



SONAE INDÚSTRIA, SGPS, SA

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

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 812 107 574.17

Publicly Traded Company

**ACTIVITY REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – MARCH 2017

**ACCORDING TO THE INTERNATIONAL ACCOUNTING STANDARD 34 – INTERIM
FINANCIAL REPORT**



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ACTIVITY REPORT

CONSOLIDATED FINANCIAL STATEMENTS



ACTIVITY REPORT

MESSAGE FROM THE CHAIRMAN

I am pleased to report another quarter of improved operational performance and positive net results for Sonae Indústria.

Despite the higher input costs of chemical raw materials since the end of 2016, which persisted in the first quarter of 2017, all three main business units performed better when compared to the same quarter of last year.

Considering our 50% share of Sonae Arauco's figures, at the end of March 2017, LTM Proportional Recurrent EBITDA increased again to 92.5 million Euros and, notwithstanding a seasonal increase in proportional Net Debt, the leverage ratio remained stable at 3.5x.

Consistent with our ambition to consolidate the improvement in performance and to create conditions for a more sustainable business, during the quarter we have continued to invest in our production facilities both at Sonae Indústria's fully owned businesses and at Sonae Arauco.

I am also pleased to inform our stakeholders that as a result of the partnership with Arauco and given the new ambitions of Sonae Arauco, we have agreed to proceed with a rebranding of the company that reflects the mission, vision and desired market positioning of Sonae Arauco consistent with strategic goals that we have set. The rebranding envisages a significant change in the brand architecture combining all our corporate brands into a single company identity "Sonae Arauco".

Paulo Azevedo
Chairman Sonae Indústria

1. Sonae Indústria Results

1.1. Proportional Results (unaudited, *pro forma*)

SUMMARY OF 1Q17 RESULTS (See also Explanatory Notes at the end of the document)

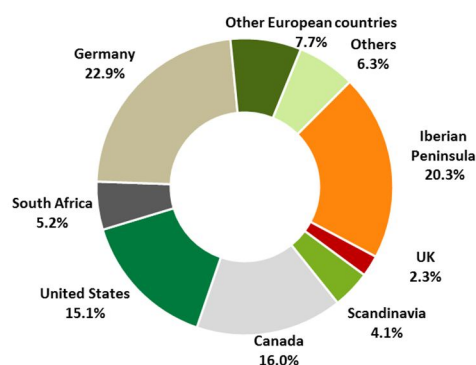
Due to the fact that one of Sonae Indústria's main assets (its 50% shareholding in Sonae Arauco) is accounted by the Equity method since 1 June 2016, we are presenting in section 1.1. unaudited *pro forma* **Proportional Indicators**, to help improve the understanding of size of the business, valuation and financial leverage of Sonae Indústria today.

These Proportional Indicators consider the full results of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco. Proportional Indicators for 1Q16 are not presented since Balance Sheet figures for that period are not comparable (Sonae Arauco partnership was setup in 31 May 2016).

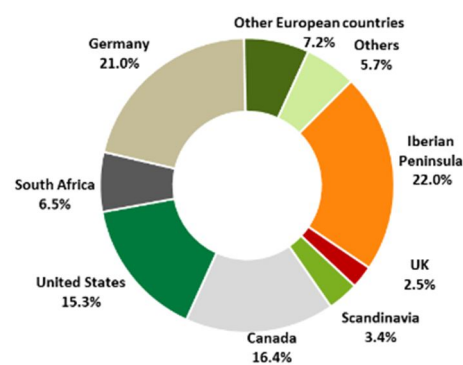
FINANCIAL INDICATORS (unaudited and <i>pro forma</i>)		
	2016	1Q17
Proportional Turnover	639	164
Proportional Rec. EBITDA	90	22
Proportional Rec. EBITDA margin	14.1%	13.6%
Proportional LTM Turnover	639	645
Proportional LTM Rec. EBITDA	90	93
Proportional LTM Rec. EBITDA margin	14.1%	14.4%
LEVERAGE		
Proportional Net Debt	312	325
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	3.5 x	3.5 x
LOAN TO VALUE		
Net Debt of Sonae Indústria	214	220
Asset Value	527	537
LTV (Net Debt of Sonae Indústria / Asset Value)	41%	41%

For the first quarter of the year, **Net Debt to Recurrent EBITDA (proportional)** stood at 3.5x, the same value booked for December 2016, as the higher Net Debt was offset by the higher level of Recurrent EBITDA. Similarly, the **Loan to Value**, at the end of March 2017 registered the same value as at the end of December 2016: 41%.

PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1Q16

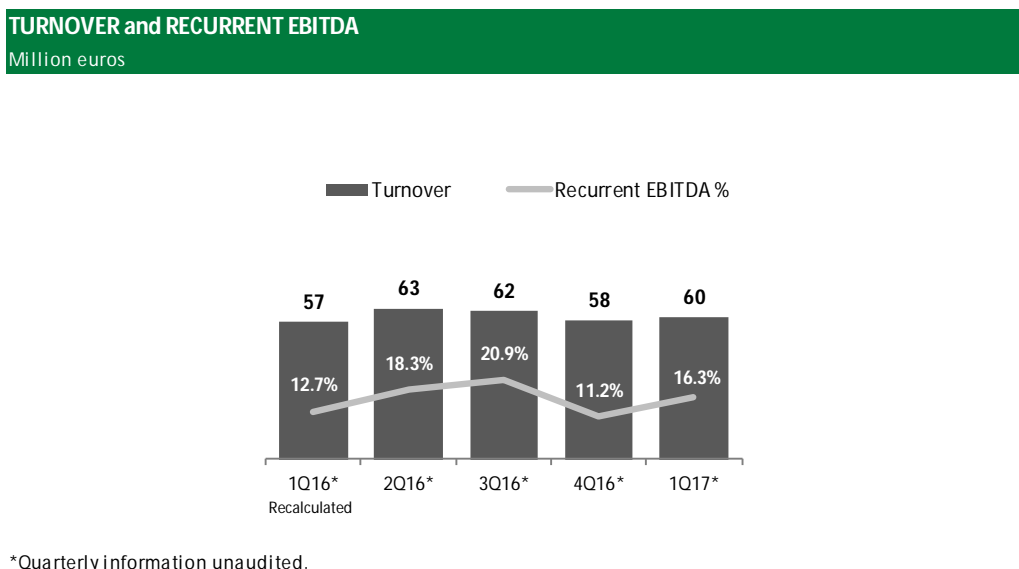


PROPORTIONAL TURNOVER BY DESTINATION MARKET – 1Q17



1.2. Consolidated Results

SUMMARY OF 1Q17 RESULTS (See Explanatory Notes at the end of the document)



Consolidated Turnover for the first quarter of the year reached 59.5 million euros, an improvement of 3.6% vs. same period of last year (+2.1 million euros). When compared to 1Q16, the increase is explained by the appreciation of the Canadian dollar vs. the EUR and also by the higher **average selling prices** y.o.y. of the North American business.

