



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

**MANAGEMENT REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – JUNE 2017

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



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MANAGEMENT REPORT

MESSAGE FROM THE CHAIRMAN

Sonae Indústria's operational performance in the first half of 2017 was once again positive with a Recurrent EBITDA margin of 17.0%, 1.4 p.p. above last year and generating a Net Profit of 14.1 million euros in the period, the latter including the contribution from Sonae Arauco.

First half 2017 performance of our three main businesses (North America, Laminates and Components and Sonae Arauco) was impacted by higher input costs of chemical raw materials compared to last year although the trend of increasing chemical costs initiated at the end of 2016 has started to subside in recent months. These increased input costs were largely compensated by our efforts to increase productivity, allowing us to broadly sustain 1H17 proportional recurrent EBITDA at the levels of 1H16.

Sonae Indústria Balance Sheet continued to strengthen due to a combination of lower Net Debt and increased Shareholders' Funds. Proportional leverage ratio also improved to 3.4x.

In North America, and following last year's investment in a fifth melamine surfacing line, that includes embossed and in-register capabilities, the new VIVA collection has had good market acceptance and is showing encouraging progress in sales volumes, improving our innovation contribution to our customers.

The strategic partnership with Arauco has now completed its first anniversary. While delivering positive net results, we have been able, together with our partners, to improve the competitiveness of our plants and our focus on customer needs and service level. In June, the shareholders of Sonae Arauco approved the distribution of a dividend equal to 50% of 2016 Net Profit that was paid in July.

In order to create the conditions for a more competitive and sustainable business we will continue to invest in our production facilities. An example is our recent decision at Sonae Arauco to invest in the replacement of a multi daylight MDF press by a new continuous press and ancillary equipment at its Mangualde plant in Portugal.

Paulo Azevedo
Chairman Sonae Indústria

1. Sonae Indústria Results

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

SUMMARY OF 1H17 RESULTS (See also Explanatory Notes at the end of the document)

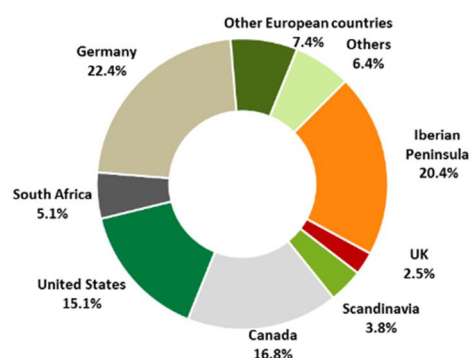
Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method since 1 June 2016, we are presenting in section 1.1. unaudited *pro forma* **Proportional Indicators**, to help improve the understanding of size of the business, valuation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

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

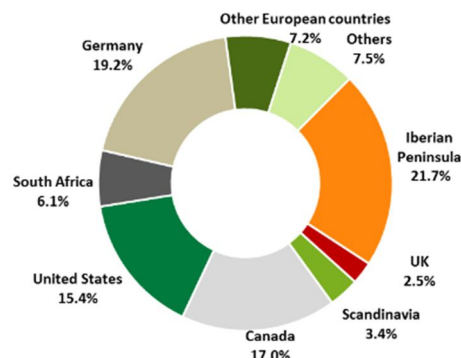
FINANCIAL INDICATORS (unaudited and <i>pro forma</i>)	1H16	1H17
Proportional Turnover	332	331
Proportional Rec. EBITDA	49	48
Proportional Rec. EBITDA margin	14.7%	14.4%
Proportional LTM Turnover	647	644
Proportional LTM Rec. EBITDA	83	90
Proportional LTM Rec. EBITDA margin	12.8%	14.0%
LEVERAGE		
Proportional Net Debt	339	308
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	4.1 x	3.4 x
LOAN TO VALUE		
Net Debt of Sonae Indústria	222	213
Asset Value	472	523
LTV (Net Debt of Sonae Indústria / Asset Value)	47%	41%

For the first half of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.4x, which represents an improvement of 0.7x vs. June 2016, driven by both the increased Recurrent EBITDA and by the lower Net Debt y.o.y.. **Loan to Value** also improved when compared to 1H16, decreasing to 41%, at the end of June 2017.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H16

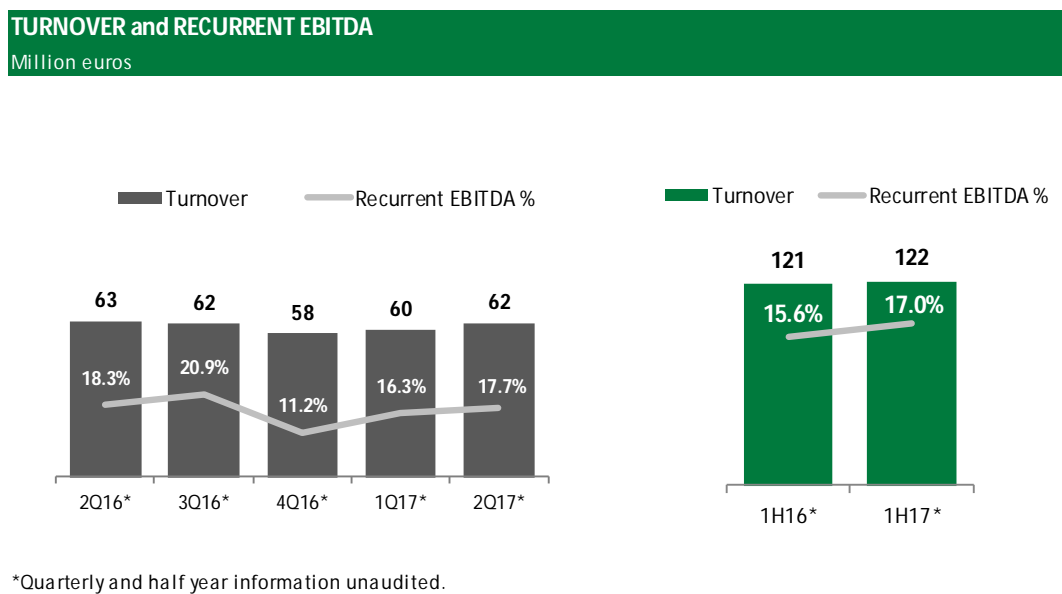


PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H17



1.2. Consolidated Results

SUMMARY OF 1H17 RESULTS (See Explanatory Notes at the end of the document)



