

FY 2020

RESULTS

TOGETHER CREATING
THE FUTURE

26 March 2021

Maia, Portugal, 26 March 2021: Sonae Indústria reports audited Consolidated Results for the year ended 31 December 2020 which are prepared in accordance with IFRS (International Financial Reporting Standards). Proportional Indicators are unaudited.

2020 FULL YEAR HIGHLIGHTS¹

Financial:

- Recurrent EBITDA of 28.0M€ (13.9% margin) circa 1.6M€ higher vs. 2019;
- Net Results were negative -6.0M€, mainly driven by the -6.0M€ net results in 2Q20 which was heavily impacted by the pandemic;
- Proportional Recurrent EBITDA of 63.9M€ (11.9% margin);
- Proportional Senior Net Debt of 299M€;
- Proportional Senior Leverage of 4.7x.

Commercial and Operational:

Fully owned businesses:

- Complete refurbishment of one of our two particleboard production lines in Canada allowing for improved efficiency and quality;
- Investment in a new lacquering plant in Canada with launch (already in 1Q21) of the new LUMMIA panels, Perfect Matt and High Gloss decorative surfaces;
- Tafisa Canada launched in 2020 a new Melamine Face Chipboard (MFC) collection Karisma;
- Closure of cash draining activities, Laminates and Worktops at the Horn site in Germany and Components plant in Vilela, Portugal.

Sonae Arauco:

- Completion of the investment in a new continuous particleboard press at our Beeskow plant in Germany with production ramp up starting in 3Q20.

¹ See Glossary of Terms (page 15).

MESSAGE FROM THE CHAIRMAN

One year ago, the final words of my 2019 Chairman Message addressed the exceptional situation the world was beginning to face in the initial stages of the Covid-19 pandemic. Since then, the pandemic has caused vast health, social and economic damage to people all around the world and has disrupted many industries and businesses of all sizes.

At Sonae Indústria we have also faced significant challenges throughout the year although, after a particularly difficult period between March and May, our businesses have shown surprising resilience and recovered well during the second half of 2020. Our teams have worked relentlessly to ensure the safety of our people and to protect our businesses under difficult circumstances while preparing them for a future in the face of much uncertainty.

The work done on the implementation of precautionary health and safety measures at all Sonae Indústria offices and industrial sites since the beginning of the pandemic, was clearly important to preserve the safety of our people. Until the end of December 2020, the number of confirmed Covid-19 cases within our people, considering our fully owned businesses and also Sonae Arauco, was still quite low at 96. Unfortunately, in January 2021, one of our employees in South Africa has passed away due to Covid-19.

As previously reported, Sonae Indústria's turnover and profitability levels were significantly affected by the Covid-19 pandemic in the first half of 2020, as a result of the sudden contraction of economic activity, particularly in the second quarter of the year and in the countries where more severe lockdown measures were implemented.

In order to offset, as much as possible, the negative effects of the pandemic on turnover and profitability, we implemented significant measures at different levels, including adjusting production levels and costs (optimizing fixed costs, implementing governments support measures, layoff and short work schemes, notably in 2Q20) and revisiting investment plans in order to protect liquidity.

In the second half of 2020, under a context of generally less restrictive extraordinary pandemic containment measures imposed by governments, we witnessed a stronger than expected recovery in customer demand and activity levels both in our North American and Sonae Arauco businesses. For North America and Sonae Arauco, Turnover in the 2H20 was respectively circa 100% and 102% of 2H19 levels which compares with the 79% and 77% in the first half of 2020.

Accordingly, after a difficult first half of the year with a net loss of -7.2 million euros, the second half of 2020 was marked by positive Net Results of circa +1.3 million euros with improved contributions from North America and Sonae Arauco, leading to a negative Net Result of circa -6.0 million euros in 2020 at Sonae Indústria.

Notwithstanding the overall lower activity levels compared to the previous year, Proportional Recurrent EBITDA reached 63.9 million euros, slightly higher than in 2019 with an improved margin of 11.9% versus 10.5% in the previous year, benefiting from the actions taken but also by the pandemic related employment protection schemes and subsidies across a number of our businesses. Proportional Senior Net Debt reached 299 million euros at the end of 2020, implying an increase of circa 16 million euros during the year, that reflected the investment effort started before the pandemic. The resulting proportional senior leverage ratio stood at circa 4.7x, up from 4.4x in 2019.

