



# 2016 FIRST HALF RESULTS

21 September 2016

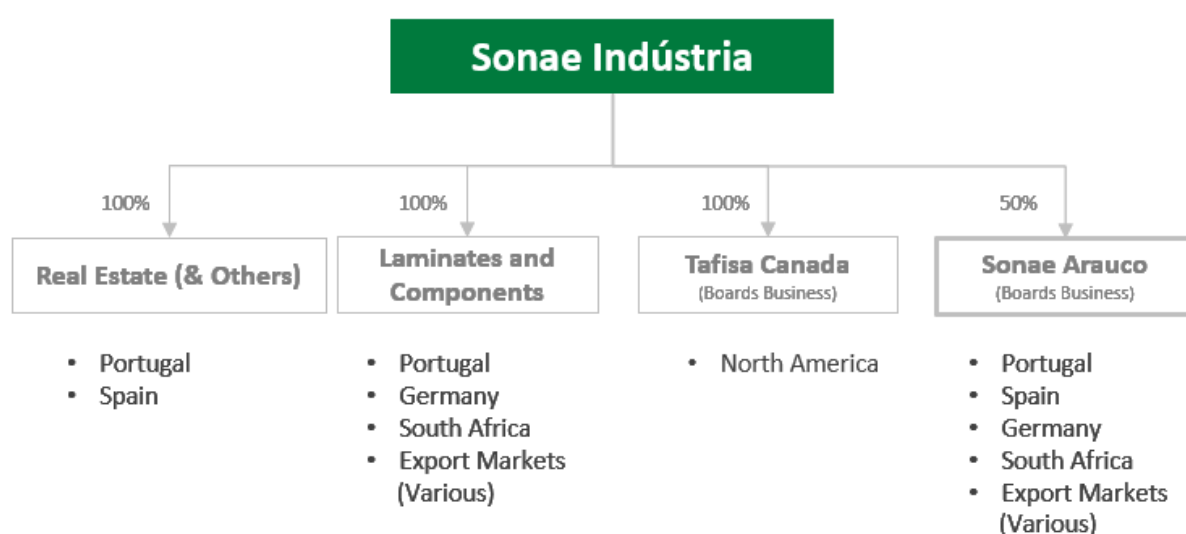
**Maia, Portugal, 21 September 2016:** Sonae Indústria reports unaudited Consolidated Results for the 1<sup>st</sup> half 2016 (1H16) which have been prepared in accordance with the IAS 34 – Interim Financial Reporting.

## 1H16 HIGHLIGHTS:

- Completion of strategic partnership with Arauco
- Proportional Recurrent EBITDA<sup>1</sup> of 49M€, 15 M€ higher than 1H15 on a like for like basis
- Proportional LTM Recurrent EBITDA<sup>1</sup> of 83 M€
- Operational Profit (EBIT) up 7M€ vs 1H15
- Positive net results for Continued Operations
- Proportional Leverage<sup>1</sup> at 4.1x
- Loan to Value<sup>1</sup> of 47%

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

## SIMPLIFIED STRUCTURE



## MESSAGE FROM THE CHAIRMAN

I am pleased to present our first results following the conclusion of the strategic partnership with Arauco, involving our boards, chemicals and impregnation activities in Europe and South Africa. The new partnership constitutes an important milestone for Sonae Indústria paving the way for improving and more sustainable profitability.

As a result of the partnership with Arauco, Sonae Indústria now owns 50% of Sonae Arauco and retains full ownership of the Boards business in North America and of the Laminates & Components business, together with some real estate assets in Europe. The new ownership configuration will allow for greater focus and resourcing of all of the businesses, either through the partnership in the case of Sonae Arauco or directly by Sonae Indústria in the case of both our North American business and our Laminates & Components business.

During 1H16, all three main business units performed better compared to last year driven by improved results in North America and in our Laminates operations in Portugal and the contribution from Sonae Arauco. Considering our 50% share of Sonae Arauco's figures, at the end of June 2016, the proportional last twelve months Recurrent EBITDA stood at 83 million Euros and proportional net debt at 339 million Euros, implying a leverage ratio of 4.1x. This compares to a leverage ratio of 5.1x for Sonae Indústria at the end of March, prior "closing" of the Sonae Arauco partnership.

