

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

**MANAGEMENT REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS****JANUARY – JUNE 2020**

ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34 – INTERIM FINANCIAL REPORT

MANAGEMENT REPORT

MESSAGE FROM THE CHAIRMAN

Sonae Indústria's first half 2020 results have been significantly affected by the impacts of the Covid-19 pandemic with activity levels being particularly hit in the last weeks of March and during the months of April and May. In June we have seen a significant recovery in activity levels across all our businesses as the economies were reopened and customer demand increased. This is clearly encouraging although it is, at this stage, still very hard to foresee how the rest of the year will play out for our main customer segments.

Importantly I would like to report that the number of confirmed Covid-19 cases within our people is still quite low with 17 confirmed cases until today (of which 15 already recovered) and the work done by our teams in the implementation of precautionary health and safety measures at all our offices and industrial sites since the beginning of the health crisis was clearly important.

The impacts of the pandemic on our activity levels in 1H20 measured by Proportional Turnover, implied a 21% decrease versus the levels generated in 1H19. LTM Proportional Recurrent EBITDA reached circa 52.0 million euros and the Proportional Senior Debt stood at 314 million euros at the end of June. Sonae Arauco results were particularly affected by the pandemic and its Recurrent EBITDA decreased considerably in the second quarter. In contrast, in the second quarter our fully owned businesses were able to fundamentally sustain the Recurrent EBITDA level registered in the previous quarter.

The profound and wide ranging effects of the Covid-19 pandemic on activity levels and on profitability, was the main reason for Sonae Indústria registering a net loss of 7.2 million euros in the first six months.

The reduction in turnover levels at Sonae Indústria and Sonae Arauco has been the single most significant effect of the pandemic. The extraordinary measures imposed by the governments to contain the propagation of Covid-19 and to prevent even worse sanitary consequences, caused a sudden contraction of economic activity in the second quarter in most geographies where we operate. As a result, demand from our customers reduced significantly and our sales volumes were severely impacted as a consequence. In some cases our production facilities were temporarily closed either due to lockdown restrictions or to reduced order levels. The impacts on sales volumes were particularly significant in the months of April and May and particularly in the countries where more severe lockdown measures were implemented.

Our management teams have put into place wide ranging measures to offset the negative impacts from the much lower sales levels but given the rigid nature of some costs in our business sector, profitability was still materially affected, particularly in April and May. With the gradual reversal of the pandemic containment measures, demand and sales volumes picked up in June partially reversing the previously mentioned negative effects.

The most severe impacts have occurred in South Africa and Iberia.

At Sonae Arauco in South Africa and Spain the main impacts were due to the strict and prolonged lockdown measures imposed by the respective governments, but also by the strong economic contraction in Portugal partially explained by the collapse of its important tourism sector. As a result, sales volumes and Recurrent EBITDA in these regions were particularly depressed in April and May despite the measures taken at all levels to mitigate the negative impacts of the crisis. In Germany and in Northern Europe in general the activity slowdown was less severe and our operations were able to partially contain the effects in Recurrent EBITDA levels. As a result, in the second quarter of 2020 Sonae Arauco suffered a material reduction in its profitability and we are currently forecasting a slow recovery to the expected levels of profitability.

Notwithstanding the material impacts of the pandemic on our activity, we have continued with the implementation of three strategic investment projects which we had started before the crisis and which we believe are important for the future development of our businesses.

In Canada, in the second quarter of 2020 we successfully concluded a complete refurbishment of one of our two particleboard production lines, a project of significant complexity that is already allowing us to improve our offer and service level by producing first quality products with increased capacity and reliability.

Also in Canada our team made significant progress in the strategic investment in the new High Gloss and Perfect Matt lacquering plant in Lac Mégantic. We expect to conclude the investment in the 4Q20 further reinforcing our market leading decorative solutions offer to our customers in North America.

At Sonae Arauco I would like to highlight that already in July we have produced the first boards from our new particleboard continuous press in Beeskow with state of the art technology. With this investment Sonae Arauco replaces the last multiday light presses in its industrial portfolio, an important step in our goal of improving the competitive position and sustainability of Sonae Arauco business.

As a means of managing the effects of the Covid-19 crisis we are in close communication with our Banks to ensure sufficient liquidity over a 12 month horizon. We expect to keep complying with financial covenants in Canada and at Sonae Arauco, liquidity remains at an adequate level for our base scenarios. In relation to Sonae Indústria corporate debt in Europe, we are seeking to obtain required covenant waivers and to secure liquidity from banks and bondholders necessary due to the impacts of Covid-19 crisis on our results and cash flows principally resulting from restrictions on dividends from Canada and Sonae Arauco until such time as their ratios recover to levels that will permit distributions.

As for the outlook for Sonae Indústria in 2H 2020, this will be largely conditioned by the evolution of the pandemic and of its impacts on the economies and on customer demand for our products. Despite the recent improvement in activity levels there is still very high uncertainty as it is not possible to foresee how the health crisis will unfold over the next quarters and the social, political and economic challenges lying ahead are still very significant.

Our teams will keep working hard to mitigate the negative impacts of this crisis and to prepare the businesses for the future.

Paulo Azevedo

Chairman, Sonae Indústria

1. SONAE INDÚSTRIA RESULTS

1.1 PROPORTIONAL RESULTS

SUMMARY OF 1H20 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

	1H19	1H20
Proportional Turnover	316	249
Proportional Rec. EBITDA	36	24
Proportional Rec. EBITDA margin	11.4%	9.7%
	LTM 1H19	LTM 1H20
Proportional LTM Turnover	611	539
Proportional LTM Rec. EBITDA	67	52
Proportional LTM Rec. EBITDA margin	11.0%	9.6%
LEVERAGE		
Proportional Senior Net Debt (excluding Subordinated Bonds)	325	314
Proportional Senior Leverage (Senior Net Debt / LTM Rec. EBITDA)	4.8 x	6.0 x
Proportional Total Net Debt	325	364
Proportional Total Leverage (Total Net Debt / LTM Rec. EBITDA)	4.8 x	7.0 x

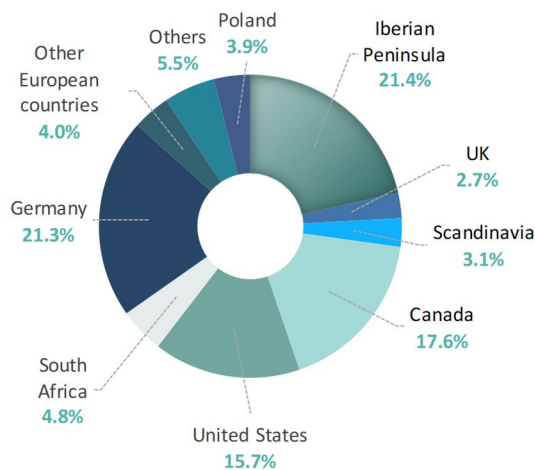
Proportional Turnover in 1H20 was significantly affected by the Covid-19 pandemic, particularly in 2Q20, reaching a reduction of circa 66.9 million euros in the first half of the year when compared to 1H19. This evolution was mainly driven by a lower contribution from Sonae Arauco (-45.4 million euros), affected specially by a reduction in total sales volumes in all regions, but also from Sonae Indústria (-21.5 million euros), essentially due to our North American business with lower sales volumes.

Proportional Recurrent EBITDA in 1H20 reached 24.1 million euros, circa 11.9 million euros lower than in 1H19, driven by a lower contribution from Sonae Arauco (-9.1 million euros) and our fully owned businesses (-2.7 million euros), both materially affected by the Covid-19 pandemic, particularly due to its effects in turnover levels with subsequent impacts on profitability.

In the first half of the year, **Senior Net Debt to Recurrent EBITDA (proportional)** stood at 6.0x, which compares with 4.8x in 1H19. Proportional Senior Net Debt excludes Subordinated Bonds (50 million euros issued during 4Q19).

