



SONAE INDÚSTRIA, SGPS, SA

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

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 253 319 797.26

Publicly Traded Company

**ACTIVITY REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – SEPTEMBER 2019

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



ACTIVITY REPORT

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)

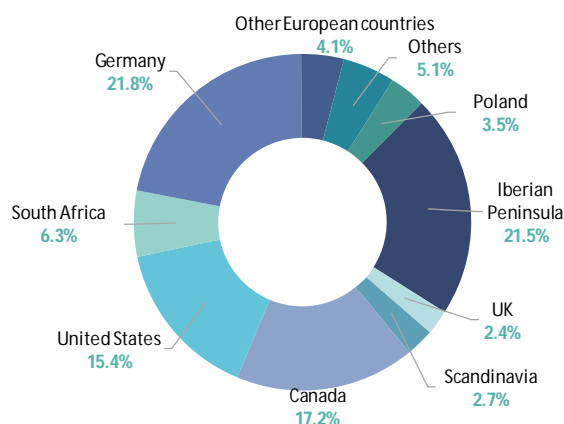
	9M18	9M19
Proportional Turnover	468	462
Proportional Rec. EBITDA	60	51
Proportional Rec. EBITDA margin	12.8%	11.1%
	LTM 9M18	LTM 9M19
Proportional LTM Turnover	613	606
Proportional LTM Rec. EBITDA	79	65
Proportional LTM Rec. EBITDA margin	12.8%	10.7%
LEVERAGE		
Proportional Net Debt	336	349
Proportional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

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).

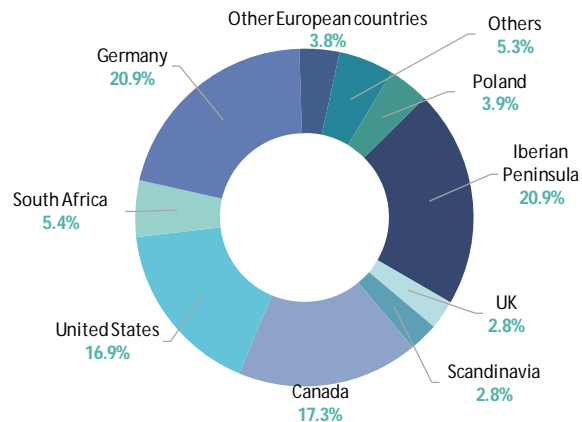
Proportional Recurrent EBITDA in 9M19 reached circa 51.2 million euros (including a positive effect from the adoption of the IFRS 16 of circa 3.1 million euros), 8.6 million euros lower than in 9M18 driven essentially by a 7.3 million euros lower contribution from Sonae Arauco driven mostly by lower 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



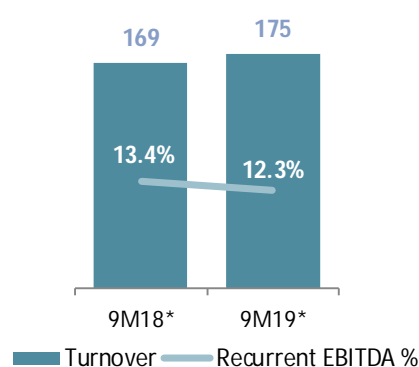
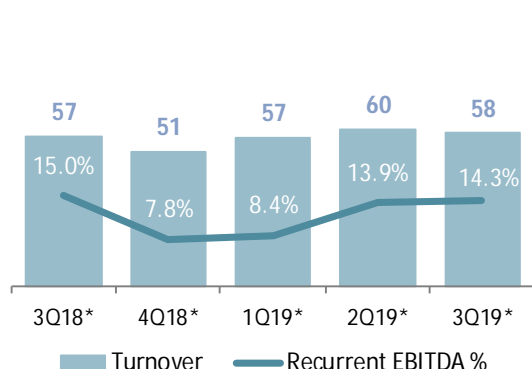
PROPORTIONAL TURNOVER BY DESTINATION MARKET
9M19



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
Turnover	168.9	174.8	3.5%	57.0	59.6	58.4	2.4%	(2.0%)
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%
Recurrent EBITDA	22.7	21.4	(5.5%)	8.6	8.3	8.4	(2.5%)	1.1%
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	-	-
Operational profit (EBIT)	12.4	8.9	(28.2%)	4.9	4.0	4.2	(13.8%)	6.8%
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)	-	-
Profit before taxes (EBT)	25.4	(1.3)	(105.1%)	4.8	3.0	(5.5)	-	-
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%)	-
Consolidated net profit/(loss) for the period	22.6	(4.2)	(118.6%)	3.7	1.2	(6.6)	-	-

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 IRFS 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 IRFS 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 IRFS 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
Non current assets	370.9	361.9	370.1
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
Current assets	46.2	55.8	51.1
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
Non-current assets classified as available for sale	0.0	0.0	0.0
Total assets	417.1	417.7	421.1
Shareholders' Funds	145.2	141.1	135.9
Equity holders	145.2	141.1	135.9
Non-controlling interests	0.0	0.0	0.0
Liabilities	271.9	276.6	285.2
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
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	417.1	417.7	421.1