Variable costs per cubic meter increased when compared to the same period of last year and to the previous quarter, in both cases, driven by the higher input costs of chemicals.

Recurrent EBITDA for the first quarter of the year reached 9.7 million euros, an improvement of 2.4 million euros vs. 1Q16 with an underlying **Recurrent EBITDA margin** of 16.3%, up by 3.6 p.p. vs. 1Q16.

CONSOLIDATED INCOME STATEMENT

Million euros

	1Q16 Recalculated Unaudited	4Q16 Unaudited	1Q17 Unaudited	1Q17 / 1Q16	1Q17 / 4Q16
Turnover	57.4	58.2	59.5	3.6%	2.2%
Other operational income	1.3	1.2	1.1	(18.1%)	(9.1%)
EBITDA	7.1	6.4	9.7	37.2%	51.4%
Non recurrent items	(0.2)	(0.1)	(0.0)	-	-
Recurrent EBITDA	7.3	6.5	9.7	33.1%	48.5%
Recurrent EBITDA Margin %	12.7%	11.2%	16.3%	3.6 pp	5.1 pp
Depreciation and amortisation	(2.8)	(3.2)	(3.2)	(12.6%)	(0.1%)
Provisions and impairment Losses	0.2	(3.9)	(0.1)	-	97.8%
Operational profit (EBIT)	4.4	(0.7)	6.5	46.9%	-
Net financial charges	(2.8)	(3.2)	(2.8)	1.7%	14.2%
o.w. Net interest charges	(2.3)	(2.5)	(2.1)	6.4%	16.1%
o.w. Net exchange differences	0.1	0.1	(0.1)	-	-
o.w. Net financial discounts	(0.4)	(0.5)	(0.4)	(9.6%)	9.1%
Gains and losses in Joint-Ventures	0.0	(0.7)	4.2	-	-
Profit before taxes (EBT)	1.6	(4.7)	8.0	-	-
Taxes	(0.5)	(1.7)	(1.6)	-	10.4%
o.w. Current tax	(0.8)	(1.4)	(1.6)	(95.4%)	(15.1%)
o.w. Deferred tax	0.3	(0.3)	0.1	(75.4%)	-
Profit/(loss) from continued operations	1.1	(6.4)	6.4	-	-
Profit/(loss) from discontinued operations	2.1	38.7	0.0	(100.0%)	(100.0%)
Consolidated net profit/(loss) for the period	3.2	32.3	6.4	99.6%	(80.1%)
Losses (income) attrib. to non-contro. interests	0.0	0.0	0.0	-	-
Net profit/(loss) attrib. to Equity Holders	3.2	32.3	6.4	99.6%	(80.1%)

Sonae Indústria consolidated **EBITDA** for the quarter reached 9.7 million euros, circa 2.6 million euros higher than the same period of last year, on a comparable basis, mostly driven by the lower fixed costs that in the quarter reflect one-off adjustments to accruals.

Total **fixed costs** for the first quarter of the year represented 14.7% of turnover, an improvement of 1.2 p.p. when compared to 1Q16, on a like for like basis.

Total **headcount for Sonae Indústria**, at the end of March 2017, was 488 FTE's excluding Sonae Arauco.

Depreciation and amortization charges during 1Q17 were 3.2 million euros, which represents an increase of 12.6% when compared to 1Q16, explained by the higher depreciation charges in our North American operation which now take into account the investment in the new melamine surfacing line completed in 2Q16. When compared to last quarter, the depreciations charges were kept stable.

Provisions and impairment losses for the 1Q17 were marginally negative of 0.1 million euros which represents a deterioration of circa 0.3 million euros vs. 1Q16 but an improvement of 3.8 million euros when compared to 4Q16.

Net financial charges during 1Q17 were of 2.8 million euros slightly below 1Q16. It must be noted that 1Q16 figures benefited from 2.6 million euros of net interest income on loans to and from what were previously

intra group companies (mostly loans from Sonae Indústria to Sonae Arauco companies which were fully repaid by 31 May 2016). Comparing the two quarters without this impact, net interest charges have improved by circa 2.7 million when compared with 1Q16 primarily as a result of lower Net Debt. When compared with the previous quarter, net financial charges improved by circa 0.5 million euros profiting from lower net interest as a result of lower cost of debt.

Gains and losses in Joint-Ventures, amounted to 4.2 million euros, corresponding to 50% of the consolidated net profit of Sonae Arauco for the first quarter of the year.

Current tax charges were 1.6 million euros for the first quarter of the year, an increase of 0.8 million euros when compared to 1Q16, on a like for like basis, still impacted by the lower tax consolidation benefit in 1Q17 due to the deconsolidation of Sonae Arauco entities from the Portuguese tax consolidation perimeter during 2016. When compared to 4Q16, the current tax charges increased by 0.2 million euros driven by higher tax charges in Canada.

As a result of the combination of the above factors, Sonae Indústria booked a consolidated positive **Net Result** of 6.4 million euros during 1Q17, an improvement of 3.2 million euros when compared to 1Q16.

