



SONAE INDÚSTRIA, SGPS, SA

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

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 253 319 797.26

Publicly Traded Company

**MANAGEMENT REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – JUNE 2019

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



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MANAGEMENT REPORT

MESSAGE FROM THE CHAIRMAN

I am pleased to inform that Sonae Indústria generated positive net results of circa 1.2 million euros in the second quarter of 2019, bringing the net profit in the first half of 2019 to circa 2.4 million euros.

Considering our 50% share of Sonae Arauco's figures, LTM Proportional Recurrent EBITDA¹ reached circa 67.3 million euros and the leverage ratio¹ was of 4.8x. Compared to December 2018 LTM Proportional Recurrent EBITDA was down c. 6 million euros.

In the quarter, our fully owned businesses showed a material improvement in Recurrent EBITDA results when compared with the previous two quarters.

This improvement in EBITDA results was driven by our North American business that, after the negative effects from the November fire and from the extreme weather experienced in 1Q19, was able to stabilize production and to increase both sales volumes and margins. It is also worth mentioning that, in the quarter, we kept growing the sales of our high end decorative offer, including EIR and matching Surforma® Laminates, contributing to one of the highest quarterly Turnover levels in our North American business. Importantly, in anticipation of the increased installed capacity the North American market will experience over the next 2 years, we are working hard on various fronts to extend our lead and further grow the distinctiveness of our innovative decorative solutions to industrial and trade customers.

At our Laminates & Components business, Turnover evolved positively versus last year with this year benefiting from a steady sales ramp up of Surforma® Laminates in the North American market. As previously reported we are pursuing and implementing a value added decorative products strategy in the European and North American markets and believe that the ongoing actions will provide us the base to recover the desired profitability for this business. As an additional measure to achieve this, we have announced our intention to close all the remaining industrial activities at our Horn site in Germany by the end of 2020 and, accordingly, we will seek an adequate solution for this large industrial site.

Sonae Arauco net results in the quarter were positive but we have again experienced challenging conditions, particularly with ongoing competitive tensions in Iberia and a difficult business background in South Africa. On a positive stance, I would like to highlight the successful presence of Sonae Arauco at the Interzum fair in Germany, where we witnessed an encouraging reception from our customers to our recently launched new Innovus decorative collection including matching Surforma® Laminates and were awarded a "High Product Quality" distinction, a demonstration of our continued innovation efforts aimed at bringing added value to our customers.

Paulo Azevedo

Chairman, Sonae Indústria

¹ Figures after 4Q18 include the effects from the adoption of the IFRS 16, effective from 1 January 2019. See note related with the adoption of IFRS 16 in Sonae Indústria results section (page 2).

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 1H19 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)

	1H18	1H19
Proportional Turnover	317	316
Proportional Rec. EBITDA	42	36
Proportional Rec. EBITDA margin	13.3%	11.4%
	LTM 1H18	LTM 1H19
Proportional LTM Turnover	617	611
Proportional LTM Rec. EBITDA	83	67
Proportional LTM Rec. EBITDA margin	13.5%	11.0%
LEVERAGE		
Proportional Net Debt	313	325
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	3.8 x	4.8 x

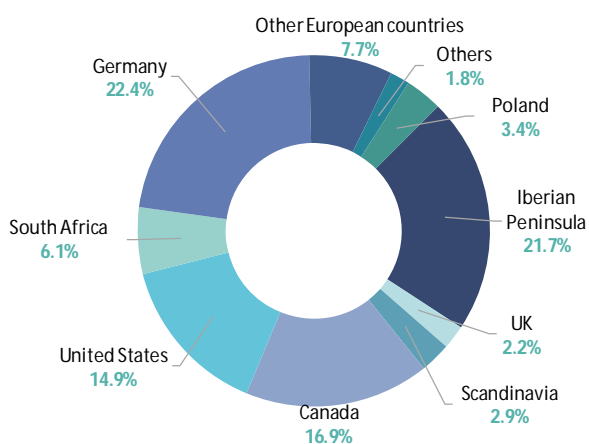
Proportional Turnover in 1H19 was circa 1.1 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from Sonae Arauco (-5.6 million euros) affected by a reduction in sales volumes, which more than offset the positive contribution of our fully owned businesses (+4.5 million euros) due to a favourable exchange rate effect (circa 2.7 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.

Proportional Recurrent EBITDA in 1H19 reached circa 36.0 million euros (including a positive effect from the adoption of the IFRS 16 of 2.0 million euros), circa 6.3 million euros lower than in 1H18 driven by a lower contribution from both fully owned businesses and by Sonae Arauco.

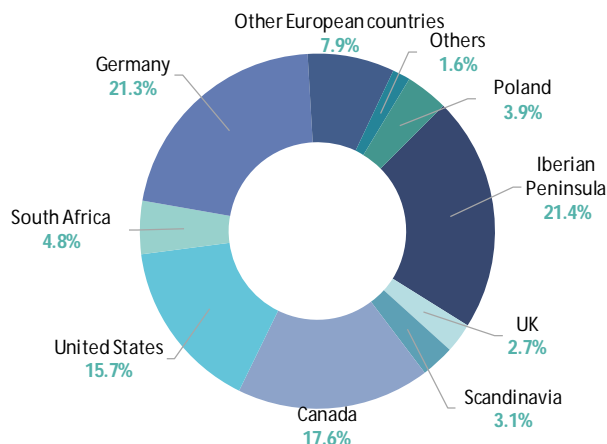
In the first half of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at 4.8x (including IFRS 16 effects), which represents an increase of circa 1.1x vs. 1H18.

² Figures after 4Q18 include the effects from the adoption of the IFRS 16, effective from 1 January 2019. See note related with the adoption of IFRS 16 in Sonae Indústria results section (page 2).

