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: 700 000 000 euros
Publicly Traded Company

ANNUAL REPORT

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

2013

11 March 2014

SONAE INDUSTRIA

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MANAGEMENT REPORT

2013

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1. Chairman Message

The negative macroeconomic and financial environment and the prevailing context of low demand for wood based panel products in most of the countries where we are present, has set the dynamics for yet another challenging year for Sonae Indústria.

Notwithstanding the challenging environment, important organizational changes and business initiatives were achieved in 2013, which, together with other important measures that we will seek to implement during the course of the current year, reinforce my confidence in the capacity of the company to improve its profitability over time, leveraging on its stronger and most competitive assets and distinctive competences.

A new Executive Committee was appointed on February 2013, with a clear mandate to execute the defined strategic plan, which foresees a reduced but more competitive industrial footprint, the building of a high quality, skilful and engaged team, the fostering of a culture that promotes operational excellence and innovation and the transformation of the company into a market focused operation, recognized by its target customers for its reliable and integrated offer.

Accordingly, we have continued to adapt our production capacity to the customer demand and take additional restructuring measures. After the closure of Knowsley plant in UK and Solsona particleboard plant, in Spain, we have, in September 2013, entered into negotiations with the employee representatives of the Horn plant in Germany with the objective of stopping the raw particleboard production in this site and transferring the production to our best asset in Germany, Nettgau, where we currently have over yearly 1 million m3 of production capacity, split between particleboard and oriented strand board.

We have also continued to focus on our people, trying to promote team work, the continuous development of new competences and the sharing of knowledge and best practices across our operations. . An important step forward was taken with the “Improving Our Work” initiative, a program aimed at the development and implementation of a continuous improvement culture. In line with the path previously defined for Sonae Indústria, this initiative seeks to standardise and optimize processes, in order to increase efficiency and productivity levels in all areas of the group. This culture of continuous improvement should be not only present in our industrial processes, but also embedded in the day to day activities of all our organization.

One important cornerstone of our core values and culture is the safety and well being of our employees. We have continued to invest in sound Health & Safety policies, through a systematic approach of minimizing any risk of accidents, incidents or other potential losses caused by the operations. We have thus been able to consistently improve our Health & Safety key indicators, reducing the level and severity of incidents occurred.

I would also like to leave a note of sorrow in relation to the tragic railroad accident occurred on July 6 at centre of Lac-Mégantic, the town where our Canadian plant is located, which has affected directly or indirectly many of our employees there and disrupted for a few days our operations. I would also like to highlight the local team’s resilience and capacity to surpass this period of adversity, enabling the restart of normal production at the plant just 5 days after the accident. This ability to face adversities, adapt to the changing environment and strive in midst of uncertainties in an example that I hope other operations of the group can learn from and follow.

In summary, we have been seeking to implement all necessary measures to turn Sonae Indústria into a more competitive company, setting the foundations for future growth and improved profitability and I expect 2014 to be the year of an effective turnaround for the company. This restructuring phase we are going through should be seen as an opportunity to rethink the business and to utilize the resources and capabilities in a more focused and sustainable way.

To face the challenging business environment that still lies ahead, we will continue to develop Sonae Indústria’s employees, providing training and searching for talent, but also demanding the very best from each one of us. I thank you again for the dedication, team spirit and hard work evidenced during the past year.

Belmiro de Azevedo, Chairman Sonae Indústria

2. CEO MESSAGE

Once again, 2013 has been another challenging year for the European wood based panels industry as a whole, which has had clear impacts on our profitability in the region. The prevailing macroeconomic challenges in Europe continued to translate into low levels of consumer and business confidence, especially in the periphery countries and has led to constrained demand from the industries which we supply our products, namely construction and furniture industries in Southern Europe. However, the improved operational and financial performance of our North American and South African operations, despite the negative impact of weakening local currencies during the year, has contributed to partly mitigate the negative backdrop in Europe.

In terms of consolidated financial performance, turnover decreased by 7%, when compared with the previous year, which is mostly related with our reduced industrial footprint, as a consequence of the closures of the Knowsley (UK) and Solsona (Spain) plants and of the stoppage of raw particleboard production in the Horn (Germany) site. In spite of this top line evolution, it is worth noting that we have been able to increase marginally the average capacity utilization of our plants, when compared to 2012. Mostly as a result of this top line evolution, operational profitability decreased against the previous year with recurrent EBITDA of 80 million Euros in 2013 (down by 19% against 2012), generating a margin of 6.5% over turnover. Importantly, we have continued to implement several initiatives aimed at reducing fixed costs structure. These measures allowed, in 2013, for savings of more than 13 million Euros against 2012, on a comparable basis.

Notwithstanding the above operational performance, we were able to achieve three consecutive quarters with a reduction in our Net Debt figures, evidencing the resilience of the company's cash flow generation even in the current challenging economic conditions. This positive performance was helped by our close monitoring of investments and by a strict working capital management across our operations. Importantly, we have been able to refinance most of our 2013 debt maturities and have already started to implement measures to address the 2014 maturities. As regards our debt structure, we continue to seek the refinancing of our maturing debt and, in this context, we are discussing a more fundamental change to our maturity profile with our three largest creditor banks.

We are still far from the desired levels of consolidated profitability and industrial efficiency that we have set ourselves although progress has been made and, as such, I am confident we will achieve our objectives. In this context we have been implementing additional restructuring measures, including the decision to enter into negotiations with the employees' representatives in relation to the stoppage of our raw particleboard production in Horn (Germany) and the process for the potential sale of two plants in France. These measures, together with the on-going initiatives to improve our product mix and streamline our cost structure, are important steps to strengthen our market position and our financial health, while positioning the company for future growth. These actions, and others that we are undertaking, will help us shape a different, leaner company, by investing in the products and segments that have a higher value added and can contribute positively to our consolidated performance, and by focusing resources on our most efficient and competitive sites.

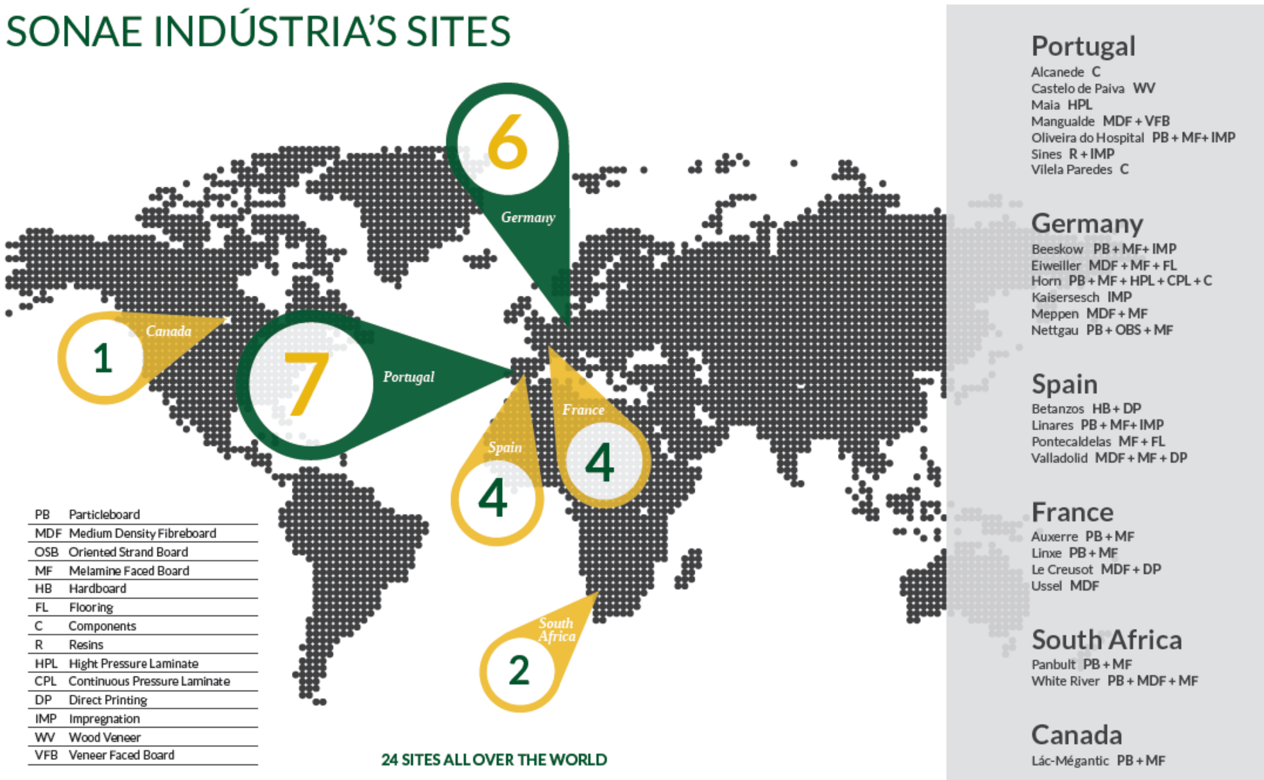
We continue to count on the commitment and dedication of our employees and on the support of all key stakeholders to achieve these objectives.

Rui Correia, CEO Sonae Indústria

3. ABOUT SONAE INDÚSTRIA

3.1. OUR BUSINESS

With a total of 24 plants located in 6 countries on 3 continents, we are one of the largest wood-based panel producers in the world. At the end of 2013 our company had 4,170 employees worldwide and a consolidated turnover of 1,232 million Euros.



Wood-based panels are valuable alternatives to solid wood with some clear advantages, namely in terms of efficiency on the use of raw materials. Another particular advantage is their dimensional flexibility which (in contrast to solid wood) allows for the production of tailor-made sizes which can be adapted to the requirements of client applications. Hence, today we see wood-based panels 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 building material. Wood-based panels thus have a positive effect on global warming through improved energy efficiency, which enables home owners to significantly reduce energy spend. Additionally, when used for construction purposes, wood-based panels function as carbon stores, thereby helping to mitigate CO2 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 CO2 sources and assures CO2 sinks and the storage of carbon. The reduction of CO2 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 CO2 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 CO2 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 CO2 emissions to the atmosphere.

3.2. OUR HISTORY

Since our foundation in 1959, we have undergone a long-term solid expansion process through a combination of organic growth and acquisitions. Throughout the 1990s, a number of acquisitions and significant investments in Greenfield projects were made in Brazil, Canada, South Africa, Spain and in the UK. In 1998, we expanded into Germany and France when we bought the German Group, Glunz. In 2006, we bought the assets of the German Group Hornitex as well as a particleboard plant in France (Darbo). In 2006 we also started the investment in a new particleboard line at the White River plant, in South Africa, which started operating during 2007. By 2007, our raw board production capacity had grown to more than 10 million m3 compared to just 2 million m3 in 1997.

After 2007, driven by the macroeconomic crisis, we were forced to step back, close plants that were unsustainable, divest if better owners were found for specific assets and become a more efficient and leaner company than before. In 2008, two production lines were stopped: one particleboard line in the Valladolid plant (Spain) and one MDF line in the Meppen plant (Germany). In March 2009, we closed our particleboard plants in Coleraine (UK) and in George (South Africa). Additionally, in June, we closed two plants in France, in St. Dizier and Châtellerault. In 4Q09 we closed the Kaisersesch plant (Germany) and in early 2010 we closed the Duisburg plant (also in Germany, which stopped production at the beginning of 2009). Over the course of 2009, we have also decided to sell our Brazilian operations, a transaction that was in line with the strategy of strengthening the balance sheet and which was facilitated by a consolidation process which was underway in that market. In addition, in April 2010, we sold the Lure plant (France) to Swedspan, a subsidiary of the INGKA Group (which also owns the IKEA Group).

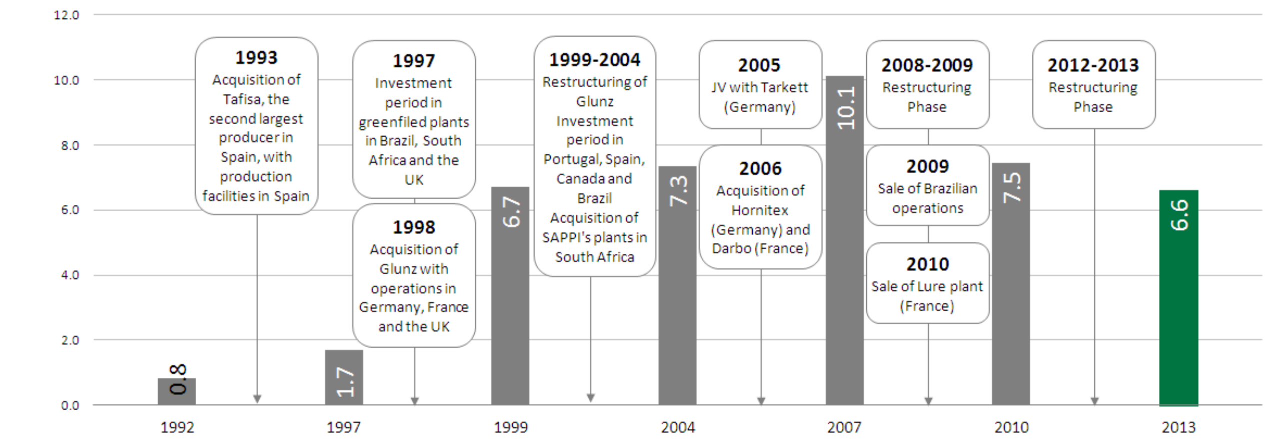
More recently, in September 2012, we decided to definitively close the Knowsley pant in the UK due to difficulties in its reconstruction, following the fire accident occurred in that site in the previous year. This decision was taken after long delays in the reconstruction process, driven by the political and licensing difficulties, and also as a result of the prevailing low and unsustainable capacity utilization levels. In December 2012, we started negotiations with the workers representatives regarding the closure of Solsona plant in Spain, due to the strong crisis and the consequent drop in demand, particularly evident in the construction industry in this country. The negotiations were subsequently closed in January 2013, allowing for the definitive closure of that plant

During September 2013, we started negotiations with employee representatives and trade unions regarding a reduction of the particle board activities performed in Horn-Bad Meinberg plant, as a result of lower demand for particle board and industry overcapacity in the region. These negotiations with employees' representatives will only be finalised during the course of 2014.

The decision-making process for the several site closures bore in mind the widest perspective possible for the cost benefit analysis done on a case by case basis. This included the social and environmental impacts associated with each operation, both in present and the future.

The combination of the previously identified restructuring measures and asset disposals resulted in a reduction of our total production capacity by 3.5 million m^3 since the maximum levels reached in 2007, bringing total installed capacity to 6.6 million m^3 as at the end of 2013.

CAPACITY EVOLUTION, since 1992 (million m^3)



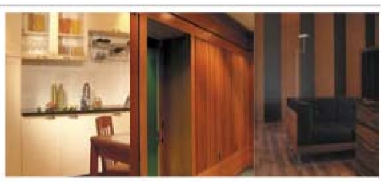
3.3. OUR PRODUCTS

Our base products, typically denominated as "raw products" are comprised of:

- **Particleboard (PB)** a very versatile product, suitable for all general uses in the furniture and construction industries;
- **Medium density fibreboard (MDF)**, an excellent substitute for solid wood and ideal for furniture, flooring and the building industry;
- And **oriented strand board (OSB)** a product which is highly resistant and suitable for structural and non-structural applications in the construction industry.

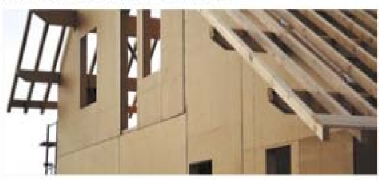


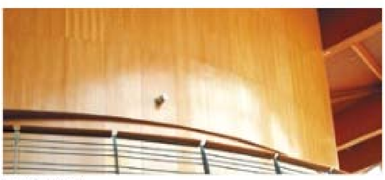
More than 50% of our "raw board" production is then transformed into value added products such as **melamine faced board, laminates, flooring and accoustic boards.** These are used in a great variety of applications such as furniture, shelving, doors, packaging, interior decoration as well as kitchen and gardening utensils.


KITCHEN / OFFICE / HOME FURNITURE


FLOORING


PACKAGING


CONSTRUCTION


DECORATION

Our Decorative Brand in Europe: INNOVUS

With the objective of creating a global and integrated offer, we launched in January 2011 the INNOVUS brand for decorative products. A brand designed as a platform for the development of partnerships with designers, architects, furniture manufacturers, distributors. INNOVUS sets a new path towards creativity, a new way of exploring colours, materials and textures, inspired in simplicity and design and always keeping an eye on the latest trends. A wide and up-to-date collection, available in different products, gives rise to a complete decorative range. Each décor has the finish that best complements it, according to the opinion of many of our customers and the careful selection of our team of experts. A complete decorative solution is also guaranteed by existing complementary products.

More information on the INNOVUS product range can be found at:

http://www.innovus.co/

Product Innovation: Woodforce

Woodforce is an engineered diced pellet that delivers exceptional polymer reinforcement to Polyolefin compounds. This new-patented technology offers many advantages including both weight and cost savings with design opportunities unrivalled in the natural fibre sector.

Woodforce is neither a by-product nor a residue; it is an industrially engineered wood based product that offers natural strength for plastics. As a dynamic wood-based product capable of acting as a mechanical reinforcer for thermoplastic polymers, Woodforce dramatically improves the targeted properties of plastic resin. It is a bio-sourced and renewable mechanical reinforcer that is compatible with an industrial process, has proven performance and favourable economics previously unavailable.

Woodforce can replace glass fibre for short fibre applications. Compared to agricultural fibres, Woodforce is an ideal solution from an industrial perspective. Non-seasonal, it has an efficient supply chain management and is extremely friendly, due to the perfect dosing of the dice pellets.

More information about this innovative product developed by the company can be found at:

http://www.woodforce.com/

Woodforce is available in natural wood aspect and already treated with black pigments

3.4. Our Strategy

The way in which we view ourselves as a company,, act and interact with each other and with our surroundings represents a corporate culture that promotes continuous improvement – always challenging ourselves to perform better – and is sustained by our 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

Our values represent the foundation stone on which we build our business and they serve to guide our behaviour.

AMBITIOUS

AMBITION We set challenging but attainable goals. We continuously challenge ourselves to go beyond previously established limits, focusing on becoming and remaining market leader and creating sustainable value for our shareholders.

INNOVATIVE

KNOWLEDGE/ EDUCATION We believe that knowledge is one of the greatest sources of personal fulfilment and career development. We strive to attract motivated people and expect everyone to contribute ideas and be fully committed to the success of the company. We offer professional training and encourage active participation in academic programs.

RISK TAKING We do not accept the status quo. We search for alternatives, new ideas, new approaches and solutions to overcome barriers. We take calculated risks.

INNOVATION We believe that our long-term competitive advantage depends on our ability and determination to innovate, to achieve continuous improvements and increase our efficiency. We encourage our people to generate new ideas, we evaluate their ability to do so and we expect our managers to set an example. We encourage a risk-taking culture, within adequately managed degrees of risk exposure.

READY TO CHANGE We seek commercial solutions. Our employees and companies must be sufficiently flexible to accept new ideas, new ways of doing business and be ready to embrace changes, improve products, processes and respond to new organizational challenges.

AUTHENTIC

AUTHENTIC We remain true to ourselves and are humble, consistent and coherent.

OPEN AND TRANSPARENT We hold ourselves accountable and expect others to do likewise. We foster a culture of openness, transparency and accountability and welcome the opinion of employees and outside observers as a means of obtaining an independent evaluation of our performance, our degree of compliance with best practices and our own values and principles. We strive to be responsive to stakeholder concerns.

COOPERATION We empower our people and expect them to take responsibility. We believe in cooperation and teamwork as a means of sharing know how, experience and responsibilities amongst our people, both in the execution of day-to-day tasks and when solving complex problems.

RESPONSIBLE

ETHICAL BEHAVIOUR Relationships with our stakeholders are founded upon respect, transparency, honesty and integrity and we do not tolerate bribery or corruption in any shape or form. We strive to preserve our independence from political pressures in order to speak and act freely, first and foremost in the interests of the company.

SOCIAL CONSCIENCE We are aware that our business activity impacts our social environment and that we have a responsibility to support local communities. We may become involved with social institutions or charities, support cultural, sporting or other activities as part of our corporate responsibility and encourage active participation of our people at all levels of our organization.

NON-DISCRIMINATION We are an equal opportunities employer. We do not accept any form of discrimination in the workplace be it related to age, gender, race, social background, religion, sexual orientation or physical ability. Our career development and reward systems are based on merit.

HEALTH AND SAFETY The physical and mental welfare of our people is of paramount importance to us and we strive to provide a safe and healthy work environment for all. We expect all employees to comply with safety guidelines and practices.

ENVIRONMENTAL AWARENESS We are conscious of the environmental footprints we leave behind and consider that the responsible management of environmental issues is critical to our business success. We are committed to the concept of eco-efficiency and to sustainable sourcing of raw materials and actively respect these principles in all our business practices.

STRATEGIC DIRECTIONS:

During 2011 we have dedicated special attention to define and align the four strategic directions that we want to pursue in the medium to long term, to significantly improve our performance, namely:

1) Build a high quality team with talented, skilful and fully engaged people
   - *People development and alignment programs*
2) Create a high performance culture fostering operational excellence and innovation
   - *Development of best practices and knowledge transfer, enhanced by a lean manufacturing approach*
3) Become a market focused company with a reliable integrated offer
   - *Increasing development and acceptance of our global INNOVUS collection*
4) Develop competitive integrated sites with secure wood and chemicals supply
   - *Implementation of initiatives to increase the flexibility of raw material usage.*

We have since 2011 been implementing the necessary initiatives that will lead us on the defined strategic path, towards our ambition to grow and run a profitable business with a commitment towards responsible business practices and sustainable value creation for our shareholders.

3.5. OUR 2013 AWARDS

Tafisa Canada Laureate of Top Environmental Award and a People's Choice Award

Phenix Award

Tafisa Canada was the laureate of the prestigious Phenix Award for excellence in environmental protection and sustainability – Business Category, Environmental Achievement, Technology, Process or Practice – awarded by the Quebec Ministry of Sustainable Development, Environment, Wildlife and Parks, the Quebec Ministry of Finance and Economy, Eco Enterprises Quebec and the Quebec Environment Foundation.

Tafisa Canada was chosen, by a panel of experts, from a list of 35 companies for the success of its landmark wood recycling technology (“Rewood”). Following a $5.4 million upgrade, Tafisa Canada was able to increase the post-consumer recycled wood fibre content in its panel production, enabling the company to recycle 244,000 tons of diverted wood each year – the equivalent of about two million trees.

The Phenix Award laureates – which also included municipal, non-profit and educational/youth categories – were announced on September 25, 2013 during a ceremony in the National Assembly in Quebec City.

Phenix People’s Choice Award

Tafisa Canada was also chosen by the public for the Phenix People’s Choice award. In the spring of 2013 3,500 people voted on-line for their favourite project. “Rewood” by Tafisa Canada was the project that received the most votes and was thus awarded the prize. "On behalf of Tafisa, I would like to take this opportunity to thank the environmental community and the public for their support," said Louis Brassard, Tafisa Canada Chief Operating Officer, upon receiving the awards. Brassard, explained that Tafisa Canada is one of the few plants in North America that are re-using wood to this extent. “We’re very proud of our company’s achievements to renew urban wood waste that would otherwise go to a landfill, eventually releasing harmful carbon emissions back into the air.

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3.6. 2013 KEY CORPORATE EVENTS

15 February 2013	Announcement of changes in the composition of the Executive Committee and proposal of changes in the composition of the Board of Directors
27 February 2013	FY12 consolidated results announced
9 May 2013	1Q13 consolidated results announced
31 July 2013	1H13 consolidated results announced
17 September 2013	Announcement of negotiations regarding the potential reduction of activity in Horn plant, Germany
1 November 2013	Resignation of a member of the Board of Directors
14 November 2013	9M13 consolidated results announced

SONAE INDUSTRIA

4. SECTOR REVIEW

Macroeconomic context

During 2013, the world economy continued to face high levels of uncertainty and the recovery of economic activity was only achieved in certain regions. In particular, the euro area continued to be impacted by sluggish economic activity, which was particularly felt in the countries of Southern Europe, as the additional political and fiscal measures taken had harsh consequences over private consumption levels, especially in the category of durable products. A different environment was felt in Northern Europe countries, which began to show some signs of the much-awaited recovery, with improved patterns of private household's investments in the construction sector. According to OECD, "a certain degree of optimism is returning to the euro area"[1]. Signs of improvement and upwards trends registered in GDP growth in the region, considered to be slow but positive, evidenced that the recession in Europe could be coming to an end.

In North America, after the implementation of important fiscal consolidation measures, the Canadian economy continued its GDP growth patterns, led by exports and investments activities. In the United States, the economic growth was considered modest, and special attention is being paid to the country's budget and public debt level following the political impasse that lead to government shutdown. Nevertheless, GDP growth was registered during 2013, with favourable consumption patterns towards durable goods, backed by decreasing unemployment rates and somewhat less restrictive lending conditions.

South African economy had a slow start in 2013, but the strong rand depreciation and consequent recovery of the export market allowed the economic activity to pick up in the remaining of the year, although still at low GDP growth rate when compared to the recent historical performance. The country also suffered during 2013 the loss of its ex-president Nelson Mandela and faced a wave of strikes caused by demands for higher wages, a reflection of some social pressure felt in the country.

In terms of environment in the relevant consumer industries for Sonae Indústria, the activity in the construction sector, which was highly impacted in previous years by the sovereign-debt crisis and the associated impacts in terms of restrictive credit conditions, has started to show signs of improvement in some countries. This contrasts with the still decreasing trends registered in the furniture sector. The evolution per geography where Sonae Indústria is present was quite different, as, whilst in the Iberian Peninsula and France housing permits continued to show strong y.o.y. decreases, in Germany, United States and South Africa, the construction market started to show improvements, as evidenced by the positive evolution in terms of new house construction permits when compared to the previous year.

Wood Based Panels

According to the estimates released by the European Panel Federation (EPF) in June 2013[2] (the latest available data), the demand faced by the European wood panels sector during 2013 was relatively stable, but at historically low levels, as it continued to be affected by a disappointing performance of both the furniture and construction industries. This is a reflection of the current European economic context and the stagnant consumption behaviour, especially for durable goods.

Analysing the performance by product, the European particleboard production in the EPF member countries, after the 5.5% drop experienced in 2012, continued to show low levels of production activity during 2013. Nevertheless, it is estimated that total production may have, for the year as a whole, slightly increased (+1.5%) when compared to 2012, which should translate into an overall production figure slightly above 29 million m3. The behaviour of the production volumes is aligned with the estimated performance of the demand, as measured through the consumptions levels registered in the countries covered by the analysis.

[1] OECD, "Economic Challenges and Policy Recommendations for the EURO Area", February 2014

[2] EPF, Annual Report 2012-2013, June 2013

In terms of MDF, the value of production in Europe is estimated to have contracted by 6% in 2012 to proximately 11 million m³. For 2013 and in terms of the European market as a whole, MDF consumption is forecasted to remain relatively stable (-0.4%) when compared to the previous year.

European production of OSB contracted moderately 2.3% in 2012 (-2.3%), but still reached a total production level in excess of 3.5 million m³. The 2013 performance should be similar to the one registered in 2012.

Contrasting with the relatively stable evolution in the European markets, the positive business climate experienced in the United States during 2013 has had positive effects in the construction activity and, consequently, in the demand of wood based panel products in the region. The U.S. housing market finished 2013 on a positive note, contrasting with the disappointing evolution registered in the year in terms of housing starts in Canada. Notwithstanding this, estimates released by RISI[3] indicate that total North America particleboard consumption in 2013 was 3.1% above the value registered in 2012. Similar to the evolution on the particleboard segment, total consumption level of MDF during 2013 in region is estimated to have registered a 7.9% y.o.y. increase, while OSB consumption is estimated to have grown even more (up by 9.4%, when compared to 2012).