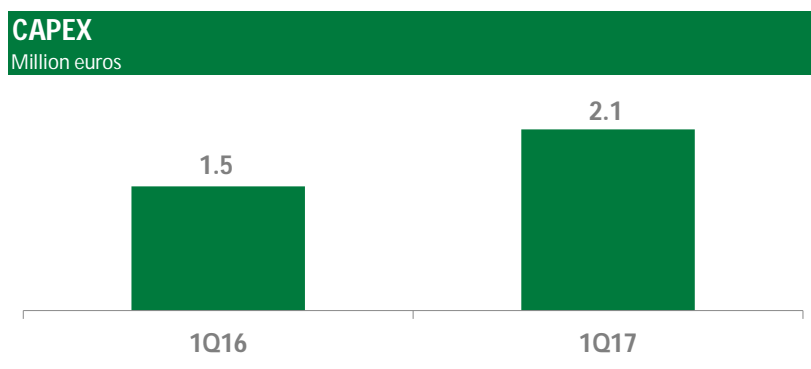
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Million euros			
	9M16 Unaudited	2016	1Q17 Unaudited
Non current assets	313.4	352.8	355.7
Tangible assets	147.5	148.1	146.5
Goodwill	0.3	0.3	0.3
Deferred tax asset	2.2	1.4	1.4
Other non current assets	163.3	203.0	207.5
Current assets	48.4	44.7	46.6
Inventories	17.9	18.1	18.4
Trade debtors	20.1	15.2	19.1
Cash and cash equivalents	3.9	4.8	2.7
Other current assets	6.4	6.6	6.5
Non-current assets classified as available for sale	1.5	1.5	1.5
Total assets	363.3	399.0	403.8
Shareholders' Funds	74.8	110.3	116.7
Equity Holders	74.8	110.3	116.7
Non-controlling interests	0.0	0.0	0.0
Liabilities	288.6	288.7	287.1
Interest bearing debt	221.3	218.3	222.7
Non current	218.4	216.0	217.3
Current	2.9	2.3	5.4
Trade creditors	26.2	23.1	24.2
Other liabilities	41.0	47.3	40.2
Liabilities directly associated with non-current assets classified as available for sale	0.0	0.0	0.0
Total Shareholders' Funds and liabilities	363.3	399.0	403.8
Net debt	217.4	213.5	220.0
Working Capital	11.9	10.3	13.3

Included in **Other Non-current assets**, is the investment in Joint-Ventures (50% of Sonae Arauco) in an amount of 200.5 million euros, which is circa 4.6 million euros higher than the book value of this investment at the end of 2016, mainly due to the contribution of Sonae Arauco Net Results in the first quarter of the year.

Consolidated **Working Capital** reached 13.3 million euros, an increase of 3 million euros when compared to December 2016, due to an increase in Accounts Receivable in our North American operation, as a result of the seasonal increase in activity levels after the slowdown in December.

Net Debt stood at 220 million euros, at the end of March 2017, an increase of 6.5 million euros vs. December 2016 level.

In line with the positive net results, Total **Shareholders' Funds** at the end of March 2017, amounted to 116.7 million euros, representing an increase of circa 6.4 million euros, when compared to December 2016, mostly due to the positive net results of the quarter.



Additions to Gross Tangible Fixed Assets reached 2.1 million euros during the first quarter of the year, which compares with 1.5 million euros in 1Q16, on a like for like basis. The figure for 1Q17 includes not only the investments executed in our North American plant but also part of the ongoing investment in the new edging line for our Components plant in Portugal.

9th May 2017

The Board of Directors

Paulo Azevedo

Albrecht Ehlers

Javier Vega

Louis Brassard

Carlos Moreira da Silva

José Romão de Sousa

Christopher Lawrie

EXPLANATORY NOTES:

The completion of the 50/50 partnership with Arauco in the end of May 2016 has led to a number of material accounting changes in Sonae Indústria's financial statements and on the financial information reported by Sonae Indústria as summarized below.

1. Income Statement (P&L)

The P&L shows all the companies included in the consolidation perimeter of Sonae Arauco classified as Discontinued Operations from January until May 2016 and accounted by the Equity Method as of the 1 June 2016.

2. Balance Sheet

- The balance sheet as at 31 March 2016 has not been recalculated. As from June 2016, the balance sheet represents the position of Sonae Indústria under the new perimeter with the 50% shareholding in Sonae Arauco equity accounted.

3. Unaudited *Pro forma* Proportional Indicators

In order to provide a more comprehensive view of Sonae Indústria underlying business, *pro forma* Proportional Indicators are also presented.

Proportional Indicators consider the full contribution of the 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 the 1st of January 2015 and the proportional consolidation of Sonae Arauco companies since then not since 31 of May 2016 when the partnership was setup.

GLOSSARY OF TERMS

Asset Value	Asset Value is calculated as follows: [6.8 x LTM Recurrent EBITDA of fully consolidated business (100%)] + [market value of inactive sites real estate properties owned 100% by Sonae Indústria, according to external valuations] + [50% x (6.8 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); <i>management accounts concept</i>
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



Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017 AND 31 DECEMBER 2016

(Amounts expressed in Euros)

ASSETS	Notes	31.03.2017 Unaudited	31.12.2016
NON-CURRENT ASSETS:			
Tangible fixed assets	6	146 472 268	148 065 694
Goodwill		347 082	347 082
Intangible assets		214 632	270 689
Investment properties		6 189 221	6 251 947
Investment in joint ventures	5	200 502 174	195 908 535
Investment available for sale	5	131 758	130 821
Deferred tax asset		1 361 111	1 364 497
Other non-current assets		442 298	442 298
Total non-current assets		<u>355 660 544</u>	<u>352 781 563</u>
CURRENT ASSETS:			
Inventories		18 413 831	18 138 293
Trade debtors		19 071 423	15 193 129
Other current debtors		308 968	303 310
Current tax asset		1 738 306	1 090 204
Other taxes and contributions		3 238 003	3 246 215
Other current assets		1 201 344	1 951 835
Cash and cash equivalents	7	2 650 553	4 795 077
Total current assets		<u>46 622 428</u>	<u>44 718 063</u>
Non-current assets held for sale		<u>1 535 588</u>	<u>1 535 588</u>
TOTAL ASSETS		<u><u>403 818 560</u></u>	<u><u>399 035 214</u></u>
SHAREHOLDERS' FUNDS, NON-CONTROLLING INTERESTS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital		812 107 574	812 107 574
Legal reserve		3 131 757	3 131 757
Other reserves and accumulated earnings		- 752 943 165	- 759 319 894
Accumulated other comprehensive income	8	54 422 621	54 418 718
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>116 718 787</u>	<u>110 338 155</u>
TOTAL SHAREHOLDERS' FUNDS		<u><u>116 718 787</u></u>	<u><u>110 338 155</u></u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bank loans - net of current portion	9	216 130 568	214 868 703
Finance lease creditors - net of current portion	9	1 121 150	1 132 741
Post-retirement liabilities		1 110 071	1 110 071
Other non-current liabilities		4 162 251	3 554 341
Deferred tax liability		20 558 178	20 754 938
Provisions		1 933 644	1 933 644
Total non-current liabilities		<u>245 015 862</u>	<u>243 354 438</u>
CURRENT LIABILITIES:			
Current portion of non-current bank loans	9	890 193	390 967
Current bank loans	9	4 095 681	1 500 000
Current portion of non-current finance lease creditors	9	417 510	417 272
Trade creditors		24 206 597	23 050 212
Current tax liability		127 982	2 422 190
Other taxes and contributions		1 017 620	699 465
Other current liabilities	10	11 328 328	16 862 515
Total current liabilities		<u>42 083 911</u>	<u>45 342 621</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>403 818 560</u></u>	<u><u>399 035 214</u></u>

