

9 Months Results

24 October 2018

18

Maia, Portugal, 24 October 2018: Sonae Indústria reports unaudited Consolidated Results for the first nine months of 2018 (9M18) which are prepared in accordance with the IAS 34 – Interim Financial Reporting. Proportional Indicators are unaudited.

9M18 HIGHLIGHTS

- **Positive net results of 3.7M€ in the quarter and 22.6M€ in 9M18, circa 1.7M€ (+8%) higher than 9M17**
- **Recurrent EBITDA¹ of 8.6M€ in 3Q18, with 15.0% margin¹**
- **Proportional Recurrent EBITDA¹ in 9M18 of 59.7M€**
- **LTM Proportional Recurrent EBITDA¹ of 78.6M€, with 12.8% margin¹**
- **Proportional Net Debt^{1, 2} at 335.7M€ and Proportional Leverage^{1, 2} of circa 4.3x**
- **Reinforcement of Tafisa Canada decorative solutions offer with the launch in the North American market of:**
 - ✓ **new EIR textures Feria and Brava;**
 - ✓ **a complete matching collection of Surforma Laminates for the decorative MFC products**

¹ See Glossary of Terms.

² See commentary on Sonae Arauco 3Q18 Net Debt in the Proportional Indicators section (pages 4-5).

MESSAGE FROM THE CHAIRMAN

The third quarter was a very challenging quarter for us but I am pleased to report that we were able to deliver positive net results for Sonae Indústria leading to a net profit for the first nine months of the year of 22.6 Million Euros, above the same period of last year.

Although Recurrent EBITDA for 3Q18 of our fully owned businesses improved slightly compared to the previous quarter, Consolidated 9M18 Recurrent EBITDA remained below last year. This was mainly driven by our North American business that experienced certain production problems that have now been largely addressed, and higher variable costs, particularly transportation and energy costs. Results of our Laminates business were still impacted by the lower top line sales when compared to last year partially as a result of the loss of volumes that we expect to gradually recover in the next quarters, particularly from increased sales to North America.

At the International Woodworking Fair which took place in Atlanta (USA) during August, we presented our new and unique offer of perfect matching Laminates for our North American decorative MFC collection with HPL supplied from our plant in Portugal under a new brand “Surforma”. We have witnessed an encouraging reaction from the market and believe this strategic project between our North American business and our Laminates business in Portugal will bring positive results for both units.

Sonae Arauco’s 3Q18 results were significantly lower than the previous quarter. This is explained both by longer than expected shutdown periods for the annual maintenance in some of our European plants and by the challenges of reentering a softer market with the capacity from our two Portuguese plants affected by the forest fires. Results were also lower than the previous quarter due to lower insurance income recognition (down by circa 8 million Euros for our 50% share).

In respect of Sonae Arauco, consistent with our plans to create the conditions for a more competitive and sustainable business, we have completed the investment in the new continuous MDF press in Mangualde and started production in October. In addition, during 3Q18, Sonae Arauco completed a refinancing of its main credit facility which allows for an increase in the size of the facility and an extended maturity profile aiming to support the ongoing strategy execution.

Considering our 50% share of Sonae Arauco’s figures, LTM Proportional Recurrent EBITDA was at 78.6 million Euros generating a 12.8% margin. Proportional Net Debt increased to 336 million euros due to the increase of Sonae Arauco’s Net Debt which would have been materially lower if it was not for the significant amount of expected insurance compensation outstanding at the end of this period.

Finally, I would like to note the further reinforcement of Sonae Indústria capital structure in the quarter as a combined result of the increase in Shareholders’ Funds and reduction in Net Debt.

Paulo Azevedo
Chairman, Sonae Indústria

1. Sonae Indústria Results

1.1. Proportional Results (unaudited)

SUMMARY OF 9M18 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, this section 1.1. provides unaudited **Proportional Indicators**, to help improve the understanding of size of the business, valuation and financial leverage of Sonae Indústria. 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)		
	9M17	9M18
Proportional Turnover	486	468
Proportional Rec. EBITDA	70	60
Proportional Rec. EBITDA margin	14.3%	12.8%
	LTM 9M17	LTM 9M18
Proportional LTM Turnover	642	613
Proportional LTM Rec. EBITDA	87	79
Proportional LTM Rec. EBITDA margin	13.5%	12.8%
LEVERAGE		
Proportional Net Debt	311	336
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	3.6 x	4.3 x
LOAN TO VALUE		
Net Debt of Sonae Indústria	210	205
Asset Value ²	471	392
LTV (Net Debt of Sonae Indústria / Asset Value)	45%	52%

