

**SONAE INDÚSTRIA, SGPS, SA**

Registered Office: Lugar do Espido, Via Norte, Maia, Portugal  
 Registered at the Commercial Registry of Maia  
 Registration and Tax N° 506 035 034  
 Share Capital: € 700 000 000  
 Publicly Traded Company

**Maia, Portugal, 7 November 2011:** Sonae Indústria reports unaudited Consolidated Results for the first nine months of 2011 (9M11) which are prepared in accordance with IAS 34 – Interim Financial Reporting.

**Highlights of Financial Performance:**

- Comparing 3Q11 with 3Q10:
  - Turnover increased by 4%, to 326 million Euros
  - Recurrent EBITDA increased by 2% to 29 million Euros
  - Net losses reduced by 17% to 9 million Euros
  
- Comparing 9M11 with 9M10:
  - Turnover increased by 6%, from 972 to 1,034 million Euros
  - Recurrent EBITDA margin recovered 2 pp reaching almost 8%
  - Net losses on a recurrent basis reduced from 51 to 26 million Euros

	<i>(euro millions)</i>			3Q11/ 3Q10		<i>(euro millions)</i>		9M11/ 9M10
	3Q10	2Q11	3Q11	3Q11/ 3Q10	3Q11/ 2Q11	9M10	9M11	9M11/ 9M10
<b>Consolidated Turnover</b>	313	356	326	4%	(9%)	972	1.034	6%
<b>EBITDA</b>	25	34	26	5%	(23%)	43	78	80%
<b>Recurrent EBITDA</b>	28	35	29	2%	(18%)	57	81	43%
<b>Recurrent EBITDA Margin %</b>	9,0%	9,9%	8,8%			5,9%	7,9%	
<b>Net Profit/(Loss) attributable to Shareholders</b>	(10)	(24)	(9)	(17%)	(64%)	(51)	(54)	5%
<b>Net Debt</b>	735	728	724	(2%)	(1%)	735	724	(2%)

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 Share Capital € 700 000 000  
 Maia Commercial Registry and  
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Lugar do Espido Via Norte  
 Apartado 1096  
 4470-177 Maia Portugal

Telefone (+351) 22 010 04 00  
 Fax (+351) 22 010 05 43

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

## **Message from joint CEOs Rui Correia and João Paulo Pinto**

“As expected 3Q11 activity was affected by normal seasonal shutdowns which led to lower capacity utilization and a deterioration in the dilution of fixed costs. Nevertheless, we were able to keep our Recurrent EBITDA margin at a level close to 9% of turnover supported by significant operational efficiency gains.

When comparing 9M11 with 9M10, we achieved a much better performance, which was translated into a 2pp increase in Recurrent EBITDA margin and a 6% growth in turnover. This positive evolution is a combined effect of a better customer management, and an extensive efficiency improvement program.

Over the last quarters, we have been dedicating special attention to the strategic directions that we want to pursue in order to significantly improve performance, namely: (i) people and team development, (ii) operational excellence and innovation, (iii) market focus with a reliable integrated offer, and (iv) competitive sites with a secure supply of wood. In order to achieve operational excellence, we have launched a structured program to develop best practices and knowledge transfer, enhanced by a lean manufacturing approach. Targeting a clear focus on customer needs and an integrated offer of valued added products, we have launched the global *Innovus* collection which is gaining increasing acceptance by our customers. In order to improve wood supply, we increased the flexibility of raw material usage by investing in Canada to increase the usage of recycled wood in our most recent production line. These projects, together with other activities still to be launched, will allow us to further improve our customer satisfaction and increase our efficiency.

Looking into the future, we have decided to expand our MDF production capacity in South Africa, in order to increase our market share in this promising market. Investments that are already ongoing will enable us to increase MDF production by 50% by the middle of 2012, with the aim of more than doubling production in the next 2 years.

Although the macroeconomic environment has been weakening, due to the sovereign debt crisis in some European countries, we are confident that we will continue to improve our performance, on the back of efficiency gains and better customer management. We are counting on our team to further develop and spread across all areas of our organization a culture of excellence and innovation focused on our customers, in order to create sustainable value for our shareholders.”

