

**TOGETHER  
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THE FUTURE**



# **9 MONTHS 2019 RESULTS**

**30 October 2019**

**Maia, Portugal, 30 October 2019:** Sonae Indústria reports unaudited Consolidated Results for the first nine months of 2019 (9M19) which are prepared in accordance with the IAS 34 – Interim Financial Reporting. Proportional Indicators are unaudited.

## 9M19 HIGHLIGHTS<sup>1</sup>

- 9M19 Recurrent EBITDA of 21.4M€, with 12.3% margin
- Recurrent EBITDA of 8.4M€ in the quarter, with 14.3% margin, both the highest in four quarters
- 9M19 Net Results of -4.2M€, including -3.4M€ one off charges
- LTM Recurrent EBITDA of 25.4M€, with 11.2% margin
- LTM Proportional Recurrent EBITDA of 65.0M€, with 10.7% margin
- Proportional Net Debt at 349M€ with Proportional Leverage of 5.4x

### <sup>1</sup> Notes:

- Except when stated, figures after 4Q18 include the effects from the adoption of the **IFRS 16**, effective from 1 January 2019. See note related with the adoption of IFRS 16 in Sonae Indústria results section (page 4).
- See **Glossary of Terms** (page 10).

## MESSAGE FROM THE CHAIRMAN

Notwithstanding the improved EBITDA result of our fully owned businesses in the second and third quarter of this year, driven mainly by our North American business, Sonae Indústria registered a negative net result of circa 6.6 million euros in the third quarter of 2019, which contrasts with the profits achieved in the 1H19 and led to negative net results in the first nine months of this year of 4.2 million euros.

The results in the quarter are primarily explained by a one off charge of circa 3.4 million euros but also reflect a deterioration in the underlying profitability at Sonae Arauco as explained below.

Our North American business achieved a steady performance in 3Q19 generating the highest Recurrent EBITDA result and margin in four quarters despite the ongoing increase of installed capacity in the North American market and softer market demand compared to last year.

At our Laminates & Components business, Turnover in the quarter evolved positively versus the previous quarter and when compared to the same period of last year supported in part by sales of our matching Surforma® Laminates into the North American market alongside our successful North American MFC collection. The positive evolution in Turnover is an essential step forward in our goal to recover the desired profitability for this business.

At Sonae Arauco, in the quarter, underlying profitability reduced materially driven by a combination of factors, including the seasonal slowdown in our customers activity in the summer period combined with the annual shutdown of our plants in Europe, but also due to the more difficult business environment in the main geographies where we operate. In particular, the Iberian market has experienced greater competitive tensions since mid 2018 when we restarted our plants at Mangualde and Oliveira do Hospital after the rebuild and recovery from the forest fires in October 2017, at a time that the market also saw capacity increases from local competitors and less a dynamic product demand. Additionally our operations in South Africa have suffered from the poor economic environment although performance should be enhanced once the new surfacing line at our White River plant is fully operational.

Although we are facing more difficult business conditions at Sonae Arauco compared to last year, we continue to push ahead with the execution of our strategic plan to build a more competitive and sustainable business by providing an increasingly better product and service offer to our customers.

**Paulo Azevedo**

*Chairman, Sonae Indústria*

## 1. SONAE INDÚSTRIA RESULTS

Note IFRS 16: The mandatory adoption of the IFRS 16 from the beginning of 2019 financial year affects the comparability of Sonae Indústria's results in 2019 with previous years. This new accounting standard on leases implies that lease contracts (except short term and low value leases) previously classified as operational leases, are now recognized in the balance sheet as an asset with a corresponding liability equal to the present value of the lease payments (under financial liabilities). This new treatment also affects the consolidated income statement, with corresponding rental or lease charges being replaced by the recognition of depreciation charges and interest expenses.

### 1.1 PROPORTIONAL RESULTS (UNAUDITED)

#### SUMMARY OF 9M19 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 which consider the full results of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