The performance of South Africa wood based panels industry continues to follow the global performance of the economy in general, and the construction and furniture industries in particular. During 2013 it estimated a slight decline in the overall consumption volumes for wood based panels, when compared to the value of 2012. Statistics for furniture production in 2013 registered an increase of 2.9%[4] y.o.y.

Laminate Flooring

Although far from the peak historical values of 2007, preliminary figures released by the European Producers of Laminate Flooring (EPLF) indicate that during 2013 a small increase in the total sales of flooring may have occurred (+0.7%[5] against the comparable period in 2012). However if the evolution is considered just in terms of the Western European countries, total 2013 sales are estimated to have actually gone down against 2012 by approximately 2.4%, an evolution which is consistent with the aforementioned disappointing trends experienced in the furniture and construction industries in Europe.

[3] RISI, North American Wood Panels Forecast - 5-Year, December 2013

[4] Innomis, South Africa furniture production, value evolution, y.o.y., February 2014

[5] EPLF, Preliminary figures, World Sales of Flooring, evolution y.o.y. , February 2014

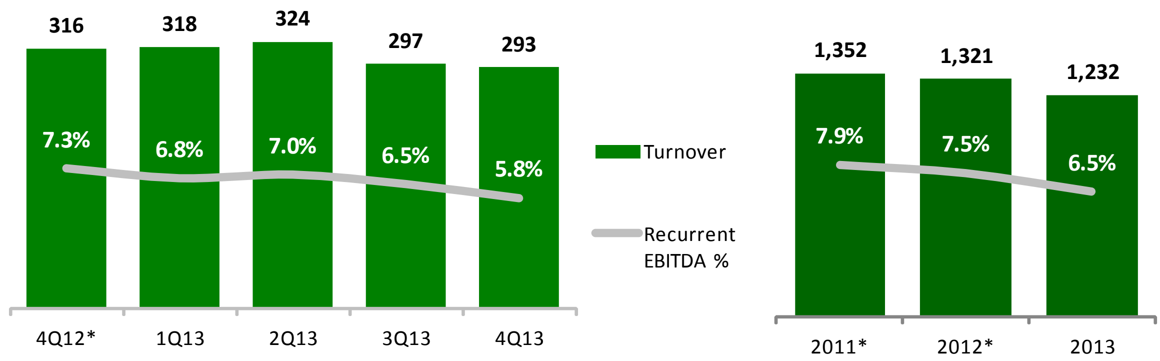
5. Business Review

5.1. Turnover & Recurrent EBITDA

5.1.1. Sonae Indústria Consolidated

Consolidated Sonae Indústria

Turnover & Recurrent EBITDA margin Million euros



* transferring UK values to "discontinued operations", given the stoppage of production activity in the region during the 3Q12

Consolidated turnover for Sonae Indústria was 1,232 million Euros in 2013, 7% below the 2012 level, mainly driven by the reduced industrial footprint and the prevailing lower demand in most European markets. In addition, the devaluation of both the Canadian dollar and the South African rand led to a lower contribution from both operations to the consolidated turnover. This negative exchange rate effect has more than off-set the improved sales performance, in local currency, achieved in both regions. In terms of breakdown, the reduction in the consolidated turnover was due to a combination of reduced sales volumes (7.7% below 2012) and slightly lower average selling prices (-0.8% when compared to 2012).

In the 4Q13, compared to same quarter of 2012, consolidated turnover also decreased by 7%, with the main negative contribution coming from Northern Europe, basically as result of the stoppage of Horn PB press last September.

In consolidated terms, pressure in wood and thermal energy costs were the main contributors to an increase in the average variable cost per m^3 produced of the company in 2013, up by 0.9% when compared to the previous year. This increase was partially offset by improvement in chemicals, electricity and maintenance cost of the group. On a quarterly basis, and when compared to previous quarter, unitary variable cost were up by 1.1%.

Importantly, Sonae Indústria was able to achieve a reduction in total fixed costs, on a comparable basis, i.e., without the contribution of the Knowsley and Solsona plants, by approximately 5% in the year, representing a reduction of 13 million Euros when compared to the 2012 value.

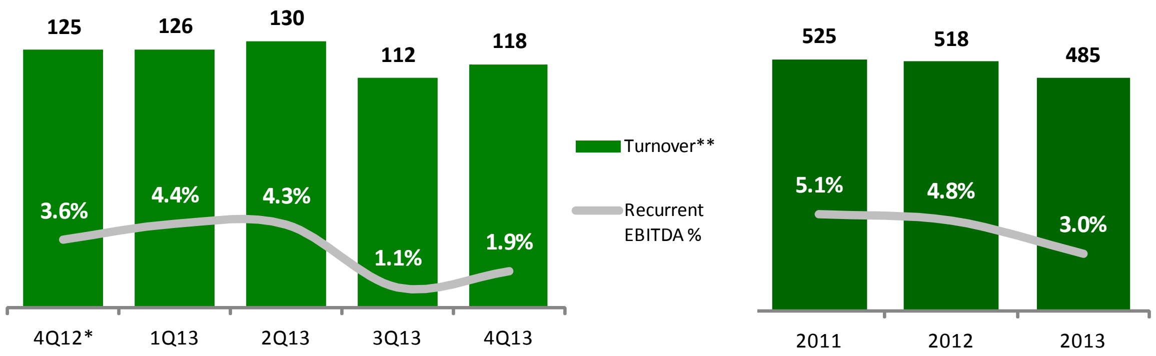
It is worth noting that, in 2013, the average capacity utilization index of the plants improved to 73.1% (up by 0.5 p.p. when compared to the average level of 2012). This was achieved by concentrating production in the most efficient sites, by adjusting to the lower levels of market demand and thanks to the improved performance of our OSB line in Nettgau that has been registering record levels of production, benefiting from a context of strong market demand. It should be noted that on a comparable basis, i.e., excluding idle production lines, the average capacity utilization index of the group increases to 74.8%.

Sonae Indústria Recurrent EBITDA was of 80 million Euros, which translated into a recurrent EBITDA margin of 6.5%, down by 1 p.p. when compared to 2012. The non recurrent EBITDA items totalled 15 million Euros in the year and were mainly related with redundancy costs (9.4 million Euros, 5 of which related with Solsona plant) and additional costs associated with discontinued sites (5 million Euros). As result of these developments, total EBITDA[6] for 2013 reached 65 million Euros.

5.1.2. Southern Europe

Southern Europe

Turnover & Recurrent EBITDA margin — Million euros



**Turnover includes intercompany group sales

Similar to that experienced in 2012, the Southern Europe performance was negatively impacted by the prevailing challenging macroeconomic conditions. The restrictive credit conditions and the high marginal tax rates over households' disposable income has strongly conditioned the families' investments in durable goods, negatively impacting the demand for furniture goods across all countries in the region.

The above considerations are confirmed by the recent construction statistics released by the competent authorities, with new housing permits granted in Iberia showing strong y.o.y. decreases (-30.4%[7] in Portugal and -22%[8] in Spain). In relation to France, the activity in the construction sector also showed signs of decline, with new housing permits decreasing by 11%[9] against the same period in 2012. Notwithstanding these challenging market conditions, Sonae Indústria was able to partially compensate the lower sales volumes in Southern Europe countries with growth in the export activity to other regions.

In terms of 2013 financial performance, the following key items are worth highlighting:

- **Turnover** reduced by 6%, with the main contribution coming from a 7% reduction in **sales volumes**. In terms of performance by region, the main negative contribution came from the Iberian Peninsula (with sales volumes down by 14% when compared to 2012) that was only partially offset by the improved performance in France (+6% y.o.y.). It should nevertheless be noted that the Iberian Peninsula performance was impacted by the reallocation of particleboard customers between group plants (from the closed Spanish plant of Solsona to Linxe in France);
- Average **selling prices** in the Iberian Peninsula stood at slightly higher levels than in 2012, which were particularly evident in terms of melamine prices, thus partially compensating the impacts of lower volumes sold. On the other hand, in France, although selling prices showed some improvement when compared to 2012, the sales mix effect has negatively impacted the overall average price, due to the higher contribution from raw particleboard;

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[6] EBITDA = EBIT + D&A + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)

[7] Source: Instituto Nacional de Estatística, January 2014 *("Nova habitação residencial"*, cumulative YTD evolution until November)

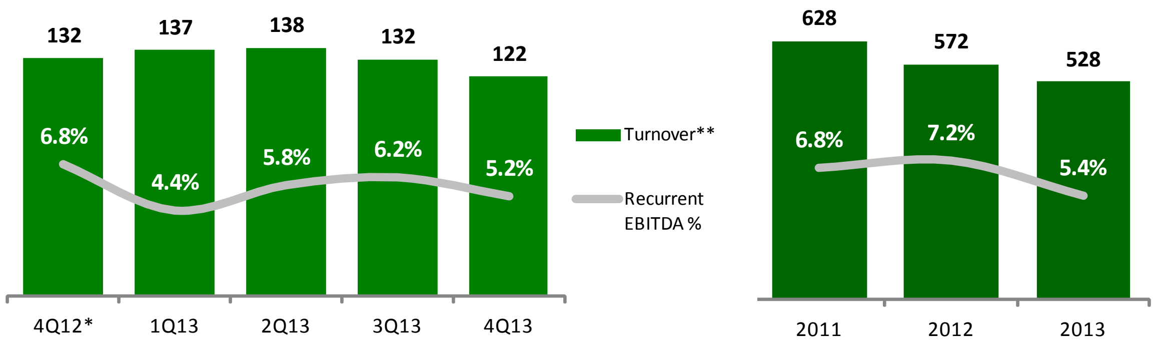
[8] Source: *Ministierio de Fomento*, January 2014 (cumulative YTD evolution until November)

[9] Source: *Service économie statistiques et prospective* (*Ministière de l'Écologie, de l'Energie, du Développement durable et de l'Aménagement du territoire*), January 2014 (cumulative YTD evolution until December)

- The performance in terms of **average unitary variable costs (per m³)** was negatively impacted, mainly, by the pressure felt in the wood supply, but also in terms of combustibles and electricity. The increase in these variable costs was partially compensated by lower chemical costs, driven by improvements in efficiencies and by the mix of products produced;
- The combination of the above combined factors led to deterioration in the **Recurrent EBITDA** margin during 2013 to 3% in the region of Southern Europe. However, in the 4Q13, when compared to previous quarter, Recurrent EBITDA margin improved by 0.7 pp.

5.1.3. Northern Europe

Northern Europe
Turnover & Recurrent EBITDA margin — Million euros



**Turnover includes intercompany group sales

Contrasting to the Southern Europe market performance, new house construction permits in Germany were up by 12.1%[10] in 2013, evidence that the construction market keeps recovering, which is due to a combination of improving financial market conditions and low interest rates. However, the better performance in the construction sector was not accompanied by furniture industry, where a situation of declining sales still prevailed in the year.

Driven by the above market conditions, the following key evolutions were experienced in Northern Europe during 2013:

- **Turnover** for this region decreased by 7.6%, mainly impacted by a reduction of 2.5% in **volumes sold**, which is essentially explained by the lower demand in the particleboard market, which affected mainly our Horn plant (that registered throughout 2013 very low levels of capacity utilization). This negative performance contrasts with the upward trend registered in the OSB volumes, which were significantly above the 2012 level;
- **Average selling prices** were relatively stable in the region, with the negative impacts from the continuous low selling prices in the particleboard products being compensated by upward trends felt in OSB prices;
- **Unitary variable costs per m³** registered an average increase of circa 4%, when compared to 2012, an evolution mostly related with the continuous pressure felt in terms of wood and combustibles costs;
- The combination of the above factors resulted in a deterioration of the **Recurrent EBITDA margin** to 5.4% (versus 7.2% in 2012). Excluding the one off events registered at the end of 2012,

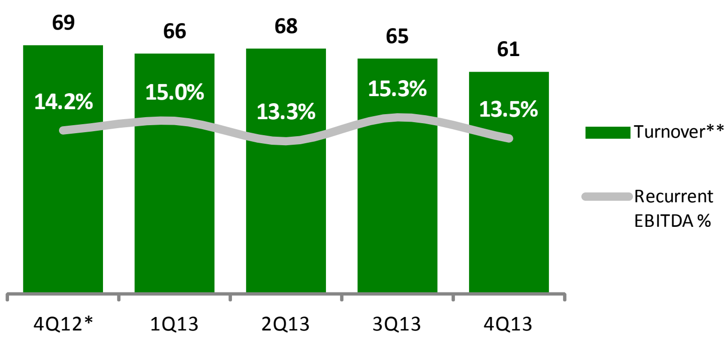
[10] Source: German Federal Statistics Office, January 2014 (cumulative YTD evolution until November 2013)

associated with correction of over accrued costs, 4Q13 Recurrent EBITDA would have just deteriorated y.o.y. by 0.7 p.p.

5.1.4. Rest of the World (Canada and South Africa)

Rest of the World

Turnover & Recurrent EBITDA margin — Million euros



**Turnover includes intercompany group sales

In North America, the slow but steady positive evolution of the U.S. economy led to an increase in the level of housing starts in 2013 (up by 18%[11] y.o.y.). This positive performance of the U.S. market more than compensated the decline experienced, during 20013, in terms of Canadian housing starts (a reduction of 3.6%[12] when compared to same period of the previous year).

A similar trend to the one prevailing in the U.S. market was observed in South Africa, which reported a y.o.y. increase in residential building value permits (up by 9.2%[13]), a positive sign for the recovery in construction activity that is expected for the country.

In terms of 2013 financial performance, the following items should be highlighted for these regions:

- Consolidated **turnover** for the region as whole decreased by 6.2%, solely driven by negative exchange rate movements. In terms of **sales volumes**, the negative evolution experienced in South Africa was partially offset by the improved performance of the Canadian operations. It should be noted that, on a comparable basis, excluding the negative effect of the exchange rate movements, turnover would have increased by 5% against 2012;
- **Average Selling prices** registered a positive evolution in the year, in both geographies, as a reflection of the improved market conditions and the higher share of value added products in the overall sales mix;
- **Average variable costs per m^3** reduced slightly in North America but were up in South Africa, driven by pressures felt at the level of wood, chemicals and combustible costs. Nevertheless, when comparing 4Q13 with 3Q13, average variable costs were significantly below in our South African plants;

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[11] Source: RISI, January 2014 (cumulative YTD evolution until December 2013)

[12] Source: Canada Mortgage and Housing Corporation, January 2014 (cumulative YTD evolution until November 2013)

[13] Source: Statistics South Africa, January 2014 (cumulative YTD evolution until November 2013)

- In spite of the negative contribution of the exchange rate movements occurred in both currencies (South African Rand and the Canadian Dollar), which was particularly evident in the 24% depreciation of the Rand in relation to the Euro during 2013), the segment's **Recurrent EBITDA margin** during 2013 improved to14.3%, up by 2.1 pp when compared to 2012.

It should be highlighted that our North America plant was able to re-establish its full supply situation following the tragic railway accident occurred on July 6 at centre of Lac Mégantic and notwithstanding this tragic event was able to deliver a good profitability level during 2013 year.

5.2. CONSOLIDATED FINANCIAL PERFORMANCE

5.2.1. Profit & Loss Account

P&L ACCOUNT Million euros	2012*	2013	2013 / 2012*	4Q12*	3Q13	4Q13	4Q13 / 4Q12*
Consolidated turnover	**1,321**	**1,232**	**(7%)**	**316**	**297**	**293**	**(7%)**
Southern Europe	518	485	(6%)	125	112	118	(5%)
Northern Europe	572	528	(8%)	132	132	122	(8%)
Rest of the World	278	261	(6%)	69	65	61	(11%)
Other operational income	34	29	(16%)	13	5	10	(24%)
EBITDA	**97**	**65**	**(33%)**	**26**	**16**	**14**	**(45%)**
Recurrent EBITDA	**99**	**80**	**(19%)**	**23**	**19**	**17**	**(26%)**
Southern Europe	25	15	(41%)	4	1	2	(49%)
Northern Europe	41	28	(31%)	9	8	6	(30%)
Rest of the World	34	37	9%	10	10	8	(15%)
Recurrent EBITDA Margin %	**7.5%**	**6.5%**	**-1.0 pp**	**7.3%**	**6.5%**	**5.8%**	**-1.5 pp**
Depreciation and amortisation	(77)	(75)	3%	(20)	(19)	(18)	6%
Provisions and impairment Losses	(13)	(32)	-	(12)	1	(40)	-
Operational profit	**12**	**(39)**	**-**	**(3)**	**(1)**	**(44)**	**-**
Net financial charges	(51)	(59)	(15%)	(13)	(13)	(15)	(16%)
o.w. Net interest charges	(28)	(37)	(29%)	(8)	(9)	(10)	(27%)
o.w. Net financial discounts	(15)	(15)	1%	(4)	(4)	(4)	14%
Profit before taxes continued operat. (EBT)	**(39)**	**(98)**	**-**	**(16)**	**(15)**	**(58)**	**-**
Taxes	(16)	19	-	(11)	(1)	25	-
o.w. Current tax	(6)	(7)	(30%)	(1)	(2)	(2)	(29%)
o.w. Deferred tax	(10)	27	-	(9)	0	27	-
Profit / (loss) from continued operations	**(55)**	**(79)**	**(44%)**	**(27)**	**(16)**	**(34)**	**(24%)**
Profit / (loss) from discontinued operations	(45)	-	-	(4)	-	-	-
Losses (income) attrib. to minority interests	(1)	(1)	26%	(0)	(0)	(0)	(22%)
Net profit/(loss) attributable to Shareholders	**(99)**	**(78)**	**21%**	**(30)**	**(16)**	**(33)**	**(9%)**

*Transferring UK values to "discontinued operations", given the stoppage of production activity in the region during the 3Q12

Consolidated EBITDA for 2013 was down by 32 million Euros against 2012, mostly as a result of reduced level of activity and of material non-recurrent cost incurred in the year (15 million Euros), related with additional restructuring measures taken by the company (notably cost with the closure of Solsona plant in Spain). The EBITDA performance of 2013 was also negatively impacted by the negative exchange rate movements of both CAD and ZAR in the amount 4.7 million Euros. It should be highlighted that the value of non-recurrent items includes a positive contribution from the sale of non-core assets, namely the sale of two real estate properties: Duisburg (Germany) and George (South Africa).

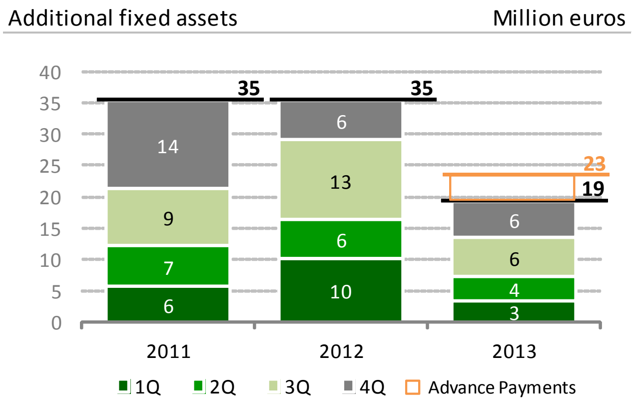
Depreciations charges for 2013 were of 75 million Euros, 3% lower than in 2012. Despite this effect, the lower EBITDA generation and asset impairment registered mainly in France (for both tangible assets and goodwill), led to an EBIT loss of 15 million Euros in the year.

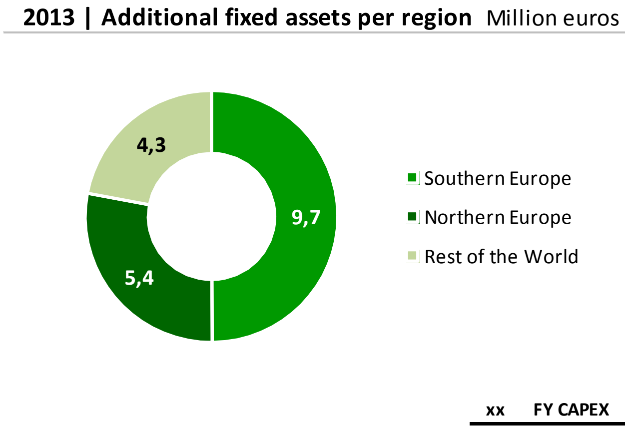
When compared to 2012, Net Financial charges increased by 8 million Euros (+15%), basically due to a higher average cost of debt that stood at 5.5%, 1.1 p.p. higher than the average cost of 2012. This evolution was fully driven by the increase in spreads prevailing in Portugal and Spain, as Euribor rates remained at historically low levels.

During the last quarter of 2013, additional deferred tax assets in the amount of 27 million Euros were booked: 8.4 million Euros are associated with the operations in Portugal and Germany and 16.4 million Euros are a direct impact of the “Land and Buildings” revaluation. The value of current tax charges registered in 2013 was 1 million Euros higher than the value of 2012.

The combination of the above factors led to a consolidated Net loss from continued operations of 79 million Euros, a deterioration of 24 million Euros when compared to 2012. It is, nevertheless, worth noting that, driven by the impact of discontinued operations (during 2012 the company booked an important impairment related with the closure of the Knowsley operations), total Net results improved by 21% y.o.y.

5.2.2. CAPEX





In cumulative terms, since the beginning of 2013, Additions to Fixed Tangible Assets reached 19 million Euros, which compares with 35 million Euros during the same period in 2012. The majority of investments were associated with maintenance and health & safety improvements and were mostly allocated to the Southern Europe region.

During 2013 it was also booked an amount of approximately 3.5 million Euros in “Advance payments to fixed assets suppliers” related with planned investments in recycling facilities of our German operations.

5.2.3. Balance Sheet & Capital Structure

BALANCE SHEET Million euros	2012	9M13	2013
Non current assets	**936**	**868**	**940**
Tangible assets	806	744	811
Goodwill	92	90	82
Deferred tax asset	24	23	34
Other non current assets	13	11	13
Current assets	**329**	**348**	**302**
Inventories	130	131	123
Trade debtors	141	156	121
Cash and cash equivalents	23	28	27
Other current assets	34	33	30
Non-current assets held for sale	**4**	**4**	**4**
Total assets	**1,269**	**1,220**	**1,246**
Shareholders' Funds	**135**	**77**	**127**
Equity Holders	136	78	128
Minority interests	(1)	(1)	(1)
Liabilities	**1,134**	**1,143**	**1,119**
Interest bearing debt	688	707	705
Long to medium term	492	251	275
Short term	196	456	430
Trade creditors	178	179	156
Other liabilities	268	257	257
Total Shareholders'Funds and liabilities	**1,269**	**1,220**	**1,246**
Net debt	**665**	**679**	**678**
Net debt to LTM recurrent EBITDA**	**6.7 x**	**7.9 x**	**8.4 x**
Working Capital	**93**	**108**	**88**

**LTM: last twelve months

Under the scope of IAS 16, Sonae Indústria has changed in 2013 the accounting treatment of tangible assets “Land and Buildings” from a cost model to a revaluation model. To reflect the fair value of these items in the company’s accounts, an external company has performed a valuation analysis on the company’s assets, which resulted in an increased value of 130 million Euros. A revaluation reserve was booked under Shareholder’s Funds for the amount of 93 million Euros, net of the corresponding deferred tax liabilities. It should be noted that the depreciation amount for 2013 was not impacted by this revaluation.

Total Shareholder’s Funds were negatively impacted by the restructuring impairments registered in the year and by the accounting impact associated with the consolidation of the Canadian and South African businesses using the lower CAD and ZAR exchange rate. These FX movements translated into a negative combined effect of 19 million Euros in the year. The previous negative effects were, nevertheless, almost fully offset by the aforementioned revaluation reserve, resulting in a net decrease of the Shareholders Funds by 8 million Euros when compared to the end of 2012.

At the end of 2013 working capital of the company was further reduced by 5 million Euros when compared to 2012 year end. This positive evolution is partly, a result of lower activity levels registered throughout the year, a direct consequence of a reduced industrial footprint, but also due to an improvement in the average collection period, reduced by three days.

On yearly basis, net debt increased by 13 million Euros, to 678 million Euros at the end of 2013, but was approximately stable when compared to the end of the 3Q13, a reflection of the company’s continuous focus in the improvement of its cash flow generation, even under the current prevailing economic and market challenges.

The combination of the reduced level of recurrent EBITDA with the slightly higher level of Net Debt lead to a deterioration of the Net Debt to Recurrent EBITDA ratio to 8.4x.

5.3. INDIVIDUAL RESULTS OF SONAE INDÚSTRIA, SGPS

Sonae Indústria, SGPS, SA, as the holding company of the Sonae Indústria Group, defines the strategic guidelines for the Group, actively manages shareholdings and monitors the business activity of its subsidiaries. In addition, the holding structure is responsible for the functioning of the group finance activities, allocating funds and managing the treasury requirements of its subsidiaries.

5.4. PROPOSED ALLOCATION OF RESULTS

Sonae Indústria SGPS SA, as the holding company of the Group, on an individual accounts basis, generated a negative Net Result of 150,763,751.85 Euros for 2013.

The Board of Directors will propose at the Shareholders Annual General Meeting to transfer this negative Net Result to retained earnings.

5.5. OUTLOOK FOR 2014

For 2014 we expect a stabilisation or, in certain regions, even a marginal improvement, of the trading environment for the industry as a whole. This evolution, together with the implementation of the announced restructuring measures and disposals, should allow us to deliver an underlying financial performance above that registered during 2013, excluding the one off costs arising from the restructuring processes.

In terms of wood costs, we continue to expect a challenging environment in Europe, with the prevailing unbalances between demand and supply continuing to have impacts over prices and availability of wood. We are taking measures to address this via continuously improving our efficiencies and adapting the wood mix consumed to the specific market constraints.

We will continue to pursue our defined strategy of concentrating our production in the most efficient plants, improving our sales mix with higher share of value added products, continuously seeking for operating efficiencies and productivity improvements. In terms of investments, we will execute the defined plan of improving our asset base, by upgrading recycling and melamine equipments coherent with the market positioning we wish to attain in the value added segments and with the sustainable best practice of increasing the usage of recycled material in out plants.

As we have successfully achieved last year, we expect to be able to refinance most of the upcoming debt maturities in 2014 and to adjust the profile of our debt to estimated cash flow generation. With the continuous support from our key stakeholders, we remain confident that we will be able to successfully execute the defined strategy, significantly improving the competitive position of the company and better positioning it for the next phases of the economic cycle.

We will continue to develop long term career opportunities and talent management, as these are key priorities for our company. Investing in training and improving our people's capabilities is an important step for the successful implementation of our strategy, together with the continuous commitment to ensure a healthy and safe working environment for all employees.

