

3Q20 Earnings Release

October 20, 2020



September 30, 2020

Share price at 10/19/2020

ROMI3 – R\$12.92 per share

Market value

R\$812.1 million

US\$144.8 million

Number of shares

Common: 62,857,647

Total: 62,857,647

Free Float = 50.8%

Earnings Conference Call in Portuguese

October 21, 2020 | 10:30 a.m. (São Paulo)

Dial-in number: +55 (11) 4680-6788

ID: 817 3718 3523

https://us02web.zoom.us/webinar/register/WN_w6j1gkUsQcy800w5BaYyDQ

Earnings Conference Call in English

October 21, 2020

12 p.m. (São Paulo) | 4 p.m. (London) | 11:00 a.m. (New York)

Dial-in numbers:

ID: 818 1530 6828

https://us02web.zoom.us/webinar/register/WN_E70a607bQS

**Santa Bárbara d'Oeste - SP,
October 20, 2020**

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 Rough and Machined Cast Iron Parts, announces its results for the third quarter of 2020 ("3Q20"). 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).

Statements contained in this release related to Romi'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 future performance. These expectations are highly dependent upon market behavior, economic situation in Brazil, the industry and international markets. Therefore, they are subject to changes.

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Highlights

Incoming orders reach R\$ 313.4 million, an increase of 65.5% compared to 3Q19

The net operating revenue of the Rough and Machined Cast Iron Parts Unit grew by 74.9% in 3Q20 over 3Q19, due to the deliveries of large parts. The operating margin posted a growth of 10.1 p.p., reflecting the higher production volume, evolution in operational efficiency and higher revenue;

- At the Romi Machines Unit, the net operating revenue increased by 12.4% in 3Q20 compared to 3Q19 due to the resumption of orders from June of this year. The increase in revenue, with the reduction in operating expenses, resulted in an expansion of the operating margin, which in the same comparison period grew by 6.3 p.p.;
- Incoming orders at the Romi Machines Unit recorded growth of 140.3% in 3Q20 as compared to 3Q19, reflecting the very favorable environment for investments and new business alternatives, such as the machine rental business;
- Incoming orders at the Rough and Machined Cast Iron Parts Unit increased by 40.9% in 3Q20 over 3Q19, reflecting the large parts for the energy sector and the gradual resumption of all other industrial segments;
- The order backlog grew by 40.9% at the end of the third quarter of 2020 as compared to September 30, 2019, with highlights to the Romi Machines and Rough and Machined Cast Iron Parts Business Units.

R\$'000	Quarterly					Accumulated		
	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19	9M19	9M20	Chg. 2020/2019
Revenues Volume								
Romi Machines (units)	242	137	230	67.9%	-5.0%	551	531	-3.6%
Burkhardt + Weber (units)	12	5	2	-60.0%	-83.3%	22	10	-54.5%
Rough and Machined Cast Iron Parts (tons)	4,286	4,263	7,056	65.5%	64.6%	11,689	15,415	31.9%
Net Operating Revenue	246,500	196,012	250,554	27.8%	1.6%	535,125	612,507	14.5%
Gross margin (%)	29.6%	28.1%	31.6%			26.1%	29.8%	
Operating Income (EBIT)	27,334	10,300	30,847	199.5%	12.9%	82,097	45,861	-44.1%
Operating margin (%)	11.1%	5.3%	12.3%			15.3%	7.5%	
Operating Income (EBIT) - adjusted (*)	27,334	10,300	30,847	199.5%	12.9%	7,776	46,816	502.1%
Operating margin (%) - adjusted (*)	11.1%	5.3%	12.3%			1.5%	7.6%	
Net Income	27,891	11,359	36,117	218.0%	29.5%	110,844	88,293	-20.3%
Net margin (%)	11.3%	5.8%	14.4%			20.7%	14.4%	
Net Income - adjusted (*)	27,891	11,359	36,117	218.0%	29.5%	9,454	53,319	464.0%
Net margin (%) - adjusted (*)	11.3%	5.8%	14.4%			1.8%	8.7%	
EBITDA	35,528	19,221	40,078	108.5%	12.8%	106,922	72,570	-32.1%
EBITDA margin (%)	14.4%	9.8%	16.0%			20.0%	11.8%	
EBITDA - adjusted (*)	35,528	19,221	40,078	108.5%	12.8%	32,601	73,525	125.5%
EBITDA margin (%) - adjusted (*)	14.4%	9.8%	16.0%			6.1%	12.0%	
Investments (**)	5,591	3,351	18,540	453.3%	231.6%	18,774	28,207	50.2%

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

(*) 9M19: As described in the "Success in Legal Proceeding" section of this report, the Company recognized in the financial statements for 1Q19 the effects of the favorable final decision on the tax proceeding (judicial proceeding on the exclusion of ICMS from the PIS and COFINS tax base). The effects impacted the financial information as follows: (i) EBIT/EBITDA: increased by R\$ 74,321 thousand, due to the recognition of the original amount of the proceeding under "Other operating income (expenses)"; and (ii) result for the period: increased by the impact of the net gain of R\$ 105,564 thousand, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of the interest on capital proposed in March 2019, as per the Shareholders Notice dated March 26, 2019. In 2Q19, the Company reviewed the calculations related to the success in tax proceeding, named Summer Plan, recognized in the financial statements for 2Q18. As a result of this review, the result for 2Q19 was impacted (decreased) by R\$ 4,174 thousand, already considering the effects of income tax and social contribution.

9M20: As described in the "Success in Legal Proceeding (Plano Verão)" section of this report, the Company recognized in the financial statements for 1Q20 the effects of the favorable final decision on the tax proceeding (Plano Verão), which impacted the quarterly results as follows: (i) EBIT/EBITDA: decreased by R\$1.0 million, due to the recognition of expenses with legal fees, under "Other operating income (expenses), net"; (ii) financial result: increased by R\$25.1 million as a result of the monetary restatement of the original amount of the tax credits; (iii) income tax and social contribution: increased by R\$10.8 million, due to the original amount of the credits; and (iv) profit for the period: increased by the impact of the net gain of R\$35.0 million, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of the interest on capital proposed in April 2020, as per the Shareholders Notice dated March 17, 2020.

(**) the investments made during the year 2020, the amount of R \$ 13.7 million refers to machines manufactured by the Company that were allocated to the machinery rental business, a new solution launched earlier this year

Corporate Profile



Romi, founded in 1930, is the leader in the Brazilian industrial machinery and equipment market, and an important manufacturer of rough 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, Computerized Numerical Control (CNC) 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 globally 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 thirteen manufacturing units, four of which for final assembly of industrial machinery, two foundries, four units for machining of mechanical components, two units for manufacture of steel sheet components, and one unit for assembly of electronic panels. Of these, eleven are located in Brazil and two in Germany. The installed capacity of industrial machines and casting production is of, respectively, about 2,900 units and 50,000 tons per year.

