	Parent and Consolidated
	June 30, 2018	December 31, 2017
Current		
FINAME falling due	54,818	60,903
FINAME awaiting release (a)	2,809	1,635
FINAME past due (b)	31,436	36,174
	89,063	98,712
Allowance for doubtful accounts	(10,358)	(10,598)
	78,705	88,114
Noncurrent		
FINAME falling due	73,864	73,862
FINAME awaiting release (a)	11,236	6,540
	85,100	80,402
Allowance for doubtful accounts	(175)	(583)
	84,925	79,819
Total	163,630	167,933

The item "Receivables - onward lending of FINAME manufacturer financing" refers to sales to customers financed by funds from the Brazilian Development Bank ("BNDES") (Note 13).

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at June 30, 2018

(In thousands of reais, unless otherwise stated)

The FINAME manufacturer credit line refers to financing specifically linked to sales transactions, with terms of up to 48 months and 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 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 holds title to the financed equipment until the final settlement of the obligation by the customer.

The differences between onward lending of FINAME manufacturer financing receivables 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 provisions for possible losses on the realization of these balances, at the amount of the difference between the expected value of the sale of the collateral (machinery) recovered through the 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 set up for balance of the receivable.

The machinery seized as part of the execution process is recorded at its 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 June 30, 2018, the balance of repossessed machinery, included under the line item of "Other receivables", Parent and Consolidated, amounted to R\$1,522 (R\$1,699 as at December 31, 2017) in current assets and R\$9,718 (R\$10,404 as at December 31, 2017) in noncurrent assets.

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at June 30, 2018

(In thousands of reais, unless otherwise stated)

As at June 30, 2018 and December 31, 2017, the balances of "Receivables - onward lending of FINAME manufacturer financing", Parent and Consolidated, were as follows:

	Parent and Consolidated	
	June	December
	30,	31,
	2018	2017
Falling due	57,627	62,538
Past due:		
1 to 30 days	1,151	1,496
31 to 60 days	691	1,082
61 to 90 days	666	885
91 to 180 days	2,102	2,718
181 to 360 days	2,996	4,579
Over 360 days	23,830	25,414
	31,436	36,174
Total - current	89,063	98,712

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

	Parent and Consolidated
Falling due:	
2019 (6 months)	11,227
2020	38,213
2021	26,168
2022 onward	9,492
Total noncurrent	85,100

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Notes to the quarterly information (ITR) at June 30, 2018 (In thousands of reais, unless otherwise stated)

Changes in allowance for doubtful accounts, Parent and Consolidated, are as follows:

	Parent and Consolidated
Balance at December 31, 2017	11,181
Allowance recognized (or written off) for the period	<u>(648)</u>
Balance at June 30, 2018	<u><u>10,533</u></u>

6 Inventories

	Parent		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Finished products	26,181	27,389	70,559	56,620
Used machinery	12,789	16,501	12,789	16,501
Work-in-process	66,430	57,515	124,273	88,709
Raw materials and components	84,803	58,806	108,337	77,499
Imports in transit	<u>5,110</u>	<u>2,306</u>	<u>10,396</u>	<u>2,562</u>
Total	<u><u>195,313</u></u>	<u><u>162,517</u></u>	<u><u>326,354</u></u>	<u><u>241,891</u></u>

The inventory balances, Parent and Consolidated, as at June 30, 2018 are net of R\$32,092 and R\$37,071 (R\$33,911 - Parent and R\$37,000 - Consolidated as at December 31, 2017), respectively, corresponding to the provision for slow-moving inventories and inventories posing a remote probability of being realized through sale or use.

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

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at June 30, 2018

(In thousands of reais, unless otherwise stated)

	<u>Parent</u>	<u>Consolidated</u>
As at January 1, 2018	33,911	37,000
Inventory sold or written off	(9,323)	(9,323)
Provision recorded	4,364	4,293
Foreign exchange difference	-	1,961
Transfer of provision resulting from machines repossessed in the period	<u>3,140</u>	<u>3,140</u>
Balance at June 30, 2018	<u><u>32,092</u></u>	<u><u>37,071</u></u>

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

	<u>Parent</u>		<u>Consolidated</u>	
	<u>June</u>	<u>December</u>	<u>June</u>	<u>December</u>
	<u>30,</u>	<u>31,</u>	<u>30,</u>	<u>31,</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Finished products	2,133	1,852	7,112	4,941
Used machinery	11,545	14,542	11,545	14,542
Work-in-process	4,622	4,520	4,622	4,520
Raw materials and components	<u>13,792</u>	<u>12,997</u>	<u>13,792</u>	<u>12,997</u>
Total	<u><u>32,092</u></u>	<u><u>33,911</u></u>	<u><u>37,071</u></u>	<u><u>37,000</u></u>

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at June 30, 2018

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7 Investments in subsidiaries and affiliates

Company investments in its subsidiaries are as follows:

	Subsidiary	Country	Main activity
1.	Romi Itália S.r.l. ("Romi Italy")	Italy	Sale of machine tools, spare parts and technical support.
1.1	Romi Machines UK Ltd. (indirect subsidiary – 100% interest)	United Kingdom	Sale of machinery for plastics and machine tools, spare parts and technical support.
1.2	Romi France SAS France (indirect subsidiary – 100% interest)	France	Sale of machinery for plastics and machine tools, spare parts and technical support.
1.3	Romi Máquinas España S.A. (indirect subsidiary – 100% interest)	Spain	Sale of machinery for plastics and machine tools, spare parts and technical support.
2.	Romi Europa GmbH ("Romi Europe")	Germany	Distribution of machine tools, spare parts and technical support.
2.1	Burkhardt + Weber Fertigungssysteme GmbH ("B+W") (indirect subsidiary – 100% interest)	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 (indirect subsidiary – 100% interest)	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, use 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. (formerly named Romi Empreendimentos).	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. (formerly named Sandretto Mexico)	Mexico	Sale of machinery for plastics and machine tools, spare parts and technical support.

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Notes to the quarterly information (ITR) at June 30, 2018 (In thousands of reais, unless otherwise stated)

	June 30, 2018							
	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor (3)	Romi Machine Tools (4)	Romi Empreend. (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	60,634	121,168	21,753	15,806	2,397	7,581	5,868	
Noncurrent assets	7,260	125,779	522	109	-	-	100	
Current liabilities	49,703	105,654	116	17,071	-	2	5,479	
Noncurrent liabilities	12,188	34,261	-	-	-	-	-	
Equity (equity deficit) of subsidiary	6,003	107,032	22,159	(1,156)	2,397	7,579	489	
Changes in investment:								
Investment balance as at December 31, 2017	6,274	101,671	20,566	(664)	2,405	6,137	674	137,063
Foreign exchange differences on foreign investments	704	12,433	-	274	-	1,101	19	14,531
Dividends proposed and paid (b)	-	-	(1,001)	-	-	-	-	(1,001)
Equity pick-up	(975)	(7,072)	1,059	(766)	(8)	341	(204)	(7,625)
Equivalent value - closing balance	6,003	107,032	20,624	(1,156)	2,397	7,579	489	142,968
Investment in subsidiaries	6,003	107,032	20,624	-	2,397	7,579	489	144,124
Provision for equity deficit - subsidiaries	-	-	-	(1,156)	-	-	-	(1,156)

(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 6, 2018, in the amount of R\$1,075, related to the second half of 2017. From such payment, the Company received R\$1,001.

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Notes to the quarterly information (ITR)

at June 30, 2018

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8 Related party transactions and balances

The balances and transactions with related parties as at June 30, 2018 and December 31, 2017 are as follows:

(i) Statement of financial position accounts – Parent

	Receivables		Payables	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Direct subsidiaries				
Romi Europe	4,824	3,217	195	175
Romi Italy	9,514	5,648	-	-
Romi Machine Tools	15,791	12,944	-	-
Romi A.L.	-	-	915	603
Irsa Máquinas Mexico	4,172	3,335	-	-
Rominor Com.	4	4	-	-
Indirect subsidiaries				
B+W - Burkhardt+Weber	1,800	173	-	-
Romi France S.A.S.	9,881	5,855	-	-
Romi Máquinas España S.A.	3,514	2,896	-	-
Romi Machines UK	14,403	7,980	-	-
Total	63,903	42,052	1,110	778

(ii) Transactions

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

Subsidiary Rominor is the guarantor of some of the FINAME manufacturer financing transactions involving the Parent and the financing is collateralized by promissory notes and sureties (Note 13).

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. Trade notes mature in the short term.

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The Company provides administrative services, mainly accounting and legal services, to its parent company Fênix Empreendimentos S.A. The accumulated revenue until June 2018 was R\$73 (2017 – R\$77).

The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor's Office. Donations in 2018 totaled R\$458 (2017 – R\$425).

In 2014, the Company adopted the Policy for Transactions with Related Parties (available at www.romi.com) the main purpose of which is to ensure transparency and compliance with market practices in these transactions.

Management compensation for the periods ended June 30, 2018 and 2017 was as follows:

	June 30, 2018	June 30, 2017
Fees and charges	2,513	2,478
Profit sharing	856	509
Private pension plan	115	105
Healthcare plan	102	86
Parent	3,586	3,178
Fees and charges of subsidiaries	49	50
Consolidated	3,635	3,228

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 13, 2018.

