1st Half Results 18

27 July 2018

Maia, Portugal, 27 July 2018: Sonae Indústria reports unaudited Consolidated Results for the 1st half 2018 (1H18) which are prepared in accordance with the IAS 34 – Interim Financial Reporting. Proportional Indicators are unaudited.

1H18 HIGHLIGHTS

- **Proportional Recurrent EBITDA[1] of 42.3M€**
- **LTM Proportional Recurrent EBITDA[1] of 83.1M€, with 13.5% margin[1]**
- **Positive Net Results of 18.9M€ in 1H18, circa 4.9M€ (+35%) higher than 1H17**
- **Proportional Net Debt[1] at 313M€, up by circa 6M€ *vs*. 1H17, but down by circa 6M€ *vs*. 1Q18**
- **Proportional Leverage[1] of circa 3.8x**

[1] See Glossary of Terms.

MESSAGE FROM THE CHAIRMAN

I am pleased to be able to inform our stakeholders that our plants in Mangualde and Oliveira do Hospital, affected by the forest fires in 4Q17, are now operating close to their desired capacity levels and that the sales ramp up has gradually been accelerating enabling us once again to fully serve our customers.

It is also encouraging that during the first half of 2018, Sonae Indústria generated a net profit of 18.9 million Euros, significantly above last year, driven mainly by the strong contribution from Sonae Arauco but also benefiting from the positive contribution of our North American business with an improvement in performance during the second quarter compared to the first quarter of the year.

Recurrent EBITDA of our fully owned businesses improved in the second quarter as anticipated, with our North American business increasing Turnover while benefiting from lower input costs when compared with the previous quarter. However, North America's Recurrent EBITDA in 1H18 was lower than last year mainly as a result of higher transportation costs both for inbound wood supply and for outbound supply of finished products, higher thermal energy costs due to the severe winter in 1Q18, and some production issues in one of our lines which will be addressed during the 2019 maintenance stoppage. Results in our Laminates business in 1H18 were impacted by a lower top line when compared to last year due primarily to the loss of volumes from a customer in Northern Europe that have only been progressively and partially recovered.

I would like to highlight that as from 3Q18 our North America business will bring to the market a unique HPL matching of the complete decorative MFC collection using HPL supplied by our Laminates business in Portugal under the new brand Surforma. This is a strategic project that should bring substantial benefits for both businesses.

Sonae Arauco delivered sound results during the first half of the year with higher Recurrent and Total EBITDA when compared to the same period of last year, benefiting from improved profitability of its underlying business. Notwithstanding higher variable costs versus 1H17, namely chemicals and wood, Sonae Arauco generated a Recurrent EBITDA that is 2.4 million Euros above last year. Sonae Arauco results also reflect the recognition of insurance income related with the fires that affected its two plants in Portugal, in respect of business interruption and property damage.

Considering our 50% share of Sonae Arauco's figures, LTM Proportional Recurrent EBITDA was at 83.1 million Euros and Proportional Net Debt at 313 million euros leading to a stable leverage ratio of circa 3.8x. The increase in Proportional Net Debt when compared to 1H17 is due to the higher Net Debt at Sonae Arauco which reflects the investment effort we are making in respect of our existing asset base and the fact that we had not yet received the full expected amount of insurance compensation during the 1H18.

As part of our plan at Sonae Arauco to improve the competitiveness of our plants and our focus on customer needs, we have approved an investment to replace the two multi daylight particleboard presses at our Beeskow plant in Germany, by a new continuous press with state of the art technology.

Finally, it should be noted that Sonae Indústria's capital structure continues to strengthen, a process that began more than two years ago, and continued in the quarter as a result of the strengthening of Shareholders' Funds and with Net Debt marginally below the previous quarter.