In relation to our North American business, I am pleased to highlight the significant achievements of the team that under adverse circumstances was able to complete successfully two strategic investments while delivering improved financial results in the year. In the first half of 2020 we completed the full refurbishment of one of our particleboard production lines which is now allowing us to produce better quality panels for our customers with increased efficiency and competitiveness. We also completed the investment in our brand new hot coating plant

and already in 2021 started producing High Gloss and Perfect Matt decorative panels under our new LUMMIA brand. With the new LUMMIA high end products, we will further reinforce our already leading position as a decorative solutions provider. In addition to these major business developments and despite the pandemic's negative impact on activity levels in the year, our North American business improved its Recurrent EBITDA result when compared with 2019.

For our Laminates business, 2020 was also marked by the adverse effects of the pandemic on top line which prevented achieving the targeted improvement in profitability. As announced, in December 2020 we closed the industrial activities at our Horn site in Germany and concentrated all Surforma Laminates production in our plant in Maia, Portugal. Intensive work is being done by Surforma's team to develop new business models adapted to the current reality. In relation to the Components business, we took the decision to close down this operation given that we found no way of turning around this business that had consistently generated negative results and negative free cash over many years. As with other inactive sites, we will keep working to monetize the assets of the Horn and Vilela sites and further reduce their running costs.

At Sonae Arauco, despite the very adverse circumstances in the first half of the year as reported throughout 2020, the second half showed a marked recovery and as a result we were still able to achieve a positive, although marginal, Net Profit. This an encouraging sign of the resilience of the business model we have been implementing over the past years.

During the year and notwithstanding the challenges faced by the pandemic, at Sonae Arauco we continued with the implementation of strategic investments aiming at improving our competitive position and the sustainability of our business. We completed the investment in a new particleboard continuous press in Beeskow, that started production in 3Q20, replacing the last day-light presses in Sonae Arauco industrial portfolio. We also continued to invest and to streamline our supply chain processes, in line with our objective of improving customer service levels and to, fully deliver on time and on quality. Additional progress was also made on the digitalization of operations, namely through the use of sensors in equipment and real-time data analysis prompting automatic corrective actions.

As regards Sonae Indústria's Balance Sheet, in 2020 we saw a reduction in Shareholders' Funds resulting from the negative results of the year and from the foreign exchange accounting impacts, but also due to the increase in Net Debt which was mainly driven by the strategic investments in North America which had started in 2019. In the face of continued pressure from an undercapitalised balance sheet, in January 2021 the Board of Directors approved a share capital increase of up to 55 million euros in order to improve the companies' capital structure, through the reinforcement of its equity base, and consequently, to enable Sonae Indústria to reduce the level of indebtedness and to pursue its strategic plans within an environment of continued uncertainty due to the pandemic. The capital increase process is ongoing and is expected to be concluded in the second quarter of 2021.

Looking forward, we will continue to face a period of unusually high uncertainty. The recovery in activity levels during the second half of 2020 seems to have been driven primarily by an increased focus of consumers on home improvements, as they spent a significantly higher share of time at home and freed up a higher share of the household budget for home-related spending in a context of limitations to travelling and other leisure activities. The lack of visibility on the evolution of the pandemic crisis including the implementation of vaccinations and treatments for an ever evolving virus, makes it difficult to evaluate the impacts on the demand drivers of our business (namely residential and office segments), and on the general economic conditions and on potential structural changes in customer behaviour. However, we are confident that appropriate measures have been taken to enable our businesses to see this crisis through.

As a final word, I would like to highlight the resilience, adaptability and commitment that our teams have demonstrated throughout such a difficult year. They were able to quickly adapt to the new reality of remote

working, adhere to the safeguarding measures that were promptly defined and understand the rationale for the implementation of the tough measures that were required during some phases of the pandemic situation. I would also like to thank the contribution of Sonae Indústria Statutory Boards and to thank all our stakeholders for their continued support of and confidence in our company.