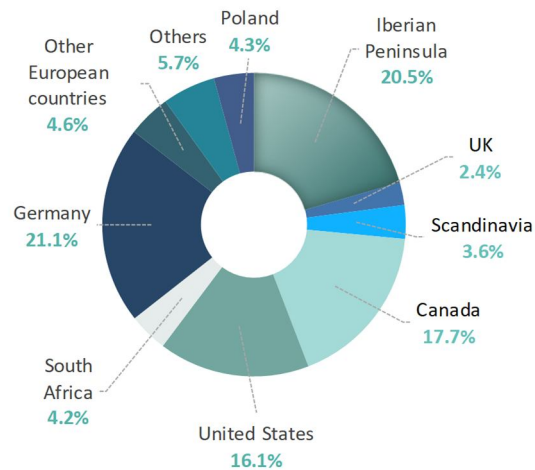
PROPORTIONAL TURNOVER BY DESTINATION MARKET

1H19



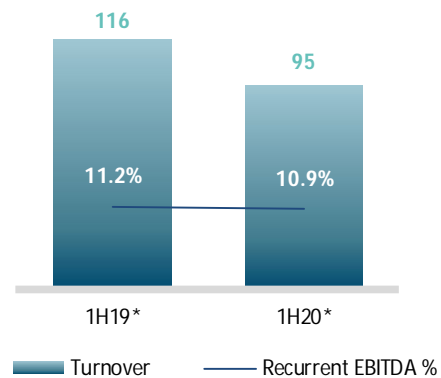
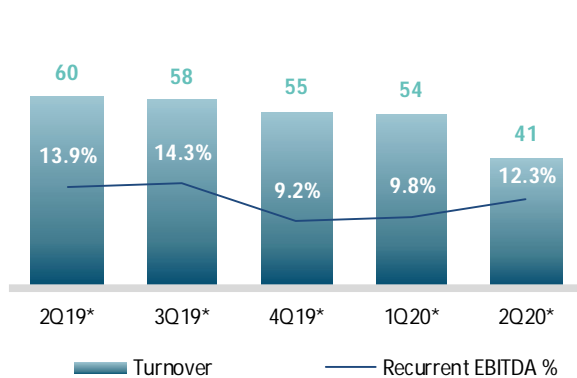
PROPORTIONAL TURNOVER BY DESTINATION MARKET

1H20



1.2 CONSOLIDATED RESULTS

SUMMARY OF 1H20 RESULTS

TURNOVER and RECURRENT EBITDA
MILLION EUROS

* Quarterly and half information unaudited.

Consolidated Turnover for the first half of the year reached 94.9 million euros, a reduction of 18.4% vs. same period of last year (-21.5 million euros), driven essentially by our North American business with lower sales volumes. The evolution of the consolidated turnover was clearly impacted by the Covid-19 outbreak, with significant negative impacts in April (-44% vs. April 2019) and May (-34% vs. May 2019) but with a material recovery in June although still below the previous year level (-16% vs. June 2019). For the quarter, Consolidated turnover reached 40.6 million euros, which represents a decrease of circa 13.7 million and 19.0 million euros when compared 1Q20 and 2Q19, respectively, driven by the effects of the pandemic in both North American and Laminates & Componentes businesses.

Variable costs per cubic meter decreased both in local currency and in euros, when compared to the first half of 2019, due to a decrease in chemical, thermal energy and maintenance costs. For the quarter, variable costs per cubic meter also decreased when compared to 2Q19 and 1Q20.

Recurrent EBITDA for the first half of the year reached 10.3 million euros, a reduction of 2.7 million euros vs. the same period of last year, mainly explained by the already mentioned decrease in consolidated turnover, which is only partially offset by a reduction in variable and fixed costs. On a quarterly basis, Recurrent EBITDA for the 2Q20 stood at circa 5.0 million euros, a reduction of 3.3 million euros and 0.4 million euros, when compared to 2Q19 and 1Q20, respectively. The 2Q20 Recurrent EBITDA margin reached circa 12.3%, down by 1.6 p.p. vs. 2Q19, but up by 2.4 p.p. vs. 1Q20.

Consolidated **EBITDA** reached circa 10.3 million euros in the first half of the year, a reduction of 2.3 million euros vs. the same period of last year. On a quarterly basis, Consolidated EBITDA for the 2Q20 stood at 4.9 million euros, a reduction of circa 3.0 million euros and 0.4 million euros, when compared to 2Q19 and 1Q20, respectively. The evolution in Consolidated EBITDA is explained by the aforementioned performance of Recurrent EBITDA.

CONSOLIDATED INCOME STATEMENT

MILLION EUROS

	1H19	1H20	1H20/ 1H19	2Q19	1Q20	2Q20	2Q20/ 2Q19	2Q20/ 1Q20
	Unaudited	Unaudited		Unaudited	Unaudited	Unaudited		
Turnover	116.4	94.9	(18.4%)	59.6	54.3	40.6	(31.8%)	(25.2%)
Other operational income	2.0	4.8	145.4%	1.1	2.0	2.8	-	38.0%
EBITDA	12.5	10.3	(18.0%)	7.9	5.3	4.9	(37.6%)	(7.2%)
Non recurrent items	(0.5)	(0.1)	88.4%	(0.3)	(0.0)	(0.0)	86.5%	-
Recurrent EBITDA	13.1	10.3	(20.9%)	8.3	5.3	5.0	(39.7%)	(6.6%)
Recurrent EBITDA Margin %	11.2%	10.9%	-0.3 pp	13.9%	9.8%	12.3%	-1.6 pp	2.4 pp
Depreciation and amortisation	(7.9)	(7.9)	(0.5%)	(4.0)	(4.0)	(3.9)	1.5%	2.8%
Provisions and impairment Losses	0.0	(0.6)	-	0.0	0.0	(0.6)	-	-
Operational profit (EBIT)	4.7	1.7	(62.7%)	4.0	1.3	0.4	(89.3%)	(67.7%)
Net financial charges	(5.7)	(5.7)	0.4%	(2.9)	(3.2)	(2.5)	12.0%	20.7%
o.w. Net interest and other charges	(4.9)	(5.0)	(1.5%)	(2.5)	(2.6)	(2.4)	4.3%	9.2%
o.w. Net exchange differences	0.0	(0.1)	-	0.1	(0.2)	0.1	36.9%	137.1%
o.w. Net financial discounts	(0.8)	(0.6)	29.2%	(0.4)	(0.3)	(0.2)	48.1%	33.0%
Gains and losses in Joint-Ventures - Net Results	5.3	(2.8)	-	1.9	0.6	(3.4)	-	-
Gains and losses in Joint-Ventures - Other	0.0	(0.1)	-	0.0	(0.1)	(0.0)	-	45.3%
Profit before taxes (EBT)	4.2	(6.8)	-	3.0	(1.3)	(5.5)	-	-
Taxes	(1.9)	(0.4)	78.8%	(1.8)	0.1	(0.5)	74.0%	-
o.w. Current tax	(2.3)	(1.5)	35.4%	(1.8)	0.1	(1.6)	14.6%	-
o.w. Deferred tax	0.4	1.1	147.7%	0.0	0.0	1.1	-	-
Consolidated net profit/(loss) for the period	2.4	(7.2)	-	1.2	(1.2)	(6.0)	-	-

Total **fixed costs** represented circa 17.7% of turnover for 1H20, an increase of 0.7 p.p. vs. 1H19, due to the reduction of Turnover as Fixed Costs in 1H20 were circa 15% lower than in the same period of last year. It should be noted that the fixed costs in 2Q20 already include the positive impacts of layoff and short work schemes implemented aiming to partially offset the material reduction of turnover due to the Covid-19 pandemic.

The **number of employees** of Sonae Indústria was 503 FTE's, at the end of June 2020, excluding Sonae Arauco and trainees, which compares with 513 and 503 FTE's at the end of March 2020 and June 2019, respectively.

Depreciation and amortization charges during 1H20 were 7.9 million euros, in line with the values booked for 1H19. For the quarter, the depreciation charges reached 3.9 million euros, a reduction of circa 0.1 million euros when compared to 2Q19 and 1Q20.