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED AT 31 MARCH 2017 AND 31 MARCH 2016

(Amounts expressed in Euros)

	Notes	31.03.2017 Unaudited	31.03.2016 Unaudited
Sales	15	59 202 625	57 045 601
Services rendered	15	312 951	381 077
Other income and gains	13, 15	1 064 961	1 299 821
Cost of sales	15	31 726 715	29 611 772
(Increase) / decrease in production	15	465 076	2 536 430
External supplies and services	15	12 473 925	11 924 324
Staff expenses	15	5 273 656	6 223 069
Depreciation and amortisation	15	3 173 057	2 816 788
Provisions and impairment losses (increase / reduction)	15	87 722	- 201 999
Other expenses and losses	14, 15	<u>845 082</u>	<u>1 367 767</u>
Operating profit / (loss)		6 535 304	4 448 348
Financial expenses	16	3 091 685	6 209 905
Financial income	16	336 537	3 406 596
Gains and losses in joint ventures	4	<u>4 201 972</u>	
Net profit/(loss) from continuing operations, before taxation		7 982 128	1 645 039
Taxation	17	<u>1 562 060</u>	<u>499 105</u>
Consolidated net profit / (loss) from continuing operations, after taxation		6 420 068	1 145 934
Profit / (loss) from discontinued operations, after taxation	12		<u>2 069 884</u>
Consolidated net profit / (loss) for the period		<u><u>6 420 068</u></u>	<u><u>3 215 818</u></u>
Attributable to:			
Equity Holders of Sonae Industria			
Continuing operations		6 420 068	1 145 921
Discontinuing operations			<u>2 069 884</u>
Equity Holders of Sonae Industria		6 420 068	3 215 805
Non-controlling interests			
Continuing operations			13
Discontinuing operations			
Non-controlling interests			<u>13</u>
Profit/(Loss) per share			
From continuing operations:			
Basic		0.0006	0.0001
Diluted		<u>0.0006</u>	<u>0.0001</u>
From discontinued operations:			
Basic			0.0002
Diluted			<u>0.0002</u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED AT 31 MARCH 2017 AND 31 MARCH 2016

(Amounts expressed in Euros)

	Notes	31.03.2017 Unaudited	31.03.2016 Unaudited
	_____	_____	_____
Net consolidated profit / (loss) for the period (a)		6 420 068	3 215 818
Other consolidated comprehensive income			
Items that may be subsequently transferred to profit or loss			
Change in currency translation reserve		- 478 600	2 342 535
Change in fair value of available-for-sale financial assets			5 365
Group share of other comprehensive income of joint ventures		482 503	
Other consolidated comprehensive income for the period, net of tax (b)	8	3 903	2 347 900
Total consolidated comprehensive income for the period (a) + (b)		6 423 971	5 563 718
Total consolidated comprehensive income attributable to:			
Equity holders of Sonae Industria		6 423 971	5 563 698
Non-controlling interests			20
		6 423 971	5 563 718

The notes are an integral part of the consolidated financial statements

The board of directors

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 31 MARCH 2017 AND 31 MARCH 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				8			
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			6 420 068		6 420 068		6 420 068
Other consolidated comprehensive income for the period				3 903	3 903		3 903
Total			6 420 068	3 903	6 423 971		6 423 971
Others			- 43 339		- 43 339		- 43 339
Balance as at 31 March 2017 - Unaudited	<u>812 107 574</u>	<u>3 131 757</u>	<u>-752 943 165</u>	<u>54 422 621</u>	<u>116 718 787</u>		<u>116 718 787</u>
Notes				8			
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			3 215 805		3 215 805	13	3 215 818
Other consolidated comprehensive income for the period				2 347 893	2 347 893	7	2 347 900
Total			3 215 805	2 347 893	5 563 698	20	5 563 718
Medium term incentive plan			75 176		75 176		75 176
Others			- 211 644	155 562	- 56 082	510	- 55 572
Balance as at 31 March 2016 - Unaudited	<u>812 107 574</u>	<u>3 131 757</u>	<u>-798 169 350</u>	<u>46 289 314</u>	<u>63 359 295</u>	<u>- 106 081</u>	<u>63 253 214</u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 31 MARCH 2017 AND 31 MARCH 2016
(Amounts expressed in Euros)

