



**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

**MANAGEMENT REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**JANUARY – JUNE 2018**

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



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## **MANAGEMENT REPORT**

## MESSAGE FROM THE CHAIRMAN

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

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

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

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

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

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

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

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

Paulo Azevedo  
*Chairman, Sonae Indústria*

# 1. Sonae Indústria Results

## 1.1. Proportional Results (unaudited)

### SUMMARY OF 1H18 RESULTS

Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method since June 2016, this section 1.1. provides unaudited **Proportional Indicators**, to help improve the understanding of size of the business, valuation and financial leverage of Sonae Indústria. These Proportional Indicators consider the full results of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

FINANCIAL INDICATORS (unaudited)	1H17	1H18
Proportional Turnover	331	317
Proportional Rec. EBITDA	48	42
Proportional Rec. EBITDA margin	14.4%	13.3%
Proportional LTM Turnover	644	617
Proportional LTM Rec. EBITDA	90	83
Proportional LTM Rec. EBITDA margin	14.0%	13.5%
<b>LEVERAGE</b>		
Proportional Net Debt	308	313
<b>Proportional Leverage (Net Debt / LTM Rec. EBITDA)</b>	<b>3.4 x</b>	<b>3.8 x</b>
<b>LOAN TO VALUE</b>		
Net Debt of Sonae Indústria	213	208
Asset Value <sup>2</sup>	497	447
<b>LTV (Net Debt of Sonae Indústria / Asset Value)</b>	<b>43%</b>	<b>47%</b>

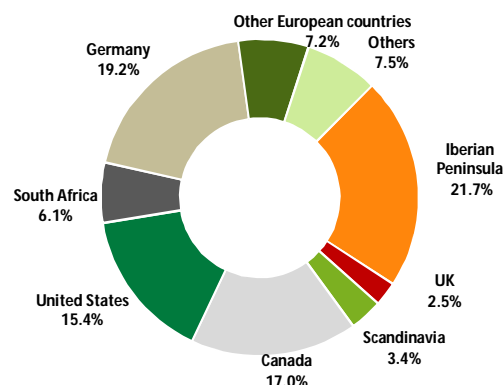
<sup>2</sup> Calculated as described in the Glossary of Terms. This compares with a Consensus 'Asset Value' of EUR 522M based on the average of the sum of the parts valuation (as at year-end 2018) of Sonae Indústria assets carried out by two independent equity research houses.

**Proportional Turnover** in 1H18 was circa 13.2 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from the fully owned businesses primarily due to the depreciation of the Canadian dollar, and by a 3.2 million euros lower contribution by Sonae Arauco explained by fact that the two Sonae Arauco plants in Portugal that had been hit by the forest fires in October 2017, only gradually resumed production in the first four months of the current year (and the insurance income related with business interruption is not included under Turnover items).

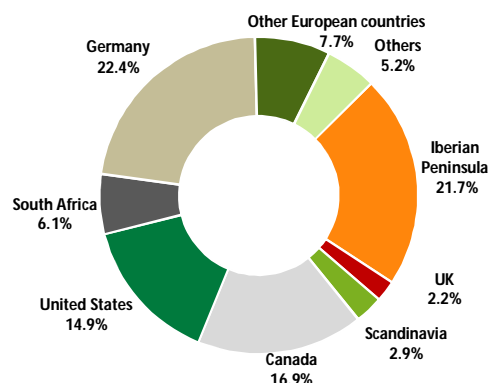
**Proportional Recurrent EBITDA** in 1H18 was circa 5.5 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from fully owned businesses as Sonae Arauco recurrent EBITDA contribution increased by circa 1.2 million euros when compared to 1H17.

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

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H17



PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1H18

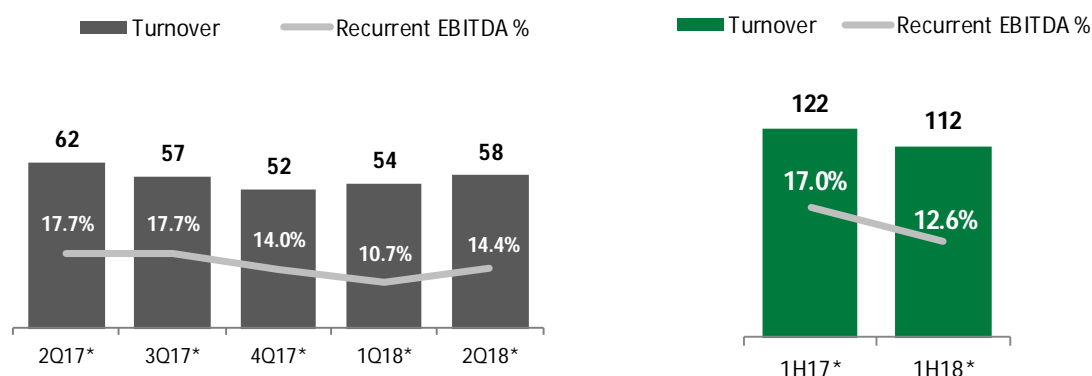


## 1.2. Consolidated Results

### SUMMARY OF 1H18 RESULTS

#### TURNOVER and RECURRENT EBITDA

Million euros



\*Quarterly and half information unaudited.

