

**1<sup>st</sup> Quarter  
Results**

9 May 2018

**18**

**Maia, Portugal, 9 May 2018:** Sonae Indústria reports unaudited Consolidated Results for the 1<sup>st</sup> quarter 2018 (1Q18) which are prepared in accordance with the IAS 34 – Interim Financial Reporting. Proportional Indicators are unaudited.

## 1Q18 HIGHLIGHTS

- **Proportional Recurrent EBITDA<sup>1</sup> of 18.7M€**
- **LTM Proportional Recurrent EBITDA<sup>1</sup> of 85.0M€, with 12.3% margin<sup>1</sup>**
- **Positive Net Results in the quarter of 3.8M€**
- **Proportional Net Debt<sup>1</sup> down at circa 320M€ by circa 6M€ vs. 1Q17**
- **Proportional Leverage<sup>1</sup> of 3.8x**

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

## MESSAGE FROM THE CHAIRMAN

During the first quarter of 2018 Sonae Indústria once again generated positive net results that stood at 3.8 million Euros in the quarter.

Considering our 50% share of Sonae Arauco's figures, LTM Proportional Recurrent EBITDA reached 85 million Euros and the leverage ratio was of 3.8x.

Recurrent EBITDA of our fully owned businesses was negatively affected by the results from our North American business that were impacted by the depreciation of the Canadian dollar against the Euro and by increased input costs of wood and energy, the latter as a result of the severely cold weather experienced in the region where Sonae Indústria operates. Despite this, it should be noted that sales volumes and turnover in local currency at our North American business were higher than last year and, although the EBITDA margin in the quarter was lower compared to historical levels, we expect to see some margin recovery in the next quarters and particularly during 2H18.

Sonae Arauco delivered another strong set of results in the quarter and generated a higher recurrent EBITDA when compared to the same period of last year, notwithstanding a prudent approach in 1Q18 to the recognition of insurance income related to business interruption. In Portugal, I am pleased to be able to say that our two plants that were badly hit by the forest fires in October 2017 are now fully operational and, additionally, that the investment in new thin MDF line at Mangualde remains on schedule.

With both Net Debt and Shareholders' Funds kept at levels similar to those at YE17, Sonae Indústria's capital structure remained stable in this quarter.

Finally, I would like to highlight the external recognition obtained by Tafisa Canada which won the Safety Innovation Award for 2017 granted by the Composite Panels Association (North America). I want to take this opportunity to congratulate Tafisa Canada team for the project developed which reflects Sonae Indústria's commitment to continuous improvement on health and safety at work.

Paulo Azevedo  
*Chairman Sonae Indústria*

# 1. Sonae Indústria Results

## 1.1. Proportional Results (unaudited)

### SUMMARY OF 1Q18 RESULTS

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 June 2016, this section 1.1. presents unaudited **Proportional Indicators**, to help improve the understanding of size of the business, valuation and financial leverage of Sonae Indústria. These Proportional Indicators consider the full results of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

| FINANCIAL INDICATORS (unaudited)                          | 1Q17         | 1Q18         |
|---|--------------|--------------|
| Proportional Turnover                                     | 164          | 153          |
| Proportional Rec. EBITDA                                  | 22           | 19           |
| Proportional Rec. EBITDA margin                           | 13.6%        | 12.3%        |
| Proportional LTM Turnover                                 | 645          | 619          |
| Proportional LTM Rec. EBITDA                              | 93           | 85           |
| Proportional LTM Rec. EBITDA margin                       | 14.4%        | 13.7%        |
| <b>LEVERAGE</b>   |              |              |
| Proportional Net Debt                                     | 325          | 320          |
| <b>Proportional Leverage (Net Debt / LTM Rec. EBITDA)</b> | <b>3.5 x</b> | <b>3.8 x</b> |
| <b>LOAN TO VALUE</b>                                      |              |              |
| Net Debt of Sonae Indústria                               | 220          | 209          |
| Asset Value <sup>2</sup>                                  | 510          | 454          |
| <b>LTV (Net Debt of Sonae Indústria / Asset Value)</b>    | <b>43%</b>   | <b>46%</b>   |

