RAMADA

INVESTIMENTOS E INDÚSTRIA

Earnings announcement 2019

March 13, 2020

(unaudited)

This document is a translation of a document originally issued in Portuguese, prepared using accounting policies consistent with the International Financial Reporting Standards adopted in European Union (IFRS-EU), 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

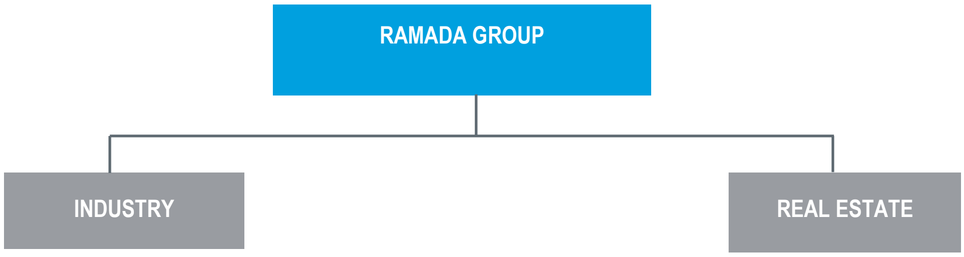
Ramada Investimentos is the parent company of a group of companies that together operate within two distinct business segments: i) Industry Segment, which includes the activity of special steels and wire drawing, as well as the activity related to the management of financial investments in which the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

The special steels activity, which is mainly carried out 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.

Socitrel's main business is the manufacture and sale 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 noted the participation in CEV, S.A. and in Fisio Share – Gestão de Clínicas, S.A..

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



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, as adopted by the European Union (IFRS-EU).

CONSOLIDATED INCOME STATEMENT BY NATURE

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

	2019	2018	Var. %
Sales and rendered services	114 028	127 424	-10.5%
Other income	996	2 009	-50.4%
Total revenues	**115 024**	**129 433**	**-11.1%**
Cost of sales and variation in production	(71 266)	(77 720)	-8.3%
External supplies and services	(14 804)	(17 138)	-13.6%
Payroll expenses	(13 124)	(14 046)	-6.6%
Other operational expenses (a)	(264)	(1 693)	-84.4%
Total costs	**(99 459)**	**(110 596)**	**-10.1%**
EBITDA (b)	**15 565**	**18 837**	-17.4%
EBITDA margin (c)	**13.5%**	**14.6%**	**-1.1 pp**
Amortisations and depreciations	(3 517)	(5 254)	-33.1%
EBIT (d)	**12 048**	**13 582**	**-11.3%**
EBIT margin (e)	**10.5%**	**10.5%**	**0.0 pp**
Financial expenses	(1 418)	(1 696)	-16.4%
Financial income	83	126	-33.9%
Net profit before income tax from continuing operations	**10 713**	**12 013**	**-10.8%**
Income tax	(2 583)	(2 509)	3.0%
Net profit after tax from continuing operations	**8 130**	**9 504**	**-14.5%**
Net profit after tax income from discontinued operations	-	60 214	-100.0%
Consolidated net profit of the period	**8 130**	**69 718**	**-88.3%**
Consolidated net profit attributable to the parent company's shareholders	8 130	69 718	-88.3%

(Amounts in thousands of Euro)

(a) Other operational expenses = Other expenses + Provisions and impairment losses

(b) EBITDA = Earnings before tax + Financial expenses - Financial income + Amortisations and depreciations
(c) EBITDA margin = EBITDA / Total revenues

(d) EBIT = EBITDA + Amortisations and depreciations

(e) EBIT margin = EBIT / Total revenues

During 2019, total revenues of Ramada Group amounted to 115,024 thousand Euro, presenting a 11.1% decrease over the total revenues recorded in the same period of 2018.

Total costs amounted to 99,459 thousand Euro, recording a 10.1% decrease over 2018.

EBITDA amounted to 15,565 thousand Euro, 17.4% lower when compared to 2018. EBITDA margin amounted to 13.5% when compared to the 14.6% recorded in the previous year.

EBIT, in the amount of 12,048 thousand Euro, recorded a decrease of 11.3% when compared to 13,582 thousand Euro in 2018.