Paulo Azevedo

Chairman, Sonae Indústria

1. SONAE INDÚSTRIA RESULTS

1.1 PROPORTIONAL RESULTS (UNAUDITED)

SUMMARY OF 2020 RESULTS

Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method, this section 1.1. provides unaudited Proportional Indicators which consider the full results of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

PROPORTIONAL FINANCIAL INDICATORS (UNAUDITED)

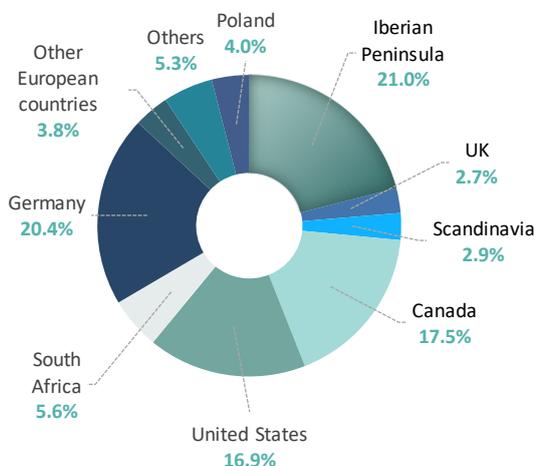
	2019	2020
Proportional Turnover	606	537
Proportional Rec. EBITDA	64	64
Proportional Rec. EBITDA margin	10.5%	11.9%
LEVERAGE		
Proportional Senior Net Debt (excluding Subordinated Bonds)	283	299
Proportional Senior Leverage (Senior Net Debt / LTM Rec. EBITDA)	4.4 x	4.7 x
Proportional Total Net Debt	333	349
Proportional Total Leverage (Total Net Debt / LTM Rec. EBITDA)	5.2 x	5.5 x

Proportional Turnover in 2020 was significantly affected by the Covid-19 pandemic, particularly in 2Q20, resulting in a reduction of circa 68.6 million euros in the year, when compared to 2019. This evolution was mainly driven by a lower contribution from Sonae Arauco (-40.4 million euros), affected specially by a reduction in total sales volumes in all regions, but also from Sonae Indústria (-28.2 million euros), essentially due to our North American business with lower sales volumes (in local currency but also affected by circa EUR -5.5M effect from the depreciation of the Canadian dollar vs. the EUR). However, the second half of the year was marked by a material recovery in activity, with an increase in Proportional Turnover of 38.3 million euros when compared to 1H20 and a reduction of circa 1.7 million euros when compared to 2H19.

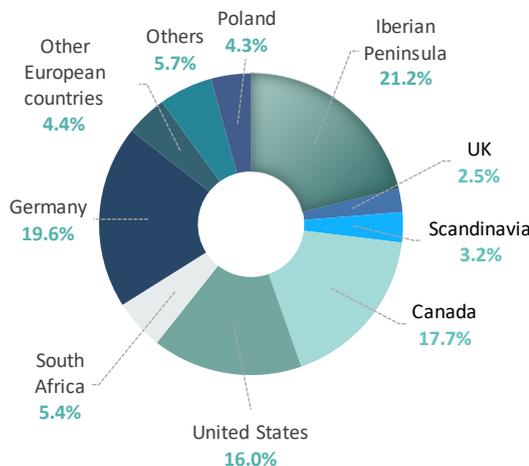
Proportional Recurrent EBITDA in 2020 reached 63.9 million euros, circa 0.1 million euros higher than in 2019, driven by our fully owned businesses (circa +1.6 million euros), that benefited from a reduction in variable and fixed costs, which more than offset the reduction in turnover levels. Sonae Arauco contribution was lower than in 2019, materially affected by the Covid-19 pandemic, particularly due to its effects in turnover levels with subsequent impacts on profitability. However, the material improvement in the Proportional turnover in 2H20 allowed an improvement of the Proportional Recurrent EBITDA of circa 15.7 million euros and 11.9 million euros when compared to 1H20 and 2H19, respectively, due to Sonae Arauco and our fully owned businesses.

In 2020, **Senior Net Debt to Recurrent EBITDA (proportional)** stood at circa 4.7x, which represents an increase of 0.2x vs. 2019. Proportional Senior Net Debt excludes Subordinated Bonds (50 million euros issued during 4Q19).

PROPORTIONAL TURNOVER BY DESTINATION MARKET
2019



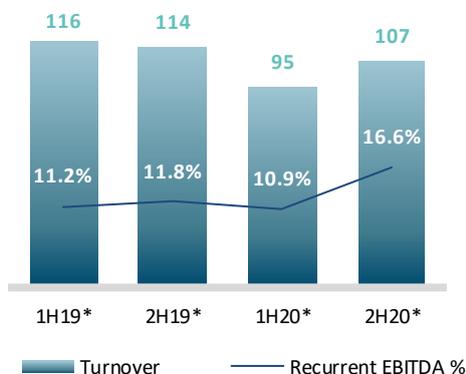
PROPORTIONAL TURNOVER BY DESTINATION MARKET
2020



1.2 CONSOLIDATED RESULTS

SUMMARY OF 2020 RESULTS

TURNOVER and RECURRENT EBITDA
MILLION EUROS



* Half year information unaudited.

