

Indústrias Romi S.A.

Quarterly Information (ITR) at

September 30, 2019

and reporting on review of quarterly information

Independent auditor's review report on quarterly financial information

To the shareholders of
Indústrias Romi S.A.

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Indústrias Romi S.A. for the quarter ended September 30, 2019, comprising the statement of financial position as of September 30, 2019 and the related statements of profit or loss and of comprehensive income for the three and nine-month periods then ended, and of changes in equity and of cash flows for the nine month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Brazilian Accounting Standard NBC TG 21 – Interim Financial Reporting, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (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 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). 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.

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, during the nine months period ended at September 30, 2019, as a result of favorable final decision on the lawsuit, the Company reversed the provision 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 March 2019 but were deposited in court. Considering the manifestation of the Federal Supreme Court (STF) of March 15, 2017, regarding the general repercussion effect, which understood that the ICMS tax is not to be included in the PIS and COFINS contribution tax bases and based on the guidelines of the CPC 25 / IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, we understood that it was no longer probable that an outflow would be required to settle this obligation and, therefore, this provision should have been reversed in that year. As a consequence, at September 30, 2019,



individual and consolidated net income for the nine-month period then ended are overstated by R\$ 56.302 thousand, and the individual and consolidated noncurrent assets, total assets, and equity at December 31, 2018, presented for comparison purposes, are understated by R\$85.306 thousand and R\$56.302 thousand respectively.

Modified conclusion on the individual and consolidated interim 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 accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The quarterly information mentioned above includes the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2019, prepared under the responsibility of the Company's management and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of quarterly information to conclude that they are reconciled with interim financial information and accounting records, as applicable, and if their form and content are consistent with the criteria presented in NBC TG 09 - Statement of Added Value. Based on our review, except for the effects of the matter described in the “Basis for qualified conclusion” section nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Campinas, October 22, 2019.

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

José Antonio de A. Navarrete
Accountant CRC 1SP198698/O-4

INDÚSTRIAS ROMI S.A.

STATEMENT OF FINANCIAL POSITION

(In thousands of reais unless otherwise stated)

		Parent		Consolidated				Parent		Consolidated	
		September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018			September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
ASSETS	Note					LIABILITIES AND EQUITY	Note				
CURRENT						CURRENT					
Cash and cash equivalents	3	123,781	67,284	153,621	100,428	Borrowings	12	95,941	90,419	113,555	102,547
Short-term investments	3	676	489	676	489	FINAME manufacturer financing	13	73,800	63,326	73,800	63,326
Trade accounts receivable	4	75,476	82,006	173,790	168,213	Trade accounts payable		39,559	26,853	62,158	44,261
Onlending of FINAME manufacturer financing	5	91,990	87,482	91,990	87,482	Payroll and related taxes		26,992	21,858	35,690	27,504
Inventories	6	248,466	203,133	366,104	300,547	Taxes payable		951	6,799	7,372	7,847
Related parties	8	73,501	60,397	-	-	Advances from costumers		18,523	14,824	86,334	71,466
Taxes recoverable		9,293	22,614	16,762	25,267	Dividends and interes on capital		256	2,195	256	2,195
Judicial deposits	14 (e)	-	-	-	-	Profit sharing		47,682	23,785	47,682	23,785
Other receivables		16,362	12,574	20,614	14,931	Other payables		3,811	2,978	23,677	19,821
		<u>639,545</u>	<u>535,979</u>	<u>823,557</u>	<u>697,357</u>	Related parties	8	1,160	4,472	-	-
								<u>308,675</u>	<u>257,509</u>	<u>450,524</u>	<u>362,752</u>
Trade accounts receivable											
NON-CURRENT						NON-CURRENT					
Trade accounts receivable	4	10,233	13,618	10,233	13,618	Borrowings	12	15,093	20,118	24,919	31,438
Onlending of FINAME manufacturer financing	5	144,959	128,584	144,959	128,584	FINAME manufacturer financing	13	138,487	116,278	138,487	116,278
Taxes recoverable		53,487	18,998	53,487	18,998	Provision for tax, labor and divil risks	14	910	2,100	910	2,100
Deferred income tax and social contribution	15	26,608	43,595	28,895	43,948	Other payables		21	6	5,052	130
Judicial deposits	14 (e)	2,016	2,110	2,016	2,110	Provision for net capital deficiency - subsidiary		4,353	2,653	-	-
Other receivables		4,450	1,849	4,779	2,172	Deferred income tax and social contribution	15	-	-	31,912	31,786
		<u>241,753</u>	<u>208,754</u>	<u>244,369</u>	<u>209,430</u>			<u>158,864</u>	<u>141,155</u>	<u>201,280</u>	<u>181,732</u>
Investment in subsidiary and associated companies	7	139,067	147,669	-	-	TOTAL LIABILITIES		<u>467,539</u>	<u>398,664</u>	<u>651,804</u>	<u>544,484</u>
Property, plant and equipment	10	187,213	187,860	265,501	258,921	EQUITY	16				
Investment properties	9	13,500	13,500	18,398	18,398	Capital		492,025	492,025	492,025	492,025
Intangible assets	11	678	879	55,709	57,981	Reitaned reserve		216,216	160,218	216,216	160,218
		<u>582,211</u>	<u>558,662</u>	<u>583,977</u>	<u>544,730</u>	Cumulative translation adjustments		45,976	43,734	45,976	43,734
								<u>754,217</u>	<u>695,977</u>	<u>754,217</u>	<u>695,977</u>
TOTAL ASSETS		<u>1,221,756</u>	<u>1,094,641</u>	<u>1,407,534</u>	<u>1,242,087</u>	NON CONTROLLING INTEREST		-	-	1,513	1,626
						TOTAL EQUITY		<u>754,217</u>	<u>695,977</u>	<u>755,730</u>	<u>697,603</u>
						TOTAL LIABILITIES AND EQUITY		<u>1,221,756</u>	<u>1,094,641</u>	<u>1,407,534</u>	<u>1,242,087</u>

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 NINE MONTHS ENDED SEPTEMBER
(In thousands of reais unless otherwise stated)

			Parent	
	current quarter	Acumulated for	current quarter	Acumulated for
	07/01/2019 to	current year	07/01/2018 to	current year
	09/30/2019	01/01/2019 to	09/30/2018	01/01/2018 to
		09/30/2019		09/30/2018
Operations				
Net Operating revenue	145,938	353,349	141,262	366,696
Cost of sales and services	(103,400)	(261,082)	(99,996)	(268,843)
Gross profit	42,538	92,267	41,266	97,853
Operation income (expenses)				
Selling	(11,394)	(33,496)	(13,424)	(33,124)
General and administrative	(7,454)	(23,556)	(6,258)	(19,961)
Research and development	(5,286)	(15,794)	(4,377)	(12,804)
Management profit sharing and fees	(1,762)	(4,766)	(2,148)	(5,734)
Equity in earnings of subsidiaries	6,675	(8,944)	(598)	(8,223)
Other operating income (loss), net	634	76,404	302	(766)
	(18,587)	(10,152)	(26,503)	(80,612)
Operating profit	23,951	82,115	14,763	17,241
Financial income (expenses)				
Financial income	2,831	65,132	905	40,379
Financial expenses	(756)	(1,983)	(1,416)	(5,405)
Foreign exchange gains, net	(123)	(1,776)	963	4,602
	1,952	61,373	452	39,576
Profit before taxation	25,903	143,488	15,215	56,817
Income tax and social contribution	1,932	(32,805)	674	6,272
Profit for the period	27,835	110,683	15,889	63,089
Basic and diluted earnings per share (R\$)	0.44	1.76	0.25	1.00

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

(In thousands of reais unless otherwise stated)

			Consolidated	
	current quarter	Acumulated for	current quarter	Acumulated for
	07/01/2019 to	current year	07/01/2018 to	current year
	09/30/2019	01/01/2019 to	09/30/2018	01/01/2018 to
		09/30/2019		09/30/2018
Operations				
Net Operating revenue	246,500	535,125	205,954	496,720
Cost of sales and services	(173,450)	(395,218)	(145,400)	(359,682)
Gross profit	73,050	139,907	60,554	137,038
Operation income (expenses)				
Selling	(22,531)	(61,969)	(23,498)	(57,704)
General and administrative	(16,743)	(51,467)	(15,406)	(44,241)
Research and development	(5,286)	(15,794)	(4,377)	(12,804)
Management profit sharing and fees	(1,785)	(4,838)	(2,171)	(5,806)
Other operating income (loss), net	629	76,257	305	(320)
	(45,716)	(57,811)	(45,147)	(120,875)
Operating profit	27,334	82,096	15,407	16,163
Financial income (expenses)				
Financial income	3,325	66,640	1,316	41,587
Financial expenses	(1,187)	(3,496)	(2,114)	(7,186)
Foreign exchange gains, net	(538)	(2,661)	796	4,413
	1,600	60,483	(2)	38,814
Profit before taxation	28,934	142,579	15,405	54,977
Income tax and social contribution	(1,043)	(31,735)	526	8,233
Profit for the period	27,891	110,844	15,931	63,210
Attributable to:				
Controlling interests	27,835	110,683	15,889	63,089
Non-Controlling interests	56	161	42	121
	27,891	110,844	15,931	63,210

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 NINE MONTHS ENDED SEPTEMBER**

(In thousands of reais unless otherwise stated)

			Parent	
	current quarter	Acumulated for	current quarter	Acumulated for
	07/01/2019 to	current year	07/01/2018 to	current year
	09/30/2019	01/01/2019 to	09/30/2018	01/01/2018 to
		09/30/2019		09/30/2018
Profit for the period	27,835	110,683	15,889	63,089
Foreign currency translation effects	2,987	2,242	15,429	18,481
Comprehensive profit for the period	<u>30,822</u>	<u>112,925</u>	<u>31,318</u>	<u>81,570</u>

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 NINE MONTHS ENDED SEPTEMBER**

(In thousands of reais unless otherwise stated)

	Consolidated	
	current quarter	Acumulated for
	07/01/2019 to	current year
	09/30/2019	01/01/2019 to
		09/30/2019
	current quarter	current quarter
	07/01/2018 to	07/01/2018 to
	09/30/2018	01/01/2018 to
		09/30/2018
Profit for the period	27,891	110,844
Foreign currency translation effects	2,987	2,242
Comprehensive profit for the period	<u>30,878</u>	<u>113,086</u>
Attributable to:		
Controlling interests	30,822	112,925
Non-Controlling interests	56	161
	<u>30,878</u>	<u>113,086</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			Other			Non-controlling	
	Capital	Reitaned reserve	Legal reserve	Total	comprehensive income	Profit for the year	Total	interests	Total
At December 31, 2017	492,025	75,322	43,638	118,960	30,984	-	641,969	1,531	643,500
Profit for the year	-	-	-	-	-	63,089	63,089	121	63,210
Foreign currency translation effects	-	-	-	-	18,481	-	18,481	-	18,481
Total comprehensive income for the period	-	-	-	-	18,481	63,089	81,570	121	81,691
Mandatory dividends	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	(154)	(154)
Transfers between reserves	-	20,346	-	20,346	-	(20,346)	-	-	-
Total contributions by and dristibutions to controlling interests	-	20,346	-	20,346	-	(63,089)	(42,743)	(154)	(42,897)
At September 30, 2018	492,025	95,668	43,638	139,306	49,465	-	680,796	1,498	682,294
At December 31, 2018	492,025	112,380	47,838	160,218	43,734	-	695,977	1,626	697,603
Profit for the period	-	-	-	-	-	110,683	110,683	161	110,844
Foreign currency translation effects	-	-	-	-	2,242	-	2,242	-	2,242
Total comprehensive income for the period	-	-	-	-	2,242	110,683	112,925	161	113,086
Mandatory dividends	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiary	-	-	-	-	-	-	-	(274)	(274)
Juros sobre o capital próprio	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	55,998	-	55,998	-	(55,998)	-	-	-
Total contributions by and dristibutions to controlling interests	-	55,998	-	55,998	-	(110,683)	(54,685)	(274)	(54,959)
At September 30, 2019	492,025	168,378	47,838	216,216	45,976	-	754,217	1,513	755,730

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

INDÚSTRIAS ROMI S.A.
STATEMENT OF CASH FLOW
FOR THE QUARTERS ENDED SEPTEMBER 30
(In thousands of reais unless otherwise stated)