Consolidated Turnover for the first half of the year reached 121.8 million euros, an improvement of 1.0% vs. 1H16 (+1.2 million euros) benefiting from the appreciation of the Canadian dollar vs. the EUR. On a quarterly basis, consolidated turnover stood at 62.3 million euros, representing a decrease of 0.9 million euros vs. same period of last year driven by lower sales of our Laminates & Components business that offset the higher Turnover in our North American business. However, Turnover improved by 2.8 million euros, when compared to the previous quarter, due to the better performance of the North American business with higher **sales volumes** and **average selling prices**.

Variable costs per cubic meter increased in 1H17 when compared to the same period of last year driven by the higher input costs of chemicals. However when compared with 1Q17, variable costs per cubic meter have decreased with the trend for increased cost of chemicals being interrupted in 2Q17.

Recurrent EBITDA for the first half of the year reached 20.8 million euros, an improvement of 1.9 million euros (+10.2%) vs. 1H16 with an underlying **Recurrent EBITDA margin** of 17.0%, up by 1.4 p.p. vs. 1H16. On a quarterly basis, Recurrent EBITDA for the 2Q17 stood at 11.0 million euros, a decrease of 0.5 million euros vs. 2Q16 driven by higher chemical costs per cubic meter and lower production volumes in North America, but an improvement of 1.3 million euros against last quarter, with a Recurrent EBITDA margin of 17.7%, down by 0.5 p.p. vs. last year and above 1Q17 by 1.4 p.p.

Sonae Indústria consolidated **EBITDA** for the first semester of the year reached 20.6 million euros, circa 1.5 million euros higher than the 1H16, on a comparable basis, mostly explained by lower fixed costs that this year reflect one-off adjustments to personnel cost accruals. Consolidated EBITDA for 2Q17 stood at 10.9 million

SONAE INDÚSTRIA MANAGEMENT REPORT - FIRST HALF 2017

euros, a deterioration of circa 1.2 million euros vs. 2Q16, mainly driven by a reduction in the contribution of our North American business which however performed better than in the previous quarter and was the main driver for the 1.2 million euros improvement in the consolidated EBITDA vs. 1Q17.

CONSOLIDATED INCOME STATEMENT								
Million euros								
	1H16 Unaudited	1H17 Unaudited	1H17 / 1H16	2Q16 Unaudited	1Q17 Unaudited	2Q17 Unaudited	2Q17 / 2Q16	2Q17 / 1Q17
Turnover	120.6	121.8	1.0%	63.1	59.5	62.3	(1.4%)	4.6%
Other operational income	3.5	2.8	(20.9%)	2.2	1.1	1.7	(22.5%)	63.0%
EBITDA	19.2	20.6	7.7%	12.1	9.7	10.9	(9.5%)	12.6%
Non recurrent items	0.3	(0.1)	-	0.5	(0.0)	(0.1)	-	-
Recurrent EBITDA	18.8	20.8	10.2%	11.5	9.7	11.0	(4.3%)	13.7%
Recurrent EBITDA Margin %	15.6%	17.0%	1.4 pp	18.3%	16.3%	17.7%	-0.5 pp	1.4 pp
Depreciation and amortisation	(5.8)	(6.2)	(6.5%)	(3.0)	(3.2)	(3.1)	(0.8%)	3.7%
Provisions and impairment Losses	0.3	(0.1)	-	0.1	(0.1)	0.0	98.7%	101.0%
Operational profit (EBIT)	13.6	14.4	6.1%	9.1	6.5	7.9	(13.7%)	20.6%
Net financial charges	(9.8)	(6.1)	37.5%	(7.0)	(2.8)	(3.4)	51.8%	(21.7%)
o.w. Net interest charges	(8.2)	(4.2)	49.1%	(5.9)	(2.1)	(2.0)	65.5%	4.0%
o.w. Net exchange differences	0.1	(0.7)	-	0.0	(0.1)	(0.6)	-	-
o.w. Net financial discounts	(0.8)	(0.9)	(5.3%)	(0.5)	(0.4)	(0.5)	(1.8%)	(11.9%)
Gains and losses in Joint-Ventures	3.2	9.3	-	3.2	4.2	5.1	58.4%	20.3%
Profit before taxes (EBT)	7.0	17.6	-	5.4	8.0	9.6	78.7%	20.0%
Taxes	(3.7)	(3.5)	5.5%	(3.2)	(1.6)	(1.9)	39.4%	(24.7%)
o.w. Current tax	(4.3)	(3.9)	9.2%	(3.5)	(1.6)	(2.3)	34.4%	(39.4%)
o.w. Deferred tax	0.6	0.4	-31.3%	0.3	0.1	0.3	21.5%	-
Profit/(loss) from continued operations	3.3	14.1	-	2.1	6.4	7.6	-	-
Profit/(loss) from discontinued operations	(30.7)	0.0	100.0%	(32.8)	0.0	0.0	100.0%	-
Consolidated net profit/(loss) for the period	(27.5)	14.1	-	(30.7)	6.4	7.6	124.9%	18.9%
Losses (income) attrib. to non-contro. interests	0.0	0.0	-	(0.0)	0.0	0.0	-	-
Net profit/(loss) attrib. to Equity Holders	(27.5)	14.1	-	(30.7)	6.4	7.6	124.9%	18.9%

Total **fixed costs** for the first semester of the year represented 15.6% of turnover, an improvement of 0.4 p.p. when compared to 1H16.