Consolidated Turnover reached 201.8 million euros in 2020, a reduction of 12.2% vs. last year (circa -28.2 million euros), driven essentially by our North American business with lower sales volumes (in local currency but also affected by circa EUR -5.5M effect from the depreciation of the Canadian dollar vs. the EUR). The evolution of the consolidated turnover was clearly impacted by the Covid-19 outbreak, with significant negative impacts particularly in 2Q20 (circa -32% vs. 2Q19), followed by a gradual recovery in 3Q20 and specially in 4Q20 (-15% and +4%, respectively, vs. 3Q19 and 4Q19). For the second half of the year, Consolidated turnover reached 106.9 million euros, which represents a decrease of 6.7 million when compared to 2H19 mostly due to a circa 6.0 million euros effect from the depreciation of the Canadian dollar vs. the EUR, but an increase of circa 12.0 million euros when compared to 1H20.

Variable costs per cubic meter decreased both in local currency and in euros in 2020, when compared to the previous year, with a decrease in input costs, and in euros also benefiting from the depreciation of the Canadian

EARNINGS ANNOUNCEMENT

dollar. For the second half of the year, variable costs per cubic meter also decreased when compared to 2H19 and 1H20.

Recurrent EBITDA in 2020 reached 28.0 million euros, an increase of circa 1.6 million euros vs. 2019, explained by a reduction in variable and fixed costs, which more than offset the reduction in Consolidated turnover. In the second half of the year, Recurrent EBITDA stood at 17.7 million euros, an increase of circa 4.3 million euros and 7.4 million euros, when compared to 2H19 and 1H20, respectively. The 2H20 Recurrent EBITDA margin reached circa 16.6%, up by circa 4.8 p.p. and 5.7 p.p. vs. 2H19 and 1H20, respectively.

Consolidated **EBITDA** in 2020 reached circa 26.7 million euros, an increase of 0.9 million euros vs. 2019. In the second half of the year, Consolidated EBITDA stood at 16.4 million euros, an increase of circa 3.2 million euros and 6.1 million euros, when compared to 2H19 and 1H20, respectively. The evolution in Consolidated EBITDA is mainly explained by the aforementioned performance of Recurrent EBITDA.

CONSOLIDATED INCOME STATEMENT
MILLION EUROS

	2019	2020	2020/ 2019	2H19 Unaudited	1H20 Unaudited	2H20 Unaudited	2H20/ 2H19	2H20/ 1H20
Turnover	230.0	201.8	(12.2%)	113.6	94.9	106.9	(5.9%)	12.6%
Other operational income	4.1	8.8	115.3%	2.1	4.8	4.0	87.3%	(17.7%)
EBITDA	25.8	26.7	3.5%	13.2	10.3	16.4	23.9%	59.6%
Non recurrent items	(0.7)	(1.4)	(90.9%)	(0.2)	(0.1)	(1.3)	-	-
Recurrent EBITDA	26.5	28.0	5.9%	13.4	10.3	17.7	31.9%	71.3%
Recurrent EBITDA Margin %	11.5%	13.9%	2.4 pp	11.8%	10.9%	16.6%	4.8 pp	5.7 pp
Depreciation and amortisation	(15.9)	(15.7)	1.2%	(8.1)	(7.9)	(7.8)	2.8%	1.1%
Provisions and impairment Losses	(5.4)	0.0	100.5%	(5.4)	(0.6)	0.6	111.9%	-
Operational profit (EBIT)	4.4	11.0	-	(0.2)	1.7	9.2	-	-
Net financial charges	(11.5)	(10.8)	5.9%	(5.7)	(5.7)	(5.1)	11.4%	11.4%
o.w. Net interest and other charges	(9.8)	(9.4)	4.5%	(4.9)	(5.0)	(4.4)	10.7%	13.1%
o.w. Net exchange differences	(0.0)	(0.0)	(73.1%)	(0.0)	(0.1)	0.1	-	-
o.w. Net financial discounts	(1.6)	(1.4)	15.3%	(0.8)	(0.6)	(0.8)	1.6%	(40.7%)
Gains and losses in Joint-Ventures - Net Results	0.7	0.1	77.7%	(4.7)	(2.8)	2.9	-	-
Gains and losses in Joint-Ventures - Other	(3.7)	(3.2)	12.2%	(3.7)	(0.1)	(3.1)	14.5%	-
Profit before taxes (EBT)	(10.0)	(2.9)	71.1%	(14.3)	(6.8)	3.9	127.5%	-
Taxes	(3.3)	(3.1)	8.1%	(1.5)	(0.4)	(2.7)	(81.1%)	-
o.w. Current tax	(3.3)	(1.3)	60.9%	(1.0)	(1.5)	0.2	117.8%	112.4%
o.w. Deferred tax	(0.0)	(1.8)	-	(0.4)	1.1	(2.9)	-	-
Consolidated net profit/(loss) for the period	(13.4)	(6.0)	55.4%	(15.8)	(7.2)	1.3	108.0%	117.4%