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

**Variable costs per cubic meter** in local currency increased, when compared with the first half of 2017, mainly driven by higher input costs of wood (affected by higher transportation costs) and higher thermal energy costs (due to the extreme cold weather in Canada in 1Q18). For the quarter, variable costs per cubic meter increased

## SONAE INDÚSTRIA

### MANAGEMENT REPORT - FIRST HALF 2018

when compared to 2Q17 mainly driven by higher input costs of wood, but decreased materially when compared to the previous quarter, with a reduction in most input costs and particularly thermal energy.

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

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

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

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

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

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

**Net financial charges** during 1H18 were circa 5.7 million Euros, which represents a reduction of 0.4 million euros vs. 1H17, mainly explained by an improvement of 0.7 million euros in net exchange differences (it should be noted that 2Q17 included a one off negative effect for foreign exchange differences and derivatives). In the quarter net financial charges reached circa 2.9 million euros, in line with the values booked for 1Q18 and a reduction of circa 0.5 million euros vs. 2Q17, due to already mentioned improvement in net exchange differences.

**Gains and losses in Joint-Ventures – Net Results** refers to 50% of the net results of Sonae Arauco in the period (equity method accounting). For the first semester of the year, this amounted to circa 18.8 million euros, an increase of 9.5 million euros when compared to 1H17, benefiting from the recognition of the insurance income related to business interruption and property damage due to the fires that affected two Sonae Arauco plants in Portugal in October 2017. On a quarterly basis, Gains and Losses in Joint-Ventures reached circa 14.1 million euros, up by 9.3 million euros and by 9.0 million euros when compared to 1Q18 and 2Q17, respectively.

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

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



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Million euros

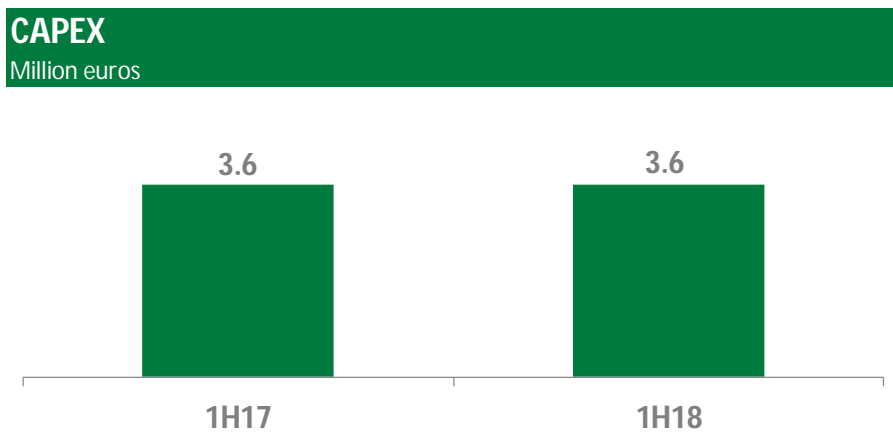
	1H17 Unaudited	1Q18 Unaudited	1H18 Unaudited
<b>Non current assets</b>	<b>347.7</b>	<b>357.1</b>	<b>363.5</b>
Tangible assets	140.3	138.5	139.1
Investments in joint ventures	198.6	210.7	215.8
Deferred tax asset	1.4	1.5	2.1
Other non current assets	7.4	6.5	6.4
<b>Current assets</b>	<b>51.2</b>	<b>40.2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

