



RAMADA
INVESTIMENTOS E INDÚSTRIA

Earnings Announcement

1st Half 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 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

RAMADA GROUP – BUSINESS PROFILE

Ramada Investimentos is the parent company of a group of companies that together operate within 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 focus especially at 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.

Socitrel's main business is the production and commercialization of steel wires, capable of being used in a wide variety of activities, including industry, agriculture and construction.

In the financial investments' management activity, among other portfolio investments held by the Group, it should be highlighted the participation held in CEV, S.A.

The Real Estate Segment includes the real estate asset management activity (made up by the forest assets and the buildings of the group) and is developed by F. Ramada II - Imobiliária, S.A.



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

PROFIT AND LOSS STATEMENT

The key information and indicators of Ramada Group's consolidated activity can be presented as follows:

	1H 2019	1H 2018	Var. %
Sales and services rendered	59 066	67 243	-12.2%
Other income	312	531	
Total Revenue	59 378	67 774	-12.4%
Cost of sales	(36 827)	(40 952)	-10.1%
External supplies and services	(7 534)	(8 895)	-15.3%
Payroll expenses	(7 106)	(7 323)	-3.0%
Other expenses	(285)	(832)	-65.7%
Total Costs (a)	(51 752)	(58 002)	-10.8%
EBITDA (b)	7 626	9 772	-22.0%
EBITDA Margin	12.8%	14.4%	
Amortization and depreciation	(2 265)	(2 998)	-24.4%
EBIT (c)	5 360	6 774	-20.9%
EBIT Margin	9.0%	10.0%	
Financial expenses	(784)	(893)	-12.2%
Financial income	93	0	
Net profit before tax from continuing operations	4 670	5 881	-20.6%
Income tax	(920)	(1 370)	
Net profit after tax from continuing operations	3 750	4 511	-16.9%
Net profit after tax from discontinued operations	0	60 214	-100.0%
Consolidated net profit	3 750	64 725	-94.2%

(Amounts in thousands of Euro)

(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

Total revenues of Ramada Group during the first half of 2019 amounted to 59,378 thousand Euro, presenting a 12.4% decrease over the total revenues recorded in the same period of 2018.

Total costs, excluding depreciation and amortizations, financial costs and income taxes, amounting to 51,752 thousand Euro, recorded a 10.8% decrease over June 2018.

EBITDA amounted to 7,626 thousand Euro, a 22.0% decrease when compared to the first half of 2018. EBITDA margin achieved 12.8% which compares with 14.4% recorded in the homologous period.

Operating income (EBIT), in the amount of 5,360 thousand Euro, recorded a decrease of 20.9% when compared to 6,774 thousand Euro in 2018.

The negative financial results, in the amount of 691 thousand Euro, recorded a 22.6% improvement over the same period of the previous year.

During the first half of 2019, the net profit from continuing operations achieved 3,750 thousand Euro, being 16.9% lower when compared to the same period of 2018.

During the first half of 2018 the net profit from discontinued operations was 60,214 thousand Euro, which includes the gain on the sale of the storage solutions business in the amount of 59,038 thousand Euro.

The consolidated net profit, including the discontinued operations, amounted to 3,750 thousand Euro, comparing to 64,725 thousand Euro in the same period of 2018.

INDUSTRY SEGMENT

	1H 2019	1H 2018	Var. %
Total revenues	55 851	64 323	-13.2%
Total costs (a)	(50 992)	(57 331)	-11.1%
EBITDA (b)	4 859	6 993	-30.5%
EBITDA margin	8.7%	10.9%	
EBIT (c)	2 738	4 118	-33.5%
EBIT margin	4.9%	6.4%	
Financial results	(279)	(456)	-38.8%
Net profit before tax from continuing operations	2 459	3 662	-32.8%
Income tax	(433)	(815)	-46.8%
Net profit after tax from continuing operations	2 026	2 846	-28.8%
Net profit from discontinued operations	0	60 214	-100.0%
Consolidated net profit	2 026	63 060	-96.8%

(Amounts in thousands of Euro)

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

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In the first half of 2019, total revenues from the Industry segment amounted to 55,851 thousand Euro, recording a 13.2% decrease over total revenues of the same period of 2018.

