



SONAE INDÚSTRIA, SGPS, SA

Registered Office: Lugar do Espido, Via Norte, Maia, Portugal

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 253 319 797.26

Publicly Traded Company

**ACTIVITY REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – SEPTEMBER 2018

**ACCORDING TO THE INTERNATIONAL ACCOUNTING STANDARD 34 – INTERIM
FINANCIAL REPORT**



ACTIVITY REPORT

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.

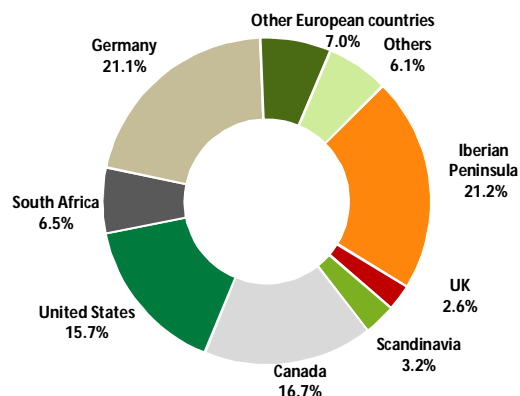
Proportional Turnover in 9M18 was circa 17.5 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from our fully owned businesses primarily due to the depreciation of the Canadian dollar, and by a circa 7.6 million euros lower contribution by Sonae 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.

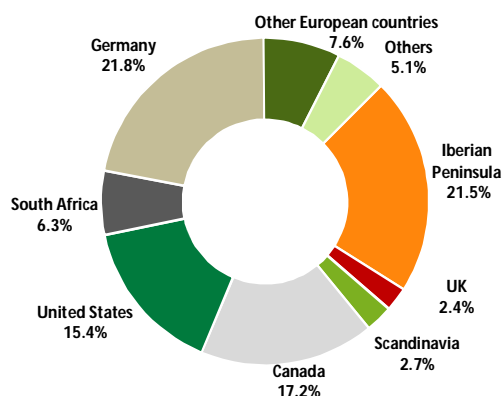
For the first nine months of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at circa 4.3x, which represents an increase of circa 0.7x vs. 9M17. **Loan to Value** also increased when compared to 9M17, reaching 52% at the end of 9M18. In respect of Net Debt to Recurrent EBITDA (proportional) 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

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

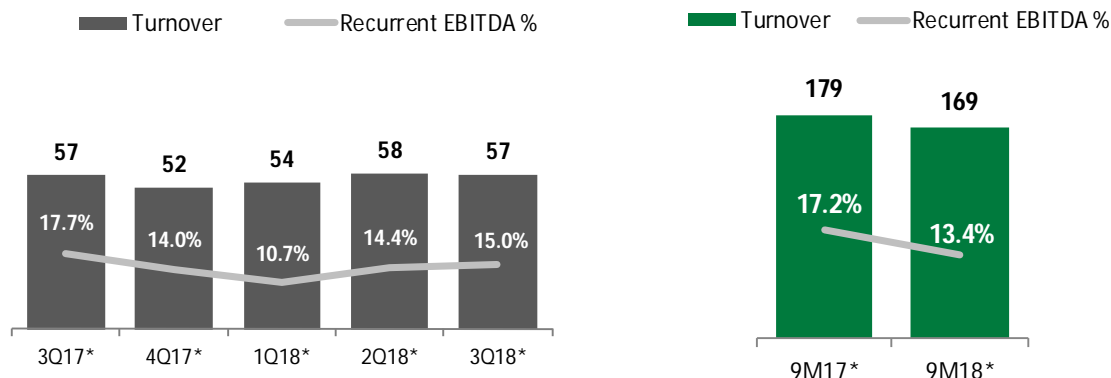


1.2. Consolidated Results

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

SONAE INDÚSTRIA

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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

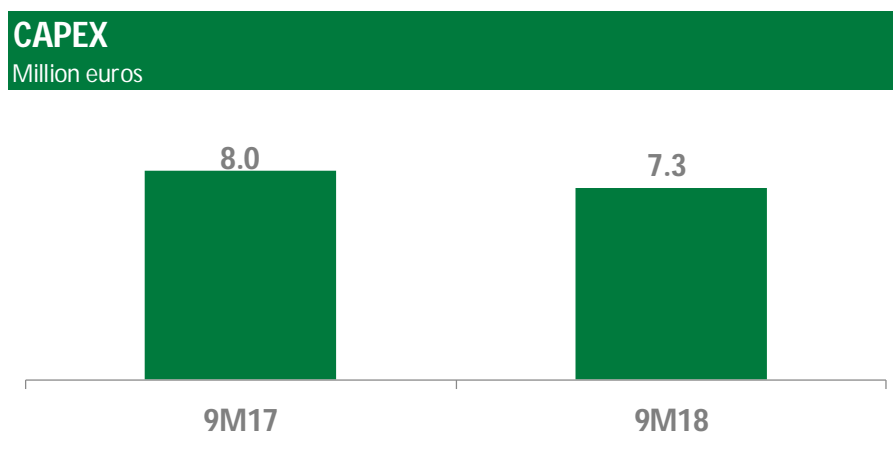
| | 9M17 Unaudited | 1H18 Unaudited | 9M18 Unaudited |
|---|-------------------|-------------------|-------------------|
| Non current assets | 352.4 | 363.5 | 370.9 |
| Tangible assets | 142.5 | 139.1 | 142.2 |
| Investments in joint ventures | 201.3 | 215.8 | 218.0 |
| Deferred tax asset | 1.4 | 2.1 | 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.

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.