Total **fixed costs** in 2020 represented circa 16.8% of turnover, a reduction of circa 0.6 p.p. vs. 2019, due to the reduction of fixed costs. It should be noted that fixed costs in 2Q20 and 3Q20 include positive impacts of layoff and short work schemes implemented aiming to partially offset the material reduction of turnover due to the Covid-19 pandemic. For the second half of the year, total fixed costs as a percentage of turnover reduced by 1.8 p.p. and 1.7 p.p. when compared to 2H19 and 1H20, respectively.

The **number of employees** of Sonae Indústria was 473 FTE's, at the end of December 2020, excluding Sonae Arauco and trainees, which compares with 503 and 506 FTE's at the end of June 2020 and December 2019, respectively. The reduction in FTE's is explained by the closure of the Components plant (in Portugal) in the 2H20.

Depreciation and amortization charges during 2020 were 15.7 million euros, a reduction of circa 0.2 million euros when compared to 2019. In 2H20, the depreciation and amortization charges reached 7.8 million euros, a reduction of 0.2 million euros and circa 0.1 million euros when compared to 2H19 and 1H20, respectively.

Provisions and impairment losses in 2020 were 0.02 million euros, which compares with a charge of 5.4 million euros in 2019, which included the recognition of Provisions related with the closure of all industrial activities at Horn site in Germany by the end of 2020, that were mostly used in 2H20. Pursuant to the agreement with Arauco these costs related with the Horn site are the responsibility of Sonae Indústria hence, in addition to the 50% considered at Sonae Arauco level as explained below, Sonae Indústria considers directly the remaining 50% in its accounts.

Net financial charges during 2020 were 10.8 million euros, a reduction of circa 0.7 million euros when compared to 2019, mainly explained by a reduction of 0.4 million euros in net interest and other charges (benefiting from lower base rates in Canada debt since the beginning of the pandemic and despite higher average consolidated gross debt in 2020 when compared with 2019) and of circa 0.3 million euros in net financial discounts due to lower activity levels.

Gains and losses in Joint-Ventures – Net Results refers to 50% of the net results of Sonae Arauco in the period. This amounted to 0.1 million euros in 2020, a reduction of 0.5 million euros when compared to 2019. In 2020, Sonae Arauco Recurrent EBITDA (considering the 50% contribution) was circa 1.5 million euros lower than in 2019, affected by the significant impact of the Covid-19 pandemic in 2Q20. The second half of the year was marked by a material recovery of Sonae Arauco Recurrent EBITDA level leading to positive 2.9 million euros Gains and Losses in Joint-Ventures – Net Results in 2H20 which compares with negative circa 2.8 million euros in 1H20. It should be noted that in 2020 Sonae Arauco booked non recurrent expenses of 4.5 million euros in relation to the closure of all industrial activities at Horn site (Germany), but these were fully offset by the use of Provisions recognized in 2019 for that purpose, therefore without material effect in the net results.

Gains and losses in Joint-Ventures – Other amounted to -3.2 million euros in 2020, essentially explained by Sonae Arauco's expenses and contingent liabilities that, pursuant to the agreement with Arauco, are the responsibility of Sonae Indústria and that, accordingly, Sonae Indústria compensates Sonae Arauco via cash contributions to Sonae Arauco for the full amounts paid or incurred. During 2020 Sonae Indústria paid circa 6.9 million euros to Sonae Arauco under this concept. Since 50% of these expenses were already reflected in Sonae Indústria's income statement through the net results of Sonae Arauco, the remaining 50% (circa 3.4 million euros) are reflected through Gains and Losses in Joint-Ventures – Other.