PROPORTIONAL TURNOVER BY DESTINATION MARKET
1H18



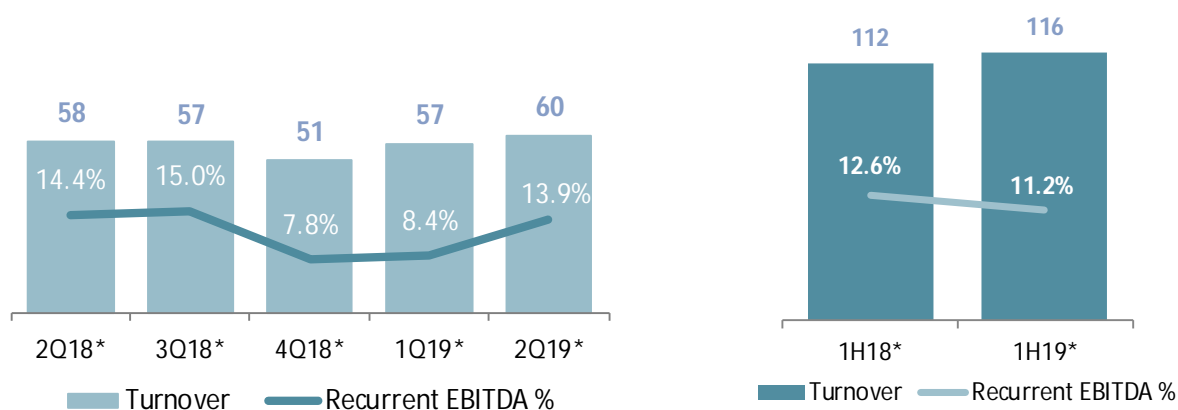
PROPORTIONAL TURNOVER BY DESTINATION MARKET
1H19



1.2 CONSOLIDATED RESULTS

SUMMARY OF 1H19 RESULTS

TURNOVER and RECURRENT EBITDA
MILLION EUROS



*Quarterly and half-year information unaudited.

Consolidated Turnover for the first half of the year reached circa 116.4 million euros, an improvement of circa 4.1% vs. same period of last year (+4.5 million euros), driven by circa 2.7 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, which registered the highest ever quarterly Turnover in local currency. For the quarter, Consolidated turnover reached 59.6 million euros, which represents an increase of 2.8 million when compared to the previous quarter, driven by our North American business, with higher **sales volumes** and average selling prices.

Variable costs per cubic meter in local currency increased, when compared to the first half of 2018, with an increase in most input costs and particularly maintenance costs. For the quarter, variable costs per cubic meter

increased when compared to 2Q18, also driven by an increase in most input costs and particularly maintenance costs, but decreased when compared to the previous quarter, with a reduction in most input costs and particularly thermal energy (1Q19 had been affected by the extreme cold weather in Canada).

Recurrent EBITDA for the first half of the year reached circa 13.1 million euros (including a positive effect from the adoption of the IFRS 16 of circa 1.1 million euros), a reduction of 1.0 million euros vs. 1H18, mainly explained by the increase in variable costs as referred above. On a quarterly basis, Recurrent EBITDA for the 2Q19 stood at circa 8.3 million euros, with Recurrent EBITDA margin of circa 13.9%, an increase of circa 3.5 million euros and 5.5 p.p., respectively, when compared to 1Q19.

Consolidated **EBITDA** reached 12.5 million euros in the first half of the year, a reduction of 1.3 million euros vs. the same period of last year. On a quarterly basis, Consolidated EBITDA for the 2Q19 stood at 7.9 million euros, an increase of 3.3 million euros vs. 1Q19. The evolution in Consolidated EBITDA is explained by the aforementioned performance of Recurrent EBITDA.

CONSOLIDATED INCOME STATEMENT MILLION EUROS

	1H18 Unaudited	1H19 Unaudited	1H19 / 1H18	2Q18 Unaudited	1Q19 Unaudited	2Q19 Unaudited	2Q19 / 2Q18	2Q19 / 1Q19
Turnover	111.8	116.4	4.1%	57.5	56.8	59.6	3.6%	5.0%
Other operational income	2.0	2.0	(0.9%)	1.1	0.9	1.1	(1.1%)	24.7%
EBITDA	13.9	12.5	(9.6%)	8.1	4.6	7.9	(2.2%)	72.3%
Non recurrent items	(0.2)	(0.5)	(125.5%)	(0.2)	(0.2)	(0.3)	(102.4%)	(90.5%)
Recurrent EBITDA	14.1	13.1	(7.3%)	8.3	4.8	8.3	(0.1%)	73.0%
Recurrent EBITDA Margin %	12.6%	11.2%	-1.4 pp	14.4%	8.4%	13.9%	-0.5 pp	5.5 pp
Depreciation and amortisation	(6.3)	(7.9)	(24.8%)	(3.2)	(3.9)	(4.0)	(24.5%)	(1.1%)
Provisions and impairment Losses	(0.1)	0.0	129.4%	(0.1)	0.0	0.0	100.0%	(100.0%)
Operational profit (EBIT)	7.5	4.7	(37.6%)	4.9	0.7	4.0	(18.5%)	-
Net financial charges	(5.7)	(5.7)	(1.2%)	(2.9)	(2.9)	(2.9)	(0.5%)	(0.2%)
o.w. Net interest charges	(4.0)	(4.1)	(2.0%)	(2.0)	(2.0)	(2.1)	(2.5%)	(1.5%)
o.w. Net exchange differences	(0.0)	0.0	112.4%	(0.0)	(0.1)	0.1	-	-
o.w. Net financial discounts	(0.8)	(0.8)	(1.5%)	(0.4)	(0.4)	(0.4)	(5.3%)	(20.9%)
Gains and losses in Joint-Ventures - Net Results	18.8	5.3	(71.6%)	14.1	3.4	1.9	(86.3%)	(43.3%)
Gains and losses in Joint-Ventures - Other	0.0	0.0	-	0.0	0.0	0.0	-	-
Profit before taxes (EBT)	20.6	4.2	(79.4%)	16.1	1.2	3.0	(81.2%)	145.4%
Taxes	(1.6)	(1.9)	(12.9%)	(0.9)	(0.0)	(1.8)	(94.9%)	-
o.w. Current tax	(3.0)	(2.3)	22.3%	(1.9)	(0.5)	(1.8)	3.4%	-
o.w. Deferred tax	1.3	0.4	(66.5%)	1.0	0.4	0.0	(99.4%)	(98.7%)
Consolidated net profit/(loss) for the period	18.9	2.4	(87.4%)	15.1	1.2	1.2	(92.1%)	(0.7%)

Total **fixed costs** represented circa 17.0% of turnover for 1H19 and for 2Q19, in line with the values booked for 1H18 and 2Q18, respectively. It should be noted that 1H19 includes lower lease rents as a result of the adoption of IFRS 16. When compared to the previous quarter, total fixed costs as a percentage of turnover increased circa 0.2 p.p., driven by an increase in fixed costs.