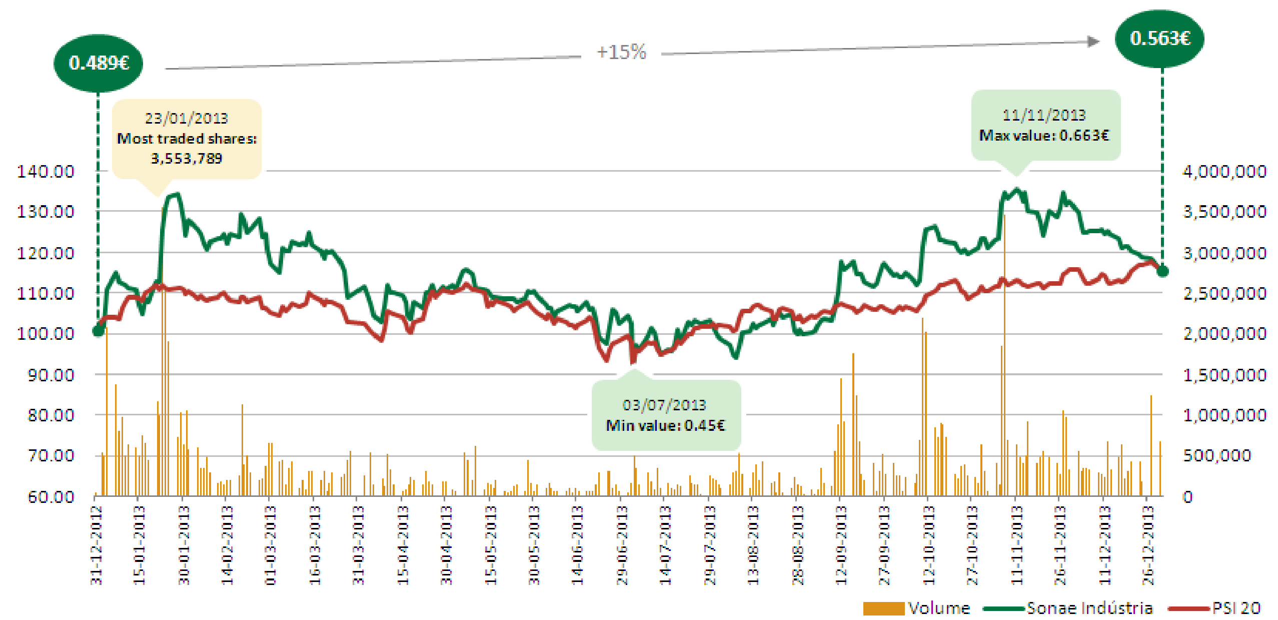
5.6. INFORMATION ON SHAREHOLDINGS AND SHARE PERFORMANCE

Sonae Indústria, SGPS, SA is a company listed in the NYSE Euronext Lisbon, with a majority shareholder – EFANOR – that currently controls approximately 51% of the share capital.

Sonae Indústria was a subsidiary of Sonae, SGPS until 2005 when a spin-off from that company took place, thus allowing the company to focus exclusively on its core competency: the production of wood-based panels. Through sound corporate governance rules, efficient risk management and genuine concerns for the environment and the safety of our people, our aim is to be recognized as a sustainable world leader in the wood-based panels industry.

The share price performance of Sonae Indústria is typically affected by macroeconomic cycles, as the financial performance of the company is highly dependent on the evolution of both the construction and the furniture industries. Over the past few years, the Sonae Indústria share price may have also been affected by the sovereign debt crisis in Europe, namely as a result of the increased risk aversion of foreign investors towards investments in Portuguese securities.

STOCK PRICE & TRADING VOLUME



Despite the significant macroeconomic and financial challenges, the share price of Sonae Indústria increased by approximately 15% during 2013. The highest daily turnover in Sonae Indústria shares was registered on January 23st, the same day that Portugal returned to the long-term debt markets, issuing 2.5 billion Euros and lowering the cost of borrowing to less than 5%.

The minimum share price during 2013 was registered on July 3rd (0.45 Euros per share) immediately after the start of the political crisis in Portugal, a clear demonstration of the stock's sensitivity to the overall performance of the country economic, financial and political performance, notwithstanding the geographical diversity of Sonae Indústria's manufacturing and commercial operations. The maximum share price in 2013 was reached on November 11th, following the decision of the ECB to lower the benchmark rate by 25 basis points.

Importantly, in terms of liquidity, Sonae Indústria's share had an average turnover of 413,413 shares per day during 2013, more than duplicating the level registered during 2012.

SONAE INDUSTRIA

STOCK MARKET INDICATORS

ISIN Code	**PTS3P0AM0017**
Bloomberg Code	**SONI**
Reuters Code	**SONI.LS**

	2011	2012	**2013**
Share Capital	700,000,000	700,000,000	**700,000,000**
Total number of shares	140,000,000	140,000,000	**140,000,000**
Net Results	-57,817,393	-98,876,879	**-78,045,917**
Net Results per share	-0.41	-0.71	**-0.56**
Dividends per share*	0.00	0.00	**0.00**
Prices			
Year High	1.93	0.71	**0.66**
Year Low	0.50	0.39	**0.45**
Year Average	1.23	0.56	**0.56**
Share price as at 31-Dec	0.64	0.49	**0.56**
Market Capitalization as at 31-Dec	88,900,000	68,460,000	**78,820,000**
Average trading volumes per day (shares)	162,181	150,479	**413,413**

* distributed in the following year

5.7. TRANSACTIONS WITH OWN SHARES

Sonae Indústria, SGPS, SA did not acquire or sell any own shares during the year and as at 31st December, 2013, the company did not hold any own shares.

5.8. SUBSEQUENT EVENTS

On **January 6th of 2014** Sonae Indústria, SGPS, SA indirect affiliate Isoroy SAS following an offer received for the businesses and assets of the Auxerre and Le Creusot plants located in France, which includes the transfer of all the employees dedicated to those businesses, began the process of informing and consulting its employee representatives in relation to such potential transaction, as well as the subsequent downsizing of the headquarters located in Antony, Paris.

5.9. 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.

6. Risk Management

6.1. 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 is to guarantee the effective collection of its operating receivables, according to the most reduced payment terms possible, 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 Indústria promotes, on a regular basis, the "Customer's Credit Risk Management Forum".

b) Other 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 amounts typically involved in bank deposits and to the creditability of the financial institutions used by group companies.

6.2. Market Risks

a) Interest Rate Risk

Due to the significant proportion of floating rate debt on Sonae Indústria's consolidated Statements of Financial Position 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 its general rule, Sonae Indústria may engage in certain interest rates derivatives, solely aimed at hedging existing risk exposures and to only to the extent that the risks and valuation of such derivates can be accurately assessed by the company. Sonae Indústria subsidiaries do not engage in interest rate derivatives for trading, speculative or profit making purposes.

SONAE INDUSTRIA

b) Foreign Exchange Risk

As a geographically diversified Group with subsidiaries spread throughout 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 Equity investments in foreign non-Euro subsidiaries are accounted under the "accumulated other 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 programs and other facilities (such as a securitization of receivables) 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.

It is Sonae Indústria's policy to exclude consolidated financial covenants from its loan agreements that could result in the early repayment of loans. This policy takes into account the unpredictable cyclical nature of the wood based panels business which strongly influences the financial ratios at the different stages of the business cycle.

6.3. Legal Risks

Sonae Indústria and its subsidiaries are required, and actively promote, 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, SA 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 of and a more rigorous respect for their legal obligations.

6.4. Operational Risks

The production of wood-based panels is an industrial activity with a significant operational risk, which arises from eventual fire and explosion accidents. Consequently, operational risk management is a key concern of the company and we are active in the implementation of standards and best practices and in the selection of systems 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.

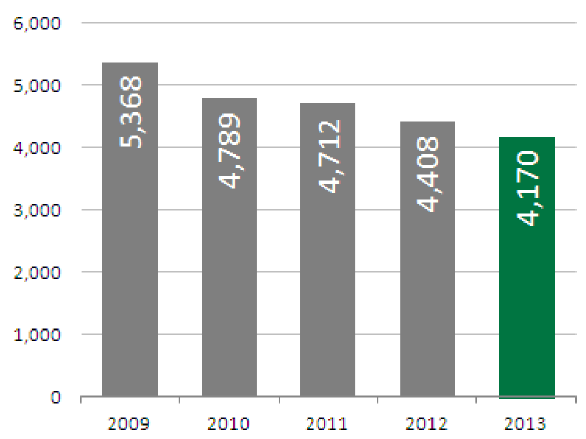
7. Corporate Responsibility

7.1. Social Report

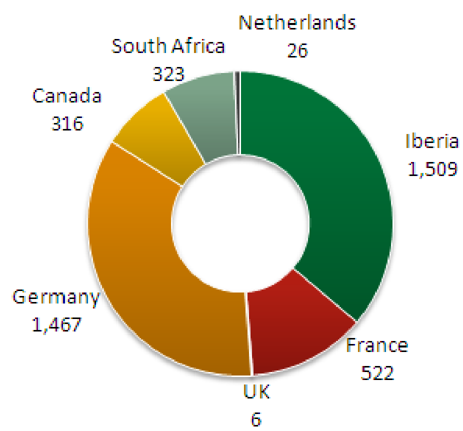
Our People

At Sonae Indústria, we believe that people are the support to drive change towards 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 goals. 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)

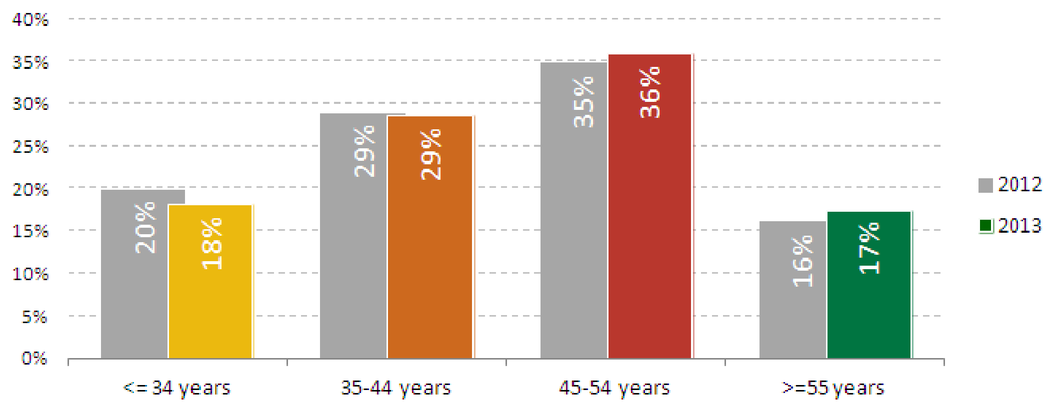


Employees per country (excluding Trainees)



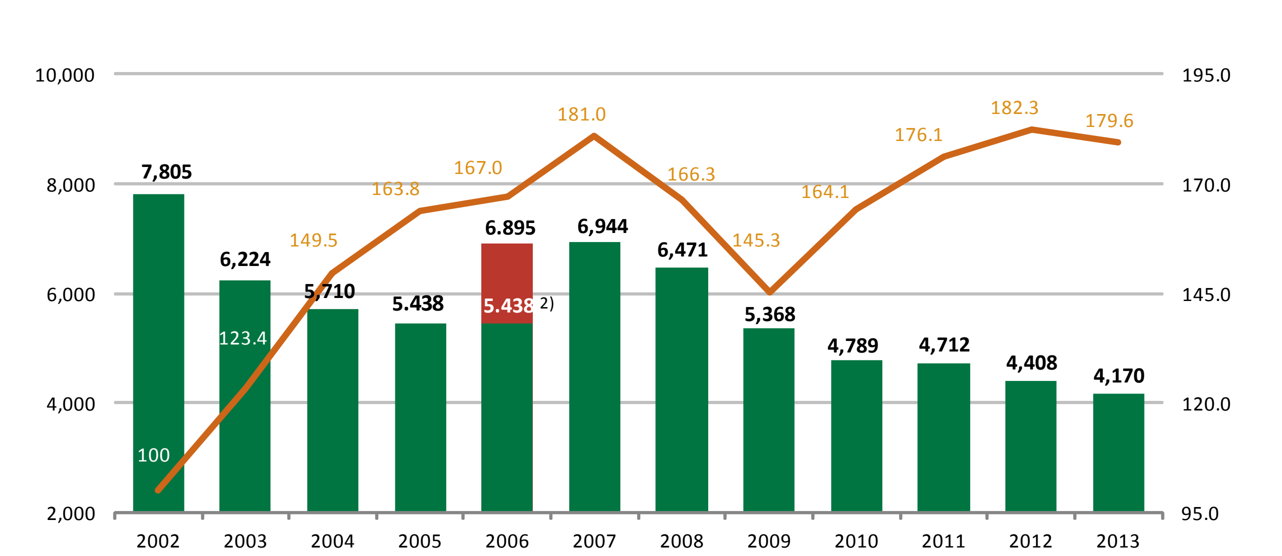
At the end of 2013, Sonae Indústria in total employed 4,170 people in 8 different countries. The reduction against the end of 2012 is mostly explained by the Solsona plant closure.

Workforce by age group



The most representative age group at Sonae Indústria corresponds to ages between 45 and 54 years old. It should also be noted that women represent approximately 16% of the total workforce of the company.

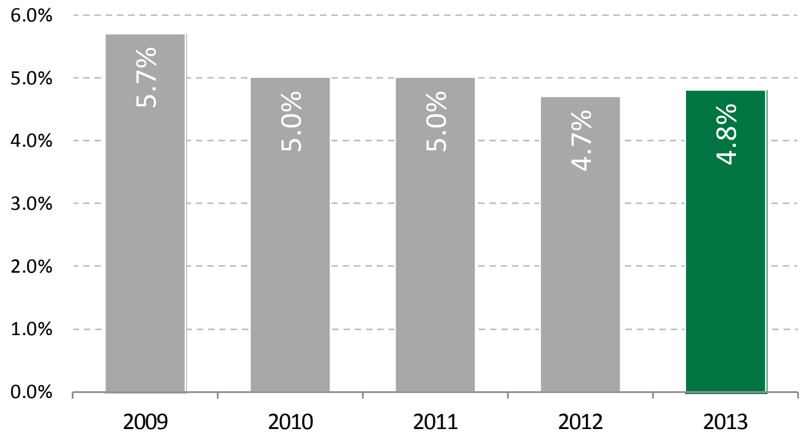
Number of Employees & Productivity



1) FTE's Excluding Trainnes
2) Hornitex and Darbo

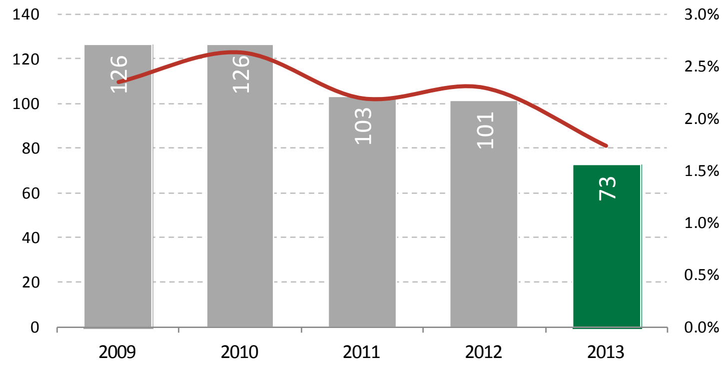
Over the last years, productivity has been strongly increasing, particularly driven by the restructuring process that we went through.

Absenteeism rate (%)



Absenteeism has been consistently decreasing over the last years, but experienced a small increase in 2013 mainly driven by Germany, due to illness leaves, and by corporate areas, due to maternity/paternity leaves.

Training hours and % by employee



In spite of the reduced average number of training hours per employee registered in 2013, when compared to previous year, training continues to be a priority for Sonae Industria. Past years continuous improvement training programs, supported by external entities, have now been concluded and the focus has now been moved to internal training activities and best practices sharing in specific forums.

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 a partnership with two Portuguese universities, Faculdade de Engenharia da Universidade do Porto (FEUP) and Escola Superior Tecnológica de Viseu (ESTV), with the support of ARCP - Associação Rede de Competência em Polímeros [14](an association. This partnership provides the basis for product and process innovation in the group and encourages the proximity between our company and the university community. At the moment, and within a competences framework defined, the main objectives of our research centre are the following:

- 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, performance evaluation of gluing systems;
- G3 – Impregnated papers and laminates – impregnation, performance characterization, development of new products / processes;
- G4 – Emissions – analysis of VOC[15] emissions, in particular the formaldehyde ones.

With the above objectives in mind, Sonae Indústria, though one of its subsidiaries, Eurosinas, has as an example, the following facilities and equipments in the university's campus:

Pilot Reactor for resin production

Equipments for WBP[16] production

Analysis of formaldehyde emissions

[14] Association Network for Competence in Polymers

[15] Volatile organic compound emissions

[16] Wood Based panels

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

INVOLVEMENT IN LOCAL COMMUNITY

Irrespective of nationality, 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 we become involved in social institutions or charities, and we encourage our people to actively participate in these initiatives.

In Portugal, a voluntary project was launched by Sonae Indústria in 2008, entitled “T-shirt”, which gives all company employees the opportunity to spend as much as three working days every year doing volunteer work. These days are funded by the company with the aim of encouraging employees to engage in local communities and projects.

“T-shirt”, Woody and the urban forest, Portugal

Education and children’s wellbeing is an important part of our commitment. In this specific “t-shirt” program, Sonae Indústria’s volunteers visit local schools and promote the virtuous cycle of wood to children from pre-school to 4th grade. By starting at an early age, children will grow up with an understanding of the need for and advantages of recycling. With this aim in mind, we printed a 40 page soft covered book were “Woody” tells the story of how he needs the forest and the trees to survive. Woody becomes, as such, a tool to teach children about the important role trees play in the survival of the planet and encourages them to be more aware of the environmental matters and the impact they may have on our daily lives. This project is a reflection of the company’s commitment to appeal to the reflection on the impact of the forest in everyday life, and specifically on the environmental, social and economic levels, portraying, for example, life in the forest, the economic activities associated with the forestry sector, the use in day-to-day products and services originating from the forest and also promoting the recycling of wood.

During 2013 we visited 54 classes in 14 schools near four of our plants. In total we reached 1204 students over a period of 7 months. Three of these schools also received an offer of a book collection for their school libraries, kindly donated to us by the Belmiro Azevedo Fundation.

During the month of December the usual toy collection for Christmas was held. The toys collected at the units were then offered to local institutions.

“T-shirt”, reforestation activities in Portugal and Spain

With this initiative, similar to the past few years, Sonae Indústria aims to continue its environmentally responsible attitude, thus helping to protect the forest heritage, contributing to the sustainability of natural resources and drawing attention to the importance of national forests. In addition, it challenges economic players to jointly promote more and better forests, so that it may generate more value, both from environmental and social-economical perspectives.

In 2013, 114 employees, family and friends from five of Sonae Indústria units were involved in the reforestation process in Penacova, to support Floresta Unida, an organization whose target is to plant 400 million trees in 30 years and protect 150 million others.

Other Social Responsibility programs in Spain

- *Kilo Project* – collection of food supplies that are then handed to Federación Española de Bancos de Alimentos (FESBAL), Cáritas and Cruz roja Española. During 2013, 640 kgs of food were collected by the employees of Sonae Indústria Spanish factories.
- *SOLIDARIDAD POR UN TUBO* – an initiative integrated in the T-Shirt program, where old mobile phones and accessories were collected. The money gathered with the sale of such equipments was given to the Parents Association of children with cancer diseases.

Social Responsibility programs in Canada

Tafisa Canada continues to be an active supporter of various activities and endeavours in Lac-Mégantic and the surrounding communities. Tafisa Canada and its employees are major contributors to the *Fondation du centre de santé et de services sociaux du Granit* (CSSS du Granit, Health and Social Services Foundation). Since 2003, over $180 000 have been donated to the development of services dedicated to the health and well-being of the community.

It must also be mentioned the events that took place on July 6, 2013 in Lac-Mégantic, which have changed the face of the community. The CSSS du Granit played a major role in helping the individuals affected by the tragedy by providing essential medical care in the hours that followed the events as well as vital emotional support in the aftermath by ensuring that mental health professionals were available to persons seeking help in dealing with loss. Lac-Mégantic also received encouragement and financial support from around the world. Several of our business partners and customers donated to the Canadian Red Cross and the *Fondation Avenir Lac-Mégantic* to support the community. Many of our employees and their families devoted and volunteered their time to help the people in the community that were impacted by the events of last summer.

Helping the community preserve a certain normalcy was also essential. Tafisa Canada made sure to continue to support long-standing activities and events that provide people with the opportunity to get together and have fun as well as promote the region through tourism. Tafisa Canada also made significant contributions to various sports activities involving children and employees.

Corporate Social Investment Initiatives in South Africa (CSI)

In South Africa, our company Sonae Novobord engages in several actions, not only through financial assistance, but also with active partnerships, promoting and participating in awareness campaigns. The main focuses are Education (including bursaries and skills), Worldwide Fund for Nature (WWF) and providing education initiatives to teachers. During 2013, and integrated in the global program of the company, the following activities were carried out:

- E-Learning program at Ligbron, Lungisani, Hazyview and Camden School with focus on the development of students with particular focus in mathematics & science;
- Support to the a disadvantaged children school in Alexandra township (Friends of Alex);
- Support to Furntech, a technical school for skills achievements in woodwork's (disadvantaged people);
- Active engagement in the WWF, on the Water Neutral Program, encouraging investment in the security of South Africa’s water resources and ecosystems (partnership already in its 4th year);
- Provision of bursary to two (AA candidates) students at the university.

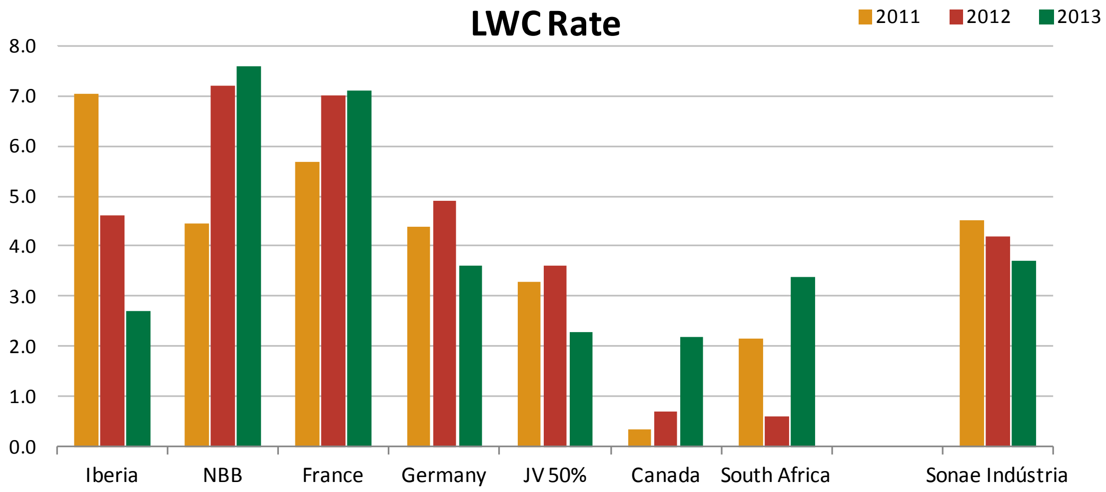
The management of CSI initiatives is the responsibility of a defined committee that is chaired by an independent consultant, and the remaining members being Sonae Novobord employees.

KEY HEALTH AND SAFETY PERFORMANCE INDICATORS

During 2013, several actions, best practices and improved procedures were implemented across our plants, with the objective of continuously improving Sonae Indústria’s safety indicators.

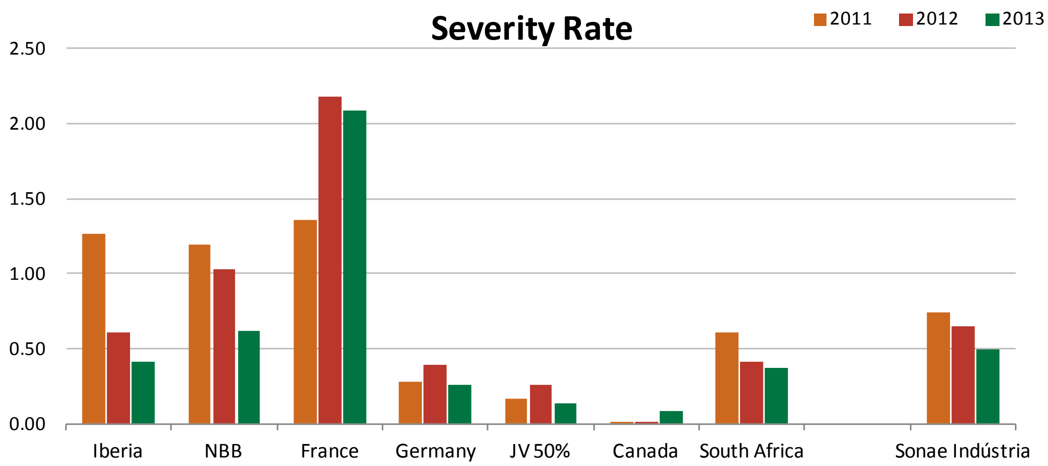
The figure below represents the country-wide and global Lost Workday Cases (LWC) rate[17]:

[17] Lost Workday Cases: Any occupational injury or illness that prevents the employee from reporting to work on any subsequent scheduled shift. Fatal injuries and illnesses are LWCs regardless of the time between injury and decease in length 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 overall LWC rate of Sonae Indústria improved 12% (compared with 2012). Although we have not yet achieved the set targets, we believe this a positive and consistent trend, evidencing that we are on the right path to achieve our goals in the medium term. In this respect, it is worth highlighting the good results achieved in Iberia, in the JV 50%[18] and in Germany (reductions of 40%, 36% and 27%, respectively, when compared with last year).

The Non-Board Business and the operations in South Africa and Canada registered some accidents in the year, which led to a significant increase in the respective LWC rate. In France, as showed in the graph, we also had a slight increase (+1% when compared to 2012). In order to improve our safety levels and, in the regions where the evolution was negative, ensure a turnaround of the results, further actions were implemented during the year, in addition to the ongoing measures aimed at ensuring a sustainably decrease of the root causes of these accidents.



Similarly to the LWC rate, the Severity rate[19] decreased globally by 23% when compared with the previous year. An incident occurred in Canada has naturally increased the Severity rate on this operation but did not have a significant impact on the level of the global rate.

[18] Joint Venture with Tarkett for the production of Laminate Flooring, in Eiweiler (50% / 50%)

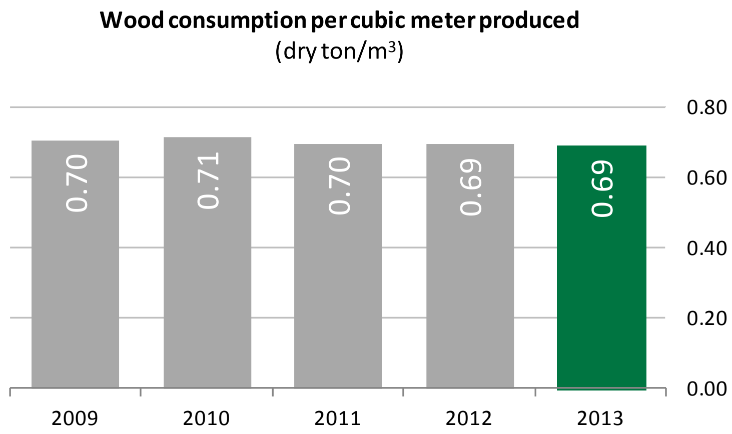
[19] Severity Rate = Number of workdays lost due to LWC*1,000 / Number of hours worked

The Severity rate is related with the seriousness of the injuries based on the days lost and is meant to show the extent of safety problems by exposing how critical each injury is. The fact that this rate has decreased in all countries, except Canada, for well know reasons, is a clear indication that the accidents occurred have been less severe. Nevertheless our main aim remains unchanged and we will strive to continue to reduce these rates every year.

