RAMADA
INVESTIMENTOS E INDÚSTRIA

Earnings announcement 2018

March 13, 2019

(unaudited)

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards, some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

80 YEARS
Investing in industry

INTRODUCTION

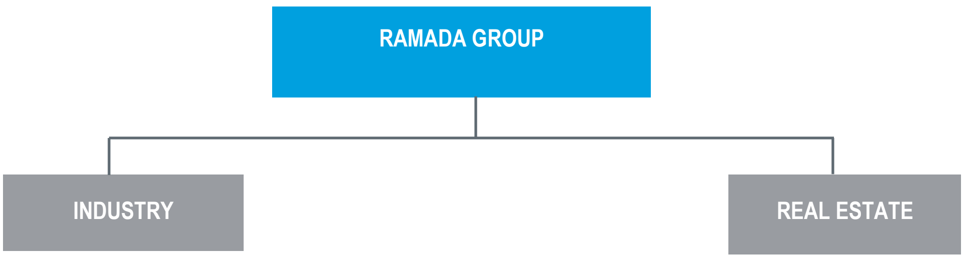
Ramada Investimentos[1] is the parent company of a group of companies that together operate two distinct business segments: i) Industry Segment, which includes the activity of special steels and wire drawing, as well as the activity related to the management of financial investments in which the Group is a minority shareholder; and ii) Real Estate Segment, aimed at the management of real estate assets.

The special steels activity, which develops, especially at the level of the sub-segment of moulds, with a leading position in the domestic market, is developed by three companies: Ramada Aços, Universal Afir and Planfuro Global.

In the last quarter of 2017, Ramada Investimentos acquired the indirect control of 99% of the share capital of SOCITREL – Sociedade Industrial de Trefilaria, S.A. ("Socitrel"). It should be noted that Socitrel only started to impact the consolidated statement of profit and loss from January 1st 2018 onwards. Additionally, in the first quarter of 2018, Ramada Investimentos acquired the remaining stake in Socitrel's share capital, being as from that date its sole shareholder.

This acquisition allowed Ramada Investimentos to diversify its industrial activity, entering in a new business area. The main business of Socitrel is related with manufacture and commercialization of steel wires, capable of being used in a wide variety of activities, including industry, agriculture and construction.

In the first half of 2018, Ramada Investimentos sold the entire share capital of Ramada Storax, S.A. and of all its subsidiaries in France, the United Kingdom, Belgium and Spain, which supported the entire international distribution network. This operation entailed the discontinuation of the Storage Solutions activity.



[1] In June 2018, F. Ramada - Investimentos SGPS, S.A., changed the Company's corporate purpose, as well as the Company's name to "RAMADA INVESTIMENTOS E INDÚSTRIA, S.A." (Ramada Investimentos) or (Ramada Group).

The consolidated financial information of Ramada Investimentos presented below was prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS), as adopted by the European Union.

INCOME STATEMENT

The income statement for 2017 was restated in order to segregate the results attributable to the discontinuing units (subsidiaries that are dedicated to the storage solutions business) in an autonomous line.

	2018	2017 (Restated)	Var. %
Sales and services rendered	127 424	77 908	63.6%
Other income	2 009	2 184	
Total revenue	**129 433**	**80 092**	**61.6%**
Cost of sales	(77 720)	(41 874)	85.6%
External supplies and services	(16 788)	(10 115)	66.0%
Payroll expenses	(14 046)	(9 568)	46.8%
Other expenses	(2 043)	(1 196)	70.8%
Total Costs (a)	**(110 596)**	**(62 753)**	**76.2%**
EBITDA (b)	**18 837**	**17 338**	8.6%
EBITDA Margin	**14.6%**	**16.7%**	
Amortization and depreciation	(5 254)	(5 480)	-4.1%
EBIT (c)	**13 582**	**11 857**	**14.5%**
EBIT Margin	**10.5%**	**12.7%**	
Income from investments	0	42 527	-100.0%
Financial expenses	(1 696)	(1 833)	-7.5%
Financial income	126	200	-36.8%
Net profit before income tax from continuing operations	**12 013**	**52 751**	**-77.2%**
Income tax	(2 509)	(1 450)	
Net profit after tax from continuing operations	**9 504**	**51 302**	**-81.5%**
Net profit after tax income from discontinued operations	60 214	5 407	1013.7%
Consolidated net profit	**69 718**	**56 708**	**22.9%**
Consolidated net profit attributable to shareholders of parent company	69 718	56 642	23.1%
Consolidated net profit attributable to non-controlling interest	0	66	

(Amounts in thousands of Euros)

(a) Operating costs excluding depreciation and amortization, financial costs and income taxes

(b) EBITDA = earnings before financial results, taxes on income, amortization and depreciation
(c) EBIT = earnings before financial results and taxes on income

In 2018, total revenues of the Ramada Group amounted to 129,433 thousand Euros, an increase of 61,6% over the total revenues recorded in 2017. This growth is explained by the impact of the consolidation of Socitrel only in 2018.

