SONAE INDÚSTRIA, SGPS, S. A.

Registered Office: Lugar do Espido, Via Norte, Maia
Registered at the Commercial Registry of Maia
Registry and Tax Identification Number 506 035 034
Share Capital: EUR 253,319,797.26
Publicly Traded Company

ANNUAL REPORT

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

2017

5 April 2018

Table of contents

SONAE INDUSTRIA

Sonae Indústria, SGPS, SA
Publicly Listed Company
Share Capital € 253 319 797.26
Maia Commercial Registry and Tax Number 506 035 034

SONAE INDÚSTRIA

Management Report

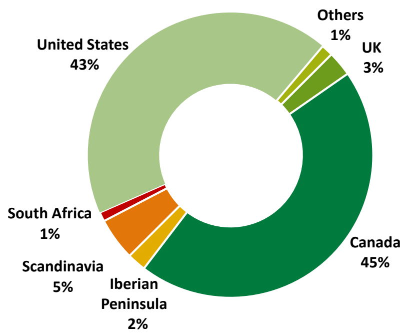
2017

5 April 2018

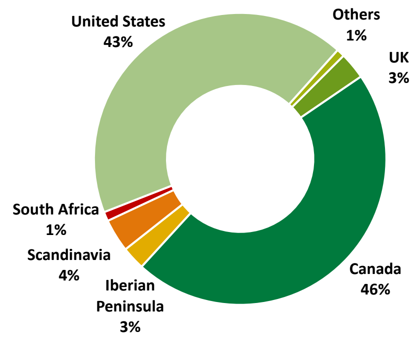
CONTENTS

KEY INDICATORS

Turnover by Market - 2016

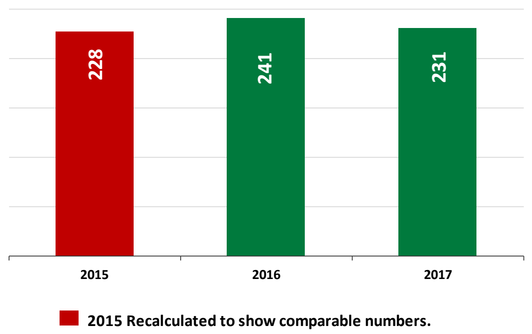


Turnover by Market - 2017



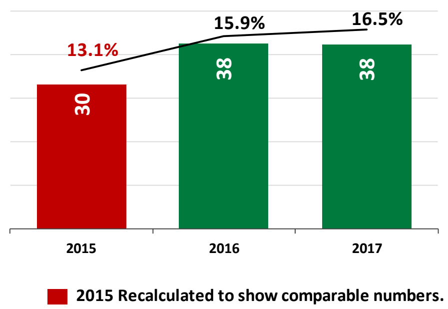
Turnover

Million euros



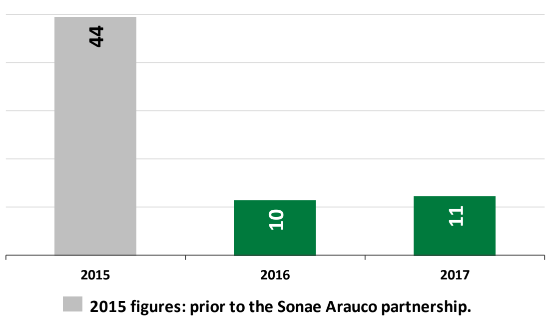
Recurrent EBITDA and % Turnover

Million euros



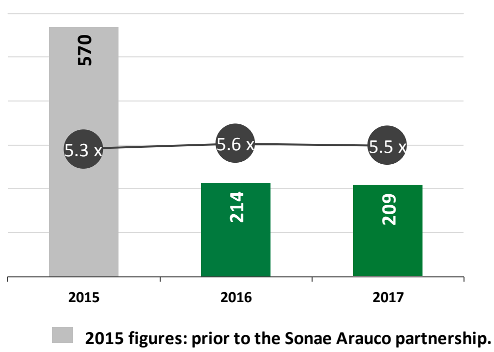
Working Capital

Million euros



Net Debt and Net Debt to Recurrent EBITDA

Million euros



CHAIRMAN'S MESSAGE

This has been another year of positive performance from our main businesses but sadly, also one in which we experienced two significant events that left sorrow in our hearts and minds; the passing away of Belmiro de Azevedo, my father and the leader and founder of Sonae Indústria; and the unfortunate tragedy in our two plants in Portugal due to the forest fires.

During 2017, Sonae Indústria consolidated and embraced its new dual corporate purpose: management of the strategic partnership at Sonae Arauco and management of its fully owned businesses, North America and Laminates & Components.

Benefiting from an overall stronger economic background and resulting improved demand conditions, results were positive in both our main businesses and enabled Sonae Indústria to deliver a positive Net Result for the second consecutive year, improving on its 2016 consolidated performance. Considering our 50% share of Sonae Arauco's results, Proportional Recurrent EBITDA reached circa 89 million Euros with a 14.0% margin. Proportional Net Debt stood at 301 million Euros, with a proportional leverage ratio of 3.4x.

I would also like to highlight the improvement in Sonae Indústria's capital structure, during 2017, supported by both a reduction of Net Debt and a reinforcement of Shareholders' Funds driven by the improved net results.

Our North American business delivered another solid performance in 2017, despite lower production volumes and higher input costs particularly chemical costs. Our EIR VIVA collection, launched in the second half of 2016, has proved very successful in the market during 2017 and is another demonstration of our strong positioning in decorative solutions for our customers. We continued to invest in our plant in North America, in 2017, in order to guarantee its long term sustainability and will continue to pursue opportunities to grow our business in this region namely by further enhancing our product offering to meet our customers' requirements.

The performance of our Laminates and Components business was affected, during the second half of 2017, by lower sales volumes in our core Laminates business particularly from the Nordic region. Actions have been put in place since then to recover those volumes and improve the profitability of the Laminates business. As for the Components business, the new edging line was fully operational in 4Q17 and, as reported, will allow us to significantly improve our industrial competitiveness and customer offering.

At Sonae Arauco we delivered a sound set of results and made progress in improving the sustainability of our business, namely through the reinforcement of our customer focus and service quality, and on upgrading our industrial assets.

During 2017, Sonae Arauco strengthened its market positioning with a higher focus on product differentiation and customer value. Two new MFC finishes, Fusion and Stucco, were launched in our Innovus decorative product collection. We have also carried out the rebranding of Sonae Arauco combining all previous corporate brands into a single company identity to reflect its mission, vision, strategy and desired market positioning.

The execution of Sonae Arauco's multi-year industrial investment plan also progressed, in 2017, and will proceed in 2018. The plan is focused on providing better products to our customers, capturing market opportunities namely in the higher value added segments, and on improving the competitiveness of our industrial assets.

Now turning to the sad and unfortunate events of last year.

The year was marked by the passing away of Belmiro de Azevedo, Sonae Indústria's leader for 50 years. He had a unique entrepreneurial spirit and vision and leadership style that made him stand out in the wood based panels business, building on a strong management and human resource model, on innovation and on a strong set of deeply imbedded values. We will miss him dearly and will do our best to honour his legacy.

The forest fires in October 2017 severely affected our plants in Mangualde and Oliveira do Hospital and the personal lives of some of our employees. In this respect, and as a result of the strong commitment from our teams and of the support from our stakeholders, in April both sites will be operational again, with improved industrial assets and production processes. Once again I would like to thank our employees at Oliveira do Hospital and Mangualde for their courage and dedication to the company under the extreme circumstances experienced during the fires.

Lastly, I want to express my appreciation to our employees, management teams and Statutory Boards for their contribution over the past year towards making Sonae Indústria a more sustainable and profitable company for all its stakeholders.

Paulo Azevedo
Chairman Sonae Indústria

1. ABOUT SONAE INDÚSTRIA

1.1. BUSINESS

Strategic partnership with Arauco

On 31 May 2016, a strategic partnership between Sonae Indústria SGPS and Inversiones Arauco Internacional, Limitada (Arauco) was completed through "Sonae Arauco", a 50/50 joint-venture involving the European and South African wood based panels and related operations of Sonae Indústria, namely the production facilities of wood based panels, chemicals and paper impregnation. This partnership aims to build a stronger company in the European and South African markets and reinforce Sonae Indústria long term growth commitment in the wood based panels industry.

2017 was the first complete year of the strategic partnership Sonae Arauco.

Fully owned businesses

In addition to the 50% shareholding in Sonae Arauco, Sonae Indústria holds full ownership of the wood based panels business in North America and of the Laminates & Components business, together with some real estate assets in Europe.

PB Particleboard; *MDF* Medium Density Fibreboard; *OSB* Oriented Strand Board; *MF* Melamine Faced Board; *FL* Flooring; *C* Components; *R* Resins; *HPL* High Pressure Laminate; *CPL* Continuous Pressure Laminate; *DP* Direct Printing; *IMP* Impregnation; *WV* Wood Veneer; *VFB* Veneer Faced Board.

SONAE INDÚSTRIA

Portugal
- Maia *HPL*
- Vilela – Paredes *C*

Germany
- Horn *HPL + CPL + C*

Canada
- Lac-Mégantic *PB + MF*

SONAE ARAUCO

Portugal
- Castelo de Paiva *WV*
- Mangualde *MDF + VFB*
- Oliveira do Hospital *PB + MF + IMP*
- Sines *R+IMP*

Spain
- Linares *PB+MF+IMP*
- Valladolid *MDF+MF+DP*

Germany
- Beeskow *PB+MF+MDF*
- Eiweiler *MDF+MF+FL*
- Kaisersesch *IMP*
- Meppen *MDF*
- Nettgau *PB+OSB+MF*

South Africa
- Panbult *PB+MF*
- White River *PB+MDF+MF*

Installed Production Capacity ('000 m³)

SONAE INDÚSTRIA	900
SONAE ARAUCO	4185

Sonae Indústria currently operates a total of 17 plants located in five countries on three continents, of which four plants[1] are fully owned businesses and the remaining 13 are part of the Sonae Arauco partnership, totalling 3,264 employees at the end of 2017. Considering only the fully owned businesses (i.e. without Sonae Arauco contribution) turnover reached 231 million euros in 2017.

Wood based panels

Wood-based panels are valuable alternatives to solid wood with some clear advantages, namely in terms of efficiency in the use of raw materials. Another particular advantage is their dimensional flexibility, which (in

[1] Including Horn laminates plant and real estate whose economic interest belongs to Sonae Indústria (according to the agreement between Sonae Indústria and Arauco) despite the fact that this asset is held by GHP GmbH, currently a subsidiary of Sonae Arauco.

contrast to solid wood) allows for the production of tailor-made sizes, which can be adapted to the clients requirements. Hence, today wood-based panels are replacing solid wood in an increasing number of applications.

Compared to other construction materials such as steel and concrete, wood has significantly lower adverse environmental impacts when used as a building material. Wood-based panels thus have a positive effect on global warming through improved energy efficiency, which enables homeowners to significantly reduce energy spent. Additionally, when used for construction purposes, wood-based panels function as carbon stores, thereby helping to mitigate CO_2 emissions. At the end of their useful life, wood-based panels can be recycled and transformed into new products, in this way re-entering a continuous recycling process. The demand for wood and wood-based panels in the construction industry is therefore expected to steadily increase over time.

In times where extreme climate events like floods and droughts signal that climate change is much more than a theoretical scientific discussion, societies in general – and businesses in particular – are increasingly looking for ways on how to fight these new climate scenarios and realities.

Wood-based products have an important role to play in this reality. Sonae Indústria believes using more wood is a strong contribution to fight climate change, as it reduces CO_2 sources and assures CO_2 sinks and the storage of carbon. The reduction of CO_2 sources results from the fact that wood is a material that stores energy and that it can replace other materials, in several applications, that require more energy – and emissions – in their production. Wood use can also increase CO_2 sinks and storage of carbon, as the forest itself is a unique player in carbon sequestration from the atmosphere: as forests grow, they absorb more CO_2 while forest products keep the carbon stored during their service life. Using wood products encourages further forest growth, and an effective market for wood products provides a financial incentive to invest in active forest management. Additionally, when wood products are reused or recycled, carbon storage is extended during another service life, avoiding CO_2 emissions into the atmosphere.

AWARDS

SONAE INDÚSTRIA - LISTED COMPANY, BEST PERFORMANCE

Sonae Indústria won the Euronext Lisbon Award in the category “Listed Company – Best Performance”. The Euronext Lisbon Awards distinguishes issuers, financial intermediaries, other institutions and individuals that played an important role in the portuguese capital market.

This award was received in February 2018 in relation to the share price performance during 2017. For a detailed description of the share performance please refer to the Information on Shareholdings and Share Performance.

SONAE ARAUCO AND BASF - AVK INNOVATION AWARDS

SONAE ARAUCO and BASF received the AVK INNOVATION AWARD in Germany, in the "Innovative products/composites or applications" category, with a product both companies developed together: 3D mouldable wood fibre composites.

The award-winning product is a distinctive product which will give the furniture industry a stable composite that can be hot-formed.

The companies worked together to develop 3D mouldable wood fibre composites, which will allow new design options to be created. The 3D mouldable wood fibre composites are an innovative, wood-based product, which has the interesting characteristic of being post-mouldable. It originated in BASF's new acForm binder technology.

SONAE ARAUCO - INNOVATION IN CONSTRUCTION AWARD

SONAE ARAUCO received the 2017 INNOVATION IN CONSTRUCTION AWARD in Portugal, with the Innovus Stucco and Fusion finishes elected the best in the Materials and Products category.

This award is a recognition of the continuous development of new products, combining innovation with functionality, quality and the design of the actual product, always with the aim of offering a wider range of solutions to the different segments.

The Innovation in Construction awards began in 2014 with the aim of publicising best practices and commitment from companies in the development of new materials, equipment and products.

INNOVATIVE PROJECTS

DecoChrom Project

The DecoChrom Project is a 48 month project that has been initiated in January 2018. This project elevates printed graphics products to the age of interactivity, and empowers the creative industries with the tools and innovative advanced material sets to design and build aesthetically pleasing practical human interfaces to smart consumer goods and environments. The DecoChrom consortium, of which Sonae - Indústria de Revestimentos, S.A. is a member, develops printed electrochromics (EC) as the mass producible, print industry compatible, ultralow power interactive graphics solution for ambient intelligence. This project brings together a strong interdisciplinary consortium of 15 industry and research balanced partners, with state-of-the-art backgrounds in design, chemistry, printing, coatings and laminates, electronics system integration, and complete electrochromic solutions. This project was funded by the European Union's Horizon 2020 research and innovation programme.

More information at www.decochrom.com

FlexComp Project

The FlexComp Project started in November 2017 as a 24 month project and arises from an identified need in the transport and furnishing markets to replace metal- and polymer-based materials with others having more favourable weight, resilience and sustainability related characteristics. The use of composite materials is an attractive alternative as they promote not only the reduction of fuel consumption, but also of pollutant gas emissions, with the added benefit of higher recyclability. Accordingly, Sonae - Indústria de Revestimentos, S.A. plans to meet the identified needs by providing a postformable compact to the automotive, railway and aerospace industries with minor changes to its manufacturing process. Moreover, FlexComp aims at developing postformable compact products with the ability of adopting more complex geometries with the application of temperature and pressure in moulding processes. This project addresses the societal challenge "Intelligent, Ecological and Integrated Transport" proposed in the Europe 2020 Strategy in a two-pronged approach: weight reduction with direct impact in the reduction of pollutant gas emissions, and recyclability through the possibility of reutilizing the same material in a more sustainable way.

1.2. History

SONAE was founded in 1959 at the site of its present location in Maia. Its first activity was the production of high pressure decorative laminates.

SONAE's expansion and diversification began in 1971 when it took control of Novopan, a particleboard company, located in Rebordosa, near Oporto. At the same time, the first melamine surfacing production line was installed and the components production for the furniture and interior decoration industries also started.

Throughout the 1990s and until 2007, Sonae Indústria made acquisitions and invested significantly in Greenfield projects in Brazil, Canada, South Africa, Portugal, Spain, and the United Kingdom. It is also important to highlight the spin-off, in 2005, from Sonae SGPS, S.A., which had been the shareholder until then.

Between 2008 and 2015, following the global economic and financial crisis, Sonae Indústria went through a restructuring process which led to a significant reduction in installed capacity through assets sales and plant closures, which culminated in the current perimeter, with industrial operations in Portugal, Spain, Germany, Canada and South Africa.

In May 2016, a strategic partnership between Sonae Indústria SGPS and Inversiones Arauco Internacional, Limitada (Arauco) was completed through a 50/50 joint-venture, "Sonae Arauco", involving the European and South African wood based panels, chemicals and paper impregnation activities of Sonae Indústria.

2017 was the first complete year of the strategic partnership with Arauco in Sonae Arauco.

Also in 2017, Tafisa Canada celebrated its 25th anniversary. 25 years of success, that turned Tafisa Canada into a world leader in fashion-forward interiors and operational excellence thanks to its devoted employees, business partners and prime clients in North America. To highlight the 25th anniversary, Tafisa Canada organized a tour visit of the industrial unit in Lac-Mégantic for its employees and their relatives. This initiative was well received and the employees were proud to show their families their day-to-day work place.

1.3. Products

Raw and technical products

Sonae Indústria "raw and technical products" are comprised of:

- **Particleboard (PB),** a very versatile product, suitable for all general uses in furniture and construction industries;

- **Medium density fibreboard (MDF),** an excellent substitute for solid wood and ideal for furniture, flooring and the building industry;

- **Oriented strand board (OSB)** a product which is highly resistant and suitable for structural and non-structural applications in the construction industry. Due to its natural wooden appearance it is increasingly being used for decorative purposes as well, mostly in public spaces and shop-fitting.

More than 50% of the "raw board" production is then transformed into value added products such as **melamine faced board,** accoustic panels and others. These are used in a great variety of applications, such as home and office furniture, kitchen and bath cabinets shelving, doors, wall paneling, packaging and interior decoration.

Decorative Products

A STRONGER RANGE OF DECORATIVE PRODUCTS IN NORTH AMERICA: VIVA™ THE TRUE TOUCH OF WOOD™

In 2016, following the investment in a new melamine surfacing line with Embossed in-register (EIR) capabilities, Tafisa Canada created two series of melamine faced products: the Prelude™ series and the Sommet™ series which included the new Viva™ texture Embossed In-register with 10 innovative designs.

In 2017, Tafisa Canada introduced five new colours in the Isola texture from its Prelude™ Series. With the look and feel of a painted or lacquered finish, Tafisa stayed abreast of the market's needs. In addition to the introduction of two new VIVA™ colours, Tafisa Canada also strengthened its market position as a design leader with its VIVA™ collection, now with 12 exquisite colours.

The collection launch in autumn 2017 was extremely well received by our customers and surpassed every previous collection launch. This is only the beginning of innovative Embossed in-register (EIR) products to be brought to the market.

More information at www.tafisa.ca.

A COMPLETE RANGE OF DECORATIVE PRODUCTS IN EUROPE: INNOVUS®

INNOVUS® Decorative Products is the European brand for decorative products available in the same decors and finishes as decorative surfaced boards (Particleboard and MDF) and laminates and compacts. INNOVUS® Global Collection, with over 220 decorative choices, offers unlimited solutions and inspiration for all creative and productive needs.

The INNOVUS® collection also includes a comprehensive range of special products, such as:

INNOVUS® Coloured MDF, a product that combines the strength and technical properties of the Medium Density Fibreboard with the visual appeal of a versatile range of colours. INNOVUS® Coloured MDF can also be combined with the trendy INNOVUS® melamine decors, which results in a unique and truly distinctive decorative solution.

INNOVUS® ESSENCE, a product range using double-sided embossed in register (EIR®) technology to obtain decorative panels with the look and feel of real wood in a melamine surfaced panel. INNOVUS® ESSENCE, with its two structures – Rustic and Authentic – and nine wood shades was developed with a variety of applications in mind such as doors, living room furniture and wall panelling, in applications that really value the natural effect of wood.

INNOVUS® MAGNETIC, a range of laminates that can be used for sticking magnets or to write on with markers or chalk. This functional and decorative solution is ideal for partitions and wall coverings for shops, offices, schools and nurseries and even at home.

During 2017, Sonae Arauco launched two new Innovus finishes: Stucco and Fusion. With these new finishes Innovus will diversify its product range and reflect the most recent market trends. The products with Stucco and Fusion finishes are designed to be used in a wide range of spaces, such as bedrooms, living rooms, kitchens, bathrooms, restaurants or hotels, as well as in finishes or doors.

Stucco, the concrete/ceramic texture

The Stucco finish is inspired by industrial environments, urban lofts and materials of a natural origin. It feels like cement with a touch of ceramics on a structured surface, which is comfortable and tactile and has a balanced level of gloss. The Stucco finish can be used to recreate environments reminiscent of rocky landscapes. This finish is available in five new decors and it is environmentally sustainable because it recreates cement without actually using it. Stucco is also available in another four Innovus range decors.

Fusion, the texture of wood

In turn, the Fusion finish has a warm, natural texture, reminiscent of hand carved wood. This finish was developed to be used on all kinds of materials, making it possible to design warm, cosy atmospheres. In addition to seven new decors, Fusion is also available in ten other decors already well-known in the market.

More information at www.sonaearauco.com.

SONAE ARAUCO NEW BRAND AND CORPORATE IMAGE

By the time the joint-venture was completed, a new company was born and the creation of a new brand and corporate image was set as a goal in 2017. The challenge was to create a new brand that would bring together the strengths and the uniqueness of each shareholder while maintaining a strong industrial soul.

Hence, Sonae Indústria and Arauco joined forces to create a stronger history to tell the world. Sonae Arauco was born to be a strong wood-based brand. A single name to represent the commercial and corporate identity for the future that lies ahead, unifying and uniting. Sonae Arauco was born with the ambition to be the company of choice of its employees, partners and clients and to create innovative wood-based products to improve people's lives.

TAKING WOOD FURTHER

Sonae Arauco brand was created to communicate a new distinctive company identity. The company logo was built with unique letters designed in each name, exemplifying the adaptability, flexibility and capacity to evolve as an important part of the company's DNA.

The tagline "taking wood further", besides illustrating Sonae Arauco's passion for wood, is also a powerful communication tool which transcends itself. Together, we take anything further.

More information at www.sonaearauco.com.

1.4. STRATEGY

The way in which Sonae Indústria views itself as a company, acts and interacts with others and with the surroundings represents a corporate culture that promotes continuous improvement – always challenging ourselves to perform better – and is sustained by the company's Mission, Vision and Values.

VISION:

To be recognised as a sustainable world leader in the wood-based panels industry, consistently providing our customers with the best value products, upholding the highest standards of service and promoting responsible business and environmental practices.

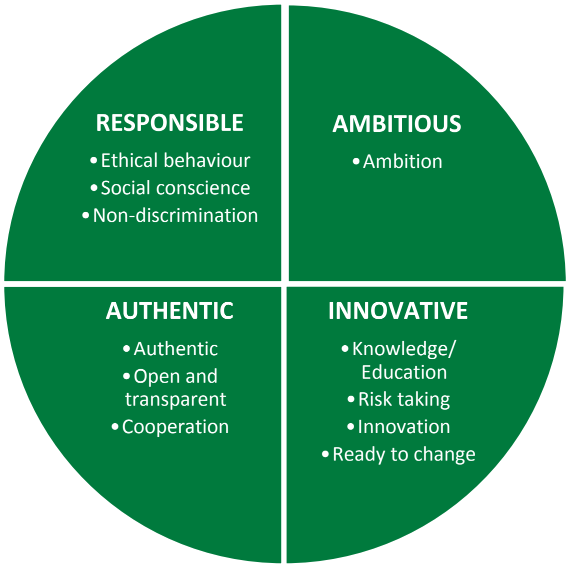
MISSION:

Our aim is to deliver the full potential of wood-based panels for the benefit of our customers, shareholders, employees, and society.

We base our operations on sound corporate governance, continuously improving the efficiency of our operations, actively promoting innovation and providing a motivated, safe and fair working environment.

VALUES & PRINCIPLES

Sonae Indústria's values represent the foundation stone on which we build our business and they serve to guide our behaviour. Our value system is focused on four main principles: Ambitious, Innovative, Authentic and Responsible, which can then be sub-divided in the values and capabilities illustrated in the picture below.



STRATEGIC GUIDELINES:

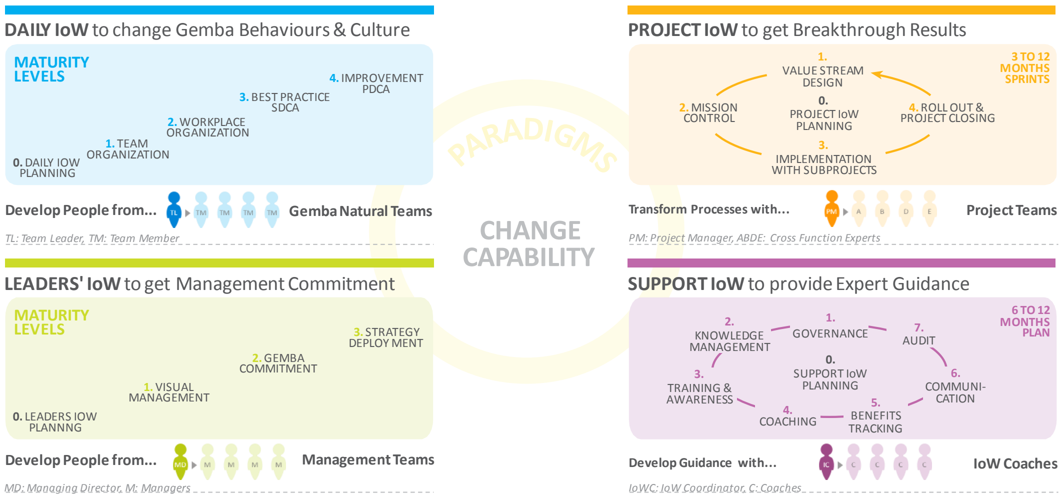
1) Continue to improve the product mix and customer service with a focus in setting the trends in premium decorative solutions for the North American market leveraging on Tafisa Canada market position in the provisioning of melamine finishings.
2) Develop the Laminates business and improve profitability by looking for growth opportunities with existing and new customers and markets and by enhancing the partnerships with Tafisa Canada and Sonae Arauco for the provision of matching laminates. Seek to improve significantly our industrial competitiveness and customer offering in Components by leveraging on the new edging line.
3) Support Sonae Arauco in achieving its strategic objectives focused on investing in productivity and flexibility, improving product quality and service level offered to our customers and improving its offer in decorative products.
4) Seek a more balanced and flexible capital structure in order to finance the future growth of the business.

1.5. IMPROVING OUR WORK (IOW) INITIATIVE

The IoW (Improving our Work) initiative is a pillar of Sonae's culture and way of working. It is a powerful philosophy and methodology in search of productivity and quality, everyday, everywhere, by everyone, creating sustainable value for Sonae's stakeholders.

Based on the improvement cycle, the IoW model is structured around 4 pillars:

- **Daily IoW:** improve the Natural Teams and promote a continuous improvement culture;
- **Project IoW:** processes improvements with multidisciplinary teams;
- **Leaders IoW:** deployment, follow-up and support of strategy implementation with management teams;
- **Support IoW:** provide support to all IoW activities by IoW team.



The IoW model aims to develop change capability in the organization, by fostering changes in behaviours and improvements in business processes, ensuring operational excellence in order to improve our overall performance.

Sonae Indústria embraced the IoW programme in an enthusiastic way, as the company believes this is the way to “Improve our Company”.

Four years after the implementation of its Continuous Improvement System (IoW Program), Sonae Indústria continues its journey with IoW.

The “Daily IoW” pillar is still our main focus, enabling all the teams to potentiate the use of IoW tools according to their specific needs and with focus on extracting value and delivering results. Internal and external customers satisfaction is the main driver. Natural teams are implementing Daily IoW routines, such as standardised meetings, 5S tools, and working on standardization of processes and continuous improvement of teams.

During 2017, we have also organized and started the IoW-Project implementation, to better manage the longer term and more disruptive initiatives.

At Sonae Arauco, we have also reinforced the involvement of our Top-Management with the IoW-Leaders training programme, and extended IoW-Support activities such as training, coaching and assessment. We clearly believe that the effort placed in the training of our employees, ensuring a common language and increasing their skills is a key success factor.

2017 was a year to consolidate what was already implemented and to improve the implementation process based on the lessons learned during the past years. As a next step we want to ensure that the improvements achieved are sustained, shared and considered as part of our way to work.

1.6. 2017 KEY CORPORATE EVENTS

21 March 2017	FY16 consolidated results announced
9 May 2017	Announcement on resolutions taken by the Shareholder's Annual General Meeting
9 May 2017	1Q17 consolidated results announced
22 May 2017	Announcement of commercial registry of share capital reduction
13 July 2017	Announcement of reverse stock split
28 July 2017	Announcement of commercial registry of articles of association amendment
7 September 2017	1H17 consolidated results announced
12 October 2017	Announcement of the sale of shareholding by a 50% owned company
16 October 2017	Announcement of fires that impact industrial units of a 50% owned company
27 October 2017	Update on wildfires impact on Sonae Arauco industrial units
16 November 2017	9M17 consolidated results announced

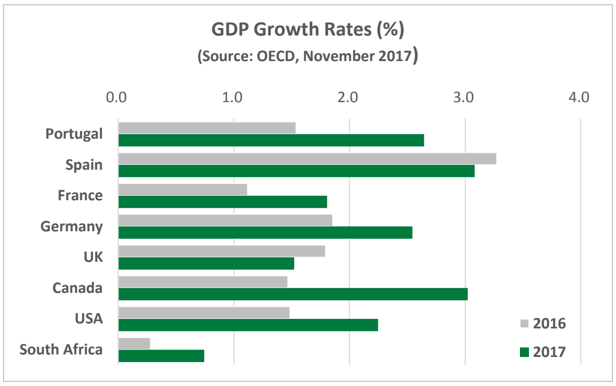
2. SECTOR REVIEW

Macroeconomic context

The economic recovery in the European Union continued with an expected positive growth rate of 2.3%[2], in 2017, with private consumption as the main growth driver. The improved performance of the labour market combined with an accommodative monetary policy targeting easier credit conditions (short-term interest rates for the euro area continue to be negative) contributed to the growth of private consumption. The levels of investment also increased, supported by the accommodative monetary policy and higher levels of business confidence. From a trade perspective, Euro area presented again a surplus in the current account balance.

As regards the US economy, 2017 was another year of economic expansion. The increased levels of business and consumer confidence and the positive performance of the labour market (low unemployment rates and sustained and relevant job creation) contributed to higher levels of investment and private consumption which were important growth drivers.

Brief analysis by region:



- 2017 represented the fourth year of growth in the Iberian Peninsula with positive GDP[3] growth rates, circa 3.1% growth is expected in Spain and 2.6% in Portugal. Despite the still high unemployment rates in both countries, these have been continuously decreasing and the labour market continues to improve. From a trade perspective, Portugal and Spain registered a surplus in the current account balance, in line with the last five years. Notwithstanding the higher inflation rates, the private consumption expenditure followed the more optimistic prospects and continued to grow, sustaining the economic expansion in this region. The residential construction sector, which is fairly correlated with the economic environment, kept the positive trend of 2016, as indicated by the building permits y.o.y. increases in both countries (20%[4] in Portugal and a more substantial growth in Spain, increasing by circa 26%[5]).

- Germany is expected to grow by 2.5%, in 2017, (up by circa 0.7 p.p. *vs.* 2016), supported by higher consumption and investment levels and the persistent surplus in the current account balance. The improved performance of labour market and easier credit conditions contributed to higher private consumption and investment levels. However, the euro appreciation and wages increase may affect competitiveness. The positive macroeconomic environment has been playing a crucial part in the residential construction sector steady recovery, which evidenced an exceptional y.o.y. increase in the number of building permits in 2016 (up by circa 21%[6]) that was slightly reversed by the y.o.y decrease of 5%[7] in 2017.

---

[2] Source: International Monetary Fund, World Economic Outlook Database, January 2018
[3] GDP: Gross Domestic Product.
[4] Source: *Instituto Nacional de Estatística*, March 2018 ("*Nova habitação residencial*", cumulative 12 months evolution until December 2017).
[5] Source: *Ministerio de Fomento*, February 2018 (Total "New Housing", cumulative 12 months evolution until December 2017).
[6] Source: German Federal Statistics Office, March 2018 ("Permits for new construction, dwelling", cumulative 12 months evolution until December 2016).
[7] Source: German Federal Statistics Office, March 2018 ("Permits for new construction, dwelling", cumulative 12 months evolution until December 2017).

- In North America, both Canada and USA continued to grow in 2017. Accordingly, for 2017 a 2.2% GDP growth is expected for the US economy and the Canadian economy is expected to have grown 3.0%, circa 0.8 p.p. and 1.6 p.p above 2016 levels, respectively. The private consumption and investment positive performance have been stimulating the economic growth in both countries, supported by a more robust labour market and increased levels on consumer confidence. Accordingly, in Canada housing starts increased by 5.9%[8] y.o.y and in USA the number of housing starts increased by 3.9%[9] y.o.y.

- For South Africa, OECD estimates point to a flat GDP growth of 0.7% (up by circa 0.5 p.p. *vs.* 2016). This moderate increase was made possible mainly by a recovery in the agricultural sector and a favourable evolution of commodity prices. The low consumer and business confidence and very high unemployment levels (circa 28%[10] in 2017) contributed to lower levels of investment and contrasted with the private consumption increase.
  The combination of all these factors led to a weak growth in a context of macroeconomic uncertainties, resulting in positive backdrop for the residential construction sector, as evidenced by the slight y.o.y. increase of circa 2%[11] in the number of residential building permits.

Wood based panels

North America (Tafisa Canada)

Demand by product

Despite good overall economic conditions in Canada and in the US, the consumption of particleboard in North America did not increase in 2017. Estimates published by the Composite Panel Association (CPA) indicate that total North America particleboard shipments were flat, in 2017, when compared to 2016.

Supply information

Main investments by key industry players in North America announced since 2015:

- Arauco: USD 400 million investment in a new particleboard plant in Michigan (USA) with an expected capacity of 0.8 million m^3, which should start producing in the second half of 2018;

- Kronospan: total investments of USD 363 million in its Alabama (USA) MDF/HDF plant, adding a particleboard line, melamine surfacing capacity, impregnation and potentially resin production. Estimated commissioning in early 2019;

- Swiss Krono: total investments of USD 230 million in its HDF/MDF plant in South Carolina (USA): 0.28 million m^3 MDF/HDF line and expansion of laminate flooring.

- Egger: investments in South Carolina of EUR 260 million related with the first phase of a long term investment plan. The first phase includes particleboard and melamine faced particleboard and production should start in 2020.

---

[8] Source: Canada Mortgage and Housing Corporation, March 2018 (“Building permits (units)”, cumulative 12 months evolution until December 2017).
[9] Source: United States Census Bureau, January 2018 (“Housing units started”, cumulative 12 months evolution until December 2017).
[10] Source: OECD Statistics, Economic Outlook No 102 dataset- November 2017
[11] Source: Statistics South Africa, March 2018 (“Building plans for residential buildings (number)”, cumulative 12 months evolution until December 2017).

Europe (Sonae Arauco)

Demand by product

In 2017, in the EPF[12] member countries, **particleboard** apparent consumption is expected to grow by 1.2%[13], amounting to 29.5[13] million m^3. Overall, particleboard is expected to grow steadily on the back of global construction and furniture uptake (with positive input from demographics and urbanization).

MDF consumption in Europe as a whole is expected to slightly increase by 1.2%[13] in 2017, up to 11.2[13] million m^3. Germany remains as the largest European consumer of MDF panels, in 2017, with a consumption of approximately 3.4[13] million m^3, followed by Poland and the United Kingdom. No country is forecasted to experience a decline in MDF consumption during 2017.

In relation to **OSB,** further to several years of contraction and a marked improvement in 2016, consumption in Europe is expected to have increased sharply in 2017.

Supply information[14]

The overall European **particleboard** production capacity kept the positive trend registered since 2014, leading to an expected increase of 5.9%, in 2017. However, these production levels remain below the output peak of 37.8 million m^3 registered in 2007.

MDF production capacity in Europe is expected to grow 0.9%, in 2017.

European **OSB** production capacity is forecasted to increase by 5.2% in 2017. Investments in OSB capacity are expected to continue in 2018, mostly in Eastern European countries.

Considering specifically the European markets where Sonae Indústria has an industrial presence through Sonae Arauco, particleboard capacity in the Iberian Peninsula is estimated to be circa 3.7 million m^3, in 2017, with an increase of circa 0.2 million m^3 expected, in 2018. It is also worth mentioning the increasing market pressure due to exports from Poland, where Egger is investing in a new particleboard plant with an annual capacity of 0.65 million m^3 (which should start production at the end of 2018) and Forte has invested in a new particleboard line with an annual capacity of circa 0.5 million m^3 that started production in February 2018.

Laminates

The market for Laminates has grown moderately during the last few years in Europe. ICDLI[15] expects European HPL market to grow 2%, both in 2017 and 2018. Market structure in Europe is characterized by being fragmented, without dominant positions. In the next years, consolidation is expected along with a continuous focus from manufacturers on product differentiation and innovation to maintain market position.

[12] European Panel Federation (EPF)

[13] Source: EPF: European Panel Federation, Annual Report 2016/2017

[14] Sources: Sonae Arauco internal estimates and competitors public information

[15] International Committee of the Decorative Laminates Industry

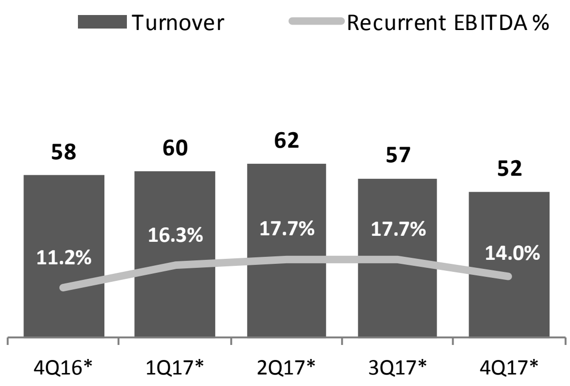
3. BUSINESS REVIEW

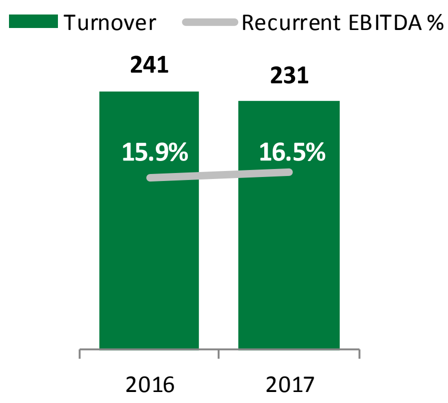
EXPLANATORY COMMENTS ON CONSOLIDATED INCOME STATEMENT

The Consolidated Income Statement considers all the companies included in the consolidation perimeter of Sonae Arauco classified as Discontinued Operations until May 2016 and accounted by the Equity Method as of 1 June 2016.

3.1. TURNOVER & RECURRENT EBITDA

TURNOVER and RECURRENT EBITDA
Million euros





*Quarterly information unaudited.

Consolidated Turnover reached circa 231.0 million euros in 2017, a reduction of circa 9.9 million euros (-4.1%) vs. 2016. The reduction in consolidated turnover was primarily driven by lower **sales volumes** in our North American business, which more than offset the increase in **average selling prices** in the Canadian market, but also by lower sales to the Nordic markets by our Laminates & Components business in the second half of the year.

Variable costs per cubic meter increased, when compared with the previous year, by circa 2.8%, mainly driven by the higher input costs of chemicals. In the fourth quarter, variable costs per cubic meter decreased when compared with 4Q16, noting that the latter was affected by high maintenance costs.

Recurrent EBITDA in 2017 reached 38.1 million euros, marginally below 2016 (circa -0.3 million euros or -0.7%), driven by a lower contribution from the North American business, affected by the higher chemical costs and lower sales volumes. However, the 2017 **Recurrent EBITDA margin** reached 16.5%, up by circa 0.6 p.p. vs. 2016.

Consolidated **EBITDA** in 2017 reached 39.3 million euros, circa 1.1 million euros higher than last year, benefiting from positive non recurrent items in 2017. Consolidated EBITDA, in 4Q17, stood at circa 8.7 million euros, an increase of circa 2.3 million euros vs. 4Q16, due to the already mentioned increase in Recurrent EBITDA combined with positive non recurrent items this year.

3.2. CONSOLIDATED FINANCIAL PERFORMANCE

3.2.1 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT
Million euros

	2016	2017	2017 / 2016	4Q16 Unaudited	3Q17 Unaudited	4Q17 Unaudited	4Q17 / 4Q16	4Q17 / 3Q17
Turnover	**240.9**	**231.0**	**(4.1%)**	**58.2**	**57.0**	**52.2**	**(10.4%)**	**(8.4%)**
Other operational income	5.8	7.1	22.6%	1.2	1.1	3.2	-	-
EBITDA	38.3	39.3	2.8%	6.4	10.0	8.7	35.5%	(13.0%)
Non recurrent items	(0.1)	1.2	-	(0.1)	(0.1)	1.4	-	-
Recurrent EBITDA	**38.4**	**38.1**	**(0.7%)**	**6.5**	**10.1**	**7.3**	**11.3%**	**(27.8%)**
Recurrent EBITDA Margin %	15.9%	16.5%	0.6 pp	11.2%	17.7%	14.0%	2.7 pp	-3.7 pp
Depreciation and amortisation	(12.1)	(12.6)	(4.1%)	(3.2)	(3.1)	(3.3)	(3.0%)	(6.3%)
Provisions and impairment Losses	(3.6)	(3.8)	(6.0%)	(4.0)	0.0	(3.8)	4.4%	-
Operational profit (EBIT)	**22.6**	**23.0**	**1.5%**	**(0.7)**	**6.9**	**1.6**	**-**	**(76.1%)**
Net financial charges	(16.5)	(11.6)	29.7%	(3.2)	(2.6)	(2.9)	9.2%	(12.7%)
o.w. Net interest charges	(13.1)	(8.2)	37.7%	(2.5)	(2.0)	(2.0)	18.8%	(3.2%)
o.w. Net exchange differences	(0.1)	(0.7)	-	0.1	0.2	(0.1)	-	-
o.w. Net financial discounts	(1.8)	(1.7)	2.0%	(0.5)	(0.4)	(0.4)	8.6%	(0.2%)
Gains and losses in Joint-Ventures - Net Results	5.5	12.8	132.5%	(0.7)	4.4	(0.8)	(13.4%)	-
Gains and losses in Joint-Ventures - Other	0.0	(2.5)	-	0.0	0.0	(2.5)	-	-
Profit before taxes (EBT)	**11.6**	**21.7**	**86.6%**	**(4.7)**	**8.7**	**(4.6)**	**2.0%**	**-**
Taxes	(8.6)	(6.5)	24.6%	(1.7)	(1.9)	(1.1)	38.1%	42.2%
o.w. Current tax	(8.9)	(7.1)	20.2%	(1.4)	(2.2)	(1.0)	28.8%	52.7%
o.w. Deferred tax	0.3	0.7	88.7%	(0.3)	0.3	(0.1)	80.7%	(121.0%)
Profit/(loss) from continued operations	**3.1**	**15.3**	**-**	**(6.4)**	**6.9**	**(5.6)**	**(11.8%)**	**-**
Profit/(loss) from discontinued operations	7.9	0.0	(100.0%)	38.7	0.0	0.0	(100.0%)	-
Consolidated net profit/(loss) for the period	**11.0**	**15.3**	**38.7%**	**32.3**	**6.9**	**(5.6)**	**(117.5%)**	**-**

Total **fixed costs** in 2017 represented circa 16.5% of turnover, a reduction of 0.4 p.p. when compared to 2016, despite the reduction in turnover, benefiting from one-off adjustments to accruals, which were negative in 4Q16 and positive in 1Q17.

Total **headcount of Sonae Indústria**, at the end of December 2017, was 486 FTE's excluding Sonae Arauco, which compares with 485 FTE's at the end of December 2016.

Depreciation and amortization charges in 2017 were circa 12.6 million euros, which represents an increase of 4.1% when compared to 2016, mainly explained by the higher depreciation charges in our North American operation, which in 2017 take into account for the full period the investment in the new melamine surfacing line completed in 2Q16.

Provisions and impairment losses in 2017 represent a charge of circa 3.8 million euros, 0.2 million higher than in 2016. Provisions and Impairment Losses of circa 3.8 million euros were booked in 4Q17, which include the recognition of circa 3.3 million euros (net) provisions mainly related to the legacy of claims under competition law in Germany.

Net financial charges in 2017 were 11.6 million euros, circa 4.9 million euros lower than 2016. This is essentially explained by a decrease of circa 5.0 million euros in Net Interest Charges resulting from the reduction of net debt and the cost of debt and also by the fact that 2016 figures included the recognition of previously deferred upfront financing costs of 1.9 million Euros.

Gains and losses in Joint-Ventures – Net Results refers to 50% of the net results of Sonae Arauco in the period (equity method accounting). This amounted to 12.8 million euros, in 2017, and compares with 5.5 million euros registered in 2016, which only considered the last seven months of that year (the period after the completion of Sonae Arauco partnership).

Gains and losses in Joint-Ventures – Other amounted to circa -2.5 million euros in 2017. It should be noted that, pursuant to the agreement with Arauco, some Sonae Arauco's expenses and contingent liabilities are the responsibility of Sonae Indústria and, accordingly, Sonae Indústria compensates Sonae Arauco for these expenses via cash contributions to Sonae Arauco for the full amounts paid or incurred. Since 50% of these expenses are already reflected in Sonae Indústria's income statement through the net results of Sonae Arauco, the remaining

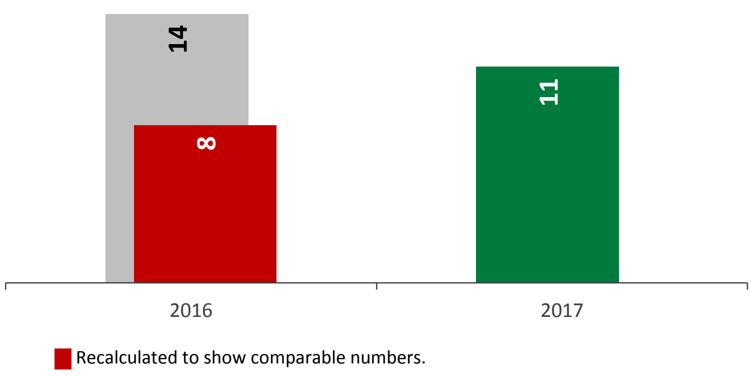
50% are reflected through Gains and Losses in Joint-Ventures – Other. In 2016, there were no amounts booked under this item.

Current tax charges were 7.1 million euros in 2017, a decrease of circa 1.8 million euros when compared to 2016, mainly driven by lower tax charges in Canada.

Net results for 2017 were positive of circa 15.3 million euros, an improvement of circa 4.3 million euros when compared to the 11.0 million euros registered in 2016. It should be noted that 2016 results from discontinued operations included circa 2.1 million positive one off accounting effects related with the closing of the Sonae Arauco partnership as then reported. The improvement in net results, when compared to 2016, is explained mostly by the lower Net Financial Charges previously referred to and also to the lower taxes.

3.2.2 CAPEX

ADDITIONAL GROSS TANGIBLE FIXED ASSETS
Million Euros



Additions to Gross Tangible Fixed Assets reached 11.3 million euros, in 2017, circa 3.1 million euros higher when compared to 2016, on a like for like basis considering the current scope of companies. The figure for 2017 includes the investments made in our North American plant and also the investment in the new edging and drilling high capacity production line for our Components plant in Portugal which will allow to improve its product and service offer, adapting it to market requirements and high quality standards.

3.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EXPLANATORY COMMENTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As from June 2016, the Consolidated Statement of Financial Position represents the position of Sonae Indústria under the current perimeter with the 50% shareholding in Sonae Arauco equity accounted.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Million euros

	2016	9M17 Unaudited	2017
Non current assets	**352.8**	**352.4**	**360.2**
Tangible assets	148.1	142.5	146.2
Investments in joint ventures	195.9	201.3	205.6
Deferred tax asset	1.4	1.4	1.5
Other non current assets	7.4	7.2	6.9
Current assets	**44.7**	**45.7**	**40.9**
Inventories	18.1	17.2	17.0
Trade debtors	15.2	19.0	13.6
Cash and cash equivalents	4.8	2.8	4.1
Other current assets	6.6	6.7	6.2
Non-current assets classified as available for sale	**1.5**	**1.5**	**0.0**
Total assets	**399.0**	**399.7**	**401.0**
Shareholders' Funds	**110.3**	**125.9**	**126.1**
Equity Holders	110.3	125.9	126.1
Non-controlling interests	0.0	0.0	0.0
Liabilities	**288.7**	**273.8**	**274.9**
Interest bearing debt	218.3	212.8	212.7
Non current	216.0	204.0	198.5
Current	2.3	8.7	14.2
Trade creditors	23.1	22.0	19.6
Other liabilities	47.3	39.0	42.5
Total Shareholders'Funds and liabilities	**399.0**	**399.7**	**401.0**
Net debt	**213.5**	**209.9**	**208.7**
Working Capital	**10.3**	**14.2**	**11.0**

Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached 205.6 million euros, which is circa 9.7 million euros higher than the book value of this investment at the end of 2016. The main increases, in 2017, are 12.8 million euros of our share of Sonae Arauco's results less circa 5.7 million euros of dividends paid plus 50% of the amount of cash contributions made by Sonae Indústria to Sonae Arauco (referred to under Gains and losses in Joint-Ventures – Other).

Consolidated **Working Capital** reached circa 11.0 million euros, a decrease of 3.2 million Euros when compared to September 2017, explained by the reduction in trade debtors and inventories, which more than offset the decrease in trade creditors.

Net Debt stood at circa 208.7 million euros at the end of December 2017, representing a decrease of circa 1.3 million euros vs. September 2017 and a decrease of circa 4.9 million euros when compared to the end of 2016.

Total **Shareholders' Funds**, at the end of December 2017, totalled 126.1 million euros, which represents an increase of circa 15.8 million euros when compared to 2016, mostly explained by the positive net results in the year.

3.3. INDIVIDUAL RESULTS OF SONAE INDÚSTRIA, SGPS, S.A.

In 2017, Sonae Indústria, SGPS, SA, as the holding company of the Group, generated on its individual accounts a positive Net Result of 36,149,789.54 euros.

An amount of 108,258.00 euros is already considered in the net result for the variable remuneration of the managing director that receives its remuneration directly in Sonae Indústria, SGPS, SA, as a distribution of profit, pursuant to number 2 of article 32 of the Articles of Association, as proposed by the Shareholders Remuneration Committee, which is responsible for the implementation of the remuneration policy as approved at the Shareholders General Meeting held on 9 May 2017.

That Net Result was mostly driven by results related with investments in subsidiaries and joint ventures of 46.8 million euros, which comprised mainly the reversal of impairment on the value of the investment in Sonae Arauco of circa 32.1 million euros, dividends from Megantic BV of circa +15.6 million euros and dividends from Sonae Arauco of circa +5.7 million euros net of circa -4.9 million euros of the cash contributions from Sonae Indústria to Sonae Arauco.

3.4. PROPOSED ALLOCATION OF RESULTS

In accordance with applicable legal and statutory terms, the Board of Directors proposes to the Shareholders' General Meeting that the positive results of 36,149,789.54 euros in Sonae Indústria, SGPS, SA 2017 individual accounts are allocated as follows:

Amounts in Euro	**2017**
Legal Reserves	1,807,489.48
Free Reserves	34,342,300.06

3.5. PROPORTIONAL INDICATORS (UNAUDITED PRO FORMA)

EXPLANATORY COMMENTS ON PROPORTIONAL INDICATORS

Due to the fact that in the audited accounts, one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the equity method since 1 June 2016, in order to provide a more comprehensive view of Sonae Indústria's underlying business, financial results, financial leverage and valuation analyses, unaudited pro forma **Proportional Indicators** are also presented.

These Proportional Indicators consider the full contribution of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco. Proportional Indicators are pro forma because they consider the changes in the consolidation perimeter that occurred in 2016 reported to 1 January 2015 and the proportional consolidation of Sonae Arauco companies since then and not since 31 May 2016 when the partnership was setup.

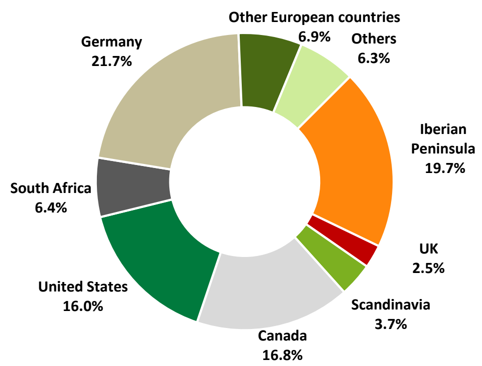
Proportional Indicators are not audited. In respect of Proportional Indicators, Sonae Indústria external auditors have carried out an analysis of the consistency of the assumptions and of the figures considered by Sonae Indústria in the calculation of those Proportional Indicators.

FINANCIAL INDICATORS (unaudited and *pro forma*)	2016	2017
Proportional Turnover	639	630
Proportional Rec. EBITDA	90	89
Proportional Rec. EBITDA margin	14.1%	14.0%
LEVERAGE		
Proportional Net Debt	312	301
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	**3.5 x**	**3.4 x**
LOAN TO VALUE		
Net Debt of Sonae Indústria	214	209
Asset Value[2]	500	496
LTV (Net Debt of Sonae Indústria / Asset Value)	**43%**	**42%**

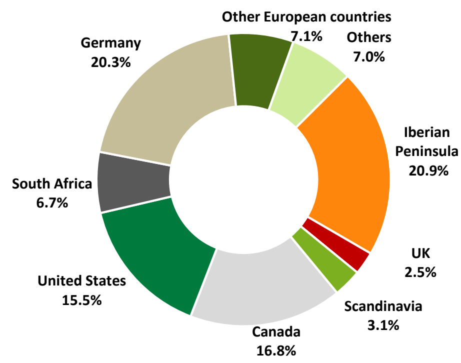
[2] Calculated as described in the Glossary of Terms. This compares with a Consensus 'Asset Value' of EUR 522M based on the average of the sum of the parts valuation (as at year-end 2018) of Sonae Indústria assets carried out by two independent equity research houses.