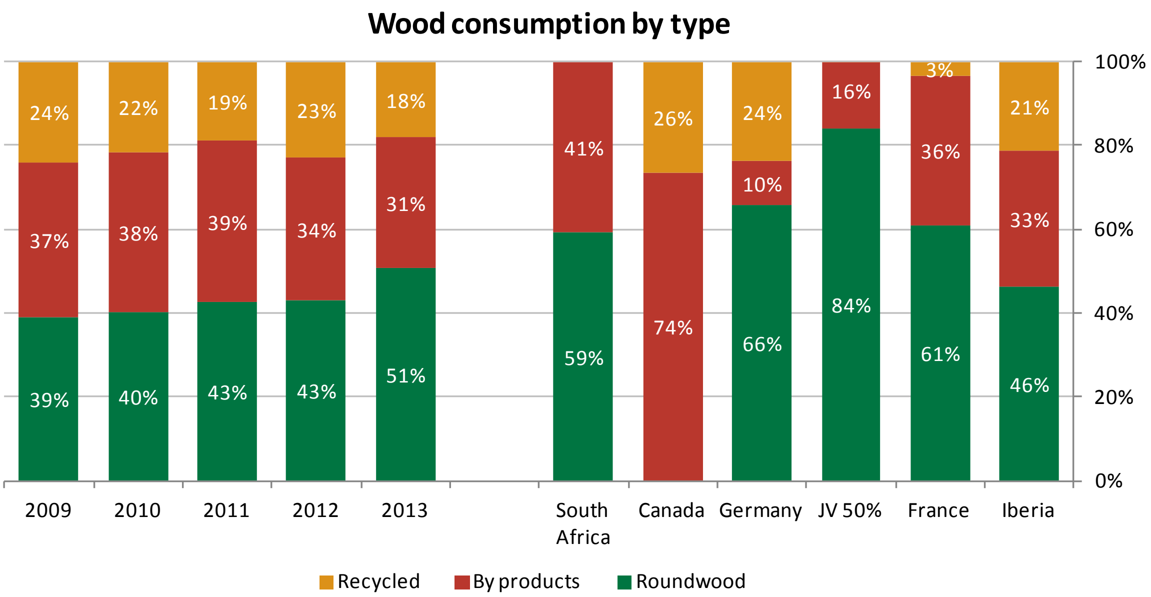
7.2. ENVIRONMENTAL REPORT

Wood Consumption (dry ton / m^3)
Wood is Sonae Indústria's primary raw material. 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 CO_2 emissions and climate change.

In the figures below we cover trends in wood mix consumption and wood use efficiency for the last years.



Our global specific wood consumption was stable when compared to 2012 figures, and continues at slightly lower levels than the ones registered in previous years.



The global wood supply mix of Sonae Indústria revealed the impact of the closures of Knowsley and Solsona, which determined a lower contribution of recycled wood raw materials.

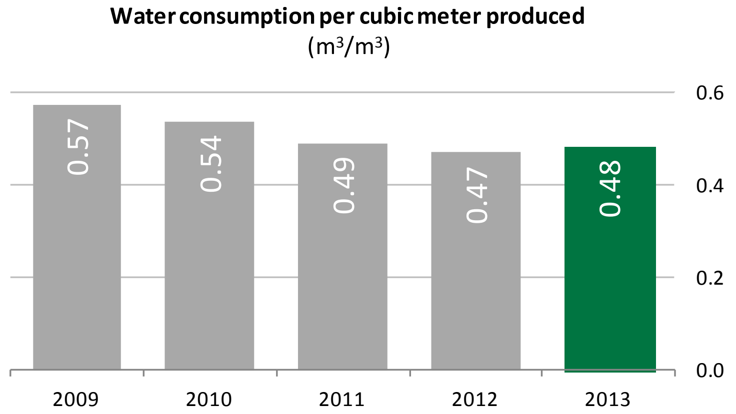
The higher contribution of roundwood is also a consequence of a higher relative weight of MDF production, when compared with previous years.

Water Consumption (m^3 / m^3)

Municipal, surface and underground water

As it is well know, globally, clean water is steadily becoming a scarcer resource. As Sonae Indústria's production processes require water, it is the company's objective to continuously make sustained efforts to re-use treated wastewater and to measure and reduce the levels of water consumption as far as possible.

MDF processes consume significantly higher volumes of water when compared to particleboard or OSB manufacturing. Following a trend of 5 years of gradual improvements, global specific water consumption for Sonae Indústria suffered a slight increase in 2013, when compared to the previous year, mostly driven by the higher contribution of MDF production in our global panel's production portfolio. Nevertheless, this indicator is still better than the level registered in 2011. This effect was mainly observed in the Iberian operations, as a consequence of the closure of Solsona, and the related lower contribution of particleboard production.

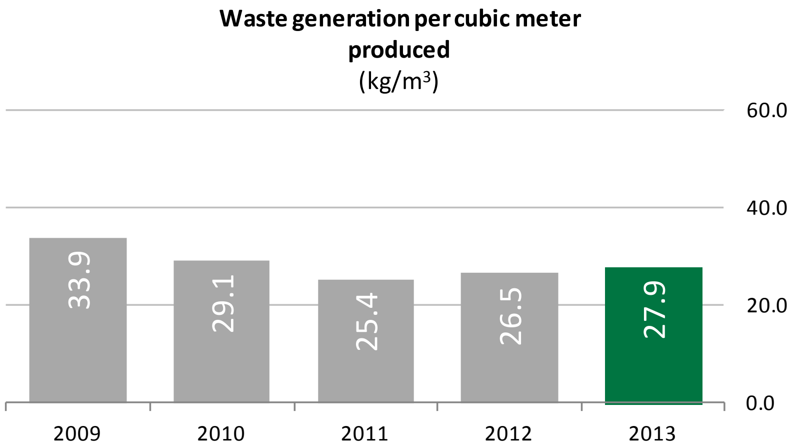


Waste Generation (kg / m^3)

Hazardous and non-hazardous waste

Specific waste generation global indicator was also affected by the decreasing production levels that occurred during the last years, as well as by the higher representativeness of MDF production in Sonae Indústria's portfolio.

Within the individual countries performance, only our French operations registered an improvement compared to previous year performance.



MANAGEMENT SYSTEMS

The gradual process of integrating Sonae Indústria's quality, environmental and health & safety management systems continued during 2013.

The number of certified sites for their quality (according to ISO 9001 standards), environmental (according to ISO 14001 standards), and occupational health and safety management systems (according to OHSAS 18001 standards) remained stable in 2013.

In the beginning of 2013, we achieved a key objective of obtaining a certification for our operations of chain-of-custody for forest-based raw materials.

This achievement includes the following elements:

- All our board manufacturing industrial operations are now certified according to the FSC (Forest Stewardship Council) chain-of-custody and controlled wood certification standards. The only exception is now Pontecaldelas, a value-added operation manufacturing flooring, in Spain. The plan for certifying the Pontecaldelas plant according to the FSC is now scheduled for 2014;
- All European industrial operations are now certified according to PEFC (Programme for the Endorsement of Forest Certification) chain-of-custody certification, thus ensuring our double certification policy for Europe;
- Our group of forest properties in Portugal (the only country where Sonae Indústria holds some forests) is also certified according to FSC and PEFC forest management standards.

SONAE INDUSTRIA

The current situation of our management systems certifications is the following:

	Quality	Environment	Forest products chain-of-custody		Health & Safety
	ISO 9001	ISO 14001	PEFC	FSC	OHSAS 18001
Maia	✓	✓	✓	✓	
Mangualde	✓	✓	✓	✓	✓
Oliveira do Hospital	✓	✓	✓	✓	✓
Sines	✓	✓	✓	✓	
Alcanede	✓		✓	✓	
Vilela	✓		✓	✓	
Castelo de Paiva	✓	✓	✓	✓	
Betanzos	✓	✓	✓	✓	✓
Linares	✓	✓	✓	✓	✓
Valladolid	✓	✓	✓	✓	✓
Cuellar	✓	✓	✓	✓	✓
Pontecaldelas	✓	✓	✓		✓
Auxerre	✓		✓	✓	
Le Creusot	✓		✓	✓	
Linxe	✓		✓	✓	
Ussel	✓		✓	✓	
Meppen	✓	✓	✓	✓	✓
Eiweiler	✓	✓	✓	✓	✓
Nettgau	✓	✓	✓	✓	✓
Hörn	✓	✓	✓	✓	✓
Beeskow	✓	✓	✓	✓	✓
Kaisersesch	✓	✓	✓	✓	✓
Panbult	✓	✓		✓	✓
White River	✓	✓		✓	✓
Lac-Mégantic	✓	✓		✓	✓

SONAE INDUSTRIA

8. CLOSING REMARKS AND ACKNOWLEDGEMENTS

Activity carried out by the Non-Executive Board Members

All Non-Executive Board Members of Sonae Indústria are part of the 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 analyze matters that are within the competence of the respective Committee, giving guidance to the company about them and making proposals to the Board of Directors. Beyond the participation in Board committees, Non-Executive Board Members are actively participating in meetings of the Board of Directors, where they discuss and question 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 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 the year.

11th March 2014,

The Board of Directors,

Belmiro de Azevedo

Rui Correia

Paulo Azevedo

Chris Lawrie

Albrecht Ehlers

Jan Bergmann

Javier Vega

Appendixes to the Management Report and Qualified Shareholdings

Appendix regarding Article 447 of the Company Law

		Acquisitions		Sales		Balance at 31.12.2013
	Date	amount	€ average value	amount	€ average value	**amount**
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA **(1)**						**49.999.997**
(1 share is held by the spouse)						
Sonae Indústria, SGPS, SA						**1.010**
(held by the spouse)						
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA **(1)**						**1**
Migracom, SGPS, SA **(2)**						**1.969.996**
Rui Manuel Gonçalves Correia						
Sonae Indústria, SGPS, SA						**12.500**
Agostinho Conceição Guedes						
Sonae Indústria, SGPS, SA						**2.520**

		Acquisitions		Sales		Balance at 31.12.2013
	Date	amount	€ average value	amount	€ average value	**amount**
(1) Efanor Investimentos, SGPS, SA						
Sonae Indústria, SGPS, SA						**44.780.000**
Pareuro, BV **(3)**						**5.583.100**
(2) Migracom, SGPS, SA						
Sonae Indústria, SGPS, SA						**90.000**
Imparfim, SGPS, SA **(4)**						**150.000**
(3) Pareuro, BV						
Sonae Indústria, SGPS, SA						**27.118.645**
(4) Imparfim, SGPS, SA						
Sonae Indústria, SGPS, SA						**278.324**

APPENDIX REGARDING ARTICLE 448 OF THE COMPANY LAW

	Number of shares at 31.12.2013
Efanor Investimentos, SGPS, SA	
Sonae Indústria,SGPS, SA	44.780.000
Pareuro, BV	5.583.100
Pareuro, BV	
Sonae Indústria, SGPS, SA	27.118.645

QUALIFIED SHAREHOLDINGS

Complying with Article 8, no.1 b) of the CMVM Regulation nº 05/2008

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA (1)			
Directly	44.780.000	31,9857%	31,9857%
By Pareuro, BV (controlled by Efanor)	27.118.645	19,3705%	19,3705%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor)	1.010	0,0007%	0,0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0,0005%	0,0005%
By Migracom, SGPS,SA (Company controlled by Efanor´s Director, Paulo Azevedo)	90.000	0,0643%	0,0643%
By Linhacom, SGPS,SA (Company controlled by Efanor´s Director, Cláudia Azevedo)	23.186	0,0166%	0,0166%
Total allocation	**72.013.552**	**51,4383%**	**51,4383%**

(1) Under the terms of paragraph b) of no. 1 of Article 20 and of no. 1 of Article 21 of the Portuguese Securities Code, Belmiro Mendes de Azevedo is the ultimate beneficial owner, since he holds around 99% of the share capital and voting rights of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

STATEMENT ISSUED UNDER THE TERMS AND FOR THE PURPOSE OF SUB-PARAGRAPH C) OF NO.1 OF THE ARTICLE 245 OF THE PORTUGUESE SECURITIES CODE

(Free translation from the original in Portuguese)

In terms of the order in sub-paragraph c), no. 1, Article 245 of the Portuguese Securities Code, the Board members of Sonae Indústria, SGPS, SA 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.

____

Belmiro Mendes de Azevedo

____

Rui Manuel Gonçalves Correia

____

Duarte Paulo Teixeira de Azevedo

____

George Christopher Lawrie

____

Javier Vega de Seoane Azpilicueta

____

Jan Kurt Bergmann

____

Albrecht Olof Luther Ehlers

SONAE INDÚSTRIA

CORPORATE GOVERNANCE REPORT

2013

11 March 2014

CONTENTS

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

A.SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital Structure

Sonae Indústria's share capital amounts to 700 million Euros and is represented by 140 million ordinary nominal shares with a nominal value of 5 Euros per share. All shares are listed on the NYSE Euronext Lisbon.

2. Restrictions on the transfer and ownership of shares

No restrictions are in place regarding the transfer and sale of the company's shares.

3. Own shares

The company does not own any of its own shares.

4. Impact of change in shareholder control of the company in important agreements

As of 31 December 2013 current loans amounted to circa 131 million Euros (19% of the consolidated net debt), relative to which the respective creditors have the option to consider the debt due in the event of a change in shareholder ownership, whereby such agreements may not harm the free trading of the company shares. No other relevant agreements were established in relation to changes or cessation, in the event of a transfer in the control of the company.

5. Defensive measures in case of change in shareholding control

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

6. Shareholders' agreements

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

SONAE INDUSTRIA

II. SHAREHOLDINGS AND BONDS HELD

7. Owners of Qualified Shareholdings

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA (1)			
Directly	44,780,000	31.9857%	31.9857%
By Pareuro, BV (controlled by Efanor)	27,118,645	19.3705%	19.3705%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor)	1,010	0.0007%	0.0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0.0005%	0.0005%
By Migracom, SGPS,SA (Company controlled by Efanor´s Director, Paulo Azevedo)	90,000	0.0643%	0.0643%
By Linhacom, SGPS,SA (Company controlled by Efanor´s Director, Cláudia Azevedo)	23,186	0.0166%	0.0166%
Total allocation	72,013,552	51.4383%	51.4383%

(1) Under the terms of paragraph b) of no. 1 of Article 20 and of no. 1 of Article 21 of the Portuguese Securities Code, Belmiro Mendes de Azevedo is the ultimate beneficial owner, since he holds around 99% of the share capital and voting rights of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

8. Indication of the number of shares and bonds held by members of the management and Supervisory Board

The Sonae Indústria directors detained the following company shares as of 31 December 2013:

	No. of shares
Belmiro Mendes de Azevedo	
Efanor Investimentos, SGPS, SA **(1)**	49,999,997
(1 share is held by the spouse)	
Sonae Indústria, SGPS, SA	1,010
(held by the spouse)	
Duarte Paulo Teixeira de Azevedo	
Efanor Investimentos, SGPS, SA **(1)**	1
Migracom, SGPS, SA **(2)**	1,969,996
Rui Manuel Gonçalves Correia	
Sonae Indústria, SGPS, SA	12,500

	No. of shares
(1) Efanor Investimentos, SGPS, SA	
Sonae Indústria, SGPS, SA	44,780,000
Pareuro, BV (3)	5,583,100
(2) Migracom, SGPS, SA	
Sonae Indústria, SGPS, SA	90,000
Imparfim, SGPS, SA (4)	150,000
(3) Pareuro, BV	
Sonae Indústria, SGPS, SA	27,118,645
(4) Imparfin, SGPS, SA	
Sonae Indústria, SGPS, SA	278,324

9. Board of Directors powers on share capital increase

The Sonae Indústria Board of Directors may decide to increase the company's share capital up to the amount of one thousand and two hundred million Euros, one of more times, through cash injections under the terms established by law. These powers were attributed in the General Meeting held on 28 April 2010 and may be exercised over a period of five years from that date, notwithstanding the general meeting renewing these powers. The Board of Directors has not yet used the powers attributed to it in the referred to General Meeting.

10. 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 general meeting board

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 29th March 2012, for the mandate 2012-2014 and was composed as of 31st December 2013 by:

- João Augusto Esmeriz Vieira de Castro - Chairman
- António Agostinho Cardoso da Conceição Guedes – Secretary

The members of the board of the Shareholder's general meeting have resigned their functions on the beginning of March 2014.

b) Exercise of Voting rights

12. Restrictions in terms of voting rights

Under the terms of 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 law.

The Article 23º-C of the Securities Code, added, establishes 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 law and the statutes.

Under the terms of 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 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, while the Company is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items on 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 votes can only be considered when sent to the headquarters of the Company by registered post with notification of receipt addressed to the Chairman 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 its head offices.

Sonae Indústria Articles of Association stipulate that the 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 has not been used yet.

The preliminary information for the General Meeting and the proposals submitted by the Board of Directors are 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

Each share corresponds to one vote, with no limitation.

14. Shareholders' resolutions that, under the terms of the company's Articles of Association, can only be approved by qualified majority

The decisions are taken by simple majority, apart from when law stipulates otherwise.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

The 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

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 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

The Sonae Indústria Board of Directors on 31 December 2013 comprised 7 directors, all elected in the Annual General Meeting held on 29 March 2012 for the 2012-2014 mandate, apart from George Christopher Lawrie, who was elected in the Annual General Meeting held on 12 April 2013 until the end of the current mandate.

Belmiro de Azevedo and Paulo Azevedo were initially appointed as of 15 December 2005, the registered date of the merger of the “former” Sonae Indústria - SGPS, SA into Sonae 3P - Panels, Pulp and Paper, SA and the renaming of the latter to Sonae Indústria, SGPS, SA. Rui Correia was initially appointed to the Board of Directors of Sonae 3P on 22 July 2002. Albrecht Ehlers was initially co-opted in September 2011. Javier Vega and Jan Bergmann were elected in the Annual General Meeting of 2012.

On 31st December 2013 the Board of Directors of Sonae Indústria was composed of:

- Belmiro Mendes de Azevedo – Chairman (Non Executive)
- Duarte Paulo Teixeira de Azevedo – Deputy Chairman (Non Executive)
- Albrecht Olof Lothar Ehlers (Non Executive and Independent)
- Javier Vega de Seoane Azpilicueta (Non Executive and Independent)
- Rui Manuel Gonçalves Correia (Executive)
- George Christopher Lawrie (Executive)
- Jan Kurt Bergmann (Executive)

Belmiro Mendes de Azevedo was the president of the Executive Committee until 15 February 2013.

João Paulo dos Santos Pinto, who had been elected to the 2012-2014 mandate and was a member of the Executive Committee, resigned from his post of director as of 31 October 2013.

18. Distinction between executive and non-executive members of the Board of Directors

Among the (7) seven directors, three (3) are executive members and four (4) are non-executive members.

Among the non-executive Directors, two (2) are independent. As for the director Albrecht Olof Lothar Ehlers, it is deemed that the annual payment of 12,300 Euros, which he receives from the subsidiary Glunz, AG for his role as part of its Supervisory Board, does not compromise his independence.

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

Belmiro de Azevedo (Chairman of the Board of Directors): obtained a degree in Chemical Engineering at the University of Oporto, a PMD from Harvard Business School, participated in the Financial Management Programme from Stanford University and has occupied a diverse number of positions in the Efanor/Sonae Group from an early stage. Mr Belmiro de Azevedo is today Chairman of the Board of Sonae, SGPS, SA, Chairman of the Board of Sonae Capital, SGPS S.A., and member of the European Union Hong Kong Business Cooperation Committee, of the International Advisory Board of Allianz AG and of the Harvard Business School International Advisory Board. He has been awarded on a number of occasions, some of the most prominent being the “Encomienda de Numero de la Ordem del Mérito Civil” from His Majesty D.Juan Carlos, King of Spain, the “Ordem of the Cruzeiro do Sul” from the President of the Brazilian Federal Republic, the “Grã Cruz da Ordem do Infante D. Henrique” from the President of the Portuguese Republic, nomination as “Honorary Fellow” of the London Business School and member of the “Order of Outstanding Contributors to Sustainable Development” from the World Business Council for Sustainable Development.

Javier Vega (Independent): obtained a degree in Mining Engineering by the Escuela Técnica Superior de Ingenieros of 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 Electrica de España, SEAT and Grupo Ferrovial. Currently performs other Board positions.

Paulo Azevedo: holds a degree in Chemical Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business Studies from the Oporto Institute of Business Studies. Was CEO of Optimus – Telecomunicações S.A. between 1998 and 2000. Today Mr. Paulo de Azevedo is chairman of the executive committee of Sonae SGPS, SA and holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo's son.

Albrecht Ehlers (Independent): lawyer; law degree from the University of Münster (Germany). From 1987 to 2000 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 the year 2010 he holds functions of chancellor at the Technical University of Dortmund (Germany).

Rui Correia (CEO): holds a degree in Economics from the University of Oporto and a post graduate degree in Business Management from the Oporto Institute of Business Studies. Having exercised functions in the Efanor/Sonae Group since 1994, he was head of the Finance Department of Sonae SGPS from 2000 and since 2001, he has also held a number of managerial and directorship roles in the Efanor/Sonae Group. He was appointed as Sonae Indústria CFO in 2005 and Sonae Indústria CEO in February 2013.

Christopher Lawrie (CFO): BA (Honours) Degree in Business Studies and Finance of 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.

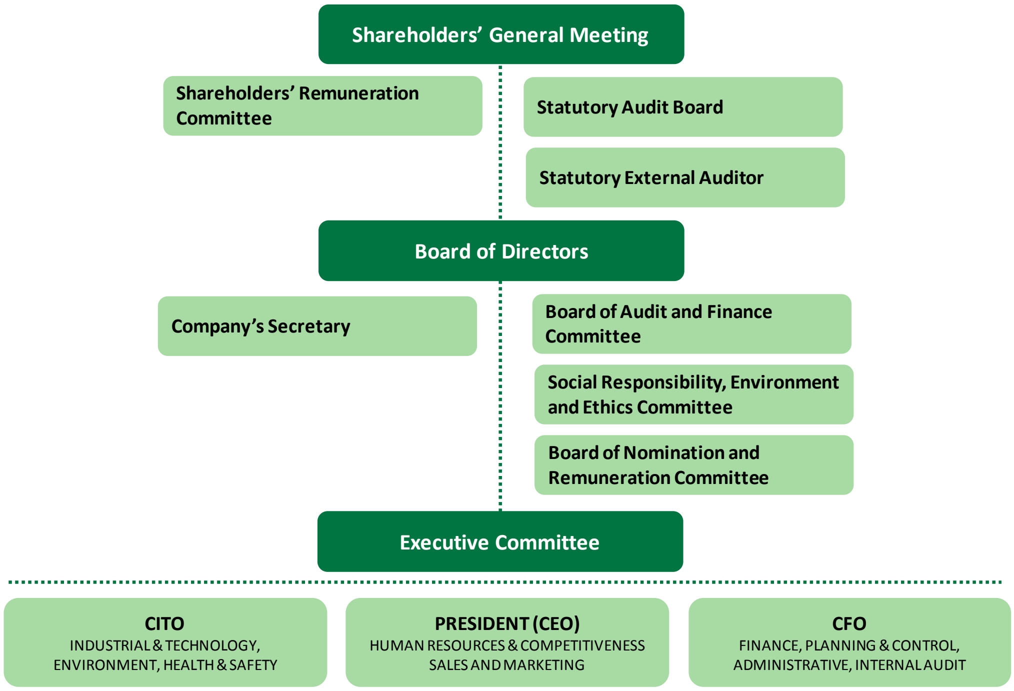
Jan Bergmann (CITO): obtained a degree in Engineering by Berlin University (Germany), "Dr.-ING" Technical University of Berlin, Business Administration and Finance for Technical Managers – European School of Management and Technology. Held various positions within the Group DuPont and joined Glunz AG in January 2011.

20. Significant family, professional or commercial relationships between members of Board of Directors and qualified shareholders

The non-executive director Belmiro de Azevedo is the majority shareholder of Efanor Investimentos, SGPS, SA and the non-executive director Paulo Azevedo is the son of Belmiro de Azevedo.

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 is split as follows:



b) Functioning

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

The Board of Directors and the Executive 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

The Board of Directors convened 10 times in 2013, with the respective minutes recording all the deliberations made. All the meetings were attended by all the board members 100% of the time, apart from Paulo Azevedo and Albrecht Ehlers who attended 80% of the meetings.

24. Indication of the corporate bodies responsible for the assessment of the performance of the executive directors

The company's Remuneration Committee, in connection with the Board of Nomination and Remuneration Committee assessed the performance of the executive directors.

25. Pre-defined criteria that are used to assess performance of the executive directors

The performance assessment criteria 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 as follows: 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 members of the Executive Committee work full time on the management of Sonae Indústria and its subsidiaries.

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

In companies belonging to Efanor Group

Board of Directors Member:

Belmiro Mendes de Azevedo:

- Àguas Furtadas-Sociedade Agrícola, SA (Chairman)
- Alpêssego-Sociedade Agrícola, SA (Chairman)
- BA – Business Angels SGPS, S.A (Sole Director).
- Casa Agrícola de Ambrães, S.A. (Chairman)
- Efanor Investimentos, SGPS, S.A. (Chairman)
- Prosa-Produtos e Serviços Agrícolas, SA (Chairman)
- SC – SGPS, S.A. (Chairman)
- Sonae – SGPS, S.A. (Chairman)
- Sonae Capital, SGPS, S.A. (Chairman)
- Spred, SGPS, S.A. (Chairman)

Duarte Paulo Teixeira de Azevedo:

- Efanor Investimentos, SGPS, S.A.
- MDS, SGPS, S.A. (Chairman)
- Sonae - SGPS, S.A. (Chairman of Executive Committee)
- Sonae Investimentos – SGPS, S.A. (Chairman)
- Sonae MC - Modelo Continente, SGPS, S.A. (Chairman)
- Sonae Sierra, SGPS, S.A. (Chairman)
- Sonae Specialized Retail, SGPS, SA (Chairman)
- Sonaecom, SGPS, S.A. (Chairman)
- Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A. (Chairman)
- Sonaerp - Retail Properties, S.A.(Chairman)

Rui Manuel Gonçalves Correia:

- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Darbo, SAS (Chairman)
- Ecociclo – Energia e Ambiente, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz UK Holdings, Ltd.

- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Megantic, B.V.
- Poliface North America Inc.(Chairman)
- Racionalización y Manufacturas Forestales, S.A.
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria-Management Services, SA
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria (UK) Ltd.
- Sonae Novobord (PTY) Ltd. (Chairman)
- Sonae Tafibra International BV
- Spanboard Products, Ltd.
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd. (Chairman)
- Tafisa Canada Inc. (Chairman)
- Tafisa Developpment SASU (Chairman)
- Tafisa France S.A.S
- Tafisa Investissements SASU (Chairman)
- Tafisa Participations SASU (Chairman)
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tecnologias del Medio Ambiente, S.A. (Chairman)

George Christopher Lawrie:

- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- Ecociclo – Energia e Ambiente, S.A.
- Glunz AG
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- Serradora Boix, SL
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria-Management Services, SA
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria (UK) Ltd.
- Sonae Novobord (PTY) Ltd.
- Spanboard Products, Ltd.
- Tableros de Fibras, S.A. (Vice-Chairman)
- Tableros Tradema, SL
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd.
- Tafisa Canada Inc.
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL

- Tecmasa Reciclados de Andalucia SL (Chairman)
- Tecnologias del Medio Ambiente, S.A.(Vice-Chairman)

Jan Kurt Bergmann:

- BHW Beeskow Holzwerkstoffe GmbH
- GHP GmbH
- Glunz AG (Vice-Chairman)
- Glunz Service GmbH
- Glunz UKA GmbH
- LaminatePark GmbH & Co. Kg
- OSB GmbH
- Sonae Indústria-Produção e Comercialização de Derivados de Madeira, SA
- Tableros de Fibras, SA
- Tafibra Suisse SA (Chairman)
- Tool GmbH (Chairman)

<u>Supervisory bodies Member:</u>

Albrecht Ehlers:

- Glunz AG (Supervisory Board Chairman – "Aufsichtsrat")

<u>In companies not belonging to Efanor Group:</u>

<u>Board of Directors Member:</u>

Belmiro Mendes de Azevedo:

- Imoassets-Sociedade Imobiliária, SA (Chairman)

Duarte Paulo Teixeira de Azevedo:

- Imparfin, SGPS, S.A.
- Migracom – SGPS, S.A. (Chairman)

Albrecht Ehlers:

- Erich-Brost-Institut für Journalismus in Europa GmbH

Javier Vega:

- Gestlink, SA (Chairman)
- DKV Seguros (Chairman)
- MásMóvil (Chairman)
- Ydilo Voice Solutions, SA
- Tavex Algodorena, SA

Supervisory bodies Member:

Albrecht Ehlers:

- Schindler Deutschland GmbH
- Salus BKK (Supervisory Board Chairman – “Aufsichtsrat”)
- PROvendis GmbH

c) Committees within the Management and Supervisory bodies and board delegates

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

To improve the operational efficiency of the Board of Directors and in line with the best practices for company governance, the Board of Directors appointed an Executive Committee, as well as 3 Specialised Committees.

