

RAMADA
INVESTIMENTOS E INDÚSTRIA

Earnings Announcement

September 30, 2018

(unaudited)

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards and in accordance with the International Accounting Standard 34 – Interim Financial Reporting, 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

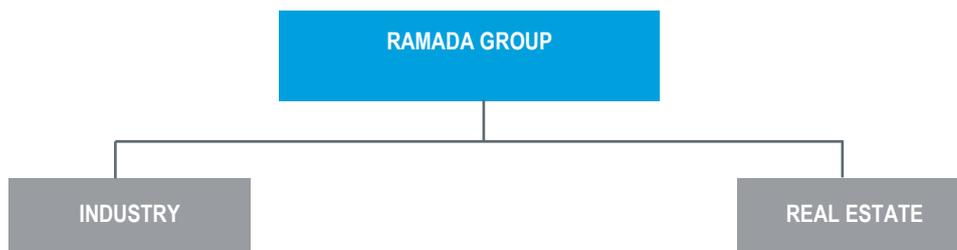
Ramada Investimentos¹ is the parent company of a group of companies that together operate two distinct business segments: i) Industry Segment, which includes the activity of special steels and wire drawing, as well as the activity related to the management of financial investments in which the Group 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 the nine months period ended September 30, 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.

	9M 2018	9M 2017 (Restated)	Var. %
Sales and services rendered	97 895	57 863	69.2%
Other income	484	1 569	-69.2%
Total revenue	98 379	59 432	65.5%
Cost of sales	(59 288)	(31 131)	90.4%
External supplies and services	(13 011)	(7 973)	63.2%
Payroll expenses	(10 372)	(6 697)	54.9%
Other expenses	(838)	(442)	89.9%
Total Costs (a)	(83 510)	(46 242)	80.6%
EBITDA (b)	14 868	13 190	12.7%
EBITDA Margin	15.1%	22.2%	
Amortization and depreciation	(4 261)	(3 662)	16.4%
EBIT (c)	10 607	9 528	11.3%
EBIT Margin	10.8%	12.7%	
Share of results of associates	0	42 249	-100.0%
Financial expenses	(1 281)	(1 482)	-13.6%
Financial income	26	137	-81.2%
Profit before income tax from continuing operations	9 352	50 432	-81.5%
Income tax	(2 238)	(2 196)	
Profit after tax from continuing operations	7 113	48 235	-85.3%
Profit after tax income from discontinued operations	60 214	3 145	1814.7%
Consolidated net profit	67 327	51 380	31.0%
Consolidated net profit attributable to shareholders of parent company	67 327	51 371	31.1%
Consolidated net profit attributable to Non-controlling Interest	0	10	

(Amounts in thousands 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 the first nine months of 2018, total revenues of the Ramada Group amounted to 98,379 thousand Euros, an increase of 65.5% over the total revenues recorded in the same period of 2017. This growth is explained by the impact of the consolidation of Socitrel only in 2018. Excluding this effect, the Group recorded a year-on-year growth of 5,574 thousand Euros in this period, which represents a growth of 9.4%.

Total costs, excluding amortizations, financial results and income taxes, amounted to 83,510 thousand Euros, increasing by 80.6% in relation to September 2017.

EBITDA amounted to 14,868 thousand Euros, 12.7% more than in the first nine months of 2017. The EBITDA margin was 15.1%, compared to 22.2% in the same period of last year.

Operating income (EBIT), in the amount of 10,607 thousand Euros, increased by 11.3% compared to 9,528 thousand Euros in 2017.

The negative financial results, in the amount of 1,255 thousand Euros, recorded a decrease of 6.7% compared to the same period of 2017.

In the first nine months of 2018, net profit from continuing operations amounted to 7,113 thousand Euros, 85.3% below the same period of 2017. Excluding gains in associated companies of 42,249 thousand Euros, the Group presented a growth of 1,127 thousand Euros in net profit, which represented an increase of 18.8% compared to the same period in 2017.

Net profit of the discontinued operations was 60,214 thousand Euros, which includes the gain from the sale of the storage solutions business. In the same period of 2017 net profit of this activity amounted to 3,145 thousand Euros.

Consolidated net profit, including discontinued operations, amounted to 67,327 thousand Euros, compared to 51,380 thousand Euros in the same period of 2017.

INDUSTRY SEGMENT

	9M 2018	9M 2017 (Restated)	Var. %
Total Revenues	93 069	54 296	71.4%
Total Cost (a)	82 405	45 396	81.5%
EBITDA (b)	10 664	8 900	19.8%
EBITDA Margin	11.5%	13.6%	
EBIT (c)	6 577	5 520	19.1%
EBIT Margin	7.1%	9.7%	
Financial results	(626)	(542)	15.5%
Share of results of associates	0	42 249	-100.0%
Profit before income tax from continuing operations	5 951	47 227	-87.4%
Income tax	1 388	1 235	12.4%
Net profit from continuing operations	4 563	45 992	-90.1%
Net profit from discontinued operations	60 214	3 145	1814.7%
Consolidated net profit for the period	64 777	49 137	31.8%

(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 the first nine months of 2018, total revenues from the Industry segment amounted to 93,069 thousand Euros, an increase of 71.4% compared to the total revenues of the same period of 2017. This growth is explained by the impact of the consolidation of Socitrel that occurred only in 2018. Excluding this effect, the Industry segment had a year-on-year growth of 5,400 thousand Euros in this period, representing a growth of 10%.