Current tax charges and **Deferred tax charges** are mostly related with our North American business and reduced by circa 0.3 million euros on an combined basis when compared with 2019 (the reduction in Current tax charges and the increase in Deferred tax charges in North America is related with the depreciation tax rates applicable in some of the investments made).

Net results in 2020 were negative of circa 6.0 million euros which compare with the negative 13.4 million euros net results in 2019. The main drivers for the lower net losses in 2020 when compared to 2019 are the aforementioned improvements in Recurrent EBITDA and the significantly better figure for Provisions and impairment losses. It should be noted that for the second half of 2020, the net results were positive of circa 1.3 million euros, an improvement of circa 8.5 million euros when compared to the first half of 2020, driven mainly by the significant improvements in the EBITDA of the fully owned businesses (essentially Canada) and in Gains and losses in Joint-Ventures – Net Results (improved results at Sonae Arauco level).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MILLION EUROS

	2019	1H20	2020
		Unaudited	
Non current assets	370.0	363.2	362.2
Tangible assets	153.6	154.0	145.3
Investments in joint ventures	209.1	201.9	210.1
Other non current assets	7.3	7.3	6.7
Current assets	50.6	45.0	44.3
Inventories	22.0	20.1	21.4
Trade debtors	14.1	14.1	14.0
Cash and cash equivalents	7.1	4.7	3.0
Other current assets	7.5	6.2	5.9
Non-current assets classified as available for sale	0.1	0.1	1.6
Total assets	420.7	408.3	408.1
Shareholders' Funds	127.3	112.4	112.6
Equity holders	127.3	112.4	112.6
Liabilities	293.4	295.9	295.5
Subordinated bonds loan	50.0	49.9	49.9
Senior interest bearing debt	166.0	171.0	174.1
Non current	157.6	162.0	164.2
Current	8.4	9.0	9.9
Trade creditors	26.0	20.8	22.3
Other liabilities	51.4	54.2	49.1
Total Shareholders' Funds and liabilities	420.7	408.3	408.1
Senior Net Debt	158.9	166.3	171.1
Total Net Debt	208.9	216.3	221.1
Working Capital	10.0	13.4	13.0

Tangible assets reached 145.3 million euros at the end of December 2020, a reduction of 8.3 million euros vs. December 2019, explained primarily by the depreciation of the Canadian dollar vs. the EUR and by the impairments booked in 2020 (related with the closure of the Components plant), which more than offset the positive effect from the investments in our North American business (refurbishment of one of the two particleboard production lines and the ongoing investment in a new High Gloss and Perfect Matt lacquering plant in Lac Mégantic).

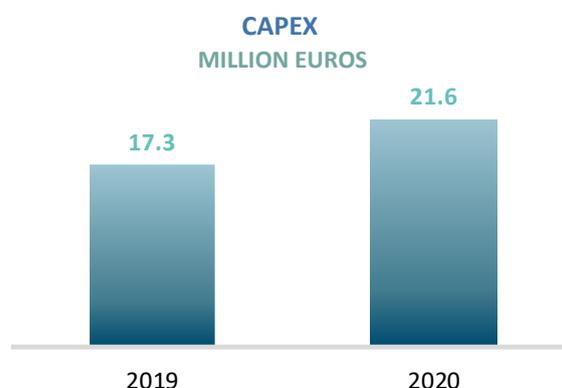
Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached 210.1 million euros, which represents an increase of 1.0 million euros when compared to the book value of this investment at the end of December 2019, essentially due to the positive effects of 3.4 million euros from 50% of the cash contributions made by Sonae Indústria to Sonae Arauco in 2020 and of 0.1 million euros from our share of Sonae Arauco's net results, which more than offset an unfavourable exchange rate effect of 3.0 million euros (mainly explained by the South African Rand).

Consolidated **Working Capital** reached 13.0 million euros, an increase of 3.0 million euros when compared to December 2019, explained by the decrease in trade creditors, which more than offset the decrease in inventories and in trade debtors.

Senior Net Debt stood at 171.1 million euros at the end of December 2020, representing an increase of circa 12.2 million euros and 4.8 million euros, when compared to December 2019 and June 2020, respectively (debt variation in 2020 includes among other effects, the cash contribution made by Sonae Indústria to Sonae Arauco of circa 6.9 million euros during 2H20 and material payments for the strategic investments in Canada). Note: Senior Net Debt does not include the Subordinated Bonds² issued during 4Q19 which are however included in Total Net Debt.

