

**SONAE INDÚSTRIA, SGPS, S.A.**

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

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 253 319 797.26

Publicly Traded Company

**ACTIVITY REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**JANUARY – MARCH 2020**

ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34 – INTERIM FINANCIAL REPORT

## **ACTIVITY REPORT**

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## MESSAGE FROM THE CHAIRMAN

In 1Q20 Sonae Indústria's fully owned businesses delivered improved EBITDA results when compared to both 4Q19 and 1Q19. Despite this EBITDA improvement and Sonae Arauco delivering again a small but positive net result in the quarter, Sonae Indústria's net results were 1.2 million euros negative in 1Q20.

Considering our 50% share of Sonae Arauco's figures, LTM Proportional Recurrent EBITDA reached 62.0 million euros and the proportional senior leverage ratio was of 4.9x.

The results in 1Q20 were marked by the weaker performance in March when we started witnessing a reduction in the level of customers' orders in some geographies and, later in the month, with activity being materially curtailed as a result of the government imposed lockdowns in several countries (including Canada, USA, South Africa and Spain) aimed at containing the COVID-19 outbreak and that led to the partial or full temporary shutdown of our plants in those regions.

During March and April, we have implemented significant measures to protect the health and safety of our people both at the plants and at our offices, and fortunately as at today the number of confirmed cases within our people is extremely low.

The human and social effects of the COVID-19 pandemic were significantly amplified in April and economic effects of the pandemic are now also being felt globally with deep implications in many of the regions where we operate including on employment levels, economic growth and public debt levels, raising significant social, political and economic challenges going forward.

Following the COVID-19 outbreak and as a result of market limitations or government impositions, we currently have many plants running at very low level of activity or stopped. The financial impact in the year will be very significant and we are working with our banks to accommodate this extraordinary situation. In these conditions, extending the subordinated bonds offer to the market as we had hoped to do, is unfortunately judged to be unviable.

We have taken measures at all levels of our businesses to mitigate the negative impacts of the COVID-19 crisis including adapting our production levels, cost structures and investment plans in order to protect liquidity and safeguard the future.

We are also preparing the ground for the gradual ramp up of operations in order to respond as effectively as possible to changes in circumstances be they the easing of pandemic containment restrictions and / or the increasing levels of customer orders.

The outlook for Sonae Indústria in 2020 will be largely determined by the duration of the pandemic, the success of government policies to fight the virus while at the same time protecting the economy and the effectiveness of our actions to mitigate the negative impacts on our businesses and prepare for the easing of government measures as the pandemic is hopefully gradually controlled.

Our teams will keep working relentlessly to cope with this new reality and to allow Sonae Indústria to overcome this enormous challenge.

**Paulo Azevedo**

*Chairman, Sonae Indústria*

# 1. SONAE INDÚSTRIA RESULTS

## 1.1 PROPORTIONAL RESULTS

### SUMMARY OF 1Q20 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 Proportional Indicators which consider the full results of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

### PROPORTIONAL FINANCIAL INDICATORS

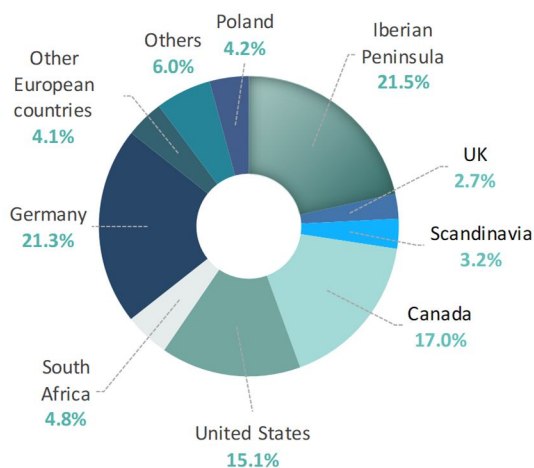
	1Q19	1Q20
Proportional Turnover	159	146
Proportional Rec. EBITDA	17	15
Proportional Rec. EBITDA margin	10.7%	10.3%
	<b>LTM 1Q19</b>	<b>LTM 1Q20</b>
Proportional LTM Turnover	619	593
Proportional LTM Rec. EBITDA	72	62
Proportional LTM Rec. EBITDA margin	11.6%	10.5%
<b>LEVERAGE</b>		
Proportional Senior Net Debt (excluding Subordinated Bonds)	329	303
<b>Proportional Senior Leverage (Senior Net Debt / LTM Rec. EBITDA)</b>	<b>4.6 x</b>	<b>4.9 x</b>

**Proportional Turnover** in 1Q20 was circa 12.9 million euros lower than in the same period of last year. This evolution was driven by a lower contribution from Sonae Arauco (-10.4 million euros), affected by a reduction in total sales volumes and average selling prices, and from Sonae Indústria (-2.5 million euros), with lower sales volumes in our North American business. In the month of March, Turnover started to be affected in some countries by the Covid-19 pandemic. When compared to 4Q19, Proportional Turnover improved 2.6 million euros driven by Sonae Arauco.

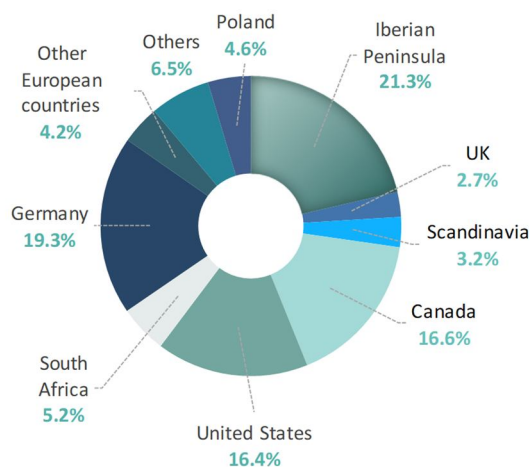
**Proportional Recurrent EBITDA** in 1Q20 reached circa 15.1 million euros, 1.9 million euros lower than in 1Q19, driven by a lower contribution from Sonae Arauco (-2.5 million euros), explained by difficult business conditions, which more than offset the positive contribution of our fully owned businesses (circa +0.6 million euros). However, when compared to 4Q19, Proportional Recurrent EBITDA improved 2.4 million euros driven both by Sonae Arauco and our fully owned businesses.

In the first quarter of the year, **Senior Net Debt to Recurrent EBITDA (proportional)** stood at circa 4.9x, which compares with 4.6x in 1Q19. Proportional Senior Net Debt excludes Subordinated Bonds (50 million euros issued during 4Q19).