² 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 9M18 was circa 17.5 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from our fully owned businesses primarily due to the depreciation of the Canadian dollar, and by a circa 7.6 million euros lower contribution by Sonae Arauco which was affected by the fact that the two Sonae Arauco plants in Portugal that had been hit by the forest fires in October 2017, only gradually resumed production in the first four months of the current year (it should be noted that insurance income related with business interruption is not included under Turnover).

Proportional Recurrent EBITDA in 9M18 was circa 9.9 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from our fully owned businesses and by Sonae Arauco.

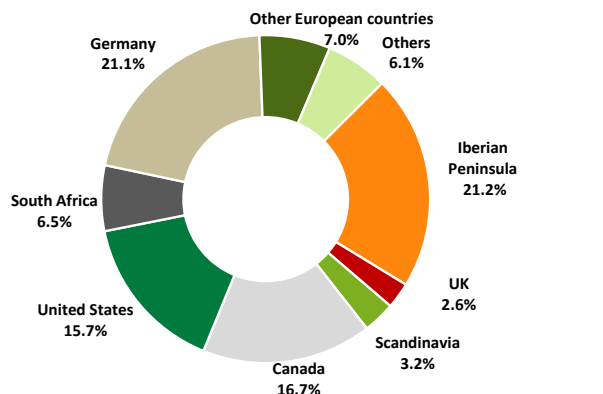
For the first nine months of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at circa 4.3x, which represents an increase of circa 0.7x vs. 9M17. **Loan to Value** also increased when compared to 9M17, reaching 52% at the end of 9M18. In respect of Net Debt to Recurrent EBITDA (proportional) and Assets Value it should be noted that Sonae Arauco's Net Debt in 3Q18 would be materially lower if it was not for the significant amount of expected insurance compensation outstanding at the end of this period: the cumulative amount of insurance compensation booked since 4Q17 is of circa 60.6 million euros (below expected total claim) which

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

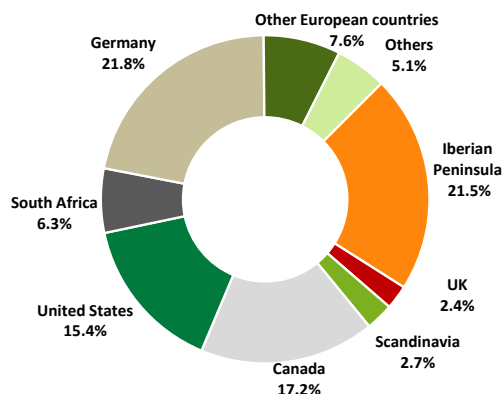
9 MONTHS 2018 RESULTS

compares to actual cash received until September 2018 of 27.5 million euros (hence if all booked amount would have been received Sonae Arauco's Net Debt would be lower by 33.1 million euros).

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 9M17



PROPORTIONAL TURNOVER BY DESTINATION MARKET – 9M18

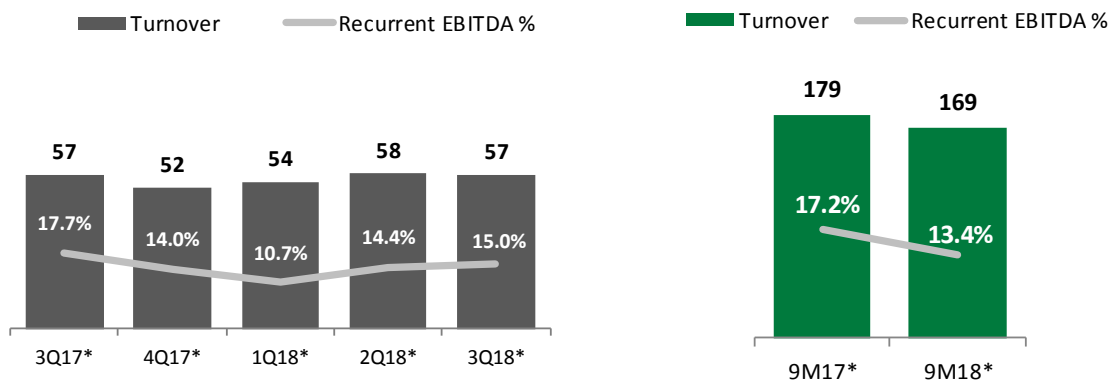


1.2. Consolidated Results

SUMMARY OF 9M18 RESULTS

TURNOVER and RECURRENT EBITDA

Million euros



*Quarterly and year to date information unaudited.