Total costs, excluding amortizations, financial results and income taxes, amounted to 110,596 thousand Euros, increasing by 76.2% over to 2017.

EBITDA amounted to 18,837 thousand Euros, 8.6% more than the recorded in the previous year. The EBITDA margin was 14.6%, compared to 16.7% in the previous year.

Operating income (EBIT), in the amount of 13,582 thousand Euros, increased by 14.5% compared to 11,857 thousand Euros in 2017.

The negative financial results, in the amount of 1,570 thousand Euros, recorded a decrease of 3.9% when compared with 2017.

Net profit of the discontinued operations was 60,214 thousand Euros, which includes the gain from the sale of the storage solutions business.

Consolidated net profit, including discontinued operations, amounted to 69,718 thousand Euros, compared to 56,708 thousand Euros in 2017.

INDUSTRY SEGMENT

	2018	2017 (Restated)	Var. %
Total Revenues	121 595	72 996	66.6%
Total Costs (a)	108 553	61 732	75.8%
EBITDA (b)	13 042	11 264	15.8%
EBITDA Margin	10.7%	13.6%	
EBIT (c)	8 047	6 089	32.1%
EBIT Margin	6.6%	9.7%	
Financial results	(778)	(717)	8.5%
Income from investments	0	42 527	-100.0%
Net profit before income tax from continuing operations	7 268	47 899	-84.8%
Income tax	1 212	528	129.6%
Net profit from continuing operations	6 056	47 371	-87.2%
Net profit from discontinued operations	60 214	5 407	1013.7%
Net profit	66 269	52 778	25.6%

(Amounts in thousands of Euros)

(a) Operating costs excluding depreciation and amortization, financial costs and income taxes

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(c) EBIT = earnings before financial results and taxes on income

In 2018, total revenues from the Industry segment amounted to 121,595 thousand Euros, an increase of 66.6% compared to the total revenues in 2017. This growth is explained by the impact of the consolidation of Socitrel that occurred only in 2018.

The EBITDA of the Industry segment amounted to 13,042 thousand Euro, an increase of 15.8% over the 11,264 thousand Euros reached in 2017. EBITDA margin recorded to 10.7% compared to 13.6% in the previous year.

Operating income (EBIT), in the amount of 8,047 thousand Euros, recorded an increase of 32.1% compared to 6,089 thousand Euros in the previous year.

In 2018 the steel business recorded a growth in turnover when compared to the previous year.

The first half of the year was characterized by a strong increase in demand across all market segments, especially in mould and tools segments, the most relevant segments for the business. With the increased and renewed production capacity, as a result of investments made in recent years, the steel group recorded a growth in turnover when compared with 2017.

Many of Group customers have overloaded their capacity and decided to outsource services. Conventional and customized machining services, as well as heat treatment services have benefited from this abundance of projects and grew in sales.
The maintenance of this scenario was expected, supported by the announcement of a considerable amount of car projects designs, mostly for hybrid and electric vehicles, which would explain strong needs of moulds and tools construction for manufacturing markets.

Everything reverses in the second half 2018 with car sales decrease in the Chinese market, the main world market. The first break in about 20 years begins in June (-3%) and sharpens until the end of the year (December breaks 13%). There were several global effects that led to this recession on the most important and decisive market for the automotive sector: Trump tariffs threaten China's exports and economy, the vehicles entry block in the most polluted cities (especially cars with diesel engine), the emergence of other forms of mobility based on the sharing economy, the huge contingencies in the new vehicle emissions homologation - Worldwide Harmonised Light Vehicle Test Procedure (WLTP), among many other political and economic situations, occurring in the world and which have made consumer confidence decrease.
Consumer confidence, or rather, the lack of it, was perhaps the most relevant cause of the adverse environment in the world's largest manufacturing industry. Everyone is waiting for the new models that will allow to travel without pollution restrictions, which are greener, more economical and more technologically advanced. Those models will also have assured demand in the future second-hand market.