In 2017, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.4x, which represents an improvement of circa 0.1x vs. 2016, driven by lower Net Debt. **Loan to Value** also improved when compared to 2016, decreasing to 42% at the end of 2017.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 2016

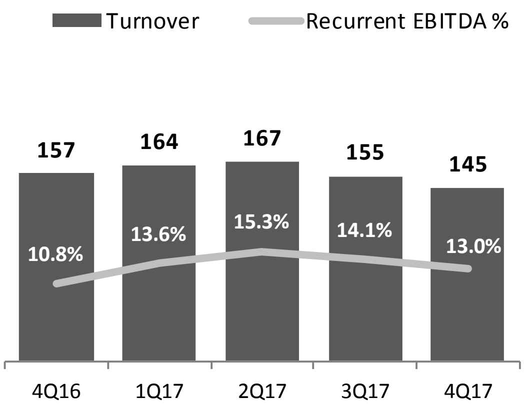


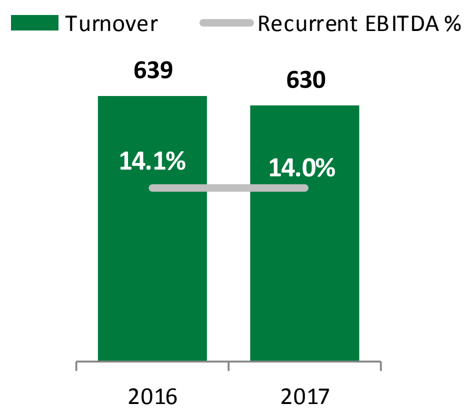
PROPORTIONAL TURNOVER BY DESTINATION MARKET – 2017



PROPORTIONAL TURNOVER and RECURRENT EBITDA (unaudited and *pro forma*)

Million euros





Proportional Turnover in 2017 reached 630 million euros, down by circa 1.4% when compared to 2016, on a comparable basis. The top line evolution is explained by the already mentioned lower sales in our fully owned businesses as Sonae Arauco turnover increased marginally when compared to 2016, despite the negative effect on turnover due to the forest fires that caused the stoppage of Mangualde and Oliveira do Hospital plants since mid October (as insurance compensation proceeds are not booked under turnover).

The **average unitary variable costs (per m^3)** increased y.o.y. in Canada and in all regions where Sonae Arauco operates, a reflection of higher chemical input prices.

Total **headcount for Sonae Indústria,** at the end of December 2017, was 3,264 FTEs including 100% of Sonae Arauco operations.

3.6. OUTLOOK FOR 2018

During 2018, we expect the general macroeconomic environment in Europe and in North America to remain robust, supporting demand for our products. On the supply side, we should see some new capacity coming on stream in both Eastern Europe and North America.

In North America, we will continue to pursue opportunities to grow our business, namely by further enhancing our product offering, improving quality and service levels and strengthening our decorative solutions with the planned launch of new melamine colours and finishings during 2018.

In our Laminates business, we will focus on increasing sales volumes and improving profitability levels. We will also seek to enhance the partnership with Sonae Arauco for the provision of matching laminates for its decorative offering and will look for opportunities to sell laminates into North American market. As for the Components business, we will leverage on the new edging and drilling line to improve significantly our industrial competitiveness and customer offering and increase sales volumes.

At Sonae Arauco, we expect to continue to increase the levels of operating profitability, thanks to a combination of an expected continued healthy demand for our products in Europe with the benefits of our recent investments in capacity debottlenecking and productivity enhancement. In South Africa, the macroeconomic situation is expected to remain challenging which, as in 2017, should continue to impact the profitability levels in the region. After the completion of the on-going recovery plans, we expect to be able to fully restart production at our Portuguese plants during the first half of 2018.

Focus will continue on the monetization of real estate and equipment related with our inactive sites and efforts to further reduce the running costs of these sites will also continue.

With the continuous support from our key stakeholders, we expect to be able to reinforce the company's long term growth commitment and its competitive position in the wood based panels industry.

3.7. INFORMATION ON SHAREHOLDINGS AND SHARE PERFORMANCE

Sonae Indústria, SGPS, SA is a company listed in the NYSE Euronext Lisbon, with a majority shareholder – EFANOR – that currently controls approximately 68.6% of the share capital.

Share Capital Reduction

In May 2017, Sonae Indústria reduced its share capital from 812,107,574.17 euros to 253,319,797.26 euros, to cover losses evidenced in the company's accounts in the amount of 558,787,776.91 euros, without change of the existent number of shares, pursuant to a resolution taken by the Shareholders' Annual General Meeting held on 9 May 2017.

Thereby, the share capital of Sonae Indústria is currently 253,319,797.26 Euros.

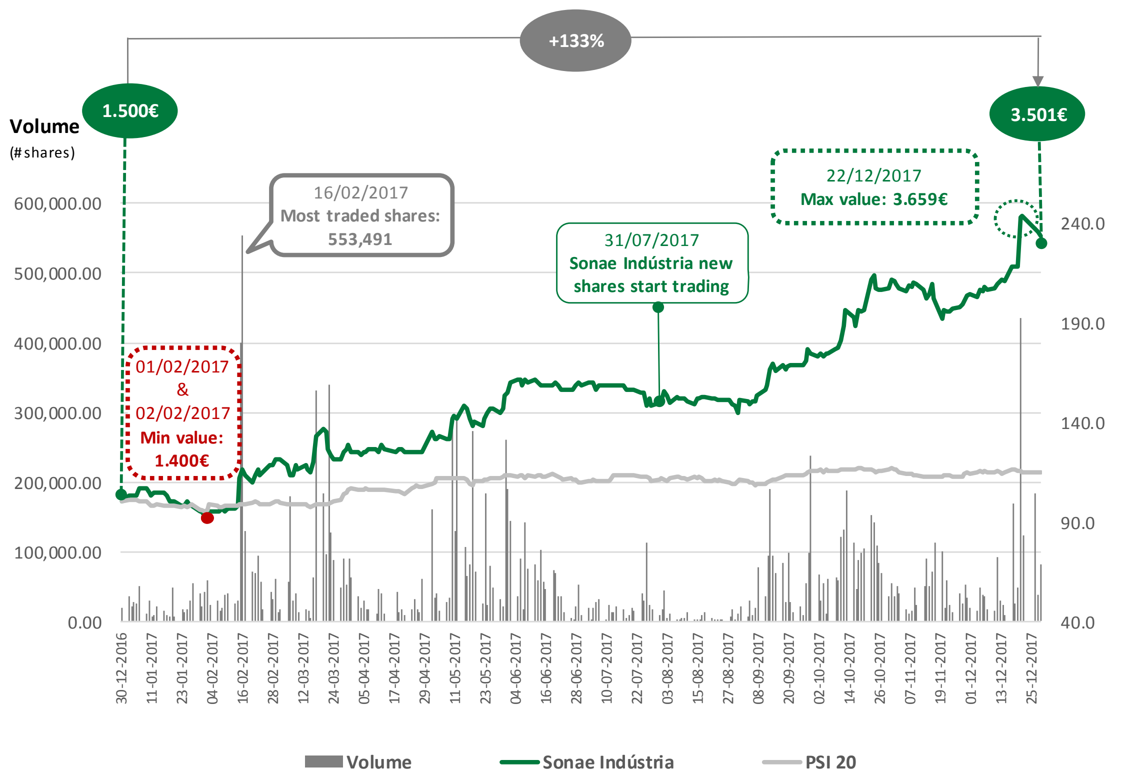
Reverse Stock Split

At the Annual Shareholders' General Meeting held on 9 May 2017, shareholders approved: (i) the donation of 167 shares representative of Sonae Indústria's share capital and their cancellation, without share capital reduction and (ii) to proceed, under the terms set forth in Article 23-E of the Securities Code, with a reverse stock split of the remaining 11,350,757,250 shares representing the share capital of Sonae Indústria, by applying a regrouping quotient of 250, corresponding to each 250 shares 1 new share, with a rounding by default to the nearest whole number. The shares with ISIN code PTS3P0AM0017, were traded up to 28 July 2017, inclusive, and the trading of the shares with the new ISIN code PTS3P0AM0025 began on 31 July 2017, the effective date of the reverse stock split. After the reverse stock split, the share capital of Sonae Indústria is represented by 45,403,029 ordinary, registered and nominative shares, without nominal value.

Share performance

ISIN Code	**PTS3P0AM0025**	(Until 28/07/2017: ISIN Code PTS3P0AM0017)
Bloomberg Code	**SONI**	
Reuters Code	**SONI.LS**	

	2014	2015	2016	**2017**
Share Capital	812,107,574.17	812,107,574.17	812,107,574.17	**253,319,797.26**
Total number of shares	11,350,757,417	11,350,757,417	11,350,757,417	**45,403,029**
Net Results	-115,720,185	-36,004,592	11,008,954	**15,265,731**
Net Results per share	-0.010	-0.003	0.001	**0.336**
Dividends per share	0.000	0.000	0.000	**0.000**
Prices				
Year High	0.8660	0.0097	0.0079	**3.6590**
Year Low	0.0059	0.0058	0.0043	**1.4000**
Year Average	0.4552	0.0077	0.0054	**2.2956**
Share price as at 31-Dec	0.0064	0.0080	0.0060	**3.5010**
Market Capitalization as at 31-Dec	72,644,847	90,806,059	68,104,545	**158,956,005**
Average trading volumes per day (shares)	4,390,031	8,037,786	8,455,716	**57,761**



* Data until 31/07/2017 were recalculated considering the reverse stock split.

Sonae Indústria's performance is quite dependent on the business cycles, which are correlated with the residential construction and furniture industries. As such, the share price evolution of Sonae Indústria has been historically impacted by business cycles.

During 2017, Sonae Indústria's share price registered a significant increase, contrasting with a less pronounced appreciation of the Portuguese Stock Market index (PSI 20). Accordingly, Sonae Indústria's share price increased by 133% from the end of 2016 until the end of 2017 (with the index PSI 20 increasing 15%).

The highest daily trading volume of Sonae Indústria shares was registered on 16 February (533,491[16] shares).

The minimum share price during 2017 was registered in two consecutive sessions: 1 and 2 February (1.400€[16]). On the other hand, the maximum share price was achieved on 22 December (3.659€).

Regarding liquidity, Sonae Indústria's share had, during 2017, an average turnover of 57,761[16] shares per day.

Due to Sonae Indústria's share price performance in 2017, the company received the award "Listed Company – Best Performance", at the Euronext Lisbon awards 2018.

3.8. TRANSACTIONS WITH OWN SHARES

Sonae Indústria, SGPS, S.A. did not hold any own shares as at 31 December 2017. Notwithstanding, it should be mentioned in this respect that, as announced by the company further to the approval obtained on 2017 Shareholders' Annual General Meeting and to carry out the reverse stock split process, Sonae Indústria, SGPS, S.A. accepted the donation of 167 shares representative of its share capital and proceeded with their cancellation, without share capital reduction. Moreover, in the scope of the reverse stock split process and using the possibility provided for in no. 5 of article 23-E of the Securities Code, Sonae Indústria SGPS, S.A. appointed Banco BPI, SA to purchase from the company's shareholders any excess shares resulting from the rounding process inherent in the reverse stock split.

3.9. DIVIDEND POLICY

The Board of Directors has set a target to distribute to its shareholders 50% of the company's yearly profits.

The actual dividend pay-out ratio is proposed by the Board of Directors each year, taking into consideration the sustainability of the company's capital structure and the available financing sources, as well as the current investment plans.

3.10. SUBSEQUENT EVENTS

From the three raw boards presses that were stopped as a result of the forest fires which affected Sonae Arauco plants in Portugal in October 2017, Mangualde MDF line 1 and line 2 resumed production in January and March, respectively, while the Oliveira do Hospital PB line is expected to resume production in early April. The timeline for execution of the investment in the new MDF line at Mangualde has not been affected by the forest fires disruption and the new line is expected to be operational by the end of 3Q18.

[16] Figures already adjusted for the Reverse Stock Split that occurred in July.

4. Risk Management

4.1. Credit Risk Management Policy

a) Receivables (Customers)

Sonae Indústria credit risk derives mainly from account receivables items associated with its operating activity.

The main objective of Sonae Indústria Credit Risk Management policy is to guarantee the effective collection of its operating receivables, according to the most commercially adequate reduced payment terms, while maintaining the level of debtors' impairments as low as possible.

In order to mitigate credit risk related with potential customers defaulting on payment of outstanding receivables, Group companies have:

- established a Committee to analyse and monitor, on a quarterly basis, credit risks;
- implemented common proactive and preventive credit management procedures and processes, supported by IT systems;
- established appropriate risk coverage mechanisms (for example, credit insurance, letters of credit, bank guarantees).

To foster the sharing of experiences, the alignment of procedures and practices and to ensure the enforcement of sound controlling rules, Sonae Arauco promotes, on a yearly basis, the "Customer's Credit Risk Management Forum". During 2017 Sonae Arauco has also implemented a project to review and optimize the group's current practices.

b) Financial assets other than trade debtors

In addition to its operating activities and the related trade debtor balances, Group companies have other financial assets, which are mainly associated with its cash management activities and with deposits in financial institutions. As a result of these bank movements and balances, credit risk arises from the potential counterparty default by the applicable financial institutions. This risk is, nevertheless, considered as low due to the limited duration and amounts typically involved in bank deposits and to the credit profile of the financial institutions used by Group companies.

4.2. Market Risks

a) Interest Rate Risk

Due to the significant proportion of floating rate debt and the consequent cash flows related to interest payments, the company is exposed to interest rate risk.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges", which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria.

As an exception to this general rule, Sonae Indústria may engage in certain interest rates derivatives, solely aimed at hedging existing risk exposures and only to the extent that the risks and valuation of such derivatives can be accurately assessed by the company. Sonae Indústria subsidiaries do not engage in interest rate derivatives for trading, speculative or profit making purposes.

b) Foreign Exchange Risk

As a geographically diversified Group, present in three different continents, Sonae Indústria is exposed to foreign exchange risk. Consolidated Statements of Financial Position and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries are exposed to foreign exchange risk of both translation and transaction type.

As a Group rule, whenever possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency, thus mitigating exchange risks.

Also as a rule, in situations where relevant exchange risk arises from trade in a currency other than that of the subsidiary, exchange risk should be mitigated through the use of short term forward exchange rate agreements contracted by the subsidiary exposed to such risk. Sonae Indústria subsidiaries do not engage in forward exchange rate agreements for trading, speculative or profit making purposes.

As a policy, translation risk in connection with the conversion of the equity investments in foreign non-euro subsidiaries is not hedged, as these are considered long-term investments. Also, it is assumed that hedging transactions would not add value in the long term. Gains and losses related to the translation at different exchange rates of assets and liabilities of foreign non-euro subsidiaries are accounted as equity under the “Other Accumulated Comprehensive Income”.

c) Liquidity Risk

Liquidity risk management in Sonae Indústria aims to ensure that the company can obtain, on a timely basis, the financing required to properly carry on its business activities, implement its strategy and meet its payment obligations when due, under the most favourable terms and conditions.

For this purpose, liquidity management at the Group comprises:

- consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);
- diversification of financing sources;
- diversification of debt maturities issued in order to avoid excessive concentration of debt repayments in short periods of time;
- negotiation of (committed and uncommitted) credit facilities, commercial paper programmes and other facilities with relationship banks to ensure the right balance between satisfactory liquidity and adequate commitment fees;
- active access and management of subsidiaries cash positions and cash flows taking into account the Group’s objectives on liquidity.

4.3. LEGAL RISKS

Sonae Indústria and its affiliates and subsidiaries are subject and actively promote the respect for applicable laws in countries and regions where they operate. Changes in these legal environments can result in changes or restrictions to the present conditions of exploitation and can lead to increased costs.

Sonae Indústria, SGPS, S.A. is and intends to continue being recognised for the way it abides by the rules and values of competition based on merit, the force of free markets and unrestricted respect for the consumer. In order to achieve that goal, measures are in place to reinforce the promotion and dissemination of the existing compliance initiatives within the Group. Such measures include training for employees in order to ensure that all parts of our organisation, across all geographies, have a deeper and more complete awareness and a more rigorous respect for their legal obligations.

4.4. OPERATIONAL RISKS

The production of wood-based panels is an industrial activity with a significant operational risk, which arises, namely from eventual fire and explosion accidents. Consequently, operational risk management is a key concern of the company and Sonae Indústria is active in the implementation of standards and best practices and in the selection of state of the art systems and solutions that are capable of reducing industrial risks.

For a detailed description of these risks and the initiatives undertaken to mitigate them, please refer to the Corporate Governance Report.

5. CORPORATE RESPONSIBILITY (UNAUDITED)

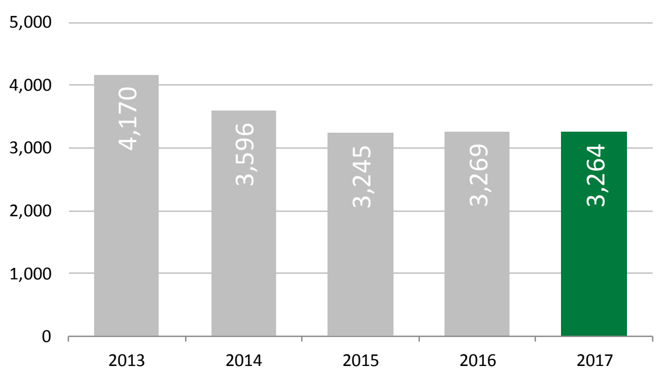
Note: information in this section includes full Sonae Arauco activity which means that aggregate data consider 100% of Sonae Arauco figures also in 2016 and 2017.

5.1. SOCIAL REPORT

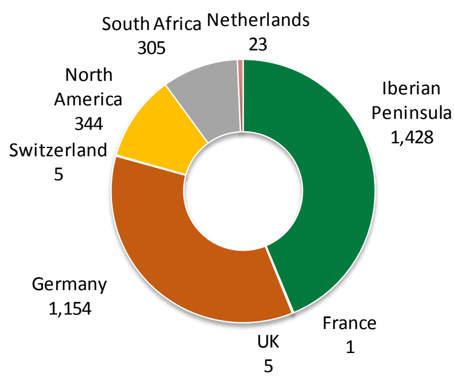
PEOPLE

At Sonae Indústria, we believe that people are the key resource to drive change and secure a more profitable and sustainable business in the future. We care for the safety and well-being of our employees and we strive to support their personal and professional development so that they fulfil their own career aspirations. Each employee is an individual and it is this diversity that makes up the richness in Sonae Indústria's culture. We have expressed our commitment towards our people in the corporate values of Cooperation, Non-discrimination and Health and Safety.

Number of Employees (excluding Trainees)

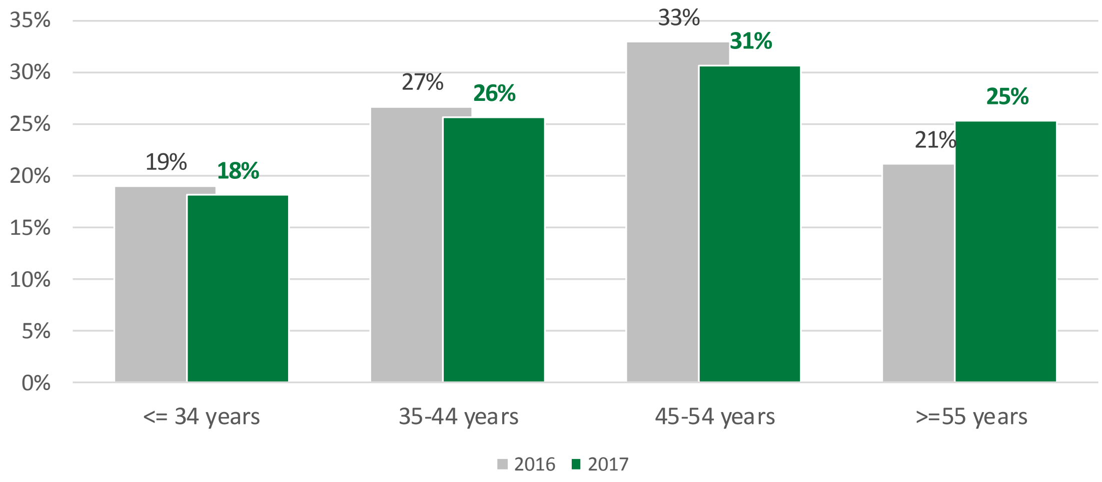


Employees per country / region (excluding Trainees)



At the end of 2017, Sonae Indústria employed 486 employees (excluding trainees) which compares with 485 employees at the end of 2016. Considering 100% of Sonae Arauco, the number of employees reaches 3,264 people in ten different countries, similar to the value registered at the end of 2016. The reduction in the number of employees between 2013 and 2015 was mostly explained by the restructuring that took place between 2008 and 2015, following the global economic and financial crisis. Since 2016, Sonae Indústria mantained a stable headcount structure.

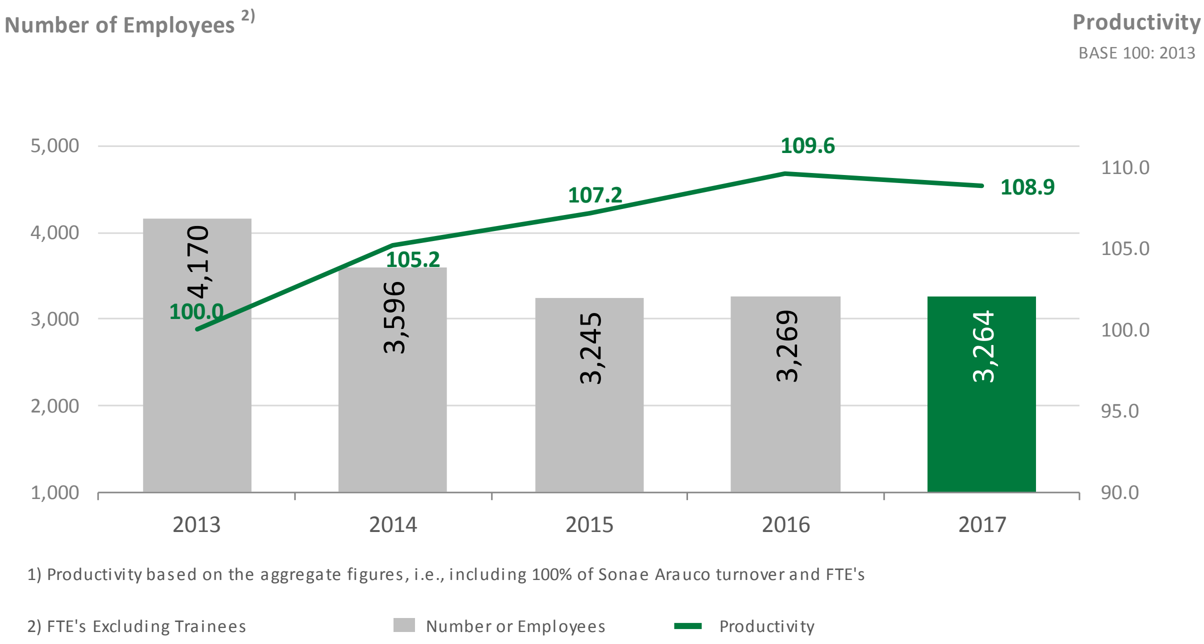
Workforce by age group



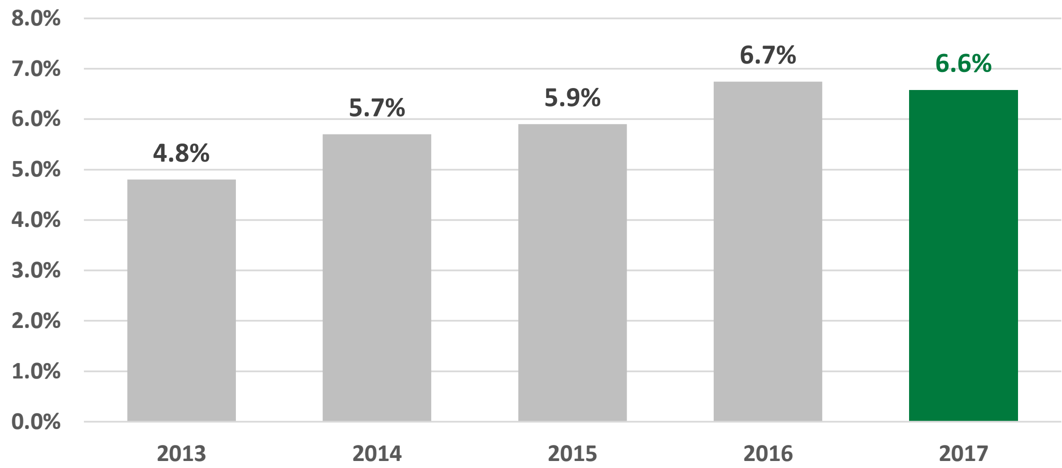
The most representative age group at Sonae Indústria (including 100% of Sonae Arauco) ranges between 45 and 54 years (corresponding to 31% of the total employees). It should also be noted that women represent circa 17% of the total workforce of the company, the same percentage as recorded in 2016.

Productivity (1)

Between 2013 and 2016, productivity increased strongly, particularly driven by the restructuring process that the company went through until 2015. In 2017, productivity was marginally lower (-0.7%) than in 2016.



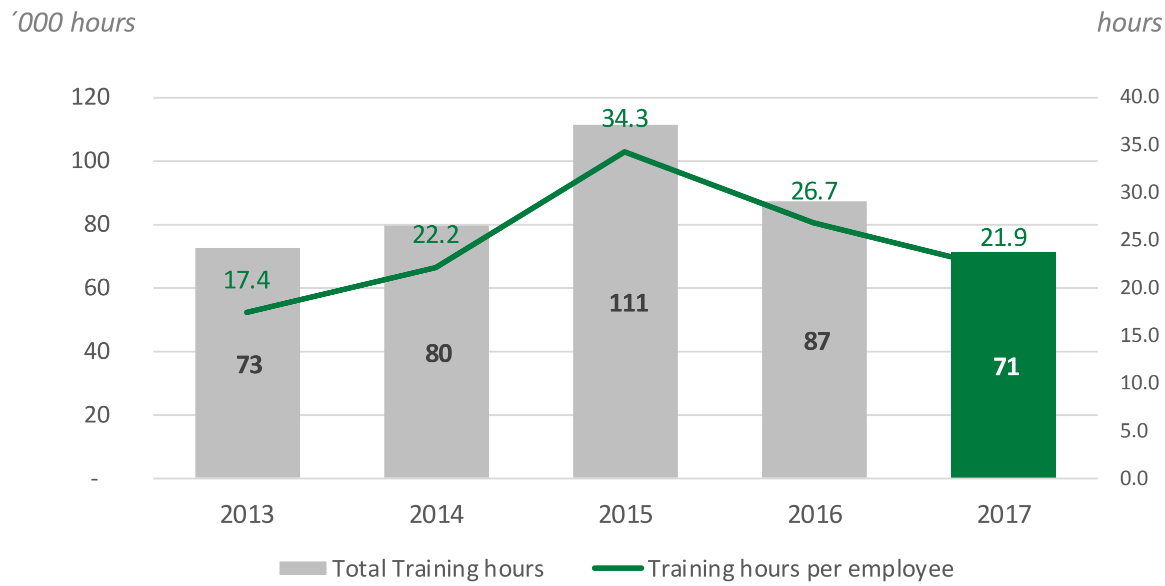
Absenteeism rate (%)



Absenteeism had been increasing over the last years, mainly due to long-term leaves. Sonae Indústria has an ageing workforce with the consequent growing rate of prolonged absences due to natural diseases.

Due to these results in 2014 Sonae Indústria took the decision to set up a working group to address this subject, in order to reduce the absenteeism levels in a responsible way. The group has already identified some corrective measures which started to be implemented during 2016 with effects expected to take place in subsequent years. In 2017, the average absenteeism rate for Sonae Indústria decreased slightly to 6.6%.

Total training hours and training hours by employee



In 2015, the number of training hours per employee increased significantly, mainly as the result of the IoW (Improving our Work) implementation and the associated training initiatives, which involved a significant number of participants and training hours. These continuous improvement programmes, which in the past were supported by external entities, are since 2014 supported by internal training activities and best practices sharing in specific forums. As a large portion of Sonae Indústria's employees were, by the end of 2015, already trained in IoW, the number of training hours decreased in 2016 and 2017, registering an average of 21.9 hours per employee during this year.

PARTNERSHIPS WITH UNIVERSITIES

With the objective of developing and improving the characteristics of our products and to build a Centre for Research, Development and Innovation, we have developed partnerships with five Portuguese universities; *Faculdade de Engenharia da Universidade do Porto* (FEUP), *Escola Superior Tecnológica de Viseu* (ESTV), *Universidade de Aveiro* (UA), *Universidade Nova de Lisboa* (UNL) and *Instituto de Higiene e Medicina Tropical* (IHMT), as well as with four research institutes - *Associação Rede de Competência em Polímeros* (ARCP), *Pólo de Inovação em Engenharia de Polímeros* (PIEP), *Centro de Nanotecnologia e Materiais Técnicos, Funcionais e Inteligentes* (CENTI) and *TechMinho*. These partnerships provide the basis for product and process innovation in the Group and encourage the proximity between our company and the academic community. At the moment, and within the defined competences framework, the main objectives of our research centre are as follows:

- G0 – New polymers, fundamental investigation;
- G1 – Resins – industrial control and monitoring;
- G2 – Wood based panels – development of new products, analysis of physical and mechanical characteristics, and performance evaluation of gluing systems;
- G3 – Impregnated papers and laminates – impregnation, performance characterization, development of new products / processes;
- G4 – Emissions – analysis of VOC[17] emissions, in particular the formaldehyde ones.

With the above mentioned objectives in mind, Sonae Indústria, through its affiliates, has a series of facilities and equipment in the campus of the University of Porto.

With this partnership, Sonae Indústria has privileged access to faculty, equipment and techniques, researchers' Know-how, development of new technologies and methodologies and a permanent access to high value technicians that could potentially be integrated in the company.

INVOLVEMENT IN LOCAL COMMUNITY

At Sonae Indústria, most of our people have a common inherent desire to improve the conditions of those in need in the local communities where we are present. In some specific situations, the employees are involved with social institutions or charities and the company encourages them to actively participate in these initiatives.

In the different countries where Sonae Indústria operates, the specific needs for help and contribution vary greatly depending on the communities' level of welfare, presence of social security systems as well as the culture and values of the local citizens. Therefore, the community-related activities are prioritized and managed at local level.

SONAE ARAUCO

Sonae Arauco opened the doors of both its head office and manufacturing plants to high school and university students, allowing students to have a brief insight of the daily tasks performed at these locations, and to have a better understanding of its business.

During the month of December, the usual Christmas Campaign was held and, once again, employees showed their solidarity by donating food, which was collected and offered to local institutions.

Throughout the year, the manufacturing units offered various donations to schools, institutions and universities. Products were also distributed to institutions such as schools, local fire departments, social and cultural associations, Rotary clubs and sports associations.

Since July 2017, the Sonae Arauco´s industrial unit in Valladolid has been involved in a project of mentoring for the STEM talent development (Science, Technology, Engineering and Mathematics) and the promotion of

[17] Volatile organic compound emissions.

scientific and technological vocations aimed specifically at women with the aim to inspire and empower the next generation of women leaders in science and technology.

In South Africa, Sonae Arauco engaged in several actions, not only through financial assistance, but also through active partnerships, promoting and participating in awareness campaigns. The main focuses were education (including bursaries and skills), education initiatives to teachers and the Worldwide Fund for Nature (WWF). In 2017 seven teachers were selected to attend the Annual International Creativity Educators Conference and 12 students from disadvantaged backgrounds have graduated and completed their 1-year apprenticeship program (Furntech) and are now able to open their own woodwork businesses or find employment in the wood manufacturing sector - a great achievement for all these students.

TAFISA CANADA

In 2017, Tafisa Canada and its employees continued to support the “Fondation du Centre de Santé et de Services Sociaux du Granit” (Health and Social Services Foundation) through voluntary donations. This partnership has helped to maintain and improve health care services provided to the entire population of Lac-Mégantic and surrounding communities, for the past 14 years. For every dollar donated by an employee, Tafisa Canada contributed an equal amount to the organization.

For a second year in a row, a group of employees participated in the Enbridge® Ride to Conquer Cancer®, which is an epic, two-day cycling event spanning over 200 kilometres. The money raised helps fund cancer research and care at the Segal Cancer Centre at the Jewish General Hospital and throughout Quebec.

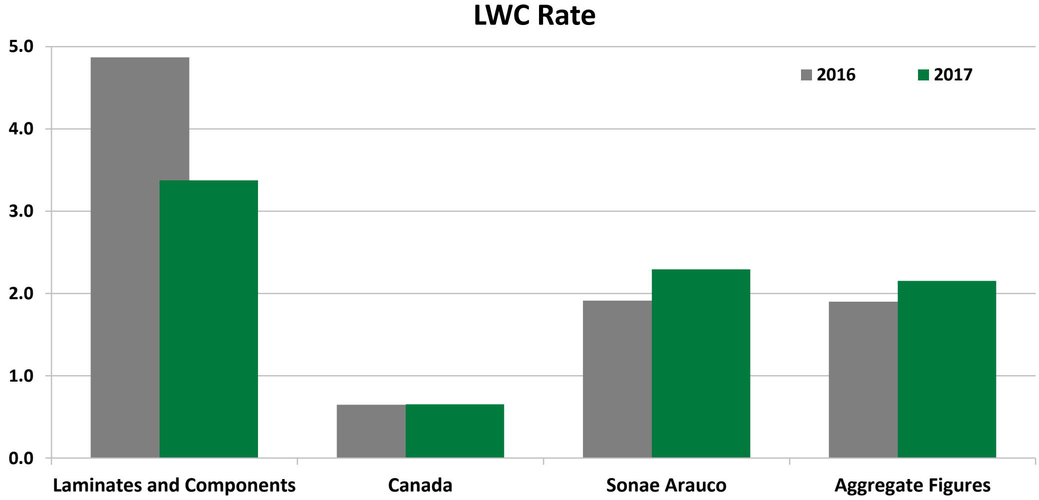
Also for the second consecutive year, Tafisa’s employees participated in a dragon boat charity race to raise funds for “La Maison La Cinquième Saison”, a non-profit organization dedicated to the care of people who are in the final stages of their lives. The all-day, tournament-style festival consisted of boat races between teams from local businesses and community organizations. This amazing team-building experience is becoming a tradition to the community. Tafisa Canada proudly made a donation on behalf of its employees who won the race in their category.

Tafisa Canada and its employees remained dedicated to their roles as good corporate citizens. As leaders in the community, the company aimed to give back through monetary support and voluntary commitment. Resources were directed towards the support of longstanding community events such as the annual family bike tour, the snow kite competition, the winter Carnival and the world cup 10km swimming FINA competition. In July 2017, the town of Lac-Mégantic also hosted the first Canada Man/Woman Extreme Triathlon in North America, one of the toughest full distance triathlons in the world, comparable to similar ones in Norway, Scotland, Alaska and Switzerland. Several employees of Tafisa Canada participated in the shorter version of the extreme event and Tafisa Canada was amongst the sponsors of the race.

Finally, the company supported several youth sports, education programs and local food bank, as well as various activities and charitable causes involving employees and their families.

KEY HEALTH AND SAFETY PERFORMANCE INDICATORS

The chart below represents the Lost Workday Cases (LWC) rate[18]:



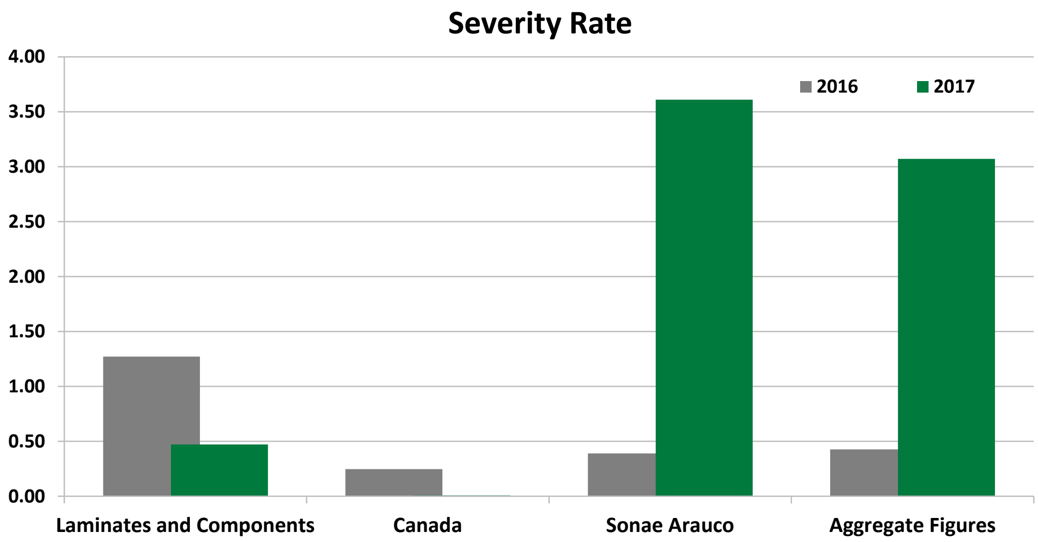
During 2017, Sonae Indústria's overall LWC rate deteriorated 16% (compared with 2016 rate) essentially due to two fatalities that occurred in two Sonae Arauco industrial sites.

Sonae Arauco has long committed itself and works hard to ensure the safety of its workers and operations. A healthy and safe workplace is always an absolute priority and we never compromise in this area. Health and Safety is deeply enrooted in daily routines with a proactive and preventive approach. Every day, each team analyzes its performance, debates on unsafe conditions and activities and shares lessons learned from other industrial sites of the Group. This methodology strives for a common responsibility on creating and maintaining, safe working conditions and workplaces.

Despite all the measures and commitment, we deeply regret the decease of two workers in workplace accidents occurred at two Sonae Arauco European sites in 2017. Both accidents involved industrial moving machines and safety procedures that had not been followed. After the first fatality, the company implemented an emergency program that, in less than 20 days, evaluated all 24 sites with same potential for accident. A team of 90 people identified almost 700 actions aimed at trying to ensure that such tragic events will not happen again. This plan was closely monitored, with weekly follow ups done at each site, aimed at tracking the evolution and increasing the awareness on the importance of the initiatives.

Looking at the LWC rate results for the other main businesses, a relevant improvement was achieved by Laminates and Components (with a reduction of circa 30%) with only a marginal deterioration in the Canadian operation figures.

[18] **Lost Workday Cases:** fatality, any occupational injury or illness that prevents the employee from reporting to work on any subsequent scheduled shift. A death as result of occupational injuriy and illnesses is a LWC regardless of the time between injury and decease as a consequence of the illness.
LWC Rate = (Number of LWC x 200,000) / Number of hours worked calculated on a 200,000 employee-hour base (100 full-time employees working 50 weeks, 40 hours per week).



The Severity rate relates to the seriousness of the injuries based on the days lost. The already mentioned two fatalities registered in Sonae Arauco European sites significantly impacted this indicator, as evidenced by its very negative year-on-year evolution[19]. As referred, inspections and comprehensive action plans were carried out in all Sonae Arauco sites to guarantee that the same conditions would never occur in any of the industrial sites.

On an individual analysis, compared with 2016, the other two business have achieved very good improvements - Laminates and Components with an improvement of 61% and Canada with an improvement of 96% on this indicator.

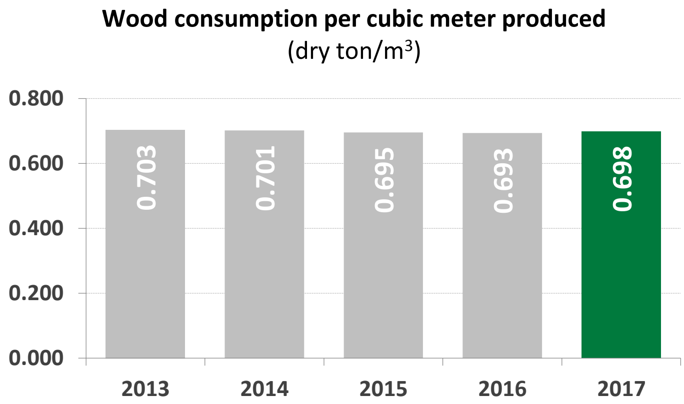
5.2. ENVIRONMENTAL REPORT

Wood consumption (dry ton / m3)

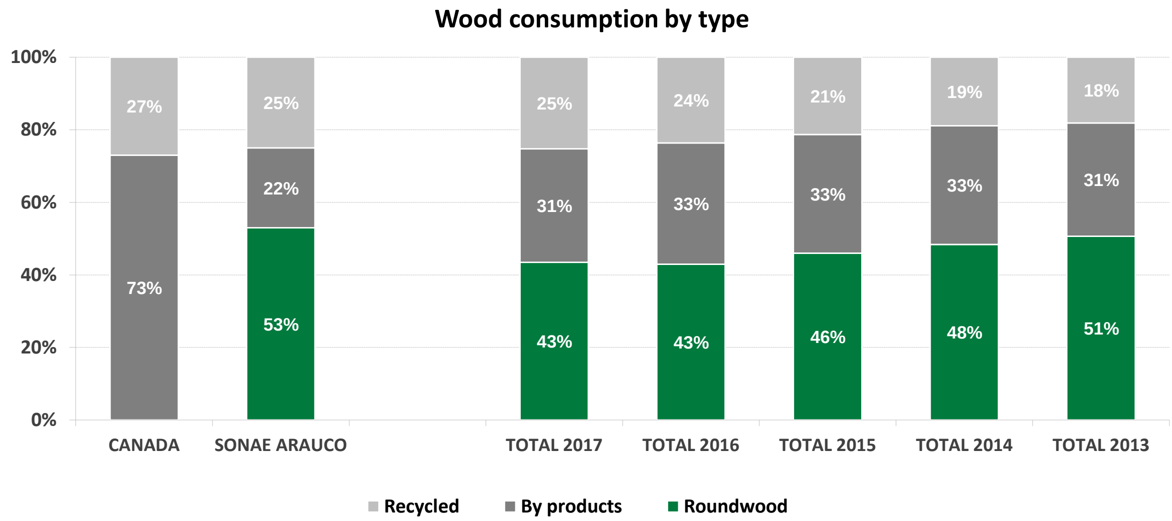
Wood is Sonae Indústria's primary raw material, considering the business in Canada and Sonae Arauco. As a major user of this natural, renewable and recyclable material, we believe that using recycled wood and wood by-products in our production is part of our sustained contribution towards mitigating CO2 emissions and climate change.

The figures below consider the board businesses (aggregate figures of Canada and Sonae Arauco) and show the global evolution of the wood mix consumption and wood use efficiency figures, which illustrate our continuous efforts within this key operational area.

[19] **Severity rate** = Number of workdays lost due to LWC*1,000 / Number of hours worked. A fatality is considered by adding 7,500 days in the numerator.



Specific wood consumption for Sonae Indústria's portfolio registered a marginal increase when compared to 2016. Despite the increase in the wood consumption per cubic meter produced, total wood consumption has reduced as there was a reduction on the output (partially explained by the downtime of Sonae Arauco PB and MDF sites following October forest fires).



Similar to the last years, Sonae Indústria global wood supply mix for the board operations continues to reveal an increase of recycled material in detriment of by products and roundwood.

In 2017, incorporation of recycled material reached 25% (increase of 1 p.p. compared with 2016). This effect was mainly due to Sonae Arauco operations, in particular, at Oliveira do Hospital (Portugal), Linares (Spain) and Nettgau (Germany) that, in line with recent past, continued to invest on the steady development of the industrial process to enable growth of recycled material intake. Canada operation maintained the level of incorporation of recycled and by products within the same values of 2016.

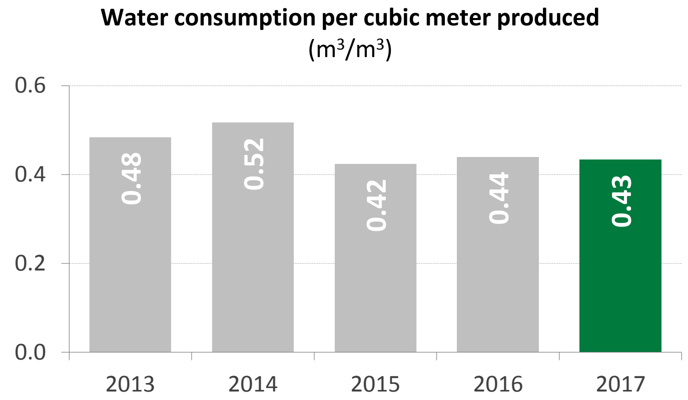
Water consumption (m^3/m^3)

Municipal, surface and underground water

Sonae Indústria's board production process requires water. Therefore, it is part of the company's environmental objectives to continuously make sustained efforts to re-use treated wastewater and to measure and reduce the levels of water consumption as much as possible.

Overall, the specific water consumption has slightly decreased during 2017, when compared with 2016, mainly due to the effect of the reduction of MDF production in the global production portfolio.

In relation to Sonae Arauco's operations, the fact of Portuguese sites affected by the forest fires were stopped from October onwards also contributed to the reduction of water consumption, in particular in Mangualde, that is a heavy water consumer.

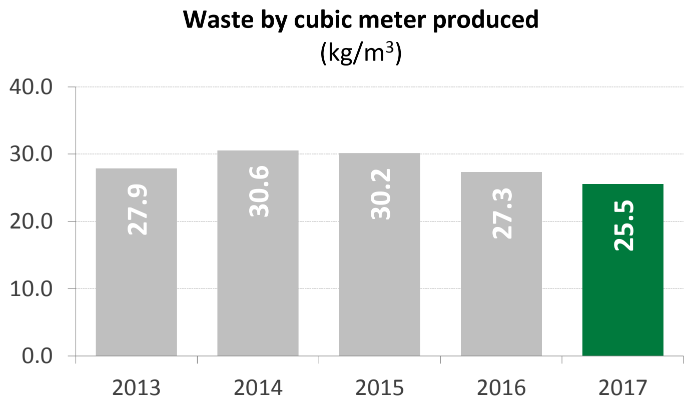


Waste generation (kg/m³)

Hazardous and non-hazardous waste

The global indicator, on specific waste generation, also recorded a reduction of 7% when compared to 2016 performance.

Although this indicator had a reduction in 2017, it is merely indicative because, as a consequence of the extensive damages sustained by Sonae Arauco's Portuguese sites and the respective ongoing reconstruction, several tons of residues are being generated in the two sites. Due to insurance related reasons, by the end of 2017 no residues have been authorized to leave the sites. These quantities will be reflected on the next year exercise.



MANAGEMENT SYSTEMS

Quality, Environmental and Health & Safety management systems are an important part of Sonae Indústria's standardised way of operating.

The situation of management systems certifications for Sonae Indústria affiliates and subsidiaries, at the end of 2017, was the following:

	Quality	Environment	Energy	Forest products chain-of-custody		Health & Safety
	ISO 9001	ISO 14001	ISO 50001	PEFC	FSC	OHSAS 18001
Maia*	✓	✓		✓	✓	
Vilela**	✓			✓	✓	
Horn	✓	✓	✓	✓	✓	✓
Lac-Mégantic	✓	✓			✓	✓
Mangualde	✓	✓	✓	✓	✓	✓
Oliveira do Hospital	✓	✓	✓	✓	✓	✓
Sines***	✓	✓		✓	✓	✓
Castelo de Paiva****	✓	✓		✓	✓	✓
Linares	✓	✓		✓	✓	✓
Valladolid	✓	✓		✓	✓	✓
Cuéllar*****	✓	✓		✓	✓	✓
Meppen	✓	✓	✓	✓	✓	✓
Eiweiler	✓	✓	✓	✓	✓	✓
Nettgau	✓	✓	✓	✓	✓	✓
Beeskow	✓	✓	✓	✓	✓	✓
Kaisersesch******	✓	✓	✓	✓	✓	✓
Panbult	✓	✓			✓	✓
White River	✓	✓			✓	✓

* HPL plant.
** Components plant.
*** Resins plant & paper impregnation.
**** Wood venner plant.
***** Sawmill.
****** Paper impregnation plant.

6. Closing Remarks and Acknowledgements

Activity carried out by the Non-Executive Board Members

With the exception of the Chairman, all Non-Executive Board Members of Sonae Indústria are members of Board Committees (for a full description of composition and main tasks of each Committee please refer to the Corporate Governance Report). In this context, these Board Members analyse matters that are within the competence of the respective Committee, providing guidance to the company about them and making proposals to the Board of Directors.

Non-Executive Board Members actively participate in meetings of the Board of Directors, intervening in the discussions and questioning the decisions taken. According to their respective professional experience, Non-Executive Board Members also participate in the analysis of industrial optimisation projects, of restructuring and expansion projects and in the development of relevant international networking with possible partners and authorities in current and potential geographical areas of investment.

Acknowledgements

The Board of Directors would like to thank the shareholders, customers, suppliers, financial institutions and other business associates of Sonae Indústria for their continuing involvement and for the confidence that they have once more shown in the organisation.

The Board of Directors would also like to express its sincere gratitude towards all employees for their efforts, commitment and dedication demonstrated throughout a particular challenging year.

5 April 2018,

The Board of Directors,

________________________	________________________
Paulo Azevedo	Carlos Moreira da Silva
________________________	________________________
Albrecht Ehlers	José Romão de Sousa
________________________	________________________
Javier Vega	Christopher Lawrie
________________________	
Louis Brassard	

APPENDICES TO THE MANAGEMENT REPORT AND QUALIFIED SHAREHOLDINGS

APPENDIX REGARDING ARTICLE 447 OF THE COMPANIES LAW

		Acquisitions		Sales		Position at 31.12.2017	Balance at 31.12.2017
	Date	amount	€ average value	amount	€ average value		amount
Duarte Paulo Teixeira de Azevedo							
Efanor Investimentos, SGPS, SA **(1)**						Minoritary	
Migracom, SA **(2)**						Dominant	

		Acquisitions		Sales		Position at 31.12.2017	Balance at 31.12.2017
	Date	amount (*)	€ average value	amount (*)	€ average value		amount (**)
(1) Efanor Investimentos, SGPS, SA							
Sonae Indústria, SGPS, SA							19 370 549
	28.07.2017	108	0.009				
Pareuro, BV **(3)**						Dominant	
(2) Migracom, SA							
Sonae Indústria, SGPS, SA							38 931
	26.07.2017			167	shares donated to Sonae Indústria		
	28.07.2017	60	0.009				
Imparfim, Investimentos e Participações Financeiras, SA (4)						Minoritary	
(3) Pareuro, BV							
Sonae Indústria, SGPS, SA							11 730 752
	28.07.2017	248	0.009				
(4) Imparfin, Investimentos e Participações Financeiras, SA							
Sonae Indústria, SGPS, SA							120 396
	28.07.2017	248	0.009				

(*) The number of shares indicated refers to shares prior to the reverse stock split operation carried out during 2017
(**) The number of shares indicated refers to shares after the reverse stock split operation carried out during 2017

QUALIFIED SHAREHOLDINGS

Complying with Article 8, nr.1, paragraph b) of the CMVM Regulation nr. 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 (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 Treixeira 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%

(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.

On 22 February 2016, 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 1,702,620,000* shares representative of 15% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2018. Thereafter, the referred to company informed Sonae Indústria that the call option will be performed by physical settlement and that 98.725% of its share capital is held by TEAK Capital, B.V., in which Carlos Moreira da Silva holds shares that grant him 40% of the voting rights and Fernanda Arrepia (married with him with separation of people and property) holds shares that grant her 45% of the voting rights.

* The number of shares indicated refers to the shares prior to the reverse stock split operation carried out during 2017 and corresponds to 6,810,480 of the current shares.

STATEMENT ISSUED UNDER THE TERMS AND FOR THE PURPOSE OF SUB-PARAGRAPH C) OF NR. 1 OF ARTICLE 245 OF THE PORTUGUESE SECURITIES CODE

(Free translation from the original in Portuguese)

In terms of the order in sub-paragraph c), nr. 1, Article 245 of the Portuguese Securities Code, the Board members of Sonae Indústria, SGPS, S.A. hereby declare, to the best of our knowledge, that the:

a) Management Report, the annual accounts and further related documents requested by current law have been prepared according to the applicable accountancy norms, reflecting a true and appropriate image of assets and liabilities, the financial situation and results of both the company and other companies within its consolidation perimeter; and

b) Management Report dully states the evolution of the business, performance and financial position of both the company and other companies within its consolidation perimeter business and contains a description of the main risks and uncertainties they are confronted with.

____

Duarte Paulo Teixeira de Azevedo

____

Carlos António da Rocha Moreira da Silva

____

Albrecht Olof Lother Ehlers

____

José Joaquim Romão de Sousa

____

Javier Vega de Seoane Azpilicueta

____

George Christopher Lawrie

____

Louis Brassard

GLOSSARY

Asset Value	Asset Value is calculated as follows: [6.5 x LTM Recurrent EBITDA of fully consolidated business (100%)] + [market value of inactive sites real estate properties owned 100% by Sonae Indústria] + [50% x (6.5 x LTM Recurrent EBITDA of Sonae Arauco – Sonae Arauco Net Debt)]
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); *management accounts concept*
Gross Debt	Bank loans + Debentures + Obligations under finance leases + Other loans + Loans from related parties
Headcount	Total number of internal FTEs, excluding trainees
Loan to Value	Net Debt of Sonae Indústria / Asset value
LTM	Last Twelve Months
Net Debt	Gross Debt - Cash and cash equivalents
Proportional: Turnover, Recurrent EBITDA (unaudited, *pro forma*)	Proportional Turnover and Proportional Recurrent EBITDA consider, in what regards to Turnover and Recurrent EBITDA, the full contribution of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
Proportional Leverage (unaudited, *pro forma*)	Proportional Net Debt / Proportional LTM Recurrent EBITDA
Proportional Net Debt (unaudited, *pro forma*)	Proportional Net Debt considers the full contribution of the Net Debt of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
Recurrent EBITDA	EBITDA excluding non-recurrent operational income / costs
Recurrent EBITDA margin	Recurrent EBITDA / Turnover
Working Capital	Inventories + Trade Debtors – Trade Creditors

Complying with Article14, No. 7, of the CMVM Regulation No. 5/2008

	Date	Acquisitions amount(*)	Acquisitions € average value	Sales amount(*)	Sales € average value	Balance at 31.12.2017 Amount (**)
Efanor Investimentos, SGPS, SA (company that controls, directly and indirectly, Sonae Indústria, SGPS, SA and of which Paulo Azevedo is a director)						
Sonae Indústria,SGPS, SA						19,370,549
	28-07-2017	108	0.009			
Pareuro BV (company dominated by Efanor Investimentos)						
Sonae Indústria,SGPS, SA						11,730,752
	28-07-2017	248	0.009			
Migracom, SGPS, SA (company dominated by Paulo Azevedo)						
Sonae Indústria,SGPS, SA						38,931
	26-07-2017			167	shares donated to Sonae Indústria	
	28-07-2017	60	0.009			
Linhacom, SGPS, SA (company dominated by Efanor Investimentos' director Claúdia Azevedo)						
Sonae Indústria,SGPS, SA						10,030
	28-07-2017	100	0.009			
Imparfin, Investimentos e Participações Financeiras, SA (Paulo Azevedo and Cláudia Azevedo are directors of this company)						
Sonae Indústria,SGPS, SA						120,396
	28-07-2017	248	0.009			

(*) The number of shares indicated refers to shares prior to the reverse stock split process carried out during 2017
(**) The number of shares indicated refers to shares after the reverse stock split process carried out during 2017

Sonae Indústria, SGPS, SA
Publicly Listed Company
Share Capital € 253 319 797.26
Maia Commercial Registry and Tax Number 506 035 034

SONAE INDÚSTRIA

CORPORATE GOVERNANCE REPORT

2017

5 April 2018

CONTENTS

PART I – MANDATORY INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A.SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure (share capital, number of shares, capital distribution, etc.), including information regarding shares not admitted to trading on a regulated market, different categories of shares, rights and duties incurred and share capital percentage by category (Article 245-A, number 1, paragraph a))

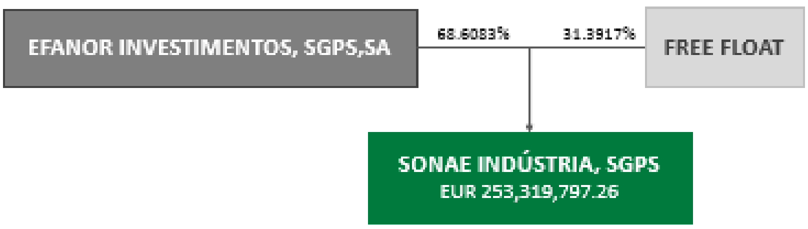
Sonae Indústria's share capital amounts to 253,319,797.26 euros and is represented by 45,403,029 ordinary nominal shares without nominal value. All shares are admitted to trading on the Euronext Lisbon.