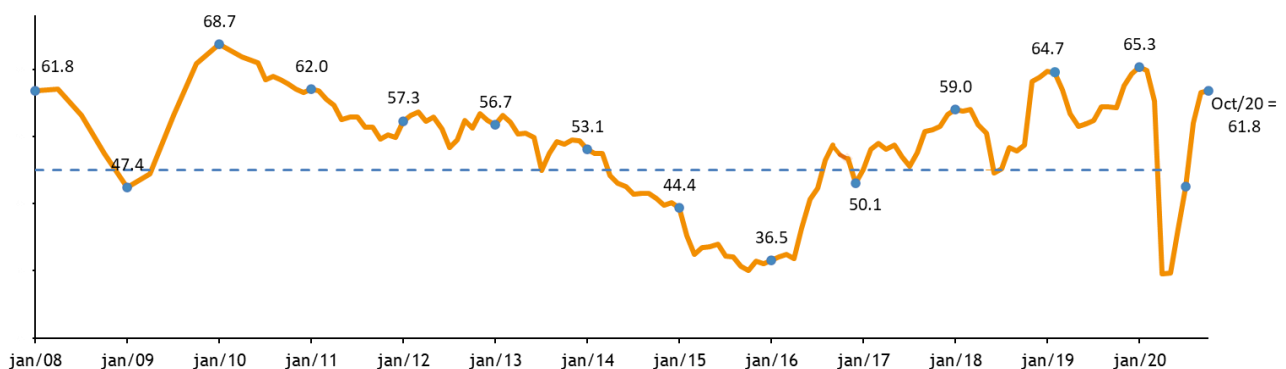
Current Economic Scenario

The year 2020 started with the continuity of the economic recovery, but with the declaration of the pandemic state, from mid-March, the volume of business suffered a temporary reduction although more recently there was an important recovery in Romi Machines' incoming orders. Although the environment still presents uncertainties, the reduction in interest rates and the devaluation of the Real currency have stimulated the industry and the country in general to allocate a larger share of capital in the productive economy, and this impacts mainly the Romi Machines and Rough and Machined Cast Iron Parts Units. As of June of this year, we have seen a solid recovery in relation to the volume of business carried out in March and April, which can be seen in the volume of incoming orders in 3Q20.

In the foreign market, we have also noticed a gradual recovery of orders for machines, both for Romi Machines and B+W Machines, the latter with an increasing volume of opportunities, mainly in Asia.

In view of the scenario of uncertainty generated by Covid-19, we identified, as shown below, a strong recovery in the Industrial Entrepreneur Confidence Index (ICEI), to a level considered adequate for new investments.

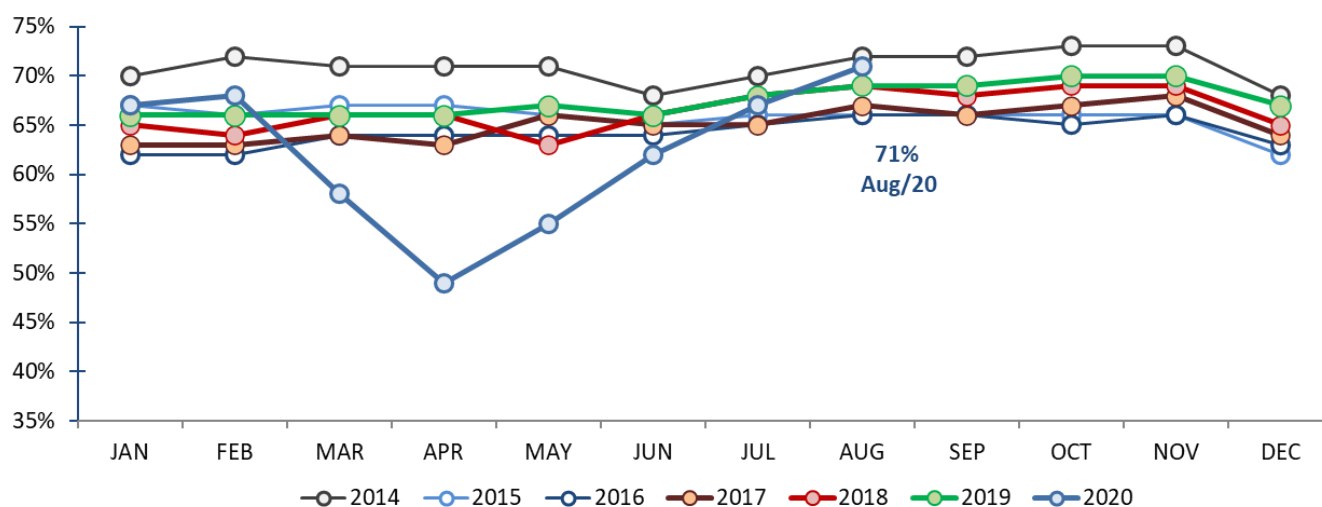
Industrial Entrepreneur Confidence Index – ICEI



Source: CNI - ICEI, October 2020

The Installed Capacity Utilization (UCI) index of the Brazilian industry in general, as released by the National Confederation of Industries (CNI), also suffered the impact of the pandemic as of March, however, we identified a significant recovery in this index over the last few months, returning to pre-COVID-19 levels.

Average Installed Capacity Utilization (UCI)



Source: CNI - UCI, August 2020

Due to the scenario of uncertainty and high volatility we continue to implement actions to streamline our structure and render the planning and manufacturing process ever more agile and flexible to respond quickly to the demand volatility. Over the past few years, we have made several optimizations, especially in indirect structures, and in 2Q20 EBIT and EBITDA are impacted by approximately R\$ 4,300 thousand in costs with structure adjustment. We reinforced the focus on cost and expense reduction projects, in addition to investing in automation and productivity, focusing on the increase of profitability, which can be noted since 2017. Strategically, we have defined the launch of new product generations as a priority. The first lines are already successful in the domestic and international markets. This gives us great confidence that we are very well prepared for the rekindling of the domestic and foreign economies.

Impacts from COVID-19

In March of this year, with the beginning of mobility restrictions in the face of the pandemic related to Covid-19, the global scenario for the industry began to show significant changes. The first Romi units to feel the effects of the pandemic were those located in Europe, a continent heavily impacted by COVID-19. In view of this scenario, we saw a fall in the origination of our business due to the numerous social restrictions in the countries where Romi operates. However, although we are still experiencing a scenario of uncertainty, starting in June, with an environment of lower interest rates, a devalued Real currency and inflation with reasonable limits, we saw an important recovery in the volume of new business in the domestic market.

In view of the global pandemic situation, the Company's Management adopted all health recommendations of the competent bodies and additionally established the suspension of all operations in Brazil, on March 24, 2020, for the risk group, and, on March 30, 2020, for the other employees, until April 21, 2020, through vacations, working hours bank and exchange of holidays. We also inform that at the present day we are operating normally, with several additional safety measures, according to the protocol created by Romi in line with the best practices provided by the competent authorities.

Analyzing the results for the first nine months of 2020, the above decision or any other decision did not have a material impact on operations, since most of the equipment, rough and machined cast iron parts, and other areas of the Company were able to deliver to our customers within the originally agreed terms.

The supply chain continues to produce and is able to deliver on the agreed levels, not posing a high risk of interruption in production due to the lack of national and imported raw materials and components.

Market

The Company's main leading edges in the market; namely, products with cutting-edge technology, own nationwide distribution network, own 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.

Incoming Orders

Order Entry (R\$ 000)	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19	9M19	9M20	Chg. 20/19
Gross Values, sales taxes included								
Romi Machines	92,885	109,324	223,189	104.2%	140.3%	280,894	420,137	49.6%
Burkhardt+Weber Machines	36,673	-	6,012	0.0%	-83.6%	110,267	26,194	-76.2%
Rough and Machined Cast Iron Parts	59,774	73,095	84,236	15.2%	40.9%	163,412	236,946	45.0%
Total *	189,331	182,418	313,436	71.8%	65.5%	554,573	683,278	23.2%

*The informed amounts related to incoming orders and order backlog do not include parts and services.