EBITDA of the Industry segment during the first half of 2019 amounted to 4,859 thousand Euro, lower in 30.5% over the same period of 2018.

EBITDA margin achieved 8.7% when compared with 10.9% recorded in the previous year.

Operating income (EBIT), in the amount of 2,738 thousand Euro, recorded a 33.5% decrease over the 4,118 thousand Euro in the same period of 2018.

During the first half of 2019, the steel business recorded a decrease in turnover when compared to the homologous period of the previous year.

This semester was characterized by a more negative environment, worsen by the comparison with of the same period of 2018, which was the best sales semester ever. Therefore, the combination between the slowdown in the market and the stagnation in demand for steel and services provided, strongly influenced by difficulties within mould and metal sectors, with a comparative period of a strong market and business growth, left the Group in an unfavourable position.

The end of 2018 already provided uncertainty regarding 2019, and the year ended with a significant slowdown in demand.

The Moulds and Tools segment, which is a key player in the Steel business, ended the year with negative remarks and, consequently, began 2019 with very adverse conditions in which market stagnation drastically reduced the purchase of raw materials and the subcontracting of machining services.

The automotive industry identity crisis that began in June 2018 has not yet significantly improved. Car sales decrease continued in the first half of 2019 in China and Europe, which led OEMs to delay new model investment projects and successively shift the announced electrification of fleets into the near future.

This trend marked the first half and significantly penalized the performance of Group companies in both material sales and machining services.

Still, there were some positive remarks: as a result of the international contacts that have been developed, the Group has made a commercial effort directed at new export clients, creating business opportunities that it hopes to realize.

Also in the Cold Work area, sub-segment of Moulds and Tools, there have been less negative notes as this sector is losing very slightly compared to the general panorama.

The Heat Treatments also counteracted, until May, the stagnation of the market and continued to obtain positive results. However, as steel sales declined, it was expected that this growth contrast between the two areas would eventually fade and lead to a break in this service line.

Steel activity operates mainly in the domestic market which, in the first six months of 2019, represented 93% of turnover.

During the first half of 2019, Socitrel registered an increase in activity compared to the same period of 2018, although with lower margins.

Although in the first half of 2019 there was an increase in supply-side pressure in most of the products and markets where Socitrel operates, with particular emphasis on pre-effort, pressure which intensified in the second quarter as a result of the fall in average prices, the increase in quantities sold compared to the same period of 2018 made it possible to increase turnover.

The Wire Rod market, the main raw material of Socitrel, recorded some decrease in prices in the first half, particularly in the second quarter, and there is now great uncertainty about its evolution in the second half.

Socitrel operates mainly in the foreign market which, in the first half of 2019, accounted for around 62% of turnover, with Europe being the most predominant destination market.

REAL ESTATE

	1H 2019	1H 2018	Var. %
Total revenue	3 526	3 450	2.2%
Total costs (a)	(760)	(671)	13.2%
EBITDA (b)	2 767	2 779	-0.4%
EBIT (c)	2 622	2 656	-1.3%
Financial results	(411)	(436)	-5.8%
Profit before tax	2 211	2 220	-0.4%

(Amounts in thousands of Euro)

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

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Total income for the Real Estate segment in the first half of 2019 was 3,526 thousand Euro, presenting a 2.2% increase over the same period of 2018.

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

EBITDA of the Real Estate segment in the first half of 2019 achieved 2,767 thousand Euro, practically the same level of 2018. Operational profit (EBIT) of the Real Estate segment, in the amount of 2,622 thousand Euro, recorded a 1.3% decrease over the same period of 2018.

The financial results of the Real Estate segment were negative by 411 thousand Euro, recording a 5.8% improvement over the negative 436 thousand Euro recorded during the first half of the previous year.

In the first half of 2019, profit before taxes for the Real Estate segment amounted to 2,211 thousand Euro, in level with the same period of 2018.

INVESTMENTS AND DEBT

Ramada Group's operational investments, in the first half of 2019, amounted to, approximately, 800 thousand Euro.

As of 30 June 2019, the nominal net debt amounted to 30,016 thousand Euro. As of 31 December 2018, it was 21,375 thousand Euro.

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The Board of Directors



Shaping industry

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