In May 2017, Sonae Indústria reduced its share capital from 812,107,574.17 euros to 253,319,797.26 euros to cover losses registered in the company's accounts totalling 558,787,776.91 euros, without change of the existing number of shares, pursuant to a resolution taken by the Shareholders' Annual General Meeting held on 9 May 2017.

Considering that the large number of shares representing Sonae Indústria's share capital has caused, in terms of liquidity, that any small change in the trading price , in percentage terms, resulted in significant variations, the shareholders at the Annual General Meeting approved a reverse stock split of the shares representative of its share capital, under the terms set forth in Article 23-E of the Securities Code.

The reverse stock split was carried out at the end of July 2017 by applying a regrouping quotient of 250, corresponding to each 250 shares 1 new share, with a rounding by default to the nearest whole number (previously have been extinct, without share capital reduction, 167 shares donated by the shareholder Migracom, SA). Sonae Indústria appointed Banco BPI, SA, to purchase from shareholders any excess shares resulting from the rounding process inherent to the reverse stock split, subject to payment of a consideration of 0.0079 euros.

Sonae Indústria´s share capital is distributed according to the illustration below (the qualified shareholding attributed to Efanor shown below is explained in item 7 of this report):



2. Restrictions to the transfer of shares, such as clauses of consent on sale of shares, or restriction on ownership of shares (Article 245-A, number 1, paragraph b))

There are no restrictions in place regarding the transfer or sale of the company's shares.

3. **Number of own shares, corresponding percentage of share capital and voting rights (Article 245-A, number 1, paragraph a))**

As at 31 December 2017, the company did not own any own shares.

To enable the reverse stock split of the shares representative of the company share capital, performed in 2017, the shareholder Migracom, SA donated its 167 shares, which were cancelled without a share capital reduction.

4. **Relevant shareholders' agreements which come into force, are amended or cancelled in the event of change of control by means of a public offer, the resulting effects thereof, whose disclosure is not adverse to the company, except when the company is specifically obliged to disclose that information due to legal requirements (Article 245-A, number 1, paragraph j))**

On 31 December 2017, the amount of debt in loans which grant to the respective creditors the option to consider the amount of debt due in the event of a change in shareholder ownership was circa 165 million euros (79% of the value of the consolidated net debt).

	Million € [1]	No. Contracts
Total	**165**	**5**

1) Liabilities at their nominal value.

The shareholders agreement subscribed by Sonae Indústria and Inversiones Arauco International, Ltda, (Arauco) in relation to Sonae Arauco, SA, confers Arauco the right to exercise a call option over the full amount of Sonae Arauco shares owned by Sonae Indústria, in case of change of the current shareholder control of Sonae Indústria, as well as it confers a call option to Sonae Indústria in case of change of the current shareholder control of Arauco.

5. **Regime applicable to the renewal or revocation of defensive measures, in particular those that foresee the limitation of the number of votes susceptible of being detained or exercised by only one shareholder, in an individual way or in cooperation with other shareholders**

   There are no statutory constraints regarding the number of votes that may be cast by a single shareholder.

6. **Shareholders' agreements known to the company that may result in restrictions to the transfer of shares or voting rights (Article 245-A, number 1, paragraph g))**

The company is unaware of the existence of a shareholders' agreement, which may restrict the transfer of its securities or voting rights.

II. SHAREHOLDINGS AND BONDS HELD

7. **Identification of the individuals or companies that, directly or indirectly, hold a qualified shareholding (Article 245-A, number 1, paragraphs c) and d) and Article 16), indicating, in detail, the percentage of share capital and voting rights entitled, as well as the source and causes of such entitlement**

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A (1)			
Directly	19,370,549	42.6636%	42.6636%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	11,730,752	25.8369%	25.8369%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor)	4	0.000009%	0.000009%
By Migracom, SA (company controlled by Efanor's Director, Paulo Azevedo)	38,931	0.0857%	0.0857%
By Linhacom, SA (company controlled by Efanor's Director, Cláudia Azevedo)	10,030	0.0221%	0.0221%
	31,150,266	68.6083%	68.6083%

On 22 February 2016, 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 1,702,620,000* shares representative of 15% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2018. Thereafter, the referred to company informed Sonae Indústria that the call option will be performed by physical settlement and that 98.725% of its share capital is held by, TEAK Capital, B.V.in which Carlos Moreira da Silva holds shares that grant him 40% of the voting rights and Fernanda Arrepia (married with him with separation of people and property) holds shares that grant her 45% of the voting rights.

* The number of shares indicated refers to the shares prior to the reverse stock split operation carried out during 2017 and corresponds to 6,810,480 of the current shares

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

8. Indication of the number of shares and bonds held by members of the Management and Supervisory Boards

Sonae Indústria directors held the following company shares as of 31 December 2017:

	Number of Shares/Position		Number of Shares/Position
Duarte Paulo Teixeira de Azevedo		(3) Migracom, SA	
Efanor Investimentos, SGPS, SA (1)	Minoritary	Sonae Indústria, SGPS, SA	38,931
Migracom, SGPS, SA (3)	Dominant	Imparfin, Invest. e Part. Financ., SA (4)	Minoritary
(1) Efanor Investimentos, SGPS, SA		(4) Imparfim, Invest. e Part. Financ., SA	
Sonae Indústria, SGPS, SA	19,370,549	Sonae Indústria, SGPS, SA	120,396
Pareuro, BV (2)	Dominant		
(2) Pareuro, BV			
Sonae Indústria, SGPS, SA	11,730,752		

9. Special powers of the managing bodies, namely in respect to resolutions concerning share capital increase (Article 245-A, number 1, paragraph i)), indicating the date these powers were attributed, the date these competencies expire, the maximum quantitative limit of the share capital increase, the amount issued in accordance with the attribution of powers and the means for accomplishment of the attributed powers

The Board of Directors of Sonae Indústria may decide to increase the company's share capital up to the amount of one thousand and two hundred million euros, one or more times, through cash injections under the terms established by the law. These powers were renewed at the General Meeting held on 4 April 2014 and may be exercised over a period of five years from that date, notwithstanding the General Meeting decision to renew these powers again.

The Board of Directors under the use of such powers has decided, in 2014, with the favourable opinion of the Statutory Audit Board, to proceed with a share capital increase in an amount up to 150 million euros, limited to the subscriptions collected, which were in the amount of 112,107,574.17 euros.

10. Information regarding the existence of relevant relationships of commercial nature between the owners of qualified shareholdings and the company

There are no significant commercial relationships between the owners of the qualified shareholdings and the company.

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting

11. Identification and role of the members of the Board of the Shareholders' General Meeting and respective mandate

The Board of the Shareholders' General Meeting was elected at the Shareholders' Annual General Meeting of Sonae Indústria held on 31 March 2015, for the mandate 2015-2017 and is composed by:

- Carlos Manuel de Brito do Nascimento Lucena - Chairman
- Maria Daniela Farto Baptista Passos – Secretary

b) Exercise of voting rights

12. Restrictions in terms of voting rights such as limitations to vote depending on the ownership of a number or percentage of shares, deadlines to exercise the voting right, or systems that highlight rights of asset contents (Article 245-A, number 1, paragraph f))

According to Sonae Indústria's Articles of Association, the Shareholders' General Meeting is composed only of shareholders with voting rights who provide evidence of their ownership, according to the terms established by the law.

Article 23º-C of the Securities Code sets out that, who is entitled to participate, discuss and vote in the Shareholders' General Meeting, are shareholders who, at the record date, which corresponds to 0 hours of the 5th trading day prior to the date of the meeting, hold at least one vote, according to the law and the company statutes.

According to Sonae Indústria's Articles of Association, shareholders may be represented at Shareholders' General Meetings under the terms established by the law and by the respective notice of the meeting.

Under the terms of Sonae Indústria's Articles of Association, Shareholders' General Meetings can meet at the first session, as long as shareholders representing over fifty percent of the company's share capital are present or represented.

The company's Articles of Association stipulate that, as the company is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items in the agenda of the Shareholders' General Meeting, following the rules for the exercise of voting by post. The company's Articles of Association establish that postal votes can only be considered when sent to the company's headquarters by registered post with notice of receipt addressed to the Chairman of the Board of the Shareholders' General Meeting. These votes should be received at least three days before the date of the General Meeting and are subject to the normal rules regarding evidence of share ownership. Postal votes are considered negative votes in relation to any proposals presented after the date on which they were issued. A standard form for postal voting is available at Sonae Indústria's corporate website, www.sonaeindustria.com, and at the company's head office.

Sonae Indústria Articles of Association stipulate that postal voting may be exercised by electronic means if this medium is made available to shareholders and is included in the notice of the meeting. This possibility was made available to shareholders for the Shareholder's Annual General Meetings held in 2016 and 2017, and was used by one shareholder at the Shareholder's General Meeting in 2017.

The preliminary information for the General Meeting and the proposals submitted by the Board of Directors are made available at the time of disclosure of the notice of meeting.

The company has not adopted any mechanism that causes a time lag between the entitlement to receive dividends or the subscription of new securities and the right to vote of each share.

13. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are related to him according to Article 20, number 1

Each share corresponds to one vote, with no limitation.

14. Identification of the shareholders' resolutions that, under the terms of the company´s Articles of Association, can only be approved by qualified majority, apart from the legal ones, and description of those majorities

The decisions are taken by simple majority, except when the law stipulates otherwise.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

Sonae Indústria's Articles of Association define a corporate governance model of the company composed by a Board of Directors, a Statutory Audit Board and a Statutory External Auditor.

The Board of Directors examines annually the advantages and possible disadvantages of adopting this model.

The Board of Directors believes that the model favours the interests of the company and its shareholders, being effective and having not faced any constraints to its operation.

16. Statutory rules concerning procedural and material requirements applicable to the appointment and replacement of the members of the Board of Directors (Article 245-A, number 1, paragraph h))

Under the terms of the Articles of Association, the Board of Directors may consist of an even or odd number of members, with a minimum of five and a maximum of nine, elected by the Shareholders' General Meeting for three-year mandates.

Members of the Board of Directors are elected by the Shareholders' General Meeting. Groups of shareholders representing between 10% and 20% of the company's share capital may submit a stand-alone proposal to nominate a Director, in advance of the Shareholders' General Meeting. Such shareholder cannot support more than one list of Directors and each list must identify at least two eligible persons to fill each position on the Board. If lists are submitted by more than one group of shareholders, the voting will be based on all of these lists.

In the event of death, resignation or temporary or permanent inability of any of the Directors, the Board of Directors is responsible for his or her replacement. If the Director in question was nominated by minority shareholders, a new separate election must be held.

17. Composition of the Board of Directors, indicating the minimum and maximum number of members according to the company statutes, duration of the mandate, number of effective members, date of the first appointment and date of the end of the mandate of each member

On 31 December 2017, Sonae Indústria's Board of Directors was constituted by seven Directors, with one vacant position. All its members were elected at the Annual General Meeting held on 31 March 2015 for the 2015-2017 mandate, with the exception of Louis Brassard that was co-opted by the Board of Directors at the meeting held on 8 June 2016.

Date of the Sonae Indústria's current Directors first appointment:

- Duarte Paulo Teixeira de Azevedo - 15 December 2005;
- Carlos António da Rocha Moreira da Silva – 12 November 2014;
- Albrecht Olof Lothar Ehlers – 8 September 2011;
- Javier Vega de Seoane Azpilicueta – 29 March 2012;
- José Joaquim Romão de Sousa – 31 March 2015;
- George Christopher Lawrie – 12 April 2013.
- Louis Brassard – initially appointed on 15 December 2005, ceased to hold the position of Director of the company on 28 April 2009, having been co-opted until the end of the current mandate (2015-2017), on 8 June 2016.

On 31 December 2017, the Board of Directors of Sonae Indústria comprised:

- Duarte Paulo Teixeira de Azevedo – Chairman (Non-Executive)
- Carlos António da Rocha Moreira da Silva – Vice-Chairman (Non-Executive and Independent)
- Albrecht Olof Lothar Ehlers (Non-Executive and Independent)
- Javier Vega de Seoane Azpilicueta (Non-Executive and Independent)
- José Joaquim Romão de Sousa (Non-Executive and Independent)
- George Christopher Lawrie (Managing Director)
- Louis Brassard (Managing Director)

18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive members, identification of the members that may be considered as independent

Of the seven (7) Directors, two (2) are Managing Directors and five (5) are non-executive members, as indicated in the previous paragraph.

Among the non-executive Directors, four (4) are independent, also as indicated in the previous paragraph.

19. Professional qualifications and other relevant curricular information of each member of the Board of Directors

Paulo Azevedo (Chairman of the Board of Directors): holds a degree in Chemical Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduation in Business Studies (MBA) from the Oporto Business School (ex-EGP). He was CEO of Optimus – Telecomunicações S.A. between 1998 and 2000; CEO of Sonaecom, SGPS, S.A., between 2000 and 2007; CEO of Sonae SGPS, S.A. between May 2007 and April 2015; Chairman of the Board of Directors and Co-CEO of Sonae SGPS, S.A. since April 2015. He holds a number of managerial and directorship roles in the Efanor/Sonae Group.

Javier Vega (Independent): holds a degree in Mining Engineering by the *Escuela Técnica Superior de Ingenieros de Minas* of Madrid and in Business Management from Glasgow Business School (UK). He was a member of the Board of Directors of several companies such as Robert Bosch, Red Eléctrica de España, SEAT and Grupo Ferrovial. Currently he holds other Board positions.

Albrecht Ehlers (Independent): lawyer; law degree from the University of Münster (Germany). From 1987 to 2000, he held various positions in the legal and human resources departments of Glunz AG, having been appointed in 1995 to join the Executive Board (Vorstand) of that company, with responsibilities in several areas including human resources and legal department. Between 2000 and 2004 he was senior vice-president of Hochtief AG (Germany) with particular responsibility in the areas of human resources and corporate services. From 2004 until 2009, he joined the Executive Board (Vorstand) of that company. Since 2010, he is Chancellor at the Technical University of Dortmund (Germany).

Carlos Moreira da Silva (Vice-Chairman of the Board of Directors and Independent): degree in Mechanical Engineering – University of Porto, MSc in Management Sci. and Operational Research (University of Warwick – UK) and PhD in Management Sciences (University of Warwick – UK). Auxiliary professor of *Faculdade de Engenharia of U.P.* between November 1982 and March 1987, director of EDP, Electricidade de Portugal, E.P. (between March 1987 and August 1988), he held several positions in companies of Sonae Group / Sonae Indústria Group between September 1988 and January 2000 and, thereafter, in 2003, occupied the position of CEO of Sonae Indústria, SGPS, SA until April 2005, as well as in other companies of Sonae Indústria Group. He was member of Advisory Board of 3i Spain (2005-2012), member of the Supervisory Board of Jerónimo Martins Dystrybucja, SA (from 2009 to 2012) and Chairman of the Board of Directors of La Seda de Barcelona (2010-2014). Currently he is Chairman of BA Group and is member of the Board of Directors of Gascan, SA.

José Romão de Sousa (Independent): holds a BSc in Chemical and Industrial Engineering – IST, University of Lisbon (Portugal) and a PhD in Chemical Engineering – Imperial College, University of London (UK). He has large experience in the manufacturing industry, particularly in the chemicals (formaldehyde resins, adhesives and water-borne emulsion resins) and plastics industries (Vinyl and polyolefin extrusion and calendaring). He held several management functions in the ProHolding Group, being still today Non-Executive Chairman of several group companies and associated companies, including a new venture into biologic fungicides. He has experience in the financial sector, namely in private equity, portfolio management and brokerage. Currently, he is Chairman of the Board of Directors of Promotor SGPS, SA and Epoli-Espumas de Polietileno SA, among other companies.

Christopher Lawrie (Managing Director): BA (Honours) Degree in Business Studies and Finance at Greenwich University (UK). He has broad experience in investment banking, having worked with Schroders, BZW and Credit Suisse where he was Director of the Corporate Finance Division covering specifically Southern European Telecoms markets. In 2001, he joined Sonae/Efanor Group as CFO of Sonaecom and, later, he was appointed CEO of Sonae Retail Properties. In 2013, he was appointed CFO of Sonae Indústria, and is currently Managing Director and Chairman of the Management Committee.

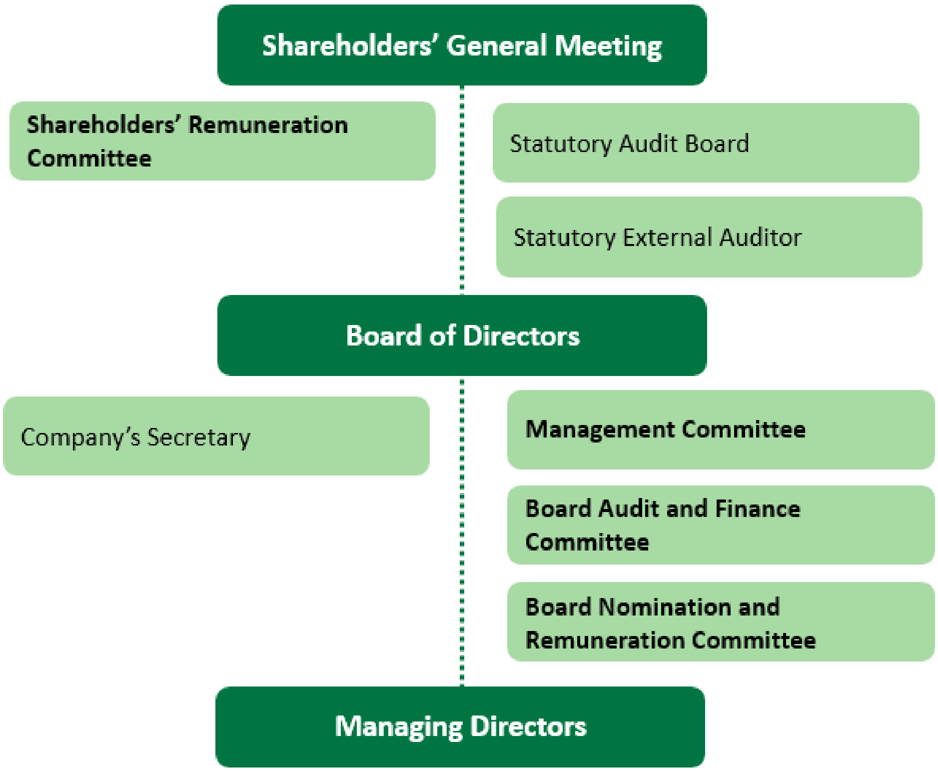
Louis Brassard (Managing Director): degree in Industrial Engineering – Montreal Polytechnic School (Quebec, Canada). MBA in Finance and Marketing – University of Montreal. Since 1994 in Sonae Indústria's Group, where he held various positions and is currently COO of Tafisa Canada and member of the Management Committee.

20. Significant family, professional or commercial relationships between members of the Board of Directors and qualified shareholders with more than 2% of the voting rights

Paulo Azevedo is a Director and shareholder of Efanor Investimentos SGPS, SA, to whom the control of the majority of the voting rights in Sonae Indústria is imputed.

21. Organisational charts with distribution of competencies of the various statutory bodies, committees and/or departments of the company, including information regarding delegation of competencies, particularly in what concerns the delegation of day-to-day company business

The responsibilities of the different governing bodies and committees of the company are distributed as follows:



The Board of Directors appointed two Managing Directors, whom were delegated the broadest managing powers of the company including all legal and statutory competences that are attributed to the Board of Directors, with exception of:

a) appointing the Chairman of the Board;

b) co-opting a substitute for a member of the Board;

c) convening Shareholders' General Meetings;

d) approving of any Reports and Accounts;

e) granting any pledge, guarantee or charge over the company's assets;

f) deciding to change the company's headquarters and to approve any share capital increases;

g) deciding on mergers, de-mergers and modifications to the corporate structure of the company;

h) approving the company's business plan and annual budget;

i) deciding key features of personnel policies, and deciding on individual compensation for Executives and Senior Managers;

j) defining or changing major accounting policies of any company included in the consolidation perimeter of Sonae Indústria Group;

k) selling, acquiring directly or by long-term lease or transacting in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 5,000,000 euros;

l) purchasing or subscribing new shares in the share capital of any subsidiary company where the accumulated amount exceeds 20,000,000 euros in any financial year;

m) investing in any other company;

n) making any other financial investment which exceeds the accumulated amount of 10,000,000 euros in any financial year, unless in the ordinary course of business, namely in short term investments of available cash;

o) disposing of assets or other divestments, if such a transaction has a significant effect on the operating results of the company (defined as equal or greater than 2,000,000 euros) or affects the jobs of more than 100 employees;

p) defining Sonae Indústria and Sonae Indústria Group strategy and general policies;

q) defining the corporate structure of Sonae Indústria Group.

The Board of Directors also appointed a Management Committee, composed by the Managing Directors and by the COO of Laminates & Components. The Management Committee's main objective is to support the Managing Directors in the functions that were delegated by the Board of Directors.

b) Functioning

22. Availability and place of disclosure of the terms of reference of the Board of Directors

The Board of Directors and the Management Committee are regulated by the functioning rules that can be read at the company website, www.sonaeindustria.com.

23. Number of meetings held and attendance rate of each member of the Board of Directors to those meetings

The Board of Directors convened 5 times in 2017, with the respective minutes of meetings recording all the deliberations made. The attendance of the Board of Directors members to those meetings was 100% (physically, by electronic means or by representation).

24. Indication of the corporate bodies responsible for the assessment of the performance of the Executive Directors

The company's Shareholder's Remuneration Committee liaises with the Board Nomination and Remuneration Committee to assess the performance of the Executive Directors.

25. Pre-defined criteria that are used to assess performance of the Executive Directors

The criteria to assess the performance of the Executive Directors are predefined, based on the performance indicators of the company, the working teams under their responsibility and their own individual performance. These criteria are further explained in the Remunerations section of this report.

The pre-determined criteria for evaluation of the Executive Directors are the following: objective criteria related to the degree of successful implementation of initiatives and actions that were agreed for implementation in the year in question; and subjective criteria related to the contribution in terms of experience and knowledge to the discussions by the Board of Directors, the quality of preparation of meetings and the contribution to discussions of the Board of Directors and Committees, as well as the commitment to the success of the company, among others.

26. Availability of each member of the Board of Directors indicating offices held in other companies, inside and outside the Group, as well as other relevant activities held by those members during the financial year

The Managing Directors work full time on the management of Sonae Indústria and its subsidiaries.

The other members of the Board of Directors currently perform their roles as members of the Board of Directors and the supervisory bodies of other companies, as listed below.

DUARTE PAULO TEIXEIRA DE AZEVEDO

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco, SA (Chairman of the Board of Directors)

Positions in other companies:

- Efanor Investimentos, SGPS,S.A. (Director)
- Sonae – SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Center Serviços II, S.A. (Chairman of the Board of Directors)
- Sonae Investimentos – SGPS, S.A. (Chaiman of the Board of Directors)
- Sonae MC – Modelo Continente, SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Sierra, SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Specialized Retail, SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Capital, SGPS, S.A. (Chairman of the Board of Directors)
- Imparfin – Investimentos e Participações Financeiras, S.A.
- Migracom, S.A. (Chairman of the Board of Directors)

CARLOS MOREIRA DA SILVA

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco, SA

Positions in other companies:

- BA GLASS I - Serviços de Gestão e Investimentos, S.A. (Chairman of the Board of Directors)
- BA GLASS, BV
- Fim do Dia, SGPS, S.A. (Chairman of the Board of Directors)
- Lynx Finance GP, LLC
- Gascan S.A.

ALBRECHT EHLERS

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco Deutschland GmbH (Chairman of the Supervisory Board – "Aufsichtsrat")

Positions in other companies:

- Erich-Brost-Institut für Journalismus in Europa GmbH (Member of the Board of Directors)
- PROvendis GmbH (Supervisory Body and Shareholders Committee)
- Salus BKK (Chairman of the Supervisory Board - "Aufsichtsrat")
- Invite GmbH (Vice – Chairman of the Supervisory Board - "Aufsichtsrat")
- Durable Hunke & Jochheim GmbH & Co. KG (Chairman of the Supervisory Board)
- TechnologieZentrumDortmund GmbH (Member of the Shareholders Committee)
- Studierendenwerk Dortmund AöR (Member of the Supervisory Board)
- University Alliance Ruhr
- Technische Universität Dortmund University (Chancellor)

JAVIER VEGA

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco, SA

Positions in other companies:

- DKV Seguros (Chairman)
- Gestlink, SA (Chairman)
- Inversiones Vedegane, S.A. (Chairman)
- Fujitsu (Chairman of the Advisory Board)

JOSÉ ROMÃO DE SOUSA

Positions in other companies:

- Promotor SGPS, S.A. (Chairman)
- Epoli-Espumas de Polietileno, S.A. (Chairman)
- Epoli (Czechia) sro (Chairman)
- CEV – Consumo em Verde Biotecnologia das Plantas SA (Chairman)
- Converde SA (Chairman)
- Monte das Janelas Verdes – Sociedade Agrícola S.A. (Chairman)

GEORGE CHRISTOPHER LAWRIE

Positions in companies, directly or indirectly held by Sonae Indústria:

- Frases e Frações – Imobiliária e Serviços, SA
- Glunz (UK) Holdings, Ltd.
- Isoroy SAS
- Maiequipa – Gestão Florestal, S.A.
- Megantic BV
- Movelpartes – Componentes para a Indústria do Mobiliário, SA
- Novodecor (PTY) Ltd.
- Parcelas e Narrativas – Imobiliária, SA
- Poliface North America Inc.
- Serradora Boix, SL
- Sonae Arauco, SA
- Sonae Indústria de Revestimentos, SA
- Sonae Indústria – Management Services, SA
- Spanboard Products, Ltd.
- Tafisa Canada Inc.
- Tafisa France, SAS

LOUIS BRASSARD

Positions in companies, directly or indirectly held by Sonae Indústria:

- Isoroy, SAS
- Megantic, BV
- Poliface North America Inc
- Tafisa Canada Inc
- Tafisa France, SAS

c) Committees within the Management or Supervisory Bodies and Managing Directors

27. Identification of the Committees within the Board of Directors and place of disclosure of the terms of reference

The Board of Directors appointed two Managing Directors, Christopher Lawrie and Louis Brassard. With the main objective of supporting the Managing Directors in the functions delegated by the Board of Directors, the Board of Directors appointed a Management Committee, composed of the two Managing Directors and the COO of Laminates & Components.

The Board of Directors also appointed two specialised committees, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

SPECIALISED COMMITTEES

MANCOM Management Committee	**BAFC** Board Audit and Finance Committee	**BNRC** Board Nomination and Remuneration Committee
Christopher Lawrie (**Chairman** and Managing Director) Louis Brassard (Managing Director and COO Canada) Frederico Moniz (COO Laminates and Components)	Javier Vega (**Chairman**, Ind.) José Romão de Sousa (Ind.) Albrecht Ehlers (Ind.)	Carlos Moreira da Silva (**Chairman**, Ind.) José Romão de Sousa (Ind.) Albrecht Ehlers (Ind.)

The rules that regulate the functioning of the Board of Directors and the rules that regulate the functioning of the Management Committe can be read on the company website, through the following links:

- Board of Directors:

  http://www.sonaeindustria.com/file_bank/investor/Regul%20CA%20PT_22062016.pdf
  http://www.sonaeindustria.com/file_bank/investor/BoD%20Regulation%20ENG_22062016.pdf

- Management Committee:

  http://www.sonaeindustria.com/file_bank/investor/Regul%20Mancom%20PT_22062016.pdf

  http://www.sonaeindustria.com/file_bank/investor/ManCom%20Regulation%20ENG_22062016.pdf

28. Composition of the Executive Committee and/or the identification of the Managing Director(s)

The Managing Directors of the company are Christopher Lawrie and Louis Brassard.

29. Indication of the competencies of each Board Committee and summary of the main activities performed

The Board of Directors appointed three committees with specialised expertise.

Management Committee (MANCOM)

The Management Committee is composed by the two Managing Directors and by the COO of Laminates & Components:

- Christopher Lawrie (Chairman – Managing Director);
- Louis Brassard (Managing Director – COO Tafisa Canada);
- Frederico Moniz (COO Laminates & Components).

The MANCOM is responsible for supporting the Managing Directors, within the respective delegation of powers, carrying out the following functions:

- control of implementation by Sonae Indústria Group of the strategic guidelines defined by the Board of Directors;
- control of Sonae Indústria Group's financing and accounting;
- control of the operational activities of the Sonae Indústria Group;
- analysis of new business opportunities.

Prior to any decision on the following matters, the Managing Directors shall obtain the previous and non-binding opinion of the MANCOM in relation to:

- entering into any financial operations;
- sale and purchase, long-term financial lease or any other investments in tangible fixed assets where the individual transaction value is in excess of 1,000,000 euros;
- purchasing or subscribing new shares in the share capital of any subsidiary company where the cumulative amount exceeds 5,000,000 euros in any financial year;
- making any other financial investments which exceed the cumulative amount of 1,000,000 euros in any financial year, unless in the ordinary course of business, namely in short term investments of available cash;
- reorganisations of Sonae Indústria Group, including any increase or decrease of share capital, mergers, liquidations and changes in the bylaws.

The MANCOM shall provide, in a timely and appropriate manner, the information requested by members of any Statutory Governing Bodies of the company.

The Chairman of the MANCOM shall:

- guarantee that all information regarding the activity and decisions of the MANCOM is disclosed to the members of the Board of Directors;
- ensure that all matters outside the scope of the MANCOM competencies, as well as all matters that although within the MANCOM competencies the MANCOM members have not reached an agreement on, are submitted to the Board of Directors for a decision;
- send all MANCOM minutes to the Vice-Chairman.

Over the course of 2017, the MANCOM met on twelve occasions and the respective minutes have been drafted.

Board Audit and Finance Committee (BAFC)

The BAFC is composed of the following Non-Executive Directors:

- Javier Vega (Chairman; Independent);
- José Romão de Sousa (Independent);
- Albrecht Ehlers (Independent).

The BAFC normally meets at least five times yearly and is responsible for:

- reviewing the financial statements and earnings announcements to be disclosed to the market and to report its findings to the Board of Directors;
- analysing risk management, internally control, businesses and processes;
- reviewing the results of internal and external audits;
- following the trends in the main financial ratios and changes in formal and informal ratings of the company, including reports from rating agencies;
- analysing and advising on any changes in accounting policies and practices;
- reviewing compliance with accounting standards;
- verifying compliance with legal and statutory obligations, in particular within the financial domain.

Over the course of 2017, the BAFC held five meetings and the respective minutes have been drafted.

Responsibilities attributed to BAFC as a specialised committee of the Board of Directors are developed in terms of company management and do not override the functions of the Statutory Audit Board, as a supervisory body. The BAFC is a committee within the Board of Directors and according to the powers it was delegated, it is responsible for an in-depth analysis of the financial statements, analysis of internal and external audit works, risk management processes and the performance of the key financial ratios, among other areas. It also issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning.

Board Nomination and Remuneration Committee (BNRC)

The BNRC is composed of the following Non-Executive Members:

- Carlos Moreira da Silva (Chairman, Independent);
- José Romão de Sousa (Independent);
- Albrecht Ehlers (Independent).

This Committee meetings are normally held at least twice a year. The BNRC's main functions are to review and submit proposals and recommendations, on behalf of the Board of Directors, to the Shareholder's Remuneration Committee in relation to the remuneration and other compensations of Board members. Additionally, it analyses and approves proposals and recommendations, on behalf of the Board of Directors, in relation to the remuneration and other compensations for other senior executives of Sonae Indústria Group, depending on the activity performed by them.

The BNRC liaises with Sonae Indústria´s Shareholders' Remuneration Committee, since this is the only means through which to guarantee that the Shareholders' Remuneration Committee has the necessary knowledge on the performance of every Director throughout the year. This is particularly important in the case of the Executive Directors, given that the Shareholders' Remuneration Committee does not closely shadow the performance of every Director and therefore does not have the necessary knowledge that enables them to perform their functions in the best way. The BNRC may also be assisted by external entities provided absolute confidentiality is ensured in relation to the information obtained arising from that cooperation.

Over the course of 2017, the BNRC met on two occasions and the respective minutes have been drafted.

III. SUPERVISION

a) Composition

30. Identification of the supervisory body

The company's supervisory body is the Statutory Audit Board, which is elected at the Shareholders' General Meeting.

31. Composition of the Statutory Audit Board, indicating the minimum and maximum number of members, duration of the mandate, number of effective members, date of the first appointment and term of the mandate of each member

The Statutory Audit Board may comprise an even or odd number of members, with a minimum of three and a maximum of five, and with one or two substitutes depending on the number of members being either three or more, respectively. The members are elected for three-year mandates.

The current Statutory Audit Board was elected at the 2015 Shareholders' Annual General Meeting for the 2015-2017 mandate and has the following composition:

- Manuel Heleno Sismeiro – Chairman
- Óscar José Alçada da Quinta -Member
- António Augusto Almeida Trabulo – Member
- Paulo Manuel Carvalho da Silva – Substitute member

The current members of the Statutory Audit Board were elected for the first time on the following dates:

- Manuel Heleno Sismeiro – April 2009
- Óscar José Alçada da Quinta – May 2007, as substitute member and March 2015, as effective member
- António Augusto Almeida Trabulo – March 2015
- Paulo Manuel Carvalho da Silva – March 2015

32. Independence of the Statutory Audit Board members as applicable, that may be considered as independent, under the terms of Article 414, number 5 of the Companies Law

All members of the Statutory Audit Board comply with the rules of incompatibilities referred to in paragraph 1 of Article 414-A and the criteria of independence set out in paragraph 5 of Article 414, both of the Companies Law.

To ensure at all times the independence of its members, the Statutory Audit Board members, prior to being appointed, issued statements attesting that they: (i) did not incur in any of the incompatibilities set out in Article 414º-A of the Companies Code and they were not in any situation that affects their independence, in accordance with paragraph 5 of Article 414º of the same law and (ii) committed to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate.

The Statutory Audit Board Regulation also states that if, during the course of their term of office, any situation related to loss of independence or incompatibility regarding any member of the Statutory Audit Board arises, the respective member shall immediately inform the Chairman of the Board of Directors. Any situation of legal incompatibility shall lead to forfeiture of the term of office of the Statutory Audit Board member.

33. Professional experience of the members of the Statutory Audit Board

MANUEL HELENO SISMEIRO (Chairman of the Statutory Audit Board): degree in Finance, SCEF (Portugal), Accountant, ICL (Portugal). Currently he is a specialist consultant in the areas of internal audit and internal control and is Chairman of the Statutory Audit Board of OCP Portugal Produtos Farmacêuticos SA, Sonae Indústria, SGPS, SA and Sonae Capital, SGPS, SA. In the past, he was a partner at Coopers & Lybrand and Bernardes, Sismeiro & Associados and, between 1998 – 2008 at PricewaterwhouseCoopers - auditors and Statutory External Auditor and responsible for the audit and official review in various activity sectors. He was also responsible for managing the office of those companies in Porto and Director of the Audit Division in the period of 1998 – 2002 as well as member of the management board of PricewaterhouseCoopers.

OSCAR ALÇADA DA QUINTA (Statutory Audit Board Member): degree in Economics (University of Porto). He has held various roles in both administrative and financial departments of different companies (1982-1986) and since 1986 has provided audit services in the Official Statutory Auditors Association. Through this activity in 1990 he was included in the List of Official External Auditors, a function which he works on exclusivity, initially on a stand-alone basis and subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

ANTÓNIO AUGUSTO ALMEIDA TRABULO (Statutory Audit Board Member): degree in Economics – University of Porto, post graduation in Accounting and Corporate Finance – *Universidade Aberta* (Portugal), Diploma in *Suficiência Investigadora* in the field of Financial Economics and Accounting – University of Valladolid (Spain), Phd in Management and Business Administration – University of Valladolid (Spain), completed curricular part (in the final stages of completion Thesis), Statutory Auditor. Currently, he is a Statutory Auditor and Partner of Velosa, Silva, Marques e Trabulo, SROC.

PAULO MANUEL CARVALHO DA SILVA (Statutory Audit Board Substitute-Member): bachelor degree in Accounting and Administration – ISCAP, Bachelor Degree in Customs Expert – ISCAP, Degree in Administration and Customs – ISCAP, CEOG course of *Universidade Católica*. Since 1992, is member of the company Velosa, Silva, Marques and Trabulo, SROC.

All members of the Statutory Audit Board have adequate competencies to exercise their respective functions.

b) Functioning

34. Existence and place for disclosure of the terms of reference of the Statutory Audit Board

The functioning rules of the Statutory Audit Board can be read at the company website, through the following links:

http://www.sonaeindustria.com/file_bank/investor/Regulamento%20do%20Conselho%20Fiscal_PT_FINAL.pdf

http://www.sonaeindustria.com/file_bank/investor/Statutory%20Audit%20Board%20Regulation_EN_FINAL.pdf

35. Number of meetings held and attendance rate of each member of the Statutory Audit Board

In 2017, the Statutory Audit Board convened seven times. The minutes were drawn up recording the respective deliberations. All members attended 100% of the meetings.

36. Availability of each member of the Statutory Audit Board, indicating simultaneously offices held in other companies, inside and outside the Group, as well as other relevant activities held by those members during the financial year

The Statutory Audit Board members performed their roles together with other functions and roles listed below, as outlined in section 33.

Positions held by Statutory Audit Board members on 31 December 2017:

Manuel Heleno Sismeiro

In companies outside the Sonae Indústria's Group

- Sonae Capital, SGPS, SA (Statutory Audit Board)
- Sonae, SGPS, SA (Statutory Audit Board)
- OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)

Óscar Alçada da Quinta

In companies outside the Sonae Indústria's Group

- Sonaecom - SGPS, S.A. (Statutory Audit Board)
- BA GLASS I – Serviços de Gestão e Investimentos, S.A. (Statutory Audit Board)
- Caetano – Baviera – Comércio de Automóveis, S.A. (Statutory Audit Board)
- Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Director)

António Trabulo

In companies outside the Sonae Indústria's Group

- Sonae Investimentos, SGPS, SA (Statutory Audit Board)
- VAA – Grupo Vista Alegre Atlantis, SGPS, S.A. (Statutory Audit Board)
- Velosa, Silva, Marques e Trabulo, SROC (Director)
- ACAT – Consultoria de Gestão, Lda (Manager)
- Sonaecom-SGPS, SA (Statutory Audit Board)

c) Responsibilities and functions

37. Description of the procedures and criteria applicable to the involvement of the supervisory body in relation to hiring additional services of the External Auditor

If the company or any of its subsidiaries has the intention to hire the services of the External Auditor or any entities with which they have joint shareholdings or which are part of the same network, other than auditing services, the Statutory Audit Board must previously approve such hiring.

Thus, if Sonae Indústria or any Group subsidiary intends to hire services to the External Auditor or to any entity that is in a group relationship with it, the Statutory Audit Board must be previously informed, so that such hiring does not affect the independence of the External Auditor and does not, in the overall services provided, have a significant relevance when compared to the auditing services. The Statutory Audit Board must also ensure that the necessary conditions are in place to perform such services with autonomy and independence in relation to the ongoing audit services.

38. Other roles of the supervisory body

The Statutory Audit Board's main responsibilities are as follows:

a) supervising the company's management;

b) overseeing compliance with legal and regulatory requirements and the company's Articles of Association;

c) verifying that the books of account, accounting records and supporting documentation are correctly maintained;

d) verifying, when considered convenient and in a manner considered as appropriate, the extent of cash and stocks of any kind of goods or other values belonging to the company or received as a guarantee or deposit;

e) verifying the accuracy of the documents used in the presentation of accounts;

f) verifying if the accounting policies and criteria used by the company are conducive to a true and fair view of the financial position and results of its operations;

g) preparing an annual report on the supervisory work performed and express an opinion on the report, accounts and other proposals submitted by the Board of Directors;

h) convening the Shareholders' General Meeting, whenever the Chairman of the General Meeting fails to convene it when being obliged to do this;

i) overseeing the effectiveness of the risk management, internal control and internal audit system, if they exist, without violating their independence;

j) receiving communications of alleged irregularities presented by the company's shareholders, employees or others;

k) appointing and hiring services from experts to help one or more members in the exercise of their duties. The hiring of and fees for these experts should bear in mind the complexity of the matters involved and the financial position of the company;

l) overseeing the process of preparation and disclosure of financial information and present recommendations or proposals to guarantee their integrity;

m) select the statutory external auditors or the audit company to be proposed to the Shareholders' General Meeting for election and recommend justifiably the preference for one of them;

n) overseeing the work performed by the statutory external auditor in the company's individual and consolidated financial statements, namely its execution, taking into account any findings and conclusions of the Portuguese Securities Market Commission (CMVM), as the competent authority for the audit supervision;

o) verifying and monitoring the independence of the statutory external auditor, namely in relation to additional services provided;

p) complying with any other functions required by law and by the company's Articles of Association;

q) approving the hiring of the statutory external auditor or of any entities that are in a participation relationship with it or that are part of the same network, to render services other than audit services.

r) informing the management body on the results of the statutory audit and explain how it has contributed to the integrity of the preparation and disclosure of financial information processes, as well as explaining the role that the statutory external auditor had in that process.

Besides those responsibilities, the Statutory Audit Board must issue prior opinion on any transaction with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders), in the terms set forth in section 91.

The Statutory Audit Board's Report, available on the company website together with the other accounting documents, details the supervisory activity carried out, with no constraints detected.

IV. STATUTORY EXTERNAL AUDITOR

39. Identification of the Statutory External Auditor and its representative partner

The Statutory External Auditor is PricewaterhouseCoopers & Associados, SROC, Lda, represented by Hermínio António Paulos Afonso.

40. Indication of the number of consecutive years the Statutory External Auditor works for the company and/or group

PricewaterhouseCoopers has been the statutory external auditor of the company since the Annual General Meeting of 2006, and is currently undertaking its fourth three-year mandate.

41. Other services provided to the company by the Statutory External Auditor

In 2017, PricewaterhouseCoopers provided other compliance and assurance services to Sonae Indústria subsidiaries.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor

The External Auditor of the company is PricewaterhouseCoopers & Associados, SROC, Lda, represented by Hermínio António Paulos Afonso, registered in the CMVM under nr. 9077.

43. Permanence of functions

PricewaterhouseCoopers has been the External Auditor of the company since 2006. Its current representative, Hermínio Afonso, has represented it since 20 September 2011.

44. Policy and periodicity of rotation of the External Auditor and its representative

Sonae Indústria had adopted the principle of not proceeding with the rotation of the External Auditor at the end of its third mandate, only if the Statutory Audit Board concluded that, if the External Auditor is kept in functions beyond the before mentioned period, that would not collide with its independence, and if the cost-benefit analysis of this replacement would be in favour of the renewal of the mandate.

In the proposal presented to the Shareholders' Annual General Meeting, in 2015, to appoint the Statutory External Auditor of the company, the Statutory Audit Board considered that the quality of the work performed and the accumulated experience in the sector of activity of Sonae Indústria, both of the statutory audit firm which election is proposed as well as of the entities belonging to the same network in the countries where Sonae Indústria holds, direct or indirectly, affiliated companies, that are included in its consolidated accounts and where such entities are External Auditors of Sonae indústria's affiliated companies constituted an asset that must be taken into account. Having contemplated those facts and the extent of the burden to be supported by Sonae

Indústria in an eventual replacement, it was recommended the permanence of such statutory audit firm in the exercise of her functions. The Shareholders' Annual General Meeting has approved the proposal presented.

Further to the publication of Law nr. 140/2015 of 7 September, Sonae Indústria shall, at least, comply with the provisions of that law, as well as it complies with the law regarding the Statutory External Auditor partner, always performing an assessment to guarantee that the independence of both is maintained.

45. Indication of the governing body responsible for the appraisal of the External Auditor and periodicity of such appraisal

The Statutory Audit Board monitors the performance and execution of the works conducted by the External Auditor throughout each period, meeting with him whenever it deems fit. Moreover, the Statutory Audit Board assesses, on a yearly basis, the global performance of the External Auditor, including an appraisal on his independence.

46. Identification of the works, other than auditing, performed by the External Auditor in the company and/or other companies in relation of domain, as well as indication of the internal procedures in place for the approval of such services and indication of the reasons that led to such hiring

During 2017, services related to the implementation of a system to support the creation of the report of CbCr (Country-by-Country reporting) were provided to Efanor Investimentos (through its subsidiary Sonae Center Serviços II, S.A.). The total amount billed, in 2017, was 9,500 euros. The Statutory Audit Board approved this hiring.

47. Indication of the annual remuneration paid by the company, and/or companies in relation of domain or group, to the External Auditor and to other individuals or companies belonging to the same network and discrimination of the percentage

Sonae Indústria and its subsidiaries that are in a controlling or in a group relationship paid PricewaterhouseCoopers the following amounts in 2017:

By the company	
Auditing services (€)	12,375 € / 12.4 %

By other group entities	
Auditing services (€)	75,954€ / 76.08%
Reliability guarantee services (€)	2,000 € / 2.00%
Other services (€)	9,500 € / 9.52%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to the amendment of the company's Articles of Association (Article 245-A, number 1, paragraph h))

The rules applicable to amendments made to the company's Articles of Association are established by law. It is the Shareholders' General Meeting's responsibility to decide on the amendment of the Articles of Association.

However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the company's share capital through new cash injections up to one thousand and two hundred million euros, on one or more times.

II. REPORTING OF IRREGULARITIES

49. Tools and policy for reporting of irregularities

Sonae Indústria has a Code of Conduct that includes a policy for the communication of irregularities, which is available at the website, www.sonaeindustria.com. Sonae Indústria's Code of Conduct and policy for communication of irregularities aims to create the climate and means for its employees and service providers to express their concerns about any behaviour or decision that they believe does not respect the company's ethics or Code of Conduct. With the extinction, in June 2016, of the Social Responsibility, Environment and Ethics Committee, its Ethics subcommittee was also extinguished. However, in 2017, it was concluded that the existence of an Ethics Committee composed by the Chairman of the Board Audit and Finance Committee and the head of the Group's legal department allows a more appropriate treatment of any reported denunciation. The Ethics Committee thus comprises Javier Vega and Júlia Moreira da Silva.

Any information on an alleged irregularity should be sent via e-mail or post to one of the following addresses:

By e-mail: ethics.committee@sonaeindustria.com

By post: Sonae Indústria SGPS, S.A.
Ethics Committee
Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

When requested, a meeting may be scheduled to clarify the possible situation with the Ethics Committee.

Each irregularity communication will be received by the Ethics Committee, which is responsible for initiating and supervising the investigation of all denounced situations. Once the inquiry is concluded and if the reported irregularity corresponds to wrongful conduct, the Ethics Committee shall notify the employee's hierarchical responsible or the service provider's employer so that corrective actions and / or disciplinary proceedings are applied.

As the company wishes to encourage good faith, reporting of any alleged irregularity while avoiding damage to the reputation of innocent persons initially indicated as allegedly suspect of wrongful misconduct, anonymous reports are not accepted. The investigation will be conducted in a confidential manner and the company ensures that there will be no discriminatory or retaliatory action against any employee or service provider who reports an alleged irregularity in good faith. If any employee or service provider believes that he or she has been subject to retaliation for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Ethics Committee.

The company provides a form to report irregularities on its intranet.

The Ethics Committee informs the Statutory Audit Board of any reported denunciation.

The company maintains records of all complaints and situations that were investigated and the respective findings, which are available for consultation by the statutory bodies and the Ethics Committee.

The **Code of Conduct** of Sonae Indústria contains a set of standards based on our shared values that govern the activities of Sonae Indústria. It applies to everyone employed by the Group, including members of the statutory bodies of Group companies, managing directors, senior executives, employees and people whose status is equivalent to that of employees, such as temporary staff and service providers. The Code of Conduct sets out guidance on those matters of business ethics to be complied with by all employees and service providers when carrying out their professional duties.

Sonae Indústria adheres to and actively promotes the highest ethical standards of professional conduct at all levels of the Group. Commitment to standards of conduct must emanate from the top. Therefore, Sonae Indústria's top managers are expected to set an example for the rest of the organisation through their actions, by actively leading the adoption and by monitoring the enforcement of these standards. As such, the senior managers must guarantee, in their area of responsibility, strict compliance with the law, permanently monitoring such compliance, and clearly explaining to their employees that the transgression of any law will have both legal and disciplinary consequences.

It is particularly important that a commitment to these standards of conduct is accepted by all employees and service providers at all Group companies, wherever they operate. Country operations are also required to adopt appropriate principles and actions to deal with specific ethical issues that may arise in their own countries.

The Code of Conduct of Sonae Indústria was defined in such a way that clearly explains the conduct to be followed with all stakeholders, as well as to connect it with the company's values. The Code of Conduct is structured in the following way:

Relations with employees and service providers

- Knowledge sharing and personal development
- Innovation and initiative
- Respect, accountability and cooperation
- Confidentiality and responsibility
- Sustainability
- Conflict of interest
- Health and safety at work
- Social conscience
- Communication
- Compliance

Relations with shareholders and other investors

- Value creation
- Transparency
- Compliance

Relations with governments and local communities

- Ethical behaviour
- Social conscience
- Tax statement
- Environmental awareness

Relations with business partners

- Customer focus
- Integrity
- Ethical behaviour
- Transparency

Relations with competitors

- Enforcement of competition laws
- Ethical behaviour

The complete Code of Conduct can be found at the company website, www.sonaeindustria.com.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, bodies or committees responsible for the internal audit and/or the implementation of internal control systems

Internal Audit and Risk Management for Sonae Indústria are currently provided by the Internal Audit and Risk Management team of Sonae Arauco that reports its activities and findings to the Board Audit and Finance Committee and to the Statutory Audit Board.

In order to comply with best practice behaviour regarding anti trust regulations for North America business, the support of Sonae Arauco's team to Tafisa Canada was adjusted and some of the Internal Audit and Risk Management activities have been internalised by Tafisa Canada. The Operational Risk Management functions of Tafisa Canada have also been internalised by Tafisa Canada. For the same reason, Sonae Arauco and Tafisa Canada Information Technology (IT) systems have been segregated. It should also be noted that in respect of accounting and administrative functions, Tafisa Canada keeps its independence, as Canada was never included in the scope of the Shared Services Centre (which is now under the responsibility of Sonae Arauco).

Internal Control and Risk Management are important parts of Sonae Indústria's culture, and are integrated into the management processes and responsibilities of all Group employees, at all levels of the organization. This is supported by Group transversal functions, notably Risk Management, Internal Audit and Planning and Management Control, with specialised teams.

The mission of **Risk Management** is to support the companies in achieving their business objectives through a structured and systematic approach of identifying and managing risks and opportunities. It has also the objective to promote the consistency of principles, concepts, methodologies and tools to evaluate and manage the risks of all business units of the Group.

The mission of **Internal Audit** is to identify and evaluate, in a systematic and independent way, the correct functioning of the risk management and internal control systems, as well as the implementation effectiveness and efficiency of the controls and mitigation actions. It must also inform and alert the Board of Directors and the Statutory Audit Board of the more relevant observations and recommendations, identifying improvement opportunities.

The **Planning and Management Control (PMC)** department promotes and supports the integration of the risk management activities in the planning and management control processes of the companies. This department, supported by robust information systems, produces reports containing operational, financial and compliance-related information. Through its Procedural Manual, it ensures and defines a set of rules and procedures relative to the planning processes, reporting, management accounts and investment approval process.

Ongoing monitoring activities of control are in place, namely approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Pertinent information is identified, captured and communicated within a form and time frame which enables employees to fulfil their responsibilities.

Sonae Indústria keeps a corporate team responsible for Planning and Management Control in parallel with Sonae Arauco team and each business unit has in its team a controller which ensure that procedures of the group are properly implemented.

As with Internal Audit & Risk Management, Accounting, Administration and Transaction Services are provided by Sonae Arauco centralised accounting back-office and **Shared Service Centre (SSC)** providing accounting and administration services for all Sonae Indústria affiliates with the exception of Tafisa Canada, thus helping to guarantee alignment of policies and strengthening of procedures and controls.

The reliability and integrity risks of the accounting and financial information are also evaluated and reported by the External Audit activity.

Sonae Indústria has a reasonable level of confidence in the internal control framework which is currently in place. Communication of the Vision, Values and Principles throughout the organization reinforces the importance in terms of ethical behaviour. The existence of the Code of Conduct, of the whistleblower tool (reporting of irregularities) and the Ethics Committee enhance the control culture of the organisation.

In 2017 Sonae Arauco has also approved a Code of Ethics (distributed to its employees in January 2018) with the objectives of reinforcing the awareness of Sonae Arauco's Vision, Values and Principles and encouraging the good conduct of its employees.

The Internal Audit and Risk Management team integrates and participates periodically in the meetings and activities of two "Sonae companies' committees" (groups composed of representatives from several Sonae companies): the Audit Committee and the Risk Management Consulting Group. The participation in these bodies contributes to the strengthening of processes and to the increased effectiveness of the internal audit and risk management activities of the companies that are represented.

51. Explanation of the hierarchical and functional reporting lines to other corporate governing bodies or committees

It is the responsibility of the Board of Directors to create the necessary structures and services to ensure that the internal control and risk management system works properly. For this purpose, the Board of Directors, through the Board Audit and Finance Committee, monitors the activities of Internal Audit and Risk Management.

