



2016 FULL YEAR RESULTS

21 March 2017

Maia, Portugal, 21 March 2017: Sonae Indústria reports audited Consolidated Results for the year ended 31 December 2016 (FY16) which are prepared in accordance with IFRS (International Financial Reporting Standards). Proportional Indicators are proforma and unaudited.

2016 FULL YEAR HIGHLIGHTS

- **Completion of the strategic partnership with Arauco**
- **Improved performance in all the three main businesses vs. 2015**
- **Improvement in profitability; Proportional Recurrent EBITDA¹ of 90M€, 20.7M€ higher than 2015, on a like for like basis; 14.1% Proportional Recurrent EBITDA margin¹**
- **Positive Net Results of 11M€, first positive annual Net Results since 2007**
- **Proportional Net Debt¹ reduced by 13M€ to circa 312M€, when compared to September 2016**
- **Proportional Leverage¹ of 3.5x**

¹ See Glossary of Terms.

MESSAGE FROM THE CHAIRMAN

This has been an exciting and challenging year that has seen a transformational change for the Sonae Indústria Group, positioning it for the future as a more profitable and sustainable company following the conclusion of the partnership with Arauco in Sonae Arauco and the stronger results that have come through, following many years of industrial restructuring and continuous improvement.

The alliance with a professional industrial partner such as Arauco, will allow us to share our experiences and skills and increase the robustness of our European and South African operations enabling us to grow the business and improve its market positioning with higher focus on product differentiation and customer value.

As a result of the changes that have taken place during 2016, Sonae Indústria now has a dual role: operational management of its fully owned businesses (Tafisa Canada and Laminates & Components) and the management of a strategic partnership of Sonae Arauco.

The execution of the partnership with Arauco through a capital increase at Tafisa (now Sonae Arauco), together with the simultaneous refinancing of both Sonae Indústria and Sonae Arauco under improved terms, allowed for a material reduction in the Net Debt of both companies. As a result, Sonae Indústria Group now has a stronger and more sustainable capital structure.

As regards business performance, I am pleased to report that in 2016 we have been able to take advantage of the better overall market conditions and all three main business units performed better compared to last year driven primarily by improved results in the North American business and by the strong contribution from Sonae Arauco. Our Laminates & Components business also performed better than last year although profitability still needs to be improved. However, the end of 4Q16 saw a sudden and significant increase in the cost of chemical products that does not seem justified by the recovery in oil prices.

Considering our 50% share of Sonae Arauco's figures, at the end of December 2016, the proportional Recurrent EBITDA reached 90 million Euros and proportional Net Debt stood at 312 million Euros, implying a leverage ratio of 3.5x. This compares to a leverage ratio of 5.3x for Sonae Indústria at the end of 2015.

During the year we have made and have committed to make investments across a number of our production facilities to improve operational efficiency, capture market opportunities and make the businesses more efficient and sustainable. We have also invested in improving customer service quality levels. I would like to highlight the investment made in a fifth melamine surfacing line, which includes embossed and in-register capabilities, at our Lac-Mégantic plant in Canada. This investment has further improved our position in the higher value decorative product segments and strengthened our Canadian plant as a reference player in the North American market.

All these actions are driven by our aspiration to become the company of choice for our customers, suppliers and employees.

I would like to take this opportunity to thank our employees for their hard work and dedication and I would like to thank all our stakeholders for their continued support of and confidence in, our Board of Directors and management team.

Paulo Azevedo
Chairman Sonae Indústria

1. Sonae Indústria Results

1.1. Proportional Results (unaudited, proforma)

SUMMARY OF 2016 RESULTS (See also Explanatory Notes at the end of the document)

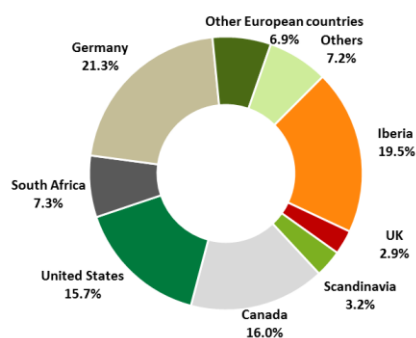
Due to the fact that in the audited accounts one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method since 1 June 2016, we are presenting in section 1.1. unaudited proforma **Proportional Indicators**, given their relevance for the purpose of valuation and leverage analysis 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 2015 are not presented since Balance Sheet figures for that period are not comparable (Sonae Arauco partnership was setup in 31 May 2016).