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

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

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

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



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

27 July 2018

The Board of Directors

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Paulo Azevedo

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Carlos Moreira da Silva

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Albrecht Ehlers

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José Romão de Sousa

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Javier Vega

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Christopher Lawrie

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Louis Brassard

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Berta Cunha

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Isabel Barros

## GLOSSARY OF TERMS

<b>Asset Value</b>	Asset Value is calculated as follows: $[6.5 \times \text{LTM Recurrent EBITDA of fully consolidated business (100\%)}] + [\text{market value of inactive sites real estate properties owned 100\% by Sonae Indústria}] + [50\% \times (6.5 \times \text{LTM Recurrent EBITDA of Sonae Arauco} - \text{Sonae Arauco Net Debt})]$
<b>CAPEX</b>	Investment in Tangible Fixed Assets
<b>EBITDA</b>	Earnings Before Interests and Taxes + Depreciations and Amortizations + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)
<b>FTEs</b>	Full Time Equivalent; the equivalent of one person working full time, according to the working schedule of each country where Sonae Indústria has operations
<b>Fixed Costs</b>	Overheads + Personnel costs (internal and external); <i>management accounts concept</i>
<b>Gross Debt</b>	Bank loans + Debentures + Obligations under finance leases + other loans + Loans from related parties
<b>Headcount</b>	Total number of internal FTEs, excluding trainees
<b>Loan to Value</b>	Net Debt of Sonae Indústria / Asset value
<b>LTM</b>	Last Twelve Months
<b>Net Debt</b>	Gross Debt - Cash and cash equivalents
<b>Proportional: Turnover, Recurrent EBITDA (unaudited)</b>	Proportional Turnover and Proportional Recurrent EBITDA consider, in what regards to Turnover and Recurrent EBITDA, the full contribution of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
<b>Proportional Leverage (unaudited)</b>	Proportional Net Debt / Proportional LTM Recurrent EBITDA
<b>Proportional Net Debt (unaudited)</b>	Proportional Net Debt considers the full contribution of the Net Debt of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
<b>Recurrent EBITDA</b>	EBITDA excluding non-recurrent operational income / costs
<b>Recurrent EBITDA margin</b>	Recurrent EBITDA / Turnover
<b>Working Capital</b>	Inventories + Trade Debtors – Trade Creditors



**APPENDICES IN ACCORD WITH ART 9 OF CMVM  
REGULATION 5/2008**

**STATEMENT IN ACCORD WITH ART 246 CMVM CODE**

Complying with Article 9, No. 1, a) of the CMVM Regulation No. 5/2008

Date	Acquisitions		Sales		Position at 30.06.2018	Balance at 30.06.2018
	amount	€ average value	amount	€ average value		amount

**Duarte Paulo Teixeira de Azevedo**  
Efanor Investimentos, SGPS, SA (1)  
Migracom, SA (2)

Minoritary  
Dominant

Date	Acquisitions		Sales		Position at 30.06.2018	Balance at 30.06.2018
	amount	€ average value	amount	€ average value		amount

**(1) Efanor Investimentos, SGPS, SA**  
Sonae Indústria, SGPS, SA  
Pareuro, BV (3)

Dominant

19 370 549

**(2) Migracom, SA**  
Sonae Indústria, SGPS, SA  
Imparfin, Investimentos e Participações Financeiras, SA (4)

Minoritary

38 931

**(3) Pareuro, BV**  
Sonae Indústria, SGPS, SA

11 730 752

**(4) Imparfin, Invest. e Participações Financeiras, SA**  
Sonae Indústria, SGPS, SA

120 396

## QUALIFIED SHAREHOLDINGS AT 30 JUNE 2018

Complying with Article 9 No.1 c) of the the CMVM Regulation no. 05/2008

Shareholder	No. of shares	% Share Capital	% Voting rights
<b>Efanor Investimentos, SGPS, SA (1)</b>			
Directly	19,370,549	42.6636%	42.6636%
By Pareuro, BV (Company controlled by Efanor Investimentos, SGPS, SA)	11,730,752	25.8369%	25.8369%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	4	0.000009%	0.000009%
By Migracom, SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Duarte Paulo Teixeira de Azevedo)	38,931	0.0857%	0.0857%
By Linhacom, SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Maria Cláudia Teixeira de Azevedo)	10,030	0.0221%	0.0221%
Total allocation	31,150,266	68.6083%	68.6083%

On 30 April 2018, TEAK Capital, SA informed Sonae Indústria having signed a services agreement with the company Pareuro, BV, through which it was granted, by way of consideration, a call option over 2,000,000 shares representative of 4.40% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2018. This agreement replaces and revokes the previous agreement signed on 22 February 2016.

Further informed the referred to company that 40% of its share capital is held by Carlos Moreira da Silva, 45% by his wife (under the regime of separation of people and property), Fernanda Arrepia and 15% by TPR BV, the latter being jointly held by Carlos Moreira da Silva's three descendants Tiago Moreira da Silva, Pedro Moreira da Silva and Raquel Moreira da Silva. Fernanda Arrepia and Tiago Moreira da Silva are also Directors of TEAK.

(1) Efanor Investimentos, SGPS, SA ceased, with effect from 29 November 2017, to have a controlling shareholder, according with the terms and for the purpose of articles 20º and 21º of the Portuguese Securities Code.