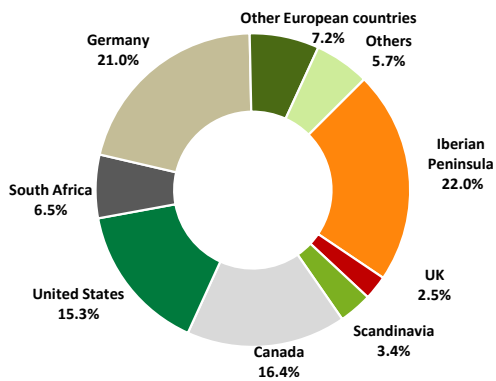
<sup>2</sup> Calculated as described in the Glossary of Terms. This compares with a Consensus 'Asset Value' of EUR 522M based on the average of the sum of the parts valuation (as at year-end 2018) of Sonae Indústria assets carried out by two independent equity research houses.

**Proportional Turnover** in 1Q18 was 11.2 million euros lower than in 1Q17. This evolution was driven by a lower contribution from fully owned businesses primarily due to unfavourable exchange rate movements, and by a lower contribution by Sonae Arauco that decreased by circa 6 million euros. The latter was affected by the fact that the two Sonae Arauco plants in Portugal that had been hit by the forest fires in October 2017 gradually resumed production in the first four months of the current year (and the insurance income related with business interruption is not included under Turnover items).

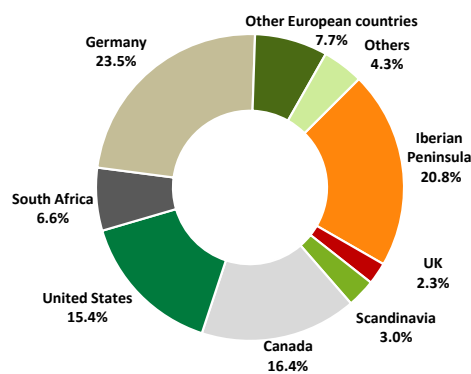
**Proportional Recurrent EBITDA** in 1Q18 was 3.5 million euros lower than in 1Q17. This evolution was driven by a lower contribution from fully owned businesses, down 3.9 million euros despite the higher contribution by Sonae Arauco whose recurrent EBITDA contribution increased by circa 0.4 million euros when compared to 1Q17.

For the first quarter of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.8x, which represents an increase of 0.2x vs. 1Q17, despite the lower Net Debt. **Loan to Value** also increased when compared to 1Q17, reaching circa 46% at the end of 1Q18.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1Q17



PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1Q18

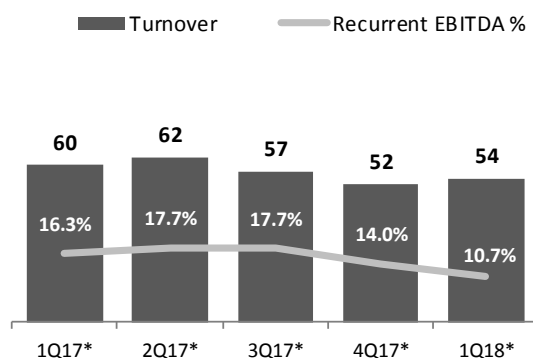


## 1.2. Consolidated Results

### SUMMARY OF 1Q18 RESULTS

#### TURNOVER and RECURRENT EBITDA

Million euros



\*Quarterly information unaudited.

**Consolidated Turnover** for the first quarter of the year reached 54.3 million euros, a reduction of circa 5.2 million euros vs. same period of last year. The reduction in Consolidated Turnover when compared to 1Q17 was essentially driven by a 5.0 million euros unfavourable exchange rate effect resulting from the depreciation of the Canadian dollar vs. the EUR. When compared to the previous quarter, consolidated turnover increased by 2.1 million euros driven by higher **sales volumes** in both our North American and Laminates & Components businesses.