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at June 30, 2018

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9 Investment property

In the period ended December 31, 2012, management decided, based on the completion of the property register review and regularization, as well as the perspectives of short and medium-term expansion of operations, to classify certain property as "Investment Property" for future rental income and capital appreciation. The amounts classified as investment property are R\$13,500 (R\$13,500 – as at December 31, 2017) at the Parent and R\$18,602 (R\$18,602 – as at December 31, 2017) in the Consolidated financial statements.

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 which also uses market evidence related to transaction prices for similar property and assessed the fair value less cost to sell of this property at R\$51,357 for the Parent and R\$147,194 for the Consolidated financial information.

10 Property, plant and equipment

Changes in property, plant and equipment, Parent and Consolidated, are as follows:

	Parent	Consolidated
Balance as at December 31, 2017, net	190,852	257,939
Additions	12,303	13,163
Disposals	(125)	(143)
Depreciation	(12,540)	(16,087)
Foreign exchange difference	-	9,745
Balance as at June 30, 2018, net	190,490	264,617
Total cost	523,511	650,331
Accumulated depreciation	(333,021)	(385,714)
Property, plant and equipment , net	190,490	264,617

Due to the financing agreements with the BNDES for investments in property, plant and equipment, the Company pledged as collateral machinery and equipment amounting to R\$71,441 as at June 30, 2018 (R\$77,920 as at December 31, 2017). These items refer to land, buildings, facilities, machinery and equipment.

11 Intangible assets

Changes in intangible assets, Parent and Consolidated, are as follows:

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at June 30, 2018

(In thousands of reais, unless otherwise stated)

	<u>Parent</u>	<u>Consolidated</u>
Balance as at December 31, 2017	1,124	52,174
Additions	69	2,127
Amortization	(156)	(395)
Foreign exchange difference	-	5,611
Balance as at June 30, 2018, net	<u>1,037</u>	<u>59,517</u>
 Total cost	 9,336	 85,192
Accumulated amortization	<u>(8,299)</u>	<u>(25,675)</u>
 Intangible assets, net	 <u>1,037</u>	 <u>59,517</u>

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at June 30, 2018

(In thousands of reais, unless otherwise stated)

12 Borrowings

Changes in borrowings, Parent and Consolidated, are as follows:

	Parent			Consolidated		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Borrowing balance at						
December 31, 2017	91,720	14,274	105,994	91,720	29,516	121,236
New borrowing	-	10,328	10,328	-	17,079	17,079
Repayment of principal	(8,596)	(9,830)	(18,426)	(8,596)	(10,352)	(18,948)
Payment of interest	(2,577)	(205)	(2,782)	(2,577)	(1,452)	(4,029)
Exchange and monetary difference (principal and interest)	-	3,078	3,078	-	5,224	5,224
Interest at the end of the period	2,556	302	2,858	2,556	302	2,858
Borrowing balance at						
June 30, 2018	<u>83,103</u>	<u>17,947</u>	<u>101,050</u>	<u>83,103</u>	<u>40,317</u>	<u>123,420</u>
Current	55,826	17,947	73,773	55,826	27,588	83,414
Noncurrent	<u>27,277</u>	<u>-</u>	<u>27,277</u>	<u>27,277</u>	<u>12,729</u>	<u>40,006</u>
	<u>83,103</u>	<u>17,947</u>	<u>101,050</u>	<u>83,103</u>	<u>40,317</u>	<u>123,420</u>

The maturities of financing recorded in noncurrent liabilities as at June 30, 2018, in the Parent and Consolidated, are as follows:

	Parent	Consolidated
2019 (6 months)	5,353	7,339
2020	8,459	9,855
2021	6,392	7,638
2022	6,130	7,376
2023 onward	<u>943</u>	<u>7,798</u>
Total	<u>27,277</u>	<u>40,006</u>

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13 FINAME manufacturer financing

	Parent and Consolidated	
	June	December
	30,	31,
	2018	2017
Current		
FINAME manufacturer financing	52,074	55,463
Noncurrent		
FINAME manufacturer financing	70,201	72,770
Total	122,275	128,233

The FINAME manufacturer financing balances are directly related to the balances of "Receivables - onward lending of FINAME manufacturer financing" (Note 5), considering that the loans are directly linked to sales to specific customers. The contractual terms related to the amounts, charges and periods financed under the program are on-lent in full to the financed customers and amounts received on a monthly basis under the line item Amounts receivable – onlending 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 these transactions.

The balances of the line item "FINAME manufacturer financing" and, consequently, of the line item "Receivables - onward lending of FINAME manufacturer financing" as at June 30, 2018 and December 31, 2017, were adjusted for inflation up to the end of the reporting period. The difference of R\$41,355 between these line items as at June 30, 2018 (R\$39,700 as at December 31, 2017) 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, in addition to the amount of the allowance for doubtful accounts already recorded, since the amounts are collateralized by the financed machinery.

The noncurrent maturities of the FINAME manufacturer financing as at June 30, 2018, Parent and Consolidated, were as follows:

	Parent and Consolidated
2019 (6 months)	19,486

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2020	28,734
2021	18,264
2022 onward	<u>3,717</u>
Total	70,201

14 Provision for tax, labor and civil contingencies

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

	Parent		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Tax	55,457	53,805	55,457	54,598
Civil	1,896	1,986	1,896	1,986
Labor	3,680	3,383	3,680	3,383
(-) Judicial deposits / other receivables	(55,022)	(53,399)	(55,022)	(53,399)
Total	<u>6,011</u>	<u>5,775</u>	<u>6,011</u>	<u>6,568</u>
Current liabilities	5,219	5,007	5,219	5,007
Noncurrent liabilities	<u>792</u>	<u>768</u>	<u>792</u>	<u>1,561</u>
	<u>6,011</u>	<u>5,775</u>	<u>6,011</u>	<u>6,568</u>

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

For legal proceedings classified as probable losses, the changes in the provision for the period ended June 30, 2018 are as follows:

	December 31, 2017	Additions	Utilizations/ Reversals	Monetary restatement	June 30, 2018
Tax	53,805	1,684	(33)	1	55,457
Civil	1,986	30	(147)	27	1,896
Labor	3,383	563	(653)	387	3,680
(-) Judicial deposits / other receivables	(53,399)	(1,623)	-	-	(55,022)
Total Parent	5,775	654	(833)	415	6,011
Proceedings at subsidiaries	793	-	(840)	47	-
Total Consolidated	6,568	654	(1,673)	462	6,011

As at June 30, 2018, the main legal proceedings which were classified by management as probable losses or as legal obligation are as follows:

(a) Tax proceedings

Refer to the provisions for:

- (i) Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS) related to State VAT (ICMS) on sales, which amounted to R\$9,886 (R\$9,585 as at December 31, 2017) and R\$45,534 (R\$44,151 as at December 31, 2017), respectively. As at June 30, 2018, the amount of R\$398 was classified in “taxes payable” and will be reclassified to “Judicial deposits” upon payment.

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. 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, PGFN requests the correction of alleged errors in the Court Decision. The most significant ones are as follows:

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

(i) material error regarding the analysis of gross and net revenue concepts brought by Law 6404/76; (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) modulation of judgment effects. The analysis of the motions to clarify by the STF, which can be subject to modificatory effects, and the respective publication of an unappealable final decision, were pending to the date of this report. In view of the current uncertainty regarding the outcome of this matter, management believes that it is not possible to conclude on the taxpayer's rights to the credits, neither definitively measure the involved amounts, thus leading to the decision of not recognizing gains on this lawsuit in the financial statements. As at June 30, 2018, the amount recognized in the financial statements as payables for tax risks, in noncurrent liabilities, was R\$55,420 (R\$53,736 as at December 31, 2017), and the Company made judicial deposits for such proceeding that, as at that date, amounted to R\$47,080 (R\$46,741 as at December 31, 2017). When the matter presents a favorable decision for the taxpayers and measurement is possible, the Company will calculate the monetary restatement of these amounts, which will be recognized in profit for the year. As the Company elected to make judicial deposits for this proceeding, in the event the final decision is unfavorable, the monetary restatement of the aforementioned amounts will have no impact on the profit for the year.

At the end of the reporting period, management's best estimate of the restated amount of this proceeding was R\$90,823 (R\$87,600 as at December 31, 2017), of which R\$82,646 (R\$81,218 as at December 31, 2017) related to judicial deposits and R\$8,178 (R\$6,656 as at December 31, 2017) to tax credits.

- (ii) The other tax proceedings total R\$37 (R\$70 as at December 31, 2017).

(b) Tax proceedings (Summer Plan)

In 2017, the Company obtained a favorable outcome in the proceeding in which the Company was the plaintiff and the Federal Government is the defendant, which claims 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 (Summer Plan). On September 6, 2017, the Company filed a request with the Federal Revenue Office for use of the respective credit. On April 9, 2018, the Federal Revenue Office approved the request regarding this credit, authorizing the Company to utilize it to offset future federal taxes. _ The Company recognized in the financial statements of 2Q18 the effects from the favorable outcome on the tax proceeding "Summer Plan", which impacted the profit or loss in 2Q18 as follows: (i) EBITDA: reduced by R\$1,623, due to the recognition of attorney's fees, in line item "Other operating income (expenses), net"; (ii) finance income (costs): increased by R\$32,115, due to the monetary restatement of the original amount of the credits; (iii) income tax and social contribution: increased by R\$10,740, regarding the original amount of the credits; and (iv) profit for the period: increased by the impact from the net gain of R\$40,073, 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 April 2018, as per the Shareholder Notice dated April 17, 2018.