Provisions and impairment losses during 1H20 represent a charge of 0.6 million euros. Given the consistently negative results (EBITDA and Net Results) and negative free cash of our Components business over many years, and as no ways have been found for this business to generate positive results and cash flows, it was decided to

close this operation. As a result, a circa 0.4 million euros provision related to severance costs and a circa 0.2 million euros (full) impairment loss of the goodwill related with the financial investment in Movelpartes (company that owns the Components business) were booked in 2Q20.

Net financial charges during 1H20 were 5.7 million euros, in line with the values booked for 1H19. In the quarter net financial charges reached 2.5 million euros, a reduction of 0.3 million euros vs. 2Q19, mainly explained by a reduction of 0.2 million euros in net financial discounts due to lower activity levels and of 0.1 million euros in net interest and other charges. When compared to the previous quarter net financial charges decreased by circa 0.7 million euros, due to improvements in net exchange differences, net interest and other charges and net financial discounts.

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 were negative of circa 2.8 million euros, which compares with positive Gains and losses in Joint-Ventures – Net Results of 5.3 million euros in 1H19. The evolution of Sonae Arauco net results when compared to the same period of the previous year is essentially explained by 9.1 million euros lower Recurrent EBITDA (considering the 50% contribution) significantly affected by the Covid-19 pandemic. On a quarterly basis, Gains and Losses in Joint-Ventures – Net Results were negative of circa 3.4 million euros, which compares with a positive value of 1.9 million euros and 0.6 million euros in 2Q19 and 1Q20, respectively.

Current tax charges were circa 1.5 million euros for the first half of the year, a decrease of 0.8 million euros when compared to 1H19, related to our North American business. **Deferred tax charges** in 1H20 improved by circa 0.7 million euros when compared with 1H19, mainly explained by our North American business.

Net results in 1H20 were negative of 7.2 million euros, which compares with positive net results of circa 2.4 million euros in 1H19. For the quarter, the net results were negative of circa 6.0 million euros, a decrease of 7.2 million euros and 4.8 million euros vs. the 2Q19 and 1Q20, respectively. The evolution of the net results in 1H20, when compared to 1H19, and in the quarter, when compared to 2Q19 and 1Q20, is essentially explained by the aforementioned reduction in Recurrent EBITDA and in Gains and losses in Joint-Ventures - Net Results.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MILLION EUROS

	1H19	1Q20	1H20
	Unaudited	Unaudited	Unaudited
Non current assets	361.9	357.2	363.2
Tangible assets	143.7	144.4	154.0
Investments in joint ventures	212.0	205.1	201.9
Deferred tax asset	0.0	0.0	0.0
Other non current assets	6.2	7.8	7.3
Current assets	55.8	46.0	45.0
Inventories	20.0	20.6	20.1
Trade debtors	18.7	15.3	14.1
Cash and cash equivalents	3.2	3.7	4.7
Other current assets	14.0	6.4	6.2
Non-current assets classified as available for sale	0.0	0.1	0.1
Total assets	417.7	403.4	408.3
Shareholders' Funds	141.1	117.1	112.4
Equity holders	141.1	117.1	112.4
Non-controlling interests	0.0	0.0	0.0
Liabilities	276.6	286.3	295.9
Subordinated bonds loan	0.0	49.9	49.9
Senior interest bearing debt	213.7	166.8	171.0
Non current	157.9	159.7	162.0
Current	55.8	7.1	9.0
Trade creditors	25.9	20.1	20.8
Other liabilities	37.1	49.4	54.2
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	417.7	403.4	408.3
Senior Net Debt	210.5	163.1	166.3
Total Net Debt	210.5	213.0	216.3
Working Capital	12.7	15.7	13.4

Tangible assets of 154.0 million euros at the end of June 2020, an increase of circa 9.7 million euros vs. March 2020, mainly due to our North American business, including the effect of the refurbishment of one of the two particleboard production lines and of the ongoing investment in a new High Gloss and Perfect Matt lacquering plant in Lac Mégantic.

Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached circa 201.9 million euros, which represents a reduction of circa 3.3 million euros when compared to the book value of this investment at the end of 1Q20, essentially due to the effect of our share of Sonae Arauco's negative results of circa 3.4 million euros.

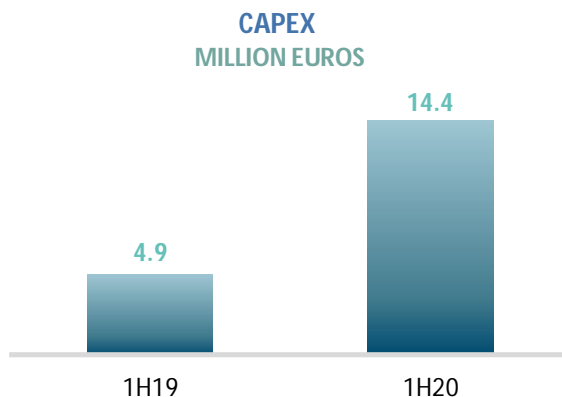
Consolidated **Working Capital** reached 13.4 million euros, a decrease of 2.3 million euros when compared to March 2020, explained by the decrease in trade debtors and inventories and the increase in trade creditors.

Senior Net Debt stood at 166.3 million euros at the end of June 2020, representing an increase of circa 3.3 million euros vs. March 2020. Note: Senior Net Debt does not include the Subordinated Bonds¹ issued during 4Q19 which are however included in Total Net Debt.

Total **Shareholders' Funds**, at the end of June 2020, totaled circa 112.4 million euros, which represents a decrease of 4.7 million euros when compared to March 2020, mainly explained by the negative impact from the net results

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

in the quarter, which more than offset the positive impacts from the exchange rate evolution of the Canadian Dollar vs. the Euro and of the South African Rand of 1.1 million euros and circa 0.2 million euros, respectively.



Additions to Gross Tangible Fixed Assets reached circa 14.4 million euros in the first half of the year, essentially explained by investments in our North American business (circa 14.2 million euros), including the ongoing investment in a new High Gloss and Perfect Matt lacquering plant in Lac Mégantic and the complete refurbishment of a particleboard production line.

2. COVID-19

PEOPLE

As previously reported the health and safety of our people is a foremost concern and accordingly, since March, Sonae Indústria has implemented important measures to protect the health of our people at the workplace (plants and offices) under the context of the Covid-19 pandemic.

To date, the number of confirmed cases of Covid-19 within our workers since the beginning of the pandemic is very limited with a total of 17 confirmed cases (including Sonae Arauco) of which 15 already recovered. According to the investigations done we believe that the contaminations did not occur in our sites, which gives us comfort that the protection measures that have been implemented were effective. We will continue to focus on the health and safety of our people as the end of the sanitary crisis cannot be predicted, making individual and collective responsibility remain fundamental to contain the pandemic.

ACTIVITY AND RESULTS

Since the second half of March and particularly in the second quarter of 2020 Sonae Indústria results were significantly affected by the Covid-19 outbreak and by the related extraordinary containment measures imposed by the authorities in the several regions where Sonae Indústria conducts business (namely Europe, North America and South Africa).

It is important to note that during the second quarter the negative impacts on results were materially different month to month, with April being a very difficult month, followed by a small recovery in May and a strong improvement in June.

The intensity of the negative impacts of the pandemic in Sonae Indústria results differed by business and by region but there was a common denominator in its main driver which was the significant decrease in turnover levels.

The extraordinarily abrupt reduction in economic activity in most geographies where Sonae Indústria operates due to the pandemic (including Covid-19 related lockdown restrictions since late March and until May in general) caused a material reduction in demand from our customers which reduced significantly their orders severely impacting our sales volumes as a consequence. In some cases our production facilities were temporarily closed

either due to lockdown restrictions or to reduced order levels as previously reported (“Sonae Indústria Earnings Announcement 1st Quarter 2020 Results”, specific section on Covid-19).