**Variable costs per cubic meter** in local currency increased, when compared to the same period of last year and to the previous quarter, mainly driven by higher input costs of wood and higher thermal energy costs due to the extreme cold weather in Canada. Input chemicals costs also increased when compared to 4Q17.

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA  
**1<sup>st</sup> QUARTER RESULTS 2018**

**Recurrent EBITDA** for the first quarter of the year reached 5.8 million euros, a reduction of 3.9 million euros and circa 1.5 million euros vs. 1Q17 and 4Q17, respectively. The lower Recurrent EBITDA when compared to 1Q17 is mainly explained by the already mentioned reduction in Turnover, which was only partially offset by the 2.1 million euros reduction on variable costs (which benefited from the Canadian dollar depreciation since local currency costs increased as previously explained), and by a circa 0.4 million euros increase in fixed costs (it should be noted that 1Q17 included a positive one off effect on fixed costs of circa 1.5 million euros). The 1Q18 **Recurrent EBITDA margin** reached circa 10.7%, down by 5.6 p.p. and by circa 3.3 p.p. vs. 1Q17 and 4Q17, respectively.

Consolidated **EBITDA** for the quarter reached 5.7 million euros, a reduction of circa 4.0 million euros vs. the same period of last year, due to the aforementioned evolution in Recurrent EBITDA, and a reduction of 2.9 million euros vs. the previous quarter, noting that 4Q17 benefited from positive non recurrent items of 1.4 million euros.

| <b>CONSOLIDATED INCOME STATEMENT</b>                 |                   |                   |                   |                |                |
|--|-------------------|-------------------|-------------------|----------------|----------------|
| Million euros  |                   |                   |                   |                |                |
|  | 1Q17<br>Unaudited | 4Q17<br>Unaudited | 1Q18<br>Unaudited | 1Q18 /<br>1Q17 | 1Q18 /<br>4Q17 |
| <b>Turnover</b>                                      | <b>59.5</b>       | <b>52.2</b>       | <b>54.3</b>       | <b>(8.8%)</b>  | <b>4.1%</b>    |
| Other operational income                             | 1.1               | 3.2               | 0.9               | (17.2%)        | (72.4%)        |
| EBITDA   | 9.7               | 8.7               | 5.7               | (40.8%)        | (33.9%)        |
| Non recurrent items                                  | (0.0)             | 1.4               | (0.1)             | -              | (104.5%)       |
| <b>Recurrent EBITDA</b>                              | <b>9.7</b>        | <b>7.3</b>        | <b>5.8</b>        | <b>(40.2%)</b> | <b>(20.2%)</b> |
| Recurrent EBITDA Margin %                            | 16.3%             | 14.0%             | 10.7%             | -5.6 pp        | -3.3 pp        |
| Depreciation and amortisation                        | (3.2)             | (3.3)             | (3.1)             | 1.4%           | 4.1%           |
| Provisions and impairment Losses                     | 0.0               | (3.8)             | 0.0               | -              | 100.0%         |
| <b>Operational profit (EBIT)</b>                     | <b>6.5</b>        | <b>1.6</b>        | <b>2.6</b>        | <b>(60.0%)</b> | <b>58.6%</b>   |
| Net financial charges                                | (2.8)             | (2.9)             | (2.8)             | (2.2%)         | 3.5%           |
| o.w. Net interest charges                            | (2.1)             | (2.0)             | (2.0)             | 6.0%           | 2.9%           |
| o.w. Net exchange differences                        | (0.1)             | (0.1)             | (0.0)             | 92.9%          | 93.3%          |
| o.w. Net financial discounts                         | (0.4)             | (0.4)             | (0.4)             | 9.6%           | 10.1%          |
| Gains and losses in Joint-Ventures - Net Results     | 4.2               | (0.8)             | 4.7               | 11.9%          | -              |
| Gains and losses in Joint-Ventures - Other           | 0.0               | (2.5)             | 0.0               | -              | 100.0%         |
| <b>Profit before taxes (EBT)</b>                     | <b>8.0</b>        | <b>(4.6)</b>      | <b>4.5</b>        | <b>(43.6%)</b> | -              |
| Taxes  | (1.6)             | (1.1)             | (0.7)             | 54.7%          | 34.5%          |
| o.w. Current tax                                     | (1.6)             | (1.0)             | (1.1)             | 35.6%          | (4.1%)         |
| o.w. Deferred tax                                    | 0.1               | (0.1)             | 0.4               | -              | -              |
| <b>Consolidated net profit/(loss) for the period</b> | <b>6.4</b>        | <b>(5.6)</b>      | <b>3.8</b>        | <b>(40.8%)</b> | -              |