Total **headcount for Sonae Indústria**, at the end of June 2017, was 484 FTE's excluding Sonae Arauco, which compares with 488 FTE's at the end of March and 486 FTE's in June 2016.

Depreciation and amortization charges during 1H17 were 6.2 million euros, which represents an increase of 6.5% when compared to 1H16, explained by the higher depreciation charges in our North American operation which now take into account the investment in the new melamine surfacing line completed in 2Q16. For the quarter, the depreciations charges reached 3.1 million euros, in line with the values booked for 2Q16 and 1Q17.

Provisions and impairment losses for the 1H17 represent a charge of 0.1 million euros, circa 0.4 million euros higher vs. 1H16 when a gain of 0.3 million was registered due to the release of provisions for the legacy restructuring process in France.

Net financial charges during 1H17 were 6.1 million Euros, which represents a reduction of circa 3.7 million euros vs. 1H16. This is explained by a reduction of 4.0 million euros in Net Interest Charges justified by the reduction of net debt and cost of debt but also by the fact that 1H16 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 increased mostly a result of a one off effect for foreign exchange differences and derivatives in 2Q17.

Gains and losses in Joint-Ventures, amounted to 9.3 million euros, corresponding to 50% of the consolidated net profit of Sonae Arauco for the first half of the year. On a quarterly basis, Gains and Losses in Joint-Ventures reached 5.1 million euros, up by 1.9 million euros and by 0.9 million euros when compared to 2Q16 and to 1Q17, respectively.

Current tax charges were 3.9 million euros for the first half of the year, a decrease of 0.4 million euros when compared to 1H16, driven by lower tax charges in Canada. On a quarterly basis, current tax charges improved 1.2 million euros vs. 2Q16, mostly due to lower tax charges in Portugal but increased by 0.6 million euros when compared to the previous quarter, driven by higher tax charges in Canada.

As a result of the combination of the above factors, Sonae Indústria booked a consolidated positive Net Result of circa 14.1 million euros during 1H17, an improvement of 41.5 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 7.6 million euros, an improvement of 38.3 million euros and of 1.2 million euros, when compared to 2Q16 and 1Q17, respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million euros

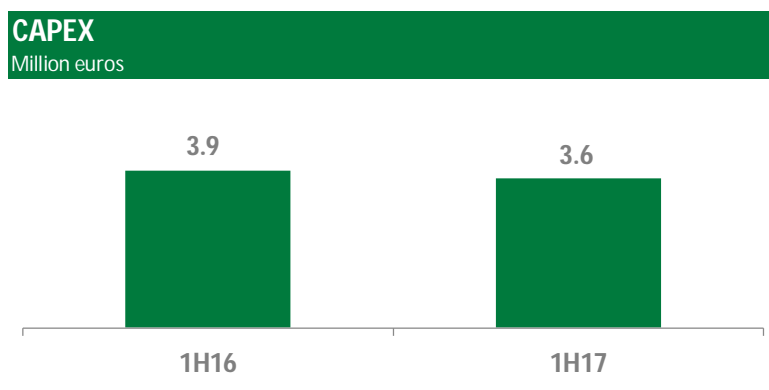
	2016	1Q17 Unaudited	1H17 Unaudited
Non current assets	352.8	355.7	347.7
Tangible assets	148.1	146.5	140.3
Goodwill	0.3	0.3	0.3
Deferred tax asset	1.4	1.4	1.4
Other non current assets	203.0	207.5	205.7
Current assets	44.7	46.6	51.2
Inventories	18.1	18.4	16.1
Trade debtors	15.2	19.1	18.9
Cash and cash equivalents	4.8	2.7	3.1
Other current assets	6.6	6.5	13.1
Non-current assets classified as available for sale	1.5	1.5	1.5
Total assets	399.0	403.8	400.5
Shareholders' Funds	110.3	116.7	120.3
Equity Holders	110.3	116.7	120.3
Non-controlling interests	0.0	0.0	0.0
Liabilities	288.7	287.1	280.2
Interest bearing debt	218.3	222.7	215.9
Non current	216.0	217.3	204.6
Current	2.3	5.4	11.3
Trade creditors	23.1	24.2	25.0
Other liabilities	47.3	40.2	39.3
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders'Funds and liabilities	399.0	403.8	400.5
Net debt	213.5	220.0	212.8
Working Capital	10.3	13.3	10.0

Included in **Other Non-current assets**, is the investment in Joint-Ventures (50% of Sonae Arauco) in an amount of 198.6 million euros, which is circa 1.9 million euros lower than the book value of this investment at the end of 1Q17, despite the positive results of Sonae Arauco, mostly due to the amount of dividends to be paid by Sonae Arauco to Sonae Indústria (booked in 1H17 and settled in July) in an amount of circa 5.7 million euros, which justify the increase in Current assets.

Consolidated **Working Capital** reached 10.0 million euros, a decrease of 3.3 million euros when compared to March 2017, due to a decrease in inventories in our North American operation, combined with an increase in trade creditors balances, also in our North American operation. When compared to the end of 2016, consolidated Working Capital was kept relatively stable.