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

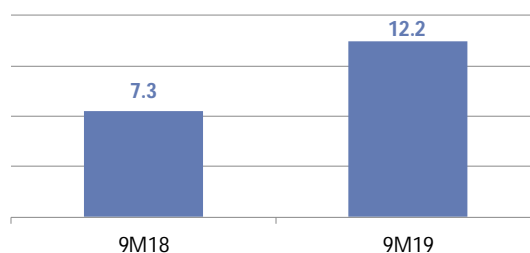
	9M18 Unaudited	Excluding IFRS 16 effects		Including IFRS 16 effects	
		1H19 Unaudited	9M19 Unaudited	1H19 Unaudited	9M19 Unaudited
Net Debt	204.7	204.7	208.8	210.5	214.4
Working Capital	14.1	12.7	15.4	12.7	15.4

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).

30 October 2019

The Board of Directors

Duarte Paulo Teixeira de Azevedo

Carlos António Rocha Moreira da Silva

Albrecht Olof Lothar Ehlers

Berta Maria Nogueira Dias da Cunha

Isabel Sofia Bragança Simões de Barros

Javier Vega de Seoane Azpilicueta

José Joaquim Romão de Sousa

George Christopher Lawrie

Louis Brassard

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



Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

(Amounts expressed in Euros)

ASSETS	Notes	30.09.2019 Unaudited	31.12.2018
NON-CURRENT ASSETS			
Tangible fixed assets	3, 7	151 311 399	135 704 644
Goodwill		347 081	347 082
Intangible assets		76 851	86 449
Investment properties		5 561 963	5 750 140
Investment in joint ventures	5, 6	211 288 468	212 459 264
Other investments	6	139 368	133 952
Other non-current assets		1 333 251	
Total non-current assets		<u>370 058 381</u>	<u>354 481 531</u>
CURRENT ASSETS			
Inventories		20 793 564	18 224 036
Trade debtors		18 357 529	12 302 439
Other current debtors	8	1 185 891	124 360
Current tax asset		1 205 169	2 506 968
Other taxes and contributions		1 346 716	1 552 714
Other current assets	9	2 793 197	2 033 291
Cash and cash equivalents	10	5 378 854	10 624 192
Total current assets		<u>51 060 920</u>	<u>47 368 000</u>
TOTAL ASSETS		<u><u>421 119 301</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	(176 865 323)	(172 733 307)
Accumulated other comprehensive income	3, 11	57 612 385	53 139 528
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>135 874 348</u>	<u>135 533 507</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>135 874 348</u></u>	<u><u>135 533 507</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank loans - net of current portion	12	165 348 996	188 102 256
Lease creditors - net of current portion	3, 12	3 931 334	491 753
Post-retirement liabilities		750 883	785 667
Other non-current liabilities		3 438 141	1 128 038
Deferred tax liability		19 637 700	18 883 485
Provisions		1 762 033	1 778 290
Total non-current liabilities		<u>194 869 087</u>	<u>211 169 489</u>
CURRENT LIABILITIES			
Current portion of non-current bank loans	12	45 207 957	15 192 246
Current bank loans	12	2 851 635	2 136 274
Current portion of non-current lease creditors	3, 12	2 441 900	529 015
Trade creditors		23 757 027	21 567 484
Current tax liability		24 981	29 283
Other taxes and contributions		388 117	490 083
Other current liabilities	13	12 428 530	11 926 431
Provisions		3 275 719	3 275 719
Total current liabilities		<u>90 375 866</u>	<u>55 146 535</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>421 119 301</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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2018

(Amounts expressed in Euros)

	Notes	30.09.2019 Unaudited	3rd. Quarter 2019 Unaudited	30.09.2018 Unaudited	3rd. Quarter 2018 Unaudited
Sales	16	173 656 155	58 057 328	167 816 946	56 690 898
Services rendered	16	1 126 379	358 015	1 046 892	340 755
Other income and gains	14, 16	2 697 331	727 583	3 138 014	1 150 463
Cost of sales	16	(96 071 302)	(30 229 249)	(93 874 479)	(33 353 916)
Increase / (decrease) in production	16	935 000	281 335	2 262 046	3 157 946
External supplies and services	3, 16	(38 396 598)	(13 468 894)	(36 636 766)	(12 637 529)
Staff expenses	16	(20 397 897)	(6 542 546)	(18 968 694)	(6 133 075)
Depreciation and amortisation	3	(11 940 623)	(4 066 786)	(9 635 775)	(3 325 653)
Provisions and impairment losses (increase / reduction)	16	(224 597)	(238 876)	(118 631)	(45 576)
Other expenses and losses	15, 16	(2 474 554)	(639 050)	(2 623 345)	(926 778)
Operating profit / (loss)	16	8 909 294	4 238 860	12 406 208	4 917 535
Financial income	17	511 593	135 958	515 961	150 248
Financial expenses	3, 17	(9 215 948)	(3 090 390)	(9 049 593)	(3 004 670)
Gains and losses in joint ventures	5	(1 498 187)	(6 822 670)	21 519 721	2 762 481
Net profit/(loss) before taxation		(1 293 248)	(5 538 242)	25 392 297	4 825 594
Taxation	18	(2 915 347)	(1 057 222)	(2 808 397)	(1 163 220)
Consolidated net profit / (loss) for the period		<u>(4 208 595)</u>	<u>(6 595 464)</u>	<u>22 583 900</u>	<u>3 662 374</u>
Attributable to:					
Equity holders of Sonae Industria		<u>(4 208 595)</u>	<u>(6 595 464)</u>	<u>22 583 900</u>	<u>3 662 374</u>
Consolidated net profit/(loss) per share:					
Basic		<u>(0.0927)</u>	<u>(0.1453)</u>	<u>0.4974</u>	<u>0.0807</u>
Diluted		<u>(0.0927)</u>	<u>(0.1453)</u>	<u>0.4974</u>	<u>0.0807</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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2018