## PROPORTIONAL TURNOVER BY DESTINATION MARKET 1Q19

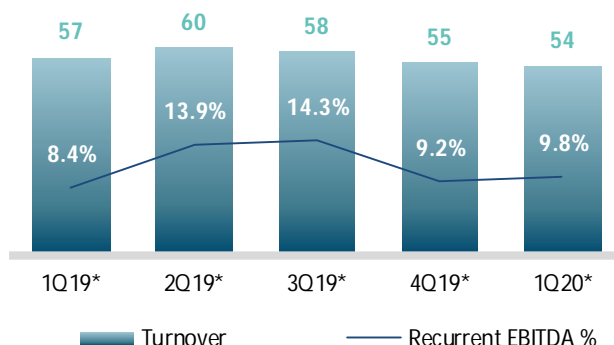


## PROPORTIONAL TURNOVER BY DESTINATION MARKET 1Q20



## 1.2 CONSOLIDATED RESULTS SUMMARY OF 1Q20 RESULTS

### TURNOVER and RECURRENT EBITDA MILLION EUROS



\* Quarterly information unaudited.

**Consolidated Turnover** for the first quarter of the year reached circa 54.3 million euros, a reduction of 4.4% vs. same period of last year (-2.5 million euros), driven by our North American business with lower sales volumes. When compared to the previous quarter, consolidated turnover decreased by 0.9 million euros, mostly driven by the unfavourable exchange rate evolution of the Canadian dollar vs. the EUR, but also by some reduction in the average selling prices in our North American business.

**Variable costs per cubic meter** decreased both in local currency and in euros, when compared to the same period of the last year, mainly due to a decrease in chemical and thermal energy costs (1Q19 had been affected by the extreme cold weather in Canada). When compared to 4Q19, variable costs per cubic meter increased in local currency, mainly explained by higher costs of wood in North America, but decreased in euros affected by the depreciation of the Canadian dollar.

**Recurrent EBITDA** for the first quarter of the year reached 5.3 million euros, an increase of circa 0.6 million euros vs. 1Q19, mainly explained by a decrease in variable costs as referred above. When compared to 4Q19, Recurrent EBITDA increased circa 0.3 million euros. The 1Q20 Recurrent EBITDA margin reached 9.8%, up by 1.4 p.p. vs. 1Q19 and by circa 0.7 p.p. vs. 4Q19.

Consolidated **EBITDA** for the quarter reached 5.3 million euros, an increase of 0.7 million euros vs. the same period of last year and of circa 0.4 million euros vs. the previous quarter, mainly due to the aforementioned evolution in Recurrent EBITDA.

## CONSOLIDATED INCOME STATEMENT

### MILLION EUROS

	1Q19 Unaudited	4Q19 Unaudited	1Q20 Unaudited	1Q20/ 1Q19	1Q20/ 4Q19
<b>Turnover</b>	<b>56.8</b>	<b>55.2</b>	<b>54.3</b>	<b>(4.4%)</b>	<b>(1.6%)</b>
Other operational income	0.9	1.4	2.0	131.7%	45.3%
EBITDA	4.6	4.9	5.3	15.8%	8.1%
Non recurrent items	(0.2)	(0.1)	(0.0)	92.2%	88.3%
<b>Recurrent EBITDA</b>	<b>4.8</b>	<b>5.1</b>	<b>5.3</b>	<b>11.7%</b>	<b>5.8%</b>
Recurrent EBITDA Margin %	8.4%	9.2%	9.8%	1.4 pp	0.7 pp
Depreciation and amortisation	(3.9)	(4.0)	(4.0)	(2.5%)	(0.6%)
Provisions and impairment Losses	0.0	(5.4)	0.0	(100.0%)	100.0%
<b>Operational profit (EBIT)</b>	<b>0.7</b>	<b>(4.5)</b>	<b>1.3</b>	<b>87.5%</b>	<b>129.4%</b>
Net financial charges	(2.9)	(2.8)	(3.2)	(11.3%)	(15.1%)
o.w. Net interest and other charges	(2.4)	(2.4)	(2.6)	(7.5%)	(11.4%)
o.w. Net exchange differences	(0.1)	(0.0)	(0.2)	-	-
o.w. Net financial discounts	(0.4)	(0.4)	(0.3)	6.3%	12.3%
Gains and losses in Joint-Ventures - Net Results	3.4	(1.2)	0.6	(81.7%)	-
Gains and losses in Joint-Ventures - Other	0.0	(0.3)	(0.1)	-	81.3%
<b>Profit before taxes (EBT)</b>	<b>1.2</b>	<b>(8.7)</b>	<b>(1.3)</b>	<b>-</b>	<b>85.0%</b>
Taxes	(0.0)	(0.4)	0.1	-	119.5%
o.w. Current tax	(0.5)	0.3	0.1	117.5%	(72.2%)
o.w. Deferred tax	0.4	(0.7)	0.0	(100.0%)	100.0%
<b>Consolidated net profit/(loss) for the period</b>	<b>1.2</b>	<b>(9.2)</b>	<b>(1.2)</b>	<b>-</b>	<b>86.6%</b>

Total **fixed costs** for the first quarter of the year represented circa 18.6% of turnover, a decrease of 0.6 p.p. vs. 4Q19, driven by a reduction in overhead expenses.

The **number of employees** of Sonae Indústria was 513 FTE's, at the end of March 2020, excluding Sonae Arauco and trainees, which compares with 506 and 499 FTE's at the end of December 2019 and March 2019, respectively.

**Depreciation and amortization charges** in 1Q20 were 4.0 million euros, an increase of circa 0.1 million euros vs. 1Q19 and in line with the values booked for 4Q19.

**Net financial charges** during 1Q20 were circa 3.2 million euros, an increase of 0.3 million euros vs. 1Q19 mainly due to a circa 0.2 million euros increase in net interest and other charges (partially explained by an increase in the debt in Canada) and to a 0.2 million euros increase in the net negative effect of exchange differences.

**Gains and losses in Joint-Ventures – Net Results** refers to 50% of the net results of Sonae Arauco in the period. For the first quarter of the year, this totaled 0.6 million euros, a reduction of circa 2.8 million euros when compared to 1Q19, with 2.5 million euros lower Recurrent EBITDA (considering the 50% contribution). Compared to 4Q19 (when circa 3.9 million euros of Provisions, considering the 50% contribution, were booked in relation with the decision to close industrial activities at Horn site), Gains and losses in Joint-Ventures – Net Results increased 1.8 million euros.

**Current tax charges** were positive of circa 0.1 million euros for the first quarter of the year, an improvement of 0.5 million euros when compared to 1Q19, mainly driven by our North American business.

