



SONAE INDÚSTRIA, SGPS, SA

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

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 253 319 797.26

Publicly Traded Company

**ACTIVITY REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – MARCH 2019

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



ACTIVITY REPORT

MESSAGE FROM THE CHAIRMAN

Following the difficulties faced during 4Q18, and despite not fully recovering momentum at our fully owned businesses, during the first quarter of 2019 we were able to improve Recurrent EBITDA and revert to positive net results reaching a profit of circa 1.2 million euros, after a net loss in 4Q18 due to a number of one off adjustments particularly in the Sonae Arauco accounts.

Considering our 50% share of Sonae Arauco's figures, LTM Proportional Recurrent EBITDA¹ reached 71 million euros and the leverage ratio³ was of 4.5x.

However, notwithstanding the net profit achieved in the quarter, we continued to face challenges particularly in our fully owned businesses.

In our North American business, despite an improvement in Recurrent EBITDA when compared with 4Q18, we were still affected by high variable costs, particularly due to materially higher input wood prices, high thermal energy costs and still high maintenance costs in all cases negatively affected by extremely cold weather in January and February, a factor which also limited production efficiency and availability. On the other hand, although sales volumes in the quarter were still conditioned by the lower than desired production and inventory levels, it should be noted that volumes have increased when compared with 4Q18 with further room for improvement as the negative effects of the extreme weather and November fire are dissipated. On a more positive note, our North American business continued to improve its sales mix in alignment with our strategic guidelines, with decorative products steadily increasing their weight particularly with our high end EIR decorative offer, today complemented with our matching Surforma® Laminates produced in Portugal.

Profitability at our Laminates & Components business continued to suffer from shortfall of sales volumes notwithstanding the fact that Turnover was higher than last year. However, on a positive note, good progress is being made on the development of the strategic project between our Laminates and North America businesses with the sales ramp up evolving favorably. This strategic project, together with several actions currently under implementation at commercial and operational levels should provide us the base to begin recovering the desired profitability for this business.

Results at Sonae Arauco improved during the quarter generating a better Recurrent EBITDA when compared with the two previous quarters, despite enduring competitive tensions in Iberia and sluggish market demand in South Africa. Sonae Arauco made a positive contribution to Sonae Indústria's net results in the quarter, after the negative one off effects in 4Q18. In terms of commercial initiatives, I would like to highlight that in April we launched our new Innovus decorative collection including matching laminates. The 2019 Innovus collection, which will be presented at Interzum (Cologne, Germany) in May, includes the introduction of a significant number of new textures and colours and a simplified and improved service proposition further strengthening our decorative solutions offer.

Paulo Azevedo

Chairman, Sonae Indústria

¹ Figures without the effects from the adoption of the IFRS 16, effective from 1 January 2019. See note related with the adoption of IFRS 16 in consolidated results section (page 5).

1. SONAE INDÚSTRIA RESULTS

1.1 PROPORTIONAL RESULTS (UNAUDITED)

SUMMARY OF 1Q19 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.

For comparative purposes, Proportional Results section (1.1) excludes effects from the adoption of the IFRS 16 in 2019 (meaning all indicators for 1Q19 are like for like those presented for 1Q18).

FINANCIAL INDICATORS (UNAUDITED)

	1Q18	1Q19
Proportional Turnover	153	159
Proportional Rec. EBITDA	19	16
Proportional Rec. EBITDA margin	12.3%	10.0%
	LTM 1Q18	LTM 1Q19
Proportional LTM Turnover	619	619
Proportional LTM Rec. EBITDA	85	71
Proportional LTM Rec. EBITDA margin	13.7%	11.4%
LEVERAGE		
Proportional Net Debt	320	317
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	3.8 x	4.5 x
LOAN TO VALUE		
Net Debt of Sonae Indústria	209	206
Asset Value ³	473	430
LTV (Net Debt of Sonae Indústria / Asset Value)	44%	48%

Proportional Turnover in 1Q19 was circa 6.5 million euros higher than in the same period of last year. This evolution was driven by an higher contribution from our fully owned businesses (circa 2.5 million euros), due to a favourable exchange rate effect (of circa 1.5 million euros) resulting from the appreciation of the Canadian dollar vs. the EUR and to an increase in average selling prices y.o.y. of the North American business, and by a circa 4.0 million euros improvement in Sonae Arauco contribution due to higher sales volumes.

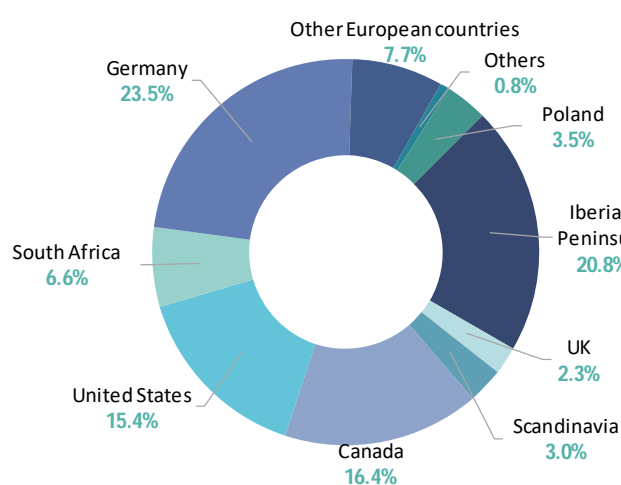
Figures (including 1Q19) without the effects from the adoption of the IFRS 16, effective from 1 January 2019. See note related with the adoption of IFRS 16 in consolidated results section (page 5).

Calculated as described in the Glossary of Terms. This compares with a Consensus 'Asset Value' of EUR 443M based on the average of the sum of the parts valuation (as at year-end 2019) of Sonae Indústria assets carried out by two independent equity research houses.

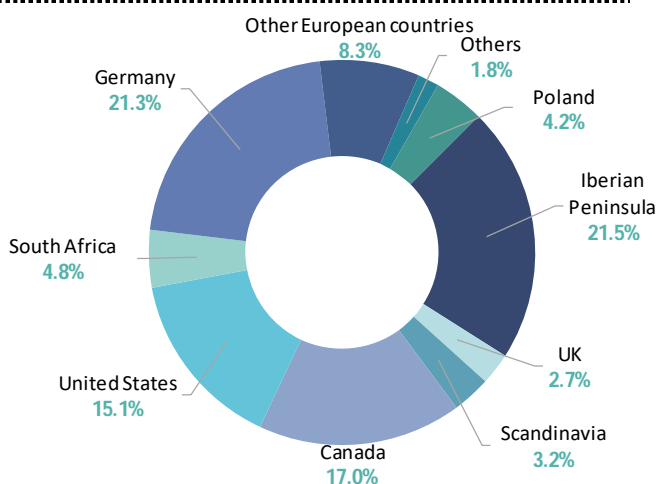
Proportional Recurrent EBITDA in 1Q19 (excluding IFRS 16 effects) reached circa 15.9 million euros, circa 2.9 million euros lower than in 1Q18 driven by a lower contribution from both fully owned businesses and by Sonae Arauco, but higher than 4Q18 by circa 2.1 million euros.