24 October 2018

The Board of Directors

Paulo Azevedo

Carlos Moreira da Silva

Albrecht Ehlers

José Romão de Sousa

Javier Vega

Christopher Lawrie

Louis Brassard

Berta Cunha

Isabel Barros

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 |



Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

(Amounts expressed in Euros)

| ASSETS | Notes | 30.09.2018 Unaudited | 31.12.2017 |
|---|-------|---------------------------|---------------------------|
| NON-CURRENT ASSETS | | | |
| Tangible fixed assets | 6 | 142 249 455 | 146 469 904 |
| Goodwill | | 347 081 | 347 082 |
| Intangible assets | | 94 644 | 142 979 |
| Investment properties | | 5 812 866 | 6 001 043 |
| Investment in joint ventures | 4,5 | 217 950 189 | 205 616 464 |
| Other investments | 5 | 133 269 | 130 487 |
| Deferred tax asset | | 2 138 730 | 1 462 160 |
| Other non-current assets | 7 | 2 150 767 | |
| Total non-current assets | | <u>370 877 001</u> | <u>360 170 119</u> |
| CURRENT ASSETS | | | |
| Inventories | | 18 573 074 | 16 998 114 |
| Trade debtors | | 18 740 695 | 13 591 178 |
| Other current debtors | 8 | 1 361 845 | 285 410 |
| Current tax asset | | 1 747 066 | 1 677 850 |
| Other taxes and contributions | | 939 672 | 2 096 256 |
| Other current assets | | 2 721 877 | 2 128 573 |
| Cash and cash equivalents | 9 | 2 139 430 | 4 084 771 |
| Total current assets | | <u>46 223 659</u> | <u>40 862 152</u> |
| TOTAL ASSETS | | <u><u>417 100 660</u></u> | <u><u>401 032 271</u></u> |
| SHAREHOLDERS' FUNDS AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | | 253 319 797 | 253 319 797 |
| Legal reserve | | 1 807 489 | |
| Other reserves and accumulated earnings | | (161 867 616) | (182 494 467) |
| Accumulated other comprehensive income | 10 | 51 989 358 | 55 287 278 |
| Total shareholders' funds attributable to equity holders of Sonae Indústria | | <u>145 249 028</u> | <u>126 112 608</u> |
| TOTAL SHAREHOLDERS' FUNDS | | <u><u>145 249 028</u></u> | <u><u>126 112 608</u></u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Bank loans - net of current portion | 11 | 187 291 647 | 197 650 071 |
| Finance lease creditors - net of current portion | 11 | 738 875 | 898 793 |
| Post-retirement liabilities | | 872 699 | 962 252 |
| Other non-current liabilities | | 4 134 660 | 2 122 999 |
| Deferred tax liability | | 19 391 230 | 20 568 786 |
| Provisions | | 1 983 940 | 1 983 940 |
| Total non-current liabilities | | <u>214 413 051</u> | <u>224 186 841</u> |
| CURRENT LIABILITIES | | | |
| Current portion of non-current bank loans | 11 | 15 015 958 | 11 949 858 |
| Current bank loans | 11 | 3 312 415 | 1 750 000 |
| Current portion of non-current finance lease creditors | 11 | 529 120 | 500 227 |
| Trade creditors | | 23 243 885 | 19 626 920 |
| Current tax liability | | 67 668 | 53 391 |
| Other taxes and contributions | | 371 712 | 734 383 |
| Other current liabilities | 12 | 11 622 104 | 12 842 324 |
| Provisions | | 3 275 719 | 3 275 719 |
| Total current liabilities | | <u>57 438 581</u> | <u>50 732 822</u> |
| TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES | | <u><u>417 100 660</u></u> | <u><u>401 032 271</u></u> |

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

(Amounts expressed in Euros)

| | Notes | 30.09.2018 | 3rd. Quarter 2018 | 30.09.2017 | 3rd. Quarter 2017 |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| Sales | 15 | 167 816 946 | 56 690 898 | 177 885 972 | 56 699 455 |
| Services rendered | 15 | 1 046 892 | 340 755 | 909 072 | 298 140 |
| Other income and gains | 13,15 | 3 138 014 | 1 150 463 | 3 859 776 | 1 058 582 |
| Cost of sales | 15 | (93 874 479) | (33 353 916) | (94 200 884) | (30 857 925) |
| Increase / (decrease) in production | 15 | 2 262 046 | 3 157 946 | 79 023 | 1 792 850 |
| External supplies and services | 15 | (36 636 766) | (12 637 529) | (36 947 139) | (12 086 576) |
| Staff expenses | 15 | (18 968 694) | (6 133 075) | (17 938 657) | (5 920 157) |
| Depreciation and amortisation | | (9 635 775) | (3 325 653) | (9 298 527) | (3 070 865) |
| Provisions and impairment losses (increase / reduction) | 15 | (118 631) | (45 576) | (84 640) | 2 242 |
| Other expenses and losses | 14,15 | (2 623 345) | (926 778) | (2 933 090) | (1 000 192) |
| Operating profit / (loss) | 15 | 12 406 208 | 4 917 535 | 21 330 906 | 6 915 554 |
| Financial income | 16 | 515 961 | 150 248 | 1 127 665 | 474 209 |
| Financial expenses | 16 | (9 049 593) | (3 004 670) | (9 823 536) | (3 061 663) |
| Gains and losses in joint ventures | 4 | 21 519 721 | 2 762 481 | 13 651 576 | 4 395 350 |
| Net profit/(loss) before taxation | | 25 392 297 | 4 825 594 | 26 286 611 | 8 723 450 |
| Taxation | 17 | (2 808 397) | (1 163 220) | (5 377 625) | (1 868 437) |
| Consolidated net profit / (loss) for the period | | <u>22 583 900</u> | <u>3 662 374</u> | <u>20 908 986</u> | <u>6 855 013</u> |
| Attributable to: | | | | | |
| Equity holders of Sonae Industria | | <u>22 583 900</u> | <u>3 662 374</u> | <u>20 908 986</u> | <u>6 855 013</u> |
| Consolidated net profit/(loss) per share | | | | | |
| Basic | | <u>0.4974</u> | <u>0.0807</u> | <u>0.4605</u> | <u>0.1510</u> |
| Diluted | | <u>0.4974</u> | <u>0.0807</u> | <u>0.4605</u> | <u>0.1510</u> |

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

(Amounts expressed in Euros)

| | Notes | 30.09.2018 Unaudited | 3rd. Quarter 2018 Unaudited | 30.09.2017 Unaudited | 3rd. Quarter 2017 Unaudited |
|---|-------|-------------------------|--------------------------------|-------------------------|--------------------------------|
| Consolidated net profit / (loss) for the period (a) | | 22 583 900 | 3 662 374 | 20 908 986 | 6 855 013 |
| Consolidated other comprehensive income | | | | | |
| Items that may be subsequently transferred to profit or loss | | | | | |
| Change in currency translation reserve | 10 | (9 436) | 1 955 891 | (2 379 443) | 289 962 |
| Group share of other comprehensive income of joint ventures | 4 | (2 784 072) | (641 878) | (2 557 965) | (1 692 671) |
| Consolidated other comprehensive income for the period, net of tax (b) | | (2 793 508) | 1 314 013 | (4 937 408) | (1 402 709) |
| Total consolidated comprehensive income for the period (a) + (b) | | 19 790 392 | 4 976 387 | 15 971 578 | 5 452 304 |
| Total consolidated comprehensive income attributable to: | | | | | |
| Equity holders of Sonae Industria | | 19 790 392 | 4 976 387 | 15 971 578 | 5 452 304 |