Paulo Azevedo
Chairman, Sonae Indústria

1. Sonae Indústria Results

1.1. Proportional Results (unaudited)

SUMMARY OF 1H18 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. provides 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)	1H17	1H18
Proportional Turnover	331	317
Proportional Rec. EBITDA	48	42
Proportional Rec. EBITDA margin	14.4%	13.3%
Proportional LTM Turnover	644	617
Proportional LTM Rec. EBITDA	90	83
Proportional LTM Rec. EBITDA margin	14.0%	13.5%
LEVERAGE		
Proportional Net Debt	308	313
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	**3.4 x**	**3.8 x**
LOAN TO VALUE		
Net Debt of Sonae Indústria	213	208
Asset Value[2]	497	447
LTV (Net Debt of Sonae Indústria / Asset Value)	**43%**	**47%**

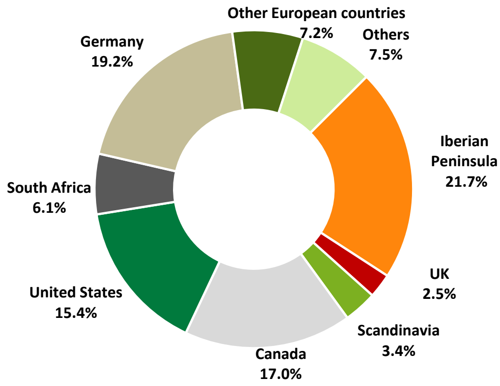
[2] Calculated as described in the Glossary of Terms. This compares with a Consensus 'Asset Value' of EUR 522M based on the average of the sum of the parts valuation (as at year-end 2018) of Sonae Indústria assets carried out by two independent equity research houses.

Proportional Turnover in 1H18 was circa 13.2 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from the fully owned businesses primarily due to the depreciation of the Canadian dollar, and by a 3.2 million euros lower contribution by Sonae Arauco explained by 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 (and the insurance income related with business interruption is not included under Turnover items).

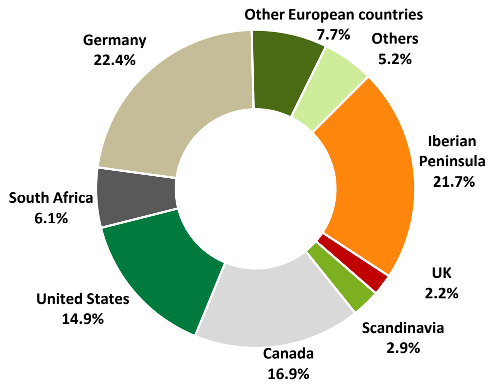
Proportional Recurrent EBITDA in 1H18 was circa 5.5 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from fully owned businesses as Sonae Arauco recurrent EBITDA contribution increased by circa 1.2 million euros when compared to 1H17.

For the first half of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at circa 3.8x, which represents an increase of circa 0.4x *vs*. 1H17. **Loan to Value** also increased when compared to 1H17, reaching circa 47% at the end of 1H18.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H17



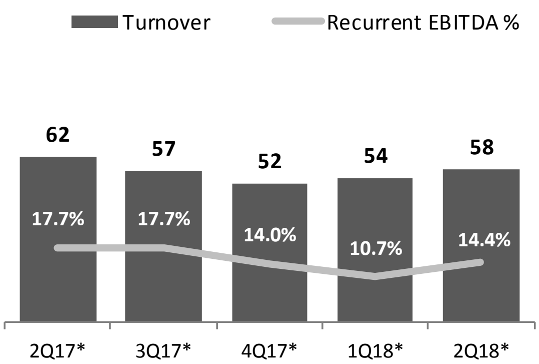
PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H18

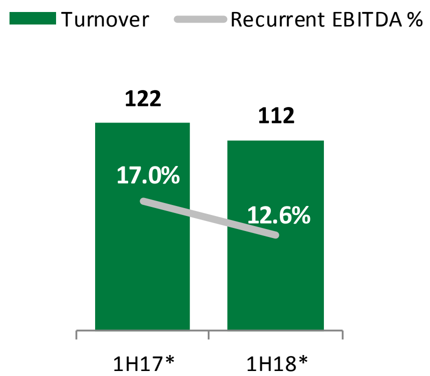


1.2. Consolidated Results

SUMMARY OF 1H18 RESULTS

TURNOVER and RECURRENT EBITDA
Million euros





*Quarterly and half information unaudited.