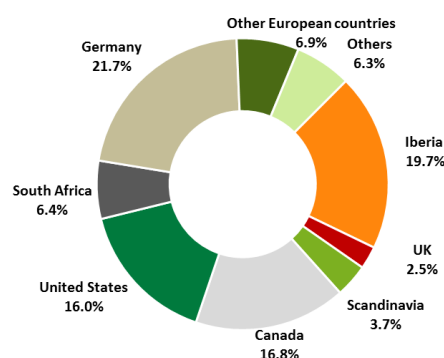
FINANCIAL INDICATORS (unaudited and proforma)		2016
Proportional Turnover		639
Proportional Rec. EBITDA		90
Proportional Rec. EBITDA margin		14.1%
LEVERAGE		
Proportional Net Debt		312
Proportional Leverage (Net Debt / LTM Rec. EBITDA)		3.5 x
LOAN TO VALUE		
Net Debt of Sonae Indústria		214
Asset Value		527
LTV (Net Debt of Sonae Indústria / Asset Value)		41%

During 2016, Sonae Indústria continued to achieve further deleveraging resulting from the higher level of Recurrent EBITDA on the one hand and debt reduction on the other. At the end of December 2016, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.5x, which represents a reduction of 0.1x vs. September 2016. On the other hand, **Loan to Value** remained at 41% at the end of December 2016, the same value booked for September 2016.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 2015



PROPORTIONAL TURNOVER BY DESTINATION MARKET – 2016

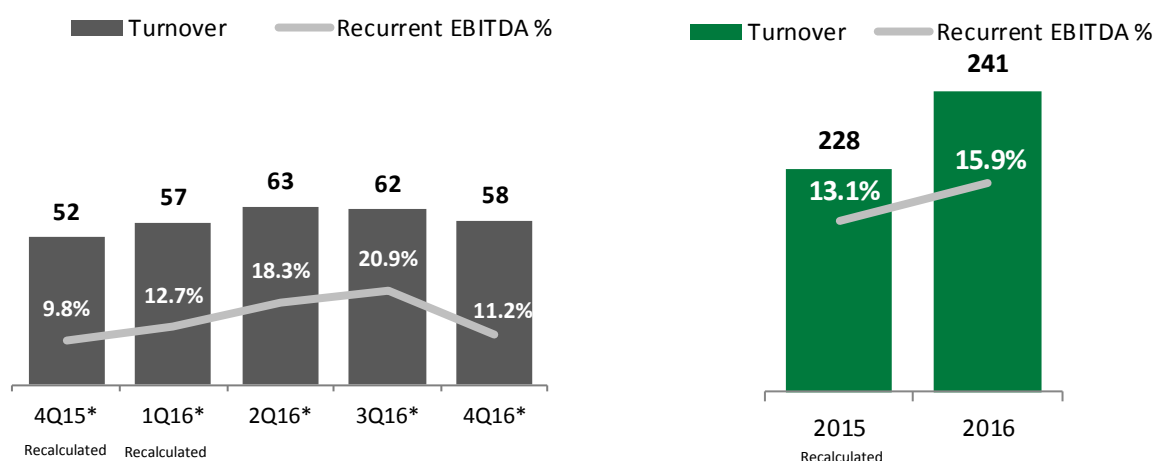


1.2. Consolidated Results

SUMMARY OF 2016 RESULTS (See Explanatory Notes at the end of the document)

TURNOVER and RECURRENT EBITDA

Million euros



*Quarterly information unaudited.

Consolidated Turnover for 2016 reached circa 241 million Euros, up by 5.7% vs. 2015 (or by 12.9 million Euros), on a comparable basis. This performance is explained by the better results of the North American business and of the Laminates plant in Portugal, the latter growing turnover by 44% when compared to 2015. It should be noted that the North American business experienced an increase in sales volumes and average selling prices y.o.y. and benefited, in the last quarter of the year, from the recent strategic investment in a fifth melamine surfacing line, which allowed it to strengthen its product mix with a higher share of melamine faced products.