**Net results** in 1Q20 were negative of 1.2 million euros, which compares with positive net results of circa 1.2 million euros in 1Q19. The evolution of the net results when compared to the same period of the previous year is essentially explained by the aforementioned reduction in Gains and losses in Joint-Ventures - Net Results and in Turnover. Net Results have improved when compared to 4Q19, mainly due to the fact that 4Q19 included one off charges of circa 9.2 million euros as previously reported (Provisions booked directly in Sonae Indústria and indirectly in Sonae Arauco).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MILLION EUROS

	1Q19	2019	1Q20
	Unaudited		Unaudited
<b>Non current assets</b>	<b>368.2</b>	<b>370.0</b>	<b>357.2</b>
Tangible assets	145.7	153.6	144.4
Investments in joint ventures	216.2	209.1	205.1
Deferred tax asset	0.0	0.0	0.0
Other non current assets	6.3	7.3	7.8
<b>Current assets</b>	<b>45.8</b>	<b>50.6</b>	<b>46.0</b>
Inventories	18.1	22.0	20.6
Trade debtors	19.4	14.1	15.3
Cash and cash equivalents	2.2	7.1	3.7
Other current assets	6.2	7.5	6.4
<b>Non-current assets classified as available for sale</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>
<b>Total assets</b>	<b>414.0</b>	<b>420.7</b>	<b>403.4</b>
<b>Shareholders' Funds</b>	<b>139.7</b>	<b>127.3</b>	<b>117.1</b>
Equity holders	139.7	127.3	117.1
Non-controlling interests	0.0	0.0	0.0
<b>Liabilities</b>	<b>274.2</b>	<b>293.4</b>	<b>286.3</b>
Subordinated bonds loan	0.0	50.0	49.9
Senior interest bearing debt	214.1	166.0	166.8
Non current	193.8	157.6	159.7
Current	20.3	8.4	7.1
Trade creditors	24.2	26.0	20.1
Other liabilities	36.0	51.4	49.4
<b>Liabilities directly associated with non-current assets classified as available for sale</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Shareholders' Funds and liabilities</b>	<b>414.0</b>	<b>420.7</b>	<b>403.4</b>
<b>Senior Net Debt</b>	<b>211.9</b>	<b>158.9</b>	<b>163.1</b>
<b>Total Net Debt</b>	<b>211.9</b>	<b>208.9</b>	<b>213.0</b>
<b>Working Capital</b>	<b>13.2</b>	<b>10.0</b>	<b>15.7</b>

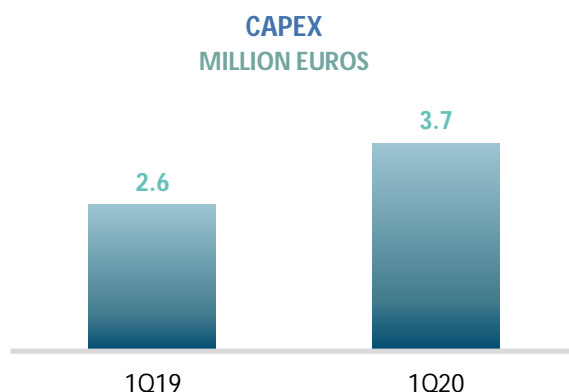
**Tangible assets** of circa 144.4 million euros at the end of March 2020, a reduction of circa 9.3 million euros vs. December 2019, mainly due to the effect of the depreciation of the Canadian Dollar in the quarter of 8.8 million euros.

**Investments in Joint-Ventures** (50% shareholding in Sonae Arauco) reached 205.1 million euros, which represents a reduction of circa 4.0 million euros when compared to the book value of this investment at the end of 2019, due to the unfavorable exchange rate evolution of the South African Rand in the quarter of circa 4.7 million euros and despite the positive effect of our share of Sonae Arauco's results of 0.6 million euros.

Consolidated **Working Capital** reached 15.7 million euros, an increase of 5.7 million euros when compared to December 2019, explained by the decrease in trade creditors and the seasonal increase in trade debtors, which more than offset the reduction in inventories.

**Senior Net Debt** stood at circa 163.1 million euros at the end of March 2020, representing an increase of 4.1 million euros vs. 2019. Note: Senior Net Debt does not include the Subordinated Bonds<sup>1</sup> issued during 4Q19 which are however included in Total Net Debt.

Total **Shareholders' Funds**, at the end of March 2020, totaled 117.1 million euros, which represents a decrease of 10.2 million euros when compared to 2019, mainly explained by the negative impacts from the exchange rate evolution of the South African Rand and of the Canadian Dollar vs. the Euro of circa 4.7 million euros and 4.1 million euros, respectively, and from the net results in the quarter.



Additions to Gross Tangible Fixed Assets reached circa 3.7 million euros for the first quarter of the year, essentially investments in our North American business (3.5 million euros).

## 2. COVID-19

The Covid-19 outbreak and the related extraordinary containment measures imposed by the authorities in the several regions where Sonae Indústria conducts its business (namely Europe, North America and South Africa) are having a significant impact in Sonae Indústria operations which broadly started being felt in the second half of March.

The health and safety of our people is a foremost concern in all actions we take and since March Sonae Indústria implemented important measures to protect the health of our people at the workplace (plants and offices) under the context of the pandemic.

As for our businesses, they have been particularly affected by the containment measures imposed by local governments with the aim of mitigating the Covid-19 pandemic, but also by the reduction in customer orders as a result of the lower market demand in most countries. Operations may also be conditioned by the potential disruption of the supply of materials and services.

The following major impacts of Covid-19 in industrial operations should be highlighted:

- North American business: partial shutdown since last days of March due to government lockdown restrictions (not only in Quebec but also in other Canadian provinces and in the USA). Accordingly, we have been operating the largest of the two particleboard lines and two or three of the five MFC surfacing lines. The lockdown restrictions in Quebec started to be gradually eased on 20 April (residential construction) and all construction and manufacturing may restart (with restrictions) on 11 May. This is also occurring in other regions of Canada and in the US, although there is a considerable level of uncertainty in relation to the pace of the process and to the economic situation.
- Laminates and Components: the Laminates plants in Maia and Horn kept operating during the months of March and April. The Components plant in Vilela has operated during the month of March and part of April until a confirmed Covid-19 case led to the temporary stoppage of the plant during two weeks. In

<sup>1</sup> Subordinated Bonds of 50 million euros (with book value, including amortised cost effect, of 49.9 million euros).



Maia a reduction in activity (partial layoff) was implemented during May. Horn plant will be also be operating at a lower level in May.

- Sonae Arauco: industrial sites in Spain and South Africa were stopped due to strict temporary lockdown measures implemented by the respective national authorities to fight the Covid-19 crisis. The reduction in demand from several customer segments in all regions caused by this crisis, also led to having to curtail production in other sites and activity in the offices. When possible layoff or short work schemes were implemented, according to the countries' legislations, to minimize fixed costs and preserve available cash and financing facilities. Sonae Arauco continues to monitor demand in the markets and will adjust production accordingly.

As referred above, important actions are being taken at all levels of all businesses including adjusting our cost structures and investment plans in order to protect liquidity and safeguard the future. Whenever possible and adequate we are making use of governments support measures that were created to partially offset the negative effects of the pandemic in the businesses.

Actions are also being taken to prepare for the gradual restart of temporarily closed operations as soon as a recovery is possible.

In relation to the effects of Covid-19 on liquidity and financing, it should be noted that due to the refinancings concluded between December 2019 and March 2020, Sonae Indústria scheduled debt repayments from 1 April to 31 December 2020 were reduced to approx. 6 million euros. Taking into consideration the significant impacts of Covid-19 on our businesses, close communication is being kept with Sonae Indústria's bank creditors in Europe and Canada in order to seek their support as we go through the crisis.