#### FINANCIAL INDICATORS (UNAUDITED)

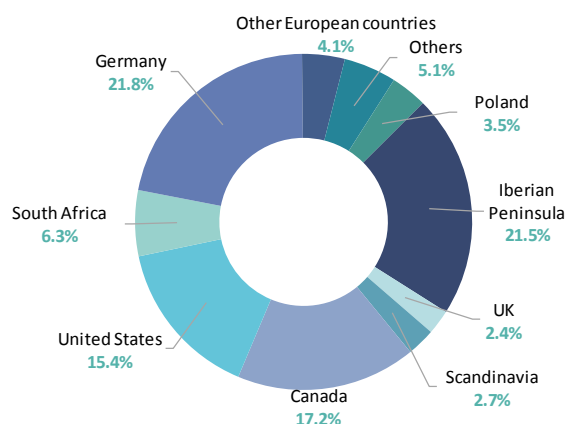
	9M18	9M19
Proportional Turnover	468	462
Proportional Rec. EBITDA	60	51
Proportional Rec. EBITDA margin	12.8%	11.1%
	LTM 9M18	LTM 9M19
Proportional LTM Turnover	613	606
Proportional LTM Rec. EBITDA	79	65
Proportional LTM Rec. EBITDA margin	12.8%	10.7%
<b>LEVERAGE</b>		
Proportional Net Debt	336	349
<b>Proportional Leverage (Net Debt / LTM Rec. EBITDA)</b>	<b>4.3 x</b>	<b>5.4 x</b>

**Proportional Turnover** in 9M19 was 5.9 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from Sonae Arauco (-11.8 million euros) affected by a reduction in total sales volumes and average selling prices and with lower sales in two of the regions where it operates (Germany and South Africa), which more than offset the positive contribution of our fully owned businesses (+5.9 million euros).

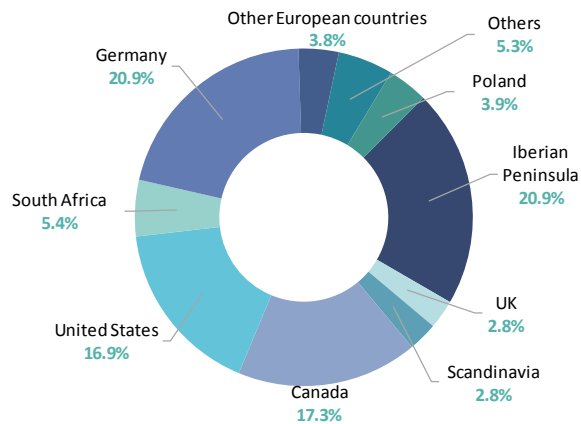
**Proportional Recurrent EBITDA** in 9M19 reached circa 51.2 million euros (including a positive effect from the adoption of the IFRS 16 of circa 3.1 million euros), 8.6 million euros lower than in 9M18 driven essentially by a 7.3 million euros lower contribution from Sonae Arauco driven mostly by lower turnover and by the fact that 9M18 Recurrent EBITDA included material insurance compensation recognition.

For the first nine months of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at circa 5.4x (including IFRS 16 effects), which represents an increase of 1.1x vs. 9M18.

PROPORTIONAL TURNOVER BY DESTINATION MARKET  
9M18



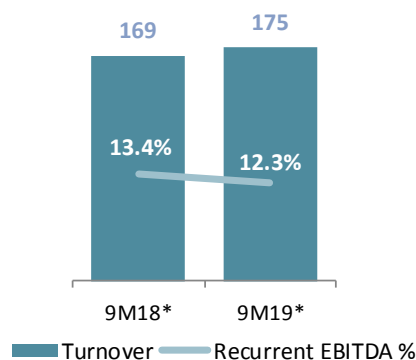
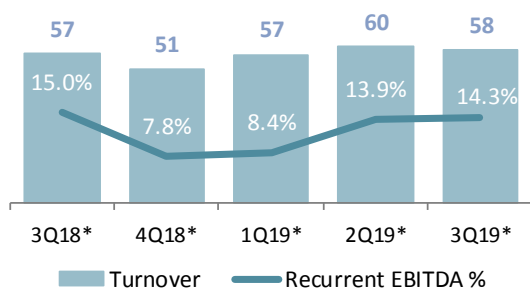
PROPORTIONAL TURNOVER BY DESTINATION MARKET  
9M19



## 1.2 CONSOLIDATED RESULTS

### SUMMARY OF 9M19 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 174.8 million euros, an improvement of 3.5% vs. same period of last year (+5.9 million euros), driven by both our North American business (in local currency but also benefiting from a circa 4.6 million euros favourable exchange rate effect resulting from the appreciation of the Canadian dollar vs. the EUR) and by our Laminates and Components business which in 2019 includes sales of HPL y.o.y. in North America. For the quarter, Consolidated turnover reached 58.4 million euros, which represents an increase of circa 1.4 million vs. same period of last year, mainly driven by our North American business.