TURNOVER (as % of previous year)	April 2020/ April 2019	May 2020/ May 2019	June 2020/ June 2019
Sonae Indústria (fully owned businesses)	56%	66%	84%
Tafisa Canada	57%	63%	84%
Laminates and Components	52%	100%	92%
Sonae Arauco	55%	53%	85%

The impacts on sales volumes were particularly significant in the months of April and May and especially in the countries where more severe lockdown measures were implemented and where the impacts in economic activity were stronger such as in the case of Spain, South Africa and Portugal (with Sonae Arauco being present in all these geographies and accordingly being particularly affected).

With the gradual easing of the pandemic containment measures and despite the still depressed overall economic activity in all regions, demand and sales volumes picked up materially in June and there was a material improvement in the turnover levels of our two main businesses which allowed results to be closer to normalised values in this month (June Proportional Recurrent EBITDA reached 5.9 million euros i.e. circa 66% of the second quarter Proportional Recurrent EBITDA).

The reduction in turnover levels caused a material negative impact in the profitability of Sonae Indústria businesses given that some of the important items in its cost structure are either fixed, such as depreciation (material in a highly capital intensive industry), or at least not susceptible of being fully adjusted downwards when activity reduces, particularly in short periods of time such as some personnel and overhead expenses.

Until now other potential Covid-19 related concerns, such as disruptions on the supply of materials and services, shortages on workforce availability due to health and safety issues and problems with credit management and collection of trade receivables, did not have significant negative impacts in our operational performance and results. Although the pandemic also affected Sonae Indústria in these areas the impacts on the results have until now been limited and much smaller than the above described impacts on sales volumes. However it should be noted that the situation may change during the forthcoming months. As an example reductions in credit insurance coverage as a result of the pandemic have occurred but until now in general these have not translated into additional reductions of sales volumes (beyond those driven by the crisis itself) but as the sales volumes started to recover the new lower credit insurance limits may not be sufficient to cover in full all potential sales.

In order to offset as much as possible the negative effects of the pandemic, management teams have put into place important actions at different levels of all businesses including adjusting production levels (according to demand), costs (optimizing fixed costs) and investment plans in order to protect liquidity and safeguard the future. Whenever possible and adequate we also used the governments support measures that were created to partially offset the negative effects of the pandemic in the businesses.

Regarding the effects of Covid-19 on liquidity and financing, it should be noted that considering the refinancings concluded between December 2019 and March 2020, Sonae Indústria scheduled debt repayments in the second half of 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 bank creditors in different regions in order to seek their support as we go through the crisis and until now this has been achieved when needed. As at today financial covenants in existing financial agreements were either satisfied or remedied.

Available liquidity, calculated as the undrawn committed facilities plus cash and cash equivalents, at Sonae Indústria at the end of June 2020 totaled 55.5 million euros, of which 23.2 million euros in Canada.

OUTLOOK

Due to the extreme uncertainty, not only in respect of pandemic's intensity and duration but also on its impact in the economy, on demand for our products and on our operations, Sonae Indústria is unable to estimate future impacts on the company's results with any accuracy or assurance. The situation has been highly dynamic in the past months making any forecasting exercise to be very complex and speculative.

Notwithstanding the previous note, we acknowledge that the effects of the pandemic can still be significant over the next quarters particularly in the event of further significant virus outbreaks and of new lockdowns being imposed (until a solution for the health crisis is available) or simply because the economies fail to recover significantly and swiftly from the adverse economic consequences already caused by the pandemic namely on employment, available income and consumer and investor confidence levels, all with impact on the demand for durable goods which are important drivers of market demand for our products.

Despite the uncertainties created by Covid-19 crisis, the decisive measures already taken by management; the government support measures; and the recently gradual recovery experienced by our businesses particularly in turnover levels, set out a framework for Sonae Indústria to overcome the extreme challenges raised by the pandemic provided that corporate debt holders are supportive of measures necessary to achieve this.

30 July 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

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 + Subordinated bonds + Other bonds + Obligations under finance leases + other loans + Loans from related parties
LTM	Last Twelve Months
Proportional Senior Leverage (unaudited)	Proportional Senior Net Debt / Proportional LTM Recurrent EBITDA
Proportional Senior Net Debt (unaudited)	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
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.
Recurrent EBITDA	EBITDA excluding non-recurrent operational income / costs
Recurrent EBITDA margin	Recurrent EBITDA / Turnover
Senior Net Debt	Total Gross Debt - Subordinated Bonds - Cash and cash equivalents
Total Net Debt	Total Gross Debt - Cash and cash equivalents
Working Capital	Inventories + Trade Debtors – Trade Creditors

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

STATEMENT IN ACCORD WITH ART 246 OF CMVM CODE



QUALIFIED SHAREHOLDINGS AT 30 JUNE 2020

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 2020 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 2020 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

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020 AND 31 DECEMBER 2019

(Amounts expressed in Euros)

ASSETS	Notes	30.06.2020 Unaudited	31.12.2019
NON-CURRENT ASSETS			
Tangible fixed assets	7	154 035 856	153 648 978
Goodwill	8, 15	118 089	347 082
Intangible assets		39 332	68 755
Investment properties		5 373 786	5 499 237
Biological assets	9	238 894	238 894
Investment in joint ventures	5, 6	201 876 026	209 128 627
Other investments	6	23 464	19 829
Other non-current assets		1 530 848	1 095 969
Total non-current assets		<u>363 236 295</u>	<u>370 047 371</u>
CURRENT ASSETS			
Inventories		20 053 537	21 961 930
Trade debtors		14 116 464	14 079 419
Other current debtors	10	1 149 138	1 054 515
Current tax asset		1 020 054	2 345 193
Other taxes and contributions		835 397	1 783 339
Other current assets	11	3 180 569	2 281 415
Cash and cash equivalents	12	4 668 102	7 059 662
Total current assets		<u>45 023 261</u>	<u>50 565 473</u>
Non-current assets held for sale	9	57 912	131 070
TOTAL ASSETS		<u><u>408 317 468</u></u>	<u><u>420 743 914</u></u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital		253 319 797	253 319 797
Legal reserve		1 807 489	1 807 489
Other reserves and accumulated earnings		(193 534 566)	(186 140 089)
Accumulated other comprehensive income	13	50 801 707	58 331 221
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>112 394 427</u>	<u>127 318 418</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>112 394 427</u></u>	<u><u>127 318 418</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Subordinated bonds	14	49 941 210	49 938 116
Unsubordinated bonds	14	15 441 937	7 951 240
Bank loans - net of current portion	14	143 525 675	146 393 538
Lease creditors - net of current portion	14	3 032 994	3 335 541
Post-retirement liabilities		904 548	904 548
Other non-current liabilities		4 881 231	6 654 222
Deferred tax liability		18 923 395	20 957 005
Provisions	15	7 137 752	7 137 752
Total non-current liabilities		<u>243 788 742</u>	<u>243 271 962</u>
CURRENT LIABILITIES			
Current portion of non-current bank loans	14	6 545 771	5 755 509
Current bank loans	14	727 655	830 938
Current portion of non-current lease creditors	14	1 738 455	1 790 941
Trade creditors		20 759 294	26 026 430
Current tax liability		531 078	29 812
Other taxes and contributions		395 964	580 396
Other current liabilities		17 729 726	11 823 152
Provisions	15	3 706 356	3 316 356
Total current liabilities		<u>52 134 299</u>	<u>50 153 534</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>408 317 468</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 30 JUNE 2020 AND 30 JUNE 2019

(Amounts expressed in Euros)