Due to the uncertainty, not only on the Covid-19 pandemic intensity and duration but also on its impact in our operations and markets, Sonae Indústria cannot estimate the impact on the company's results, but we envisage that it will be significant over the next quarters, namely due to the direct impact in profitability deriving from the low activity levels: the material reduction of turnover is only partially compensated by a reduction in costs (proportional reduction of fixed and semi fixed costs is particularly constrained).

6 May 2020

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

<b>CAPEX</b>	Investment in Tangible Fixed Assets
<b>EBITDA</b>	Earnings Before Interests and Taxes + Depreciations and Amortizations + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)
<b>FTEs</b>	Full Time Equivalent; the equivalent of one person working full time, according to the working schedule of each country where Sonae Indústria has operations
<b>Fixed Costs</b>	Overheads + Personnel costs (internal and external); <i>management accounts concept</i>
<b>Gross Debt</b>	Bank loans + Subordinated bonds + Other bonds + Obligations under finance leases + other loans + Loans from related parties
<b>LTM</b>	Last Twelve Months
<b>Proportional Senior Leverage (unaudited)</b>	Proportional Senior Net Debt / Proportional LTM Recurrent EBITDA
<b>Proportional Senior Net Debt (unaudited)</b>	Proportional Senior Net Debt considers the full contribution of the Senior Net Debt of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco Net Debt
<b>Proportional: Turnover, Recurrent EBITDA (unaudited)</b>	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.
<b>Recurrent EBITDA</b>	EBITDA excluding non-recurrent operational income / costs
<b>Recurrent EBITDA margin</b>	Recurrent EBITDA / Turnover
<b>Senior Net Debt</b>	Total Gross Debt - Subordinated Bonds - Cash and cash equivalents
<b>Total Net Debt</b>	Total Gross Debt - Cash and cash equivalents
<b>Working Capital</b>	Inventories + Trade Debtors – Trade Creditors

## **CONSOLIDATED FINANCIAL STATEMENTS**

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020 AND 31 DECEMBER 2019

(Amounts expressed in Euros)

<b>ASSETS</b>	<b>Notes</b>	<b>31.03.2020 Unaudited</b>	<b>31.12.2019</b>
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	6	144 359 429	153 648 978
Goodwill		347 080	347 082
Intangible assets		50 768	68 755
Investment properties		5 436 511	5 499 237
Biological assets		238 894	238 894
Investment in joint ventures	4, 5	205 135 158	209 128 627
Other investments	5	21 684	19 829
Other non-current assets		1 658 817	1 095 969
Total non-current assets		<u>357 248 341</u>	<u>370 047 371</u>
<b>CURRENT ASSETS</b>			
Inventories		20 574 515	21 961 930
Trade debtors		15 285 103	14 079 419
Other current debtors	7	1 192 214	1 054 515
Current tax asset		2 105 853	2 345 193
Other taxes and contributions		1 489 254	1 783 339
Other current assets	8	1 657 192	2 281 415
Cash and cash equivalents	9	3 742 933	7 059 662
Total current assets		<u>46 047 064</u>	<u>50 565 473</u>
Non-current assets held for sale		<u>131 070</u>	<u>131 070</u>
<b>TOTAL ASSETS</b>		<u><u>403 426 475</u></u>	<u><u>420 743 914</u></u>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital		253 319 797	253 319 797
Legal reserve		1 807 489	1 807 489
Other reserves and accumulated earnings		(187 535 942)	(186 140 089)
Accumulated other comprehensive income	10	49 519 955	58 331 221
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>117 111 299</u>	<u>127 318 418</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u><u>117 111 299</u></u>	<u><u>127 318 418</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Subordinated bonds	11	49 939 663	49 938 116
Unsubordinated bonds	11	15 436 441	7 951 240
Bank loans - net of current portion	11	141 270 855	146 393 538
Lease creditors - net of current portion	11	2 966 035	3 335 541
Post-retirement liabilities		904 548	904 548
Other non-current liabilities		4 944 471	6 654 222
Deferred tax liability		19 629 233	20 957 005
Provisions		7 137 752	7 137 752
Total non-current liabilities		<u>242 228 998</u>	<u>243 271 962</u>
<b>CURRENT LIABILITIES</b>			
Current portion of non-current bank loans	11	1 192 099	5 755 509
Current bank loans	11	4 219 198	830 938
Current portion of non-current lease creditors	11	1 719 432	1 790 941
Trade creditors		20 122 486	26 026 430
Current tax liability		29 812	29 812
Other taxes and contributions		483 732	580 396
Other current liabilities		13 003 063	11 823 152
Provisions		3 316 356	3 316 356
Total current liabilities		<u>44 086 178</u>	<u>50 153 534</u>
<b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>		<u><u>403 426 475</u></u>	<u><u>420 743 914</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 PERIODS ENDED 31 MARCH 2020 AND 31 MARCH 2019

(Amounts expressed in Euros)

	Notes	31.03.2020 Unaudited	31.03.2019 Unaudited
Sales	14	53 905 913	56 371 052
Services rendered	14	387 549	393 500
Other income and gains	12, 14	2 031 467	876 621
Cost of sales	14	(30 082 506)	(32 464 971)
Increase / (decrease) in production	14	( 639 798)	( 933 617)
External supplies and services	14	(11 816 306)	(12 098 267)
Staff expenses	14	(7 150 891)	(6 785 627)
Depreciation and amortisation		(4 014 674)	(3 915 472)
Provisions and impairment losses (increase / reduction)	14	3 510	14 722
Other expenses and losses	13, 14	<u>(1 309 220)</u>	<u>( 756 462)</u>
Operating profit / (loss)	14	1 315 044	701 479
Financial income	15	466 099	201 628
Financial expenses	15	(3 661 669)	(3 073 177)
Gains and losses in joint ventures	4	<u>567 833</u>	<u>3 398 958</u>
Net profit/(loss) before taxation		(1 312 694)	1 228 888
Taxation	16	<u>81 477</u>	<u>( 31 009)</u>
Consolidated net profit / (loss) for the period		<u><u>(1 231 217)</u></u>	<u><u>1 197 879</u></u>
Attributable to:			
Equity Holders of Sonae Industria			
Equity holders of Sonae Industria		<u><u>(1 231 217)</u></u>	<u><u>1 197 879</u></u>
Consolidated net profit/(loss) per share:			
Basic		<u>(0.0271)</u>	<u>0.0264</u>
Diluted		<u><u>(0.0271)</u></u>	<u><u>0.0264</u></u>

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

O Conselho de Administração

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 31 MARCH 2020 AND 31 MARCH 2019

(Amounts expressed in Euros)