	Parent		Consolidated	
	2019	2018	2019	2018
<u>Cash flows from operating activities</u>				
Profit before taxation	143,488	56,817	142,579	54,977
Adjustments from:				
Finance expenses and exchange rate	(59,345)	(36,607)	(58,608)	(34,525)
Depreciation and amortization	16,348	18,710	24,823	24,961
Allowance for doubtful accounts and for other receivables	(554)	(1,679)	(2,150)	(1,808)
Provision for inventory losses	(460)	(1,659)	(1,479)	1,308
Cost of property, plant and equipment and disposals of intangible assets	(718)	(867)	(732)	(645)
Equity in earnings of subsidiaries	8,944	8,223	-	-
Provision for contingent liabilities	(59,811)	3,100	(59,811)	2,260
Change in operating assets and liabilities				
Financial investments	(187)	13,189	(187)	13,189
Trade accounts receivable	14,749	4,805	4,238	(825)
Related parties (assets and liabilities)	(16,502)	(15,608)	-	-
Onlending of Finame manufacturer financing	(23,604)	(13,519)	(23,604)	(13,519)
Inventories	(44,873)	(49,037)	(64,077)	(109,655)
Taxes receivable	(10,287)	(37,912)	15,753	(46,901)
Judicial deposits	96,739	(2,962)	96,739	(2,962)
Other credits	8,777	45,484	6,876	42,027
Trade accounts payable	10,321	16,352	15,512	28,534
Payroll and related taxes	6,816	7,117	9,868	7,113
Taxes payable	(2,560)	(5,463)	(35,497)	7,751
Advances from costumers	3,699	3,168	14,868	31,017
Other payables	(1,709)	(1,622)	6,235	1,396
Cash by operations	89,271	10,030	91,346	3,693
Income tax and social contribution paid	(3,288)	(3,545)	(3,655)	(3,747)
Cash by (used in) operations	85,983	6,485	87,691	(54)
<u>Cash flow from investing activities</u>				
Purchase of property, plant and equipment	(15,865)	(15,674)	(25,485)	(17,267)
Intangible increase	(29)	(69)	(610)	(2,796)
Unrealized profit	-	-	-	-
Disposal of property, plant and equipment	1,112	994	1,112	977
Dividends received	3,688	2,060	-	-
Capital increase	(88)	-	-	-
Net cash used in investing activities	(11,182)	(12,689)	(24,983)	(19,086)
<u>Fluxos de caixa das atividades de financiamento</u>				
Interest on capital and dividends paid	(30,821)	(7,848)	(24,027)	(8,002)
New borrowings	52,284	41,171	95,977	50,475
Financing repaid	(54,631)	(61,822)	(93,468)	(65,760)
Interest paid	(1,485)	(4,118)	(3,172)	(4,118)
New Finame - manufacturer financing	83,622	59,697	83,622	59,697
Payment of Finame - manufacturer financing	(52,063)	(44,543)	(52,063)	(44,543)
Interest paid of Finame - manufacturer financing	(15,210)	(8,975)	(15,210)	(8,975)
Net cash used in financing activities	(18,304)	(26,438)	(8,341)	(21,226)
Increase (decrease) in cash and cash equivalents	56,497	(32,642)	54,367	(40,366)
Cash and cash equivalents at the beginning of the period	67,284	69,806	100,428	105,682
Foreign exchange losses of cash equivalents of foreign subsidiaries	-	-	(893)	(1,365)
Cash and cash equivalents at the end of the period	123,781	37,164	153,902	63,951

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

INDÚSTRIAS ROMI S.A.**STATEMENT OF VALUE ADDED
FOR THE PERIOD ENDED SEPTEMBER 30**
(In thousands of reais unless otherwise stated)

	Parent		Consolidated	
	2019	2018	2019	2018
Revenues				
Sales of products and services	419,803	432,541	601,554	562,621
Allowance for doubtful accounts and for other receivables	(3,317)	37	2,798	(703)
Other operating revenues (expenses), net	76,404	(766)	76,257	(320)
	<u>492,890</u>	<u>431,812</u>	<u>680,609</u>	<u>561,598</u>
Inputs acquired from third parties				
Materials used	(244,260)	(201,417)	(323,024)	(240,679)
Other costs of products and services	(13,807)	(12,697)	(32,641)	(23,838)
Electricity, third-party services and other expenses	(31,286)	(28,584)	(42,268)	(33,133)
	<u>(289,353)</u>	<u>(242,698)</u>	<u>(397,933)</u>	<u>(297,650)</u>
Gross value added	203,537	189,114	282,676	263,948
Depreciation and amortization	(16,349)	(18,710)	(24,823)	(24,961)
Net value added generated by the Company	<u>187,188</u>	<u>170,404</u>	<u>257,853</u>	<u>238,987</u>
Value added received through transfers				
Equity in earnings of subsidiaries	(8,943)	(8,223)	-	-
Finance income (costs) and net foreign exchange gains	65,131	44,978	66,640	43,888
	<u>56,188</u>	<u>36,755</u>	<u>66,640</u>	<u>43,888</u>
Total value added to distribute	<u>243,376</u>	<u>207,159</u>	<u>324,493</u>	<u>282,875</u>
Distribution of value added				
Employees				
Payroll and related changes	82,064	79,672	158,652	151,127
Sales commission	2,207	3,263	2,207	3,263
Management profit sharing and fees	4,766	5,734	4,838	5,806
Gain sharing	461	508	461	508
Taxes	37,737	47,913	38,148	48,500
Interests	3,759	5,405	6,157	7,186
Rentals	1,699	1,575	3,460	3,396
Declared and not yet distributed dividends	29,542	42,743	29,542	42,743
Non-controlling interests	-	-	(113)	(79)
Profit for the period	<u>55,998</u>	<u>20,346</u>	<u>55,998</u>	<u>20,425</u>
Value added distributed	<u>243,376</u>	<u>207,159</u>	<u>324,493</u>	<u>282,875</u>

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

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at September 30, 2019

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 13 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 tolling 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 October 22, 2019.

2 Basis of preparation and accounting policies

The Company's interim financial information for the quarter ended September 30, 2019 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).

Except for the adoption of the new standard commented below in item b, the accounting practices adopted by the Company in the preparation of the Parent and consolidated quarterly financial information are the same as those used in the preparation of the financial statements for the year ended December 31, 2018 and, therefore, should be read in conjunction with those financial statements.

The presentation of the Parent and consolidated statements of value added is required by the Brazilian corporate law and the accounting practices adopted in Brazil for listed companies, but is not required by IFRS. Therefore, under IFRS, these statements are presented as supplementary information, and not as part of the set of financial statements.

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at September 30, 2019

In thousands of reais, unless otherwise stated

(a) Notes included in the financial statements as at December 31, 2018 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). 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, 2018. 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 2019

IFRS 16 - Leases

CPC 06 (R2) - Leases issued by CPC is equivalent to the international standard IFRS 16 - Leases, issued in January 2016 in replacement of the previous version of said standard (CPC 06 (R1)), equivalent to the international standard IAS 17). CPC 06 (R2) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under CPC 06 (R1). The standard includes two recognition exemptions for lessees - leases of low value assets (i.e. personal computers) and short-term leases (that is, leases with a period of 12 months or less). At the beginning of a lease, the lessee recognizes a liability for the payments (a lease liability) and an asset representing the right to use the underlying asset over the lease term (a right-of-use asset). The lessees should record separately the interest expenses on the lease liability and the depreciation expense of the right-of-use asset. The impacts were analyzed and the effect is recorded and disclosed in note 10 - property, plant and equipment. The impact of the initial adoption was R\$ 6,884.

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3 Cash and cash equivalents and financial investments

	Parent		Consolidated	
	September	December	September	December
	30,	31,	30,	31,
	2019	2018	2019	2018
Cash and banks	2,185	2,957	20,868	23,923
Bank deposit certificates ("CDBs") (a)	67,175	1,312	78,332	13,485
Short-term investments backed by debentures (a)	1,041	53,249	1,041	53,249
Investment funds in DI and fixed income	53,241	9,672	53,241	9,672
Other	139	94	139	99
Total cash and cash equivalents	<u>123,781</u>	<u>67,284</u>	<u>153,621</u>	<u>100,428</u>
Bank deposit certificates ("CDBs") (a)	<u>676</u>	<u>489</u>	<u>676</u>	<u>489</u>
Total assets held for trading	<u>676</u>	<u>489</u>	<u>676</u>	<u>489</u>

(a) These investments are substantially pegged to the Interbank Deposit Certificate ("CDI") rate.

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4 Trade accounts receivable

	Parent		Consolidated	
	September	December	September	December
	30,	31,	30,	31,
	2019	2018	2019	2018
Current				
Domestic customers (Brazil)	66,787	70,897	66,907	72,140
Foreign customers	9,691	11,532	110,039	101,481
Allowance for doubtful accounts	(1,002)	(423)	(3,156)	(5,408)
	<u>75,476</u>	<u>82,006</u>	<u>173,790</u>	<u>168,213</u>
Noncurrent				
Domestic customers (Brazil)	7,541	9,477	7,541	9,477
Foreign customers	2,769	4,149	2,769	4,149
Allowance for doubtful accounts	(77)	(8)	(77)	(8)
	<u>10,233</u>	<u>13,618</u>	<u>10,233</u>	<u>13,618</u>

Trade accounts receivable are recorded at their amortized costs, which approximate their fair values.

The balance of current trade accounts receivable as at September 30, 2019 and December 31, 2018, parent and consolidated, is distributed as follows:

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	Parent		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Falling due	68,962	72,619	155,983	145,388
Past due:				
1 to 30 days	3,804	6,490	10,025	14,843
31 to 60 days	274	321	2,125	1,432
61 to 90 days	312	220	1,073	388
91 to 180 days	50	68	2,869	1,905
181 to 360 days	742	249	1,143	1,868
Over 360 days	2,334	2,462	3,728	7,797
	7,516	9,810	20,963	28,233
Total	76,478	82,429	176,946	173,621
Allowance for doubtful accounts	(1,002)	(423)	(3,156)	(5,408)
Total current	75,476	82,006	173,790	168,213

The balance of noncurrent trade accounts receivable as at September 30, 2019, parent and consolidated, is distributed as follows:

	Parent and Consolidated
Falling due:	
2020 (3 months)	2,602
2021	5,829
2022	1,376
2023 onward	503
Allowance for doubtful accounts	(77)
Total - noncurrent	10,233

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

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	Parent	Consolidated
At December 31, 2018	431	5,408
Receivables recognized for the period	2,286	1,988
Receivables written off	(1,638)	(4,242)
Foreign exchange difference	-	79
At September 30, 2019	1,079	3,233

5 Onlending of FINAME manufacturer financing

	Parent and Consolidated	Parent and Consolidated
	September 30, 2019	December 31, 2018
Current		
FINAME falling due	80,796	65,344
FINAME awaiting release (a)	1,029	1,944
FINAME past due (b)	16,637	27,005
	98,462	94,293
Allowance for doubtful accounts	(6,472)	(6,811)
	91,990	87,482
Noncurrent		
FINAME falling due	139,138	117,994
FINAME awaiting release (a)	6,308	10,713
	145,446	128,707
Allowance for doubtful accounts	(487)	(123)
	144,959	128,584
Total	236,949	216,066

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The item "Onlending of FINAME manufacturer financing" refers to sales to customers financed by funds from the Brazilian Development Bank ("BNDES") (Note 13) which are carried at their amortized costs, which approximate their fair values.

FINAME manufacturer refers to financing specifically linked to sales transactions, with terms of up to 60 months with a grace period of up to six months, in accordance with the terms defined by the BNDES at the time of the financing.

The financing terms are also based on customer's characteristics. Funds are released by the BNDES on identification of a customer and sale, as well as checking that a customer has fulfilled the terms of Circular 195 dated July 28, 2006 issued by BNDES, through a financial agent, with the formalization of a financing agreement in the name of the Company and consent of the customer to be financed. The amounts, periods and charges of the transaction are fully reflected in the amounts to be received by the Company from the bank mediating the agreement to which the Company is the debtor. The Company retains title to the financed equipment until the final settlement of the obligation by the customer.

The differences between onlending of FINAME manufacturer financing receivables include:

- (a) FINAME transactions awaiting release: refers to FINAME manufacturer financing transactions that meet the specified terms and have been approved by all parties involved. The preparation of documentation, the issue of the sales invoice, and the delivery of the equipment to the customer have all taken place. The crediting of the related funds to the Company's account by the agent bank is pending at the end of the reporting period, in view of the normal operating terms of the agent.
- (b) FINAME past due: refers to amounts receivable not settled by customers on their due dates. The Company records the provision for possible losses on the realization of these balances, at the amount of the difference between the expected value of the sale of the collateral (machines) recovered through the enactment of covenant regarding reservation of title over the machinery sold (security interest) and the value of the receivables from defaulting customers. In instances in which the security interest cannot be located, a full loss provision is made for the balance of the receivable.