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

(Amounts expressed in Euros)

| | Share capital | Legal reserve | Other Reserves and accumulated earnings | Accumulated other comprehensive income | Total shareholders' funds attributable to the equity holders of Sonae Indústria | Total shareholders' funds |
|--|--------------------|------------------|---|--|---|---------------------------|
| Notes | | | | 10 | | |
| Balance as at 1 January 2018 | 253 319 797 | | (182 494 467) | 55 287 278 | 126 112 608 | 126 112 608 |
| Total consolidated comprehensive income for the period | | | | | | |
| Consolidated net profit/(loss) for the period | | | 22 583 900 | | 22 583 900 | 22 583 900 |
| Consolidated other comprehensive income for the period | | | | (2 793 508) | (2 793 508) | (2 793 508) |
| Total | | | 22 583 900 | (2 793 508) | 19 790 392 | 19 790 392 |
| Transferred to Legal reserve | | 1 807 489 | (1 807 489) | | | |
| Others | | | (149 560) | (504 412) | (653 972) | (653 972) |
| Balance as at 30 September 2018 - Unaudited | <u>253 319 797</u> | <u>1 807 489</u> | <u>(161 867 616)</u> | <u>51 989 358</u> | <u>145 249 028</u> | <u>145 249 028</u> |

| | Share capital | Legal reserve | Other Reserves and accumulated earnings | Accumulated other comprehensive income | Total shareholders' funds attributable to the equity holders of Sonae Indústria | Total shareholders' funds |
|--|--------------------|---------------|---|--|---|---------------------------|
| Notes | | | | 10 | | |
| Balance as at 1 January 2017 | 812 107 574 | 3 131 757 | (759 319 894) | 54 418 718 | 110 338 155 | 110 338 155 |
| Total consolidated comprehensive income for the period | | | | | | |
| Consolidated net profit/(loss) for the period | | | 20 908 986 | | 20 908 986 | 20 908 986 |
| Consolidated other comprehensive income for the period | | | | (4 937 408) | (4 937 408) | (4 937 408) |
| Total | | | 20 908 986 | (4 937 408) | 15 971 578 | 15 971 578 |
| Share capital reduction | (558 787 777) | (3 131 757) | 561 919 534 | | | |
| Others | | | (415 346) | | (415 346) | (415 346) |
| Balance as at 30 September 2017 - Unaudited | <u>253 319 797</u> | | <u>(176 906 720)</u> | <u>49 481 310</u> | <u>125 894 387</u> | <u>125 894 387</u> |

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

(Amounts expressed in Euros)

| | <u>Notes</u> | 30.09.2018 <u>Unaudited</u> | 30.09.2017 <u>Unaudited</u> |
|--|--------------|--------------------------------|--------------------------------|
| <u>OPERATING ACTIVITIES</u> | | | |
| Receipts from trade debtors | | 161 662 960 | 171 295 478 |
| Payments to trade creditors | | 126 290 767 | 130 759 488 |
| Payments to staff | | 19 379 351 | 19 839 815 |
| Net cash flow from operations | | 15 992 842 | 20 696 175 |
| Payment / (receipt) of corporate income tax | | 5 388 408 | 9 523 002 |
| Other receipts / (payments) relating to operating activities | | 840 750 | 1 167 334 |
| Net cash flow from operating activities (1) | | <u>11 445 184</u> | <u>12 340 507</u> |
| <u>INVESTMENT ACTIVITIES</u> | | | |
| Cash receipts arising from: | | | |
| Tangible fixed assets and intangible assets | | 1 575 239 | 129 117 |
| Investment subventions | | 141 804 | 29 703 |
| Dividends | | 6 406 347 | 5 661 957 |
| | | <u>8 123 390</u> | <u>5 820 777</u> |
| Cash Payments arising from: | | | |
| Investments | | 2 782 | 2 429 |
| Tangible fixed assets and intangible assets | | 8 095 258 | 8 784 904 |
| | | <u>8 098 040</u> | <u>8 787 333</u> |
| Net cash used in investment activities (2) | | <u>25 350</u> | <u>(2 966 556)</u> |
| <u>FINANCING ACTIVITIES</u> | | | |
| Cash receipts arising from: | | | |
| Interest and similar income | | 14 734 | 408 491 |
| Loans obtained | | 1168 055 355 | 576 947 485 |
| | | <u>1168 070 089</u> | <u>577 355 976</u> |
| Cash Payments arising from: | | | |
| Interest and similar charges | | 6 977 291 | 7 003 074 |
| Loans obtained | | 1174 481 200 | 581 320 095 |
| Finance leases - repayment of principal | | 286 243 | 216 392 |
| | | <u>1181 744 734</u> | <u>588 539 561</u> |
| Net cash used in financing activities (3) | | <u>(13 674 645)</u> | <u>(11 183 585)</u> |
| Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3) | | <u>(2 204 111)</u> | <u>(1 809 634)</u> |
| Cash and cash equivalents at the beginning of the period (a) | 9 | 4 084 771 | 4 795 077 |
| Cash and cash equivalents at the end of the period (b) | 9 | <u>1 827 015</u> | <u>2 818 704</u> |
| Net increase/(decrease) in cash and cash equivalents (b) - (a) | | (2 257 756) | (1 976 373) |
| Effect of foreign exchange rate in cash and cash equivalents (c) | | (53 645) | (166 739) |
| Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c) | | <u>(2 204 111)</u> | <u>(1 809 634)</u> |

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA has its head-office at Lugar do Espido, Via Norte, 4470-177 Maia, Portugal.

The shares of the company are listed on Euronext Lisbon.

Consolidated financial statements for the period ended 30 September 2018 and 30 September 2017 were not subject to a limited revision carried out by the company's statutory external auditor.

2. ACCOUNTING POLICIES

This set of consolidated financial statement has been prepared on the basis of the accounting policies that were disclosed on the notes to the consolidated financial statements for fiscal year 2017.