Even with the current scenario of uncertainty, the recovery of industrial activities, the improvement of industrial entrepreneur confidence, as well as the reduction of the basic interest rate and the exchange rate devaluation boosted the volume of incoming orders at the Romi Machines Unit observed in 3Q20, which increased by 140.3% compared to 3Q19. Further to the new generation of products described above the Company has been looking for new alternatives to enable new businesses, such as the leasing of machines, and these initiatives contributed to the good results. At German subsidiary B + W, there was a reduction in incoming orders of 83.6% when compared to 3Q19, reflecting the pandemic in the world economy, however, in the last few months, we have noticed the return of business opportunities, mainly in Asia.

The Rough and Machined Cast Iron Parts Unit posted, in 3Q20, a 40.9% increase in incoming orders, when compared to 3Q19, demonstrating not only the continuity of business of large castings for the energy segment, but also a resumption of other sectors served by this business unit.

Order Backlog

Order Backlog (R\$ 000)	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19
Gross Values, sales taxes included					
Romi Machines	112,472	151,191	255,346	68.9%	127.0%
Burkhardt+Weber Machines	151,062	118,574	89,526	-24.5%	-40.7%
Rough and Machined Cast Iron Parts	71,624	130,080	127,262	-2.2%	77.7%
Total *	335,158	399,845	472,134	18.1%	40.9%

*The informed amounts related to incoming orders and order backlog do not include parts and services.

At the end of the third quarter of 2020, the order backlog grew by 40.9% compared to the same period in 2019. This growth is related to the higher business volume in Romi Machines' domestic market, where we noticed an important resumption of investments as from June 2020. In addition, the heavy parts market at the Foundry continues quite heated, as can be seen in the growth in the volume of new orders at this unit.

Operational Performance

Net Operating Revenue by Business Unit

Net operating revenue posted by the Company in 3Q20 reached R\$ 250.6 million, 1.6% higher than in 3Q19. In the nine-month period, growth was 14.5%, with emphasis, in both comparison periods, on the Romi Machines and Rough and Machined Cast Iron Parts Business Units.

Net Operating Revenue (R\$ 000)	Quarter					Accumulated		
	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19	9M19	9M20	Chg. 20/19
Romi Machines	112,824	76,250	126,823	66.3%	12.4%	261,481	285,576	9.2%
Burkhardt+Weber Machines	89,607	70,082	46,672	-33.4%	-47.9%	159,731	153,461	-3.9%
Rough and Machined Cast Iron Parts	44,069	49,680	77,059	55.1%	74.9%	113,913	173,470	52.3%
Total	246,500	196,012	250,554	27.8%	1.6%	535,125	612,507	14.5%

Romi Machines

The net operating revenue of this Business Unit reached R\$ 126.8 million in 3Q20, an increase of 12.4%, when compared to 3Q19, reflecting the recovery in the volume of orders as of June of that year. Even in the face of the pandemic scenario, a large part of the machines were properly produced and delivered to our customers on time.

Burkhardt+Weber Machines

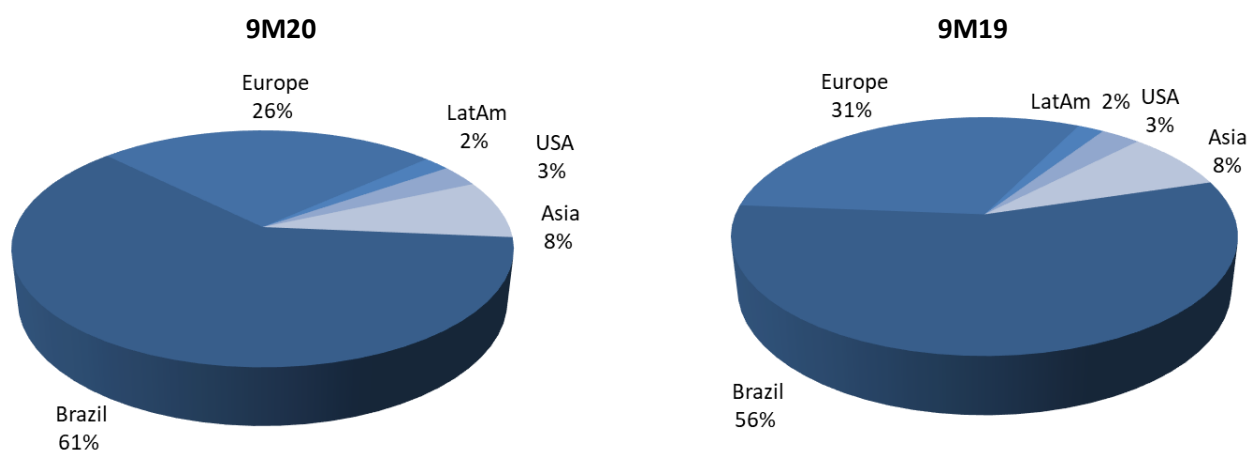
In 3Q20, the revenue of the German subsidiary B+W, in Reais, was 47.9% lower than in 3Q19. The order backlog for equipment to be delivered throughout 2020 is robust and continues with its schedules maintained.

Rough and Machined Cast Iron Parts

The net operating revenue of this Business Unit was R\$ 77 million in 3Q20, an increase of 74.9% as compared to 3Q19, due to the continuity of business related to large rough and machined cast iron parts for the energy sector.

Net Operating Revenue by Geographical Region

The domestic market accounted for 61% of Romi's consolidated revenue in 9M20 (56% in 9M19). Considering the revenue obtained in foreign markets, which takes into account sales by Romi's subsidiaries abroad (Germany, China, United States, Italy, United Kingdom, France, Mexico and Spain) and direct sales to other markets, the distribution of Romi's consolidated revenue by geographical region was the following:



The following shows the foreign market revenue, in Reais (R\$) and in US dollars (US\$):

Foreign Sales	Quarter					Accumulated		
	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19	9M19	9M20	Chg. 1H19/1H18
Net Sales (R\$ million)	123.6	101.5	79.7	-21.4%	-35.5%	242.4	241.4	-0.4%
Net Sales (US\$ million)	30.7	18.6	14.7	-21.4%	-52.3%	61.5	46.2	-24.8%

In the foreign market, Europe decreased its share of consolidated revenue in 9M20, from 31% to 26%, due to the projects of the German subsidiary B+W being more concentrated in Asia. Latin America maintained its share, mainly in South America. The USA showed a slight drop in its share in 9M20, reflecting the increase in sales from B+W to Asia.

Operating Costs and Expenses

The gross margin obtained in 3Q20 was 31.6%, an increase of 2.0 p.p. as compared to 3Q19. The adjusted operating margin (adjusted EBIT) increased by 1.2 p.p. in the same period. The higher volume of revenues, combined with the control of operating expenses, resulted in significant growth in operating margins.