Total **fixed costs** for the first quarter of the year represented 16.8% of turnover, an increase of circa 2.1 p.p. when compared to the same period of last year, noting that 1Q17 benefited from positive one-off adjustments to accruals of circa 1.5 million euros (excluding this effect fixed costs would represent 17.3% of turnover in 1Q17). When compared to 4Q17, total fixed costs as a percentage of turnover improved 2.1 p.p. driven by both an increase in turnover and a reduction in fixed costs.

## EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

### 1<sup>st</sup> QUARTER RESULTS 2018

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Total **headcount of Sonae Indústria**, at the end of March 2018, was 485 FTE's excluding Sonae Arauco, which compares with 488 FTE's at the end of March 2017.

**Depreciation and amortization charges** in 1Q18 were 3.1 million euros, in line with the values booked for 1Q17 and 4Q17.

**Net financial charges** in 1Q18 were 2.8 million euros, in line with the values booked for 1Q17 and 4Q17.

**Gains and losses in Joint-Ventures – Net Results** refers to 50% of the net results of Sonae Arauco in the period (equity method accounting). For the first quarter of the year, this amounted to 4.7 million euros, up by 0.5 million euros when compared to 1Q17. It should be noted that, despite lower turnover, Sonae Arauco Recurrent EBITDA increased by circa 0.8 million euros (circa 0.4 million euros for Sonae Indústria 50% stake) when compared to 1Q17.

**Current tax charges** were circa 1.1 million euros for the first quarter of the year, a decrease of circa 0.6 million euros when compared to 1Q17, mainly driven by lower tax charges in Canada, and in line with the value booked for 4Q17.

**Net results** for 1Q18 were positive of 3.8 million euros, down by 2.6 million euros when compared to 1Q17, explained by the reduction in EBITDA of fully owned businesses. Net Results have improved materially when compared to 4Q17 which had been affected by a number of negative non recurrent items.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Million euros

|   | 1Q17<br>Unaudited | 2017         | 1Q18<br>Unaudited |
|---|-------------------|--------------|-------------------|
| <b>Non current assets</b>   | <b>355.7</b>      | <b>360.2</b> | <b>357.1</b>      |
| Tangible assets   | 146.5             | 146.5        | 138.5             |
| Investments in joint ventures   | 200.5             | 205.6        | 210.7             |
| Deferred tax asset  | 1.4               | 1.5          | 1.5               |
| Other non current assets  | 7.3               | 6.6          | 6.5               |
| <b>Current assets</b>   | <b>46.6</b>       | <b>40.9</b>  | <b>40.2</b>       |
| Inventories   | 18.4              | 17.0         | 16.7              |
| Trade debtors   | 19.1              | 13.6         | 16.2              |
| Cash and cash equivalents   | 2.7               | 4.1          | 1.8               |
| Other current assets  | 6.5               | 6.2          | 5.5               |
| <b>Non-current assets classified as available for sale</b>                                      | <b>1.5</b>        | <b>0.0</b>   | <b>0.0</b>        |
| <b>Total assets</b>   | <b>403.8</b>      | <b>401.0</b> | <b>397.4</b>      |
| <b>Shareholders' Funds</b>  | <b>116.7</b>      | <b>126.1</b> | <b>126.4</b>      |
| Equity Holders  | 116.7             | 126.1        | 126.4             |
| Non-controlling interests   | 0.0               | 0.0          | 0.0               |
| <b>Liabilities</b>  | <b>287.1</b>      | <b>274.9</b> | <b>271.0</b>      |
| Interest bearing debt   | 222.7             | 212.7        | 210.4             |
| Non current   | 217.3             | 198.5        | 195.8             |
| Current   | 5.4               | 14.2         | 14.6              |
| Trade creditors   | 24.2              | 19.6         | 22.5              |
| Other liabilities   | 40.2              | 42.5         | 38.1              |
| <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>403.8</b>      | <b>401.0</b> | <b>397.4</b>      |
| <b>Net debt</b>   | <b>220.0</b>      | <b>208.7</b> | <b>208.6</b>      |
| <b>Working Capital</b>  | <b>13.3</b>       | <b>11.0</b>  | <b>10.4</b>       |