(Amounts expressed in Euros)

	Notes	30.09.2019 Unaudited	3rd. Quarter 2019 Unaudited	30.09.2018 Unaudited	3rd. Quarter 2018 Unaudited
Consolidated net profit / (loss) for the period (a)		(4 208 595)	(6 595 464)	22 583 900	3 662 374
Consolidated other comprehensive income					
Items that may be subsequently transferred to profit or loss					
Change in currency translation reserve	11	5 077 068	1 559 859	(9 436)	1 955 891
Group share of other comprehensive income of joint ventures	11	(391 388)	(653 715)	(2 784 072)	(641 878)
Consolidated other comprehensive income for the period, net of tax (b)		4 685 680	906 144	(2 793 508)	1 314 013
Total consolidated comprehensive income for the period (a) + (b)		477 085	(5 689 320)	19 790 392	4 976 387
Total consolidated comprehensive income attributable to:					
Equity holders of Sonae Industria		477 085	(5 689 320)	19 790 392	4 976 387

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2018

(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				11		
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			(4 208 595)		(4 208 595)	(4 208 595)
Consolidated other comprehensive income for the period				4 685 680	4 685 680	4 685 680
Total			(4 208 595)	4 685 680	477 085	477 085
Tranference to Other reserves and accumulated earnings			212 823	(212 823)		
Others			(136 244)		(136 244)	(136 244)
Balance as at 30 September 2019 - unaudited	<u>253 319 797</u>	<u>1 807 489</u>	<u>(176 865 323)</u>	<u>57 612 385</u>	<u>135 874 348</u>	<u>135 874 348</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				11		
Balance as at 1 January 2018	253 319 797		(182 494 467)	55 287 278	126 112 608	126 112 608
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			22 583 900		22 583 900	22 583 900
Consolidated other comprehensive income for the period				(2 793 508)	(2 793 508)	(2 793 508)
Total			22 583 900	(2 793 508)	19 790 392	19 790 392
Tranference to Other reserves and accumulated earnings			206 633	(206 633)		
Transferred to Legal reserve		1 807 489	(1 807 489)			
Others			(356 193)	(297 779)	(653 972)	(653 972)
Balance as at 30 September 2018 - unaudited	<u>253 319 797</u>	<u>1 807 489</u>	<u>(161 867 616)</u>	<u>51 989 358</u>	<u>145 249 028</u>	<u>145 249 028</u>

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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 30 SEPTEMBER 2018

(Amounts expressed in Euros)

	Notes	30.09.2019 Unaudited	30.09.2018 Unaudited
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		167 395 687	161 662 960
Payments to trade creditors		(134 471 762)	(126 290 767)
Payments to staff		(20 858 199)	(19 379 351)
Net cash flow from operations		12 065 726	15 992 842
Payment / (receipt) of corporate income tax		(2 136 773)	(5 388 408)
Other receipts / (payments) relating to operating activities		(999 839)	840 750
Net cash flow from operating activities (1)		8 929 114	11 445 184
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Tangible fixed assets and intangible assets		1 207 035	1 575 239
Investment subventions		701 922	141 804
Dividends	6	5 986 729	6 406 347
		7 895 686	8 123 390
Cash Payments arising from:			
Investments		(5 415)	(2 782)
Tangible fixed assets and intangible assets		(11 483 789)	(8 095 258)
Others	5	(6 714 262)	
		(18 203 466)	(8 098 040)
Net cash used in investment activities (2)		(10 307 780)	25 350
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		22 716	14 734
Loans obtained		1 099 772 210	1 168 055 355
		1 099 794 926	1 168 070 089
Cash Payments arising from:			
Interest and similar charges		(6 879 763)	(6 977 291)
Loans obtained		(1 098 035 453)	(1 174 481 200)
Leases - repayment of principal		(1 758 324)	(286 243)
		(1 106 673 540)	(1 181 744 734)
Net cash used in financing activities (3)		(6 878 614)	(13 674 645)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		(8 257 280)	(2 204 111)
Cash and cash equivalents at the beginning of the period (a)	10	10 487 918	4 084 771
Cash and cash equivalents at the end of the period (b)	10	2 527 219	1 827 015
Net increase/(decrease) in cash and cash equivalents (b) - (a)		(7 960 699)	(2 257 756)
Effect of foreign exchange rate in cash and cash equivalents (c)		296 581	(53 645)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		(8 257 280)	(2 204 111)

The notes are an integral part of the consolidated financial statements.