² Subordinated Bonds of 50 million euros (with book value, including amortised cost effect, of 49.9 million euros).

Total **Shareholders' Funds**, at the end of December 2020, totaled circa 112.6 million euros, which represents a decrease of 14.7 million euros when compared to December 2019, mainly explained by the negative impacts from the net results and from unfavourable exchange rate effects of 7.3 million euros (essentially related with the exchange rate evolution of the Canadian Dollar and the South African Rand vs. the Euro).



Additions to Gross Tangible Fixed Assets³ reached 21.6 million euros in 2020, essentially explained by investments in our North American business (21.1 million euros), including the 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

The worldwide propagation of Covid-19 in 2020 has caused vast negative human, social, economic and financial impacts.

The Covid-19 pandemic and the extraordinary pandemic containment measures imposed by the authorities in the several regions have also had a significant impact not only on daily lives of people but also on all types of businesses, and Sonae Indústria was no exception.

The impacts in Sonae Indústria businesses in the several regions where Sonae Indústria operates (namely Europe, North America and South Africa) were particularly felt between mid March and end of May. The intensity of the negative impacts of the pandemic in Sonae Indústria during this period 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.

In the most critical period from a business perspective (mid March to end of May 2020) the most significant impacts of Covid-19 were the following:

- North American business: partial shutdown in the last days of March due to government lockdown restrictions (not only in Quebec but also in other Canadian provinces and in the USA). Accordingly in that period, we operated the largest of the two particleboard lines and two or three of the five MFC surfacing lines. Lockdown restrictions in Quebec started to be gradually eased on 20 April (residential construction) and all construction and manufacturing restarting (with restrictions) on 11 May. Similar situations occurred in other regions of Canada and in the US.

³ Excluding the effect from the IFRS 16.

- Laminates and Components: the Laminates plants in Maia and Horn kept operating during the months of March and April. The Components plant in Vilela operated during the month of March and part of April until a confirmed Covid-19 case led to the temporary stoppage of the plant during two weeks. In Maia a reduction in activity (partial layoff) was implemented during May. The Horn plant also operated 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 monitored demand in the markets and adjusted production accordingly.

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).

Turnover (as % of previous year)	March 2020/ March 2019	April 2020/ April 2019	May 2020/ May 2019	June 2020/ June 2019
Sonae Indústria (fully owned businesses)	81%	56%	66%	84%
Tafisa Canada	79%	57%	63%	84%
Laminates & Components	110%	52%	100%	92%
Sonae Arauco	88%	55%	53%	85%

The reduction in turnover levels in the period from mid March to May 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.

In order to offset as much as possible the negative effects of the pandemic, during the most critical period but also in the remaining of the year, management teams put into place effective 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.

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, collection of trade receivables, and lower levels of credit insurance, did not have significant negative impacts in operational performance and results during 2020, particularly when compared to the above described impacts on turnover.

With the gradual easing of the pandemic containment measures and despite the overall economic uncertainties in all regions, demand and turnover picked up materially from June onwards.

In the second half of the year there were no material impacts on activity and on turnover levels of our businesses derived from lockdown measures affecting directly our businesses or our direct customers as it had happened during 1H20.

Therefore, in the second half of 2020 there was a material improvement in the turnover levels of our two main businesses (nevertheless turnover was still materially below 2019 levels on a full year basis):

Turnover (as % of previous year)	1H20/ 1H19	2H20/ 2H19	2020/ 2019
Sonae Indústria (fully owned businesses)	82%	94%	88%
Tafisa Canada	79%	100%	89%
Laminates & Components	94%	95%	95%
Sonae Arauco	77%	102%	89%

Accordingly profitability also improved materially in the second half of 2020 when compared with the previous year. Sonae Indústria consolidated Recurrent EBITDA increased from 10.3 million euros in the first half of 2020 to 17.7 million euros in the second half of the year. At Sonae Arauco, Recurrent EBITDA contribution (considering a 50% contribution to Sonae Indústria) increased from 13.8 million euros in 1H20 to 22.1 million euros in 2H20. The main driver for the disparity between the results in the first half of 2020 and the second half of 2020 was the contrast in the impact from Covid-19 on activity and turnover levels driven particularly by increased demand from home renovation sector.