In the first quarter of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at circa 4.5x (excluding IFRS 16 effects), which represents an increase of 0.7x vs. 1Q18. During 1Q19 Sonae Arauco received the full amount of insurance compensation outstanding at the end of 2018 (circa 32 million euros). **Loan to Value** also increased when compared to 1Q18, reaching circa 48% (excluding IFRS 16 effects) at the end of 1Q19.

PROPORTIONAL TURNOVER BY DESTINATION MARKET
1Q18



PROPORTIONAL TURNOVER BY DESTINATION MARKET
1Q19

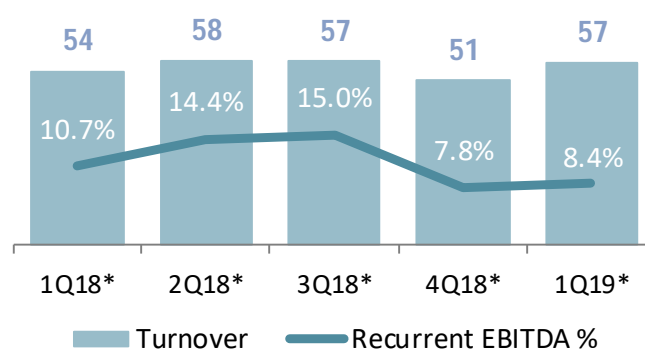


1.2 CONSOLIDATED RESULTS

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 expense.

SUMMARY OF 1Q19 RESULTS

TURNOVER and RECURRENT EBITDA
MILLION EUROS



*Quarterly information unaudited.

Consolidated Turnover for the first quarter of the year reached circa 56.8 million euros, an improvement of 4.5% vs. same period of last year (circa +2.5 million euros), driven by circa 1.5 million euros favourable exchange rate effect resulting from the appreciation of the Canadian dollar vs. the EUR but also by an increase in **average selling prices** y.o.y. in our North American business. When compared to the previous quarter, consolidated turnover increased by circa 5.5 million euros driven by our North American business, with higher **sales volumes** and average selling prices, but also by our Laminates & Components business.

Variable costs per cubic meter in local currency increased, when compared to the same period of last year, with an increase in most input costs. When compared to 4Q18, variable costs per cubic meter also increased, mainly driven by higher costs of wood (affected by higher transportation costs).

Recurrent EBITDA for the first quarter of the year reached circa 4.8 million euros (including a positive effect from the adoption of the IFRS 16 of 0.6 million euros), a reduction of 1.0 million euros vs. 1Q18. The lower Recurrent EBITDA, despite the increase in turnover as aforementioned, when compared to the previous year, is mainly explained by an increase in operational costs, particularly in variable costs as explained above. When compared to 4Q18 Recurrent EBITDA increased circa 0.8 million euros. The 1Q19 **Recurrent EBITDA margin** reached 8.4%, down by circa 2.3 p.p. vs. 1Q18, but up by 0.6 p.p. vs. 4Q18.

Consolidated **EBITDA** for the quarter reached 4.6 million euros, a reduction of 1.1 million euros vs. the same period of last year, mainly due to the aforementioned evolution in Recurrent EBITDA, and a reduction of 2.5 million euros vs. the previous quarter, noting that 4Q18 benefited from a capital gain of circa 3.2 million euros as a result of the sale of Solsona inactive site real estate.

CONSOLIDATED INCOME STATEMENT

MILLION EUROS

	1Q18 Unaudited	4Q18 Unaudited	1Q19 Unaudited	1Q19 / 1Q18	1Q19 / 4Q18
Turnover	54.3	51.3	56.8	4.5%	10.6%
Other operational income	0.9	5.1	0.9	(0.6%)	(82.8%)
EBITDA	5.7	7.1	4.6	(19.9%)	(35.6%)
Non recurrent items	(0.1)	3.1	(0.2)	-	(105.8%)
Recurrent EBITDA	5.8	4.0	4.8	(17.7%)	19.5%
Recurrent EBITDA Margin %	10.7%	7.8%	8.4%	-2.3 pp	0.6 pp
Depreciation and amortisation	(3.1)	(3.5)	(3.9)	(25.1%)	(13.3%)
Provisions and impairment Losses	0.0	0.2	0.0	-	(90.2%)
Operational profit (EBIT)	2.6	3.9	0.7	(73.2%)	(81.8%)
Net financial charges	(2.8)	(3.0)	(2.9)	(2.0%)	5.2%
o.w. Net interest charges	(2.0)	(2.1)	(2.0)	(1.6%)	5.0%
o.w. Net exchange differences	(0.0)	(0.0)	(0.1)	-	-
o.w. Net financial discounts	(0.4)	(0.4)	(0.4)	2.8%	13.2%
Gains and losses in Joint-Ventures - Net Results	4.7	(9.5)	3.4	(27.7%)	135.6%
Gains and losses in Joint-Ventures - Other	0.0	0.5	0.0	-	(100.0%)
Profit before taxes (EBT)	4.5	(8.2)	1.2	(72.7%)	115.0%
Taxes	(0.7)	(3.4)	(0.0)	95.6%	99.1%
o.w. Current tax	(1.1)	(1.1)	(0.5)	56.1%	56.9%
o.w. Deferred tax	0.4	(2.3)	0.4	23.0%	119.0%
Consolidated net profit/(loss) for the period	3.8	(11.6)	1.2	(68.5%)	110.4%

Total **fixed costs** for the first quarter of the year represented circa 16.9% of turnover, in line with the values booked for 1Q18 and a decrease of 2.0 p.p. vs. 4Q18, driven by both an increase in turnover and a reduction in fixed costs (which includes lower lease rents as a result of the adoption of IFRS 16).

Total headcount of Sonae Indústria was 499 FTE's, at the end of March 2019, excluding Sonae Arauco, which compares with 495 and 485 FTE's at the end of December 2018 and March 2018, respectively.

Depreciation and amortization charges in 1Q19 were 3.9 million euros, which represents an increase of circa 0.8 million euros and 0.5 million euros vs. 1Q18 and 4Q18, respectively, mainly due to the impact of circa 0.5 million euros of the adoption of the IFRS 16.