	Notes	31.03.2020 Unaudited	31.03.2019 Unaudited
<b>Consolidated net profit / (loss) for the period (a)</b>		<b>(1 231 217)</b>	<b>1 197 879</b>
<b>Consolidated other comprehensive income</b>			
<b>Items that may be subsequently transferred to profit or loss</b>			
Change in currency translation reserve	10	(4 142 958)	2 693 606
Currency translation reserve reclassified to profit or loss in the period	10	( 1 680)	
Group share of other comprehensive income of joint ventures	10	(4 666 628)	324 595
<b>Consolidated other comprehensive income for the period, net of tax (b)</b>		<b>(8 811 266)</b>	<b>3 018 201</b>
<b>Total consolidated comprehensive income for the period (a) + (b)</b>		<b>(10 042 483)</b>	<b>4 216 080</b>
<b>Total consolidated comprehensive income attributable to:</b>			
Equity holders of Sonae Industria		<b>(10 042 483)</b>	<b>4 216 080</b>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 31 MARCH 2020 AND 31 MARCH 2019

(Amounts expressed in Euros)

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Total shareholders' funds
Notes				10		
<b>Balance as at 1 January 2020</b>	253 319 797	1 807 489	(186 140 089)	58 331 221	127 318 418	127 318 418
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			(1 231 217)		(1 231 217)	(1 231 217)
Consolidated other comprehensive income for the period				(8 811 266)	(8 811 266)	(8 811 266)
Total			(1 231 217)	(8 811 266)	(10 042 483)	(10 042 483)
Others			( 164 636)		( 164 636)	( 164 636)
<b>Balance as at 31 March 2020 - Unaudited</b>	<u>253 319 797</u>	<u>1 807 489</u>	<u>(187 535 942)</u>	<u>49 519 955</u>	<u>117 111 299</u>	<u>117 111 299</u>

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Total shareholders' funds
Notes				10		
<b>Balance as at 1 January 2019</b>	253 319 797	1 807 489	(172 733 307)	53 139 528	135 533 507	135 533 507
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			1 197 879		1 197 879	1 197 879
Consolidated other comprehensive income for the period				3 018 201	3 018 201	3 018 201
Total			1 197 879	3 018 201	4 216 080	4 216 080
Others			( 23 077)	23 077		
<b>Balance as at 31 March 2019 - Unaudited</b>	<u>253 319 797</u>	<u>1 807 489</u>	<u>(171 558 505)</u>	<u>56 180 806</u>	<u>139 749 587</u>	<u>139 749 587</u>

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 PERIODS ENDED 31 MARCH 2020 AND 31 MARCH 2019

(Amounts expressed in Euros)

	Notes	31.03.2020 Unaudited	31.03.2019 Unaudited
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		49 936 292	47 417 129
Payments to trade creditors		( 46 276 924)	( 42 022 449)
Payments to staff		( 6 378 557)	( 6 254 039)
Net cash flow from operations		( 2 719 189)	( 859 359)
Payment / (receipt) of corporate income tax		248 886	( 479 507)
Other receipts / (payments) relating to operating activities		( 302 038)	( 361 978)
Net cash flow from operating activities (1)		( 2 772 341)	( 1 700 844)
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Tangible fixed assets and intangible assets		37 972	163
Investment subventions		1 187 331	
		1 225 303	163
Cash Payments arising from:			
Investments		( 1 855)	( 1 676)
Tangible fixed assets and intangible assets		( 4 046 888)	( 4 153 129)
		( 4 048 743)	( 4 154 805)
Net cash used in investment activities (2)		( 2 823 440)	( 4 154 642)
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		9 908	11 630
Unsubordinated bonds		7 500 000	
Bank loans		279 850 980	338 704 450
		287 360 888	338 716 080
Cash Payments arising from:			
Interest and similar charges		( 1 435 534)	( 2 135 897)
Loans obtained		( 285 100 662)	( 343 254 117)
Leases - repayment of principal		( 510 997)	( 511 888)
		( 287 047 193)	( 345 901 902)
Net cash used in financing activities (3)		313 695	( 7 185 822)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		( 5 282 086)	( 13 041 308)
Cash and cash equivalents at the beginning of the period (a)	9	6 228 724	10 487 918
Cash and cash equivalents at the end of the period (b)	9	804 395	( 2 430 722)
Net increase/(decrease) in cash and cash equivalents (b) - (a)		( 5 424 329)	( 12 918 640)
Effect of foreign exchange rate in cash and cash equivalents (c)		( 142 243)	122 668
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		( 5 282 086)	( 13 041 308)

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

The board of directors



SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

(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 three-month periods ended 31 March 2020 and 31 March 2019 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 2019.

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 2019.

## 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 2020 and endorsed by the European Union.

2.2.1. In the period ended 31 March 2020, the following standards and interpretations, which had been endorsed by the European Union, became effective:

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

**IAS 1 and IAS 8** (amendment), Definition of Material (effective for annual periods beginning on or after 1 January 2020). 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 9, IAS 39 and IFRS 7** (amendments), Interest rate benchmark reform (effective 1 January 2020).

The application of these amendments to the standards from 1 January 2020 did not have significant effects on these consolidated financial statements.

2.2.2. At 31 March 2020, the following standards, effective 1 January 2020 or later, had been issued by IASB but still had not been endorsed by the European Union:

**IAS 1** (amendment), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment clarifies certain aspects of classification of liabilities as current or non-current, namely, that this classification should be based on rights that are in existence at the end of the reporting period, that it should not be affected by expectations about whether an entity will exercise its rights to defer settlement of a liability and it makes clear that settlement refers to the transfer to the counterparty of cash, equity instruments and other assets or services;

**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;

The Company does not estimate any significant effect to arise from the application of these standards.

### 2.3. Translation of financial statements of foreign companies

Exchange rates used for translating into euros the financial statements of subsidiaries whose functional currency is not the euro are listed below:

	31.03.2020		31.12.2019		31.03.2019	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8864	0.8614	0.8508	0.8768	0.8583	0.8723
South African Rand	19.6078	16.8719	15.7778	16.1551	16.2655	15.9134
Canadian Dollar	1.5617	1.4804	1.4598	1.4852	1.5000	1.5101
American Dollar	1.0956	1.1024	1.1234	1.1193	1.1235	1.1357

Source: Bloomberg

### 3. COMPANIES INCLUDED IN CONSOLIDATION PERIMETER

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 31 March 2020, 31 December 2019 and 31 March 2019 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		31.03.2020		31.12.2019		31.03.2019		
		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)
Malequipa - 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)
1) Polifac North America	Lac-Mégantic (Canada)	-	-	100.00%	100.00%	100.00%	100.00%	a)
Sonae Indústria - Management Services, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Sonae Indústria - Soc. Gestora de Participações Sociais, SA	Maia (Portugal)	Parent	Parent	Parent	Parent	Parent	Parent	Parent
Sonae Indústria de Revestimentos, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Tafisa Canada Inc	Lac-Mégantic (Canada)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Tafisa France S.A.S.	La Garenne-Colombes (France)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)

a) Majority of voting rights;

1) Company liquidated in January 2020.