Gross Margin	Quarter					Accumulated		
	3Q19	2Q20	3Q20	Chg. p.p. 3Q20/2Q20	Chg. p.p. 3Q20/3Q19	9M19	9M20	Chg. pp 2020/2019
Romi Machines	40.6%	41.3%	45.2%	3.9	4.6	40.8%	43.8%	3.0
Burkhardt+Weber Machines	24.1%	18.1%	11.5%	(6.6)	(12.6)	15.6%	16.1%	0.5
Rough and Machined Cast Iron Parts	12.8%	21.8%	21.5%	(0.3)	8.7	7.4%	19.0%	11.6
Total	29.6%	28.1%	31.6%	3.6	2.0	26.1%	29.8%	3.7

EBIT Margin						Accumulated		
	2Q18	1Q19	3Q20	Chg. p.p. 3Q20/2Q20	Chg. p.p. 3Q20/3Q19	9M19	9M20	Chg. pp 2020/2019
Romi Machines	3.4%	77.1%	16.4%	16.0	6.3	28.5%	14.7%	(13.8)
Burkhardt+Weber Machines	-20.2%	-67.0%	10.3%	(11.7)	(21.0)	-3.3%	-4.7%	(1.3)
Rough and Machined Cast Iron Parts	6.8%	44.4%	-0.9%	0.2	10.1	11.3%	6.4%	(4.9)
Total	0.1%	46.7%	11.1%	7.1	1.2	15.3%	7.5%	(7.9)

EBIT Margin - Adjusted						Accumulated		
	3Q19	2Q20	3Q20	Chg. p.p. 3Q20/2Q20	Chg. p.p. 3Q20/3Q19	9M19	9M20	Chg. pp 2020/2019
Romi Machines	16.4%	6.7%	22.7%	16.0	6.3	8.0%	15.0%	7.0
Burkhardt+Weber Machines	10.3%	1.1%	-10.6%	(11.7)	(21.0)	-3.3%	-4.7%	(1.4)
Rough and Machined Cast Iron Parts	-0.9%	8.9%	9.2%	0.2	10.1	-7.0%	6.4%	13.4
Total	11.1%	5.3%	12.3%	7.1	1.2	1.5%	7.6%	6.1

(*) As described in the highlights of this report.

Romi Machines

The gross margin of this Business Unit in 3Q20 grew by 4.6 p.p. when compared to 3Q19, reflecting the product mix and the expansion of export margins due to the devaluation of the Real. The aforementioned aspects, combined with the effective control of operating expenses, resulted in an expansion of 6.3 p.p. in the adjusted operating margin (adjusted EBIT), in the same comparison period.

Burkhardt+Weber Machines

The gross margin and operating margin of this Business Unit in 3Q20 increased by 12.6 p.p. and 21.0 p.p. as compared to 3Q19, respectively. The lower volume of machines forecast for 3Q20 and the consequent reduction in revenues resulted in a decrease in operating margins.

Rough and Machined Cast Iron Parts

The gross margin of this Business Unit in 3Q20 grew by 8.7 p.p. as compared to 3Q19, as well as the adjusted operating margin (adjusted EBIT), which in the same comparison period grew by 10.1 p.p. This growth is due to the higher volume of revenues and production in 3Q20, reflecting the deliveries of large rough and machined cast iron parts and projects focused on improving productivity and operational efficiency.

EBITDA and EBITDA Margin

In 3Q20, the operating cash generation as measured by EBITDA amounted to R\$ 40.1 million, representing an EBITDA margin of 16% in the quarter, as indicated in the following table:

Reconciliation of Net Income to EBITDA (R\$ 000)	Quarterly					Accumulated		
	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19	9M19	9M20	Chg. 2020/2019
Net Income	27,891	11,359	36,117	218.0%	29.5%	110,844	88,293	-20.3%
Income tax and social contributions	1,043	1,336	(4,831)	-461.6%	-563.2%	31,735	(13,512)	-142.6%
Net Financial Income	(1,600)	(2,395)	(439)	-81.7%	-72.6%	(60,482)	(28,920)	-52.2%
Depreciation and amortization	8,194	8,921	9,231	3.5%	12.7%	24,823	26,709	7.6%
EBITDA	35,528	19,221	40,078	108.5%	12.8%	106,919	72,570	-32.1%
EBITDA Margin	14.4%	9.8%	16.0%	0.63	0.11	20.0%	11.8%	(0.41)
EBITDA - Adjusted (*)	35,528	19,221	40,078	108.5%	12.8%	32,600	73,525	125.5%
EBITDA Margin - Adjusted (*)	14.4%	9.8%	16.0%	0.63	0.11	6.1%	12.0%	0.97
Total Net Operating Revenue	246,500	196,012	250,554	27.8%	1.6%	535,125	612,507	14.5%

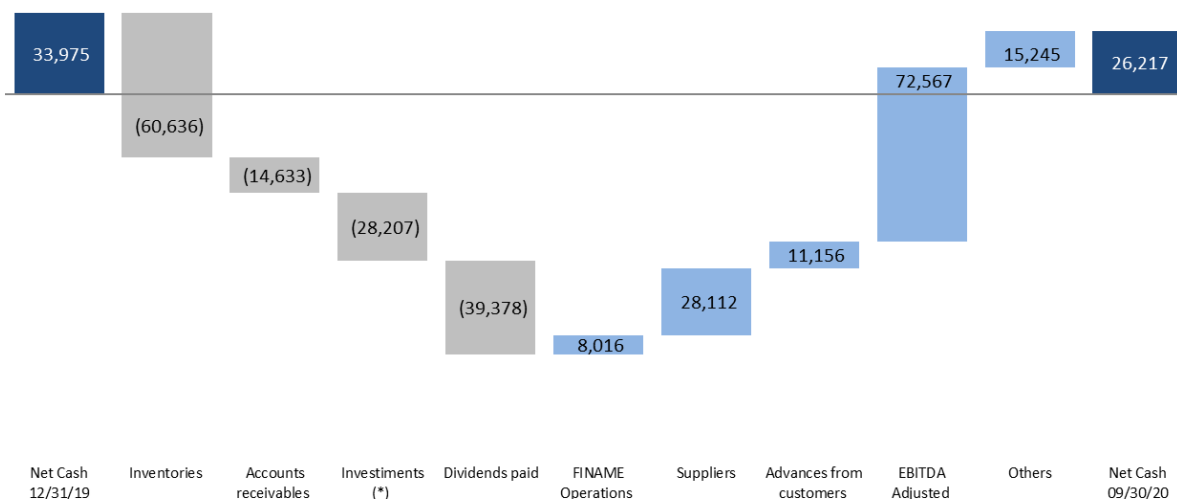
(*) As described in the highlights of this report.

Result for the Period

The result for 3Q20 was positive by R\$ 36.1 million.

Evolution of the Net Cash (Debt) Position

The main variations in the net cash position during 9M20 are described below in R\$'000:



(*) "Investment" balances are net of the impacts recognized in accordance with CPC 06 (R2) Leases, equivalent to the international standard IFRS 16 - Leases.

The evolution of the net cash position in 9M20 presented the following main variations:

- Increase in inventory level due to higher volume of purchases in order to ensure adequate availability of products for customers and fulfillment of the order backlog, which had a significant growth as compared to December 2019;
- Payment of interest on capital proposed in March and December 2019, paid in January and March 2020, respectively, in the total net amount of R\$ 39.4 million; and
- Investments made in 9M20, most of which were for maintenance, productivity, flexibility and competitiveness for the other units in the industrial facilities, all within the investment plan already scheduled for the year.