Net Debt stood at 212.8 million euros, at the end of June 2017, which represents a decrease of 7.2 million euros when compared to the end of 1Q17, benefiting from the positive EBITDA and, in this quarter, also from the reduction in Working Capital. When compared to the end of 2016, Net Debt also decreased, in this case by 0.7 million euros.

Total **Shareholders' Funds continued to strengthen** and at the end of June 2017 amounted to 120.3 million euros, which represents an increase of 3.6 million euros when compared to March 2017, mostly due to the positive net results of the quarter. It should also be highlighted that, when compared to the end of 2016, total Shareholder's Funds increased by 10.0 million euros.



Additions to Gross Tangible Fixed Assets reached 3.6 million euros during the first half of the year, marginally below the 3.9 million euros registered in 1H16, on a like for like basis. The figure for 1H17 includes not only the investments executed in our North American plant but also part of the ongoing investment in the new edging line for our Components plant in Portugal.

7 September 2017

The Board of Directors

Paulo Azevedo

Albrecht Ehlers

Javier Vega

Louis Brassard

Carlos Moreira da Silva

José Romão de Sousa

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)

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

2. Balance Sheet

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

3. Unaudited *Pro forma* Proportional Indicators

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

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

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

GLOSSARY OF TERMS

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



**APPENDICES IN ACCORD WITH ART 9 OF CMVM
REGULATION 5/2008**

STATEMENT IN ACCORD WITH ART 246 CMVM CODE

Complying with Article 9, No. 1, a) of the CMVM Regulation No. 5/2008

Date	Acquisitions		Sales		Position at 30.06.2017	Balance at 30.06.2017 amount
	amount	€ average value	amount	€ average value		
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)					Minoritary	
Migracom, SA (2)					Dominant	
Date	Acquisitions		Sales		Position at 30.06.2017	Balance at 30.06.2017 amount
	amount	€ average value	amount	€ average value		
(1) Efanor Investimentos, SGPS, SA						
Sonae Indústria, SGPS, SA					Dominant	4,842,637,142
Pareuro, BV (3)						
(2) Migracom, SA						
Sonae Indústria, SGPS, SA					Minoritary	9,732,857
Imparfin, Investimentos e Participações Financeiras, SA (4)						
(3) Pareuro, BV						
Sonae Indústria, SGPS, SA						2,932,687,752
(4) Imparfin, Invest. e Participações Financeiras, SA						
Sonae Indústria, SGPS, SA						30,098,752

QUALIFIED SHAREHOLDINGS AT 30 JUNE 2017 (*)

Complying with Article 9 No.1 c) of the the CMVM Regulation no. 05/2008

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA (**)			
Directly	4,842,637,142	42.6636%	42.6636%
By Pareuro, BV (Company controlled by Efanor Investimentos, SGPS, SA)	2,932,687,752	25.8369%	25.8369%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	1,010	0.000009%	0.000009%
By Migracom, SA (Company controlled by Efanor Investimentos, SGPS, SA´s Director, Duarte Paulo Teixeira de Azevedo)	9,732,857	0.0857%	0.0857%
By Linhacom, SA (Company controlled by Efanor Investimentos, SGPS, SA´s Director, Maria Cláudia Teixeira de Azevedo)	2,507,400	0.0221%	0.0221%
Total allocation	<u>7,787,566,161</u>	<u>68.6083%</u>	<u>68.6083%</u>

(*) On 28 July 2017 occurred the reverse stock split of the shares representative of Sonae Indústria' share capital, being this represented by 45 403 029 shares

(**) Under the terms of paragraph b) of no. 1 of Article 20 and of no. 1 of Article 21 of the Portuguese Securities Code, Belmiro Mendes de Azevedo is the ultimate beneficial, owner, since he is the controlling shareholder of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

On 22 February 2016, TEAK Capital, SA informed Sonae Indústria having signed a services agreement with the company Pareuro, BV, through which it was granted, by way of consideration, a call option over 1,702,620,000 shares representative of 15% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2018.

Thereafter, the referred to company informed Sonae Indústria that the call option will be performed by physical settlement and that 98.725% of its share capital is held by TEAK Capital, B.V., in which Carlos Moreira da Silva holds shares that grant him 40% of the voting rights and Fernanda Arrepiá (married with him with separation of people and property) holds shares that grant her 45% of the voting rights.

**Statement issued under the terms and for the purpose of sub-paragraph c) of no. 1 of
Article 246 of the Portuguese Securities Code
(Free translation from the original in Portuguese)**

In terms of the order in sub-paragraph c), no. 1, Article 246 of the Portuguese Securities Code, the Board members of Sonae Indústria, SGPS, SA hereby declare, to the best of our knowledge, that the:

- a) The condensed financial statements for six month period ended 30 June 2017 have been prepared in accordance with the applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of both the company and its affiliated companies included in consolidation perimeter; and
- b) The interim Management Report includes a review of the important events that have occurred in the first six months of 2017 year and their effect on the financial statements, as well as a description of the main risks and uncertainties for the remaining part of the year.