The machinery repossessed as part of the execution process are recorded at their carrying amount, not exceeding its fair value, under the category of "Other receivables", pending a final and unappealable court decision, after which it is repossessed and transferred to inventories. As at September 30, 2019, the balance of repossessed machinery, included under the line item of "Other receivables", parent and consolidated, amounted to R\$ 4,377 (R\$ 6,594 as at December 31, 2018) in current assets and R\$ 3,885 (R\$ 1,173 as at December 31, 2018) in noncurrent assets.

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As at September 30, 2019 and December 31, 2018, the balances of "Onlending of FINAME manufacturer financing", parent and consolidated, were as follows:

	Parent and Consolidated	
	September	December
	30,	31,
	2019	2018
Falling due	81,825	67,288
Past due:		
1 to 30 days	864	914
31 to 60 days	147	565
61 to 90 days	83	473
91 to 180 days	300	1,208
181 to 360 days	506	2,883
Over 360 days	14,737	20,962
	16,637	27,005
Total - current	98,462	94,293

The expected realization of noncurrent receivables relating to the onlending of FINAME manufacturer financing, parent and consolidated, is as follows:

	Parent and Consolidated
Falling due:	
2020 (3 months)	18,303
2021	65,123
2022	44,182
2023	15,565
2024 onward	2,273
Total - noncurrent	145,446

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

	Parent and Consolidated
At December 31, 2018	6,934
Allowance recognized (or written off) for the period	25
At September 30, 2019	6,959

6 Inventory

	Parent		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Finished products	41,637	22,160	85,280	69,696
Used machinery	12,144	12,271	12,144	12,271
Work in progress	75,981	61,388	124,038	85,183
Raw materials and components	116,326	105,233	138,887	129,571
Imports in transit	2,378	2,081	5,755	3,826
Total	248,466	203,133	366,104	300,547

The inventory balances, parent and consolidated, as at September 30, 2019 are net of provision for slow-moving inventories and inventories posing a remote probability of being realized through sale or use, amounting to R\$ 29,358 and R\$ 33,269 (R\$ 29,818 Parent and R\$ 34,748 Consolidated as at December 31, 2018), respectively.

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

	Parent	Consolidated
At January 1, 2019	29,818	34,748
Inventory sold or written off	(11,061)	(13,454)
Provision recorded	4,701	5,572
Foreign exchange difference		503
Transfer of provision resulting from machines repossessed during the period	5,900	5,900
At September 30, 2019	29,358	33,269

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

	<u>Parent</u>		<u>Consolidated</u>	
	<u>September</u>	<u>December</u>	<u>September</u>	<u>December</u>
	<u>30,</u>	<u>31,</u>	<u>30,</u>	<u>31,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Finished products	3,273	2,890	7,184	7,820
Used machinery	7,363	9,488	7,363	9,488
Work in progress	4,902	4,859	4,902	4,859
Raw materials and components	<u>13,820</u>	<u>12,581</u>	<u>13,820</u>	<u>12,581</u>
Total	<u>29,358</u>	<u>29,818</u>	<u>33,269</u>	<u>34,748</u>

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7 Investments in subsidiaries and associates

Company investments in its subsidiaries are as follows:

	Subsidiary	Country	Main activity
1.	Romi Itália S.r.l. ("Romi Italy")	Italy	Sale of machines for plastics and machine tools, spare parts and technical support.
1.1	Romi Machines UK Ltd.	United Kingdom	
1.2	Romi France SAS	France	
1.3	Romi Máquinas España S.A.	Spain	Production and sale of large tooling machinery with high technology, precision and productivity, as well as machinery for specialized applications.
2.	Romi Europa GmbH ("Romi Europe")	Germany	
2.1	Burkhardt + Weber Fertigungssysteme GmbH ("B+W")	Germany	
2.1.1	Burkhardt + Weber / Romi (Shanghai) Co., Ltd	China	Sale of machine tools produced by B+W and provision of services (spare parts and technical support).
2.1.2	Burkhardt + Weber LLC	United States of America	Sale of machine tools produced by B+W and provision of services (spare parts and technical support).
3.	Rominor Comércio, Empreendimentos e Participações S.A. ("Rominor")	Brazil	Real estate activity, including purchases and sales, lease of company-owned properties, exploration of real estate rights, intermediation of real estate businesses, and provisions of sureties and guarantees.
4.	Romi Machine Tools, Ltd. ("Romi Machine Tools")	United States of America	Sale of machine tools, spare parts, technical support and cast and machined products in North America.
5.	Rominor Empreendimentos Imobiliários S.A. (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 México S. de R. L. de C.V. (formerly named Sandretto Mexico).	Mexico	Sale of machines for plastics and machine tools, spare parts and technical support.

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	September 30, 2019							
	Romi Italy and subsidiaries (1)	Romi Europe and subsidiaries (2)	Rominor Comércio (3)	Romi Machine Tools (4)	Rominor Empreendimentos (5)	Romi A.L. (6)	IRSA Máq México (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	57,997	150,241	21,925	20,855	2,524	8,643	11,736	
Noncurrent assets	7,536	120,706	74	122	-	-	189	
Current liabilities	49,392	137,582	165	24,038	2	2	13,217	
Noncurrent liabilities	12,260	29,664	-	-	-	-	-	
Equity (equity deficit) of subsidiary	3,881	103,701	21,834	(3,061)	2,522	8,641	(1,292)	
Changes in investment:								
Investment balance as at December 31, 2018	7,576	108,010	21,845	(2,108)	2,449	7,789	(545)	145,016
Foreign exchange differences on foreign investments	102	1,632	-	(273)	-	864	(83)	2,242
Dividends proposed and paid (b)	-	-	(3,688)	-	-	-	-	(3,688)
Equity pickup	(3,797)	(5,941)	2,165	(680)	(15)	(12)	(664)	(8,944)
Capital increase in subsidiary	-	-	-	-	88	-	-	88
Equivalent value - closing balance	3,881	103,701	20,322	(3,061)	2,522	8,641	(1,292)	134,714
Investment in subsidiaries	3,881	103,701	20,322	-	2,522	8,641	-	139,067
Provision for equity deficit of subsidiaries	-	-	-	(3,061)	-	-	(1,292)	(4,353)

(a) The subsidiaries' capital is not divided into units of interest or shares in their articles of organization.

(b) Payment of dividends by subsidiary ROMINOR, approved by the Board of Directors at the meeting held on February 12, 2019 and July 26, 2019, in the amounts of R\$ 2,448 and R\$ 1,515, related to the second half of 2018 and the first half of 2019, respectively. From such payment, the Company received R\$ 2,278 and R\$ 1,410, respectively.

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Notes to the quarterly information (ITR) at September 30, 2019

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8 Related party transactions and balances

The balances and transactions with related parties as at September 30, 2019 and December 31, 2018 are as follows:

(i) Statement of financial position accounts – Parent

	Receivables		Payables	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Direct subsidiaries				
Romi Europe	1,762	783	214	263
Romi Italy	12,482	9,672	-	-
Romi Machine Tools	21,536	17,034	-	-
Romi A.L.	-	-	556	934
Irsa Maquinas Mexico	10,414	6,787	-	-
Rominor Comércio	4	-	-	-
Indirect subsidiaries				
B+W - Burkhardt+Weber	3,839	1,803	390	3,275
Romi France S.A.S.	7,822	7,393	-	-
Romi Máquinas España S.A.	4,746	3,464	-	-
Romi Machines UK	10,896	13,461	-	-
Total	73,501	60,397	1,160	4,472

(ii) Transactions

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

The Company entered into trading transactions with certain subsidiaries for the supply and purchase of equipment, parts and pieces, but it does not have material transactions with related parties other than those described above. Decisions regarding transactions between the parent and its subsidiaries are made by management. Trade notes mature in the short term.

The Company provides administrative services, mainly accounting and legal services, to the parent Fênix Empreendimentos S.A.. The revenue until September 2019 was R\$ 127 (2018 - R\$ 109). The Company makes donations to Romi Foundation at amounts set in the agreement approved by the State Prosecutor's Office. Donations until September 2019 totaled R\$ 654 (2018 - R\$ 687).

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Management compensation for the periods ended September 30, 2019 and 2018 was as follows:

	September 30, 2019	September 30, 2018
Fees and charges	4,135	3,787
Profit sharing	256	1,611
Private pension plan	189	173
Healthcare plan	186	163
Parent	4,766	5,734
Fees and charges of subsidiaries	72	72
Consolidated	4,838	5,806

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 19, 2019.

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9 Investment property

In 2012, the Company's management decided, based on the perspectives of short and medium-term expansion of operations, to classify certain property as "Investment Property" for future capital appreciation. The amounts classified as investment property are R\$ 13,500 (R\$ 13,500 as at December 31, 2018) at the parent and R\$ 18,398 (R\$ 18,602 as at December 31, 2018) 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 as well as recent transactions with similar property and assessed the fair value less cost to sell of this property at R\$ 44,982 in the parent and R\$ 127,320 in the consolidated.

On November 28, 2018 and December 21, 2018, through its subsidiary Rominor Comércio, the Company entered into an agreement for purchase and sale of property with third parties, involving the sale of the property (land and buildings) owned by Rominor, with a total area of 336m² and 866,7m², located in Manaus-AM (BR) and Contagem-MG (BR), for R\$ 420 and R\$ 1,200, respectively. Up to the issue date of these financial statements, R\$ 1,500 had been received and the remaining amount is classified in the line item of trade accounts receivable in current assets. The proceeds from the sale were classified in the line item other operating income, with an impact of R\$ 1,276 on operating income (expense) and R\$ 1,232 on profit for the year, disclosed on the financial statements for 2018.

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10 Property, plant and equipment

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

	Parent	Consolidated
At December 31, 2018, net	187,860	258,921
Additions	15,865	25,766
Disposals	(394)	(380)
Depreciation	(16,118)	(21,821)
Foreign exchange difference	-	3,015
At September 30, 2019, net	<u>187,213</u>	<u>265,501</u>
	187,213	265,501
At September 30, 2019		
Total cost	536,638	673,196
Accumulated depreciation	<u>(349,425)</u>	<u>(407,695)</u>
Net balance	<u>187,213</u>	<u>265,501</u>

The carrying amount of the property, plant and equipment under finance leases at September 30, 2019 amounted to R\$ 6,673. The Company has discounted these assets to their present value. During the nine-month period ended September 30, 2019, the Company recognized the amount of R\$ 1,262 as depreciation expense in profit or loss.

Due to the financing agreements with the BNDES for investments in property, plant and equipment, the Company pledged as collateral property, plant and equipment items amounting to R\$ 69,695 at September 30, 2019 (R\$ 68,195 at December 31, 2018). These items refer to land, buildings, facilities, machinery and equipment.

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11 Intangible assets

Changes in intangible assets, parent and consolidated, are as follows:

	Parent	Consolidated
At December 31, 2018, net	879	57,981
Additions	29	610
Amortization	(230)	(3,002)
Foreign exchange difference	-	120
At September 30, 2019, net	<u>678</u>	<u>55,709</u>
Total cost	9,367	89,679
Accumulated amortization	<u>(8,689)</u>	<u>(33,970)</u>
Net balance	<u>678</u>	<u>55,709</u>

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12 Borrowings

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

	Parent			Consolidated		
	Domestic currency	Foreign currency	Total	Domestic currency	Foreign currency	Total
Borrowing balance at						
December 31, 2018	29,352	81,185	110,537	29,352	104,633	133,985
New borrowing	-	52,284	52,284	-	95,977	95,977
Repayment of principal	(7,369)	(47,262)	(54,631)	(7,369)	(86,099)	(93,468)
Payment of interest	(817)	(668)	(1,485)	(817)	(2,355)	(3,172)
Exchange and monetary difference (principal and interest)	(79)	2,646	2,567	(79)	3,469	3,390
Interest at the end of the period	800	962	1,762	800	962	1,762
Borrowing balance at						
September 30, 2019	<u>21,887</u>	<u>89,147</u>	<u>111,034</u>	<u>21,887</u>	<u>116,587</u>	<u>138,474</u>
Current	6,794	89,147	95,941	6,794	106,761	113,555
Noncurrent	<u>15,093</u>	-	<u>15,093</u>	<u>15,093</u>	<u>9,826</u>	<u>24,919</u>
	<u>21,887</u>	<u>89,147</u>	<u>111,034</u>	<u>21,887</u>	<u>116,587</u>	<u>138,474</u>

The maturities of financing recorded in noncurrent liabilities as at September 30, 2019, parent and consolidated, are as follows:

	Parent	Consolidated
2020 (3 months)	1,626	1,626
2021	6,394	7,306
2022	6,130	7,387
2023	906	2,163
2024 onward	<u>37</u>	<u>6,437</u>
Total	<u>15,093</u>	<u>24,919</u>

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In thousands of reais, unless otherwise stated

13 FINAME manufacturer financing

	Parent and Consolidated	
	September 30, 2019	December 31, 2018
Current		
FINAME manufacturer financing	73,800	63,326
Noncurrent		
FINAME manufacturer financing	138,487	116,278
Total	212,287	179,604

The agreements related to FINAME manufacturing financing are guaranteed by promissory notes and sureties, and the main guarantor is the subsidiary Rominor. Balances are directly related to the balances of "Onlending of FINAME manufacturer financing" (Note 5), considering that the loans are directly linked to sales to specific customers. The contractual terms related to the amounts, charges and periods financed under the program are on-lent in full to the financed customers and amounts received on a monthly basis under the line item "Amounts receivable - onlending of FINAME manufacturer financing" are fully used for the repayment of the related financing agreements. The Company, therefore, acts as an agent for the financing, but remains as the main debtor in this transaction.