The financial results (Financial expenses – Financial income), in the amount of 1,335 thousand Euro, recorded a 15.0% decrease over the same period of the previous year.

Profit of discontinued operations, in 2018, was 60,214 thousand Euro, which includes the gain from the sale of the storage solutions business.

Consolidated net profit of continuing operations was 8,130 thousand Euro, presenting a 14.5% decrease over the results of the previous year.

Consolidated net profit, including discontinued operations, in 2019, amounted to 8,130 thousand Euro, compared to 69,718 thousand Euro in 2018.

INDUSTRY

	2019	2018	Var. %
Total revenues (a)	**107 592**	121 595	-11.5%
Total costs (b)	**97 982**	108 553	-9.7%
EBITDA (c)	**9 610**	13 042	-26.3%
EBITDA margin (d)	**8.9%**	10.7%	-1.8 pp
EBIT (e)	**6 342**	8 047	-21.2%
EBIT margin (f)	**5.9%**	6.6%	-0.7 pp
Financial results (g)	**(758)**	(778)	-2.6%
Net profit before income tax from continuing operations	**5 584**	7 268	-23.2%
Income tax	**(1 311)**	(1 212)	8.1%
Net profit after income tax from continuing operations	**4 273**	6 056	-29.4%
Net profit after income tax from discontinued operations	**-**	60 214	-100.0%
Consolidated net profit	**4 273**	66 269	-93.6%

(Amounts in thousands of Euro)

(a) Total revenues = Sales and rendered services + Other income

(b) Total costs = Costs of sales and variation in production + External supplies and services + Payroll expenses + Other costs + Provisions and impairment losses

(c) EBITDA = Earnings before tax + Financial expenses - Financial income + Amortisations and depreciations

(d) EBITDA margin = EBITDA / Total revenues

(e) EBIT = EBITDA + Amortisations and depreciations

(f) EBIT margin = EBIT / Total revenues

(g) Financial results = Financial expenses – Financial income

In 2019, total revenues from the Industry segment amounted to 107,592 thousand Euro, a decrease of 11.5% compared to the total revenues in 2018.

EBITDA of the Industry segment amounted to 9,610 thousand Euro, a decrease of 26.3% over the 13,042 thousand Euro reached in 2018. EBITDA margin recorded to 8.9% compared to 10.7% in the previous year.

EBIT, in the amount of 6,342 thousand Euro, recorded a decrease of 21.2% compared to 8,047 thousand Euro in the previous year.

In 2019 the steel business recorded a decrease in turnover compared to the previous year.

The year 2019 was marked by a negative phase in the markets and, consequently, in the business. At the end of 2018, although the year was positive, a considerable drop in demand was already identified and the uncertainty of the market players in relation to the course of 2019 was evident.

2019 confirmed the uncertainties and companies in the Steel activity were forced to deal with the slowdown in the market and the stagnation in demand for goods, products and services, which were greatly aggravated by the crisis in the moulds and tools sector.

There were expectations that the Automotive Industry would develop projects in the scope of electric and hybrid cars as a way of responding to political and social demands oriented towards a growing ecological awareness. Even more based on the success of sales and growth of new players that were taking place within the scope of this type of offers in the automotive universe, however, this did not materialise.

In fact, all the issues that have arisen around the Automotive Industry in recent times have brought to discussion a series of concepts that have sown changes in the mobility paradigm. Consumers started to ponder their decisions and consider different alternatives, which contributed to losses in the number of vehicles (produced and purchased), as well as great uncertainties in the guidance to be followed at the production level. In this sense, and in view of these issues, there was a retraction in investment and, consequently, the projects were delayed or were on standby.

Being the support of the activity of the Steels in the sectors of moulds and tools, the sale of special steels and services for the manufacture of tools that will be the basis of the production of parts for motor vehicles within 1 to 2 years, it was inevitable not to suffer from this retraction and stoppage of projects throughout this year.

This trend of stagnation and lack of definition marked the entire year and significantly penalised the performance of the group's companies, mainly in the scope of the service rendered activity. With this environment of scarcity of work, the demand for the machining services subcontract fell dramatically, given that in the absence of work, customers "occupy" their resources with this type of services instead of subcontracting them.