Notwithstanding the positive performance when compared to last year, the depreciation of the Canadian dollar vs. the EUR during 2016 continued to negatively impact consolidated turnover. On a like for like basis, using exchange rates of 2015, consolidated turnover would have been circa 20 million Euros higher, representing an increase of 8.9%.

2016 Recurrent EBITDA of 38.4 million Euros, an improvement of 8.5 million Euros vs. 2015, with an underlying **Recurrent EBITDA margin** of 15.9%, an improvement of 2.8 p.p. when compared to last year. Recurrent EBITDA in 4Q16 stood at 6.5 million Euros, 6.5 million Euros below the previous quarter, partially driven by the annual shutdown of line 2 at our North American plant and by the sudden increase in chemicals cost at year end. When compared with 4Q15, Recurrent EBITDA increased by 1.4 million Euros. 4Q16 Recurrent EBITDA margin was 11.2%, 1.4 p.p. above 4Q15.

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

2016 FULL YEAR RESULTS

CONSOLIDATED INCOME STATEMENT								
Million euros								
	2015	2016	2016 /	4Q15	3Q16	4Q16	4Q16 /	4Q16 /
	Recalculated		2015	Recalculated	Unaudited	Unaudited	4Q15	3Q16
				Unaudited				
Turnover	227.9	240.9	5.7%	52.3	62.1	58.2	11.2%	(6.2%)
Other operational income	5.3	5.8	7.8%	1.1	1.0	1.2	5.4%	12.2%
EBITDA	28.6	38.3	34.0%	4.7	12.7	6.4	35.6%	(49.5%)
Non recurrent items	(1.3)	(0.1)	-	(0.4)	(0.3)	(0.1)	69.5%	-
Recurrent EBITDA	29.9	38.4	28.5%	5.2	13.0	6.5	27.0%	(49.7%)
Recurrent EBITDA Margin %	13.1%	15.9%	2.8 pp	9.8%	20.9%	11.2%	1.4 pp	-9.7 pp
Depreciation and amortisation	(13.6)	(12.1)	11.3%	(3.3)	(3.0)	(3.2)	3.3%	(4.0%)
Provisions and impairment Losses	(0.1)	(3.5)	-	(0.0)	0.1	(3.9)	-	-
Operational profit (EBIT)	14.8	22.6	52.6%	1.5	9.8	(0.7)	(148.7%)	(107.2%)
Net financial charges	(5.9)	(16.5)	-	(4.9)	(3.5)	(3.2)	33.8%	8.9%
o.w. Net interest charges	(3.0)	(13.1)	-	(4.1)	(2.5)	(2.5)	39.0%	(2.2%)
o.w. Net exchange differences	(0.3)	(0.1)	-	(0.0)	(0.2)	0.1	-	-
o.w. Net financial discounts	(1.6)	(1.8)	(12.0%)	(0.4)	(0.5)	(0.5)	(12.5%)	0.1%
Gains and losses in Joint-Ventures	0.0	5.5	-	0.0	3.1	(0.7)	-	(124.1%)
Profit before taxes (EBT)	8.9	11.6	30.3%	(3.4)	9.3	(4.7)	(37.0%)	-
Taxes	(3.9)	(8.6)	-	(0.1)	(3.1)	(1.7)	-	43.9%
o.w. Current tax	(4.1)	(8.9)	-	(0.0)	(3.1)	(1.4)	-	54.5%
o.w. Deferred tax	0.2	0.3	53.0%	(0.0)	0.0	(0.3)	-	-
Profit/(loss) from continued operations	5.1	3.1	(39.2%)	(3.5)	6.2	(6.4)	(85.5%)	-
Profit/(loss) from discontinued operations	(41.1)	7.9	-	(4.3)	0.0	38.7	-	-
Consolidated net profit/(loss) for the period	(36.0)	11.0	-	(7.8)	6.2	32.3	-	-
Losses (income) attrib. to non-contro. interests	(0.0)	0.0	-	0.0	0.0	0.0	-	-
Net profit/(loss) attrib. to Equity Holders	(36.0)	11.0	-	(7.8)	6.2	32.3	-	-

Consolidated **EBITDA** for 2016 reached 38.3 million Euros, circa 10 million Euros higher vs. last year, on a comparable basis. The group's consolidated performance was marginally impacted by **non-recurrent items** in the amount of -0.1 million Euros.