Duarte Paulo Teixeira de Azevedo

Carlos António Rocha Moreira da Silva

Albrecht Olof Lothar Ehlers

Javier Vega de Seoane Azpilicueta

José Joaquim Romão de Sousa

George Christopher Lawrie

Louis Brassard



Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

ASSETS	Notes	30.06.2017 Unaudited	31.12.2016
NON-CURRENT ASSETS:			
Tangible fixed assets	6	140 339 174	148 065 694
Goodwill		347 082	347 082
Intangible assets		336 788	270 689
Investment properties		6 126 495	6 251 947
Investment in joint ventures	4, 5	198 622 333	195 908 535
Investment available for sale	5	131 220	130 821
Deferred tax asset		1 402 206	1 364 497
Other non-current assets		442 298	442 298
Total non-current assets		<u>347 747 596</u>	<u>352 781 563</u>
CURRENT ASSETS:			
Inventories		16 149 513	18 138 293
Trade debtors		18 892 375	15 193 129
Other current debtors	7	5 855 231	303 310
Current tax asset		1 649 847	1 090 204
Other taxes and contributions		2 434 081	3 246 215
Other current assets		3 202 501	1 951 835
Cash and cash equivalents	8	3 057 994	4 795 077
Total current assets		<u>51 241 542</u>	<u>44 718 063</u>
Non-current assets held for sale		<u>1 535 588</u>	<u>1 535 588</u>
TOTAL ASSETS		<u><u>400 524 726</u></u>	<u><u>399 035 214</u></u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	9	253 319 797	812 107 574
Legal reserve	9		3 131 757
Other reserves and accumulated earnings		- 183 864 366	- 759 319 894
Accumulated other comprehensive income	10	50 884 019	54 418 718
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>120 339 450</u>	<u>110 338 155</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>120 339 450</u></u>	<u><u>110 338 155</u></u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bank loans - net of current portion	11	203 657 572	214 868 703
Finance lease creditors - net of current portion	11	915 220	1 132 741
Post-retirement liabilities		1 110 071	1 110 071
Other non-current liabilities		3 950 551	3 554 341
Deferred tax liability		19 562 241	20 754 938
Provisions		1 933 644	1 933 644
Total non-current liabilities		<u>231 129 299</u>	<u>243 354 438</u>
CURRENT LIABILITIES:			
Current portion of non-current bank loans	11	4 351 443	390 967
Current bank loans	11	6 500 001	1 500 000
Current portion of non-current finance lease creditors	11	426 187	417 272
Trade creditors		25 021 156	23 050 212
Current tax liability		146 385	2 422 190
Other taxes and contributions		792 716	699 465
Other current liabilities	12	11 818 089	16 862 515
Total current liabilities		<u>49 055 977</u>	<u>45 342 621</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>400 524 726</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 JUNE 2017 AND 30 JUNE 2016

(Amounts expressed in Euros)

	Notes	30.06.2017 Unaudited	2nd. Quarter 2017 Unaudited	30.06.2016 Unaudited	2nd. Quarter 2016 Unaudited
Sales	17	121 186 517	61 983 892	119 848 509	62 802 908
Services rendered	17	610 932	297 981	719 038	337 961
Other income and gains	15, 17	2 801 194	1 736 233	3 541 096	2 241 275
Cost of sales	17	63 342 959	31 616 244	63 057 183	33 445 411
(Increase) / decrease in production	17	1 713 827	1 248 751	1 379 109	- 1 157 321
External supplies and services	17	24 860 563	12 386 638	24 586 119	12 661 795
Staff expenses	17	12 018 500	6 744 844	13 004 125	6 781 056
Depreciation and amortisation		6 227 662	3 054 605	5 848 432	3 031 644
Provisions and impairment losses (increase / reduction)	17	86 882	- 840	- 268 925	- 66 926
Other expenses and losses	16, 17	1 932 898	1 087 816	2 919 252	1 551 485
Operating profit / (loss)		14 415 352	7 880 048	13 583 348	9 135 000
Financial expenses	18	6 761 873	3 670 188	13 816 220	7 606 319
Financial income	18	653 456	316 919	4 050 101	643 509
Gains and losses in joint ventures	4, 5	9 256 226	5 054 254	3 190 280	3 190 280
Net profit/(loss) from continuing operations, before taxation		17 563 161	9 581 033	7 007 509	5 362 470
Taxation	19	3 509 188	1 947 128	3 712 950	3 213 845
Consolidated net profit / (loss) from continuing operations, after taxation		14 053 973	7 633 905	3 294 559	2 148 625
Profit / (loss) from discontinued operations, after taxation	14			- 30 746 562	- 32 816 446
Consolidated net profit / (loss) for the period		14 053 973	7 633 905	- 27 452 003	- 30 667 821
Attributable to:					
Equity Holders of Sonae Industria					
Continuing operations		14 053 973	7 633 905	3 294 559	2 148 638
Discontinuing operations				- 30 746 562	- 32 816 446
Equity Holders of Sonae Industria		14 053 973	7 633 905	- 27 452 003	- 30 667 808
Non-controlling interests					
Continuing operations					- 13
Discontinuing operations					
Non-controlling interests					- 13
Profit/(Loss) per share					
From continuing operations:					
Basic		0.0012	0.0007	0.0003	0.0002
Diluted		0.0012	0.0007	0.0003	0.0153
From discontinued operations:					
Basic				- 0.0027	- 0.0029
Diluted				- 0.0027	- 0.0029

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

	Notes	30.06.2017 Unaudited	2nd Quarter 2017 Unaudited	30.06.2016 Unaudited	2nd Quarter 2016 Unaudited
Net consolidated profit / (loss) for the period (a)		<u>14 053 973</u>	<u>7 633 905</u>	<u>- 27 452 003</u>	<u>- 30 667 821</u>
Other consolidated comprehensive income					
Items that may be subsequently transferred to profit or loss					
Change in currency translation reserve		- 2 669 405	- 2 190 805	3 020 523	677 988
Change in fair value of available-for-sale financial assets				8 508	3 143
Group share of other comprehensive income of joint ventures		- 865 294	- 1 347 797	1 288 940	1 288 940
Other consolidated comprehensive income for the period, net of tax (b)	10	<u>- 3 534 699</u>	<u>- 3 538 602</u>	<u>4 317 971</u>	<u>1 970 071</u>
Total consolidated comprehensive income for the period (a) + (b)		<u><u>10 519 274</u></u>	<u><u>4 095 303</u></u>	<u><u>- 23 134 032</u></u>	<u><u>- 28 697 750</u></u>
Total consolidated comprehensive income attributable to:					
Equity holders of Sonae Industria		10 519 274	4 095 303	- 23 134 032	- 28 697 730
Non-controlling interests					- 20
		<u><u>10 519 274</u></u>	<u><u>4 095 303</u></u>	<u><u>- 23 134 032</u></u>	<u><u>- 28 697 750</u></u>
Other comprehensive income reclassified to profit or loss in the period				<u><u>- 36 592 671</u></u>	<u><u>- 36 592 671</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 STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016
(Amounts expressed in Euros)