There was also a need to work on inventory management throughout the year, as it was inevitable to adjust the scheduled inventories to a higher sales volume than the situation we were experiencing. To this end, it was necessary to be more commercially aggressive in the face of greater competition, which, as is usual in these situations, given the lower installed capacity and less available supply, look for the price as the best way to try to counter the difficulties.

In view of this scenario, where a lower volume of revenues, associated with the reality of the main sectors of activity in which the Group's companies operate, as well as a greater commercial aggressiveness necessary to not give up market share, contextualise the lower profitability of the business in the most difficult year for the Group since the 2009 crisis.

This context forced us to restructure the business and teams as well as to look for new solutions in products and markets.

Throughout 2019 it was possible to increase the number of export customers and to recover sales in the second half. Export markets are increasingly consolidated, with the difficulties of 2019 developing bases for growth for the next year.

The activity of Steel is mainly developed in the national market, which in 2019 represented 93% of the volume of revenues.

The Wire activity also registered a drop in turnover compared to the previous year as a result of the less favourable conjuncture in the steel and its derivatives that occurred in 2019.

In this activity, the sale price of manufactured products is directly related to the price of its main raw material, the hot rolled steel wire rod, which in 2019 remained below those practiced in previous years, pressuring sales margins to values below those registered in 2018.

The Wire activity essentially operates in the foreign market which, in 2019, represented 60% of the turnover, with Europe being the destination market with greater preponderance.

REAL ESTATE

	2019	2018	Var. %
Total revenues (a)	**7 432**	7 838	-5.2%
Total costs (b)	**1 477**	2 043	-27.7%
EBITDA (c)	**5 955**	5 794	2.8%
EBIT (d)	**5 706**	5 536	3.1%
Financial results (e)	**(576)**	(791)	-27.1%
Net profit before income tax	**5 129**	4 745	8.1%
Income tax	**(1 272)**	(1 296)	-1.9%
Net profit of the period	**3 858**	3 449	11.9%

(Amounts in thousands of Euro)

(a) Total revenues = Sales and rendered services + Other income

(b) Total costs = Costs of sales and variation in production + External supplies and services + Payroll expenses + Other costs + Provisions and impairment losses

(c) EBITDA = Earnings before tax + Financial expenses - Financial income + Amortisations and depreciations

(d) EBIT = EBITDA + Amortisations and depreciations

(e) Financial results = Financial expenses – Financial income

In 2019, total revenues from the Real Estate segment amounted to 7,432 thousand Euro, a decrease of 5.2% over 2018.

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

EBITDA of the Real Estate segment in 2019 amounted to 5,955 thousand Euro, an increase of 2.8% compared to 2018.

EBIT of the Real Estate segment, in the amount of 5,706 thousand Euro, presented an increase of 3.1% over 2018.

The financial results of the Real Estate segment were negative by 576 thousand Euro, recording an improvement of 27.1% compared to the negative 791 thousand Euro in 2018.

Profit before taxes for the Real Estate segment amounted to 5,129 thousand Euro, recording an increase of 8.1% than the previous year.

INVESTMENTS AND DEBT

Investment in production[1] in 2019 by Ramada Group amounted to approximately 2.8 million Euro.

The nominal net debt[2] of Ramada Group at 31 December 2019 amounted to 31 million Euro. As of 31 December 2018, the nominal net debt reached 21 million Euro.

2020 OUTLOOK

With the spread of Covid-19 and the implementation of restraint measures, the downturn in global economic activity is becoming more and more noticeable. The main driving countries in the automotive industry are facing growing cases of Covid-19 and are implementing measures that will certainly influence productive capacity.

Therefore, the impact that this situation will have on the markets where we operate is expected to be quite negative.
We are convinced that with the Ramada Group's financial capacity, with active control of all variables that affect operating cash flow, with serenity and with the commitment of all, we will overcome this difficult period.

Oporto, 13 March 2020

The Board of Directors

[1] Investments in production – Period's acquisitions of tangible fixed assets related to the operational activity of the Industry segment

[2] Nominal net debt = Bank loans (nominal values) + Other loans (nominal values) – Cash and cash equivalents

Shaping industry

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