Total **fixed costs** for 2016, on a like for like basis, increased slightly when compared to 2015, representing circa 17% of turnover.

Total **headcount for Sonae Indústria**, at the end of December 2016, was 485 FTE's excluding Sonae Arauco.

Depreciation and amortization charges for 2016 were 12.1 million Euros, which represents a reduction of 11.3% (or 1.5 million Euros), mainly explained by decreases in depreciation charges in our North American operation. On a quarterly basis, this item totalled 3.2 million Euros in 4Q16, in line with the values booked for 3Q16 and 4Q15.

Provisions and impairment losses for the full year 2016 totalled a net amount of 3.5 million Euros (up by 3.4 million Euros vs. 2015), mainly explained by the constitution, at year end, of impairment losses of tangible assets resulting from external valuations of real estate properties owned by Sonae Indústria in the Iberian Peninsula. It should be noted that the release of provisions related to the legacy restructuring process in France totalled circa 0.5 million Euros for 2016.

Net financial charges during 2016 were of 16.5 million Euros, significantly higher than in 2015 on a comparable basis, explained by a 12.5 million Euros reduction in net interest income on loans to and from what were previously intra group companies, due to the fact that those loans (mostly loans from Sonae Indústria to Sonae Arauco companies) were fully repaid by 31 May 2016. In the quarter and when compared with the previous year, net financial charges improved by 1.6 million Euros due to the lower amount of net interest essentially as a result of lower Net Debt. When compared to the previous quarter, net financial charges improved by 0.3 million Euros, benefiting from more favourable net foreign exchange variations.

Gains and losses in Joint-Ventures, at the end of December 2016, amounted to 5.5 million Euros, corresponding to 50% of the consolidated net profit of Sonae Arauco since 1 June 2016.

Current tax charges were 8.9 million Euros for the year, an increase of 4.8 million Euros, when compared to 2015, on a comparable basis. This result is explained by: (i) higher tax charges in Canada; and (ii) lower tax consolidation benefit in 2016 due to the deconsolidation of Sonae Arauco entities from the Portuguese tax consolidation perimeter during 2016. On a quarterly basis, the current tax charges amounted to 1.4 million Euros in 4Q16, 1.7 million Euros below previous quarter and 1.4 million Euros above vs. same period of last year.

The combination of the above factors led to a consolidated positive **Net Result** for **Continued Operations** of 3.1 million Euros during 2016, a decrease of 1.9 million Euros when compared to 2015. For the last quarter of the year, Sonae Indústria booked a net loss for Continued Operations of 6.4 million Euros, a deterioration of 2.9 million Euros vs. 4Q15 primarily driven by impairment losses and by the increase in taxes notwithstanding higher EBITDA and lower financial charges.

At the end of December 2016, the results of Discontinued Operations showed a **Net profit** of 7.9 million Euros, which contrasts to a net loss of 41.1 million Euros in 2015. This result comprises the following effects: (i) a positive net profit contribution of 5.8 million Euros from Sonae Arauco in the first five months of 2016; (ii) an accounting charge of 36.6 million euros registered in 1H16 resulting from the need to reclassify cumulative Translation Reserves related to Sonae Arauco companies from 'Other Comprehensive Income' to 'Other Reserves & Accumulated Earnings' due to partnership with Arauco and in accordance with IAS 21; and (iii) the recognition of a gain of 38.7 million Euros resulting from the difference between the implied "Fair Value" of the investment in Sonae Arauco as at 31 May 2016 of 186 million Euros and the provisional accounting value of 147.3 million Euros.

This led to a **Net Profit** of 11 million Euros for the full 2016, which represents an improvement of 47 million Euros vs. 2015, on a comparable basis.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Million euros			
	2015	9M16 Unaudited	2016
Non current assets	757.8	313.4	352.8
Tangible assets	628.8	147.5	148.1
Goodwill	80.9	0.3	0.3
Deferred tax asset	28.4	2.2	1.4
Other non current assets	19.8	163.3	203.0
Current assets	243.2	48.4	44.7
Inventories	98.0	17.9	18.1
Trade debtors	85.1	20.1	15.2
Cash and cash equivalents	28.9	3.9	4.8
Other current assets	31.2	6.4	6.6
Non-current assets classified as available for sale	1.5	1.5	1.5
Total assets	1,002.6	363.3	399.0
Shareholders' Funds	57.7	74.8	110.3
Equity Holders	57.8	74.8	110.3
Non-controlling interests	(0.1)	0.0	0.0
Liabilities	944.9	288.6	288.7
Interest bearing debt	599.1	221.3	218.3
Non current	71.5	218.4	216.0
Current	527.6	2.9	2.3
Trade creditors	138.6	26.2	23.1
Other liabilities	207.2	41.0	47.3
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	1,002.6	363.3	399.0
Net debt	570.1	217.4	213.5
Working Capital	44.5	11.9	10.3