	Notes	30.06.2020 Unaudited	2nd. Quarter 2020 Unaudited	30.06.2019 Unaudited	2nd. Quarter 2019 Unaudited
Sales	18	94 166 143	40 260 230	115 598 827	59 227 775
Services rendered	18	748 545	360 996	768 364	374 864
Change in value of biological assets	9, 18	(2 309)	(2 309)		
Other income and gains	16, 18	4 836 986	2 805 519	1 969 748	1 093 127
Cost of sales	18	(52 017 924)	(21 935 418)	(65 842 053)	(33 377 082)
Increase / (decrease) in production	18	(1 578 854)	(939 056)	653 665	1 587 282
External supplies and services	18	(20 829 010)	(9 012 704)	(24 927 704)	(12 829 437)
Staff expenses	18	(13 120 860)	(5 969 969)	(13 855 351)	(7 069 724)
Depreciation and amortisation		(7 915 452)	(3 900 778)	(7 873 837)	(3 958 365)
Provisions and impairment losses (increase / reduction)	8, 15, 18	(614 834)	(618 344)	14 279	(443)
Other expenses and losses	17, 18	<u>(1 932 356)</u>	<u>(623 136)</u>	<u>(1 835 504)</u>	<u>(1 079 042)</u>
Operating profit / (loss)		1 740 075	425 031	4 670 434	3 968 955
Financial income	19	605 472	139 373	375 635	174 007
Financial expenses	19	(6 334 283)	(2 672 614)	(6 125 558)	(3 052 381)
Gains and losses in joint ventures	5	<u>(2 847 262)</u>	<u>(3 415 095)</u>	<u>5 324 483</u>	<u>1 925 525</u>
Net profit/(loss) before taxation		(6 835 998)	(5 523 304)	4 244 994	3 016 106
Taxation	20	<u>(393 841)</u>	<u>(475 318)</u>	<u>(1 858 125)</u>	<u>(1 827 116)</u>
Consolidated net profit / (loss) for the period		<u><u>(7 229 839)</u></u>	<u><u>(5 998 622)</u></u>	<u><u>2 386 869</u></u>	<u><u>1 188 990</u></u>
Attributable to:					
Equity Holders of Sonae Industria					
Equity holders of Sonae Industria		<u><u>(7 229 839)</u></u>	<u><u>(5 998 622)</u></u>	<u><u>2 386 869</u></u>	<u><u>1 188 990</u></u>
Consolidated net profit/(loss) per share:					
Basic		<u><u>(0.1592)</u></u>	<u><u>(0.1863)</u></u>	<u><u>0.0526</u></u>	<u><u>0.0262</u></u>
Diluted		<u><u>(0.1592)</u></u>	<u><u>(0.1863)</u></u>	<u><u>0.0526</u></u>	<u><u>0.0262</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 PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019
 (Amounts expressed in Euros)

	Notes	30.06.2020 Unaudited	2nd. Quarter 2020 Unaudited	30.06.2019 Unaudited	2nd. Quarter 2019 Unaudited
Consolidated net profit / (loss) for the period (a)		(7 229 839)	(5 998 622)	2 386 869	1 188 990
Consolidated other comprehensive income					
Items that may be subsequently transferred to profit or loss					
Change in currency translation reserve	13	(3 017 168)	1 125 790	3 517 209	823 603
Currency translation reserve reclassified to profit or loss in the period	13	(1 680)			
Group share of other comprehensive income of joint ventures	13	(4 510 666)	155 962	262 327	(62 268)
Consolidated other comprehensive income for the period, net of tax (b)		(7 529 514)	1 281 752	3 779 536	761 335
Total consolidated comprehensive income for the period (a) + (b)		(14 759 353)	(4 716 870)	6 166 405	1 950 325
Total consolidated comprehensive income attributable to:					
Equity holders of Sonae Industria		(14 759 353)	(4 716 870)	6 166 405	1 950 325

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 2020 AND 30 JUNE 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				13		
Balance as at 1 January 2020	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			(7 229 839)		(7 229 839)	(7 229 839)
Consolidated other comprehensive income for the period				(7 529 514)	(7 529 514)	(7 529 514)
Total			(7 229 839)	(7 529 514)	(14 759 353)	(14 759 353)
Others			(164 638)		(164 638)	(164 638)
Balance as at 30 June 2020 - Unaudited	<u>253 319 797</u>	<u>1 807 489</u>	<u>(193 534 566)</u>	<u>50 801 707</u>	<u>112 394 427</u>	<u>112 394 427</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				13		
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>

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 30 JUNE 2020 AND 30 JUNE 2019
(Amounts expressed in Euros)

	Notes	30.06.2020 Unaudited	30.06.2019 Unaudited
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		91 963 888	108 389 526
Payments to trade creditors		(78 418 347)	(89 034 999)
Payments to staff		(11 850 165)	(14 201 175)
Net cash flow from operations		1 695 376	5 153 352
Payment / (receipt) of corporate income tax		317 420	(2 465 131)
Other receipts / (payments) relating to operating activities		2 701 197	186 112
Net cash flow from operating activities (1)		<u>4 713 993</u>	<u>2 874 333</u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Tangible fixed assets and intangible assets		92 098	1 164 432
Investment subventions		1 369 705	459 805
		<u>1 461 803</u>	<u>1 624 237</u>
Cash Payments arising from:			
Investments		(3 637)	(3 660)
Tangible fixed assets and intangible assets		(12 312 290)	(6 100 054)
		<u>(12 315 927)</u>	<u>(6 103 714)</u>
Net cash used in investment activities (2)		<u>(10 854 124)</u>	<u>(4 479 477)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		19 390	13 893
Unsubordinated bonds		7 500 000	
Bank loans		393 353 450	739 068 400
		<u>400 872 840</u>	<u>739 082 293</u>
Cash Payments arising from:			
Interest and similar charges		(2 493 624)	(4 530 170)
Loans obtained		(393 278 174)	(742 481 373)
Leases - repayment of principal		(994 334)	(1 230 971)
		<u>(396 766 132)</u>	<u>(748 242 514)</u>
Net cash used in financing activities (3)		<u>4 106 708</u>	<u>(9 160 221)</u>
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		<u>(2 033 423)</u>	<u>(10 765 365)</u>
Cash and cash equivalents at the beginning of the period (a)	12	6 228 724	10 487 918
Cash and cash equivalents at the end of the period (b)	12	<u>3 940 447</u>	<u>(113 078)</u>
Net increase/(decrease) in cash and cash equivalents (b) - (a)		(2 288 277)	(10 600 996)
Effect of foreign exchange rate in cash and cash equivalents (c)		<u>(254 854)</u>	<u>164 369</u>
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		<u>(2 033 423)</u>	<u>(10 765 365)</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 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 six-month periods ended 30 June 2020 and 30 June 2019 were not subject to a limited revision carried out by the company's statutory external auditor.

2. RELEVANT EVENTS

During the first half of 2020, the new coronavirus SARS-CoV-2, which is identified as the causing agent of COVID-19 disease, progressively spread around the world, therefore originating a pandemic situation. In order to contain it from further spreading, several countries set up severe lockdown measures for their citizens, which had significant recessive effects at economic level and negatively impacted the sales volumes of Sonae Indústria. In the second quarter of this year, several countries progressively eased social lockdown measures, which allowed a progressive recovery of economic activity.

The outlook is very uncertain as it is not possible to know how the epidemiological situation in affected countries, which comprise almost the entire world, will evolve,

and still there are no concrete prospects of pharmacological developments which may, in the short term, effectively prevent contagion and treat this disease.

In this context, at the closing date of these consolidated financial statements, Management assessed the Group's capacity to keep on as a going concern using all relevant information, facts and circumstances of financial, commercial or other nature, including subsequent events which were available at the reference date of these consolidated financial statements. Exposure to the current pandemic situation has been taken into account. This situation is beyond the control of the Group, is characterized by a very high degree of uncertainty and, if prolonged significantly over time, would materially impair the Group's ability to generate funds. The first half of this year presents two months (April and May) with a turnover clearly below the same months of the previous year (reduction over 40%, considering the values of the joint venture Sonae Arauco), but the month of June already presents a recovery to levels closer to those recorded before the pandemic emergence (reduction of around 15% compared to the same period in the previous year). As a result of the assessment carried out, Management concluded that the Group has adequate resources to keep its activities and there is no intention to cease activities in the short term, therefore considering adequate the preparation of these consolidated financial statements under a going concern basis.

3. 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.

3.1. 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.

3.2. 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.

