



# 2017 1<sup>st</sup> QUARTER RESULTS

9 May 2017



**Maia, Portugal, 9 May 2017:** Sonae Indústria reports unaudited Consolidated Results for the 1<sup>st</sup> quarter 2017 (1Q17) which are prepared in accordance with the IAS 34 – Interim Financial Reporting. Proportional Indicators are *pro forma* and unaudited.

## 1Q17 HIGHLIGHTS

- **Improved performance in all the three main businesses vs. 1Q16**
- **Proportional Recurrent EBITDA<sup>1</sup> of 22.3M€, 2.6M€ higher than 1Q16, on a like for like basis; 13.6% Proportional Recurrent EBITDA margin<sup>1</sup>**
- **LTM Proportional Recurrent EBITDA<sup>1</sup> of 92.5M€, 2.6M€ above December 2016**
- **Positive Net Results of 6.4M€; 3.2M€ higher vs 1Q16**
- **Proportional Leverage<sup>1</sup> of 3.5x**

<sup>1</sup> See Glossary of Terms.

## MESSAGE FROM THE CHAIRMAN

I am pleased to report another quarter of improved operational performance and positive net results for Sonae Indústria.

Despite the higher input costs of chemical raw materials since the end of 2016, which persisted in the first quarter of 2017, all three main business units performed better when compared to the same quarter of last year.

Considering our 50% share of Sonae Arauco's figures, at the end of March 2017, LTM Proportional Recurrent EBITDA increased again to 92.5 million Euros and, notwithstanding a seasonal increase in proportional Net Debt, the leverage ratio remained stable at 3.5x.

Consistent with our ambition to consolidate the improvement in performance and to create conditions for a more sustainable business, during the quarter we have continued to invest in our production facilities both at Sonae Indústria's fully owned businesses and at Sonae Arauco.

I am also pleased to inform our stakeholders that as a result of the partnership with Arauco and given the new ambitions of Sonae Arauco, we have agreed to proceed with a rebranding of the company that reflects the mission, vision and desired market positioning of Sonae Arauco consistent with strategic goals that we have set. The rebranding envisages a significant change in the brand architecture combining all our corporate brands into a single company identity "Sonae Arauco".

Paulo Azevedo  
Chairman Sonae Indústria

# 1. Sonae Indústria Results

## 1.1. Proportional Results (unaudited, *pro forma*)

### SUMMARY OF 1Q17 RESULTS (See also Explanatory Notes at the end of the document)

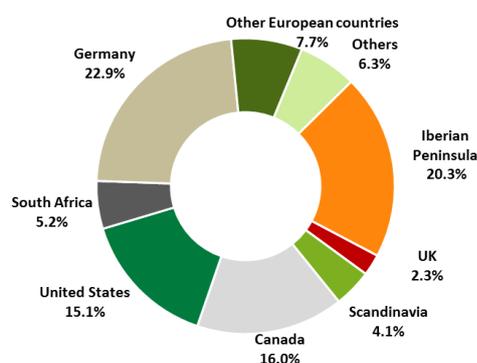
Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method since 1 June 2016, we are presenting in section 1.1. unaudited *pro forma* **Proportional Indicators**, to help improve the understanding of size of the business, valuation and financial leverage of Sonae Indústria today.

These Proportional Indicators consider the full results of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco. Proportional Indicators for 1Q16 are not presented since Balance Sheet figures for that period are not comparable (Sonae Arauco partnership was setup in 31 May 2016).