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting. As such, they do not include all the information which should be included in annual consolidated financial statements and should therefore be read in connection with the financial statements for fiscal year 2017.

2.2. Changes to accounting standards

These consolidated financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), effective from 1 January 2018 and endorsed by the European Union.

2.2.1. In the period ended 30 September 2018, the following standards and interpretations, which had been endorsed by the European Union, became effective:

IFRS 2 (amendment), Classification and measurement of share-based payment transactions. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority;

IFRS 4 (amendment), Insurance contracts (Applying IFRS 4 with IFRS 9). This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies

whose activities are predominantly connected with insurance, not being applicable at consolidated level;

IFRS 9 (new), Financial instruments. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition;

IFRS 15 (new), Revenue from contracts with customers. This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach;

IFRS 15 (amendment) Revenue from contracts with customers. This amendment refers to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition;

IAS 40 (amendment), Transfers of Investment property. This amendment clarifies when assets are transferred to or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer;

Annual Improvement 2014 - 2016. The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28;

IFRIC 22 (new), Foreign currency transactions and advance consideration. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions.

2.2.2. At 30 September 2018, the following standards and interpretations had been issued by IASB and had been endorsed by the European Union, but had not been applied as they only become effective in later periods:

IFRS 9 (amendment), Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss;

IFRS 16 (new), Leases (effective for annual periods beginning on or after 1 January 2019). This new standard replaces the IAS 17 with a significant impact on the accounting by lessees that are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset".

The Company still did not complete the analysis of the effects which may arise from the future application of these standards.

2.2.3. At 30 September 2018, the following standards, effective 1 January 2018 or later, had been issued by IASB but still had not been endorsed by the European Union:

IFRS 17 (new), Insurance contracts (effective for annual periods beginning 1 January 2021). This standard is still subject to endorsement by the European Union. This standard will revoke IFRS 4 – Insurance contracts and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application;

IAS 28 (amendment), Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9, being subject to impairment expected credit loss model prior to any impairment test of the investment as a whole;

Annual Improvement 2015 – 2017, (effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements affects: IAS 23, IAS 12, IFRS 3 and IFRS 11;

IFRIC 23 (new), Uncertainty over Income Tax Treatments (effective for annual periods beginning 1 January 2019). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - Income tax referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12 rather than IAS 37 - Provisions, contingent liabilities and contingent assets, based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified.

The Company does not estimate any significant effect to arise from the application of these standards.

2.3. Translation of financial statements of foreign companies

Exchange rates used for translating into euros the financial statements of subsidiaries whose functional currency is not the euro are listed below:

| | 30.09.2018 | | 31.12.2017 | | 30.09.2017 | |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Closing rate | Average rate | Closing rate | Average rate | Closing rate | Average rate |
| Great Britain Pound | 0.8873 | 0.8839 | 0.8872 | 0.8761 | 0.8818 | 0.8724 |
| South African Rand | 16.4447 | 15.3374 | 14.8060 | 14.9993 | 15.9439 | 14.6735 |
| Canadian Dollar | 1.5064 | 1.5373 | 1.5039 | 1.4631 | 1.4687 | 1.4526 |
| American Dollar | 1.1576 | 1.1937 | 1.1993 | 1.1272 | 1.1806 | 1.1113 |

Source: Bloomberg

3. COMPANIES INCLUDED IN CONSOLIDATION PERIMETER

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 30 September 2018, 31 December 2017 and 30 September 2017 are as follows:

| COMPANY | HEAD OFFICE | PERCENTAGE OF CAPITAL HELD | | | | | | TERMS FOR INCLUSION |
|---|------------------------------|----------------------------|---------|------------|---------|------------|---------|---------------------|
| | | 30.09.2018 | | 31.12.2017 | | 30.09.2017 | | |
| | | Direct | Total | Direct | Total | Direct | Total | |
| Frases e Frações - Imobiliária e Serviços, SA | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Glunz UK Holdings, Ltd. | Liverpool (United Kingdom) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Glunz Uka GmbH | Meppen (Germany) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Isoroy, SAS | La Garenne-Colombes (France) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Maiequipa - Gestão Florestal, SA | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Megantic B.V. | Amsterdam (The Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Movelpartes - Comp. para a Indústria do Mobiliário, SA | Paredes (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Novodecor (Pty) Ltd | Woodmead (South Africa) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Parcelas e Narrativas - Imobiliária, SA | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Poliface North America | Lac-Mégantic (Canada) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Sonae Indústria - Management Services, S. A. | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Sonae Indústria - Soc. Gestora de Participações Sociais, SA | Maia (Portugal) | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| Sonae Indústria de Revestimentos, SA | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Spanboard Products Ltd | Belfast (United Kingdom) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Tafisa Canada Inc | Lac-Mégantic (Canada) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |
| Tafisa France S.A.S. | La Garenne-Colombes (France) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | a) |

a) Majority of voting rights;

4. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 30 September 2018, 31 December 2017 and 30 September 2017 are as follows:

| | COMPANY | HEAD OFFICE | PERCENTAGE OF CAPITAL HELD | | | | | | TERMS FOR INCLUSION |
|----|--|------------------------------|----------------------------|--------|------------|--------|------------|--------|---------------------|
| | | | 30.09.2018 | | 31.12.2017 | | 30.09.2017 | | |
| | | | Direct | Total | Direct | Total | Direct | Total | |
| | Sonae Arauco, SA | Madrid (Spain) | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | |
| 1) | Agepan Eiweiler Management, GmbH | Eiweiler (Germany) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Agloma Inmobiliaria y Servicios, S. L. | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Agloma Investimentos, SGPS, S. A. | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Aserraderos de Cuellar, S.A. | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco Beeskow GmbH | Meppen (Germany) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Ecociclo, Energia e Ambiente, S. A. | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Euroresinas - Industrias Quimicas, S.A. | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | GHP Glunz Holzwerkstoffproduktions GmbH | Meppen (Germany) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco Deutschland GmbH | Meppen (Germany) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| 2) | Glunz Service GmbH | Meppen (Germany) | - | - | - | - | 100.00% | 50.00% | a) |
| | Impaper Europe GmbH | Meppen (Germany) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Imoplamaç – Gestão de Imóveis, S. A. | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Laminate Park GmbH & Co. KG | Eiweiler (Germany) | 50.00% | 25.00% | 50.00% | 25.00% | 50.00% | 25.00% | b) |
| 2) | OSB Deutschland | Meppen (Germany) | - | - | - | - | 100.00% | 50.00% | a) |
| | Racionalización y Manufacturas Forestales, S.A. | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| 3) | Sociedade de Iniciativa e Aproveit. Florestais – Energia, S.A. | Mangualde (Portugal) | - | - | - | - | 100.00% | 50.00% | a) |
| | Somit – Imobiliária, S.A. | Mangualde (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco France | La Garenne-Colombes (France) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| 4) | Sonae Arauco Maroc SARL | Casablanca (Morocco) | 100.00% | 50.00% | - | - | - | - | a) |
| | Sonae Arauco Portugal, SA | Mangualde (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco South Africa (Pty) Ltd | Woodmead (South Africa) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco Netherlands B. V. | Woerden (The Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco (UK), Ltd. | Liverpool (United Kingdom) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco Espana - Soluciones de Madera, S. L | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Taiber. Tableros de Fibras Ibéricas, S.L | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Taiber, Tableros Aglomerados Ibéricos, S.L | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Sonae Arauco Suisse SA | Tavannes (Switzerland) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Tecnologias del Medio Ambiente, S.A. | Barcelona (Spain) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |
| | Tecmasa. Reciclados de Andalucia, S. L. | Madrid (Spain) | 50.00% | 25.00% | 50.00% | 25.00% | 50.00% | 25.00% | b) |
| | Tool, GmbH | Meppen (Germany) | 100.00% | 50.00% | 100.00% | 50.00% | 100.00% | 50.00% | a) |

- a) Company included in the consolidation perimeter of Sonae Arauco, S. A.;
- b) Company whose investment is measured using equity method in the consolidated financial statement of Sonae Arauco, S. A..

- 1) Company liquidated in August 2018
- 2) Company merged with Sonae Arauco Deutschland GmbH
- 3) Company sold 12 October 2017
- 4) Company incorporated February 2018

Net assets and net profit/loss for these jointly-controlled companies, whose 50%-share was recognized on these consolidated financial statements using equity method, are detailed as follows:

| Sonae Arauco - Consolidated | | |
|--|-------------|-------------|
| | 30.09.2018 | 31.12.2017 |
| | Unaudited | |
| Non-current assets | 538 130 290 | 486 460 459 |
| Current assets (without cash and cash equivalents) | 251 474 236 | 203 319 660 |
| Cash and cash equivalents | 11 637 085 | 26 708 564 |
| Non-current financial liabilities | 234 645 493 | 181 836 027 |
| Other non-current liabilities | 75 647 954 | 82 277 751 |
| Current financial liabilities | 38 863 268 | 29 796 341 |
| Other current liabilities | 178 135 771 | 173 296 890 |

| Sonae Arauco - Consolidated | | |
|--|--------------------|--------------------|
| | 30.09.2018 | 30.09.2017 |
| | Unaudited | Unaudited |
| Operating revenues | 668 870 023 | 642 830 532 |
| Operating expenses (without Depreciation and amortization) | (572 432 452) | (565 589 992) |
| Depreciation and amortization | (31 593 940) | (31 772 340) |
| Interest income | 604 870 | 548 467 |
| Interest expense | (6 524 929) | (6 285 456) |
| Taxation | (7 542 772) | (5 029 061) |
| Net profit/(loss) from continuing operations | 43 039 441 | 27 303 153 |
| Adjustments to the Group's accounting policies | | |
| Group's share on net profit/(loss) | 21 519 720 | 13 651 576 |
| Other comprehensive income | (5 568 144) | (5 115 930) |
| Group's share on other comprehensive Income | (2 784 072) | (2 557 965) |

In October 2017, industrial plants of Mangualde and Oliveira do Hospital, which are controlled by Sonae Arauco, S. A., a company 50%-owned by Sonae Indústria, SGPS, S. A., were hit by wild fires that affected central Portugal. As a consequence, the wood yards, the exposed equipment within the wood yards and the electrical and cabling systems were significantly damaged, forcing these plants to stop operating.

In the first half of 2018, both industrial plants resumed normal activity.

These plants are subject to an insurance policy that will indemnify them for property damage and business interruption losses.

In the period ended 30 September 2018, the results of Sonae Arauco Group included the following effects related to the aforementioned fires:

- Insurance compensation gain relating to business interruption losses, which were estimated to amount to EUR 17 million;
- Insurance compensation for property damages resulting from new equipment which replaced damaged ones, amounting to EUR 26.3 million;
- Insurance compensation gain relating to losses in inventories and other losses, amounting to EUR 1.3 million.

The consolidated net profit of Sonae Arauco Group is recognized using the equity method in the Consolidated Income Statement for 50% of its amount, under Gains and losses in joint ventures, which therefore include 50% of the abovementioned effects.

5. INVESTMENTS

At 30 September 2018 and 31 December 2017, details of Investments, on the Consolidated Statement of Financial position, are as follows:

| | 30.09.2018 | 31.12.2017 |
|-------------------------------|--------------------|--------------------|
| Investment in joint ventures | | |
| Opening balance | 205 616 464 | 195 908 535 |
| Effect of equity method | 18 740 072 | 15 369 886 |
| Dividends | (6 406 347) | (5 661 957) |
| Closing balance | <u>217 950 189</u> | <u>205 616 464</u> |
| | | |
| Other investments | | |
| Opening balance | 134 476 | 134 810 |
| Acquisition | 2 782 | 2 076 |
| Disposal | | (2 410) |
| Closing balance | <u>137 258</u> | <u>134 476</u> |
| Accumulated impairment losses | <u>3 989</u> | <u>3 989</u> |
| Net other investments | <u>133 269</u> | <u>130 487</u> |