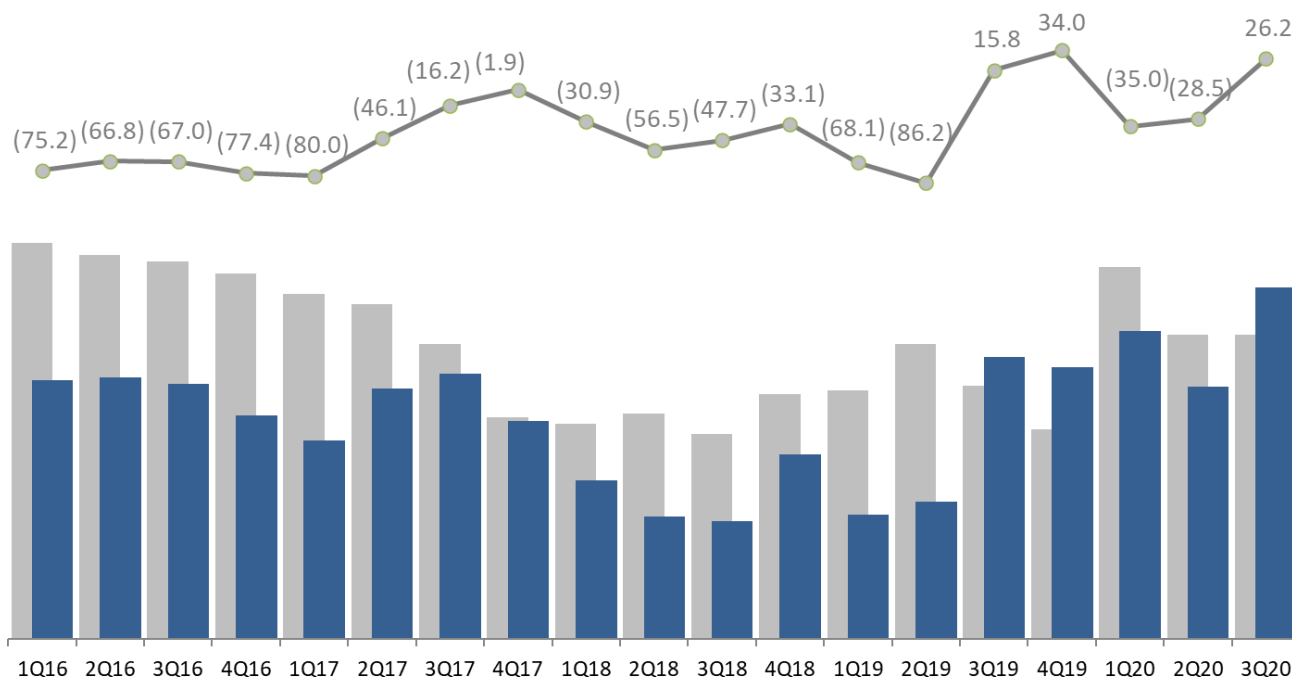
Financial Position

Short-term investments are made with prime financial institutions with low credit risk and their yield is mainly pegged to the Interbank Certificate of Deposit (CDI). The consolidated net cash (debt) position as at September 30, 2020 was negative by R\$ 26.2 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. As at September 30, 2020, the amount of financing in local currency was R\$ 73.9 million, and in foreign currency, R\$ 92.4 million, totaling R\$ 166.4 million, of which R\$ 123.1 million maturing in up to 12 months.

As at September 30, 2020, the Company recorded 192.6 million as cash and cash equivalents and short-term investments.

Net Cash (Debt) Position
R\$ million



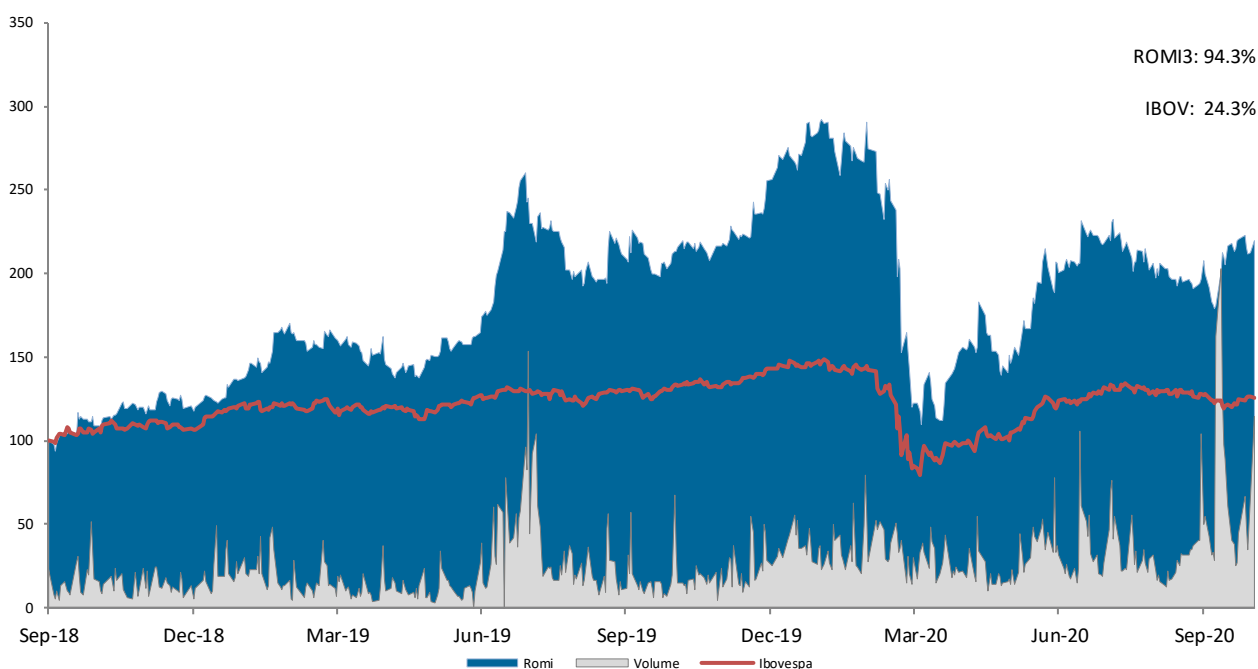
The balances of "Finame Manufacturer Financing" are not used in the calculation of net debt of the Company.

As at September 30, 2020, the Company did not have any derivative transactions.

Capital Market

Share Performance ROMI3 vs. Ibovespa

From 09/28/2018 to 10/19/2020



Source: B3.

On October 19, 2020, the Company's common shares (ROMI3), which were quoted at R\$12.92, posted valuation of -6.8% since September 30, 2019 and 94.3% since September 28, 2018. Ibovespa recorded valuation of -5.8% and 24.3% in the same periods.

The Company's market capitalization on October 19, 2020 was R\$812.1 million. The average daily trading volume during 3Q20 was R\$4.4 million.

Success in Legal Proceedings

“Plano Verão”

On February 22, 2017, the Company obtained a favorable outcome in the proceeding in which the Company was the plaintiff and the Federal Government was the defendant, which claimed for the right to monetarily restate the balance sheet for the calendar year 1989 by reference to the inflation for January and February of that year and to dismiss the inflation indexes of the legislation then in force (Plano Verão). After the final and unappealable decision, the Company measured the amounts arising from the proceeding, and on February 17, 2020, it filed a request with the Federal Revenue Office for authorization related to the inflationary purge on the assets for the purposes of determining the complementary balance of the depreciation and its respective effects on the calculation of income tax and social contribution over the years.

On March 16, 2020, the Federal Revenue Office approved the request regarding this credit, authorizing the Company to utilize it to offset future federal taxes. The Company recognized in the financial statements for 1Q20 the effects from the favorable outcome on the tax proceeding “Plano Verão”, which impacted the result for 1Q20 as follows: (i) EBIT/ EBITDA: decreased by R\$ 955, due to the recognition of expenses on attorney’s fees, in line item “Other operating income (expenses), net”; (ii) finance result: increased by R\$ 25,135, due to the monetary restatement of the original amount of the credits; (iii) income tax and social contribution: increased by R\$ 10,794, regarding the original amount of the credits; and (iv) profit for the period: increased by the impact of the net gain of R\$ 34,974, already including the effects of income tax and social contribution on the gain, which was reduced by the use of the interest on capital proposed in March 2020, as per the Shareholder Notice dated March 17, 2020.