Consolidated Turnover for the first nine months of the year reached circa 168.9 million euros, a reduction of 9.9 million euros vs. same period of last year, driven by lower sales to the Nordic markets by our Laminates and Components business and by the depreciation of the Canadian Dollar vs. the Euro leading to a reduction of sales in Euros from our North American business despite the increase in local currency sales. For the quarter, Consolidated Turnover reached 57.0 million euros, as in 3Q17 and slightly below 2Q18.

Variable costs per cubic meter in local currency increased in the first nine months of the year, when compared to the same period of the previous year, mainly driven by higher input costs of wood (affected by higher

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

9 MONTHS 2018 RESULTS

transportation costs) and higher thermal energy costs (due to the extreme cold weather in Canada in 1Q18). For the quarter, variable costs per cubic meter increased when compared to 3Q17 mainly driven by higher input costs of wood and chemicals, but decreased slightly when compared to the previous quarter, mainly driven by a reduction in input costs of wood.

Recurrent EBITDA for the first nine months of the year reached circa 22.7 million euros, a reduction of circa 8.2 million euros vs. 9M17. The lower Recurrent EBITDA when compared to 9M17 is mainly explained by the reduction in Turnover as explained above, which was only partially offset by a reduction in variable costs of circa 1.4 million euros (which benefited from the Canadian dollar depreciation since local currency costs increased). It should also be noted that 1Q17 included a positive one off effect in fixed costs of circa 1.5 million euros. The 9M18 **Recurrent EBITDA margin** reached 13.4%, down by 3.8 p.p. vs. 9M17. On a quarterly basis, Recurrent EBITDA for the 3Q18 stood at circa 8.6 million euros, a decrease of 1.5 million euros vs. 3Q17, but an increase of circa 0.3 million euros vs. 2Q18, driven by our North American business. The 3Q18 Recurrent EBITDA margin reached 15.0%, down by 2.6. p.p. vs. 3Q17, but up by circa 0.6 p.p. vs. 2Q18.

Consolidated **EBITDA** reached 22.1 million euros in the first nine months of the year and 8.2 million euros in 3Q18, a reduction of 8.5 million euros and 1.7 million euros vs. 9M17 and 3Q17, respectively. However, when compared to the previous quarter, consolidated EBITDA increased 0.1 million euros. The evolution in Consolidated EBITDA is mainly explained by the aforementioned performance of Recurrent EBITDA.

CONSOLIDATED INCOME STATEMENT

Million euros

	9M17 Unaudited	9M18 Unaudited	9M18 / 9M17	3Q17 Unaudited	2Q18 Unaudited	3Q18 Unaudited	3Q18 / 3Q17	3Q18 / 2Q18
Turnover	178.8	168.9	(5.6%)	57.0	57.5	57.0	0.1%	(0.9%)
Other operational income	3.9	3.1	(18.7%)	1.1	1.1	1.2	8.7%	4.0%
EBITDA	30.6	22.1	(27.9%)	10.0	8.1	8.2	(17.5%)	1.7%
Non recurrent items	(0.2)	(0.6)	-	(0.1)	(0.2)	(0.3)	-	94.0%
Recurrent EBITDA	30.8	22.7	(26.5%)	10.1	8.3	8.6	(14.9%)	3.6%
Recurrent EBITDA Margin %	17.2%	13.4%	-3.8 pp	17.7%	14.4%	15.0%	-2.6 pp	0.7 pp
Depreciation and amortisation	(9.3)	(9.6)	(3.6%)	(3.1)	(3.2)	(3.3)	(8.3%)	(4.6%)
Provisions and impairment Losses	0.0	(0.1)	-	0.0	(0.1)	0.0	-	100.0%
Operational profit (EBIT)	21.3	12.4	(41.8%)	6.9	4.9	4.9	(28.9%)	0.9%
Net financial charges	(8.7)	(8.5)	1.9%	(2.6)	(2.9)	(2.9)	(10.3%)	0.3%
o.w. Net interest charges	(6.1)	(6.0)	2.2%	(2.0)	(2.0)	(2.0)	(1.1%)	(0.3%)
o.w. Net exchange differences	(0.6)	0.0	101.6%	0.2	(0.0)	0.0	84.0%	-
o.w. Net financial discounts	(1.3)	(1.2)	6.1%	(0.4)	(0.4)	(0.4)	(1.5%)	(0.9%)
Gains and losses in Joint-Ventures - Net Results	13.7	21.5	57.6%	4.4	14.1	2.8	(37.1%)	(80.3%)
Gains and losses in Joint-Ventures - Other	0.0	0.0	-	0.0	0.0	0.0	-	-
Profit before taxes (EBT)	26.3	25.4	(3.4%)	8.7	16.1	4.8	(44.7%)	(70.0%)
Taxes	(5.4)	(2.8)	47.8%	(1.9)	(0.9)	(1.2)	37.7%	(24.1%)
o.w. Current tax	(6.1)	(4.6)	24.3%	(2.2)	(1.9)	(1.7)	23.0%	12.4%
o.w. Deferred tax	0.7	1.8	-	0.3	1.0	0.5	(72.6%)	48.1%
Consolidated net profit/(loss) for the period	20.9	22.6	8.0%	6.9	15.1	3.7	(46.6%)	(75.8%)