Net financial charges during 1Q19 were circa 2.9 million euros, an increase of circa 0.1 million euros when compared to 1Q18 and a reduction of circa 0.2 million euros vs. 4Q18. 1Q19 figures include a marginally negative effect due to the adoption of the IFRS 16 (circa 0.1 million euros).

Gains and losses in Joint-Ventures – Net Results refers to 50% of the net results of Sonae Arauco in the period. For the first quarter of the year, this amounted to circa 3.4 million euros, a reduction of 1.3 million euros when compared to 1Q18, despite the increase in turnover. It should be noted that 1Q18 included higher insurance income recognition related to the fires that affected two Sonae Arauco plants in Portugal in October 2017. When compared to 4Q18, Gains and losses in Joint-Ventures – Net Results increased 12.9 million euros, noting that 4Q18 included (considering the 50% contribution) one off negative effects (namely full impairment of the accounting values of its investment (including a loan) in the joint venture LaminatePark (circa 8 million euros) and impairment of the accounting value of tangible assets (circa 3.5 million euros)).

Current tax charges were circa 0.5 million euros for the first quarter of the year, a decrease of 0.6 million euros when compared to 1Q18, mainly driven by lower tax charges in Canada.

Net results in 1Q19 were positive of circa 1.2 million euros, a reduction of 2.6 million euros when compared to 1Q18, mainly explained by the aforementioned reduction in EBITDA and in Gains and losses in Joint-Ventures – Net Results. Net Results have improved materially when compared to 4Q18, mainly due Gains and losses in Joint-Ventures – Net Results which were affected by a number of negative non recurrent items in 4Q18.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MILLION EUROS

	1Q18 Unaudited	2018	1Q19 Unaudited
Non current assets	357.1	354.5	368.2
Tangible assets	138.5	135.7	145.7
Investments in joint ventures	210.7	212.5	216.2
Deferred tax asset	1.5	0.0	0.0
Other non current assets	6.5	6.3	6.3
Current assets	40.2	47.4	45.8
Inventories	16.7	18.2	18.1
Trade debtors	16.2	12.3	19.4
Cash and cash equivalents	1.8	10.6	2.2
Other current assets	5.5	6.2	6.2
Non-current assets classified as available for sale	0.0	0.0	0.0
Total assets	397.4	401.8	414.0
Shareholders' Funds	126.4	135.5	139.7
Equity holders	126.4	135.5	139.7
Non-controlling interests	0.0	0.0	0.0
Liabilities	271.0	266.3	274.2
Interest bearing debt	210.4	206.5	214.1
Non current	195.8	188.6	193.8
Current	14.6	17.9	20.3
Trade creditors	22.5	21.6	24.2
Other liabilities	38.1	38.3	36.0
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	397.4	401.8	414.0

Tangible assets reached 145.7 million euros at the end of March 2019, an increase of 10.0 million euros vs. December 2018, mainly due to the impact of the adoption of the IFRS 16 of 6.2 million euros.

Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached circa 216.2 million euros, which is 3.7 million euros higher than the book value of this investment at the end of 2018, due to our share of Sonae Arauco's results of circa 3.4 million euros and the impact of the favorable exchange rate evolution of the South African Rand in the quarter of 0.3 million euros.

Total **Shareholders' Funds**, at the end of March 2019, totaled 139.7 million euros, which represents an increase of 4.2 million euros when compared to December 2018, explained by the positive impacts from the exchange rate evolution of the Canadian Dollar vs. the Euro of 2.7 million euros, the net results in the quarter and from the exchange rate evolution of the South African Rand of 0.3 million euros.

NET DEBT and WORKING CAPITAL

MILLION EUROS

	1Q18 Unaudited	2018 Unaudited	1Q19 (A) Unaudited
Net Debt	208.6	195.8	205.6
Working Capital	10.4	9.0	13.2

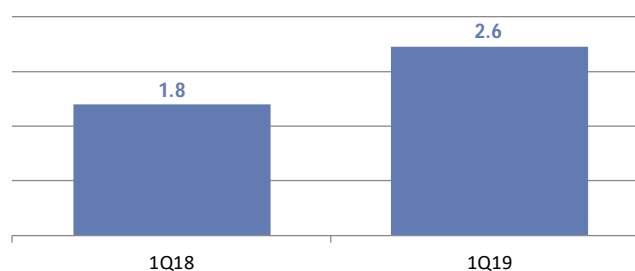
(A) For comparability purposes, 1Q19 Net Debt figure excludes the effects from the adoption of the IFRS 16.

Consolidated **Working Capital** reached 13.2 million euros, an increase of circa 4.3 million euros when compared to December 2018, explained by the seasonal increase in trade debtors, which more than offset the increase in trade creditors.

Net Debt, stood at 205.6 million euros at the end of March 2019 (excluding IFRS 16 effects), representing an increase of circa 9.8 million euros vs. 2018, but a decrease of 3.0 million euros vs. March 2018. Considering capitalized operating leases (as per IFRS 16) Net Debt would be of 211.9 million euros at the end of March 2019.

CAPEX

MILLION EUROS



Additions to Gross Tangible Fixed Assets reached circa 2.6 million euros in the first quarter of the year, essentially investments in our North American business (circa 2.4 million euros).

8th May 2019

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Carlos António da Rocha Moreira da Silva

Albrecht Olof Lothar Ehlers

Berta Maria Nogueira Dias da Cunha

Isabel Sofia Bragança Simões de Barros

Javier Veja de Seoane Azpilicueta

José Joaquim Romão de Sousa

George Christopher Lawrie

Louis Brassard

GLOSSARY OF TERMS

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



Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019 AND 31 DECEMBER 2018

(Amounts expressed in Euros)