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

(c) Civil proceedings

These refer to civil proceedings in which the Company figures as 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.

(d) Labor claims

The Company has recorded a provision for contingencies for labor claims in which it figures as defendant, and 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 and civil proceedings and labor claims assessed as representing possible losses involve matters similar to those above. The Company 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.

(e) Judicial deposits

The Company has judicial deposits amounting to R\$49,199 (R\$48,799 as at December 31, 2017), of which R\$47,080 (R\$46,741 as at December 31, 2017) refers to PIS and COFINS levied on ICMS on sales, as mentioned in item (a) (i) and the other deposits are of a different nature and are classified in noncurrent assets.

15 Income and social contribution taxes

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 and Rominor Empreendimentos, which pay income and social contribution taxes based on a percentage of gross revenue.

The reconciliation of the tax effect on the Company's profit (loss) before income and social contribution taxes through application of the prevailing tax rates as at June 30, 2018 and 2017 is as follows:

	Parent		Consolidated	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Note				

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

Income before income and social contribution taxes	41,602	18,869	39,572	19,038
Statutory rates (income and social contribution taxes)	34%	34%	34%	34%
Income and social contribution tax income (expense) at statutory rates	(14,145)	(6,415)	(13,454)	(6,473)
Reconciliation to the effective rate:				
Equity pickup	(2,593)	(59)	-	-
Unrecorded deferred income tax and social contribution taxes at subsidiaries	-		(1,080)	(640)
Research and development	1,447	1,319	1,447	1,319
Interest on capital	10,521	-	10,521	-
Management profit sharing	(291)	(173)	(291)	(173)
IR/CSLL Tax proceedings (Summer Plan)	14	10,741	-	10,741
Other additions (deductions), net	(83)	223	(177)	910
Current and deferred income and social contribution tax income (expense)	5,598	(5,105)	7,707	(5,057)

- (a) The amount in the Consolidated quarterly information refers basically to the difference in the calculation of income and social contribution taxes between taxable profit based on accounting records [*“lucro real”*] and profit computed as a percentage of the Company’s gross revenue [*“lucro presumido”*], due to the fact that the subsidiaries Rominor and Rominor Empreendimentos opted to calculate tax based on *“lucro presumido”* during the periods presented and for non-recognition of deferred income taxes on the tax losses of foreign subsidiaries, except for BW.

Changes in deferred tax assets and liabilities, Parent and Consolidated, for the period ended June 30, 2018 were as follows:

	Asset	Liability
Parent	Consolidated	Consolidated

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

Balance at December 31, 2017	49,426	49,426	29,885
Changes in the period			
Additions	2,001	4,407	-
Realization	(3,303)	(3,303)	(371)
Foreign exchange difference	-	232	3,986
	<u>48,124</u>	<u>50,762</u>	<u>33,500</u>
Balance at June 30, 2018			

16 Equity

Capital

As at June 30, 2018, the Company's subscribed and paid-up capital amounting to R\$492,025 (R\$492,025 as at December 31, 2017) comprised 62,857,647 (62,857,647 as at December 31, 2017) book-entry, registered common shares, without par value, all with the same rights and benefits.

Profit reserve

a) Legal reserve

As required by Article 193 of Law No. 6404/76, 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. As at June 30, 2018, the legal reserve amounted to R\$43,638 (R\$43,638 as at December 31, 2017).

b) Retained earnings reserve

At the meeting held on April 17, 2018 by the Board of Directors, approval was given for the distribution of interest on capital ("JCP"), to be allocated to the mandatory dividends of 2018 in the gross amount of R\$27,029, which will be paid on March 29, 2019. The exceeding amount not distributed (R\$20,171) is included in the balance of the reserve and awaits the allocation at the shareholders' meeting.

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 period, excluding common shares purchased by the Company and held as treasury shares.

	<u>30,</u>	<u>30,</u>
	<u>2018</u>	<u>2017</u>
Profit for the period attributable to the	47,200	13,764

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

controlling shareholders

Weighted average number of shares outstanding
in the period (in thousands)

62,858

62,858

Basic and diluted earnings per share

0.75

0.22

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

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

17 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 period ended June 30, 2018 was prepared and is presented on a comparative basis with the period ended June 30, 2017, according to the Company's new segments:

	June 30, 2018				
	Romi Machinery	Burkhardt + Weber Machinery	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	139,753	58,758	92,255	-	290,766
Cost of sales and services	(77,862)	(51,924)	(84,496)	-	(214,282)
Transfers remitted	1,871	-	11,085	(12,956)	
Transfers received	(11,085)	-	(1,871)	12,956	
Gross profit	52,677	6,834	16,973	-	76,484
Operating (expenses) income:					
Selling expenses	(27,514)	(4,595)	(2,097)	-	(34,206)
General and administrative expenses	(11,619)	(10,740)	(6,476)	-	(28,835)
Research and development	(8,427)	-	-	-	(8,427)
Management fees	(1,941)	-	(1,694)	-	(3,635)
Other operating income (expenses), net	(625)	-	-	-	(625)
Operating profit (loss) before finance income (costs)	2,551	(8,501)	6,706	-	756
Inventory	223,380	75,180	27,794	-	326,354
Depreciation and amortization	6,334	3,532	6,616	-	16,482
Property, plant and equipment, net	140,783	14,889	108,945	-	264,617
Intangible assets	1,017	58,480	20	-	59,517
	Europe	Latin America	North America	Africa and Asia	Total
Net operating revenue per geographical region	83,103	194,303	6,894	6,466	290,766

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

	June 30, 2017				
	Romi Machinery	Burkhardt + Weber Machinery	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	124,425	64,204	121,671	-	310,300
Cost of sales and services	(76,554)	(51,964)	(98,164)	-	(226,682)
Transfers remitted	3,071	-	5,404	(8,475)	
Transfers received	(5,404)	-	(3,071)	8,475	
Gross profit	45,538	12,240	25,840	-	83,618
Operating (expenses) income:					
Selling expenses	(23,449)	(5,585)	(3,177)	-	(32,211)
General and administrative expenses	(10,380)	(7,954)	(8,095)	-	(26,429)
Research and development	(8,474)	-	-	-	(8,474)
Management fees	(1,395)	-	(1,833)	-	(3,228)
Other operating income (expenses), net	2,342	-	-	-	2,342
Operating profit (loss) before finance income (costs)	4,181	(1,299)	12,735	-	15,618
Inventory	171,948	65,126	19,968	-	257,042
Depreciation and amortization	6,308	2,768	6,001	-	15,077
Property, plant and equipment, net	136,006	14,569	99,433	-	250,008
Intangible assets	1,263	45,061	-	-	46,324
	Europe	Latin America	North America	Africa and Asia	Total
Net operating revenue per geographical region	67,705	209,287	8,260	25,048	310,300

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at June 30, 2018

(In thousands of reais, unless otherwise stated)

18 Future commitments

On April 10, 2017, the Parent 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. As a result, the supply of electric energy has been extended for further two years, up to December 31, 2020, and has reflected the following commitments that will be adjusted annually by the General Market Price Index (IGP-M).

Year of supply	Amount
2018 (6 months)	3,803
2019	8,597
2020	8,597
Total	20,997

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

* * *

**ROMI**

WWW.ROMI.COM



July 24, 2018 2Q18 Earnings Release

June 30, 2018

Share price

ROMI3 - R\$7.20 per share (on 07/23/2018)

Market capitalization

R\$452.6 million

US\$ 119.4 million

Number of shares

Common: 62,857,647

Total: 62,857,647

Free Float = 45.5%**Investor Relations Contact****Fábio B. Taiar**

Investor Relations Officer

Telephone: (19) 3455-9418

dri@romi.com

July 25, 2018

Earnings Conference Call

Time: 10:30 am

Dial-in numbers:

+55 (11) 3193-1001 or (11) 2820-4001

Access Code: Romi

Earnings Conference Call in English

Time: 12:00 pm (São Paulo)

4:00 pm (London)

11:00 am (New York)

Dial-in numbers:

EUA +1 (800) 492-3904

Brazil +55 (11) 3193-1001

Other + 1 (646) 828-8246

Access Code: Romi



Santa Bárbara d'Oeste – São Paulo State (SP), July 24, 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 second quarter of 2018 ("2Q18"). 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 2Q18, when compared to 2Q17, increased by 15.4%

- Order entry in 2Q18, when compared to 2Q17, increased by 15.4%, especially in the Romi Machines Business Unit, which increased by 65.8%, showing that, in 2018, the economic is recovering slowly and gradually;
- In 2Q18, the Romi Machines Business Unit posted a 19.5% increase in net operating revenue in relation to 2Q17 and 2.7 p.p. in gross margin in the same period of comparison, due to the higher volume of operations of this business unit in 2018;
- In the Raw and Machined Cast Iron Parts Business Unit, even in the face of a reduction in net operating revenue in the second quarter, it continues to show appropriate margins, as a result of improvements in operating efficiency;
- The Company's net debt grew R\$54.6 million during the 1H18, due to the profit distributions made and inventory increases, which is considered normal for this time of year;
- On April 9, 2018, the Company obtained the approval for its tax credit utilization request relating to the income tax and social contribution refund proceeding ("Plano Verão"), the amount of which, before taxes, is approximately R\$44.4 million (R\$40.1 million after taxes and other costs). The effects of this gain were recognized in the 2Q18 financial statements and are detailed throughout this report.