Total headcount of Sonae Indústria was 503 FTE's, at the end of June 2019, excluding Sonae Arauco, which compares with 499 and 493 FTE's at the end of March 2019 and June 2018, respectively.

Depreciation and amortization charges during 1H19 were circa 7.9 million euros, which represents an increase of circa 1.6 million euros vs. 1H18, mainly due to the impact of 1.0 million euros from the adoption of the IRFS 16. For the quarter, the depreciation charges reached circa 4.0 million euros, in line with the values booked for 1Q19, but an increase of circa 0.8 million euros vs. 2Q18, mainly due to the impact of circa 0.5 million euros of the adoption of the IRFS 16.

Net financial charges during 1H19 were 5.7 million euros, in line with the values booked for 1H18. In the quarter net financial charges reached circa 2.9 million euros, in line with the values booked for 2Q18 and 1Q19. 1H19 figures include a marginally negative effect from the adoption of the IFRS 16 (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 half of the year, this amounted to 5.3 million euros, a reduction of 13.4 million euros when compared to 1H18, 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 1H18, due to more challenging business conditions. On a quarterly basis, Gains and Losses in Joint-Ventures reached 1.9 million euros, after the recognition of a provision of 2.0 million euros (considering the 50% contribution) following our announcement to cease activities at Horn site (Germany) and of a positive effect on taxes of circa 2 million euros (considering the 50% contribution) related with the accounting recognition of investment tax incentives.

Current tax charges were circa 2.3 million euros for the first half of the year, a decrease of circa 0.7 million euros when compared to 1H18, mainly driven by lower tax charges in Canada. On a quarterly basis, current tax charges reduced by circa 0.1 million euros vs. 2Q18 and increased by circa 1.4 million euros when compared to the previous quarter, the latter related to our North American business.

Net results were positive of circa 2.4 million euros for 1H19, a reduction of 16.5 million euros when compared to 1H18, mainly explained by the aforementioned reduction in Gains and losses in Joint-Ventures – Net Results. For the quarter, the net result reached circa 1.2 million euros, a decrease of 13.9 million euros vs. the 2Q18 which was marked by very strong net results of our Joint Venture as previously referred, and in line with the values booked for 1Q19.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MILLION EUROS

	1H18 Unaudited	1Q19 Unaudited	1H19 Unaudited
Non current assets	363.5	368.2	361.9
Tangible assets	139.1	145.7	143.7
Investments in joint ventures	215.8	216.2	212.0
Deferred tax asset	2.1	0.0	0.0
Other non current assets	6.4	6.3	6.2
Current assets	50.0	45.8	55.8
Inventories	17.2	18.1	20.0
Trade debtors	16.8	19.4	18.7
Cash and cash equivalents	2.9	2.2	3.2
Other current assets	13.1	6.2	14.0
Non-current assets classified as available for sale	0.0	0.0	0.0
Total assets	413.5	414.0	417.7
Shareholders' Funds	140.6	139.7	141.1
Equity holders	140.6	139.7	141.1
Non-controlling interests	0.0	0.0	0.0
Liabilities	272.9	274.2	276.6
Interest bearing debt	210.6	214.1	213.7
Non current	197.8	193.8	157.9
Current	12.8	20.3	55.8
Trade creditors	24.9	24.2	25.9
Other liabilities	37.4	36.0	37.1
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	413.5	414.0	417.7

Tangible assets reached 143.7 million euros at the end of June 2019, an increase of 4.6 million euros vs. June 2018, mainly due to the impact of the adoption of the IFRS 16 of 5.7 million euros. In 2Q19 Tangible assets reduced by 2.0 million euros when compared to 1Q19, including the effect of the sale of real estate of an inactive site for an amount of circa 1.1 million euros.

Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached 212.0 million euros, which represents a reduction of circa 4.2 million euros when compared to the book value of this investment at the end of 1Q19, mostly due to the impact of the amount of dividends to be paid by Sonae Arauco to Sonae Indústria booked in 2Q19 and to be settled in 3Q19 in an amount of circa 6.0 million euros (which justify the increase in Current assets) and despite the positive impact of our share of Sonae Arauco's results in the quarter of 1.9 million euros.

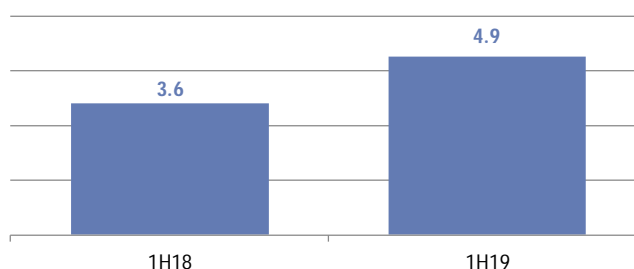
Total **Shareholders' Funds**, at the end of June 2019, totaled circa 141.1 million euros, which represents an increase of 1.3 million euros when compared to March 2019, mainly explained by the positive impact from the net results in the quarter.

NET DEBT and WORKING CAPITAL
MILLION EUROS

	Excluding IFRS 16 effects			Including IFRS 16 effects	
	1H18 Unaudited	1Q19 Unaudited	1H19 Unaudited	1Q19 Unaudited	1H19 Unaudited
Net Debt	207.7	205.6	204.7	211.9	210.5
Working Capital	9.1	13.2	12.7	13.2	12.7

Consolidated **Working Capital** reached 12.7 million euros, a decrease of 0.5 million euros when compared to March 2019, explained by the increase in trade creditors and the decrease in trade debtors, which more than offset the increase in inventories.