The Internal Audit and Risk Management reports to the Statutory Audit Board and the Board Audit and Finance Committee, whose Chairman is an Independent Director. These bodies can, at their discretion, request meetings to discuss and review internal audit and risk management matters and can also request information or clarifications whenever they wish.

The competences of the Statutory Audit Board include reviewing the effectiveness of the risk management system as well as that of the internal control and audit systems. The Statutory Audit Board has access to all the information whenever it deems necessary and can liaise with the head of the department, receiving the reports related to those activities.

The Statutory Audit Board is presented with the internal audit and risk management annual plan of activities, and may issue its opinion on it, in addition to the suitability of the resources allocated to the different activities.

The External Auditor reviews the effectiveness and operation of the internal control mechanisms according to work plan aligned with the Statutory Audit Board, to whom it also reports its findings.

52. Existence of other functional areas with competencies in terms of risk control

Sonae Indústria culture is based on integrity and ethical values, as outlined in the company's Code of Conduct, which emanate from the top with the example then being set by management.

The different governing bodies were born from a management philosophy and operating style based on a strong organizational structure with adequate assignment of authority and responsibilities. Solid Human Resources policies and procedures and the existence of the Code of Conduct are enshrined in such structure.

Sonae Indústria faces a variety of external and internal risks that must be assessed and for this purpose the company has installed a culture of prevention and early detection. An Enterprise-Wide Risk Management Framework was developed and is updated periodically. Additionally, it is also each functional area of the Group the responsibility of controlling and monitoring of the risks inherent to each function.

53. Identification and description of the main types of risk (economic, financial and legal) the company may be subject to in the exercise of its activities.

- **Macroeconomic risks**

Sonae Indústria's activity is reliant upon the macroeconomic environment and the profile of the markets in which it operates. Sonae Indústria's subsidiaries products are fundamentally commodities, having the nature of durable goods and are mainly intended for the construction and furniture sectors. The Group's operational activity is, therefore, cyclical, being positively correlated with general economic cycles and, in particular, with the evolution of the sectors mentioned. Thus, Sonae Indústria's and its subsidiaries businesses can be negatively affected by periods of economic recession, in particular by a drop in household consumption levels which, in turn, are influenced, among other things, by wage policies and unemployment levels, as well as prevailing confidence and social protection levels. The availability of credit in the economy is also relevant for Sonae Indústria Group's business due to its potential impact on the property market. Sonae Indústria, through its subsidiaries, has a strong presence in international markets, having as most important markets the Eurozone, North America (namely Canada and the United States) and South Africa. These markets have different macroeconomic, political and social profiles and, as such, are reacting differently to the economic and financial crises and to the economic cycles. The relevant markets to Sonae Indústria's business are exposed to diversified macroeconomic risks outside of Group's control. Equally, possible political and/or social and/or religious tensions in any of the markets may have a material impact on Sonae Indústria Group's operations and financial situation that is impossible to estimate.

- **Competition**

The activity developed by Sonae Indústria faces significant challenges in the worldwide sector of wood based panels industry, as it is subject to hard competition in all the markets in which it is present (namely in Iberian Peninsula, Germany, North America and South Africa), which could have adverse effects on the Group's financial situation and results to the extent that the increase of production capacity, the opening of new competing industrial units and/or the adoption of a more aggressive pricing policy by these competitors, could lead to a reduction in turnover and/or the need to review prices by Sonae Indústria's subsidiaries, with a knock-on effect on the profitability and sustainability of its operations. Sonae Indústria's diversified base of assets and the geographical exposure to various European markets, along with the North American and South African markets, and also other markets through exports, the increased focus on higher added value products as a way of differentiating and the effort to retain costs as part of the strategy already being implemented, could protect the competitive position of the Company and allow it to achieve its objectives of being recognised as a reference player in the wood-based panels sector.

- **Business continuity risks**

Some of the businesses developed by Sonae Indústria may require additional investment, the conditions of which could depend on the financial framework, on its current indebtedness level and by the evolutions of its activity and that of its subsidiaries. Financing of the additional component may be obtained through its own and/or external capital. Sonae Indústria cannot guarantee that these funds, if necessary, will be obtained, or that they will be subject to the predicted conditions. If there is a need for external capital, the macroeconomic and financial framework could present constraints both at the available liquidity level and at the financing cost level, which may affect or preclude access to credit. Even under a recovery context, the speed and manner in which this takes place is subject to considerable uncertainty, meaning the financing of Sonae Indústria and/or of its subsidiaries possible future investments cannot be guaranteed.

- **Cost structure risks**

Since the industrial activity in the sector is dependent on considerably large industrial units, Sonae Indústria's consolidated cost structure has a significant fixed component, i.e. not dependent on sales volume and upon which the Group can only act through restructuring or efficiency increase initiatives. An insufficient turnover or gross margin on sales to offset fixed costs could determine losses to be registered by Sonae Indústria and its subsidiaries.

On the other hand, the variable cost structure of Sonae Indústria's subsidiaries, notably in the case of raw materials, mainly wood, chemicals and air-dried paper, is exposed to external factors (that are outside the company´s control), with a positive or negative impact on the availability of such raw materials and their purchase price. In particular, the risk associated with access to wood, the raw material essential to the production process, in terms of suitable quantity, type, quality and price, may impact not only the subsidiaries ability to provide its customers with products according to agreed time frames and conditions, but could affect expected profitability when it comes to setting a sale price for its products. In an extreme scenario, the inability to buy wood in sufficient quantities could lead to a temporary interruption in production at the affected industrial unit, with knock-on effects on operational profitability. To mitigate this risk, Sonae Indústria's subsidiaries have diversified their supply sources and the types of wood used, namely through recycling waste, and introducing different types of wood and alternative by-products.

- **Technological risks**

The ability of Sonae Indústria to develop and offer higher added value products on competitive terms at global level is an increasingly crucial objective in the current context of the wood-based materials sector. This is dependent on technological developments, which may be difficult to predict and monitor. Failure by Sonae Indústria to monitor and anticipate technological advances, or to predict the receptiveness of new products, could affect its business and the results of its operations.

- **Operational risks**

Sonae Indústria's activities are subject to certain operational risks, especially with respect to industrial production of its subsidiaries. There are multiple factors, not directly controllable by Sonae Indústria nor by its subsidiaries, which may interrupt production and have potentially negative effects on operations and, consequently, on the financial situation and results. The manufacture of wood-based panels is an industrial activity that entails high operational risk due to the possibility of accidents involving fire or explosions. As a result, the management of operational risk is a central concern of the Company, which takes an active stance in terms of implementing regulations and best practices, as well as selecting systems capable of reducing industrial risks. In addition, flawed policies for the management and control of operational risks could affect the Group's business and operational results.

- **Financial risks**

The main **financial risk** that Sonae Indústria as a business is exposed to is the **credit risk** associated with its customer portfolio. The credit risk is related to receivables from customers, i.e. the risk that due to lack of liquidity a customer is late in paying or does not pay for the goods and services acquired. Sonae Indústria Group's credit risk control systems are, above all, related to receivables from customers, having as main purpose to guarantee the effective collection of the receivables from customers in accordance with the agreed conditions. Among other procedures implemented by Sonae Indústria to mitigate this risk, Sonae Indústria makes use of credit insurance, as a mandatory tool to mitigate this risk, in all regions where it is present and such insurance is available. In specific situations where we are not able to contract credit insurance to mitigate this risk, alternative and/or complementary solutions (such as bank guarantees, letters of credit and confirming, among others) are explored together with our clients in order to achieve the largest possible turnover volumes in an environment of minimum and controlled risk. If it is not possible to obtain sufficient risk coverage for a specific customer or operation, a detailed internal process has been developed with the objective of analysing every particular aspect of such business, so an informed and complete decision can be taken over a possible own risk-taking situation.

It should be noted that none of Sonae Indústria customers, including Sonae Arauco customers represents more than 7% of its aggregate turnover (considering 100% of Sonae Arauco turnover).

The existence of **financial covenants** in Sonae Indústria financing agreements also represents a financial risk. Sonae Indústria main financing agreement includes a maximum level of the "Net Debt to EBITDA" ratio of the subsidiary Tafisa Canada, calculated on the basis of its annual individual audited accounts, as well as a maximum level of Sonae Indústria's financial indebtedness (based on its individual accounts). In another financing agreement, Sonae Indústria commits to ensure a minimum level of "Shareholders Funds to Total Assets", calculated on its annual audited consolidated accounts. The non-compliance with these financial ratios may lead to an event of default in the respective financing agreements, which could lead to their termination, including the early repayment of the associated financial debt.

- **Economic risks**

The **economic risks** that Sonae Indústria is exposed to include: interest rate risk, foreign exchange risk and liquidity risk.

Interest rate risk depends on the proportion of floating rate debt and the consequent cash flows related to interest payments. As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates through financial derivatives. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges" which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria. As an exception to this general rule, Sonae Indústria Group may engage into interest rates derivatives, and is this case, the following principles should be observed: (i) derivatives should not be used for trading, profit making, or speculative purposes; (ii) engage preferably in derivative transactions with Investment Grade financial institutions; (iii) match exact periods, settlement dates and base interest rate of the underlying exposures; and (iv) maximum financial charges (aggregate of the derivative and the underlying exposure) should be known and limited on the inception of the hedging period. The inefficiencies, whenever they exist, are booked under the financial results item of the consolidated income statement.

Foreign exchange risk exposure is due to the fact that Sonae Indústria is a geographically diversified group, present in three different continents, and as such subject to transactions and balances denominated in pound sterling, South African rand, Canadian dollar, American dollar, Swiss franc and Polish zloty. The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in the value of capital invested in subsidiaries outside the Eurozone. Sonae Indústria's subsidiaries are exposed to the risk associated with commercial transactions made in currencies other than their local currency.

Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. The Group companies cash flows are largely denominated in the respective subsidiary local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural hedging, reducing the Group's transaction risk. Aligned with this reasoning, Sonae Indústria's subsidiaries only contract debt that is denominated in the respective local currency. Additionally, whenever there are relevant business flows in a currency different from the subsidiary local currency, a natural hedge strategy may be implemented, if feasible from a business perspective, seeking to offset purchases (payments) or sales (receivables) in that currency with sales (receivables) and purchases (payments) in the same currency for similar amounts. In situations where there is a relevant exchange risk as a result of operational activity involving currencies other than the local currency of each subsidiary which cannot be naturally hedged, the exchange risk must, as a general rule, be mitigated by the subsidiary exposed to the exchange rate risk contracting foreign exchange derivatives.

Currency conversion risk emerges from the fact that, when preparing the Group's consolidated accounts, the financial statements of the subsidiaries denominated in currencies other than that of the consolidated accounts (euro), must be converted into euros. As exchange rates vary between accounting periods and as the value of the subsidiaries' assets do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion in different periods at different exchange rates.

Liquidity risk arises when a company does not have the cash or the financing required to properly carry on its business activities on time, implement its strategy and meet its payment obligations when due, while avoiding the need for having to obtain funding under unfavourable terms. Liquidity risk management at Sonae Indústria comprises mainly: consistent financial planning, diversification of financing sources, diversification of debt maturities, and arrangements to secure committed credit facilities with relationship banks. Also, with a view to mitigating liquidity risk, it is Sonae Indústria’s target to exclude whenever possible on its loan agreements financial ratios based on profitability indicators such as Net Debt to EBITDA. This objective takes into account the cyclicality of the wood based panels business which translates into highly variable profitability levels with impact on such type of financial ratios at the different stages of the business cycle.

- **Legal and regulatory risks**

Regarding **legal risks**, the main risk of the Group's businesses relates to legislative changes that may occur at activity level (environmental law and labour, among others) that can encumber the activity to such an extent that its profitability may be affected.

The activities of Sonae Indústria and its subsidiaries and affiliated companies, as industrial activities, are subject to regulatory frameworks in a number of areas, including national regulations, European Union directives and international agreements, by which Sonae Indústria is bound and which may influence its management and strategic decisions. Indeed, Sonae Indústria, through its subsidiaries and affiliated companies, is subject not only to different legal frameworks but also to legislation in different areas, such as industrial and forestry, environmental, labour, health and safety, construction and housing, urban planning, among others. The non-compliance with such regulations could lead to operational restrictions, investment needs or even the revocation of licences, authorization or permits or in sanctions. Possible changes to regulations, legislation, or changes in interpretation on the part of competent authorities, the position of authorities or difficulties in complying with new laws and regulations could lead to increased adjustment costs, namely industrial and operational, or, in the limit, constricting the respective operating income, which could have an adverse impact on Sonae Indústria and its subsidiaries activity and operating results. It should be highlighted the on-going regulatory changes of both REACH[1], regarding the reclassification of formaldehyde as dangerous substance, and of the European Industrial Emissions Directive[2] in regarding definition of the best practices in the wood based panels sector. In what concerns the reclassification of formaldehyde – the substance used in the manufacturing process of urea-formaldehyde resins, which are the bonding agent of the vast majority of the products manufactured by Sonae Indústria – there is already a reclassification of this substance, as “category 1B carcinogen” (presumed to have carcinogenic potential for humans, classification largely based on animal evidence). This substance reclassification came into force from 1 January 2016 onwards. This reclassification may have consequences both in the definition of the emission standards of Sonae Indústria’s industrial operations, and on the restrictive levels of concentration of formaldehyde in the workplace environments. These changes may lead to additional investment needs in Sonae Indústria’s industrial units. Although a general ban on the utilization of formaldehyde may be a possible theoretical scenario, it is not considered a likely one, being more foreseeable that such regulatory changes result in restrictions as the ones previously described. As for the definition of the best possible practices in the wood based panels sector, Sonae Indústria considers that additional investment may be required to comply with such practices, in a period between two to three years, with the aim of incorporating some of those practices in the activities where they are not currently considered.

54. Description of the process for identification, evaluation, monitoring, control and management of risks

The management of risks is an important part of Sonae Indústria’s culture and is mainly supported by Internal Audit and Risk Management activities.

Internal Audit is an independent and objective activity, which aims helping Sonae Indústria to achieve its goals by participating in the process of value creation. It uses a systematic and structured approach to evaluate and improve the effectiveness of risk management, internal control procedures and corporate governance.

Internal Audit operates in accordance with International Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors, including its Code of Ethics.

Internal Audit reports to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

The planning of the activity of Internal Audit is essentially developed based on a prior assessment of the systematic business risks of Sonae Indústria. An annual plan of Internal Audit activity is submitted to and discussed with the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

Descriptive reports of the activity of Internal Audit are prepared and sent to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board of Sonae Industria, which includes the summary of significant internal control deficiencies and shortcomings in procedures and policies set by company.

The existing reporting system ensures regular feedback, a proper review of the activities and the possibility to adjust the plan of activities to emerging needs.

The Board Audit and Finance Committee (BAFC) and the Statutory Audit Board are responsible for overseeing the effectiveness of the internal audit function. Accordingly, Internal Audit has developed a quality assurance and quality promotion, which includes ongoing analysis and regular and periodic evaluations of the quality conducted internally and externally.

Risk Management is a key concern within the Sonae Indústria culture and is present in all management processes, forming part of the delegated responsibility of managers and employees at all levels within the Sonae Indústria Group.

Risk Management comprises the process of identifying potential risks, analysing their possible impact on the organisation’s strategic goals and seeking ways to minimise the probability of their materialisation, in order to determine the best procedures to manage exposure to them.

---

[1] Registration, Evaluation, Authorisation and Restriction of Chemicals; Regulation (CE) n. 1907/2006, of 18 December or Decree-law n. 293/2009, of 13 October.
[2] Directive n. 2010/75/EU.

The risk management is part of the **Internal Audit & Risk Management** function.

This department is focused in the promotion of a culture of risk awareness throughout the organization and in the coordination of risk management activities and respective reporting of results. It is also responsible for implementing the Enterprise Wide Risk Management (EWRM) methodology, detecting, assessing and prioritising the risks and their potential impact on the organisation's activities.

The company risk model, aggregates the business risks in three categories (Business Division Risks, Business Process Risks and Risk of Information for Decision Making) and quantifies the relevance (impact on EBITDA and operating efficiency) and the probability (frequency of the event or scenario occurring) of the critical risks for Sonae Indústria.

The management of financial risks, incorporated into the business process risks is carried out and monitored within the scope of the finance function.

The risk management also cooperates with the insurance management, whose goal is to bring about more efficient and effective management of the Group's different insurance policies, in order to mitigate insurance risks.

The general approach seeks to assure a suitable and balanced coverage of the operational risk by transferring it to the company's insurance partners. Sonae Indústria developed various insurance programs to tranfer the risk to the market, aiming to cover:

- property damage (including machinery breakdown) and business interruption;
- damages in transportation;
- damages caused to third parties (product, public and environmental liability);
- credit risk;
- working accidents.

Sonae Indústria contracts global insurance policies as a back up to its risk management processes that better approach specific risks and topics and is committed to improve its assets protection and prevention levels in order to reinforce the partnership with the insurance market.

The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is assigned to a specific department, active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.

Internal Audit and Risk Management services, including Operational Risk Management, for all Sonae Indústria companies, except for Tafisa Canada that has internalised these functions, are provided by teams at Sonae Arauco.

Sonae Indústria kept the focus on the **Continuous Improvement Programme** supported by a specialised Continuous Improvement Team from Sonae Arauco, which promotes the implementation of continuous improvement best practices that lead to higher efficiency and productivity levels in the group, gradually implementing a cultural change in the company's employees. The objective is to involve all employees in developing a faster and more efficient way to work, not only in the industrial areas, but also in commercial and supporting activities of the company.

Operational Risk Management:

Similar to other Sonae Indústria's processes, our industrial procedures are constantly challenged in order to reach more efficient, sustainable and safer practices. The need to evaluate and mitigate the operational risks of the operations is a concern and we focus our activity in increasing the level of awareness on new risks and promote changes to better address the current risks.

In 2017, Operational Risk Management activities were, once again, directed to consolidate the defined planning and guidelines, with a clear focus to reach a risk controlled environment.

Given all identified risks associated with an industrial activity like ours, protection of core assets as well as loss prevention activities, are a constant concern and defined as priorities in 2017.

Operational Risk Management services for all Sonae Indústria subsidiaries are provided by Sonae Arauco teams except for Tafisa Canada, which internalised this function with dedicated and independent teams.

Corporate Operational Risk Standards (CORS)

Corporate Operational Risk Standards are recognized as an important tool for a clear guidance and for standardization of the Hazards Management program. These principles were developed with reference to international standards such as NFPA[3] and/or FM[4] data sheets, bringing together the best protection engineering practices for the wood industry. These standards were validated in coordination with external experts and specialists from risk management and insurance market fields.

The Corporate Operational Risk Standards (CORS) are divided in three areas:

1. Management Programs and Procedures:

- industry best practices in loss prevention involving the human element;
- preparation for emergencies;
- management programs (maintenance, inspections equipment, training, contractors, housekeeping).

2. Fire Protection Systems:

- reference to internationally recognised standards, mainly NFPA;
- general requirements in fire detection and protection in industrial premises, fire water supply specifications and building materials characteristics;
- integration of a component for surveillance practices (hardware).

3. Special Hazards:

- world class developed knowledge in fire detection and protection inherent to the wood based panels industry: wet and dry particle handling and transport, dryers, hot presses, etc.;
- specific issues, such as thermal and hydraulic oil installations, electrical cabinets and rooms or transformers.

With the objective of complementing the above, specific standards that define the ideal protection per type of industrial equipment have been developed in cooperation with the Group Technology team. This reinforcement of the Hazards Management pillar reflects best practices and recommendations of the equipment suppliers. These standards expedite the investment approval process, as the industrial units already have the specifications necessary for the installation, thus promoting the standardization of the systems.

In the scope of the Continous Improvement pillar, the following two extremely important areas have been the focus in 2017: on one hand, improvements were made in several industrial units to develop protection against explosion risks (project defined with investments to be done during several years) and, on the other hand, the collaboration with a company specialised in the treatment and recovery of thermal oil. Thermal oil systems are critical assets to our business and a proper risk identification requires a degree of industrial and expert knowledge so that the system installation and operation becomes saffer.

[3] National Fire Protection Association.
[4] Factory Mutual.

INSPECTIONS

External Risk Inspections

As in previous years, the industrial units were evaluated by risk engineers from leading insurance companies responsible for the policies in each country. Depending on the country and on the insurance company the frequency of the risk evaluation can be annual or biannual.

The evaluation results are translated into recommendations wich are included in the Risk Plan of each industrial unit.

Internal Risk Inspections

During 2017, there was no formal Internal Risk Inspection, mainly as a result of the organizational changes, but also due to the fact that is in course the development of a software for the Internal Risk Inspection.

Nevertheless, there were internal visits which focus on the assessment and audit of compliance of Corporate Operational Risk Standards in some specific sites.

Risk Plan

In addition to the recommendations issued by the external risk engineers, each industrial unit also has measures to be implemented in order to comply with the Corporate Operational Risk Standards, the corporate guidelines or the recommendations resulting from the internal risk inspections. The main objectives encompass:

- improving Sonae Indústria's installations risk standard, by reinforcing people and assets safety, and minimising business interruption;
- obtaining a payback reflected in the insurance premiums (demonstration of real and tangible commitment to loss prevention);
- forming the basis for preparation of the annual budget for investment in Loss Prevention measures and setting out priorities based on the impact on Loss Prevention.

55. Main components of the internal control systems and risk management adopted by the company in relation to the process of disclosure of financial information (Article 245-A, number 1, paragraph m))

For Sonae Indústria, the implemented **internal control** environment that also covers the process of preparation and disclosure of financial information is a transversal set of procedures implemented by the Group's executive governing bodies, supported in principles of coherence, consistency, transparency, accountability, honesty, integrity, reliability and relevance, aiming to verify the reliability and the accuracy of the financial information, the compliance with accounting rules and regulations, without letting to promote the operational effectiveness. The internal control system monitors the application of management best practises and procedures, the compliance with the management established policies and aims to provide reasonable assurance in the preparation of the company's financial statements, in accordance with the adopted accounting standards, and to ensure the quality of the financial reporting.

In this global internal control system, the Group's first point of control is associated with the organization, procedures and tasks related with process of decision-making and execution, which translate, in a systematic, controlled and validated way, in the authorizations of the operations by management.

It is then tried to ensure that those management transactions turn into procedures and movements related with accounting and financial records which, consequently, are elaborated in a way to allow a reasonable level of certainty that such transactions are executed in accordance with a general or specific management authorization, that transactions are registered in order to enable the adequate preparation of the financial statements in accordance with the generally accepted accounting standards and to keep an adequate accounting record of the company financial situation. The accounting evidence of the company financial situation is compared, in frequent time intervals, with existing assets and liabilities and appropriate measures are taken whenever relevant material differences are registered.

The reliability, independence, integrity and the opportunity of the financial information are guaranteed not only by the clear separation between who executes the operations, prepares the information and its internal users (and naturally external users), but also by the realization of several control activities throughout the process of preparation, validation and disclosure of financial information.

The internal control system for the accounting and preparation and disclosure of financial information includes the following key controls:

- The process of reporting financial information is documented. The risks, tasks and associated controls are identified, individualized and segregated, being properly established and approved the criteria for its preparation and disclosure, which are periodically reviewed;
- The utilization of consistent accounting principles in compliance with the rules in force, which are explained in the notes to the financial statements and are present in the company formal document – "Group's Accounting Policies" – is permanently updated and validated by the Board Audit and Finance Committee and approved by the Board of Directors;
- The plans, procedures and records of Group companies allows a reasonable assurance that the transactions are executed only with proper authorization, approved by management, and registered in compliance with accounting standards, also ensuring that the Group companies maintain a proper record of its assets with their existence reconciled with the accounting records, being adopted appropriate measures always when differences are verified;
- The financial, accounting and management information is reviewed regularly by the management of each business unit and by the persons in charge of the profit centres, ensuring continuous monitoring and related budget control;
- During the process of preparation and review of financial information, detailed schedules are set out and shared with the areas involved, being all documents reviewed in detail, including the review of principles used, verifying the accuracy of the information and its consistency with principles and policies defined in the "Group's Accounting Policies" document and used in previous periods;
- With regard to the individual companies, with the exception of Tafisa Canada that performs its own accounting records, accounting records are ensured by the Sonae Arauco Shared Services Centre that guarantees the control and consistency in recording business processes transactions and the recording of the assets, liabilities and equity accounts balances. The financial statements are prepared by the different functions of administrative services. Compliance with the rules and the schedule mentioned above ensures the consistent respect for criteria and the early detection of any potential deviation or inaccuracy in the records. Financial statements are prepared by chartered accountants of each company and reviewed by Planning and Management Control, Consolidation, the Statutory External Auditor and by Sonae Indústria's Statutory Audit Board;
- Consolidated financial statements are prepared on a monthly basis. This process represents an additional control of the reliability of financial information, as regards the consistent application of accounting principles, cut-off procedures and control of related parties transactions and balances;
- In the assessment process of the company risk, the Management Committee permanently identifies the relevant risks to the preparation of the financial statements in order to ensure an appropriate and real image of the company situation in every moment. A monthly detailed analysis of the financial statements aims to ensure that these reflect the risks, events and external and internal circumstances that impacted the reporting period;
- The Management Report is prepared by the Investors Relations Department with contributions and reviews made by several business and supporting departments. The Corporate Governance Report is also prepared by the same department in cooperation with the Legal Department;
- The Group financial statements are prepared under the supervision of the Management Committee. The documents that constitute the Annual Report and Accounts are sent for review and approval by Sonae Indústria Board of Directors, after being previously verified with the Statutory External Auditor. Once approved, the documents are sent to the Statutory External Auditor, who issues the accounts legal certification and audit report, both object of a detailed analysis and deliberation by the Statutory Audit Board;

- The process of preparing separate and consolidated financial information and the Management Report is supervised by the Statutory Audit Board and by the Board Audit and Finance Committee of the Board of Directors. These bodies meet quarterly to review the individual and consolidated financial statements. The Statutory External Auditor presents the main conclusions of the work carried out regarding the annual financial information, directly to the Statutory Audit Board and to the Board Audit and Finance Committee. Promptly and when something material happens with relevant impact in the accounts, the Statutory External Auditor meets with the Statutory Audit Board to discuss and validate the implications of those situations in the results' announcements;
- Internal rules applicable to the disclosure of financial information aim to warrant that information is disclosed to the market in a timely manner, in order to prevent information asymmetry.

Among the risks that may materially affect the financial and accounting report preparation, the following are worth highlighting:

- Accounting estimates – major accounting estimates are described in the notes to the financial statements. Estimates are based on information made available during the preparation of the financial statements and in the best knowledge and experience of past and present events;
- Balances and transactions with related parties – balances and transactions with related parties are disclosed in the notes to the financial statements. These transactions are related mainly to the operational recurrent activities of the Group, and to the granting and obtaining of loans under arm's length conditions and supported in good transfer pricing practices;
- Compliance and updating of rules and accounting policies – the accounting policies produced by the different regulators are permanently updated. Financial statements are presented according to the most recent versions and whenever it impacts the disclosure of the financial information reports, to prevent incompleteness, inaccuracy or ill-time of the financial statements, as referred in the notes to the financial statements;
- New, revised or discountinued information systems – the adoption of new information systems or its constant updates could impact the timely presentation of the financial information and even its reliability and consistency. The permanent update of the decision-making information systems is accompanied by multidisciplinary internal and external teams that provide an adequate control environment. In turn, the company risk of not having an effective and redundant information and technology infrastructure in the processes scope used to define, develop, keep and operate a timely and adequate treatment information environment, could lead to information loss and/or in the availability of the systems to report the information in a complete manner and on time. To minimize this potential risk, the Group has been developing and implementing information technology solutions that allow to face this risk in a more controlled way;
- Fraud and human errors – the fraud situation in which an individual or a group of people in collusion, namely those with higher management responsibility positions, engages in fraud practices related with the financial information preparation can be hard to detect, depending on the hierarchical level of the intervenient. The existence of different information internal recipients, namely the top management level, the Planning and Management Control, the Investor Relations Department and local teams allows successive and redundant controls which enable the identification of potential fraud and human errors situations;
- Cost/benefit relation of the internal control process – the implementation of an internal control system related with the preparation and disclosure of financial information can represent a cost that has to be assessed in terms of benefit. There must be a direct relation between benefits (security) that the company aims to achieve with the internal control system implementation and the reasonable security that this may provide. The business processes optimization, which includes the process of preparation and disclosure of business information, has been permanently analised and updated, in terms of processes optimization and internal control environment;
- Company's less common transactions – sometimes company´s less common transactions occur and, because they are exceptional, they could not be timely detected and identified by the internal control system as it may not be prepared to deal with it. When an exceptional situation occurs, it is immediately identified at

local or consolidated level, analysed by the several internal departments and, if need be, the External Auditor and/or experts are requested to confirm it.

IV. INVESTOR RELATIONS

56. Department responsible for investor relations, composition, roles, information made available by the department and contact details

Sonae Indústria has its own Investor Relations Department, which is responsible for managing the relationship between the Company and shareholders, investors, analysts and market authorities, including CMVM (the Portuguese Securities Market Commission).

Each quarter, the Investor Relations Department is responsible for coordinating the preparation of an earnings announcement to be issued to the market and provides statements whenever necessary to disclose or clarify any relevant fact or event that could affect the share price. The Investor Relations Department is available at all times to respond to any general questions posed by the market. The Company is available to meet investors, either at road shows or in one-on-one meetings upon request, or by participating in conferences.

Sonae Indústria's Investor Relations Department comprises one staff member. Its manager is João Mangericão. The Department may be contacted, by e-mail: investor.relations@sonaeindustria.com or by telephone: +351 220 106 359.

57. Representative for the Relations with Capital Markets

Sonae Indústria's legal representative for Relations with Capital Markets is its Managing Director Christopher Lawrie, who can be contacted via the Investor Relations Department or, alternatively, directly by e-mail: chris.lawrie@sonaeindustria.com.

58. Information on the volume and time of response to information requests received during the year or pending from previous years

The company keeps a record of the requests made to the Investor Relations Department and how each request was dealt with. In 2017, the Department received contacts and requests for clarification from 27 individuals and entities, of which 6 were non-resident. In overall terms, the average response time to the information requests from investors was less than 48 hours. No information requests from earlier years are pending.

V. WEBSITE

59. Website address

The company's website is **www.sonaeindustria.com**.

60. Place where information on the firm, public company status, registered office and the remaining information is available set out in Article 171 of the Portuguese Companies Law

Information on the company's firm, the quality of publicly traded company, headquarters and other elements mentioned in Article 171 of the Companies Code is available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,155 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,155 (English version)

61. Place where the company's Articles of Association and terms of reference of the governing bodies and/or committees are available

The company's Articles of Association are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,31 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,31 (English version)

The functioning regulations of the Board of Directors, Management Committee and the Statutory Audit Board are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,29 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,29 (English version)

62. Place where information regarding the identification of the members of the governing bodies, the representative for the Relations with the Capital Markets, the Investor Relations Department or its equivalent, respective roles and contact details is available

The identity of the members of the company's governing bodies is available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,29 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,29 (English version)

Information about the representative for the Relations with the Capital Markets is available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,30 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,30 (English version)

Information about the Investor Relations Department is available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,55 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,55 (English version)

63. Place for disclosure of the company financial statements, which must be available for at least five years, as well as the half-year calendar of corporate events, released at the beginning of each semester, which must include dates of Shareholders' General Meetings and dates of release of annual, half-year and, if applicable, quarterly results

The company's accounting documents are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,42 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,42 (English version)

http://web3.cmvm.pt/sdi/emitentes/emit_contas.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A
(Portuguese version)
http://web3.cmvm.pt/english/sdi/emitentes/emit_contas.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A
(English version)

The half-year schedule of company events is available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,53 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,53 (English version)

64. Place for disclosure of the notice of General Meeting and all the preparatory and subsequent information

The notifications convening the General Meetings and all the preparatory and subsequent meeting information are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,99 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,99 (English version)

http://web3.cmvm.pt/sdi/emitentes/emit_convocatorias.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A (Portuguese version)
http://web3.cmvm.pt/english/sdi/emitentes/emit_convocatorias.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A (English version)

65. Place for the release of the historic records of all resolutions approved at the Shareholders' General Meetings, the percentage of share capital represented and the results of the votes cast, all in relation to the last three years

The record of the deliberations made in the General Meetings, capital represented and the results of the votes are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,99 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,99 (English version)

D. REMUNERATIONS

I. COMPETENCIES FOR APPROVAL OF REMUNERATIONS

66. Details of the powers for establishing the remuneration of the governing bodies, Executive Committee members and of the company persons discharging managerial responsibilities

As defined in the Articles of Association of the company, the Shareholders' General Meeting is responsible for establishing the remuneration of the members of the governing bodies or for electing a committee for this purpose. As for the members of the Board of Directors, the Shareholder's Remuneration Committee liaises with the Board Nomination and Remuneration Committee. This is the only way the Shareholder's Remuneration Committee gets the necessary knowledge about the performance of each Director, and especially the Executive Directors, throughout the year.

II. REMUNERATIONS COMMITTEE

67. Composition of the remunerations committee, including identification of the individuals or companies who have been retained to support the decision process and information regarding the independence of each member and advisor

Sonae Indústria's Shareholders' Remuneration Committee is appointed at the Shareholders' General Meeting for a three-year term and was elected at the Shareholders' General Meeting held on 31 March 2015 for the mandate 2015-2017. Currently, this committee is composed by Efanor Investimentos - SGPS, SA, represented by Duarte Paulo Teixeira de Azevedo, by Imparfin, Investimentos e Participações Financeiras, SA, represented by José Fernando Oliveira de Almeida Côrte-Real and by Professor José Manuel Neves Adelino.

Professor José Manuel Neves Adelino is an independent member of the Shareholder's Remuneration Committee.

The participation of Paulo Azevedo at the Shareholders' Remuneration Committee, who is also Chairman of the Board of Directors, corresponds to the representation of shareholder interests in the Shareholders' Remuneration Committee, as he intervenes in that capacity. Paulo Azevedo does not participate in the discussion nor is present in the moment of the meeting in which his own remuneration is discussed therefore ensuring the necessary impartiality and transparency.

No company was hired to assist the Shareholders' Remuneration Committee nor the Board Nomination and Remuneration Committee. For the benchmark salary level of Board of Directors members, these Committees use multi-company studies prepared by international consultants present in Portugal which are available in the market.

68. Experience and knowledge of the members of the Shareholders' Remuneration Committee in remuneration policy issues

The representative of Imparfin, José Côrte Real, works in Human Resources area of Efanor Group; his extensive knowledge and vast experience in Human Resources, namely in what concerns remuneration policies, contribute very positively to the work of the Shareholders' Remuneration Committee.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the management and supervisory bodies as mentioned in Article 2 of Law nr. 28/2009, dated 19 June

At the Shareholders' General Meeting held in 2017, the Shareholder's Remuneration Committee presented a declaration concerning the remuneration and compensation policy of the governing bodies and the persons discharging managerial responsibilities.

The remuneration and compensation policy to be applied to the statutory governing bodies of Sonae Indústria and other senior management complies with the European guidelines, the Portuguese law and the recommendations of the Portuguese Securities Market Commission (CMVM) and is based on the understanding that initiative, competence and commitment are the essential foundations for good performance and that the latter should be aligned with the medium and long term interests of the company, in order to achieve sustainability.

In determining the remuneration policy, comparisons are made with market studies available in Portugal and other European markets, including those prepared by the specialised consultant Hay Group. Comparisons are also made with remuneration practices of comparable companies listed in the stock market.

The fixed remuneration of Directors is determined according to their level of responsibility, is subject to annual review and is placed in the median position in comparable circumstances.

Besides the fixed remuneration, the Executive Directors participate on an incentives plan, with a variable component, which is divided in three elements, one of short term, other of medium term and other of long term. The total remuneration is placed in respect to the fixed remuneration in the median, and in the ninth deciles in respect to the variable component, being the total remuneration placed in the third quartile in comparable circumstances.

The fixed remuneration and the incentives plan are approved by the Shareholders' Remuneration Committee in coordination with the Board Nomination and Remuneration Committee.

The incentives plan awarded to Executive Directors is subject to maximum percentage limits and is determined by pre-established and measurable performance criteria - performance indicators - agreed with each Executive Director for each financial year.

This incentives plan is established based on a set of performance indicators at business level, mainly of economic and financial nature, also designated "Key Performance Indicators of Business Activity" (or Business KPIs), and also at individual level, "Personal Key Performance Indicators" (or Personal KPIs). The content of the performance indicators and their specific weight in determining actual remuneration awarded, ensure the alignment of Executive Directors with the strategic objectives defined for the organisation and the compliance with the laws that apply to the company's activities.

The award of the incentives plan is based on an individual performance assessment, which is made by the Shareholders' Remuneration Committee, in coordination with the Board Nomination and Remuneration Committee. This assessment takes place after the results of the company are known.

Thus, for each financial year, an evaluation is made of business activity and of the individual performance and contributions to the collective success, which, obviously, impacts the awards of the fixed and variable components of the remuneration package of each Executive Director.

In applying the Remuneration and Compensation Policy consideration is given to roles and responsibilities performed in affiliated companies.

The company's Remuneration and Compensation Policy incorporates the principle of not contemplating any compensation to members of the Board of Director, or to members of other statutory governing bodies, related with the termination of a mandate, whether such termination occurs at the end of the respective mandate, or there is an early termination for any reason or on any basis, without prejudice of the company's obligation to comply with the applicable law.

The Remuneration and Compensation Policy does not include any additional benefits system, particularly retirement benefits, in favour of the members of the governing bodies or other senior management, without prejudice of the Shareholders' Remuneration Committee having the option to proceed with the payment of part of the amounts due through the attribution of retirement saving plans.

To ensure the effectiveness and transparency of the objectives of the Remuneration and Compensation Policy, the Executive Directors have not, and will not, enter into agreements with the company or third parties that have the effect of mitigating the risk inherent in the variability of their remuneration awarded by the company.

The definition of the Remuneration and Compensation Policy of members of the company's statutory bodies, the main objective is to seize talent with high performance level, which represent a relevant and material contribution to the sustainability of the company's businesses. With that in mind, remuneration parameters of statutory bodies are set and periodically reviewed in accordance with remuneration practices of comparable national and international companies, aligning, in individual and aggregate terms, the maximum target amounts to be paid to members of the statutory bodies, with market practices, differentiating on an individual and positive manner the members of statutory bodies according to, amongst others, the respective profile and curriculum, the nature and job description and the responsibilities of the relevant statutory body and of the member itself, and the direct correlation degree between individual performance and businesses performance.

To determine the global market reference values, it is considered the average of values applicable to top management in Europe. The companies considered as peers for remuneration purposes are those included in the group of companies which are listed in Euronext Lisbon, being the maximum potential amounts to be paid to members of the statutory bodies the following, according to market references:

Board of Directors	**Components**		**Market Positioning**	**Circumstances when the amounts are due**
Executive Directors	Fixed	*Base Remuneration*	*Median*	*N/A*
	Variable	*Short Term Variable Component*	*Ninth Deciles*	*Compliance with objective and subjective KPIs*
		Medium Term Variable Component		*Compliance with objective KPIs*
		Long Term Variable Component		*Compliance with objective KPIs*
Non-Executive Directors	Fixed	*Remuneration*	*Median*	*N/A*
Statutory Audit Board	Fixed	*Remuneration*	*Median*	*N/A*
Statutory External Auditor	Fixed	*Remuneration*	*Median*	*N/A*

The company will not assume any contractual responsibilities which are based on and have as effect the enforceability of any payments regarding dismissal or termination of functions of directors, notwithstanding the legal responsibility regime applicable to the dismissal of directors without due cause.

For the company's statutory governing bodies, the approved policy establishes the following:

Executive Directors (EDs)

The Remuneration and Compensation Policy for the Executive Directors (EDs) includes, in the way it is structured, control mechanisms, taking into account the connection to personal and collective performance, to prevent behaviours that involve excessive risk-taking. This objective is also reinforced by the fact that each Key Performance Indicator is limited to a maximum value.

The remuneration of EDs normally includes two components: (i) a fixed component, which includes a Base Remuneration paid with reference to one year period (remuneration is paid in 12 months) and an annual responsibility allowance, (ii) a variable component which comprises three elements: (ii.1) a first element of Short Term, awarded in the first half of the year following the year to which it relates (the "Performance Year"), subject to the accomplishment of the objectives fixed for the Performance Year, paid immediately after its award, (ii.2) a second element of Medium Term, awarded in the first half of the year to which it relates, subject to the accomplishment of the objectives and paid after a three years deferral period, and (ii.3) a third element of Long Term, awarded in the first half of the year following the year to which it relates, subject to the accomplishment of the objectives fixed in each of the following five years and paid five years after its award.

(i) The fixed component of the remuneration (FR) of the EDs is based on the personal competences and level of responsibility of the function exercised by each ED and is reviewed annually. Each ED is attributed a classification named internally as Management Level ("Grupo Funcional"). EDs are classified under one of the following Management Levels: "Group Leader", "Group Senior Executive" and "Senior Executive". The Management Levels are structured according to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons as well as helping to promote internal equity.

(ii) The variable component of the remuneration (VR) is designed to motivate and reward the EDs to achieve predetermined objectives and reinforce the alignment of the EDs with the shareholders' interests and increasing their awareness of the importance of their performance in a sustainable manner on the overall success of the organisation. These objectives should be based on indicators of company performance, of the working teams under their responsibility and of their own personal performance. This variable component will be awarded after the annual accounts are closed and after their performance evaluation has been completed.

a) The Short Term Variable Bonus

The target value of the Short Term Variable Bonus equals, the maximum, to 1/3 of the target value of the total variable component.

The amount of the variable bonus of EDs without a specific geographic responsibility is based on the company consolidated KPI's, resulting 60% from the Operational Cash Flow, 20% from Fixed Costs and 20% of the other performance indicators to be annually defined by the Shareholders' Remuneration Committee. Thereafter, a multiplication factor will be applied. This multiplication factor results from the individual performance assessment and can range between 0 and 150% according with the individual performance classification attributed to the relevant ED.

Regarding EDs with geographic responsibility, the calculation is similar to the previously described, but the combined result of the company's Operational Cash Flow and consolidated Fixed Costs has a weight of 25%, of which 20% for the Operational Cash Flow and 5% for Fixed Costs, the weight of the relevant geography represents the 55%, of which 40% is allocated to the Operational Cash Flow and 15% to Fixed Costs, and the remaining 20% depend on the other performance indicators, namely related to the performance of the working teams under the responsibility of the ED, to be annually defined by the Shareholders' Remuneration Committee. The multiplication factor resultant from the individual performance assessment is applied in the same way.

b) The Medium Term Variable Bonus (deferred for three years)

The Medium Term Variable Bonus (MTVB) of the EDs is limited to a maximum of one third of the target value of the total variable component, and is intended to strengthen the alignment of the EDs with the strategic objectives of the company and the interests of the shareholders. The payment of the amount awarded is deferred for three years and adjusted proportionally in the year it relates to and in the following two years, in the portion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

c) The Long Term Variable Bonus (deferred for five years)

The Long Term Variable Bonus (LTVB) is designed to increase the awareness of the importance of performance in a sustainable manner on the overall success of the organisation. The amount of this bonus in euros is equal to the Short Term Variable Bonus awarded, will be deferred for a five years period and will only be due if the company registers consolidated profits in all years during the deferred period and if such profits are, in each year, in an amount equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year they respect to.

Considering all the elements of short, medium and long term of the variable component, the target values set in advance range between 50% and 70% of the total annual remuneration (fixed remuneration and variable component target value).

In respect to the calculation of the results and in respect to the Short-term Variable Bonus and to the Medium Term Variable Bonus, the total amount receivable is limited to the minimum 0% and the maximum of 200% of the total target value set in advance for those variable components.

The payments may be made by any of the forms of termination of an obligation as set forth in the law and in the company's Articles of Association, at the Shareholders' Remuneration Committee criteria, who may, namely, at its free criteria, fix the receipt of any of the parts of the variable component through the sale of shares of Sonae Indústria, SGPS, S.A. at a discount. This discount corresponds to a contribution to the acquisition of shares that will be supported by the persons to whom variable component remuneration was awarded, which shall correspond to a percentage of the trading price of the shares, at the date of the share transmission, up to a maximum percentage of 5% of such value.

The right of receipt of the deferred parts of the variable component remuneration expires if the contractual link between the member and the company ceases before its vesting date.

However, this right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member himself or to his/her legal sucessor on the vesting date.

In case of retirement of the member, the awarded right can be exercised in the respective vesting date.

Non-Executive Directors (NEDs)

The remuneration of the Non-Executive Members of the Board of Directors (NEDs) is based on market comparables and is structured as follows: (1) a fixed remuneration (of which approximately 15% depends on attendance at Board of Directors and Board Committees meetings); (2) an annual responsibility allowance. Fixed remuneration may be increased by up to 5% for those NEDs serving as Chairman at any Board Committee. There is no variable remuneration attributed as a bonus.

Statutory Audit Board

The remuneration of the members of the company's Statutory Audit Board is based exclusively on a fixed component, which includes an annual responsibility allowance. The levels of remuneration are determined by taking into consideration the company's situation and by benchmarking against the market.

Statutory External Auditor

The company's Statutory External Auditor is remunerated in accordance with normal fee levels for similar services, benchmarked against the market, under the supervision of the Statutory Audit Board and the Board Audit and Finance Committee.

Board of the Shareholders' General Meeting

The remuneration of the members of the Board of the Shareholders' General Meeting correspond to a fixed amount, based on the company's situation and benchmarked against the market.

Persons Discharging Managerial Responsibilities

Under the terms of paragraph 25 of n. 1 of Article 3 of EU Regulation 596/2014, dated 16 April, , in addition to the members of the statutory governing bodies mentioned above, Persons Discharging Managerial Responsibilities also include senior executives who have regular access to privileged information directly or indirectly related to that entity and power to take managerial decisions affecting the future developments and business prospects of the company.

The remuneration policy applicable to other individuals who, under the terms of the law, are considered to be Persons Discharging Managerial Responsibilities, shall be equivalent to the one adopted for other managers with the same level of function and responsibility, without awarding of any other additional benefits in addition to those which result from the respective Management Level.

The Executive Directors of Sonae Indústria's subsidiary companies are also eligible to be awarded the variable component, as well as, and in accordance with the remuneration policy approved by the Board of Directors, the employees who, through that policy, are entitled to the incentives plan are also eligible for the award of the referred to component.

70. Information on how the remuneration is structured, so that the interests of the members of the management body are aligned with the long-term interests of the company, how it is related to the performance evaluation and how it discourages the excessive assumption of risks

With regard to the Non-Executive Directors, the attribution of only a fixed remuneration, as explained in the previous point, allows the interests of these Directors to be matched to the long-term interests of the company.

As for the Executive Directors, the attribution of remuneration comprising a fixed component and a variable component, the latter calculated in line with a series of specifically weighted performance indicators, ensures that the Executive Directors' interests are aligned with the long-term interests of the company and discourages risk taking. The result of the performance assessment of each of the executive directors serves as a multiplier factor of the other defined KPIs (for a more detailed explanation of how the different KPIs work, see the previous point).

71. Reference to the existence of a variable component of the remuneration and information regarding the potential impact of the performance evaluation on the variable component

As mentioned in the two previous points, the remuneration of the Executive Directors comprises a variable component, whereby the performance assessment impacts on this part of the remuneration (for more detailed explanation of the impact of the performance assessment on the variable remuneration component see point 69).

72. Deferred payment of the variable component remuneration, identifying the deferral period

The Medium-Term Variable Bonus is deferred for a three-year period and the Long-term Variable Bonus is deferred for a five-year period.

73. Criteria for the attribution of variable remuneration in the form of shares, retention of shares by Executive Directors, potential agreements over shares, namely hedging or risk transfer agreements, respective limit, and relation to the total annual remuneration

The remuneration policy approved at the Annual General Meeting, in 2017, does not contemplate the remuneration in the form of shares. To ensure the effectiveness and transparency of the Remuneration and Compensation Policy, the Executive Directors have not entered and should not enter into agreements with the company or with third parties with the objective of mitigating the risk inherent to the variability of the remuneration that is fixed by the company.

74. Criteria for the attribution of variable remuneration in the form of options and indication of the deferral period

The company does not attribute options.

75. Main parameters and assumptions of any system of annual bonuses and other non-monetary benefits

The parameters and explanation of the annual bonus system are outlined in point 69 of the remuneration policy.

76. Main characteristics of the complementary long-term or advanced retirement plans for Directors and date of approval at the Shareholders' General Meeting for each individual

The company has not implemented any supplementary pension or early retirement regime.

IV. DISCLOSURE OF REMUNERATION

77. Indication of the total annual remuneration, both in aggregate and individual terms, of the members of the management bodies, paid by the company, including fixed and variable compensation and, for the latter, describing the different remuneration components involved

2017	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total Long Term Variable Bonus		Total	
	2016	2017	2016 (a)	2017 (b)	2016 (c)	2017 (d)	2016 (e)	2017(f)	**2016**	**2017**
Paulo Azevedo	51,800	51,800							**51,800**	**51,800**
Javier Vega	29,940	29,140							**29,940**	**29,140**
Albrecht Ehlers (g)	41,400	40,600							**41,400**	**40,600**
Carlos Moreira da Silva	35,400	35,700							**35,400**	**35,700**
José Romão de Sousa	30,600	28,700							**30,600**	**28,700**
Christopher Lawrie	223,220	223,220	110,633 (1)	110,374 (3)	108,258	108,258	110,633	110,374	**552,744**	**552,226**
Louis Brassard (h)	108,315	187,949	117,032 (2)	95,810 (4)	71,686	71,763	117,032	95,810	**414,065**	**451,332**
Total of Board of Directors	**520,675**	**597,109**	**227,665**	**206,184**	**179,944**	**180,021**	**227,665**	**206,184**	**1,155,949**	**1,189,498**

(a) Relative to 2016, amount approved and paid in 2017.

(b) Relative to 2017, estimated value considering actual KPI achievement but pending approval by the Shareholder's Remuneration Committee.

(c) The initial amount related to 2016 is deferred for three years and adjusted proportionally in the year to which it relates and in the two subsequent years, in the proportion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

(d) The initial amount related to 2017 is deferred for three years and adjusted proportionally in the year to which it relates and in the two subsequent years, in the proportion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

(e) Relative to 2016, amount equal to the Short Term Variable Bonus allocated is deferred for five years and will only be due if the company registers consolidated profits in all the years of the deferred period and if, in each year, those profits are equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year to which they relate.

(f) Relative to 2017, amount equal to the Short Term Variable Bonus allocated is deferred for five years and will only be due if the company registers consolidated profits in all the years of the deferred period and if, in each year, those profits are equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year to which they relate.

(g) Out of the amount paid in 2016, 29.100 euros were paid by Sonae Indústria and 12,300 euros by Sonae Arauco Deutcshland GmBh.
Out of the amount earned in 2017, 28.300 euros were paid by Sonae Indústria and 12,300 euros by Sonae Arauco Deutcshland GmBh.

(h) Relative to 7 months in 2016. Values in euros correspondent to the values in Canadian dollars.

(1) Fixed from the target value of 108,258 euros.

(2) Fixed from the target value of 92,167 euros.

(3) Fixed from the target value of 108,258 euros.

(4) Fixed from the target value of 92,267 euros.

78. Compensation of any kind paid by other companies in relation of domain or group, or subject to a common domain

The amounts paid by other companies in the Group are shown on the table in point 77.

79. Remuneration paid in the form of participation in the company's results and/or bonuses

The bonuses paid to the Executive Directors are outlined on the table in point 77.

80. Indemnities paid or due to former Executive Directors resulting from the termination of their responsibilities during the financial year

No indemnity was paid to the former Executive Directors upon termination of their functions during the year.

81. Indication of the total annual remuneration, both in aggregate and individual terms, of the Statutory Audit Board

In 2017, the members of the Statutory Audit Board earned the following remuneration:

Statutory Audit Board member	Remuneration/Euros
Manuel Heleno Sismeiro (Chairman)	9,900
António Trabulo	7,900
Óscar Quinta	7,900
TOTAL	25,700

82. Indication of the remuneration for the reference year of the Chairman of the Board of the General Meeting

In 2017, the Chairman of the Board of the Shareholders' General Meeting earned the total remuneration of 5,000 euros.

V. AGREEMENTS WITH IMPACT ON REMUNERATION

83. Contractual restrictions applied to the compensation due by ungrounded dismissal of Director and its relation with the variable component of the remuneration

The Remuneration and Compensation Policy approved by the Shareholders' General Meeting maintains its principle of not awarding compensation to the Directors upon termination of their mandate, notwithstanding mandatory compliance by the company with the legal stipulations in force concerning this matter.

84. Reference to the existence and description, indicating the amounts involved, of agreements between the company and members of the management bodies and other officers ('dirigentes'), in accordance to the terms of Article 248-B, number 3, of the Securities Code, which foresee compensation in case of resignation, ungrounded dismissal or termination of the work contract subsequent to a change in the company control (Article 245-A, number 1, paragraph l))

No agreements were signed between the company and the Directors that stipulated indemnity in the event of resignation, dismissal without justification or termination of the employment relationship following a change in the control of the company.

VI. SHARE PLANS OR STOCK OPTIONS PLANS

85. Identification of the plan and of the respective recipients

The current remuneration policy approved at the Annual Shareholders' General Meeting does not contemplate any variable remuneration in the form of share attribution.

86. Description of the plan

There is no remuneration plan in the form of share attribution.

87. Option rights for the acquisition of shares (stock options), whose beneficiaries are company employees.

The company does not have plans to attribute share purchase options.

88. Internal control tools to be used in a potential participation in the share capital by company employees, so that the voting rights are not directly exercised by them (Article 245-A, number 1, paragraph e))

No control mechanisms are in place regarding an employee participation system in the company's share capital.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company to monitor transactions with related parties

The mechanisms implemented by the company for the purpose of controlling transactions with related parties are thorough, transparent and in strict compliance with the market competition rules. Such transactions are subject to specific administrative procedures that are regulated by rules, namely rules governing transfer prices or the voluntary adoption of internal verification and control systems.

Monthly, all transactions and operational balances with related parties are identified and verified by a proper team of the Shared Services Centre that renders services to the company and validated with administrative teams of related entities when it refers to external operations.

The less recurrent transactions are subject to an ad-hoc and detailed analysis by the company's appropriate departments or by the services providers (always with the participation of the Tax area in order to ensure compliance with the existing transfer prices policies) to support the possible transaction values. In the case of an asset transfer/alienation, these are also subject to an external and independent assessment.

90. Indication of the transactions which were monitored in the reference year

Sonae Indústria did not carry out any transactions with members of the Board of Directors nor with the Statutory Audit Board members.

All transactions with related companies represent normal operational activity and were made under "open market" conditions and at prices that comply with transfer pricing regulations.

91. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purpose of previous assessment of the transactions to be carried out between the company and the holders of a qualified shareholding, or entities related thereto , in accordance to the terms of Article 20 of the Securities Code.

Any transaction above 10 million euros with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders) should be subject to prior opinion of the Statutory Audit Board. The request for an opinion must be accompanied by all the elements required to allow a comparative analysis with the market and how potential conflicts of interest will be managed.

Transactions that have been contracted with reference shareholders shall be a result of a competitive process and when lower than 10 million euros will be exempt from the prior opinion of the Statutory Audit Board but need to be reported to the Statutory Audit Board under the procedures mentioned below.

The Chairman of the Management Committee of Sonae Indústria is responsible for reporting to the Statutory Audit Board:

a) on a quarterly basis, all transactions with reference shareholders that exceed 1 million euros and any other transactions that are deemed to be particularly "sensitive" by management;

b) on a yearly basis transactions with reference shareholders with accumulated annual values that exceed 5 million euros.

II. INFORMATION CONCERNING TRANSACTIONS

92. Indication of the section in the financial statements documents where the information regarding related parties transactions is made available

The information relative to related parties' transactions may be found in Note nr. 36 of the Notes to the Consolidated Financial Statements.

F. DIVERSITY POLICY IN THE ADMINISTRATIVE AND SUPERVISORY BODIES

Sonae Indústria recognizes that diversity in the composition of its administrative and supervisory bodies, especially in respect of the Board of Directors, boosts creativity and supports informed decision making based on different perspectives.

Sonae Indústria aims to combine in its administrative and supervisory bodies a diverse set of competencies, knowledge, experiences and relevant perspectives, together with a knowledge of its business and a high integrity, so that the members of those government bodies effectively fulfill their responsibilities.

Therefore, the members of these governing bodies shall have the required academic qualifications for the exercise of their respective functions. In particular, we will strive to have members of the Board of Directors, that have combined competencies in different professions and industries in order to ensure informed decision making.

As an international Group, it is expected that the Board of Directors comprises persons of different nationalities and, consequently, different cultures, usually persons who are born native in one of the countries in which Sonae Indústria is present. This way, it is possible to bring to the Board of Directors the cultural and social perspective of such countries.

In relation to the members of the Statutory Audit Board, it is always expected that they have the qualifications required by law, such as knowledge of auditing and / or accounting as they are considered to be the most relevant for the exercise of their respective duties.

Age is not considered a determining factor for the choice of the members of these government bodies.

Sonae Indústria recognizes and supports the regime of balanced distribution of men and women in management and supervisory bodies of listed companies, published on 1 August 2017. Consequently, at the next Shareholders' General Meeting to be held in 2018, the proposal to be presented shall at least comply with the established in that law, in respect to the proportion of persons of each gender in the administrative and supervisory bodies.

PART II – ASSESSMENT OF THE CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria, SGPS, SA adopted the Corporate Governance Code published by CMVM (the Portuguese Securities Market Commission) in 2013, which is posted at www.cmvm.pt.

The decision to select the Corporate Governance Code of the CMVM is justified by the fact that it guarantees a suitable degree of shareholder protection and corporate governance transparency, and is also the Governance Code that the investors are most familiar with.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria complied with all recommendations of the Corporate Governance Code aforementioned during the 2017 exercise. Besides fulfilling the legal requirements and recommendations of the referred Code, Sonae Indústria, being aware of the importance of good corporate governance for business and for its shareholders, constantly seeks to adopt best practices in all areas in which operates, and as such prepared its own Code of Conduct, which can be found on the company's website www.sonaeindustria.com.

RECOMMENDATION	Degree of compliance	Corporate Governance report
I. VOTING AND CORPORATE CONTROL		
I.1 Companies should encourage their shareholders to attend and vote at General Meeting sand shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	**Compliant**	**12 and 13**
I.2 Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	**Compliant**	**14**
I.3 Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	**Compliant**	**12**
I.4 The company's Articles of Association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (five years interval), on whether that statutory provision is to be amended or prevails - without super quorum requirements as to the one legally in force - and that in said	**Compliant**	**13**

RECOMMENDATION	Degree of compliance	Corporate Governance report
resolution, all votes issued be counted, without applying said restriction.		
I.5 Measures that require payments or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and the free assessment by shareholders of the performance of Board members, shall not be adopted.	**Compliant**	**4**
II. SUPERVISION, MANAGEMENT AND AUDITING		
II.1 Supervision and Management		
II.1.1. Within the limits established by law, and except for the small size of the company, the Board of Directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	**Compliant**	**21, 27 and 28**
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives, and shall not delegate its own responsibilities as regards the following: i) definition of the strategy and general policies of the company; ii) definition of the business structure of the Group; iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	**Compliant**	**21**
II.1.3 The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the Group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	**Not applicable**	
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the Executive Directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	**Compliant**	**15 and 27 to 29**
II.1.5. The Board of Directors or the General Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	**Compliant**	**50 to 52**

RECOMMENDATION	Degree of compliance	Corporate Governance report
II.1.6 The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the Board.	**Compliant**	**17 and 18**
II.1.7. Non-Executive Directors shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the respective free float .The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any group with specific interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: *a.* Having been an employee at the company or at a company holding a controlling or group relationship, in the past three years; *b.* Having, in the past three years, provided services or established a commercial relationship with the company or company with which it is in a controlling or group relationship, either directly or as a partner, board member, manager or director of a legal person; *c.* Being paid by the company or by a company with which it is in a controlling or group relationship other than the remuneration arising from the exercise of the role of a board member; *d.* Living with a partner or a spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of board members or individuals who are, directly or indirectly, holders of qualifying holdings; *e.* Being a qualifying shareholder or a representative of a qualifying shareholder.	**Compliant**	**18**
II.1.8. When Board members that carry out executive duties are requested by other Board members shall provide the information requested in a timely and appropriate manner to the request.	**Compliant**	**29**
II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of the Directors, the Chairman of the Statutory Audit Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee, the convening notices and minutes of the respective meetings.	**Not applicable**	
II.1.10 If the Chairman of the Board of Directors has an executive role, said body shall appoint, from amongst its members, an independent member to ensure the coordination of the work of	**Not applicable**	

RECOMMENDATION	Degree of compliance	Corporate Governance report
other non-executive members and the conditions so that body can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		
II.2. Auditing		
II.2.1 Depending on the applicable model, the Chairman of Statutory Audit Board, the Chairman of the Audit Committee or the Chairman of the Financial Matters Committee shall be independent in accordance with the applicable legal standard and shall have the necessary skills to carry out the respective duties.	**Compliant**	**32 and 33**
II.2.2 The auditing body shall be the main interface between the External Auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the respective remuneration and ensuring that proper conditions for the provision of services are provided within the company.	**Compliant**	**45**
II.2.3 The auditing body shall assess the External Auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	**Compliant**	**45**
II.2.4. The auditing body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	**Compliant**	**51**
II.2.5. The Audit Committee, the General and Supervisory Board and the Statutory Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least in what concerns matters related to accounting, identification or resolution of conflicts of interest and detection of potential improprieties..	**Compliant**	**51**
II.3 Remuneration Setting		
II.3.1 All members of the Remuneration Committee or alike shall be independent from the executive board members and shall include at least one member with knowledge and experience in matters of remuneration policy.	**Compliant**	**67 and 68**
II.3.2 Any natural or legal person that provides or has provided services in the past three years to any structure under the Board of Directors, to the Board of Directors itself, or who has a current relationship with the company or a company consultant shall not be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	**Compliant**	**67**
II.3.3 A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law nr. 28/2009 dated 19 June, shall also include the following:	**Compliant**	**69**

RECOMMENDATION	Degree of compliance	Corporate Governance report
a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to the members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.		
II.3.4 The Approval of plans for the allotment of shares and/or options to acquire shares based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	**Not applicable**	
II.3.5 Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	**Not applicable**	
III. REMUNERATIONS		
III.1 The remuneration of the executive board members shall be based on actual performance and shall discourage taking on excessive risk.	**Compliant**	**69**
III.2 The remuneration of non-executive board members and the remuneration of the members of the auditing body shall not include any component dependent on the company performance or of its value.	**Compliant**	**69**
III.3 The variable component of the remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits shall be set for all components.	**Compliant**	**69**
III.4 A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend on the continued positive performance of the company during said period.	**Compliant**	**69 and 72**
III.5 Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to the remuneration variability set by the company.	**Compliant**	**69**
III.6 The Executive Directors shall keep the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of total annual remuneration, except for those shares that must be sold for the payment of taxes on the gains of said shares, until the end of their mandate.	**Compliant**	**69**

RECOMMENDATION	Degree of compliance	Corporate Governance report
III.7 When the variable remuneration includes stock options, the beginning of the exercise period shall be deferred for a period of not less than three years.	**Not applicable**	
III.8 When the dismissal of a board member is not due to serious breach of duties nor to the unfitness for the normal exercise of the functions but, yet, is due to an inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation beyond that which is legally due, is unenforceable.	**Compliant**	**83**
IV. AUDIT		
IV.1 The External Auditor, within the scope of its duties, shall verify the implementation of remuneration policies and systems of the corporate bodies, as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the company's Supervisory Board.	**Compliant**	**51**
IV.2 The company or any entity with which it maintains a controlling relationship shall not engage the External Auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the auditing body and must be explained in the Annual Corporate Governance Report - said services should not exceed 30% of the total value of services rendered to the company.	**Compliant**	**46 and 47**
IV.3 Companies shall support the rotation of auditors after two or three terms whether these are four or three year mandates, respectively. The continuance beyond this period must be based on a specific opinion of the Supervisory Board that explicitly considers the conditions of auditor independence and the benefits and costs of replacement.	**Compliant**	**44**
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1 The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to Article 20 of the Portuguese Securities Code shall be conducted during normal market conditions.	**Compliant**	**90**
V.2 The supervisory body or the auditing body shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in Article 20/1 of the Portuguese Securities Code - thus significant relevant business is dependent upon prior opinion of that body.	**Compliant**	**91**
VI. INFORMATION		

RECOMMENDATION	Degree of compliance	Corporate Governance report
VI.1 Companies shall provide, via their websites, in both Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	**Compliant**	**59 to 65**
VI.2 Companies shall ensure the existence of an investor support and market liaison office which responds to requests from investors in a timely manner and which keeps record of the submitted requests and their processing.	**Compliant**	**56 and 58**

SEPARATE FINANCIAL STATEMENTS

Separate Statement of Financial Position

Separate Income Statement

Separate Statement of Comprehensive Income

Separate Statement of Changes in Shareholders' Funds

Separate Statement of Cash Flows

Notes to the Financial Statements

Sonae Indústria,SGPS,SA

SEPARATE STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in EUR)

ASSETS	Notes	31.12.17	31.12.16
NON CURRENT ASSETS:			
Tangible fixed assets	3	65	265
Investment in subsidiaries and joint ventures	5	448.765.104	419.431.549
Investment available for sale	´5/4	121.425	122.990
Deferred tax asset	6	281.811	223.353
Other non current assets	´7/4	18.286.113	9.412.467
Total Non Current Assets		467.454.518	429.190.624
CURRENT ASSETS			
Trade debtors	´8/4	173.689	176.451
Other current debtors	´8/4	4.876.328	12.546.236
Current tax asset	8	613.260	826.041
Other current assets	´9/4	623.878	495.976
Cash and cash equivalents	´10/4	80.338	161.532
Total Current Assets		6.367.493	14.206.235
Total Assets		473.822.011	443.396.859
SHAREHOLDER'S FUNDS AND LIABILITIES			
SHAREHOLDER'S FUNDS:			
Share Capital		253.319.797	812.107.574
Legal reserve		0	3.131.757
Other reserves and accumulated earnings		36.149.790	-561.919.534
Accumulated other comprehensive income			-23.641
Total Shareholder's Funds	11	289.469.587	253.296.157
NON CURRENT LIABILITIES			
Bank loans - net of current portion	´12/4	159.536.306	179.422.837
Post-retirement benefits	13		91.528
Other non current liabilities	14	317.547	1.399.949
Total Non Current Liabilities		159.853.853	180.914.314
CURRENT LIABILITIES			
Current portion of non-current bank loans	´12/4	11.900.000	
Current bank loans	´12/4	1.750.000	1.750.000
Trade creditors	´15/4	157.506	167.285
Other current creditors	´16/4	5.742.537	5.792.204
Current tax liability	16	22.602	83.885
Other taxes and contributions	16	20.939	28.832
Other current liabilities	´17/4	1.629.268	1.364.183
Provisions	18	3.275.719	
Total Current Liabilities		24.498.571	9.186.388
Total Liabilities		184.352.424	190.100.702
Total Shareholder's Funds and Liabilities		473.822.011	443.396.859

The notes are an integral part of the separate financial statements

Sonae Indústria,SGPS,SA

SEPARATE INCOME STATEMENT

FOR THE PERIODS ENDED AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in EUR)

	Notes	31.12.17	31.12.16
Operating Income:			
Services rendered	23	293.832	458.768
Other income and gains	24	1.109.870	5.378.428
Total operating income		1.403.702	5.837.196
Operating Costs:			
External supplies and services		-849.866	-583.381
Staff expenses	21/22	-752.753	-2.791.407
Depreciation and Amortization	3	-200	-438
Provisions and impairment losses	18	-3.275.719	-
Other expenses and losses	24	-166.926	-3.385.464
Total operating costs		-5.045.464	-6.760.690
Operating profit/(loss)		-3.641.762	-923.493
Financial profit/(loss)	25	-6.907.025	(12.553.002)
Financial expenses		-8.617.677	-16.389.028
Financial income		1.710.652	3.836.027
Results related on investments in subsidiaries and joint ventures	26	46.822.657	-113.804.445
Profit/(Loss) before taxation		36.273.870	-127.280.940
Corporate income tax - current tax	27	-182.540	146.930
Corporate income tax - deferred tax	´6/27	58.458	-2.429.114
Net Profit/(loss) from continuing operations, after taxation		36.149.790	-129.563.124
Profit/(loss) for the period	28	36.149.790	-129.563.124
Profit (loss) per Share			
From continuing operations			
Basic	28	0,79620	-0,01141
Diluted	28	0,79620	-0,01141

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in EUR)

		31.12.17	31.12.16
Net profit/(loss) for the period	´11/28	36.149.790	-129.563.124
Other comprehensive income			
Actuarial gains / (losses) on post retirement plan		23.641	-23.641
Other comprehensive income for the period, net of tax			-225.852
		23.641	-249.493
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		36 173 431	- 129 812 616

The notes are an integral part of the separate financial statements

Sonae Indústria,SGPS,SA

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS` FUNDS AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in EUR)

					Accumulated other comprehensive income			
		Share capital	Legal reserve	Other Reserves and accumulated earnings	Actuarial gains / (losses) on benefit pension plans	Other comprehensive income for the period	**Subtotal**	**Total shareholder's funds**
	NOTES	11	11	11				
Balance as at 1 January 2017		812 107 574	3 131 757	-561 919 534	- 23 641		- 23 641	253 296 156
Loss cover			- 3 131 757	3 131 757				
Total comprehensive income								
Net profit /(loss) for the period	11			36 149 790				36 149 790
Other comprehensive income					23 641		23 641	23 641
Total				36 149 790	23 641		23 641	36 173 431
Capital reduction	11	-558.787.777		558 787 777				
Balance as at 31 December 2017		253 319 797		36 149 789				289 469 587
Balance as at 1 January 2016		812 107 574	3 131 757	-432.356.410		225 852	225 852	383 108 771
Total comprehensive income								
Net profit /(loss) for the period	11			- 129 563 124				- 129 563 124
Other comprehensive income					- 23 641		- 23 641	- 23 641
Total				- 129 563 124	- 23 641		- 23 641	- 129 586 764
Others	11					- 225 852	- 225 852	- 225 852
Balance as at 31 December 2016		812 107 574	3 131 757	-561 919 534	- 23 641		- 23 641	253 296 157

The notes are an integral part of the separate financial statements

SONAE INDUSTRIA

SONAE INDÚSTRIA,SGPS,S.A.

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in EUR)

OPERATING ACTIVITIES	Notes	**2017**		**2016**	
Receipts from trade debtors		296.594		307.741	
Payment to trade creditors		752.280		310.659	
Payments to staff		1.033.369		1.336.033	
Net cash flow from operations		**-1.489.055**		**-1.338.951**	
Payment/(receipt) of corporate income tax		-139.952		-2.164.243	
Other receipts/ (payments) relating to operating activities		14.395		971.233	
Net cash flow from operating activities [1]			**-1.334.708**		**1.796.525**
INVESTMENTS ACTIVITIES:					
Cash receipts arising from:					
Investments	5.1.1	4.000.070		36.604.032	
Loans granted to related parties	8,9	1.562.000		429.601.447	
Dividends	26	22.396.693	27.958.763	101.472.142	567.677.621
Cash payments arising from:					
Investments	5	9.543.068		191.247.624	
Loans granted to related parties	8,9	2.354.851	11.897.919	176.564.844	367.812.468
Net cash flow from investing activities [2]			**16.060.844**		**199.865.153**
FINANCIAL ACTIVITIES					
Cash receipts arising from:					
Interest and similar income		1.232.419		21.966.739	
Loans obtained	12.2	837.055.145	838.287.564	929.754.000	951.720.739
Cash payments arising from:					
Interest and similar charges		8.336.293		16.432.367	
Loans obtained	12.2	844.800.000		1.136.952.925	
Others		-41.399	853.094.894		1.153.385.292
Net cash used in financing activities [3]			**-14.807.330**		**-201.664.554**
Net increase in cash and cash equivalents (4) = (1)+(2)+(3)			-81.194		-2.876
Cash and cash equivalents - at the beginning of the period	10		161.532		164.408
Cash and cash equivalents - at the end of the period	10		80.338		161.532
Net increase / (decrease) in cash and cash equivalents			-81.194		-2.876

The notes are an integral part of the separate financial statements

SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017

(Amounts expressed in Euros)

1. Introduction

SONAE INDÚSTRIA, SGPS, S.A. headquarters is at Lugar do Espido, Via Norte, 4470-177 Maia, Portugal.

The Company's shares are listed on NYSE Euronext.

2. Main Accounting Policies

The main accounting policies adopted in preparing the accompanying financial statements are as follows:

2.1. Basis of Preparation

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), applicable to the period beginning 1 January 2017 and endorsed by the European Union.

2.1.1. In the year ended 31 December 2017, the following standards and interpretations, which have been endorsed by European Union, became effective:

IAS 7 (amendment**),** Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017).This amendment introduces an additional disclosure about the changes in liabilities arising from financing activities, disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash Flow Statement;

IAS 12 (amendment), Income taxes – Recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after 1 January 2017).This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law.
The application of these standards did not produce any significant effects on these consolidated financial statements.

2.1.2. At 31 December 2017, the following standards and interpretations had been issued by IASB and had been endorsed by the European Union, but had not been applied as they only become effective on later periods:

IFRS 4 (amendment), Insurance contracts (Applying IFRS 4 with IFRS 9) transactions (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment allows companies that issue insurance contracts the option to recognize in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance, not being applicable at consolidated level;

IFRS 9 (new), Financial instruments (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition;

IFRS 15 (new), Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018). This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognize revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach.

IFRS 15 (amendment) Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by European Union. This amendment refers to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition;

IFRS 16 (new), Leases (effective for annual periods beginning on or after 1 January 2019). This standard is still subject to endorsement by European Union. This new standard replaces the IAS 17 with a significant impact on the accounting by lessees that are now required to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the “right to control the use of an identified asset”.

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

2.1.3. At 31 December 2017, the following standards, effective 1 January 2017 or later, had been issued by IASB but still had not been endorsed by the European Union:

IAS 40 (amendment), Transfers of Investment property (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer;

IFRS 2 (amendment), Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority;

IFRS 9 (amendment), Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. . The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss;

IAS 28 (amendment), Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9, being subject to impairment expected credit loss model prior to any impairment test of the investment as a whole;

IFRS 17 (new), Insurance contracts (effective for annual periods beginning 1 January 2021). This standard is still subject to endorsement by the European Union. This standard will revoke IFRS 4 – Insurance contracts and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application;

Annual Improvement 2014 - 2016, (generally effective for annual periods beginning on or after 1 January 2017). These improvements are still subject to endorsement by European Union. The 2014-2016 annual improvements affects: IFRS 1, IFRS 12 and IAS 28;

Annual Improvement 2015 – 2017, (effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements affects: IAS 23, IAS 12, IFRS 3 and IFRS 11;

IFRIC 22 (new),Foreign currency transactions and advance consideration (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts". The date of transaction determines the exchange rate used to translate the foreign currency transactions;

IFRIC 23 (new), Uncertainty over Income Tax Treatments (effective for annual periods beginning 1 January 2019).). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - Income tax referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12 rather than IAS 37 - Provisions, contingent liabilities and contingent assets, based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified.

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

The financial statements have been prepared from the books and accounting records.

2.2. Investments in subsidiaries and joint ventures

Assets and liabilities of each subsidiary and joint venture are measured at their fair value at the date of acquisition. Financial investments in subsidiaries and joint ventures are tested for imparity when appropriate. If an impairment loss exists, it is recorded as a cost.

Subsidiaries are all entities (including special purpose entities) over which the Sonae Indústria, has the power to govern the financial and operating policies of those normally associated with the control, directly or indirectly, more than half of the voting rights.

Joint ventures are entities from which Sonae Indústria has joint control with another partner under a particular economic activity (represented by a contractual agreement)

Beyond the recognition of the impairment of the investment in subsidiary / joint ventures, Sonae Indústria recognize additional losses if incurred obligations or has made payments on behalf of subsidiary / joint ventures.

Entities that qualify as subsidiaries and as joint ventures are listed in Note 5.

Revenues from financial investments (dividends received) are recorded on the Profit and Loss statement of the period in which distribution is decided and announced.

2.3. Tangible Fixed Assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at their deemed cost, which corresponds to their acquisition cost or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal at that date, net of depreciation and accumulated impairment losses.

Tangible assets acquired after that date, are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life for each class of assets.

Depreciation rates used correspond to the following expected useful lives of the underlying assets:

Other Machinery	$5<x<20$
Office Equipment	4

Maintenance and repair costs related to tangible assets are recorded directly as expenses in the year they are incurred.
Gains or losses arising from the sale or write-off of tangible assets are determined as the difference between the sale price and the accounting net value at the sale/write-off date and are registered as Other Operational Income/ Other Operational Losses.

2.4. Intangible Assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is likely that they will generate future economic benefits, if they are controlled by the company and if their cost can be reliably measured.

Development expenses are recognized as an intangible asset if the company demonstrates technical feasibility and intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Development expenses which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Intangible assets are recognized only if they are identifiable and it is probable that they will result in future economic benefits to the company, are controlled by it and it can reasonably measure its value.

Internal costs associated with maintenance and software development are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

Amortization is calculated on a straight line basis as from the date the asset is first used, over the expected useful life, which ranges from 3 to 6 years.

2.5. Accounting for leases

When accounting for leases in which the company is the lessee, the lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

A lease is classified as a financial or an operating lease dependent on the substance of the transaction rather than the form of the contract.

Lease payments within operating lease contracts are recognized as expenses on a straight line basis over the lease term.

2.6. Impairment of non- current assets

Assets are assessed for impairment at the end of each year, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded on the income statement under provisions and impairment losses.
The recoverable amount is the higher of an asset's fair value net of costs incurred on sale and its value in use. Fair value less sale related costs is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.
Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed

whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded on the income statement as Other Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2.7. Borrowing costs

Borrowing costs are normally recognized as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of tangible and intangible assets are capitalized as part of the cost of the qualifying asset. Borrowing costs are capitalized from the time of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalization Borrowing costs are recognized as an expense in the period in which they are incurred.

2.8. Provisions

Provisions are recognized when, and only when, the company has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.
In situations where it is estimated to have a significant period of time between the onset of the obligation and the related expenditure, the provision is recorded at its present value.

2.9. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Investments measured at fair value through profit or loss
- Available-for-sale investments

Investments measured at fair value through profit or loss includes the investments held for trading by the company to be sold within a short period of time. They are classified as current assets in the statement of financial position.

Available-for-sale investments are stated as non-current assets except if they are intended to be sold within the next 12 months as from the balance sheet date.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them.

Available-for-sale investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the report date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost, less impairment losses.

Changes in the fair value of investments measured at fair value through profit or loss are included in the income statement for the period.

Gains or losses arising from a change in fair value of available-for-sale investments are recognized directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is transferred to net profit or loss for the period.

b) Accounts receivable

Receivables are stated at net realizable value corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable). The impairment losses are recognized in “Impairment loss in costumers”.
The impairment losses are recorded when the company has objective evidence that part or the whole amount receivable will not be paid and as long as the loss can be reliably estimated.

The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

The receivables are recorded as currents assets, except when its maturity is greater than twelve months from the balance sheet date, situation when they are classified as non-current assets.

c) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.13. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

The company uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the company for trading purposes.

Derivatives classified as cash flow hedge instruments (Swaps) are used by the company mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the Income statement.

The company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the company are initially accounted for at fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, included in Reserves and retained earnings on the statement of financial position, and then recognized in the income statement over the same period in which the hedged instrument affects income statement.

The fair value of these financial instruments is calculated with resource to derivative valuation software and was based on the present value, at report date, of future cash flows of both the fixed and variable legs of the derivative instrument.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the Income statement.

These derivative instruments, over which no hedge accounting was applied, are initially stated at cost, if any, and then adjusted to their fair value.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value. Gains and losses are taken through the Income statement.

Additionally, the company also negotiates, in specific situations, interest derivatives in order to hedge fair values. In these cases, derivatives are stated at fair value through profit or loss. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through profit or loss.

Derivative instruments are stated on the Statement of Financial Position under Other non- current assets, other current assets, other non-current liabilities and other current liabilities.

For the periods presented, the company has no financial instruments traded derivatives.

g) Equity Instruments

The equity instruments that represent a residual interest in assets after deduction of liabilities and are recorded at the amount received net of any costs of issuance.

h) Own shares

The own shares are recorded at acquisition cost as a deduction from equity. Gains or losses on the sale of own shares are recorded in other reserves included in other reserves and retained earnings.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and for which the risk of change in value is insignificant.

In the statement of cash flows, cash and equivalents also include bank overdrafts, which are included in the balance sheet item borrowings.

2.10. Liability for medium and long term incentives plan

Each year the Company granted their employees that belong to a functional group classified as Executive or above a cash benefit which is related to the value added in the previous period for the shareholders. This compensation will be pay, after a period of three years if the employee is in function at the end of the period.

The liability is recorded in the Other Non Current and Current Liabilities item of the Statement of Financial Position, and Personnel Expenses, of the Income Statement by nature, linearly over the period of deferral of the payment,

2.11. Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

2.12. Income tax

Income tax for the year is determined based on the taxable income of the Company, considering the interim period profit and using the estimated effective average annual income tax rate.

The Special Group Tax Regime includes the following companies: Sonae Indústria de Revestimentos, S.A.,Maiequipa – Gestão Florestal, S.A., Movelpartes – Componentes para a Industria do Mobiliário, S.A., and Frases e Frações – Imobiliária e Serviços, S.A.

In 2016, the Taxation Group reduced in 7 companies: Euroresinas - Indústrias Químicas, S.A., Ecociclo - Energia e Ambiente, S.A., Sonae Arauco Portugal,S.A.(Ex Sonae Indústria PCDM S.A.), Siaf Energia, S.A., Imoplamac - Gestão de Imóveis, S.A., Agloma Investimentos, SGPS, S.A., and Somit Imobiliária, S.A., since all these companies were sold. Entered 1 new company, Frases e Frações – Imobiliária e Serviços, S.A. constituted at the end of 2015.

In 2017, entered to the Taxation Group 2 new companies, Sonae Indústria – Management Services, S.A. and Parcelas e Narrativas – Imobiliária, S.A constituted in 2016.

Deferred taxes are calculated using the report liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually reviewed using the tax rates in place or announced and thereby expected to apply at the time the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer likely.

Deferred tax assets and liabilities are recorded in the Income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

Deferred tax liabilities are recognized for all taxable temporary differences, except those relating to: i) the initial recognition of goodwill, or ii) the initial recognition of assets and liabilities that do not result in a business combination and at the time the transaction does not affect accounting profit nor taxable profit. In respect of taxable temporary differences associated with investments in subsidiaries should not be recognized to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference and ii) it is probable that the temporary difference not reverse in the foreseeable future.

2.13. Revenue recognition and accrual basis

Revenue from services rendered is recognised in the Income statement taking into consideration the stage of completion of the transaction at the report date.

As of 2011, the management services started to be performed by another company of the group reason why no value in the line of the revenue was recognized.

From 2016, with the restructuring, these services were once again provided by the company.

From 2017, with a new restructuring, the company only provided management services.

The dividends received from investments in subsidiaries, associates and joint ventures are recognized as income in the period they are assigned to the partners or shareholders. Interests earned from loans are recorded in the period to which they relate, having regard to the period up to the end of each year.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other Current Liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they are to be recognised in the income statement.

2.14. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the Income statement as the difference between the sale price and the net book value at date of sale or write-off, under the caption Other Operating Profits and Losses.

2.15. Balances and transactions expressed in foreign currencies

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the report, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

	2017
GBP	0,8872

2.16. Subsequent events

Events after the report date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.17. Risk management

a) Credit Risk Management Policy

i) Receivables (Customers)

Sonae Indústria credit Risk derives mainly from its account receivables items related with its operating activity.

The main objective of credit risk management at Sonae Indústria is to ensure the effective collection of customer's operating receipts in accordance with the negotiated conditions. The payment is as low as possible, while maintaining the lowest possible level of impairment debtors.

In order to mitigate credit Risk related with potential customers default on payment of outstanding receivables, Sonae Indústria :

- Created a Committee for analysis and quarterly monitoring of credit risk;
-Implemented common proactive credit management processes and procedures; active and reactive, processes, these, supported and preventive, supported by advanced information systems;
- Establishes and monitors the credit limits of its clients, monitoring daily the effective exposure;
- Has created adequate protection mechanisms for hedging risks (such as credit insurance, letters of credit, and bank guarantees).
- Uses credit rating agencies;
- It uses the means of the insurance and legal companies available for recovery of credit when applicable.

To foster the sharing of experiences, the alignment of procedures and practices and to ensure compliance with adequate control rules, Sonae Arauco promotes, on an annual basis, a "Customer Credit Risk Management Forum". During 2017 Sonae Arauco also implemented a group project to review and optimize the group's current practices.

ii) Other financial assets, other than receivables

In addition to assets resulting from operating activities and related loan balances, Sonae Indústria holds other financial assets arising from its relationship, mainly related to its treasury management activities and deposits with financial institutions, such as deposits. As a result of these movements and bank balances, there is also a credit risk associated with the potential pecuniary default of the Financial institutions that are counterparts in these relationships.

As a rule, the financial assets resulting from this relationship with financial institutions preferably involve counterparties with a minimum Investment Grade rating. On the other hand, in general, the exposure related to this type of financial assets is broadly diversified and of limited duration in the periods by the group companies

b) Market Risk Management Policy

i) Interest Rate Risk

Due to the relevant proportion of variable rate debt, and of the consequent interest payment cash flows, Sonae Indústria is exposed to interest rate risk, particularly to the risk of interest rate variation of the Euro, since most of its debt is denominated in this currency.

As a general rule, Sonae Indústria does not hedge its exposure to interest rate fluctuations through financial derivatives. This approach is based on the principle of a positive correlation between interest rate levels and "operational cash flow before net interest", which creates a natural hedge of "operational cash flow from net interest" to the Sonae Indústria.

As an exception to this policy, Sonae Indústria may contract interest rate derivatives solely to cover exposures to existing risks and only to the extent that the following principles are observed:

- Derivatives are not used for purposes of trading, generation of income or speculative purposes;
- The company only contracts derivatives with financial institutions with a minimum Investment Grade rating;
- Contracted derivatives replicate exactly the underlying exposures with respect to settlement dates and base indexes;
- The maximum financial cost of the derivative as a whole and the underlying exposure are always known and limited from the beginning of the derivative contract;
- Quotations of two Financial Institutions are obtained prior to the contracting of interest rate derivatives (Note 20.2.1).

ii) Other Price Risks

As at 31st December 2017, Sonae Indústria did not hold material investments classified as “available-for-sale”.

c) Liquidity Risk Management Policy

At Sonae Indústria, liquidity risk management aims to ensure that the company obtains, in a timely manner, the financing necessary to continue its business, implement the defined strategy and comply with its obligations under the most favorable terms and conditions. The liquidity risk is analyzed in note 20.1.
To this end, the Group's liquidity management comprises:

- Financial planning and cash flow forecasts by country and at consolidated level, with different time horizons (weekly, monthly, annual and business plan);

- Diversification of funding sources;
- Diversification of debt maturities in order to avoid excessive concentration of repayments over short periods of time;
- Negotiation with relationship banks of committed and uncommitted credit lines, commercial paper programs, and other types of financial operations, in order to ensure a balance between adequate levels of liquidity and committed fees;
- Access and active management of the subsidiaries' liquidity positions and cash flows, taking into account the liquidity objectives of the Group

2.18 Judgments and estimations

The most significant estimations included in these financial statements refer to:

a) Impairment tests on tangible and intangible assets ;
b) Impairment analysis of accounts receivable ;
c) Adjustments to assets, namely fair value adjustments;
d) Calculation of provisions and pension liabilities;
e) Calculation of income tax .

These estimations were based on the best available information at the date these financial statements were prepared and were based on the knowledge and experience of present and past events. Notwithstanding, some situations may occur in future periods which were not included in present estimations as they were not foreseeable. Changes to estimations after these financial statements date will be, prospectively, corrected through profit or loss in accordance with IAS 8.
Main estimations and assumptions relating to future events included in these financial statements are described in the correspondent notes.

2.19 Fair value of assets and liabilities

In determining the fair value of an asset or liability if an active market exists, the market price is applied. This is level 1 of the fair value hierarchy as defined in IFRS 13 - Fair Value Measurement. If an active market is not available, generally accepted valuation techniques are used, based on market assumptions. The resulting fair value corresponds to level 2 of fair value hierarchy, as defined in IFRS 13. Sonae Indústria, SGPS, S.A. applies valuation techniques for unquoted financial instruments, such as available-for-sale financial assets. The most commonly used valuation models are discounted cash flow models and option valuation models that incorporate, for example, interest rate and market volatility curves. For some more complex types of derivatives, more advanced valuation models containing assumptions and data that are not directly observable in the market are used for which Sonae Indústria, SGPS, S.A. uses internal estimates and assumptions. This is the level 3 of the fair value hierarchy as defined in IFRS 13.

2.20 Relevant Events

Nothing special to point out.

3. Tangible Assets

During the periods ended 31 December 2017 and 2016, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	31.12.17		
	Machinery and equipment	Office equipment	Total
Gross asset:			
Opening balance	38.099	133.355	171.454
Closing Balance	38.099	133.355	171.454
Accumulated depreciation and impairment losses			
Opening balance	38.029	133.160	166.188
Depreciations for the period	40	160	200
Closing Balance	38.069	133.320	171.389
Carrying amount	30	35	65

	31.12.16		
	Machinery and equipment	Office equipment	Total
Gross asset:			
Opening balance	38.099	133.355	171.454
Capital expenditure			0
Closing Balance	38.099	133.355	171.454
Accumulated depreciation and impairment losses			
Opening balance	37.985	132.766	166.188
Depreciations for the period	44	394	438
Closing Balance	38.029	133.160	171.189
Carrying amount	70	195	265

4. Financial Instruments

As of December 31, 2017 and 2016, the assets and liabilities recognized in the statement of financial position correspond to the following categories:

	notes	Loans and receivables	Available-for-sale assets	Sub-total	Assets out of scope of IAS39	Total
31.12.17						
Non current assets						
Available for sale investments	5		121.425	121.425		121.425
Other non current assets	7	18.286.113		18.286.113		18.286.113
Current assets						
Customers	8	173.689		173.689		173.689
Other current debtors	8	4.876.328		4.876.328		4.876.328
Other current assets	9				623.878	623.878
Cash and cash equivalents	10	80.338		80.338		80.338
Total		23.416.468	121.425	23.537.893	623.878	24.161.771
31.12.16						
Non current assets						
Available for sale investments	5		122.990	122.990		122.990
Other non current assets	7	9.412.467		9.412.467		9.412.467
Current assets						
Customers	8	176.451		176.451		176.451
Other current debtors	8	12.546.236		12.546.236		12.546.236
Other current assets	9				495.976	495.976
Cash and cash equivalents	10	161.532		161.532		161.532
Total		22.296.686	122.990	22.419.676	495.976	22.915.652

		Other financial Liabilities	Sub-total	Liabilities out of scope of IAS 39	Total
31.12.17					
Non current liabilities					
Bank loans -	12	159.536.306	159.536.306		159.536.306
Other curren	14			317.547	317.547
Current liabilities					
Bank loans -	12	11.900.000	11.900.000		11.900.000
Bank loans	12	1.750.000	1.750.000		1.750.000
Trade credit	15	157.506	157.506		157.506
Other curren	16	5.742.537	5.742.537		5.742.537
Other curren	17			1.629.268	1.629.268
Total		179.086.349	179.086.349	1.946.815	181.033.164
31.12.16					
Non current liabilities					
Bank loans -	12	179.422.837	179.422.837		179.422.837
Other curren	14		0	1.399.949	1.399.949
Current liabilities					
Bank loans	12	1.750.000	1.750.000		1.750.000
Trade credit	15	167.285	167.285		167.285
Other curren	16	5.792.204	5.792.204		5.792.204
Other curren	17			1.364.183	1.364.183
Total		187.132.326	187.132.326	2.764.132	189.896.458

5. Investments

At 31 December 2017 and 31 December 2016, details of investments were as follows:

	31.12.17		31.12.16	
	Non current	Current	Non current	Current
Investment in subsidiaries				
Opening balance at 1 January	244.831.903	-	275.462.311	-
Acquisition over the period	4.621.105	-	3.832.080	-
Disposals over the period		-	-34.462.488	-
Other	-4.000.000	-	0	-
Closing balance for the period	245.453.009	-	244.831.903	-
Accumulated impairment losses	-24.061.473	-	-21.308.888	-
	221.391.535	-	223.523.015	-
Investment in join ventures				
Opening balance at 1 January	1.088.400.304	-	1.087.554.828	-
Acquisition over the period		-	845.476	-
Disposals over the period		-		-
Other	-635.476	-	-	-
Closing balance for the period	1.087.764.828	-	1.088.400.304	-
Accumulated impairment losses	-860.391.259	-	-892.491.770	-
	227.373.569	-	195.908.534	-
	448.765.104		419.431.549	

5.1 Investments in subsidiaries

5.1.1 Movement of the period

During the year 2017, the acquisitions and disposals were as follow:

Subsidiaries	Value
Increases	**4.621.105**
- Share capital increase	**700.000**
- Frases e Frações - Imobiliária e Serviços ,S.A.(190.000 shares)	700.000
- Loss Cover	**3.921.105**
- Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	1.165.452
- Parcelas e Narrativas - Imobiliária, S.A.	1.965.808
- Frases e Frações - Imobiliária e Serviços ,S.A.	688.267
- Sonae Indústria - Management Services, S.A.	101.577
Decreases	**4.000.000**
- Share capital decrease	**4.000.000**
- Sonae Indústria de Revestimentos,S.A.	4.000.000

As of December 31, 2017 and 2016, receipts and payments of financial investments may be detailed as follows:

Subsidiaries	31 december 2017		31 december 2016	
	Receipts	Payments	Receipts	Payments
- Taiber, Tableros Alglomerados Ibéricos S.L.			65.292	
- Sonae Arauco Portugal (Sonae Indústria - Produção e Comercialização de Derivados de Madeira,S.A.)	4.000.000		3.497.787	
- Sonae Indústria de Revestimentos,S.A.				
- Euroresinas - Indústrias Quimicas,S.A.			18.169.378	
- Sonae Indústria - Management Services, S.A.				
- Somit Imobiliária,S.A.			10	
- Imoplamac - Gestão de Imóveis,S.A.			6.000.000	
- Siaf Energia,S.A.			5.000	
- Ecociclo - Energia e Ambiente, S.A.			1.720.021	
- Agloma Investimentos,SGPS,S.A.			5.000.000	
- Agloma Imobiliária y Servicios, S.L.			5.000	5.000
- Parcelas e Narrativas - Imobiliária, S.A.				682.627
- Sonae Indústria - Management Services, S.A.		1.965.808		50.000
- Glunz UK		101.577		1
- Movelpartes - Componentes para a Indústria do Mobiliário,S.A.		1.165.452		470.570
- Frases e Frações - Imobiliária e Serviços ,S.A.		1.388.267		2.623.882
	4.000.000	4.621.105	34.462.488	3.832.080

5.1.2 Valuation of financial investments

At 31 December 2017, Sonae Industria, SGPS had the following investments in subsidiaries companies:

Subsidiaries	% Share	Acquisition Value	Accumulated Impairment Losses	Net Value	Shareholder´s Funds	Net profit	
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	609.712	2.829.173	2.829.172	22.073	a)
Movelpartes - Componentes para Industria do Mobiliário,S.A.	100,00%	9.297.933	6.794.065	2.503.868	92.793	-1.338.241	a)-b)
Sonae Industria de Revestimentos,S.A.	100,00%	18.552.828	10.195.530	8.357.298	7.962.193	626.372	a)-b)
Frases e Frações - Imobiliária e Serviços,S.A.	100,00%	4.639.689	4.239.694	399.995	399.995	-600.005	a)
Parcelas e Narrativas - Imobiliária,S.A.	100,00%	2.070.895	2.070.895	0	-271.901	-1.021.901	a)
Sonae Indústria - Mangement Services,S.A.	100,00%	151.577	151.577	0	-60.862	-89.582	
Glunz UK	100,00%	1	0	1	22.261	44.774	
Megantic BV	100,00%	207.300.000	0	207.300.000	78.485.026	16.918.698	
Sonae RE, Societé Anonyme	0,04%	1.200	0	1.200	1.202.059	-48.581	
		245.453.008	**24.061.473**	**221.391.535**			

a) It is estimated that the amount by which the cost of acquisition of the financial interests in Sonae Indústria de Revestimentos, S.A., in Movelpartes - Componentes para a Indústria do Mobiliário ,S.A., in Frases e Frações - Imobiliária e Serviços, S.A., in Parcelas e Narrativas – Imobiliária, S.A. and Sonae Indústria - Management Services, S.A. is registered, is higher than its recoverable amount, and impairment losses were recognized in the year and in previous years (Note 18).

b) Impairment tests were performed on November 30, 2017, related to Sonae Indústria de Revestimentos S.A. and Movelpartes - Componentes para a Indústria do Mobiliário, S.A., which consisted of determining the value of use using the discounted cash flow method. For this purpose, operating cash flow projections were made for a period of 5 years, subsequently extrapolated through perpetuity and restated at the closing date of these financial statements. The discount rates used correspond to the weighted average cost of capital (WACC) rates, recalculated using the Capital Asset Pricing Model (CAPM) methodology for each reportable segment, before taxes. These rates consider market specificities by incorporating different risk factors as well as the 10-year risk-free interest rate of 10-year German Treasury Bonds plus a risk premium in each country considered. The use of a 5-year period for the projection of cash flows took into account the extent and intensity of the economic cycles to which the group activity is subject. The cash flows considered are based on the Group's Business Plan, which includes projections updated annually in order to incorporate the developments occurring in the markets in which the Group operates.

Assumptions used:

2017

	SIR	Movelpartes
Discount rate (pre-tax)	11,48%	11,45%
Sales (CAGR)	5,12%	18,54%
Growth rate on Perpetuity	1,00%	1,00%
Period	5 anos	5 anos
Test Conclusions	No impairment	No impairment

2016

	SIR	Movelpartes
Discount rate (pre-tax)	11,68%	9,31%
Sales (CAGR)	0,40%	10,30%
Growth rate on Perpetuity	1,00%	1,00%
Period	5 anos	5 anos
Test Conclusions	No impairment	No impairment

Following the tests carried out, no adjustment to existing impairment losses was necessary.

c) The shares of Parcelas e Narrativas – Imobiliária, S.A. are pledged to guarantee a loan (Note 12).

5.2 Investments in joint ventures

At December 31, 2017, the Company held the following investment in a joint venture, included in Investments in Subsidiaries and Joint Ventures:

Joint Venture	% Share	Acquisition Value	Accumulated Impairment Losses	Net Value	Shareholder´s Funds	Net profit
Sonae Arauco, S.A.	50,00%	1.087.764.828	860.391.259	227.373.569	249.281.675	25.629.081

As of December 31, 2017 and December 31, 2016, receipts and payments of financial investments may be detailed as follows:

Joint Venture	31 december 2017		31 december 2016	
	Receipts	Payments	Receipts	Payments
- Sonae Arauco,S.A. (Note 26)		4.921.962		210.000
	0	4.921.962	0	210.000

As of December 31, 2017 and 2016, the recoverable value of the investment in Sonae Arauco, S.A., was estimated based on the following assumptions:

2017

	Cash Generating Rules		
	Península Ibérica	Alemanha	Africa do Sul
Discount rate (pre-tax) (a)	9,44%	7,99%	13,72%
Growth rate on perpetuity (b)	2,00%	2,00%	2,00%
Growth rate c):			
Total net income	2,22%	1,55%	5,41%
Cost of goods sold and materials consumed	2,10%	1,94%	6,39%

(a) weighted average cost of capital (WACC) rates calculated using the CAPM methodology (pre-tax values)
(b) Growth rate used to extrapolate cash flows in perpetuity
(c) Composite average growth rate, including perpetuity

2016

	Cash Generating Rules		
	Península Ibérica	Alemanha	Africa do Sul
Discount rate (pre-tax) (a)	9,67%	8,46%	14,65%
Growth rate on perpetuity (b)	2,00%	2,00%	2,00%
Growth rate c):			
Total net income	2,24%	2,75%	5,13%
Cost of goods sold and materials consumed	2,86%	3,48%	6,46%

(a) weighted average cost of capital (WACC) rates calculated using the CAPM methodology (pre-tax values)
(b) Growth rate used to extrapolate cash flows in perpetuity
(c) Composite average growth rate, including perpetuity

A reversal impairment loss in the amount of Eur 32.100.511 was recorded for the joint venture Sonae Arauco, S.A. (Note 26).

5.3 Investments available for sale

At December 31, 2017 and December 31, 2016, available-for-sale investments is detailed as follows:

INVESTMENTS

	31.12.17		31.12.16	
	Non current	Current	Non current	Current
Assets held for sale				
Fair value at 1 January	122.990	-	122.922	-
Acquisition over the period		-	68	-
Other	-1.565	-		-
Fair value at the end of the period	121.425	-	122.990	-

Available-for-sale investments refer to financial holdings that do not meet the criteria to be classified as subsidiaries or associates and is detailed as follows:

	31.12.17	31.12.16
Shares INEGI	109.976	109.976
Shares CTIMM	5.986	5.986
Shares PIEP	5.000	5.000
Shares PINUS		1.496
Shares BIOMASSA	297	297
Deposir guarantee	167	167
Compensation Fund		68
	121.425	122.990

6. Deferred taxes

Details of deferred tax asset at 31 December 2017 and 31 December 2016 were as follows:

DEFERRED TAXES - BALANCE

	31.12.17		31.12.16	
	Assets	Liabilities	Assets	Liabilities
Others	281.811	-	223.353	-
	281.811	-	223.353	-

DEFERRED TAXES - FLOWS

	31.12.17		31.12.16	
	Assets	Liabilities	Assets	Liabilities
Opening Balance	223.352	-	2.652.466	-
Net losses carried forward		-	-1.511.726	-
Others	58.458		-917.388	
Sub-total (Note 25)	58.458	-	-2.429.114	-
Closing Balance	281.811		223.352	-

The amount included in others concerns SIFIDE to deduct tax benefits in the coming years .The variation in the period refers to the SIFIDE 2016 of Sonae Indústria de Revestimentos, S.A.

In 2017, no deferred tax asset was recorded on the tax losses generated by the Special Tax Group of Companies (about 585.400 euros) because there is no prospect of recoverability.

7. Other Non-Current Assets

Details of Other Non-Current Assets at 31 December 2017 and 31 December 2016 were as follows:

	31.12.17	31.12.16
Loans granted to group companies (Nota 2.2 e 21)	18.286.113	9.412.467
	18.286.113	9.412.467
Accumulated Imparment Losses		
	18.286.113	9.412.467

Loans granted at the end of the period 2017 and 2016:

Companies	2017 Final Balance	2016 Final Balance
Maiequipa - Gestão Florestal,S.A.	532.880	445.900
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	906.000	906.000
Frases e Frações - Imobiliária e Serviços,S.A.	6.498.567	8.060.567
Parcelas e Narrativas - Imobiliária,S.A.	10.348.666	
	18.286.113	9.412.467

In compliance with the article no 5, no. 4 of Decree-Law no. 495/88 of December 30, added by article no 1 of Decree-Law no. 318/94 of December 24, it is informed that loans contracts were entered into during the period ended December 31 of 2017 with the companies Maiequipa - Gestão Florestal, S.A. and Parcelas e Narrativas – Imobiliária, S.A..

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 4.579 %.

The loans are subject to interest rate conditions but do not provide conditions for repayment, that is to say, repayment is made through the availabilities of each of the companies, and it is not possible at this moment to predict its date, nor is it expected that its reimbursement occurs next year.

8. Trade, Other Current Debtors and Current Tax Assets

8.1) At 31 December 2017 and 31 December 2016, details of Current Trade Debtors were as follows:

	31.12.17	31.12.16
Current customer accounts	173.689	176.451
	173.689	176.451

At 31 December 2017 and 31 December 2016, the detail of trade debtors' maturities was as follows:

	31.12.17	31.12.16
Not due	151.488	124.020
Due and not impaired		
< 30 days	22.038	52.431
> 90 days	163	
	22.201	52.431
	173.689	176.451

8.2) At 31 December 2017 and 31 December 2016, details of Other Current Trade Debtors were as follows:

	31.12.17	31.12.16
Group companies - interest (note 21)	744.498	94.202
Group companies - current Income Tax (note 21)	138.350	346.644
Group companies - loans (Note 8.2.1)	3.990.164	12.055.959
Others		15.000
	4.873.012	12.511.805
Other debtors	3.315	34.431
Total (Note 8.2.2)	4.876.328	12.546.236

8.2.1) Financial transactions at the end of the period:

Companies	2017 Final Balance	2016 Final Balance
Maiequipa - Gestão Florestal,S.A.	9.000	13.000
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	3.677.500	209.000
Glunz UK	303.664	602.026
Parcelas e Narrativas - Imobiliária, S.A.		11.231.933
	3.990.164	12.055.959

In compliance with the article no 5, no. 4 of Decree-Law no. 495/88 of December 30, added by article no 1 of Decree-Law no. 318/94 of December 24, it is informed that financial transaction contracts were entered into during the period December 2017 with the companies Maiequipa - Gestão Florestal, S.A, Movelpartes – Componentes para a Indústria do Mobiliário, S.A., Sonae Indústria – Management Services,S.A. and Glunz UK.

Financial transactions granted to Group companies have a short term maturity and they yield interest at an average rate of 4.579 %.

8.2.2) At 31 December 2017 and 31 December 2016, detail of Others Debtors maturities was as follows:

	AGEING OF ADVANCE CREDITORS		AGEING OF TRADE CREDITORS (ASSET BALANCES)		TOTAL DEBTORS	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
Due and not impaired						
< 30 days			129	959	129	959
30 - 90 days					0	0
> 90 days		25.492	3.187	7.980	3.187	33.472
	0	25.492	3.315	8.939	3.315	34.431

8.3) At 31 December 2017 and 31 December 2016, Current Tax Assets were as follows:

	31.12.17	31.12.16
Current tax asset		
Income Tax	613.260	826.041
	613 260	826 041

9. Other Current Assets

Details of Other Current Assets at 31 December 2017 and 31 December 2016 were the following:

	31.12.17	31.12.16
Accrued revenue	134 131	342 077
Deferred costs	489 747	153 900
	623 878	495 976

The item accrued revenue refers to interest receivable from loans granted to its subsidiaries.

10. Cash and Cash equivalents

At 31 December 2017 and 31 December 2016 detail of Cash and cash equivalents was the following:

	31.12.17	31.12.16
Cash at Hand	1.989	1.889
Deposits	78.348	159.643
Cash & Cash Equivalent in balance sheet	80 338	161532

Cash & equivalents comprise cash at hand, deposits, treasury applications and short-term deposits with less than three months maturity, and for which the risk of value change is insignificant.

11. Shareholders' Funds

In May 2017, the company carried out a capital reduction operation to cover accumulated losses, as a result of which capital increased from Eur 812 107 574,17 to Eur 253 319 797,26, without changing the number of existing shares .

In July 2017, the company carried out a reorganization of the 11,350,757,250 shares that came to represent its share capital, after the extinction of 167 shares that were donated by the shareholder Migracom, SGPS, SA. in July 31, 2017 and included the application of a coefficient of 1: 250, according to which each set of 250 (two hundred and fifty) shares, with ISIN code PTS3P0AM0017, corresponded to a new share, with ISIN code PTS3P0AM0025.

As a consequence, on December 31, 2017, the Company's capital, fully subscribed and paid up, amounted to Eur 253 319 797,26 (Eur 812 107 574,17 as at 31 December 2016) and is represented by 45 403 029 common shares, book-entry and nominative, with no par value (11,350,757,417 shares, as of December 31, 2016).

The shares representing the share capital, on the dates of December 31, 2017 and 2016, do not confer the right to any fixed remuneration.

As of December 31, 2017 and 2016, the company and its subsidiaries did not hold any of their own shares.

The following entities had more than 20% of the subscribed capital on 31 December 2017:

Entity	%
Efanor Investimentos, SGPS, S. A.	42,66
Pareuro BV	25,83

Shareholder's Funds Detail:

	2017	2016
Share Capital	**253.319.797**	**812.107.574**
Legal Reserve		**3.131.757**
Other reservs and accumulated earnings	**36.149.790**	**-561.919.534**
Free Reserve		20.145.630
Other Reserves		245.913.105
Accumulated Earnings		-698.415.145
Net Income	36.149.790	-129.563.124
Other accumulated comprehensive Income		**-23.641**
	289.469.587	253.296.157

In 2017, the net negative results for the year 2016 and part of the loss generated in previous years not covered by the capital reduction were covered by the application of free reserves in the amount of 20.145.629,80 euros, of merger reserves in the amount of 245.913.105,07 euros and legal reserves in the amount of 3.131.756,77 euros.

Legal Reserve: Commercial legislation establishes that at least 5% of annual net profit has to be intended to strengthen the legal reserve until it represents at least 20% of the capital. This reserve is not distributable to not be in the event of the liquidation of the company, but can be used to absorb losses, after exhausted the other reserves, or incorporated into the capital. The amount at December 2016, was used to cover accumulated losses.