The balances of the line item "FINAME manufacturer financing" and, consequently, of the line item "Onlending of FINAME manufacturer financing" as at September 30, 2019 and December 31, 2018, were monetarily restated through the end of the reporting period. The difference of R\$ 24,662 between these line items as at September 30, 2019 (R\$ 36,462 as at December 31, 2018) 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 September 30, 2019, parent and consolidated, were as follows:

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	Parent and Consolidated
2020 (3 months)	17,436
2021	63,234
2022	42,277
2023	13,704
2024 onward	1,836
Total	138,487

14 Provision for tax, labor and civil risks

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

	September 30, 2019	Parent and Consolidated December 31, 2018
Tax	52	57,916
Civil	743	332
Labor	1,357	3,039
(-) Judicial deposits / other receivables	-	(57,334)
Total	2,152	3,953
Current liabilities	1,242	1,853
Noncurrent liabilities	910	2,100
	2,152	3,953

Indústrias Romi S.A.

Notes to the quarterly information (ITR) at September 30, 2019

In thousands of reais, unless otherwise stated

For legal proceedings classified as probable losses, the changes in the provision for the period ended September 30, 2019 are as follows:

	December 31, 2018	Additions	Utilizations/ reversals	Monetary restatement	September 30, 2019
Tax	57,916	809	(58,673)	-	52
Civil	332	456	(85)	40	743
Labor	3,039	284	(2,027)	61	1,357
(-) Judicial deposits / other receivables	(57,334)	(442)	57,776	-	-
Total Parent and Consolidated	3,953	1,107	(3,009)	101	2,152

As at September 30, 2019, the main legal proceedings which were classified by Management, based on the opinion of its legal counselors, as probable losses or as legal obligation are as follows:

(a) Tax proceedings

Refer to the provisions for:

- (i) As at December 31, 2018, PIS and COFINS balances levied on ICMS on sales were R\$ 10,322 and R\$ 47,543, respectively.

On October 24, 2006, the Company filed a common civil action challenging the constitutionality of the inclusion of ICMS on sales in the PIS and COFINS tax base, as well as for refund for overpayment retroactively to 5 years.

On March 15, 2017, when judging Extraordinary Appeal No. 574.706/PR regarding the general repercussion effect, the Federal Supreme Court (STF), by majority of votes, decided that the ICMS is not to be included in the PIS and COFINS tax bases since it is intended to the State and, therefore, is not included in the concept of revenue. However, on October 19, 2017 the National Treasury Attorney General's Office (PGFN) filed Motions to Clarify in view of the Court Decision published on October 2, 2017 by the STF. In this motion, PGNF requests the correction of alleged errors in the Court Decision. The most significant ones are as follows: (i) modulation of judgment effects (ii) lack of clarity on the ICMS to be excluded (whether the tax calculated or paid), which reflects on the determination of tax credit to be recovered as well as the future exclusion procedure; and (iii) material error regarding the analysis of gross and net revenue concepts brought by Law 6,404/76, the motions to clarify are pending analysis by the STF. In view of these facts, Management decided to maintain the present obligation derived from past events in the financial statements for the year ended December 31, 2018.

Indústrias Romi S.A.

Notes to the quarterly information (ITR) at September 30, 2019

In thousands of reais, unless otherwise stated

On March 13, 2019, the Company obtained a favorable final decision on the lawsuit on the subject. As a result, the then present obligation derived from a past event was no longer considered as an obligation and, therefore, the Company recorded in the financial statements for the first quarter of 2019 the effects of the favorable outcome on such lawsuit, amounting to R\$ 138,008, before taxes, of which R\$ 74,321 recorded in "Other operating income (expenses)", and R\$ 63,686 in line item "Finance income". The impact on profit for the period was R\$ 105,564, already considering the effects of income tax and social contribution on the gain, which was reduced by the use of the interest on capital, proposed in March 2019, of R\$ 29,542, as per the Shareholder Notice dated March 26, 2019. On September 20, 2019, judicial deposits in the amount of R\$ 88,456 were released and included in the Company's cash and cash equivalents.

- (ii) As at September 30, 2019, tax proceedings totaled R\$ 52 (R\$ 51 as at December 31, 2018).

(b) Tax proceedings (Plano Verão)

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 (Plano Verão). 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 "Plano Verão", 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 September 30, 2019

In thousands of reais, unless otherwise stated

(c) Civil proceedings

These refer to civil proceedings in which the Company is the defendant related mainly to the following claims: (i) revision/termination of contracts; (ii) damages; and (iii) annulment of protest of notes with losses and damages, among others.

(d) Labor claims

The Company has recorded a provision for contingencies for labor claims in which it is the defendant, the main causes are as follows: (i) additional overtime due to reduction of lunch break; (ii) health hazard premium/hazardous duty premium; (iii) stability prior to retirement; (iv) damages for work-related accident/disease; and (v) jointly liability over outsourced companies, among others.

The tax, civil and labor proceedings assessed as representing possible losses involve matters similar to those above. The Company's management believes that the outcomes of ongoing legal proceedings shall not result in disbursements higher than those recognized in the provision. The amounts involved do not qualify as legal obligations.

(e) Judicial deposits

The Company has judicial deposits amounting to R\$ 2,016 (2018 – R\$ 50,357) of different nature and classified in noncurrent assets.

15 Income tax and social contribution

Income tax is calculated at the rate of 15% on the taxable profits plus a 10% surtax on taxable profit exceeding R\$ 240, and social contribution is calculated at the rate of 9% on taxable profits, except for subsidiaries Rominor and Rominor Empreendimentos, which pay income tax and social contribution based on a percentage of gross revenue.

The reconciliation of the tax effect on the Company's profit (loss) before income tax and social contribution through application of the prevailing tax rates as at September 30, 2019 and 2018 is as follows:

Indústrias Romi S.A.

Notes to the quarterly information (ITR) at September 30, 2019

In thousands of reais, unless otherwise stated

	Parent		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit before income tax and social contribution	143,488	56,817	142,579	54,977
Statutory rate (income tax and social contribution)	34%	34%	34%	34%
Income tax and social contribution expense at statutory rates	(48,786)	(19,318)	(48,477)	(18,692)
Reconciliation to the effective rate:				
Interest on capital	18,594	15,864	18,594	15,864
IR/CSLL Tax proceedings (Plano Verão)	(1,569)	10,741	(1,569)	10,741
Research and development	1,685	2,181	1,685	2,181
Equity pickup	(3,041)	(2,796)	-	-
Unrecorded deferred income tax and social contribution at subsidiaries	-	-	(2,727)	(1,885)
Management profit sharing	(87)	(548)	(87)	(548)
Other additions (deductions), net	399	148	846	572
Current and deferred income tax and social contribution income (expense)	(32,805)	6,272	(31,735)	8,233

- (a) The amount in the consolidated financial information refers basically to the difference in the calculation of income tax and social contribution 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 subsidiaries Rominor and Rominor Empreendimentos opted to calculate tax based on lucro presumido in the years 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 September 30, 2019 were as follows:

Indústrias Romi S.A.

Notes to the quarterly information (ITR) at September 30, 2019

In thousands of reais, unless otherwise stated

	Assets		Liabilities
	Parent	Consolidated	Consolidated
At December 31, 2018	43,595	43,948	31,786
Changes in the period			
Additions	2,687	4,400	-
Realization	(19,674)	(19,674)	(587)
Foreign exchange difference		221	713
At September 30, 2019	26,608	28,895	31,912

16 Equity

Capital

As at September 30, 2019 and December 31, 2018, the Company's subscribed and paid-up capital amounting to R\$ 492,025 is represented by 62,857,647 book-entry, registered common shares, without par value, all with the same rights and benefits.

Income reserve

a) Legal reserve

As required by Article 193 of Law 6,404/76, the balance of the line item "Legal reserve" is equivalent to 5% of the profit for the year, limited to 20% of the share capital. As at September 30, 2019 and December 31, 2018, the legal reserve amounted to R\$47,838.

b) Retained earnings reserve

According to the notice to the market on March 26 and September 10, 2019, approval was given for the distribution of interest on capital, to be attributed to the mandatory dividends for 2019 in the gross amounts of R\$ 29,542 and R\$ 25,143, for payment on March 31, 2020 and November 29, 2019, respectively. The excess amount not distributed (R\$ 55,998) is included in the reserve balance and awaits allocation to be defined at the shareholders' meeting.

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at September 30, 2019

In thousands of reais, unless otherwise stated

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 parent and held as treasury shares.

	September 30, 2019	September 30, 2018
Profit for the period attributable to the controlling shareholders	110,683	63,089
Weighted average number of shares outstanding in the period (in thousands)	62,858	62,858
Basic and diluted earnings per share	1.76	1.00

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 September 30, 2019

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 September 30, 2019 was prepared and is being presented on a comparative basis with the period ended September 30, 2018, according to the Company's new segments:

	September 30, 2019				
	Romi Machinery	Burkhardt + Weber	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	261,481	159,731	113,913		535,125
Cost of sales and services	(135,078)	(134,850)	(125,290)		(395,218)
Transfers remitted	1,881	-	21,682	(23,563)	-
Transfers received	(21,682)	-	(1,881)	23,563	-
Gross profit	106,602	24,881	8,424	-	139,907
Operating expenses:					
Selling expenses	(46,505)	(11,296)	(4,168)		(61,969)
General and administrative expenses	(24,607)	(18,900)	(7,960)		(51,467)
Research and development	(13,158)	-	(2,636)		(15,794)
Management fees	(3,228)	-	(1,610)		(4,838)
Other operating income (expenses), net	55,447	-	20,810		76,257
Operating profit (loss) before finance income (costs)	74,551	(5,315)	12,860	-	82,096
Inventory	268,631	60,682	36,791		366,104
Depreciation and amortization	8,541	7,016	9,266		24,823
Property, plant and equipment, net	87,356	63,454	114,691		265,501
Intangible assets	660	55,031	18		55,709
	Europe	Latin America	North America	Africa and Asia	Total
Net operating revenue per geographical region	163,759	308,015	17,905	45,446	535,125

Indústrias Romi S.A.

Notes to the quarterly information (ITR)

at September 30, 2019

In thousands of reais, unless otherwise stated

	September 30, 2018				
	Romi Machinery	Burkhardt + Weber	Cast and machined products	Eliminations between segments	Consolidated
Net operating revenue	237,265	117,581	141,874		496,720
Cost of sales and services	(125,939)	(98,863)	(134,880)		(359,682)
Transfers remitted	2,737	-	18,942	(21,679)	-
Transfers received	(18,942)	-	(2,737)	21,679	-
Gross profit	95,121	18,718	23,199	-	137,038
Operating (expenses) income:					
Selling expenses	(43,899)	(10,011)	(3,794)		(57,704)
General and administrative expenses	(17,133)	(17,337)	(9,771)		(44,241)
Research and development	(12,804)	-	-		(12,804)
Management fees	(3,001)	-	(2,805)		(5,806)
Other operating income (expenses), net	(320)	-	-		(320)
Operating profit (loss) before finance income (costs)	17,964	(8,630)	6,829	-	16,163
Inventory	247,721	77,865	27,836		353,422
Depreciation and amortization	9,427	5,866	9,668		24,961
Property, plant and equipment, net	138,830	14,711	110,069		263,610
Intangible assets	937	57,529	20		58,486
	Europe	Latin America	North America	Africa and Asia	Total
Net operating revenue per geographical region	139,457	316,738	13,036	27,489	496,720

Indústrias Romi S.A.