ASSETS	Notes	31.03.2019 Unaudited	31.12.2018
NON-CURRENT ASSETS			
Tangible fixed assets	3, 7	145 721 195	135 704 644
Goodwill		347 081	347 082
Intangible assets		85 831	86 449
Investment properties		5 687 413	5 750 140
Investment in joint ventures	5, 6	216 182 817	212 459 264
Other investments	6	135 628	133 952
Total non-current assets		<u>368 159 965</u>	<u>354 481 531</u>
CURRENT ASSETS			
Inventories		18 058 751	18 224 036
Trade debtors		19 360 960	12 302 439
Other current debtors		362 034	124 360
Current tax asset		3 225 236	2 506 968
Other taxes and contributions		1 691 403	1 552 714
Other current assets	8	957 906	2 033 291
Cash and cash equivalents	9	2 182 052	10 624 192
Total current assets		<u>45 838 342</u>	<u>47 368 000</u>
TOTAL ASSETS		<u><u>413 998 307</u></u>	<u><u>401 849 531</u></u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital		253 319 797	253 319 797
Legal reserve		1 807 489	1 807 489
Other reserves and accumulated earnings	3	(171 558 505)	(172 733 307)
Accumulated other comprehensive income	10	56 180 806	53 139 528
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>139 749 587</u>	<u>135 533 507</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>139 749 587</u></u>	<u><u>135 533 507</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank loans - net of current portion	11	188 927 298	188 102 256
Lease creditors - net of current portion	3, 11	4 833 733	491 753
Post-retirement liabilities		766 587	785 667
Other non-current liabilities		1 090 410	1 128 038
Deferred tax liability		19 180 693	18 883 485
Provisions		1 762 033	1 778 290
Total non-current liabilities		<u>216 560 754</u>	<u>211 169 489</u>
CURRENT LIABILITIES			
Current portion of non-current bank loans	11	13 300 001	15 192 246
Current bank loans	11	4 612 774	2 136 274
Current portion of non-current lease creditors	3, 11	2 379 237	529 015
Trade creditors		24 209 037	21 567 484
Current tax liability		677 183	29 283
Other taxes and contributions		396 850	490 083
Other current liabilities	12	8 837 165	11 926 431
Provisions		3 275 719	3 275 719
Total current liabilities		<u>57 687 966</u>	<u>55 146 535</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>413 998 307</u></u>	<u><u>401 849 531</u></u>

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2019 AND 31 MARCH 2018

(Amounts expressed in Euros)

	Notes	31.03.2019 Unaudited	31.03.2018 Unaudited
Sales	15	56 371 052	53 949 375
Services rendered	15	393 500	357 393
Other income and gains	13, 15	876 621	881 718
Cost of sales	15	(32 464 971)	(30 394 133)
Increase / (decrease) in production	15	(933 617)	(415 536)
External supplies and services	15	(12 098 267)	(11 655 266)
Staff expenses	15	(6 785 627)	(6 198 688)
Depreciation and amortisation		(3 915 472)	(3 129 925)
Provisions and impairment losses (increase / reduction)	15	14 722	(1 678)
Other expenses and losses	14, 15	<u>(756 462)</u>	<u>(777 121)</u>
Operating profit / (loss)	15	701 479	2 616 139
Financial income	16	201 628	214 204
Financial expenses	16	(3 073 177)	(3 029 032)
Gains and losses in joint ventures	5	<u>3 398 958</u>	<u>4 703 794</u>
Net profit/(loss) before taxation		1 228 888	4 505 105
Taxation	17	<u>(31 009)</u>	<u>(707 617)</u>
Consolidated net profit / (loss) for the period		<u><u>1 197 879</u></u>	<u><u>3 797 488</u></u>
Attributable to:			
Equity holders of Sonae Industria		<u><u>1 197 879</u></u>	<u><u>3 797 488</u></u>
Consolidated net profit/(loss) per share			
Basic		<u>0.0264</u>	<u>0.0836</u>
Diluted		<u><u>0.0264</u></u>	<u><u>0.0836</u></u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2019 AND 31 MARCH 2018

(Amounts expressed in Euros)

	Notes	31.03.2019 Unaudited	31.03.2018 Unaudited
Consolidated net profit / (loss) for the period (a)		1 197 879	3 797 488
Consolidated other comprehensive income			
Items that may be subsequently transferred to profit or loss			
Change in currency translation reserve	10	2 693 606	(3 901 010)
Group share of other comprehensive income of joint ventures	10	324 595	362 169
Consolidated other comprehensive income for the period, net of tax (b)		3 018 201	(3 538 841)
Total consolidated comprehensive income for the period (a) + (b)		4 216 080	258 647
Total consolidated comprehensive income attributable to:			
Equity holders of Sonae Industria		4 216 080	258 647

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 31 DECEMBER 2018 AND 31 DECEMBER 2017

(Amounts expressed in Euros)

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Total shareholders' funds
Notes				10		
Balance as at 1 January 2019	253 319 797	1 807 489	(172 733 307)	53 139 528	135 533 507	135 533 507
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			1 197 879		1 197 879	1 197 879
Consolidated other comprehensive income for the period				3 018 201	3 018 201	3 018 201
Total			1 197 879	3 018 201	4 216 080	4 216 080
Others			(23 077)	23 077		
Balance as at 31 March 2019 - unaudited	<u>253 319 797</u>	<u>1 807 489</u>	<u>(171 558 505)</u>	<u>56 180 806</u>	<u>139 749 587</u>	<u>139 749 587</u>
	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Total shareholders' funds
Notes				10		
Balance as at 1 January 2018	253 319 797		(182 494 467)	55 287 278	126 112 608	126 112 608
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			3 797 488		3 797 488	3 797 488
Consolidated other comprehensive income for the period				(3 538 841)	(3 538 841)	(3 538 841)
Total			3 797 488	(3 538 841)	258 647	258 647
Others			55 327	(50 855)	4 472	4 472
Balance as at 31 March 2018 - unaudited	<u>253 319 797</u>		<u>(178 641 652)</u>	<u>51 697 582</u>	<u>126 375 727</u>	<u>126 375 727</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 THREE-MONTH PERIODS ENDED 31 MARCH 2019 AND 31 MARCH 2018

(Amounts expressed in Euros)

	<u>Notes</u>	<u>31.03.2019</u> <u>Unaudited</u>	<u>31.03.2018</u> <u>Unaudited</u>
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		47 417 129	48 818 306
Payments to trade creditors		(42 022 449)	(38 394 430)
Payments to staff		(6 254 039)	(5 472 393)
Net cash flow from operations		(859 359)	4 951 483
Payment / (receipt) of corporate income tax		(479 507)	(1 756 396)
Other receipts / (payments) relating to operating activities		(361 978)	242 250
Net cash flow from operating activities (1)		<u>(1 700 844)</u>	<u>3 437 337</u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments			
Tangible fixed assets and intangible assets		163	303 494
		<u>163</u>	<u>303 494</u>
Cash Payments arising from:			
Investments		(1 676)	(908)
Tangible fixed assets and intangible assets		(4 153 129)	(3 119 188)
		<u>(4 154 805)</u>	<u>(3 120 096)</u>
Net cash used in investment activities (2)		<u>(4 154 642)</u>	<u>(2 816 602)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		11 630	3 577
Loans obtained		338 704 450	363 106 048
		<u>338 716 080</u>	<u>363 109 625</u>
Cash Payments arising from:			
Interest and similar charges		(2 135 897)	(2 153 673)
Loans obtained		(343 254 117)	(363 892 833)
Leases - repayment of principal		(511 888)	(26 613)
		<u>(345 901 902)</u>	<u>(366 073 119)</u>
Net cash used in financing activities (3)		<u>(7 185 822)</u>	<u>(2 963 494)</u>
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		<u>(13 041 308)</u>	<u>(2 342 759)</u>
Cash and cash equivalents at the beginning of the period (a)	9	10 487 918	4 084 771
Cash and cash equivalents at the end of the period (b)	9	<u>(2 430 722)</u>	<u>1 606 702</u>
Net increase/(decrease) in cash and cash equivalents (b) - (a)		(12 918 640)	(2 478 069)
Effect of foreign exchange rate in cash and cash equivalents (c)		122 668	(135 310)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		<u>(13 041 308)</u>	<u>(2 342 759)</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 THREE-MONTH PERIOD ENDED 31 MARCH 2019

(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 31 March 2019 and 31 March 2018 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 2018.