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 restatement indexes recognized by the courts.

Eletrobrás Proceedings

In June 2020, the Company became aware, through its lawyers, of the success in a relevant legal proceeding filed by the Company against Centrais Elétricas Brasileiras SA - Eletrobrás, whose object is to obtain the difference in monetary restatement, from 1978 to 1993, in calculations of compulsory loan on electricity.

The amount to be credited to the Company’s bank account, subject to online pledge made in Eletrobrás’ account, net of attorney’s fees, is R\$ 41.3 million before taxes, with an impact on estimated profit for the period of R\$ 30 million.

The defendant, Eletrobrás, still has procedural steps for appeals, which, although in the opinion of the Company's legal counsel are unlikely to be successful, will be subject to appreciation by the courts. Therefore, the Company's management understands that said asset meets the requirements of a contingent asset, therefore, it is not subject to accounting recognition at this time.

At this time, the Company will not estimate the term for the legal proceeding to be concluded and the referred credit amount to be received in its bank account, considering the procedural steps that may vary depending on the action from the opposing party.



Consolidated Balance Sheet

IFRS (R\$ 000)

	09/30/19	12/31/19	06/30/20	09/30/20	LIABILITIES AND SHAREHOLDER'S EQUITY			
ASSETS	09/30/19	12/31/19	06/30/20	09/30/20	09/30/19	12/31/19	06/30/20	09/30/20
CURRENT	823,557	760,182	879,539	938,737	CURRENT	450,524	395,429	558,173
Cash and Cash equivalents	153,621	147,807	137,711	180,472	Loans and financing	113,555	91,649	123,144
Financial investments	676	683	519	12,097	FINAME manufacturer financing	73,800	82,177	110,550
Trade accounts receivable	173,790	140,395	157,429	156,057	Trade accounts payable	62,158	51,451	67,630
Onlending of FINAME manufacturer financing	91,990	97,053	114,768	127,978	Payroll and related taxes	35,690	21,288	29,941
Inventories	366,104	344,878	415,997	405,514	Taxes payables	7,372	15,553	13,124
Recoverable taxes	16,762	15,347	38,001	36,574	Advances from customers	86,334	68,200	79,356
Other receivables	20,614	14,019	15,114	20,045	Related parties	256	1,205	608
Judicial Deposits	2,016	-	-	-	Dividends	47,682	39,523	33,081
					Provision for contingent liabilities	-	806	944
					Other payables	23,677	23,577	33,865
NON CURRENT	244,369	265,282	275,816	288,733	NON CURRENT	201,280	212,930	266,807
Trade accounts receivable	10,233	11,489	10,624	10,460	Loans and financing	24,919	22,866	43,208
Onlending of FINAME manufacturer financing	144,959	166,959	163,997	177,228	FINAME manufacturer financing	138,487	152,786	173,623
Recoverable taxes	53,487	54,401	68,146	63,169	Deferred income and social contribution taxes	31,912	31,630	42,416
Deferred income and social contribution taxes	28,895	24,822	26,169	31,068	Reserve for contingencies	910	454	605
Judicial Deposits	2,016	1,930	1,877	1,887	Other payables	5,052	5,194	3,752
Other receivables	4,779	5,681	5,003	4,921				
Investments					SHAREHOLDER'S EQUITY	754,217	757,284	809,051
Property, Plant and Equipment	265,501	269,235	291,445	310,912	Capital	492,025	492,025	492,025
Investment Properties	18,398	18,181	18,163	18,163	Retained earnings	216,216	219,482	233,845
Intangible assets	55,709	54,361	71,146	74,956	Cumulative translation adjustments	45,976	45,777	83,181
					NON CONTROLLING INTERESTS	1,513	1,598	1,492
TOTAL ASSETS	1,407,534	1,367,241	1,536,109	1,631,501	TOTAL SHAREHOLDER'S EQUITY	755,730	758,882	810,606
					TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,407,534	1,367,241	1,536,109
					TOTAL ASSETS	1,407,534	1,367,241	1,536,109

Consolidated Income Statement

IFRS (R\$ thousand)

	3Q19	2Q20	3Q20	Chg. 3Q20/2Q20	Chg. 3Q20/3Q19	9M19	9M20	Chg. 2020/2019
Net Operating Revenue	246,500	196,012	250,554	27.8%	1.6%	535,125	612,507	14.5%
Cost of Goods Sold	(173,450)	(140,976)	(171,261)	21.5%	-1.3%	(395,218)	(429,895)	8.8%
Gross Profit	73,050	55,036	79,293	44.1%	8.5%	139,907	182,612	30.5%
<i>Gross Margin %</i>	<i>29.6%</i>	<i>28.1%</i>	<i>31.6%</i>			<i>26.1%</i>	<i>29.8%</i>	
Operating revenues (expenses)	(45,716)	(44,736)	(48,446)	8.3%	6.0%	(57,811)	(136,751)	136.5%
Selling expenses	(22,531)	(20,373)	(21,746)	6.7%	-3.5%	(61,969)	(61,200)	-1.2%
Research and development expenses	(5,286)	(5,474)	(5,937)	8.5%	12.3%	(15,794)	(16,481)	4.3%
General and administrative expenses	(16,743)	(17,579)	(18,296)	4.1%	9.3%	(51,467)	(53,068)	3.1%
Management profit sharing and compensation	(1,785)	(2,181)	(3,425)	57.0%	91.9%	(4,838)	(7,586)	56.8%
Other operating income, net	629	871	958	10.0%	52.3%	76,257	1,584	-97.9%
Operating Income (loss) before Financial Results	27,334	10,300	30,847	199.5%	12.9%	82,097	45,861	-44.1%
<i>Operating Margin %</i>	<i>11.1%</i>	<i>5.3%</i>	<i>12.3%</i>			<i>15.3%</i>	<i>7.5%</i>	
Financial Results, Net	1,600	2,395	439	-81.7%	-72.6%	60,483	28,920	-52.2%
Financial income	3,325	2,639	1,099	-58.4%	-66.9%	66,640	31,031	-53.4%
Financial expenses	(1,187)	(2,673)	(3,153)	18.0%	165.6%	(3,496)	(7,968)	127.9%
Exchange gain (loss), net	(538)	2,429	2,493	2.6%	-563.4%	(2,661)	5,857	-320.1%
Operations Operating Income	28,934	12,695	31,286	146.4%	8.1%	142,579	74,781	-47.6%
Income tax and social contribution	(1,043)	(1,336)	4,831	-461.6%	-563.2%	(31,735)	13,512	-142.6%
Net income	27,891	11,359	36,117	218.0%	29.5%	110,844	88,293	-20.3%
<i>Net Margin %</i>	<i>11.3%</i>	<i>5.8%</i>	<i>14.4%</i>			<i>20.7%</i>	<i>14.4%</i>	
Net profit (loss) concerning:								
Controlling interests	27,835	11,320	36,082	218.7%	29.6%	110,683	88,160	-20.3%
Non controlling interests	56	38	35	-7.9%	-37.5%	161	133	-17.4%
	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>					
EBITDA	35,528	19,221	40,078	108.5%	12.8%	106,922	72,570	-32.1%
Profit (loss) for the period	27,891	11,359	36,117	218.0%	29.5%	110,844	88,293	-20.3%
Income tax and social contribution	1,043	1,336	(4,831)	-461.6%	-563.2%	31,735	(13,512)	-142.6%
Financial result, net	(1,600)	(2,395)	(439)	-81.7%	-72.6%	(60,482)	(28,920)	-52.2%
Depreciation and amortization	8,194	8,921	9,231	3.5%	12.7%	24,825	26,709	7.6%
<i>EBITDA Margin %</i>	<i>14.4%</i>	<i>9.8%</i>	<i>16.0%</i>			<i>20.0%</i>	<i>11.8%</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 (loss) per share - R\$	0.44	0.18	0.57	218.7%	29.6%	1.76	1.40	-20.3%