**Statement issued under the terms and for the purpose of sub-paragraph c) of no. 1 of  
Article 246 of the Portuguese Securities Code**  
(Free translation from the original in Portuguese)

In terms of the order in sub-paragraph c), no. 1, Article 246 of the Portuguese Securities Code, the Board members of Sonae Indústria, SGPS, SA hereby declare, to the best of our knowledge, that the:

- a) The condensed financial statements for six month period ended 30 June 2018 have been prepared in accordance with the applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of both the company and its affiliated companies included in consolidation perimeter; and
- b) The interim Management Report includes a review of the important events that have occurred in the first six months of 2018 year and their effect on the financial statements, as well as a description of the main risks and uncertainties for the remaining part of the year.

Duarte Paulo Teixeira de Azevedo

Carlos António Rocha Moreira da Silva

Albrecht Olof Lothar Ehlers

Berta Maria Nogueira Dias da Cunha

Isabel Sofia Bragança Simões de Barros

Javier Vega de Seoane Azpilicueta

José Joaquim Romão de Sousa

George Christopher Lawrie

Louis Brassard



## **Consolidated Financial Statements**



SONAE INDÚSTRIA, S.G.P.S., S.A.

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

(Amounts expressed in Euros)

ASSETS	Notes	30.06.2018 Unaudited	31.12.2017
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	6	139 101 697	146 469 904
Goodwill		347 081	347 082
Intangible assets		84 316	142 979
Investment properties		5 875 592	6 001 043
Investment in joint ventures	4, 5	215 829 686	205 616 464
Other investments	5	132 296	130 487
Deferred tax asset		2 145 543	1 462 160
Total non-current assets		363 516 211	360 170 119
<b>CURRENT ASSETS</b>			
Inventories		17 172 774	16 998 114
Trade debtors		16 842 655	13 591 178
Other current debtors	7	6 809 656	285 410
Current tax asset		1 854 853	1 677 850
Other taxes and contributions		1 351 597	2 096 256
Other current assets		3 076 240	2 128 573
Cash and cash equivalents	8	2 875 210	4 084 771
Total current assets		49 982 985	40 862 152
<b>TOTAL ASSETS</b>		<b>413 499 196</b>	<b>401 032 271</b>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital		253 319 797	253 319 797
Legal reserve		1 807 489	
Other reserves and accumulated earnings		(165 671 544)	(182 494 467)
Accumulated other comprehensive income	9	51 128 902	55 287 278
Total shareholders' funds attributable to equity holders of Sonae Indústria		140 584 644	126 112 608
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>140 584 644</b>	<b>126 112 608</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank loans - net of current portion	10	197 103 383	197 650 071
Finance lease creditors - net of current portion	10	655 947	898 793
Post-retirement liabilities		872 699	962 252
Other non-current liabilities		1 326 338	2 122 999
Deferred tax liability		19 428 937	20 568 786
Provisions		1 983 940	1 983 940
Total non-current liabilities		221 371 244	224 186 841
<b>CURRENT LIABILITIES</b>			
Current portion of non-current bank loans	10	11 063 327	11 949 858
Current bank loans	10	1 297 349	1 750 000
Current portion of non-current finance lease creditors	10	487 474	500 227
Trade creditors		24 908 015	19 626 920
Current tax liability		66 886	53 391
Other taxes and contributions		406 099	734 383
Other current liabilities	11	10 038 440	12 842 324
Provisions		3 275 718	3 275 719
Total current liabilities		51 543 308	50 732 822
<b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>		<b>413 499 196</b>	<b>401 032 271</b>

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 JUNE 2018 AND 30 JUNE 2017

(Amounts expressed in Euros)

	Notes	30.06.2018	2nd. Quarter 2018	30.06.2017	2nd. Quarter 2017
		Unaudited	Unaudited	Unaudited	Unaudited
Sales	14	111 126 048	57 176 673	121 186 517	61 983 892
Services rendered	14	706 137	348 744	610 932	297 981
Other income and gains	12, 14	1 987 551	1 105 833	2 801 194	1 736 233
Cost of sales	14	(60 520 563)	(30 126 430)	(63 342 959)	(31 616 244)
Increase / (decrease) in production	14	( 895 900)	( 480 364)	(1 713 827)	(1 248 751)
External supplies and services	14	(23 999 237)	(12 343 971)	(24 860 563)	(12 386 638)
Staff expenses	14	(12 835 619)	(6 636 931)	(12 018 500)	(6 744 844)
Depreciation and amortisation		(6 310 122)	(3 180 197)	(6 227 662)	(3 054 605)
Provisions and impairment losses (increase / reduction)	14	( 73 055)	( 71 377)	( 86 882)	840
Other expenses and losses	13, 14	<u>(1 696 567)</u>	<u>( 919 446)</u>	<u>(1 932 898)</u>	<u>(1 087 816)</u>
Operating profit / (loss)	14	7 488 673	4 872 534	14 415 352	7 880 048
Financial income	15	365 713	151 509	653 456	316 919
Financial expenses	15	(6 044 923)	(3 015 891)	(6 761 873)	(3 670 188)
Gains and losses in joint ventures	4	<u>18 757 240</u>	<u>14 053 446</u>	<u>9 256 226</u>	<u>5 054 254</u>
Net profit/(loss) before taxation		20 566 703	16 061 598	17 563 161	9 581 033
Taxation	16	<u>(1 645 177)</u>	<u>( 937 560)</u>	<u>(3 509 188)</u>	<u>(1 947 128)</u>
Consolidated net profit / (loss) for the period		<u>18 921 526</u>	<u>15 124 038</u>	<u>14 053 973</u>	<u>7 633 905</u>
Attributable to:					
Equity holders of Sonae Industria		<u>18 921 526</u>	<u>15 124 038</u>	<u>14 053 973</u>	<u>7 633 905</u>
Consolidated net profit/(loss) per share					
Basic		<u>0.4167</u>	<u>0.3331</u>	<u>0.0012</u>	<u>0.0007</u>
Diluted		<u>0.4167</u>	<u>0.3331</u>	<u>0.0012</u>	<u>0.0007</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 JUNE 2018 AND 30 JUNE 2017