The liquidation of subsidiary Poliface North America did not have any significant effects on these consolidated financial statements.

#### 4. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 31 March 2020, 31 December 2019 and 31 March 2019 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		31.03.2020		31.12.2019		31.03.2019		
		Direct	Total	Direct	Total	Direct	Total	
Sonae Arauco, S.A.	Madrid (Spain)	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Aglom Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Euroresinas - Indústrias 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)
Taliber, 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.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)
Tecmasa. Reciclados de Andalucía, S. L.	Madrid (Spain)	50.00%	25.00%	50.00%	25.00%	50.00%	25.00%	b)
Tool, GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	100.00%	50.00%	a)

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

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

Sonae Arauco - Consolidated		
	31.03.2020	31.12.2019
	Unaudited	
Non-current assets	564 486 702	568 458 085
Current assets (without cash and cash equivalents)	198 831 423	179 847 374
Cash and cash equivalents	24 373 967	12 232 705
Non-current financial liabilities	258 636 478	247 326 201
Other non-current liabilities	75 471 967	78 644 839
Current financial liabilities	46 059 231	12 990 883
Other current liabilities	166 806 857	172 981 116

Sonae Arauco - Consolidated		
	31.03.2020	31.03.2019
	Unaudited	Unaudited
Operating revenues	195 202 923	216 502 870
Operating expenses (without Depreciation and amortization)	(176 646 446)	(191 807 524)
Depreciation and amortization	(12 078 266)	(12 111 269)
Interest expense	(1 799 192)	(1 501 345)
Taxation	(1 463 203)	(2 042 204)
Net profit/(loss) from continuing operations (a)	1 245 036	6 797 916
Adjustments to the Group's accounting policies (b)	( 109 372)	
Net profit/(loss) from continuing operations - adjusted (a) + (b)	1 135 665	6 797 916
<b>Group's share in net profit/(loss) [(a) + (b)] x 0.5</b>	<b>567 833</b>	<b>3 398 958</b>
Other comprehensive income (c)	(9 333 256)	649 190
Adjustments to the Group's accounting policies (d)		
Other comprehensive income - adjusted (c) + (d)	(9 333 256)	649 190
<b>Group's share in other comprehensive Income (c) x 0.5</b>	<b>(4 666 628)</b>	<b>324 595</b>

#### Adjustments to the Group's accounting policies:

These adjustments are carried out whenever net profit/(loss) from continuous operations and other comprehensive income of joint ventures have underlying accounting policies which are different from the ones used by Sonae Indústria. It is the case of land and buildings, which are recognized for their acquisition cost by joint ventures and are recognized for their revalued amounts by Sonae Indústria. These adjustments are done so as to make these accounting policies uniform.

## 5. INVESTMENTS

At 31 March 2020 and 31 December 2019, details of Investments, on the Consolidated Statement of Financial position, are as follows:

	31.03.2020	31.12.2019
Investment in joint ventures		
Opening balance	209 128 627	212 459 264
Effect of equity method	(3 993 469)	2 656 092
Dividends		(5 986 729)
Closing balance	<u>205 135 158</u>	<u>209 128 627</u>
Other investments		
Opening balance	145 244	137 941
Acquisition	<u>1 855</u>	<u>7 303</u>
Closing balance	<u>147 099</u>	<u>145 244</u>
Accumulated impairment losses	<u>125 415</u>	<u>125 415</u>
Net other investments	<u>21 684</u>	<u>19 829</u>

## 6. TANGIBLE FIXED ASSETS

At 31 March 2020 and 31 December 2019, movements in tangible fixed assets, accumulated depreciation and impairment losses were as follows:

	31.03.2020							31.12.2019
	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	101 766 684	282 270 491	6 403 793	66 147	3 387 104	346 373	14 762 093	363 447 003
Capital expenditure	1 905		35 278		1 303		3 811 356	23 891 282
Disposals		(1 259 255)		(24 793)	(26 597)			(6 013 677)
Revaluation	7 824	173 989	1 398		7 503	25 539	(307 725)	5 398 224
Transfers and reclassifications	(5 317 322)	(16 858 825)	(391 619)		(131 480)	(330)	(1 130 552)	(23 830 128)
Exchange rate effect								
Closing balance	<u>96 459 091</u>	<u>264 326 400</u>	<u>6 048 850</u>	<u>41 354</u>	<u>3 237 833</u>	<u>371 582</u>	<u>17 135 172</u>	<u>409 002 685</u>
Accumulated depreciation and impairment losses								
Opening balance	43 435 125	205 603 594	3 084 807	65 819	2 920 536	243 826	255 353 707	227 742 359
Depreciations for the period	740 913	2 767 364	381 625	164	38 223	8 933	3 937 222	15 629 431
Impairment losses for the period - through P/L								5 389
Disposals		(1 257 512)		(24 793)	(24 716)		(1 307 021)	(4 370 968)
Revaluation		269 907					269 907	2 378 532
Transfers and reclassifications	(2 374 043)	(12 314 587)	(197 827)		(106 219)	(286)	(14 992 962)	13 968 964
Exchange rate effect								
Closing balance	<u>41 801 995</u>	<u>195 068 766</u>	<u>3 268 605</u>	<u>41 190</u>	<u>2 827 824</u>	<u>252 473</u>	<u>243 260 853</u>	<u>255 353 707</u>
Carrying amount	<u>54 657 096</u>	<u>69 257 634</u>	<u>2 780 245</u>	<u>164</u>	<u>410 009</u>	<u>119 109</u>	<u>17 135 172</u>	<u>153 648 978</u>

Exchange rate effect refers to tangible fixed assets and related accumulated depreciation held in Canadian dollars.

At the closing date of these consolidated financial statements, mortgaged net tangible fixed assets amounted to EUR 129 801 707 (EUR 138 121 229 at 31

December 2019), as collateral for loans amounting to EUR 61 898 106 (EUR 60 291 056 at 31 December 2019).

Right-of-use assets utilized under lease contracts, which are included under Tangible fixed assets, on the Consolidated Statement of Financial Position, were detailed as follows:

	31.03.2020				31.12.2019
	Land and Buildings	Vehicles	Fixtures and Fittings	Total tangible fixed assets	Total tangible fixed assets
Gross cost					
Opening balance	3 157 654	3 869 760	164 379	7 191 793	6 073 855
Capital expenditure	1 905	35 278		37 183	6 712 320
Disposals					( 31 580)
Transfers and reclassifications					(5 681 590)
Exchange rate effect	( 22 065)	( 246 204)	( 10 634)	( 278 903)	118 788
Closing balance	3 137 494	3 658 834	153 745	6 950 073	7 191 793
Accumulated depreciation and impairment losses					
Opening balance	701 087	1 336 497	46 065	2 083 649	1 235 088
Depreciations for the period	182 071	315 324	10 187	507 582	2 120 725
Disposals					( 19 603)
Transfers and reclassifications					(1 300 927)
Exchange rate effect	( 14 521)	( 100 002)	( 3 444)	( 117 967)	48 366
Closing balance	868 637	1 551 819	52 808	2 473 264	2 083 649
Carrying amount	2 268 857	2 107 015	100 937	4 476 809	5 108 144

Exchange rate effect refers to tangible fixed assets and related accumulated depreciation held in Canadian dollars.