Notes to the quarterly information (ITR) at September 30, 2019

In thousands of reais, unless otherwise stated

18 Future commitments

On April 10, 2017, the Company and Centrais Elétricas Cachoeira Dourada S.A. - CDSA, belonging to Endesa, decided to amend the agreement for the supply of electric energy entered into on May 1, 2007, which intended to contract a volume of electric energy according to the Company's needs. On May 30, 2019, the Company entered into an electric energy purchase agreement with Engie Brasil Energia Comercializadora LTDA - Engie, for the periods following the ongoing agreement with CDSA. As a result, the supply of electric energy has been extended for further three years, up to December 31, 2023, and has reflected the following commitments that will be adjusted annually by the General Market Price Index (IGP-M).

Year of supply	Amount
2019 (3 months)	2,150
2020	10,818
2021	15,395
2022	14,743
2023	14,528
Total	57,634

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

* * *

**ROMI**

WWW.ROMI.COM



October 22, 2019 3Q19 Earnings Release

September 30, 2019

Share price

ROMI3 - R\$ 13.48 per share (on 10/21/2019)

Market value

R\$ 847.3 million

US\$ 205.1 million

Number of shares

Common: 62,857,647

Total: 62,857,647

Free Float = 50.8%**Investor Relations Contact****Fábio B. Taiar**

Investor Relations Officer

Telephone: +55 (19) 3455-9418

dri@romi.com

October 23, 2019

APIMEC-SP Analysts Meeting

Time: 5:00 pm (São Paulo)

Venue: Clarion Faria Lima

Rua Jerônimo da Veiga, 248

Web broadcast,

With access link at www.romi.com**Earnings Conference Call in English**

Time: 11:00 am (Sao Paulo)

3:00 pm (London)

10:00 am (New York)

Dial-in numbers:

USA +1 (786) 924-6977

Brazil +55 (11) 3193-1001

Other + 1 (888) 700-0802

Access Code: Romi



Santa Bárbara d'Oeste - SP, October 22, 2019 - Indústrias Romi S.A. ("Romi" or "Company") (B3: ROMI3), domestic market leader in the Machine Tools and Plastic Processing Machines markets, as well as an important producer of Raw and Machined Cast Iron Parts, announces its results for the third quarter of 2019 ("3Q19"). 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

EBITDA margin in 3Q19 reaches 14.4%, 2.8 p.p. above 3Q18

- Net operating revenue in 3Q19 reached 246.5 million, an increase of 19.7% over the same period of the previous year, with emphasis on Romi Machines and B+W Machines Business Units;
- EBITDA margin in 3Q19 reached 14.4%, an increase of 2.8 p.p. over 3Q18, with highlights to the B+W Machines Business Unit;
- The Romi Machines Business Unit, compared to 3Q18, posted a 15.7% growth in net operating revenue and an operating margin of 16.4% in 3Q19;
- The B+W Machines Unit, net operating revenue grew 52.3% in 3Q19 compared to 3Q18 and 10.5 p.p. in operating margin, reflecting the release of new products, the development of solutions to serve new segments and projects focused on increasing profitability;
- In 3Q19, the order entry from the Raw and Machined Cast Iron Parts Business Unit grew 103.3% over 3Q18, reflecting the beginning of the resumption of demand for large castings; and
- The Company's net cash position reached R\$ 15.8 million on September 30, 2019 due to the operating cash generation in 3Q19 and the judicial deposits arising from the Success in Legal Proceeding, as described throughout this report, were released and incorporated into the Company's cash on September 20, 2019, in the amount of R\$ 88.5 million;

R\$'000	Quarterly					Accumulated		
	3Q18	2Q19	3Q19	Chg.	Chg.	9M18	9M19	Chg.
				3Q19/2Q19	3Q19/3Q18			9M19/9M18
Revenues Volume								
Machines (units)	227	172	242	40.7%	6.6%	498	554	11.2%
Burkhardt + Weber (units)	9	8	12	50.0%	33.3%	17	16	-5.9%
Raw and Machined Cast Iron Parts (tons)	5,520	3,836	4,286	11.7%	-22.3%	17,824	15,565	-12.7%
Net Operating Revenue	205,954	167,859	246,500	46.8%	19.7%	496,720	535,125	7.7%
Gross margin (%)	29.4%	25.8%	29.6%			27.6%	26.1%	
Operating Income (EBIT)	15,407	(1,681)	27,334	-1726.1%	77.4%	16,163	82,096	407.9%
Operating margin (%)	7.5%	-1.0%	11.1%			3.3%	15.3%	
Operating Income (EBIT) - adjusted (*)	15,407	(1,681)	27,334	-1726.1%	77.4%	17,786	7,775	-56.3%
Operating margin (%) - adjusted (*)	0.0%	-1.0%	11.1%			3.6%	1.5%	
Net Income	15,931	(4,348)	27,891	-741.5%	75.1%	63,210	110,844	75.4%
Net margin (%)	7.7%	-2.6%	11.3%			12.7%	20.7%	
Net Income - adjusted (*)	15,931	(174)	27,891	-16129.3%	75.1%	23,137	9,454	-59.1%
Net margin (%) - adjusted (*)	7.7%	-0.1%	11.3%			4.7%	1.8%	
EBITDA	23,886	6,688	35,528	431.2%	48.7%	41,124	106,919	160.0%
EBITDA margin (%)	11.6%	4.0%	14.4%			8.3%	20.0%	
EBITDA - adjusted (*)	23,886	6,688	35,528	431.2%	48.7%	42,747	32,600	-23.7%
EBITDA margin (%) - adjusted (*)	11.6%	4.0%	14.4%			8.6%	6.1%	
Investments	4,139	6,032	5,310	-12.0%	28.3%	17,254	18,493	7.2%

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

(*)

2Q18/9M18: refers to the effects from the success in tax proceeding (Plano Verão) in which the Company 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. The effects impacted the financial information as follows: EBIT/EBITDA: reduced by R\$ 1,623 thousand, referring to attorney's fees recorded under "Other net operating income (expenses)"; and (ii) profit for the period: increased by the impact from the net gain of R\$ 40,073 thousand, already including 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 2018, as per the Shareholders Notice dated April 17, 2018.

1Q19: 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: increase of R\$ 74,321 thousand, related 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 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 interest on capital proposed in March 2019, as per the Shareholders Notice dated March 26, 2019. On September 20, 2019, judicial deposits in the amount of R\$ 88,456 thousand were released and incorporated into the Company's cash.

2Q19: the Company reviewed the calculations referring 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 the period in 2Q19 was impacted (decreased) by R\$ 4,174 thousand, including the effects of income tax and social contribution.

9M19: The sum of the amounts mentioned above, in 1Q19 and 2Q19, is recognized in 9M19.

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, 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 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.

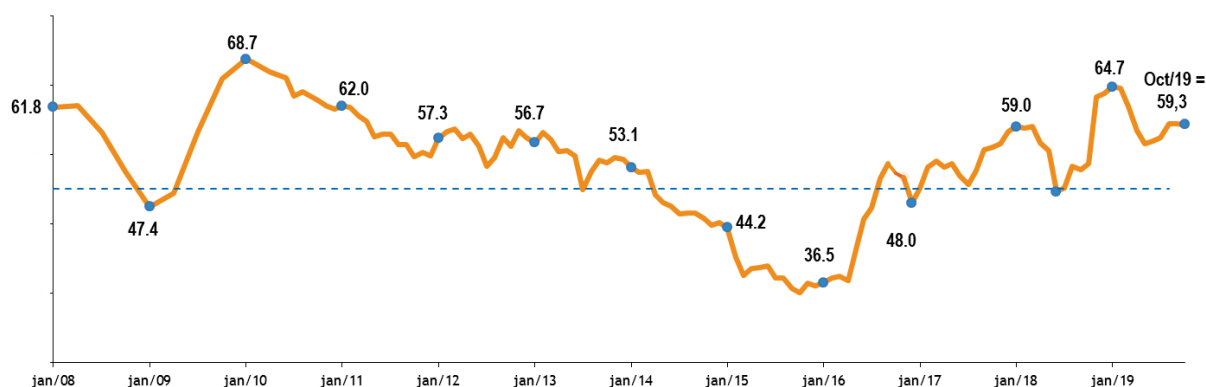
The Company has thirteen manufacturing units, four of which for final assembly of industrial machinery, two foundries, four units for machining of mechanical components, two units for manufacture of steel sheet components, and one unit for assembly of electronic panels. Of these, eleven are located in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

2019 began with the continuity of the economic recovery and, mainly, with a good level of optimism in the industry. Some macroeconomic data also continue to indicate recovery signs in the Brazilian economy, such as the improvement in the confidence indexes and in the utilization of installed capacity when compared to the last three years, presented below. This improvement in macroeconomic data begins to materialize in the Romi Machines business unit, which, faced with a more stable scenario, encourages customers to resume their investments. The foreign market begins to feel the effects of the global economic slowdown, especially the South American markets, and, as a consequence, a reduction in turnover generated in these countries can be noted.

In October 2019, as shown below, the Industrial Entrepreneur Confidence Index (ICEI) reached 59.3, a level that shows the evolution of the index in 2019 when compared to the previous three years, in line with the gradual resumption of the economy.

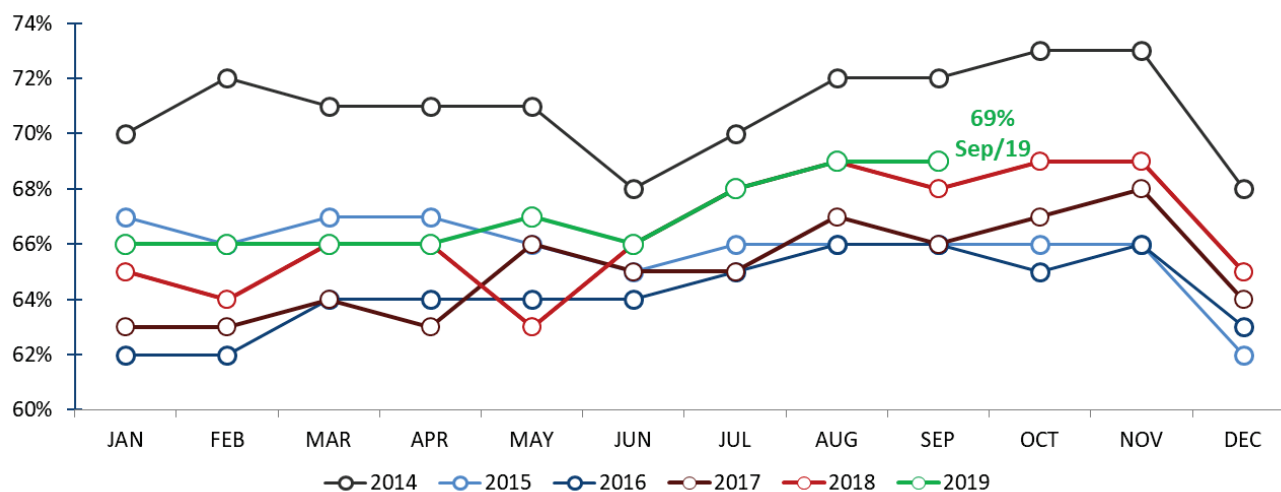
Industrial Entrepreneur Confidence Index - ICEI



Source: CNI - ICEI, October 2019

The Installed Capacity Utilization (UCI) index of the Brazilian industry in general, as released by the National Confederation of Industries (CNI), has consolidated at an important growth level, when compared to the last years, showing an important recovery of the Brazilian economy.

Average Installed Capacity Utilization (UCI)



Source: CNI - UCI, September 2019

Romi continues to implement actions to streamline its structure and the planning and manufacturing process, to respond quickly to the demand volatility. Over the past few years we have made several optimizations, especially in indirect structures. We reinforced the focus on cost and expense reduction projects and invested in automation and productivity, focusing on the increase of profitability, which can be noted since 2017. Strategically, we have defined the launching of new product generations as a priority, and 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 economy.