Consolidated Turnover for the first half of the year reached 111.8 million euros, a reduction of circa 10.0 million euros *vs.* same period of last year, essentially driven by a 7.3 million euros unfavourable exchange rate effect resulting from the depreciation of the Canadian dollar *vs.* the EUR. For the quarter, Consolidated Turnover reached 57.5 million euros, down by circa 4.8 million euros vs. 2Q17, explained mainly by the unfavourable exchange rate evolution of the Canadian dollar and lower sales to the Nordic markets by our Laminates & Components business. However, when compared to the previous quarter, consolidated turnover increased by 3.2 million euros, driven by our North American business with higher **sales volumes** to the Canadian market and an increase in **average selling prices**.

Variable costs per cubic meter in local currency increased, when compared with the first half of 2017, mainly driven by higher input costs of wood (affected by higher 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 2Q17 mainly driven by higher input costs of wood, but decreased materially when compared to the previous quarter, with a reduction in most input costs and particularly thermal energy.

Recurrent EBITDA for the first half of the year reached circa 14.1 million euros, a reduction of circa 6.7 million euros *vs.* 1H17. The lower Recurrent EBITDA when compared to 1H17 is mainly explained by the already mentioned reduction in Turnover, which was only partially offset by the 2.6 million euros reduction on variable costs (which benefited from the Canadian dollar depreciation since local currency costs increased as previously explained). It should also be taken to account that 1Q17 included a positive one off effect on fixed costs of circa 1.5 million euros. The 1H18 **Recurrent EBITDA margin** reached 12.6%, down by 4.4 p.p. *vs.* 1H17. On a quarterly basis, Recurrent EBITDA for the 2Q18 stood at circa 8.3 million euros, a decrease of circa 2.8 million euros *vs.* 2Q17, but an increase of circa 2.5 million euros *vs.* 1Q18, driven by our North American business. The 2Q18 **Recurrent EBITDA margin** reached circa 14.4%, down by 3.3. p.p. *vs*. 2Q17, but up by 3.7 p.p. *vs.* 1Q18.

Consolidated **EBITDA** reached circa 13.9 million euros in the first semester of the year and 8.1 million euros in 2Q18, a reduction of circa 6.8 million euros and 2.8 million euros *vs*. 1H17 and 2Q17, respectively. However, when compared to the previous quarter, consolidated EBITDA increased circa 2.4 million euros. The evolution in Consolidated EBITDA is explained by the aforementioned performance of Recurrent EBITDA.