## **Geographical Review of Operations**

### **Iberia**

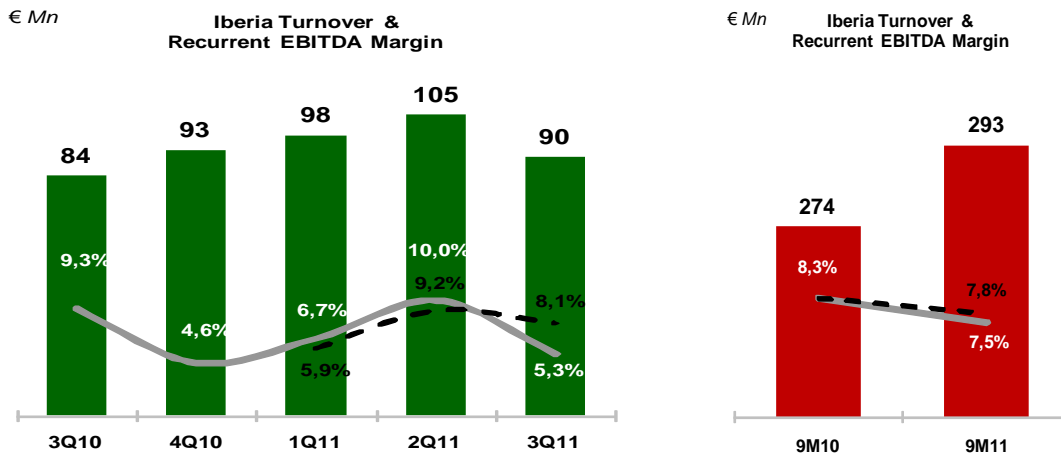
Iberia continued to experience tough market conditions due to the macroeconomic situation and the consequent announcement of austerity measures, namely in Portugal, which are causing a very depressed economic environment with some impacts already felt on demand. The number of new housing permits granted in Portugal is 20%<sup>1</sup> below last year (YoY) as well as those in Spain 12%<sup>2</sup> (YoY).

In spite of facing this situation, comparing 9M11 with 9M10, volumes sold from Iberia increased by 4% and turnover by 7% to 293 million Euros, demonstrating our competitive position.

<sup>1</sup> Source: *Instituto Nacional de Estatística*, October 2011 (for the period Jan. - Aug.)

<sup>2</sup> Source: *Ministerio de Fomento*, October 2011 (for the period Jan. - July)

Nevertheless, recurrent EBITDA margin declined from 8.3% to 7.5% due to the 9% higher production costs.

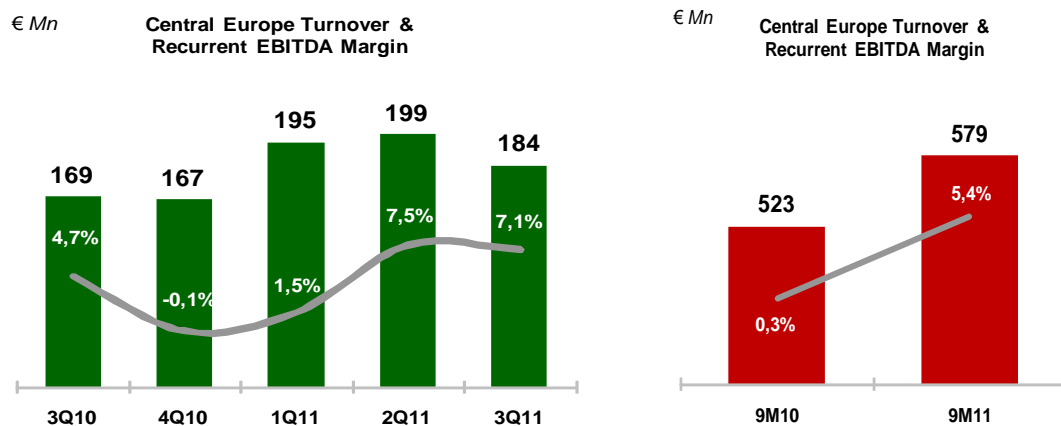


--- Recurrent EBITDA % under the same fixed cost allocation methodology as used last year

During this quarter, Recurrent EBITDA margin was negatively affected by the seasonal lower capacity utilization (due to planned annual maintenance shutdowns), which implied higher fixed costs per unit produced. However, there is also a significant accounting effect which negatively impacted our recurrent EBITDA margin, which is related to adopting a different fixed cost allocation methodology, between the quarters, applied since the beginning of 2011. Under the same cost allocation basis as used last year, Recurrent EBITDA would have only declined 1pp to 8% (instead 5pp to 5%) when comparing 3Q11 with 2Q11.