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 facilities 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) Gross Values, sales taxes included	3Q18	2Q19	3Q19	Chg. 3Q19/2Q19	Chg. 3Q19/3Q18	9M18	9M19	Chg. 19/18
Romi Machines	108,944	116,053	92,413	-20.4%	-15.2%	276,853	280,422	1.3%
Burkhardt+Weber Machines	78,231	41,396	36,673	-11.4%	-53.1%	135,566	110,268	-18.7%
Rough and Machined Cast Iron Parts	29,408	66,560	59,774	-10.2%	103.3%	144,565	163,412	13.0%
Total *	216,583	224,008	188,860	-15.7%	-12.8%	556,984	554,101	-0.5%

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

The order entry volume at the Romi Machines Unit in 9M19 showed a growth of 1.3% compared to 9M18, chiefly due to the growth of orders in the domestic market, demonstrating that in 2019 the continuing economic recovery and a good level of optimism are observed, which encourages investments. In 3Q19, the order entry from this business unit decreased by 15.2%, reflecting the global slowdown and the political and economic challenges faced by South American countries. The reduction in new orders mentioned, coupled with the large number of machines delivered in 3Q19, resulted in a order backlog reduction at the end of 3Q19 of 17.3% when compared to 3Q18.

At the German subsidiary B+W, the order entry in the first nine months of 2019 decreased by 18.7%, reflecting the slowdown in the world economy. On the other hand, the volume of projects remains at good levels, showing that by 2020 there are still several opportunities to be realized.

The Raw and Machined Cast Iron Parts Unit presented 103.3% higher order entry in 3Q19 than in 2Q18, demonstrating the beginning of the recovery of large cast iron parts for the energy segment.

Order Backlog (R\$ 000) Gross Values, sales taxes included	3Q18	2Q19	3Q19	Chg. 3Q19/2Q19	Chg. 3Q19/3Q18
Romi Machines	136,011	119,291	112,472	-5.7%	-17.3%
Burkhardt+Weber Machines	199,841	183,251	151,062	-17.6%	-24.4%
Rough and Machined Cast Iron Parts	41,217	62,930	71,624	13.8%	73.8%
Total *	377,069	365,472	335,158	-8.3%	-11.1%

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

Operational Performance

NET OPERATING REVENUE

Net operating revenue posted by the Company in 3Q19 reached R\$ 246.5 million, 19.7% higher than in 3Q18 and 46.8% higher than in 2Q19.

By Business Unit

Net Operating Revenue (R\$ 000)	3Q18	2Q19	3Q19	Chg. 3Q19/2Q19	Chg. 3Q19/3Q18	9M18	9M19	Chg. 19/18
Romi Machines	97,512	79,738	112,824	41.5%	15.7%	237,265	261,481	10.2%
Burkhardt+Weber Machines	58,823	52,408	89,607	71.0%	52.3%	117,581	159,731	35.8%
Raw and Machined Cast Iron Parts	49,619	35,713	44,069	23.4%	-11.2%	141,874	113,913	-19.7%
Total	205,954	167,859	246,500	46.8%	19.7%	496,720	535,125	7.7%

Romi Machines

The net operating revenue of this Business Unit reached R\$ 112.8 million in 3Q19, posting an increase of 15.7% when compared to the same period in 2018, reflecting the higher turnover generated in the domestic market, due to the gradual economic recovery started in 2018.

Burkhardt + Weber Machines

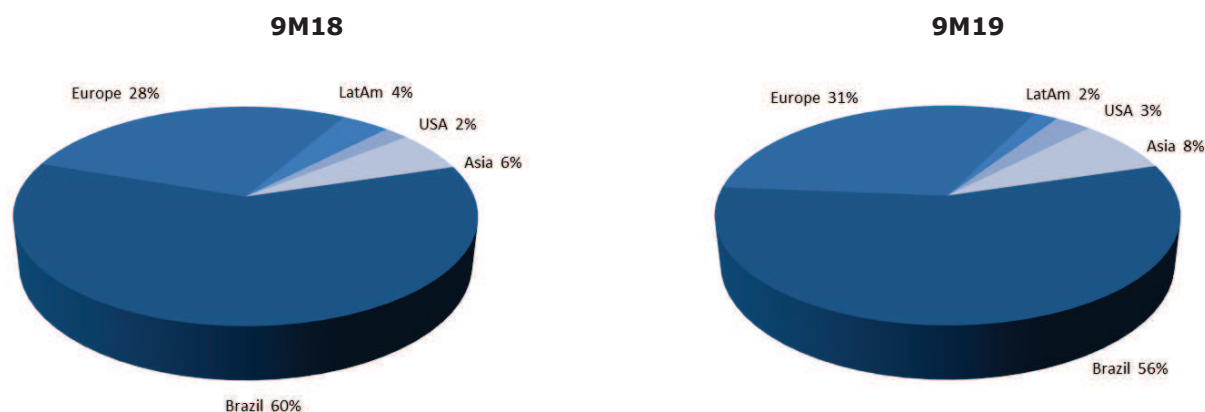
In 3Q19, revenue of the German subsidiary B+W, in Reais, was 52.3% higher than in 3Q18, due to the good volume of new businesses generated in the last periods. In 9M19, this growth was 35.8%, showing that machine deliveries are better distributed throughout the second half of the year.

Raw and Machined Cast Iron Parts

The net operating revenue of this Business Unit was R\$ 44.1 million in 3Q19, representing a 11.2% decrease compared to 3Q18, chiefly due to the reduction in the volume of large raw and machined cast iron parts.

By Geographic Region

The domestic market accounted for 56% of Romi's consolidated revenue in 9M19 (60% in 9M18). 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 geographic region was the following:



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

Receita Operacional Líquida no Mercado Externo	Trimestral					Acumulado		
	3T18	2T19	3T19	Var. 2T19/1T19	Var. 2T19/2T18	9M18	9M19	Var. 1S19/1S18
ROL (em R\$ milhões):	90,2	78,4	123,6	57,7%	37,0%	198,8	242,4	21,9%
ROL (em US\$ milhões):	22,5	20,1	30,7	53,1%	36,4%	52,9	61,5	16,4%

OPERATING COSTS AND EXPENSES

The gross margin of 29.6% obtained in 3Q19 decreased by 0.2 p.p. in relation to 3Q18, and the operating margin (EBIT) presented an increase of 3.6 p.p. in the same period, due to the lower volume of revenues at the Romi Machines and B+W Machines Business units and the focus on projects to increase profitability.

						Accumulated		
Gross Margin	3Q18	2Q19	3Q19	Chg. p.p. 3Q19/2Q19	Chg. p.p. 3Q19/3Q18	9M18	9M19	Chg. pp 9M19/9M1
Romi Machines	43.5%	41.0%	40.6%	(0.4)	(2.9)	40.1%	40.8%	0.7
Burkhardt+Weber Machines	20.2%	12.4%	24.1%	11.7	3.9	15.9%	15.6%	(0.3)
Raw and Machined Cast Iron Parts	12.5%	10.8%	12.8%	2.0	0.2	16.4%	7.4%	(9.0)
Total	29.4%	25.6%	29.6%	4.0	0.2	27.6%	26.1%	(1.4)

						Accumulated		
EBIT Margin	3Q18	2Q19	3Q19	Chg. p.p. 3Q19/2Q19	Chg. p.p. 3Q19/3Q18	9M18	9M19	Chg. pp 9M19/9M1
Romi Machines	15.8%	3.7%	16.4%	12.7	0.6	7.6%	28.5%	20.9
Burkhardt+Weber Machines	-0.2%	-5.2%	10.3%	15.5	10.5	-7.3%	-3.3%	4.0
Raw and Machined Cast Iron Parts	0.2%	-5.3%	-0.9%	4.3	(1.2)	4.8%	11.3%	6.5
Total	7.5%	-1.0%	11.1%	12.1	3.6	3.3%	15.3%	12.1

						Accumulated		
EBIT Margin - Adjusted	3Q18	2Q19	3Q19	Chg. p.p. 3Q19/2Q19	Chg. p.p. 3Q19/3Q18	9M18	9M19	Chg. pp 9M19/9M1
Romi Machines	15.8%	3.7%	16.4%	12.7	0.6	8.3%	8.0%	(0.2)
Burkhardt+Weber Machines	-0.2%	-5.2%	10.3%	15.5	10.5	-7.3%	-3.3%	4.0
Raw and Machined Cast Iron Parts	0.2%	-5.3%	-0.9%	4.3	(1.2)	4.8%	-7.0%	(11.8)
Total	7.5%	-1.0%	11.1%	12.1	3.6	3.6%	1.5%	(2.1)

Romi Machines

The gross margin of this Business Unit in 3Q19 decreased by 2.9 p.p. when compared to 3Q18 due to the product mix. The operating margin (EBIT) also increased by 0.6 p.p. over the same comparison period due to higher sales volume.

Burkhardt + Weber Machines

In this Business Unit, gross and operating margins in 3Q19 increased by 3.9 pp and 10.5 pp, respectively, in relation to 3Q18, due to the 52.3% increase in net operating revenue and projects with focus in increasing profitability.

Raw and Machined Cast Iron Parts

The gross margin of this Business Unit in 3Q19 increased by 0.2 pp compared to 3Q18. In the same comparison period, the operating margin decreased by 1.2 pp due to the 11.2% decrease in sales volume.

EBITDA AND EBITDA MARGIN

In 3Q19, the operating cash generation as measured by EBITDA amounted to R\$ 35.5 million, representing an EBITDA margin of 14.4% in the quarter, as indicated in the following table:

Reconciliation of Net Income to EBITDA						Accumulated		
(R\$ 000)	3Q18	2Q19	3Q19	Chg. 3Q19/2Q19	Chg. 3Q19/3Q18	9M18	9M19	Chg. 9M19/9M18
Net Income	15,931	(4,348)	27,891	741.5%	75.1%	63,210	110,844	75.4%
Income tax and social contributions	(526)	194	1,043	437.6%	298.3%	(8,233)	31,735	-485.5%
Net Financial Income	2	2,473	(1,600)	-164.7%	-80100.0%	(38,814)	(60,483)	55.8%
Depreciation and amortization	8,479	8,369	8,194	-2.1%	-3.4%	24,961	24,823	-0.6%
EBITDA	23,886	6,688	35,528	431.2%	48.7%	41,124	106,919	160.0%
EBITDA Margin	11.6%	4.0%	14.4%	2.62	0.24	8.3%	20.0%	1.41
EBITDA - Adjusted (*)	23,886	6,688	35,528	431.2%	48.7%	42,747	32,600	-23.7%
EBITDA Margin - Adjusted (*)	11.6%	4.0%	14.4%	2.62	0.24	8.6%	6.1%	(0.29)
Total Net Operating Revenue	205,954	167,859	246,500	46.8%	19.7%	496,720	535,125	7.7%

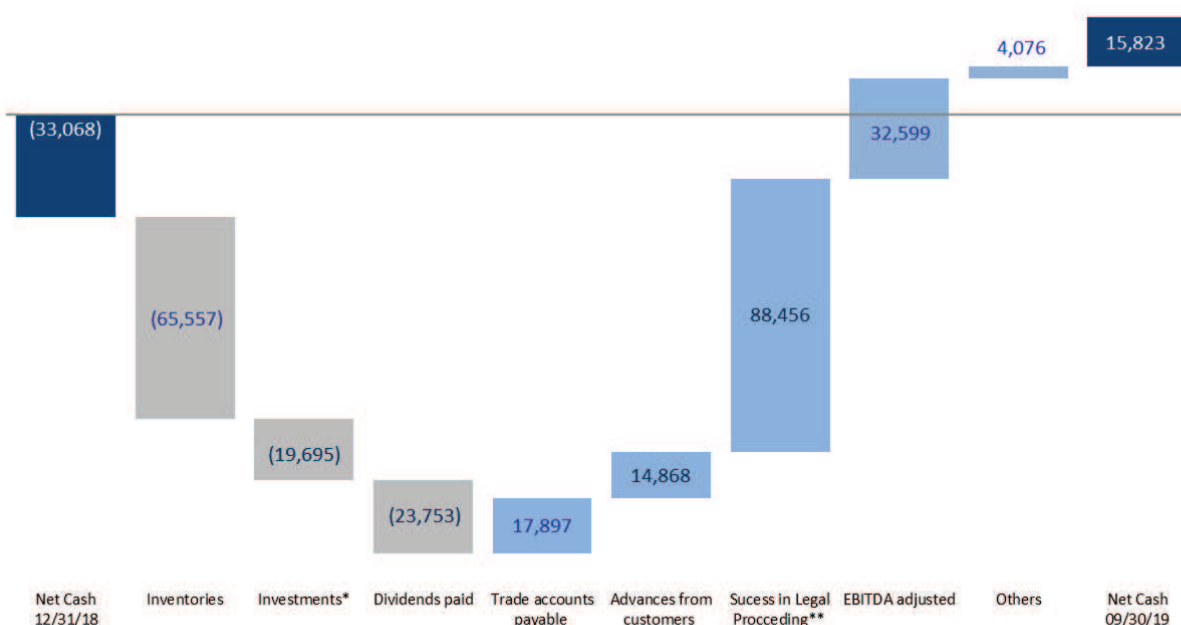
(*) As described in the highlights of this report.