## 7. OTHER CURRENT DEBTORS

At 31 March 2020 and 31 December 2019, Other current debtors, on the Consolidated Statement of Financial Position, were detailed as follows:

	31.03.2020		31.12.2019	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	1 186 187	1 186 187	1 054 515	1 054 515
Related parties	6 027	6 027		
Financial Instruments	1 192 214	1 192 214	1 054 515	1 054 515
Total	1 192 214	1 192 214	1 054 515	1 054 515



## 8. OTHER CURRENT ASSETS

At 31 March 2020 and 31 December 2019, detail of Other current assets, on the Consolidated Statement of Financial Position, was as follows:

	31.03.2020		31.12.2019	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	338 086	338 086		
Debtors from income accruals	158 452	158 452	384 181	384 181
Financial Instruments	496 538	496 538	384 181	384 181
Deferred expenses	1 160 654	1 160 654	1 897 234	1 897 234
Assets out of scope of IFRS 9	1 160 654	1 160 654	1 897 234	1 897 234
Total	1 657 192	1 657 192	2 281 415	2 281 415

## 9. CASH AND CASH EQUIVALENTS

At 31 March 2020 and 31 December 2019, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

	31.03.2020	31.12.2019
Cash at Hand	6 053	6 439
Bank Deposits and Other Treasury Applications	3 736 880	7 053 223
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	3 742 933	7 059 662
Bank Overdrafts	2 938 538	830 938
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	804 395	6 228 724

## 10. 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
				Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss	
<b>Balance as at 1 January 2020</b>	8 470 258	14 977 091	( 60 632)	1 895 996	36 418 273	(3 369 765)
Consolidated other comprehensive income for the period	(4 144 638)			(4 666 628)		
<b>Balance as at 31 March 2020</b>	<u>4 325 620</u>	<u>14 977 091</u>	<u>( 60 632)</u>	<u>(2 770 632)</u>	<u>36 418 273</u>	<u>(3 369 765)</u>

	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
				Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss	
<b>Balance as at 1 January 2019</b>	4 159 959	11 957 399	( 6 633)	1 067 932	38 530 418	(2 569 547)
Consolidated other comprehensive income for the period	2 693 606			324 595		
Others	<u>23 077</u>					
<b>Balance as at 31 March 2019</b>	<u>6 876 642</u>	<u>11 957 399</u>	<u>( 6 633)</u>	<u>1 392 527</u>	<u>38 530 418</u>	<u>(2 569 547)</u>

## 11. LOANS

As at 31 March 2020 and 31 December 2019, Sonae Indústria had the following outstanding loans:

31.03.2020				
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Subordinated bonds		49 939 663		50 000 000
Unsubordinated bonds		15 436 441		15 500 000
Current portion of non-current bank loans	1 192 099		1 192 099	
Bank loans	4 219 198	141 270 855	4 219 198	142 244 979
Obligations under leases	1 719 432	2 966 035	1 719 432	2 966 035
<b>Gross debt</b>	<u>7 130 729</u>	<u>209 612 994</u>	<u>7 130 729</u>	<u>210 711 014</u>

31.12.2019				
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Subordinated bonds		49 938 116		50 000 000
Unsubordinated bonds		7 951 240		8 000 000
Current portion of non-current bank loans	5 755 509		5 755 509	
Bank loans	830 938	146 393 538	830 938	147 559 519
Obligations under leases	1 790 941	3 335 541	1 790 941	3 335 541
<b>Gross debt</b>	<u>8 377 388</u>	<u>207 618 435</u>	<u>8 377 388</u>	<u>208 895 060</u>

At 31 March 2020, loans can be detailed as follows:

a) Bonds:

Company(ies)	Loan	Contract date	Maturity (with reference to 31.03.2020)	Currency	Outstanding principal at 31.03.2020 (EUR)	Outstanding principal at 31.12.2019 (EUR)
Sonae Indústria, SGPS, S.A.	Subordinated bonds <sup>1)</sup>	December 2019	December 2029	EUR	50 000 000	50 000 000
Sonae Indústria, SGPS, S.A.	Unsubordinated bonds <sup>2)</sup>	October 2019	October 2022	EUR	8 000 000	8 000 000
Sonae Indústria, SGPS, S.A.	Unsubordinated bonds <sup>2)</sup>	March 2020	March 2024	EUR	7 500 000	

- 1) Contract subject to fixed interest rate (7%);
- 2) Contract subject to variable interest rate.

b) Bank loans:

Company(ies)	Loan	Contract date	Maturity (with reference to 31.03.2020)	Currency	Outstanding principal at 31.03.2020 (EUR)	Outstanding principal at 31.12.2019 (EUR)
Tafisa Canada Inc.	Bank loan ( <i>Revolving</i> )	July 2011	October 2023	CAD	49 898 106	50 291 056
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2014	to be repaid from July 2020 to January 2025	EUR	9 000 000	6 800 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	May 2016	to be repaid from December 2020 to December 2024	EUR	71 000 000	79 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	April 2021	EUR	4 000 000	2 000 000
Sonae - Indústria de Revestimentos, S. A.	Bank loan	September 2017	to be repaid from March 2019 to September 2022	EUR	2 500 000	3 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	June 2018	to be repaid from December 2019 to June 2021	EUR		6 750 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	February 2019	February 2022	EUR	5 000 000	5 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme	December 2019	to be repaid from January 2021 to January 2024	EUR	5 000 000	
Others				EUR	1 258 170	804 910
<b>Total</b>				<b>EUR</b>	<b>147 656 276</b>	<b>154 145 966</b>

Bank loans described above are subject to variable interest rates.

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

At 31 March 2020, in addition to mortgaged tangible fixed assets referred to on note 6, there were other assets amounting to EUR 34 017 017 (EUR 36 645 370 at 31 December 2019) which were pledged as collateral for the Group's liabilities. These assets consisted mostly of inventories and accounts receivable.