The rules regulating the functioning of the Executive Committee can be read on the company website: www.sonaeindustria.com.

28. Composition of the Executive Committee

The Executive Committee is appointed by the members of the Board of Directors and comprises 3 members allocated the following areas of responsibility:

The Board of Directors has delegated powers to the Executive Committee to manage day-to-day operations of the Company except:

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 the Annual Report 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 including stock incentive plans and variable remuneration plans applicable to Executives and Senior Managers, in areas that do not require resolutions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings, together with decisions on individual compensation for Executives and Senior Managers, which competence is delegated to the Board Nomination and Remuneration Committee and, when these Executives are Officers of the Company, also require decisions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings;

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

k) approving quarterly and half-yearly reports and accounts;

l) 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;

m) 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;

n) investing in any other company or in other financial assets when the accumulated value is in excess of 10,000,000 Euros in any financial year;

o) 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;

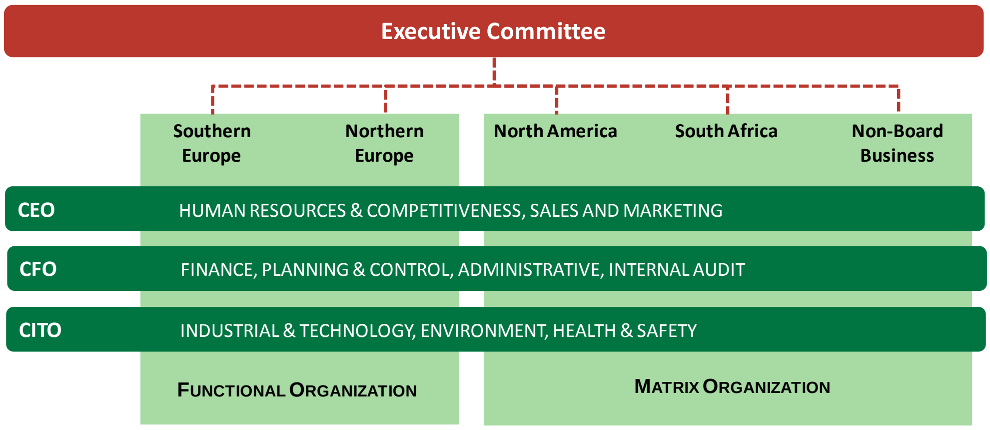
p) disposing of assets or other divestments, if such a transaction has a significant effect on the operating results of the Company (defined as equal or greater than 5%) or affects the jobs of more than 100 employees;

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

r) defining the corporate structure of Sonae Indústria Group.

Upon the departure of João Paulo Pinto, the fields of responsibility of the Executive Committee were split as follows:

- Rui Manuel Gonçalves Correia - CEO
- George Chistopher Lawrie - *CFO*
- Jan Kurt Bergmann - CITO



The Executive Committee normally meets at least once every month, excluding August and additionally whenever the Chairman of the Executive Committee calls a meeting. Meetings can only take place if the majority of the members are present or represented. The Chairman of the Executive Committee presides the meeting.

In 2013 the Executive Committee convened 17 times, with the respective minutes recording the deliberations made. All the members attended 100% of the meetings, with the exception of Jan Bergmann, who attended 94% of the meetings.

Decisions made by the Executive Committee are taken with the favourable votes of the majority of the members present or represented, including those voting by post. In the absence of quorum, the Executive Committee must submit the matter under consideration to the Board of Directors for deliberation.

In order to keep the Board of Directors and the Statutory Audit Board constantly updated of the decisions made by the Executive Committee, the Chairman of the Executive Committee provided the minutes of the Executive Committee's meetings to all the members of both Boards. At the end of each year, the Executive Committee drew up the schedule of its meetings for the following year, informing the Board of Directors and the Statutory Audit Board of this schedule.

The members of the Executive Committee provided all the information requested by other members of the governing bodies on time and appropriately.

29. Indication of the competencies of each board committee and summary of the main activities performed

The Board of Directors also appointed three committees with specialised expertise.

<u>Board Audit and Finance Committee ("BAFC")</u>

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

- Javier Vega (Chairman; Independent)
- Paulo Azevedo
- Albrecht Ehlers (Independent)

The BAFC normally meets at least 5 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;
- 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 2013, the BAFC held 5 meetings with the respective minutes having 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 board. The BAFC is a Committee within the Board of Directors and according to its empowerment 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 ratio, among other areas. It also issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning.

Social Responsibility, Environment and Ethics Committe (SREEC)

The SREEC is composed of the following Non-executive Members:

- Belmiro de Azevedo (Chairman)
- Albrecht Ehlers (Independent)
- Javier Vega (Independent)

This Committee is responsible for:

- review and advise the Board of Directors on information and reports to be included in the half-year and annual reports of the company;
- monitor the conduct of business in society, the impacts in terms of sustainability in its economic, environmental and social as well as corporate governance and ethical standards. It shall safeguard and monitor the implementation of the Code of Conduct, and proceed on its update whenever necessary.

This Committee has an Ethics sub-committee composed by an independent non-executive member of the Board of Directors, by the Internal Auditor and by the Global Human Resources Director, which have the function to advise the SREEC. The Ethics sub-committee prepares at least one annual report to the Board of Directors, and when appropriate also the auditing bodies of the related country, issues related with the corporate governance or business ethics.

The current members of the Ethics sub-committee are:

- Albrecht Ehlers (Chairman)
- Edite Barbosa (Global Human Resources Director)
- Rogério Ribeiro (Internal Auditor)

SREEC met twice during 2013 and recorder in the minutes their deliberations.

The Ethics Sub Committee met twice.

Board Nomination and Remuneration Committee (BNRC)

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

- Belmiro de Azevedo (Chairman)

- Javier Vega (Independent)
- Paulo Azevedo
- Albrecht Ehlers (Independent)

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 the Sonae Indústria Group, depending on the activity performed by them. BNRC is also responsible for finding potential candidates with a profile to be a Board Member both for the company itself and for its affiliated companies.

The BNRC liaises with the Sonae Indústria 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 2013, the BNRC met on two occasions with the respective minutes having been drafted.

III. SUPERVISION

a) Composition

30. Identification of the supervisory body: Statutory Audit Board

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

31. Composition

The Statutory Audit Board was elected at the 2012 Shareholders' Annual General Meeting for the 2012-2014 mandate and has the following composition:

- Manuel Heleno Sismeiro – Chairman
- Armando Luís Vieira de Magalhães -Member
- Jorge Manuel Felizes Morgado – Member
- Óscar José Alçada da Quinta – 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
- Armando Luís Vieira de Magalhães – May 2007
- Jorge Manuel Felizes Morgado – May 2007
- Óscar José Alçada da Quinta – May 2007

32. Independence of the Statutory Audit Board members

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

To ensure at all times the independence of members of the Statutory Audit Board prior to their appointment, such members issued statements attesting that: (i) not to incur in any of the incompatibilities provided in Article 414º-A of the Companies Law as well as they were not in any situation that affects their independence in accordance with paragraph 5 of Article 414º of the same law; (ii) committed themselves to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate.

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 Industria, SGPS, SA and Sonae Capital, SGPS, SA. Prior to this he was a partner at Coopers & Lybrand and Bernardes, Sismeiro & Associados and from 1998 to 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 at Porto and Director of Audit Division in the period of 1998 – 2002 as well as member of the management board at PricewaterhouseCoopers.

ARMANDO LUÍS VIEIRA DE MAGALHÃES (Statutory Audit Board Member): Bachelor of Accounting (former-ICP and current ESCAP), Degree in Economics (University of Porto), Executive-MBA European Management (IESF / IFG). He performed various functions in a credit institution (1964-1989) and since 1989 has practiced as an external auditor, first on a stand-alone basis but subsequently as partner of Santos Carvalho & Associados, SROC and currently of Armando Magalhães, Carlos Silva & Associados, SROC, Lda.

JORGE MANUEL FELIZES MORGADO (Statutory Audit Board Member): Management Degree (ISEG, Technical University of Lisbon), MBA in Finance-IEDE Madrid, MBA in Management and Information Systems (Catholic University), Official External Auditor. Mr. Morgado held various roles as auditor in Coopers & Lybrand (1980-1989), responsible for Management Control and Internal Audit of the Coelima Group (1989-1991) before becoming a partner of Deloitte (1991-2004). From 2004 he has been an Official Statutory Auditor and Partner of Econotopia-Consultoria e Gestão, SA.

OSCAR ALÇADA DA QUINTA (Statutory Audit Board Substitute-Member): Degree in Economics (University of Porto). He has held various functions in both the administrative and financial departments of different companies (1982-1986) and since 1986 has provided services within the external audit of 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 but subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

b) Functioning

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

The rules regulating how the Statutory Audit Board functions can be read at the company website: www.sonaeindustria.com.

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

In 2013 the Statutory Audit Board convened 6 times. The minutes were drawn up recording the respective deliberations. All the members attended 100% of the meetings with the exception of Jorge Morgado who attended 50% of the meetings.

36. Availability of each member of the Statutory Audit Board, 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 Statutory Audit Board members exercised their roles in conjunction with the functions listed below, as outlined in section 33.

Functions exercised by Statutory Audit Board members as of 31 December 2013:

In companies belonging to Efanor Group

Manuel Heleno Sismeiro

- Sonae Capital, SGPS, SA (Chairman of the Statutory Audit Board)

Armando Luís Vieira de Magalhães

- Sonaecom - SGPS, S.A. (Statutory Audit Board)
- Sonae Capital, SGPS, SA (Statutory Audit Board)

Jorge Manuel Felizes Morgado

- Sonae, SGPS, SA (Statutory Audit Board)
- Sonae Capital, SGPS, SA (Statutory Audit Board)
- Sonae Sierra, SGPS, SA (Statutory Audit Board)

Óscar Alçada da Quinta

- Sonaecom - SGPS, S.A. (Statutory Audit Board)
- Sonae Investimentos, SGPS, SA (Statutory Audit Board)

In other companies not belonging to Efanor Group

Manuel Heleno Sismeiro

- OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)
- Segafredo Zanetti (Portugal) SA (Chairman of the Board of the Shareholders' General Meeting)

Armando Luís Vieira de Magalhães

- Futebol Clube do Porto - Futebol S.A.D (Statutory Audit Board)
- Real Vida Seguros (Statutory Audit Board)

Óscar Alçada da Quinta

- BA GLASS I – Serviços de Gestão e Investimentos, SA. (Statutory Audit Board)
- Caetano-Baviera – Comércio de Automóveis, SA (Statutory Audit Board)
- Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Board of Directors)

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

The Statutory Audit Board shall approve the hiring, by the company or subsidiary companies of the external auditor or any entities with which they have joint shareholdings or which are part of the same network, to provide services other than auditing services.

38. Other roles of the supervisory body

The Statutory Audit Board exercises all the responsibilities attributed to it by law.

Desides 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

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

40. Permanence of Functions

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

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

In 2013 PriceWaterHouseCoopers did not provide any services other than auditing or related services to the company and/or to subsidiary companies.

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 no. 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

Sonae Indústria has not defined any policy regarding the frequency of the rotation of the external auditor, given that the third mandate for which the current statutory external auditor was elected only ends in 2014. Likewise, in relation to the statutory external auditor partner, Sonae Indústria has not established any policy regarding the frequency. The legal stipulations concerning this issue are scrupulously complied with.

45. Appraisal of the external auditor

The Statutory Audit Board proposed the election of the Statutory External Auditor at the Shareholders' General Meeting held in 2012, who is also the external auditor of the company. The proposed remuneration policy approved at the 2013 Shareholders' General Meeting states that the Statutory External Auditor of the company should be paid according to the normal levels of fees for similar services by reference to market information, as negotiated annually under the supervision of the Statutory Audit Board and of the Board Audit and Finance Committee.

The Statutory Audit Board meets the Statutory External Auditor whenever it deems fit and monitors their activities and conclusions from their work through the final audit reports. This allows them to evaluate the work of the external auditor. The Statutory Audit Board may if there is just cause, propose to the Shareholders' General Meeting the dismissal of the Statutory External Auditor since he is elected under the proposal of the Statutory Audit Board.

46. Other services provided to the Company by the External Auditor

Throughout 2013 no other services were hired from the external auditor. If the company or any subsidiary intends to hire services from the company auditor on top of the auditing services, the Statutory Audit Board must approve the hiring of these services beforehand.

47. Annual remuneration

Sonae Indústria and its subsidiaries paid PriceWaterhouseCoopers the following amounts in 2013:

By the Company	
Auditing Services (€)	13 730 € / 3.15%
Other reliability guarantee services (€)	1925 € / 0.44%
By other group entities	
Auditing Services (€)	386 394 € / 88.63%
Other reliability guarantee services (€)	33 915 € / 7.78%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to the amendment of the company's articles of association

The rules applicable to amendments of the Articles of Association are established by law. It is the task of the Shareholders' General Meeting 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 the irregularities communication policy, which is available at the website www.sonaeindustria.com. Sonae Indústria's Code of Conduct and irregularities communication policy 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.

Any information on a suspected 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 Industria SGPS, S.A.
Subcomissão de Ética da Comissão de Responsabilidade Social, Ambiente e Ética
Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

A meeting to clarify the alleged irregularity can then be arranged with the Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee, when required.

Each irregularity report will be received by the Ethics Subcommittee, who is responsible for initiating and supervising the investigation into all reports. Once the research is concluded and if the irregularity reported corresponds to wrongful conduct, the Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee, shall notify the situation to the superior of the employee or the Service Provider's employer in order to apply corrective actions and / or initiate disciplinary proceedings.

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 suspected 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 retaliated against for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee.

The company provides a means by which to report irregularities on its intranet

The Ethics Subcommittee shall inform the Statutory Audit Board about any report of non-ethical behaviour received.

The company maintains a record of all complaints and cases investigated as well as their findings which is be available for consultation by the statutory bodies and external auditor.

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 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
- Social Conscience
- Communication
- Compliance

Relations with shareholders and other investors

- Creation of value
- 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 site 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

Sonae Indústria has implemented policies and procedures to guarantee compliance with the directives issued by the management bodies. Sonae Indústria has integrated a Skills Centre into the framework of its **Global Business Processes and Systems**, which works with the local operations and corporate departments as a Centre of Excellence to achieve key objectives, such as: prioritisation, development and implementation of processes and systems (including control activities); definition of the best practices and assessment of the performance of the processes, establishing the connection between the Business needs and the system application component.

Sonae Indústria has ongoing monitoring activities of control in place as diverse as 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 timeframe which enables employees to fulfil their responsibilities. Sonae Indústria has a **Planning and Management Control (PMC)** department which supported by robust information systems, produces reports containing operational, financial and compliance-related information. The PMC, through its Procedural Manual, defines and implements a set of rules and procedures relative to the planning processes, reporting, accounts management and investment approval process.

The **Accounts Consolidation** department is responsible for the preparation of the consolidated financial information based on reporting packages from the Administrative and Financial responsible of each country. The centralised accounting back-office (**Shared Service Centre**) performs the accounting of all subsidiaries, with the exception of the Canadian, thus helping to guarantee alignment of policies and strengthening of procedures and controls.

Internal control systems are monitored. Ongoing monitoring activities exist, namely regular management and supervisory activities. Separate evaluations are conducted by the internal audit department, whose scope and frequency depend primarily on an assessment of the risks and effectiveness of ongoing monitoring procedures.

There are procedures for periodic reporting to management and supervisory bodies of major internal control deficiencies and breaches of procedures and policies set by Sonae Industria.

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 and the Ethics Subcommittee, enhance the control culture of the organisation.

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, specific departments were created, some years ago, composed by specialised teams – Internal Audit and Risk Management. The main function of the Internal Audit department is to monitor compliance with procedures and policies defined and to report to the Board of Directors on any irregularities found. The Risk Management department must analyse the potential risks of the company and implement the standards as well as the systems that can reduce those risks.

The person responsible for the Internal Audit department reports functionally to and meets the Statutory Audit Board at least twice a year as well as the Board Audit and Finance Committee, whose chairman is an Independent Director. Both Governing Bodies can request information or clarifications whenever they wish.

Additionally, it is the Board Audit and Finance Committee particular duty to manage the risk, internally controlling the processes and businesses as well as analysing the results of the Internal and External Audit.

The competences of the Statutory Audit Boards 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 heads of the respective departments, receiving the reports these departments produce.

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

The Statutory External Auditor reviews the implementation of policies and remuneration systems as well at the effectiveness and operation of the internal control mechanisms. In the event of finding any defect or irregularity, this will be reported to the Statutory Audit Board.

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

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

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

53. Identification and description of the main types of risk

Sonae Indústria faces a variety of risks from external and internal sources which must be assessed and we have installed in our company a culture of prevention and early detection. As you will see subsequently, an Enterprise-Wide Risk Management Framework was developed and is updated periodically.

The main financial risk that Sonae Indústria is exposed to is **credit risk** over its customers, which is the risk of a customer either paying late or failing to pay the acquired products due to lack of liquidity. To mitigate this risk, Sonae Indústria has implemented credit management procedures and credit approval processes. The credit insurance is a mandatory tool used in all geographies where we are present and where such possibility exists to mitigate the credit risk. The credit insurance levels that are offered by external credit insurance partners are continuously revised and updated throughout the year and a close and complementary relationship is kept with these suppliers in order to mitigate the risk we have in common and to allow a better evaluation of the credit risk. In specific situations where we are not able to contract credit insurance to mitigate this risk, alternative and/or complementary solutions (like 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. In the limit situation where we are not able to obtain risk coverage for a specific customer or operation, we develop a detailed internal process 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.

The **economical 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 on Sonae Indústria's consolidated Statements of Financial Position 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.

Foreign Exchange Risk derives from being a diversified Group with subsidiaries spread throughout three different continents. 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 from both translation and transaction type. Whenever possible and economically viable, Group subsidiaries aim to offset assets and liabilities denominated in the same foreign currency.

Liquidity Risk aims mainly to ensure that the company can obtain 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. For this purpose, liquidity management at Sonae Indústria mainly comprises consistent financial planning, diversification of financing sources and diversification of debt maturities issued.

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

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

Internal Audit is an independent and objective activity, which aims helping Sonae Industria to achieve their goals by participating in the process of value creation. 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.

In fulfilling its responsibilities, Internal Audit has access to any persons, records, information, systems and assets deemed necessary.

Internal Audit reports functionally 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. The annual plan of Internal Audit activity is approved in advance by the Executive Committee and submitted to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

Descriptive reports of the activity of Internal Audit are periodically prepared and sent to the Executive Committee, 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 reporting system implemented ensures regular feedback, a proper review of the activities and the possibility to adjust the plan of activities to emerging needs.

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.

A global approach is in place to assure a suitable and balanced coverage of the operational risk through its transfer to our reinsurance panel. Sonae Indústria developed various insurance programs to place the risk, aiming to cover:

- Property damage (including machinery breakdown) and Business Interruption;
- Damage in transports;

- Damage caused to third parties (Product, Public and Environmental Liability);
- Credit Risk;
- Work accidents.

Sonae Indústria adopts global policies as a support to its processes of risk management together with local solutions that better approach specific risks and topics and is committed to improve its assets protection and prevention levels to reinforce the partnership with the insurance market.

55. Main elements of the internal control systems and risk management adopted by the company in relation to the process of disclosure of financial information

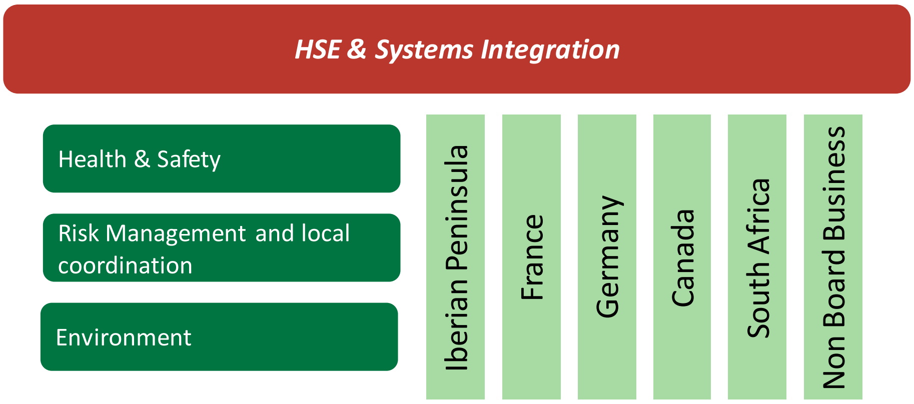
The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.

The Risk Management Area is separated in two responsibilities to guarantee a more focused and specialized approach - Operational Risk Management and Insurance Management.

Operational Risk Management is integrated in the department responsible for the consolidation of Health and Safety at Work practices (Corporate HSE & Systems Integration Department), reporting directly to the company CITO, in order to focus on developing and implementing measures to mitigate risks in industrial operations.

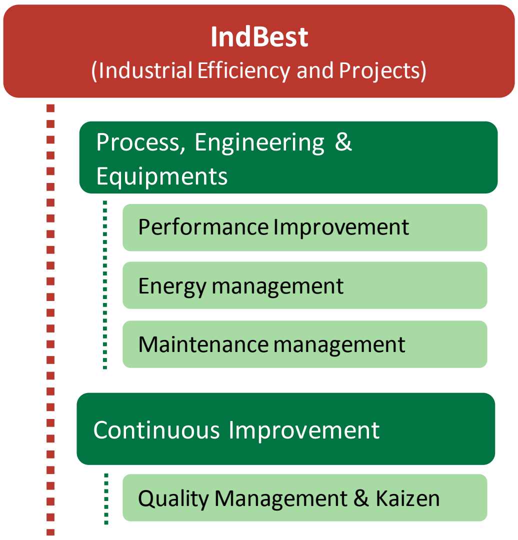
A formally coordinated network of Country Risk Officers exists in each of the countries where Sonae Indústria operates and at each of the sites there is a dedicated Plant Risk Officer.

The organisation of the Corporate HSE & Systems Integration Department can be analysed in the following diagram:



The Operational Risk Management is also related to the Corporate Department IndBest (“*Industrial Best Practices*”). This department is responsible for the implementation and sharing of industrial best practices and procedures, through an effective coordination with local teams, namely the Industrial Managers of the several operations and the Plant Managers, and support to the implementation of industrial investments. This team is also responsible for the promotion of several actions to optimise energy efficiency and to ensure a global coordination of the maintenance works carried out at the plants.

The Continuous Improvement team, also part of the IndBest department, promotes the implementation of continuous improvement best practices, which lead to higher efficiency and productivity levels in the group, gradually implementing a cultural change in the company’s employees. Its objective is to promote throughout all people a faster and more efficient way of work, not only in the industrial areas, but also in commercial and support activities of the company.



The integrated insurance management is encompassed into the Compliance & Risk Management Department.

The goal of the insurance management is to bring about more efficient and effective management of the Group's different insurance policies, in order to mitigate insurance risks. It is responsible for drawing up and implementing procedures that minimize exposure to risk, reducing the likelihood of risk situations occurring and ensuring maximum coverage.

This Department 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 into three categories (Business Division Risk, Business Process Risks and Risk Information for Decision Making) and contains the quantification of the relevance (impact on EBITDA and operating efficiency) as well as 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 ambit of the finance function.

Operational Risk Management

Sonae Indústria aims to improve its industrial process by implementing more efficient and sustainable practices. The operational risks are assessed and mitigated in order to raise awareness about the new risks and change behaviour in relation to the current risks.

Operational risk management activities were carried out in 2013 to achieve the goals set as regards risk control.

Taking into account all the risks an industrial activity such as ours entails, the protection of the key assets, as well as the loss prevention activities, are ongoing concerns of the Group, and have been defined as priorities for 2013.

Corporate Operational Risk Standards (CORS)

The CORS were developed with reference to international standards such as NFPA[1] and/or FM[2] data sheets, bringing together the best engineering protective practices against fire at Sonae Indústria, and in the wood industry. These standards were validated with external experts and specialists from the insurance market and risk management field. They aim to ensure standardisation of processes and procedures in all geographies in an effort to improve operational risk management by leaving little or no room for uncertainty.

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

1. Management Programs and Procedures:

- Best Industry Practices in Loss Prevention involving the Human Element;
- Preparation for emergencies;
- Management of Programs (maintenance, equipment inspections, training, contractors, housekeeping).

2. Fire Protection Systems:

- Reference to international recognised standards, mainly NFPA;
- General requirements in fire detection and protection of industrial premises, fire water supply specifications and building materials characteristics;
- Integration of 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;
- Specific issues such as, thermal and hydraulic oil installations, electrical cabinets, and rooms, or transformers.

In 2013, in the wake of a detailed study carried out by an independent international company that works in all areas of industrial and procedural safety, namely prevention of risk of fire and explosions, an exhaustive list of risks was drawn up linked to the key operational processes (production).

Medium-term action plans were drawn up to mitigate these risks, focusing particularly on the use of Recycled Material, which is planned to increase in the coming years.

In line with the CORS philosophy, additional companies were consulted in the third quarter of 2013 that are specialised in leading-edge techniques in protection against dust explosions, so as to provide suitable technical solutions to minimise and control the risks identified.

Inspections

External Risk Inspections

The CORS have become the processes and procedures by which the audit risks are oriented to check the exposure of each plant. This permits greater transparency and harmonisation in the audit process.

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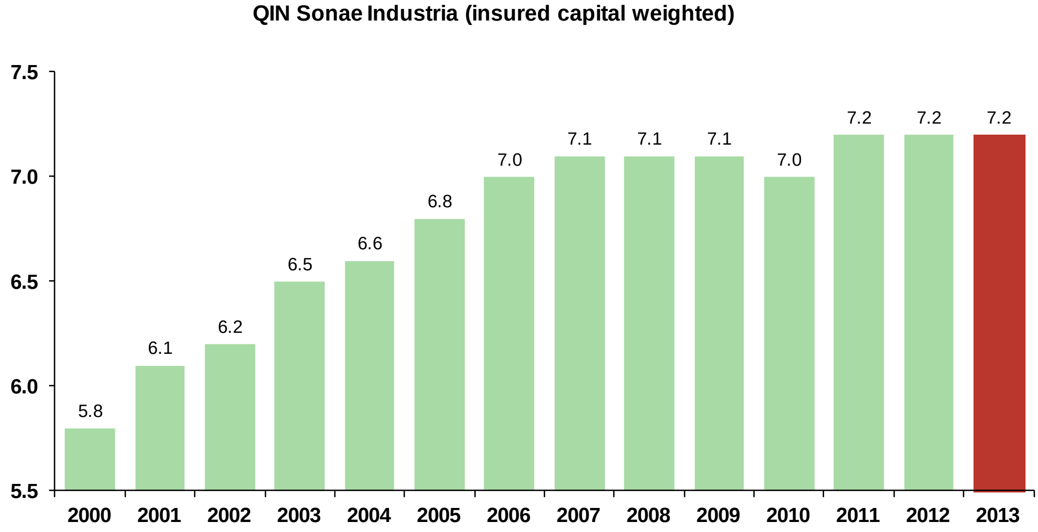
[1] National Fire Protection Association

[2] Factory Mutual

A significant change was made in the external auditing process in 2013 and implemented in all plants in relation to the entity that performs the external audit. A cut off was implemented in relation to the previous process where the entity that performed this external audit was changed every year. Therefore it was agreed that until 2014/15 the auditing inspections would be carried out by the same entity in each plant. This change will ensure a more efficient monitoring of the recommendations made.