**Variable costs per cubic meter** increased both in local currency and in euros in the first nine months of the year, when compared to the same period of the previous year, mainly driven by higher maintenance costs and input

costs of wood and in the case of the increase in euros also driven by the appreciation of the Canadian dollar. For the quarter, variable costs per cubic meter also increased when compared to 3Q18, but decreased when compared to the previous quarter, with a reduction in most input costs and particularly chemicals.

**Recurrent EBITDA** for the first nine months of the year reached 21.4 million euros (including a positive effect from the adoption of the IFRS 16 of circa 1.7 million euros), a reduction of 1.2 million euros vs. 9M18, with increases in turnover and variable costs, as referred above, and in fixed costs. On a quarterly basis, Recurrent EBITDA for the 3Q19 stood at circa 8.4 million euros, with Recurrent EBITDA margin of 14.3%, an increase of circa 0.1 million euros and 0.4 p.p., respectively, when compared to 2Q19.

Consolidated **EBITDA** reached 20.8 million euros in the first nine months of the year, a reduction of circa 1.3 million euros vs. the same period of last year. On a quarterly basis, Consolidated EBITDA for the 3Q19 stood at 8.3 million euros, an increase of circa 0.4 million euros vs. 2Q19. The evolution in Consolidated EBITDA is explained by the aforementioned performance of Recurrent EBITDA.

#### CONSOLIDATED INCOME STATEMENT MILLION EUROS

	9M18 Unaudited	9M19 Unaudited	9M19 / 9M18	3Q18 Unaudited	2Q19 Unaudited	3Q19 Unaudited	3Q19 / 3Q18	3Q19 / 2Q19
<b>Turnover</b>	<b>168.9</b>	<b>174.8</b>	<b>3.5%</b>	<b>57.0</b>	<b>59.6</b>	<b>58.4</b>	<b>2.4%</b>	<b>(2.0%)</b>
Other operational income	3.1	2.7	(14.0%)	1.2	1.1	0.7	(36.8%)	(33.4%)
EBITDA	22.1	20.8	(5.7%)	8.2	7.9	8.3	0.8%	4.8%
Non recurrent items	(0.6)	(0.6)	(3.7%)	(0.3)	(0.3)	(0.1)	82.2%	83.0%
<b>Recurrent EBITDA</b>	<b>22.7</b>	<b>21.4</b>	<b>(5.5%)</b>	<b>8.6</b>	<b>8.3</b>	<b>8.4</b>	<b>(2.5%)</b>	<b>1.1%</b>
Recurrent EBITDA Margin %	13.4%	12.3%	-1.2 pp	15.0%	13.9%	14.3%	-0.7 pp	0.4 pp
Depreciation and amortisation	(9.6)	(11.9)	(23.9%)	(3.3)	(4.0)	(4.1)	(22.3%)	(2.7%)
Provisions and impairment Losses	(0.1)	0.0	129.4%	0.0	0.0	0.0	-	-
<b>Operational profit (EBIT)</b>	<b>12.4</b>	<b>8.9</b>	<b>(28.2%)</b>	<b>4.9</b>	<b>4.0</b>	<b>4.2</b>	<b>(13.8%)</b>	<b>6.8%</b>
Net financial charges	(8.5)	(8.7)	(2.0%)	(2.9)	(2.9)	(3.0)	(3.5%)	(2.6%)
o.w. Net interest charges	(6.0)	(6.2)	(3.6%)	(2.0)	(2.1)	(2.1)	(6.7%)	(4.4%)
o.w. Net exchange differences	0.0	(0.0)	(137.4%)	0.0	0.1	(0.0)	(121.9%)	(108.9%)
o.w. Net financial discounts	(1.2)	(1.2)	(1.3%)	(0.4)	(0.4)	(0.4)	(1.0%)	3.2%
Gains and losses in Joint-Ventures - Net Results	21.5	1.9	(91.4%)	2.8	1.9	(3.5)	-	-
Gains and losses in Joint-Ventures - Other	0.0	(3.4)	-	0.0	0.0	(3.4)	-	-
<b>Profit before taxes (EBT)</b>	<b>25.4</b>	<b>(1.3)</b>	<b>(105.1%)</b>	<b>4.8</b>	<b>3.0</b>	<b>(5.5)</b>	<b>-</b>	<b>-</b>
Taxes	(2.8)	(2.9)	(3.8%)	(1.2)	(1.8)	(1.1)	9.1%	42.1%
o.w. Current tax	(4.6)	(3.6)	21.5%	(1.7)	(1.8)	(1.3)	20.1%	27.7%
o.w. Deferred tax	1.8	0.7	(60.8%)	0.5	0.0	0.3	(46.0%)	-
<b>Consolidated net profit/(loss) for the period</b>	<b>22.6</b>	<b>(4.2)</b>	<b>(118.6%)</b>	<b>3.7</b>	<b>1.2</b>	<b>(6.6)</b>	<b>-</b>	<b>-</b>