## 12. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 31 March 2020 and 31 March 2019 are as follows:

	31.03.2020	31.03.2019
Gains on disposals of non-current investments	1 682	
Gains on disp. and write off of invest. prop., tang. and intang. assets	50 905	37 397
Supplementary revenue	417 669	343 017
Investment subventions	119 719	42 022
Positive exchange gains	892 565	183 021
Adjustment to fair value of financial instruments at fair value through profit or loss	465 015	46 228
Others	<u>83 912</u>	<u>224 936</u>
	<u>2 031 467</u>	<u>876 621</u>

## 13. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 31 March 2020 and 31 March 2019 are as follows:

	31.03.2020	31.03.2019
Taxes	354 422	310 037
Losses on disp. and write off of invest. prop., tang. and intang. assets	2 226	57 721
Negative exchange gains	881 969	258 020
Adjustment to fair value of financial instruments at fair value through profit or loss	1 735	74 067
Others	<u>68 868</u>	<u>56 617</u>
	<u>1 309 220</u>	<u>756 462</u>

## 14. RECURRING AND NON-RECURRING ITEMS

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

	31.03.2020 Recurring	31.03.2019 Recurring
Sales	53 905 913	56 371 052
Services rendered	387 549	393 500
Other income and gains	1 973 379	839 224
Cost of sales	(30 082 506)	(32 464 971)
Increase / (decrease) in production	( 639 798)	( 933 617)
External supplies and services	(11 752 187)	(11 974 301)
Staff expenses	(7 150 891)	(6 751 767)
Impairment losses in trade debtors - (increase)/reduction	3 510	(1 535)
Other expenses and losses	<u>(1 300 930)</u>	<u>( 693 824)</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>5 344 039</u>	<u>4 783 761</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>( 14 321)</u>	<u>( 183 066)</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>5 329 718</u>	<u>4 600 695</u>

## 15. FINANCIAL RESULTS

Financial results for the periods ended 31 March 2020 and 31 March 2019 were as follows:

	31.03.2020	31.03.2019
<b>Financial income:</b>		
Interest income		
related to bank loans	8 485	1 300
	<u>8 485</u>	<u>1 300</u>
Gains in currency translation		
related to loans	130	8 001
related to cash and cash equivalents	418 032	174 280
	<u>418 162</u>	<u>182 281</u>
Cash discounts obtained	38 028	16 638
Other finance gains	1 424	1 409
	<u>466 099</u>	<u>201 628</u>
<b>Financial expenses:</b>		
Interest expenses		
related to bank loans	(1 350 300)	(1 933 605)
related to bonds	( 925 858)	
related to leases	(50 826)	(77 576)
others	(1 592)	(4 028)
	<u>(2 328 576)</u>	<u>(2 015 209)</u>
Losses in currency translation		
related to loans	(17 128)	(9 640)
related to cash and cash equivalents	( 624 561)	( 231 304)
	<u>( 641 689)</u>	<u>( 240 944)</u>
Cash discounts granted	( 384 440)	( 386 259)
Other finance losses	( 306 964)	( 430 765)
	<u>(3 661 669)</u>	<u>(3 073 177)</u>
<b>Finance profit / (loss)</b>	<u><u>(3 195 570)</u></u>	<u><u>(2 871 549)</u></u>

## 16. TAXES

Corporate income tax accounted for in the periods ended 31 March 2020 and 31 March 2019 is detailed as follows:

	31.03.2020	31.03.2019
Current tax	( 81 477)	465 514
Deferred tax		( 434 505)
	<u>( 81 477)</u>	<u>31 009</u>

## 17. 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 from 2015 to 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. As of the end of first quarter 2020, there were two processes still outstanding. One of which the complaint was submitted specifically to the former subsidiaries Sonae Arauco Deutschland GmbH e GHP GmbH with a maximum contingency (based on claimed values) of EUR 31.5 million. In the other pending case, these subsidiaries are jointly involved with other German producers and the maximum contingency (based on claimed values) amounted to EUR 26 million as at 31 March 2020. 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 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, one hundred and ten 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 one hundred and five 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. In January 2020, the court, in relation to the lawsuit of five former employees of Darbo, handed down a sentence in the same direction and on the same grounds, with the amount of the sentence being around EUR 950 000. Sonae Indústria appealed this decision

#### 18. OTHER INFORMATION

The Covid-19 outbreak and the related extraordinary containment measures imposed by the authorities in the several regions where Sonae Indústria conducts its business (namely Europe, North America and South Africa) are having a significant impact in Sonae Indústria operations which broadly started being felt in the second half of March.

The health and safety of our people is a foremost concern in all actions we take and since March Sonae Indústria implemented important measures to protect the health of our people at the workplace (plants and offices) under the context of the pandemic.

As for our businesses, they have been particularly affected by the containment measures imposed by local governments with the aim of mitigating the Covid-19 pandemic, but also by the reduction in customer orders as a result of the lower market demand in most countries. Operations may also be conditioned by the potential disruption of the supply of materials and services.

The following major impacts of Covid-19 in industrial operations should be highlighted:

- North American business: partial shutdown since last days of March due to government lockdown restrictions (not only in Quebec but also in other Canadian provinces and in the USA). Accordingly, we have been operating the largest of the two particleboard lines and two or three of

the five MFC surfacing lines. The lockdown restrictions in Quebec started to be gradually eased on 20 April (residential construction) and all construction and manufacturing may restart (with restrictions) on 11 May. This is also occurring in other regions of Canada and in the US, although there is a considerable level of uncertainty in relation to the pace of the process and to the economic situation.

- Laminates and Components: the Laminates plants in Maia and Horn kept operating during the months of March and April. The Components plant in Vilela has operated during the month of March and part of April until a confirmed Covid-19 case led to the temporary stoppage of the plant during two weeks. In Maia a reduction in activity (partial layoff) was implemented during May. Horn plant will be also be operating at a lower level in May.
- Sonae Arauco: industrial sites in Spain and South Africa were stopped due to strict temporary lockdown measures implemented by the respective national authorities to fight the Covid-19 crisis. The reduction in demand from several customer segments in all regions caused by this crisis, also led to having to curtail production in other sites and activity in the offices. When possible layoff or short work schemes were implemented, according to the countries' legislations, to minimize fixed costs and preserve available cash and financing facilities. Sonae Arauco continues to monitor demand in the markets and will adjust production accordingly.

As referred above, important actions are being taken at all levels of all businesses including adjusting our cost structures and investment plans in order to protect liquidity and safeguard the future. Whenever possible and adequate we are making use of governments support measures that were created to partially offset the negative effects of the pandemic in the businesses.

Actions are also being taken to prepare for the gradual restart of temporarily closed operations as soon as a recovery is possible.

In relation to the effects of Covid-19 on liquidity and financing, it should be noted that due to the refinancings concluded between December 2019 and March 2020, Sonae Indústria scheduled debt repayments from 1 April to 31 December 2020 were reduced to approx. 6 million euros. Taking into consideration the significant



impacts of Covid-19 on our businesses, close communication is being kept with Sonae Indústria's bank creditors in Europe and Canada in order to seek their support as we go through the crisis.

Due to the uncertainty, not only on the Covid-19 pandemic intensity and duration but also on its impact in our operations and markets, Sonae Indústria cannot estimate the impact on the company's results, but we envisage that it will be significant over the next quarters, namely due to the direct impact in profitability deriving from the low activity levels: the material reduction of turnover is only partially compensated by a reduction in costs (proportional reduction of fixed and semi fixed costs is particularly constrained).

#### 19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 6 May 2020.