	<u>Notes</u>	30.06.2017	30.06.2016
		<u>Unaudited</u>	<u>Unaudited</u>
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		114 462 665	421 862 751
Payments to trade creditors		86 039 974	343 643 764
Payments to staff		13 611 007	65 859 212
Net cash flow from operations		14 811 684	12 359 775
Payment / (receipt) of corporate income tax		7 476 686	2 732 887
Other receipts / (payments) relating to operating activities		1 052 493	749 576
Net cash flow from operating activities (1)		<u>8 387 491</u>	<u>10 376 464</u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments			214
Tangible fixed assets and intangible assets		85 228	2 125 916
		<u>85 228</u>	<u>2 126 130</u>
Cash Payments arising from:			
Investments		1 896	215 112
Tangible fixed assets and intangible assets		5 161 421	12 014 764
Investment properties			131 191
		<u>5 163 317</u>	<u>12 361 067</u>
Net cash used in investment activities (2)		<u>- 5 078 089</u>	<u>- 10 234 937</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		306 127	357 697
Loans obtained		378 937 399	787 740 197
Increase in share capital (SONAE ARAUCO, SA)			137 500 000
		<u>379 243 526</u>	<u>925 597 894</u>
Cash Payments arising from:			
Interest and similar charges		3 988 452	20 242 830
Loans obtained		379 807 666	907 130 527
Finance leases - repayment of principal		205 618	3 122 559
		<u>384 001 736</u>	<u>930 495 916</u>
Net cash used in financing activities (3)		<u>- 4 758 210</u>	<u>- 4 898 022</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>- 1 448 808</u>	<u>- 4 756 495</u>
Effect of foreign exchange rate		<u>288 275</u>	<u>77 753</u>
Cash and cash equivalents at the beginning of the period	8	4 795 077	15 808 205
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	8	<u>3 057 994</u>	<u>6 033 996</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 SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA has its head-office at Lugar do Espido, Via Norte, 4470-909 Maia, Portugal.

The shares of the company are listed on Euronext Lisbon.

Consolidated financial statements for the period ended 30 June 2017 and 30 June 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 June 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 June 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 new standard replaces the IAS 17 with a significant impact on the accounting by lessees that are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset";

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:

	30.06.2017		31.12.2016		30.06.2016	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8793	0.8602	0.8562	0.7763	0.8265	0.7763
South African Rand	14.9209	14.2959	14.4571	17.2325	16.4474	17.2325
Canadian Dollar	1.4785	1.4427	1.4188	1.4647	1.4384	1.4835
American Dollar	1.1412	1.0818	1.0541	1.1061	1.1102	1.1156

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 June 2017, 31 December 2016 and 30 June 2016 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.06.2017		31.12.2016		30.06.2016		
		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)
Polifac 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 June 2017, 31 December 2016 and 30 June 2016 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD					
		30.06.2017		31.12.2016		30.06.2016	
		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 Florestales, 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)
Taiber. 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)
Tecnologías del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00% a)
Tecmasa. Reciclados 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 Tafleros 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.

In the consolidated financial statements for the period ended 31 December 2016, Sonae Indústria, SGPS, S. A. recognized the fair value of its investment in Sonae Arauco, S. A., which was estimated to amount to EUR 185 981 068, with reference to 31 May 2016. The recognition of this fair value implies adjusting the identifiable assets and liabilities of Sonae Arauco, S. A. and its subsidiaries at fair value, with reference to 31 May 2016, for equity method purposes. Based on external appraisals, the fair value adjustment to land and buildings amounts to EUR 10 000 000, which would adjust final goodwill by the same amount. This adjustment would increase annual depreciation charge by EUR 100 000, of which 50% would be attributable to Sonae Indústria, SGPS, S. A.. Taking into consideration the irrelevance of this amount, Sonae Indústria decided to not adjust the consolidated net profit or loss of Sonae Arauco, S. A. for equity method purposes from 31 May 2016.

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	
	30.06.2017	31.12.2016
Non-current assets	503 817 406	516 229 548
Current assets (without cash and cash equivalents)	199 988 260	181 815 850
Cash and cash equivalents	24 941 527	29 903 996
Non-current financial liabilities	206 550 330	204 590 512
Other non-current liabilities	89 154 412	95 963 697
Current financial liabilities	7 852 586	21 836 327
Other current liabilities	190 531 931	176 328 520

Sonae Arauco - Consolidated		
	30.06.2017	30.06.2016
Operating revenues	436 840 594	74 300 515
Operating expenses (without depreciation and amortization)	383 793 732	65 855 543
Depreciation and amortization	21 316 025	3 869 402
Interest income	405 603	57 634
Interest expense	4 416 938	747 405
Taxation	4 199 998	- 48 534
Net profit/(loss) from continuing operations	18 512 453	7 042 876
Adjustments to the Group's accounting policies		- 662 316
Group's share on net profit/(loss)	9 256 226	3 190 280
Group's share on other comprehensive Income	- 865 294	1 288 940