It should be noted that the Balance sheet as at 31 December 2015 considers all the companies in the then prevailing consolidation perimeter of Sonae Indústria including those of Sonae Arauco, and therefore is not comparable to that shown as at 30 September 2016 and as at 31 December 2016.

Included in **Other Non-current assets**, is the investment in Joint-Ventures (50% of Sonae Arauco) in an amount of 196 million Euros, which is circa 40 million Euros higher than the book value of this investment in September 2016. This is principally explained by the 38.7 million Euros correction to the fair value of such investment based on an independent fairness opinion.

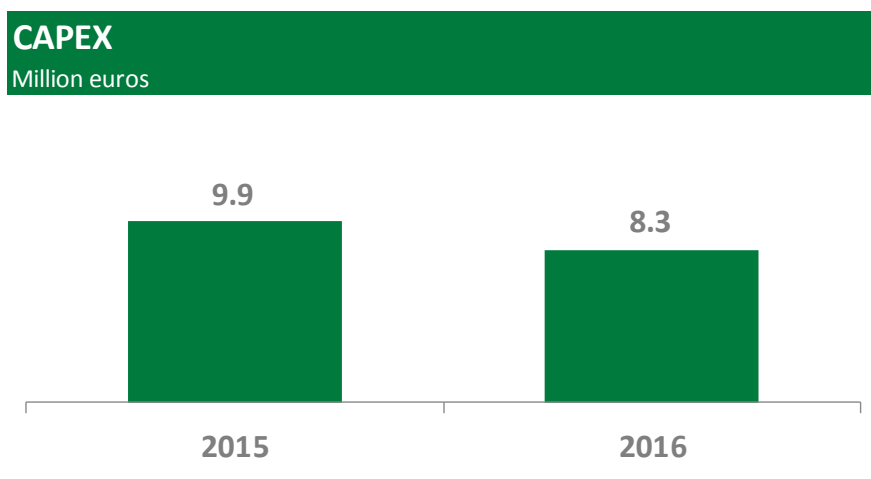
EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

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Consolidated **Working Capital** reached 10 million Euros, a decrease of 1.6 million Euros when compared to September 2016, mainly explained by the reduction in the trade debtors account in our Canadian operation. When compared to December 2015 Working Capital showed a significant reduction of 34.2 million Euros reflecting the smaller consolidation perimeter in December 2016.

Net Debt stood at 213.5 million Euros at the end of December 2016, a decrease of circa 4 million Euros vs. September 2016 level. When compared with 2015 Net Debt reduced by circa 357 million Euros mostly due to the application of proceeds from the EUR 137.5 million Euros capital increase at Sonae Arauco level fully subscribed by Arauco to repay debt and to the deconsolidation of Sonae Arauco debt as a result of the related change in its shareholding structure.

Total **Shareholders' Funds** continued to strengthen, reaching 110.3 million Euros at the end of December 2016, 35.6 million Euros above September 2016 value mostly due to the effect of booking Sonae Arauco at fair value as explained before. When compared to December 2015, total shareholder's funds increased by 52.6 million Euros which benefits not only from the booking of Sonae Arauco at fair value but also to the positive net results of Sonae Indústria during 2016.



Additions to Gross Tangible Fixed Assets reached 8.3 million Euros in 2016, which compares with 9.9 million Euros in 2015, on a like for like basis. During this period, the majority of the investments were executed in our North American plant, mainly explained by the investment in the new melamine press.

2. Looking Forward

In North America we will look to extend our market share in value added products, continuing to leverage on the actions taken during 2016 including the completion of the investment in a fifth melamine surfacing line and the launch of our new ViVa collection.