R\$'000	Quarter					Accumulated		
	2Q17	1Q18	2Q18	Chg.	Chg.	1H17	1H18	Chg.
Revenues Volume				2Q18/1Q18	2Q18/2Q17			2018/2017
Machines (units)	141	144	183	27.1%	29.8%	303	327	7.9%
Burkhardt + Weber (units)	6	3	4	33.3%	-33.3%	12	7	-41.7%
Raw and Machined Cast Iron Parts (tons)	6,267	4,592	5,453	18.8%	-13.0%	12,051	10,045	-16.6%
Net Operating Revenue	163,775	132,647	158,119	19.2%	-3.5%	310,300	290,766	-6.3%
Gross margin (%)	28.9%	26.2%	26.4%			26.9%	26.3%	-
Operating Income (EBIT)	12,301	644	112	-82.6%	-99.1%	15,618	756	-95.2%
Operating margin (%)	7.5%	0.5%	0.1%			5.0%	0.3%	-
Net Income	11,916	1,836	45,443	2375.1%	281.4%	13,980	47,279	238.2%
Net margin (%)	7.3%	1.4%	28.7%			4.5%	16.3%	-
EBITDA	19,865	8,892	8,346	-6.1%	-58.0%	30,695	17,238	-43.8%
EBITDA margin (%)	12.1%	6.7%	5.3%			9.9%	5.9%	-
Investments	4,864	8,800	4,363	-50.4%	-10.3%	8,872	13,163	48.4%

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 revenue (expenses), net"; (ii) financial income: increased by R\$32.1 million, related to monetary restatement of the original value of the tax credits; (iii) income tax and social contribution: increased by R\$10.7 million, referring to the original value 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.

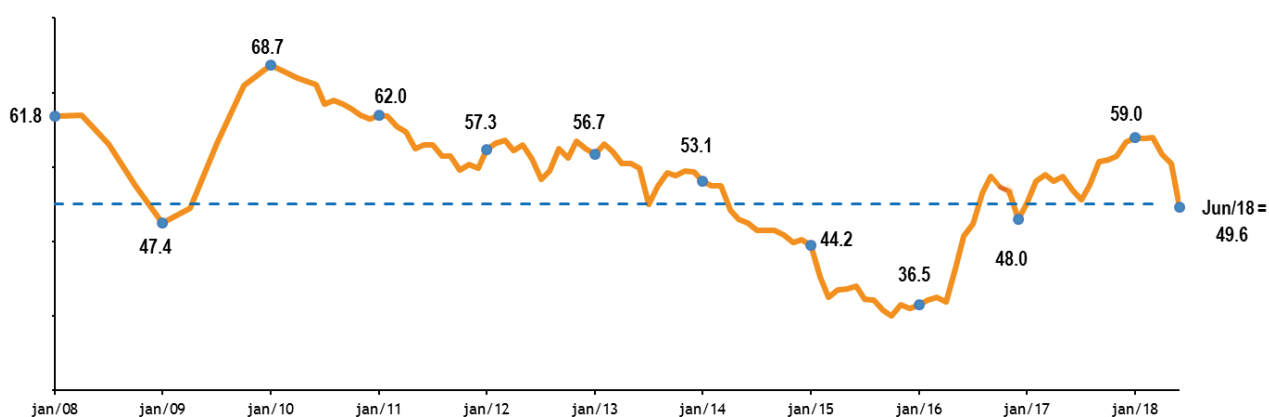
The Company has eleven manufacturing units, four of which for final assembly of industrial machinery, two foundries, three units for machining of mechanical components, one unit for manufacture of steel sheet components, and one unit for assembly of electronic panels. Of these, nine are located in Brazil 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

2018 showed a poor economic activity and high volatility in its first two months, but there is an acceleration in the number of opportunities and orders generated as from March. Some macroeconomic data indicate possible recovery signs in the Brazilian economy, such as the improvement in the confidence indexes and in the utilization of installed capacity when compared to 2017, presented below. This improvement in macroeconomic data begins to materialize more significantly in the volume of orders entry of the Raw and Machined Cast Iron Parts Unit, mainly from the commercial and agricultural automotive segments.

In June 2018, as shown below, the Industrial Entrepreneur Confidence Index (ICEI) reached 49.6, a level that shows a modest evolution in the 2018 index, when compared to the previous two years, although the domestic environment still presents great volatility and uncertainties, especially after the truckers' strike at the end of May.

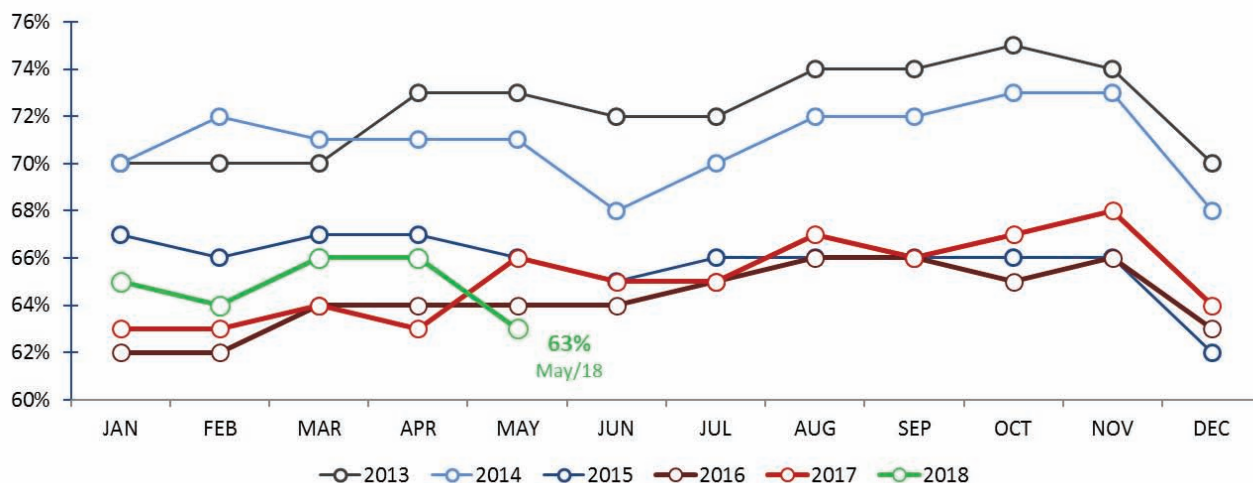
Industrial Entrepreneur Confidence Index – ICEI



Source: CNI – ICEI, June 2018.

The Installed Capacity Utilization (UCI) index of the Brazilian industry in general, as released by the National Confederation of Industries (CNI), remains at low levels, but higher than those of the same periods of 2017 and 2016, except for the month of May 2018, due to the truckers' strike, demonstrating that, although the Brazilian economic scenario is still challenging, there are signs of a modest and gradual recovery.

Average Installed Capacity Utilization(UCI)



Source: CNI – UCI, May 2018.

The truck drivers' strike that took place in May 2018 had an impact on several indexes, as we could see from the two graphs above, where in May and June the levels were reduced. This means a more volatile environment with a greater degree of uncertainty, which may negatively impact Romi's sales volumes, mainly from the Romi Machines Unit, which is highly correlated with confidence and predictability. However, it has not yet been possible to detect a significant reduction in order levels to date, but the Company continues to constantly monitor the market so that, in case of relevant impacts, timely actions are taken to maintain the solidity of the activities. Romi had no significant impact on P&L for the period, due to the strike.

The recent devaluation of the Brazilian Real (R\$) to the US Dollar (US\$) makes Brazil's manufactured products more competitive over imported ones. Given this, in the medium term, the devaluation of the Real can cause parts currently imported to have their production transferred to Brazil, meaning the possibility of improvement in Brazilian industrial production. Moreover, domestic products can become more competitive globally and thus increase export volume and margins. These are impacts that, in the medium term, can positively impact the domestic industry and, consequently, Romi's sales volume. In relation to Romi products, the exchange devaluation improves the competitiveness of its products when compared to imported equipment items, which are the main competitors in the Romi Machines Unit. Moreover, there is an impact on the export margins, since a significant part of the costs are in Reais and exports occur in foreign currency.

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.

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)	2Q17	1Q18	2Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17	1H17	1H18	Chg. 1H18/1H17
Gross Values, sales taxes included								
Romi Machines	71,820	48,864	119,045	143.6%	65.8%	131,350	167,908	27.8%
Burkhardt+Weber Machines	43,083	35,065	22,270	-36.5%	-48.3%	52,794	57,335	8.6%
Rough and Machined Cast Iron Parts	52,339	63,489	51,668	-18.6%	-1.3%	115,986	115,157	-0.7%
Total *	167,242	147,418	192,983	30.9%	15.4%	300,130	340,401	13.4%

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

The order entry volume in the Romi Machines Unit observed in 2Q18 was 65.8% higher than in 2Q17, demonstrating a recovery in the industry, although the Brazilian environment still continues with high volatility and great challenges. This growth was also due to exports, which in the same period of comparison also continued to show significant growth.

At the German subsidiary B+W, order entry in the first half of 2018 was 8.6% higher than in the same period in 2017, demonstrating consistency and solidity in its operations. The number of projects currently in progress and the portfolio orders volume are within the normal range and allow us to keep the good expectation regarding profitability levels in the second half of the year, when a significant part of this portfolio will be delivered to the clients.