	<u>Notes</u>	31.03.2017 <u>Unaudited</u>	31.03.2016 <u>Unaudited</u>
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		52 651 541	224 888 896
Payments to trade creditors		42 719 704	184 188 302
Payments to staff		5 949 451	33 652 667
Net cash flow from operations		<u>3 982 386</u>	<u>7 047 927</u>
Payment / (receipt) of corporate income tax		4 643 985	2 966 763
Other receipts / (payments) relating to operating activities		<u>- 627 226</u>	<u>- 2 700 012</u>
Net cash flow from operating activities (1)		<u><u>- 1 288 825</u></u>	<u><u>1 381 152</u></u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments			242
Tangible fixed assets and intangible assets		46 593	436 861
		<u>46 593</u>	<u>437 103</u>
Cash Payments arising from:			
Investments			23 605
Tangible fixed assets and intangible assets		3 177 674	5 993 908
Investment properties		935	
		<u>3 178 609</u>	<u>6 017 513</u>
Net cash used in investment activities (2)		<u><u>- 3 132 016</u></u>	<u><u>- 5 580 410</u></u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		26 735	168 253
Loans obtained		253 700 000	185 109 218
		<u>253 726 735</u>	<u>185 277 471</u>
Cash Payments arising from:			
Interest and similar charges		2 089 257	3 344 542
Loans obtained		249 885 464	181 970 295
Finance leases - repayment of principal		11 013	2 204 666
Others			1 090
		<u>251 985 734</u>	<u>187 520 593</u>
Net cash used in financing activities (3)		<u><u>1 741 001</u></u>	<u><u>- 2 243 122</u></u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u><u>- 2 679 840</u></u>	<u><u>- 6 442 380</u></u>
Effect of foreign exchange rate		<u>60 365</u>	<u>- 38 017</u>
Cash and cash equivalents at the beginning of the period	7	<u>4 795 077</u>	<u>15 808 205</u>
Cash and cash equivalents at the end of the period	7	<u><u>2 054 872</u></u>	<u><u>9 403 842</u></u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA has its head-office at Lugar do Espido, Via Norte, 4470-909 Maia, Portugal.

The shares of the company are listed on Euronext Lisbon.

Consolidated financial statements for the period ended 31 March 2017 and 31 March 2016 were not subject to a limited revision carried out by the company's statutory external auditor.

2. ACCOUNTING POLICIES

This set of consolidated financial statement has been prepared on the basis of the accounting policies that were disclosed on the notes to the consolidated financial statements for fiscal year 2016.

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting. As such, they do not include all the information which should be included in annual consolidated financial statements and should therefore be read in connection with the financial statements for fiscal year 2016.

2.2. Changes to accounting standards

These consolidated financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), effective from 1 January 2017 and endorsed by the European Union.

2.2.1. At 31 March 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 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.

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

2.2.2. At 31 March 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 7 (amendment), Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017). This amendment is still subject to endorsement by the European Union. 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 is still subject to endorsement by the European Union. 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;

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 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 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 15 (amendment) Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018). These amendments are still subject to endorsement by European Union. These amendments refer 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 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”;

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 impacts: IFRS 1, IFRS 12 and IAS 28;

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 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.

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

2.3. Translation of financial statements of foreign companies

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

	31.03.2017		31.12.2016		31.03.2016	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8555	0.8600	0.8562	0.7763	0.7916	0.7705
South African Rand	14.2410	14.0746	14.4571	17.2325	16.7870	17.4459
Canadian Dollar	1.4265	1.4099	1.4188	1.4647	1.4738	1.5145
American Dollar	1.0691	1.0647	1.0541	1.1061	1.1385	1.1024

Source: Bloomberg

3. COMPANIES INCLUDED IN CONSOLIDATION PERIMETER

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 31 March 2017, 31 December 2016 and 31 March 2016 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD						TERMS FOR INCLUSION
		31.03.2017		31.12.2016		31.03.2016		
		Direct	Total	Direct	Total	Direct	Total	
Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	-	-	-	-	100.00%	99.99%	b)
Aglom Imobiliária y Servicios, SL	Madrid (Spain)	-	-	-	-	100.00%	100.00%	a)
Aglom Investimentos, SGPS, S. A.	Maia (Portugal)	-	-	-	-	100.00%	99.99%	b)
Aserraderos de Cuellar, S.A.	Madrid (Spain)	-	-	-	-	100.00%	99.99%	b)
BHW Beeskow Holzwerkstoffe GmbH	Meppen (Germany)	-	-	-	-	100.00%	99.99%	b)
Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	-	-	-	-	100.00%	99.99%	b)
Euroresinas - Indústrias Químicas, S.A.	Maia (Portugal)	-	-	-	-	100.00%	99.99%	b)
Frases e Frações - Imobiliária e Serviços, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
GHP Glunz Holzwerkstoffproduktions GmbH	Meppen (Germany)	-	-	-	-	100.00%	99.99%	b)
Glunz AG	Meppen (Germany)	-	-	-	-	100.00%	99.99%	b)
Glunz Service GmbH	Meppen (Germany)	-	-	-	-	100.00%	99.99%	b)
Glunz UK Holdings, Ltd.	Knowsley (United Kingdom)	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	a)
Glunz UKa GmbH	Meppen (Germany)	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	a)
Impaper Europe GmbH	Meppen (Germany)	-	-	-	-	100.00%	99.99%	b)
Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	-	-	-	-	100.00%	99.99%	b)
Isoroy, SAS	Nanterre (France)	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	a)
Maiequipa - Gestão Florestal, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Megantic B.V.	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Movelpartes - Comp. para a Indústria do Mobiliário, SA	Paredes (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Novodecor (Pty) Ltd	Woodmead (South Africa)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
OSB Deustchland	Germany	-	-	-	-	100.00%	99.99%	b)
Parcelas e Narrativas - Imobiliária, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	-	-	a)

Poliface North America	Baltimore (USA)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Racionalización y Manufacturas Forestales, S.A.	Madrid (Spain)	-	-	-	-	100.00%	99.99%	b)
Sociedade de Iniciativa e Aproveit. Florestais – Energias, S.A.	Mangualde (Portugal)	-	-	-	-	100.00%	99.99%	b)
Somit – Imobiliária, S.A.	Mangualde (Portugal)	-	-	-	-	100.00%	99.99%	b)
Sonae Arauco France	Nanterre (France)	-	-	-	-	100.00%	99.99%	b)
Sonae Indústria - Management Services, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	-	-	-	-	100.00%	99.99%	b)
Sonae Indústria - Soc. Gestora de Participações Sociais, SA	Maia (Portugal)	Parent	Parent	Parent	Parent	Parent	Parent	Parent
Sonae Indústria de Revestimentos, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Sonae Industria (UK), Limited	Knowsley (United Kingdom)	-	-	-	-	100.00%	99.99%	b)
Sonae Novobord (Pty) Ltd	Woodmead (South Africa)	-	-	-	-	100.00%	99.99%	b)
Sonae Táfibra International, B. V.	Woerden (The Netherlands)	-	-	-	-	100.00%	99.99%	b)
Spanboard Products Ltd	Belfast (United Kingdom)	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	a)
Sonae Arauco, S.A.	Madrid (Spain)	-	-	-	-	98.42%	99.99%	b)
Tableros Tradema, S.L.	Madrid (Spain)	-	-	-	-	100.00%	99.99%	b)
Táfiber. Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	-	-	-	-	100.00%	99.99%	b)
Táfibra South Africa, Limited	Woodmead (South Africa)	-	-	-	-	100.00%	99.99%	b)
Táfisa Canadá Inc	Lac Mégantic (Canada)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	a)
Táfisa France S.A.S.	Nanterre (France)	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	a)
Táfisa U.K, Ltd.	Knowsley (United Kingdom)	-	-	-	-	100.00%	99.99%	b)
Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	-	-	-	-	100.00%	99.99%	b)
Táfibra Suisse, SA	Tavannes (Switzerland)	-	-	-	-	100.00%	99.99%	b)
Tecnologías del Medio Ambiente, S.A.	Barcelona (Spain)	-	-	-	-	100.00%	99.99%	b)
Tool, GmbH	Meppen (Germany)	-	-	-	-	100.00%	99.99%	b)