6. TANGIBLE FIXED ASSETS

At 30 September 2018 and 31 December 2017, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

| | 30.09.2018 | | | | | | | 31.12.2017 | |
|--|--------------------|---------------------|-----------|--------|-----------------------|-----------------------------|--|-----------------------------|-----------------------------|
| | Land and Buildings | Plant and Machinery | Vehicles | Tools | Fixtures and Fittings | Other Tangible Fixed Assets | Tangible Fixed Assets under construction | Total tangible fixed assets | Total tangible fixed assets |
| Gross cost | | | | | | | | | |
| Opening balance | 97 133 999 | 262 567 210 | 2 581 162 | 96 237 | 3 478 555 | 214 703 | 7 907 292 | 373 979 158 | 374 111 199 |
| Capital expenditure | | | | | 3 616 | | 7 300 144 | 7 303 760 | 11 235 343 |
| Disposals | (2 599 517) | (2 630 246) | (633 992) | | (19 584) | | | (5 883 339) | (3 658 476) |
| Revaluation | | | | | | | | | 9 532 969 |
| Transfers and reclassifications | (11 003) | 9 705 106 | 816 322 | | 63 301 | 72 866 | (10 657 595) | (11 003) | 1 574 040 |
| Exchange rate effect | (120 837) | (295 714) | (5) | | (2 614) | (181) | (22 101) | (441 452) | (18 815 917) |
| Closing balance | 94 402 642 | 269 346 356 | 2 763 487 | 96 237 | 3 523 274 | 287 388 | 4 527 740 | 374 947 124 | 373 979 158 |
| Accumulated depreciation and impairment losses | | | | | | | | | |
| Opening balance | 38 343 362 | 183 688 922 | 1 893 568 | 94 601 | 3 282 682 | 206 119 | | 227 509 254 | 226 045 505 |
| Depreciations for the period | 1 803 230 | 7 322 483 | 190 928 | 490 | 56 567 | 7 411 | | 9 381 109 | 12 086 686 |
| Impairment losses for the period - through P/L | | 55 225 | | | | | | 55 225 | 1 509 634 |
| Disposals | (1 913 912) | (1 497 995) | (633 992) | | (19 584) | | | (4 065 483) | (3 524 854) |
| Reversion of impairment losses for the period | | | | | | | | | (1 019 430) |
| Revaluation | | | | | | | | | 3 736 123 |
| Transfers and reclassifications | (14 845) | (153 658) | (11 733) | | (2 102) | (98) | | (182 436) | (11 392 677) |
| Exchange rate effect | | | | | | | | | 68 267 |
| Closing balance | 38 217 835 | 189 414 977 | 1 438 771 | 95 091 | 3 317 563 | 213 432 | | 232 697 669 | 227 509 254 |
| Carrying amount | 56 184 807 | 79 931 379 | 1 324 716 | 1 146 | 205 711 | 73 956 | 4 527 740 | 142 249 455 | 146 469 904 |

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 125 296 073 (EUR 128 604 501 at 31 December 2017), as collateral for loans amounting to EUR 41 109 019 (EUR 37 380 912 at 31 December 2017).

7. OTHER NON-CURRENT ASSETS

At 30 September 2018, detail of Other non-current assets, on the Consolidated Statement of Financial Position, was as follows:

| | 30.09.2018 | |
|---------------------------------|-------------|-----------|
| | Gross Value | Net Value |
| Trade debtors and other debtors | 2 150 767 | 2 150 767 |
| Financial Instruments | 2 150 767 | 2 150 767 |
| Total | 2 150 767 | 2 150 767 |

8. OTHER CURRENT DEBTORS

At 30 September 2018 and 31 December 2017, detail of Other current debtors, on the Consolidated Statement of Financial Position, was as follows:

| | | 30.09.2018 | | 31.12.2017 | |
|-----------------|-------------------------------|-------------------------|-------------------------|-----------------------|-----------------------|
| | | Gross Value | Net Value | Gross Value | Net Value |
| Other debtors | | 1 311 263 | 1 311 263 | 59 076 | 59 076 |
| Related parties | | <u>2 460</u> | <u>2 460</u> | <u>18 349</u> | <u>18 349</u> |
| | Financial Instruments | 1 313 723 | 1 313 723 | 77 425 | 77 425 |
| Other debtors | | <u>48 122</u> | <u>48 122</u> | <u>207 985</u> | <u>207 985</u> |
| | Assets out of scope of IFRS 9 | 48 122 | 48 122 | 207 985 | 207 985 |
| Total | | <u><u>1 361 845</u></u> | <u><u>1 361 845</u></u> | <u><u>285 410</u></u> | <u><u>285 410</u></u> |

9. CASH AND CASH EQUIVALENTS

At 30 September 2018 and 31 December 2017, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

| | 30.09.2018 | 31.12.2017 |
|---|-------------------------|-------------------------|
| Cash at Hand | 5 583 | 6 556 |
| Bank Deposits and Other Treasury Applications | <u>2 133 847</u> | <u>4 078 215</u> |
| Cash and Cash Equivalents on the Consolidated Statement of Financial Position | 2 139 430 | 4 084 771 |
| Bank Overdrafts | <u>312 415</u> | |
| Cash and Cash Equivalents on the Consolidated Statement of Cash Flows | <u><u>1 827 015</u></u> | <u><u>4 084 771</u></u> |

10. OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income on the Consolidated Statement of Financial Position, is detailed as follows:

| | Accumulated other comprehensive income | | | | | | |
|--|--|---------------------|---|---|---|--|-------------|
| | Atributable to the parent's shareholders | | | | | | |
| | | | | Share of Other Comprehensive Income of Joint Ventures | | | |
| | Currency translation | Revaluation Reserve | Remeasurements on defined benefit plans | Which may be subsequently transferred to profit or loss | Which may not be subsequently transferred to profit or loss | Income tax related to components of other comprehensive income | Total |
| Balance as at 1 January 2018 | 6 873 920 | 12 164 031 | (86 071) | 3 850 335 | 35 054 610 | (2 569 547) | 55 287 278 |
| Consolidated other comprehensive income for the period | (9 436) | | | (2 784 072) | | | (2 793 508) |
| Others | (246 924) | (206 633) | | (50 855) | | | (504 412) |
| Balance as at 30 September 2018 | 6 617 560 | 11 957 398 | (86 071) | 1 015 408 | 35 054 610 | (2 569 547) | 51 989 358 |

| | Accumulated other comprehensive income Atributable to the parent's shareholders | | | | | | |
|--|--|---------------------|---|---|---|--|-------------|
| | Currency translation | Revaluation Reserve | Remeasurements on defined benefit plans | Share of Other Comprehensive Income of Joint Ventures | | Income tax related to components of other comprehensive income | Total |
| | | | | Which may be subsequently transferred to profit or loss | Which may not be subsequently transferred to profit or loss | | |
| | | | | | | | |
| Balance as at 1 January 2017 | 11 114 057 | 6 367 184 | (192 092) | 4 468 623 | 33 694 328 | (1 033 382) | 54 418 718 |
| Consolidated other comprehensive income for the period | (2 379 443) | | | (2 557 965) | | | (4 937 408) |
| Balance as at 30 September 2017 | 8 734 614 | 6 367 184 | (192 092) | 1 910 658 | 33 694 328 | (1 033 382) | 49 481 310 |

