



**SONAE INDÚSTRIA, SGPS, SA**

Registered Office: Lugar do Espido, Via Norte, Maia, Portugal

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 253 319 797.26

Publicly Traded Company

**ACTIVITY REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**JANUARY – ÚÒÚVÒT ÓÒÜÁ 2017**

**ACCORDING TO THE INTERNATIONAL ACCOUNTING STANDARD 34 – INTERIM  
FINANCIAL REPORT**



## **ACTIVITY REPORT**

## MESSAGE FROM THE CHAIRMAN

In 3Q17 Sonae Indústria delivered its fifth consecutive quarter of positive Net Results with both our fully owned businesses and Sonae Arauco delivering positive contributions to our results.

Consolidated Recurrent EBITDA margin was 17.7%, similar to that achieved in the previous quarter and driven by the performance of our North American business. Including our 50% shareholding in Sonae Arauco, our Proportional Recurrent EBITDA margin reached 14.1% during 3Q17. However, our results in the quarter were negatively affected by higher chemical costs compared to last year. This increase in chemical costs has not been fully absorbed by the market nor by improvements in production efficiency or product sales mix.

Our Balance Sheet continued to strengthen during this quarter with Net Debt decreasing by 3M€ and Shareholders' Funds benefiting once more from the generation of positive results.

In the beginning of 4Q17, we concluded the investment in a new edging line for our Components business in Portugal. The new line should be fully operational before the end of 2017. This investment will allow us to significantly improve our productivity and competitiveness in this business and will enable us to provide better quality products and service to both existing and new customers.

Regrettably, I also have to report that Sonae Arauco's two panel plants in Portugal were materially damaged as a consequence of the severe forest fires in mid October. Although it is estimated that it should take four months for those plants to be fully working again, some operations will be restarted gradually, including the melamine lines at Oliveira do Hospital, and we are attending to our customers' needs by sourcing boards from other plants. Notwithstanding these fires, there will be no disruption to the execution of our investment in a new continuous press at our Mangualde plant.

I would like to thank our employees at Oliveira do Hospital and Mangualde for their dedication and commitment to the company under extreme circumstances. Without their unbelievable courage and decisive actions, damages would have been much more extensive.

Paulo Azevedo  
*Chairman Sonae Indústria*

# 1. Sonae Indústria Results

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

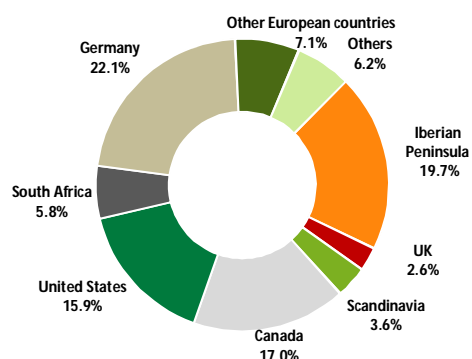
### SUMMARY OF 9M17 RESULTS (See also Explanatory Notes at the end of the document)

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

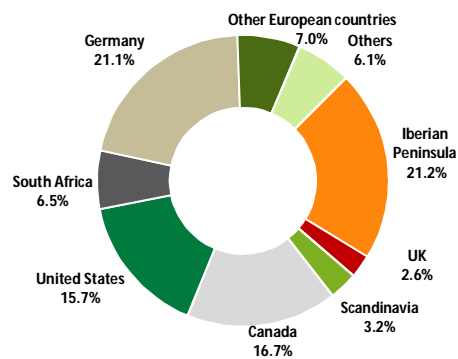
| FINANCIAL INDICATORS (unaudited and <i>pro forma</i> )    |              |              |
|---|--------------|--------------|
|   | 9M16         | 9M17         |
| Proportional Turnover                                     | 490          | 486          |
| Proportional Rec. EBITDA                                  | 74           | 70           |
| Proportional Rec. EBITDA margin                           | 15.0%        | 14.3%        |
| Proportional LTM Turnover                                 | 649          | 642          |
| Proportional LTM Rec. EBITDA                              | 89           | 87           |
| Proportional LTM Rec. EBITDA margin                       | 13.7%        | 13.5%        |
| LEVERAGE  |              |              |
| Proportional Net Debt                                     | 325          | 311          |
| <b>Proportional Leverage (Net Debt / LTM Rec. EBITDA)</b> | <b>3.6 x</b> | <b>3.6 x</b> |
| LOAN TO VALUE   |              |              |
| Net Debt of Sonae Indústria                               | 217          | 210          |
| Asset Value   | 524          | 497          |
| <b>LTV (Net Debt of Sonae Indústria / Asset Value)</b>    | <b>41%</b>   | <b>42%</b>   |

For the first nine months of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.6x, in line with the value booked for September 2016. Despite the reduction in Net Debt, **Loan to Value** is up by 0.8 p.p. vs. 9M16.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 9M16



PROPORTIONAL TURNOVER BY DESTINATION MARKET – 9M17

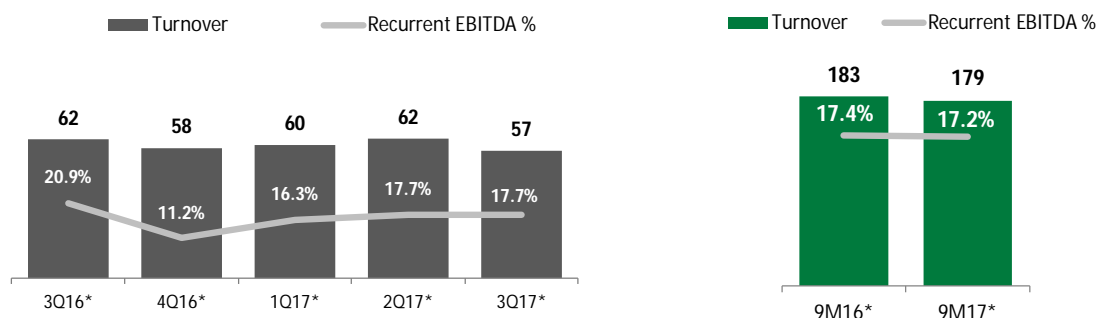


## 1.2. Consolidated Results

### SUMMARY OF 9M17 RESULTS (See Explanatory Notes at the end of the document)

#### TURNOVER and RECURRENT EBITDA

Million euros



\*Quarterly and year to date information unaudited.

**Consolidated Turnover** for the first nine months of the year reached 178.8 million euros, a reduction of 2.1% vs. 9M16 (-3.9 million euros) driven by lower sales to the Nordic markets by our Laminates & Components business and lower **sales volumes** to the Canadian market by our North American business which more than offset the increase in **average selling prices** in that market when compared to last year and the appreciation of the Canadian dollar vs. the EUR during 2017. On a quarterly basis, consolidated turnover stood at 57.0 million euros, representing a decrease of 5.1 million euros vs. same period of last year which was marked by very strong **sales volumes** in our North American business, with the **average selling prices** in this region kept stable y.o.y..

**Variable costs per cubic meter** increased in 9M17 and in 3Q17 when compared to the same periods of the previous year, mainly driven by the higher input costs of chemicals. However when compared with 2Q17, variable costs per cubic meter have decreased due essentially to the lower chemicals costs in this quarter.

**Recurrent EBITDA** for the first nine months of the year reached 30.8 million euros, a reduction of 1.0 million euros (-3.1%) vs. 9M16 with an underlying **Recurrent EBITDA margin** of 17.2%, down by 0.2 p.p. vs. 9M16, driven by a lower contribution from the North American business, negatively affected by the higher chemical costs and lower production volumes. Recurrent EBITDA for 3Q17 stood at 10.1 million euros, a decrease of 2.9 million euros when compared to 3Q16 and generating a Recurrent EBITDA margin of 17.7%, down by 3.3 p.p. vs. last year. This result was driven mainly by our North American business that during 3Q16 achieved a record Recurrent EBITDA level and during which chemical costs were significantly lower than in 3Q17.

The evolution of consolidated **EBITDA** for the first nine months of the year is similar to the one registered in Recurrent EBITDA and thus mostly explained by the performance of our North American business.