**Central Europe (Germany, France and the UK)**

In Central Europe, activity has been recovering, resulting in higher turnover in this region. Nevertheless, recurrent EBITDA margin was kept at the same level, due to higher variable costs, particularly chemicals.



In **Germany**, new house construction permits were 23%<sup>3</sup> up (YoY), indicating that the market recovered when compared with last year, but at a slower pace when compared to 1H11. During 9M11, compared to 9M10, volumes sold increased by 5% and turnover moved 15% up. These effects led to a higher recurrent EBITDA margin, when compared to the previous year. Due to seasonal summer closures, 3Q11 capacity utilization was below 2Q11.

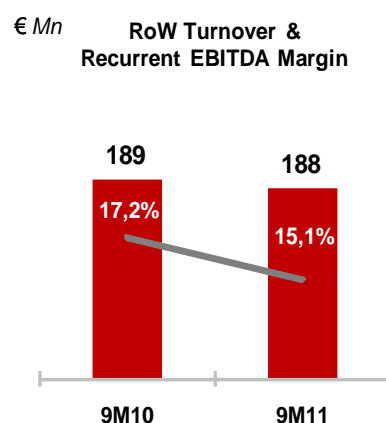
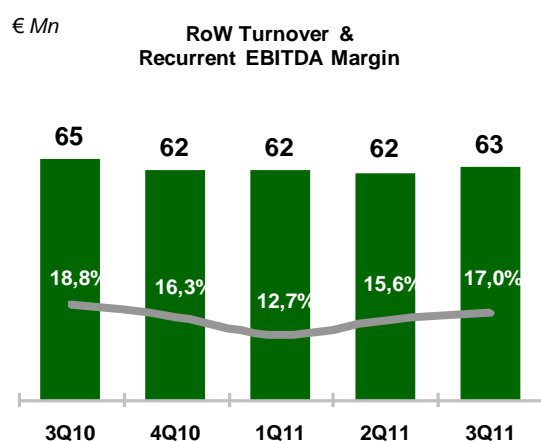
In **France**, demand from the construction and furniture segments remains weak, but there are some positive leading indicators, such as housing permits, which increased by 12%<sup>4</sup> (YoY). Comparing 9M11 with 9M10, volumes sold increased by 6% and turnover by 15%. This effect combined with higher operational efficiencies, impacted positively the recurrent EBITDA margin.

In the **UK**, government austerity measures are still constraining demand. Nevertheless, the value of new housing orders recovered by 7%<sup>5</sup> (YoY). In June there was a fire at our UK plant, which has interrupted normal production activity since then. The reconstruction process is progressing as planned. Interim measures are in place to allow restricted output levels from 4Q11 with the final reconstruction to be concluded in 3Q12. Continuity of supply has been maintained by providing boards to UK customers from other European plants.

In **Central Europe**, comparing 9M11 with 9M10, and in spite of having sold the Lure plant which represented 11% of our production capacity in this region, turnover increased by 11% and the recurrent EBITDA margin increased by 5pp, illustrating the effectiveness of the restructuring and efficiency measures already implemented.

### Rest of the World (Canada and South Africa)

Our performance in Canada and South Africa reflects a combination of mixed market trends and some specific impacts which make direct comparisons difficult.



<sup>3</sup> Source: German Federal Statistical Office, Oct. 2011 (for the period Jan. - Aug.)

<sup>4</sup> Source: *Service économie statistiques et prospective (Ministère de l'Écologie, de l'Énergie, du Développement durable et de l'Aménagement du territoire)*, Oct. 2011 (for the period Jan. - Aug.)

<sup>5</sup> Source: Office for National Statistics UK, Oct 2011 (for the period Jan. - June.)