11. LOANS

As at 30 September 2018 and 31 December 2017, Sonae Indústria had the following outstanding loans:

| | 30.09.2018 | | | | 31.12.2017 | | | |
|---|----------------|-------------|---------------|-------------|----------------|-------------|---------------|-------------|
| | Amortized cost | | Nominal value | | Amortized cost | | Nominal value | |
| | Current | Non-current | Current | Non-current | Current | Non-current | Current | Non-current |
| Current portion of non-current bank loans | 15 015 958 | | 15 015 958 | | 11 949 858 | | 11 949 858 | |
| Bank loans | 3 312 415 | 187 291 647 | 3 312 415 | 188 288 806 | 1 750 000 | 197 650 071 | 1 750 000 | 199 012 843 |
| Obligations under finance leases | 529 120 | 738 875 | 529 120 | 738 875 | 500 227 | 898 793 | 500 227 | 898 793 |
| Gross debt | 18 857 493 | 188 030 522 | 18 857 493 | 189 027 681 | 14 200 085 | 198 548 864 | 14 200 085 | 199 911 636 |

At 30 September 2018, loans can be detailed as follows:

| Company(ies) | Loan | Contract date | Maturity (with reference to 30.09.2018) | Currency | Outstanding principal at 30.09.2018 (EUR) | Outstanding principal at 31.12.2017 (EUR) |
|---|----------------------------|----------------|--|------------|---|---|
| Tafisa Canada Inc. | Bank loan (Revolving) | July 2011 | to be repaid from March 2017 to May 2021 ¹⁾ | CAD | 37 109 019 | 33 380 912 |
| Sonae Indústria, SGPS, S.A. | Commercial paper programme | June 2013 | June 2023 Note: programme without subscription guarantee | EUR | 3 000 000 | 1 750 000 |
| Sonae Indústria, SGPS, S.A. | Commercial paper programme | July 2014 | to be repaid from July 2018 to January 2020 | EUR | 5 600 000 | 7 500 000 |
| Sonae Indústria, SGPS, S.A. | Commercial paper programme | May 2016 | to be repaid from May 2019 to May 2021 | EUR | 135 500 000 | 143 500 000 |
| Sonae Indústria, SGPS, S.A. | Commercial paper programme | July 2016 | July 2019 | EUR | 4 000 000 | 4 000 000 |
| Sonae Indústria, SGPS, S.A. | Commercial paper programme | July 2016 | last amortization occurred in July 2018, in accordance with contractual provisions | EUR | | 1 000 000 |
| Sonae Indústria, SGPS, S.A. | Commercial paper programme | December 2016 | to be repaid from June 2018 to December 2019 | EUR | 10 100 000 | 16 000 000 |
| Sonae - Indústria de Revestimentos, S. A. | Bank loan | September 2017 | to be repaid from March 2019 to September 2022 | EUR | 4 000 000 | 4 000 000 |
| Sonae Indústria, SGPS, S. A. | Commercial paper programme | June 2018 | to be repaid from December 2019 to June 2021 | EUR | 6 000 000 | N/A |
| Others | | | | EUR | 1 308 160 | 1 581 789 |
| Total | | | | EUR | 206 617 179 | 212 712 701 |

1) In October 2018, the parts to the contract carried out some changes thereon, including on maturity, which was extended to October 2023.

All these loans are subject to variable interest rates.

Figures detailed on the previous table correspond to the nominal value of bank loans disclosed on this note.

At 30 September 2018, in addition to mortgaged tangible fixed assets referred to on note 6, there were other assets amounting to EUR 33 975 866 (EUR 26 613 983 at 31 December 2017) which were pledged as collateral for the Group's liabilities. These assets consisted mostly of inventories and accounts receivable.

12. OTHER CURRENT LIABILITIES

At 30 September 2018 and 31 December 2017, Other current liabilities on the Consolidated Statement of Financial Position were composed of:

| | 30.09.2018 | 31.12.2017 |
|------------------------------------|------------|------------|
| Derivatives | 11 636 | 71 838 |
| Trade debtors advances | 7 513 | |
| Tangible fixed assets suppliers | 891 139 | 2 155 951 |
| Other creditors | 483 976 | 496 357 |
| Financial instruments | 1 394 264 | 2 724 146 |
| Other creditors | 435 350 | 488 389 |
| Accrued expenses | | |
| Insurances | | 14 105 |
| Personnel expenses | 4 642 732 | 4 318 109 |
| Accrued financial expenses | 819 070 | 1 049 512 |
| Rebates | 2 416 166 | 3 305 322 |
| External supplies and services | 555 226 | 346 339 |
| Other accrued expenses | 747 554 | 268 090 |
| Deferred income | | |
| Investment subventions | 456 806 | 173 377 |
| Other deferred income | 154 936 | 154 935 |
| Liabilities out of scope of IFRS 9 | 10 227 840 | 10 118 178 |
| Total | 11 622 104 | 12 842 324 |

13. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 30 September 2018 and 30 September 2017 are as follows:

| | 30.09.2018 | 30.09.2017 |
|--|------------|------------|
| Gains on disp. and write off of invest. prop., tang. and intang. assets | 222 198 | 124 969 |
| Supplementary revenue | 1 148 602 | 1 613 617 |
| Investment subventions | 185 184 | 117 292 |
| Tax received | 23 892 | 6 172 |
| Positive exchange gains | 817 827 | 1 599 964 |
| Adjustment to fair value of financial instruments at fair value through profit or loss | 289 583 | 215 472 |
| Others | 450 728 | 182 290 |
| | 3 138 014 | 3 859 776 |

14. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 30 September 2018 and 30 September 2017 are as follows:

| | 30.09.2018 | 30.09.2017 |
|--|------------------|------------------|
| Taxes | 996 819 | 1 037 124 |
| Losses on disp. and write off of invest. prop., tang. and intang. assets | 365 653 | 53 691 |
| Negative exchange gains | 937 859 | 1 437 906 |
| Adjustment to fair value of financial instruments at fair value through profit or loss | 177 567 | 232 985 |
| Others | 145 447 | 171 384 |
| | <u>2 623 345</u> | <u>2 933 090</u> |