- a) Majority of voting rights;
- b) Company excluded from consolidation following the classification of Sonae Arauco, S. A. as a joint ventures at 31 May 2016.

Following the increase in share capital by Sonae Arauco S. A. (formerly denominated as Tableros de Fibras, S. A.) at 31 May 2016, companies identified as b) were excluded from consolidation as they were classified as joint ventures on that date. From that date, these companies have been recognized on the consolidated financial statements using the equity method. Net profit/(loss) of these companies for the three-month period ended 31 March 2016 were stated under Profit / (loss) of discontinued operations, after taxation, on the Consolidated Income Statement.

4. JOINT VENTURES

Joint ventures, their head offices, percentage of share capital held on 31 March 2017, 31 December 2016 and 31 March 2016 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD					
		31.03.2017		31.12.2016		31.03.2016	
		Direct	Total	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%	-	- c)
Aglom Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	-	- c)
BHW Beeskow Holzwerkstoffe GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	-	- c)
Eco ciclo, Energia e Ambiente, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
Euroresinas - Industrias Quimicas, S.A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
GHP Glunz Holzwerkstoffproduktions GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	-	- c)
Glunz AG	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	-	- c)
Glunz Service GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	-	- c)
Impaper Europe GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	-	- c)
Imoplamac - Gestão de Imóveis, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50.00%	25.00%	50.00%	25.00%	50.00%	49.99% d)
OSB Deutschland	Germany	100.00%	50.00%	100.00%	50.00%	-	- c)
Racionalización y Manufacturas Forestales, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	-	- c)
Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
Somit - Imobiliária, S.A.	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
Sonae Arauco France	Nanterre (France)	100.00%	50.00%	100.00%	50.00%	-	- c)
Sonae Indústria - Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	-	- c)
Sonae Novobord (Pty) Ltd	Woodmead (South Africa)	100.00%	50.00%	100.00%	50.00%	-	- c)
Sonae Tafibra International, B. V.	Woerden (The Netherlands)	100.00%	50.00%	100.00%	50.00%	-	- c)
Sonae Industria (UK), Limited	Knowsley (United Kingdom)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tableros Tradema, S.L	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tafiber, Tableros de Fibras Ibéricas, S.L	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tafibra South Africa, Limited	Woodmead (South Africa)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tafisa U.K, Ltd.	Knowsley (United Kingdom)	100.00%	50.00%	100.00%	50.00%	-	- c)
Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tafibra Suisse, SA	Tavannes (Switzerland)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	50.00%	100.00%	50.00%	-	- c)
Tecmasa, Reciclados de Andalucía, S. L.	Alcalá de Guadaíra (Spain)	50.00%	25.00%	50.00%	25.00%	50.00%	49.99% d)
Tool, GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	-	- c)

- c) Company included in the consolidation perimeter of Sonae Arauco, S. A.;
- d) Company included in the consolidation perimeter of Sonae Arauco, S. A., which was already classified as a joint venture in the Company's consolidated financial statements for the period ended 31 March 2016.

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

	Sonae Arauco - Consolidated	
	31.03.2017	31.12.2016
Non-current assets	513 487 854	516 229 548
Current assets (without cash and cash equivalents)	199 451 536	181 815 850
Cash and cash equivalents	18 897 438	29 903 996
Non-current financial liabilities	218 095 405	203 267 808
Other non-current liabilities	95 300 635	97 286 401
Current financial liabilities	8 140 089	21 836 327
Other current liabilities	171 883 084	176 328 523

	Sonae Arauco - Consolidated	Laminata Park	Tecmasa, Reciclados de Andalucía
	31.03.2017	31.03.2016	31.03.2016
Operating revenues	218 820 736	21 770 088	116 123
Operating expenses (without depreciation and amortization)	192 984 469	21 283 175	104 175
Depreciation and amortization	10 696 931	1 241 158	6 999
Interest income	218 711		
Interest expense	2 287 694	198 055	
Taxation	2 103 155		
Net profit/(loss) from continuing operations	8 403 944	68 605	11 787
Adjustments to the Group's accounting policies		535	430
Group's share on net profit/(loss)	4 201 972	34 570	6 109
Other comprehensive income	965 005		
Group's share on Other comprehensive Income	482 503		

Figures presented on the table above for Sonae Arauco, S. A. with reference to 31 March 2017 are consolidated.

Joint ventures Laminata Park and Tecmasa Reciclados de Andalucía have been recognized on the consolidated financial statements of Sonae Arauco, S. A. using equity method, from 31 May 2016. The Group's share on the net profit/(loss) of these companies for the period ended 31 March 2016 was stated under Profit/(loss) of discontinued operations, after taxation, on the Consolidated Income Statement for the period ended on that date.