12. Loans

12.1) Bank Loans

At 31 December 2017 and 31 December 2016 Sonae Indústria, SGPS, S.A had the following outstanding loans:

		31.12.17				31.12.16			
		Amortised cost		Nominal Value		Amortised cost		Nominal Value	
	NOTES	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Loans - Commercial Paper		13.650.000	158.985.161	13.650.000	160.100.000	1.750.000	179.422.837	1.750.000	180.900.000
Bank Overdrafts			551.145		551.145				
Gross Debt		13.650.000	159.536.306	13.650.000	160.651.145	1.750.000	179.422.837	1.750.000	180.900.000

The loans (nominal value) have the following repayment schedule:

	31.12.17	31.12.16
2017		1.750.000
2018	13.650.000	1.900.000
2019	17.801.145	38.000.000
2020	45.850.000	44.000.000
	97.000.000	97.000.000
	174.301.145	182.650.000

The average interest rates of each class of debt stated in the previous table were as follows:

	2017	2016
Bank Loans		6,450%
Debentures		5,370%
Loans - Commercial Paper	4,591%	4,614%

In the calculation of these average interest rates, bank overdrafts were not considered due to the immateriality of the amounts involved.

a) Bank Loans

Company	Loan	Contract date	Maturity (with reference to 31.12.2017)	Currency	Outstanding principal at 31.12.2017 (Eur)	Outstanding principal at 31.12.2016 (Eur)
Sonae Indústria, SGPS, S.A.	Commercial paper programme	june 2013	june2018 Note: programme without subscription guarantee	EUR	€ 1.750.000	€ 1.500.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	july 2014	repaid between july 2018 and january 2020	EUR	€ 7.500.000	€ 0
Sonae Indústria, SGPS, S.A.	Commercial paper programme 2)	may 2016	repaid between may 2019 and may 2021	EUR	€ 143.500.000	€ 175.000.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	july 2016	repaid between january 2018 and july 2019 [4)]	EUR	€ 4.000.000	€ 4.900.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	july 2016	repaid between july 2017 and july 2018	EUR	€ 1.000.000	€ 1.250.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme 3)	december 2016	repaid between june 2018 and december 2019	EUR	€ 16.000.000	€ 0
	Others			EUR	€ 551.145	€ 0
				Total	**€ 174.301.145**	**€ 182.650.000**

Notas Adicionais

1) The aforemenioned loans pay interest at variable rate

2) The shares of subsidiaries Megantic B.V. e Tafisa Canada Inc.,shares held by Megantic BV, were pledged as collateral for this loan.In this agreement, Sonae Indústria,SGPS,S.A. is obliged to maintain a certain maximum level of financial debt calculated based on the Company´s separate financial statements,also commintting it self to a maximum "Net Debt/Ebitda" ratio for Tafisa Canadá Inc. calculated based on the separate financial statements of this subsidiary.Failure to comply with any of these rations may lead to the anticipated maturity of the loan

3) Under this financing,Sonae Indústria,SGPS,S.A.pledged the shares of its subsidiary Parcelas e Narrativas - Imobiliária,S.A..Under this financing, Sonae Indústria,SGPS,S.A. is obliged to maintain a racio of financial autonomy ("Total Equity/Total Assets").This ratio is tested annually from december 31, 2017 until the end of the financing based on the Company´s consolidated financial statements, and its failure may lead to the early maturity of this loan.

Subsequent Events

4) In february 2018,by agreement between the parties,the maturity of this loan moved to july 2019.

As of December 31, 2017, the ratios associated with the aforementioned loans complied with the contractually established limits.

12.2) Cash Flows

The financial liabilities (nominal value) derived from the financing activities disclosed in note 12 were as follows:

	31.12.2017				
Demonstração Separada de Posição Financeira	Opening balance	Increase	Decrease	Others	Closing balance
Non-current liabilities:					
Bank loans - net of current portion	180 900 000	551 145		(20 800 000)	160 651 145
Current liabilities:					
Current portion of non-current bank loans	250 000			11 650 000	11 900 000
Current bank loans	1 500 000	835 900 000	844 800 000	9 150 000	1 750 000
Current loans to subsidiaries	4 541 000	604 000			5 145 000
Total	187 191 000	837 055 145	844 800 000		179 446 145

Demonstração Separada dos Fluxos de Caixa	Cash receipts from	Cash payments to
Financing activities:		
Loans obtained	837 055 145	844 800 000
Total	837 055 145	844 800 000

13. Post Retirement benefits

During the year 2017, several people were transferred to another company of the Industry Sonae Group as well as the responsibility for the payment of a future benefits plan and therefore the existing provision for this effect in the amount of Eur 91.528, was canceled against operating revenues in the amount of Eur 67.887 and other comprehensive income in the amount of Eur 23.641.

SONAE INDUSTRIA

14. Others Non Current Liabilities

At 31 December 2017 and 31 December 2016 details of this item were as follows:

	31.12.17	31.12.16
Accrued Costs		
Personal expenses	317.547	1.399.949
Liabilities out of scope of IFRS7	317 547	1 399 948

The amount entered in the "Personal expenses" relates to the company's responsibility for the medium and long-term incentive plan recorded on a straight-line basis over the payment deferral period granted in 2015, 2016 and 2017

In 2017, the excess of the estimated amount recorded in 2016 as non-current liabilities, amounting to approximately 807.316 euros, was canceled.

15. Trade Creditors

At 31 December 2017 and 31 December 2016 all amounts recorded under this item resulted from normal operations. Trade creditor maturities were as follows:

MATURITY OF TRADE CREDITORS

	31.12.17	31.12.16
To be paid		
< 90 days	157.191	164.590
> 180 days	315	2.695
	157.506	167.285

16. Other Creditors and Other taxes and contributions

16.1) At 31 December 2017 and 31 December 2016 details of Others Creditors were as follows:

	31.12.17	31.12.16
Other Creditors		
Group companies - current Income Tax (Note 21)	225.770	272.805
Group companies - others operations (Nota 21)		635.476
Loans from group companies (Note 21)	5.145.000	4.541.000
Other Creditors - financial investments (Note 21)		
Others	371.767	342.915
Financial Instrumets	5.742.537	5.792.196
Others Creditors	8	8
	5.742.545	5.792.204

Loans from Group companies is related with Sonae Indústria de Revestimentos,S.A., Eur 5.054.500, it has a short term maturity and an average interest rate of 2,429% and Sonae Indústria – Management Services,S.A., Eur 90.500 it has a short term maturity and an average interest rate of rate of 0,729 %.

In compliance with the article no 5, no. 4 of Decree-Law no. 495/88 of December 30, added by article no 1 of Decree-Law no. 318/94 of December 24, it is informed that financial transaction contracts were entered into during the period December 2017 with the companies Sonae Indústria de Revestimentos, S.A. and Sonae Indústria – Management Services,S.A.

The maturity of other debts to third parties is as follows:

31.12.17	< 90 days	90 - 180 days	> 180 days	Total
Subsidiaries	225.770	90.500	5.054.500	5.370.770
Other Current Maturity of Creditors	371.767	-	-	371.767
	597.537	90.500	5.054.500	5.742.537

31.12.16	< 90 days	90 - 180 days	> 180 days	Total
Subsidiaries	908.281		4.541.000	5.449.281
Maturity of Current Assets Supplliers	342.915	0	0	342.915
	1.251.196	0	4.541.000	5.792.196

16.2) At 31 December 2017 and 31 December 2016, details of Current tax liability and Other taxes and contributions were as follows:

	31.12.17	31.12.16
Current tax liability	**22 602**	**83 885**
Income Tax	0	51.549
Tax retention	22.602	32.335
Other taxes and contributions	**20.939**	**28.832**
Value Added Tax	10.979	9.942
Social Security Contributions	9.835	18.639
Others	126	251
Liabilities out of scope of IFRS7	43.541	112.716

17. Other Current Liabilities

At 31 December 2017 and 31 December 2016 this item had the following detail:

	31.12.17	31.12.16
Accrued Costs		
Personal expenses	544.144	463.242
Insurances	20.358	0
Accrued financial expenses	1.027.316	722.928
External supllies & services	37.450	178.013
Liabilities out of scope of IFRS7	1629 268	1364 183

18. Provisions and Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended December, 31 2017 and December, 31 2016 were the following:

31.12.2017

Description	Opening Balance	Increase	Utilization	Reversion	Closing Balance
Accumulated imparment losses on investments (Note 5)	913.800.658	3.105.657		32.453.583	884.452.732
Non current provisions (Note 13)	91.528		91.528		0
Current provisions		3.275.719			3.275.719
	913.892.185	6.381.376	91.528	32.453.583	887.728.451

31.12.2016

Description	Opening Balance	Increase	Utilization	Reversion	Closing Balance
Accumulated imparment losses on investments (Note 5)	698.524.071	217.415.807	2.139.220		913.800.658
Non current provisions (Note 13)		91.528			91.528
	698.524.071	217.507.335	2.139.220	0	913.892.186

Impairment losses are offset against the corresponding asset on Statement of Financial Position. Increase in impairment losses relates as described (note 26).

Provisions were created for other risks and charges of Eur 3.275.719,Eur 2.250.000 relating to 50% of legal expenses and claims estimated by Sonae Arauco Deutschland for litigation with clients, and Eur 1.025.719 relating to the estimated 50% interest to be borne by Sonae Arauco Deutschland in respect of cartel proceedings to be settled in 2018.
As described in Note 29, Sonae Indústria, SGPS, S.A. assumed the obligation to compensate Sonae Arauco for certain losses incurred by Sonae Arauco Deutschland, which includes the above mentioned expenses.

19. Operating Leases

At the balance sheet date, the company had irrevocable operating lease contracts with the following payment maturities:

	31.12.17	31.12.16
Maturing in em 2017		31.308
Maturing in em 2018	13.224	25.059
Maturing in em 2019	1.102	10.410
	14.326	66.777

20. Financial Risks

20.1. Liquidity Risk

The liquidity risk described on note 2.17, c), related to gross debt referred to on note 12, can be analysed as follows:

	2017 Liquidity Risk				2016 Liquidity Risk		
	Maturity of gross debt	Interest	Total		Maturity of gross debt	Interest	Total
2017			0	2017	1.750.000	7.111.757	8.861.757
2018	13.650.000	6.258.329	19.908.329	2018	1.900.000	7.056.751	8.956.751
2019	17.801.145	5.855.085	23.656.230	2019	38.000.000	6.187.883	44.187.883
2020	45.850.000	4.549.634	50.399.634	2020	44.000.000	4.561.050	48.561.050
2021	97.000.000	1.559.494	98.559.494	2021	97.000.000	1.555.233	98.555.233
	174.301.145	18.222.541	192.523.686		182.650.000	26.472.674	209.122.674

The interest amounts indicated in the previous tables were calculated based on the interest rates in effect at December 31, 2017 and 2016 for each of the outstanding amounts. The amount indicated for 2018 (2017) in the gross debt maturity profile includes, in addition to the scheduled debt repayments, the amortization of the amounts considered in the end-2017 debt (2016) for which the debt commitment is less than one year.

The maturity profile of the remaining financial instruments is included in the respective explanatory notes.

As at 31 December 2017, the Sonae Indústria, SGPS,S.A. had, in the above mentioned bank loan agreements, unused limits maturing beyond 31 December 2018 in the amount of Eur 31.5 million.

20.2. Market risk

20.2.1 . Interest rate risk

In the interest rate risk analysis in Note 2.17 b), the effect that would have been produced in the results for 2017 and 2016 was calculated, in the event of a + 0.75% change in relation to the interest rates and of -0.75% in relation to the interest rates fixed during those years.

Sensitivity Analysis

		2017			2016		
		"Notional"	Effect in Profit and Loss (Euros)		"Notional"	Effect in Profit and Loss (Euros)	
			0,75%	-0,75%		0,75%	-0,75%
Gross Debt							
	Group	-5.145.000	-54.302	54.302	-4.541.000	-172.978	172.978
	External	-174.301.145	-1.120.964	1.120.964	-182.650.000	-970.223	970.223
		-179.446.145	-1.175.266	1.175.266	-187.191.000	-1.143.201	1.143.201
Loans to group companies		22.231.424	173.416	-173.416	21.468.426	514.981	-514.981
Treasury Aplications							
		22.231.424	173.416	-173.416	21.468.426	514.981	-514.981
			-1.001.850	**1.001.850**		**630.321**	**-630.321**

Considering the Euribor 6M as a benchmark for the level of interest rates in the Euro, an increase of 0.75 percentage points corresponds to 48,9 times the standard deviation of that variable in 2017 (16,6 times in 2016).

21. Related Parties

21.1 Balances and transactions with related parties may be summarized as follows:

Balance	Accounts Receivable		Accounts Payable		Other Creditors		Other non Currents Assets		Other debtors	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
	173.526	176.451	104.467	110.197	5.375.957	5.449.281	18.286.113	9.412.467	4.873.012	12.496.815
- Euroresinas		1.763								
- Sonae Arauco Portugal	1.439	39.615	16.733	11.170						
- Maiequipa			5.558	5.558	9.015	8.416	532.880	445.900	30.274	49.448
- Movelpartes	3.593	1.710			58.349	63.027	906.000	906.000	3.727.632	263.192
- Siaf Energia					3.187					
- Sonae Industria Revestimentos	19.374	3.205	1.019	10.109	5.214.011	4.742.363			127.355	338.037
- Sonae ,sgps			49.000	49.000						
- Sind - Management services			2.988		90.500				3.165	
- Sonae Arauco		25.296				635.476				
- Taiber										-5.884
- Sonae Arauco Deustchland			97							
- Solinca investimentos Turisticos			830	150						
- Sonaecenter II			28.017	27.813						
- Sonae Arauco France	105.044									
- Imosede			55							
- Tafisa Canadá	44.076	104.862								
- Nos			170	739						
- Mds Consulting				5.658						
- Frases e Frações					895		6.498.567	8.060.567	375.769	4.576
- Glunz UK									317.344	615.513
- Parcelas e Narrativas							10.348.666		291.472	11.231.933

Transactions	Sales & Services Rendered		Purchases & Acquired Services		Interest Income		Interest Expenses	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
	293.832	458.769	314.023	205.994	1.080.347	3.699.690	84.285	245.480
- Agloma Investimentos						203		
- Ecociclo								3.443
- Euroresinas		10.032						54.362
- Imoplamac						58.949		
- Sonae Arauco Portugal		58.823	137.064	100.137		221.419		
- Maiequipa					23.668	39.067		
- Movelpartes	4.404	4.655			153.129	45.888	2	6.409
- Somit Imobiliária						5.025		
- Siaf Energia			18.137					13.353
- Sonae Industria Revestimentos	24.972	18.242					61.027	65.403
- Sonaecenter II			67.924	41.748				
- Sonae ,sgps			50.000	50.000				
- Sind - Management services			29.148		827		417	
- Sonae Arauco			235	46		194.793		
- Taiber						2.484.083		
- Sonae Arauco Deustchland			97					
- Solinca investimentos Turisticos			3.706	1.137				
- Nos			5.814	9.956				
- Digitmarket			1.627					
- Imosede			271	2.970				
- Tafisa Canadá	264.456	367.017						
- Glunz UK					21.946	13.477		
- Megantic							12.767	100.608
- Frases e Frações					375.761	295.093	9.704	1.812
- Parcelas e Narrativas					505.016	341.693	368	90

21.2 The expenses with remuneration of the Board of Directors of the Company are detailed as follows:

	2017	2016
Short term benefit	552.557	699.541
Medium term benefit	72.172	1.399.949
	624.729	2.099.490

In 2017, a correction was made to the estimate created in 2016 regarding the medium and long-term incentive plan amounting to approximately Eur 807.316. This income is reclassified in other operating income (Note 24).

22. Remuneration Supervisory Board

Remuneration of the Supervisory Board, General Assembley and Remuneration Committee is detailed as follow:

	2017	2016
Total Fixed salaries	37.700	37.700

Fees paid to the Audit company PricewaterhouseCoopers, SROC, Lda is detailed as follows:

Total Fees related to audit and legal certification of the accounts	12.375

The remuneration policy of the members of the board of directors and supervisory board, as well as the annual amount earned by their members in an individual are presented in the report of government in society .

23. Services Provided

Services provided are as follows:

	2017	2016
Management Service	293.832	
Corporate Finance Service		161.595
Legal Service		133.744
Management Control Service		92.834
Other		70.595
TOTAL	293.832	458.768

At the beginning of 2017, several functional areas passed to another company of the Industry Group, and the company only provided management services.

24. Other Operational Income and Expenses

Other operating income and costs are detailed as follows:

Other Operation Gains	31.12.17	31.12.16
Supplementary revenue	204.606	29.861
Gains on disposal of non current investments		5.243.699
Others	905.264	104.868
	1.109.870	5.378.428

The caption "other operating income" essentially refers to the cancellation of part of the estimate of the medium and long-term incentive plan amounting to approximately Eur 807.316 (Note 21).

Other Operation Losses	31.12.17	31.12.16
Losses on disposal of non current investments		3.102.155
Taxes	142.938	225.649
Others	4.945.742	57.661
	5.088.680	3.385.464

25. Financial Results

	31.12.17	31.12.16
Financial expenses:		
Interest expenses (Note 20 e 21)	7.028.725	14.806.655
Exchange Losses	266	80.205
Others	1.588.686	1.502.169
Financial expenses	8.617.677	16.389.028
Financial results	- 6.907.025	- 12.553.002
	1.710.651	3.836.027
Financial income		
Interest income (Note 21)	1.082.163	3.699.569
Exchange Gains	41.665	38.570
Others	586.824	97.888
	1.710.652	3.836.027

The variation in interest and interest income is mainly due to the restructuring of the group on May 31, 2016 and amortizations of loans in 2017 (Note 2.21 and 5).

26. Income or expenses related on investments in subsidiaries and join ventures

In 2017 and 2016 the company had the following investment results:

	2017	2016
Dividends	**22.396.692**	**101.472.142**
Sonae Indústria de Revesyimentos,S.A.	1.162.735	230.893
Sonae Arauco,S.A.	5.661.957	75.013.749
Megantic, B.V.	15.572.000	26.227.500
Reversal of Impairment	**32.453.583**	**2.139.220**
Reversal of Impairment of participation of Ecociclo,S.A.(Note 5)		691.359
Reversal of Impairment of paraticipation of Sonae Arauco Portugal,S.A.(Note 5)		1.447.861
Reversal of Impairment of participation of Maiequipa,S.A.(Note 5)	353.072	
Reversal of Impairment of paraticipation of Sonae Arauco,S.A.(Note 5)	32.100.511	
Gains related with investments	54.850.275	103.611.362
Other lost in investments	**- 4.921.962**	
Sonae Arauco,S.A.	- 4.921.962	
Registration of impairment	**- 3.105.657**	**- 217.415.807**
Registration of impairment of participation of Sonae Arauco,S.A.(Note 5)		- 214.059.298
Registration of impairment of participation of Sims,S.A.(Note 5)	- 151.577	
Registration of impairment of participation of Frases e Frações,S.A.(Note 5)	- 1.565.812	- 2.673.882
Registration of impairment of participation of Parcelas e Narrativas,S.A.(Note 5)	- 1.388.268	- 682.627
Losses related with investments	- 8.027.619	- 217.415.807
Profit/(loss) on other investments	46.822.657	- 113.804.445

"Other losses on investments" in the amount of Eur 4.921.962 relates to expenses incurred by the joint venture Sonae Arauco, S.A .which, under the partnership agreement entered into with the Arauco group, are contractually transferable to Sonae Indústria, SGPS, S.A..

27. Taxes

The income and deferred taxation recorded at 31 December 2017 and 31 December 2016 were:

	31.12.17	31.12.16
Current tax	108.741	295.095
Deferred tax (Note 6)	58.458	(2.429.114)
	167.200	(2.134.019)
Current tax - Prior Year adjustment	(291.281)	(148.165)
	(124.081)	(2.282.183)
Current tax	(182.540)	146.930
Deferred tax	58.458	(2.429.114)

Reconciliation of earnings before taxes with taxes for the year may be detailed as follows:

	2017	2016
Net income/(loss) before tax	36.273.871	- 127.280.940
Tax rate	21%	21%
Expectable tax	- 7.617.513	26.728.997
Impairment loss of financial assets	- 652.188	- 45.657.319
Reversal impairment loss of financial assets	6.815.253	
Provisions	- 678.609	
Dividends	4.703.305	21.309.150
Capital gains and losses		449.724
Non-deductible costs	- 1.033.612	
Current tax at special rate	- 5.242	- 9.057
Non-deductible financial charges	- 1.322.827	- 2.415.607
Deferred tax asset unrecognize		- 2.429.114
Deferred tax asset recognize	- 58.458	
Others	17.093	- 110.792
	167.200	- 2.134.019
Effective tax rate	0,5%	1,7%

Non-deductible costs refer to other investment losses in the amount of Eur 4.921.962 (Note 26).

28. Earnings Per Share

Earnings per share were calculated as follows:

	31.12.17	31.12.16
Net Profit (loss)		
Net Profit / (loss) considered to calculate base earnings per share (Periodic Net Profit/(loss))	36 149 790	- 129 563 124
Net Profit/(loss) considered diluted earnings per share	36 149 790	- 129 563 124
Number of Shares		
Weighted average number of shares used to calculate basic earning per share	45 403 029	11 350 757 417
Weighted average number of shares used to calculate diluted earnings per share	45 403 029	11 350 757 417
Basic and diluted earnings per share	0,79620	- 0,01141

During 2017, no effect from discontinued operations was recorded.

29. Contingencies

In October 2010 Sonae Indústria, SGPS, S.A. received a notice of assessment from tax authorities according to which the loss resulting from the dissolution of its subsidiary Socelpac, SGPS, S.A. in 2006, amounting to Eur 74 million, should be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation.

The subsidiary Sonae Indústria de Revestimentos, S.A. rendered surety of Eur 2.271.000 in favor of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, S.A., having been brought court challenges against the respective settlement.

The subsidiary Maiequipa – Gestão Florestal, S.A. rendered surety of Eur 1.242.746 in favor of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, S.A., having been brought court challenges against the respective settlement.

Sonae Indústria, SGPS, S.A. presented bank guarantees of Eur 8.701.741 to suspend tax enforcement procedures initiated by tax authorities, having been brought court challenges against the respective settlement, with the exception of the process IRC 2014, which to date only a graceful complaint has been filed

According to the information available on this date, the Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was done to current tax and deferred tax asset recognized in these separate financial statements.

The guarantee of Sonae Indústria, SGPS, S.A. provided to the Social Security Institute in the amount of Eur 5.049.804 expired once the suit of Sonae Arauco Portugal, S.A. (Ex Sonae Indústria PCDM) was concluded in a manner favorable to the company. The guarantee of Sonae Indústria, SGPS, S.A. provided to the Social Security Institute in the amount of Eur 321.858 to guarantee the contingency that Sonae Arauco Portugal, S.A. has with this entity still remains, since the complaint process is not yet completed

Sonae Indústria, SGPS, S.A. has a guarantee granted to Montepio of Eur 1.090.248 under a real estate lease agreement entered into between the subsidiary Frases e Frações - Imobiliária e Serviços, S.A. and Montepio.

The former subsidiary, Sonae Arauco Deutschland GmbH (formerly Glunz AG) and other German producers of wood-based panels are involved in certain litigation procedures instituted by some clients for damages arising from alleged breaches of competition law, following in which the former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH received a notice of unlawfulness from the German Competition Authority in March 2010. Some of these processes have already known the outcome during the years 2015, 2016 and 2017 and their respective effects have been recorded in the individual financial statements of each company and, when applicable, in the consolidated financial statements of the subsidiary Sonae Arauco S.A. (whose consolidation perimeter ex-subsidiaries are included). Under the terms of the share subscription agreement of Sonae Arauco S.A., entered into by Sonae Arauco, S.A., Sonae Indústria, SGPS, S.A. and the companies of the Arauco Group, Inversiones Arauco Internacional Limitada and Celulosa Arauco y Constitución SA, Sonae Indústria, SGPS, the obligation to compensate Sonae Arauco, S.A. for any losses resulting from these proceedings will be compensated by Sonae Indústria, SGPS, S.A.. For the cases still in progress, the complaints submitted specifically to former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH amount to a maximum contingency of Eur 31.5 million. There are other cases where these former subsidiaries are jointly involved with other German producers whose amounts amount to Eur 42.7 million of maximum contingency. According to the opinion of the lawyers of these former subsidiaries, at the date of closing of these individual 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.

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 separate financial statements on that date. This company's insolvency was requested at the Trade Court of Dax, in France, in September 2016, and was declared by that court to be liquidated, in October of that year.
Following that case, 110 former employees of Darbo filed various lawsuits with the Labour Court of Dax, in France, against, among others, Sonae Indústria, SGPS, S.A. 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 against the seller and buyer companies and against Sonae Indústria, SGPS, S.A., 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). At the date of approval of these separate financial statements, legal proceedings are under way and it is not possible to predict whether the outcome will result in any obligation to be recognized under the liabilities of Sonae Indústria.

30. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 05 of April 2018.

CONSOLIDATED FINANCIAL STATEMENTS

SONAE INDUSTRIA

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2017	31.12.2016
NON-CURRENT ASSETS:			
Tangible fixed assets	10	146 469 904	148 065 694
Goodwill	13	347 082	347 082
Intangible assets	11	142 979	270 689
Investment properties	12	6 001 043	6 251 947
Investment in joint ventures	9	205 616 464	195 908 535
Investment available for sale	9	130 487	130 821
Deferred tax asset	14	1 462 160	1 364 497
Other non-current assets	15		442 298
Total non-current assets		360 170 119	352 781 563
CURRENT ASSETS:			
Inventories	17	16 998 114	18 138 293
Trade debtors	18	13 591 178	15 193 129
Other current debtors	19	285 410	303 310
Current tax asset		1 677 850	1 090 204
Other taxes and contributions	21	2 096 256	3 246 215
Other current assets	20, 25	2 128 573	1 951 835
Cash and cash equivalents	22	4 084 771	4 795 077
Total current assets		40 862 152	44 718 063
Non-current assets held for sale	16		1 535 588
TOTAL ASSETS		401 032 271	399 035 214
SHAREHOLDERS`FUNDS AND LIABILITIES			
SHAREHOLDERS`FUNDS:			
Share capital	23.1	253 319 797	812 107 574
Legal reserve	23.2		3 131 757
Other reserves and accumulated earnings	23.3	(182 494 467)	(759 319 894)
Accumulated other comprehensive income	23.4	55 287 278	54 418 718
Total shareholders' funds attributabble to equity holders of Sonae Indústria		126 112 608	110 338 155
TOTAL SHAREHOLDERS`FUNDS		126 112 608	110 338 155
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bank loans - net of current portion	24, 26	197 650 071	214 868 703
Finance lease creditors - net of current portion	24, 26	898 793	1 132 741
Post-retirement liabilities	28	962 252	1 110 071
Other non-current liabilities	27	2 122 999	3 554 341
Deferred tax liability	14	20 568 786	20 754 938
Provisions	32	1 983 940	1 933 644
Total non-current liabilities		224 186 841	243 354 438
CURRENT LIABILITIES:			
Current portion of non-current bank loans	24, 26	11 949 858	390 967
Current bank loans	24, 26	1 750 000	1 500 000
Current portion of non-current finance lease creditors	24, 26	500 227	417 272
Trade creditors	29	19 626 920	23 050 212
Current tax liability		53 391	2 422 190
Other taxes and contributions	30	734 383	699 465
Other current liabilities	25, 31	12 842 324	16 862 515
Provisions	32	3 275 719	
Total current liabilities		50 732 822	45 342 621
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		401 032 271	399 035 214

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

	Notes	31.12.2017	31.12.2016
Sales	38	229 768 280	239 555 683
Services rendered	38	1 209 951	1 301 165
Other income and gains	35, 38	7 058 706	5 756 786
Cost of sales	32, 38	(121 786 487)	(125 721 669)
Increase / (decrease) in production	32, 38	89 205	(537 841)
External supplies and services	38	(48 310 684)	(49 498 574)
Staff expenses	38	(24 814 767)	(27 872 095)
Depreciation and amortisation	10, 11, 12	(12 561 647)	(12 065 676)
Provisions and impairment losses (increase / reduction)	32, 38	(3 881 626)	(3 546 011)
Other expenses and losses	36, 38	(3 790 083)	(4 733 384)
Operating profit / (loss)		22 980 848	22 638 384
Financial income	39	1 407 191	4 707 115
Financial expenses	39	(13 018 615)	(21 213 172)
Gains and losses in joint ventures	5	10 353 561	5 512 158
Net profit/(loss) from continuing operations, before taxation		21 722 985	11 644 485
Taxation	40	(6 457 254)	(8 565 782)
Consolidated net profit / (loss) from continuing operations, after taxation		15 265 731	3 078 703
Profit / (loss) from discontinued operations, after taxation	6, 41		7 930 251
Consolidated net profit / (loss) for the period		15 265 731	11 008 954
Attributable to:			
Equity Holders of Sonae Industria			
Continuing operations		15 265 731	3 078 703
Discontinuing operations			7 930 251
Equity Holders of Sonae Industria		15 265 731	11 008 954
Profit/(Loss) per share			
Fom continuing operations:			
Basic	42	0.3362	0.0003
Diluted	42	0.3362	0.0003
From discontinued operations:			
Basic	42		0.0007
Diluted	42		0.0007

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 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

	Notes	31.12.2017	31.12.2016
Net consolidated profit / (loss) for the period (a)		15 265 731	11 008 954
Other consolidated comprehensive income			
Items that may be subsequently transferred to profit or loss			
Change in currency translation reserve	23.4	(4 240 137)	4 275 995
Change in fair value of available-for-sale financial assets	9		8 508
Group share of other comprehensive income of joint ventures	5	(618 288)	4 416 002
Items that may not be subsequently transferred to profit or loss			
Revaluation of tangible fixed assets	10	5 796 847	
Remeasurements of defined benefit plans	28	106 021	(149 140)
Group share of other comprehensive income of joint ventures	5	1 360 282	(1 313 640)
Income tax relating to items that will not be reclassified	14	(1 536 165)	
Other consolidated comprehensive income for the period, net of tax (b)		868 560	7 237 725
Total consolidated comprehensive income for the period (a) + (b)		16 134 291	18 246 679
Total consolidated comprehensive income attributable to:			
Equity holders of Sonae Industria		16 134 291	18 246 679
		16 134 291	18 246 679
Other comprehensive income reclassified to profit or loss in the period			(36 592 671)

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS` FUNDS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(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	Non controlling interests	Total shareholders' funds
Notes	23.1	23.2	23.3	23.4			
Balance as at 1 January 2017	812 107 574	3 131 757	(759 319 894)	54 418 718	110 338 155		110 338 155
Total consolidated comprehensive income for the period							
Net consolidated profit/(loss) for the period			15 265 731		15 265 731		15 265 731
Other consolidated comprehensive income for the period				868 560	868 560		868 560
Total			15 265 731	868 560	16 134 291		16 134 291
Share capital reduction	(558 787 777)	(3 131 757)	561 919 534				
Others			(359 838)		(359 838)		(359 838)
Balance as at 31 December 2017	253 319 797		(182 494 467)	55 287 278	126 112 608		126 112 608

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders` funds attributable to the equity holders of Sonae Indústria	Non-controlling interests	Total shareholders' funds
Notes	23.1	23.2	23.3	23.4			
Balance as at 1 January 2016	812 107 574	3 131 757	(801 248 687)	43 785 859	57 776 503	(106 611)	57 669 892
Total consolidated comprehensive income for the period							
Net consolidated profit/(loss) for the period			11 008 954		11 008 954		11 008 954
Other consolidated comprehensive income for the period				7 237 725	7 237 725		7 237 725
Total			11 008 954	7 237 725	18 246 679		18 246 679
Medium term incentive plan			(166 190)		(166 190)		(166 190)
Change in method			35 060 569	(35 060 569)			
Transferred to Net consolidated profit/(loss) for the period				36 592 671	36 592 671		36 592 671
Others			(3 974 540)	1 863 032	(2 111 507)	106 611	(2 004 896)
Balance as at 31 December 2016	812 107 574	3 131 757	(759 319 894)	54 418 718	110 338 155		110 338 155

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

	Notes	31.12.2017	31.12.2016
OPERATING ACTIVITIES			6
Receipts from trade debtors		229 521 296	548 207 712
Payments to trade creditors		171 336 178	436 529 074
Payments to staff		26 210 054	78 109 973
Net cash flow from operations		31 975 064	33 568 665
Payment / (receipt) of corporate income tax		10 397 236	5 528 064
Other receipts / (payments) relating to operating activities		2 178 634	(941 559)
Net cash flow from operating activities (1)		23 756 462	27 099 042
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments		2 517	240
Tangible fixed assets and intangible assets		211 695	2 208 917
Investment subventions		29 008	
Dividends	9	5 661 957	
Increase in share capital (Sonae Arauco, SA)			137 500 000
		5 905 177	139 709 157
Cash Payments arising from:			
Investments		2 076	219 469
Tangible fixed assets and intangible assets		11 082 685	14 731 599
Investment properties			131 191
Others	5	4 921 962	
		16 006 723	15 082 259
Net cash used in investment activities (2)		(10 101 546)	124 626 898
FINANCING ACTIVITIES			
Cash receipts arising from:			
Interest and similar income		67 558	414 066
Loans obtained	24.3	855 828 995	1182 770 925
		855 896 553	1183 184 991
Cash Payments arising from:			
Interest and similar charges		9 381 619	26 054 507
Loans obtained	24.3	859 631 085	1311 613 957
Finance leases - repayment of principal	24.3	427 939	3 322 952
		869 440 643	1340 991 416
Net cash used in financing activities (3)		(13 544 090)	(157 806 425)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		110 826	(6 080 485)
Effect of foreign exchange rate		(821 132)	7 318
Cash and cash equivalents at the beginning of the period	22	4 795 077	15 808 205
Cash and cash equivalents of excluded companies, at 31.05.2016			4 939 961
Cash and cash equivalents at the end of the period	22	4 084 771	4 795 077

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 YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, S.A., whose head-office is at Lugar do Espido, Via Norte, 4470-177 Maia, Portugal, is the parent company of a group of companies as detailed in notes 4 e 5 (“Group”).

Sonae Indústria, SGPS, S.A. is included in the perimeter of consolidation of Efanor Investimentos, SGPS, S.A., which is both its immediate and ultimate parent company.

The shares of the company are listed on NYSE Euronext Lisbon.

The main activity of the Group is the production and commercialization of wood-based panels and derivative products, through industrial plants and commercial facilities located in Portugal, Canada and South Africa.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying consolidated financial statements in a consistent way for all disclosed periods are as follows:

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), applicable to the period beginning 1 January 2017 and endorsed by the European Union.

2.1.1. In the year ended 31 December 2017, the following standards and interpretations, which have been endorsed by European Union, became effective:

IAS 7 (amendment), Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017). This amendment introduces an additional disclosure about the changes in liabilities arising from financing activities, disaggregated between cash changes and non-cash changes and how it reconciles with the reported cash flows from financing activities, in the Cash Flow Statement;

IAS 12 (amendment), Income Taxes – Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017). This amendment clarifies how to account for deferred tax assets related to assets measured at fair value, how to estimate future taxable profits when temporary deductible differences exist and how to assess recoverability of deferred tax assets when restrictions exist in the tax law.

The application of these standards did not produce any significant effects on these consolidated financial statements.

2.1.2. At 31 December 2017, the following standards and interpretations had been issued by IASB and had been endorsed by the European Union, but had not been applied as they only become effective on later periods:

IFRS 4 (amendment), Insurance Contracts (Applying IFRS 4 with IFRS 9) transactions (effective for annual periods beginning on or after 1 January 2018). This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance, not being applicable at consolidated level;

IFRS 9 (new), Financial Instruments (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition;

IFRS 15 (new), Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach;

IFRS 15 (amendment) Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). This amendment refers to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition;

IFRS 16 (new), Leases (effective for annual periods beginning on or after 1 January 2019). This new standard replaces the IAS 17 with a significant impact on the accounting by lessees that are now required to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the “right to control the use of an identified asset”.

The Company has analysed the effect that may result from the application of these standards. In relation to IFRS 9, which is applicable as of 1 January 2018, the Group has identified the area of impairment of financial assets as the one that will be most affected by the application of this new standard. In this context, the Group has set up a new methodology for assessing impairment of financial assets. If this methodology were to be used, impairment of trade debtors would have increased by approximately EUR 3 500 as of 31 December 2017, which represents an insignificant increase in the amount of accumulated impairment losses on Trade debtors recorded at that date (note 18). With respect to the other standards applicable as of 1 January 2018, the Group does not expect any significant effects arising from its application.

2.1.3. At 31 December 2017, the following standards, effective 1 January 2017 or later, had been issued by IASB but still had not been endorsed by the European Union:

IAS 40 (amendment), Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer;

IFRS 2 (amendment), Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority;

IFRS 9 (amendment), Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. . The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss;

IAS 28 (amendment), Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9, being subject to impairment expected credit loss model prior to any impairment test of the investment as a whole;

IFRS 17 (new), Insurance Contracts (effective for annual periods beginning 1 January 2021). This standard is still subject to endorsement by the European Union. This standard will revoke IFRS 4 – Insurance contracts and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application;

Annual Improvement 2014 - 2016, (generally effective for annual periods beginning on or after 1 January 2017). These improvements are still subject to endorsement by European Union. The 2014-2016 annual improvements affects: IFRS 1, IFRS 12 and IAS 28;

Annual Improvement 2015 – 2017, (effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements affects: IAS 23, IAS 12, IFRS 3 and IFRS 11;

IFRIC 22 (new), Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts". The date of transaction determines the exchange rate used to translate the foreign currency transactions;

IFRIC 23 (new), Uncertainty over Income Tax Treatments (effective for annual periods beginning 1 January 2019). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - Income tax referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12 rather than IAS 37 - Provisions, contingent liabilities and contingent assets, based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified.

The Company did not complete the analysis of the effects that may arise from the future application of these standards.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (note 4) on a going concern basis and under the historical cost convention, except for financial instruments, which are stated at fair value (note 2.13), and land and buildings, which are stated for their revalued amounts, as described on note 2.3.

2.2. <u>Consolidation Principles</u>

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group holds control, directly or indirectly, were included in these consolidated financial statements using the full consolidation method.

The Group holds control of entities when it fulfils all the following conditions: (i) power over the entity; (ii) exposure, or rights, to returns from its involvement with the entity; and (iii) the ability to use its power over the entity to affect the amount of its own returns.

Equity and comprehensible income attributable to minority shareholders are shown separately, under the caption Non-controlling Interests, in the Consolidated Statement of Financial Position and in the Consolidated Income Statement, respectively.

Comprehensive income and the remaining items of net shareholders' funds are attributed to the holders of non-controlling interests, according to their interest, even if this caption turns negative.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities or, alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (note 2.2.c and 13). If the difference between the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities or, alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary and the fair value of the identifiable net assets acquired is negative, this difference is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Non-controlling interests include their proportion of the fair value of net identifiable assets and liabilities or, alternatively, the fair value of their investment in the subsidiary acquired.

The results of Group companies acquired or disposed of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on consolidation.

Entities included in these consolidated financial statements are listed on note 4.

b) <u>Financial Investments in joint ventures and in associates</u>

Financial investments in joint ventures (companies that the Group holds together with third parties and in which joint control is established in a shareholders' agreement, which reflects on the governance structure of these entities) and in associates (companies where the Group exercises significant influence through the participation on financial and operational decisions but does not hold its control or joint-control – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for on these consolidated financial statements in accordance with the equity method.

Under the equity method, investments are recorded at cost, under Investments in joint ventures or Investments in associates, on the Consolidated Statement of Financial Position, then adjusted by the amount corresponding to the Group's share of changes in equity (including net profit or loss) of the entity, against losses or profits in the period or against other comprehensive income for the period and against dividends received.

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the entity, at the time of acquisition, is recorded under Investments in joint ventures or Investments in associates, on the Consolidated Statement of Financial Position. If the difference between the acquisition cost and the fair value of the assets at the time of acquisition is negative, it is recognized as income in the period.

Adjustments to the financial statements of the entity are performed, whenever necessary, in order to adapt accounting policies to those used by the Group.

An assessment of investments in joint ventures and in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss that is shown to exist is stated on the Consolidated Income Statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value, unless the Group is committed beyond the value of its investment.
Gains on transactions with joint ventures or associates are eliminated proportionately to the Group's interest in these entities, against the carrying amount of investment. Losses are also eliminated, as long as it does not reflect an impairment situation.

Investments in joint-venture companies are detailed on note 5.

c) Goodwill

The excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities or, alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (note 13).

Goodwill arising on the consolidation of subsidiaries located in foreign countries is accounted for on the functional currency of these subsidiaries and is then translated into the Group's reporting currency (euro) at the exchange rate of the closing date of these consolidated financial statements. Exchange rate differences arising from this translation are stated as Translation Reserve in Other accumulated comprehensive income.

Goodwill is not amortized, but it is subject to impairment tests on an annual basis. Impairment losses identified in the period are disclosed on the

Consolidated Income Statement under Provisions and Impairment Losses, and cannot be reversed.

If the difference between the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities or, alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, and the fair value of the identifiable net assets acquired over cost is negative, this difference is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value.

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to euro using exchange rates at the closing date of these consolidated financial statements. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under Translation Reserves in Other accumulated comprehensive income. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Other reserves and accumulated earnings.

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the closing date of these consolidated financial statements.

Whenever a foreign company is sold or liquidated, accumulated exchange rate differences are recorded on the Consolidated Income Statement as a gain or loss on the disposal.

Exchange rates used on translation to euro of foreign subsidiaries are listed below:

	31.12.2017		31.12.2016	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8872	0.8761	0.8562	0.7763
South African Rand	14.8060	14.9993	14.4571	17.2325
Canadian Dollar	1.5039	1.4631	1.4188	1.4647
American Dollar	1.1993	1.1272	1.0541	1.1061

Source: Bloomberg

2.3. Tangible fixed assets

Tangible fixed assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Tangible assets, except land and buildings, acquired after that date, are recorded at acquisition cost, net of accumulated depreciation and impairment losses.

Land and buildings are recognized for their revalued amounts, net of accumulated depreciation, in case of buildings, and impairment losses.
Increase in tangible fixed assets arising from revaluation is recognized through Other comprehensive income for the period revaluation occurs, which will thereafter be transferred to Other reserves and accumulated earnings of Consolidated Statement of Financial Position, to match the effect of depreciating or selling the assets.

Further revaluation will be carried out whenever revalued amounts significantly differ from the carrying amount of revalued assets, never exceeding a five-year period between two successive revaluations.

The Group separately recognizes and depreciates the components of tangible fixed assets whose useful lives are significantly different from the related main asset's ones and the components that can only be used in connection with a specific asset. These components are depreciated separately on the basis of their useful lives.

Repair and maintenance expenses are recognized in profit or loss in the period they occur.

Depreciation is calculated on a straight line basis, from the date the asset is available for use, over the expected useful life for each class of assets.

Depreciation rates used correspond to the following estimated useful lives of underlying assets:

	Years
Buildings	20 - 40
Plant & Machinery	2 - 25
Vehicles	5
Tools	5
Fixtures and Fittings	4 - 10
Other Tangible Assets	5

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are transferred to the captions of tangible fixed assets, according to their nature, and are depreciated from the date they are available for use.

Residual values, useful lives and the depreciation method are assessed annually.

2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses. Intangible assets are only recognized if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognized as an expense recorded on the Consolidated Income Statement when it is incurred (note 37).

Expenditure on development is recognized as an intangible asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

Amortisation is calculated on a straight line basis from the date the asset is available for use, over the expected useful life, which ranges from three to six years.

2.5. Accounting for leases

Lease contracts are classified as (i) a finance lease, if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease, if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as finance or operating lease depends on the substance of the transaction rather than the form of the contract.

Tangible assets used by the Group under finance lease contracts, as well as the corresponding liabilities, are recorded on the Consolidated Statement of Financial Position for the lower of fair value of leased assets and the amount of minimum lease payments. In addition, interest included in rents, depreciation and impairment losses are recognized on the Consolidated Income Statement as expenses of the period they relate to. Depreciation and impairment losses are calculated and recognized as set out in note 2.3 for tangible fixed assets. Whenever there is no reasonable certainty as to the acquisition of leased assets upon end of contract, the depreciation period of leased assets will be the lower of estimated useful life and leasing period.

Lease payments under operating lease contracts are recognized as an expense on the Consolidated Income Statement, on a straight line basis over the lease term.

2.6. Investment Properties

Investment properties are recorded at acquisition cost net of depreciation and of accumulated impairment losses. These are registered as a result of land and buildings used in discontinued operations and that the Group had established lease contracts with third parties.

Useful lives and the depreciation method are the ones set out in note 2.3. for tangible fixed assets.

2.7. Non-current assets held for sale

Non-current assets are stated under Non-current assets held for sale, on the Consolidated Statement of Financial Position, if their carrying amounts will be recovered mainly through a sale transaction rather than through continuing use.

Carrying amount will be recovered through sale when non-current assets are available for immediate sale in their present conditions and the probability of concluding a sale transaction in the following twelve months is high.

Non-current assets held for sale may be either an individual asset or a disposal group when a group of assets is included in the same sale transaction. Disposal groups may include current assets and liabilities as long as they are included in the same sale transaction. Current and non-current assets and liabilities are stated on the Consolidated Statement of Financial Position under Non-current assets held for sale and Liabilities directly associated with non-current assets held for sale, respectively.

Non-current assets held for sale and disposals groups are measured at the lower of cost and fair value less estimated costs to sell.

Depreciation of depreciable assets ceases after classification as Non-current assets held for sale.

2.8. Government and other public entities grants

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognized on the Consolidated Income Statement in accordance with the relevant expense.

Grants related to depreciable assets are disclosed as Other non-current liabilities on the Consolidated Statement of Financial Position and are recognized on a straight line basis on the Consolidated Income Statement over the expected useful lives of those assets.

2.9. Impairment of non-current assets, except for deferred taxes

Assets are assessed for impairment at each closing date, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Assets are assessed for impairment individually. In case of tangible fixed assets that cannot autonomously produce cash flows, impairment is assessed for the cash-generating unit to which the asset is assigned (note 32). Whenever a cash-generating unit includes intangibles assets without defined useful life, impairment is assessed, irrespective of events that may indicate that the carrying amount of the cash-generating unit may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized on the Consolidated Income Statement under Provisions and impairment losses.

For tangible fixed assets that were revalued, occurring impairment losses are recognized under Revaluation of tangible fixed assets, on the Consolidated Statement of Comprehensive Income, until the revaluation effect is offset. Any additional impairment is recognized on the Consolidated Income Statement under Provisions and impairment losses.
The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded on the Consolidated Income Statement under Provisions and impairment losses. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years. Impairment losses on goodwill are not reversible.

2.10. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying tangible and intangible assets are capitalized as part of the cost of the qualifying asset. Borrowing costs are capitalized from the time of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalisation.

The remaining borrowing costs are recognized as an expense in the period in which they are incurred.

2.11. Inventories

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress, respectively.

2.12. Provisions

Provisions are recognized when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation.

When a significant time delay occurs between the onset of the obligation and the related expenditure, related provision is recognized for its present value.

Provisions are reviewed and adjusted at the reporting date to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

Increase and utilization or reversal of provisions are recognized under Provisions and Impairment losses on the Consolidated Income Statement.

2.13. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Investments measured at fair value through profit or loss;
- Available-for-sale investments;
- Held-to-maturity investments.

Investments measured at fair value through profit or loss include the investments held for trading acquired by the Group to be sold within a short period of time. They are classified as current investments on the Consolidated Statement of Financial Position.

The Group classifies as available-for-sale the investments which cannot be regarded as investments measured at fair value through profit or loss or as held-to-maturity investments.
Available-for-sale investments are stated as non-current assets except if they are intended to be sold within the next twelve months as from the closing date of the consolidated financial statements.

Held-to-maturity investments are classified as non-current assets unless they mature within twelve months of the closing date of the consolidated financial statements. Investments classified as held-to-maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.
Investments are initially measured at cost, which is the fair value of the consideration paid for them.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the closing date of the consolidated financial statements. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost less impairment losses.

Changes in the fair value of investments measured at fair value through profit or loss are included as Financial results, on the Consolidated Income Statement.

Gains or losses arising from a change in fair value of available-for-sale investments are recognized directly in Other comprehensive income, on the Consolidated Statement of Comprehensive Income, and included in Other accumulated comprehensive income, on the Consolidated Statement of

Financial Position, until the investment is sold, settled or otherwise disposed of or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is transferred to the Consolidated Income Statement.

b) Accounts receivable

Receivables are initially stated at fair value, which corresponds to its nominal value, and stated on the Consolidated Statement of Financial Position deducted from any impairment losses, recorded under the caption Provisions and impairment losses, on the Consolidated Income Statement, and thereby reflect their net realisable value.

Impairment losses are recognized following objective evidence that part or the whole amount receivable will not be paid, as long as the loss can be reliably estimated. For that, each group company takes into consideration market information showing that the customer is insolvent, along with historical data of overdue and not paid amounts receivable.

Recognized impairment losses correspond to the difference between the carrying amount and the present value of the estimated cash flows, discounted at the original effective interest rate, which is nil whenever payment is expected to occur within less than twelve months.

Accounts receivable are stated on the Consolidated Statement of Financial Position as current assets, unless they mature after twelve months as from the closing date, in which case they will be stated as non-current assets.

c) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded under Financial expenses, on the Consolidated Income Statement, on an accruals basis, in accordance with the accounting policy defined in note 2.10. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are initially recorded at fair value, which corresponds to its nominal value, as no interest is paid and financial discount is deemed to be not relevant.

f) Derivatives

The Group may use derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments (Swaps) are used by the Group mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded under Financial expenses or Financial income, on the Consolidated Income Statement.

The Group's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;

- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the Group are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in Other comprehensive income, on the Consolidated Statement of Comprehensive Income, and in Other accumulated comprehensive income, on the Consolidated Statement of Financial Position, and then reclassified to Financial results on the Consolidated Income Statement, over the same period in which the hedged instrument affects Income Statement.

The fair value of these financial instruments is calculated with resource to derivative valuation software as described on note 25.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded under Other accumulated comprehensive income, are transferred to profit or loss of the period or added to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the Consolidated Income Statement.

In some cases, derivative instruments were negotiated to hedge cash flows mainly related to exchange rate hedges (forwards) of loans and trade transactions which do not consist in perfect hedging relations therefore not qualifying for hedge accounting. Notwithstanding, they significantly mitigate the effect on loans and accounts receivable denominated in foreign currencies of changes in exchange rates which the Group intends to hedge.

These derivative instruments, over which no hedge accounting was applied, are initially stated at cost, if any, and then adjusted to their fair value. Changes in fair value, calculated with resource to specific software under the terms described on note 25, are accounted for as Financial results on the Consolidated Income Statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value. Gains and losses are taken through the Consolidated Income Statement.

Additionally, the Group also negotiates, in specific situations, interest derivatives in order to hedge fair values. In these cases, derivatives are stated at fair value through the Consolidated Income Statement. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through the Consolidated Income Statement.

Derivative instruments are stated on the Consolidated Statement of Financial Position under Other non-current assets, Other current assets, Other non-current liabilities and Other current liabilities.

g) Equity instruments

Equity instruments are those that represent a residual interest on the Group's net assets and are recorded at the amount received, net of costs incurred with their issuance.

h) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Other reserves, under Other reserves and accumulated earnings.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are included in Bank Loans on the Consolidated Statement of Financial Position.

2.14. Post-employment benefits

As referred to in note 28, some of the Group companies are committed to provide benefits to their employees when they get retired. These commitments are considered as defined benefit plans, and autonomous pension funds have been established to this effect.

In order to estimate its obligations, the Group obtains, annually, actuarial valuations according to the “Projected Unit Credit Method”.

Remeasurements (actuarial gains or losses) arising from experience adjustments, from changes in demographic and financial assumptions and from the difference between the actual return on assets and the share in net interest are recognized through Other comprehensive income, under Net Shareholders’ Funds.

Net interest results from the product of discount rates, which are derived from high quality bonds, and the amount of liabilities deducted by the fair value of plan assets.

Past service costs are recorded immediately through profit or loss for the period.

Obligations recorded at the closing date of the consolidated financial statements reflect the present value of obligations for defined benefits adjusted for remeasurements, net of the fair value of net assets of the pension fund.

2.15. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed in the notes to the financial statements when future economic benefits are probable.

2.16. Income tax

Income tax for the period is calculated based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation, considering the period net profit and using the estimated effective average annual income tax rate.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each closing date a review is made of the deferred tax assets recognized, which are reduced whenever their future use is no longer probable.
Deferred tax liabilities are recognized on all taxable temporary differences, except for: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities that do not result from a business combination and that do not affect the accounting or tax result at the date of transaction. However, regarding temporary taxable differences relating to investments in subsidiaries, they should not be recognized in so far as: (i) the parent company has the ability to control the period of reversal of the temporary difference; and (ii) it is likely that the temporary difference will not reverse in the near future.

Deferred tax assets and liabilities are recorded on the Consolidated Income Statement, except if they relate to items directly recorded in Other comprehensive income, in which case the corresponding deferred tax is recorded therein.

2.17. Revenue recognition and accrual basis

Revenue from sales is recognized on the Consolidated Income Statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognized net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

Revenue from services rendered is recognized on the Consolidated Income Statement, taking into consideration the stage of completion of the transaction at the closing date of the financial statements.

Dividends are recognized as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years and that will be recognized in the Consolidated Income Statement of those years, for the corresponding amount.

2.18. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the Consolidated Income Statement as the difference between the sale price and the net book value at date of sale or write-off, under the captions Other income and gains and Other expenses and losses.

2.19. Balances and transactions expressed in foreign currencies

Transactions are recorded on individual financial statements of subsidiaries on their functional currency, using applicable exchange rates on transaction date.

At each closing date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between exchange rates on transaction date and those prevailing at the date of collection, payment or the date of the financial statements, are recorded as operating income or expenses of the period, in case of operating transactions, or as finance income and expenses, in case of financial transactions, on the Consolidated Income Statement. Exchange differences related to non-monetary assets or liabilities whose change in fair value is directly recognized in equity are also recognized under equity.

When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (note 2.13.f).

2.20. Liability for medium term incentive plan

Each year, the Company and its subsidiaries grant their employees that belong to a functional group classified as Executive or above a compensation which is related to the value added in the previous year for the shareholders, to be paid after a 3-year period in case the executive is still in the company.
This compensation, which consists in a monetary obligation, is stated under Other non-current liabilities and Other current liabilities, on the Consolidated Statement of Financial Position.

2.21. Subsequent events

Events after the closing date that provide additional information about conditions that existed at the Consolidated Statement of Financial Position date are reflected in the consolidated financial statements (adjusting events). Events after the closing date that are non-adjusting events are disclosed in the notes to the consolidated financial statements, when material.