The EBITDA of the Industry segment in the first nine months of 2018 amounted to 10,664 thousand Euros, an increase of 19.8% over the 8,900 thousand Euros reached in the same period of 2017. EBITDA margin reached 11.5% compared to 13.6% in the previous year.

Operating income (EBIT), in the amount of 6,577 thousand Euros, recorded a growth of 19.1% compared to 5,520 thousand Euros in the same period of 2017.

In the first nine months of 2018 the steel business recorded a growth in turnover compared to the same period of the previous year.

The mould and metal mechanic sectors continued to be the growing engine of the sales of this activity.

The third quarter was characterized by a strong drop in demand in the plastic moulds sub-sector, while other areas such as cold-working tools and die-cast moulds continue to present good activity levels and maintain the same growth perspective.

The automotive industry is undergoing a reflection period in light of the recent reduction in sales in the Asian (mainly China) and European markets, strongly linked to the restrictive policy in relation to the circulation of more polluting vehicles in cities.

As the plastics sub-sector is important for the Group's portfolio of products and services, especially in machines and heat treatments, there is some concern about the duration of this reduction of activity.

There are some reserves in relation to the market recovery due to the strong pressure coming from chinese competition on the price of plastic molds and that could affect demand even under normal market conditions.

The Metal-mechanics sector continues with good levels of activity with exports making an important contribution. Faced with these constraints, stock levels demonstrate this slowdown in sales, presenting abnormally high values.

Mild steel prices remained stable, while the alloyed steels and tool steels prices kept a strong upward trend.

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

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

In the first nine months of 2018, Socitrel's activity increased significantly compared to the same period of 2017, recovering production levels, sales and financial performance.

Regarding the markets where Socitrel operates, in the third quarter, stability was maintained, after one semester with pressure on demand. At the level of the zinc products, the pressure in the supply side remains. In the machine wire market prices kept stable associated with the uncertainty of its evolution until the end of the year.

Socitrel operates mainly in the foreign market, which, in the first nine months of 2018, accounted for 64% of turnover, with Europe being the target market with the greatest relevance.

REAL ESTATE SEGMENT

	9M 2018	9M 2017 (Restated)	Var. %
Total revenues	5 310	5 136	3.4%
Total costs (a)	1 106	846	30.8%
EBITDA (b)	4 204	4 290	-2.0%
EBIT (c)	4 030	4 008	0.5%
Financial results	(630)	(804)	-21.6%
Profit before income tax	3 400	3 204	6.1%

(Amounts in thousands of Euros)

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

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In the period from January to September 2018, total revenues from the Real Estate segment amounted to 5,310 thousand Euros, an increase of 3.4% over the same period in 2017.

Income from long-term leases of forest land represents approximately 90% of total Real Estate revenues.

The EBITDA of the Real Estate segment in the first nine months of 2018 amounted to 4,204 thousand Euros, a decrease of 2.0% compared to 2017.

In the first nine months of 2018, the operating profit (EBIT) of the Real Estate segment, in the amount of 4,030 thousand Euros, showed a slight increase compared to the same period of 2017.

The financial results of the Real Estate segment were negative by 630 thousand Euros, an improvement of 21.6% compared to the negative 804 thousand Euros in the same period of 2017.

In the first nine months of 2018, profit before taxes for the Real Estate segment amounted to 3,400 thousand Euros, 6.1% more than in 2017.

INVESTMENTS AND DEBT

In the first nine months of 2018, the investments (CAPEX) of the Ramada Group amounted to, approximately, 2,530 thousand Euros.

As of 30 September 2018, the Ramada Group had net cash, deducted from nominal gross debt, in the amount of 5,752 thousand Euros. The net debt was negatively affected by the abnormally high level of stocks, because of the instability caused by international tariff threats and by the slowdown in sales in the third quarter. This excessive working capital situation should be adjusted over the coming months.

As of 31 December 2017, the nominal net debt amounted to 7,872 thousand Euros.

FUTURE EVENTS

Given the favourable evolution of the results during the current year and the availability of liquidity compatible with advance on profits, the Board of Directors of Ramada Investimentos initiated a process for the approval of an advance on the profits of the year, up to 29,487,678 Euros, which will correspond to a dividend of 1.15 Euros per share.

Once all legal requirements have been fulfilled, the Board of Directors will be able to decide upon the advance on profits of the year, in a meeting to be held probably in the first half of November.

October 31, 2018

The Board of Directors



Shaping industry

Rua do General Norton de Matos,
N.º 68 - R/C
4050-424 Porto PORTUGAL
Tel: +351 228 347 100

www.ramadainvestimentos.pt