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 consolidated financial statements for fiscal year 2018.

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 2019 and endorsed by the European Union.

2.2.1. In the period ended 31 March 2019, the following standards and interpretations, which had been endorsed by the European Union, became effective:

IAS 19 (amendment), Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling;

IAS 28 (amendment), Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019). 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). The 2015-2017 annual improvements affects: IAS 23, IAS 12, IFRS 3 and IFRS 11.

The application of these amendments to the standards from 1 January 2019 did not have significant effects on these consolidated financial statements.

2.2.2. At 31 March 2019, the following standards, effective 1 January 2019 or later, had been issued by IASB but still had not been endorsed by the European Union:

IAS 1 and IAS 8 (amendment), Definition of Material (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. Under this amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the user of financial statements make on the basis of those financial statements;

IFRS 3 (amendment), Business Combinations (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment clarifies that to be considered a business combination, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

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;

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment contains changes to several standards, whose references to the Conceptual Framework have been updated.

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:

	31.03.2019		31.12.2018		31.03.2018	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8583	0.8723	0.8945	0.8847	0.8749	0.8832
South African Rand	16.2655	15.9134	16.4582	15.5715	14.6220	14.7059
Canadian Dollar	1.5000	1.5101	1.5605	1.5294	1.5895	1.5538
American Dollar	1.1235	1.1357	1.1450	1.1799	1.2321	1.2291

Source: Bloomberg

3. COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The comparability of the consolidated financial statements as at 31 March 2019, 31 December 2018 and 31 March 2018 was affected by the application of IFRS 16 – Leases from 1 January 2019. Under this new standard, leases previously classified as operating leases are stated as Tangible fixed assets and Lease creditors, on the Consolidated Statement of Financial Position, excepting low-value and short-term leases, for which no change in accounting took place.

Liabilities recognized under Lease creditors correspond to the present value at 1 January 2019 of the remaining lease payments of contracts which had been classified as operating leases under IAS 17 and which are not low-value or

short-term leases in accordance with IFRS 16. The corresponding right-of-use asset was recognized for the same amount under Tangible fixed assets, on the Consolidated Statement of Financial Position, and is detailed on note 7 in accordance with the nature of the underlying assets.

If this standard had not been applied on the said date, the consolidated financial statements at 31 March 2019 would be stated as follows:

ASSETS	31.03.2019	Effect of IFRS 16	31.03.2019 without effect of IFRS 16	31.12.2018
NON-CURRENT ASSETS				
Tangible fixed assets	145 721 195	6 127 959	139 593 236	135 704 644
Goodwill	347 081		347 081	347 082
Intangible assets	85 831		85 831	86 449
Investment properties	5 687 413		5 687 413	5 750 140
Investment in joint ventures	216 182 817		216 182 817	212 459 264
Other investments	135 628		135 628	133 952
Total non-current assets	<u>368 159 965</u>	<u>6 127 959</u>	<u>362 032 006</u>	<u>354 481 531</u>
CURRENT ASSETS				
Inventories	18 058 751		18 058 751	18 224 036
Trade debtors	19 360 960		19 360 960	12 302 439
Other current debtors	362 034		362 034	124 360
Current tax asset	3 225 236		3 225 236	2 506 968
Other taxes and contributions	1 691 403		1 691 403	1 552 714
Other current assets	957 906		957 906	2 033 291
Cash and cash equivalents	2 182 052		2 182 052	10 624 192
Total current assets	<u>45 838 342</u>		<u>45 838 342</u>	<u>47 368 000</u>
TOTAL ASSETS	<u>413 998 307</u>	<u>6 127 959</u>	<u>407 870 348</u>	<u>401 849 531</u>
SHAREHOLDERS' FUNDS AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital	253 319 797		253 319 797	253 319 797
Legal reserve	1 807 489		1 807 489	1 807 489
Other reserves and accumulated earnings	(171 558 505)	(31 422)	(171 527 083)	(172 733 307)
Accumulated other comprehensive income	56 180 806	201	56 180 605	53 139 528
Total shareholders' funds attributable to equity holders of Sonae Indústria	<u>139 749 587</u>	<u>(31 221)</u>	<u>139 780 808</u>	<u>135 533 507</u>
TOTAL SHAREHOLDERS' FUNDS	<u>139 749 587</u>	<u>(31 221)</u>	<u>139 780 808</u>	<u>135 533 507</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Bank loans - net of current portion	188 927 298		188 927 298	188 102 256
Lease creditors - net of current portion	4 833 733	4 283 888	549 845	491 753
Post-retirement liabilities	766 587		766 587	785 667
Other non-current liabilities	1 090 410		1 090 410	1 128 038
Deferred tax liability	19 180 693		19 180 693	18 883 485
Provisions	1 762 033		1 762 033	1 778 290
Total non-current liabilities	<u>216 560 754</u>	<u>4 283 888</u>	<u>212 276 866</u>	<u>211 169 489</u>
CURRENT LIABILITIES				
Current portion of non-current bank loans	13 300 001		13 300 001	15 192 246
Current bank loans	4 612 774		4 612 774	2 136 274
Current portion of non-current lease creditors	2 379 237	1 875 292	503 945	529 015
Trade creditors	24 209 037		24 209 037	21 567 484
Current tax liability	677 183		677 183	29 283
Other taxes and contributions	396 850		396 850	490 083
Other current liabilities	8 837 165		8 837 165	11 926 431
Provisions	3 275 719		3 275 719	3 275 719
Total current liabilities	<u>57 687 966</u>	<u>1 875 292</u>	<u>55 812 674</u>	<u>55 146 535</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	<u>413 998 307</u>	<u>6 127 959</u>	<u>407 870 348</u>	<u>401 849 531</u>