# SONAE INDÚSTRIA

## ACTIVITY REPORT - 9 MONTHS 2017

### CONSOLIDATED INCOME STATEMENT

Million euros

|  | 9M16<br>Unaudited | 9M17<br>Unaudited | 9M17 /<br>9M16 | 3Q16<br>Unaudited | 2Q17<br>Unaudited | 3Q17<br>Unaudited | 3Q17 /<br>3Q16 | 3Q17 /<br>2Q17 |
|--|-------------------|-------------------|----------------|-------------------|-------------------|-------------------|----------------|----------------|
| <b>Turnover</b>                                      | <b>182.6</b>      | <b>178.8</b>      | <b>(2.1%)</b>  | <b>62.1</b>       | <b>62.3</b>       | <b>57.0</b>       | <b>(8.2%)</b>  | <b>(8.5%)</b>  |
| Other operational income                             | 4.6               | 3.9               | (15.8%)        | 1.0               | 1.7               | 1.1               | 1.4%           | (39.0%)        |
| EBITDA   | 31.9              | 30.6              | (3.8%)         | 12.7              | 10.9              | 10.0              | (21.3%)        | (8.7%)         |
| Non recurrent items                                  | 0.0               | (0.2)             | -              | (0.3)             | (0.1)             | (0.1)             | 70.0%          | 17.4%          |
| <b>Recurrent EBITDA</b>                              | <b>31.8</b>       | <b>30.8</b>       | <b>(3.1%)</b>  | <b>13.0</b>       | <b>11.0</b>       | <b>10.1</b>       | <b>(22.4%)</b> | <b>(8.8%)</b>  |
| Recurrent EBITDA Margin %                            | 17.4%             | 17.2%             | -0.2 pp        | 20.9%             | 17.7%             | 17.7%             | -3.3 pp        | -0.1 pp        |
| Depreciation and amortisation                        | (8.9)             | (9.3)             | (4.5%)         | (3.0)             | (3.1)             | (3.1)             | (0.7%)         | (0.5%)         |
| Provisions and impairment Losses                     | 0.4               | (0.1)             | (121.7%)       | 0.1               | 0.0               | 0.0               | (98.1%)        | -              |
| <b>Operational profit (EBIT)</b>                     | <b>23.3</b>       | <b>21.3</b>       | <b>(8.6%)</b>  | <b>9.8</b>        | <b>7.9</b>        | <b>6.9</b>        | <b>(29.2%)</b> | <b>(12.2%)</b> |
| Net financial charges                                | (13.3)            | (8.7)             | 34.6%          | (3.5)             | (3.4)             | (2.6)             | 26.6%          | 22.8%          |
| o.w. Net interest charges                            | (10.6)            | (6.1)             | 42.2%          | (2.5)             | (2.0)             | (2.0)             | 19.6%          | 2.4%           |
| o.w. Net exchange differences                        | (0.1)             | (0.6)             | -              | (0.2)             | (0.6)             | 0.2               | -              | 124.2%         |
| o.w. Net financial discounts                         | (1.3)             | (1.3)             | (0.3%)         | (0.5)             | (0.5)             | (0.4)             | 8.9%           | 10.3%          |
| Gains and losses in Joint-Ventures                   | 6.3               | 13.7              | 118.4%         | 3.1               | 5.1               | 4.4               | 43.6%          | (13.0%)        |
| <b>Profit before taxes (EBT)</b>                     | <b>16.3</b>       | <b>26.3</b>       | <b>61.2%</b>   | <b>9.3</b>        | <b>9.6</b>        | <b>8.7</b>        | <b>(6.1%)</b>  | <b>(9.0%)</b>  |
| Taxes  | (6.8)             | (5.4)             | 21.2%          | (3.1)             | (1.9)             | (1.9)             | 39.9%          | 4.0%           |
| o.w. Current tax                                     | (7.5)             | (6.1)             | 18.5%          | (3.1)             | (2.3)             | (2.2)             | 31.4%          | 6.0%           |
| o.w. Deferred tax                                    | 0.7               | 0.7               | 8.8%           | 0.0               | 0.3               | 0.3               | -              | (17.1%)        |
| <b>Profit/(loss) from continued operations</b>       | <b>9.5</b>        | <b>20.9</b>       | <b>120.6%</b>  | <b>6.2</b>        | <b>7.6</b>        | <b>6.9</b>        | <b>10.8%</b>   | <b>(10.2%)</b> |
| Profit/(loss) from discontinued operations           | (30.7)            | 0.0               | 100.0%         | 0.0               | 0.0               | 0.0               | -              | -              |
| <b>Consolidated net profit/(loss) for the period</b> | <b>(21.3)</b>     | <b>20.9</b>       | <b>-</b>       | <b>6.2</b>        | <b>7.6</b>        | <b>6.9</b>        | <b>10.8%</b>   | <b>(10.2%)</b> |
| Losses (income) attrib. to non-contro. interests     | 0.0               | 0.0               | -              | 0.0               | 0.0               | 0.0               | -              | -              |
| <b>Net profit/(loss) attrib. to Equity Holders</b>   | <b>(21.3)</b>     | <b>20.9</b>       | <b>-</b>       | <b>6.2</b>        | <b>7.6</b>        | <b>6.9</b>        | <b>10.8%</b>   | <b>(10.2%)</b> |

Total **fixed costs** for the first nine months of the year represented 15.8% of turnover, an increase of 0.2 p.p. when compared to 9M16 due to the reduction of Turnover as Fixed Costs are lower than in the same period of last year.

Total **headcount for Sonae Indústria**, at the end of September 2017, was 483 FTE's excluding Sonae Arauco, which compares with 484 FTE's at the end of June and 480 FTE's in September 2016.

**Depreciation and amortization charges** during 9M17 were 9.3 million euros, which represents an increase of 4.5% when compared to 9M16, explained by the higher depreciation charges in our North American operation, which in 9M17 take into account for the full period the investment in the new melamine surfacing line completed in 2Q16. For the quarter, the depreciations charges reached 3.1 million euros, in line with the values booked for 3Q16 and 2Q17.

**Provisions and impairment losses** for the 9M17 represent a charge of 0.1 million euros, circa 0.5 million euros higher vs. 9M16 when a gain of 0.4 million was registered due to the release of provisions for the legacy restructuring process in France.

**Net financial charges** during 9M17 were 8.7 million Euros, circa 4.6 million euros lower vs. 9M16. This is essentially explained by a decrease of 4.5 million euros in Net Interest Charges resulting from the reduction of net debt and the cost of debt and also by the fact that 9M16 figures included the recognition of previously deferred upfront financing costs of 1.9 million Euros as a result of the early repayment of loans carried out within the setting up of the Sonae Arauco partnership. Compared with the previous quarter net financial charges decreased by 0.8M, which is mostly justified by the one off effect for foreign exchange differences, and derivatives booked in 2Q17.

**Gains and losses in Joint-Ventures**, amounted to 13.7 million euros, corresponding to 50% of the consolidated net profit of Sonae Arauco for the first nine months of the year. On a quarterly basis, Gains and Losses in Joint-

Ventures reached 4.4 million euros, up by 1.3 million euros when compared to 3Q16, positively impacted by an energy tax refund in Germany booked in the quarter, and down by 0.7 million euros when compared to 2Q17 impacted by the seasonal maintenance shutdowns that take place during summer period at the Sonae Arauco Northern hemisphere plants.

**Current tax charges** were 6.1 million euros for the first nine months of the year, a decrease of 1.4 million euros when compared to 9M16, mainly driven by lower tax charges in Canada. On a quarterly basis, current tax charges improved 1.0 million euros and 0.1 million euros when compared to 3Q16 and 2Q17, respectively, mostly due to lower tax charges in Canada.

**Net results** for 9M17 were positive 20.9 million euros, an improvement of 42.2 million euros when compared to same period of last year. It should be noted that, as then reported, the results of Discontinued Operations in 2Q16 included a one off accounting charge of 36.6 million euros related with accounting effects from the loss of control of Sonae Arauco. For the quarter, the net result reached 6.9 million euros, an improvement of 0.7 million euros vs. 3Q16.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Million euros

|   | 2016         | 1H17<br>Unaudited | 9M17<br>Unaudited |
|---|--------------|-------------------|-------------------|
| <b>Non current assets</b>   | <b>352.8</b> | <b>347.7</b>      | <b>352.4</b>      |
| Tangible assets   | 148.1        | 140.3             | 142.5             |
| Investments in joint ventures   | 195.9        | 198.6             | 201.3             |
| Deferred tax asset  | 1.4          | 1.4               | 1.4               |
| Other non current assets  | 7.4          | 7.4               | 7.2               |
| <b>Current assets</b>   | <b>44.7</b>  | <b>51.2</b>       | <b>45.7</b>       |
| Inventories   | 18.1         | 16.1              | 17.2              |
| Trade debtors   | 15.2         | 18.9              | 19.0              |
| Cash and cash equivalents   | 4.8          | 3.1               | 2.8               |
| Other current assets  | 6.6          | 13.1              | 6.7               |
| <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>399.0</b> | <b>400.5</b>      | <b>399.7</b>      |
| <b>Shareholders' Funds</b>  | <b>110.3</b> | <b>120.3</b>      | <b>125.9</b>      |
| Equity Holders  | 110.3        | 120.3             | 125.9             |
| Non-controlling interests   | 0.0          | 0.0               | 0.0               |
| <b>Liabilities</b>  | <b>288.7</b> | <b>280.2</b>      | <b>273.8</b>      |
| Interest bearing debt   | 218.3        | 215.9             | 212.8             |
| Non current   | 216.0        | 204.6             | 204.0             |
| Current   | 2.3          | 11.3              | 8.7               |
| Trade creditors   | 23.1         | 25.0              | 22.0              |
| Other liabilities   | 47.3         | 39.3              | 39.0              |
| <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>399.0</b> | <b>400.5</b>      | <b>399.7</b>      |
| <b>Net debt</b>   | <b>213.5</b> | <b>212.8</b>      | <b>209.9</b>      |
| <b>Working Capital</b>  | <b>10.3</b>  | <b>10.0</b>       | <b>14.2</b>       |

**Investments in Joint-Ventures** (50% of Sonae Arauco) reached 201.3 million euros, which is circa 2.7 million euros higher than the book value of this investment at the end of 1H17 mostly due to the positive results of Sonae Arauco although affected by a negative impact in Sonae Arauco revaluation reserves of circa 1.7 million euros vs. 1H17 due to the unfavorable exchange rate evolution of the South African Rand in the quarter.