The board of directors

SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 six-month periods ended 30 September 2019 and 30 September 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 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 30 September 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 30 September 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:

	30.09.2019		31.12.2018		30.09.2018	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8857	0.8826	0.8945	0.8847	0.8873	0.8839
South African Rand	16.5563	16.1134	16.4582	15.5715	16.4447	15.3374
Canadian Dollar	1.4426	1.4935	1.5605	1.5294	1.5064	1.5373
American Dollar	1.0889	1.1235	1.1450	1.1799	1.1576	1.1937

Source: Bloomberg

3. COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The comparability of the consolidated financial statements as at 30 September 2019, 31 December 2018 and 30 September 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.

At 1 January 2019, liabilities recognized under Lease creditors correspond to the present value at this date of the remaining lease payments of contracts which had then been classified as operating leases under IAS 17 and which had not been classified as low-value or short-term leases in accordance with IFRS 16. That value was thereafter changed by the capital amortization relating to existing contracts and by the liabilities recognized under new contracts entered into. At the same date, the corresponding right-of-use asset was recognized for the same amount under Tangible fixed assets, on the Consolidated Statement of Financial Position, thereafter changed by the related depreciation and by right-of-use assets recognized under new lease contracts entered into. Note 7 details right-of-use assets, which had been recognized as at 30 September 2019, 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 30 September 2019 would be stated as follows:

ASSETS	30.09.2019	Effect of IFRS 16	30.09.2019 without effect of IFRS16	31.12.2018
NON-CURRENT ASSETS				
Tangible fixed assets	151 311 399	5 530 950	145 780 449	135 704 644
Goodwill	347 081		347 081	347 082
Intangible assets	76 851		76 851	86 449
Investment properties	5 561 963		5 561 963	5 750 140
Investment in joint ventures	211 288 468		211 288 468	212 459 264
Other investments	139 368		139 368	133 952
Other non-current assets	1 333 251		1 333 251	
Total non-current assets	370 058 381	5 530 950	364 527 431	354 481 531
CURRENT ASSETS				
Inventories	20 793 564		20 793 564	18 224 036
Trade debtors	18 357 529		18 357 529	12 302 439
Other current debtors	1 185 891		1 185 891	124 360
Current tax asset	1 205 169		1 205 169	2 506 968
Other taxes and contributions	1 346 716		1 346 716	1 552 714
Other current assets	2 793 197		2 793 197	2 033 291
Cash and cash equivalents	5 378 854		5 378 854	10 624 192
Total current assets	51 060 920		51 060 920	47 368 000
TOTAL ASSETS	421 119 301	5 530 950	415 588 351	401 849 531
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	(176 865 323)	(80 712)	(176 784 611)	(172 733 307)
Accumulated other comprehensive income	57 612 385	(1 128)	57 613 513	53 139 528
Total shareholders' funds attributable to equity holders of Sonae Indústria	135 874 348	(81 840)	135 956 188	135 533 507
TOTAL SHAREHOLDERS' FUNDS	135 874 348	(81 840)	135 956 188	135 533 507
LIABILITIES				
NON-CURRENT LIABILITIES				
Bank loans - net of current portion	165 348 996		165 348 996	188 102 256
Lease creditors - net of current portion	3 931 334	3 787 780	143 554	491 753
Post-retirement liabilities	750 883		750 883	785 667
Other non-current liabilities	3 438 141		3 438 141	1 128 038
Deferred tax liability	19 637 700		19 637 700	18 883 485
Provisions	1 762 033		1 762 033	1 778 290
Total non-current liabilities	194 869 087	3 787 780	191 081 307	211 169 489
CURRENT LIABILITIES				
Current portion of non-current bank loans	45 207 957		45 207 957	15 192 246
Current bank loans	2 851 635		2 851 635	2 136 274
Current portion of non-current lease creditors	2 441 900	1 825 010	616 890	529 015
Trade creditors	23 757 027		23 757 027	21 567 484
Current tax liability	24 981		24 981	29 283
Other taxes and contributions	388 117		388 117	490 083
Other current liabilities	12 428 530		12 428 530	11 926 431
Provisions	3 275 719		3 275 719	3 275 719
Total current liabilities	90 375 866	1 825 010	88 550 856	55 146 535
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	421 119 301	5 530 950	415 588 351	401 849 531