(Amounts expressed in Euros)

	Notes	30.06.2018 Unaudited	2nd Quarter 2018 Unaudited	30.06.2017 Unaudited	2nd Quarter 2017 Unaudited
<b>Consolidated net profit / (loss) for the period (a)</b>		<b>18 921 526</b>	<b>15 124 038</b>	<b>14 053 973</b>	<b>7 633 905</b>
<b>Consolidated other comprehensive income</b>					
<b>Items that may be subsequently transferred to profit or loss</b>					
Change in currency translation reserve	9	(1 965 327)	1 935 683	(2 669 405)	(2 190 805)
Group share of other comprehensive income of joint ventures	9	(2 142 194)	(2 504 363)	( 865 294)	(1 347 797)
<b>Consolidated other comprehensive income for the period, net of tax (b)</b>		<b>(4 107 521)</b>	<b>( 568 680)</b>	<b>(3 534 699)</b>	<b>(3 538 602)</b>
<b>Total consolidated comprehensive income for the period (a) + (b)</b>		<b>14 814 005</b>	<b>14 555 358</b>	<b>10 519 274</b>	<b>4 095 303</b>
<b>Total consolidated comprehensive income attributable to:</b>					
Equity holders of Sonae Industria		<b>14 814 005</b>	<b>14 555 358</b>	<b>10 519 274</b>	<b>4 095 303</b>

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 JUNE 2018 AND 30 JUNE 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				9		
<b>Balance as at 1 January 2018</b>	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			18 921 526		18 921 526	18 921 526
Consolidated other comprehensive income for the period				(4 107 521)	(4 107 521)	(4 107 521)
Total			18 921 526	(4 107 521)	14 814 005	14 814 005
Transferred to Legal reserve		1 807 489	(1 807 489)			
Others			( 291 114)	( 50 855)	( 341 969)	( 341 969)
<b>Balance as at 30 June 2018 - Unaudited</b>	<u>253 319 797</u>	<u>1 807 489</u>	<u>(165 671 544)</u>	<u>51 128 902</u>	<u>140 584 644</u>	<u>140 584 644</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				9		
<b>Balance as at 1 January 2017</b>	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			14 053 973		14 053 973	14 053 973
Consolidated other comprehensive income for the period				(3 534 699)	(3 534 699)	(3 534 699)
Total			14 053 973	(3 534 699)	10 519 274	10 519 274
Share capital reduction	(558 787 777)	(3 131 757)	561 919 534			
Others			( 517 979)		( 517 979)	( 517 979)
<b>Balance as at 30 June 2017 - Unaudited</b>	<u>253 319 797</u>	<u></u>	<u>(183 864 366)</u>	<u>50 884 019</u>	<u>120 339 450</u>	<u>120 339 450</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 JUNE 2018 AND 30 JUNE 2017  
(Amounts expressed in Euros)