Upon completing the external audits, a report is issued with a set of recommendations for each plant visited. Since 2000, the Sonae Industria overall QIN has improved from 5.8 to its current value of 7.2.

In 2013, six audits were carried out. The results are reflected in the QIN calculated at the end of the year, as shown in the graph below.



Internal Risk Inspections

Following the organisational changes made in 2013, the internal visits to some plants focused on compliance with the Corporate Operational Risk Standards.

The result of the visits is reported and the implementation of the recommendations is tracked.

2009-2015 Risk Plan

Each individual plant plan (which is updated annually) defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards and corporate directives published. The main objectives encompass:

- Improving Sonae Indústria's Installations Risk Standard with a view to increasing employee and asset safety, and avoiding eventual periods of 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 establishing priorities based on the impact on Loss Prevention.

In 2013 a quarterly follow up of the active recommendations was implemented, which was subsequently reported to our insurance partners. Each industrial site is responsible for updating the status using a defined template. This information is then centrally uploaded to a website used by the reinsurance panel.

All Risks Insurance Premium Distribution

Most of Sonae Indústria's plants are covered by a "Fully Comprehensive" insurance policy, as part of a global and centrally contracted programme.

To correctly impute the cost of the insurance per plant and location, the Insurance Management Department carried out a process this year at all locations, surveying the local conditions in order to bring about a fair distribution of the global premium for each productive plant and risk location.

This process did not lead to significant differences in the distribution of the premium when compared with the previous process but guaranteed the external reliability of a practice that has been implemented in recent years.

For the plants not included in the global programme, demand and selection procedures were carried out at the locations to obtain the best coverage and price

IV. INVESTOR RELATIONS

56. Investor Relations' Department

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

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-to-one meetings upon request, or by participating at conferences.

Sonae Indústria's Investor Relations Department comprises two staff members. Its manager is António Castro. The Department may be contacted,

by e-mail: investor.relations@sonaeindustria.com or by telephone: +351 220 100 655.

57. Representative for the Relations with Capital Markets

Sonae Indústria's legal Representative for Relations with Capital Markets is its executive director George 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 2013 the Department received contacts and requests for clarification from 35 investors, of which seven were non-resident. In overall terms, the average response time to the information requests from investors was less than 24 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

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=2,0,27 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,27 (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, Executive Committee and Statutory Audit Board are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,109 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,109 (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

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)

The half-yearly 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 information on General meeting

The notifications convening the general meetings and all the preparatory information and information subsequent to the meetings are available at:

http://www.sonaeindustria.com/page.php?ctx=2,0,32 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,32 (English version)

65. Place for the disclosure of the historic records

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=1,0,32 (Portuguese version)
http://www.sonaeindustria.com/page.php?ctx=1,0,32 (English version)

D. REMUNERATIONS

I. COMPETENCIES FOR APPROVAL OF REMUNERATIONS

66. Details of the powers for establishing the remuneration of the governing bodies and Executive Committee

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 Remuneration Committee talks to the Board Nomination and Remuneration Committee. Only as such can the Remuneration Committee gain 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 by the Shareholders' General Meeting for a three-year term and was elected at the Shareholders' General Meeting held in March 2012 for the mandate 2012-2014. Currently this committee is composed by Efanor Investimentos - SGPS, SA, represented by Belmiro Mendes de Azevedo, by, Imparfin - SGPS, SA, represented by José Fernando Oliveira de Almeida Côrte-Real and by the Professor José Manuel Neves Adelino.

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

The participation of Belmiro de 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. Belmiro de Azevedo does not participate in the discussion nor is present in the moment of the meeting in which his own payment 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 Corte Real, works for the Efanor Group on Human Resources' area; his extensive knowledge and vast experience in Human Resources, namely in regard to remuneration policy 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

At the General Meeting held in 2013 the Remuneration Committee approved a declaration concerning the remuneration and compensation policy of the governing bodies and the managers, and a share attribution plan.

The remuneration and compensation policy to be applied to the Statutory Governing Bodies of Sonae Indústria and other Senior Management, which we hereby propose, complies with European guidelines, 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 delivering 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 practice at the companies that compose the PSI-20 Portuguese Stock Market Index.

The remuneration packages to be awarded to Executive Directors are established by reference to market studies covering "Top Executives" in Portugal and Europe, taking as reference the median position in the market for fixed remuneration levels and the third quartile for total remuneration levels, in comparable circumstances.

The fixed remuneration and target variable remuneration are decided by the Shareholders' Remuneration Committee in coordination with the Board Nomination and Remuneration Committee.

Fixed component of remuneration is aligned, through the use of ranges, with market standards, which are benchmarked to equivalent practice at comparable companies.

The variable component of remuneration, 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.

The variable component of remuneration is assessed by evaluating performance using a set of performance indicators, both business indicators mainly of an economic and financial nature "Key Performance Indicators of Business Activity" (Business KPIs), and individual indicators, combining the latter performance indicators mainly quantified "Personal Key Performance Indicators" (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 and compliance with the laws that apply to the Company's activities.

The variable component of remuneration to be awarded 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 performance and individual contributions to the collective success, which, obviously, impacts the awards of the fixed and variable components of the remuneration package of each Executive Director.

For each financial year, at least fifty per cent of the value of the variable remuneration awarded to an Executive Director, as a result of the evaluation of individual and company performances, has its payment deferred for a period of three years. This deferred component of variable remuneration is linked to the evolution of the share price, under the Plan to Grant Sonae Indústria Shares (the "Medium Term Incentive Plan" or "MTIP") under the terms of the respective "Characteristics and Regulation", attached as an Appendix to this Proposal. The Company reserves the right to pay the equivalent market value in cash, instead of delivering shares.

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 benefits, particularly retirement benefits, in favour of the members of the governing bodies or other "Senior Management".

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;
- will not sell, during the mandate in course, any Company shares that they may have received, through their participation in the Medium Term Incentive Plan, up to a limit of two times the value of their total annual remuneration, with the exception of those shares that may be required to be sold in order to pay taxes on the respective gains.

In what respects to the Board of Directors of Sonae Indústria, the approved policy states that:

Executive Board Members (ED)

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 involves 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, awarded in the first half of the year following the year to which it relates (the "Performance Year") and subject to the accomplishment of the targets and objectives fixed for the Performance Year. The variable component is divided into two parts (a) a Short Term Variable Bonus which is paid immediately after it is awarded, and (b) a Medium Term Variable Bonus which vests and is paid after a 3 year deferral period, considering that the exposure of EDs to fluctuations in the share price is the most appropriate way to align the interests of EDs with those of shareholders.

(i) The fixed remuneration of an ED 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 remuneration is designed to motivate and reward the EDs to achieve predetermined targets and objectives, which are based on indicators of Company performance, of working teams under their responsibility and of their own personal performance. Variable remuneration is awarded after the annual accounts are closed and after their performance evaluation has been completed. As the amount of the award is subject to the accomplishment of targets and objectives, there is no guarantee that any payment will be made.

a) The Short Term Variable Bonus

This bonus is paid in the first half of the year following the year to which it relates (the "Performance Year").

The calculation model of the Short Term Variable Bonus of EDs without an specific geographic responsibility, that is, CEO and CFO, is based on the Company KPI's, at 100%, resulting 70% from the Operational Cash Flow and 30% from Fixed Costs. Thereafter, a multiplication factor will be applied. This multiplication factor results from the 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, COO NE&CITO and COO SE&CMSO, the bonus calculation is similar to the previously described but the combine result of the Company's Operational Cash Flow and Fixed Costs has a weight of 70%, 50% for the Operational Cash Flow and 20% for Fixed Costs, and the weight of the relevant geography represents the remaining 30%, of which 20% is allocated to the Operational Cash Flow and 10% to Fixed Costs. The multiplication factor resultant from the performance assessment is applied in the same way.

b) The Medium Term Variable Bonus

This bonus is designed to enhance the connection of the EDs with the Company, aligning their interests with the interests of shareholders, and increasing their awareness of the importance of their performance on the overall success of the organisation. The value awarded corresponds to at least 100% of the Short Term Variable Bonus, which means that the Medium Term Variable Bonus, awarded through participation in the Medium Term Incentive Plan, corresponds to at least 50% of the total value of variable remuneration.

The value awarded in euros is divided by the average of the closing share prices of the thirty trading sessions prior to the Shareholders' General Meeting, or alternatively, prior to 30 April, should the Shareholders' General Meeting be held after that date, to determine the number of shares each ED is initially entitled to. The amount initially converted into shares is adjusted for any changes to the share capital that occurred or any dividends distributed (Total Shareholder Return) during the 3 year deferral period. On the vesting date of the MTIP, the corresponding shares are delivered free of cost, although the Company reserves the right to pay the equivalent market value in cash, instead of delivering shares.

Taking the two variable components together, the target values set in advance range between 40% and 60% of the total annual remuneration (fixed remuneration and target variable remuneration).

At the time of working out results achieved or assessed, the value of each bonus to be awarded is limited to the minimum 0% and the maximum of 120% of the target value set in advance.

Non-Executive Directors (NEDs)

The remuneration of the Non-Executive Members of the Board of Directors (NEDs) shall be based on market comparables, and be structured as follows: (1) a Fixed Remuneration (of which approximately 15% depends on attendance at Board of Directors and Board Committee meetings); (2) an Annual Responsibility Allowance. No variable remuneration of any kind is paid to NEDs. Fixed Remuneration may be increased by up to 5% for those NEDs serving as Chairman of any Board Committee.

Statutory Audit Board ("Conselho Fiscal")

The remuneration of the members of the Company's Statutory Audit Board shall be based exclusively on fixed annual amounts, which include 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 shall be 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 shall correspond to a fixed annual amount, based on the Company's situation and benchmarked against the market.

70. Information on how the remuneration is structured

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

The Medium-Term Variable Bonus is deferred for a 3-year period.

73. Criteria for the attribution of variable remuneration

The criteria regulating the variable remuneration in shares, the maintenance of these shares, the possible signing of contracts relative to these shares, as well as their proportion of the total annual remuneration, are detailed in the remuneration policy in point 69 and the share attribution plan in point 86.

74. Criteria for the attribution of variable remuneration in the form of options

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 the remuneration policy in point 69.

76. Main characteristics of the complementary long-term or advanced retirement plans for directors

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 of the company

2013	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total	
	2012	2013	2012 (a)	2013 (b)	2012 (c)	2013 (d)	2012	2013
Belmiro de Azevedo (Chairman)	182,200	182,010					**182,200**	**182,010**
Paulo Azevedo	28,300	28,110					**28,300**	**28,110**
Javier Vega	23,490	30,200					**23,490**	**30,200**
Albrecht Ehlers (e)	41,400	40,800					**41,400**	**40,800**
Rui Correia	265,951	277,010	59,200	110,000	88,900	165,000	**414,051**	**552,010**
João Paulo Pinto (f)	260,950	231,177	59,200				**320,150**	**231,177**
Christopher Lawrie (g)		149,267						**149,267**
Jan Bergmann (h)	250,000	250,000	53,800	100,000	80,700	150,000	**384,500**	**500,000**
Total of Board of Directors	**1,052,291**	**1,188,573**	**172,200**	**210,000**	**169,600**	**315,000**	**1,394,091**	**1,713,573**

(a) relative to 2012, amount approved and paid in 2013;

(b) relative to 2013, based on target values, but amount subject to real KPI achievement and to subsequent approval by the Shareholder's Remuneration Committee;
(c) relative to 2012, approved in 2013, deferred for the 3-year vesting period until 2016;
(d) relative to 2013, based on target values, but subject to real KPI achievement and subsequent approval by the Shareholders' Remuneration Committee. The initial amount, to be attributed in 2014 and linked to the share price performance is deferred for a 3-year vesting period until 2017, and will be booked linearly over that 3-year period;
(e) Out of the amount paid in 2012, Sonae Indústria paid 29,100 Euros and Glunz AG 12,300 Euros. Out of the amount earned in 2013, Sonae Indústria paid 28,500 Euros and Glunz AG 12,300 Euros;
(f) relative to 10 months in 2013;
(g) relative to 8 months in 2013;
(h) amounts paid in their entirety by Glunz AG.

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 in 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 in 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 2013 the members of the Statutory Audit Board earned a total remuneration of 26,600 Euros. Its Chairman earned 10,200 Euros and each of the two members 8,200 Euros.

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

In 2013 the Chairman of the Board of the 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 in the 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

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

As mentioned earlier, the Share Attribution Plan (Plan) is applicable to the Medium-Term Variable Bonus (MTVB) which the executive directors are entitled to, and which was subject to deliberation by the General Meeting.

86. Description of the plan

The regulations of the Plan establish the following:

1. Characteristics of MTVB

MTVB is one of the parts of the variable component established under SONAE INDÚSTRIA's Remuneration and Compensation Policy. This part of the variable component differs from the others, as it has a restricted and discretionary character, being subject to the eligibility rules set out in this document.

MTVB allows participants to share with shareholders, the value that is created as a result of their direct influence on the strategy decisions and management of the underlying businesses.

2. Background to MTVB

The MTVB is designed to reward participants for their sustained effort over 4 years (made up of the "Performance Year" [1 year] and the "Deferral Period" [3 years]) and, as a result, to improve business performance, which is a key driver of value creation for shareholders. This value creation is measured by the assessment of the performance of each of the participants during the Performance Year and then the value initially awarded under the Plan is linked to the evolution of the Sonae Indústria share price over the Deferral Period. The value of shares initially attributed under the Plan to each participant, depends on his or her performance during the Performance Year (the percentage of the target value of the MTVB awarded under the Plan is equal to the percentage of the annual KPI´s achieved). The value converted into shares will be adjusted for any changes in the Company's share capital or dividends paid during the Deferral Period, in line with the concept of Total Shareholder Return.

3. Eligibility

Executive Directors are eligible to be awarded a MTVB and participate in the Plan.

Under the remuneration and compensation policy approved by the Board of Directors, the MTVB may apply to other employExecutive Directors are eligible to be awarded a MTVB and participate in the Plan.

Under the remuneration and compensation policy approved by the Board of Directors, the MTVB may apply to other employees

Eligible Members	**Reference value for the Medium Term Variable Bonus** (% of the Short Term Variable Bonus awarded)
Sonae Indústria Executive Directors	**at least 100%**
Executive Directors of Business Units	**at least 50%**
Employees	**under terms to be defined by the Board of Directors**

4. Reference Values and Vesting of the MTVB

The value of the MTVB awarded to Executive Directors corresponds to at least 100% of their Short Term Variable Bonus, which means that the MTVB corresponds to at least 50% of the value of their total variable remuneration. The value initially awarded is converted into an equivalent number of shares of Sonae Indústria, using the average of the closing share prices of the thirty trading sessions prior to the Shareholders' General Meeting or alternatively prior to 30 April, should the Shareholders' General Meeting be held after that date.

If there have been distribution of dividends, changes in the nominal value of the shares, or other changes to the share capital of the Company, the number of shares initially awarded under the Plan will be adjusted based on the standard market methodology used to calculate Total Shareholder Return, over the Deferral Period.

Three years later, on the third anniversary of the conversation date, the Plan vests.

On the vesting date, the corresponding number of shares is transferred to each Executive Director, free of cost. Employees, who were awarded a MTVB, acquire or receive their corresponding shares under the conditions set by the Board of Directors, which can vary in the range of 0% and 10% of their cost.

The Company reserves the right to pay in cash the equivalent market value of the shares on the vesting date, rather than transfer actual shares.

5. Termination of the Plan

The right to receive benefits under the Plan is lost should the relationship under which the respective Plan was awarded cease, subject to the terms of the paragraphs below.

In the case of death or permanent disability of the participant, their open Plans will be valued at equivalent market value at that date, and the resulting amount will be paid to the participant or their legal heirs.

If a participant retires, his or her rights under their open Plans will remain in force until settlement at the respective vesting date.

87. Option rights for the acquisition of shares

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

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 purposes of controlling transactions with related parties are thorough, transparent and in strict compliance with the market's 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.

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 holding or other 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

Any transaction with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders), greater than 10 million Euros, 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 will need to be reported to the Statutory Audit Board under the procedures mentioned below.

The Sonae Indústria CFO is responsible for reporting to the Statutory Audit Board:

1) on a quarterly basis, all transactions with reference shareholders that exceed Euro 1 million and any other transactions that are deemed to be particularly “sensitive” by management;
2) on a yearly basis transactions with reference shareholders with accumulated annual values that exceed 5 million Euros.

In 2013 no transaction was subject to control or subject to prior opinion of the Statutory Audit Board.

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 No 35 of the Notes to the Consolidated Financial Statements.

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. Besides fulfilling the legal requirements and recommendations of the referred Code, Sonae Industria, 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 na 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.	**Comply**	**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.	**Comply**	**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.	**Comply**	**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	**Comply**	**13**

RECOMMENDATION	Degree of compliance	Corporate Governance report
prevails - without super quorum requirements as to the one legally in force - and that in said 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.	**Comply**	**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.	**Comply**	**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.	**Comply**	**28**
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.	**Comply**	**15 and 27 to 29**

RECOMMENDATION	Degree of compliance	Corporate Governance report
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.	**Comply**	**50 to 52**
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.	**Comply**	**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 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.	**Comply**	**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.	**Comply**	**28**

RECOMMENDATION	Degree of compliance	Corporate Governance report
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.	**Comply**	**28**
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 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.	**Not applicable**	
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.	**Comply**	**32**
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.	**Comply**	**45**
II.2.3 The Auditing Body shall assess the external auditor on na 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.	**Comply**	**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.	**Comply**	**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..	**Comply**	**51**
II.3 Remuneration Setting		

RECOMMENDATION	Degree of compliance	Corporate Governance report
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.	**Comply**	**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.	**Comply**	**67**
II.3.3 A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 dated 19 June, shall also include the following: 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.	**Comply**	**69**
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.	**Comply**	**85 and 86**
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.	**Comply**	**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.	**Comply**	**69**

RECOMMENDATION	Degree of compliance	Corporate Governance report
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.	**Comply**	**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.	**Comply**	**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.	**Comply**	**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.	**Comply**	**69**
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.	**Comply**	**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.	**Comply**	**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.	**Comply**	**46 and 47**
IIV.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	**Comply**	**44**

RECOMMENDATION	Degree of compliance	Corporate Governance report
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.		
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.	**Comply**	**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.	**Comply**	**91**
VI. INFORMATION		
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.	**Comply**	**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.	**Comply**	**56 and 58**

SEPARATE FINANCIAL STATEMENTS

SONAE INDUSTRIA

Sonae Indústria-SGPS,SA

SEPARATE STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013 AND 2012

(Values in EUR)

ASSETS	Notes	31.12.13	31.12.12
NON CURRENT ASSETS:			
Tangible assets	3	2.801	3.118
Intangible assets	4	0	0
Investment in associates	6	605.187.656	745.286.910
Available-for-sale investments	6	122.922	122.922
Deferred tax assets	7	5.527.236	6.763.505
Other non current assets	8	513.808.092	513.844.898
Total Non Current Assets		1.124.648.706	1.266.021.352
CURRENT ASSETS			
Trade debtors	9	24.150	6.584
Other debtors	9	13.302.794	2.275.276
Taxes and other contributions receivable	9	1.102.868	682.831
Other current assets	10	89.367	120.372
Cash and cash equivalents	11	297.991	45.504
Total Current Assets		14.817.170	3.130.568
Total Assets		1.139.465.877	1.269.151.920
SHAREHOLDER'S FUNDS AND LIABILITIES			
SHAREHOLDER'S FUNDS:			
Share Capital	12	700.000.000	700.000.000
Legal reserve	12	3.131.757	3.131.757
Other reserves and retained earnings	12	-65.896.265	84.867.487
Accumulated other comprehensive income		80.009	46.224
Total Shareholder's Funds		637.315.501	788.045.468
NON CURRENT LIABILITIES			
Bank loans - long term - net of current portion	13	83.101.488	59.735.977
Debentures - long term - net of current portion	13	118.908.927	248.344.033
Total Non Current Liabilities		202.010.415	308.080.010
CURRENT LIABILITIES			
Current portion of long term bank loans	13	6.639.814	42.969.697
Bank loans - short term	13	150.677.246	52.546.189
Current portion of long term debentures	13	129.918.927	55.000.000
Other loans	14	174.361	121.973
Trade Creditors	15	7.542.528	17.696.869
Other creditors	15	729.554	873.102
Taxes and other contributions payable	16	4.457.531	3.818.613
Total Current Liabilities		300.139.961	173.026.442
Total Shareholder's Funds and Liabilities		1.139.465.877	1.269.151.920

The notes are an integral part of the individual financial statements

Sonae Indústria-SGPS,SA

SEPARATE INCOME STATEMENTS

FOR THE PERIODS ENDED AT 31 DECEMBER 2013 AND 2012

(Values in EUR)

	Notes	31.12.13	31.12.12
Operating Income:			
Other Operating Income	21	140.636	133.506
Total operating income		140.636	133.506
Operating Costs:			
External supplies and services		(599.065)	(1.095.796)
Staff costs		(1.102.268)	(954.144)
Amortisation and Depreciation		(1.053)	(1.456)
Provisions and impairment losses	17	-	(176.179.713)
Other operating costs	21	(179.024)	(236.740)
Total operating costs		(1.881.410)	(178.467.848)
Operating profit/(loss)		(1.740.774)	(178.334.342)
Financial profi/(loss)	22	1.559.453	(402.110)
Custos e perdas financeiras		(26.084.297)	(22.850.529)
Proveitos e ganhos financeiros		27.643.749	22.448.419
Profit/(loss) on associates		-	-
Profit/(loss) on other investments	23	(150.212.759)	-
Profit/(Loss) before tax		(150.394.080)	(178.736.452)
Corporate income tax - current tax	24	866.597	1.262.617
Corporate income tax - deferred tax	24	(1.236.269)	(2.357.332)
Net Profit/(loss) on continuing operations		(150.763.752)	(179.831.167)
Profit/(loss) for the period		(150.763.752)	(179.831.167)
Profit (loss) per Share			
Excluding Descontinued operations			
Basic	25	-1,08	-1,28
Diluted		-1,08	-1,28

The notes are an integral part of the individual financial statements

Sonae Indústria-SGPS,SA

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED AT 31 DECEMBER 2013 AND 2012

(Values in EUR)

	NOTES	31.12.13	31.12.12
Profit/(loss) for the period	12	- 150 763 752	- 179 831 167
Other comprehensive income for the period			
Change in fair value of available-for-sale financial assets			
Change in fair value of cash flow hedge derivatives		-	-
Gains on property revaluation			
Actuarial gains / (losses) on benefit pension plans			
Share of other comprehensive income of associates			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the period		33 785	46 224
Other comprehensive income for the period, net of tax		33.785	46.224
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		- 150 729 967	- 179 784 943

The notes are an integral part of the individual financial statements

Sonae Indústria-SGPS,SA

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS` FUNDS AT 31 DECEMBER 2013 AND 2012

(Values in EUR)

					Accumulated other comprehensive income								
	NOTES	Share capital	Legal reserve	Other Reserves and Retained earnings	Available-for-sale financial assets	Cash flow hedge derivatives	Property revaluation	Actuarial gains / (losses) on benefit pension plans	Share of other comprehensive income of associates	Income tax related to other comprehensive income	Other comprehensive income for the period	**Subtotal**	**Total shareholder's funds**
		12	12	12									
Balance as at 1 January 2013		700 000 000	3 131 757	84 867 487							46 224	46 224	788 045 468
Appropriation of previous year's net profit / (loss)													
Total comprehensive income													
Net profit / Loss for the period	12			- 150 763 752									- 150 763 752
Other comprehensive income													
Total				- 150 763 752									- 150 763 752
Others											33 785	33 785	33 785
Balance as at 31 December 2013	12	700 000 000	3 131 757	-65 896 264							80 009	80 009	637 315 501
Balance as at 1 January 2012		700 000 000	3 131 757	264 698 654									967 830 411
Appropriation of previous year's net profit / (loss)													
Total comprehensive income													
Net profit / Loss for the period	12			- 179 831 167									- 179 831 167
Other comprehensive income													
Total				- 179 831 167									- 179 831 167
Others											46 224	46 224	46 224
Balance as at 31 December 2012	12	700 000 000	3 131 757	84 867 487							46 224	46 224	788 045 468

The notes are an integral part of the individual financial statements

SONAE INDÚSTRIA,SGPS,S.A.

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED AT 31 DECEMBER 2013 AND 2012

(Values in EUR)

OPERATING ACTIVITIES	Note	**31.12.2013**		**31.12.2012**	
Cash receipts from trade debtors				241.469	
Cash paid to trade creditors		671.726		1.248.761	
Cash paid to employees		1.230.788		1.100.923	
Operational Cash Flow		**-1.902.515**		**-2.108.215**	
Corporate income tax paid / received		-1.059.208		-881.609	
Other cash receipts and payments relating to operating activities	11	-173.263		-109.007	
Net cash flow from operating activities [1]			**-1.016.569**		**-1.335.613**
INVESTMENTS ACTIVITIES:					
Cash receipts arising from:					
Financial investments		1.042.543			
Tangible assets		169			
Intangible assets					
Interest assets and similar income					
Dividends	23	4.570.960	5.613.672		
Cash payments owing to:					
Financial investments	6	15.727.008		8.600	
Tangible assets				792	
Intangible assets			15.727.008		9.392
Net cash flow from investing activities [2]			**-10.113.335**		**-9.392**
FINANCIAL ACTIVITIES					
Cash receipts arising from:					
Interest and similar charges		1.700.507		2.399.229	
Loans granted		251.930.506		304.137.086	
Loans obtained		2.435.000.000	2.688.631.013	2.765.000.000	3.071.536.315
Cash payments owing from:					
Interest and similar costs		24.579.180		22.204.191	
Dividends				18	
Loans granted		237.305.303		221.447.000	
Loans obtained		2.390.495.197		2.857.428.197	
Others			2.652.379.680		3.101.079.406
Net cash flow from financing activities [3]			**36.251.334**		**-29.543.091**
Net increase / decrease in cash and cash equivalents			25.121.429		-30.888.095
Cash and cash equivalents - opening balance	11		-25.000.685		5.887.410
Cash and cash equivalents - close balance	11		120.745		-25.000.685
Net increase / decrease in cash and cash equivalents			25.121.429		-30.888.095

The notes are an integral part of the individual financial statements

SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2013

(Amounts expressed in Euros)

1. Introduction

SONAE INDÚSTRIA, SGPS, S.A. is based at Lugar do Espido, Via Norte, Apartado 1096, 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 have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the " International Accounting Standards Board " (" IASB ") and Interpretations issued by the " International Financial Reporting Interpretations Committee " (" IFRIC ") or the earlier " Standing Interpretations Committee " (" SIC ") , applicable to the financial year beginning January 1, 2013 and approved by the European Union .