RESULT FOR THE PERIOD

The result for the period in 3Q19 was positive by R\$ 27.9 million.

Evolution of the Net Cash (Debt) Position

The main variations in the net debt position during 9M19 are described below in R\$'000:



*"Investment" balances are net of the impacts recognized in accordance with IFRS 16 - Leases.

** Amounts received regarding Success in Tax Proceeding, as disclosed in 1Q19.

Cash generation in 9M19 is due to the following main aspects:

a) 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 presented a significant growth compared to December 2018;

b) Payment of interest on capital proposed in April 2018 and paid in March 2019, in the total net amount of R\$ 23.8 million; and

c) Investments made during 9M19, most of them for the installation of an automatic molding machine for the Raw and Machined Cast Iron Parts Business Unit. The other investments were allocated in part to maintenance as well as to improve productivity, flexibility and competitiveness of the other industrial units, all of them pursuant to the investment plan already scheduled for the year.

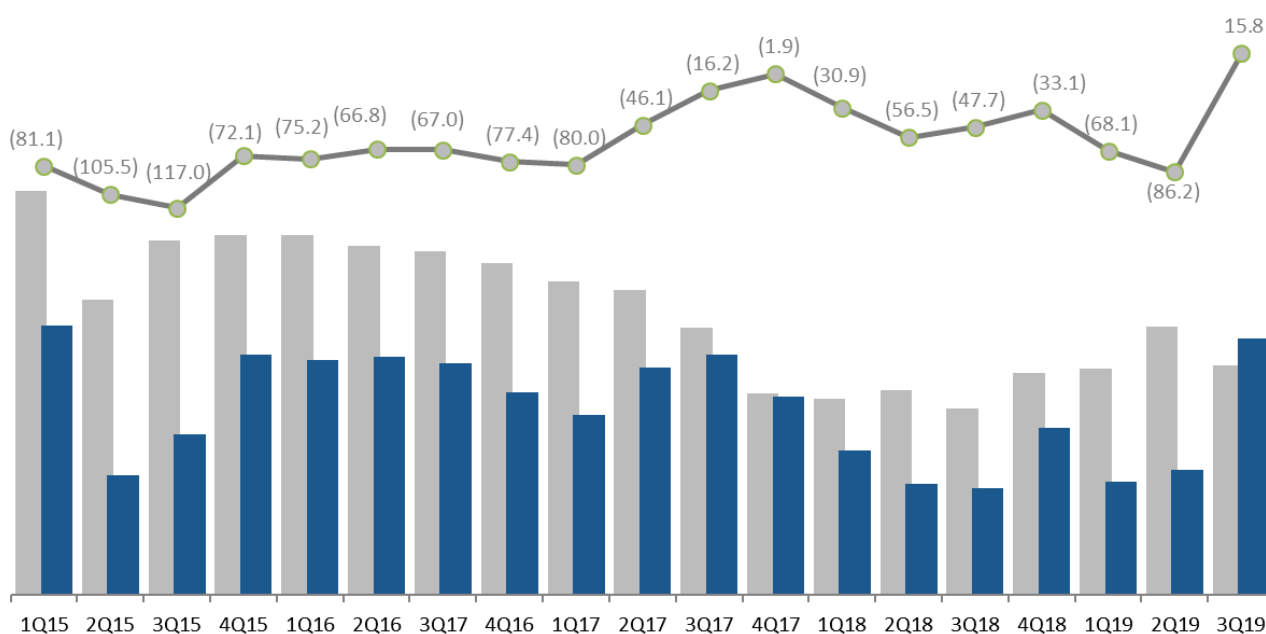
d) Cash inflow from the release of escrow deposits in the amount of R\$ 88,456, as described in the section on Success in Legal Proceeding.

Financial Position

Short-term investments, including those backed by debentures, 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 at September 30, 2019 was positive R\$15.8 million.

The Company's borrowings are used mainly in investments for the modernization of the industrial facilities, research and development of new products and financing of exports and imports. At September 30, 2019, the amount of financing in local currency was R\$ 21.9 million, and in foreign currency, R\$ 116.6 million, totaling R\$138.5 million.

Net Cash (Debt) Position
R\$ million



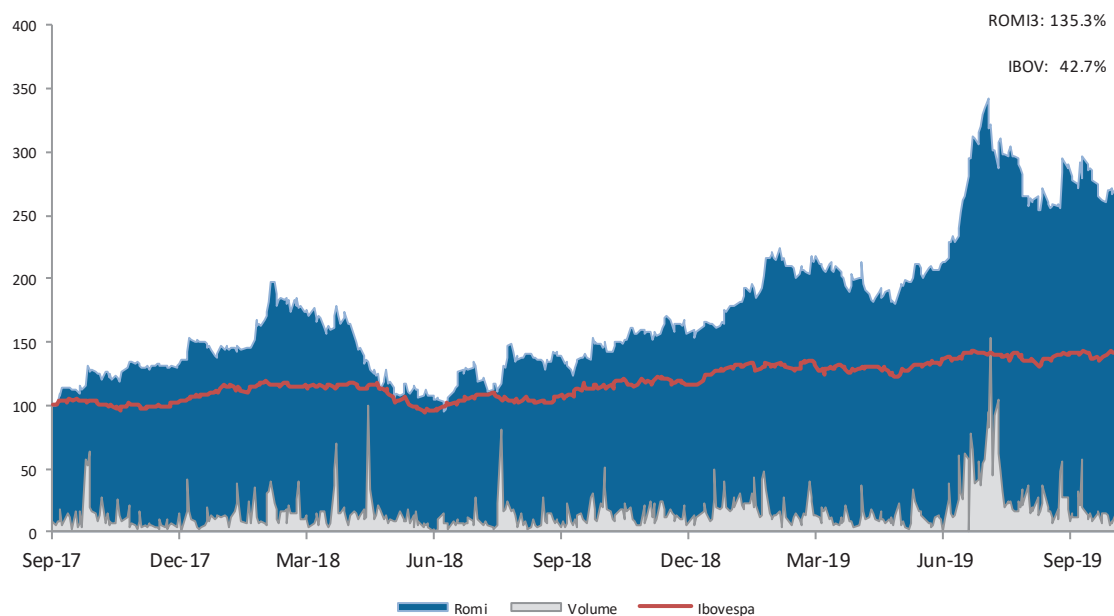
The balances of "Finame Manufacturer Financing" are not used in the calculation of net debt of the Company.

At September 30, 2019, the Company did not have any derivative transactions.

Capital Market

Share Performance ROMI3 vs. Ibovespa

From 09/30/2017 to 10/21/2019



Source: B3.

On October 21, 2019, the Company's common shares (ROMI3), which were quoted at R\$13.48, posted appreciation of 59.9% since December 31, 2018 and 135.3% since September 30, 2017. Ibovespa recorded appreciation of 20.6% and 42.7% in the same periods.

The Company's market capitalization on October 21, 2019 was R\$847.3 million. The average daily trading volume during 3Q19 was R\$3.6 million.

Success in Legal Proceeding

EXCLUSION OF ICMS LEVIED ON SALES FROM THE PIS AND COFINS TAX BASE

As disclosed in note 14 to the Quarterly Information for the first quarter of 2019, on October 24, 2006, the Company filed a claim in which it questioned the constitutionality of the inclusion of ICMS (state tax) on sales in the PIS and COFINS (federal taxes) tax base, as well as the repetition of such tax overpayment retroactively for 5 (five) years.

The Company, on March 13, 2019, obtained a favorable final outcome on its individual ordinary lawsuit about the matter. As a consequence of such final and unappealable decision on its individual lawsuit, the then present obligation derived from a past event was no longer considered as an obligation and, therefore, the Company recognized in the financial statements for the first quarter of 2019 the effects of the success in such proceeding, which totaled R\$ 138,008, before taxes, of which R\$ 74,321 was recorded in "Other operating income (expenses), net", and R\$ 63,868 in "Financial income". The impact on profit for the period was R\$105,564, already considering the effects of income tax and social contribution on the gain, which were reduced by the use of the interest on capital, proposed in March 2019, according to the Shareholders Notice dated March 26, 2019.

On September 20, 2019, escrow deposits in the amount of R\$ 88,456 thousand were released and incorporated into the Company's cash.

Consolidated Balance Sheet

IFRS (R\$ 000)

ASSETS	09/30/18	12/31/18	06/30/19	09/30/19	LIABILITIES AND SHAREHOLDER'S EQUITY	09/30/18	12/31/18	06/30/19	09/30/19
CURRENT	681,559	697,357	806,396	823,557	CURRENT	379,892	362,752	438,013	450,524
Cash and Cash equivalents	63,951	100,428	74,564	153,621	Loans and financing	75,061	102,547	134,808	113,555
Financial investments	481	489	668	676	FINAME manufacturer financing	55,931	63,326	69,354	73,800
Trade accounts receivable	134,184	168,213	131,340	173,790	Trade accounts payable	64,702	44,261	65,784	62,158
Onlending of FINAME manufacturer financing	80,479	87,482	89,606	91,990	Payroll and related taxes	35,351	27,504	31,540	35,690
Inventories	350,239	300,547	380,666	366,104	Taxes payables	2,826	7,847	5,226	7,372
Recoverable taxes	36,671	25,267	20,420	16,762	Advances from customers	87,529	71,466	86,076	86,334
Judicial Deposits	-	-	87,699	-	Other payables	58,492	45,801	45,225	71,615
Other receivables	15,554	14,931	21,433	20,614					
					NON CURRENT	160,355	181,732	185,240	201,280
					Loans and financing	37,106	31,438	26,649	24,919
NON CURRENT	197,651	209,430	228,886	244,369	FINAME manufacturer financing	87,928	116,278	121,474	138,487
Trade accounts receivable	12,526	13,618	10,840	10,233	Deferred income and social contribution taxes	34,419	31,786	30,825	31,912
Onlending of FINAME manufacturer financing	104,737	128,584	128,930	144,959	Taxes payable	666	2,100	1,352	910
Recoverable taxes	20,495	18,998	53,023	53,487	Reserve for contingencies	236	130	4,940	5,052
Deferred income and social contribution taxes	51,719	43,948	29,521	28,895	Other payables	-	-	-	-
Judicial Deposits	2,129	2,110	2,098	2,016					
Other receivables	6,045	2,172	4,474	4,779	SHAREHOLDER'S EQUITY	680,796	695,977	746,986	754,217
					Capital	492,025	492,025	492,025	492,025
Investments					Retained earnings	139,306	160,218	213,524	216,216
Property, Plant and Equipment	263,610	258,921	263,560	265,501	Cumulative translation adjustments	49,465	43,734	41,437	45,976
Investment Properties	18,602	18,398	18,398	18,398					
Intangible assets	58,486	57,981	54,561	55,709					
					NON CONTROLLING INTERESTS	1,498	1,626	1,562	1,513
					TOTAL SHAREHOLDER'S EQUITY	682,294	697,603	748,548	755,730
TOTAL ASSETS	1,219,908	1,242,087	1,371,801	1,407,534	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,222,541	1,242,087	1,371,801	1,407,534

Consolidated Income Statement

IFRS (R\$ thousand)