Net Debt, stood at 204.7 million euros at the end of June 2019 (excluding IFRS 16 effects), a decrease of circa 0.9 million euros vs. March 2019 and of 3.0 million euros vs. June 2018. Considering capitalized operating leases (as per IFRS 16) Net Debt would be of circa 210.5 million euros at the end of June 2019.

CAPEX
MILLION EUROS

Additions to Gross Tangible Fixed Assets reached 4.9 million euros in the first half of the year, essentially investments in our North American business (4.5 million euros).

29 July 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



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

STATEMENT IN ACCORD WITH ART 246 CMVM CODE

QUALIFIED SHAREHOLDINGS AT 30 JUNE 2019

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

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

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

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

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

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

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

- a) The condensed financial statements for six month period ended 30 June 2019 have been prepared in accordance with the applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of both the company and its affiliated companies included in consolidation perimeter; and
- b) The interim Management Report includes a review of the important events that have occurred in the first six months of 2019 year and their effect on the financial statements, as well as a description of the main risks and uncertainties for the remaining part of the year.

Duarte Paulo Teixeira de Azevedo

Carlos António Rocha Moreira da Silva

Albrecht Olof Lothar Ehlers

Berta Maria Nogueira Dias da Cunha

Isabel Sofia Bragança Simões de Barros

Javier Vega de Seoane Azpilicueta

José Joaquim Romão de Sousa

George Christopher Lawrie

Louis Brassard



Consolidated Financial Statements

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

(Amounts expressed in Euros)

ASSETS	Notes	30.06.2019 Unaudited	31.12.2018
NON-CURRENT ASSETS			
Tangible fixed assets	3, 7	143 717 299	135 704 644
Goodwill		347 082	347 082
Intangible assets		75 078	86 449
Investment properties		5 624 689	5 750 140
Investment in joint ventures	5, 6	212 008 735	212 459 264
Other investments	6	137 613	133 952
Total non-current assets		<u>361 910 496</u>	<u>354 481 531</u>
CURRENT ASSETS			
Inventories		19 958 334	18 224 036
Trade debtors		18 661 850	12 302 439
Other current debtors	8	6 664 752	124 360
Current tax asset		2 882 609	2 506 968
Other taxes and contributions		1 085 509	1 552 714
Other current assets	9	3 359 300	2 033 291
Cash and cash equivalents	10	3 180 418	10 624 192
Total current assets		<u>55 792 772</u>	<u>47 368 000</u>
TOTAL ASSETS		<u>417 703 268</u>	<u>401 849 531</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	(170 768 315)	(172 733 307)
Accumulated other comprehensive income	3, 11	56 706 241	53 139 528
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>141 065 212</u>	<u>135 533 507</u>
TOTAL SHAREHOLDERS' FUNDS		<u>141 065 212</u>	<u>135 533 507</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank loans - net of current portion	12	153 644 765	188 102 256
Lease creditors - net of current portion	3, 12	4 207 580	491 753
Post-retirement liabilities		766 587	785 667
Other non-current liabilities		1 066 795	1 128 038
Deferred tax liability		19 308 824	18 883 485
Provisions		<u>1 762 033</u>	<u>1 778 290</u>
Total non-current liabilities		<u>180 756 584</u>	<u>211 169 489</u>
CURRENT LIABILITIES			
Current portion of non-current bank loans	12	45 201 438	15 192 246
Current bank loans	12	8 293 496	2 136 274
Current portion of non-current lease creditors	3, 12	2 326 615	529 015
Trade creditors		25 913 521	21 567 484
Current tax liability		42 552	29 283
Other taxes and contributions		432 044	490 083
Other current liabilities	13	10 396 087	11 926 431
Provisions		<u>3 275 719</u>	<u>3 275 719</u>
Total current liabilities		<u>95 881 472</u>	<u>55 146 535</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>417 703 268</u>	<u>401 849 531</u>

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

The Board of Directors

SONAE INDUSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in Euros)

	Notes	30.06.2019 Unaudited	2nd. Quarter 2019 Unaudited	30.06.2018 Unaudited	2nd. Quarter 2018 Unaudited
Sales	16	115 598 827	59 227 775	111 126 048	57 176 673
Services rendered	16	768 364	374 864	706 137	348 744
Other income and gains	14, 16	1 969 748	1 093 127	1 987 551	1 105 833
Cost of sales	16	(65 842 053)	(33 377 082)	(60 520 563)	(30 126 430)
Increase / (decrease) in production	16	653 665	1 587 282	(895 900)	(480 364)
External supplies and services	16	(24 927 704)	(12 829 437)	(23 999 237)	(12 343 971)
Staff expenses	16	(13 855 351)	(7 069 724)	(12 835 619)	(6 636 931)
Depreciation and amortisation		(7 873 837)	(3 958 365)	(6 310 122)	(3 180 197)
Provisions and impairment losses (increase / reduction)	16	14 279	(443)	(73 055)	(71 377)
Other expenses and losses	15, 16	<u>(1 835 504)</u>	<u>(1 079 042)</u>	<u>(1 696 567)</u>	<u>(919 446)</u>
Operating profit / (loss)	16	4 670 434	3 968 955	7 488 673	4 872 534
Financial income	17	375 635	174 007	365 713	151 509
Financial expenses	17	(6 125 558)	(3 052 381)	(6 044 923)	(3 015 891)
Gains and losses in joint ventures	5	<u>5 324 483</u>	<u>1 925 525</u>	<u>18 757 240</u>	<u>14 053 446</u>
Net profit/(loss) before taxation		4 244 994	3 016 106	20 566 703	16 061 598
Taxation	18	<u>(1 858 125)</u>	<u>(1 827 116)</u>	<u>(1 645 177)</u>	<u>(937 560)</u>
Consolidated net profit / (loss) for the period		<u><u>2 386 869</u></u>	<u><u>1 188 990</u></u>	<u><u>18 921 526</u></u>	<u><u>15 124 038</u></u>
Attributable to:					
Equity holders of Sonae Industria		<u><u>2 386 869</u></u>	<u><u>1 188 990</u></u>	<u><u>18 921 526</u></u>	<u><u>15 124 038</u></u>
Consolidated net profit/(loss) per share:					
Basic		<u>0.0526</u>	<u>0.0262</u>	<u>0.4167</u>	<u>0.3331</u>
Diluted		<u><u>0.0526</u></u>	<u><u>0.0262</u></u>	<u><u>0.4167</u></u>	<u><u>0.3331</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 SIX-MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in Euros)