Total **fixed costs** represented circa 16.8% of turnover for the first nine months of the year, an increase of circa 0.2 p.p. vs. 9M18 essentially due to increased personnel costs (including an effect from appreciation of the Canadian dollar vs. the EUR). However in the quarter Fixed Costs as a % of Turnover reduced by 0.6 p.p. (when compared to 2Q19) to 16.4%. It should be noted that 9M19 figures show lower lease rents as a result of the adoption of IFRS 16.

**Total headcount** of Sonae Indústria was 503 FTE's, at the end of September 2019, excluding Sonae Arauco, which compares with 503 and 497 FTE's at the end of June 2019 and September 2018, respectively.

**Depreciation and amortization charges** during 9M19 were 11.9 million euros, which represents an increase of 2.3 million euros vs. 9M18, due mainly to the impact of circa 1.6 million euros from the adoption of the IFRS 16 but also due to the investments executed in Canada. For the quarter, the depreciation charges reached circa 4.1 million euros, an increase of 0.1 million euros vs. 2Q19 and of 0.7 million euros vs. 3Q18, the latter mainly due to the impact of 0.5 million euros of the adoption of the IFRS 16.

**Net financial charges** during 9M19 were 8.7 million euros, which represents an increase of circa 0.2 million euros vs. 9M18, essentially due to the impact of 0.2 million euros from the adoption of the IFRS 16. In the quarter net financial charges reached circa 3.0 million euros, which compares with 2.9 million euros in 3Q18 and 2Q19.

**Gains and losses in Joint-Ventures – Net Results** refers to 50% of the net results of Sonae Arauco in the period. For the first nine months of the year, this amounted to circa 1.9 million euros, a reduction of 19.7 million euros when compared to 9M18, which included significant insurance income recognition related to the fires that affected two Sonae Arauco plants in Portugal in October 2017. In addition, Sonae Arauco's underlying EBITDA was lower than in the 9M18, due to more difficult business conditions which has translated into lower Turnover levels particularly in the last two quarters. In the quarter, Gains and Losses in Joint-Ventures were negative of circa 3.5 million euros, also with a reduction in Sonae Arauco's underlying EBITDA and lower insurance income recognition when compared to 3Q18.

**Gains and losses in Joint-Ventures – Other** amounted to circa -3.4 million euros in 3Q19. Pursuant to the agreement with Arauco, some Sonae Arauco's expenses and contingent liabilities are the responsibility of Sonae Indústria and, accordingly, Sonae Indústria compensates Sonae Arauco for these expenses via cash contributions to Sonae Arauco for the full amounts paid or incurred. During 3Q19 Sonae Indústria paid circa 6.7 million euros to Sonae Arauco under this concept, in relation to a period of approximately two years. Since 50% of these expenses were already reflected in Sonae Indústria's income statement through the net results of Sonae Arauco, the remaining 50% are reflected through Gains and Losses in Joint-Ventures – Other.

**Current tax charges** were 3.6 million euros for the first nine months of the year, a decrease of circa 1.0 million euros when compared to 9M18, mainly driven by lower tax charges in Canada. On a quarterly basis, current tax charges represented a reduction of 0.3 million euros and of 0.5 million euros vs. 3Q18 and 2Q19, respectively, related to our North American business.

**Net results** were negative of 4.2 million euros for 9M19, which compares with positive net results of circa 22.6 million euros in the same period of the previous year. The net results of -4.2 million euros include circa -3.4 million euros of one off charges referred to under Gains and losses in Joint-Ventures – Other.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MILLION EUROS