	31.03.2019	Effect of IFRS 16	31.03.2019 without effect of IFRS16	31.03.2018
Sales	56 371 052		56 371 052	53 949 375
Services rendered	393 500		393 500	357 393
Other income and gains	876 621		876 621	881 718
Cost of sales	(32 464 971)		(32 464 971)	(30 394 133)
Increase / (decrease) in production	(933 617)		(933 617)	(415 536)
External supplies and services	(12 098 267)	563 652	(12 661 919)	(11 655 266)
Staff expenses	(6 785 627)		(6 785 627)	(6 198 688)
Depreciation and amortisation	(3 915 472)	(528 344)	(3 387 128)	(3 129 925)
Provisions and impairment losses (increase / reduction)	14 722		14 722	(1 678)
Other expenses and losses	(756 462)		(756 462)	(777 121)
Operating profit / (loss)	701 479	35 308	666 171	2 616 139
Financial income	201 628			214 204
Financial expenses	(3 073 177)	(66 730)	(3 006 447)	(3 029 032)
Gains and losses in joint ventures	<u>3 398 958</u>		<u>3 398 958</u>	<u>4 703 794</u>
Net profit/(loss) before taxation	1 228 888	(31 422)	1 260 310	4 505 105
Taxation	<u>(31 009)</u>		<u>(31 009)</u>	<u>(707 617)</u>
Consolidated net profit / (loss) for the period	<u>1 197 879</u>	<u>(31 422)</u>	<u>1 229 301</u>	<u>3 797 488</u>

4. 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 31 March 2019, 31 December 2018 and 31 March 2018 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		31.03.2019		31.12.2018		31.03.2018		
		Direct	Total	Direct	Total	Direct	Total	
Frases e Frações - Imobiliária e Serviços, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Glunz UK Holdings, Ltd.	Liverpool (United Kingdom)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Glunz Uka GmbH	Meppen (Germany)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Isoroy, SAS	La Garenne-Colombes (France)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Maiequipa - Gestão Florestal, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Megantic B.V.	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Movelpartes - Comp. para a Indústria do Mobiliário, SA	Paredes (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Novodecor (Pty) Ltd	Woodmead (South Africa)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Parcelas e Narrativas - Imobiliária, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Poliface North America	Lac-Mégantic (Canada)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Sonae Indústria - Management Services, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Sonae Indústria - Soc. Gestora de Participações Sociais, SA	Maia (Portugal)	Parent	Parent	Parent	Parent	Parent	Parent	Parent
Sonae Indústria de Revestimentos, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
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;

5. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 31 March 2019, 31 December 2018 and 31 March 2018 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		31.03.2019		31.12.2018		31.03.2018		
		Direct	Total	Direct	Total	Direct	Total	
Sonae Arauco, S.A.	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)
Aglom 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)
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)
Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Impaper Europe GmbH	Meppen (Germany)	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)
Somit – Imobiliária, S.A.	Mangualde (Portugal)	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)
Sonae Arauco Deutschland GmbH	Meppen (Germany)	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)
Sonae Arauco France SAS	La Garenne-Colombes (France)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Sonae Arauco Maroc SARL	Casablanca (Morocco)	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 Portugal, S.A.	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 Suisse, S.A.	Tavannes (Switzerland)	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)
Talber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	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..

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	
	31.03.2019	31.12.2018
Non-current assets	537 621 166	517 837 693
Current assets (without cash and cash equivalents)	210 155 765	217 573 340
Cash and cash equivalents	11 982 691	20 234 918
Non-current financial liabilities	236 646 170	234 035 312
Other non-current liabilities	72 874 488	73 156 014
Current financial liabilities	13 755 616	17 146 842
Other current liabilities	174 122 969	176 394 509

Sonae Arauco - Consolidated		
	31.03.2019	31.03.2018
Operating revenues	216 502 870	216 584 513
Operating expenses (without Depreciation and amortization)	(191 807 524)	(191 896 386)
Depreciation and amortization	(12 111 269)	(10 579 228)
Interest income	110 612	289 569
Interest expense	(1 501 345)	(1 616 054)
Taxation	(2 042 204)	(745 682)
Net profit/(loss) from continuing operations (a)	6 797 916	9 407 588
Adjustments to the Group's accounting policies (b)		
Net profit/(loss) from continuing operations - adjusted (a) + (b)	6 797 916	9 407 588
Group's share on net profit/(loss) [(a) + (b)] x 0.5	3 398 958	4 703 794
Other comprehensive income (c)	649 190	724 337
Adjustments to the Group's accounting policies (d)		
Other comprehensive income - adjusted (c) + (d)	649 190	724 337
Group's share on other comprehensive Income [(c) + (d)] x 0.5	324 595	362 169

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 31 March 2019, Sonae Arauco was paid the last portion of the insurance compensation agreed with the insurers, which amounted to EUR 32 005 488. The total insurance compensation paid amounted to EUR 76 677 048. The corresponding gain was recognized in the consolidated accounts of Sonae Arauco of 2017 (EUR 16 940 254), 2018 (EUR 56 098 220) and 2019 (EUR 3 638 574).

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, in each of the said periods.

6. INVESTMENTS

At 31 March 2019 and 31 December 2018, details of Investments, on the Consolidated Statement of Financial position, are as follows:

	31.03.2019	31.12.2018
Investment in joint ventures		
Opening balance	212 459 264	205 616 464
Effect of equity method	3 723 553	13 249 147
Dividends		(6 406 347)
Closing balance	<u>216 182 817</u>	<u>212 459 264</u>
Other investments		
Opening balance	137 941	134 476
Acquisition	<u>1 676</u>	<u>3 465</u>
Closing balance	<u>139 617</u>	<u>137 941</u>
Accumulated impairment losses	<u>3 989</u>	<u>3 989</u>
Net other investments	<u>135 628</u>	<u>133 952</u>