Also during the 1H16 we concluded the investment in a fifth melamine surfacing line, that includes embossed and in-register capabilities, at our Lac-Mégantic plant in North America. This investment will further improve our position in the higher value decorative product segments and strengthen our Canadian plant as a reference player in the North American market.

Following the conclusion of the partnership with Arauco, in addition to supporting Sonae Arauco, we will focus on ways to improve and grow our business in North America and our Laminates & Components business and to seek to monetize the surplus real estate assets that still remain on our books.

I would like to take this opportunity to thank our employees for their hard work and dedication including efforts made to conclude the partnership with Arauco, and I would like to thank all our stakeholders for their continued support of and confidence in, our Board of Directors and management team.

Paulo Azevedo  
*Chairman Sonae Indústria*

# 1. Sonae Indústria consolidated results

## EXPLANATORY NOTES:

The completion of the partnership with Arauco and the subsequent loss of control of Sonae Arauco (formerly Tableros de Fibras or Tafisa), has led to a number of material accounting changes in Sonae Indústria's consolidated financial statements as summarized below.

- The Consolidated Income Statement (P&L) for 2016 shows all the companies included in the consolidation perimeter of Sonae Arauco also classified as Discontinued Operations until May, and accounted by the Equity Method as of the 1 June 2016.

- The P&L for 2015 was restated to show as Discontinued Operations the results of all the companies included in the consolidation perimeter of Sonae Arauco. It should be noted that this is in addition to the results of the French industrial units Ussel (sold in March 2015) and Linxe (sold in July 2015), Pontecaldelas plant, in Spain, and Betanzos, in Spain (sold in April 2015) that had already been considered as Discontinued Operations in 2015.

- The balance sheet as at 31 December 2015 has not been restated. As at 30 June 2016, the balance sheet represents the position of Sonae Indústria under the new perimeter with the 50% shareholding in Sonae Arauco equity accounted.

- The investment in Sonae Arauco (now equity accounted) has been booked provisionally at 147.3 million euros as at 31 May 2016, the completion date for the setting up of the partnership with Arauco. This is a provisional accounting value of Sonae Arauco resulting from its deconsolidation from Sonae Indústria's consolidated accounts. Within the framework of IAS 28 and IFRS 11, this is a provisional accounting value and will be subject to correction in the year end 2016 financial statements once a 'Fair Value' has been established for Sonae Arauco. This correction will necessarily have an effect on year end 2016 financial statements which, at this stage, is not possible to determine. Due to the positive results of Sonae Arauco in the month of June, the investment in Sonae Arauco as at 30 June 2016 stood at 151.7 million euros.

- Additionally, due to the loss of control of Sonae Arauco and in accordance with IFRS 10, the composition of Shareholders' Funds has been reclassified with the 'Translation Reserves' (cumulative exchange rate impacts on equity) related to Sonae Arauco companies having been moved from 'Other Comprehensive Income' to 'Other Reserves & Accumulated earnings'. Although this change is neutral on Shareholders' Funds, it has led to a corresponding accounting charge in the P&L for the amount of the reclassification (36.6 million Euros).

Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is now accounted by the Equity method, **Proportional Turnover**, **Proportional Recurrent EBITDA**, **Proportional Leverage** and **Loan to Value** financial indicators are presented, given their greater relevance for the purpose of valuation and leverage analysis of Sonae Indústria today (see "Glossary of Terms" for definitions).

FINANCIAL INDICATORS		1H16
Proportional LTM Turnover		647
LEVERAGE		
Proportional LTM Rec. EBITDA		83
Proportional Net Debt		339
<b>Proportional Leverage</b>		<b>4.1 x</b>
LOAN TO VALUE		
Net Debt of Sonae Indústria		222
Asset Value		472
<b>LTV (Net Debt of Sonae Indústria / Asset Value)</b>		<b>47%</b>