During the year ended december 31, 2013, entered into force the following standards and interpretations:

IAS 1 (amendment) , ' Presentation of financial statements ' , IAS 12 (amendment) , ' Income taxes ' , IAS 19 (revised), ' Employee benefits ' ; Improvements to standards from 2009 to 2011 , IFRS 1 (amendment) ' first-time adoption of IFRS' , IFRS 7 (amendment) ' Disclosures - Offsetting of financial assets and liabilities ' , IFRS 13 (new) , " Fair value Measurement and disclosure ' , IFRIC 20 (new) , ' costs of discovery the production phase of a mine open pit '.

The introduction of these standards and improvements, as well as the interpretation had no material impact on the financial statements of the company.

The december 31, 2013 were issued and approved by the European Union the following standards and interpretations that have not been applied, since only be mandatory in subsequent years (on or after January 1, 2014) :

IFRS 10 (new) , ' Consolidated Financial Statements ' , IFRS 11 (new) , ' Joint Arrangements ' , IFRS 12 (new) , ' Disclosure of interests in other entities ' ; Amendments to IFRS 10 , IFRS 11 and IFRS 12 , ' transition regime ' , IAS 27 (revised 2011) , ' separate financial statements ' , IAS 28 (revised 2011) , ' Investments in associates and joint ventures ' , IAS 32 (amendment) ' Compensation of financial assets and liabilities , IAS 36 (amendment), ' Disclosure of impairment for non-financial assets ' , IAS 39 (amendment) Renewal derivatives and hedge accounting continued ' ; Amendments to IFRS 10 , IFRS 12 and IAS 27 - ' investment Companies '.

As at december 31, 2013 , were issued the following standards , which are mandatory in subsequent years (on or after January 1, 2014) , which had not yet been adopted by the European Union :

IAS 19 (amendment) , ' Defined benefit plans - Employee contributions ' ; Improvements to standards from 2010 to 2012 ; Improvements to standards from 2011 to 2013 , IFRS 9 (new) , ' Financial instruments - classification and measurement ' (date of application also not defined ; IFRS 9 (amendment), ' financial instruments - hedge accounting ' (date of application not yet defined) , IFRIC 21 - ' Foreign Government ' (" Levies ") .

It is not expected that the future adoption of these rules raise significant to the Financial Statements accompanying impacts.

These financial statements have been prepared from the books and records of the company on a going concern basis and based on historic cost, except for financial instruments which are stated at fair value.

2.2. Investments in Group and associated companies

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition adjusted for acquisition related expenses. Financial investments in Group and Associated Companies 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, SGPS, 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. Associates are those entities in which Sonae Indústria holds between 20% and 50% of the voting rights, or over which the Sonae Indústria has significant influence in shaping financial and operating policies. Beyond the recognition of the impairment of the investment in Subsidiary / Associate, Sonae Indústria recognize additional losses if incurred obligations or has made payments on behalf of Subsidiary / Associate. Entities that qualify as subsidiaries are listed in Note 6. Entities that qualify as associates are listed in Note 6.

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 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
Other Tangible Assets	5

Maintenance and repair costs related to tangible assets are recorded directly as expenses in the year they are incurred.

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or start being used.

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, 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-financial 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 report 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 moment the obligation and when the respective payment occurs, 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 report 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, including transaction costs.

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 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 know that never go to receive the trade receivables.

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 Profit and Loss 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 fair value, and then revalued and calculated with resource to specific software, are accounted for as financial items on the profit and loss 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 profit and loss 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 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 period for the shareholders. This compensation consists in granting a number of the Company's shares, which may choose, on payment date, to deliver the shares or to pay the corresponding amount, taking into consideration the market price of the shares on payment date.

This liability is stated on the Statement of Financial Position under Other reserves, and is stated on the Income Statement under Personnel costs, on a straight line basis over the deferral period, taking into consideration the fair value of granted shares on grant date.

If the employee ceases functions during the period over which payment of previously recognized liabilities is deferred, liabilities will be derecognized from the Statement of Financial Position against Personnel costs on Income Statement.

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: Euroresinas – Indústrias Quimicas, S.A., Sonae Indústria de Revestimentos, S.A., Ecociclo – Energia e Ambiente, S.A., Maiequipa – Gestão Florestal, S.A., Movelpartes – Componentes para a Industria de Mobiliário, S.A.,Sonae Industria - Management Services S.A., Agloma Investimentos SGPS SA, Siaf Energia S.A. , Sonae Industria PCDM, S.A., Somit Imobiliaria, S.A. and Imoplamac –Gestão Imoveis S.A.

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.

Sonae Indústria, SGPS, proceeded to debt management and other services until 2011, the date from which these services were performed by another group company, whereby the company currently does not recognize any value in the item of revenue in separate financial statements.

The dividends received from investments in subsidiaries and associates are recognized as income in the period they are assigned to the partners or shareholders. Interest 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 profit and loss 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.

2.16. Subsequent events

Events after the report date that provide additional information about conditions that existed at the report date (adjusting events), are reflected in the financial statements. Events after the report date that are non-adjusting events are disclosed in the notes when material.

2.17. Risk management

a) Market Risk Management Policy

i) Interest Rate Risk

As a result of the relevant portion of floating rate debt on Sonae Industria report 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 Industria, SGPS does not hedge its exposure to floating interest rates.
As an exception to its general rule, Sonae Industria may engage into interest rates derivatives. If this is the case, the following is observed:

- Derivatives are not used for trading, profit making, or speculative purposes;

- The Company 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 at least two Financial Institutions are considered before closing any interest rate hedging deal.

ii) Other Price Risks

As at 31st December 2013, Sonae Indústria did not hold material investments classified as "available-for-sale".

b) Liquidity Risk Management Policy

Liquidity risk management in Sonae Industria aims to ensure that the company is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavorable terms.
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 the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;

- arrangement of committed (and uncommitted) credit facilities, commercial paper programs, and other facilities (such as a Securitization of Receivables program) with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees;

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. Where there is no active market, valuation techniques generally accepted in the market, based on market assumptions are used. This is level 2 of the fair value hierarchy as defined in IFRS 13. Sonae Indústria, SGPS applies valuation techniques for financial instruments not quoted, such as financial assets available for sale. Valuation models that are used most often are models of discounted cash flows and option valuation models that incorporate, for example, the curves for interest rate and markek volatility. For some types of more complex derivatives, models containing more advanced valuation assumptions and data that are not directly observable in the market, for which Sonae Indústria, SGPS uses internal estimates and assumptions are used. This is level 3 of the fair value hierarchy as defined in IFRS 13.

3. Tangible Assets

During the periods ended 31 december 2013 and 2012, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

TANGIBLE ASSETS

	31.12.13				
	Machinery and equipment	Transport equipment	Office equipment	Advances on account of tangible assets	Total
Gross asset:					
Opening balance	38.099	-	132.619	-	170.718
Acquisitions		-	-	736	736
Closing Balance	38.099	-	132.619	736	171.454
Accumulated amortizations,depreciations and impairment losses					
Opening balance	37.820	-	129.780	-	166.188
Depreciations for the period	77		976		1053
Closing Balance	37.897		130.756		168.653
Carrying amount	202		1863	736	2.801

	31.12.12				
	Machinery and equipment	Transport equipment	Office equipment	Advances on account of tangible assets	Total
Gross asset:					
Opening balance	38.099	-	131827	-	169.926
Disposals		-	-	792	792
Closing Balance			792	(792)	-
	38.099	-	132.619	-	170.718
Accumulated amortizations,depreciations and impairment losses					
Opening balance	37.716		128.472		166.188
Depreciations for the period	104		1308		1412
	37.820	-	129.780	-	167.600
Carrying amount	279		2.839		3.118

4. Intangible Assets

During the periods ended 31 december 2013 and 2012, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	31.12.13		
	Software	Software	Total
	NGI	Total	GI+NGI
Gross asset:			
Opening balance	550	550	550
Closing Balance	550	550	550
Accumulated amortizations,depreciations and impairment losses			
Opening balance	550	550	550
Closing Balance	550	550	550
Carrying amount	-	-	-

	31.12.12		
	Software	Software	Total
	NGI	Total	GI+NGI
Gross asset:			
Opening balance	550	550	550
Closing Balance	550	550	550
Accumulated amortizations,depreciations and impairment losses			
Opening balance	506	506	506
Depreciations for the period	44	44	44
Closing Balance	550	550	550
Carrying amount	-	-	-

5. Financial Instruments

As of December 31, 2013 and 2012, the assets and liabilities recognized in the statement of financial position correspond to the following categories of IAS 39.

	notas	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
31.12.13								
Non current assets								
Available for sale investments	6				122 922	122 922		122 922
Other non current assets	8	513.808.092				513.808.092		513.808.092
Current assets								
Customers	9	24.150				24.150		24.150
Other current debtors	9	13.302.794				13.302.794		13.302.794
Other current assets	10						89.367	89.367
Cash and cash equivalents	11	297.991				297.991		297.991
Total		527.433.027			122.922	527.555.949	89.367	527.645.316
31.12.12								
Non current assets								
Available for sale investments	6				122 922	122 922		122 922
Other non current assets	8	513.844.898				513.844.898		513.844.898
Current assets								
Customers	9	6.584				6.584		6.584
Other current debtors	9	2.275.276				2.275.276		2.275.276
Other current assets	10						120.372	120.372
Cash and cash equivalents	11	45.504				45.504		45.504
Total		516.172.262			122.922	516.295.184	120.372	516.415.556

		Liabilities at fair value through profit or loss	Hedge derivatives	Other financial Liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.13							
Non current liabilities							
Bank loans - net of short term portion	13			83.101.488	83.101.488		83.101.488
Debentures - net of short term portion	13			118.908.927	118.908.927		118.908.927
Current assets							
Bank loans	13			157.317.060	157.317.060		157.317.060
Debentures	13			129.918.927	129.918.927		129.918.927
Trade creditors	14			174.361	174.361		174.361
Other current creditors	15			7.542.528	7.542.528		7.542.528
Other current liabilities	16				0	4.457.531	4.457.531
Total				496 963 291	496 963 291	4 457 531	501 420 822
31.12.12							
Non current liabilities							
Bank loans - net of short term portion	13			59.735.977	59.735.977		59.735.977
Debentures - net of short term portion	13			248.344.033	248.344.033		248.344.033
Current assets							
Bank loans	13			95.515.886	95.515.886		95.515.886
Debentures	13			55.000.000	55.000.000		55.000.000
Trade creditors	14			121.973	121.973		121.973
Other current creditors	15			17.696.869	17.696.869		17.696.869
Other current liabilities	16				0	3.818.613	3.818.613
Total				476 414 738	476 414 738	3 818 613	480 233 351

6. Investments

At 31 december 2013 and 31 december 2012, details of investments were as follows:

	31.12.13		31.12.12	
	Non current	Current	Non current	Current
Investment in group companies				
Opening balance at 1 January	944.009.598	-	944.006.011	-
Aquisitions over the period	15.727.008	-	3.600	-
Disposals over the period		-	13	-
Other	(20.738.811)	-	-	-
Closing balance for the period	938.997.795	-	944.009.598	-
Accumulated impairment losses	(333.810.139)	-	(198.722.687)	-
	605.187.656	-	745.286.910	-
Investments held for sale				
Fair value at 1 January	122.922	-	117.922	-
Aquisitions over the period	-	-	-	-
Disposals over the period	-	-	-	-
Increase/(decrease) in fair value	-	-	-	-
Other		-	5.000	-
Fair value at the end of the period	122.922	-	122.922	-
	605.310.578	-	745.409.832	-

Investment in group companies

The main changes is related to, Capital increase in subsidiary Tafisa Tableros Fibras, S.A. amount of 15.727.008 euros, corresponding to 12.581.606 new shares.

Liquidation of the company Agloma – Sociedade Industrial de Aglomerados de Madeira,SA, amounting to 20.738.811 euros, generating a loss in the amount of 19.696.231 euros.

The change in impairment losses relates to the use of existing impairment on the participation of Agloma – Sociedade Industrial de Madeira Aglomerada, S.A. amounting to 20.310.499 euros by the liquidation of the company, the losses related impairment on the participation of Sonae Indústria de Revestimentos, S.A. in the amount of 1.937.000 euros, on the participation of Movelpartes – Componentes para a Indústria de Mobiliário, S.A. amounting to 2.276.000 euros and on the participation Tafisa Tableros Fibras, S.A. amounting to 152.454.642 euros. Concerning the participation of Maiequipa – Gestão Florestal, S.A. was reversed impairment at 1.269.691 euros.

Investments held for sale

Available-for-sale investment consists of financial undertakings which do not fulfill the criteria to be stated as subsidiaries or as associates.

At 31 december 2013, Sonae Industria, SGPS had the following holdings in Group and Associated Companies:

Company	% Share	Aquisition Value	Acumulated Impairment Losses	Sharedolfer´s Funds	Net profit	
Euroresinas - Industrias Quimicas, S.A.	100,00%	15.838.526	0	16.094.991	200.684	
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	962.785	758.805	-42.853	a)-c)
Movelpartes - Componentes para Industria do Mobiliário,S.A.	100,00%	4.180.113	2.276.000	1.191.661	-879.502	a)-c)
Sonae Industria de Revestimentos,S.A.	100,00%	21.729.193	6.588.233	10.952.870	-559.170	a)-c)
Imoplamac - Gestão de Imóveis,S.A.	100,00%	6.000.000	0	5.792.465	59.189	
Sonae Industria -Management Services SA	100,00%	250.000	0	733.306	89.893	
Taiber	0,02%	28.742	0	-26.871.561	-32.524.813	
Tafisa - Tableros de Fibras,S.A.	99,11%	877.308.319	323.983.122	24.611.616	12.481.476	b)-c)
Ecociclo - Gestão Ambiental,S.A.	100,00%	1.720.021	0	179.546	34.949	
Sonae Industria - Produção e Comercialização de Derivados de Madeira,S.A.	2,97%	3.497.787	0	70.543.381	89.370	
Siaf Energia, S.A.	0,20%	5.000	0	7.257.270	272.310	
Somit Imobiliaria	0,02%	10	0	4.732.495	1.936.023	
Agloma Investimentos,S.A.	6,54%	5.000.000	0	92.209.217	3.793.461	
Sonae RE, Societé Anonyme	0,04%	1.200	0	2.307.542	-692.458	
		938.997.795	333.810.139			

a) The values recorded for the holdings in Maiequipa-Gestão Florestal S.A.,Sonae Industria Revestimentos S.A., Movelpartes – Componentes para a Indústria de Mobiliário and Tafisa –Tableros de Fibras, S.A. were estimated to be higher than their recoverable value, therefore the company recognized impairment charges stated on heading Investments in associated companies (note 17).

b) The amount of Shareholder´s funds is related with Individual Shareholder´s Funds

c) Impairment tests carried out at 31 December 2013 consisted in determining the recoverable amount using the discounted cash flow method. Operating cash flows were projected over an eight-year period, thereafter extrapolated using a perpetuity and discounted to 31 December 2013. Weighted Average Cost of Capital, before tax, calculated through CAPM (Capital Asset Pricing Model) methodology for each reportable segment, was used as discount rates. These rates include specific market features and include different risk factors as well as risk-free interest rates of ten year bonds of each segment.

An eight-year period was used for projecting cash flows on the grounds of the extension and intensity of the economic cycles affecting the Group's activity.

Projected cash flows are based on the Group's business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.

2013

	Tableros de Fibras				SIR	Maiequipa	Movelpartes	Ecociclo
	Península Ibérica	Alemanha	França	Africa Sul				
Discount rate (pre-tax)	12,20%	9,38%	9,62%	18,86%	12,12%	12,12%	12,12%	12,12%
Growth rate on Perpetuity	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%
Period	8 anos	8 anos	8 anos	8 anos	8 anos	8 anos	8 anos	8 anos
Test Conclusions	Impairment				Impairment	No impairment	Impairment	No impairment

2012

	Tableros de Fibras					SIR	Maiequipa	Movelpartes
	Península Ibérica	Alemanha	França	Africa Sul	Canada			
Discount rate (pre-tax)	13,42%	9,56%	9,14%	17,06%	8,96%	13,27%	13,45%	13,27%
Growth rate on Perpetuity	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%
Period	8 anos	8 anos	8 anos	8 anos	8 anos	8 anos	8 anos	8 anos
Test Conclusions	Impairment					Impairment	No impairment	No impairment

As a result of the tests carried out on 31 December 2013, were recognized impairments related with, the company Sonae Industria Revestimentos, S.A. in amount of 1.937.000 euros, related with the company Movelpartes . Componentes para a Indústria de Mobiliário, S.A. in amount of 2.276.000 euros, and Tafisa-Tableros de Fibra, S.A. in amount of 152.454.642 euros. Related with the company Maiequipa – Gestão Florestal, S.A. the impairment was reversed in the amount of 1.269.691 euros (Note 17).

7. Deferred tax

Details of deferred tax asset at 31 december 2013 and 31 december 2012 were as follows:

DEFERRED TAXES - BALANCES

	31.12.13		31.12.12	
	Assets	Liabilities	Assets	Liabilities
Impairment of assets		-	5.077.625	-
Net losses carry-forward	4.083.078	-	-	-
Others	1.444.158	-	1.685.880	-
	5.527.236	-	6.763.505	-

DEFERRED TAXES - FLOWS

	31.12.13		31.12.12	
	Assets	Liabilities	Assets	Liabilities
Opening Balance	6.763.505	-	9.120.837	-
Recognition in Profit or Loss:				
Impairment of assets	(5.077.625)	-	-	-
Net losses carry-forward	4.083.078	-	(2.769.634)	-
Others	(241.722)		412.302	
Sub-total (Note 24)	(1.236.269)	-	(2.357.332)	-
Closing Balance	5.527.236		6.763.505	-

The amount included in Other concerns SIFIDE to deduct tax benefits in the coming years.

In 2013 deferred tax assets relating to tax losses generated in this exercise were created, regarding settlement Agloma, S.A..

8. Other Non Current Assets

Details of Other Non Current Assets at 31 december 2013 and 31 december 2012 were as follows:

	31.12.13	31.12.12
Loans Granted To Group Companies (Nota 2.2 e 20)	513 808 092	513 844 898
	513 808 092	513 844 898
Accumulated Imparment Losses (Nota 17)		
	513 808 092	513 844 898

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 5,34%.

No repayment terms are provided, only for interest rate. The repayment is made by availabilities

9. Trade and Other Current Debtors and State and Others Public Entities

At 31 december 2013 and 31 december 2012, details of Current Trade Debtors were as follows:

	31.12.13	31.12.12
Current Customer Accounts	24 150	6 584
Bills Receivable	-	-
	24 150	6 584
Accumulated Imparment Losses	-	-
	24 150	6 584

At 31 december 2013 and 31 december 2012, detail of trade debtors maturities were as follows:

	31.12.13	31.12.12
Not due	23.278	0
Due and not impaired		
> 90 days	872	6.584
	872	6.584
	24.150	6.584

At 31 december 2013 and 31 december 2012, details of Other Current Trade Debtors were as follows:

	31.12.13	31.12.12
Group companies -Interest (Note 20)	1.464.882	612.815
Group companies -current Income Tax (Note 20)	845.213	1.231.623
Group companies -Loans (Note 20)	10.591.303	23.000
	12.901.398	1.867.438
Other debtors	401.397	407.839
	13.302.794	2.275.276

At 31 december 2013 and 31 december 2012, detail of Others Debtors maturities were as follows:

	AGEING OF ADVANCE CREDITORS		AGEING OF TRADE CREDITORS (ASSET BALANCES)		AGEING OF OTHER DEBTORS		TOTAL DEBTORS	
	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12
Due and not impaired								
< 30 days	1500			140		6.018	1500	6.158
30 - 90 days		-	37	-	-	-	37	-
> 90 days			399.860	401681	-	-	399.860	401681
	1500	-	399.897	401821	-	6.018	401397	407.839

At 31 december 2013 and 31 december 2012, details of State and Other Public entities were as follows:

	31.12.13	31.12.12
State & Other Public Entities		
Income Tax	1.102.730	682.695
Value Added Tax	138	0
Others		137
	1 102 868	682 832

10. Other Current Assets

Details of Other Current Assets at 31 december 2013 and 31 december 2012 were the following:

	31.12.13	31.12.12
Accrued Revenue	39 247	10 175
Deferred Costs	50 120	110 197
	89 367	120 372

11. Cash and Cash equivalents

At 31 december 2013 and 31 december 2012 detail of Cash and cash equivalents was the following:

	31.12.13	31.12.12
Cash at Hand	812	867
Deposits	297 179	44 637
Cash & Cash Equivalents - Balance Sheet	297 991	45 504
Overdraft (1)	(177.246)	(25.046.189)
	120.745	(25.000.685)

(1) In Statement of Financial Position- Bank loans Short term (Note 13)

Cash & equivalents comprise cash at hand, deposits, treasury applications and term deposits with less than three months maturity, and for which the risk of value change is insignificant.

12. Shareholders' Funds

Share Capital

On december 31, 2013 Sonae Industria's Share capital was fully underwritten and paid, is represented by 140.000.000 common shares, not entitled to fixed income, with a face value of 5 Euros per share

The following entity had more than 20% of the subscribed capital on 31 december 2013:

Entity	%
Efanor Investimentos, SGPS, S. A.	31,9

Shareholder's Funds Detail:

	2013	2012
Share Capital	700.000.000	700.000.000
Legal Reserve	3.131.757	3.131.757
Free Reserve	20.145.630	20.145.630
Other Reserves	246.000.759	245.966.974
Retained Earnings	-181.198.893	-1.367.726
Total comprehensive Income	-150.763.752	-179.831.167
	637.315.501	788.045.468

Reserves

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.

Free Reserves: Relating to profits earned in previous years and are available for distribution, provided it is not necessary to cover losses.

Other Reserves: Includes reserves of the merger of previous years, in amount 245.920.750 euros, which, in terms of Portuguese legislation are not distributable, can be incorporated into the capital.

During 2013 was recognized the amount of 33.785 euros related with Liability for medium and long term incentive plan.

Company changed the medium and long term incentive plan profile according to note 2.10 , concerning of granting a number of company's shares .

The fair value of services acquired was determinate with reference to the fair value of granted shares , calculated based on average stock prices in the 30 days immediately prior to general shareholder's meeting.

The amount, of 33.785 euros, recognized on personnel costs stated in Income statement was registered according to the rules of transactions plans on the basis of shares and settled with own capital.

	2013					2012				
	Opening Balance	Assigned	Cancelled	Paid	Closing Balance	Opening Balance	Assigned	Cancelled	Paid	Closing Balance
Nº Granted shares	273.069	156.450	126.772		302.747		273.069			273.069
Fair Value	184.896	88.900	85.838		187.958		184.896			184.896
Payment date		2015/2016					2015			
Personnel costs		55.244	21.460				46.224			46.224

13. Bank Loans

At 31 december 2013 and 31 december 2012 Sonae Industria SGPS, S.A had the following outstanding loans:

		31.12.13				31.12.12			
		Amortised cost		Nominal Value		Amortised cost		Nominal Value	
	NOTES	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Loans - Commercial Paper	c)	137 170 117	55 000 000	137 500 000	55 000 000	63 500 000	49 399 047	63 500 000	50 000 000
Bank Loans - Others	a)	19 969 697	28 101 488	19 969 697	28 409 091	6 969 697	10 336 930	6 969 697	10 378 788
Debentures	b)	129.918.927	118 908 927	130.000.000	120 000 000	55 000 000	248 344 033	55 000 000	250 000 000
Bank Overdrafts		177 246		177 246		25 046 188	-	25 046 188	-
Gross Debt		287 235 986	202 010 415	287 646 943	203 409 091	150 515 885	308 080 010	150 515 885	310 378 788
Cash & Cash Equivalents - Balance Sheet		297 991	-	297 991	-	45 504	-	45 504	-
Net Debt		286 937 995	202 010 415	287 348 952	203 409 091	150 470 381	308 080 010	150 470 381	310 378 788
Total Net Debt		488 948 410		490 758 043		458 550 391		460 849 169	

The loans have the following repayment schedule:

	31.12.13	31.12.12
2013		150 515 885
2014	287.646.943	186 969 697
2015	90.909.091	33 409 091
2016	37.500.000	30 000 000
2017	70.000.000	60 000 000
2018	5.000.000	
	491 056 034	460 894 673

The average interest rates of each class of debt stated in the previous table were as follows:

	2013	2012
Bank Loans - Others	7,918%	6,545%
Debentures	4,064%	3,230%
Loans - Commercial Paper	7,165%	4,785%

At december 31, 2013 the contracted loans are summarized as follows:

a) Bank Loans

On 19 february 2009 Sonae Industria contracted a loan with a financial institution in the total amount of 20.000.000 euros. Interest are calculated at market rate. The loan will be paid between 2009 and 2015.

At 31 december 2013, outstanding principal amounted to 4.545.455 euros, shown under current liabilities in the amount of 3.636.364 euros and Non Current Liabilities in the amount of 909.091 euros.

On 05 august 2010 Sonae Industria contracted a loan with a financial institution in the total amount of 10.000.000 euros. Interests are calculated at market rate. The loan will be paid between 2012 and 2015. At 31 december 2013, outstanding principal amounted to 5.833.333 euros, shown under current liabilities in the amount of 3.333.333 euros and Non Current Liabilities in the amount of 2.500.000 euros.

On 26 december 2012 Sonae Industria contracted a loan with a financial institution in the total amount of 25.000.000 euros. This loan is used within the period between 1 and 31 march. Interests are calculated at market rate. The loan will be paid over a period of 5 years from the 1st use. At 31 december 2013, outstanding principal amounted to 25.000.000 euros, shown under Non Current Liabilities.

On 29 november 2013 Sonae Industria contracted a loan with a financial institution in the total amount of 13.000.000 euros. Interests are calculated at market rate. The loan will be paid between 2012 and 2015. At 31 december 2013, outstanding principal amounted to 13.000.000 euros, shown under Non Current Liabilities

b) Bond Issues

Sonae Indústria 2006/2014 bonds, issued on 28 March 2006, with a principal amount of 50.000.000 euros and a bullet repayment 8 years after issue date. Interest is paid semi-annually in arrears on 28 March and 28 September.

Sonae Industria 2006/2014 bonds, issued on 2 August 2006, with a principal amount of 50.000.000 euros and a bullet repayment 8 years after issue date. Interest is paid semi- annually in arrears on 2 February and 2 August.

Sonae Industria 2010/2017 bonds, issued on 5 May 2010, with a principal amount of 150.000.000 euros and a 7-year period, on 22 October 2012 the contract was amended. Payment will be done through reduction of nominal value, in 7 semi-annual installments, with the first 6 in the amount of 15.000.000 euros and the last in the amount of 60.000.000 euros, beginning on the 8th coupon, payment date, 05 May 2014. Interest is paid semi-annually on 5 May and 5 November.

c) Other Loans – Commercial Paper

On 25 january 2006, Sonae Industria SGPS, S.A. signed and subsequently added a Commercial Paper with several financial institutions. The programme matures on 27 january 2016. As at December 31, 2013 issue of commercial paper existed for winning in the amount of 20.000.000 euros, of which 15.000.000 euros maturing in the short term. Interest is calculated at the EURIBOR rate that matches the maturity of the issue.

On 31 march 2011 Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 50.000.000 Euros. The programme will mature on long term. At 31 december 2013, the balance was keep at 50.000.000 euros.

On 25 june 2013 Sonae Indústria SGPS, S.A. signed and subsequently added a Commercial Paper programme with a maximum nominal amount of 100.000.000 Euros. The programme will mature on long term. At 31 december 2013, the balance was keep at 57.500.000 euros.