	Notes	30.06.2019 Unaudited	2nd. Quarter 2019 Unaudited	30.06.2018 Unaudited	2nd. Quarter 2018 Unaudited
Consolidated net profit / (loss) for the period (a)		2 386 869	1 188 990	18 921 526	15 124 038
Consolidated other comprehensive income					
Items that may be subsequently transferred to profit or loss					
Change in currency translation reserve	11	3 517 209	823 603	(1 965 327)	1 935 683
Group share of other comprehensive income of joint ventures	11	262 327	(62 268)	(2 142 194)	(2 504 363)
Consolidated other comprehensive income for the period, net of tax (b)		3 779 536	761 335	(4 107 521)	(568 680)
Total consolidated comprehensive income for the period (a) + (b)		6 166 405	1 950 325	14 814 005	14 555 358
Total consolidated comprehensive income attributable to:					
Equity holders of Sonae Industria		6 166 405	1 950 325	14 814 005	14 555 358

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 30 JUNE 2019 AND 30 JUNE 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			2 386 869		2 386 869	2 386 869
Consolidated other comprehensive income for the period				3 779 536	3 779 536	3 779 536
Total			2 386 869	3 779 536	6 166 405	6 166 405
Tranference to Other reserves and accumulated earnings			212 823	(212 823)		
Others			(634 700)		(634 700)	(634 700)
Balance as at 30 June 2019 - unaudited	<u>253 319 797</u>	<u>1 807 489</u>	<u>(170 768 315)</u>	<u>56 706 241</u>	<u>141 065 212</u>	<u>141 065 212</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			18 921 526		18 921 526	18 921 526
Consolidated other comprehensive income for the period				(4 107 521)	(4 107 521)	(4 107 521)
Total			18 921 526	(4 107 521)	14 814 005	14 814 005
Transferred to Legal reserve		1 807 489	(1 807 489)			
Others			(291 114)	(50 855)	(341 969)	(341 969)
Balance as at 30 June 2018 - unaudited	<u>253 319 797</u>	<u>1 807 489</u>	<u>(165 671 544)</u>	<u>51 128 902</u>	<u>140 584 644</u>	<u>140 584 644</u>

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 SIX-MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in Euros)

	<u>Notes</u>	<u>30.06.2019</u> <u>Unaudited</u>	<u>30.06.2018</u> <u>Unaudited</u>
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		108 389 526	106 271 912
Payments to trade creditors		(89 034 999)	(81 298 428)
Payments to staff		(14 201 175)	(13 108 799)
Net cash flow from operations		5 153 352	11 864 685
Payment / (receipt) of corporate income tax		(2 465 131)	(3 846 568)
Other receipts / (payments) relating to operating activities		186 112	1 266 472
Net cash flow from operating activities (1)		<u>2 874 333</u>	<u>9 284 589</u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Tangible fixed assets and intangible assets		1 164 432	1 433 715
Investment subventions		459 805	31 953
		<u>1 624 237</u>	<u>1 465 668</u>
Cash Payments arising from:			
Investments		(3 660)	(1 809)
Tangible fixed assets and intangible assets		(6 100 054)	(4 823 807)
		<u>(6 103 714)</u>	<u>(4 825 616)</u>
Net cash used in investment activities (2)		<u>(4 479 477)</u>	<u>(3 359 948)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		13 893	10 295
Loans obtained		739 068 400	855 320 162
		<u>739 082 293</u>	<u>855 330 457</u>
Cash Payments arising from:			
Interest and similar charges		(4 530 170)	(5 536 854)
Loans obtained		(742 481 373)	(857 854 666)
Leases - repayment of principal		(1 230 971)	(247 480)
		<u>(748 242 514)</u>	<u>(863 639 000)</u>
Net cash used in financing activities (3)		<u>(9 160 221)</u>	<u>(8 308 543)</u>
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		<u>(10 765 365)</u>	<u>(2 383 902)</u>
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	<u>(113 078)</u>	<u>1 577 861</u>
Net increase/(decrease) in cash and cash equivalents (b) - (a)		(10 600 996)	(2 506 910)
Effect of foreign exchange rate in cash and cash equivalents (c)		164 369	(123 008)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		<u>(10 765 365)</u>	<u>(2 383 902)</u>

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

The board of directors

SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 June 2019 and 30 June 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 June 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 June 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:

	30.06.2019		31.12.2018		30.06.2018	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8965	0.8732	0.8945	0.8847	0.8861	0.8796
South African Rand	16.1212	16.0333	16.4582	15.5715	16.0488	14.8787
Canadian Dollar	1.4893	1.5068	1.5605	1.5294	1.5442	1.5459
American Dollar	1.1380	1.1296	1.1450	1.1799	1.1658	1.2100

Source: Bloomberg

3. COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The comparability of the consolidated financial statements as at 30 June 2019, 31 December 2018 and 30 June 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 30 June 2019 would be stated as follows:

ASSETS	30.06.2019	Effect of IFRS 16	30.06.2019 without effect of IFRS16	31.12.2018
NON-CURRENT ASSETS				
Tangible fixed assets	143 717 299	5 701 530	138 015 769	135 704 644
Goodwill	347 082		347 082	347 082
Intangible assets	75 078		75 078	86 449
Investment properties	5 624 689		5 624 689	5 750 140
Investment in joint ventures	212 008 735		212 008 735	212 459 264
Other investments	137 613		137 613	133 952
Total non-current assets	<u>361 910 496</u>	<u>5 701 530</u>	<u>356 208 966</u>	<u>354 481 531</u>
CURRENT ASSETS				
Inventories	19 958 334		19 958 334	18 224 036
Trade debtors	18 661 850		18 661 850	12 302 439
Other current debtors	6 664 752		6 664 752	124 360
Current tax asset	2 882 609		2 882 609	2 506 968
Other taxes and contributions	1 085 509		1 085 509	1 552 714
Other current assets	3 359 300		3 359 300	2 033 291
Cash and cash equivalents	3 180 418		3 180 418	10 624 192
Total current assets	<u>55 792 772</u>		<u>55 792 772</u>	<u>47 368 000</u>
TOTAL ASSETS	<u>417 703 268</u>	<u>5 701 530</u>	<u>412 001 738</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	(170 768 315)	(58 019)	(170 710 296)	(172 733 307)
Accumulated other comprehensive income	56 706 241	(280)	56 706 521	53 139 528
Total shareholders' funds attributable to equity holders of Sonae Indústria	<u>141 065 212</u>	<u>(58 299)</u>	<u>141 123 511</u>	<u>135 533 507</u>
TOTAL SHAREHOLDERS' FUNDS	<u>141 065 212</u>	<u>(58 299)</u>	<u>141 123 511</u>	<u>135 533 507</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Bank loans - net of current portion	153 644 765		153 644 765	188 102 256
Lease creditors - net of current portion	4 207 580	3 462 130	745 450	491 753
Post-retirement liabilities	766 587		766 587	785 667
Other non-current liabilities	1 066 795		1 066 795	1 128 038
Deferred tax liability	19 308 824		19 308 824	18 883 485
Provisions	1 762 033		1 762 033	1 778 290
Total non-current liabilities	<u>180 756 584</u>	<u>3 462 130</u>	<u>177 294 454</u>	<u>211 169 489</u>
CURRENT LIABILITIES				
Current portion of non-current bank loans	45 201 438		45 201 438	15 192 246
Current bank loans	8 293 496		8 293 496	2 136 274
Current portion of non-current lease creditors	2 326 615	2 297 699	28 916	529 015
Trade creditors	25 913 521		25 913 521	21 567 484
Current tax liability	42 552		42 552	29 283
Other taxes and contributions	432 044		432 044	490 083
Other current liabilities	10 396 087		10 396 087	11 926 431
Provisions	3 275 719		3 275 719	3 275 719
Total current liabilities	<u>95 881 472</u>	<u>2 297 699</u>	<u>93 583 773</u>	<u>55 146 535</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	<u>417 703 268</u>	<u>5 701 530</u>	<u>412 001 738</u>	<u>401 849 531</u>

	30.06.2019	Effect of IFRS 16	30.06.2019 without effect of IFRS16	30.06.2018
Sales	115 598 827		115 598 827	111 126 048
Services rendered	768 364		768 364	706 137
Other income and gains	1 969 748		1 969 748	1 987 551
Cost of sales	(65 842 053)		(65 842 053)	(60 520 563)
Increase / (decrease) in production	653 665		653 665	(895 900)
External supplies and services	(24 927 704)	1 093 151	(26 020 855)	(23 999 237)
Staff expenses	(13 855 351)		(13 855 351)	(12 835 619)
Depreciation and amortisation	(7 873 837)	(1 023 345)	(6 850 492)	(6 310 122)
Provisions and impairment losses (increase / reduction)	14 279		14 279	(73 055)
Other expenses and losses	<u>(1 835 504)</u>		<u>(1 835 504)</u>	<u>(1 696 567)</u>
Operating profit / (loss)	4 670 434	69 806	4 600 628	7 488 673
Financial income	375 635		375 635	365 713
Financial expenses	(6 125 558)	(127 825)	(5 997 733)	(6 044 923)
Gains and losses in joint ventures	<u>5 324 483</u>		<u>5 324 483</u>	<u>18 757 240</u>
Net profit/(loss) before taxation	4 244 994	(58 019)	4 303 013	20 566 703
Taxation	<u>(1 858 125)</u>		<u>(1 858 125)</u>	<u>(1 645 177)</u>
Consolidated net profit / (loss) for the period	<u>2 386 869</u>	<u>(58 019)</u>	<u>2 444 888</u>	<u>18 921 526</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 June 2019, 31 December 2018 and 30 June 2018 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.06.2019		31.12.2018		30.06.2018		
		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 June 2019, 31 December 2018 and 30 June 2018 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
			30.06.2019		31.12.2018		30.06.2018		
			Direct	Total	Direct	Total	Direct	Total	
1)	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 Inmobiliaria y Servicios, S. L.	Madrid (Spain)	-	-	-	-	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, 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%	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	Andalucia, S. L.	Madrid (Spain)	50.00%	25.00%	50.00%	25.00%	50.00%	25.00%	b)
Tool, GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)	

- a) Company included in the consolidation perimeter of Sonae Arauco, S. A.;
- b) Company whose investment is measured using equity method in the consolidated financial statement of Sonae Arauco, S. A..

1) Company liquidated 13 July 2018.

Net assets and net profit/loss for these jointly-controlled companies, whose 50%-share was recognized on these consolidated financial statements using equity method, are detailed as follows:

Sonae Arauco - Consolidated		
	30.06.2019	31.12.2018
Non-current assets	552 021 046	517 837 693
Current assets (without cash and cash equivalents)	208 025 240	217 573 340
Cash and cash equivalents	10 273 446	20 234 918
Non-current financial liabilities	216 737 111	234 035 312
Other non-current liabilities	75 978 243	73 156 014
Current financial liabilities	22 092 276	17 146 842
Other current liabilities	201 322 124	176 394 509

Sonae Arauco - Consolidated		
	30.06.2019	30.06.2018
Operating revenues	423 686 548	464 534 130
Operating expenses (without Depreciation and amortization)	(380 366 117)	(390 979 245)
Depreciation and amortization	(23 950 465)	(21 140 059)
Interest expense	(2 944 078)	(3 378 797)
Taxation	397 556	(6 533 398)
Net profit/(loss) from continuing operations (a)	10 826 731	37 514 481
Adjustments to the Group's accounting policies (b)	(177 764)	
Net profit/(loss) from continuing operations - adjusted (a) + (b)	10 648 967	37 514 481
Group's share on net profit/(loss) [(a) + (b)] x 0.5	5 324 483	18 757 240
Other comprehensive income (c)	524 654	(4 284 388)
Group's share on other comprehensive Income (c) x 0.5	262 327	(2 142 194)

Consolidated Net profit/(loss) from continuing operations:

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 indemnifies them for property damage and business interruption losses.