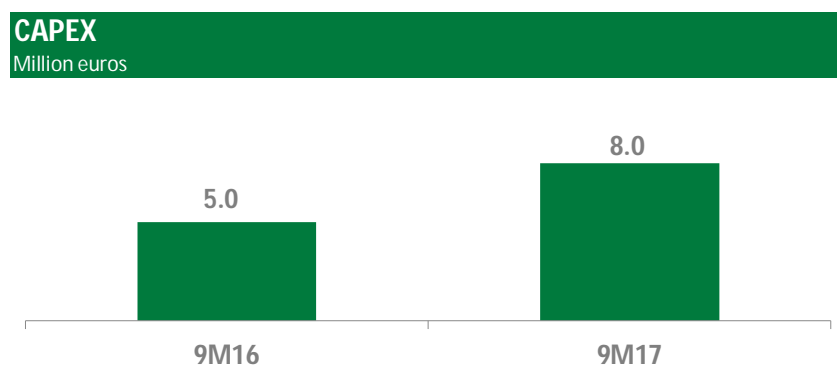
Consolidated **Working Capital** reached 14.2 million euros, an increase of 4.2 million euros when compared to June 2017, due to a decrease in trade creditors balances, combined with an increase in inventories, in both cases in our North American operation.

**Net Debt** stood at 209.9 million euros, at the end of September 2017, which represents a decrease of 2.9 million euros when compared to the end of 1H17, benefiting from the dividend received from Sonae Arauco. When compared to the end of 2016, Net Debt also decreased, in this case by 3.6 million euros.

Total **Shareholders' Funds continued to strengthen** and, at the end of September 2017, amounted to 125.9 million euros, which represents an increase of 5.6 million euros when compared to June 2017, mostly due to the positive net results of the quarter and due to the impacts of movements in the Canadian Dollar and South



African Rand exchange rates. It should also be highlighted that, when compared to year end 2016, total Shareholders' Funds increased by 15.6 million euros.



Additions to Gross Tangible Fixed Assets reached 8.0 million euros during the first nine months of the year, 3.0 million euros higher vs. 9M16, on a like for like basis. The figure for 9M17 includes not only the investments executed in our North American plant but also the investment in the new edging line for our Components plant in Portugal due to be completed in 4Q17.

## 2. Subsequent Events

On 15 October, severe forest fires affected significantly two industrial units of Sonae Arauco in Portugal: Oliveira do Hospital and Mangualde. As a result, both plants remain stopped. Subject to the completion of the full evaluation of the damages and recovery plan, it is estimated that it will take approximately 4 months for both plants to be fully operational again. Within this period, operations will be restarted gradually with some activities starting earlier including the melamine lines at Oliveira do Hospital.

Sonae Arauco has insurance coverage in respect of both industrial plants and is working with the insurance companies to assess and prepare the claims for property damage and the resulting business interruption.

16 November 2017

The Board of Directors

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Paulo Azevedo

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Albrecht Ehlers

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Carlos Moreira da Silva

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Javier Vega

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Louis Brassard

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José Romão de Sousa

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Christopher Lawrie

**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) and Statement of Financial Position (Balance Sheet)**

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.

As from June 2016, the balance sheet represents the position of Sonae Indústria under the current perimeter with the 50% shareholding in Sonae Arauco equity accounted.

**2. 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   |



# **Consolidated Financial Statements**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

| ASSETS  | Notes | 30.09.2017<br>Unaudited   | 31.12.2016                |
|---|-------|---------------------------|---------------------------|
| <b>NON-CURRENT ASSETS:</b>  |       |                           |                           |
| Tangible fixed assets   | 6     | 142 526 475               | 148 065 694               |
| Goodwill  |       | 347 082                   | 347 082                   |
| Intangible assets   |       | 200 021                   | 270 689                   |
| Investment properties   |       | 6 063 769                 | 6 251 947                 |
| Investment in joint ventures  | 4, 5  | 201 327 814               | 195 908 535               |
| Investment available for sale   | 5     | 131 754                   | 130 821                   |
| Deferred tax asset  |       | 1 387 908                 | 1 364 497                 |
| Other non-current assets  |       | 442 298                   | 442 298                   |
| Total non-current assets  |       | <u>352 427 121</u>        | <u>352 781 563</u>        |
| <b>CURRENT ASSETS:</b>  |       |                           |                           |
| Inventories   |       | 17 196 012                | 18 138 293                |
| Trade debtors   |       | 19 033 294                | 15 193 129                |
| Other current debtors   |       | 189 823                   | 303 310                   |
| Current tax asset   |       | 1 794 665                 | 1 090 204                 |
| Other taxes and contributions   |       | 2 006 158                 | 3 246 215                 |
| Other current assets  |       | 2 695 880                 | 1 951 835                 |
| Cash and cash equivalents   | 7     | 2 818 704                 | 4 795 077                 |
| Total current assets  |       | <u>45 734 536</u>         | <u>44 718 063</u>         |
| Non-current assets held for sale  |       | 1 535 588                 | 1 535 588                 |
| <b>TOTAL ASSETS</b>   |       | <u><u>399 697 245</u></u> | <u><u>399 035 214</u></u> |
| <b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>                                  |       |                           |                           |
| <b>SHAREHOLDERS' FUNDS:</b>   |       |                           |                           |
| Share capital   | 8.1   | 253 319 797               | 812 107 574               |
| Legal reserve   | 8.2   |                           | 3 131 757                 |
| Other reserves and accumulated earnings                                     |       | - 176 906 720             | - 759 319 894             |
| Accumulated other comprehensive income                                      | 9     | 49 481 310                | 54 418 718                |
| Total shareholders' funds attributable to equity holders of Sonae Indústria |       | <u>125 894 387</u>        | <u>110 338 155</u>        |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>  |       | <u><u>125 894 387</u></u> | <u><u>110 338 155</u></u> |
| <b>LIABILITIES:</b>   |       |                           |                           |
| <b>NON-CURRENT LIABILITIES:</b>   |       |                           |                           |
| Bank loans - net of current portion   | 10    | 203 105 913               | 214 868 703               |
| Finance lease creditors - net of current portion                            | 10    | 913 855                   | 1 132 741                 |
| Post-retirement liabilities   |       | 1 110 071                 | 1 110 071                 |
| Other non-current liabilities   |       | 4 254 606                 | 3 554 341                 |
| Deferred tax liability  |       | 19 391 674                | 20 754 938                |
| Provisions  |       | 1 933 644                 | 1 933 644                 |
| Total non-current liabilities   |       | <u>230 709 763</u>        | <u>243 354 438</u>        |
| <b>CURRENT LIABILITIES:</b>   |       |                           |                           |
| Current portion of non-current bank loans                                   | 10    | 5 068 075                 | 390 967                   |
| Current bank loans  | 10    | 3 250 000                 | 1 500 000                 |
| Current portion of non-current finance lease creditors                      | 10    | 417 167                   | 417 272                   |
| Trade creditors   |       | 22 019 676                | 23 050 212                |
| Current tax liability   |       | 29 373                    | 2 422 190                 |
| Other taxes and contributions   |       | 583 316                   | 699 465                   |
| Other current liabilities   | 11    | 11 725 488                | 16 862 515                |
| Total current liabilities   |       | <u>43 093 095</u>         | <u>45 342 621</u>         |
| <b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>                            |       | <u><u>399 697 245</u></u> | <u><u>399 035 214</u></u> |

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016

(Amounts expressed in Euros)

|   | Notes  | 30.09.2017<br>Unaudited | 3rd. Quarter 2017<br>Unaudited | 30.09.2016<br>Unaudited | 3rd. Quarter 2016<br>Unaudited |
|---|--------|-------------------------|--------------------------------|-------------------------|--------------------------------|
| Sales   | 16     | 177 885 972             | 56 699 455                     | 181 635 279             | 61 786 770                     |
| Services rendered   | 16     | 909 072                 | 298 140                        | 1 010 101               | 291 063                        |
| Other income and gains  | 14, 16 | 3 859 776               | 1 058 582                      | 4 585 491               | 1 044 395                      |
| Cost of sales   | 16     | 94 200 884              | 30 857 925                     | 95 482 967              | 32 425 784                     |
| (Increase) / decrease in production   | 16     | - 79 023                | - 1 792 850                    | 490 377                 | - 888 732                      |
| External supplies and services  | 16     | 36 947 139              | 12 086 576                     | 36 547 660              | 11 961 541                     |
| Staff expenses  | 16     | 17 938 657              | 5 920 157                      | 19 090 728              | 6 086 603                      |
| Depreciation and amortisation   |        | 9 298 527               | 3 070 865                      | 8 896 524               | 3 048 091                      |
| Provisions and impairment losses (increase / reduction)                     | 16     | 84 640                  | - 2 242                        | - 390 066               | - 121 141                      |
| Other expenses and losses   | 15, 16 | 2 933 090               | 1 000 192                      | 3 767 200               | 847 948                        |
| Operating profit / (loss)   |        | 21 330 906              | 6 915 554                      | 23 345 481              | 9 762 134                      |
| Financial expenses  | 17     | 9 823 536               | 3 061 663                      | 17 692 104              | 3 875 884                      |
| Financial income  | 17     | 1 127 665               | 474 209                        | 4 398 465               | 348 364                        |
| Gains and losses in associated companies                                    |        |                         |                                |                         |                                |
| Gains and losses in joint ventures  | 4, 5   | 13 651 576              | 4 395 350                      | 6 250 495               | 3 060 215                      |
| Net profit/(loss) from continuing operations, before taxation               |        | 26 286 611              | 8 723 450                      | 16 302 337              | 9 294 829                      |
| Taxation  | 18     | 5 377 625               | 1 868 437                      | 6 822 300               | 3 109 350                      |
| Consolidated net profit / (loss) from continuing operations, after taxation |        | 20 908 986              | 6 855 013                      | 9 480 037               | 6 185 479                      |
| Profit / (loss) from discontinued operations, after taxation                | 13     |                         |                                | - 30 746 562            |                                |
| Consolidated net profit / (loss) for the period                             |        | 20 908 986              | 6 855 013                      | - 21 266 525            | 6 185 479                      |
| Attributable to:  |        |                         |                                |                         |                                |
| Equity Holders of Sonae Industria   |        |                         |                                |                         |                                |
| Continuing operations   |        | 20 908 986              | 6 855 013                      | 9 480 037               | 6 185 479                      |
| Discontinuing operations  |        |                         |                                | - 30 746 562            |                                |
| Equity Holders of Sonae Industria   |        | 20 908 986              | 6 855 013                      | - 21 266 525            | 6 185 479                      |
| Profit/(Loss) per share   |        |                         |                                |                         |                                |
| From continuing operations:   |        |                         |                                |                         |                                |
| Basic   |        | 0.4605                  | 0.151                          | 0.0008                  | 0.0005                         |
| Diluted   |        | 0.4605                  | 0.151                          | 0.0008                  | 0.0005                         |
| From discontinued operations:   |        |                         |                                |                         |                                |
| Basic   |        |                         |                                | - 0.0027                |                                |
| Diluted   |        |                         |                                | - 0.0027                |                                |