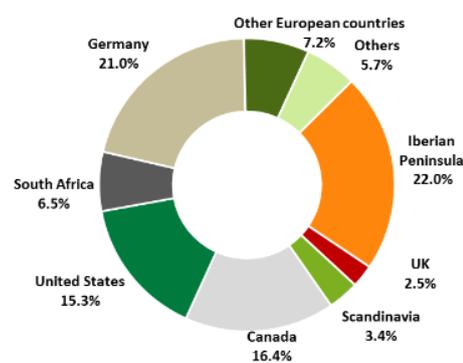
FINANCIAL INDICATORS (unaudited and <i>pro forma</i> )	2016	1Q17
Proportional Turnover	639	164
Proportional Rec. EBITDA	90	22
Proportional Rec. EBITDA margin	14.1%	13.6%
Proportional LTM Turnover	639	645
Proportional LTM Rec. EBITDA	90	93
Proportional LTM Rec. EBITDA margin	14.1%	14.4%
<b>LEVERAGE</b>		
Proportional Net Debt	312	325
<b>Proportional Leverage (Net Debt / LTM Rec. EBITDA)</b>	<b>3.5 x</b>	<b>3.5 x</b>
<b>LOAN TO VALUE</b>		
Net Debt of Sonae Indústria	214	220
Asset Value	527	537
<b>LTV (Net Debt of Sonae Indústria / Asset Value)</b>	<b>41%</b>	<b>41%</b>

For the first quarter of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.5x, the same value booked for December 2016, as the higher Net Debt was offset by the higher level of Recurrent EBITDA. Similarly, the **Loan to Value**, at the end of March 2017 registered the same value as at the end of December 2016: 41%.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1Q16

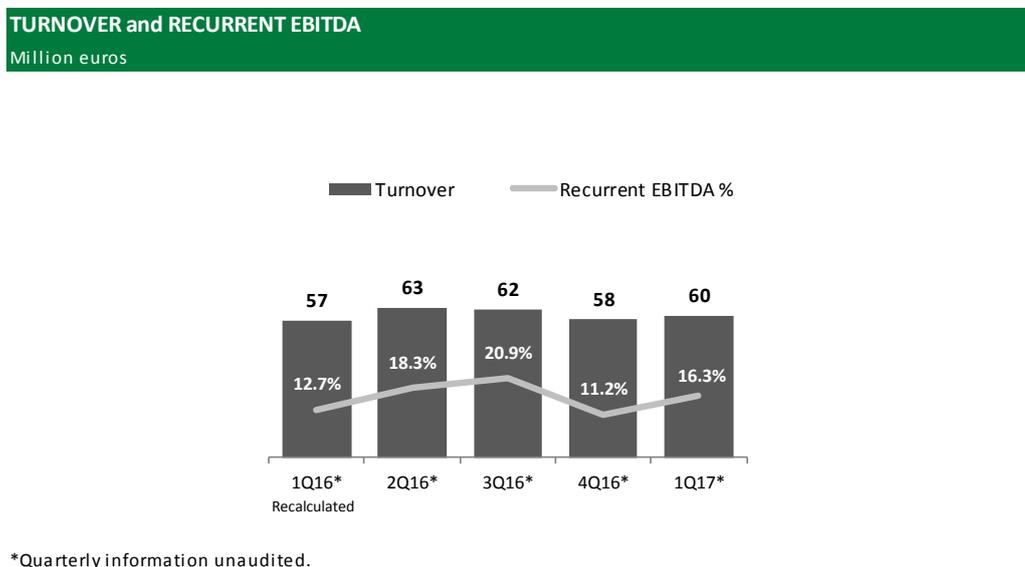


PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1Q17



## 1.2. Consolidated Results

SUMMARY OF 1Q17 RESULTS (See Explanatory Notes at the end of the document)



**Consolidated Turnover** for the first quarter of the year reached 59.5 million euros, an improvement of 3.6% vs. same period of last year (+2.1 million euros). When compared to 1Q16, the increase is explained by the appreciation of the Canadian dollar vs. the EUR and also by the higher **average selling prices** y.o.y. of the North American business.

**Variable costs per cubic meter** increased when compared to the same period of last year and to the previous quarter, in both cases, driven by the higher input costs of chemicals.

**Recurrent EBITDA** for the first quarter of the year reached 9.7 million euros, an improvement of 2.4 million euros vs. 1Q16 with an underlying **Recurrent EBITDA margin** of 16.3%, up by 3.6 p.p. vs. 1Q16.