2.22. <u>Segment information</u>

At the reporting date, reportable segments are assessed on the basis of the internal reporting system of financial information (note 44).

2.23. <u>Judgments and estimations</u>

The most significant estimations included in these consolidated financial statements refer to:

a) Useful lives of tangible and intangible assets (notes 2.3, 2.4, 10, 11 and 12);

b) Impairment analysis of accounts receivable (notes 18 and 19);

c) Adjustments to assets, namely fair value adjustments and, relating to inventories, write-down to net realizable value (note 9, 17 and 32);

d) Calculation of post-employment liabilities (notes 28);

e) Calculation of provisions and impairment losses on intangible assets and tangible fixed assets (note 32);

f) Calculation of income tax (note 40).

These estimations were based on the best available information at the date these consolidated financial statements were prepared and were based on the knowledge and experience of present and past events. Notwithstanding, some situations may occur in future periods, which were not included in present estimations, as they were not foreseeable. Changes to estimations after these financial statements date will be prospectively corrected through the Consolidated Income Statement, in accordance with IAS 8.

Main estimations and assumptions relating to future events included in these consolidated financial statements are described in the correspondent notes.

2.24. Disclosure of non-recurring items

The Group discloses non-recurring items included under operating captions, except under amortization, depreciation, provisions and impairment losses, but including impairment losses on trade debtors, aiming to assist the readers of its consolidated financial statements to better assess the trend of future results.

Non-recurring items include those events that are infrequent, unusual, exceptional, unique or residual, therefore not expected to occur regularly in the context of the company’s normal activity. In particular, the Group classifies as non-recurring items reimbursements from insurance, expenditure related to fines and penalties and income or expenses related to or following the discontinuing of assets, including:

- Gains or losses on sale or write-off of tangible fixed assets or intangible assets;
- Restructuring expenses;
- Termination expenses;
- Income and expenses of an entity or part of an entity that was internally classified as inactive.

All items that are not classified as non-recurring are therefore classified as recurring.

2.25. Fair value of assets and liabilities

If an active market is available, market price is used for determining asset and liability fair value. This corresponds to level 1 of fair value hierarchy, as defined in IFRS 13 – Fair Value measurement.

If an active market is not available, generally accepted valuation techniques are used, based on market assumptions. The resulting fair value corresponds to level 2 of fair value hierarchy, as defined in IFRS 13. When these techniques use mostly or exclusively unobservable information, the resulting fair value corresponds to level 3 or fair value hierarchy, as defined on the aforementioned standard.

2.26. Risk management

a) Credit Risk Management Policy

i) Receivables (Customers)

Sonae Indústria credit risk derives mainly from account receivables items associated with its operating activity.

The main objective of Sonae Indústria credit risk management policy is to guarantee the effective collection of its operating receivables, according to the most commercially adequate reduced payment terms, while maintaining the level of debtors' impairments as low as possible.

In order to mitigate credit risk related with potential customers defaulting on payment of outstanding receivables, Group companies have:

- Established a committee to analyse and monitor, on a quarterly basis, credit risks;
- Implemented common proactive and preventive credit management procedures and processes, supported by IT systems;
- Establish and review credit limits for their customers, daily monitoring effective exposure to their customers;
- Establishes appropriate risk coverage mechanisms (for example, credit insurance, letters of credit and bank guarantees);
- Make use of credit rating agencies;
- Make use of legal proceedings in order to recover bad debt, if applicable.

To foster the sharing of experiences, the alignment of procedures and practices and to ensure the enforcement of sound controlling rules, Sonae Arauco promotes, on a yearly basis, a Customer's Credit Risk Management Forum. During 2017, Sonae Arauco has also implemented a group project to review and optimize the Group's current practices.

ii) Other financial assets, other than receivables

In addition to its operating activities and the related trade debtor balances, Group companies have other financial assets, which are mainly associated with its cash management activities and with deposits, in financial institutions. As a result of these bank movements and balances, credit risk arises from the potential counterparty default by the applicable financial institutions.

Group companies preferably engage in financial operations with Investment Grade financial institutions. On the other hand, generally speaking, esposure related with this type of financial assets is widely spread and short lived.

b) Market Risk

i) Interest Rate Risk

Due to the significant proportion of floating rate debt on Sonae Indústria Consolidated Statement of Financial Position and the consequent cash flows related to interest payments, the company is exposed to interest rate risk and it is particularly exposed to the risk of variation of Euro interest rates, as most of its floating rate debt is denominated in Euro.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates.

This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the “operating cash flow before net interest charges”, which creates a natural hedge on the “operating cash flow after net interest charges” for Sonae Indústria. The rationale behind this principle is as follows:

- Sonae Indústria is mainly exposed to the Euro area on its operating activity and, as referred before, it is also mainly exposed to the Euro currency in what concerns to its floating rate debt.

- Sonae Indústria operating activity is cyclical in the sense it is tied to business cycles of the overall economy and, particularly, of the construction sector (and also of the furniture sector on its own). This is mostly due to the nature of our products and to the fact that they are commodity-like and durable goods, performing better when there are good economic conditions.

- Under regular economic circumstances, when there is a strong level of economic activity and demand, inflation tends to increase. Since nominal interest rates are a function of inflation and also because the European Central Bank (ECB) has as its main mission keeping price stability, it normally acts in order to relieve inflationary tensions by increasing interest rates. Opposite effects occur when there is a weak level of activity and demand, with low pressure on prices.

- When activity and demand are strong in the Euro Area, Sonae Indústria tends to have superior economic performance and operating cash flow generation. On the other hand, when economic conditions are strong, ECB tends to increase interest rates, in order to refrain demand and avoid price increases, which is reflected on higher net interest charges for Sonae Indústria, creating a natural hedge on “operating cash flow after net interest charges”. The same principle (with opposite signs) applies on economic downturn situations.

- It is our understanding that, apart from the Euro interest rate, the same rationale applies to other interest rates to which Sonae Indústria is exposed, such as the pound sterling, the Canadian dollar or the South African rand (while acknowledging that, in emerging markets, interest rate behaviour is influenced by other effects not directly related with domestic economic conditions).

As an exception to this general rule, Sonae Indústria may engage in certain interest rates derivatives, solely aimed at hedging risk exposures and only to the extent that the following is observed:

- Derivatives are not used for trading, profit making or speculative purposes;
- Group companies only engage in derivative transactions with Investment Grade financial institutions;

- Derivatives match exact periods, settlement dates and base interest rate of the underlying exposures;

- Maximum financial charges on the aggregate of the derivative and the underlying exposures are always known and limited on the inception of the hedging period;

- Quotes from two financial institutions are considered before closing any interest rate hedging deal.

ii) Foreign Exchange Risk

As a geographically diversified Group, present in three different continents, Sonae Indústria is exposed to foreign exchange risk. Consolidated Statement of Financial Position and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries are exposed to foreign exchange risk of both translation and transaction type.

Foreign exchange risk relates to the possibility of registering gains or losses resulting from the change in exchange rates.

Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. Sonae Indústria subsidiaries cash flows are largely denominated in the subsidiary's local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural currency hedging, reducing the Group's transaction risk. In line this rationale, as a principle, Sonae Indústria's subsidiaries financial debt is denominated in their local currency.

As a Group rule, whenever possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency, thus mitigating exchange risks.

Also as a rule, in situations where relevant exchange risk arises from trade in a currency other than that of the subsidiary, exchange risk should be mitigated through the use of short-term forward exchange agreements contracted by the subsidiary exposed to such risk. Sonae Indústria subsidiaries do not engage in forward exchange rate agreements for trading, speculative or profit making purposes.

Translation risk arises from the fact that, for each accounting period, the financial statements of the subsidiaries denominated in other currencies than Euro must be translated or converted into Euro in order to prepare the consolidated financial statements of the Group. As exchange rates vary between periodical financial statements and the referred subsidiaries assets' do not match their liabilities, volatility in the consolidated accounts arises as a result of conversion at different exchange rates.

As a policy, translation risk in connection with the conversion of the equity investments in foreign non-euro subsidiaries is not hedged, as these are considered long-term investments. Also, it is assumed that hedging transactions would not add value in the long term. Gains and losses related to the translation at different exchange rates of assets and liabilities of foreign non-euro subsidiaries are accounted as equity under Accumulated other comprehensive income.

Some Sonae Indústria subsidiaries concede or receive intercompany funding on currencies other than their local currency. Whenever this happens, intercompany funding is always denominated in the currency of the other Group counterparty. It is Sonae Indústria policy to hedge systematically the outstanding amount of this intercompany funding, in order to reduce volatility on subsidiaries (and consolidated) financial statements. This volatility arises from the fact that there is no offset of the exchange rate gain or loss registered in the profit or loss of the Group counterparty with the intercompany asset or liability denominated in other than its local currency (gain or loss registered as a result of the change in value of its foreign currency intercompany asset or liability), on the side of the other Group counterparty (and as a result, on the consolidated accounts).

These intercompany loans hedges are done through forward exchange rate agreements, performed by the subsidiary exposed to the exchange rate risk and rolled over consistently on a semi-annual basis. Quotes from at least two financial institutions are considered before closing any of these foreign exchange hedging deals. These foreign exchange rate derivatives are also not used for trading, profit making, or speculative purposes.

Sensitivity analysis to interest rate risk and exchange rate risk is disclosed on note 26.

iii) Other Price Risks

At 31 December 2017, Sonae Indústria did not hold material investments classified as available-for-sale.

c) Liquidity Risk

Liquidity risk management in Sonae Indústria aims to ensure that the company can obtain, on a timely basis, the financing required to properly carry on its business activities, implement its strategy and meet its payment obligations when due, under the most favourable terms and conditions.

For this purpose, liquidity management at the Group comprises:

- Consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);
- Diversification of financing sources;
- Diversification of debt maturities issued in order to avoid excessive concentration of debt repayments in short periods of time;
- Negotiation of (committed and uncommitted) credit facilities, commercial paper programmes and other facilities with relationship banks to ensure the right balance between satisfactory liquidity and adequate commitment fees;
- Active access and management of subsidiaries' cash positions and cash flows, taking into account the Group’s objectives on liquidity.

Liquidity risk is analysed in note 26.

3. RELEVANT EVENTS

In October 2017, industrial plants of Mangualde and Oliveira do Hospital, which are controlled by Sonae Arauco, S. A., a company 50%-owned by Sonae Indústria, SGPS, S. A., were hit by serious wild fires that affected central Portugal. As a consequence, wood yards, the exposed equipment within the wood yards and the electrical and cabling systems were significantly damaged, forcing these plants to stop operating. It is estimated that these plants will resume full operation in the first half of 2018.

Both plants are subject to an insurance policy that will indemnify them for property damage and business interruption losses.

The results of Sonae Arauco Group, whose 50%-share was recognized on these consolidated financial statement using equity method (note 5), include the following effects which arise from this event:

- Losses in inventories for EUR 3 032 958 along with the relating estimated insurance compensation, reduced by the applicable insurance deductible, amounting to EUR 1 032 958;
- Impairment loss on damaged tangible fixed assets amounting to EUR 7 663 093, as well as the relating insurance compensation, which was estimated for the same amount;
- Insurance compensation gain relating business interruption losses, which were estimated to amount to EUR 7 299 053.

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 31 December 2017 and 31 December 2016 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
		31.12.2017		31.12.2016		
		Direct	Total	Direct	Total	
Frases e Frações - Imobiliária e Serviços, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
Glunz UK Holdings, Ltd.	Liverpool (United Kingdom)	100.00%	100.00%	100.00%	100.00%	a)
Glunz UkA GmbH	Meppen (Germany)	100.00%	100.00%	100.00%	100.00%	a)
Isoroy, SAS	La Garenne-Colombes (France)	100.00%	100.00%	100.00%	100.00%	a)
Maiequipa - Gestão Florestal, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
Megantic B.V.	Amsterdam (The Netherlands)	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%	a)
Novodecor (Pty) Ltd	Woodmead (South Africa)	100.00%	100.00%	100.00%	100.00%	a)
Parcelas e Narrativas - Imobiliária, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
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%	a)
Sonae Indústria - Soc. Gestora de Participações Sociais, SA	Maia (Portugal)	Parent	Parent	Parent	Parent	Parent
Sonae Indústria de Revestimentos, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
Spanboard Products Ltd	Belfast (United Kingdom)	100.00%	100.00%	100.00%	100.00%	a)
Tafisa Canadá Inc	Lac Mégantic (Canada)	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%	a)

a) Majority of voting rights;

The direct percentage of capital held refers to the direct investment of a group company in the subsidiary.

The total percentage of capital held relates to the ownership percentage held by the parent.

5. JOINT VENTURES

The joint ventures, their head offices, percentage of share capital held on 31 December 2017 and 31 December 2016 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				
			31.12.2017		31.12.2016		
			Direct	Total	Direct	Total	
	Sonae Arauco, SA	Madrid (Spain)	50.00%	50.00%	50.00%	50.00%	
	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100.00%	50.00%	100.00%	50.00%	a)
	Agloma Imobiliaria y Servicios, S. L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
1)	Sonae Arauco Beeskow GmbH	Meppen (Germany)	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%	a)
	Euroresinas - Indústrias Quimicas, S.A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	GHP Glunz Holzwerkstoffproduktions GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)
2)	Sonae Arauco Deutschland GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)
3)	Glunz Service GmbH	Meppen (Germany)	-	-	100.00%	50.00%	a)
	Impaper Europe GmbH	Meppen (Germany)	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%	a)
	Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50.00%	25.00%	50.00%	25.00%	b)
3)	OSB Deustchland	Meppen (Germany)	-	-	100.00%	50.00%	a)
	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
4)	Sociedade de Iniciativa e Aproveit. Florestais – Energias, S.A.	Mangualde (Portugal)	-	-	100.00%	50.00%	a)
	Somit – Imobiliária, S.A.	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco France	La Garenne-Colombes (France)	100.00%	50.00%	100.00%	50.00%	a)
5)	Sonae Arauco Portugal, SA	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
6)	Sonae Arauco South Africa (Pty) Ltd	Woodmead (South Africa)	100.00%	50.00%	100.00%	50.00%	a)
7)	Sonae Arauco Netherlands B. V.	Woerden (The Netherlands)	100.00%	50.00%	100.00%	50.00%	a)
8)	Sonae Arauco (UK), Ltd.	Liverpool (United Kingdom)	100.00%	50.00%	100.00%	50.00%	a)
9)	Sonae Arauco Espana - Soluciones de Madera, S. L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Tafiber. Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
10)	Tafisa U.K, Ltd.	Liverpool (United Kingdom)	-	-	100.00%	50.00%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
11)	Sonae Arauco Suisse SA	Tavannes (Switzerland)	100.00%	50.00%	100.00%	50.00%	a)
	Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Tecmasa. Reciclados de Andalucia, S. L.	Madrid (Spain)	50.00%	25.00%	50.00%	25.00%	b)
	Tool, GmbH	Meppen (Germany)	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 recognized on the consolidated financial statements of Sonae Arauco, S.A. using the equity method, as it is classified as a joint venture of this company.

1) Former BHW Beeskow Holzwerkstoffe GmbH

2) Former Glunz AG

3) Company merged with Sonae Arauco Deutschland GmbH

4) Company sold 12 October 2017

5) Former Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.

6) Former Sonae Novobord (Pty) Ltd

7) Former Sonae Tafibra International, B. V.

8) Former Sonae Industria (UK) Ltd.

9) Former Tableros Tradema, S.L.

10) Company liquidated 22 June 2017

11) Former Tafibra Suisse SA

The direct percentage of capital held refers to the direct investment of a group company in the subsidiary.

The total percentage of capital held relates to the ownership percentage held by the parent.

Level one fair value of investment in these companies is not available as shares representing their share capital are not listed.

Net assets and net profit/loss for these jointly-controlled companies, whose share was recognized on these consolidated financial statements under equity method, as stated on note 2.2.b), are detailed as follows:

	Sonae Arauco - Consolidated	
	31.12.2017	31.12.2016
Non-current assets	486 460 459	516 229 548
Current assets (without cash and cash equivalents)	203 319 660	181 815 850
Cash and cash equivalents	26 708 564	29 903 996
Non-current financial liabilities	181 836 027	204 590 512
Other non-current liabilities	82 277 751	95 963 697
Current financial liabilities	29 796 341	21 836 327
Other current liabilities	173 296 890	176 328 520

	Sonae Arauco - Consolidated			
	31.12.2017	31.12.2016 (a)	31.05.2016 (b)	(a) - (b)
Operating revenues	846 696 381	831 690 131	353 636 452	478 053 678
Operating expenses	(797 604 346)	782 279 238	327 383 577	454 895 661
Depreciation and amortization	(43 550 736)	45 988 781	18 872 798	27 115 983
Interest income	740 714	674 217	318 751	355 466
Interest expense	(8 052 634)	13 807 322	7 846 417	5 960 905
Taxation	(8 725 379)	3 189 140	3 538 028	(348 888)
Net profit/(loss) from continuing operations	25 629 081	20 175 245	9 150 930	11 024 315
Adjustments to the Group's accounting policies				
Group's share on net profit / (loss)	12 814 541			5 512 158
Group's share on other comprehensive Income	741 994			3 102 362

Gains and losses in joint ventures, on the Consolidated Income Statement is detailed as follows:

	31.12.2017	31.12.2016
Group's share in the consolidated net profit/(loss) of joint ventures	12 814 541	5 512 158
Other gains and losses in joint ventures	(2 460 980)	
	10 353 561	5 512 158

In the year ended 31 December 2017, Other gains and losses in joint ventures include 50% of certain expenses incurred by the joint venture Sonae Arauco, S.A. which, under the partnership agreement entered into with the Arauco Group, are contractually transferred to Sonae Indústria, SGPS, SA. The amount corresponding to the remaining 50% of these expenses was included under Group's share in the consolidated net profit/(loss) of joint ventures, using the equity method.

6. COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017 and 31 December 2016, Investment in joint ventures, on the Consolidated Statement of Financial Position included the investment on companies mentioned on note 5, which was measured using equity method, under which the investment's carrying amount is changed by recognizing Sonae Indústria's share in consolidated net profit/(loss), in consolidated other comprehensive income and in the changes on consolidated net equity of Sonae Arauco, S. A.

On 31 May 2016, the then subsidiary Tableros de Fibras, S. A. (currently Sonae Arauco, S. A.) carried out a share capital increase, which was fully subscribed and paid by Arauco Group. As a consequence, Sonae Arauco, S. A. and its subsidiaries identified on note 5 were excluded from consolidation as they were classified as joint ventures on that date. From then on, these companies have been recognized on the consolidated financial statements of Sonae Indústria, SGPS, S. A. using the equity method. Net profit of these companies for the five-month period ended 31 May 2016, which amounted to EUR 7 930 251, were stated under Profit/(loss) of discontinued operations, after taxation, on the Consolidated Income Statement (note 41). Net profit/(loss) recognized after 31 May 2016 was accounted for using equity method and stated under Gains and losses in joint ventures, on the Consolidated Income Statement for the periods ended 31 December 2017 and 31 December 2016.

In the consolidated financial statements for the period ended 31 December 2016, Sonae Indústria, SGPS, S. A. recognized the fair value of its investment in Sonae Arauco, S. A., which was estimated to amount to EUR 185 981 068, with reference to 31 May 2016. The recognition of this fair value implies adjusting the identifiable assets and liabilities of Sonae Arauco, S. A. and its subsidiaries at fair value, with reference to 31 May 2016, for equity method purposes. Based on external appraisals, the fair value adjustment to land and buildings amounts to EUR 10 000 000, which would adjust final goodwill, which amounted to EUR 80 975 628, by the same amount. This adjustment would increase annual depreciation charge by EUR 100 000, of which 50% would be attributable to Sonae Indústria, SGPS, S. A.. Taking into consideration the irrelevance of this amount, Sonae Indústria decided to not adjust the consolidated net profit or loss of Sonae Arauco, S. A. for equity method purposes from 31 May 2016.

The Consolidated Statement of Cash Flows for the year ended 31 December 2016 includes the cash flows of entities classified as discontinued operations, which are detailed on note 41.

7. FINANCIAL INSTRUMENTS

In the Consolidated Statements of Financial Position at 31 December 2017 and 31 December 2016, the following financial instruments are included:

31.12.2017	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Sub-total	Assets out of scope of IAS 39	Total
Non current assets						
Available for sale investments			130 487	130 487		130 487
Current assets						
Customers	13 591 178			13 591 178		13 591 178
Other current debtors	77 425			77 425	207 985	285 410
Other current assets		1 645		1 645	2 126 928	2 128 573
Cash and cash equivalents	4 084 771			4 084 771		4 084 771
Total	17 753 374	1 645	130 487	17 885 506	2 334 913	20 220 419

31.12.2016	Loans and receivables	Available-for-sale assets	Sub-total	Assets out of scope of IAS 39	Total
Non current assets					
Available for sale investments		130 821	130 821		130 821
Other non current assets	442 298		442 298		442 298
Current assets					
Customers	15 193 129		15 193 129		15 193 129
Other current debtors	209 171		209 171	94 139	303 310
Other current assets				1 951 835	1 951 835
Cash and cash equivalents	4 795 077		4 795 077		4 795 077
Total	20 639 675	130 821	20 770 496	2 045 974	22 816 470

31.12.2017	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IAS 39	Total
Non current liabilities					
Bank loans - net of current portion		197 650 071	197 650 071		197 650 071
Finance lease creditors - net of current portion		898 793	898 793		898 793
Other non current liabilities				2 122 999	2 122 999
Current liabilities					
Bank loans		13 699 858	13 699 858		13 699 858
Finance lease creditors		500 227	500 227		500 227
Other current liabilities	71 838	2 652 307	2 724 145	10 118 179	12 842 324
Total	71 838	235 028 176	235 100 014	12 241 178	247 341 192

31.12.2016	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IAS 39	Total
Non current liabilities					
Bank loans - net of current portion		214 868 703	214 868 703		214 868 703
Finance lease creditors - net of current portion		1 132 741	1 132 741		1 132 741
Other non current liabilities		2 000 000	2 000 000	1 554 341	3 554 341
Current liabilities					
Bank loans		1 890 967	1 890 967		1 890 967
Finance lease creditors		417 272	417 272		417 272
Trade creditors		23 050 212	23 050 212		23 050 212
Other current liabilities	431 254	3 673 936	4 105 190	12 757 325	16 862 515
Total	431 254	247 033 831	247 465 085	14 311 666	261 776 751

Assets and liabilities out of the scope of IAS 39 consist essentially of accounts receivable from and payable to the State and the Group's employees and items of accruals and deferrals.

There are no financial assets offset against financial liabilities.

8. FAIR VALUE

Use of fair value in the preparation of these consolidated financial statements may be summarized as follows:

8.1. Financial assets and liabilities

	Financial assets					
	Measured at fair value		Not measured at fair value			
	Level of fair value	Amount	Fair value quantified	Fair value not quantified*	Total	Description of used valuation techniques
31.12.2017						
Non current assets						
Available for sale investments	-			130 487	130 487	-
Current assets						
Customers	-			13 591 178	13 591 178	-
Other current debtors	-			77 425	77 425	-
Other current assets	2	1 645			1 645	note 20, 25
Cash and cash equivalents	-			4 084 771	4 084 771	-
		1 645		17 883 861	17 885 506	
31.12.2016						
Non current assets						
Available for sale investments	-			130 821	130 821	-
Other non current assets	-			442 298	442 298	-
Current assets						
Customers	-			15 193 129	15 193 129	-
Other current debtors	-			209 171	209 171	-
Cash and cash equivalents	-			4 795 077	4 795 077	-
Total				20 770 496	20 770 496	

	Financial liabilities					
	Measured at fair value		Not measured at fair value			
	Level of fair value	Amount	Fair value quantified	Fair value not quantified*	Total	Description of used valuation techniques
31.12.2017						
Non current liabilities						
Bank loans - net of current portion	-			197 650 071	197 650 071	-
Finance lease creditors - net of current portion	2		201 156	697 637	898 793	note 24
Current liabilities						
Bank loans	-			13 699 858	13 699 858	-
Finance lease creditors	2		107 615	392 612	500 227	note 24
Trade creditors	-			19 626 920	19 626 920	-
Other current liabilities	2	71 838		2 652 307	2 724 145	note 25, 31
Total		71 838	308 771	234 719 405	235 100 014	
31.12.2016						
Non current liabilities						
Bank loans - net of current portion	-			214 868 703	214 868 703	-
Finance lease creditors - net of current portion	2		1 132 741		1 132 741	note 24
Other non current liabilities	-			2 000 000	2 000 000	-
Current liabilities						
Bank loans	-			1 890 967	1 890 967	-
Finance lease creditors	2		417 272		417 272	note 24
Trade creditors	-			23 050 212	23 050 212	-
Other current liabilities	2	431 254		3 673 936	4 105 190	note 25, 31
Total		431 254	1 550 013	245 483 818	247 465 085	

* As it is estimated to not materially differ from carrying amounts.

8.2. Investment properties

Investment properties are recognized at cost as referred to on note 2.6. Their fair value is disclosed on note 12.

8.3. Tangible fixed assets

Land and buildings are recognized for their revalued amounts, which was determined as at 31.12.2017. The accounting policy regarding the periodicity of revaluation of these assets is stated on note 2.3.

The revalued amount of land and buildings is disclosed on note 10.

8.4. Non-current assets held for sale

These assets are valued at fair value less estimated costs to sell, as described on note 2.7.

Fair value hierarchy is described on note 2.25.

9. INVESTMENTS

At 31 December 2017 and 31 December 2016 details of Investments are as follows:

	31.12.2017 Non current	31.12.2016 Non current
Investment in group companies excluded from consolidation		
Opening balance	36 969 914	36 969 914
Closing balance	36 969 914	36 969 914
Accumulated impairment losses	36 969 914	36 969 914
Net investment in group companies excluded from consolidation		

	31.12.2017 Non current	31.12.2016 Non current
Investment in joint ventures		
Opening balance	195 908 535	5 695 259
Effect of change in perimeter		(5 695 259)
Effect of equity method	15 369 886	195 908 535
Dividends	(5 661 957)	
Closing balance	205 616 464	195 908 535

	31.12.2017 Non current	31.12.2016 Non current
Available-for-sale investment		
Opening balance	134 810	1 171 674
Acquisition	2 076	5 042
Disposal	(2 410)	
Effect of change in perimeter		(1 050 414)
Change in fair value		8 508
Closing balance	134 476	134 810
Accumulated impairment losses	3 989	3 989
Net available-for-sale investment	130 487	130 821

The amount included under Investment in group companies excluded from consolidation refers to the former subsidiary Tarnaise des Panneaux, held indirectly by Sonae Industria, SGPS, SA for 100% of its share capital. In 2001, this company filed for bankruptcy, which is still pending conclusion. Consequently control was lost and the company has been excluded from consolidation. The Consolidated Statement of Financial Position includes an impairment loss for the full amount of the investment.

Impairment analysis to Investments in joint ventures is detailed on note 5.2 to the Company's separate financial statements and did not show any impairment loss to be recorded on these consolidated financial statements.

Available-for-sale investment consists of financial undertakings which do not fulfil the criteria to be stated as investment in subsidiaries or associates. They are recognized at cost as no relevant difference to their fair value is estimated.

10. TANGIBLE FIXED ASSETS

In 2017 and 2016, movements in tangible fixed assets, accumulated depreciation and impairment losses were as follows:

	31.12.2017							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Fixed Assets under construction	Total tangible fixed assets
Gross cost:								
Opening balance	91 307 802	272 235 761	2 612 591	143 635	3 621 704	218 223	3 971 483	374 111 199
Capital expenditure			288 181				10 947 162	11 235 343
Disposals	(14 505)	(3 116 953)	(373 755)	(47 398)	(102 388)	(3 477)		(3 658 476)
Revaluation	9 532 969							9 532 969
Transfers and reclassifications	332 735	7 734 041	185 424		71 991		(6 750 151)	1 574 040
Exchange rate effect	(4 025 002)	(14 285 639)	(131 279)		(112 752)	(43)	(261 202)	(18 815 917)
Closing balance	97 133 999	262 567 210	2 581 162	96 237	3 478 555	214 703	7 907 292	373 979 158
Accumulated depreciation and impairment losses:								
Opening balance	33 296 782	186 752 575	2 251 161	141 110	3 397 687	206 190		226 045 505
Depreciations for the period	2 227 653	9 654 342	116 885	794	83 600	3 412		12 086 686
Impairment losses for the period - through P/L	1 281 964	227 670						1 509 634
Disposals	(14 505)	(2 989 182)	(372 770)	(47 303)	(97 617)	(3 477)		(3 524 854)
Reversion of impairment losses for the period	(663 222)	(356 208)						(1 019 430)
Revaluation	3 736 123							3 736 123
Transfers and reclassifications		68 267						68 267
Exchange rate effect	(1 521 433)	(9 668 542)	(101 708)		(100 988)	(6)		(11 392 677)
Closing balance	38 343 362	183 688 922	1 893 568	94 601	3 282 682	206 119		227 509 254
Carrying amount	58 790 637	78 878 288	687 594	1 636	195 873	8 584	7 907 292	146 469 904

	31.12.2016							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Fixed Assets under construction	Total tangible fixed assets
Gross cost:								
Opening balance	646 791 354	1370 041 227	10 931 046	13 196 327	26 896 730	10 287 939	21 556 726	2099 701 349
Changes in consolidation perimeter	(545 967 605)	(1084 104 786)	(8 457 368)	(12 973 716)	(22 926 895)	(9 512 382)	(12 933 945)	(1696 876 697)
Capital expenditure	149 455						13 319 373	13 468 828
Disposals	(16 128 393)	(44 896 995)	(472 880)	(108 958)	(649 981)	(721 067)		(62 978 274)
Transfers and reclassifications	1 632 069	14 330 704	469 620	14 704	169 205	162 105	(18 391 798)	(1 613 391)
Exchange rate effect	4 830 922	16 865 611	142 173	15 278	132 645	1 628	421 127	22 409 384
Closing balance	91 307 802	272 235 761	2 612 591	143 635	3 621 704	218 223	3 971 483	374 111 199
Accumulated depreciation and impairment losses:								
Opening balance	377 423 482	1034 831 385	10 313 762	12 541 503	25 818 573	9 218 418	774 498	1470 921 621
Changes in consolidation perimeter	(339 676 366)	(839 839 024)	(7 912 407)	(12 402 841)	(22 092 857)	(8 456 307)	(774 498)	(1231 154 300)
Depreciations for the period	5 870 079	24 713 179	198 250	96 203	201 901	172 910		31 252 522
Impairment losses for the period - through P/L	3 478 160	550 325						4 028 485
Disposals	(15 464 338)	(44 567 245)	(471 939)	(108 958)	(647 894)	(720 884)		(61 981 258)
Transfers and reclassifications						(7 874)		(7 874)
Exchange rate effect	1 665 765	11 063 955	123 495	15 203	117 964	(73)		12 986 309
Closing balance	33 296 782	186 752 575	2 251 161	141 110	3 397 687	206 190		226 045 505
Carrying amount	58 011 020	85 483 186	361 430	2 525	224 017	12 033	3 971 483	148 065 694

Changes in consolidation perimeter disclosed for the period ended 31 December 2016 refer to the tangible fixed assets and related accumulated depreciation and impairment losses of subsidiaries over which control was lost, at 31 May 2016 (notes 5 and 6).

In accordance with the accounting policy disclosed on note 2.3, the Group carried out, at 31 December 2017, a revaluation of land and buildings, whose value was determined by independent appraisal. As a consequence, the carrying amount of land and buildings was increased by EUR 5 796 847 through other comprehensive income. Still as a consequence of this revaluation, impairment losses on land and buildings were recognized for EUR 1 281 964 and reversed for EUR 663 222. Depreciation for the period was not affected by this revaluation. The valuation methods used include mainly the market approach, the cost approach and the income approach, and the estimated values correspond to level 2 of fair value hierarchy. The market approach consists in comparing the asset under valuation with other assets showing similar characteristics which were sold recently or which are being offered on the market, taking into consideration differences that may affect the value. The cost approach consists in using the replacement cost of an asset as a proxy for its market value. The income approach consists in identifying the market value based on discounted cash flows which are projected taking into consideration the future best and largest used of the asset.

Transfer and reclassification include mostly the assets that were classified as Non-current assets held for sale (note 16).

Exchange rate effect results mainly from the translation into euro of tangible fixed assets of subsidiaries whose functional currency is the Canadian Dollar (CAD).

During 2017 and 2016 no interest paid or any other financial charges were capitalized, in accordance with conditions defined on note 2.10.

At 31 December 2017, mortgaged tangible fixed assets amounted to EUR 128 604 501 (EUR 133 392 714 at 31 December 2016) as collateral for loans amounting to EUR 37 380 912 (EUR 39 578 123 at 31 December 2016).

On the same date, there were no commitments to the acquisition of tangible fixed assets.

At 31 December 2017, gross cost of totally depreciated or impaired tangible fixed assets amounted to EUR 83 176 910 (EUR 88 499 930 at 31 December 2016). In addition, tangible fixed assets which were inactive at 31 December 2017 amounted to EUR 5 480 815 (5 706 140 at 31 December 2016).

At 31 December 2017 and 2016 details of tangible fixed assets used by the Group under financial leases were as follows:

	31.12.2017					31.12.2016
	Opening balance	Increase	Decrease	Other changes	Closing balance	Closing balance
Gross cost:						
Land and Buildings	5 121 453				5 121 453	5 121 453
Plant and Machinery	213 490			(12 080)	201 410	213 490
Vehicles	1 306 175	288 181	(318 193)	(73 093)	1 203 070	1 306 175
Fixtures and Fittings	328 014		(27 047)	(17 828)	283 139	328 014
Closing balance	6 969 132	288 181	(345 240)	(103 001)	6 809 072	6 969 132
Accumulated depreciation and impairment losses:						
Land and Buildings	554 702	106 949			661 651	554 702
Plant and Machinery	43 931	13 816		(2 860)	54 887	43 931
Vehicles	1 306 175	4 803	(318 193)	(65 414)	927 371	1 306 175
Fixtures and Fittings	321 732	1 290	(22 673)	(17 624)	282 725	321 732
Closing balance	2 226 540	126 858	(340 866)	(85 898)	1 926 634	2 226 540
Carrying amount	4 742 592	161 323	(4 374)	(17 103)	4 882 438	4 742 592

Minimum payments of finance lease are stated in note 24.2.

11. INTANGIBLE ASSETS

During 2017 and 2016, movements in intangible assets, accumulated amortization and impairment losses were as follows:

	31.12.2017							
	Development Costs	Patents, Royalties And Other Rights	Software		Assets Under Development	Total intangible assets		Total
	Non internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Internally generated	Non internally generated	
Gross cost:								
Opening balance	40 493	89 514	1 828 556	119 823		1 828 556	249 830	2 078 386
Capital expenditure					107 162	107 162		107 162
Disposals			(3 803)			(3 803)		(3 803)
Transfers and reclassifications			107 162		(107 162)			
Exchange rate effect			(82 583)			(82 583)		(82 583)
Closing balance	40 493	89 514	1 849 332	119 823		1 849 332	249 830	2 099 162
Accumulated depreciation and impairment losses								
Opening balance	40 493	63 039	1 584 342	119 823		1 584 342	223 355	1 807 697
Amortization for the period		6 073	217 983			217 983	6 073	224 056
Disposals			(3 803)			(3 803)		(3 803)
Exchange rate effect			(71 767)			(71 767)		(71 767)
Closing balance	40 493	69 112	1 726 755	119 823		1 726 755	229 428	1 956 183
Carrying amount		20 402	122 577			122 577	20 402	142 979

	31.12.2016									
	Development Costs	Patents, Royalties And Other Rights	Software		Other Intangible Assets		Assets Under Development	Total intangible assets		Total
	Non internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Non internally generated	Internally generated	Non internally generated	
Gross cost:										
Opening balance	184 848	3 771 845	14 547 305	3 225 963	63 454	2 617 771	823 418	14 610 759	10 623 845	25 234 604
Changes in consolidation perimeter	(106 423)	(4 188 115)	(12 987 840)	(3 143 141)	(63 454)	(2 331 407)	(439 663)	(13 051 294)	(10 208 749)	(23 260 043)
Capital expenditure						741 705	306 089		1 047 794	1 047 794
Disposals	(37 932)	(160 502)							(198 434)	(198 434)
Transfers and reclassifications		655 455		36 332		(1 028 069)	(689 844)		(1 026 126)	(1 026 126)
Exchange rate effect		10 831	269 091	669				269 091	11 500	280 591
Closing balance	40 493	89 514	1 828 556	119 823				1 828 556	249 830	2 078 386
Accumulated depreciation and impairment losses										
Opening balance	184 848	3 288 639	13 289 422	2 552 490	63 454	1 652 723		13 352 876	7 678 700	21 031 576
Changes in consolidation perimeter	(106 423)	(3 151 659)	(12 290 302)	(2 506 444)	(63 454)	(1 505 275)		(12 353 756)	(7 269 801)	(19 623 557)
Amortization for the period		82 377	337 580	73 571		58 813		337 580	214 761	552 341
Disposals	(37 932)	(160 502)							(198 434)	(198 434)
Reversion of impairment losses						(24 028)			(24 028)	(24 028)
Transfers and reclassifications						(182 233)			(182 233)	(182 233)
Exchange rate effect		4 184	247 642	206				247 642	4 390	252 032
Closing balance	40 493	63 039	1 584 342	119 823				1 584 342	223 355	1 807 697
Carrying amount		26 475	244 214					244 214	26 475	270 689

Changes in consolidation perimeter disclosed for the period ended 31 December 2016 refer to the intangible assets and related accumulated amortisation and impairment losses of subsidiaries over which control was lost, at 31 May 2016 (notes 5 and 6).

At 31 December 2017, gross cost of totally amortized or impaired intangible assets amounted to EUR 818 633 (EUR 653 726 at 31 December 2016).

12. INVESTMENT PROPERTIES

During 2017 and 2016 movements in investment properties, accumulated depreciation and impairment losses were as follows:

	31.12.2017		31.12.2016	
	Cost	Total	Cost	Total
Gross cost:				
Opening balance	37 254 929	37 254 929	37 123 738	37 123 738
Increase			131 191	131 191
Closing balance	37 254 929	37 254 929	37 254 929	37 254 929
Accumulated depreciations and impairment losses:				
Opening balance	31 002 982	31 002 982	30 672 761	30 672 761
Charge for the period	250 904	250 904	330 221	330 221
Closing balance	31 253 886	31 253 886	31 002 982	31 002 982
Carrying amount	6 001 043	6 001 043	6 251 947	6 251 947

	31.12.2017	31.12.2016
Rents from investment properties	377 303	216 344
Direct operating costs	257 172	171 891

At the closing date of these consolidated financial statements, Investment properties included the land and the buildings of Betanzos industrial plant, in Spain, which has been leased to third parts. These assets are recognized at historical cost. Fair value was determined at 24 May 2017 through independent appraisal and amounted to EUR 6.3 million (level two of fair value hierarchy). Fair value was estimated under a development approach and under an income approach. At 31 December 2017, Sonae Indústria estimated that fair value had not significantly changed.

13. GOODWILL ARISING ON CONSOLIDATION

During 2017 and 2016, movements in goodwill arising on consolidation were as follows:

	31.12.2017	31.12.2016
Gross value:		
Opening balance	347 082	82 584 032
Changes to consolidation perimeter		82 026 263
Currency translation		- 210 687
Closing balance	347 082	347 082
Accumulated impairment losses:		
Opening balance		1 700 000
Changes to consolidation perimeter		1 700 000
Closing balance		
Carrying amount	347 082	347 082

Changes to consolidation perimeter, in the period ended 31 December 2016, comprise goodwill arising on the consolidation of companies on which control was lost at 31 May 2016 (notes 5 and 6). As disclosed on these notes, since that date investment in Sonae Arauco, S. A. (former Tableros de Fibras, S. A.) has been measured using equity method, which requires any existing goodwill to be included in the carrying amount of Investments in joint ventures, on the Consolidated Statement of Financial Position (note 2.2.b).

Due to the reduced value of goodwill recorded on the Consolidated Statement of Financial Position, the Company decided not to carry out an impairment analysis of its value in the year ended 31 December 2017.

14. DEFERRED TAXES

At 31 December 2017 and 31 December 2016, deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred Tax Assets		Deferred Tax Liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Harmonisation Adjustments			18 126 186	19 775 606
Provisions not Allowed for Tax Purposes	54 222	15 837		
Impairment of Assets	1 059 442	1 057 012		
Tax Losses Carried Forward	66 685	68 295		
Revaluation of Tangible Fixed Assets			2 441 232	977 511
Other Temporary Differences	281 811	223 353	1 368	1 821
	1 462 160	1 364 497	20 568 786	20 754 938

	Deferred tax assets		Deferred tax liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Opening balance	1 364 497	28 358 134	20 754 938	55 427 496
Effect on profit or loss of continuing operation:				
Changes in temporary differences affecting profit or loss:				
Harmonisation adjusments			(546 661)	(1 990 643)
Provisions not allowed for tax purposes	38 258	(5 166)		
Impairment of Assets	2 430	780 052		
Revaluation of tangible assets			(13 880)	(13 373)
Tax losses carried forward		(1 511 727)		
Others	58 459	(917 387)	(404)	(62)
Subtotal (note 40)	99 147	(1 654 228)	(560 945)	(2 004 078)
Effect on profit or loss of discontinued operations:				
Changes in temporary differences affecting profit or loss:				
Harmonisation adjusments				137 795
Provisions not allowed for tax purposes		(116 222)		
Impairment of Assets		(256 828)		
Tax losses carried forward		1 438 154		
Derecognized tangible assets		(450)		
Revaluation of tangible assets				1 886 522
Others		(1 682 926)		233 460
Subtotal		(618 272)		2 257 777
Effect on other comprehensive income:				
Changes in temporary differences affecting other comprehensive income:				
Revalorização de ativos fixos tangíveis			1 536 165	
Subtotal			1 536 165	
Currency translation effect	(1 484)	48 864	(1 161 372)	1 606 740
Changes in consolidation perimeter		(24 770 001)		(36 532 997)
Closing balance	1 462 160	1 364 497	20 568 786	20 754 938

Harmonization adjustments refer to the difference between amortization and depreciation for accounting and for tax purposes.

In accordance with International Financial Reporting Standards, the Group annually assesses deferred tax asset related to tax losses carried forward on the basis of cash flows projected over a five-year period.

According to the estimation of taxable profit or deductible loss for the fiscal year 2017 and according to the tax returns for the fiscal year 2016, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

	31.12.2017		31.12.2016	
To be used until	Tax loss carried forward	Deferred tax asset	Tax loss carried forward	Deferred tax asset
Without time limit	238 162	66 685	243 910	68 295
Total	238 162	66 685	243 910	68 295

Furthermore, at 31 December 2017 and 31 December 2016, tax losses for which no deferred tax asset was recognized are detailed as follows:

	31.12.2017		31.12.2016	
To be used until	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2017			117 849	23 570
2018	11 447 823	2 403 207	11 447 823	2 403 207
2019	119 987	23 997	119 987	23 997
2020	125 939	25 188	125 844	25 169
2021	123 549	24 710	121 939	24 388
2022	4 074 921	842 861	1 287 230	257 446
2023	456 536	91 307	456 536	91 307
2024	71 379	14 276	71 379	14 276
2026	116 802	23 360		
2027	33 325	6 998	33 325	6 998
2028	5 528 711	1 161 029		
	22 098 972	4 616 933	13 781 912	2 870 358
Without time limit	762 164 101	236 304 881	767 282 034	237 367 433
Total	784 263 073	240 921 814	781 063 946	240 237 791

The amounts presented as a tax credit refer to the deferred tax asset that was not recorded in these consolidated financial statements, as the conditions required by International Financial Reporting Standards for that were not met. In the future, this deferred tax asset may be recorded, in part or by the total above quantified amount, if conditions required by International Financial Reporting Standards are fulfilled.

Deferred tax asset is offset against deferred tax liability in situations where:

i) The company which generates the respective temporary differences is legally entitled to offset current tax assets and liabilities; or

ii) Calculated deferred tax assets and liabilities are related with income tax payable to the same tax authority:

a) By a single entity; or

b) By different entities which intend to receive/pay tax on a net basis.

15. OTHER NON-CURRENT ASSETS

At 31 December 2016, details of Other non-current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2016	
	Gross Value	Net Value
Trade debtors and other debtors	442 298	442 298
Financial Instruments	442 298	442 298
Total	442 298	442 298

	AGEING OF NON CURRENT TRADE DEBTORS AND OTHER DEBTORS AND OF LOANS TO RELATED PARTIES
	31.12.2016
Not due	442 298
Total	442 298

At 31 December 2017, there were no assets recognized under Other non-current assets, on the Consolidated Statement of Financial Position.

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In December 2015, the assets (equipment) of Souselas industrial plant, in Portugal, which is inactive, were classified as Non-current assets held for sale as they were available for immediate sale and it was then estimated that a sale transaction would be completed in a twelve-month period. As these expectations did not materialize, these assets were reclassified under Tangible fixed assets, on the Consolidated Statement of Financial Position as at 31 December 2017.

17. INVENTORIES

At 31 December 2017 and 31 December 2016, details of Inventories on the Consolidated Statements of Financial Position were as follows:

	31.12.2017	31.12.2016
Merchandise	1 467 476	1 562 647
Finished and intermediate products	7 408 605	7 667 357
Products and working in progress	576 291	587 122
Raw Materials and Consumables	8 496 688	9 231 599
	17 949 060	19 048 725
Accumulated losses on inventories (Note 32)	950 946	910 432
	16 998 114	18 138 293

Inventories consist mainly of wood, raw boards, faced boards and chemical products.

18. TRADE DEBTORS

At 31 December 2017 and 31 December 2016, details of Trade debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2017			31.12.2016		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	14 008 405	417 227	13 591 178	15 770 699	577 570	15 193 129

		31.12.2017	31.12.2016
Not due		11 501 044	11 933 384
Due and not impaired			
	0 - 30 days	1 565 094	2 468 345
	30 - 90 days	73 456	216 126
	+ 90 days	308 625	364 722
		1 947 175	3 049 193
Due and impaired			
	0 - 90 days	113 242	
	90 - 180 days	110 877	207 342
	180 - 360 days		126 980
	+ 360 days	336 067	453 800
		560 186	788 122
	Total	14 008 405	15 770 699

19. OTHER CURRENT DEBTORS

At 31 December 2017 and 31 December 2016, details of Other current debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2017		31.12.2016	
	Gross Value	Net Value	Gross Value	Net Value
Other debtors	59 076	59 076	209 171	209 171
Related parties	18 349	18 349		
Financial Instruments	77 425	77 425	209 171	209 171
Other debtors	207 985	207 985	94 139	94 139
Assets out of scope of IAS 39	207 985	207 985	94 139	94 139
Total	285 410	285 410	303 310	303 310

	AGEING OF OTHER DEBTORS AND RELATED PARTIES	
	31.12.2017	31.12.2016
Not due	10 852	
Due and not impaired		
0 - 30 days	28 682	150 423
30 - 90 days		15 372
+ 90 days	37 891	43 376
	66 573	209 171
Total	77 425	209 171

Other debtors (financial instruments) include advances to Trade creditors for EUR 173 309 (EUR 70 710 at 31 December 2016).

20. OTHER CURRENT ASSETS

At 31 December 2017 and 31 December 2016, details of Other current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2017		31.12.2016	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	1 645	1 645		
Financial Instruments	1 645	1 645		
Accrued income	287 210	287 210	402 038	402 038
Deferred expenses	1 839 718	1 839 718	1 549 797	1 549 797
Assets out of scope of IAS 39	2 126 928	2 126 928	1 951 835	1 951 835
Total	2 128 573	2 128 573	1 951 835	1 951 835

At 31 December 2017 and 31 December 2016, the Group did not hold any cash flow hedging derivative financial instruments. The amounts included in the previous table relate to derivative financial instruments recognized at fair value through profit or loss (note 25).

Deferred expenses include EUR 929 454 related to insurance expenses (EUR 827 000 at 31 December 2016).

21. OTHER TAXES AND CONTRIBUTIONS (CURRENT ASSETS)

At 31 December 2017 and 31 December 2016, details of Other taxes and contributions on the Consolidated Statements of Financial Position were as follows:

	31.12.2017	31.12.2016
Other taxes and contributions:		
Value Added Tax	1 180 718	1 741 841
Others	915 538	1 504 374
	2 096 256	3 246 215

22. CASH AND CASH EQUIVALENTS

At 31 December 2017 and 31 December 2016, the detail of Cash and Cash Equivalents on the Consolidated Statements of Financial Position and on the Consolidated Statements of Cash Flows was as follows:

	31.12.2017	31.12.2016
Cash at Hand	6 556	6 536
Bank Deposits and Other Treasury Applications	4 078 215	4 788 541
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	4 084 771	4 795 077
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	4 084 771	4 795 077

At 31 December 2017, cash and cash equivalents held in a currency other than the Group's functional currency amounted to EUR 3 548 078 (EUR 3 338 195 at 31 December 2016).

At 31 December 2017, bank deposits and other treasury applications amounted to EUR 4 078 215 (EUR 4 788 541 at 31 December 2016). There is only one deposit of more than EUR 1 000 000, made in a financial institution with a rating level of Aa2 (Moodys).

23. SHAREHOLDERS' FUNDS

Consolidated shareholders' funds consist of the following items:

23.1. SHARE CAPITAL

In May 2017, the Company reduced its share capital by EUR 558 787 776.91 to cover accumulated losses. As such, share capital was reduced from EUR 812 107 574.17 to EUR 253 319 797.26, without change of the existing number of shares.

In July 2017, the Company carried out a reverse stock split of 11 350 757 250 shares which represented its share capital after the the cancellation of 167 shares which were donated by its shareholder Migracom, SGPS, S. A.. This reverse stock split operation was effective 31 July 2017 and used a ratio of 1:250 shares, in accordance which every 250 (two hundred and fifty) shares with ISIN code PTS3P0AM0017 were replaced by 1 (one) new share with ISIN code PTS3P0AM0025.

As a consequence, at 31 December 2017, the Company's share capital, which was fully underwritten and paid, amounted to EUR 253 319 797.26 (EUR 812 107 574.17 at 31 December 2016) and was represented by 45 403 029 ordinary, registered and nominative shares, without nominal value (11 350 757 417 shares at 31 December 2016).

At 31 December 2017 and 31 December 2016, shares are not entitled to any fixed income.

23.2. LEGAL RESERVE

The caption Legal reserve includes the parent company's reserve set up in accordance with articles 295 and 296 of the Portuguese Company Law.

In May 2017, the Company used the full amount of its legal reserve, which amounted to EUR 3 131 757, to cover accumulated losses.

23.3. OTHER RESERVES AND ACCUMULATED EARNINGS

This caption includes:

- Reserves set up by the parent company and the Group's share of reserves set up by subsidiaries included in consolidation in accordance with statutory rules or by proposition of the respective Board of Directors, approved in the General Shareholders' Meeting;
- The parent company's net profits or losses of previous years and the subsidiaries' share thereon whose application was not carried out;
- The parent company's net profit or loss of the current period and the subsidiaries' share thereon;
- Consolidation adjustments to any of the aforementioned components.

In May 2017, the Company covered accumulated losses amounting to EUR 561 919 534 though share capital and legal reserve reduction.

23.4. OTHER ACCUMULATED COMPREHENSIVE INCOME

This caption includes:

- Currency translation reserves resulting from the conversion to Euros of subsidiaries' financial statements which are expressed in a different functional currency;
- Change in fair value of available-for-sale assets (note 8);
- Hedging derivative instruments (note 25);
- Remeasurement of defined benefit obligations (note 28);
- Revaluation of tangible fixed assets (notes 2.3, 2.9 and 10);
- Group's share in accumulated other comprehensive income of joint ventures;
- Consolidation adjustments to any of the aforementioned components.

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: Which may be subsequently transferred to profit or loss	Share of Other Comprehensive Income of Joint Ventures: Which may not be subsequently transferred to profit or loss	Income tax related to components of other comprehensive income	**Total**
Balance as at 1 January 2017	11 114 057	6 367 184	(192 092)	4 468 623	33 694 328	(1 033 382)	54 418 718
Other consolidated comprehensive income for the period	(4 240 137)	5 796 847	106 021	(618 288)	1 360 282	(1 536 165)	868 560
Balance as at 31 December 2017	6 873 920	12 164 031	(86 071)	3 850 335	35 054 610	(2 569 547)	55 287 278

Accumulated other comprehensive income
Atributable to the parent's shareholders

	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures: Which may be subsequently transferred to profit or loss	Share of Other Comprehensive Income of Joint Ventures: Which may not be subsequently transferred to profit or loss	Income tax related to components of other comprehensive income	**Total**
Balance as at 1 January 2016	(31 461 322)	96 733	106 260 850	(6 260 935)		1 388 833	(26 238 300)	43 785 859
Other consolidated comprehensive income for the period	4 275 995	8 508		(149 140)	4 416 002	(1 313 640)		7 237 725
Change in method		(105 241)	(99 895 009)	6 218 070	52 621	33 619 135	25 049 855	(35 060 569)
Tranferred to Net consolidated profit/(loss) for the period	36 592 671							36 592 671
Others	1 706 713		1 343	(87)			155 063	1 863 032
Balance as at 31 December 2016	11 114 057		6 367 184	(192 092)	4 468 623	33 694 328	(1 033 382)	54 418 718

At 31 December 2017 and 31 December 2016, Currency translation reserve refers mostly to the subsidiary Tafisa Canada Inc.

Movement occurred in Revaluation reserve refers to the revaluation of tangible fixed assets, carried out in the period ended 31 December 2017 (notes 2.3 and 10).

24. LOANS

As at 31 December 2017 and 31 December 2016 Sonae Indústria had the following outstanding loans:

	31.12.2017			
	Amortised cost		**Nominal value**	
	Current	**Non current**	**Current**	**Non current**
Current portion of non-current bank loans	11 949 858		11 949 858	
Bank loans	1 750 000	197 650 071	1 750 000	199 012 843
Obligations under finance leases	500 227	898 793	500 227	898 793
Gross debt	14 200 085	198 548 864	14 200 085	199 911 636

	31.12.2016			
	Amortised cost		**Nominal value**	
	Current	**Non current**	**Current**	**Non current**
Current portion of non-current bank loans	390 967		390 967	
Bank loans	1 500 000	214 868 703	1 500 000	216 670 580
Obligations under finance leases	417 272	1 132 741	417 272	1 132 741
Gross debt	2 308 239	216 001 444	2 308 239	217 803 321

The maturity schedule of these loans is detailed on note 26.

There are leasing contracts subject to a fixed interest rate. As of 31 December 2017, the fair value of the minimum lease payments was calculated, which does not present any materially relevant difference in relation to the amounts recorded under Finance lease creditors, on the Consolidated Statement of Financial Position.