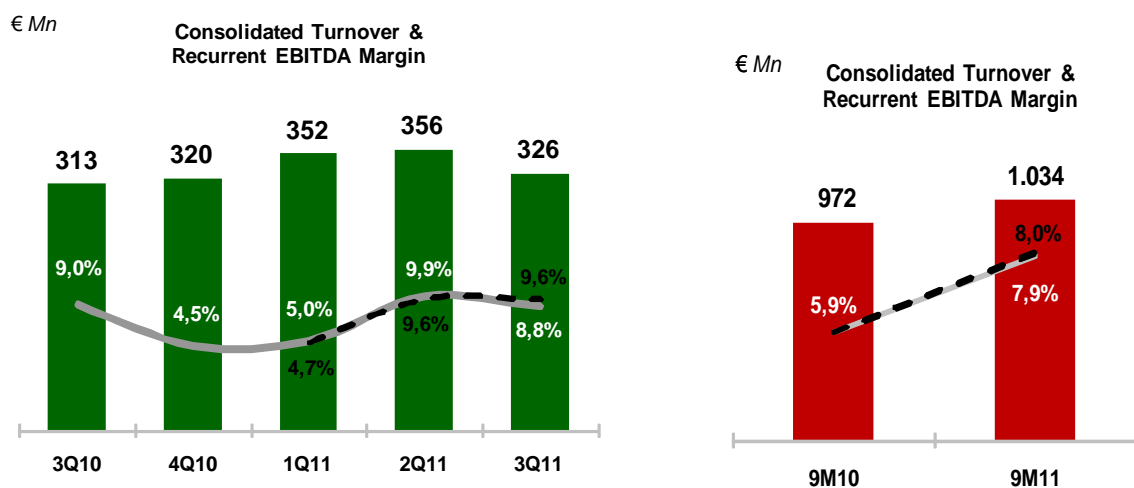
In **North America**, US housing starts fell by 4%<sup>6</sup>, while Canadian housing decreased by 3%<sup>7</sup>, resulting in a weaker market, compared to 2010. Compared to 9M10, 9M11 turnover in local currency has fallen by 5% and volumes declined by 6%. These effects combined with higher variable costs, led to a decline in the recurrent EBITDA margin. However, the value added part of the business continues to strengthen.

In **South Africa**, residential building permits posted a YoY increase of 9%<sup>8</sup>. Volumes sold in 9M11, compared with 9M10, increased by 7% and turnover in local currency moved 6% up. However, the recurrent EBITDA margin is slightly lower, as a result of higher production costs, particularly for wood and electricity.

**For the Rest of the World**, comparing 9M11 to 9M10, turnover remained flat and the recurrent EBITDA margin decreased by 2pp to 15% due to the higher variable costs.

## Financial Review of 9M11

Consolidated turnover in 9M11 totalled 1,034 million Euros, representing a 6% increase compared to 9M10. The Recurrent EBITDA margin increased 2pp up to 8%. This margin improvement mainly results from stronger market and operational efficiency gains in Germany and France.



--- Recurrent EBITDA % under the same fixed cost allocation methodology as used last year

During 3Q11, Turnover and Recurrent EBITDA were negatively impacted by seasonal plant stoppages.

<sup>6</sup>Source RISI, Oct. 2011 (YoY Jan. – Aug.)

<sup>7</sup>Source: CMHC - Canada Mortgage and Housing Corporation, Oct. 2011 (YoY Jan – Aug.)

<sup>8</sup>Source: Statistics South Africa Oct. 2011 (YoY Jan – Aug.)