	9M18 Unaudited	1H19 Unaudited	9M19 Unaudited
<b>Non current assets</b>	<b>370.9</b>	<b>361.9</b>	<b>370.1</b>
Tangible assets	142.2	143.7	151.3
Investments in joint ventures	218.0	212.0	211.3
Deferred tax asset	2.1	0.0	0.0
Other non current assets	8.5	6.2	7.5
<b>Current assets</b>	<b>46.2</b>	<b>55.8</b>	<b>51.1</b>
Inventories	18.6	20.0	20.8
Trade debtors	18.7	18.7	18.4
Cash and cash equivalents	2.1	3.2	5.4
Other current assets	6.8	14.0	6.5
<b>Non-current assets classified as available for sale</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total assets</b>	<b>417.1</b>	<b>417.7</b>	<b>421.1</b>
<b>Shareholders' Funds</b>	<b>145.2</b>	<b>141.1</b>	<b>135.9</b>
Equity holders	145.2	141.1	135.9
Non-controlling interests	0.0	0.0	0.0
<b>Liabilities</b>	<b>271.9</b>	<b>276.6</b>	<b>285.2</b>
Interest bearing debt	206.9	213.7	219.8
Non current	188.0	157.9	169.3
Current	18.9	55.8	50.5
Trade creditors	23.2	25.9	23.8
Other liabilities	41.7	37.1	41.7
<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>417.1</b>	<b>417.7</b>	<b>421.1</b>

**Tangible assets** reached 151.3 million euros at the end of September 2019, an increase of circa 9.1 million euros vs. September 2018. The impact of the adoption of the IFRS 16 is of 5.5 million euros in 9M19. When compared to June 2019 the increase is essentially explained by the investments executed in Canada.

**Investments in Joint-Ventures** (50% shareholding in Sonae Arauco) reached circa 211.3 million euros, which represents a reduction of 0.7 million euros when compared to the book value of this investment at the end of 1H19. The main variations when compared to 30 June 2019 are i) our share of Sonae Arauco's results in the quarter (-3.5 million euros), ii) the unfavourable exchange rate evolution of the South African Rand in the quarter (-0.6 million euros) plus iii) 50% of the amount of cash contributions made by Sonae Indústria to Sonae Arauco (+3.4 million euros).

Total **Shareholders' Funds**, at the end of September 2019, totaled circa 135.9 million euros, which represents a decrease of 5.2 million euros when compared to June 2019, mainly explained by the impacts from i) the net results in the quarter and ii) the unfavourable exchange rate evolution of the South African Rand of 0.6 million euros, which more than offset the positive impact of the exchange rate evolution of the Canadian dollar vs. the EUR of 1.6 million euros.



## NET DEBT and WORKING CAPITAL

MILLION EUROS

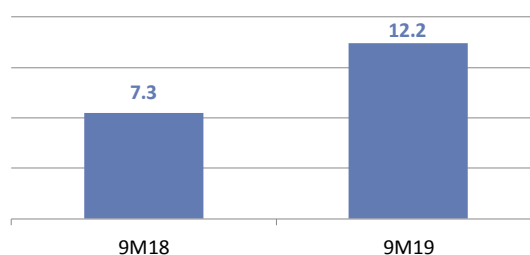
	9M18 Unaudited	Excluding IFRS 16 effects		Including IFRS 16 effects	
		1H19 Unaudited	9M19 Unaudited	1H19 Unaudited	9M19 Unaudited
<b>Net Debt</b>	<b>204.7</b>	<b>204.7</b>	<b>208.8</b>	<b>210.5</b>	<b>214.4</b>
<b>Working Capital</b>	<b>14.1</b>	<b>12.7</b>	<b>15.4</b>	<b>12.7</b>	<b>15.4</b>

Consolidated **Working Capital** reached circa 15.4 million euros, an increase of 2.7 million euros when compared to June 2019, explained by the decrease in trade creditors and the increase in inventories, which more than offset the decrease in trade debtors.

**Net Debt**, stood at 214.4 million euros at the end of September 2019, an increase of 3.9 million euros vs. June 2019. Excluding IFRS 16 effects, Net Debt would be of circa 208.8 million euros at the end of September 2019.

## CAPEX

MILLION EUROS



Additions to Gross Tangible Fixed Assets reached circa 12.2 million euros in the first nine months of the year, essentially investments in our North American business (11.6 million euros).

## GLOSSARY OF TERMS

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
LTM	Last Twelve Months
Net Debt	Gross Debt - Cash and cash equivalents
Proportional: Turnover, Recurrent EBITDA (unaudited)	Proportional Turnover and Proportional Recurrent EBITDA consider, in what regards to Turnover and Recurrent EBITDA, the full contribution of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
Proportional Leverage (unaudited)	Proportional Net Debt / Proportional LTM Recurrent EBITDA
Proportional Net Debt (unaudited)	Proportional Net Debt considers the full contribution of the Net Debt of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
Recurrent EBITDA	EBITDA excluding non-recurrent operational income / costs
Recurrent EBITDA margin	Recurrent EBITDA / Turnover
Working Capital	Inventories + Trade Debtors – Trade Creditors

## SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statement are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the wood based panels industry and economic conditions, and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

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