Total **fixed costs** represented 16.6% of turnover for the first nine months of the year, an increase of 0.8 p.p. vs. 9M17 despite the reduction in Fixed Costs when compared with the same period of last year (which benefited from a positive one off effect on fixed costs of circa 1.5 million euros). On a quarterly basis, total fixed costs represented circa 16.0% for 3Q18, a decrease of 0.2 p.p. and 1.0 p.p. vs. 3Q17 and 2Q18, respectively.

Total **headcount of Sonae Indústria**, at the end of September 2018, was 497 FTE's excluding Sonae Arauco, which compares with 493 and 483 FTE's at the end of June 2018 and September 2017, respectively.

Depreciation and amortization charges were 9.6 million euros during 9M18, which represents an increase of 0.3 million euros when compared to 9M17. The values booked for 9M18 take into account for the full period

the investment in the new edging line for our Components plant in Portugal which was concluded in 4Q17. For the quarter, the depreciations charges reached 3.3 million euros, an increase of circa 0.3 million euros vs. 3Q17 and similar to the values booked for 2Q18.

Net financial charges during 9M18 were 8.5 million Euros, which represents a reduction of circa 0.2 million euros vs. 9M17 (it should be noted that 2Q17 included a one off negative effect for foreign exchange differences and derivatives). In the quarter net financial charges reached circa 2.9 million euros, in line with the values booked for 2Q18 and an increase of circa 0.3 million euros vs. 3Q17.

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 nine months of the year, this amounted to 21.5 million euros, an increase of circa 7.9 million euros when compared to 9M17, benefiting from the recognition of the insurance income related to business interruption and property damage due to the fires that affected two Sonae Arauco plants in Portugal in October 2017. On a quarterly basis, Gains and Losses in Joint-Ventures reached circa 2.8 million euros, down by circa 11.3 million euros when compared to 2Q18, mainly explained by lower insurance income recognition and lower activity levels, and down by 1.6 million euros vs. 3Q17.

Current tax charges were 4.6 million euros for the first nine months of the year, a decrease of circa 1.5 million euros when compared to 9M17, mainly driven by lower tax charges in Canada. On a quarterly basis, current tax charges improved circa 0.5 million euros and 0.2 million euros vs. 3Q17 and 2Q18, respectively, mainly driven by our North American business.

Net results were positive of circa 22.6 million euros for 9M18, an improvement of circa 1.7 million euros when compared to 9M17 with better net results at Sonae Arauco and despite lower Recurrent EBITDA of fully owned businesses. For the quarter, the net result reached circa 3.7 million euros, a decrease of circa 11.5 million euros vs. the previous quarter which was marked by very strong net results of our Joint Venture. When compared to 3Q17, net results decreased by circa 3.2 million euros.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million euros