SONAE INDÚSTRIA, S.G.P.S., S.A.  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016

(Amounts expressed in Euros)

|  | Notes | 30.09.2017<br>Unaudited | 3rd Quarter 2017<br>Unaudited | 30.09.2016<br>Unaudited | 3rd Quarter 2016<br>Unaudited |
|--|-------|-------------------------|-------------------------------|-------------------------|-------------------------------|
| <b>Net consolidated profit / (loss) for the period (a)</b>                     |       | 20 908 986              | 6 855 013                     | - 21 266 525            | 6 185 479                     |
| <b>Other consolidated comprehensive income</b>                                 |       |                         |                               |                         |                               |
| <b>Items that may be subsequently transferred to profit or loss</b>            |       |                         |                               |                         |                               |
| Change in currency translation reserve   |       | - 2 379 443             | 289 962                       | 1 617 979               | - 1 402 544                   |
| Change in fair value of available-for-sale financial assets                    |       |                         |                               | 8 508                   |                               |
| Group share of other comprehensive income of joint ventures                    |       | - 2 557 965             | - 1 692 671                   | 2 566 322               | 1 277 382                     |
| <b>Other consolidated comprehensive income for the period, net of tax (b)</b>  | 9     | - 4 937 408             | - 1 402 709                   | 4 192 809               | - 125 162                     |
| <b>Total consolidated comprehensive income for the period (a) + (b)</b>        |       | 15 971 578              | 5 452 304                     | - 17 073 716            | 6 060 317                     |
| <b>Total consolidated comprehensive income attributable to:</b>                |       |                         |                               |                         |                               |
| Equity holders of Sonae Industria  |       | 15 971 578              | 5 452 304                     | - 17 073 716            | 6 060 317                     |
|  |       | 15 971 578              | 5 452 304                     | - 17 073 716            | 6 060 317                     |
| <b>Other comprehensive income reclassified to profit or loss in the period</b> |       |                         |                               | - 36 592 671            |                               |

The notes are an integral part of the consolidated financial statements

The board of directors



## SONAE INDÚSTRIA, S.G.P.S., S.A.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016

(Amounts expressed in Euros)

|  | Share capital      | Legal reserve    | Other Reserves and accumulated earnings | Accumulated other comprehensive income | Total shareholders' funds attributable to the equity holders of Sonae Indústria | Non-controlling interests | Total shareholders' funds |
|--|--------------------|------------------|---|--|---|---------------------------|---------------------------|
| Notes  | 8.1                | 8.2              |   | 9                                      |   |                           |                           |
| <b>Balance as at 1 January 2017</b>                          | 812 107 574        | 3 131 757        | - 759 319 894                           | 54 418 718                             | 110 338 155   |                           | 110 338 155               |
| Total consolidated comprehensive income for the period       |                    |                  |   |  |   |                           |                           |
| Net consolidated profit/(loss) for the period                |                    |                  | 20 908 986                              |  | 20 908 986  |                           | 20 908 986                |
| Other consolidated comprehensive income for the period       |                    |                  |   | -4 937 408                             | - 4 937 408   |                           | - 4 937 408               |
| Total  |                    |                  | 20 908 986                              | -4 937 408                             | 15 971 578  |                           | 15 971 578                |
| Share capital reduction                                      | -558 787 777       | - 3 131 757      | 561 919 534                             |  |   |                           |                           |
| Others   |                    |                  | - 415 346                               |  | - 415 346   |                           | - 415 346                 |
| <b>Balance as at 30 September 2017 (unaudited)</b>           | <b>253 319 797</b> |                  | <b>-176 906 720</b>                     | <b>49 481 310</b>                      | <b>125 894 387</b>  |                           | <b>125 894 387</b>        |
|  |                    |                  |   |  |   |                           |                           |
|  | Share capital      | Legal reserve    | Other Reserves and accumulated earnings | Accumulated other comprehensive income | Total shareholders' funds attributable to the equity holders of Sonae Indústria | Non-controlling interests | Total shareholders' funds |
| Notes  | 8.1                | 8.2              |   | 9                                      |   |                           |                           |
| <b>Balance as at 1 January 2016</b>                          | 812 107 574        | 3 131 757        | -801 248 687                            | 43 785 859                             | 57 776 503  | - 106 611                 | 57 669 892                |
| Total consolidated comprehensive income for the period       |                    |                  |   |  |   |                           |                           |
| Net consolidated profit/(loss) for the period                |                    |                  | -21 266 525                             |  | - 21 266 525  |                           | - 21 266 525              |
| Other consolidated comprehensive income for the period       |                    |                  |   | 4 192 809                              | 4 192 809   |                           | 4 192 809                 |
| Total  |                    |                  | -21 266 525                             | 4 192 809                              | -17 073 716   |                           | -17 073 716               |
| Medium term incentive plan                                   |                    |                  | - 159 827                               |  | - 159 827   |                           | - 159 827                 |
| Change in method   |                    |                  | 35 060 569                              | -35 060 569                            |   |                           |                           |
| Transferred to Net consolidated profit/(loss) for the period |                    |                  |   | 36 592 671                             | 36 592 671  |                           | 36 592 671                |
| Others   |                    |                  | -4 240 651                              | 1 863 032                              | - 2 377 619   | 106 611                   | - 2 271 008               |
| <b>Balance as at 30 September 2016 (unaudited)</b>           | <b>812 107 574</b> | <b>3 131 757</b> | <b>-791 855 121</b>                     | <b>51 373 802</b>                      | <b>74 758 012</b>   |                           | <b>74 758 012</b>         |

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIODS ENDED 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016  
(Amounts expressed in Euros)

|   | <u>Notes</u> | 30.09.2017<br><u>Unaudited</u> | 30.09.2016<br><u>Unaudited</u> |
|---|--------------|--------------------------------|--------------------------------|
| <b><u>OPERATING ACTIVITIES</u></b>                              |              |                                |                                |
| Receipts from trade debtors                                     |              | 171 295 478                    | 484 429 029                    |
| Payments to trade creditors                                     |              | 130 759 488                    | 390 052 975                    |
| Payments to staff   |              | 19 839 815                     | 71 899 016                     |
| Net cash flow from operations                                   |              | <u>20 696 175</u>              | <u>22 477 038</u>              |
| Payment / (receipt) of corporate income tax                     |              | 9 523 002                      | 4 432 737                      |
| Other receipts / (payments) relating to operating activities    |              | <u>1 167 334</u>               | <u>- 66 760</u>                |
| Net cash flow from operating activities (1)                     |              | <u><u>12 340 507</u></u>       | <u><u>17 977 541</u></u>       |
| <b><u>INVESTMENT ACTIVITIES</u></b>                             |              |                                |                                |
| Cash receipts arising from:                                     |              |                                |                                |
| Investments   |              |                                | 214                            |
| Tangible fixed assets and intangible assets                     |              | 129 117                        | 2 163 155                      |
| Investment subventions  |              | 29 703                         |                                |
| Dividends   |              | <u>5 661 957</u>               |                                |
|   |              | <u>5 820 777</u>               | <u>2 163 369</u>               |
| Cash Payments arising from:                                     |              |                                |                                |
| Investments   |              | 2 429                          | 216 334                        |
| Tangible fixed assets and intangible assets                     |              | 8 784 904                      | 13 312 585                     |
| Investment properties   |              |                                | <u>131 191</u>                 |
|   |              | <u>8 787 333</u>               | <u>13 660 110</u>              |
| Net cash used in investment activities (2)                      |              | <u>- 2 966 556</u>             | <u>- 11 496 741</u>            |
| <b><u>FINANCING ACTIVITIES</u></b>                              |              |                                |                                |
| Cash receipts arising from:                                     |              |                                |                                |
| Interest and similar income                                     |              | 408 491                        | 385 391                        |
| Loans obtained  |              | 576 947 485                    | 972 108 562                    |
| Increase in share capital (SONAE ARAUCO, SA)                    |              |                                | <u>137 500 000</u>             |
|   |              | <u>577 355 976</u>             | <u>1 109 993 953</u>           |
| Cash Payments arising from:                                     |              |                                |                                |
| Interest and similar charges                                    |              | 7 003 074                      | 22 754 566                     |
| Loans obtained  |              | 581 320 095                    | 1 097 373 806                  |
| Finance leases - repayment of principal                         |              | <u>216 392</u>                 | <u>3 133 006</u>               |
|   |              | <u>588 539 561</u>             | <u>1 123 261 378</u>           |
| Net cash used in financing activities (3)                       |              | <u>- 11 183 585</u>            | <u>- 13 267 425</u>            |
| Net increase in cash and cash equivalents (4) = (1) + (2) + (3) |              | <u><u>- 1 809 634</u></u>      | <u><u>- 6 786 625</u></u>      |
| Effect of foreign exchange rate                                 |              | <u>166 739</u>                 | <u>176 742</u>                 |
| Cash and cash equivalents at the beginning of the period        | 7            | <u>4 795 077</u>               | <u>15 808 205</u>              |
| Cash and cash equivalents of excluded companies, at 31.05.2016  |              |                                | <u>4 939 961</u>               |
| Cash and cash equivalents at the end of the period              | 7            | <u><u>2 818 704</u></u>        | <u><u>3 904 877</u></u>        |

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA has its head-office at Lugar do Espido, Via Norte, 4471-909 Maia, Portugal.