CONSOLIDATED INCOME STATEMENT
Million euros

	1H17 Unaudited	1H18 Unaudited	1H18 / 1H17	2Q17 Unaudited	1Q18 Unaudited	2Q18 Unaudited	2Q18 / 2Q17	2Q18 / 1Q18
Turnover	**121.8**	**111.8**	**(8.2%)**	**62.3**	**54.3**	**57.5**	**(7.6%)**	**5.9%**
Other operational income	2.8	2.0	(29.0%)	1.7	0.9	1.1	(36.3%)	25.4%
EBITDA	20.6	13.9	(32.9%)	10.9	5.7	8.1	(25.9%)	41.1%
Non recurrent items	(0.1)	(0.2)	(104.8%)	(0.1)	(0.1)	(0.2)	(55.3%)	-
Recurrent EBITDA	**20.8**	**14.1**	**(32.1%)**	**11.0**	**5.8**	**8.3**	**(25.0%)**	**42.5%**
Recurrent EBITDA Margin %	17.0%	12.6%	-4.4 pp	17.7%	10.7%	14.4%	-3.3 pp	3.7 pp
Depreciation and amortisation	(6.2)	(6.3)	(1.3%)	(3.1)	(3.1)	(3.2)	(4.1%)	(1.6%)
Provisions and impairment Losses	0.0	(0.1)	-	0.0	0.0	(0.1)	-	-
Operational profit (EBIT)	**14.4**	**7.5**	**(48.1%)**	**7.9**	**2.6**	**4.9**	**(38.2%)**	**86.2%**
Net financial charges	(6.1)	(5.7)	7.0%	(3.4)	(2.8)	(2.9)	14.6%	(1.8%)
o.w. Net interest charges	(4.2)	(4.0)	3.8%	(2.0)	(2.0)	(2.0)	1.5%	(0.6%)
o.w. Net exchange differences	(0.7)	(0.0)	97.9%	(0.6)	(0.0)	(0.0)	98.6%	(47.6%)
o.w. Net financial discounts	(0.9)	(0.8)	9.7%	(0.5)	(0.4)	(0.4)	9.9%	(11.5%)
Gains and losses in Joint-Ventures - Net Results	9.3	18.8	102.6%	5.1	4.7	14.1	-	-
Gains and losses in Joint-Ventures - Other	0.0	0.0	-	0.0	0.0	0.0	-	-
Profit before taxes (EBT)	**17.6**	**20.6**	**17.1%**	**9.6**	**4.5**	**16.1**	**67.6%**	**-**
Taxes	(3.5)	(1.6)	53.1%	(1.9)	(0.7)	(0.9)	51.8%	(32.5%)
o.w. Current tax	(3.9)	(3.0)	25.0%	(2.3)	(1.1)	(1.9)	17.3%	(78.8%)
o.w. Deferred tax	0.4	1.3	-	0.3	0.4	1.0	-	-
Consolidated net profit/(loss) for the period	**14.1**	**18.9**	**34.6%**	**7.6**	**3.8**	**15.1**	**98.1%**	**-**

Total **fixed costs** represented 16.9% of turnover for 1H18 and 17.0% for 2Q18, an increase of circa 1.4 p.p. *vs*. 1H17 (which benefited from a positive one off effect on fixed costs of circa 1.5 million euros) and 0.6 p.p. *vs*. 2Q17, respectively, due to the reduction of Turnover as Fixed Costs are in both cases lower than in the same period of last year. When compared to the previous quarter, total fixed costs as a percentage of turnover increased circa 0.2 p.p..

Total **headcount of Sonae Indústria**, at the end of June 2018, was 493 FTE's excluding Sonae Arauco, which compares with 484 FTE's at the end of June 2017.

Depreciation and amortization charges were 6.3 million euros during 1H18 in line with the values booked for 1H17. For the quarter, the depreciation charges reached circa 3.2 million euros, also in line with the values booked for 2Q17 and 1Q18.

Net financial charges during 1H18 were circa 5.7 million Euros, which represents a reduction of 0.4 million euros *vs.* 1H17, mainly explained by an improvement of 0.7 million euros in net exchange differences (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 1Q18 and a reduction of circa 0.5 million euros *vs*. 2Q17, due to already mentioned improvement in net exchange differences.

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 semester of the year, this amounted to circa 18.8 million euros, an increase of 9.5 million euros when compared to 1H17, 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 14.1 million euros, up by 9.3 million euros and by 9.0 million euros when compared to 1Q18 and 2Q17, respectively.

Current tax charges were circa 3.0 million euros for the first half of the year, a decrease of circa 1.0 million euros when compared to 1H17, mainly driven by lower tax charges in Canada. On a quarterly basis, current tax charges improved circa 0.4 million euros *vs.* 2Q17, but increased by 0.8 million euros when compared to the previous quarter, mainly driven by our North American business.

