

2020

1st QUARTER RESULTS

TOGETHER CREATING
THE FUTURE

6 May 2020

Maia, Portugal, 6 May 2020: Sonae Indústria reports unaudited Consolidated Results for the 1st quarter 2020 (1Q20) which are prepared in accordance with the IAS 34 – Interim Financial Reporting.

1Q20 HIGHLIGHTS¹

Statutory Results:

- LTM Recurrent EBITDA of 27.0M€, with 11.9% margin
- Net Results in the quarter of -1.2M€

Proportional Results:

- LTM Proportional Recurrent EBITDA of 62.0M€, with 10.5% margin
- Proportional Senior Net Debt at 303M€
- Proportional Senior Leverage of 4.9x

¹ See Glossary of Terms (page 10).

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

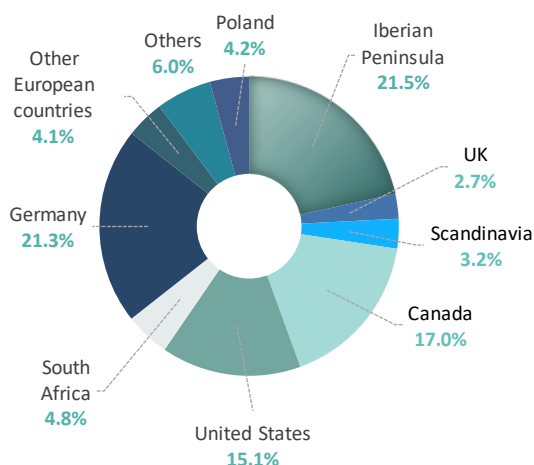
	1Q19	1Q20
Proportional Turnover	159	146
Proportional Rec. EBITDA	17	15
Proportional Rec. EBITDA margin	10.7%	10.3%
	LTM 1Q19	LTM 1Q20
Proportional LTM Turnover	619	593
Proportional LTM Rec. EBITDA	72	62
Proportional LTM Rec. EBITDA margin	11.6%	10.5%
LEVERAGE		
Proportional Senior Net Debt (excluding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

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.

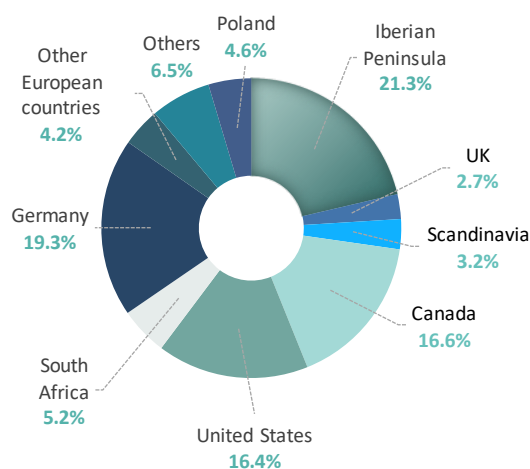
Proportional Recurrent EBITDA in 1Q20 reached circa 15.1 million euros, 1.9 million euros lower than in 1Q19, driven by a lower contribution from Sonae Arauco (-2.5 million euros), explained by difficult business conditions, which more than offset the positive contribution of our fully owned businesses (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



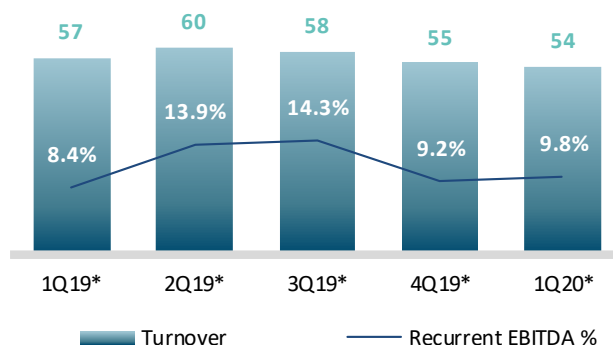
PROPORTIONAL TURNOVER BY DESTINATION MARKET 1Q20



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
Turnover	56.8	55.2	54.3	(4.4%)	(1.6%)
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%
Recurrent EBITDA	4.8	5.1	5.3	11.7%	5.8%
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%
Operational profit (EBIT)	0.7	(4.5)	1.3	87.5%	129.4%
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%
Profit before taxes (EBT)	1.2	(8.7)	(1.3)	-	85.0%
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%
Consolidated net profit/(loss) for the period	1.2	(9.2)	(1.2)	-	86.6%

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
Non current assets	368.2	370.0	357.2
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
Current assets	45.8	50.6	46.0
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
Non-current assets classified as available for sale	0.0	0.1	0.1
Total assets	414.0	420.7	403.4
Shareholders' Funds	139.7	127.3	117.1
Equity holders	139.7	127.3	117.1
Non-controlling interests	0.0	0.0	0.0
Liabilities	274.2	293.4	286.3
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
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	414.0	420.7	403.4
Senior Net Debt	211.9	158.9	163.1
Total Net Debt	211.9	208.9	213.0
Working Capital	13.2	10.0	15.7

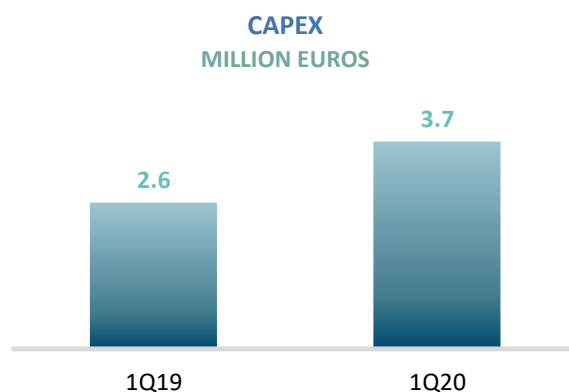
Tangible assets of circa 144.4 million euros at the end of March 2020, a reduction of circa 9.3 million euros vs. December 2019, mainly due to the effect of the depreciation of the Canadian Dollar in the quarter of 8.8 million euros.

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 Bonds² 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

² 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).

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

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statement are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the wood based panels industry and economic conditions, and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

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