7. TANGIBLE FIXED ASSETS

At 31 March 2019 and 31 December 2018, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	31.03.2019							31.12.2018	
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Fixed Assets under construction	Total tangible fixed assets	Total tangible fixed assets
Gross cost									
Opening balance	89 748 157	261 542 564	2 679 485	96 237	3 452 656	344 407	5 583 497	363 447 003	373 979 158
Capital expenditure	3 463 333		3 166 712		4 863		2 510 233	9 145 141	10 602 640
Disposals		(267 505)	(14 223)		(13 884)			(295 612)	(9 300 840)
Transfers and reclassifications	100 508	646 963			10 403	1 890	(759 764)		(11 061)
Exchange rate effect	2 808 193	9 598 787	114 821		73 999	19	234 206	12 830 025	(11 822 894)
Closing balance	<u>96 120 191</u>	<u>271 520 809</u>	<u>5 946 795</u>	<u>96 237</u>	<u>3 528 037</u>	<u>346 316</u>	<u>7 568 172</u>	<u>385 126 557</u>	<u>363 447 003</u>
Accumulated depreciation and impairment losses									
Opening balance	37 580 404	185 363 671	1 483 939	95 255	2 998 318	220 772		227 742 359	227 509 254
Depreciations for the period	741 800	2 682 021	376 638	164	33 524	7 460		3 841 607	12 762 241
Impairment losses for the period - through P/L									55 225
Disposals		(209 784)	(2 246)		(13 884)			(225 914)	(5 257 101)
Exchange rate effect	1 187 699	6 752 495	48 741		58 165	10		8 047 310	(7 327 260)
Closing balance	<u>39 509 903</u>	<u>194 588 603</u>	<u>1 907 072</u>	<u>95 419</u>	<u>3 076 123</u>	<u>228 242</u>		<u>239 405 362</u>	<u>227 742 359</u>
Carrying amount	<u>56 610 288</u>	<u>76 932 206</u>	<u>4 039 723</u>	<u>818</u>	<u>451 914</u>	<u>118 074</u>	<u>7 568 172</u>	<u>145 721 195</u>	<u>135 704 644</u>

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 124 640 445 (EUR 120 743 778 at 31 December 2018), as collateral for loans amounting to EUR 38 601 099 (EUR 37 259 448 at 31 December 2018).

Leased assets, which are stated under Tangible fixed assets, on the Consolidated Statement of Financial Position, are detailed as follows:

	31.03.2019					31.12.2018				
	Opening balance	Increase	Decrease	Exchange rate effect	Closing balance	Opening balance	Increases	Decreases	Exchange rate effect	Closing balance
Gross cost:										
Land and Buildings	5 121 453	3 463 333		(889)	8 583 897	5 121 453				5 121 453
Plant and Machinery	194 104			7 830	201 934	201 410			(7 306)	194 104
Vehicles	575 053	3 166 712	(14 223)	43 647	3 771 189	1 203 070		(596 250)	(31 767)	575 053
Fixtures and Fittings	183 245	4 863		7 415	195 523	283 139	152 139	(243 584)	(8 449)	183 245
Closing balance	6 073 855	6 634 908	(14 223)	58 003	12 752 543	6 809 072	152 139	(839 834)	(47 522)	6 073 855
Accumulated depreciation and impairment losses:										
Land and Buildings	768 601	239 449		(155)	1 007 895	661 651	106 950			768 601
Plant and Machinery	65 850	3 347		2 679	71 876	54 887	13 217		(2 254)	65 850
Vehicles	363 395	304 353	(2 246)	16 537	682 039	927 371	55 138	(596 250)	(22 864)	363 395
Fixtures and Fittings	37 242	10 413		1 569	49 224	282 725	3 577	(243 584)	(5 476)	37 242
Closing balance	1 235 088	557 562	(2 246)	20 630	1 811 034	1 926 634	178 882	(839 834)	(30 594)	1 235 088
Carrying amount	4 838 767	6 077 346	(11 977)	37 373	10 941 509	4 882 438	(26 743)		(16 928)	4 838 767

Net increases in the period ended 31 March 2019 disclosed on this note are different from the amount disclosed on note 3 because the former include the depreciation of leased assets which were recognized under Tangible fixed assets on the previous year.

8. OTHER CURRENT DEBTORS

At 31 March 2019 and 31 December 2018, detail of Other current assets, on the Consolidated Statement of Financial Position, was as follows:

	31.03.2019		31.12.2018	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	10 017	10 017	27 676	27 676
Financial Instruments	10 017	10 017	27 676	27 676
Accrued income	78 643	78 643	321 549	321 549
Deferred expenses	869 246	869 246	1 684 066	1 684 066
Assets out of scope of IFRS 9	947 889	947 889	2 005 615	2 005 615
Total	957 906	957 906	2 033 291	2 033 291

9. CASH AND CASH EQUIVALENTS

At 31 March 2019 and 31 December 2018, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

	31.03.2019	31.12.2018
Cash at Hand	5 752	5 840
Bank Deposits and Other Treasury Applications	<u>2 176 300</u>	<u>10 618 352</u>
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	2 182 052	10 624 192
Bank Overdrafts	<u>4 612 774</u>	<u>136 274</u>
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	<u>(2 430 722)</u>	<u>10 487 918</u>

10. 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 2019	4 159 959	11 957 399	(6 633)	1 067 932	38 530 418	(2 569 547)	53 139 528
Consolidated other comprehensive income for the period	2 693 606			324 595			3 018 201
Others	23 077						23 077
Balance as at 31 March 2019	6 876 642	11 957 399	(6 633)	1 392 527	38 530 418	(2 569 547)	56 180 806

	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	(3 901 010)			362 169			(3 538 841)
Others				(50 855)			(50 855)
Balance as at 31 March 2018	2 972 910	12 164 031	(86 071)	4 161 649	35 054 610	(2 569 547)	51 697 582

11. LOANS

As at 31 March 2019 and 31 December 2018, Sonae Indústria had the following outstanding loans:

31.03.2019				
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Current portion of non-current bank loans	13 300 001		13 300 001	
Bank loans	4 612 774	188 927 298	4 612 774	189 834 436
Obligations under leases	2 379 237	4 833 733	2 379 237	4 833 733
Gross debt	20 292 012	193 761 031	20 292 012	194 668 169

31.12.2018				
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Current portion of non-current bank loans	15 192 246		15 192 246	
Bank loans	2 136 274	188 102 256	2 136 274	189 112 411
Obligations under finance leases	529 015	491 753	529 015	491 753
Gross debt	17 857 535	188 594 009	17 857 535	189 604 164

At 31 March 2019, loans can be detailed as follows:

Company(ies)	Loan	Contract date	Maturity (with reference to 31.03.2019)	Currency	Outstanding principal at 31.03.2019 (EUR)	Outstanding principal at 31.12.2018 (EUR)
Tafisa Canada Inc.	Bank loan (Revolving)	July 2011	October 2023	CAD	38 692 049	33 259 448
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2023 Note: programme without subscription guarantee	EUR		2 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2014	to be repaid from May 2020 to May 2022	EUR	10 000 000	8 100 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	May 2016	to be repaid from May 2019 to May 2021	EUR	134 500 000	136 500 000
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	December 2016	to be repaid from June 2018 to December 2019	EUR	5 600 000	7 500 000
Sonae - Indústria de Revestimentos, S. A.	Bank loan	September 2017	to be repaid from March 2019 to September 2022	EUR	3 500 000	4 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	June 2018	to be repaid from December 2019 to June 2021	EUR	10 000 000	10 000 000
Others				EUR	1 455 162	1 081 483
Total				EUR	207 747 211	206 440 931

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 31 March 2019, in addition to mortgaged tangible fixed assets referred to on note 7, there were other assets amounting to EUR 31 871 112 (EUR 27 549 025 at 31 December 2018) which were pledged as collateral for the Group's liabilities. These assets consisted mostly of inventories and accounts receivable.