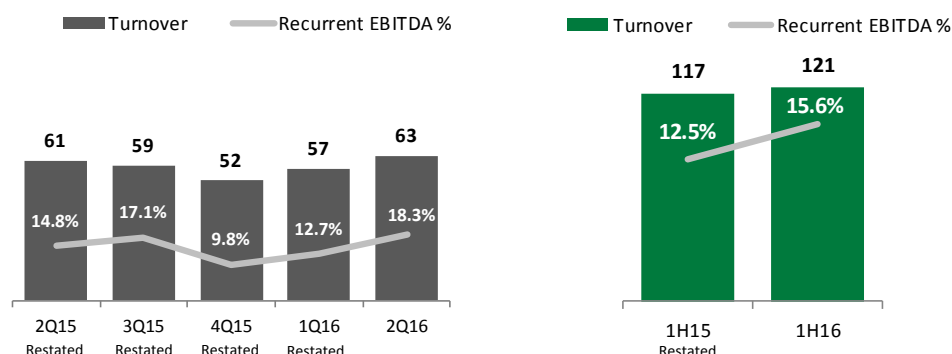
# EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

## 2016 FIRST HALF RESULTS

### SUMMARY OF 2016 FIRST HALF RESULTS:

#### TURNOVER and RECURRENT EBITDA

Million euros

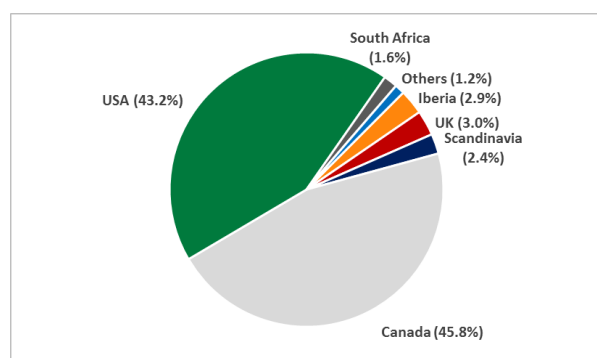


Consolidated **turnover** reached circa 121 million Euros for the semester, an increase of 3.2% (or 3.7 million Euros), when compared to the same period of last year, on a comparable basis. This performance was mainly driven by better results of our Canadian plant y.o.y., with a better product mix (higher share of melamine products) and increases in average selling prices. In addition, results also benefited from the positive performance of our Laminates plant in Portugal in terms of sales volumes, which grow by circa 62% y.o.y.

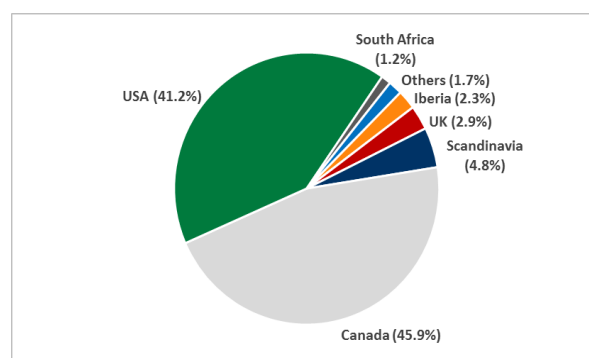
It should be noted that the depreciation of the Canadian dollar vs. the EUR during 1H16, negatively impacted consolidated turnover. On a like for like basis, using exchange rates of 2015, consolidated turnover would have been circa 8.2 million Euros higher, representing an increase of 10.2%.

**Proportional Turnover** of 332 million Euros in 1H16 which compares with 327 million Euros in 1H15.

#### TURNOVER BY DESTINATION MARKET – 1H15



#### TURNOVER BY DESTINATION MARKET – 1H16



Analysing turnover of Sonae Indústria by destination market, Canada and USA are the most important markets, representing nearly 90% of the turnover during 1H15 and 1H16. Regarding the remaining markets, the most important are Scandinavia, UK and Iberia. Sales to Scandinavia increased 2.4 p.p. to 4.8% in 1H16, when compared to 1H15.

Total **fixed costs** for the first six months of the year, on a like for like basis, were kept relatively stable when compared to the same period in 2015 representing circa 16% of Turnover.

## EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

### 2016 FIRST HALF RESULTS

Total **headcount for Sonae Indústria**, at the end of June 2016 and considering fully owned businesses, was of 486 FTEs.