Consolidated Cash Flow Statement

IFRS (R\$ thousand)

	3Q19	2Q20	3Q20	9M19	9M20
Cash from operating activities					
Net Income before taxation	28.934	12.695	31.286	142.579	74.781
Financial expenses and exchange gain	1	5.440	(33.524)	(58.608)	(52.207)
Depreciation and amortization	8.192	8.922	9.231	24.823	26.710
Allowance for doubtful accounts and other receivables	1.017	806	(939)	(2.150)	945
Proceeds from sale of fixed assets and intangibles	(289)	(375)	(899)	(732)	(2.191)
Provision for inventory realization	(1.744)	3.349	1.977	(1.479)	10.716
Reserve for contingencies	(2.607)	(57)	150	(59.811)	141
Change on operating assets and liabilities					
Financial Investments	(8)	-	-	(187)	-
Trade accounts receivable	(36.672)	(11.672)	20.197	4.238	28.673
Related Parties	-	-	-	-	-
Onlending of Finame manufacturer financing	(16.306)	(4.747)	(25.583)	(23.604)	(41.008)
Inventories	16.306	(13.370)	8.953	(64.077)	(81.463)
Recoverable taxes, net	4.618	(21.604)	1.505	15.753	(36.241)
Judicial deposits	89.291	63	(10)	96.739	43
Other receivables	3.235	27.327	20.950	6.876	48.610
Trade accounts payable	(4.432)	(21.190)	10.660	15.512	23.065
Payroll and related taxes	5.375	10.814	7.588	9.868	16.241
Taxes payable	(780)	(1.906)	14.406	(35.497)	25.033
Advances from customers	258	4.746	1.976	14.868	11.156
Other payables	5.125	10.285	(2.763)	6.235	11.434
Cash provided by (used in) operating activities	99.514	9.526	65.161	91.346	64.438
Income tax and social contribution paid	(296)	(53)	(102)	(3.655)	(303)
Net Cash provided by (used in) operating activities	99.218	9.473	65.059	87.691	64.135
Financial Investments	-	3.137	(11.578)	-	(11.414)
Purchase of fixed assets	(5.699)	(3.351)	(19.207)	(25.766)	(28.874)
Sales of fixed assets	492	633	(1)	1.112	1.737
Purchase of intangible assets	(28)	(447)	(111)	(610)	(774)
Net cash Used in Investing Activities	(21.045)	(28)	(30.897)	(25.264)	(39.325)
Interest on capital paid	(105)	1	(98)	(24.027)	(39.618)
New loans and financing	44.945	180	63.591	95.977	151.800
Payments of loans and financing	(72.160)	(44.779)	(71.241)	(93.468)	(136.874)
Interests paid (including Finame manufacturer financing)	(6.507)	(3.783)	(3.844)	(18.382)	(11.988)
New loans in Finame manufacturer	39.174	29.966	40.598	83.622	111.045
Payment of Finame manufacturer financing	(19.055)	(15.420)	(17.126)	(52.063)	(54.044)
Net Cash provided by (used in) Financing Activities	(13.708)	(33.835)	11.880	(8.341)	20.321
Increase (decrease) in cash and cash equivalents	64.465	(24.390)	46.042	54.086	45.131
Exchange variation changes on cash and cash equivalents abroad	(1.218)	(2.968)	(3.280)	(893)	(12.466)
Cash and cash equivalents - beginning of period	74.564	165.069	137.710	100.428	147.807
Cash and cash equivalents - end of period	153.621	137.711	180.472	153.621	180.472

Attachment I – Income Statement by Business Unit

Income Statement by Business Units - 3Q20

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Rough and Machined Cast Iron Parts	Total
Net Operating Revenue	126,823	46,672	77,059	250,554
Cost of Sales and Services	(63,133)	(41,304)	(66,824)	(171,261)
Business Units Transfers	410	-	6,742	7,152
Business Units Transfers	(6,742)	-	(410)	(7,152)
Gross Profit	57,358	5,368	16,567	79,293
<i>Gross Margin %</i>	<i>45.2%</i>	<i>11.5%</i>	<i>21.5%</i>	<i>31.6%</i>
Operating Expenses	(28,617)	(10,332)	(9,497)	(48,446)
Selling	(17,897)	(2,477)	(1,372)	(21,746)
General and Administrative	(5,971)	(7,855)	(4,470)	(18,296)
Research and Development	(4,346)	-	(1,591)	(5,937)
Management profit sharing	(1,361)	-	(2,064)	(3,425)
Other operating revenue	958	-	-	958
Operating Income (loss) before Financial Results	28,741	(4,964)	7,070	30,847
<i>Operating Margin %</i>	<i>22.7%</i>	<i>-10.6%</i>	<i>9.2%</i>	<i>12.3%</i>
Operating loss before Financial Results - Adjusted (*)	28,741	(4,964)	7,070	30,847
<i>Operating Margin % - Adjusted (*)</i>	<i>22.7%</i>	<i>-10.6%</i>	<i>9.2%</i>	<i>12.3%</i>
Depreciation and amortization	3,412	3,009	2,810	9,231
EBITDA	32,153	(1,955)	9,880	40,078
<i>EBITDA Margin %</i>	<i>25.4%</i>	<i>-4.2%</i>	<i>12.8%</i>	<i>16.0%</i>
EBITDA - Adjusted (*)	32,153	(1,955)	9,880	40,078
<i>EBITDA Margin % - Adjusted (*)</i>	<i>25.4%</i>	<i>-4.2%</i>	<i>12.8%</i>	<i>16.0%</i>

Income Statement by Business Units - 3Q19

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Raw and Machined Cast Iron Parts	Total
Net Operating Revenue	112,824	89,607	44,069	246,500
Cost of Sales and Services	(60,360)	(67,996)	(45,094)	(173,450)
Business Units Transfers	613	-	7,266	7,879
Business Units Transfers	(7,266)	-	(613)	(7,879)
Gross Profit	45,811	21,611	5,628	73,050
<i>Gross Margin %</i>	<i>40.6%</i>	<i>24.1%</i>	<i>12.8%</i>	<i>29.6%</i>
Operating Expenses	(27,319)	(12,354)	(6,043)	(45,716)
Selling	(15,260)	(5,722)	(1,549)	(22,531)
General and Administrative	(7,133)	(6,632)	(2,978)	(16,743)
Research and Development	(4,451)	-	(835)	(5,286)
Management profit sharing	(1,104)	-	(681)	(1,785)
Other operating revenue	629	-	-	629
Operating Income (loss) before Financial Results	18,492	9,257	(415)	27,334
<i>Operating Margin %</i>	<i>16.4%</i>	<i>10.3%</i>	<i>-0.9%</i>	<i>11.1%</i>
Depreciation and amortization	2,886	2,207	3,101	8,194
EBITDA	21,378	11,464	2,686	35,528
<i>EBITDA Margin %</i>	<i>18.9%</i>	<i>12.8%</i>	<i>6.1%</i>	<i>14.4%</i>