	9M17 Unaudited	1H18 Unaudited	9M18 Unaudited
Non current assets	352.4	363.5	370.9
Tangible assets	142.5	139.1	142.2
Investments in joint ventures	201.3	215.8	218.0
Deferred tax asset	1.4	2.1	2.1
Other non current assets	7.2	6.4	8.5
Current assets	45.7	50.0	46.2
Inventories	17.2	17.2	18.6
Trade debtors	19.0	16.8	18.7
Cash and cash equivalents	2.8	2.9	2.1
Other current assets	6.7	13.1	6.8
Non-current assets classified as available for sale	1.5	0.0	0.0
Total assets	399.7	413.5	417.1
Shareholders' Funds	125.9	140.6	145.2
Equity Holders	125.9	140.6	145.2
Non-controlling interests	0.0	0.0	0.0
Liabilities	273.8	272.9	271.9
Interest bearing debt	212.8	210.6	206.9
Non current	204.0	197.8	188.0
Current	8.7	12.8	18.9
Trade creditors	22.0	24.9	23.2
Other liabilities	39.0	37.4	41.7
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	399.7	413.5	417.1
Net debt	209.9	207.7	204.7
Working Capital	14.2	9.1	14.1

Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached circa 218.0 million euros, which is 2.1 million euros higher than the book value of this investment at the end of 1H18, mostly due to our share of Sonae Arauco's results of circa 2.8 million euros, despite the impact of the unfavourable exchange rate evolution of the South African Rand of 0.6 million euros in the quarter.

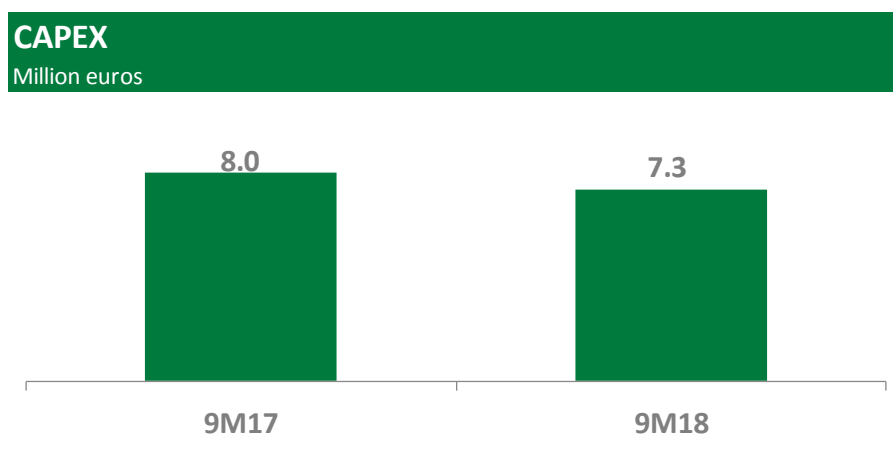
Consolidated **Working Capital** reached circa 14.1 million euros, a reduction of 0.1 million euros when compared to September 2017, with higher trade creditors balances and inventories.

Net Debt stood at 204.7 million euros at the end of September 2018, a decrease of circa 3.0 million euros vs. June 2018, benefiting from the dividend received from Sonae Arauco, and of circa 5.2 million euros vs. September 2017.

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

9 MONTHS 2018 RESULTS

Total **Shareholders' Funds**, at the end of September 2018, totaled circa 145.2 million euros, which represents an increase of circa 4.7 million euros when compared to June 2018, explained by the positive impacts from net results in the quarter and the favourable exchange rate evolution of the Canadian dollar vs. the EUR of 1.7 million euros, which more than offset the negative impact of the exchange rate evolution of the South African Rand of 0.6 million euros.



Additions to Gross Tangible Fixed Assets reached 7.3 million euros in the first nine months of the year, mainly related with recurrent investments in our North American business. The figure for 9M17 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

Asset Value	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)]
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)	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)	Proportional Net Debt / Proportional LTM Recurrent EBITDA
Proportional Net Debt (unaudited)	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

EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

9 MONTHS 2018 RESULTS

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.

Investor Relations

João Mangericão

Phone: (+351) 220 106 359

investor.relations@sonaeindustria.com

SONAE INDÚSTRIA, SGPS, SA

Publicly Listed Company

Share Capital € 253 319 797.26

Maia Commercial Registry and Tax Number 506 035 034

Lugar do Espido Via Norte

Apartado 1096

4470-177 Maia Portugal

Phone: (+351) 22 010 63 00

Fax: (+351) 22 010 04 36

www.sonaeindustria.com