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

	30.06.2017	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	8 375 755	195 908 535
Dividends	5 661 957	
Closing balance	<u>198 622 333</u>	<u>195 908 535</u>
Available-for-sale investment		
Opening balance	134 810	117 1674
Acquisition	1895	5 042
Disposal	1496	
Effect of change in perimeter		-1050 414
Change in fair value		8 508
Closing balance	<u>135 209</u>	<u>134 810</u>
Accumulated impairment losses	3 989	3 989
Net available-for-sale investment	<u>131 220</u>	<u>130 821</u>

6. TANGIBLE FIXED ASSETS

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

	30.06.2017							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							3 467 210	3 467 210	13 468 828
Disposals		1 296 766	102 193	29 284	66 456			1 494 699	62 978 274
Transfers and reclassifications	36 756	1 118 257	30 688		44 451		-1 230 152		-1 613 391
Exchange rate effect	-2 682 516	-10 126 731	-90 026		-80 351	-57	-195 826	-13 175 507	22 409 384
Closing balance	88 662 042	261 930 521	2 451 060	114 351	3 519 348	218 166	6 012 715	362 908 203	374 111 199
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	1 125 365	4 770 418	51 022	467	44 493	1 715		5 993 480	31 252 522
Impairment losses for the period - through profit or loss									4 028 485
Disposals		1 271 910	101 208	29 282	62 181			1 464 581	61 981 258
Transfers and reclassifications									-7 874
Exchange rate effect	-999 886	-6 857 350	-76 363		-71 754	-22		-8 005 375	12 986 309
Closing balance	33 422 261	183 393 733	2 124 612	112 295	3 308 245	207 883		222 569 029	226 045 505
Carrying amount	55 239 781	78 536 788	326 448	2 056	211 103	10 283	6 012 715	140 339 174	148 065 694

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 125 089 816 (EUR 133 392 714 at 31 December 2016), as collateral for loans amounting to EUR 44 041 451 (EUR 39 578 123 at 31 December 2016).

7. OTHER CURRENT DEBTORS

At 30 June 2017 and 31 December 2016, Other current debtors, on the Consolidated Statement of Financial Position, can be detailed as follows:

	30.06.2017		31.12.2016	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	44 978	44 978	209 171	209 171
Related parties	5 678 906	5 678 906		
Financial Instruments	5 723 884	5 723 884	209 171	209 171
Other debtors	131 347	131 347	94 139	94 139
Assets out of scope of IFRS 7	131 347	131 347	94 139	94 139
Total	5 855 231	5 855 231	303 310	303 310

At 30 June 2017, Related parties included EUR 5 661 957 of unpaid dividends distributed by the joint venture Sonae Arauco, S. A..

8. CASH AND CASH EQUIVALENTS

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

	<u>30.06.2017</u>	<u>31.12.2016</u>
Cash at Hand	6 479	6 536
Bank Deposits and Other Treasury Applications	<u>3 051 515</u>	<u>4 788 541</u>
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	<u>3 057 994</u>	<u>4 795 077</u>
Cash and Cash Equivalents on the Statement of Cash Flows	<u><u>3 057 994</u></u>	<u><u>4 795 077</u></u>

9. SHAREHOLDERS' FUNDS

9.1. SHARE CAPITAL

In the period ended 30 June 2017, the Company reduced 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.

As a consequence, at 30 June 2017, the share capital of Sonae Indústria, SGPS, S. A. was EUR 253 319 797.26, represented by 11 350 757 417 ordinary and nominative shares, without nominal value.

9.2. LEGAL RESERVE

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

10. OTHER COMPREHENSIVE INCOME

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

	Accumulated other comprehensive income							
	Attributable to the parent's shareholders							
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures		Income tax related to components of other comprehensive income	Total
Which may be subsequently transferred to profit or loss					Which may not be subsequently transferred to profit or loss			
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	-2 669 405				- 865 294			-3 534 699
Balance as at 30 June 2017 (unaudited)	8 444 652		6 367 184	- 192 092	3 603 329	33 694 328	1 033 382	50 884 019

	Accumulated other comprehensive income							
	Attributable to the parent's shareholders							
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures		Income tax related to components of other comprehensive income	Total
Which may be subsequently transferred to profit or loss					Which may not be subsequently transferred to profit or loss			
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	3 020 523	8 508			1 288 940			4 317 971
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
Balance as at 30 June 2016 (unaudited)	9 858 585		6 367 184	- 42 952	1 341 561	35 007 968	1 033 382	51 498 964

11. LOANS

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

	30.06.2017				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	10 851 444	203 657 572	10 851 444	205 223 540	1 890 967	214 868 703	1 890 967	216 670 580
Obligations under finance leases	426 187	915 220	426 187	915 220	417 272	1 132 741	417 272	1 132 741
Gross debt	11 277 631	204 572 792	11 277 631	206 138 760	2 308 239	216 001 444	2 308 239	217 803 321

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

11.1. Bank Loans

Company(ies)	Loan	Contract date	Maturity (with reference to 30.06.2017)	Currency	Outstanding principal at 30.06.2017 (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	40 041 451	34 678 123
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2018 Note: programme without subscription guarantee	EUR	6 500 000	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	1 250 000	1 250 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	December 2016	to be repaid from June 2018 to December 2019	EUR	15 000 000	
Others				EUR	1 783 533	1 233 424
Total				EUR	216 074 984	218 561 547

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 note 11.

At 30 June 2017, in addition to mortgaged tangible fixed assets referred to on note 6, there were other assets amounting to EUR 28 947 848 (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.