The average interest rates of each class of debt stated in the previous table were as follows:

	2017	2016
Bank loans	4.23%	4.25%
Debentures		5.37%
Finance leases	5.18%	5.30%

Bank overdrafts were not included in the calculation of average interest rates as they amounted to irrelevant values.

At 31 December 2017, the total amount of outstanding debt in respect of which the creditors have the possibility to consider as due, in the event of a shareholder change, was approximately 165 million euros (79% of the carrying amount of net consolidated debt).

24.1. Bank Loans

Bank loans presented in the table in note 24 include "Non-current Bank Loans – net of the current portion". "Current portion of Non-current Bank Loans" and "Current Bank Loans" on the Consolidated Statement of Financial Position and their composition as at 31 December 2017 and 31 December 2016 is detailed in the following table:

	31.12.2017			
	Non current	**Current**		Total
Company		Short term portion	Short term	
Sonae Indústria-SGPS,SA	160 651 145	11 900 000	1 750 000	174 301 145
Tafisa Canada Inc.	34 361 698	49 858		34 411 556
Sonae Industria de Revestimentos,SA	4 000 000			4 000 000
	199 012 843	11 949 858	1 750 000	212 712 701

	31.12.2016			
	Non current	**Current**		Total
Company		Short term portion	Short term	
Sonae Indústria-SGPS,SA	180 900 000	250 000	1 500 000	182 650 000
Tafisa Canada Inc.	35 770 580	140 967		35 911 547
	216 670 580	390 967	1 500 000	218 561 547

Figures on the previous table correspond to the nominal values of bank loans disclosed on note 24.

Non-current bank loans, the related short term portion and current bank loans are detailed as follows:

Company(ies)	Loan	Contract date	Maturity (with reference to 31.12.2017)	Currency	Outstanding principal at 31.12.2017 (EUR)	Outstanding principal at 31.12.2016 (EUR)
Tafisa Canada Inc.	Bank loan (*Revolving*) 1)	July 2011	to be repaid from March 2017 to May 2021	CAD	33 380 912	34 678 123
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2018 Note: programme without subscription guarantee	EUR	1 750 000	1 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2014	to be repaid from July 2018 to January 2020	EUR	7 500 000	
Sonae Indústria, SGPS, S.A.	Commercial paper programme 2)	May 2016	to be repaid from May 2019 to May 2021	EUR	143 500 000	175 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	to be repaid from January 2018 to July 2019 3)	EUR	4 000 000	4 900 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	to be repaid from July 2017 to July 2018	EUR	1 000 000	1 250 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme 4)	December 2016	to be repaid from June 2018 to December 2019	EUR	16 000 000	
Sonae - Indústria de Revestimentos, S. A.	Bank loans	September 2017	to be repaid from March 2019 to September 2022	EUR	4 000 000	N/A
Others				EUR	1 581 789	1 233 424
Total				**EUR**	**212 712 701**	**218 561 547**

1) This agreement requires two financial ratios calculated based on the individual financial statements of Tafisa Canada Inc: a ratio of "Financial Liabilities / (Equity + Financial Liabilities)" and a "Free Cash Flow / Debt Service" ratio. These ratios are tested on a quarterly basis until the end of the financing and failure may lead to early repayment of the loan;
2) The shares of subsidiaries Megantic BV and Tafisa Canada Inc were pledged as collateral for this loan. In this agreement, Sonae Indústria, SGPS, SA is obliged to maintain a certain maximum level of Financial Debt calculated based on the Company's individual financial statements, also committing itself to a maximum "Net Debt / EBITDA" ratio for Tafisa Canada Inc, which is calculated based on the individual financial statements of this subsidiary. Failure to comply with any of these ratios may lead to the anticipated maturity of the loan;
3) In February 2018, both parties to this loan agreed on changing the maturity of the whole loan to July 2019;
4) Under this financing, Sonae Indústria SGPS, SA pledged the shares of its subsidiary Parcelas e Narrativas - Imobiliária, SA as collateral, whose net assets contribute to consolidated net assets for EUR 9 353 768. Under this agreement, Sonae Indústria, SGPS, SA is obliged to maintain a ratio of Financial Autonomy ("Total Equity / Total Assets"). This ratio is tested annually from December 31, 2016 until the end of the financing, based on the Company's consolidated financial statements, and its failure may lead to the early maturity of the loan.

N/A – loans that did not exist as of 31 December 2016.

Figures on the previous table correspond to the nominal value of bank loans disclosed on note 24.

The aforementioned contracts are subject to variable interest rates.

At 31 December 2017, the aforementioned ratios associated with existing loans fulfilled the contractually established limits.

At the same date, in the bank loan agreements referred to above, the Group had unused limits, maturing after 31 December 2018, amounting to approximately 46.7 million euros.

At 31 December 2017, in addition to mortgaged tangible fixed assets disclosed on note 10, there were other assets amounting to EUR 26 613 983 (EUR 27 014 465 at 31 December 2016) which were pledged as collateral for the Group's liabilities. These assets consisted mostly in inventories and accounts receivable.

24.2. Financial lease creditors

Details of finance leases creditors at 31 December 2017 and at 31 December 2016 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
2017		492 123		417 272
2018	559 407	488 176	500 227	435 104
2019	518 451	444 764	482 791	413 495
2020	367 105	293 417	355 254	284 142
2021	61 472		60 748	
	1 506 435	1 718 480	1 399 020	1 550 013
Lease creditors - current			500 227	417 272
Lease creditors - non current			898 793	1 132 741

Assets recognized under finance lease arrangements are stated on note 10.

24.3. Cash Flows

Amounts stated under cash receipts arising from loans obtained and cash payment arising from loans obtained, on financing activities of the Consolidated Statement of Cash Flows include the rollover of commercial paper programmes detailed on note 24.1.

Financial liabilities (nominal value) arising from financial activities, which are disclosed on note 24, are detailed as follows:

Consolidated Statement of Financial Position	31.12.2017 Opening balance	Increase	Decrease	Exchange rate effect	Others	Closing balance
Non-current liabilities:						
Bank loans - net of current portion	216 670 581	19 928 995	14 728 550	(2 041 096)	(20 817 087)	199 012 843
Finance lease creditors - net of current portion	1 132 741	288 181	427 938	(6 890)	(87 301)	898 793
Other loans						
Current liabilities:						
Current portion of non-current bank loans	390 967		102 536	(5 661)	11 667 088	11 949 858
Current bank loans	1 500 000	835 900 000	844 800 000		9 150 000	1 750 000
Current portion of non-current finance lease creditors	417 272			(4 345)	87 300	500 227
Other loans						
Total	220 111 561	856 117 176	860 059 024	(2 057 992)		214 111 721
Movements which do not affect cash flows:						
Finance lease creditors - net of current portion (-)		288 181				288 181
Total	220 111 561	855 828 995	860 059 024	(2 057 992)		213 823 540

Consolidated Statement of Cash Flows	Cash receipts from	Cash payments to
Financing activities:		
Loans obtained	855 828 995	859 631 085
Finance lease creditors		427 939
Total	855 828 995	860 059 024

25. FINANCIAL DERIVATIVES

The fair value of derivative instruments is stated as follows:

	Other current assets	Other current liabilities	
	31.12.2017	31.12.2017	31.12.2016
Derivatives at fair value through profit or loss:			
Exchange rate forwards (notes 20 and 31)	1 645	71 838	431 254
	1 645	71 838	431 254

25.1. Derivatives at fair value through profit or loss

They consist of exchange rate derivatives (forwards) over which no hedge accounting was applied.

The fair value of exchange rate forwards was determined using derivative valuation software and external appraisals when software do not allow some derivatives to be valued, and consisted in updating the receivable/payable amount at maturity date to the closing date of the consolidated financial statements (level 2 of fair value hierarchy). Receivable/payable amount, which was used for valuing, corresponds to the amount denominated in foreign currency multiplied by the difference between the contracted exchange rate and the market exchange rate at the maturity date that was determined at valuation date (forward exchange rate determined between valuation and maturity date using market information).

Gains and losses resulting from changes in fair value are stated under the item Adjustments to fair value of financial instruments at fair value through profit or loss (notes 35 and 36), which corresponds to a net loss of EUR 150 913 (net loss of EUR 906 348 in 2016).

Derivative instruments recognized at fair value through profit or loss held by the Group at 31 December 2017 fully mature in 2018.

25.2. Derivatives at fair value through reserves

In 2017 and 2016 no derivative financial instruments at fair value through reserves were contracted.

26. FINANCIAL RISKS

26.1. Liquidity risk

Liquidity risk described in note 2.26, c) related to gross debt referred to in note 24, can be analysed as follows:

	31.12.2017		
	Maturity of gross debt (note 24)	Interest	Total
2018	14 200 085	7 399 956	21 600 041
2019	19 483 418	6 958 108	26 441 526
2020	47 404 736	5 608 920	53 013 656
2021	131 641 142	1 977 866	133 619 008
2022	1 199 482	17 031	1 216 513
2023	182 858		182 858
	214 111 721	21 961 881	236 073 602

	31.12.2016		
	Maturity of gross debt (note 24)	Interest	Total
2017	2 308 239	8 113 825	10 422 064
2018	2 571 220	7 970 960	10 542 180
2019	38 603 796	7 073 251	45 677 047
2020	44 474 443	5 426 771	49 901 214
2021	131 868 424	1 850 572	133 718 996
2022	190 301		190 301
After 2022	95 137		95 137
	220 111 560	30 435 379	250 546 939

The calculation of interest in the previous table was based on interest rates at 31 December 2017 and 31 December 2016 applicable to each item of debt. Gross debt maturing in 2018 (2017) includes scheduled repayment of debt along with the repayment of debt as at end 2017 (2016) which is maturing within less than one year.

Maturities for the remaining financial instruments are stated on the respective notes.

26.2. Market risk

26.2.1. Interest rate risk

The analysis of interest rate risk, described on note 2.26, b), i), consisted in calculating the way net profit before tax for 2017 and 2016 would have been impacted if there would have been a change of +0.75 or -0.75 percentage points in interest rates that were determined for the corresponding periods:

	Sensitivity Analysis					
	2017			**2016**		
	"Notional" (Euros)	Effect in Profit and Loss (Euros)		"Notional" (Euros)	Effect in Profit and Loss (Euros)	
		0.75%	-0.75%		0.75%	-0.75%
Gross Debt						
EUR	179 391 401	(1 133 789)	1 133 789	184 113 032	(976 566)	976 566
CAD	34 720 320	(275 480)	275 480	35 998 529	(294 174)	294 174
	214 111 721	(1 409 269)	1 409 269	220 111 561	(1 270 740)	1 270 740

The sensitivity analysis disclosed in the previous table excludes bank overdrafts and borrowings which are not subject to change in interest rate.

Considering Euribor 6 months as a reference indicator for Euro interest rates, a change of 0.75 percentage points corresponds to 48.9 times the standard deviation of that variable in 2017 (16.6 times in 2016).

26.2.2. Exchange rate risk

With respect to exchange rate risk, described in note 2.26., b), ii), the following calculations were performed:

a) Sensitivity analysis of amounts denominated in a currency other than the functional currency of each company included in the consolidation, by considering a change of +1% and -1% in actual 2017 and 2016 closing exchange rates of each currency against the Euro.

i) Loans (-) net of treasury applications (+)

	Amount held in foreign currency	Eur equivalent	Sensitivity analysis (EUR)	
	31.12.2016	31.12.2016	2016	
			-1%	1%
GBP	280 000	327 034	(3 270)	3 270
ZAR	17 428 273	1 205 514	(12 055)	12 055

At 31 December 2017, the Group had no outstanding loans or treasury applications held in a currency other than the functional currencies of its subsidiaries.

ii) Other balances: net assets (+) and net liabilities (-)

	Amount held in foreign currency		Eur equivalent		Sensitivity analysis (EUR)			
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	2017		2016	
					-1%	1%	-1%	1%
USD	1 555 938	(1 364 129)	1 297 372	(1 294 122)	(12 974)	12 974	12 941	(12 941)
ZAR	20 259 303	24 878 393	1 368 313	1 720 838	(13 683)	13 683	(17 208)	17 208
GBP	(22 527)		(25 390)		254	(254)		

Sensitivity refers to the effect that -1% and 1% changes in closing exchange rates for 2017 and 2016 financial years would have on net exchange differences disclosed on notes 35, 36 and 39.

b) Sensitivity analysis of existing derivatives to hedge the exchange rate risk set out in the previous point, by considering a change of +1% and -1% in actual 2017 and 2016 closing exchange rates of each currency against the Euro:

i) Loans net of treasury applications

	Amount held in foreign currency	Eur equivalent	Sensitivity analysis (EUR)	
	31.12.2016	31.12.2016	2016	
			-1%	1%
ZAR	17 428 273	1 205 514	12 055	(12 055)

At 31 December 2017, the Group had derivatives to hedge outstanding loans or treasury applications held in a currency other than the functional currencies of its subsidiaries.

ii) Other balances: net assets (+) and net liabilities (-)

	Amount held in foreign currency		Eur equivalent		Sensitivity analysis (EUR)			
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	2017		2016	
					-1%	1%	-1%	1%
ZAR	20 770 117	23 993 072	1 402 814	1 659 601	14 028	(14 028)	16 596	(16 596)

Sensitivity refers to the effect that -1% and 1% changes in closing exchange rates for 2017 and 2016 financial years would have on the hedging of the amounts identified on a).

26.2.3. Credit risk

Credit risk described on note 2.26, a) is mostly reflected through the amount stated in Trade Debtors (note 18) and Other current debtors (note 19). No relevant differences between the amounts recognized and the corresponding estimated fair value were identified.

27. OTHER NON-CURRENT LIABILITIES

At 31 December 2017 and 31 December 2016 details of Other non-current liabilities were as follows:

	31.12.2017	31.12.2016
Other creditors		2 000 000
Financial instruments		2 000 000
Other creditors	2 122 999	1 554 341
Liabilities out of scope of IAS 39	2 122 999	1 554 341
Total	2 122 999	3 554 341

31.12.2016	After 2019	Total
Maturity of Other non current creditors	2 000 000	2 000 000
	2 000 000	2 000 000

Other creditors include EUR 1 189 166 (EUR 1 119 940 at 31 December 2016) related to deferred investment subventions

28. POST RETIREMENT LIABILITIES

Various Group companies assumed the liability of giving their employees cash contributions to pension plans for old age, incapacity, early retirement and survival. These contributions are determined as a percentage that increases as a result of the number of years that the employee has worked at the company, and which is applied to a salary table that is negotiated on a yearly basis.

Present value of defined benefit liabilities associated are evaluated every year through actuarial reports and based on the "Projected Unit Credit" methodology. Actuarial assumptions employed on the last report prepared at 31 December 2017 and 2016 were:

	Portugal	
	31.12.2017	31.12.2016
Mortality table	TV 88/90	TV 88/90
Salary growth rate	3,00%	3,0%
Return on fund	2,50%	3,0%
Actuarial tecnical rate	2,75%	2,5%
Pension growth rate	0,0%	0,0%

Benefit plans set up in previous periods by several Group companies are as follows:

Portugal:

Various Group companies have a defined benefit plan and funds managed by third parties, calculated in accordance with International Accounting Standard 19 and based on actuarial studies carried out by an independent entity. Employees of three companies hired until 31 December 1994 are covered by this plan under which they will receive as from retirement, a life-long monthly payment equivalent to 20% of their salary at their retirement date. Employees may choose to be paid a lump sum instead of a monthly amount.

The actuarial discount rate of 2.75% used for calculating the defined benefit liability of Portuguese subsidiaries was obtained from the yield curves of high quality zero coupon government bonds from the Euro Zone, plus a spread, determined based on iTaxx Europe Main index.

The average duration of the defined benefit obligation recognized by the Portuguese subsidiaries is 21 years.

An actuarial report calculated the liabilities of these companies on 31 December 2017 to be EUR 962 252 (EUR 1 070 475 at 31 de December 2016).

The main risk to which these defined benefit plans expose the Group is the liquidity risk. At 31 December 2017 assets funding the plans represented 38% (37% at 31 December 2016) of the defined benefit obligation. However, this risk is mitigated by the long average duration of the Group’s defined benefit liabilities and by the fact that employees do not retain any right to benefits if they terminate work.

The main changes, during the periods ending 31 December 2017 and 31 December 2016, to the present value of the defined benefit obligations are presented as follows:

	31.12.2017		31.12.2016		
	Plan with fund	Total	Plan without fund	Plan with fund	Total
(+) Opening balance of defined benefit obligations' present value	1 757 059	1 757 059	798 854	32 002 161	32 801 015
(+) Interest cost	6 482	6 482		44 203	44 203
(+) Current service cost	8 590	8 590		50 690	50 690
(+) Remeasurements:					
Due to change in financial assumptions	(74 487)	(74 487)		288 035	288 035
Due to change in demographic assumptions					
Due to experience adjustements	(97 460)	(97 460)		(138 895)	(138 895)
(+) Recognised past service cost	(39 596)	(39 596)			
(+) Change in consolidation perimeter			(759 260)	(30 528 728)	(31 287 989)
(=) Closing balance of defined benefit obligations' present value	1 560 588	1 560 588	39 594	1 717 466	1 757 059

During 2017 and 2016 the fair value of the plan assets changed as follows:

	31.12.2017	31.12.2016
(+) Opening balance of plan assets	646 988	6 543 224
(+) Interest income	17 274	17 729
(+) Remeasurements	(65 926)	38 297
(+) Change in consolidação perimeter		(5 952 262)
(=) Closing balance of plan assets	598 336	646 988

Funding assets do not include any assets occupied or used by the Group nor do they include any securities issued by the Company or its subsidiaries.

At 31 December 2017 and 31 December 2016, the amount of liabilities for defined benefits recognized in the Consolidated Statements of Financial Position is detailed as follows:

	31.12.2017	31.12.2016
(+) Present value of defined benefit obligations	1 560 588	1 757 059
(-) Fair value of plan assets	598 336	646 988
(=) Defined benefit liability	962 252	1 110 071

Sensitivity of the defined benefit obligation is as follows:

	2017			2016		
	-0,5 pp	Valuation basis	+0,5 p	-0,5 pp	Valuation basis	+0,5 p
Defined benefit obligation	1 714 065	1 560 588	1 423 958	1 898 231	1 717 466	1 557 399

The valuation basis refers to the actuarial discount rate that was included in the actuarial assumptions disclosed herewith.

29. TRADE CREDITORS

At 31 December 2017 and 31 December 2016, Trade creditors stated on the Consolidated Statements of Financial Position had the following maturities:

	MATURITY OF TRADE CREDITORS	
	31.12.2017	31.12.2016
To be paid		
< 90 days	19 589 609	22 988 942
90 - 180 days	11 591	19 533
> 180 days	25 720	41 737
	19 626 920	23 050 212

30. OTHER TAXES AND CONTRIBUTIONS (CURRENT LIABILITIES)

At 31 December 2017 and 31 December 2016 Other taxes and contributions had the following composition:

	31.12.2017	31.12.2016
Other taxes and contributions		
Value Added Tax	247 234	187 864
Social Security Contribution	203 737	231 147
Others	283 412	280 454
	734 383	699 465

31. OTHER CURRENT LIABILITIES

At 31 December 2017 and 31 December 2016 Other current liabilities were composed of:

	31.12.2017	31.12.2016
Derivatives	71 838	431 254
Tangible fixed assets suppliers	2 155 951	2 511 973
Other creditors	496 357	1 161 966
Financial instruments	2 724 146	4 105 193
Other creditors	488 389	292 949
Accrued expenses:		
Insurances	14 105	
Personnel expenses	4 318 109	6 687 970
Accrued financial expenses	1 049 512	635 463
Rebates	3 305 322	3 506 541
External supplies and services	346 339	553 128
Other accrued expenses	268 090	763 925
Deferred income:		
Investment subventions	173 377	168 412
Other deferred income	154 935	148 934
Liabilities out of scope of IAS 39	10 118 178	12 757 322
Total	12 842 324	16 862 515

31.12.2017	< 90 days	90 - 180 days	> 180 days	Total
Derivatives		71 838		71 838
Maturity of current fixed assets' suppliers	2 155 951			2 155 951
Maturity of Other current creditors	448 854	1 616	45 887	496 357
	2 604 805	73 454	45 887	2 724 146

31.12.2016	< 90 days	90 - 180 days	> 180 days	Total
Derivatives		431 254		431 254
Maturity of current fixed assets' suppliers	2 465 276	45 838	859	2 511 973
Maturity of Other current creditors	455 737	631	705 598	1 161 966
	2 921 013	477 723	706 457	4 105 193

32. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2017 and 31 December 2016 were as follows:

Description	31.12.2017 Opening balance	Exchange rate effect	Increase	Reversion	Other changes	Closing balance
Impairment losses:						
Investment properties	2 259 929					2 259 929
Tangible fixed assets	5 861 104		1 509 634	(1 019 431)	(45 153)	6 306 154
Intangible assets	19 242					19 242
Trade debtors	577 570	(9 691)	113 705	(8 701)	(255 656)	417 227
Subtotal impairment losses	8 717 845	(9 691)	1 623 339	(1 028 132)	(300 809)	9 002 552
Provisions:						
Litigations in course	738 644		553 000	(542 300)		749 344
Other	1 195 000		3 275 719		39 596	4 510 315
Subtotal provisions	1 933 644		3 828 719	(542 300)	39 596	5 259 659
Subtotal impairment losses and provisions	10 651 489	(9 691)	5 452 058	(1 570 432)	(261 213)	14 262 211
Other losses:						
Investments	36 973 903					36 973 903
Write-down to net realizable value of inventories	910 432	(6 405)	561 787	(514 868)		950 946
Total	48 535 824	(16 096)	6 013 845	(2 085 300)	(261 213)	52 187 060

Description	31.12.2016 Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilization	Reversion	Other changes	Closing balance
Impairment losses:								
Investment properties	2 259 929							2 259 929
Tangible fixed assets	41 690 361		(25 299 027)	4 028 485			(14 558 715)	5 861 104
Goodwill	1 700 000		(1 700 000)					
Intangible assets	366 436		(319 243)			(24 028)	(3 923)	19 242
Other non-current assets	10 931 182						(10 931 182)	
Trade debtors	25 345 784	32 614	(25 064 264)	1 606 216		(934 953)	(407 827)	577 570
Other debtors	3 502						(3 502)	
Subtotal impairment losses	82 297 194	32 614	(52 382 534)	5 634 701		(958 981)	(25 905 149)	8 717 845
Provisions:								
Litigations in course	1 523 885	(24 284)	(347 703)		(421 271)		8 017	738 644
Warranties to customers	549 120	(27)	(607 393)	58 300				
Restructuring	1 492 766		(210 000)		(1 282 766)			
Other	6 945 108		(5 494 474)	73 634	(329 268)			1 195 000
Subtotal provisions	10 510 879	(24 311)	(6 659 570)	131 934	(2 033 305)		8 017	1 933 644
Subtotal impairment losses and provisions	92 808 073	8 303	(59 042 104)	5 766 635	(2 033 305)	(958 981)	(25 897 132)	10 651 489
Other losses:								
Investments	36 985 875		(25 642)	13 670				36 973 903
Write-down to net realizable value of inventories	4 401 009	11 788	(3 354 143)	1 386 275		(1 521 603)	(12 894)	910 432
Total	134 194 957	20 091	(62 421 889)	7 166 580	(2 033 305)	(2 480 584)	(25 910 026)	48 535 824

Impairment losses are offset against the corresponding asset on the Consolidated Statement of Financial Position.

Increase and utilization of provisions and impairment losses are stated on the Consolidated Income Statement as follows:

	31.12.2017		31.12.2016	
	Losses	Gains	Losses	Gains
Cost of sales	336 768	(306 232)	393 164	(173 465)
(Increase) / decrease in production	225 019	(208 636)	188 237	(208 917)
Provisions and impairment losses	5 452 058	(1 570 432)	4 045 743	(499 730)
Profit / (loss) from discontinued operations			2 539 436	(3 631 777)
Total (Consolidated Income Statement)	6 013 845	(2 085 300)	7 166 580	(4 513 889)

Provisions and impairment losses recognized under Profit or loss from discontinued operations, on the Consolidated Income statement, are included under the following items detailed on note 41:

	31.12.2016	
	Losses	Gains
Cost of sales (discontinued operations-note 41)	310 399	(708 418)
Change in production (discontinued operations-note 41)	494 475	(430 803)
Provisions and impairment losses (discontinued operations-note 41)	1 677 258	(2 425 832)
Gains and losses in investments (discontinued operations-note 41)	13 670	
Staff expenses (discontinued operations-note 41)	43 634	(66 724)
Profit/(loss) from discontinued operations, after taxation	2 539 436	(3 631 777)

32.1. Impairment losses on tangible fixed assets

Movements occurred in impairment losses during the period ended 31 December 2017 were as follows:

- Impairment losses recognized through profit or loss for 2017 are included under “Increases” on the table above;
- Impairment losses reverted in 2017 are included under “Reversion” on the table above;
- Other changes include reductions arising from disposal and write-off.

32.2. Provisions

At 31 December 2017, the amount of provisions could be detailed as follows:

- Provisions for ongoing litigations amounting to EUR 749 344 refer mostly to litigation with former workers of decommissioned industrial plants. It is not possible to estimate the period this provision will be utilized;
- Other provisions: EUR 1 195 000 for environmental liabilities and EUR 3 275 719 for contractually established responsibilities with the joint-venture Sonae Arauco, S. A..

During the period, the recognition of provisions for the present value of estimated liabilities did not include any significant amounts.

33. OPERATING LEASES

At 31 December 2017 and 31 December 2016 the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments	
	31.12.2017	31.12.2016
2017		1 439 605
2018	1 245 701	1 047 738
2019	305 735	276 525
2020	81 162	41 362
2021	295	313
	1 632 893	2 805 543

During the period ended 31 December 2017, the Group recognized under External Suppliers and Services, on the Consolidated Income Statement, rents related to operating leases for EUR 2 245 000 (EUR 2 806 000 in 2016).

34. RELATED PARTIES

34.1. Balances and transactions with related parties may be summarized as follows:

Balances	Accounts receivable		Accounts payable	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Other subsidiaries of the parent company	100 248	137 543	405 851	2 320 894
Joint ventures	537 449	598 675	1 496 292	2 145 323

Transactions	Income		Expenditure	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Other subsidiaries of the parent company	68 483	49 831	1 045 866	1 088 270
Joint ventures	3 921 967	21 889 682	16 066 435	28 627 822

Income and expenses recorded as a result of transactions with related parties refer to operating activities.

34.2. Remuneration of the Board of Directors of the Company is detailed as follows:

	31.12.2017	31.12.2016
Short term benefits	953 595	825 261
Medium term benefits	143 935	1 399 949
	1 097 530	2 225 210

The amounts disclosed on the previous table relate to remunerations of the Board of Directors of Sonae Indústria, SGPS, S. A. which were recognized under Staff expenses, on the Consolidated Income Statements for the periods ended 31 December 2017 and 31 December 2016.

At 31 December 2017 and 31 December 2016 there were no post retirement liabilities attributed to the members of the board of directors.

34.3. During the period ended 31 December 2017 and 31 December 2016, the Group recognized on these consolidated financial statements the following fees from audit company PricewaterhouseCoopers & Associados, SROC, Lda and respective international network:

	31.12.2017	31.12.2016
Total fees related to audit of end year accounts	88 329	201 260
Total fees related to other realiability assurance services	2 000	2 093
Total fees related to other services	9 500	
	99 829	203 354

35. OTHER OPERATING INCOME

Details of Other operating income on the Consolidated Income Statement for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	31.12.2017	31.12.2016
Gains on disposals of non current investments	1 601	314
Gains on disp. and write off of invest. prop., tang. and intang. assets	216 901	939 917
Supplementary revenue	2 228 983	2 087 401
Investment subventions	165 877	149 254
Tax received	6 172	24 844
Positive exchange gains	1 955 406	2 174 845
Adjustment to fair value of financial instruments at fair value through profit or loss	242 041	250 663
Others	2 241 725	129 548
	7 058 706	5 756 786

36. OTHER OPERATING EXPENSES

Details of Other operating expenses on the Consolidated Income Statement for 2017 and 2016 are as follows:

	31.12.2017	31.12.2016
Taxes	1 412 494	1 417 785
Losses on disp. and write off of invest. prop., tang. and intang. assets	123 828	337 576
Negative exchange gains	1 586 701	1 449 985
Adjustment to fair value of financial instruments at fair value through profit or loss	392 954	1 157 011
Others	274 106	371 027
	3 790 083	4 733 384

37. RESEARCH AND DEVELOPMENT EXPENSES

During the period, the Group recognized in several items of the Consolidated Income Statement research and development expenses amounting to EUR 48 686 (EUR 71 794 in 2016).

38. Recurring and non-recurring items

Recurring and non-recurring operating items on the Consolidated Income Statement are detailed as follows:

	31.12.2017 Recurring	31.12.2016 Recurring
Sales	229 766 809	239 555 683
Services rendered	1 209 951	1 301 165
Other income and gains	4 766 617	4 811 068
Cost of sales	(121 786 487)	(125 721 193)
Increase / (decrease) in production	89 205	(537 841)
External supplies and services	(47 899 989)	(49 118 127)
Staff expenses	(24 286 323)	(27 544 328)
Impairment losses in trade debtors - (increase)/reduction	(105 004)	16 050
Other expenses and losses	(3 637 349)	(4 392 460)
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	38 117 430	38 370 017
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	1 201 687	(103 895)
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	39 319 117	38 266 122

Classification of items as either recurring or non-recurring is done in accordance with criteria set out on note 2.24.

39. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2017 and 31 December 2016 were as follows:

	31.12.2017	31.12.2016
Financial income:		
Interest income		
related to bank loans	18 575	21 036
related to loans to related parties	1 968	2 964 350
	20 543	2 985 386
Gains in currency translation		
related to loans	112 439	374 244
related to cash and cash equivalents	614 918	1 152 251
	727 357	1 526 495
Cash discounts obtained	70 062	100 893
Other finance gains	589 229	94 341
	1 407 191	4 707 115
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	(8 120 074)	(10 469 313)
related to non convertible bonds		(5 315 242)
related to finance leases	(74 995)	(87 656)
related to loans from related parties		(256 683)
others	(12 482)	(1 461)
	(8 207 551)	(16 130 355)
Losses in currency translation		
related to loans	(160 123)	(381 583)
related to cash and cash equivalents	(1 229 364)	(1 209 914)
	(1 389 487)	(1 591 497)
Cash discounts granted	(1 805 941)	(1 872 557)
Other finance losses	(1 615 636)	(1 618 763)
	(13 018 615)	(21 213 172)
Finance profit / (loss)	(11 611 424)	(16 506 057)

40. TAXES

Corporate income tax accounted for in 2017 and 2016 is detailed as follows:

	31.12.2017	31.12.2016
Current tax	7 117 346	8 915 632
Deferred tax	(660 092)	(349 850)
	6 457 254	8 565 782

Reconciliation of consolidated Net profit/(loss) from continuing operations, before tax, with taxation for the year may be detailed as follows:

	31.12.2017	31.12.2016
Consolidated net profit before tax	21 722 985	13 728 121
Tax rate	21.00%	21.00%
Expectable tax	4 561 827	2 882 905
Differences to foreign tax rates	1 511 951	1 791 203
Effect of provincial/municipal taxes	8 142	22 082
Consolidation adjustments	(2 768 819)	(1 168 819)
Permanent differences		
Non deductible costs	1 879 384	50 686
Non taxed profits	(71 891)	(178 450)
Tax losses carried forward		
Deferred tax asset not recognized in complience with IAS 12	605 868	3 645 560
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(386 680)	(451 702)
Reverted deferred tax asset		1 511 726
Effect of change in tax rates	6 256	(296 812)
Tax benefits		892 122
Others	1 111 216	(134 719)
Consolidated corporate income tax	6 457 254	8 565 782

The amount disclosed as Consolidation adjustments relates mainly to the share of the consolidated net profit of the joint venture Sonae Arauco, S.A, which was recorded in these consolidated financial statements using the equity method.

Group companies are subject to the following corporate income tax rates:

	2017		2016	
	National	Provincial	National	Provincial
Portugal	21%		21%	
Canada	15%	11.80%	15%	11.90%
South Africa	28%		28%	

41. DISCONTINUED OPERATIONS

In the period ended 31 December 2016, Profit/(loss) from discontinued operations, after taxation, on the Consolidated Income Statement, includes the net profit or loss for the first five months of 2016 of the companies classified as joint ventures (note 5 and 6) as of 31 May 2016.

Profit (loss) from discontinued operations, after taxation, can de detailed as follows:

	31.12.2016
Sales	339 858 763
Services rendered	830 586
Other income and gains	8 744 363
Cost of sales	(167 993 678)
Increase / (decrease) in production	2 711 434
External supplies and services	(84 495 943)
Staff expenses	(51 864 328)
Depreciation and amortisation	(20 069 407)
Provisions and impairment losses - (increase) / reduction	748 574
Other expenses and losses	(3 206 691)
Operating profit / (loss)	25 263 673
Net finance profit / (loss)	(13 888 033)
Gains and losses in associated companies	222 216
Gains and losses in joint ventures	74 869
Gains and losses in investments	(13 670)
Net profit/(loss) from discontined operations, before taxation	11 659 055
Taxation	(3 728 804)
Consolidated net profit / (loss) from discontinued operations, after taxation	7 930 251

Other income and gains, on the above-mentioned table, includes EUR 38 676 813 related to the recognition of the investment in the joint venture Sonae Arauco, S. A. for its fair value. It also includes EUR -36 592 671 related to the reclassification of the translation reserve to profit or loss following the Group's loss of control on the entities disclosed on note 5.

Cash flows arising from discontinued operations, which were included line by line on the Consolidated Statement of Cash Flows, are detailed as follows:

	31.12.2016
Operating activities	(10 966 545)
Investment activities	4 809 572
Financing activities	178 279 233

42. EARNINGS PER SHARE

Earnings per share were calculated as follows:

	31.12.2017		31.12.2016		
	Net profit/(loss)		Net profit/(loss)		
	from continuing operations	total	from continuing operations	from discontinued operations	total
Net loss					
Net loss considered to calculate base earnings per share (net loss attributable to equity holders of Sonae Indústria)	15 265 731	15 265 731	3 078 703	7 930 251	11 008 954
Net loss considered to calculate diluted earnings per share	15 265 731	15 265 731	3 078 703	7 930 251	11 008 954
Number of shares					
Weighted average number of shares used to calculate basic earnings per share	45 403 029	45 403 029	11 350 757 417	11 350 757 417	11 350 757 417
Weighted average number of shares used to calculate diluted earning per share	45 403 029	45 403 029	11 350 757 417	11 350 757 417	11 350 757 417
Basic earnings per share	0.3362	0.3362	0.0003	0.0007	0.0010
Diluted earnings per share	0.3362	0.3362	0.0003	0.0007	0.0010

43. SEGMENT INFORMATION

The main activity of the Group is the production and commercialization f wood based panels and derivative products through industrial plants and commercial facilities located in Portugal, Canada and South Africa.

The Company's system of internal report to the chief operating decision maker focus on type of business. Secondary activities are materially irrelevant as far as segmental report is concerned and the Group decided to present one only segment.

Consolidated revenue derives mostly from the production and sale of wood based panels and derivative products.

44. CONTINGENCIES

In October 2010 Sonae Indústria, SGPS, S. A. received a notice of assessment from tax authorities according to which the loss resulting from the dissolution of its subsidiary Socelpac, SGPS, S.A. in 2006, amounting to EUR 74 million, should be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation.

The subsidiary Sonae Indústria de Revestimentos, S. A. rendered surety of EUR 2 271 000 in favour of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, SA, having been brought court challenges against the respective settlement.

The subsidiary Maiequipa – Gestão Florestal, S. A. rendered surety of EUR 1 242 746 in favour of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, SA, having been brought court challenges against the respective settlement.

Sonae Indústria, SGPS, SA presented bank guarantees of EUR 8 701 741 to suspend tax enforcement procedures initiated by tax authorities, having been brought court challenges against the respective settlement, except for the process IRC 2014, for which only a complaint was filed, up until now.

According to the information available on this date, the Board of Directors considers that the probability of a negative outcome of the aforementioned lawsuits and complaint is low, thus no adjustment was done to the estimation of current tax recognized in these consolidated financial statements.

Surety rendered by Sonae Indústria, SGPS, S. A. in favour of "Instituto de Segurança Social" (Social Security Institute), amounting to EUR 5 049 804, ceased as the case of Sonae Arauco Portugal, S. A. was concluded in a favourable manner to the company. Surety rendered by Sonae Indústria, SGPS, S. A. in favour of "Instituto de Segurança Social" (Social Security Institute), amounting to EUR 321 858, to guarantee the contingency of Sonae Arauco Portugal, S. A. with that entity is still maintained , as the complaint process is still not concluded.

Sonae Indústria, SGPS, S.A. has a guarantee granted to Montepio, amounting to EUR 1 090 248, under a real estate lease agreement entered into between the subsidiary Frases and Fractions - Imobiliária e Serviços, S.A. and Montepio.

Former subsidiary Sonae Arauco Deutschland GmbH (formerly Glunz AG) and other German producers of wood-based panels are involved in certain litigation procedures filed by some customers for damages resulting from alleged breaches of competition law, after which former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes were resolved during the years 2015, 2016 and 2017 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). Under the terms of the agreement for the subscription of Sonae Arauco, S. A. shares, entered into by Sonae Arauco, S. A., Sonae Indústria SGPS S. A. and the companies of the Arauco Group, Inversiones Arauco Internacional Limitada and Celulosa Arauco y Constitucion SA, Sonae Indústria, SGPS, S. A. assumes the obligation to compensate Sonae Arauco, S. A. for any losses resulting from these proceedings. For the cases still in progress, the complaints submitted specifically to the former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH amount to a maximum contingency of EUR 31.5 million. There are other cases in which these former subsidiaries are jointly involved with other German producers and whose maximum contingency amounts to EUR 42.7 million. 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.

Darbo SAS, a former subsidiary of Sonae Indústria, SGPS, S.A located in France, was sold on 3 July 2015 to a subsidiary of Gramax Capital and was excluded from the Group's consolidated financial statements on that date. This company's insolvency was requested at the Trade Court of Dax, in France, in September 2016, and was declared by that court to be liquidated, in October of that year.
Following that case, 110 former employees of Darbo filed various lawsuits with the Labour Court of Dax, in France, against, among others, Sonae Indústria, SGPS, SA and Gramax Capital, through which they claim compensation for alleged dismissal without fair reason, for a total amount of EUR 13 653 917.28. The same former employees also filed a lawsuit 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). At the date of approval of these consolidated financial statements, legal proceedings are under way and it is not possible to predict whether the outcome will result in any obligation to be recognized under the consolidated liabilities of Sonae Indústria Group.

45. SUBSEQUENT EVENTS

From the three raw boards presses that were stopped as a result of the forest fires which affected Sonae Arauco plants in Portugal in October 2017, Mangualde MDF line 1 and line 2 resumed production in January and March, respectively, while the Oliveira do Hospital PB line is expected to resume production in early April. The timeline for execution of the investment in the new MDF line at Mangualde has not been affected by the forest fires disruption and the new line is expected to be operational by the end of third quarter 2018.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 5 April 2018, the Board of Directors of Sonae Indústria, SGPS, S. A. decided that these consolidated financial statements shall be submitted to approval at the Company's General Shareholders' Meeting.

STATUTORY EXTERNAL AUDITOR REPORT

STATUTORY AUDIT BOARD REPORT

SONAE INDUSTRIA

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sonae Indústria, SGPS, S.A. (the Entity), which comprise the statement of financial position as at 31 December 2017 (which shows total assets of Euro 473,822,011 and total shareholders' equity of Euro 289,469,587 including a net profit of Euro 36,149,790), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonae Indústria, SGPS, S.A as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
o'Porto Bessa Leite Complex, Rua António Bessa Leite, 1430 - 5º, 4150-074 Porto, Portugal
Tel +351 225 433 000 Fax +351 225 433 499, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*Summary of the Audit Approach*
Measurement of Investments in Subsidiaries and Joint Ventures As disclosed in the note 5 of the separate financial statements, Sonae Indústria, SGPS, SA held financial interests in subsidiaries and joint ventures amounting to Euro 448,765,104, measured at acquisition cost and assessed for impairment at each reporting date through indicators that might indicate impairment. Those financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As at 31 December 2017, valuation models were used for testing the recoverability of financial interests amounting to Euro 238,234,735, as disclosed in the notes 5.1.2 b) and 5.2. The assessment of fair value of those financial investments, based on the methodology of discounted cash flows, was considered a key audit matter due to their value and the significant impact on the separate financial statements as at 31 December 2017 (reversal of impairment charges amounting to 32,100,511 euros and impairment charge amounting to Euro 3,105,6576) and because the assessment process is highly judgmental, as it is based on estimations and assumptions defined by the management that are affected by expected future market and economic conditions impacting on the projected cash flows and on fair value adjustments on the buildings owned by some subsidiaries. The related disclosures are presented in notes 2.6, 5.1.2 b), 5.2 and 26 to the separate financial statements.	Our audit procedures included, among others (i) verifying the existence of impairment indicators in financial interests (ii) assessing the methodology and key assumptions used for the determination of the realizable value of the interest in the joint venture; (iii) assessing the reasonableness of the key assumptions and methodology used in the calculation, namely, discount rate and growth rate comparing with the external valuation from the previous year and, namely, involving our internal experts in reviewing the discount rate, as well as (iv) reviewing scenarios and performing sensitivity analysis around the key variables. We also focused on the adequacy of the Entity's disclosures regarding the valuation of financial investments in subsidiaries and joint ventures, in accordance with the applicable accounting standard.

Key Audit Matter	*Summary of the Audit Approach*
Litigations and Contingencies	
As outlined in the note 29 to the separate financial statements, there is a number of ongoing tax and regulatory cases against the group, particularly the anti-trust processes filed by some customers for damages resulting from the alleged violation of competition regulations against two subsidiaries of the joint venture, Sonae Arauco, SA, fully indemnifiable by Sonae Indústria SGPS, as contemplated in the share subscription agreement with the other partner, as well as lawsuits filed by former employees of the former subsidiary, Darbo SAS, sold in 2015. At the closing date of these separate financial statements, it is not possible to estimate the outcome of the abovementioned cases. The maximum contingency amounts to approximately, respectively, Euro 31.5 million and Euro 42.7 million jointly with other wood-based panels manufacturers, and Euro 13.6 million. Due to the amounts involved, litigations and contingencies were considered a key audit matter and also because management's assessment process is complex and highly judgmental and the outcome depends upon potential future developments and, consequently, the calculation of potential liabilities, if deemed to be determined, is subject to a high level of unpredictability. The related disclosures are presented in notes 2.11, 2.18 and 29 to the separate financial statements.	Our audit procedures included, among others, identifying the events generating potential contingencies at the date of the financial reporting; understanding their nature, inquiring management's judgment of the related outcome, the nature and the status of the ongoing contingent processes dealt by the external lawyers, as well as reviewing the legal letters received from them. We have also assessed the objectivity and competency of those lawyers and, particularly, in which concerns the independence requirements, independence confirmations have been obtained. We also validated the appropriateness of the related disclosures in the separate financial statements in accordance with the applicable accounting standards.

Other information – alternative indicators (proportional proforma and corporate responsibility – sections 3.5 and 5 of the director's report)

Management is responsible for the preparation and gathering the alternative indicators (proportional proforma and corporate responsibility) included in the sections 3.5 and 5 of the director's report, as management considers that this information enables a more comprehensive view of Sonae Industria's business. That other information comprises the referred sections of the director's report, but does not include the remaining sections, nor the financial statements and our statutory audit report and auditor's report thereon.

Our opinion on the financial statements and our report on other legal and regulatory requirements does not cover the information included in the sections 3.5 and 5 of the director's report and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements and report on other legal and regulatory requirements, our responsibility is to read the sections 3.5 and 5 of the director's report and, in doing so, consider whether the other information included in those sections is materially inconsistent with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report, except for the sections 3.5 and 5, has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report, except in the sections 3.5 and 5, is consistent with the audited separate financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Sonae Indústria, SGPS, S.A. in the Shareholders' General Meeting of 31 May 2006 for the period from 2006 to 2008, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 31 March 2015 for the period from 2015 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 21 March 2017.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Entity in conducting our audit.

5 April 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Herminio António Paulos Afonso, R.O.C.

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sonae Indústria, SGPS, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 (which shows total assets of Euro 401,032,271 euros and total shareholders' equity of Euro 126,112,608 euros including a net profit of Euro 15,265,731 euros), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonae Indústria, SGPS, S.A. as at 31 December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
o'Porto Bessa Leite Complex, Rua António Bessa Leite, 1430 - 5º, 4150-074 Porto, Portugal
Tel +351 225 433 000 Fax +351 225 433 499, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*Summary of the Audit Approach*
Measurement of investments in joint ventures As mentioned in notes 2.2 b) and 5 to the consolidated financial statements, the Group has a significant interest in the joint venture Sonae Arauco, SA, amounting to 205,616,464 euros, accounted for using the equity method and has recognised Gains in joint venture amounting to 10,353,561 euros. As referred to in note 3 to the consolidated financial statements, the results of the joint venture include estimates of compensation for property damages (8,696,051 euros) and business interruption (7,299,053 euros) to be received from the insurance company regarding the inactivity of the industrial units of Oliveira do Hospital and Mangualde, both controlled by the joint venture, following the wildfires that affected Portugal. Those indemnities were considered a key audit matter given the magnitude of the impact of the fires in the consolidated financial statements of the joint venture and, consequently, in the share recognized by Sonae Industria, SGPS, S.A., as well as because the quantification process by management is judgmental. As disclosed in the note 5 of the consolidated financial statements, the dilution of the financial interest in the investment in Sonae Arauco in 2016 with the subsequent change from control to joint control resulted in the revaluation of the interest and a goodwill amounting to 80,975,630 euros including in the Investiments in Joint Ventures caption. As mentioned in the note 2.9 of the consolidated financial statements, an investment is tested for impairment, when indicators of impairment are present.	Regarding the review of the estimates of the indemnities, our audit procedures included, among others (i) assessing the procedures used by management to calculate those estimates; (ii) checking the amounts estimated with the clauses and conditions of the insurance policy in force at the date of the claim, as well as (iii) circularizing the insurer regarding the existence of the policy and its coverage. In respect of the impairment testing, our audit procedures included, among others: (i) assessing the methodology and key assumptions used for the determination of the realizable value of the interest in the joint venture; (ii) assessing the reasonableness of the key assumptions and methodology used in the calculation, namely, discount rate and growth rate comparing with the external valuation from the previous year and, namely, involving our internal experts in reviewing the discount rate, as well as (iii) reviewing scenarios and performing sensitivity analysis around the key variables. We also focused on the adequacy of the group's disclosures in respect of the interest in the joint venture, as defined by the applicable accounting standard.

Key Audit Matter	*Summary of the Audit Approach*
This testing based on the methodology of discounted cash flows was considered a key audit matter due to the amount of the goodwill included in the related investment as at 31 December 2017 and because the assessment process of the realizable value is highly judgmental and based on estimations and assumptions defined by the management that are affected by expected future market and economic conditions. The related disclosures are presented in notes 2.2b), 2.9, 3.5 and 6 to the consolidated financial statements.	
Litigations and contingencies As outlined in the note 44 to the consolidated financial statements, there is a number of ongoing tax and regulatory cases against the group, particularly the anti-trust processes filed by some customers for damages resulting from the alleged violation of competition regulations against two subsidiaries of the joint venture, Sonae Arauco, SA, fully indemnifiable by Sonae Indústria SGPS, as contemplated in the share subscription agreement with the other partner, as well as lawsuits filed by former employees of the former subsidiary, Darbo SAS, sold in 2015. At the closing date of these consolidated financial statements, it is not possible to estimate the outcome of the abovementioned cases. The maximum contingency amounts to approximately, respectively, Euro 31.5 million and Euro 42.7 million jointly with other wood-based panels manufacturers, and Euro 13.6 million. Due to the amounts involved, litigations and contingencies were considered a key audit matter and also because management's assessment process is complex and highly judgmental and the outcome depends upon	Our audit procedures included, among others, identifying the events generating potential contingencies at the date of the financial reporting; understanding their nature, inquiring management's judgment of the related outcome, the nature and the status of the ongoing contingent processes dealt by the external lawyers, as well as reviewing the legal letters received from them. We have also assessed the objectivity and competency of those lawyers and, particularly, in which concerns the independence requirements, independence confirmations have been obtained. We also validated the appropriateness of the related disclosures in the consolidated financial statements in accordance with the applicable accounting standards.

Key Audit Matter	*Summary of the Audit Approach*
potential future developments and, consequently, the calculation of potential liabilities, if deemed to be determined, is subject to a high level of unpredictability. The related disclosures are presented in notes 2.12, 2.15 and 44 to the consolidated financial statements.	
Measurement of tangible fixed assets	
As referred to in the group accounting policies (note 2.3), the group adopts the revaluation model for land and buildings subsequent to initial recognition and the fair value of those assets is determined through valuations performed by an external appraiser. Those valuations performed as at 31 December 2017 led to an increase of tangible fixed assets amounting to 5,796,847 euros through other comprehensive income and a decrease of 618,742 euros through profit and loss in respect of losses related to inactive operational sites without any perspective of sale in the near future amounting to 5,480,815 euros. The assessment of the fair value of land and buildings and, particularly, of inactive assets was considered a key audit matter, taking into account that there were no recent transactions nor an active market, and consequently, a highly judgment is required for determining the related value. The related disclosures are presented in notes 2.3, 10 and 32 to the consolidated financial statements.	Our audit procedures included, among others, obtaining the external appraisals, assessing the criteria used by the external appraiser for determining the fair value of those assets and its adequacy for the consolidated financial statements purposes and inactive items. We also assessed the objectivity and the competence of the appraiser and particularly in which concerns the independence requirements, an independence confirmation has been obtained. We also focused on the adequacy of the Group's disclosures, in accordance with the applicable accounting standards.

Other information – alternative indicators (proportional proforma and corporate responsibility – sections 3.5 and 5 of the director's report)

Management is responsible for the preparation and gathering the alternative indicators (proportional proforma and corporate responsibility) included in the sections 3.5 and 5 of the director's report, as management considers that this information enables a more comprehensive view of Sonae Industria's business. That other information comprises the referred sections of the director's report, but does not include the remaining sections, nor the consolidated financial statements and our statutory audit report and auditor's report thereon.

Our opinion on the consolidated financial statements and our report on other legal and regulatory requirements does not cover the information included in the sections 3.5 and 5 of the director's report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and report on other legal and regulatory requirements, our responsibility is to read the sections 3.5 and 5 of the director's report and, in doing so, consider whether the other information included in those sections is materially inconsistent with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report , including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report, except for the sections 3.5 and 5, has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report, except in the sections 3.5 and 5, is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Sonae Industria, SGPS, S.A. in the Shareholders' General Meeting of 31 May 2006 for the period from 2006 to 2008, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 31 March 2015 for the period from 2015 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 5 April 2018.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

5 April 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hermínio António Paulos Afonso, R.O.C.

Report and Opinion of the Statutory Audit Board
(Free translation from the original in Portuguese)

To the Shareholders of Sonae Indústria, SGPS, S.A.

In accordance with current law, statutory norms and the mandate we have been conferred, the Statutory Audit Board presents this report and opinion regarding the management report of Sonae Indústria, S. G. P.S., S. A. as at 31 December 2017 and further related separate and consolidated financial statements, which are the Board of Directors' responsibility.

Supervision

During the period the Statutory Audit Board has accompanied the Company's management, the evolution of its activities and those of its subsidiaries and convened meetings with the frequency and extent deemed appropriate. According to the nature of the matters under analysis, the meetings were attended by the financial area's operational managers, especially the CFO, and by the internal audit and risk management manager. We have been in close contact with the Statutory External Auditor who kept us informed about the nature and conclusions of performed audit work. The Statutory Audit Board was given by the Board of Directors, the company's services, the subsidiaries included in the consolidation perimeter and the Statutory External Auditor all information and clarifications requested, namely, for gaining a greater insight into understanding and assessing the evolution of businesses, performance and financial position as well as the risk management and internal control systems.

The Statutory Audit Board has also monitored the process of preparing and disclosing financial information as well as the audit of separate and consolidated financial statements, for which it received from the Statutory External Auditor all requested information and clarifications. Furthermore, within the scope of its competence, the Statutory Audit Board has verified the separate and consolidated statements of financial position as at 31 December 2017, the separate and consolidated income statements, the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in shareholders' funds and the separate and consolidated statements of cash flows and corresponding appendices for the period ended on the aforementioned date. It has also verified the management report for the fiscal year ended on 31 December 2017 issued by the Board of Directors, and the Statutory External Auditor's Report on the accounts, with which the Statutory Audit Board agrees.

In light of the above, it is the Statutory Audit Board's opinion that the information relating to the financial statements under analysis has been prepared in accordance with the applicable accounting, legal and statutory norms, reflecting a true and appropriate image of the assets and liabilities, the financial position and results of Sonae Indústria, S.G.P.S., S. A. and of its subsidiaries included in the consolidation perimeter. The management report duly states the evolution of the businesses, performance and financial position of the company and subsidiaries included in its consolidation perimeter and contains a description of the main risks and uncertainties they are confronted with. Furthermore, the Statutory Audit Board informs that the Company's Corporate Governance Report complies with the provisions of article 245-A of the Portuguese Securities Code.

The Statutory Audit Board acknowledges the Board of Directors and other departments for their cooperation.

Opinion

As a result of what was previously stated, it is the Statutory Audit Board's opinion that the Shareholders' General Meeting approves the:

a) Management Report, Separate and Consolidated Statements of Financial Position for the fiscal year ended 31 December 2017, Separate and Consolidated Income Statements, Separate and Consolidated Statements of Comprehensive Income, Separate and Consolidated Statements of Changes in Shareholders' Funds and Separate and Consolidated Statements of Cash Flows and corresponding Appendices for the period ended on the aforementioned date;

b) Proposal for Allocation of Results submitted by the Board of Directors.

Statement of responsibility

In accordance with the provisions of article 245, nr. 1, c) of the Securities Code ("Código dos Valores Mobiliários"), the Statutory Audit Board's members state to the best of their knowledge that the information included in the management report and the other financial statements was prepared in compliance with the applicable accounting standards and provides a true and appropriate image of the assets, liabilities, financial position and results of the company and subsidiaries included in its consolidation perimeter.
Furthermore, the Statutory Audit Board is of the opinion that the management report duly states the evolution of businesses, performance and position of the company and subsidiaries included in its consolidation perimeter, and contains a description of the main risks and uncertainties they are confronted with.

Maia, 5 April 2018

The Statutory Audit Board,

Manuel Heleno Sismeiro

António Augusto Almeida Trabulo

Óscar José Alçada da Quinta