	30.09.2019	Effect of IFRS 16	30.09.2019 without effect of IFRS16	30.09.2018
Sales	173 656 155		173 656 155	167 816 946
Services rendered	1 126 379		1 126 379	1 046 892
Other income and gains	2 697 331		2 697 331	3 138 014
Cost of sales	(96 071 302)		(96 071 302)	(93 874 479)
Increase / (decrease) in production	935 000		935 000	2 262 046
External supplies and services	(38 396 598)	1 659 580	(40 056 178)	(36 636 766)
Staff expenses	(20 397 897)		(20 397 897)	(18 968 694)
Depreciation and amortisation	(11 940 623)	(1 553 742)	(10 386 881)	(9 635 775)
Provisions and impairment losses (increase / reduction)	(224 597)		(224 597)	(118 631)
Other expenses and losses	<u>(2 474 554)</u>		<u>(2 474 554)</u>	<u>(2 623 345)</u>
Operating profit / (loss)	8 909 294	105 838	8 803 456	12 406 208
Financial income	511 593		511 593	515 961
Financial expenses	(9 215 948)	(186 550)	(9 029 398)	(9 049 593)
Gains and losses in joint ventures	<u>(1 498 187)</u>		<u>(1 498 187)</u>	<u>21 519 721</u>
Gains and losses in investments	<u>(3 357 131)</u>		<u>(3 357 131)</u>	
Net profit/(loss) before taxation	(1 293 248)	(80 712)	(1 212 536)	25 392 297
Taxation	<u>(2 915 347)</u>		<u>(2 915 347)</u>	<u>(2 808 397)</u>
Consolidated net profit / (loss) for the period	<u>(4 208 595)</u>	<u>(80 712)</u>	<u>(4 127 883)</u>	<u>22 583 900</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 30 September 2019, 31 December 2018 and 30 September 2018 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.09.2019		31.12.2018		30.09.2018		
		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)
1) Spanboard Products Ltd	Belfast (United Kingdom)	-	-	-	-	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;

1) Company liquidated 16 October 2018.

5. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 30 September 2019, 31 December 2018 and 30 September 2018 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.09.2019		31.12.2018		30.09.2018		
		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)
Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Ecociclo, Energía e Ambiente, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Euroresinas - Industrias Químicas, 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%	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)
Tecnologías 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	
	30.09.2019	31.12.2018
Non-current assets	557 599 936	517 837 693
Current assets (without cash and cash equivalents)	200 422 712	217 573 340
Cash and cash equivalents	8 514 418	20 234 918
Non-current financial liabilities	227 743 603	234 035 312
Other non-current liabilities	70 212 916	73 156 014
Current financial liabilities	50 232 588	17 146 842
Other current liabilities	165 510 451	176 394 509

Sonae Arauco - Consolidated		
	30.09.2019	30.09.2018
Operating revenues	608 131 130	668 870 023
Operating expenses (without Depreciation and amortization)	(552 629 915)	(572 432 452)
Depreciation and amortization	(36 269 429)	(31 593 940)
Interest expense	(4 501 347)	(6 524 929)
Taxation	(573 293)	(7 542 772)
Net profit/(loss) from continuing operations (a)	3 983 714	43 039 441
Adjustments to the Group's accounting policies (b)	(265 826)	
Net profit/(loss) from continuing operations - adjusted (a) + (b)	3 717 888	43 039 441
Group's share in net profit/(loss) [(a) + (b)] x 0.5	1 858 944	21 519 721
Other comprehensive income (c)	(782 776)	(5 568 144)
Group's share in other comprehensive Income (c) x 0.5	(391 388)	(2 784 072)

Consolidated Net profit/(loss) from continuing operations:

In October 2017, industrial plants of Mangualde and Oliveira do Hospital, which are held by Sonae Arauco Portugal, S. A., a subsidiary of Sonae Arauco, S. A., which is 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 indemnifies them for property damage and business interruption losses.

In the period ended 30 September 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 76 446 222. 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 3 407 748).

In the period ended 30 September 2019, it was announced the intention to cease, until the end of 2020, all remaining activities at the Horn site, which is held by GHP GmbH, a subsidiary of Sonae Arauco, S. A.. As a consequence, Sonae Arauco, S. A. recognized a restructuring provision for EUR 4 000 000.

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.

Adjustments to the Group's accounting policies:

Net profit/(loss) from continuing operations was adjusted so as to be aligned with the accounting policies of Sonae Indústria Group. These adjustments relate to the effects arising from the revaluation of land and buildings owned by the companies included in the consolidation perimeter of the joint-venture Sonae Arauco, which was carried out as at 31 December 2018 but not recorded on the accounts of these companies.

Gains and losses in joint ventures

	30.09.2019	30.09.2018
Group's share in net profit/(loss)	1 858 944	21 519 721
Other effects in joint ventures	(3 357 131)	
	<u>(1 498 187)</u>	<u>21 519 721</u>

Gains and losses in joint ventures, on the Consolidated Income Statement, includes the Group's share in the adjusted consolidated net profit/(loss) of joint venture Sonae Arauco, S. A.. Furthermore, in the period ended 30 September 2019, Other effects in joint ventures included 50% of certain expenses incurred by the joint venture Sonae Arauco, S.A. which, under the partnership agreement entered into with the Arauco Group, are contractually transferred to Sonae Indústria, SGPS, SA. The amount corresponding to the remaining 50% of these expenses was included under Group's share in net profit/(loss) of joint ventures, using the equity method.