5. INVESTMENTS

At 31 March 2017 and 31 December 2016, details of Investments, on the Consolidated Statement of Financial position, are as follows:

	31.03.2017	31.12.2016
	Non current	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	4 593 639	195 908 535
Closing balance	<u>200 502 174</u>	<u>195 908 535</u>
Available-for-sale investment		
Opening balance	134 810	1 171 674
Acquisition	937	5 042
Effect of change in perimeter		-1 050 414
Change in fair value		8 508
Closing balance	<u>135 747</u>	<u>134 810</u>
Accumulated impairment losses	<u>3 989</u>	<u>3 989</u>
Net available-for-sale investment	<u>131 758</u>	<u>130 821</u>

6. TANGIBLE FIXED ASSETS

At 31 March 2017 and 31 December 2016, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	31.03.2017							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	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	2 099 701 349
Changes in consolidation perimeter									-1 696 876 697
Capital expenditure							2 149 418	2 149 418	13 468 828
Disposals		1 060 539		29 284	61 566			1 151 389	62 978 274
Transfers and reclassifications		124 659			18 939		- 143 598		- 1 613 391
Exchange rate effect	- 358 055	- 1 350 454	- 12 249	- 1	- 10 494	28	- 36 386	- 1 767 611	22 409 384
Closing balance	90 949 747	269 949 427	2 600 342	114 350	3 568 583	218 251	5 940 917	373 341 617	374 111 199
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	1 470 921 621
Changes in consolidation perimeter									-1 231 154 300
Depreciations for the period	573 802	2 432 065	25 656	234	22 348	859		3 054 964	31 252 522
Impairment losses for the period - through profit or loss									4 028 485
Disposals		1 060 061		29 284	57 246			1 146 591	61 981 258
Transfers and reclassifications									- 7 874
Exchange rate effect	- 136 152	- 928 267	- 10 634	- 2	- 9 479	5		- 1 084 529	12 986 309
Closing balance	33 734 432	187 196 312	2 266 183	112 058	3 353 310	207 054		226 869 349	226 045 505
Carrying amount	57 215 315	82 753 115	334 159	2 292	215 273	11 197	5 940 917	146 472 268	148 065 694

At the closing date of these consolidated financial statements, mortgaged tangible fixed assets amounted to EUR 131 294 682 (EUR 133 392 714 at 31 December 2016), as collateral for loans amounting to EUR 34 741 158 (EUR 39 578 123 at 31 December 2016).

7. CASH AND CASH EQUIVALENTS

At 31 March 2017 and 31 December 2016, detail of Cash and Cash Equivalents, on the Consolidated Statement of Financial Position, was as follows:

	31.03.2017	31.12.2016
Cash at Hand	6 529	6 536
Bank Deposits and Other Treasury Applications	2 644 024	4 788 541
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	2 650 553	4 795 077
Bank Overdrafts	595 681	
Cash and Cash Equivalents on the Statement of Cash Flows	2 054 872	4 795 077

8. OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income on the Consolidated Statement of Financial Position, is detailed as follows:

	Accumulated other comprehensive income Atributable to the parent's shareholders						Total	
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures			Income tax related to components of other comprehensive income
					Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss		
Balance as at 1 January 2017	11 114 057		6 367 184	- 192 092	4 468 623	33 694 328	54 418 718	
Other consolidated comprehensive income for the period	- 478 600				482 503		3 903	
Balance as at 31 March 2017	10 635 457		6 367 184	- 192 092	4 951 126	33 694 328	54 422 621	

	Accumulated other comprehensive income Atributable to the parent's shareholders						Total	
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures			Income tax related to components of other comprehensive income
					Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss		
Balance as at 1 January 2016	- 31 461 322	96 733	106 260 850	- 6 260 935		1 388 833	43 785 859	
Other consolidated comprehensive income for the period	2 342 528	5 365					2 347 893	
Others	- 289	1	648	- 44		9	155 562	
Balance as at 31 March 2016	-29 119 083	102 099	106 261 498	-6 260 979		1 388 842	46 289 314	

9. LOANS

As at 31 March 2017 and 31 December 2016, Sonae Indústria had the following outstanding loans:

	31.03.2017				31.12.2016			
	Amortised cost		Nominal value		Amortised cost		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	4 985 874	216 130 568	4 985 874	217 792 688	1 890 967	214 868 703	1 890 967	216 670 580
Obligations under finance leases	417 510	1 121 150	417 510	1 121 150	417 272	1 132 741	417 272	1 132 741
Gross debt	5 403 384	217 251 718	5 403 384	218 913 838	2 308 239	216 001 444	2 308 239	217 803 321

At 31 March 2017, loans can be detailed as follows:

9.1. Bank Loans

Company(ies)	Loan	Contract date	Maturity (with reference to 31.03.2017)	Currency	Outstanding principal at 31.03.2017 (EUR)	Outstanding principal at 31.12.2016 (EUR)
Tafisa Canada Inc.	Bank loan (Revolving)	July 2011	to be repaid from March 2017 to May 2021	CAD	34 491 158	34 678 123
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2018 Note: programme without subscription guarantee	EUR	3 500 000	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	May 2016	to be repaid from May 2019 to May 2021	EUR	158 000 000	175 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	to be repaid from January 2018 to July 2019	EUR	250 000	4 900 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	to be repaid from July 2017 to July 2018	EUR	1 250 000	1 250 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	December 2016	to be repaid from June 2018 to December 2019	EUR	16 000 000	
Others				EUR	1 787 404	1 233 424
Total				EUR	222 778 562	218 561 547

All these loans are subject to variable interest rates.

Figures detailed on the previous table correspond to the nominal value of bank loans disclosed on note 9.

At 31 March 2017, in addition to mortgaged tangible fixed assets referred to on note 6, there were other assets amounting to EUR 30 310 738 (EUR 27 014 465 at 31 December 2016) which were pledged as collateral for the Group's liabilities. These assets consisted mostly of inventories and accounts receivable.