Income Statement by Business Units - 9M20

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron Parts	Total
Net Operating Revenue	285,577	153,460	173,470	612,507
Cost of Sales and Services	(144,724)	(128,777)	(156,394)	(429,895)
Business Units Transfers	960	-	16,842	17,802
Business Units Transfers	(16,842)	-	(960)	(17,802)
Gross Profit	124,971	24,683	32,958	182,612
<i>Gross Margin %</i>	<i>43.8%</i>	<i>16.1%</i>	<i>19.0%</i>	<i>29.8%</i>
Operating Expenses	(83,003)	(31,836)	(21,911)	(136,750)
Selling	(47,506)	(10,469)	(3,225)	(61,200)
General and Administrative	(20,798)	(21,367)	(10,903)	(53,068)
Research and Development	(12,581)	-	(3,900)	(16,481)
Management profit sharing	(3,703)	-	(3,883)	(7,586)
Other operating revenue	1,585	-	-	1,585
Operating Income before Financial Results	41,968	(7,153)	11,047	45,862
<i>Operating Margin %</i>	<i>14.7%</i>	<i>-4.7%</i>	<i>6.4%</i>	<i>7.5%</i>
Operating loss before Financial Results - Adjusted (*)	42,923	(7,153)	11,047	46,817
<i>Operating Margin % - Adjusted (*)</i>	<i>15.0%</i>	<i>-4.7%</i>	<i>6.4%</i>	<i>7.6%</i>
Depreciation and amortization	9,576	8,258	8,874	26,708
EBITDA	51,544	1,105	19,921	72,570
<i>EBITDA Margin %</i>	<i>18.0%</i>	<i>0.7%</i>	<i>11.5%</i>	<i>11.8%</i>
EBITDA - Adjusted (*)	52,499	1,105	19,921	73,525
<i>EBITDA Margin % - Adjusted (*)</i>	<i>18.4%</i>	<i>0.7%</i>	<i>11.5%</i>	<i>12.0%</i>

Income Statement by Business Units - 9M19

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron Parts	Total
Net Operating Revenue	261,481	159,731	113,913	535,125
Cost of Sales and Services	(135,078)	(134,850)	(125,290)	(395,218)
Business Units Transfers	1,881	-	21,682	23,563
Business Units Transfers	(21,682)	-	(1,881)	(23,563)
Gross Profit	106,602	24,881	8,424	139,907
<i>Gross Margin %</i>	<i>40.8%</i>	<i>15.6%</i>	<i>7.4%</i>	<i>26.1%</i>
Operating Expenses	(32,051)	(30,196)	4,436	(57,811)
Selling	(46,505)	(11,296)	(4,168)	(61,969)
General and Administrative	(24,607)	(18,900)	(7,960)	(51,467)
Research and Development	(13,158)	-	(2,636)	(15,794)
Management profit sharing	(3,228)	-	(1,610)	(4,838)
Other operating revenue	55,447	-	20,810	76,257
Operating Income (loss) before Financial Results	74,551	(5,315)	12,860	82,096
<i>Operating Margin %</i>	<i>28.5%</i>	<i>-3.3%</i>	<i>11.3%</i>	<i>15.3%</i>
Operating loss before Financial Results - Adjusted (*)	21,040	(5,315)	(7,950)	7,775
<i>Operating Margin % - Adjusted (*)</i>	<i>8.0%</i>	<i>-3.3%</i>	<i>-7.0%</i>	<i>1.5%</i>
Depreciation and amortization	8,541	7,016	9,266	24,823
EBITDA	83,092	1,701	22,126	106,919
<i>EBITDA Margin %</i>	<i>31.8%</i>	<i>1.1%</i>	<i>19.4%</i>	<i>20.0%</i>
EBITDA - Adjusted (*)	29,583	1,701	1,316	32,600
<i>EBITDA Margin % - Adjusted (*)</i>	<i>11.3%</i>	<i>1.1%</i>	<i>1.2%</i>	<i>6.1%</i>

Attachment II - Financial Statements of B+W

Balance Sheet B+W

	(€ 000)			
ASSETS	09/30/19	12/31/19	06/30/20	09/30/20
CURRENT	31,267	25,314	23,039	20,290
Cash and Cash equivalents	1	2,813	169	640
Trade accounts receivable	14,712	7,928	7,737	5,330
Inventories	14,355	13,371	13,856	13,031
Recoverable taxes	858	541	362	254
Deferred income and social contribution taxes	504	275	406	599
Related Parties	232	104	23	13
Other receivables	606	282	486	424
Investments				
Property, plant and equipment	14,233	14,032	13,539	13,309
Investment in subsidiaries	59	-	-	-
Intangible assets	12,121	11,870	11,387	11,174
TOTAL ASSETS	57,680	51,216	47,965	44,774
LIABILITIES AND SHAREHOLDER'S EQUITY	09/30/19	12/31/19	06/30/20	09/30/20
CURRENT	27,312	20,598	18,242	12,516
Loans and financing	2,948	1,749	1,953	(0)
Trade accounts payable	4,227	2,916	2,812	1,186
Payroll and related taxes	1,477	922	1,348	1,201
Taxes payable	1,042	788	156	133
Advances from customers	14,249	11,594	8,878	7,148
Other payables	2,247	2,176	2,196	2,221
Related Parties	1,120	453	900	627
NON CURRENT	6,534	6,400	6,172	9,358
Loans and financing	2,164	2,075	1,937	5,167
Deferred income and social contribution taxes	4,369	4,325	4,235	4,190
SHAREHOLDER'S EQUITY	23,835	24,218	23,551	22,900
Capital	7,025	7,025	7,025	7,025
Capital reserve	505	505	505	505
Profit reserve	16,305	16,688	16,021	15,370
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	57,680	51,216	47,965	44,774

B+W Income Statement

	(€ 000)				
	3Q19	2Q20	3Q20	9M19	9M20
Net Operating Revenue	20.216	11.701	7.356	36.219	26.336
Cost of Goods Sold	(15.349)	(9.573)	(6.506)	(30.647)	(22.158)
Gross Profit	4.867	2.128	850	5.572	4.178
<i>Gross Margin %</i>	24,1%	18,2%	11,6%	15,4%	15,9%
Operating Expenses	(2.790)	(2.010)	(1.643)	(6.901)	(5.593)
Selling expenses	(1.287)	(797)	(392)	(2.571)	(1.837)
General and administrative expenses	(1.503)	(1.213)	(1.251)	(4.330)	(3.756)
Operating Income before Financial Results	2.077	118	(793)	(1.329)	(1.415)
<i>Operating Margin %</i>	10,3%	1,0%	-10,8%	-3,7%	-5,4%
Financial Results, Net	(83)	(170)	(241)	(280)	(504)
Operations Operating Income	1.994	(52)	(1.034)	(1.609)	(1.919)
Income tax and social contribution	(608)	(36)	192	418	323
Net income	1.386	(88)	(842)	(1.191)	(1.596)
<i>Net Margin %</i>	6,9%	-0,8%	-11,4%	-3,3%	-6,1%
EBITDA	2.551	564	(329)	319	(67)
Net income / loss for the period	1.386	(88)	(842)	(1.191)	(1.596)
Income tax and social contribution	608	36	(192)	(418)	(323)
Financial income, net	83	170	241	280	504
Depreciation and amortization	474	446	464	1.648	1.348
<i>EBITDA Margin %</i>	12,6%	4,8%	-4,5%	0,9%	-0,3%