The total amount of these expenses are stated under Other cash payments arising from investment activities, on the Consolidated Statement of Cash Flows.

6. INVESTMENTS

At 30 September 2019 and 31 December 2018, details of Investments, on the Consolidated Statement of Financial position, are as follows:

	30.09.2019	31.12.2018
Investment in joint ventures		
Opening balance	212 459 264	205 616 464
Effect of equity method	4 815 933	13 249 147
Dividends	(5 986 729)	(6 406 347)
Closing balance	<u>211 288 468</u>	<u>212 459 264</u>
Other investments		
Opening balance	137 941	134 476
Acquisition	<u>5 416</u>	<u>3 465</u>
Closing balance	<u>143 357</u>	<u>137 941</u>
Accumulated impairment losses	<u>3 989</u>	<u>3 989</u>
Net other investments	<u>139 368</u>	<u>133 952</u>

In the period ended 30 September 2019, the joint venture Sonae Arauco, S. A. paid Sonae Indústria, SGPS, S. A. dividends amounting to EUR 5 986 729.

7. TANGIBLE FIXED ASSETS

At 30 September 2019 and 31 December 2018, movements in tangible fixed assets, accumulated depreciation and impairment losses were as follows:

	30.09.2019							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
Gross cost								
Opening balance	89 748 157	261 542 564	2 679 485	96 237	3 452 656	344 407	5 583 497	373 979 158
Capital expenditure	3 472 124		3 507 534		4 901		12 019 913	10 602 640
Disposals	(2 662 778)	(2 190 353)	(1 127 821)	(30 091)	(81 913)	(7 758)	(3 210 990)	(9 300 840)
Transfers and reclassifications	236 664	2 788 778	93 603		82 290	9 655		(11 061)
Exchange rate effect	5 699 596	19 459 867	310 050		150 997	(10)	752 018	(11 822 894)
Closing balance	<u>96 493 763</u>	<u>281 600 856</u>	<u>6 462 851</u>	<u>66 146</u>	<u>3 608 931</u>	<u>346 294</u>	<u>15 144 438</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		227 509 254
Depreciations for the period	2 244 837	8 170 108	1 173 268	491	105 516	22 880		12 762 241
Impairment losses for the period - through P/L								55 225
Disposals	(1 438 278)	(1 959 974)	(86 127)	(30 091)	(80 985)	(7 758)	(3 603 213)	(5 257 101)
Exchange rate effect	2 451 440	13 853 485	131 468		119 253	(12)	16 555 634	(7 327 260)
Closing balance	<u>40 838 403</u>	<u>205 427 290</u>	<u>2 702 548</u>	<u>65 655</u>	<u>3 142 102</u>	<u>235 882</u>	<u>252 411 880</u>	<u>227 742 359</u>
Carrying amount	<u>55 655 360</u>	<u>76 173 566</u>	<u>3 760 303</u>	<u>491</u>	<u>466 829</u>	<u>110 412</u>	<u>15 144 438</u>	<u>135 704 644</u>

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 131 192 819 (EUR 120 743 778 at 31

December 2018), as collateral for loans amounting to EUR 53 052 157 (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:

	30.09.2019						31.12.2018					
	Opening balance	Increase	Decrease	Transfers and reclassifications	Exchange rate effect	Closing balance	Opening balance	Increases	Decreases	Exchange rate effect	Closing balance	
Gross cost:												
Land and Buildings	5 121 453	3 472 124			1 652	8 595 229	5 121 453				5 121 453	
Plant and Machinery	194 104			(202 819)	8 715		201 410			(7 306)	194 104	
Vehicles	575 053	3 507 534	(19 708)	(318 537)	154 061	3 898 403	1 203 070		(596 250)	(31 767)	575 053	
Fixtures and Fittings	183 245	4 901		(35 668)	13 841	166 319	283 139	152 139	(243 584)	(8 449)	183 245	
Closing balance	6 073 855	6 984 559	(19 708)	(557 024)	178 269	12 659 951	6 809 072	152 139	(839 834)	(47 522)	6 073 855	
Accumulated depreciation and impairment losses:												
Land and Buildings	768 601	720 346			395	1 489 342	661 651	106 950			768 601	
Plant and Machinery	65 850			(68 807)	2 957		54 887	13 217		(2 254)	65 850	
Vehicles	363 395	929 135	(7 729)	(318 537)	49 102	1 015 366	927 371	55 138	(596 250)	(22 864)	363 395	
Fixtures and Fittings	37 242	31 572		(35 668)	2 854	36 000	282 725	3 577	(243 584)	(5 476)	37 242	
Closing balance	1 235 088	1 681 053	(7 729)	(423 012)	55 308	2 540 708	1 926 634	178 882	(839 834)	(30 594)	1 235 088	
Carrying amount	4 838 767	5 303 506	(11 979)	(134 012)	122 961	10 119 243	4 882 438	(26 743)		(16 928)	4 838 767	