The shares of the company are listed on Euronext Lisbon.

Consolidated financial statements for the period ended 30 September 2017 and 30 September 2016 were not subject to a limited revision carried out by the company's statutory external auditor.

2. ACCOUNTING POLICIES

This set of consolidated financial statement has been prepared on the basis of the accounting policies that were disclosed on the notes to the consolidated financial statements for fiscal year 2016.

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting. As such, they do not include all the information which should be included in annual consolidated financial statements and should therefore be read in connection with the financial statements for fiscal year 2016.

## 2.2. Changes to accounting standards

These consolidated financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), effective from 1 January 2017 and endorsed by the European Union.

2.2.1. At 30 September 2017, the following standards and interpretations had been issued by IASB and had been endorsed by the European Union, but had not been applied as they only become effective on later periods:

**IFRS 9** (new), Financial instruments (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition;

**IFRS 15** (new), Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018). This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach.

The Company does not estimate any significant effect to arise from the application of these standards.

2.2.2. At 30 September 2017, the following standards, effective 1 January 2017 or later, had been issued by IASB but still had not been endorsed by the European Union:

**IAS 7** (amendment), Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment introduces an additional disclosure about the changes in liabilities arising from financing activities,

disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash Flow Statement;

**IAS 12** (amendment), Income taxes – Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law;

**IAS 40** (amendment), Transfers of Investment property (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer;

**IFRS 2** (amendment), Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority;

**IFRS 4** (amendment), Insurance contracts (Applying IFRS 4 with IFRS 9) transactions (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance, not being applicable at consolidated level;

**IFRS 15** (amendment) Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by European Union. This amendment refers to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition;

**IFRS 16** (new), Leases (effective for annual periods beginning on or after 1 January 2019). This standard is still subject to endorsement by European Union. This standard sets out a single treatment of leases for the lessee, which consists in recognising leased assets as tangible fixed assets. As for the lessor, distinct treatment criteria for operational and finance leases set out IAS 17 are kept;

**IFRS 17** (new), Insurance contracts (effective for annual periods beginning 1 January 2021). This standard will revoke IFRS 4 – Insurance contracts and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application;

**Annual Improvement 2014 - 2016**, (generally effective for annual periods beginning on or after 1 January 2017). These improvements are still subject to endorsement by European Union. The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28;

**IFRIC 22** (new), Foreign currency transactions and advance consideration (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts". The date of transaction determines the exchange rate used to translate the foreign currency transactions;

**IFRIC 23** (new), Uncertainty over Income Tax Treatments (effective for annual periods beginning 1 January 2019). ). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - Income tax referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12 rather than IAS 37 - Provisions, contingent liabilities and contingent assets, based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified.

The Company does not estimate any significant effect to arise from the application of these standards.

### 2.3. Translation of financial statements of foreign companies

Exchange rates used for translating into euros the financial statements of subsidiaries whose functional currency is not the euro are listed below:

|                     | 30.09.2017   |              | 31.12.2016   |              | 30.09.2016   |              |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                     | Closing rate | Average rate | Closing rate | Average rate | Closing rate | Average rate |
| Great Britain Pound | 0.8818       | 0.8724       | 0.8562       | 0.7763       | 0.8610       | 0.7763       |
| South African Rand  | 15.9439      | 14.6735      | 14.4571      | 17.2325      | 15.5231      | 17.2325      |
| Canadian Dollar     | 1.4687       | 1.4526       | 1.4188       | 1.4647       | 1.4690       | 1.4737       |
| American Dollar     | 1.1806       | 1.1113       | 1.0541       | 1.1061       | 1.1161       | 1.1159       |

Source: Bloomberg

### 3. COMPANIES INCLUDED IN CONSOLIDATION PERIMETER

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 30 September 2017, 31 December 2016 and 30 September 2016 are as follows:

| COMPANY   | HEAD OFFICE                  | PERCENTAGE OF CAPITAL HELD |         |            |         |            |         | TERMS FOR INCLUSION |
|---|------------------------------|----------------------------|---------|------------|---------|------------|---------|---------------------|
|   |                              | 30.09.2017                 |         | 31.12.2016 |         | 30.09.2016 |         |                     |
|   |                              | Direct                     | Total   | Direct     | Total   | Direct     | Total   |                     |
| 1) Agloma Imobiliária y Servicios, SL                       | Madrid (Spain)               | -                          | -       | -          | -       | 100.00%    | 100.00% | a)                  |
| Frases e Frações - Imobiliária e Serviços, SA               | Maia (Portugal)              | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Glunz UK Holdings, Ltd.                                     | Liverpool (United Kingdom)   | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Glunz UKA GmbH  | Meppen (Germany)             | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Isoroy, SAS   | La Garenne-Colombes (France) | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Maiequipa - Gestão Florestal, SA                            | Maia (Portugal)              | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Megantic B.V.   | Amsterdam (The Netherlands)  | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Movelpartes - Comp. para a Indústria do Mobiliário, SA      | Paredes (Portugal)           | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Novodecor (Pty) Ltd   | Woodmead (South Africa)      | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Parcelas e Narrativas - Imobiliária, SA                     | Maia (Portugal)              | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Poliface North America                                      | Lac Mégantic (Canada)        | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| 2) Sonae Indústria - Management Services, S. A.             | Maia (Portugal)              | 100.00%                    | 100.00% | 100.00%    | 100.00% | -          | -       | a)                  |
| Sonae Indústria - Soc. Gestora de Participações Sociais, SA | Maia (Portugal)              | Parent                     | Parent  | Parent     | Parent  | Parent     | Parent  | Parent              |
| Sonae Indústria de Revestimentos, SA                        | Maia (Portugal)              | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Spanboard Products Ltd                                      | Belfast (United Kingdom)     | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Tafisa Canadá Inc   | Lac Mégantic (Canada)        | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |
| Tafisa France S.A.S.  | La Garenne-Colombes (France) | 100.00%                    | 100.00% | 100.00%    | 100.00% | 100.00%    | 100.00% | a)                  |

#### a) Majority of voting rights;

- 1) Company sold December 2016
- 2) Company incorporated October 2016



#### 4. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 30 September 2017, 31 December 2016 and 30 September 2016 are as follows:

| COMPANY   | HEAD OFFICE                  | PERCENTAGE OF CAPITAL HELD |        |            |        |            |           |
|---|------------------------------|----------------------------|--------|------------|--------|------------|-----------|
|   |                              | 30.09.2017                 |        | 31.12.2016 |        | 30.09.2016 |           |
|   |                              | Direct                     | Total  | Direct     | Total  | Direct     | Total     |
| Sonae Arauco, SA  | Madrid (Spain)               | 50.00%                     | 50.00% | 50.00%     | 50.00% | 50.00%     | 50.00%    |
| Agepan Eiweiler Management, GmbH                                | Eiweiler (Germany)           | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Aglom Imobiliaria y Servicios, S. L.                            | Madrid (Spain)               | 100.00%                    | 50.00% | 100.00%    | 50.00% | -          | - a)      |
| Aglom Investimentos, SGPS, S. A.                                | Maia (Portugal)              | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Aserraderos de Cuellar, S.A.                                    | Madrid (Spain)               | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 1) Sonae Arauco Beeskow GmbH                                    | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Ecociclo, Energia e Ambiente, S. A.                             | Maia (Portugal)              | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Euroresinas - Indústrias Químicas, S.A.                         | Maia (Portugal)              | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| GHP Glunz Holzwerkstoffproduktions GmbH                         | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 2) Sonae Arauco Deutschland AG                                  | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Glunz Service GmbH  | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Impaper Europe GmbH   | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Imoplamac – Gestão de Imóveis, S. A.                            | Maia (Portugal)              | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Laminate Park GmbH & Co. KG                                     | Eiweiler (Germany)           | 50.00%                     | 25.00% | 50.00%     | 25.00% | 50.00%     | 25.00% b) |
| OSB Deutschland   | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Racionalización y Manufacturas Forestales, S.A.                 | Madrid (Spain)               | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Sociedade de Iniciativa e Aproveit. Florestais – Energias, S.A. | Mangualde (Portugal)         | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Somit – Imobiliária, S.A.                                       | Mangualde (Portugal)         | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Sonae Arauco France   | La Garenne-Colombes (France) | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 3) Sonae Arauco Portugal, SA                                    | Mangualde (Portugal)         | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 4) Sonae Arauco South Africa (Pty) Ltd                          | Woodmead (South Africa)      | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 5) Sonae Arauco Netherlands B. V.                               | Woerden (The Netherlands)    | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 6) Sonae Arauco (UK), Ltd.                                      | Liverpool (United Kingdom)   | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 7) Sonae Arauco Espana - Soluciones de Madera, S. L.            | Madrid (Spain)               | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Tafiber. Tableros de Fibras Ibéricas, S.L.                      | Madrid (Spain)               | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 8) Tafisa U.K, Ltd.   | Liverpool (United Kingdom)   | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Taiber, Tableros Aglomerados Ibéricos, S.L.                     | Madrid (Spain)               | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| 9) Sonae Arauco Suisse SA                                       | Tavannes (Switzerland)       | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Tecnologias del Medio Ambiente, S.A.                            | Barcelona (Spain)            | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |
| Tecmasa. Recicladors de Andalucía, S. L.                        | Madrid (Spain)               | 50.00%                     | 25.00% | 50.00%     | 25.00% | 50.00%     | 25.00% b) |
| Tool, GmbH  | Meppen (Germany)             | 100.00%                    | 50.00% | 100.00%    | 50.00% | 100.00%    | 50.00% a) |

- a) Company included in the consolidation perimeter of Sonae Arauco, S. A.;
- b) Company whose investment is measured using equity method in the consolidated financial statement of Sonae Arauco, S. A..