	<u>Notes</u>	30.06.2018 <u>Unaudited</u>	30.06.2017 <u>Unaudited</u>
<b><u>OPERATING ACTIVITIES</u></b>			
Receipts from trade debtors		106 271 912	114 462 665
Payments to trade creditors		81 298 428	86 039 974
Payments to staff		13 108 799	13 611 007
Net cash flow from operations		<u>11 864 685</u>	<u>14 811 684</u>
Payment / (receipt) of corporate income tax		3 846 568	7 476 686
Other receipts / (payments) relating to operating activities		<u>1 266 472</u>	<u>1 052 493</u>
Net cash flow from operating activities (1)		<u>9 284 589</u>	<u>8 387 491</u>
<b><u>INVESTMENT ACTIVITIES</u></b>			
Cash receipts arising from:			
Tangible fixed assets and intangible assets		1 433 715	85 228
Investment subventions		<u>31 953</u>	<u></u>
		<u>1 465 668</u>	<u>85 228</u>
Cash Payments arising from:			
Investments		1 809	1 896
Tangible fixed assets and intangible assets		<u>4 823 807</u>	<u>5 161 421</u>
		<u>4 825 616</u>	<u>5 163 317</u>
Net cash used in investment activities (2)		<u>(3 359 948)</u>	<u>(5 078 089)</u>
<b><u>FINANCING ACTIVITIES</u></b>			
Cash receipts arising from:			
Interest and similar income		10 295	306 127
Loans obtained		<u>855 320 162</u>	<u>378 937 399</u>
		<u>855 330 457</u>	<u>379 243 526</u>
Cash Payments arising from:			
Interest and similar charges		5 536 854	3 988 452
Loans obtained		857 854 666	379 807 666
Finance leases - repayment of principal		<u>247 480</u>	<u>205 618</u>
		<u>863 639 000</u>	<u>384 001 736</u>
Net cash used in financing activities (3)		<u>(8 308 543)</u>	<u>(4 758 210)</u>
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		<u>(2 383 902)</u>	<u>(1 448 808)</u>
Cash and cash equivalents at the beginning of the period (a)	8	4 084 771	4 795 077
Cash and cash equivalents at the end of the period (b)	8	<u>1 577 861</u>	<u>3 057 994</u>
Net increase/(decrease) in cash and cash equivalents (b) - (a)		(2 506 910)	(1 737 083)
Effect of foreign exchange rate in cash and cash equivalents (c)		<u>( 123 008)</u>	<u>( 288 275)</u>
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		<u>(2 383 902)</u>	<u>(1 448 808)</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 SIX-MONTH PERIOD ENDED 30 JUNE 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 June 2018 and 30 June 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 June 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 June 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 June 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:

	30.06.2018		31.12.2017		30.06.2017	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8861	0.8796	0.8872	0.8761	0.8793	0.8602
South African Rand	16.0488	14.8787	14.8060	14.9993	14.9209	14.2959
Canadian Dollar	1.5442	1.5459	1.5039	1.4631	1.4785	1.4427
American Dollar	1.1658	1.2100	1.1993	1.1272	1.1412	1.0818

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 June 2018, 31 December 2017 and 30 June 2017 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.06.2018		31.12.2017		30.06.2017		
		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)
Mégantic 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 June 2018, 31 December 2017 and 30 June 2017 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
			30.06.2018		31.12.2017		30.06.2017		
			Direct	Total	Direct	Total	Direct	Total	
	Sonae Arauco, SA	Madrid (Spain)	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
	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)
1)	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)
	Imoplamar – 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)
1)	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)
2)	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)
3)	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 Andalucía, 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 merged with Sonae Arauco Deutschland GmbH
- 2) Company sold 12 October 2017
- 3) 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		
	30.06.2018	31.12.2017
Non-current assets	520 391 124	486 460 459
Current assets (without cash and cash equivalents)	238 652 664	203 319 661
Cash and cash equivalents	15 701 215	26 708 564
Non-current financial liabilities	180 391 021	181 836 027
Other non-current liabilities	77 559 672	82 277 751
Current financial liabilities	46 690 587	29 796 341
Other current liabilities	200 395 603	173 296 890

Sonae Arauco - Consolidated		
	30.06.2018	30.06.2017
		Unaudited
Operating revenues	464 534 130	436 840 594
Operating expenses (without Depreciation and amortization)	(390 979 245)	(383 793 733)
Depreciation and amortization	(21 140 059)	(21 316 025)
Interest income	471 442	405 603
Interest expense	(3 378 797)	(4 416 938)
Taxation	(6 533 398)	(4 199 998)
Net profit/(loss) from continuing operations	37 514 481	18 512 453
Adjustments to the Group's accounting policies		
<b>Group's share on net profit/(loss)</b>	18 757 240	9 256 226
Other comprehensive income	(4 284 388)	(1 730 588)
<b>Group's share on other comprehensive Income</b>	(2 142 194)	( 865 294)

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 June 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 15 million;
- Insurance compensation for property damages resulting from new equipment which replaced damaged ones, amounting to EUR 19.7 million;
- Insurance compensation gain relating to losses in inventories and other losses, amounting to EUR 1 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 June 2018 and 31 December 2017, details of Investments, on the Consolidated Statement of Financial position, are as follows:

	30.06.2018	31.12.2017
Investment in joint ventures		
Opening balance	205 616 464	195 908 535
Effect of equity method	16 619 569	15 369 886
Dividends	(6 406 347)	(5 661 957)
Closing balance	<u>215 829 686</u>	<u>205 616 464</u>
Other investments		
Opening balance	134 476	134 810
Acquisition	1 809	2 076
Disposal		( 2 410)
Closing balance	<u>136 285</u>	<u>134 476</u>
Accumulated impairment losses	<u>3 989</u>	<u>3 989</u>
Net other investments	<u>132 296</u>	<u>130 487</u>