For our Laminates and Components business we will seek to improve profitability levels and to complete the investment approved last year for a new edging line in our Components business in Portugal.

At Sonae Arauco we will focus on consolidating our partnership with Arauco and on supporting value creating investments in our plants including the upgrade and modernization of the few remaining plants with daylight presses.

With the continuous support from our key stakeholders, we expect to be able to reinforce the company's long term growth commitment and its competitive position in the wood based panels industry.

3. Additional Information

Considering that in the Sonae Indústria individual accounts the shareholders' funds as at 31 December 2016 were 253,296,156.58 Euros, equal to less than half of its share capital, the Board of Directors decided, under the terms applicable by law, to request the inclusion of a point in the agenda of the Annual Shareholders' General Meeting to inform the shareholders and propose a share capital reduction that together with the use of existing reserves will fully cover the company's cumulative losses. This will not imply a reduction in the number of outstanding shares and accordingly should be neutral for the market value of the shares.

The Board of Directors also decided to submit to the Shareholders' Annual General Meeting a proposal to proceed with a reverse stock split in a ratio of 250 existing shares to 1 new share, in order to achieve a market price per share more in line with other companies listed in Euronext Lisbon.

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. Audited Income Statement (P&L)

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

In order to show comparable numbers for 2015, the P&L for 2015 was recalculated considering as Discontinued Operations the results of all the companies included in the consolidation perimeter of Sonae Arauco. It should be noted that this is in addition to the results of the French industrial units Ussel (sold in March 2015) and Linxe (sold in July 2015), Pontecaldelas plant, in Spain, and Betanzos, in Spain (sold in April 2015) that had already been considered as Discontinued Operations in 2015.

2. Audited Balance Sheet

- The balance sheet as at 31 December 2015 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.

- As previously reported the investment in Sonae Arauco had been booked provisionally at 147.3 million euros as at 31 May 2016, the completion date for the setting up of the partnership with Arauco. This was a provisional accounting value of Sonae Arauco resulting from its deconsolidation from Sonae Indústria's consolidated accounts. Within the framework of IAS 28 and IFRS 11, the provisional accounting value was subject to correction in the year end 2016 financial statements as a 'Fair Value' was established for 50% of Sonae Arauco at circa 196 million Euros including Sonae Arauco results until December 2016.

- Also due to the setting up of the 50/50 partnership with Arauco and in accordance with IAS 21, the composition of Shareholders' Funds has been reclassified with the 'Translation Reserves' (cumulative exchange rate impacts on equity) related to Sonae Arauco companies having been moved from 'Other Comprehensive Income' to 'Other Reserves & Accumulated earnings'. Although this change is neutral on Shareholders' Funds, it has led to a corresponding accounting charge in the P&L for the amount of the reclassification (36.6 million Euros).

3. Unaudited Proforma Proportional Indicators

In order to provide a more comprehensive view of Sonae Indústria underlying business, proforma 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 proforma 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.

Proportional Indicators are not audited. In respect of Proportional Indicators, Sonae Indústria external auditors have carried out an analysis of the consistency of the assumptions and of the figures considered by Sonae Indústria in the calculation of those Proportional Indicators.

GLOSSARY OF TERMS

Asset Value	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)]
CAPEX	Investment in Tangible Fixed Assets
EBITDA	Earnings Before Interests and Taxes + Depreciations and Amortizations + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)
FTEs	Full Time Equivalent; the equivalent of one person working full time, according to the working schedule of each country where Sonae Indústria has operations
Fixed Costs	Overheads + Personnel costs (internal and external); <i>management accounts concept</i>
Gross Debt	Bank loans + Debentures + Obligations under finance leases + other loans + Loans from related parties
Headcount	Total number of internal FTEs, excluding trainees
Loan to Value	Net Debt of Sonae Indústria / Asset value
LTM	Last Twelve Months
Net Debt	Gross Debt - Cash and cash equivalents
Proportional: Turnover, Recurrent EBITDA (unaudited, proforma)	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.
Proportional Leverage (unaudited, proforma)	Proportional Net Debt / Proportional LTM Recurrent EBITDA
Proportional Net Debt (unaudited, proforma)	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.
Recurrent EBITDA	EBITDA excluding non-recurrent operational income / costs
Recurrent EBITDA margin	Recurrent EBITDA / Turnover
Working Capital	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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