	3Q18	2Q19	3Q19	Chg. 3Q19/2Q19	Chg. 3Q19/3Q18	9M18	9M19	Chg. 9M19/9M18
Net Operating Revenue	205,954	167,859	246,500	46.8%	19.7%	496,720	535,125	7.7%
Cost of Goods Sold	(145,400)	(124,553)	(173,450)	39.3%	19.3%	(359,682)	(395,218)	9.9%
Gross Profit	60,554	43,306	73,050	68.7%	20.6%	137,038	139,907	2.1%
<i>Gross Margin %</i>	<i>29.4%</i>	<i>25.8%</i>	<i>29.6%</i>			<i>27.6%</i>	<i>26.1%</i>	
Operating revenues (expenses)	(45,147)	(44,987)	(45,716)	1.6%	1.3%	(120,875)	(57,811)	-52.2%
Selling expenses	(23,498)	(20,880)	(22,531)	7.9%	-4.1%	(57,704)	(61,969)	7.4%
Research and development expenses	(4,377)	(5,748)	(5,286)	-8.0%	20.8%	(12,804)	(15,794)	23.4%
General and administrative expenses	(15,406)	(17,289)	(16,743)	-3.2%	8.7%	(44,241)	(51,467)	16.3%
Management profit sharing and compensation	(2,171)	(1,555)	(1,785)	14.8%	-17.8%	(5,806)	(4,838)	-16.7%
Other operating income, net	305	485	629	29.7%	106.2%	(320)	76,257	-23930.3%
Operating Income (loss) before Financial Results	15,407	(1,681)	27,334	-1726.1%	77.4%	16,163	82,096	407.9%
<i>Operating Margin %</i>	<i>7.5%</i>	<i>-1.0%</i>	<i>11.1%</i>			<i>3.3%</i>	<i>15.3%</i>	
Financial Results, Net	(2)	(2,473)	1,600	-164.7%	-80100.0%	38,814	60,483	55.8%
Financial income	1,316	(510)	3,325	-752.0%	152.7%	41,587	66,640	60.2%
Financial expenses	(2,114)	(1,133)	(1,187)	4.8%	-43.9%	(7,186)	(3,496)	-51.3%
Exchange gain (loss), net	796	(830)	(538)	-35.2%	-167.6%	4,413	(2,661)	-160.3%
Operations Operating Income	15,405	(4,154)	28,934	-796.5%	87.8%	54,977	142,579	159.3%
Income tax and social contribution	526	(194)	(1,043)	437.6%	-298.3%	8,233	(31,735)	-485.5%
Net income	15,931	(4,348)	27,891	-741.5%	75.1%	63,210	110,844	75.4%
<i>Net Margin %</i>	<i>7.7%</i>	<i>-2.6%</i>	<i>11.3%</i>			<i>12.7%</i>	<i>20.7%</i>	
Net profit (loss) concerning:								
Controlling interests	15,889	(4,406)	27,835	-731.8%	75.2%	63,089	110,683	75.4%
Non controlling interests	42	58	56	-3.4%	33.3%	121	161	33.1%
EBITDA	23,886	6,688	35,528	431.2%	48.7%	41,124	106,919	160.0%
Profit (loss) for the period	15,931	(4,348)	27,891	-741.5%	75.1%	63,210	110,844	75.4%
Income tax and social contribution	(526)	194	1,043	437.6%	-298.3%	(8,233)	31,735	-485.5%
Financial result, net	2	2,473	(1,600)	-164.7%	-80100.0%	(38,814)	(60,483)	55.8%
Depreciation and amortization	8,479	8,369	8,194	-2.1%	-3.4%	24,961	24,823	-0.6%
<i>EBITDA Margin %</i>	<i>11.6%</i>	<i>4.0%</i>	<i>14.4%</i>			<i>8.3%</i>	<i>20.0%</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 (loss) per share - R\$	0.25	(0.07)	0.44	-731.8%	75.2%	1.01	1.76	75.1%

Consolidated Cash Flow Statement

IFRS (R\$ thousand)

	3Q18	2Q19	3Q19	9M18	9M19
Cash from operating activities					
Net Income before taxation	15,405	(4,153)	28,934	39,572	113,645
Financial expenses and exchange gain	625	1,800	1	(35,150)	(58,609)
Depreciation and amortization	8,479	8,369	8,192	16,482	16,631
Allowance for doubtful accounts and other receivables	(1,653)	130	1,017	(155)	(3,167)
Proceeds from sale of fixed assets and intangibles	(715)	(205)	(289)	70	(443)
Provision for inventory realization	2,142	(1,098)	(1,744)	(834)	265
Reserve for contingencies	705	(458)	(2,607)	1,555	(57,204)
Change on operating assets and liabilities					
Financial Investments	(6)	(9)	(8)	13,195	(179)
Trade accounts receivable	(1,741)	3,914	(36,672)	916	40,910
Onlending of Finame manufacturer financing	(20,562)	(6,010)	(16,306)	8,691	(7,298)
Inventories	(25,123)	(32,637)	16,306	(84,532)	(80,383)
Recoverable taxes, net	(3,256)	19,937	4,618	(43,645)	11,135
Judicial deposits	(1,277)	(1,092)	89,291	(1,685)	7,448
Other receivables	6,944	2,085	3,235	33,435	3,641
Trade accounts payable	2,438	4,943	(4,432)	26,096	19,944
Payroll and related taxes	4,083	6,590	5,375	3,030	4,493
Taxes payable	1,194	(16,308)	(780)	6,557	(34,717)
Advances from customers	11,785	1,586	258	19,232	14,610
Other payables	1,851	7,602	5,125	(455)	1,110
Cash provided by (used in) operating activities	1,318	(5,014)	99,514	2,375	(8,168)
Income tax and social contribution paid	(3,225)	(587)	(296)	(522)	(3,359)
Net Cash provided by (used in) operating activities	(1,907)	(5,601)	99,218	1,853	(11,527)
Purchase of fixed assets	(4,104)	(12,910)	(5,699)	(13,163)	(20,067)
Sales of fixed assets	-	351	492	977	620
Increase in intangible assets	(669)	(1)	(28)	(2,127)	(582)
Net cash Used in Investing Activities	(4,773)	(12,560)	(5,235)	(14,313)	(20,029)
Interest on capital paid	(79)	-	(105)	(7,923)	(23,922)
New loans and financing	33,396	37,065	44,945	17,079	51,032
Payments of loans and financing	(46,812)	(11,225)	(72,160)	(18,948)	(21,308)
Interests paid (including Finame manufacturer financing)	(2,962)	(7,045)	(6,507)	(10,131)	(11,875)
New loans in Finame manufacturer	36,008	23,989	39,174	23,689	44,448
Payment of Finame manufacturer financing	(14,835)	(17,631)	(19,055)	(29,708)	(33,008)
Net Cash provided by (used in) Financing Activities	4,716	25,153	(13,708)	(25,942)	5,367
Increase (decrease) in cash and cash equivalents	(1,964)	6,992	80,275	(38,402)	(26,189)
Exchange variation changes on cash and cash equivalents abroad	(540)	60	(1,218)	(825)	325
Cash and cash equivalents - beginning of period	66,455	67,512	74,564	105,682	100,428
Cash and cash equivalents - end of period	63,951	74,564	153,621	66,455	74,564

Attachment I – Income Statement by Business Unit

Income Statement by Business Units - 3Q19

R\$ 000	Romi Machines	Burkhardt + Weber Machines	Raw and Machined Cast Iron	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 - 3Q18

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

Income Statement by Business Units - 9M19

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron	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>

Income Statement by Business Units - 9M18

R\$ 000	Machines	Burkhardt + Weber	Raw and Machined Cast Iron	Total
Net Operating Revenue	237,265	117,581	141,874	496,720
Cost of Sales and Services	(125,939)	(98,863)	(134,880)	(359,682)
Business Units Transfers	2,737	-	18,942	21,679
Business Units Transfers	(18,942)	-	(2,737)	(21,679)
Gross Profit	95,121	18,718	23,199	137,038
<i>Gross Margin %</i>	<i>40.1%</i>	<i>15.9%</i>	<i>16.4%</i>	<i>27.6%</i>
Operating Expenses	(77,157)	(27,348)	(16,370)	(120,875)
Selling	(43,899)	(10,011)	(3,794)	(57,704)
General and Administrative	(17,133)	(17,337)	(9,771)	(44,241)
Research and Development	(12,804)	-	-	(12,804)
Management profit sharing	(3,001)	-	(2,805)	(5,806)
Other operating revenue	(320)	-	-	(320)
Operating Income (loss) before Financial Results	17,964	(8,630)	6,829	16,163
<i>Operating Margin %</i>	<i>7.6%</i>	<i>-7.3%</i>	<i>4.8%</i>	<i>3.3%</i>
Operating loss before Financial Results - Adjusted (*)	19,587	(8,630)	6,829	17,786
<i>Operating Margin % - Adjusted (*)</i>	<i>8.3%</i>	<i>-7.3%</i>	<i>4.8%</i>	<i>3.6%</i>
Depreciation and amortization	9,427	5,866	9,668	24,961
EBITDA	27,391	(2,764)	16,497	41,124
<i>EBITDA Margin %</i>	<i>11.5%</i>	<i>-2.4%</i>	<i>11.6%</i>	<i>8.3%</i>
EBITDA - Adjusted (*)	29,014	(2,764)	16,497	42,747
<i>EBITDA Margin % - Adjusted (*)</i>	<i>12.2%</i>	<i>-2.4%</i>	<i>11.6%</i>	<i>8.6%</i>

Attachment II - Financial Statements of B + W

Balance Sheet B+W

	(€ 000)			
ASSETS	09/30/18	12/31/18	06/30/19	09/30/19
CURRENT	27,198	26,223	29,934	31,267
Cash and Cash equivalents	1,875	1,136	160	1
Trade accounts receivable	6,273	11,925	9,121	14,712
Inventories	17,488	12,069	18,063	14,355
Recoverable taxes	680	-	253	858
Deferred income and social contribution taxes	-	80	1,112	504
Related Parties	103	877	243	232
Other receivables	780	136	982	606
Investments				
Property, plant and equipment	14,711	14,579	14,247	14,233
Investment in subsidiaries	59	59	59	59
Intangible assets	12,933	12,868	12,354	12,121
TOTAL ASSETS	54,901	53,729	56,594	57,680
LIABILITIES AND SHAREHOLDER'S EQUITY	09/30/18	12/31/18	12/31/18	03/31/19
CURRENT	23,048	21,650	27,459	27,312
Loans and financing	1,500	2,349	2,499	2,948
Trade accounts payable	3,056	3,216	4,047	4,227
Payroll and related taxes	1,305	894	1,682	1,477
Taxes payable	-	9	801	1,042
Advances from customers	15,005	12,425	15,955	14,249
Other payables	1,342	2,143	1,519	2,247
Related Parties	840	614	957	1,120
NON CURRENT	7,429	7,054	6,688	6,534
Loans and financing	2,689	2,551	2,274	2,164
Deferred income and social contribution taxes	4,740	4,504	4,414	4,369
SHAREHOLDER'S EQUITY	24,424	25,025	22,448	23,835
Capital	7,025	7,025	7,025	7,025
Capital reserve	505	505	505	505
Profit reserve	16,894	17,495	14,918	16,305
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	54,901	53,729	56,594	57,680

B+W Income Statement

	(€ 000)				
	3Q18	2Q19	3Q19	9M18	9M19
Net Operating Revenue	12,765	11,883	20,216	26,891	36,220
Cost of Goods Sold	(10,199)	(10,411)	(15,349)	(22,688)	(30,647)
Gross Profit	2,566	1,472	4,867	4,203	5,573
<i>Gross Margin %</i>	<i>20.1%</i>	<i>12.4%</i>	<i>24.1%</i>	<i>15.6%</i>	<i>15.4%</i>
Operating Expenses	(2,597)	(2,092)	(2,790)	(6,303)	(6,901)
Selling expenses	(1,162)	(655)	(1,287)	(2,269)	(2,571)
General and administrative expenses	(1,435)	(1,437)	(1,503)	(4,034)	(4,330)
Operating Income before Financial Results	(31)	(620)	2,077	(2,100)	(1,328)
<i>Operating Margin %</i>	<i>-0.2%</i>	<i>-5.2%</i>	<i>10.3%</i>	<i>-7.8%</i>	<i>-3.7%</i>
Financial Results, Net	(83)	(76)	(83)	(264)	(280)
Operations Operating Income	(115)	(696)	1,994	(2,364)	(1,608)
Income tax and social contribution	2	165	(608)	590	418
Net income	(113)	(531)	1,386	(1,774)	(1,190)
<i>Net Margin %</i>	<i>-0.9%</i>	<i>-4.5%</i>	<i>6.9%</i>	<i>-6.6%</i>	<i>-3.3%</i>
EBITDA	474	(98)	2,551	(742)	211
Net income / loss for the period	(113)	(531)	1,386	(1,774)	(1,190)
Income tax and social contribution	(2)	(165)	608	(590)	(418)
Financial income, net	83	76	83	264	280
Depreciation and amortization	506	522	474	1,358	1,539
<i>EBITDA Margin %</i>	<i>3.7%</i>	<i>-0.8%</i>	<i>12.6%</i>	<i>-2.8%</i>	<i>0.6%</i>

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 its 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.