12. OTHER CURRENT LIABILITIES

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

	<u>30.06.2017</u>	<u>31.12.2016</u>
Derivatives		431 254
Tangible fixed assets suppliers	912 131	2 511 973
Other creditors	481 042	1 161 966
Financial instruments	<u>1 393 173</u>	<u>4 105 193</u>
Other creditors	384 489	292 949
Accrued expenses:		
Insurances	335 167	
Personnel expenses	4 276 429	6 687 970
Accrued financial expenses	1 841 551	635 463
Rebates	2 164 479	3 506 541
External supplies and services	420 471	553 128
Other accrued expenses	692 757	763 925
Deferred income:		
Investment subventions	154 637	168 412
Other deferred income	154 936	148 934
Liabilities out of scope of IFRS 7	<u>10 424 916</u>	<u>12 757 322</u>
Total	<u><u>11 818 089</u></u>	<u><u>16 862 515</u></u>

13. RELATED PARTIES

Balances and flows with related parties are summarized as follows:

Balances	<u>Accounts receivable</u>		<u>Accounts payable</u>	
	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
Other subsidiaries of the parent company	149 835	137 543	290 633	2 320 894
Joint ventures	6 401 282	598 675	2 345 217	2 145 323

Transactions	<u>Income</u>		<u>Expenditure</u>	
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
Other subsidiaries of the parent company	32 957	25 000	520 618	595 526
Joint ventures	1 838 881	13 316 672	8 650 706	15 745 407

14. DISCONTINUED OPERATIONS

Profit / (loss) from discontinued operations, after taxation, on the Consolidated Income Statement for the period ended 30 June 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:

	<u>30.06.2016</u>
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	<u>39 799 364</u>
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	<u>- 13 670</u>
Net profit/(loss) from discontinued operations, before taxation	- 27 017 758
Taxation	<u>3 728 804</u>
Consolidated net profit / (loss) from discontinued operations, after taxation	<u><u>- 30 746 562</u></u>

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

	<u>30.06.2016</u>
Operating activities	- 10 966 545
Investment activities	4 809 572
Financing activities	178 279 233

15. OTHER INCOME AND GAINS

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

	30.06.2017	30.06.2016
Gains on disp. and write off of invest. prop., tang. and intang. assets	83 765	856 923
Supplementary revenue	1 091 809	1 015 697
Investment subventions	78 704	80 651
Tax received		24 844
Positive exchange gains	1 322 834	1 308 689
Adjustment to fair value of financial instruments at fair value through profit or loss	171 809	191 166
Others	52 273	63 126
	<u>2 801 194</u>	<u>3 541 096</u>

16. OTHER EXPENSES AND LOSSES

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

	30.06.2017	30.06.2016
Taxes	661 803	606 647
Losses on disp. and write off of invest. prop., tang. and intang. assets	28 653	244 583
Negative exchange gains	889 669	1 277 207
Adjustment to fair value of financial instruments at fair value through profit or loss	227 345	604 327
Others	125 428	186 488
	<u>1 932 898</u>	<u>2 919 252</u>

17. RECURRING AND NON-RECURRING ITEMS

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

	30.06.2017	30.06.2016
	Recurring	Recurring
Sales	121 185 047	119 848 509
Services rendered	610 932	719 038
Other income and gains	2 651 840	2 683 141
Cost of sales	63 342 959	63 057 183
(Increase) / decrease in production	1 713 827	1 379 109
External supplies and services	24 625 613	24 479 465
Staff expenses	12 017 836	12 776 471
Impairment losses in trade debtors (increase/reduction)	86 882	- 1 270
Other expenses and losses	1 902 508	2 725 611
	<u>20 758 194</u>	<u>18 834 119</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)		
	<u>20 758 194</u>	<u>18 834 119</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	- 115 180	330 006
	<u>- 115 180</u>	<u>330 006</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	20 643 014	19 164 125
	<u>20 643 014</u>	<u>19 164 125</u>

18. FINANCIAL RESULTS

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

	30.06.2017	30.06.2016
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	4 108 810	5 512 489
related to non convertible bonds		5 315 242
related to finance leases	39 943	42 544
related to loans from related parties	160	106 683
others	12 616	150 908
	<u>4 161 529</u>	<u>11 127 866</u>
Losses in currency translation		
related to loans	634 118	869 651
related to cash and cash equivalents	372 890	
	<u>1 007 008</u>	<u>869 651</u>
Cash discounts granted	923 858	884 474
Other finance losses	669 478	934 229
	<u>6 761 873</u>	<u>13 816 220</u>
	<u>30.06.2017</u>	<u>30.06.2016</u>
Financial income:		
Interest income		
related to bank loans	7 996	12 215
related to loans to related parties	2 128	2 964 350
	<u>10 124</u>	<u>2 976 565</u>
Gains in currency translation		
related to loans	71 566	988 031
related to cash and cash equivalents	211 354	
	<u>282 920</u>	<u>988 031</u>
Cash discounts obtained	32 737	38 592
Other finance gains	327 675	46 913
	<u>653 456</u>	<u>4 050 101</u>
Finance profit / (loss)	<u>- 6 108 417</u>	<u>- 9 766 119</u>

19. TAXES

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

	30.06.2017	30.06.2016
Current tax	3 941 515	4 342 638
Deferred tax	- 432 327	- 629 688
	<u>3 509 188</u>	<u>3 712 950</u>

20. SEGMENT INFORMATION

The main activity of the Group is the production and commercialization of wood based panels and derivative products through industrial plants and 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.

21. SUBSEQUENT EVENTS

On the Shareholders' Annual General Meeting held 9 May 2017, Sonae Indústria, SGPS, S. A. decided to implement 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 third parties.

This reverse stock split operation was effective 28 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.

22. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 7 September 2017.