In the period ended 30 June 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 June 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.

6. INVESTMENTS

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

	30.06.2019	31.12.2018
Investment in joint ventures		
Opening balance	212 459 264	205 616 464
Effect of equity method	5 536 200	13 249 147
Dividends	(5 986 729)	(6 406 347)
Closing balance	<u>212 008 735</u>	<u>212 459 264</u>
	30.06.2019	31.12.2018
Other investments		
Opening balance	137 941	134 476
Acquisition	<u>3 661</u>	<u>3 465</u>
Closing balance	141 602	137 941
Accumulated impairment losses	<u>3 989</u>	<u>3 989</u>
Net other investments	<u>137 613</u>	<u>133 952</u>

7. TANGIBLE FIXED ASSETS

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

	30.06.2019							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	3 463 010		3 247 667		4 870		4 817 389	11 532 936	10 602 640
Disposals	(2 662 778)	(1 870 486)	(1 121 891)	(30 090)	(45 038)	(7 759)		(4 738 042)	(9 300 840)
Transfers and reclassifications	100 725	2 298 641	71 513		28 911	1 890	(2 501 680)		(11 061)
Exchange rate effect	3 330 810	11 379 419	148 646		87 991	34	290 532	15 237 432	(11 822 894)
Closing balance	93 979 924	273 350 138	6 025 420	66 147	3 529 390	338 572	8 189 738	385 479 329	363 447 003
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	1 483 467	5 394 405	765 165	327	67 781	14 920		7 726 065	12 762 241
Impairment losses for the period - through P/L									55 225
Disposals	(1 438 278)	(1 679 648)	(80 461)	(30 090)	(45 038)	(7 759)		(3 281 274)	(5 257 101)
Exchange rate effect	1 415 535	8 026 900	62 997		69 428	20		9 574 880	(7 327 260)
Closing balance	39 041 128	197 105 328	2 231 640	65 492	3 090 489	227 953		241 762 030	227 742 359
Carrying amount	54 938 796	76 244 810	3 793 780	655	438 901	110 619	8 189 738	143 717 299	135 704 644

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 123 790 522 (EUR 120 743 778 at 31 December 2018), as collateral for loans amounting to EUR 47 908 702 (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:

	30.06.2019					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	3 463 010		820	8 585 283	5 121 453				5 121 453
Plant and Machinery	194 104			9 281	203 385	201 410			(7 306)	194 104
Vehicles	575 053	3 247 667	(54 892)	99 467	3 867 295	1 203 070		(596 250)	(31 767)	575 053
Fixtures and Fittings	183 245	4 870		8 802	196 917	283 139	152 139	(243 584)	(8 449)	183 245
Closing balance	6 073 855	6 715 547	(54 892)	118 370	12 852 880	6 809 072	152 139	(839 834)	(47 522)	6 073 855
Accumulated depreciation and impairment losses:										
Land and Buildings	768 601	478 582		170	1 247 353	661 651	106 950			768 601
Plant and Machinery	65 850	6 708		3 228	75 786	54 887	13 217		(2 254)	65 850
Vehicles	363 395	607 875	(17 700)	23 934	977 504	927 371	55 138	(596 250)	(22 864)	363 395
Fixtures and Fittings	37 242	20 869		2 016	60 127	282 725	3 577	(243 584)	(5 476)	37 242
Closing balance	1 235 088	1 114 034	(17 700)	29 348	2 360 770	1 926 634	178 882	(839 834)	(30 594)	1 235 088
Carrying amount	4 838 767	5 601 513	(37 192)	89 022	10 492 110	4 882 438	(26 743)		(16 928)	4 838 767

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

	30.06.2019		31.12.2018	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	153 024	153 024	24 270	24 270
Related parties	<u>5 995 822</u>	<u>5 995 822</u>	<u>16 413</u>	<u>16 413</u>
Financial Instruments	6 148 846	6 148 846	40 683	40 683
Other debtors	<u>515 906</u>	<u>515 906</u>	<u>83 677</u>	<u>83 677</u>
Assets out of scope of IFRS 9	515 906	515 906	83 677	83 677
Total	<u>6 664 752</u>	<u>6 664 752</u>	<u>124 360</u>	<u>124 360</u>

At 30 June 2019, related parties included EUR 5 986 729 of dividends distributed by the joint-venture Sonae Arauco, S. A., which had not been paid.

9. OTHER CURRENT DEBTORS

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

	30.06.2019		31.12.2018	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments			<u>27 676</u>	<u>27 676</u>
Financial Instruments			27 676	27 676
Accrued income	338 866	338 866	321 549	321 549
Deferred expenses	<u>3 020 434</u>	<u>3 020 434</u>	<u>1 684 066</u>	<u>1 684 066</u>
Assets out of scope of IFRS 9	3 359 300	3 359 300	2 005 615	2 005 615
Total	<u>3 359 300</u>	<u>3 359 300</u>	<u>2 033 291</u>	<u>2 033 291</u>

At 30 June 2019, Deferred expenses included EUR 1 955 342 relating to deferral of insurance expenses.