Ongoing projects are either cancelled or delayed to reformulate models and adapt to new market requirements and/or policies related to the emissions and passenger vehicles traffic. Almost all projects in line with new requirements have continued their course but have soften the execution process over the need to reduce the investment in sales loss periods.
This resulted in limited demand of steel and associated services for the manufacture of moulds and tools and one higher pressure over the Group’s product and price.
All costumers have been reinforcing the ability production over the last years and with fewer orders and more internal capacity, they manage to reduce the outsourcing of all these services.

This restructuring period of the automotive industry had a significant impact in the Group performance during the second half. Other metal mechanic areas, such as the construction of equipment and manufacture of components did not recorded any break and helped to balance the consolidated sales.

The stocks also accompanied these circumstances. In the first half, the demand growth and the market movement was linked to the suppliers’ warnings for the raw material price raise and consequent delivery times increase. In some cases, it was predicted possible stocks shortage that could compromise Group answer to customer demand. Group reinforced stock levels to be prepared to this reality, but with the beginning of the second half and the consequent market slowdown, coupled with the commitments assumed with suppliers in the first half of the year, it was difficult to keep stocks at their desired values. Consequently, at year-end stock values are higher than usual.

The steel business is mainly developed in the domestic market which in 2018 accounted for 93% of turnover.

Exports, which up until now were a growing factor in the moulds and tools sector activity, are facing the same impact of the domestic market. However, the Group continues to focus on foreign markets, seeking to increase its export capacity.

In 2018, Socitrel maintained a significant activity increase, showing a recovering path in the production levels, sales and financial performance since 2015.

The return of Socitrel to the market was very well received by its customers who expressed their pleasure to take into acount a company of recognized quality. The long stop period until September 2015 allowed the entry of new players in the market, which conducted into an additional competitive factor, that the Company has been overcoming. The strengthening of Socitrel's exports has been allowing its recovery.

Socitrel's turnover had a strong growth when compared to 2017, where is important to highlight the significant growth of sales level within the domestic market.

Socitrel operates mainly in the foreign market, which in 2018 represented 63% of turnover, with Europe being the major target market.

Regarding the markets where Socitrel operates, in the second half of 2018, intensified the pressure of supply in all products, after a first half where the pressure was in the demand side. In the machine wire, market prices kept stable associated with the uncertainty of its evolution in next months.

REAL ESTATE SEGMENT

	2018	**2017 (Restated)**	**Var. %**
Total revenues	**7 838**	7 096	10.5%
Total costs (a)	**2 043**	1 022	100.0%
EBITDA (b)	**5 794**	6 074	-4.6%
EBIT (c)	**5 536**	5 768	-4.0%
Financial results	**(791)**	(916)	-13.6%
Net profit before income tax	**4 745**	4 852	-2.2%

(Amounts in thousands of Euros)

(a) Operating costs excluding depreciation and amortization, financial costs and income taxes

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In 2018, total revenues from the Real Estate segment amounted to 7,838 thousand Euros, an increase of 10.5% over 2017.

Income from long-term leases of forest land represents approximately 80% of total Real Estate revenues.

The EBITDA of the Real Estate segment in 2018 amounted to 5,794 thousand Euros, a decrease of 4.6% compared to 2017.

The operating profit (EBIT) of the Real Estate segment, in the amount of 5,536 thousand Euros, also presented a decrease of 4.0% over 2017.

The financial results of the Real Estate segment were negative by 791 thousand Euros, recording an improvement of 13.6% compared to the negative 916 thousand Euros in 2017.

Profit before taxes for the Real Estate segment amounted to 4,745 thousand Euros, 2.2% less than in 2017.

INVESTMENTS AND DEBT

In 2018, the productive investments of Ramada Group amounted to, approximately, 3,629 thousand Euros.

As of 31 December 2018, the Ramada Group had net cash, deducted from nominal gross debt, in the amount of 21,375 thousand Euros. As of 31 December 2017, the nominal net debt amounted to 7,872 thousand Euros.

DIVIDENDS

The Board of Directors will propose to the Shareholders Meeting the dividend payment of 0.6 Euros per share. It should be noted that an extraordinary dividend of 1.15 Euros per share was already paid in December 2018, as an advance on the profits of the year. Thus, total dividend related to 2018 will amount to 1.75 Euros per share.

FUTURE EVENTS

The European economic slowdown coupled with the uncertainties and paradigm shift of the automotive industry has particularly affected the Portuguese moulds industry. Group expect a very challenging 2019, and in the first quarter, the Industry segment should show an EBITDA level lower than the first quarter of 2018.

Oporto, March 13, 2019

The Board of Directors

Shaping industry

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