**Investments in Joint-Ventures** (50% shareholding in Sonae Arauco) reached circa 210.7 million euros, which is circa 5.1 million euros higher than the book value of this investment at the end of 2017, mostly due to our share of Sonae Arauco's results of 4.7 million euros and the impact of the favourable exchange rate evolution of the South African Rand in the quarter of circa 0.4 million euros.

Consolidated **Working Capital** reached 10.4 million euros, a decrease of 0.5 million euros when compared to December 2017, mainly explained by a decrease in inventories in our North American business, as the increase in trade creditors was essentially compensated by the seasonal increase in trade debtors.

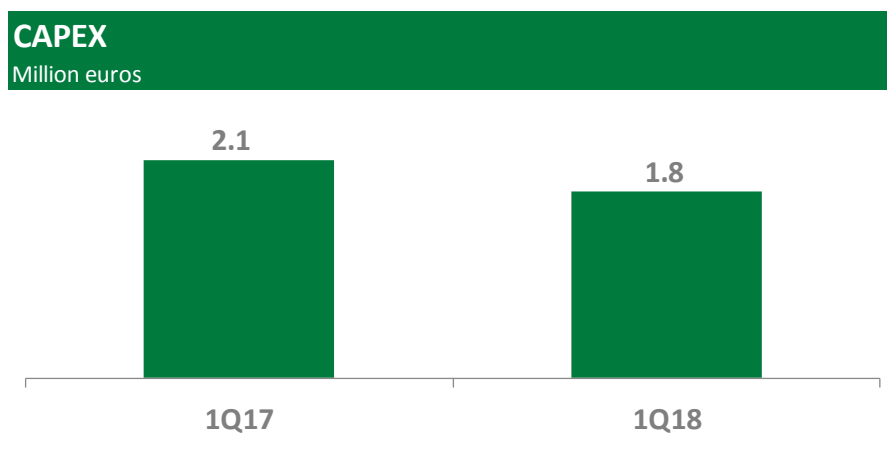
**Net Debt** stood at circa 208.6 million euros at the end of March 2018, in line with the value booked for 2017 and representing a decrease of circa 11.4 million euros vs. March 2017.

## EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

### 1<sup>st</sup> QUARTER RESULTS 2018

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Total **Shareholders' Funds**, at the end of March 2018, totaled circa 126.4 million euros, which represents an increase of circa 0.3 million euros when compared to December 2017, explained by the positive impacts from net results in the quarter and the favourable exchange rate evolution of the South African Rand of circa 0.4 million euros, which more than offset the negative impact of the exchange rate evolution of the Canadian dollar vs. the EUR of 3.9 million euros.



Additions to Gross Tangible Fixed Assets reached 1.8 million euros in the first quarter of the year, 0.3 million euros lower when compared to 1Q17 that included amounts related with the investment in the new edging line for our Components plant in Portugal which was concluded in 4Q17.



## GLOSSARY OF TERMS

|   |   |
|---|---|
| <b>Asset Value</b>  | Asset Value is calculated as follows: [6.5 x LTM Recurrent EBITDA of fully consolidated business (100%)] + [market value of inactive sites real estate properties owned 100% by Sonae Indústria] + [50% x (6.5 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)</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)</b>                    | Proportional Net Debt / Proportional LTM Recurrent EBITDA   |
| <b>Proportional Net Debt (unaudited)</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 2018

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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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