15. RECURRING AND NON-RECURRING ITEMS

Recurring operating items on the Consolidated Income Statement are detailed as follows:

| | 30.09.2018 | 30.09.2017 |
|--|--------------------|--------------------|
| | Recurring | Recurring |
| Sales | 167 816 946 | 177 884 502 |
| Services rendered | 1 046 892 | 909 072 |
| Other income and gains | 2 907 771 | 3 661 218 |
| Cost of sales | (93 874 479) | (94 200 884) |
| Increase / (decrease) in production | 2262 046 | 79 023 |
| External supplies and services | (36 269 891) | (36 623 912) |
| Staff expenses | (18 969 704) | (17 937 706) |
| Impairment losses in trade debtors - (increase)/reduction | (63 406) | (84 640) |
| Other expenses and losses | <u>(2 188 880)</u> | <u>(2 850 430)</u> |
| Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors) | <u>22 667 295</u> | <u>30 836 243</u> |
| Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors) | <u>(570 087)</u> | <u>(206 810)</u> |
| Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors) | <u>22 097 208</u> | <u>30 629 433</u> |

16. FINANCIAL RESULTS

Financial results for the periods ended 30 September 2018 and 30 September 2017 were as follows:

| | 30.09.2018 | 30.09.2017 |
|--------------------------------------|---------------------------|---------------------------|
| Financial income: | | |
| Interest income | | |
| related to bank loans | 9 809 | 14 757 |
| related to loans to related parties | | 1 968 |
| Others | 652 | |
| | <u>10 461</u> | <u>16 725</u> |
| Gains in currency translation | | |
| related to loans | 9 210 | 145 920 |
| related to cash and cash equivalents | 421 755 | 440 881 |
| | <u>430 965</u> | <u>586 801</u> |
| Cash discounts obtained | 70 263 | 54 057 |
| Other finance gains | 4 272 | 470 082 |
| | <u>515 961</u> | <u>1 127 665</u> |
| Financial expenses: | | |
| Interest expenses | | |
| related to bank loans and overdrafts | (5 964 128) | (6 083 988) |
| related to finance leases | (46 744) | (57 363) |
| others | (2 104) | (12 558) |
| | <u>(6 012 976)</u> | <u>(6 153 909)</u> |
| Losses in currency translation | | |
| related to loans | (20 047) | (675 735) |
| related to cash and cash equivalents | (401 562) | (481 143) |
| | <u>(421 609)</u> | <u>(1 156 878)</u> |
| Cash discounts granted | (1 302 767) | (1 367 124) |
| Other finance losses | (1 312 241) | (1 145 625) |
| | <u>(9 049 593)</u> | <u>(9 823 536)</u> |
| Finance profit / (loss) | <u><u>(8 533 632)</u></u> | <u><u>(8 695 871)</u></u> |

17. TAXES

Corporate income tax accounted for in the periods ended 30 September 2018 and 30 September 2017 is detailed as follows:

| | 30.09.2018 | 30.09.2017 |
|--------------|------------------|------------------|
| Current tax | 4 618 184 | 6 098 173 |
| Deferred tax | (1 809 787) | (720 548) |
| | <u>2 808 397</u> | <u>5 377 625</u> |

18. CONTINGENCIES

Former subsidiary Sonae Arauco Deutschland GmbH (formerly Glunz AG) and other German producers of wood-based panels are involved in certain litigation procedures filed by some customers for damages resulting from alleged breaches of competition law, after which former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes were resolved during the years 2015, 2016 and 2017 and their respective effects were recognized on the individual financial statements of each company and on the consolidated financial statements of the joint venture Sonae Arauco, S. A. (in which perimeter of consolidation these former subsidiaries are included) for the respective periods. For the cases still in progress, the complaints submitted specifically to the former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH amount to a maximum contingency of EUR 31.5 million. Regarding other cases in which these former subsidiaries are jointly involved with other German producers and whose maximum contingency amounted to EUR 42.7 million at 31 December 2017, as at 30 September 2018 this amount was reduced to EUR 26 million as a result of developments occurred during third quarter 2018 regarding one of those cases, which had no effects on these consolidated financial statements. According to the opinion of these former subsidiaries' lawyers, at the closing date of these consolidated financial statements, it is not possible to reliably estimate the outcome of the remaining proceedings in progress or the amount of any payments that may be established. Under the terms of the agreement for the subscription of Sonae Arauco, S. A. shares, entered into by Sonae Arauco, S. A., Sonae Indústria SGPS S. A. and the companies of the Arauco Group, Inversiones Arauco Internacional Limitada and Celulosa Arauco y Constitucion SA, Sonae Indústria, SGPS, S. A. assumes the obligation to compensate Sonae Arauco, S. A. for any losses resulting from these proceedings.

Furthermore, Sonae Arauco South Africa (Pty) Ltd, a company classified as a joint venture of Sonae Indústria, as indicated in note 4, has been under investigation since the beginning of 2016 by the South African Competition Commission. This ongoing investigation includes Sonae Arauco South Africa (PTY) Ltd and a competitor and is based on alleged infraction of local

competition law. If this South-African authority is able to prove the allegations to the Competition Court of South Africa, Sonae Arauco South Africa may incur a fine of up to 10% of its turnover stated in the preceding financial year. The ongoing investigation has consisted, among other things, in the inquiries of several directors and employees of the company. In the context of these inquiries, in June 2018 Sonae Arauco and Sonae Indústria have taken note of previously unknown facts that could negatively influence the outcome of the ongoing investigation, although, at the date of approval of these consolidated financial statements, it is not possible to predict whether this investigation will give rise to any responsibility in the consolidated liabilities of Sonae Indústria Group nor the amount of such a responsibility, if any. Under the terms of the agreement for the subscription of Sonae Arauco, S. A. shares, entered into by Sonae Arauco, S. A., Sonae Indústria, SGPS, S. A. and the companies of the Arauco Group, Inversiones Arauco Internacional Limitada and Celulosa Arauco y Constitución S. A., Sonae Indústria, SGPS, S. A. assumed the obligation to compensate Sonae Arauco, S. A. for any losses that may result from this investigation.

19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 24 October 2018.