- 1) Formerly denominated as BHW Beeskow Holzwerkstoffe GmbH
- 2) Formerly denominated as Glunz AG
- 3) Formerly denominated as Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.
- 4) Formerly denominated as Sonae Novobord (Pty) Ltd
- 5) Formerly denominated as Sonae Tafibra International, B. V.
- 6) Formerly denominated as Sonae Industria (UK) Ltd.
- 7) Formerly denominated as Tableros Tradema, S.L.
- 8) Company liquidated June 2017
- 9) Formerly denominated as Tafibra Suisse SA

On 31 May 2016, the then subsidiary Tafieros de Fibras, S. A. (currently Sonae Arauco, S. A.) carried out a share capital increase, which was fully subscribed and paid by Arauco

Group. As a consequence, Sonae Arauco S. A. and its subsidiaries identified as a) were excluded from consolidation as they were classified as joint ventures on that date. From that date, these companies have been recognized on the consolidated financial statements of Sonae Indústria, SGPS, S. A. using the equity method. Net profit/(loss) of these companies for the five-month period ended 31 May 2016 were stated under Profit / (loss) of discontinued operations, after taxation, on the Consolidated Income Statement.

Net assets and net profit/loss for these jointly-controlled companies, whose share was recognized on these consolidated financial statements using equity method, are detailed as follows:

|  | Sonae Arauco - Consolidated |             |
|--|-----------------------------|-------------|
|  | 30.09.2017                  | 31.12.2016  |
| Non-current assets                                 | 502 474 738                 | 516 229 548 |
| Current assets (without cash and cash equivalents) | 202 335 776                 | 181 815 850 |
| Cash and cash equivalents                          | 14 747 103                  | 29 903 996  |
| Non-current financial liabilities                  | 205 431 069                 | 204 590 512 |
| Other non-current liabilities                      | 87 116 072                  | 95 963 697  |
| Current financial liabilities                      | 11 319 582                  | 21 836 327  |
| Other current liabilities                          | 175 622 000                 | 176 328 520 |

|  | Sonae Arauco - Consolidated |             |
|--|-----------------------------|-------------|
|  | 30.09.2017                  | 30.09.2016  |
| Operating revenues   | 642 830 532                 | 272 632 530 |
| Operating expenses (without depreciation and amortization) | 565 589 992                 | 252 580 028 |
| Depreciation and amortization                              | 31 772 340                  | 15 476 147  |
| Interest expense   | 6 285 456                   | 3 446 339   |
| Taxation   | 5 029 061                   | 913 202     |
| Net profit/(loss) from continuing operations               | 27 303 153                  | 12 065 000  |
| Adjustments to the Group's accounting policies             |                             | 435 991     |
| <b>Group's share on net profit/(loss)</b>                  | 13 651 576                  | 6 250 496   |
| <b>Group's share on other comprehensive Income</b>         | - 2 557 965                 | 2 566 322   |

The results and the other comprehensive income presented above for the comparative period refer to the period beginning 1 June 2016 as this was the date the equity method was applied for measuring the investment in Sonae Arauco, S. A..

## 5. INVESTMENTS

At 30 September 2017 and 31 December 2016, details of Investments, on the Consolidated Statement of Financial position, are as follows:

|                               | 30.09.2017         | 31.12.2016         |
|-------------------------------|--------------------|--------------------|
|                               | Non current        | Non current        |
| Investment in joint ventures  |                    |                    |
| Opening balance               | 195 908 535        | 5 695 259          |
| Effect of change in perimeter |                    | -5 695 259         |
| Effect of equity method       | 11 081 236         | 195 908 535        |
| Dividends                     | 5 661 957          |                    |
| Closing balance               | <u>201 327 814</u> | <u>195 908 535</u> |

|                                   | 30.09.2017     | 31.12.2016     |
|-----------------------------------|----------------|----------------|
|                                   | Non current    | Non current    |
| Available-for-sale investment     |                |                |
| Opening balance                   | 134 810        | 1 171 674      |
| Acquisition                       | 2 429          | 5 042          |
| Disposal                          | 1 496          |                |
| Effect of change in perimeter     |                | -1 050 414     |
| Change in fair value              |                | 8 508          |
| Closing balance                   | <u>135 743</u> | <u>134 810</u> |
| Accumulated impairment losses     | <u>3 989</u>   | <u>3 989</u>   |
| Net available-for-sale investment | <u>131 754</u> | <u>130 821</u> |

## 6. TANGIBLE FIXED ASSETS

At 30 September 2017 and 31 December 2016, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

|   | 30.09.2017         |                     |                  |               |                       |                             |  | 31.12.2016                  |                             |
|---|--------------------|---------------------|------------------|---------------|-----------------------|-----------------------------|--|-----------------------------|-----------------------------|
|   | Land and Buildings | Plant and Machinery | Vehicles         | Tools         | Fixtures and Fittings | Other Tangible Fixed Assets | Tangible Fixed Assets under construction | Total tangible fixed assets | Total tangible fixed assets |
| Gross cost:   |                    |                     |                  |               |                       |                             |  |                             |                             |
| Opening balance   | 91 307 802         | 272 235 761         | 2 612 591        | 143 635       | 3 621 704             | 218 223                     | 3 971 483                                | 374 111 199                 | 2 099 701 349               |
| Changes in consolidation perimeter                        |                    |                     |                  |               |                       |                             |  |                             | -1 696 876 697              |
| Capital expenditure                                       |                    |                     |                  |               |                       |                             | 7 866 140                                | 7 866 140                   | 13 468 828                  |
| Disposals   |                    | 1 474 549           | 129 773          | 47 399        | 68 011                |                             |  | 1 719 732                   | 62 978 274                  |
| Transfers and reclassifications                           | 149 864            | 1 450 121           | 186 732          |               | 60 582                |                             | -1 877 331                               | - 30 032                    | -1 613 391                  |
| Exchange rate effect                                      | - 2 258 318        | - 8 516 847         | - 77 837         |               | - 68 025              | - 172                       | - 169 870                                | - 11 091 069                | 22 409 384                  |
| Closing balance   | <u>89 199 348</u>  | <u>263 694 486</u>  | <u>2 591 713</u> | <u>96 236</u> | <u>3 546 250</u>      | <u>218 051</u>              | <u>9 790 422</u>                         | <u>369 136 506</u>          | <u>374 111 199</u>          |
| Accumulated depreciation and impairment losses            |                    |                     |                  |               |                       |                             |  |                             |                             |
| Opening balance   | 33 296 782         | 186 752 575         | 2 251 161        | 141 110       | 3 397 687             | 206 190                     |  | 226 045 505                 | 1 470 921 621               |
| Changes in consolidation perimeter                        |                    |                     |                  |               |                       |                             |  |                             | -1 231 154 300              |
| Depreciations for the period                              | 1 679 501          | 7 115 615           | 79 577           | 631           | 65 425                | 2 565                       |  | 8 943 314                   | 31 252 522                  |
| Impairment losses for the period - through profit or loss |                    |                     |                  |               |                       |                             |  |                             | 4 028 485                   |
| Disposals   |                    | 1 422 248           | 128 788          | 47 304        | 63 550                |                             |  | 1 661 890                   | 61 981 258                  |
| Transfers and reclassifications                           |                    |                     |                  |               |                       |                             |  |                             | - 7 874                     |
| Exchange rate effect                                      | - 837 516          | - 5 753 950         | - 64 718         |               | - 60 651              | - 63                        |  | - 6 716 898                 | 12 986 309                  |
| Closing balance   | <u>34 138 767</u>  | <u>186 691 992</u>  | <u>2 137 232</u> | <u>94 437</u> | <u>3 338 911</u>      | <u>208 692</u>              |  | <u>226 610 031</u>          | <u>226 045 505</u>          |
| Carrying amount   | <u>55 060 581</u>  | <u>77 002 494</u>   | <u>454 481</u>   | <u>1 799</u>  | <u>207 339</u>        | <u>9 359</u>                | <u>9 790 422</u>                         | <u>142 526 475</u>          | <u>148 065 694</u>          |

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 125 688 523 (EUR 133 392 714 at 31 December 2016), as collateral for loans amounting to EUR 42 606 275 (EUR 39 578 123 at 31 December 2016).