12. OTHER CURRENT LIABILITIES

At 31 March 2019 and 31 December 2018, Other current liabilities on the Consolidated Statement of Financial Position were composed of:

	31.03.2019	31.12.2018
Derivatives	15 801	5 621
Tangible fixed assets suppliers	479 433	1 955 451
Other creditors	462 545	531 520
Financial instruments	957 779	2 492 592
Other creditors	476 959	482 866
Accrued expenses		
Insurances	23 098	19 068
Personnel expenses	4 759 475	3 912 764
Accrued financial expenses	219 260	229 540
Rebates	981 782	3 050 847
External supplies and services	415 014	391 968
Other accrued expenses	690 070	1 036 838
Deferred income		
Investment subventions	164 792	161 013
Other deferred income	148 936	148 935
Liabilities out of scope of IFRS 9	7 879 386	9 433 839
Total	8 837 165	11 926 431

13. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	31.03.2019	31.03.2018
Gains on disp. and write off of invest. prop., tang. and intang. assets	37 397	57 413
Supplementary revenue	343 017	264 139
Investment subventions	42 022	41 552
Positive exchange gains	183 021	379 335
Adjustment to fair value of financial instruments at fair value through profit or loss	46 228	39 295
Others	224 936	99 984
	876 621	881 718

14. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	31.03.2019	31.03.2018
Taxes	310 037	313 508
Losses on disp. and write off of invest. prop., tang. and intang. assets	57 721	66 971
Negative exchange gains	258 020	279 244
Adjustment to fair value of financial instruments at fair value through profit or loss	74 067	48 485
Others	56 617	68 913
	<u>756 462</u>	<u>777 121</u>

15. RECURRING AND NON-RECURRING ITEMS

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

	31.03.2019	31.03.2018
	Recurring	Recurring
Sales	56 371 052	53 949 375
Services rendered	393 500	357 393
Other income and gains	839 224	824 305
Cost of sales	(32 464 971)	(30 394 133)
Increase / (decrease) in production	(933 617)	(415 536)
External supplies and services	(11 974 301)	(11 601 226)
Staff expenses	(6 751 767)	(6 198 678)
Impairment losses in trade debtors - (increase)/reduction	(1 535)	(1 678)
Other expenses and losses	<u>(693 824)</u>	<u>(710 151)</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>4 783 761</u>	<u>5 809 671</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>(183 066)</u>	<u>(63 608)</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>4 600 695</u>	<u>5 746 063</u>

16. FINANCIAL RESULTS

Financial results for the periods ended 31 March 2019 and 31 March 2018 were as follows:

	31.03.2019	31.03.2018
Financial income:		
Interest income		
related to bank loans	1 300	2 195
	<u>1 300</u>	<u>2 195</u>
Gains in currency translation		
related to loans	8 001	352
related to cash and cash equivalents	174 280	181 768
	<u>182 281</u>	<u>182 120</u>
Cash discounts obtained	16 638	28 439
Other finance gains	1 409	1 450
	<u>201 628</u>	<u>214 204</u>
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	(1 933 605)	(1 975 026)
related to leases	(77 576)	(16 338)
others	(4 028)	(1 490)
	<u>(2 015 209)</u>	<u>(1 992 854)</u>
Losses in currency translation		
related to loans	(9 640)	(7 465)
related to cash and cash equivalents	(231 304)	(180 806)
	<u>(240 944)</u>	<u>(188 271)</u>
Cash discounts granted	(386 259)	(408 709)
Other finance losses	(430 765)	(439 198)
	<u>(3 073 177)</u>	<u>(3 029 032)</u>
Finance profit / (loss)	<u>(2 871 549)</u>	<u>(2 814 828)</u>

17. TAXES

Corporate income tax accounted for in the periods ended 31 March 2019 and 31 March 2018 is detailed as follows:

	31.03.2019	31.03.2018
Current tax	465 514	1 060 850
Deferred tax	(434 505)	(353 233)
	<u>31 009</u>	<u>707 617</u>

18. CONTINGENCIES

Former subsidiary Sonae Arauco Deutschland GmbH (formerly Glunz AG) and other German producers of wood-based panels are involved in certain litigation procedures filed by some customers for damages resulting from alleged breaches of competition law, after which former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes were resolved during the years 2015 and 2018 and their respective effects were recognized on the individual financial statements of each company and on the consolidated financial statements of the joint venture Sonae Arauco, S. A. (in which perimeter of consolidation these former subsidiaries are included) for the respective periods. For the cases still in progress, the complaints submitted specifically to the former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH amount to a maximum contingency (based on the claimed values) of EUR 31.5 million. Regarding other cases in which these former subsidiaries are jointly involved with other German producers, the maximum contingency amounted to EUR 26 million at 31 March 2019. According to the opinion of these former subsidiaries' lawyers, at the closing date of these consolidated financial statements, it is not possible to reliably estimate the outcome of the remaining proceedings in progress or the amount of any payments that may be established. Under the terms of the agreement for the subscription of Sonae Arauco, S. A. shares, entered into in 2015 by Sonae Arauco, S. A., Sonae Indústria SGPS S. A. and the Arauco Group, Sonae Indústria, SGPS, S. A. assumes the obligation to compensate Sonae Arauco, S. A. for any losses resulting from these proceedings.

Darbo SAS, a former subsidiary of Sonae Indústria, SGPS, S.A located in France, was sold on 3 July 2015 to a subsidiary of Gramax Capital and was excluded from the Group's consolidated financial statements on that date. This company's insolvency was requested at the Trade Court of Dax, in France, in September 2016, and was declared by that court to be liquidated, in October of that year.

Following that case, 110 former employees of Darbo filed various lawsuits with the Labour Court of Dax, in France, against, among others, Sonae Indústria, SGPS, SA and Gramax Capital, through which they claim compensation for

alleged dismissal without fair reason, for a total amount of EUR 13 653 917.28. The same former employees also filed a lawsuit at the Civil Court of Dax against the seller and buyer companies and against Sonae Indústria, SGPS, SA, through which they claim annulment of the sale of Darbo SAS and the payment of compensation for alleged damages suffered, in the same amount claimed before the Labour Court of Dax (EUR 13 653 917.28). At the date of approval of these consolidated financial statements, legal proceedings are under way and it is not possible to predict whether the outcome will result in any obligation to be recognized under the consolidated liabilities of Sonae Indústria Group.

19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 8 May 2019.