**Recurrent EBITDA** for **1H16** reached 19 million Euros, an improvement of 29%, when compared to same period of last year, with an implicit **Recurrent EBITDA margin** of 15.6% (+3.1 p.p. vs. 1H15), on a comparable basis. This implies a LTM recurrent EBITDA of 34 million euros. LTM Proportional Recurrent EBITDA (i.e., including 50% of Sonae Arauco Recurrent EBITDA) was 83 million euros.

CONSOLIDATED INCOME STATEMENT			
Million euros			
	1H15 Restated	1H16	1H16 / 1H15(R)
<b>Turnover</b>	<b>117</b>	<b>121</b>	<b>3%</b>
Other operational income	3	4	38%
EBITDA	14	19	35%
Non recurrent items	(0)	0	-
<b>Recurrent EBITDA</b>	<b>15</b>	<b>19</b>	<b>29%</b>
Recurrent EBITDA Margin %	12.5%	15.6%	3.1 pp
<b>Proportional Recurrent EBITDA</b>	<b>34</b>	<b>49</b>	<b>42%</b>
Depreciation and amortisation	(7)	(6)	16%
Provisions and impairment Losses	(0)	0	-
<b>Operational profit (EBIT)</b>	<b>7</b>	<b>14</b>	<b>92%</b>
Net financial charges	0	(10)	-
o.w. Net interest charges	1	(8)	-
o.w. Net exchange differences	(0)	0	-
o.w. Net financial discounts	(1)	(1)	(8%)
Gains and losses in Joint-Ventures	0	3	-
<b>Profit before taxes (EBT)</b>	<b>7</b>	<b>7</b>	<b>(2%)</b>
Taxes	(2)	(4)	(60%)
o.w. Current tax	(2)	(4)	-
o.w. Deferred tax	(0)	1	-
<b>Profit/(loss) from continued operations</b>	<b>5</b>	<b>3</b>	<b>(31%)</b>
Profit/(loss) from discontinued operations	(25)	(31)	(25%)
<b>Consolidated net profit/(loss) for the period</b>	<b>(20)</b>	<b>(27)</b>	<b>(39%)</b>
Losses (income) attrib. to non-controlling interests	(0)	0	-
<b>Net profit/(loss) attributable to Equity Holders</b>	<b>(20)</b>	<b>(27)</b>	<b>(39%)</b>

Consolidated **EBITDA** for 1H16 reached 19 million Euros, 5 million Euros higher than 1H15, on a comparable basis. Contrary to previous periods, the group's consolidated performance was positively impacted by **non-recurrent items** related with inactive sites in the amount of 0.3 million Euros for the semester resulting from the sale of Coleraine land (UK) in April 2016, which generated a gain of circa 0.8 million Euros, which more than offset the on-going costs of inactive sites.

**Proportional Recurrent EBITDA** was 49 million Euros during 1H16, which represents an improvement of 42%, when compared to the same period of last year, on a comparable basis.



**Depreciation and amortization** charges for the semester were reduced by circa 1 million Euros vs. 1H15, which is mainly explained by the reduction in depreciation charges in our North American operation.

**Provisions and impairment losses** for the semester totalled a net amount of circa -0.3 million Euros, corresponding to a release of provisions for the legacy restructuring process in France.

**Net financial charges** in 1H16 were 9.8 million Euros, a significant increase when compared to the restated figures for the same period of last year. This is essentially due to: (i) a 7.3 million Euros reduction in net interest income on loans to and from what were previously intra group companies vs. 1H15, which is explained by the fact that those loans (mostly loans from Sonae Indústria to Sonae Arauco companies) were fully repaid by 1H16; and (ii) recognition of previously deferred upfront financing costs of 1.9 million Euros due to early repayment of loans as part of the refinancing process related to the execution of the Sonae Arauco partnership.

**Gains and losses in Joint-Ventures**, at the end of June 2016, amounted to circa 3.2 million Euros, corresponding to 50% of the consolidated net profit of Sonae Arauco since 1 June 2016.

**Current tax charges** were approximately 4.3 million Euros for the semester, which represents an increase of 2.5 million Euros vs. 1H15, on a comparable basis. The increase in the tax charge is explained by: (i) higher tax charges in Canada; and (ii) lower tax consolidation benefit in 2016 due to the deconsolidation of Sonae Arauco entities from the Portuguese tax consolidation perimeter in 1H16.