## 6. TANGIBLE FIXED ASSETS

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

	30.06.2018							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
Gross cost								
Opening balance	97 133 999	262 567 210	2 581 162	96 237	3 478 555	214 703	7 907 292	374 111 199
Capital expenditure					3 727		3 609 008	11 235 343
Disposals	(2 211 765)	(2 217 236)	(78 261)		(7 681)			(3 658 476)
Revaluation								9 532 969
Transfers and reclassifications	(10 941)	4 360 868	429 045		55 914	72 866	(4 918 693)	1 574 040
Exchange rate effect	(1 886 338)	(6 281 261)	(58 137)		(50 022)	(141)	(130 509)	(18 815 917)
Closing balance	93 024 955	258 429 581	2 873 809	96 237	3 480 493	287 428	6 467 098	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	1 196 299	4 781 379	111 380	326	36 958	2 922	6 129 264	12 086 686
Impairment losses for the period - through P/L		55 225					55 225	1 509 634
Disposals	(1 758 133)	(1 160 598)	(78 261)		(7 681)		(3 004 673)	(3 524 854)
Reversion of impairment losses for the period								(1 019 430)
Revaluation								3 736 123
Transfers and reclassifications								68 267
Exchange rate effect	(738 162)	(4 307 389)	(40 752)		(44 788)	(75)	(5 131 166)	(11 392 677)
Closing balance	37 043 366	183 057 539	1 885 935	94 927	3 267 171	208 966	225 557 904	227 509 254
Carrying amount	55 981 589	75 372 042	987 874	1 310	213 322	78 462	6 467 098	146 469 904

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 122 317 598 (EUR 128 604 501 at 31 December 2017), as collateral for loans amounting to EUR 40 200 621 (EUR 37 380 912 at 31 December 2017).

## 7. OTHER CURRENT DEBTORS

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

	30.06.2018		31.12.2017	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	75 919	75 919	59 076	59 076
Related parties	6 437 097	6 437 097	18 349	18 349
Financial Instruments	6 513 016	6 513 016	77 425	77 425
Other debtors	296 640	296 640	207 985	207 985
Assets out of scope of IFRS 9	296 640	296 640	207 985	207 985
Total	6 809 656	6 809 656	285 410	285 410

The amount stated under Related parties includes EUR 6 406 347 of dividends attributes but not paid by the joint venture Sonae Arauco, S. A., in the period ended 30 June 2018.

## 8. CASH AND CASH EQUIVALENTS

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

	30.06.2018	31.12.2017
Cash at Hand	7 077	6 556
Bank Deposits and Other Treasury Applications	<u>2 868 133</u>	<u>4 078 215</u>
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	2 875 210	4 084 771
Bank Overdrafts	<u>1 297 349</u>	
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	<u>1 577 861</u>	<u>4 084 771</u>

## 9. OTHER COMPREHENSIVE INCOME

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

	Accumulated other comprehensive income						
	Attributable 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 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	(1 965 327)			(2 142 194)			(4 107 521)
Others				( 50 855)			( 50 855)
Balance as at 30 June 2018	4 908 593	12 164 031	( 86 071)	1 657 286	35 054 610	(2 569 547)	51 128 902

	Accumulated other comprehensive income Attributable 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	(2 669 405)			( 865 294)			(3 534 699)
Balance as at 30 June 2017	8 444 652	6 367 184	( 192 092)	3 603 329	33 694 328	(1 033 382)	50 884 019



## 10. LOANS

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

	30.06.2018				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	11 063 327		11 063 327		11 949 858		11 949 858	
Bank loans	1 297 349	197 103 383	1 297 349	198 220 402	1 750 000	197 650 071	1 750 000	199 012 843
Obligations under finance leases	487 474	655 947	487 474	655 947	500 227	898 793	500 227	898 793
<b>Gross debt</b>	<b>12 848 150</b>	<b>197 759 330</b>	<b>12 848 150</b>	<b>198 876 349</b>	<b>14 200 085</b>	<b>198 548 864</b>	<b>14 200 085</b>	<b>199 911 636</b>

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

Company(ies)	Loan	Contract date	Maturity (with reference to 30.06.2018)	Currency	Outstanding principal at 30.06.2018 (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	CAD	36 200 621	33 380 912
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2018 Note: programme without subscription guarantee	EUR		1 750 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2014	to be repaid from July 2018 to January 2020	EUR	7 500 000	7 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	May 2016	to be repaid from May 2019 to May 2021	EUR	139 500 000	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	to be repaid from July 2017 to July 2018	EUR	500 000	1 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	December 2016	to be repaid from June 2018 to December 2019	EUR	10 200 000	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	2 680 457	1 581 789
<b>Total</b>				<b>EUR</b>	<b>210 581 078</b>	<b>212 712 701</b>

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 June 2018, in addition to mortgaged tangible fixed assets referred to on note 6, there were other assets amounting to EUR 29 167 815 (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.

