



2017  
FIRST HALF  
RESULTS

7 September 2017



**Maia, Portugal, 7 September 2017:** Sonae Indústria reports unaudited Consolidated Results for the 1<sup>st</sup> half 2017 (1H17) which are prepared in accordance with the IAS 34 – Interim Financial Reporting. Proportional Indicators are *pro forma* and unaudited.

## 1H17 HIGHLIGHTS

- **Proportional Recurrent EBITDA of 47.7M€, bringing LTM Proportional Recurrent EBITDA<sup>1</sup> to 90.1M€**
- **14.0% LTM Proportional Recurrent EBITDA margin**
- **Positive Net Results of 14.1M€**
- **Proportional Net Debt<sup>1</sup> reduced by 31M€ vs. 1H16 and by 17.9M€ vs. 1Q17**
- **Proportional Leverage<sup>1</sup> of 3.4x, below 4.1x in 1H16 and 3.5x in 1Q17**

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

## 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)

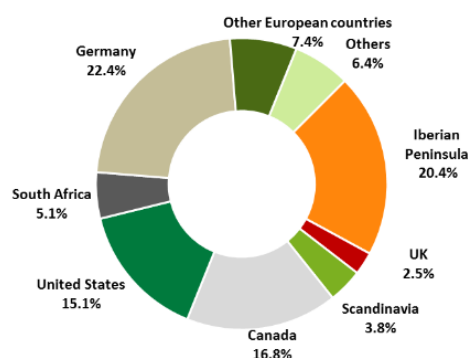
Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method since 1 June 2016, we are presenting in section 1.1. unaudited *pro forma* **Proportional Indicators**, to help improve the understanding of size of the business, valuation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

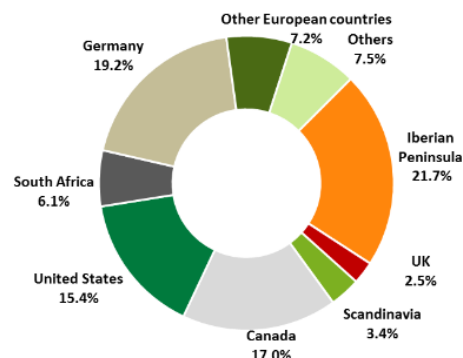
| FINANCIAL INDICATORS (unaudited and <i>pro forma</i> )    | 1H16         | 1H17         |
|---|--------------|--------------|
| Proportional Turnover                                     | 332          | 331          |
| Proportional Rec. EBITDA                                  | 49           | 48 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

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

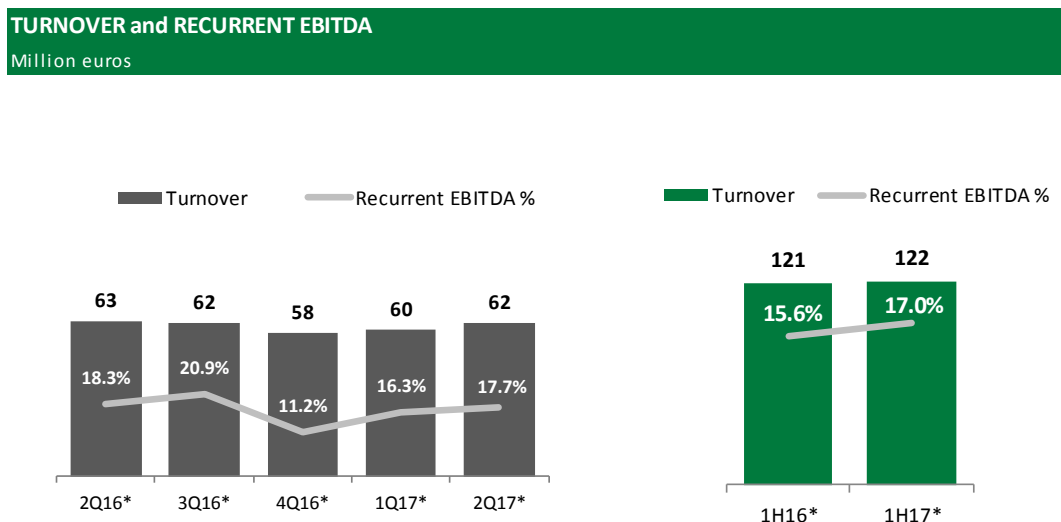


PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H17



## 1.2. Consolidated Results

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



\*Quarterly and half year information unaudited.