10. CASH AND CASH EQUIVALENTS

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

	30.06.2019	31.12.2018
Cash at Hand	6 075	5 840
Bank Deposits and Other Treasury Applications	<u>3 174 343</u>	<u>10 618 352</u>
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	3 180 418	10 624 192
Bank Overdrafts	<u>3 293 496</u>	<u>136 274</u>
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	<u>(113 078)</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	3 517 209			262 327			3 779 536
Transference to Other reserves and accumulated earnings Others		(212 823)					(212 823)
Balance as at 30 June 2019	7 677 168	11 744 576	(6 633)	1 330 259	38 530 418	(2 569 547)	56 706 241

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

12. LOANS

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

30.06.2019				
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Current portion of non-current bank loans	45 201 438		45 201 438	
Bank loans	8 293 496	153 644 765	8 293 496	154 445 583
Obligations under leases	2 326 615	4 207 580	2 326 615	4 207 580
Gross debt	55 821 549	157 852 345	55 821 549	158 653 163

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 June 2019, loans can be detailed as follows:

Company(ies)	Loan	Contract date	Maturity (with reference to 30.06.2019)	Currency	Outstanding principal at 30.06.2019 (EUR)	Outstanding principal at 31.12.2018 (EUR)
Tafisa Canada Inc.	Bank loan (Revolving)	July 2011	October 2023	CAD	47 908 702	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	6 000 000	8 100 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	May 2016	to be repaid from May 2019 to May 2021	EUR	141 000 000	136 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	July 2019 ¹⁾	EUR		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	3 500 000	4 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	June 2018	to be repaid from December 2019 to June 2021	EUR	3 000 000	10 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	February 2019	February 2022	EUR	5 000 000	
Others				EUR	1 531 815	1 081 483
Total				EUR	207 940 517	206 440 931

1) In July 2019, both parts to this contract formally agreed on some changes thereon, including on its maturity, which was extended to April 2021.

All these loans are subject to variable interest rates.

Figures detailed on the previous table correspond to the nominal value of bank loans disclosed on this note.

At 30 June 2019, in addition to mortgaged tangible fixed assets referred to on note 7, there were other assets amounting to EUR 33 164 150 (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 June 2019 and 31 December 2018, Other current liabilities on the Consolidated Statement of Financial Position were composed of:

	30.06.2019	31.12.2018
Derivatives	35 330	5 621
Tangible fixed assets suppliers	859 399	1 955 451
Other creditors	1 019 095	531 520
Financial instruments	1 913 824	2 492 592
Other creditors	326 656	482 866
Accrued expenses		
Insurances	32 389	19 068
Personnel expenses	4 171 962	3 912 764
Accrued financial expenses	446 207	229 540
Rebates	2 086 252	3 050 847
External supplies and services	412 133	391 968
Other accrued expenses	676 189	1 036 838
Deferred income		
Investment subventions	181 538	161 013
Other deferred income	148 937	148 935
Liabilities out of scope of IFRS 9	8 482 263	9 433 839
Total	10 396 087	11 926 431

14. OTHER INCOME AND GAINS

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

	30.06.2019	30.06.2018
Gains on disp. and write off of invest. prop., tang. and intang. assets	84 281	171 879
Supplementary revenue	776 692	757 940
Investment subventions	543 556	79 787
Positive exchange gains	461 730	670 027
Adjustment to fair value of financial instruments at fair value through profit or loss	55 538	168 210
Others	47 951	139 708
	1 969 748	1 987 551

15. OTHER EXPENSES AND LOSSES

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

	30.06.2019	30.06.2018
Taxes	635 187	671 782
Losses on disp. and write off of invest. prop., tang. and intang. assets	360 554	158 215
Negative exchange gains	605 231	690 019
Adjustment to fair value of financial instruments at fair value through profit or loss	115 192	69 985
Others	<u>119 340</u>	<u>106 566</u>
	<u>1 835 504</u>	<u>1 696 567</u>

16. RECURRING AND NON-RECURRING ITEMS

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

	30.06.2019 Recurring	30.06.2018 Recurring
Sales	115 598 827	111 126 048
Services rendered	768 364	706 137
Other income and gains	1 885 467	1 809 803
Cost of sales	(65 842 053)	(60 520 563)
Increase / (decrease) in production	653 665	(895 900)
External supplies and services	(24 718 872)	(23 755 255)
Staff expenses	(13 820 924)	(12 835 546)
Impairment losses in trade debtors - (increase)/reduction	(1 978)	(17 830)
Other expenses and losses	<u>(1 462 693)</u>	<u>(1 527 011)</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>13 059 803</u>	<u>14 089 883</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>(531 788)</u>	<u>(235 865)</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>12 528 015</u>	<u>13 854 018</u>

17. FINANCIAL RESULTS

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

	30.06.2019	30.06.2018
Financial income:		
Interest income		
related to bank loans	11 047	6 819
Others		651
	<u>11 047</u>	<u>7 470</u>
Gains in currency translation		
related to loans	2 822	7 956
related to cash and cash equivalents	<u>317 278</u>	<u>295 534</u>
	320 100	303 490
Cash discounts obtained	41 656	51 921
Other finance gains	<u>2 832</u>	<u>2 832</u>
	<u>375 635</u>	<u>365 713</u>
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	(3 931 607)	(3 967 205)
related to leases	(150 589)	(32 525)
others	<u>(4 073)</u>	<u>(1 672)</u>
	(4 086 269)	(4 001 402)
Losses in currency translation		
related to loans	(16 508)	(18 574)
related to cash and cash equivalents	<u>(301 696)</u>	<u>(300 148)</u>
	(318 204)	(318 722)
Cash discounts granted	(858 067)	(856 336)
Other finance losses	<u>(863 018)</u>	<u>(868 463)</u>
	<u>(6 125 558)</u>	<u>(6 044 923)</u>
Finance profit / (loss)	<u><u>(5 749 923)</u></u>	<u><u>(5 679 210)</u></u>

18. TAXES

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

	30.06.2019	30.06.2018
Current tax	2 298 375	2 957 536
Deferred tax	<u>(440 250)</u>	<u>(1 312 359)</u>
	<u><u>1 858 125</u></u>	<u><u>1 645 177</u></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 June 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 will appeal 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 29 July 2019.