Net results were positive of 18.9 million euros for 1H18 and reached 15.1 million euros in 2Q18, an improvement of circa 4.9 million euros and 7.5 million euros when compared to 1H17 and 2Q17, respectively. The increase in Net results, when compared to 1H17 and 2Q17, is explained by the improvement in the net results of Sonae Arauco Joint-Venture. When compared to the previous quarter, net results increased 11.3 million euros, explained by the increase in Recurrent EBITDA of fully owned businesses and again by the improvement in the net results of our Joint Venture.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	1H17 Unaudited	1Q18 Unaudited	1H18 Unaudited
Non current assets	**347.7**	**357.1**	**363.5**
Tangible assets	140.3	138.5	139.1
Investments in joint ventures	198.6	210.7	215.8
Deferred tax asset	1.4	1.5	2.1
Other non current assets	7.4	6.5	6.4
Current assets	**51.2**	**40.2**	**50.0**
Inventories	16.1	16.7	17.2
Trade debtors	18.9	16.2	16.8
Cash and cash equivalents	3.1	1.8	2.9
Other current assets	13.1	5.5	13.1
Non-current assets classified as available for sale	**1.5**	**0.0**	**0.0**
Total assets	**400.5**	**397.4**	**413.5**
Shareholders' Funds	**120.3**	**126.4**	**140.6**
Equity Holders	120.3	126.4	140.6
Non-controlling interests	0.0	0.0	0.0
Liabilities	**280.2**	**271.0**	**272.9**
Interest bearing debt	215.9	210.4	210.6
Non current	204.6	195.8	197.8
Current	11.3	14.6	12.8
Trade creditors	25.0	22.5	24.9
Other liabilities	39.3	38.1	37.4
Liabilities directly associated with non-current assets classified as available for sale	**0.0**	**0.0**	**0.0**
Total Shareholders'Funds and liabilities	**400.5**	**397.4**	**413.5**
Net debt	**212.8**	**208.6**	**207.7**
Working Capital	**10.0**	**10.4**	**9.1**

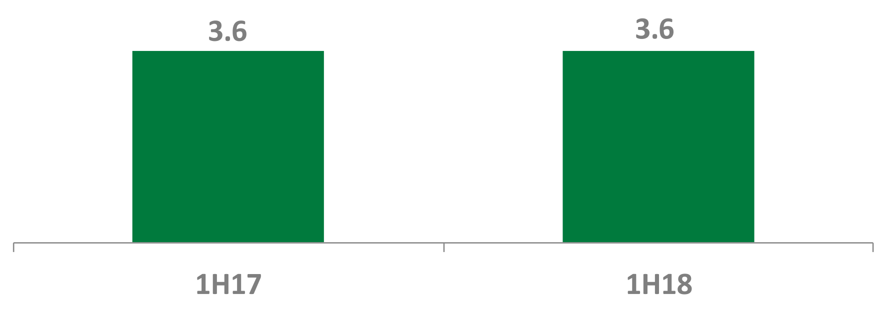
Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached 215.8 million euros, which is 5.1 million euros higher than the book value of this investment at the end of 1Q18, mostly due to our share of Sonae Arauco's results of circa 14.1 million euros, despite the impacts of (i) the amount of dividends to be paid by Sonae Arauco to Sonae Indústria booked in 1H18 and to be settled in 3Q18 in an amount of circa 6.4 million euros (which justify the increase in Current assets) and (ii) the unfavourable exchange rate evolution of the South African Rand of circa 2.5 million euros in the quarter.

Consolidated **Working Capital** reached 9.1 million euros, a decrease of 1.3 million euros when compared to March 2018, due to an increase in trade creditors balances in our North American operation.

Net Debt stood at circa 207.7 million euros at the end of June 2018, a decrease of 0.9 million euros *vs*. March 2018 and circa 5.1 million euros *vs*. June 2017.

Total **Shareholders' Funds,** at the end of June 2018, totaled circa 140.6 million euros, which represents an increase of 14.2 million euros when compared to March 2018, mainly explained by the positive impact from net results in the quarter.

CAPEX
Million euros



Additions to Gross Tangible Fixed Assets reached 3.6 million euros in the first half of the year, in line with the values booked for 1H17, essentially related with recurrent maintenance and environmental investments.

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); *management accounts concept*
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

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 statement 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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