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA  
**1<sup>st</sup> QUARTER RESULTS 2017**

**CONSOLIDATED INCOME STATEMENT**

Million euros

	1Q16 Recalculated Unaudited	4Q16 Unaudited	1Q17 Unaudited	1Q17 / 1Q16	1Q17 / 4Q16
<b>Turnover</b>	<b>57.4</b>	<b>58.2</b>	<b>59.5</b>	<b>3.6%</b>	<b>2.2%</b>
Other operational income	1.3	1.2	1.1	(18.1%)	(9.1%)
EBITDA	7.1	6.4	9.7	37.2%	51.4%
Non recurrent items	(0.2)	(0.1)	(0.0)	-	-
<b>Recurrent EBITDA</b>	<b>7.3</b>	<b>6.5</b>	<b>9.7</b>	<b>33.1%</b>	<b>48.5%</b>
Recurrent EBITDA Margin %	12.7%	11.2%	16.3%	3.6 pp	5.1 pp
Depreciation and amortisation	(2.8)	(3.2)	(3.2)	(12.6%)	(0.1%)
Provisions and impairment Losses	0.2	(3.9)	(0.1)	-	97.8%
<b>Operational profit (EBIT)</b>	<b>4.4</b>	<b>(0.7)</b>	<b>6.5</b>	<b>46.9%</b>	<b>-</b>
Net financial charges	(2.8)	(3.2)	(2.8)	1.7%	14.2%
o.w. Net interest charges	(2.3)	(2.5)	(2.1)	6.4%	16.1%
o.w. Net exchange differences	0.1	0.1	(0.1)	-	-
o.w. Net financial discounts	(0.4)	(0.5)	(0.4)	(9.6%)	9.1%
Gains and losses in Joint-Ventures	0.0	(0.7)	4.2	-	-
<b>Profit before taxes (EBT)</b>	<b>1.6</b>	<b>(4.7)</b>	<b>8.0</b>	<b>-</b>	<b>-</b>
Taxes	(0.5)	(1.7)	(1.6)	-	10.4%
o.w. Current tax	(0.8)	(1.4)	(1.6)	(95.4%)	(15.1%)
o.w. Deferred tax	0.3	(0.3)	0.1	(75.4%)	-
<b>Profit/(loss) from continued operations</b>	<b>1.1</b>	<b>(6.4)</b>	<b>6.4</b>	<b>-</b>	<b>-</b>
Profit/(loss) from discontinued operations	2.1	38.7	0.0	(100.0%)	(100.0%)
<b>Consolidated net profit/(loss) for the period</b>	<b>3.2</b>	<b>32.3</b>	<b>6.4</b>	<b>99.6%</b>	<b>(80.1%)</b>
Losses (income) attrib. to non-contro. interests	0.0	0.0	0.0	-	-
<b>Net profit/(loss) attrib. to Equity Holders</b>	<b>3.2</b>	<b>32.3</b>	<b>6.4</b>	<b>99.6%</b>	<b>(80.1%)</b>

Sonae Indústria consolidated **EBITDA** for the quarter reached 9.7 million euros, circa 2.6 million euros higher than the same period of last year, on a comparable basis, mostly driven by the lower fixed costs that in the quarter reflect one-off adjustments to accruals.

Total **fixed costs** for the first quarter of the year represented 14.7% of turnover, an improvement of 1.2 p.p. when compared to 1Q16, on a like for like basis.

Total **headcount for Sonae Indústria**, at the end of March 2017, was 488 FTE's excluding Sonae Arauco.

**Depreciation and amortization charges** during 1Q17 were 3.2 million euros, which represents an increase of 12.6% when compared to 1Q16, explained by the higher depreciation charges in our North American operation which now take into account the investment in the new melamine surfacing line completed in 2Q16. When compared to last quarter, the depreciations charges were kept stable.

**Provisions and impairment losses** for the 1Q17 were marginally negative of 0.1 million euros which represents a deterioration of circa 0.3 million euros vs. 1Q16 but an improvement of 3.8 million euros when compared to 4Q16.

**Net financial charges** during 1Q17 were of 2.8 million euros slightly below 1Q16. It must be noted that 1Q16 figures benefited from 2.6 million euros of net interest income on loans to and from what were previously

intra group companies (mostly loans from Sonae Indústria to Sonae Arauco companies which were fully repaid by 31 May 2016). Comparing the two quarters without this impact, net interest charges have improved by circa 2.7 million when compared with 1Q16 primarily as a result of lower Net Debt. When compared with the previous quarter, net financial charges improved by circa 0.5 million euros profiting from lower net interest as a result of lower cost of debt.