## 11. OTHER CURRENT LIABILITIES

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

	30.06.2018	31.12.2017
Derivatives	26 923	71 838
Tangible fixed assets suppliers	883 371	2 155 951
Other creditors	604 475	496 357
Financial instruments	1 514 769	2 724 146
Other creditors	316 192	488 389
Accrued expenses		
Insurances		14 105
Personnel expenses	4 867 167	4 318 109
Accrued financial expenses	212 492	1 049 512
Rebates	1 798 677	3 305 322
External supplies and services	298 997	346 339
Other accrued expenses	711 398	268 090
Deferred income		
Investment subventions	163 812	173 377
Other deferred income	154 936	154 935
Liabilities out of scope of IFRS 9	8 523 671	10 118 178
Total	10 038 440	12 842 324

## 12. OTHER INCOME AND GAINS

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

	30.06.2018	30.06.2017
Gains on disp. and write off of invest. prop., tang. and intang. assets	171 879	83 765
Supplementary revenue	757 940	1 091 809
Investment subventions	79 787	78 704
Positive exchange gains	670 027	1 322 834
Adjustment to fair value of financial instruments at fair value through profit or loss	168 210	171 809
Others	139 708	52 273
	1 987 551	2 801 194

### 13. OTHER EXPENSES AND LOSSES

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

	30.06.2018	30.06.2017
Taxes	671 782	661 803
Losses on disp. and write off of invest. prop., tang. and intang. assets	158 215	28 653
Negative exchange gains	690 019	889 669
Adjustment to fair value of financial instruments at fair value through profit or loss	69 985	227 345
Others	106 566	125 428
	<u>1 696 567</u>	<u>1 932 898</u>

### 14. RECURRING AND NON-RECURRING ITEMS

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

	30.06.2018 Recurring	30.06.2017 Recurring
Sales	111 126 048	121 185 047
Services rendered	706 137	610 932
Other income and gains	1 809 803	2 651 840
Cost of sales	(60 520 563)	(63 342 959)
Increase / (decrease) in production	(895 900)	(1 713 827)
External supplies and services	(23 755 255)	(24 625 613)
Staff expenses	(12 835 546)	(12 017 836)
Impairment losses in trade debtors - (increase)/reduction	( 17 830)	(86 882)
Other expenses and losses	<u>(1 527 011)</u>	<u>(1 902 508)</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>14 089 883</u>	<u>20 758 194</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>(235 865)</u>	<u>(115 180)</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>13 854 018</u>	<u>20 643 014</u>

## 15. FINANCIAL RESULTS

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

	30.06.2018	30.06.2017
<b>Financial income:</b>		
Interest income		
related to bank loans	6 819	7 996
related to loans to related parties		2 128
Others	<u>651</u>	
	7 470	10 124
Gains in currency translation		
related to loans	7 956	71 566
related to cash and cash equivalents	<u>295 534</u>	<u>211 354</u>
	303 490	282 920
Cash discounts obtained	51 921	32 737
Other finance gains	<u>2 832</u>	<u>327 675</u>
	365 713	653 456
<b>Financial expenses:</b>		
Interest expenses		
related to bank loans and overdrafts	(3 967 205)	(4 108 810)
related to finance leases	(32 525)	(39 943)
others	<u>(1 672)</u>	<u>(12 616)</u>
	(4 001 402)	(4 161 529)
Losses in currency translation		
related to loans	(18 574)	(634 118)
related to cash and cash equivalents	<u>( 300 148)</u>	<u>( 372 890)</u>
	( 318 722)	(1 007 008)
Cash discounts granted	( 856 336)	( 923 858)
Other finance losses	<u>( 868 463)</u>	<u>( 669 478)</u>
	(6 044 923)	(6 761 873)
<b>Finance profit / (loss)</b>	<u><u>(5 679 210)</u></u>	<u><u>(6 108 417)</u></u>

## 16. TAXES

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

	30.06.2018	30.06.2017
Current tax	2 957 536	3 941 515
Deferred tax	<u>(1 312 359)</u>	<u>(432 327)</u>
	<u><u>1 645 177</u></u>	<u><u>3 509 188</u></u>

## 17. CONTINGENCIES

In the financial statements for the year ended 31 December 2017, the Company disclosed several contingencies for which there was no significant evolution during the six-month period ended 30 June 2018.

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.

#### 18. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 27 July 2018.