3.2.1. In the period ended 30 June 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);

IFRS 3 (amendment), Business Combinations (effective for annual periods beginning on or after 1 January 2020). 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;

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

3.2.2. At 30 June 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;

IAS 16 (amendment), Tangible fixed assets (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. According to this amendment, the proceeds from the sale of products which are produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management should be recognized through profit or loss, along with the respective cost;

IAS 37 (amendment), Provisions, contingent liabilities and contingent assets (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract, whether these costs are incremental or allocated.

Annual improvements 2018 – 2020 (effective for annual periods beginning on or after 1 January 2022). These improvements are still subject to endorsement by the European Union. These improvements affect IFRS 1, IFRS 9, IFRS 16 (illustrative examples) and IAS 41;

IFRS 3 (amendment), Business combinations (effective for annual periods beginning on or after 1 January 2022). This amendment is still subject to endorsement by the European Union. This amendment changes references to 1989 Framework for references to 2018 Conceptual Framework. Furthermore, this amendment does not allow the recognition of contingent assets acquired in a business combination and clarifies that an entity should

use IAS 37 or IFRIC 21 to identify liabilities assumed in business combination that generally are within the scope of these two standards;

IFRS 16 (amendment), Leases (effective from 1 June 2020). This amendment is still subject to endorsement by the European Union. This amendment allows a lessee who has been granted some lease concessions to help face the effects arising from SARS-CoV 2 pandemic to treat these concessions as if they were not lease modifications;

IFRS 17 (new), Insurance contracts (effective for annual periods beginning on or after 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 a simplified "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.

3.3. 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:

	30.06.2020		31.12.2019		30.06.2019	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.9124	0.8736	0.8508	0.8768	0.8965	0.8732
South African Rand	19.4439	18.1752	15.7778	16.1551	16.1212	16.0333
Canadian Dollar	1.5324	1.5023	1.4598	1.4852	1.4893	1.5068
American Dollar	1.1198	1.1010	1.1234	1.1193	1.1380	1.1296

Source: Bloomberg

3.4. Judgements and estimations

The most significant judgements and estimations reflected or disclosed on these consolidated financial statements remain the ones which were set out on note 2.24 to the consolidated financial statements for the twelve-month period ended 31 December 2019. In the context of the situation described on note 2 and taking into consideration the scope of companies included in the perimeter of consolidation of Sonae Indústria and included in the perimeter of consolidation of its joint-venture Sonae Arauco, as at 30 June 2020 the Group is of the opinion that:

- a) Useful lives of tangible fixed assets, intangible assets and investment properties:

The Group estimates that the useful lives of tangible fixed assets, intangible assets and investment properties did not significantly change as a consequence of the events described on note 2;

- b) Impairment analysis of accounts receivable:

The events set out on note 2 had no significant negative effects on the settled amounts of accounts receivable;

- c) Adjustments to assets, namely fair value adjustments and, relating to inventories, write-down to net realizable value:

There is a small number of assets and liabilities valued at fair value and their amounts are not significant. The context described on note 2 had no significant negative effects on the fair value of assets which follow this valuation criterion nor on net realizable value of inventories;

- d) Calculation of post-employment liabilities:

This calculation is carried out on a yearly basis. However, it is not expected that the context exposed on note 2 will have significant effects on the estimation of post-employment liabilities;

- e) Calculation of provisions and impairment losses on tangible fixed assets and intangible assets:

The context described on note 2 is an indication of impairment which involves high levels of uncertainty, as described on h). As such, it is the Group's opinion that any impairment testing on its tangible fixed assets and intangible assets that may be carried out with reference to 30 June 2020 would assume a highly speculative nature. For this reason, additional visibility on the evolution of the pandemic situation is required to carry out a meaningful reassessment of impairment of this type of assets;

f) Calculation of income tax:

On the consolidated financial statements for the period ended 30 June 2020, estimations of current income tax were recognized in accordance with IAS 34 and deferred tax were updated;

g) Quantification of contingencies:

The context described on note 2 did not significantly affect the quantification of amounts involved in the contingent events identified and disclosed on these notes;

h) Assessment of impairment indications:

The context described on note 2 represents an indication of impairment which involves extremely high levels of uncertainty as to the future evolution of the pandemic situation and related economic consequences, including the possible effects on the recoverable amounts of the Group's tangible fixed assets, intangible assets, investment properties and investment in joint-ventures.

3.5. Risk management

Until the date of closing of these consolidated financial statements, risk management policies disclosed on note 2.27 to the consolidated financial statements for the period ended 31 December 2019 had not had any significant changes.

4. COMPANIES INCLUDED IN CONSOLIDATION PERIMETER

Subsidiaries included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 30 June 2020, 31 December 2019 and 30 June 2019 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.06.2020		31.12.2019		30.06.2019		
		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)
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)
1) Poliface 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 significant effects on these consolidated financial statements.

5. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 30 June 2020, 31 December 2019 and 30 June 2019 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		30.06.2020		31.12.2019		30.06.2019		
		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)
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.	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		
	30.06.2020	31.12.2019
	Unaudited	
Non-current assets	574 317 955	568 458 085
Current assets (without cash and cash equivalents)	174 603 643	179 847 374
Cash and cash equivalents	10 031 264	12 232 705
Non-current financial liabilities	273 498 507	247 326 201
Other non-current liabilities	74 738 738	78 644 839
Current financial liabilities	31 713 625	12 990 883
Other current liabilities	144 742 909	172 981 116

Sonae Arauco - Consolidated		
	30.06.2020	30.06.2019
	Unaudited	Unaudited
Operating revenues	328 410 411	423 686 548
Operating expenses (without Depreciation and amortization)	(302 062 635)	(380 366 117)
Depreciation and amortization	(24 114 813)	(23 950 465)
Interest expense	(3 712 454)	(2 944 078)
Taxation	(446 639)	397 556
Net profit/(loss) from continuing operations (a)	(5 525 367)	10 826 731
Adjustments to the Group's accounting policies (b)	(169 157)	(177 764)
Net profit/(loss) from continuing operations - adjusted (a) + (b)	(5 694 523)	10 648 967
Group's share in net profit/(loss) [(a) + (b)] x 0.5	(2 847 262)	5 324 483
Other comprehensive income (c)	(9 021 332)	524 654
Adjustments to the Group's accounting policies (d)		
Other comprehensive income - adjusted (c) + (d)	(9 021 332)	524 654
Group's share in other comprehensive Income (c) x 0.5	(4 510 666)	262 327

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.

6. INVESTMENTS

At 30 June 2020 and 31 December 2019, details of Investments, on the Consolidated Statement of Financial position, are as follows:

	30.06.2020	31.12.2019
Investment in joint ventures		
Opening balance	209 128 627	212 459 264
Effect of equity method	(7 252 601)	2 656 092
Dividends		(5 986 729)
Closing balance	<u>201 876 026</u>	<u>209 128 627</u>
Other investments		
Opening balance	145 244	137 941
Acquisition	<u>3 636</u>	<u>7 303</u>
Closing balance	<u>148 880</u>	<u>145 244</u>
Accumulated impairment losses	<u>125 416</u>	<u>125 415</u>
Net other investments	<u>23 464</u>	<u>19 829</u>

7. TANGIBLE FIXED ASSETS

At 30 June 2020 and 31 December 2019, movements in tangible fixed assets, accumulated depreciation and impairment losses were as follows:

	30.06.2020							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	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	409 002 685	363 447 003
Capital expenditure			656 781		1 210		14 369 617	15 027 608	23 891 282
Disposals		(1 489 318)		(24 793)	(26 212)			(1 540 323)	(6 013 677)
Revaluation	7 710	964 946	1 398		151 184	25 539	(1 160 324)	(9 547)	5 398 224
Transfers and reclassifications									
Exchange rate effect	(3 864 770)	(12 251 993)	(297 186)		(98 827)	(318)	(948 702)	(17 461 796)	22 279 853
Closing balance	<u>97 909 624</u>	<u>269 494 126</u>	<u>6 764 786</u>	<u>41 354</u>	<u>3 414 459</u>	<u>371 594</u>	<u>27 022 684</u>	<u>405 018 627</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	1 449 589	5 483 001	728 730	328	83 398	17 928		7 762 974	15 629 431
Impairment losses for the period - through P/L									5 389
Disposals		(1 464 376)		(24 793)	(24 466)			(1 513 635)	(4 370 968)
Revaluation		269 907						269 907	2 378 532
Transfers and reclassifications									
Exchange rate effect	(1 726 834)	(8 941 517)	(143 831)		(77 725)	(275)		(10 890 182)	13 968 964
Closing balance	<u>43 157 880</u>	<u>200 950 609</u>	<u>3 669 706</u>	<u>41 354</u>	<u>2 901 743</u>	<u>261 479</u>	<u>250 982 771</u>	<u>255 353 707</u>	<u>255 353 707</u>
Carrying amount	<u>54 751 744</u>	<u>68 543 517</u>	<u>3 095 080</u>		<u>512 716</u>	<u>110 115</u>	<u>27 022 684</u>	<u>154 035 856</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 139 478 352 (EUR 138 121 229 at 31

December 2019), as collateral for loans amounting to EUR 64 337 020 (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:

	30.06.2020				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		656 781		656 781	6 712 320
Disposals					(31 580)
Transfers and reclassifications					(5 681 590)
Exchange rate effect	(19 633)	(191 590)	(7 723)	(218 946)	118 788
Closing balance	3 138 021	4 334 951	156 656	7 629 628	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	346 769	598 042	20 077	964 888	2 120 725
Disposals					(19 603)
Transfers and reclassifications					(1 300 927)
Exchange rate effect	(12 938)	(72 730)	(2 511)	(88 179)	48 366
Closing balance	1 034 918	1 861 809	63 631	2 960 358	2 083 649
Carrying amount	2 103 103	2 473 142	93 025	4 669 270	5 108 144

Exchange rate effect refers to right-of-use assets and related accumulated depreciation held in Canadian dollars.

In the context described on note 2, the Group did not had any lease payment concessions.

8. GOODWILL

At 30 June 2020 and 31 December 2019, details of Goodwill arising on consolidation were as follows:

	30.06.2020	31.12.2019
Gross value:		
Opening balance	347 082	347 082
Closing balance	347 082	347 082
Accumulated impairment losses:		
Increases	228 993	
Closing balance	228 993	
Carrying amount	118 089	347 082

In the period ended 30 June 2020, the Group recognized an impairment loss on Goodwill assigned to the cash generating unit Movelpartes, following the decision to cease this subsidiary's activity.

9. BIOLOGICAL ASSETS

At 30 June 2020 and 31 December 2019, movements in biological assets can be detailed as follows:

	30.06.2020		31.12.2019	
	Biological assets	Non-current assets held for sale	Biological assets	Non-current assets held for sale
Opening balance	238 894	131 070	515 163	
Change in value		(2 309)	(145 199)	
Sale		(70 849)		
Reclassifications			(131 070)	131 070
Closing balance	<u>238 894</u>	<u>57 912</u>	<u>238 894</u>	<u>131 070</u>

Biological assets which were classified as Non-current assets held for sale, at 31 December 2019, were comprised of tree plantations which were partly harvested and sold in the period ended 30 June 2020.

Change in fair value of these assets occurred in the period ended 30 June 2020 is stated under Change in value of biological assets, on the Consolidated Income Statement.

10. OTHER CURRENT DEBTORS

At 30 June 2020 and 31 December 2019, Other current debtors, on the Consolidated Statement of Financial Position, were detailed as follows:

	30.06.2020		31.12.2019	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	1 099 065	1 099 065	1 054 515	1 054 515
Related parties	<u>50 073</u>	<u>50 073</u>		
Financial Instruments	<u>1 149 138</u>	<u>1 149 138</u>	<u>1 054 515</u>	<u>1 054 515</u>
Total	<u>1 149 138</u>	<u>1 149 138</u>	<u>1 054 515</u>	<u>1 054 515</u>

11. OTHER CURRENT ASSETS

At 30 June 2020 and 31 December 2019, detail of Other current assets, on the Consolidated Statement of Financial Position, was as follows:

	30.06.2020		31.12.2019	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	174 940	174 940		
Debtors from income accruals	112 517	112 517	384 181	384 181
Financial Instruments	287 457	287 457	384 181	384 181
Deferred expenses	2 893 112	2 893 112	1 897 234	1 897 234
Assets out of scope of IFRS 9	2 893 112	2 893 112	1 897 234	1 897 234
Total	3 180 569	3 180 569	2 281 415	2 281 415

12. CASH AND CASH EQUIVALENTS

At 30 June 2020 and 31 December 2019, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

	30.06.2020	31.12.2019
Cash at Hand	6 088	6 439
Bank Deposits and Other Treasury Applications	4 662 014	7 053 223
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	4 668 102	7 059 662
Bank Overdrafts	727 655	830 938
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	3 940 447	6 228 724

13. 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 2020	8 470 258	14 977 091	(60 632)	1 895 996	36 418 273	(3 369 765)	58 331 221
Consolidated other comprehensive income for the period	(3 018 848)			(4 510 666)			(7 529 514)
Balance as at 30 June 2020	5 451 410	14 977 091	(60 632)	(2 614 670)	36 418 273	(3 369 765)	50 801 707

	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		(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

14. LOANS

As at 30 June 2020 and 31 December 2019, Sonae Indústria had the following outstanding loans:

30.06.2020				
Amortized cost		Nominal value		
Current	Non-current	Current	Non-current	
Subordinated bonds	49 941 210		50 000 000	
Unsubordinated bonds	15 441 937		15 500 000	
Current portion of non-current bank loans	6 545 771	6 545 771		
Bank loans	727 655	143 525 675	727 655	144 359 077
Obligations under leases	1 738 455	3 032 994	1 738 455	3 032 994
Gross debt	9 011 881	211 941 816	9 011 881	212 892 071

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
Gross debt	8 377 388	207 618 435	8 377 388	208 895 060

At 30 June 2020, loans can be detailed as follows:

a) Bonds:

Company(ies)	Loan	Contract date	Maturity (with reference to 30.06.2020)	Currency	Outstanding principal at 30.06.2020 (EUR)	Outstanding principal at 31.12.2019 (EUR)
Sonae Indústria, SGPS, S.A.	Subordinated bonds ¹⁾	December 2019	December 2029	EUR	50 000 000	50 000 000
Sonae Indústria, SGPS, S.A.	Unsubordinated bonds ²⁾	October 2019	October 2022	EUR	8 000 000	8 000 000
Sonae Indústria, SGPS, S.A.	Unsubordinated bonds ²⁾	March 2020	March 2024	EUR	7 500 000	
Total				EUR	65 500 000	58 000 000

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 30.06.2020)	Currency	Outstanding principal at 30.06.2020 (EUR)	Outstanding principal at 31.12.2019 (EUR)
Tafisa Canada Inc.	Bank loan (<i>Revolving</i>)	July 2011	October 2023	CAD	52 337 020	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	850 000	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	
Sonae Indústria, SGPS, S. A.	Commercial paper programme	January 2020	to be repaid from July 2021 to January 2024	EUR	500 000	
Others				EUR	1 445 483	804 910
Total				EUR	151 632 503	154 145 966

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 30 June 2020, in addition to mortgaged tangible fixed assets referred to on note 7, there were other assets amounting to EUR 33 397 194 (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.