Net increases in the period ended 30 September 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 30 September 2019 and 31 December 2018, Other current debtors, on the Consolidated Statement of Financial Position, were detailed as follows:

	30.09.2019		31.12.2018	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	1 119 258	1 119 258	24 270	24 270
Related parties			16 413	16 413
Financial Instruments	1 119 258	1 119 258	40 683	40 683
Other debtors	66 633	66 633	83 677	83 677
Assets out of scope of IFRS 9	66 633	66 633	83 677	83 677
Total	1 185 891	1 185 891	124 360	124 360

9. OTHER CURRENT DEBTORS

At 30 September 2019 and 31 December 2018, detail of Other current assets, on the Consolidated Statement of Financial Position, was as follows:

	30.09.2019		31.12.2018	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	3 770	3 770	27 676	27 676
Financial Instruments	3 770	3 770	27 676	27 676
Accrued income	41 155	41 155	321 549	321 549
Deferred expenses	2 748 272	2 748 272	1 684 066	1 684 066
Assets out of scope of IFRS 9	2 789 427	2 789 427	2 005 615	2 005 615
Total	<u>2 793 197</u>	<u>2 793 197</u>	<u>2 033 291</u>	<u>2 033 291</u>

At 30 September 2019, Deferred expenses included EUR 1 647 042 relating to deferral of insurance expenses.

10. CASH AND CASH EQUIVALENTS

At 30 September 2019 and 31 December 2018, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

	30.09.2019	31.12.2018
Cash at Hand	6 087	5 840
Bank Deposits and Other Treasury Applications	<u>5 372 767</u>	<u>10 618 352</u>
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	5 378 854	10 624 192
Bank Overdrafts	<u>2 851 635</u>	<u>136 274</u>
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	<u>2 527 219</u>	<u>10 487 918</u>

11. OTHER COMPREHENSIVE INCOME

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

	Accumulated other comprehensive income						
	Atributable to the parent's shareholders						
	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	5 077 068			(391 388)			4 685 680
Transference to Other reserves and accumulated earnings Others		(212 823)					(212 823)
Balance as at 30 September 2019	9 237 027	11 744 576	(6 633)	676 544	38 530 418	(2 569 547)	57 612 385

	Accumulated other comprehensive income						
	Atributable to the parent's shareholders						
	Currency translation	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures		Income tax related to components of other comprehensive income	Total
				Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss		
Balance as at 1 January 2018	6 873 920	12 164 031	(86 071)	3 850 335	35 054 610	(2 569 547)	55 287 278
Consolidated other comprehensive income for the period	(9 436)			(2 784 072)			(2 793 508)
Transference to Other reserves and accumulated earnings		(206 633)					(206 633)
Others	(246 924)			(50 855)			(297 779)
Balance as at 30 September 2018	6 617 560	11 957 398	(86 071)	1 015 408	35 054 610	(2 569 547)	51 989 358

12. LOANS

As at 30 September 2019 and 31 December 2018, Sonae Indústria had the following outstanding loans:

30.09.2019				
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Current portion of non-current bank loans	45 207 957		45 207 957	
Bank loans	2 851 635	165 348 996	2 851 635	166 060 069
Obligations under leases	2 441 900	3 931 334	2 441 900	3 931 334
Gross debt	50 501 492	169 280 330	50 501 492	169 991 403

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 leases	529 015	491 753	529 015	491 753
Gross debt	17 857 535	188 594 009	17 857 535	189 604 164

At 30 September 2019, loans can be detailed as follows:

Company(ies)	Loan	Contract date	Maturity (with reference to 30.09.2019)	Currency	Outstanding principal at 30.09.2019 (EUR)	Outstanding principal at 31.12.2018 (EUR)
Tafisa Canada Inc.	Bank loan (Revolving)	July 2011	October 2023	CAD	50 802 157	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	7 300 000	8 100 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	May 2016	to be repaid from May 2019 to May 2021	EUR	141 000 000	136 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	April 2021	EUR	2 250 000	4 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	December 2016	to be repaid from June 2018 to December 2019	EUR		7 500 000
Sonae - Indústria de Revestimentos, S. A.	Bank loan	September 2017	to be repaid from March 2019 to September 2022	EUR	3 000 000	4 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	June 2018	to be repaid from December 2019 to June 2021	EUR	3 050 000	10 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	February 2019	February 2022	EUR	5 000 000	
Others				EUR	1 717 504	1 081 483
Total				EUR	214 119 661	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 30 September 2019, in addition to mortgaged tangible fixed assets referred to on note 7, there were other assets amounting to EUR 38 263 787 (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.