**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 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.

# EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

## 2017 FIRST HALF RESULTS

| CONSOLIDATED INCOME STATEMENT                        |               |              |              |               |             |             |                |              |
|--|---------------|--------------|--------------|---------------|-------------|-------------|----------------|--------------|
| Million euros  |               |              |              |               |             |             |                |              |
|  | 1H16          | 1H17         | 1H17 /       | 2Q16          | 1Q17        | 2Q17        | 2Q17 /         | 2Q17 /       |
|  | Unaudited     | Unaudited    | 1H16         | Unaudited     | Unaudited   | Unaudited   | 2Q16           | 1Q17         |
| <b>Turnover</b>                                      | <b>120.6</b>  | <b>121.8</b> | <b>1.0%</b>  | <b>63.1</b>   | <b>59.5</b> | <b>62.3</b> | <b>(1.4%)</b>  | <b>4.6%</b>  |
| 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)       | -              | -            |
| <b>Recurrent EBITDA</b>                              | <b>18.8</b>   | <b>20.8</b>  | <b>10.2%</b> | <b>11.5</b>   | <b>9.7</b>  | <b>11.0</b> | <b>(4.3%)</b>  | <b>13.7%</b> |
| 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%       |
| <b>Operational profit (EBIT)</b>                     | <b>13.6</b>   | <b>14.4</b>  | <b>6.1%</b>  | <b>9.1</b>    | <b>6.5</b>  | <b>7.9</b>  | <b>(13.7%)</b> | <b>20.6%</b> |
| 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%        |
| <b>Profit before taxes (EBT)</b>                     | <b>7.0</b>    | <b>17.6</b>  | <b>-</b>     | <b>5.4</b>    | <b>8.0</b>  | <b>9.6</b>  | <b>78.7%</b>   | <b>20.0%</b> |
| 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%          | -            |
| <b>Profit/(loss) from continued operations</b>       | <b>3.3</b>    | <b>14.1</b>  | <b>-</b>     | <b>2.1</b>    | <b>6.4</b>  | <b>7.6</b>  | <b>-</b>       | <b>-</b>     |
| Profit/(loss) from discontinued operations           | (30.7)        | 0.0          | 100.0%       | (32.8)        | 0.0         | 0.0         | 100.0%         | -            |
| <b>Consolidated net profit/(loss) for the period</b> | <b>(27.5)</b> | <b>14.1</b>  | <b>-</b>     | <b>(30.7)</b> | <b>6.4</b>  | <b>7.6</b>  | <b>124.9%</b>  | <b>18.9%</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>(27.5)</b> | <b>14.1</b>  | <b>-</b>     | <b>(30.7)</b> | <b>6.4</b>  | <b>7.6</b>  | <b>124.9%</b>  | <b>18.9%</b> |

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.

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA  
2017 FIRST HALF RESULTS

| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>   |              |              |              |
|---|--------------|--------------|--------------|
| Million euros   |              |              |              |
|   | 2016         | 1Q17         | 1H17         |
|   |              | Unaudited    | Unaudited    |
| <b>Non current assets</b>   | <b>352.8</b> | <b>355.7</b> | <b>347.7</b> |
| 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        |
| <b>Current assets</b>   | <b>44.7</b>  | <b>46.6</b>  | <b>51.2</b>  |
| 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         |
| <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>403.8</b> | <b>400.5</b> |
| <b>Shareholders' Funds</b>  | <b>110.3</b> | <b>116.7</b> | <b>120.3</b> |
| Equity Holders  | 110.3        | 116.7        | 120.3        |
| Non-controlling interests   | 0.0          | 0.0          | 0.0          |
| <b>Liabilities</b>  | <b>288.7</b> | <b>287.1</b> | <b>280.2</b> |
| 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         |
| <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>403.8</b> | <b>400.5</b> |
| <b>Net debt</b>   | <b>213.5</b> | <b>220.0</b> | <b>212.8</b> |
| <b>Working Capital</b>  | <b>10.3</b>  | <b>13.3</b>  | <b>10.0</b>  |

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.

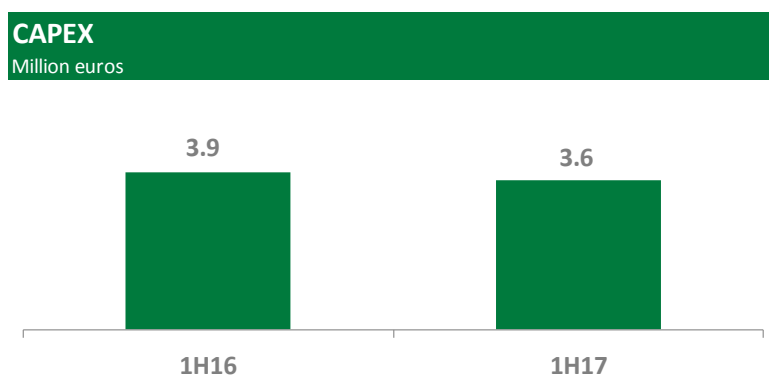
**Net Debt** stood at 212.8 million euros, at the end of June 2017, which represents a decrease of 7.2 million euros when compared to the end of 1Q17, benefiting from the positive EBITDA and, in this quarter, also from the reduction in Working Capital. When compared to the end of 2016, Net Debt also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

## EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

### 2017 FIRST HALF RESULTS

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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.



**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

|  |   |
|--|---|
| <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   |

# EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

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

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### SAFE HARBOUR

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

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

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

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