## 7. CASH AND CASH EQUIVALENTS

At 30 September 2017 and 31 December 2016, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

|   | <u>30.09.2017</u>       | <u>31.12.2016</u>       |
|---|-------------------------|-------------------------|
| Cash at Hand  | 6 488                   | 6 536                   |
| Bank Deposits and Other Treasury Applications                                 | <u>2 812 216</u>        | <u>4 788 541</u>        |
| Cash and Cash Equivalents on the Consolidated Statement of Financial Position | <u>2 818 704</u>        | <u>4 795 077</u>        |
| Cash and Cash Equivalents on the Statement of Cash Flows                      | <u><u>2 818 704</u></u> | <u><u>4 795 077</u></u> |

## 8. SHAREHOLDERS' FUNDS

### 8.1. SHARE CAPITAL

In May 2017, the Company reduced its share capital from EUR 812 107 574.17 to EUR 253 319 797.26 to cover accumulated losses, without change of the existing number of shares.

In July 2017, the Company carried out a reverse stock split of 11 350 757 250 shares that represent its share capital after the cancellation of 167 shares which were donated by its shareholder Migracom, S.A.. This reverse stock split operation was effective 31 July 2017 and used a ratio of 1:250 shares, in accordance which every 250 shares with ISIN code PTS3P0AM0017 were replaced by one new share with ISIN code PTS3P0AM0025. As a consequence, at 30 September 2017, the Company's share capital was represented by 45 403 029 ordinary and nominative shares, without nominal value.

### 8.2. LEGAL RESERVE

In the period ended 30 September 2017, the Company fully used its legal reserve, which amounted to EUR 3 131 757, to cover accumulated losses.

## 9. OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income on the Consolidated Statement of Financial Position, is detailed as follows:

|   | Accumulated other comprehensive income   |                                     |                     |   |  |                   |  |                   |
|---|--|-------------------------------------|---------------------|---|--|-------------------|--|-------------------|
|   | Atributable to the parent's shareholders |                                     |                     |   |  |                   |  |                   |
|   | Currency translation                     | Available-for-sale financial assets | Revaluation Reserve | Remeasurements on defined benefit plans | Quota-parte do Outro Rendimento Integral dos Empreendimentos Conjuntos |                   | Income tax related to components of other comprehensive income | Total             |
| Que ulteriormente poderá ser transferido para resultado |  |                                     |                     |   | Que ulteriormente não poderá ser transferido para resultado            |                   |  |                   |
| Balance as at 1 January 2017                            | 11 114 057                               |                                     | 6 367 184           | - 192 092                               | 4 468 623  | 33 694 328        | 1 033 382  | 54 418 718        |
| Other consolidated comprehensive income for the period  | -2 379 443                               |                                     |                     |   | -2 557 965   |                   |  | -4 937 408        |
| <b>Balance as at 30 September 2017 (unaudited)</b>      | <b>8 734 614</b>                         |                                     | <b>6 367 184</b>    | <b>- 192 092</b>                        | <b>1 910 658</b>   | <b>33 694 328</b> | <b>1 033 382</b>   | <b>49 481 310</b> |

|  | Accumulated other comprehensive income   |                                     |                     |   |  |                   |  |                   |
|--|--|-------------------------------------|---------------------|---|--|-------------------|--|-------------------|
|  | Atributable to the parent's shareholders |                                     |                     |   |  |                   |  |                   |
|  | Currency translation                     | Available-for-sale financial assets | Revaluation Reserve | Remeasurements on defined benefit plans | Quota-parte do Outro Rendimento Integral dos Empreendimentos Conjuntos |                   | Income tax related to components of other comprehensive income | Total             |
| Que ulteriormente poderá ser transferido para resultado      |  |                                     |                     |   | Que ulteriormente não poderá ser transferido para resultado            |                   |  |                   |
| Balance as at 1 January 2016                                 | - 31 461 322                             | 96 733                              | 106 260 850         | - 6 260 935                             |  | 1 388 833         | 26 238 300   | 43 785 859        |
| Other consolidated comprehensive income for the period       | 1 617 979                                | 8 508                               |                     |   | 2 566 322  |                   |  | 4 192 809         |
| Change in method   |  | - 105 241                           | - 99 895 009        | 6 218 070                               | 52 621   | 33 619 135        | - 25 049 855   | -35 060 569       |
| Transferred to Net consolidated profit/(loss) for the period | 36 592 671                               |                                     |                     |   |  |                   |  | 36 592 671        |
| Others   | 1 706 713                                |                                     | 1 343               | - 87                                    |  |                   | - 155 063  | 1 863 032         |
| <b>Balance as at 30 September 2016 (unaudited)</b>           | <b>8 456 041</b>                         |                                     | <b>6 367 184</b>    | <b>- 42 952</b>                         | <b>2 618 943</b>   | <b>35 007 968</b> | <b>1 033 382</b>   | <b>51 373 802</b> |

## 10. LOANS

As at 30 September 2017 and 31 December 2016, Sonae Indústria had the following outstanding loans:

|                                  | 30.09.2017       |                    |                  |                    | 31.12.2016       |                    |                  |                    |
|----------------------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|
|                                  | Amortised cost   |                    | Nominal value    |                    | Amortised cost   |                    | Nominal value    |                    |
|                                  | Current          | Non current        | Current          | Non current        | Current          | Non current        | Current          | Non current        |
| Bank loans                       | 8 318 075        | 203 105 913        | 8 318 075        | 204 595 085        | 1 890 967        | 214 868 703        | 1 890 967        | 216 670 580        |
| Obligations under finance leases | 417 167          | 913 855            | 417 167          | 913 855            | 417 272          | 1 132 741          | 417 272          | 1 132 741          |
| <b>Gross debt</b>                | <b>8 735 242</b> | <b>204 019 768</b> | <b>8 735 242</b> | <b>205 508 940</b> | <b>2 308 239</b> | <b>216 001 444</b> | <b>2 308 239</b> | <b>217 803 321</b> |

At 30 September 2017, loans can be detailed as follows:

### 10.1. Bank Loans

| Company(ies)                              | Loan                       | Contract date  | Maturity (with reference to 30.09.2017)                     | Currency   | Outstanding principal at 30.09.2017 (EUR) | Outstanding principal at 31.12.2016 (EUR) |
|---|----------------------------|----------------|---|------------|---|---|
| Tafisa Canada Inc.                        | Bank loan (Revolving)      | July 2011      | to be repaid from March 2017 to May 2021                    | CAD        | 38 606 275                                | 34 678 123                                |
| Sonae Indústria, SGPS, S.A.               | Commercial paper programme | June 2013      | June 2018<br>Note: programme without subscription guarantee | EUR        | 3 250 000                                 | 1 500 000                                 |
| Sonae Indústria, SGPS, S.A.               | Commercial paper programme | July 2014      | to be repaid from July 2018 to January 2020                 | EUR        | 7 500 000                                 |   |
| Sonae Indústria, SGPS, S.A.               | Commercial paper programme | May 2016       | to be repaid from May 2019 to May 2021                      | EUR        | 140 000 000                               | 175 000 000                               |
| Sonae Indústria, SGPS, S.A.               | Commercial paper programme | July 2016      | to be repaid from January 2018 to July 2019                 | EUR        | 4 000 000                                 | 4 900 000                                 |
| Sonae Indústria, SGPS, S.A.               | Commercial paper programme | July 2016      | to be repaid from July 2017 to July 2018                    | EUR        | 1 000 000                                 | 1 250 000                                 |
| Sonae Indústria, SGPS, S.A.               | Commercial paper programme | December 2016  | to be repaid from June 2018 to December 2019                | EUR        | 13 100 000                                |   |
| Sonae - Indústria de Revestimentos, S. A. | Bank loans                 | September 2017 | to be repaid from March 2019 to September 2022              | EUR        | 4 000 000                                 |   |
| Others                                    |                            |                |   | EUR        | 1 456 885                                 | 1 233 424                                 |
| <b>Total</b>                              |                            |                |   | <b>EUR</b> | <b>212 913 160</b>                        | <b>218 561 547</b>                        |

All these loans are subject to variable interest rates.

Figures detailed on the previous table correspond to the nominal value of bank loans disclosed on this note.

At 30 September 2017, in addition to mortgaged tangible fixed assets referred to on note 6, there were other assets amounting to EUR 30 456 915 (EUR 27 014 465 at 31 December 2016) which were pledged as collateral for the Group's liabilities. These assets consisted mostly of inventories and accounts receivable.