13. OTHER CURRENT LIABILITIES

At 30 September 2019 and 31 December 2018, Other current liabilities on the Consolidated Statement of Financial Position were composed of:

	30.09.2019	31.12.2018
Derivatives	32 062	5 621
Tangible fixed assets suppliers	2 815 223	1 955 451
Other creditors	<u>432 086</u>	<u>531 520</u>
Financial instruments	3 279 371	2 492 592
Other creditors	540 114	482 866
Accrued expenses		
Insurances	30 013	19 068
Personnel expenses	4 061 121	3 912 764
Accrued financial expenses	324 056	229 540
Rebates	2 762 069	3 050 847
External supplies and services	347 341	391 968
Other accrued expenses	457 351	1 036 838
Deferred income		
Investment subventions	478 156	161 013
Other deferred income	<u>148 938</u>	<u>148 935</u>
Liabilities out of scope of IFRS 9	9 149 159	9 433 839
Total	<u>12 428 530</u>	<u>11 926 431</u>

14. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 30 September 2019 and 30 September 2018 are as follows:

	30.09.2019	30.09.2018
Gains on disp. and write off of invest. prop., tang. and intang. assets	126 846	222 198
Supplementary revenue	1 417 605	1 148 602
Investment subventions	349 724	185 184
Tax received		23 892
Positive exchange gains	599 074	817 827
Adjustment to fair value of financial instruments at fair value through profit or loss	103 238	289 583
Others	<u>100 844</u>	<u>450 728</u>
	<u>2 697 331</u>	<u>3 138 014</u>

15. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 30 September 2019 and 30 September 2018 are as follows:

	30.09.2019	30.09.2018
Taxes	953 547	996 819
Losses on disp. and write off of invest. prop., tang. and intang. assets	401 250	365 653
Negative exchange gains	805 104	937 859
Adjustment to fair value of financial instruments at fair value through profit or loss	158 656	177 567
Others	<u>155 997</u>	<u>145 447</u>
	<u>2 474 554</u>	<u>2 623 345</u>

16. RECURRING AND NON-RECURRING ITEMS

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

	30.09.2019 Recurring	30.09.2018 Recurring
Sales	173 656 155	167 816 946
Services rendered	1 126 379	1 046 892
Other income and gains	2 570 485	2 907 771
Cost of sales	(96 071 302)	(93 874 479)
Increase / (decrease) in production	935 000	2 262 046
External supplies and services	(38 138 585)	(36 269 891)
Staff expenses	(20 357 024)	(18 969 704)
Impairment losses in trade debtors - (increase)/reduction	(240 854)	(63 406)
Other expenses and losses	<u>(2 055 388)</u>	<u>(2 188 880)</u>
 Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	 21 424 866	 22 667 295
 Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	 (591 205)	 (570 087)
 Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	 <u>20 833 661</u>	 <u>22 097 208</u>

17. FINANCIAL RESULTS

Financial results for the periods ended 30 September 2019 and 30 September 2018 were as follows:

	30.09.2019	30.09.2018
Financial income:		
Interest income		
related to bank loans	18 427	9 809
Others		<u>652</u>
	<u>18 427</u>	10 461
Gains in currency translation		
related to loans	3 637	9 210
related to cash and cash equivalents	<u>420 928</u>	<u>421 755</u>
	424 565	430 965
Cash discounts obtained	64 329	70 263
Other finance gains	<u>4 272</u>	<u>4 272</u>
	<u>511 593</u>	<u>515 961</u>

Financial expenses:

Interest expenses		
related to bank loans and overdrafts	(6 014 753)	(5 964 128)
related to leases	(217 699)	(46 744)
others	<u>(4 198)</u>	<u>(2 104)</u>
	(6 236 650)	(6 012 976)
Losses in currency translation		
related to loans	(13 148)	(20 047)
related to cash and cash equivalents	<u>(414 916)</u>	<u>(401 562)</u>
	(428 064)	(421 609)
Cash discounts granted	(1 313 252)	(1 302 767)
Other finance losses	<u>(1 237 982)</u>	<u>(1 312 241)</u>
	(9 215 948)	(9 049 593)
Finance profit / (loss)	<u>(8 704 355)</u>	<u>(8 533 632)</u>

18. TAXES

Corporate income tax accounted for in the periods ended 30 September 2019 and 30 September 2018 is detailed as follows:

	30.09.2019	30.09.2018
Current tax	3 624 403	4 618 184
Deferred tax	<u>(709 056)</u>	<u>(1 809 787)</u>
	<u>2 915 347</u>	<u>2 808 397</u>

19. 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 30 September 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).

In relation to two of the above lawsuits involving a total of 105 former employees of Darbo, in July 2019 the Labour Court of Dax judged that Sonae Indústria SGPS and two Gramax Capital companies have the joint and several obligation to pay compensation to those employees in a total amount of c. 3.6 million euros on the grounds of the existence of 'co-employment'. The court also ordered Sonae Indústria SGPS and two Gramax Capital companies to reimburse the French "Pôle Emploi" (unemployment insurance organisation) any amounts of compensations it could have paid to those employees. Sonae

Indústria SGPS appealed such decisions considering there are no grounds for the co-employment thesis.

At the date of approval of these consolidated financial statements, legal proceedings are under way and, as a result, it is not possible to determine whether the outcome will result in any obligation to be recognized under the consolidated liabilities of Sonae Indústria Group.

20. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 30 October 2019.