Regarding the effects of Covid-19 on liquidity and financing, close communication was kept with bank creditors in different regions throughout 2020 in order to keep them informed of the actual situation as we went through the pandemic crisis. Considering the significant refinancings concluded between December 2019 and March 2020, Sonae Indústria scheduled debt repayments in 2020 were reduced to circa 8 million euros. It should be mentioned that the amounts of debt repayments scheduled for 2020 that were postponed as a result of the application of legal moratoria related with the pandemic represent less than 1% of the total debt of Sonae Indústria.

As at the 31 December 2020 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 December 2020 totalled circa 46.5 million euros, of which 29.4 million euros in Canada.

COVID-19 | PEOPLE

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

Until the 31 December 2020, the number of confirmed cases of Covid-19 within our people, considering our fully owned businesses and also Sonae Arauco, was still quite low at 96. Unfortunately, already in 2021 we regret the passing away of one of our employees in South Africa.

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.

COVID-19 | RISKS AND OUTLOOK

The recovery in activity levels during the second half of 2020 seems to have been driven primarily by an increased focus of consumers on home improvements and second home refurbishments, as they spent a significantly higher share of time at home and freed up a higher share of the household budget for home-related spending in a context of limitations to travelling and other leisure activities.

There is extreme uncertainty on the evolution of the pandemic crisis itself including the implementation of vaccinations and treatments for an ever evolving virus, makes it difficult to evaluate the impacts on Sonae Indústria operations, on the demand drivers of our business (namely residential and office segments), on the general economic conditions and on potential structural changes in customer behaviour.

Due to these uncertainties Sonae Indústria is unable to estimate future impacts on the company's results with accuracy or assurance.

The effects of the pandemic can still be significant over the next quarters particularly in the event of further significant virus waves and of new lockdowns being imposed until an effective solution for the health crisis is available.

The risk that 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, may also cause a material impact in Sonae Indústria businesses.

Despite the uncertainties created by Covid-19 crisis, the measures taken by management; the general government support measures; and the material recovery experienced by our businesses in the second half of 2020, set out a framework for Sonae Indústria to overcome the important challenges raised by the pandemic.

3. EFANOR TENDER OFFER

On the 31 July 2020, Sonae Indústria received a notification from Efanor Investimentos, SGPS, SA regarding the Preliminary Announcement of a Public, General and Voluntary Tender Offer (“Offer”) over Sonae Indústria SGPS, SA shares, at a price of 1.14 euros per share.

On the 27 August 2020, Sonae Indústria’s Board of Directors issued its Report on the opportunity and conditions of the Offer (https://www.sonaeindustria.com/fileManager/comunicados/pdf_en_347.pdf).

The Offer period occurred between 7 and 27 October 2020 and the process was concluded on the 28 October 2020, with the disclosure of the Offer results.

As a result of the public tender offer, Efanor Investimentos, SGPS, S.A. increased its shareholding (direct and indirect) in Sonae Industria, from circa 68.61% of the total number of shares and voting rights (before the Offer Preliminary Announcement) to 86.22% (“free float” accordingly reduced from 31.39% to 13.78%).

4. OUTLOOK FOR 2021

The outlook for 2021 is still uncertain and particularly dependent on the developments of Covid-19 pandemic and on its direct and indirect impacts on Sonae Indústria businesses, as described in the previous section.

Despite the extraordinary circumstances, we will keep working to achieve of our strategic objectives to the full extent that external conditions permit.

5. SUBSEQUENT EVENTS

On the 28 January 2021, Sonae Indústria’s Board of Directors approved a share capital increase of up to 55 million euros with a subscription price of each new share of 1.14 euros. The decision to approve the capital increase takes into consideration the need to reinforce the company’s shareholders’ funds in order to improve Sonae Indústria capital structure, reducing its overall cost of debt and enable the company to pursue its strategic plans within an environment of highly increased uncertainty due to the pandemic.

The offer and the admission to trading in the regulated market of the new shares to be issued are conditional to the approval and publication of the respective prospectus by the Portuguese Securities Market Commission (“CMVM”) and to the disclosure of the notice for the exercise of subscription rights, in accordance to the law. The capital increase process is ongoing and is expected to be concluded in the second quarter of 2021.

GLOSSARY OF TERMS

CAPEX	Investment in Tangible Fixed Assets
EBITDA	Operational Results + 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 (unaudited)	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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