	<i>(euro millions)</i>			3Q11/	3Q11/	<i>(euro millions)</i>		9M11/
	3Q10	2Q11	3Q11	3Q10	2Q11	9M10	9M11	9M10
<b>Consolidated Turnover</b>	<b>313</b>	<b>356</b>	<b>326</b>	4%	(9%)	<b>972</b>	<b>1.034</b>	6%
Other Operational Income	8	12	18	120%	51%	53	38	(28%)
<b>EBITDA</b>	<b>25</b>	<b>34</b>	<b>26</b>	5%	(23%)	<b>43</b>	<b>78</b>	80%
Recurrent EBITDA	28	35	29	2%	(18%)	57	81	43%
Recurrent EBITDA Margin %	9,0%	9,9%	8,8%			5,9%	7,9%	
Depreciation and amortisation	(23)	(22)	(22)	7%	0%	(75)	(65)	13%
Provisions and Impairment Losses	(2)	(28)	(1)	40%	95%	(10)	(36)	
<b>Operational Profit</b>	<b>4</b>	<b>(10)</b>	<b>5</b>	32%	151%	<b>(13)</b>	<b>(12)</b>	5%
Net Financial Charges	(13)	(14)	(12)	4%	8%	(35)	(37)	(5%)
o.w. Net Interest Charges	(6)	(7)	(8)	(28%)	(9%)	(18)	(22)	(23%)
o.w. Net Financial Discounts	(3)	(3)	(3)	3%	6%	(10)	(9)	3%
<b>Profit before taxes (EBT)</b>	<b>(9)</b>	<b>(23)</b>	<b>(7)</b>	19%	69%	<b>(48)</b>	<b>(49)</b>	(2%)
Taxes	(1)	(1)	(1)	7%	(17%)	(4)	(5)	(32%)
o.w. Current Tax	(1)	(0)	(0)	21%	(11%)	(2)	(1)	19%
<b>Net Profit/(Loss) attributable to Shareholders</b>	<b>(10)</b>	<b>(24)</b>	<b>(9)</b>	17%	64%	<b>(51)</b>	<b>(54)</b>	(5%)

Net financial charges in 9M11 are 4 million Euros above 9M10, mainly due to higher interest rates.

Net losses in 9M11 were 54 million Euros, significantly affected by charging non-operational provisions of 28 million Euros.

	<i>(euro millions)</i>			
	2010	1Q11	1H 11	9M11
<b>Non Current Assets</b>	<b>1.135</b>	<b>1.103</b>	<b>1.081</b>	<b>1.049</b>
Tangible Assets	984	953	935	905
Goodwill	94	93	93	93
Deferred Tax	40	38	36	34
Other Non Current Assets	17	19	17	17
<b>Current Assets</b>	<b>351</b>	<b>383</b>	<b>398</b>	<b>398</b>
Inventories	129	138	147	145
Trade Debtors	159	202	202	191
Cash & Investments	27	11	14	10
Other Current Assets	35	33	34	52
<b>Total Assets</b>	<b>1.486</b>	<b>1.486</b>	<b>1.478</b>	<b>1.447</b>
Shareholders' Funds	298	269	244	231
Minority Interests	1	1	0	0
<b>Shareholders' Funds + Minority Interests</b>	<b>299</b>	<b>270</b>	<b>244</b>	<b>232</b>
Interest Bearing Debt	745	740	742	734
Short term	175	140	116	106
L-M term	570	599	626	628
Trade Creditors	152	185	174	168
Other Liabilities	290	291	318	313
<b>Total Liabilities</b>	<b>1.187</b>	<b>1.216</b>	<b>1.234</b>	<b>1.215</b>
<b>Total Liabilities, Shareholders' Funds and Minority Interests</b>	<b>1.486</b>	<b>1.486</b>	<b>1.478</b>	<b>1.447</b>

Working Capital<sup>9</sup> decreased by 7 million Euros during 3Q11, mainly due to a decrease of 11 million Euros in the Trade Debtors account. When compared 9M11 to the same period of last year, working capital was reduced by 6 million Euros.

Additions to Fixed Assets in 9M11 were close to 21 million Euros, of which 18 million Euros are mostly related to investments in maintenance, Health & Safety and Environmental improvements. Around 3 million Euros were already invested in a project in Canada to increase the capacity of recycled wood utilization in our most recent production line.

Compared to 1H11, Net debt during 3Q11 was reduced by 4 million Euros. The Net Debt to Recurrent EBITDA ratio for the last 12 months is 7.6x, which is down from 10.0x, one year ago.

## **Looking Forward**

We expect to be able to continue to improve performance when compared with same periods of the previous year, supported by operational efficiency gains and better market positioning.

We will closely monitor the macroeconomic environment to try to anticipate eventual impacts in the markets for our products.

We will focus on the implementation of the initiatives aligned with our strategic guidelines in order to achieve short and long term operational improvements, optimising capital employed and managing the refinancing of our balance sheet.

The Board of Directors

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<sup>9</sup> Working Capital = Inventories + Trade Debtors – Trade Creditors