The Raw and Machined Cast Iron Parts Unit presented stable order entry in 2Q18 when compared to 2Q17. Even with the reduction of large wind turbine parts, there has been a significant increase in the volume of orders for parts for the commercial automotive segment, agriculture and earth movement machinery.

Order Book (R\$ 000)	2Q17	1Q18	2Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17
Gross Values, sales taxes included					
Romi Machines	77,353	60,595	97,848	61.5%	26.5%
Burkhardt+Weber Machines	131,029	130,806	154,944	18.5%	18.3%
Rough and Machined Cast Iron Parts	58,406	66,471	60,325	-9.2%	3.3%
Total *	266,787	257,872	313,118	21.4%	17.4%

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

At June 30, 2018, orders portfolio totaled R\$313.1 million, amount 17.4% higher than in the same period last year. The increase in the portfolio at the end of 2Q18 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 2Q18 reached R\$158.1 million, 3.5% lower than 2Q17 and 19.2% higher than 1Q18.

By Business Unit

Net Operating Revenue (R\$ 000)	Quarter					Accumulated		
	2Q17	1Q18	2Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17	1H17	1H18	Chg. 2018/2017
Romi Machines	65,112	61,913	77,840	25.7%	19.5%	124,425	139,753	12.3%
Burkhardt+Weber Machines	34,335	29,077	29,681	2.1%	-13.6%	64,204	58,758	-8.5%
Raw and Machined Cast Iron Parts	64,328	41,657	50,598	21.5%	-21.3%	121,671	92,255	-24.2%
Total	163,775	132,647	158,119	19.2%	-3.5%	310,300	290,766	-6.3%

Romi Machines

The net operating revenue of this Business Unit reached R\$77.9 million in 2Q18, posting an increase of 19.5% when compared with the same period in 2017, reflecting the increase in new orders in 2Q18. This increase in the volume of orders and, consequently, net operating revenue shows that there is an economic and industrial recovery, albeit slowly and gradually, in addition to the continued consolidation of Romi's brand in the foreign market.

Burkhardt+Weber Machines

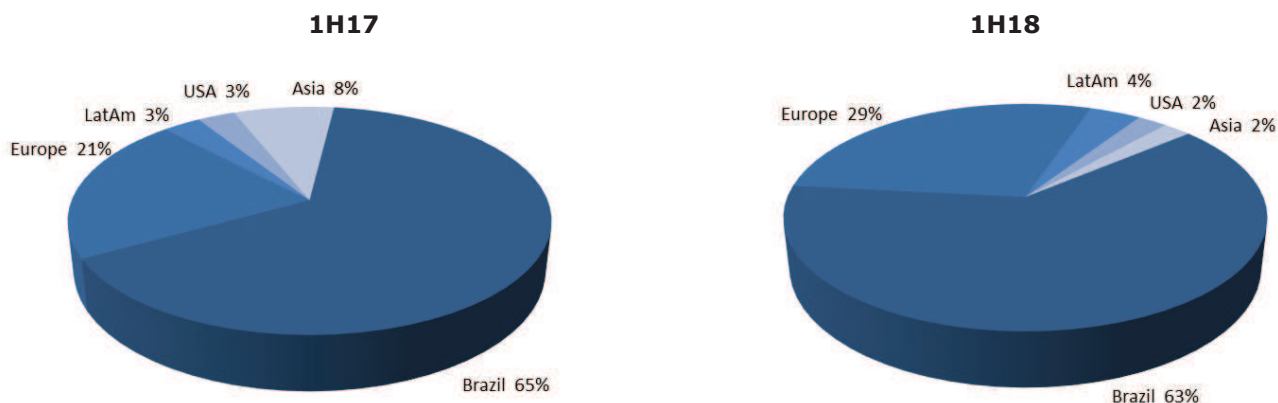
In 2Q18, revenue of the German subsidiary B+W was similar to that recorded in 1Q18 and 13.6% lower than in 2Q17, as machine deliveries in 2018 are even more concentrated throughout the second half of this year.

Raw and Machined Cast Iron Parts

The net operating revenue of this Business Unit was R\$50.6 million in 2Q18, representing a 21.3% reduction compared to 2Q17, chiefly due to the reduction in the volume of orders 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 63% of Romi's consolidated revenue in 1H18 (65% in 1H17). 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 total 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		
	2Q17	1Q18	2Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17	1H17	1H18	Chg. 2017/2016
Net Sales (R\$ million)	58.0	52.1	56.5	8.5%	-2.6%	110.2	108.6	-1.4%
Net Sales (US\$ million)	17.5	15.7	14.7	-6.4%	-16.4%	34.0	30.3	-10.8%

OPERATING COSTS AND EXPENSES

The gross margin of 26.4% obtained in 2Q18 presented a reduction of 2.5 percentage points in relation to 2Q17. The operating margin (EBIT), when compared to 2Q17, presented a drop of 7.4 percentage points, due to a revenue volume 3.5% lower than in 2Q18.

Gross Margin	Quarter					Accumulated		
	2Q17	1Q18	2Q18	Chg. p.p. 2Q18/1Q18	Chg. p.p. 2Q18/2Q17	1H17	1H18	Chg. pp 2018/2017
Romi Machines	36.6%	35.6%	39.3%	3.7	2.7	36.7%	37.7%	0.9
Burkhardt+Weber Machines	17.0%	17.3%	6.0%	(11.3)	(11.0)	19.1%	11.6%	(7.4)
Raw and Machined Cast Iron Parts	27.5%	18.4%	18.5%	(7.9)	(9.0)	21.1%	18.4%	(2.7)
Total	28.9%	26.2%	26.4%	0.2	(2.5)	26.9%	26.3%	(0.6)

EBIT Margin	Quarter					Accumulated		
	2Q17	1Q18	2Q18	Chg. p.p. 2Q18/1Q18	Chg. p.p. 2Q18/2Q17	1H17	1H18	Chg. pp 2018/2017
Romi Machines	4.5%	-0.3%	3.4%	3.7	(1.1)	3.5%	1.8%	(1.7)
Burkhardt+Weber Machines	-3.6%	-8.6%	-20.2%	(11.6)	(16.6)	-2.0%	-14.5%	(12.4)
Raw and Machined Cast Iron Parts	16.5%	8.0%	6.8%	(1.2)	(9.7)	10.3%	7.3%	(3.0)
Total	7.5%	0.5%	0.1%	(0.4)	(7.4)	5.0%	0.3%	(4.8)

Romi Machines

The gross margin of this Business Unit in 2Q18 increased by 2.7 p.p. when compared to 2Q17 due to the higher revenue volume. In the same comparison period, the operating margin decreased by 1.1 percentage point due to legal expenses related to tax credits proceedings already judged in favor of the Company (see section "Success in Legal Proceedings (Plano Verão) of this report)", in the amount of R\$1.6 million.

Burkhardt+Weber Machines

In this Business Unit, gross and operating margins in 2Q18 decreased by 11.0p.p. and 16.6p.p, respectively, in relation to 2Q17, due to the lower revenue volume, which in Euro, presented a reduction of 26.0%. As already mentioned, machine deliveries from these units are more concentrated in 2H18.

Raw and Machined Cast Iron Parts

The gross and operating margins of this Business Unit in 2Q18 decreased by 9.0 and 9.7 percentage points in relation to 2Q17, 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 two quarters of 2018 have shown solidity as a result of continued efforts to improve operational efficiency.

EBITDA AND EBITDA MARGIN

In 2Q18, the operating cash generation as measured by EBITDA amounted to R\$8.4 million, representing an EBITDA margin of 5.3% in the quarter, as shown in the table below:

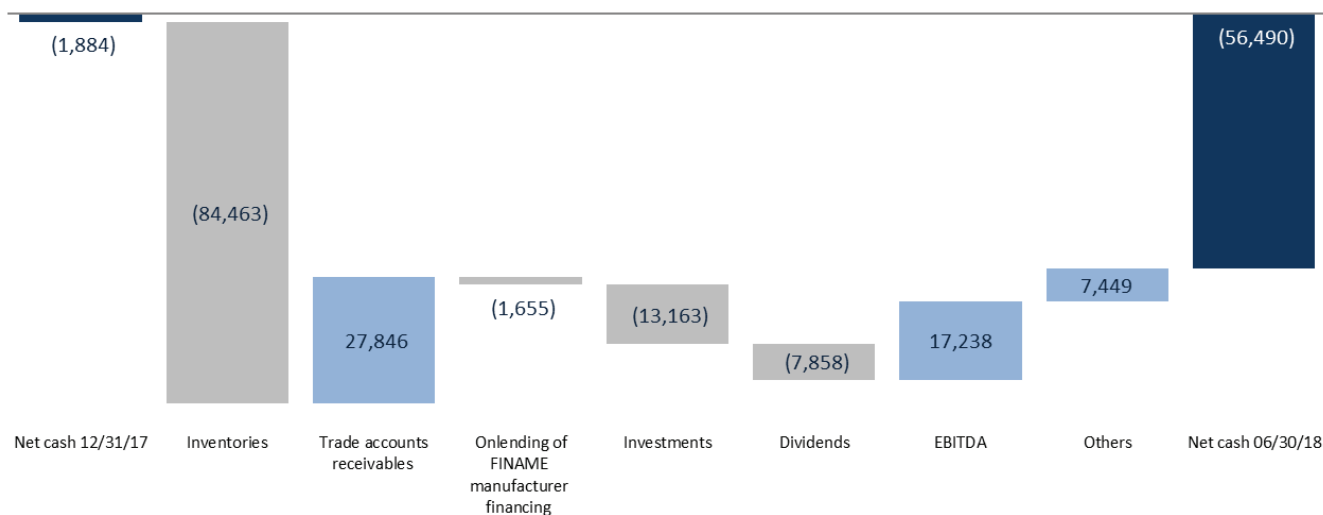
Reconciliation of Net Income to EBITDA (R\$ 000)	Quarter					Accumulated		
	2Q17	1Q18	2Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17	1H17	1H18	Chg. 2018/2017
Net Income	11,916	1,836	45,443	2375.1%	281.4%	13,980	47,279	238.2%
Income tax and social contributions	4,322	(11)	(7,696)	69863.6%	-278.1%	5,057	(7,707)	-252.4%
Net Financial Income	(3,937)	(1,181)	(37,635)	3086.7%	855.9%	(3,420)	(38,816)	1035.0%
Depreciation and amortization	7,564	8,248	8,234	-0.2%	8.9%	15,077	16,482	9.3%
EBITDA	19,865	8,892	8,346	-6.1%	-58.0%	30,694	17,238	-43.8%
EBITDA Margin	12.1%	6.7%	5.3%	-21.3%	-56.5%	9.9%	5.9%	-0.40
Total Net Operating Revenue	163,775	132,647	158,119	19.2%	-3.5%	310,300	290,766	-6.3%