10. OTHER CURRENT LIABILITIES

At 31 March 2017 and 31 December 2016, Other current liabilities on the Consolidated Statement of Financial Position were composed of:

	<u>31.03.2017</u>	<u>31.12.2016</u>
Derivatives	509 050	431 254
Tangible fixed assets suppliers	1 463 043	2 511 973
Other creditors	<u>505 714</u>	<u>1 161 966</u>
Financial instruments	<u>2 477 807</u>	<u>4 105 193</u>
Other creditors	774 416	292 949
Accrued expenses:		
Personnel expenses	4 575 123	6 687 970
Accrued financial expenses	564 745	635 463
Rebates	1 159 050	3 506 541
External supplies and services	514 593	553 128
Other accrued expenses	611 722	763 925
Deferred income:		
Investment subventions	160 773	168 412
Other deferred income	<u>154 932</u>	<u>148 934</u>
Liabilities out of scope of IFRS 7	<u>8 850 521</u>	<u>12 757 322</u>
Total	<u><u>11 328 328</u></u>	<u><u>16 862 515</u></u>

11. RELATED PARTIES

Balances and flows with related parties are summarized as follows:

Balances	<u>Accounts receivable</u>		<u>Accounts payable</u>	
	<u>31.03.2017</u>	<u>31.12.2016</u>	<u>31.03.2017</u>	<u>31.12.2016</u>
Other subsidiaries of the parent company	149 338	137 543	227 693	2 320 894
Joint ventures	666 959	598 675	2 411 486	2 145 323
Transactions	<u>Income</u>		<u>Expenditure</u>	
	<u>31.03.2017</u>	<u>31.03.2016</u>	<u>31.03.2017</u>	<u>31.03.2016</u>
Other subsidiaries of the parent company	16 274	641 984	222 189	3 764 123
Joint ventures	883 766	9 511 222	4 680 814	2 222 997

12. DISCONTINUED OPERATIONS

Profit / (loss) from discontinued operations, after taxation, on the Consolidated Income Statement for the period ended 31 March 2016 includes the results for the three-month

period then ended of the companies that were classified as joint ventures on 31 May 2016 (note 3) and can be detailed as follows:

	31.03.2016
Sales	201 010 111
Services rendered	471 799
Other income and gains	3 908 296
Cost of sales	101 104 742
(Increase) / decrease in production	- 1 485 085
External supplies and services	50 162 186
Staff expenses	31 117 130
Depreciation and amortisation	11 938 577
Provisions and impairment losses (increase / reduction)	- 699 737
Other expenses and losses	1 849 949
Operating profit / (loss)	11 402 444
Net finance profit / (loss)	- 8 655 579
Gains and losses in joint ventures	40 678
Gains and losses in investments	- 13 669
Net profit/(loss) from discontinued operations, before taxation	2 773 874
Taxation	703 990
Consolidated net profit / (loss) from discontinued operations, after taxation	2 069 884

Cash flows of discontinued operations, which were included line by line on the Consolidated Statement of Cash Flows, are as follows:

	31.03.2016
Operating activities	- 4 481 575
Investment activities	2 756 578
Financing activities	3 561 058

13. OTHER INCOME AND GAINS

Details of Other income and gains on the Consolidated Income Statement for the periods ended 31 March 2017 and 31 March 2016 are as follows:

	31.03.2017	31.03.2016
Gains on disp. and write off of invest. prop., tang. and intang. assets	46 116	37 406
Supplementary revenue	578 831	501 317
Investment subventions	40 268	37 192
Tax received		24 844
Positive exchange gains	287 820	639 514
Adjustment to fair value of financial instruments at fair value through profit or loss	89 434	58 050
Others	22 492	1 498
	<u>1 064 961</u>	<u>1 299 821</u>

14. OTHER EXPENSES AND LOSSES

Details of Other expenses and losses on the Consolidated Income Statement for the periods ended 31 March 2017 and 31 March 2016 are as follows:

	31.03.2017	31.03.2016
Taxes	343 429	282 170
Losses on disp. and write off of invest. prop., tang. and intang. assets	4 319	69 617
Negative exchange gains	235 107	684 683
Adjustment to fair value of financial instruments at fair value through profit or loss	179 412	265 045
Others	82 815	66 252
	<u>845 082</u>	<u>1 367 767</u>

15. UNDERLYING AND NON-UNDERLYING ITEMS

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

	31.03.2017	31.03.2016
	Recurring	Recurring
Sales	59 202 625	57 045 601
Services rendered	312 951	381 077
Other income and gains	954 381	973 397
Cost of sales	31 726 715	29 323 535
(Increase) / decrease in production	465 076	2 536 430
External supplies and services	12 364 820	11 847 623
Staff expenses	5 273 320	6 116 204
Impairment losses in trade debtors (increase/reduction)	87 722	- 14 382
Other expenses and losses	839 714	1 294 937
	<u>9 712 590</u>	<u>7 295 728</u>
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)		
	<u>9 712 590</u>	<u>7 295 728</u>
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	- 4 229	- 218 208
	<u>- 4 229</u>	<u>- 218 208</u>
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	9 708 361	7 077 520
	<u>9 708 361</u>	<u>7 077 520</u>

16. FINANCIAL RESULTS

Financial results for the periods ended 31 March 2017 and 31 March 2016 were as follows:

	31.03.2017	31.03.2016
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	2 087 240	2 785 684
related to non convertible bonds		2 092 708
related to finance leases	20 104	25 386
related to loans from related parties		174 431
others	12 710	708
	<u>2 120 054</u>	<u>5 078 917</u>
Losses in currency translation		
related to loans	76 478	450 833
related to cash and cash equivalents	167 162	
	<u>243 640</u>	<u>450 833</u>
Cash discounts granted	427 343	396 847
Other finance losses	300 648	283 308
	<u>3 091 685</u>	<u>6 209 905</u>
	<u>31.03.2017</u>	<u>31.03.2016</u>
Financial income:		
Interest income		
related to bank loans	2 476	5 206
related to loans to related parties		2 810 647
	<u>2 476</u>	<u>2 815 853</u>
Gains in currency translation		
related to loans	61 394	554 064
related to cash and cash equivalents	95 291	
	<u>156 685</u>	<u>554 064</u>
Cash discounts obtained	6 721	13 222
Other finance gains	170 655	23 457
	<u>336 537</u>	<u>3 406 596</u>
Finance profit / (loss)	<u>- 2 755 148</u>	<u>- 2 803 309</u>

17. TAXES

Corporate income tax accounted for in the periods ended 31 March 2017 and 31 March 2016 is detailed as follows:

	31.03.2017	31.03.2016
Current tax	1 646 683	842 556
Deferred tax	- 84 623	- 343 451
	<u>1 562 060</u>	<u>499 105</u>

18. SEGMENT INFORMATION

The main activity of the Group is the production of wood based panels and derivative products through industrial plants and commercial facilities located in Portugal, Canada and South Africa.

The system of internal report focus on type of business, which is the main segmentation criterion. Secondary activities are materially irrelevant as far as segmental report is concerned and the Group decided to present one only segment.

19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance 9 May 2017.