**Gains and losses in Joint-Ventures**, amounted to 4.2 million euros, corresponding to 50% of the consolidated net profit of Sonae Arauco for the first quarter of the year.

**Current tax charges** were 1.6 million euros for the first quarter of the year, an increase of 0.8 million euros when compared to 1Q16, on a like for like basis, still impacted by the lower tax consolidation benefit in 1Q17 due to the deconsolidation of Sonae Arauco entities from the Portuguese tax consolidation perimeter during 2016. When compared to 4Q16, the current tax charges increased by 0.2 million euros driven by higher tax charges in Canada.

As a result of the combination of the above factors, Sonae Indústria booked a consolidated positive **Net Result** of 6.4 million euros during 1Q17, an improvement of 3.2 million euros when compared to 1Q16.

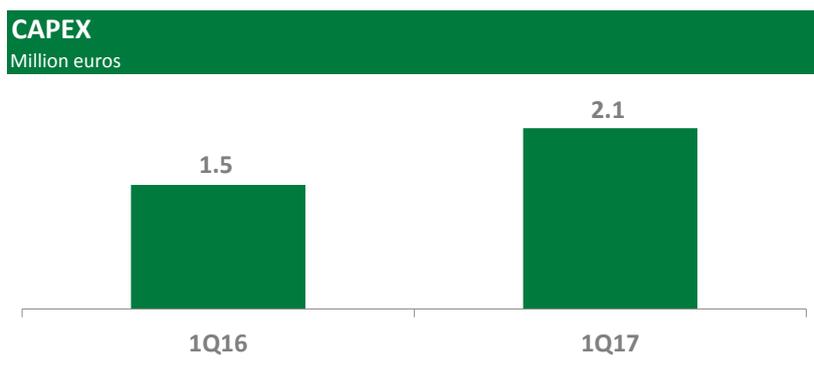
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
Million euros			
	9M16	2016	1Q17
	Unaudited		Unaudited
<b>Non current assets</b>	<b>313.4</b>	<b>352.8</b>	<b>355.7</b>
Tangible assets	147.5	148.1	146.5
Goodwill	0.3	0.3	0.3
Deferred tax asset	2.2	1.4	1.4
Other non current assets	163.3	203.0	207.5
<b>Current assets</b>	<b>48.4</b>	<b>44.7</b>	<b>46.6</b>
Inventories	17.9	18.1	18.4
Trade debtors	20.1	15.2	19.1
Cash and cash equivalents	3.9	4.8	2.7
Other current assets	6.4	6.6	6.5
<b>Non-current assets classified as available for sale</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>Total assets</b>	<b>363.3</b>	<b>399.0</b>	<b>403.8</b>
<b>Shareholders' Funds</b>	<b>74.8</b>	<b>110.3</b>	<b>116.7</b>
Equity Holders	74.8	110.3	116.7
Non-controlling interests	0.0	0.0	0.0
<b>Liabilities</b>	<b>288.6</b>	<b>288.7</b>	<b>287.1</b>
Interest bearing debt	221.3	218.3	222.7
Non current	218.4	216.0	217.3
Current	2.9	2.3	5.4
Trade creditors	26.2	23.1	24.2
Other liabilities	41.0	47.3	40.2
<b>Liabilities directly associated with non-current assets classified as available for sale</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Shareholders' Funds and liabilities</b>	<b>363.3</b>	<b>399.0</b>	<b>403.8</b>
<b>Net debt</b>	<b>217.4</b>	<b>213.5</b>	<b>220.0</b>
<b>Working Capital</b>	<b>11.9</b>	<b>10.3</b>	<b>13.3</b>

Included in **Other Non-current assets**, is the investment in Joint-Ventures (50% of Sonae Arauco) in an amount of 200.5 million euros, which is circa 4.6 million euros higher than the book value of this investment at the end of 2016, mainly due to the contribution of Sonae Arauco Net Results in the first quarter of the year.