- (*) 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 revenue (expenses), net"; (ii) financial income: increased by R\$32.1 million, related to monetary restatement of the original value of the tax credits; (iii) income tax and social contribution: increased by R\$10.7 million, referring to the original value 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\$45.4 million in 2Q18, representing a net margin of 28.7%. As already mentioned throughout this report, profit for 2Q18 is impacted by the favorable outcome in legal proceedings related to tax credits, in the amount of R\$40.1 million.

The main variations in the net debt position during 2Q18 are described below in R\$'000:



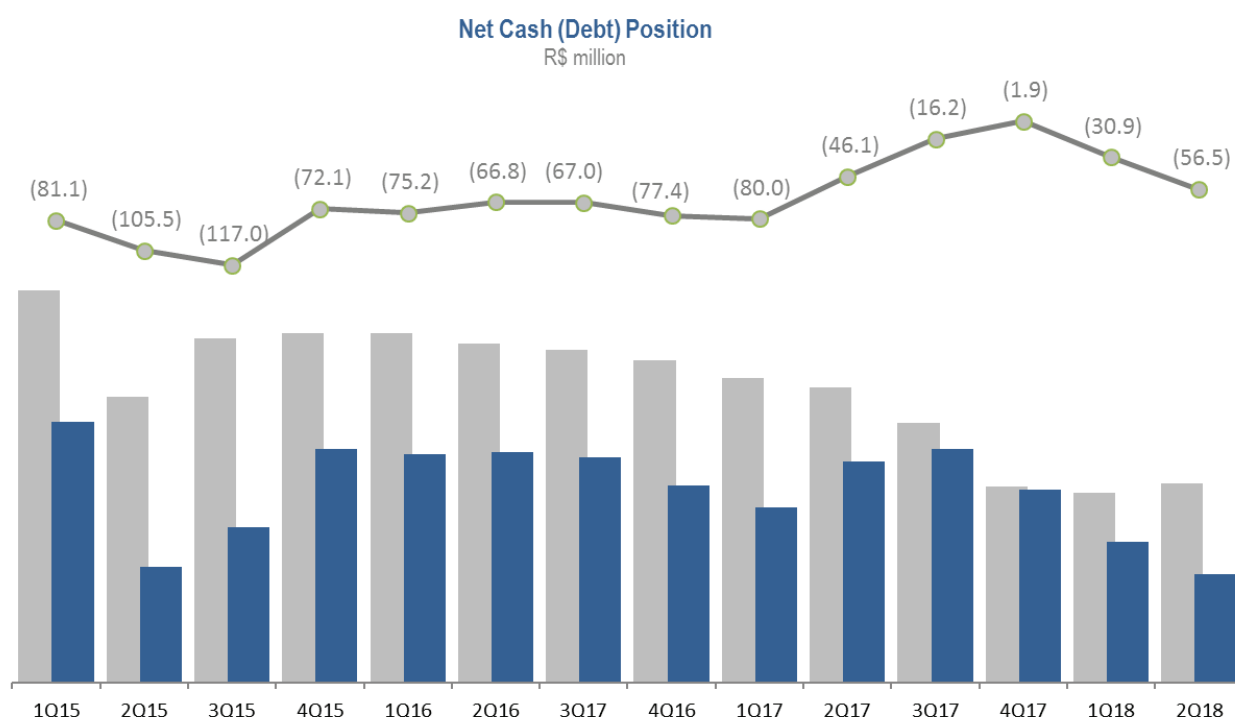
The balances of "Finame Manufacturer Financing" are not used in the calculation of net debt of the Company.

Net debt growth in 1H18 was chiefly due to the increase in inventory levels in Brazil and abroad, due to the growth in the volume of operations in Brazil and the higher concentration of deliveries by the German subsidiary B+W throughout the second half of 2018.

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 June 30, 2018 was negative R\$56.5 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 June 30, 2018, the amount of financing in local currency was R\$83.1 million, and in foreign currency, R\$40.3 million, totaling R\$123.4 million.



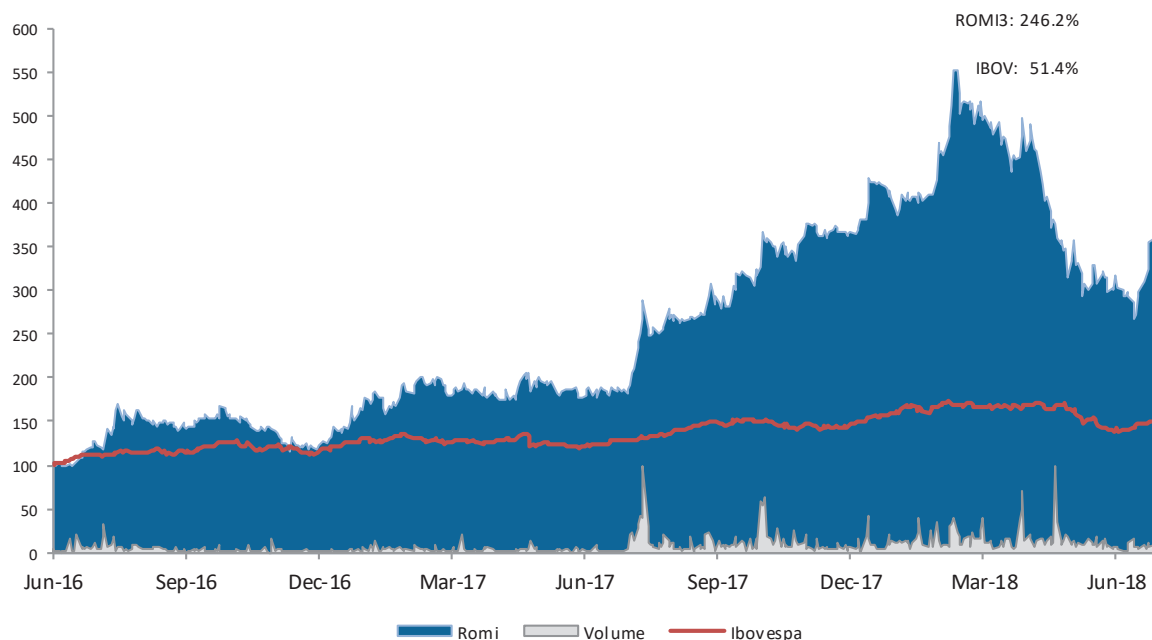
The balances of "Finame Manufacturer Financing" are not used in the calculation of net debt of the Company.

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

Capital Market

Share Performance ROMI3 vs. Ibovespa

From 06/30/2016 to 07/23/2018



Source: B3.

On July 23, 2018 the Company's common shares (ROMI3), which were quoted at R\$7.20, posted appreciation of 89.5% since June 30, 2017 and 246.2% since June 30, 2016. Ibovespa recorded appreciation of 24.0% and 51.4% in the same period.

The Company's market capitalization on July 23, 2018 was R\$452.6 million. The average daily trading volume during 2Q18 was R\$1.4 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 revenue (expenses), net”; (ii) financial income: increased by R\$32.1 million, related to monetary restatement of the original value of the tax credits; (iii) income tax and social contribution: increased by R\$10.7 million, referring to the original value 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 monetary correction indexes recognized by the courts.