The combination of the above factors led to a consolidated positive **Net Result** for Continued Operations in the amount of 3.3 million Euros for the semester, a reduction of 31% when compared to 1H15, on a comparable basis.

The results of Discontinued Operations showed a Net loss at the end of June 2016 of 31 million Euros. This comprises a positive net profit contribution of 5.9 million Euros from Sonae Arauco and an accounting charge of 36.6 million euros resulting from the need to reclassify cumulative Translation Reserves related to Sonae Arauco companies from 'Other Comprehensive Income' to 'Other Reserves & Accumulated Earnings' due to the loss of control of Sonae Arauco in accordance with IFRS 10. This led to a Net Loss of 27 million Euros for the period to 30 June 2016.

## EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

### 2016 FIRST HALF RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Million euros			
	1H15	2015	1H16
<b>Non current assets</b>	<b>802</b>	<b>758</b>	<b>314</b>
Tangible assets	670	629	152
Goodwill	82	81	0
Deferred tax asset	27	28	2
Other non current assets	23	20	159
<b>Current assets</b>	<b>283</b>	<b>243</b>	<b>52</b>
Inventories	99	98	18
Trade debtors	135	85	20
Cash and cash equivalents	12	29	7
Other current assets	39	31	7
<b>Non-current assets classified as available for sale</b>	<b>4</b>	<b>2</b>	<b>2</b>
<b>Total assets</b>	<b>1,089</b>	<b>1,003</b>	<b>367</b>
<b>Shareholders' Funds</b>	<b>90</b>	<b>58</b>	<b>69</b>
Equity Holders	91	58	69
Non-controlling interests	(0)	(0)	0
<b>Liabilities</b>	<b>988</b>	<b>945</b>	<b>298</b>
Interest bearing debt	618	599	229
Non current	456	71	224
Current	162	528	4
Trade creditors	142	139	30
Other liabilities	228	207	40
<b>Liabilities directly associated with non-current assets classified as available for sale</b>	<b>11</b>	<b>0</b>	<b>0</b>
<b>Total Shareholders' Funds and liabilities</b>	<b>1,089</b>	<b>1,003</b>	<b>367</b>
<b>Net debt</b>	<b>606</b>	<b>570</b>	<b>222</b>
<b>Working Capital</b>	<b>91</b>	<b>44</b>	<b>8</b>

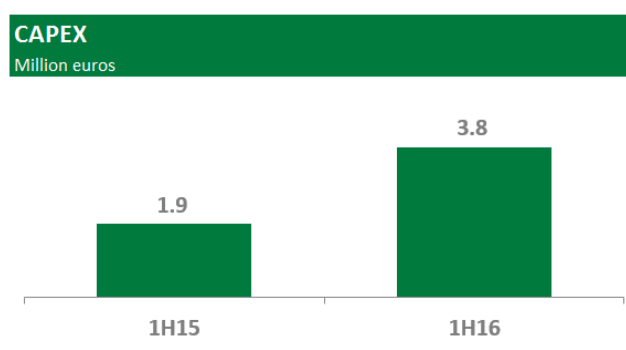
In contrast to the Consolidated Income Statement, the Balance sheet for 2015 has not been restated. Accordingly, the balance sheet as at 31 December 2015 include all the companies in the consolidation perimeter of Sonae Indústria including those of Sonae Arauco, and therefore is not comparable to that shown as at 30 June 2016. Nevertheless, the following items are worth highlighting in respect of the balance sheet:

- Included in Tangible Assets under **Other Non-current assets**, is the investment in Joint-Ventures (50% of Sonae Arauco) in an amount of 151.7 million Euros stated at provisional accounting value at the end of June 2016 (including 50% of the net results of Sonae Arauco for June) and will be subject to correction in the year end 2016 accounts once a 'Fair Value' has been determined.
- Consolidated **Working Capital** showed a significant reduction at the end of 1H16 reaching 8.2 million Euros, reflecting the smaller consolidation perimeter and also the lower investment in working capital by our Canadian operation.
- **Net Debt** stood at circa 222 million Euros at the end of June 2016.
- Despite the smaller balance sheet of Sonae Indústria as a result of the deconsolidation of Sonae Arauco, **Total Shareholder's funds** at the end of June 2016 amounted to circa 69 million Euros, 11 million Euros above December 2015 value.