## 11. OTHER CURRENT LIABILITIES

At 30 September 2017 and 31 December 2016, Other current liabilities on the Consolidated Statement of Financial Position were composed of:

|                                    | <u>30.09.2017</u>        | <u>31.12.2016</u>        |
|------------------------------------|--------------------------|--------------------------|
| Derivatives                        | 3 269                    | 431 254                  |
| Tangible fixed assets suppliers    | 1 472 261                | 2 511 973                |
| Other creditors                    | 473 971                  | 1 161 966                |
| Financial instruments              | <u>1 949 501</u>         | <u>4 105 193</u>         |
| Other creditors                    | 487 486                  | 292 949                  |
| Accrued expenses:                  |                          |                          |
| Insurances                         | 54 192                   |                          |
| Personnel expenses                 | 4 061 379                | 6 687 970                |
| Accrued financial expenses         | 982 595                  | 635 463                  |
| Rebates                            | 2 724 445                | 3 506 541                |
| External supplies and services     | 323 455                  | 553 128                  |
| Other accrued expenses             | 832 349                  | 763 925                  |
| Deferred income:                   |                          |                          |
| Investment subventions             | 155 150                  | 168 412                  |
| Other deferred income              | 154 936                  | 148 934                  |
| Liabilities out of scope of IFRS 7 | <u>9 775 987</u>         | <u>12 757 322</u>        |
| Total                              | <u><u>11 725 488</u></u> | <u><u>16 862 515</u></u> |

## 12. RELATED PARTIES

Balances and flows with related parties are summarized as follows:

| Balances                                 | <u>Accounts receivable</u> |                   | <u>Accounts payable</u> |                   |
|--|----------------------------|-------------------|-------------------------|-------------------|
|  | <u>30.09.2017</u>          | <u>31.12.2016</u> | <u>30.09.2017</u>       | <u>31.12.2016</u> |
| Other subsidiaries of the parent company | 124 813                    | 137 543           | 295 278                 | 2 320 894         |
| Joint ventures                           | 819 839                    | 598 675           | 1 843 959               | 2 145 323         |
| Transactions                             | <u>Income</u>              |                   | <u>Expenditure</u>      |                   |
|  | <u>30.09.2017</u>          | <u>30.09.2016</u> | <u>30.09.2017</u>       | <u>30.09.2016</u> |
| Other subsidiaries of the parent company | 50 309                     | 37 415            | 660 913                 | 824 395           |
| Joint ventures                           | 3 142 183                  | 17 685 502        | 12 723 014              | 22 671 682        |

### 13. DISCONTINUED OPERATIONS

Profit / (loss) from discontinued operations, after taxation, on the Consolidated Income Statement for the period ended 30 September 2016 includes the results for the five-month period ended 31 May 2016 (note 4) of the companies that were classified as joint ventures thereon and can be detailed as follows:

|   | 30.09.2016          |
|---|---------------------|
|   | <hr/>               |
| Sales   | 339 858 763         |
| Services rendered   | 830 586             |
| Other income and gains  | 6 660 223           |
| Cost of sales   | 167 993 678         |
| (Increase) / decrease in production   | - 2 711 434         |
| External supplies and services  | 84 495 943          |
| Staff expenses  | 51 864 328          |
| Depreciation and amortisation   | 20 069 407          |
| Provisions and impairment losses (increase / reduction)                       | - 748 574           |
| Other expenses and losses   | 39 799 364          |
|   | <hr/>               |
| Operating profit / (loss)   | - 13 413 140        |
| Net finance profit / (loss)   | - 13 888 033        |
| Gains and losses in associated companies                                      | 222 216             |
| Gains and losses in joint ventures  | 74 869              |
| Gains and losses in investments   | - 13 670            |
|   | <hr/>               |
| Net profit/(loss) from discontinued operations, before taxation               | - 27 017 758        |
| Taxation  | 3 728 804           |
|   | <hr/>               |
| Consolidated net profit / (loss) from discontinued operations, after taxation | <u>- 30 746 562</u> |

Cash flows of discontinued operations, which were included line by line on the Consolidated Statement of Cash Flows for the period ended 30 September 2016, are as follows:

|                       | 30.09.2016   |
|-----------------------|--------------|
|                       | <hr/>        |
| Operating activities  | - 10 966 645 |
| Investment activities | 4 809 572    |
| Financing activities  | 178 279 233  |

### 14. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 30 September 2017 and 30 September 2016 are as follows:



|  | 30.09.2017       | 30.09.2016       |
|--|------------------|------------------|
| Gains on disp. and write off of invest. prop., tang. and intang. assets                | 124 969          | 894 159          |
| Supplementary revenue  | 1 613 617        | 1 487 459        |
| Investment subventions   | 117 292          | 121 782          |
| Tax received   | 6 172            | 24 844           |
| Positive exchange gains  | 1 599 964        | 1 739 931        |
| Adjustment to fair value of financial instruments at fair value through profit or loss | 215 472          | 239 585          |
| Others   | 182 290          | 77 731           |
|  | <u>3 859 776</u> | <u>4 585 491</u> |

#### 15. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 30 September 2017 and 30 September 2016 are as follows:

|  | 30.09.2017       | 30.09.2016       |
|--|------------------|------------------|
| Taxes  | 1 037 124        | 1 030 860        |
| Losses on disp. and write off of invest. prop., tang. and intang. assets               | 53 691           | 279 217          |
| Negative exchange gains  | 1 437 906        | 1 347 538        |
| Adjustment to fair value of financial instruments at fair value through profit or loss | 232 985          | 814 146          |
| Others   | 171 384          | 295 439          |
|  | <u>2 933 090</u> | <u>3 767 200</u> |

#### 16. RECURRING AND NON-RECURRING ITEMS

Recurring operating items on the Consolidated Income Statement are detailed as follows:

|  | 30.09.2017        | 30.09.2016        |
|--|-------------------|-------------------|
|  | Recurring         | Recurring         |
| Sales  | 177 884 502       | 181 635 279       |
| Services rendered  | 909 072           | 1 010 101         |
| Other income and gains   | 3 661 218         | 3 685 847         |
| Cost of sales  | 94 200 884        | 95 482 491        |
| (Increase) / decrease in production  | - 79 023          | 490 377           |
| External supplies and services   | 36 623 912        | 36 278 215        |
| Staff expenses   | 17 937 706        | 18 748 238        |
| Impairment losses in trade debtors (increase/reduction)  | 84 640            | - 1 491           |
| Other expenses and losses  | <u>2 850 430</u>  | <u>3 504 516</u>  |
| Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)     | <u>30 836 243</u> | <u>31 828 881</u> |
| Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors) | <u>- 206 810</u>  | <u>24 550</u>     |
| Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)         | <u>30 629 433</u> | <u>31 853 431</u> |

## 17. FINANCIAL RESULTS

Financial results for the periods ended 30 September 2017 and 30 September 2016 were as follows:

|                                       | 30.09.2017                | 30.09.2016                 |
|---------------------------------------|---------------------------|----------------------------|
| <b>Financial expenses:</b>            |                           |                            |
| Interest expenses                     |                           |                            |
| related to bank loans and overdrafts  | 6 083 988                 | 7 963 441                  |
| related to non convertible bonds      |                           | 5 315 242                  |
| related to finance leases             | 57 363                    | 65 202                     |
| related to loans from related parties |                           | 106 683                    |
| others                                | 12 558                    | 151 426                    |
|                                       | <u>6 153 909</u>          | <u>13 601 994</u>          |
| Losses in currency translation        |                           |                            |
| related to loans                      | 675 735                   | 329 786                    |
| related to cash and cash equivalents  | 481 143                   | 1 066 940                  |
|                                       | <u>1 156 878</u>          | <u>1 396 726</u>           |
| Cash discounts granted                | 1 367 124                 | 1 378 929                  |
| Other finance losses                  | 1 145 625                 | 1 314 455                  |
|                                       | <u>9 823 536</u>          | <u>17 692 104</u>          |
|                                       | <u>30.09.2017</u>         | <u>30.09.2016</u>          |
| <b>Financial income:</b>              |                           |                            |
| Interest income                       |                           |                            |
| related to bank loans                 | 14 757                    | 16 075                     |
| related to loans to related parties   | 1 968                     | 2 964 350                  |
|                                       | <u>16 725</u>             | <u>2 980 425</u>           |
| Gains in currency translation         |                           |                            |
| related to loans                      | 145 920                   | 286 995                    |
| related to cash and cash equivalents  | 440 881                   | 990 539                    |
|                                       | <u>586 801</u>            | <u>1 277 534</u>           |
| Cash discounts obtained               | 54 057                    | 69 878                     |
| Other finance gains                   | 470 082                   | 70 628                     |
|                                       | <u>1 127 665</u>          | <u>4 398 465</u>           |
| <b>Finance profit / (loss)</b>        | <u><b>- 8 695 871</b></u> | <u><b>- 13 293 639</b></u> |

## 18. TAXES

Corporate income tax accounted for in the periods ended 30 September 2017 and 30 September 2016 is detailed as follows:

|              | 30.09.2017       | 30.09.2016       |
|--------------|------------------|------------------|
| Current tax  | 6 098 173        | 7 484 716        |
| Deferred tax | - 720 548        | - 662 416        |
|              | <u>5 377 625</u> | <u>6 822 300</u> |

19. SEGMENT INFORMATION

The main activity of the Group is the production and commercialization of wood based panels and derivative products through industrial plants and/or commercial facilities located in Portugal, Canada and South Africa.

The system of internal report focus on type of business, which is the main segmentation criterion. Secondary activities are materially irrelevant as far as segmental report is concerned and the Group decided to present one only segment.

20. SUBSEQUENT EVENTS

In October 2017, the industrial units of Oliveira do Hospital and Mangualde, both owned by Sonae Arauco, a company in which Sonae Indústria SGPS, SA has a 50% shareholding, were affected by wildfires that have caused material damage to the woodyards, exposed equipment within the woodyards and to the electrical and cabling systems of both plants. As a result, the two plants are stopped since then.

At the date of issue of these consolidated financial statements, it is not possible to quantify the related effects in Sonae Indústria accounts. These effects will need to take into consideration that Sonae Arauco has insurance coverage in respect of both industrial plants and will present claims for property damage and losses related with business interruption.

In October 2017, a wholly owned subsidiary of Sonae Arauco, a 50% owned company of Sonae Indústria, sold shares representing 90% of the share capital and voting rights of "Sociedade de Iniciativa e Aproveitamentos Florestais - Energia, SA" (SIAF-Energia), for an amount of approximately nine hundred thousand euros (plus available cash). The seller and the buyer of those shares have a put option and a call option, respectively, over the shares representing the remaining 10% of share capital of SIAF-Energia.

The effects of this transaction in Sonae Indústria consolidated accounts are not expected to be significant.

21. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 16 November 2017.