Balanço Patrimonial Consolidado

IFRS (R\$ mil)

ATIVO	30/06/17	31/12/17	31/03/18	30/06/18
CIRCULANTE	630,895	592,193	588,232	641,680
Caixa e equivalentes de caixa	122,566	105,682	74,088	66,455
Aplicações financeiras	14,697	13,670	12,944	475
Duplicatas a receber	117,128	120,303	119,832	128,819
Valores a receber - repasse FINAME fabricante	88,619	88,114	82,131	78,705
Estoque	257,042	241,891	273,233	326,354
Impostos e contribuições a recuperar	14,872	11,780	13,436	26,600
Outros valores a realizar	15,971	10,753	12,568	14,272
NÃO CIRCULANTE	459,096	483,230	483,450	532,655
Realizável a Longo Prazo	144,435	154,515	150,940	189,919
Duplicatas a receber	10,992	11,310	11,852	13,476
Valores a receber - repasse FINAME fabricante	61,727	79,819	76,272	84,925
Impostos e contribuições a recuperar	584	778	894	28,267
Imposto de renda e contribuição social diferidos	56,257	49,426	49,975	50,762
Depósitos judiciais	2,082	2,057	2,092	2,119
Outros valores a realizar	12,793	11,125	9,855	10,370
Investimentos				
Imobilizado	250,008	257,939	260,980	264,617
Propriedade para investimento	18,329	18,602	18,602	18,602
Intangível	46,324	52,174	52,928	59,517
TOTAL DO ATIVO	1,089,991	1,075,423	1,071,682	1,174,335

PASSIVO E PATRIMÔNIO LÍQUIDO	30/06/17	31/12/17	31/03/18	30/06/18
CIRCULANTE	293,934	280,526	277,153	351,410
Financiamentos	94,443	74,170	75,039	83,414
Valores a pagar - FINAME fabricante	57,386	55,463	54,161	52,074
Fornecedores	35,284	33,802	47,697	61,648
Salários e encargos sociais	27,305	28,148	26,929	31,475
Impostos e contribuições a recolher	2,461	5,896	2,470	4,362
Adiantamento de clientes	59,673	56,512	52,911	75,744
Outras contas a pagar	17,382	26,535	17,946	42,693
NÃO CIRCULANTE	172,429	151,397	146,216	144,719
Financiamentos	88,910	47,066	42,912	40,006
Valores a pagar - FINAME fabricante	53,509	72,770	71,404	70,201
Imposto de renda e contribuição social diferidos	28,042	29,885	30,573	33,500
Impostos e contribuições a recolher	539	-	-	-
Provisão para passivos eventuais	1,310	1,561	1,214	792
Outras contas a pagar	119	115	113	220
PATRIMÔNIO LÍQUIDO	621,955	641,969	646,820	676,671
Capital social	492,025	492,025	492,025	492,025
Reservas de lucros	104,007	118,960	120,759	139,131
Ajuste de avaliação patrimonial	25,923	30,984	34,036	45,515
PARTICIPAÇÃO DOS NÃO CONTROLADORES	1,673	1,531	1,493	1,535
TOTAL DO PATRIMÔNIO LÍQUIDO	623,628	643,500	648,313	678,206
TOTAL DO PASSIVO E DO PATRIMÔNIO LÍQUIDO	1,089,991	1,075,423	1,071,682	1,174,335

Consolidated Income Statement

(R\$ thousand)

	2Q17	1Q18	2Q18	Chg. 2Q18/1Q18	Chg. 2Q18/2Q17	1H17	1H18	Chg. 2018/2017
Net Operating Revenue	163,775	132,647	158,119	19.2%	-3.5%	310,300	290,766	-6.3%
Cost of Goods Sold	(116,401)	(97,888)	(116,394)	18.9%	0.0%	(226,682)	(214,282)	-5.5%
Gross Profit	47,374	34,759	41,725	20.0%	-11.9%	83,618	76,484	-8.5%
<i>Gross Margin %</i>	<i>28.9%</i>	<i>26.2%</i>	<i>26.4%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>26.9%</i>	<i>26.3%</i>	<i>0.0%</i>
Operating Expenses	(35,073)	(34,115)	(41,613)	22.0%	18.6%	(68,001)	(75,728)	11.4%
Selling expenses	(17,552)	(16,153)	(18,053)	11.8%	2.9%	(32,211)	(34,206)	6.2%
Research and development expenses	(4,422)	(3,883)	(4,544)	17.0%	2.8%	(8,474)	(8,427)	-0.6%
General and administrative expenses	(13,523)	(13,367)	(15,468)	15.7%	14.4%	(26,429)	(28,835)	9.1%
Management profit sharing and compensation	(1,775)	(1,456)	(2,179)	49.7%	22.8%	(3,228)	(3,635)	12.6%
Other operating income, net	2,199	744	(1,369)	-284.0%	-162.3%	2,341	(625)	-126.7%
Operating Income before Financial Results	12,301	644	112	-82.6%	-99.1%	15,617	756	-95.2%
<i>Operating Margin %</i>	<i>7.5%</i>	<i>0.5%</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>5.0%</i>	<i>0.3%</i>	<i>0.0%</i>
Financial Results, Net	3,937	1,181	37,635	3086.7%	855.9%	3,420	38,816	1035.0%
Financial income	4,444	3,478	36,793	957.9%	727.9%	8,729	40,271	361.3%
Financial expenses	(3,638)	(2,601)	(2,471)	-5.0%	-32.1%	(7,705)	(5,072)	-34.2%
Exchange gain (loss), net	3,131	304	3,313	989.8%	5.8%	2,396	3,617	51.0%
Operations Operating Income	16,238	1,825	37,747	1968.3%	132.5%	19,037	39,572	107.9%
Income tax and social contribution	(4,322)	11	7,696	69863.6%	-278.1%	(5,057)	7,707	-252.4%
Net income	11,916	1,836	45,443	2375.1%	281.4%	13,980	47,279	238.2%
<i>Net Margin %</i>	<i>7.3%</i>	<i>1.4%</i>	<i>28.7%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>4.5%</i>	<i>16.3%</i>	<i>0.0%</i>
Net profit concerning:								
Controlling interests	11,748	1,799	45,401	2423.7%	286.5%	13,763	47,200	242.9%
Non controlling interests	168	37	42	13.5%	-75.0%	217	79	-63.6%
	<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	19,865	8,892	8,346	-6.1%	-58.0%	30,694	17,238	-43.8%
Profit (loss) for the period	11,916	1,836	45,443	2375.1%	281.4%	13,980	47,279	238.2%
Income tax and social contribution	4,322	(11)	(7,696)	69863.6%	-278.1%	5,057	(7,707)	-252.4%
Financial income, net	(3,937)	(1,181)	(37,635)	3086.7%	855.9%	(3,420)	(38,816)	1035.0%
Depreciation and amortization	7,564	8,248	8,234	-0.2%	8.9%	15,077	16,482	9.3%
<i>EBITDA Margin %</i>	<i>12.1%</i>	<i>6.7%</i>	<i>5.3%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>9.9%</i>	<i>5.9%</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\$	0.19	0.03	0.72	2423.7%	286.5%	0.22	0.75	238.2%

Consolidated Cash Flow Statement

(R\$ thousand)

	2Q17	1Q18	2Q18	1H17	1H18
Cash from operating activities					
Net Income before taxation	16,239	1,825	37,747	19,038	39,572
Financial expenses and exchange gain	(304)	448	(35,598)	2,174	(35,150)
Depreciation and amortization	7,564	8,248	8,234	15,077	16,482
Allowance for doubtful accounts and other receivables	97	(737)	582	517	(155)
Proceeds from sale of fixed assets and intangibles	(2,607)	(684)	754	(2,904)	70
Provision for inventory realization	(2,426)	(839)	5	(4,901)	(834)
Reserve for contingencies	1,279	1,553	2	(2,232)	1,555
Change on operating assets and liabilities					
Financial Investments	6,668	726	12,469	6,134	13,195
Trade accounts receivable	3,089	3,043	(2,127)	(15,041)	916
Onlending of Finame manufacturer financing	1,302	11,737	(4,694)	17,607	7,043
Inventories	(4,580)	(30,502)	(54,030)	12,448	(84,532)
Recoverable taxes, net	7,877	(2,321)	(41,324)	11,519	(43,645)
Judicial deposits	(803)	(1,132)	(553)	(1,381)	(1,685)
Other receivables	916	731	34,352	(514)	35,083
Trade accounts payable	8,119	13,664	12,432	600	26,096
Payroll and related taxes	5,223	(1,610)	4,640	9,864	3,030
Taxes payable	(711)	(2,448)	9,005	(1,963)	6,557
Advances from customers	6,008	(3,601)	22,833	5,886	19,232
Other payables	3,535	(1,014)	559	4,579	(455)
Cash provided by (used in) operating activities	56,485	(2,913)	5,288	76,507	2,375
Income tax and social contribution paid	(198)	(279)	(243)	(1,040)	(522)
Net Cash provided by (used in) operating activities	56,287	(3,192)	5,045	75,467	1,853
Purchase of fixed assets	(4,840)	(8,800)	(4,363)	(8,234)	(13,163)
Sales of fixed assets	3,119	769	208	3,613	977
Increase in intangible assets	(25)	(8)	(2,119)	(696)	(2,127)
Net cash Used in Investing Activities	(1,746)	(8,039)	(6,274)	(5,317)	(14,313)
Interest on capital paid	-	(8,305)	382	(114)	(7,923)
New loans and financing	3,413	5,572	11,507	5,214	17,079
Payments of loans and financing	(10,322)	(9,436)	(9,512)	(23,145)	(18,948)
Interests paid (including Finame manufacturer financing)	(5,426)	(4,954)	(5,177)	(10,446)	(10,131)
New loans in Finame manufacturer	12,842	11,764	11,925	17,601	23,689
Payment of Finame manufacturer financing	(18,836)	(14,736)	(14,972)	(37,333)	(29,708)
Net Cash provided by (used in) Financing Activities	(18,329)	(20,095)	(5,847)	(48,223)	(25,942)
Increase (decrease) in cash and cash equivalents	36,212	(31,326)	(7,076)	21,927	(38,402)
Exchange variation changes on cash and cash equivalents abroad	(860)	(268)	(557)	(871)	(825)
Cash and cash equivalents - beginning of period	87,214	105,682	74,088	101,510	105,682
Cash and cash equivalents - end of period	122,566	74,088	66,455	122,566	66,455