## EARNINGS ANNOUNCEMENT | SONAE INDÚSTRIA

### 2016 FIRST HALF RESULTS



Note: 2015 numbers exclude investments in French plants sold in 2015 (for comparability purposes); 2016 numbers exclude transfer of Real Estate from Sonae Arauco to Sonae Indústria perimeter in 2016 (within the corporate restructuring required for Sonae Arauco partnership).

Additions to Gross Tangible Assets reached 3.8 million Euros for the semester, which compares with 1.9 million Euros during the same period in 2015, on a comparable basis. During this semester, the majority of the investments were executed in our North American plant, being circa 2.3 million Euros related with the strategic investment in a 5<sup>th</sup> melamine surfacing line.

FINANCIAL INDICATORS		1H16
Proportional LTM Turnover		647
LEVERAGE		
Proportional LTM Rec. EBITDA		83
Proportional Net Debt		339
<b>Proportional Leverage</b>		<b>4.1 x</b>
LOAN TO VALUE		
Net Debt of Sonae Indústria		222
Asset Value		472
<b>LTV (Net Debt of Sonae Indústria / Asset Value)</b>		<b>47%</b>

Both **Net Debt to LTM Recurrent EBITDA (proportional)** of 4.1x and **Loan to Value** of 47% at the end of June 2016 provide evidence of the deleveraging that Sonae Indústria has pursued during the last few years and the resulting improved capital structure.

## 2. Looking Forward

For the remainder of the year, we look to continue to improve our product mix and market share in North America, leveraging on the recent investment in a fifth melamine surfacing line at our Canadian plant with a new embossed and in-register ViVa collection (two sided and with two panel sizes) already presented at the International Woodworking Fair in Atlanta during August. We will also seek to develop the Laminates & Components business by looking for growth opportunities with existing and new customers and markets and by improving profitability levels.

At Sonae Arauco, we will support the development of the business through our participation in the Board of Directors and its committees.

In addition, we will look for opportunities to monetize our real estate and equipment, aiming at reducing the running costs of our inactive sites.

## 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 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>Net Debt</b>	Gross Debt - Cash and cash equivalents
<b>Proportional Leverage</b>	Proportional Net Debt / Proportional Last Twelve Months Recurrent EBITDA
<b>Proportional LTM Turnover</b>	Last Twelve Months Turnover of the businesses fully consolidated (100%) by Sonae Indústria + 50% of the Last Twelve Months Turnover of Sonae Arauco
<b>Proportional LTM Rec. EBITDA</b>	Last Twelve Months Recurrent EBITDA of Sonae Indústria + 50% of Last Twelve Months Recurrent EBITDA of Sonae Arauco
<b>Proportional Recurrent EBITDA</b>	Recurrent EBITDA of the businesses fully consolidated (100%) by Sonae Indústria + 50% of the Recurrent EBITDA of Sonae Arauco
<b>Proportional Net Debt</b>	Net Debt of Sonae Indústria + 50% of Net Debt of Sonae Arauco
<b>Recurrent EBITDA</b>	Recurrent EBITDA of the businesses fully consolidated (100%) by Sonae Indústria, excluding non-recurrent operational income / costs
<b>Recurrent EBITDA margin</b>	Recurrent EBITDA / Turnover
<b>Working Capital</b>	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 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.

## **MEDIA AND INVESTOR CONTACTS**

Investor Relations

**João Mangericão**

Phone: (+351) 220 100 655

[investor.relations@sonaeindustria.com](mailto:investor.relations@sonaeindustria.com)

Media

**Joana Castro Pereira**

Phone: (+351) 220 100 403

[corporate.communication@sonaeindustria.com](mailto:corporate.communication@sonaeindustria.com)

**SONAE INDÚSTRIA, SGPS, SA**

Publicly Listed Company

Share Capital € 812 107 574.17

Maia Commercial Registry and Tax Number 506 035 034

Lugar do Espido Via Norte

Apartado 1096

4470-177 Maia Portugal

Phone: (+351) 22 010 04 00

Fax: (+351) 22 010 05 43

[www.sonaeindustria.com](http://www.sonaeindustria.com)