15. PROVISIONS AND IMPAIRMENT LOSSES

Movements in provisions and impairment losses during the period ended 30 June 2020 and 30 June 2019, are detailed as follows:

Description	30.06.2020					
	Opening balance	Exchange rate effect	Increase	Reversion	Other changes	Closing balance
Impairment losses						
Investment properties	2 259 929					2 259 929
Tangible fixed assets	3 579 884				194 997	3 774 881
Goodwill			228 993			228 993
Intangible assets	19 242					19 242
Trade debtors	115 366	(978)	1 162	(5 321)		110 229
Subtotal impairment losses	5 974 421	(978)	230 155	(5 321)	194 997	6 393 274
Provisions						
Litigations in course	567 033					567 033
Other	9 887 075		390 000			10 277 075
Subtotal provisions	10 454 108		390 000			10 844 108
Subtotal impairment losses and provisions	16 428 529	(978)	620 155	(5 321)	194 997	17 237 382
Other losses						
Investments	125 416					125 416
Write-down to net realizable value of inventories	795 289	(35 033)	244 646	(89 498)		915 404
Total	17 349 234	(36 011)	864 801	(94 819)	194 997	18 278 202

Description	30.06.2019					
	Opening balance	Exchange rate effect	Increase	Utilization	Reversion	Closing balance
Impairment losses:						
Investment properties	2 259 929					2 259 929
Tangible fixed assets	4 501 382					3 574 495
Intangible assets	19 242					19 242
Trade debtors	121 467	570	1 978			122 476
Subtotal impairment losses	6 902 020	570	1 978			5 976 142
Provisions:						
Litigations in course	583 290			(16 257)		567 033
Other	4 470 719					4 470 719
Subtotal provisions	5 054 009			(16 257)		5 037 752
Subtotal impairment losses and provisions	11 956 029	570	1 978	(16 257)		11 013 894
Other losses:						
Other investments	3 989					3 989
Write-down to net realizable value of inventories	934 312	11 211	52 878		(166 640)	831 760
Total	12 894 330	11 781	54 856	(16 257)	(166 640)	11 849 643

Assets are stated net of the corresponding impairment losses, on the Consolidated Statement of Financial Position.

Increases and utilization/reversion of provision and impairment losses are included under the following captions of the Consolidated Income Statement:

	30.06.2020			30.06.2019		
	Losses	Gains	Total	Losses	Gains	Total
Cost of sales	53 581	(10 952)	42 629	1 010	(79 230)	(78 220)
(Increase) / decrease in production	191 065	(78 546)	112 519	51 868	(87 410)	(35 542)
Provisions and impairment losses	620 155	(5 321)	614 834	1 978	(16 257)	(14 279)
Total (Consolidated Income Statement)	864 801	(94 819)	769 982	54 856	(182 897)	(128 041)

Impairment losses:

In the period ended 30 June 2020, the Group recognized an impairment loss on Goodwill arising on the consolidation of cash generating unit Movelpartes, following the decision to cease operations of this subsidiary.

Provisions:

After having announced the decision to cease operations of subsidiary Movelpartes, the Group recognized in the period ended 30 June 2020 a provision amounting to EUR 390 000 related with close-down expenses.

16. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 30 June 2020 and 30 June 2019 are as follows:

	30.06.2020	30.06.2019
Gains on disposals of non-current investments	1 680	
Gains on disp. and write off of invest. prop., tang. and intang. assets	88 140	84 281
Supplementary revenue	939 752	776 692
Investment subventions	270 465	543 556
Subventions from public entities	2 160 975	46 405
Positive exchange gains	929 403	461 730
Adjustment to fair value of financial instruments at fair value through profit or loss	367 524	55 538
Others	79 047	1 546
	<u>4 836 986</u>	<u>1 969 748</u>

In the context of the pandemic situation described on note 2, the governments of several countries set up a package of measures to support companies, aiming to mitigate the negative economic consequences of the Covid-19 pandemic. These measures differ across the countries where Sonae Indústria and its joint venture Sonae Arauco carry out their operations.

In several countries, these measures allowed government entities to reimburse the subsidiaries of Sonae Indústria and Sonae Arauco for a portion of staff expenses incurred with their employees. In these cases, subsidiaries recognized staff expenses incurred under Staff expenses, on the Consolidated Income Statement. The corresponding reimbursements granted by government entities were recognized under Other income and gains (Subventions from public entities), on the Consolidated Income Statement, and can be detailed as follows:

	Subsidiaries of <u>Sonae Indústria</u>	Subsidiaries of <u>Sonae Arauco*</u>
Total amount to be reimbursed by government entities	2 045 770	834 969
Amounts effectively reimbursed (paid) until 30 June 2020	2 045 476	487 971

* amounts recognized by the subsidiaries of Sonae Arauco under Other income and gains are reflected on the consolidated financial statements of Sonae Indústria using the equity method, for 50% of their amounts.

In some countries where the subsidiaries of Sonae Indústria and Sonae Arauco carry out their activity, government entities replaced companies to pay salaries. In these situations, the subsidiaries of Sonae Indústria and Sonae Arauco have not recognized the corresponding staff expenses nor have they recognized any income relating to this type of government support.

17. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 30 June 2020 and 30 June 2019 are as follows:

	30.06.2020	30.06.2019
Taxes	670 865	635 187
Losses on disp. and write off of invest. prop., tang. and intang. assets	25 290	360 554
Negative exchange gains	1 032 096	605 231
Adjustment to fair value of financial instruments at fair value through profit or loss	106 298	115 192
Others	97 807	119 340
	<u>1 932 356</u>	<u>1 835 504</u>

18. RECURRING AND NON-RECURRING OPERATING ITEMS

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

	30.06.2020 Recurring	30.06.2019 Recurring
Sales	94 166 143	115 598 827
Services rendered	748 545	768 364
Change in value of biological assets	(2 309)	-
Other income and gains	4 725 041	1 885 467
Cost of sales	(52 017 924)	(65 842 053)
Increase / (decrease) in production	(1 578 854)	653 665
External supplies and services	(20 691 009)	(24 718 872)
Staff expenses	(13 120 860)	(13 820 924)
Impairment losses in trade debtors - (increase)/reduction	4 157	(1 978)
Other expenses and losses	<u>(1 896 850)</u>	<u>(1 462 693)</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>10 336 080</u>	<u>13 059 803</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>(61 562)</u>	<u>(531 788)</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	<u>10 274 518</u>	<u>12 528 015</u>

19. FINANCIAL RESULTS

Financial results for the periods ended 30 June 2020 and 30 June 2019 were as follows:

	30.06.2020	30.06.2019
Financial income:		
Interest income		
related to bank loans	16 518	11 047
	<u>16 518</u>	<u>11 047</u>
Gains in currency translation		
related to loans	881	2 822
related to cash and cash equivalents	535 065	317 278
	<u>535 946</u>	<u>320 100</u>
Cash discounts obtained	50 141	41 656
Other finance gains	2 867	2 832
	<u>605 472</u>	<u>375 635</u>
Financial expenses:		
Interest expenses		
related to bank loans	(2 486 935)	(3 931 607)
related to bonds	(1 873 279)	
related to leases	(99 438)	(150 589)
others	(1 970)	(4 073)
	<u>(4 461 622)</u>	<u>(4 086 269)</u>
Losses in currency translation		
related to loans	(26 499)	(16 508)
related to cash and cash equivalents	(650 092)	(301 696)
	<u>(676 591)</u>	<u>(318 204)</u>
Cash discounts granted	(628 523)	(858 067)
Other finance losses	(567 547)	(863 018)
	<u>(6 334 283)</u>	<u>(6 125 558)</u>
Financial profit / (loss)	<u>(5 728 811)</u>	<u>(5 749 923)</u>

20. CORPORATE INCOME TAXES

Corporate income tax accounted for in the periods ended 30 June 2020 and 30 June 2019 is detailed as follows:

	30.06.2020	30.06.2019
Current tax	1 484 256	2 298 375
Deferred tax	(1 090 415)	(440 250)
	<u>393 841</u>	<u>1 858 125</u>

21. 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 half 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 30 June 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.

In 2018, the AEAT (Tax Authority in Spain) notified Sonae Arauco S.A. that it had commenced a tax inspection of the Spanish tax consolidated group. Subsequently, during the first half of 2020, Sonae Arauco S.A. received a notification from the Spanish tax authorities, indicating Corporate Income Tax due amounting to EUR 7 873 209. Sonae Arauco S.A. disagrees with this assessment and decided to commence proceedings to challenge this notification in the courts. Based on an assessment made by Sonae Arauco, it is considered that there are well founded arguments to support a positive outcome of the appeal process. Accordingly, no adjustments have been made to Sonae Arauco financial statements.

22. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 30 July 2020.