Attachment I – DRE by Business Unit

Demonstração do Resultado Consolidado por Unidade de Negócio - 2Q18

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Raw and Machined Cast Iron	Total
Net Operating Revenue	77,840	29,681	50,598	158,119
Cost of Sales and Services	(40,383)	(27,888)	(48,124)	(116,395)
Business Units Transfers	931	-	7,820	8,751
Business Units Transfers	(7,820)	-	(931)	(8,751)
Gross Profit	30,568	1,793	9,363	41,724
<i>Gross Margin %</i>	<i>39.3%</i>	<i>6.0%</i>	<i>18.5%</i>	<i>26.4%</i>
Operating Expenses	(27,910)	(7,790)	(5,915)	(41,615)
Selling	(14,438)	(2,417)	(1,198)	(18,053)
General and Administrative	(6,419)	(5,373)	(3,676)	(15,468)
Research and Development	(4,544)	-	-	(4,544)
Management profit sharing	(1,138)	-	(1,041)	(2,179)
Other operating revenue	(1,370)	-	-	(1,370)
Operating Income before Financial Results	2,658	(5,997)	3,448	109
<i>Operating Margin %</i>	<i>3.4%</i>	<i>-20.2%</i>	<i>6.8%</i>	<i>0.1%</i>
Depreciation and amortization	3,160	1,838	3,237	8,235
EBITDA	5,818	(4,159)	6,685	8,344
<i>EBITDA Margin %</i>	<i>7.5%</i>	<i>-14.0%</i>	<i>13.2%</i>	<i>5.3%</i>

Income Statement by Business Units - 2Q17

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Raw and Machined Cast Iron	Total
Net Operating Revenue	65,112	34,335	64,328	163,775
Cost of Sales and Services	(38,992)	(28,485)	(48,924)	(116,401)
Business Units Transfers	1,571	-	3,874	5,445
Business Units Transfers	(3,874)	-	(1,571)	(5,445)
Gross Profit	23,816	5,850	17,708	47,374
<i>Gross Margin %</i>	<i>36.6%</i>	<i>17.0%</i>	<i>27.5%</i>	<i>28.9%</i>
Operating Expenses	(20,897)	(7,087)	(7,089)	(35,073)
Selling	(12,607)	(3,088)	(1,857)	(17,552)
General and Administrative	(5,313)	(3,999)	(4,211)	(13,523)
Research and Development	(4,422)	-	-	(4,422)
Management profit sharing	(754)	-	(1,021)	(1,775)
Other operating revenue	2,199	-	-	2,199
Operating Income before Financial Results	2,919	(1,236)	10,618	12,301
<i>Operating Margin %</i>	<i>4.5%</i>	<i>-3.6%</i>	<i>16.5%</i>	<i>7.5%</i>
Depreciation and amortization	3,133	1,434	2,997	7,564
EBITDA	6,052	198	13,615	19,865
<i>EBITDA Margin %</i>	<i>9.3%</i>	<i>0.6%</i>	<i>21.2%</i>	<i>12.1%</i>

Income Statement by Business Units - 1H18

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron	Total
Net Operating Revenue	139,753	58,758	92,255	290,766
Cost of Sales and Services	(77,862)	(51,924)	(84,496)	(214,282)
Business Units Transfers	1,871	-	11,084	12,955
Business Units Transfers	(11,085)	-	(1,871)	(12,956)
Gross Profit	52,677	6,834	16,972	76,483
<i>Gross Margin %</i>	<i>37.7%</i>	<i>11.6%</i>	<i>18.4%</i>	<i>26.3%</i>
Operating Expenses	(50,126)	(15,335)	(10,267)	(75,728)
Selling	(27,514)	(4,595)	(2,097)	(34,206)
General and Administrative	(11,619)	(10,740)	(6,476)	(28,835)
Research and Development	(8,427)	-	-	(8,427)
Management profit sharing	(1,941)	-	(1,694)	(3,635)
Other operating revenue	(625)	-	-	(625)
Operating Income before Financial Results	2,551	(8,501)	6,705	755
<i>Operating Margin %</i>	<i>1.8%</i>	<i>-14.5%</i>	<i>7.3%</i>	<i>0.3%</i>
Depreciation and amortization	6,334	3,532	6,616	16,482
EBITDA	8,885	(4,969)	13,321	17,237
<i>EBITDA Margin %</i>	<i>6.4%</i>	<i>-8.5%</i>	<i>14.4%</i>	<i>5.9%</i>

Income Statement by Business Units - 1H17

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron	Total
Net Operating Revenue	124,425	64,204	121,671	310,300
Cost of Sales and Services	(76,554)	(51,964)	(98,164)	(226,682)
Business Units Transfers	3,071	-	5,404	8,475
Business Units Transfers	(5,404)	-	(3,071)	(8,475)
Gross Profit	45,538	12,240	25,840	83,618
<i>Gross Margin %</i>	<i>36.6%</i>	<i>19.1%</i>	<i>21.2%</i>	<i>26.9%</i>
Operating Expenses	(41,356)	(13,539)	(13,105)	(68,000)
Selling	(23,449)	(5,585)	(3,177)	(32,211)
General and Administrative	(10,380)	(7,954)	(8,095)	(26,429)
Research and Development	(8,474)	-	-	(8,474)
Management profit sharing	(1,395)	-	(1,833)	(3,228)
Other operating revenue	2,342	-	-	2,342
Operating Income before Financial Results	4,181	(1,299)	12,735	15,618
<i>Operating Margin %</i>	<i>3.4%</i>	<i>-2.0%</i>	<i>10.5%</i>	<i>5.0%</i>
Depreciation and amortization	6,308	2,768	6,001	15,077
EBITDA	10,489	1,469	18,736	30,695
<i>EBITDA Margin %</i>	<i>8.4%</i>	<i>2.3%</i>	<i>15.4%</i>	<i>9.9%</i>

Attachment II – Financial Statements of B+W

Balance Sheet B+W

	(€ 000)		
	06/30/17	03/31/18	06/30/18
ASSETS			
CURRENT	24,892	20,882	25,828
Cash and Cash equivalents	980	828	511
Trade accounts receivable	5,562	4,844	5,878
Inventories	16,430	14,151	17,644
Recoverable taxes	1,017	681	874
Related Parties	134	82	99
Other receivables	768	296	823
NONCURRENT	26,556	27,924	27,941
Investments			
Property, plant and equipment	14,569	15,158	14,889
Investment in subsidiaries	46	59	59
Intangible assets	11,941	12,707	12,993
TOTAL ASSETS	51,448	48,806	53,769
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT	17,954	15,388	21,620
Trade accounts payable	1,484	1,788	3,133
Payroll and related taxes	1,489	1,939	1,647
Advances from customers	12,949	10,172	13,515
Other payables	1,708	1,285	1,173
Related Parties	248	204	651
NON CURRENT	8,154	7,795	7,612
Loans and financing	3,382	2,966	2,828
Deferred income and social contribution taxes	4,772	4,829	4,784
SHAREHOLDER'S EQUITY	25,340	25,623	24,537
Capital	7,025	7,025	7,025
Capital reserve	505	505	505
Profit reserve	17,810	18,093	17,007
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	51,448	48,806	53,769

B+W Income Statement

	(€ 000)				
	2Q17	1Q18	2Q18	1H17	1H18
Net Operating Revenue	9,342	7,214	6,912	18,279	14,126
Cost of Goods Sold	(7,810)	(5,976)	(6,514)	(14,836)	(12,490)
Gross Profit	1,532	1,238	398	3,443	1,636
<i>Gross Margin %</i>	<i>16.4%</i>	<i>17.2%</i>	<i>5.8%</i>	<i>18.8%</i>	<i>11.6%</i>
Operating Expenses	(1,992)	(1,892)	(1,815)	(3,918)	(3,707)
Selling expenses	(857)	(546)	(562)	(1,604)	(1,108)
General and administrative expenses	(1,135)	(1,346)	(1,253)	(2,314)	(2,599)
Operating Income before Financial Results	(460)	(654)	(1,417)	(475)	(2,071)
<i>Operating Margin %</i>	<i>-4.9%</i>	<i>-9.1%</i>	<i>-20.5%</i>	<i>-2.6%</i>	<i>-14.7%</i>
Financial Results, Net	(93)	(111)	(69)	(198)	(180)
Operations Operating Income	(553)	(765)	(1,486)	(673)	(2,251)
Income tax and social contribution	160	189	399	195	588
Net income	(393)	(576)	(1,087)	(478)	(1,663)
<i>Net Margin %</i>	<i>-4.2%</i>	<i>-8.0%</i>	<i>-15.7%</i>	<i>-2.6%</i>	<i>-11.8%</i>
EBITDA	56	(121)	(880)	549	(1,001)
Net income / loss for the period	(393)	(576)	(1,087)	(478)	(1,663)
Income tax and social contribution	(160)	(189)	(399)	(195)	(588)
Financial income, net	93	111	69	198	180
Depreciation and amortization	516	533	537	1,024	1,070
<i>EBITDA Margin %</i>	<i>0.6%</i>	<i>-1.7%</i>	<i>-12.7%</i>	<i>3.0%</i>	<i>-7.1%</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.*