Consolidated **Working Capital** reached 13.3 million euros, an increase of 3 million euros when compared to December 2016, due to an increase in Accounts Receivable in our North American operation, as a result of the seasonal increase in activity levels after the slowdown in December.

**Net Debt** stood at 220 million euros, at the end of March 2017, an increase of 6.5 million euros vs. December 2016 level.

In line with the positive net results, Total **Shareholders' Funds** at the end of March 2017, amounted to 116.7 million euros, representing an increase of circa 6.4 million euros, when compared to December 2016, mostly due to the positive net results of the quarter.



Additions to Gross Tangible Fixed Assets reached 2.1 million euros during the first quarter of the year, which compares with 1.5 million euros in 1Q16, on a like for like basis. The figure for 1Q17 includes not only the investments executed in our North American plant but also part of the ongoing investment in the new edging line for our Components plant in Portugal.

**EXPLANATORY NOTES:**

The completion of the 50/50 partnership with Arauco in the end of May 2016 has led to a number of material accounting changes in Sonae Indústria's financial statements and on the financial information reported by Sonae Indústria as summarized below.

**1. Income Statement (P&L)**

The P&L shows all the companies included in the consolidation perimeter of Sonae Arauco classified as Discontinued Operations from January until May 2016 and accounted by the Equity Method as of the 1 June 2016.

**2. Balance Sheet**

- The balance sheet as at 31 March 2016 has not been recalculated. As from June 2016, the balance sheet represents the position of Sonae Indústria under the new perimeter with the 50% shareholding in Sonae Arauco equity accounted.

**3. Unaudited *Pro forma* Proportional Indicators**

In order to provide a more comprehensive view of Sonae Indústria underlying business, *pro forma* Proportional Indicators are also presented.

Proportional Indicators consider the full contribution of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

Proportional Indicators are *pro forma* because they consider the changes in the consolidation perimeter that occurred in 2016 reported to the 1st of January 2015 and the proportional consolidation of Sonae Arauco companies since then not since 31 of May 2016 when the partnership was setup.

## GLOSSARY OF TERMS

<b>Asset Value</b>	Asset Value is calculated as follows: [6.8 x LTM Recurrent EBITDA of fully consolidated business (100%)] + [market value of inactive sites real estate properties owned 100% by Sonae Indústria, according to external valuations] + [50% x (6.8 x LTM Recurrent EBITDA of Sonae Arauco – Sonae Arauco Net Debt)]
<b>CAPEX</b>	Investment in Tangible Fixed Assets
<b>EBITDA</b>	Earnings Before Interests and Taxes + Depreciations and Amortizations + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)
<b>FTEs</b>	Full Time Equivalent; the equivalent of one person working full time, according to the working schedule of each country where Sonae Indústria has operations
<b>Fixed Costs</b>	Overheads + Personnel costs (internal and external); <i>management accounts concept</i>
<b>Gross Debt</b>	Bank loans + Debentures + Obligations under finance leases + other loans + Loans from related parties
<b>Headcount</b>	Total number of internal FTEs, excluding trainees
<b>Loan to Value</b>	Net Debt of Sonae Indústria / Asset value
<b>LTM</b>	Last Twelve Months
<b>Net Debt</b>	Gross Debt - Cash and cash equivalents
<b>Proportional: Turnover, Recurrent EBITDA (unaudited, pro forma)</b>	Proportional Turnover and Proportional Recurrent EBITDA consider, in what regards to Turnover and Recurrent EBITDA, the full contribution of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
<b>Proportional Leverage (unaudited, pro forma)</b>	Proportional Net Debt / Proportional LTM Recurrent EBITDA
<b>Proportional Net Debt (unaudited, pro forma)</b>	Proportional Net Debt considers the full contribution of the Net Debt of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
<b>Recurrent EBITDA</b>	EBITDA excluding non-recurrent operational income / costs
<b>Recurrent EBITDA margin</b>	Recurrent EBITDA / Turnover
<b>Working Capital</b>	Inventories + Trade Debtors – Trade Creditors

## SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the wood based panels industry and economic conditions, and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

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