On 13 december 2013 Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 65.000.000 Euros. The programme will mature on long term. At 31 december 2013, the balance was keep at 65.000.000 euros.

14. Trade Creditors

At 31 december 2013 and 31 december 2012 all amounts recorded under this item resulted from normal operations. Trade creditors maturities were as follows:

	31.12.13	31.12.12
To be paid		
< 90 days	140.548	121973
90 - 180 days	25.000	-
> 180 days	8.814	-
	174.361	121973

15. Other Creditors and State & Other Public Entities

At 31 december 2013 and 31 december 2012 details of this item were as follows:

	31.12.13	31.12.12
Other Creditors		
Group companies -current Income Tax (Note 20)	348.259	
Loans From Group Companies (Nota20)	7.151.000	17.676.500
Financial Instrumets	7.499.259	17.676.500
Others Creditors	43.268	20.369
	7.542.528	17.696.869

	31.12.13	31.12.12
State & Other Public Entities		
Income Tax	684.514	806.536
Tax retention	34.640	24.240
Value Added Tax	3.756	6.295
Social Security Contributions	6.644	5.732
Others		30.299
Liabilities out of scope of IFRS7	729.554	873.102

16. Other Current Liabilities

At 31 december 2013 and 31 december 2012 this item had the following detail:

	31.12.13	31.12.12
Accrued Costs		
Holidays	200.161	373 775
Insurance	966	-
Interests	4.159.536	3 143 535
External Supllies & Services	96.869	301 303
Liabilities out of scope of IFRS7	4 457 531	3 818 613

17. Provisions & Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended december, 31 2013 and december, 31 2012 were the following:

31.12.2013

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Imparment Losses on Investments (Nota 6)	198.722.687	156.667.642	20 310 499	1.269.691	333.810.139
	198.722.687	156.667.642	20.310.499	1.269.691	333.810.139

31.12.2012

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Imparment Losses on Investments (Nota 6)	22.542.975	176.179.713	0	0	198.722.687
	22.542.975	176.179.713	0	0	198.722.687

The decrease in impairment loss on investments relates to the registration of the reversal of impairment loss on the participation of Agloma - Sociedade Industrial de Aglomerados de Madeira, S.A., since that company was liquidated during 2013.

The decrease in impairment loss relates to the reversal of the impairment loss on the participation of Maiequipa – Gestão Florestal, S.A..The increases in impairment losses relate to the registration of impairment on the participation of Sonae Indústria de Revestimentos, S.A. in the amount of 1.937.000 euros, the impairment on the participation of Movelpartes - Components para a Indústria de Mobiliário,S.A. in the amount of 2.276.000 euros and the impairment on the participation of Tafisa Tableros Fibras, S.A. in the amount of 152.454.642 euros.

18. Operational Leases

In 2013, charges for operational lease payments in the amount of 41.175 euros were recorded on the profit and loss statement.

In addition, at the balance sheet date, the company had irrevocable operational lease contracts with the following payment maturities:

	31.12.13	31.12.12
Maturing in em 2013		31.833
Maturing in em 2014	14.217	31.833
Maturing in em 2015	14.217	31.833
Maturing in em 2016	11.847	29.463
Maturing in em 2017		4.404
	40.281	129.366

19. Financial Risks

19.1. Liquidity Risk

The liquidity risk described on note 2.17., b), related to gross debt referred to on note 13, can be analysed as follows:

	2013 Liquidity Risk				2012 Liquidity Risk		
	Maturity of Gross Debt	Interests	Total		Maturity of Gross Debt	Interests	Total
2013				2013	150.515.885	16.017.367	166.533.252
2014	287.646.943	15.621.410	303.268.353	2014	186.969.697	14.291.785	201.261.482
2015	90.909.091	12.119.613	103.028.704	2015	33.409.091	7.782.720	41.191.811
2016	37.500.000	6.592.354	44.092.354	2016	30.000.000	5.648.690	35.648.690
2017	70.000.000	2.706.171	72.706.171	2017	60.000.000	2.032.630	62.032.630
2018	5.000.000	172.000	5.172.000	2018	-	-	-
	491.056.034	**37.211.548**	**528.267.582**		**460.894.673**	**45.773.192**	**506.667.865**

The calculation of interest in the previous table was based on interest rates at 31 december 2013 and 2012 applicable to each item of debt. Gross debt maturing in 2013 includes scheduled repayment of debt along with the repayment of debt as at end 2013 maturing within less than one year (although some credit limits might be rolled over).

Consistent with the principles described in Note 2.17 b), Sonae Indústria concentrates its efforts in the management of debt maturing in 2014 and 2015 with the objective to provide your management team the necessary room to implement its strategic plan, such as indicated above the market, seeks to reduce the harmful impact of industrial activity, favors the more profitable industrial units and strives for operational efficiency and asset sales.

During the fourth quarter of 2013, the company conducted a detailed analysis of capital structure and debt maturity profile, to identify alternatives to achieve long-term financing solutions that provide you with the time needed to implement your plan strategic (considerable reduction in the amount of debt to be repaid in 2014 and 2015) and that allow obtain the support of its major business partners, in particular its major shareholders and creditor banks .

As a result of this analysis, negotiations are under way with the three major banks in order to find appropriate solutions to the refinancing of debt maturing over the next few years. These negotiations could result in an extension of the maturity of current debt and a Refinancing of conditions attached to it which, together with other leading to improved capital structure of the group initiatives, enable access of society, in the medium term, the markets bank financing and / or capital to refinance its debt , if deemed appropriate.

19.2. Market risk

19.2.1 . Interest rate risk

The analysis of interest rate risk, described on note 2.17., b), i), consisted in calculating the way net profit before tax would have been impacted if there would have been a change of +0.75 or -0.75 percentage points in actual interest rates of the corresponding period.

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	2013			2012		
	"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	-7.151000	-79.791	79.791	-17.676.500	-690.929	690.929
External	-490.878.788	-2.886.843	2.886.843	-435.848.485	-2.906.451	2.906.451
	-498.029.788	-2.966.634	2.966.634	-453.524.985	-3.597.381	3.597.381
Financial Instruments						
Derivates	-	-	-	-	-	-
	-	-	-	-	-	-
Loans to group companies	499.242.695	3.889.926	-3.889.926	492.303.872	4.464.536	-4.464.536
Treasury Aplications	0	566	-566	0	30.692	-30.692
	499.242.695	3.890.492	-3.890.492	492.303.872	4.495.228	-4.495.228
		923.858	**-923.858**		**897.847**	**-897.847**

The amounts of debt included in the above table excludes bank overdrafts and borrowings that are not subject to changes in interest rate. 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 35.7 times the standard deviation of that variable in 2013 (2 times in 2012).

The interest amounts were calculated based on interest rates in effect at December 31, 2013, for each of the values in debt.

20. Related Parties

Balances and transactions with related parties may be summarized as follows:

Balance	Accounts Receivable		Accounts Payable		Other Creditors		Other non Currents Assets		Treasury Apllications	
	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12
	23 173	5 712	123 215	87 488	7 151 000	17 676 500	513 808 092	513 844 898	10 591 303	-
- Agloma						1.224.000		25.000		
- Agloma Investimentos						208.500				20.000
- Ecociclo						294.000	197.000	537.000	5.000	
- Euroresinas	7							1.199.000	1.973.000	
- Glunz										
- Implamac							2.841.000	882.000	1.079.000	
- SInd-pcdm	22.274		34.925	13.287		4.328.000	24.100.000	359.000	7.088.303	
- Isoroy										
- Maiequipa							1.021.900	1.012.900	1.000	3.000
- Movelpartes	892	5.712				1.290.500			327.000	
- Somit Imobiliária							458.800	2.457.800	2.000	
- Siaf Energia					2.448.000	3.827.000				
- Sonae Industria Revestimentos			435		4.703.000	5.127.500				
- Sonae ,sgps			49.000							
- Sonae Uk										
- Sind - Management services			5.553	5.402		1.377.000	811.000		116.000	
- Tafisa Canadá										
- Tafisa Tableros Fibra							50.000.000			
- Sonae Novobord										
- Taiber							434.378.392	507.372.198		
- Novis				1.056						
- Raso Viagens Turismo			11.287	13.083						
- Solinca investimentos Turisticos				1.206						
- Sonaecenter			11.851	53.233						
- Sonae RP			9.842							
- SC-Consultadoria			101							
- Imosede			221	221						

Transactions	Purchases & Acquired Services		Interest Income		Interest Expenses	
	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12
	228 379	270 681	27 643 696	22 417 761	262 101	2 523 885
- Agloma			345	556	11.487	1
- Agloma Investimentos			5.748	21		2.211.343
- Ecociclo			16.961	27.583	623	1.038
- Euroresinas			155.006	235.941	6.377	555
- Implamac			104.616	272.314		7.019
- SInd-pcdm	14.168	17.459	886.392	163.318	23.069	18.671
- Isoroy						
- Maiequipa			55.644	38.941		
- Movelpartes			1.304		17.303	35.308
- Somit Imobiliária			70.753	115.061		
- Siaf Energia					62.033	88.400
- Sonae Industria Revestimentos	354	469			132.266	137.009
- Sonaecenter	23.642	45.936				
- Sonae ,sgps	50.000	50.000				
- Sind - Management services	54.176	52.698	30.361		8.943	24.541
- Tafisa			1.149.583			
- Saphety	85					
- Solinca investimentos Turisticos	1.015					
- Taiber			25.166.983	21.564.026		
- Novis		9.587				
- SC-Consultadoria	538					
- Raso Viagens Turismo	72.237	89.724				
- Solinca investimentos Turisticos		3.683				
- Digitmarket	17					
- Sonae RP	10.887					
- Imosede	1.260	1.125				

Remuneration of the Board of Directors of the Company is detailed as follows:

	31.12.2013	31.12.2012
Total Fixed salaries	923.175	818.204
Total Bonus	159.700	185.000
	1.082.875	1.003.204

Remuneration of the Supervisory Board, General Assembley and Remuneration Committee is detailed as follow:

	31.12.2013	31.12.2012
Total Fixed salaries	36.750	36.750

Fees Paid to the Audit company PricewatherhouseCoopers is detailed as follows:

Total Fees related to audit and legal certification of the accounts	13.730

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 .

21. Other Operational Gains and Losses

Other Operation Gains	31.12.13	31.12.12
Supplementary Revenue	30 299	133.466
Others	110 337	40
	140.636	133.506

Other Operation Losses	31.12.13	31.12.12
Losses on disposals of non current investments		13
Taxes	114.427	185.652
Others	64.597	51.075
	179.024	236.740

22. Financial Results

	31.12.13	31.12.12
Financial Expenses:		
Interest Expenses	24 616 358	21.989.295
Others	1 467 939	861.234
Financial Results	1.559.453	-402.110
	26.175.811	22.448.419
Financial Revenues		
Interest Income	27 643 749	22.448.418
Others		1
	27.643.749	22.448.419

23. Gains on Investments

	2013	2012
Dividends		
Movelpartes - Componentes p/ind.Mobiliário,S.A.	500.000	
Imoplamac - Gestão de Imóveis,S.A.	871.896	
Siaf Energia,S.A.	3.196	
Somit Imobiliaria SA	104	
Euroresinas - Indústrias Quimicas,S.A.	1.250.000	
Sonae Indústria - Management Services, S.A.	1.500.000	
Sonae Indústria - P.C.D.M.,S.A.	445.765	
Reversal of Impairment of participation of Maiequipa,S.A.(Nota 6)	1.269.691	
Reversal of Impairment of paraticipation of Agloma,S.A.(Noat 6)	20.310.499	
Gains related with investments	26.151.150	0
Loss on liquidation of Agloma,S.A.(Nota 6)	-19.696.267	
Registration of impairment of participation of SIR,S.A.(Nota 6)	-1.937.000	
Registration of impairment of participation of Movelpartes,S.A.(Nota 6)	-2.276.000	
Registration of impairment of participation of Tafisa,S.A.(Nota 6)	-152.454.642	
Losses related with investments	-176.363.909	0
Profit/Loss on other investments	-150.212.759	0

24. Income Taxation

The income and deferred taxation recorded at 31 december 2013 and 31 december 2012 were:

	31.12.13	31.12.12
Income taxation	661.454	1.411.328
Deferred taxation (Note 7)	(1.236.269)	(2.357.332)
	(574.815)	(946.004)
Current Tax -Prior Year adjustment	205.143	(148.711)
	(369.672)	(1.094.715)

Reconciliation of Earnings before taxes with taxes for the year may be detailed as follows:

	2013	2012
Net income/(loss) before tax	-150.394.080	-178.736.452
Current Taxes	37.598.520	44.684.113
Provisions	-99	-44.044.928
Impairment loss of financial assets	-38.849.488	
Dividends	-1.030.474	0
Current tax at special rate	-38.596	-59.002
Deferred tax		-2.769.634
Tax savings	1.709.293	1.243.447
Others	36.029	
	-574.815	-946.004

The effective tax rate was (0.38%).

25. Earnings Per Share

Earnings per share, excluding the effect of discontinued operations, were calculated as follows:

	31.12.13	31.12.12
Net Profit		
Net Profit Considered for Basic EPS Calculation (Periodic Net Profit)	- 150 763 752	- 179 831 167
Net Profit Considered for Diluted EPS Calculation	- 150 763 752	- 179 831 167
Number of Shares		
Weighted Average Number of Shares for Basic EPS Calculation	140 000 000	140 000 000
Weighted Average Number of Shares for Diluted EPS Calculation	140 000 000	140 000 000
Net Profit Per Share	-1,08	-1,28

During 2013, no effect from discontinued operations was recorded.

26. 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 74 million Euro, should be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation. 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 financial statements (Note 7).

Was completed in 2012 the Tax audit to IRC group companies for the year 2009, from this audit resulted corrections to taxable income in the amount of 3.743.609 euros, related with Current Tax the amount of 3.131.296 euros, related with special tax the amount of 337.258 euros and related with compensatory interest the amount of 275.055 euros. The company filed a law suit and provided a guarantee from Sonae Industria PCDM to suspend the tax foreclosure process. The Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was recognized in financial statements.

Was completed in 2013 the Tax audit to IRC group companies for the year 2010, from this audit resulted corrections to taxable income in the amount of 1.897.603 euros, related with current tax the amount of 1.612.926 euros, related with special tax the amount of 1.992 euros and related with disregard deductions the amount of 158.961 euros. The company filed a law suit and provided a guarantee from Sonae Industria PCDM to suspend the tax foreclosure process. The Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was recognized in financial statements.

In the year 2013, was received an additional corrections to taxable income in the IRC group of companies for the year 2009 in the amount of 480.438 euros to fix the value attributed to tax losses reported by AT settlement. The company filed a law suit and provided a guarantee from Sonae Industria PCDM to suspend the tax foreclosure process. The Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was recognized in financial statements.

Sonae Industria SGPS has granted a guarantee amounting to 4.181.794 euros to the Institute of Social Security in order to ensure a contingency from Sonae Industria PCDM with this entity, this contingency is in claim phase.

Sonae Industria SGPS signed an amendment to the leasings contracts that Imoplamac has with a bank, in case of disregard of the contract, in the amount of 8.680.000 euros.

27. Subsequent events

There is nothing significant to report.

28. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 11 march 2014.

CONSOLIDATED FINANCIAL STATEMENTS

SONAE INDUSTRIA

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013, 31 DECEMBER 2012 AND 1 JANUARY 2012

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2013	31.12.2012 Restated	01.01.2012 Restated
NON CURRENT ASSETS:				
Tangible fixed assets	10	811 477 229	806 163 927	915 418 700
Goodwill	13	81 840 163	92 496 051	92 620 183
Intangible assets	11	7 491 577	7 137 808	8 576 779
Investment properties	12	1 268 956	1 313 215	1 357 473
Associated undertakings and non consolidated undertakings	9	1 566 686	2 262 846	2 360 890
Investment available for sale	9	1 108 824	1 091 540	1 069 440
Deferred tax asset	14	34 003 208	25 046 395	37 874 949
Other non current assets	15	1 073 819	1 389 646	3 606 230
Total non current assets		939 830 462	936 901 428	1 062 884 644
CURRENT ASSETS:				
Inventories	17	123 468 707	129 983 908	137 414 763
Trade debtors	18	121 013 543	140 918 477	158 400 706
Other current debtors	19	5 565 730	13 801 900	13 132 676
State and other public entities	21	10 182 506	8 126 925	13 628 325
Other current assets	20, 26	13 979 041	12 548 389	21 664 946
Cash and cash equivalents	22	27 295 811	23 182 513	23 570 163
Total current assets		301 505 338	328 562 112	367 811 580
Non-current assets held for sale	16	4 318 092	4 411 224	911 164
TOTAL ASSETS		1 245 653 892	1 269 874 764	1 431 607 388
SHAREHOLDERS`FUNDS, NON-CONTROLLING INTERESTS AND LIABILITIES				
SHAREHOLDERS`FUNDS:				
Share capital	23	700 000 000	700 000 000	700 000 000
Legal reserve	23	3 131 757	3 131 757	3 131 757
Other reserves and accumulated earnings	23	- 647 867 883	- 569 867 023	- 460 542 177
Accumulated other comprehensive income	23	72 681 459	- 380 018	- 7 326 625
Total		127 945 333	132 884 716	235 262 955
Non-controlling interests	24	- 795 247	- 939 705	329 050
TOTAL SHAREHOLDERS`FUNDS		127 150 086	131 945 011	235 592 005
LIABILITIES:				
NON CURRENT LIABILITIES:				
Bank loans - net of current portion	25, 27	123 145 528	128 275 420	155 127 941
Non convertible debentures	25, 27	118 908 927	248 344 033	287 993 050
Finance lease creditors - net of current portion	25, 27	30 153 351	36 192 908	39 494 029
Other loans	25, 27	2 553 262	78 868 673	98 597 712
Post-retirement liabilities	29	25 651 828	27 679 582	25 204 783
Other non current liabilities	28	55 758 364	64 940 905	77 332 116
Deferred tax liabilities	14	73 558 661	60 072 909	64 298 186
Provisions	33	7 433 001	7 372 628	14 327 908
Total non current liabilities		437 162 922	651 747 058	762 375 725
CURRENT LIABILITIES:				
Current portion of non-current bank loans	25, 27	22 165 408	64 693 562	111 796 391
Current bank loans	25, 27	201 693 837	68 492 770	24 554 807
Current portion of non-current non convertible debentures	25, 27	129 918 927	55 000 000	15 000 000
Current portion of non-current finance lease creditors	25, 27	5 558 615	4 114 170	4 593 444
Other loans	25, 27	70 902 123	4 060 098	1 477 788
Trade creditors	30	156 380 414	177 584 402	161 475 903
Taxes and other contributions payable	31	12 259 031	14 103 601	13 211 850
Other current liabilities	32	81 137 986	86 115 099	101 325 866
Provisions	33	1 324 543	12 018 993	203 609
Total current liabilities		681 340 884	486 182 695	433 639 658
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1 245 653 892	1 269 874 764	1 431 607 388

The notes are an integral part of the consolidated financial statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED AT 31 DECEMBER 2013 AND 2012

(Amounts expressed in Euros)

	Notes	31.12.2013	31.12.2012
Sales	39, 44	1 227 729 546	1 316 690 424
Services rendered	39, 44	3 826 375	4 339 792
Other income and gains	36, 39	28 864 462	34 400 251
Cost of sales	39, 44	645 471 186	679 064 964
(Increase) / decrease in production	39	- 301 971	- 1 496 556
External supplies and services	39, 44	337 068 213	357 166 572
Staff expenses	39	196 220 543	204 383 493
Depreciation and amortisation	44	74 743 609	77 323 387
Provisions and impairment losses (increase / reduction)	33, 44	31 883 425	13 184 115
Other expenses and losses	37, 39	14 370 407	14 086 910
Operating profit / (loss)	44	- 39 035 029	11 717 582
Financial expenses	40	63 610 032	71 038 941
Financial income	40	5 036 187	20 242 177
Gains and losses in associated companies		- 696 165	- 212 981
Gains and losses in investments			79 861
Net profit/(loss) from continuing operations, before tax		- 98 305 039	- 39 212 302
Taxation	14, 41	- 19 388 908	15 628 002
Consolidated net profit / (loss) from continuing operations, afer taxation		- 78 916 131	- 54 840 304
Profit / (loss) from discontinued operations, after taxation	42		- 45 211 595
Consolidated net profit / (loss) for the period		- 78 916 131	- 100 051 899
Attributable to:			
Equity Holders of Sonae Industria			
Continuing operations		- 78 045 917	- 54 215 194
Discontinuing operations			- 44 661 686
Equity Holders of Sonae Industria		- 78 045 917	- 98 876 879
Non-controlling interests			
Continuing operations		- 870 214	- 625 111
Discontinuing operations			- 549 909
Non-controlling interests		- 870 214	- 1 175 020
Profit/(Loss) per share			
Fom continuing operations:			
Basic	43	- 0.5575	- 0.3873
Diluted	43	- 0.5575	- 0.3873
From discontinued operations:			
Basic			- 0.3190
Diluted			- 0.3190

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 2013 AND 2012

(Amounts expressed in Euros)

	Notes	31.12.2013	31.12.2012 Restated
Net consolidated profit / (loss) for the period (a)		**- 78 916 131**	**- 100 051 899**
Other consolidated comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in currency translation reserve		- 19 431 262	- 891 175
Change in fair value of available-for-sale financial assets		- 4 926	- 12 815
Income tax relating to items that may be reclassified			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans		833 309	- 3 824 712
Revaluation of tangible fixed assets		129 856 643	
Income tax relating to items that will not be reclassified		37 373 865	- 897 213
Other consolidated comprehensive income for the period, net of tax (b)		**73 879 899**	**- 3 831 489**
Total consolidated comprehensive income for the period (a) + (b)		**- 5 036 232**	**- 103 883 388**
Total consolidated comprehensive income attributable to:			
Equity holders of Sonae Industria		- 4 984 440	- 102 671 757
Non-controlling interests		- 51 792	- 1 211 631
		- 5 036 232	**-103 883 388**

The notes are an integral part of the consolidated financial statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS` FUNDS AT 31 DECEMBER 2013 AND 2012

(Amounts expressed in Euros)

	Note	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
					23			
Balance as at 1 January 2012 - restated		700 000 000	3 131 757	-460 542 177	-7 326 625	235 262 955	329 050	235 592 005
Total consolidated comprehensive income for the period								
Net consolidated profit/(loss) for the period - restated				-98 876 879		- 98 876 879	- 1 175 020	- 100 051 899
Other consolidated comprehensive income for the period - restated					-3 794 878	- 3 794 878	- 36 611	- 3 831 489
Total - restated				-98 876 879	-3 794 878	-102 671 757	-1 211 631	-103 883 388
Share-based payment plan	45			89 604		89 604		89 604
Others				-10 537 571	10 741 485	203 914	- 57 124	146 790
Balance as at 31 December 2012 - restated		700 000 000	3 131 757	-569 867 023	- 380 018	132 884 716	- 939 705	131 945 011

	Note	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
					23			
Balance as at 1 January 2013		700 000 000	3 131 757	- 569 867 023	- 380 018	132 884 716	- 939 705	131 945 011
Total consolidated comprehensive income for the period								
Net consolidated pofit/(loss) for the period				-78 045 917		- 78 045 917	- 870 214	- 78 916 131
Other consolidated comprehensive income for the period					73 061 477	73 061 477	818 422	73 879 899
Total				-78 045 917	73 061 477	- 4 984 440	- 51 792	- 5 036 232
Share-based payment plan	45			109 445		109 445		109 445
Others				- 64 388		- 64 388	196 250	131 862
Balance as at 31 December 2013		700 000 000	3 131 757	-647 867 883	72 681 459	127 945 333	- 795 247	127 150 086

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 2013 AND 2012

(Amounts expressed in Euros)

OPERATING ACTIVITIES	Notes	31.12.2013	31.12.2012
Receipts from trade debtors		1 231 670 082	1 337 396 093
Payments to trade creditors		995 110 857	1 032 592 559
Payments to staff		201 774 554	224 566 243
Net cash flow from operations		34 784 671	80 237 291
Payment / (receipt) of corporate income tax		5 677 539	4 743 238
Other receipts / payments relating to operating activities		1 100 143	22 808 504
Net cash flow from operating activities (1)	42	30 207 275	98 302 557
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments		165 127	138 848
Tangible and intangible assets		8 973 018	16 756 569
Investment subventions		156 871	297 097
Non-current assets held for sale			79 861
Others			13 572 425
		9 295 016	30 844 800
Cash Payments arising from:			
Investments			192 500
Tangible and intangible assets		20 692 615	38 101 442
Others			
		20 692 615	38 293 942
Net cash used in investment activities (2)	42	- 11 397 599	- 7 449 142
FINANCING ACTIVITIES			
Cash receipts arising from:			
Interest and similar income		750 914	1 240 155
Loans obtained		2 609 598 270	2 910 498 562
Others		97 638	
		2 610 446 822	2 911 738 717
Cash Payments arising from:			
Interest and similar charges		41 935 652	37 673 887
Loans obtained		2 546 578 785	2 974 854 632
Dividends			4 518
Finance leases - repayment of principal		4 780 235	4 620 874
Others			4 257 653
		2 593 294 672	3 021 411 564
Net cash used in financing activities (3)	42	17 152 150	- 109 672 847
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		35 961 826	- 18 819 432
Effect of foreign exchange rate		49 595	6 181
Cash and cash equivalents at the beginning of the period	22	- 17 810 257	1 015 356
Cash and cash equivalents at the end of the period	22	18 101 974	- 17 810 257

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 2013

(Amounts expressed in Euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA, whose head-office is at Lugar do Espido, Via Norte, Apartado 1096, 4470-909 Maia, Portugal, is the parent company of a group of companies as detailed in notes 4 to 6 (“Group”). The Group’s operations and business segments are described in Note 44.

Sonae Indústria, SGPS, SA is included in the perimeter of consolidation of Efanor Investimentos, SGPS, SA, which is both its immediate and ultimate parent company.

The shares of the company are listed on NYSE Euronext Lisbon.

2. MAIN ACCOUNTING POLICIES

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

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC), applicable to the period beginning on 1 January 2013 and endorsed by the European Union.

In the year ended 31 December 2013 the following standards and interpretations became effective:

IAS 1 (amendment), 'Presentation of Financial Statement'. This amendment requires entities to present separately items recognized as Other Comprehensive Income depending on whether they may be later recycled through profit or loss, and its fiscal impact, if items are presented before tax. This amendment changed the presentation of the Group's consolidated statement of comprehensive income;

IAS 12 (amendment), 'Income Taxes'. This amendment requires entities to measure deferred taxes related to assets depending on whether entities expect to recover the carrying amount of the asset either though use or through sale, except for investment properties at fair value. This amendment includes the principles from SIC 21, which is superseded. This amendment had no effects on the Group's consolidated financial statements;

IAS 19 (amendment 2011), 'Employee Benefits'. This amendment includes significant changes to the recognition and measurement of expenses with defined benefits and termination benefits as well as in disclosures of all kinds of employee benefits. Actuarial gains or losses are immediately recognized through Other Comprehensive Income (the corridor method is not allowed anymore). Financial charges of funded plans are calculated on the basis of net unfunded responsibility. Termination benefits only qualify for recognition if the employee has no future service obligation. This amendment affected the Group's consolidated financial statements as set out in notes 3 and 29;

Improvement to the standards 2009-2011. The improvement process for 2009-2011 affects the following standards: IFRS 1 (second adoption of IFRS 1 and related exemptions), IAS 1 (presentation of financial statements following a compulsory or voluntary change in accounting policies), IAS 16 (classification of spare parts and servicing equipment when they meet the definition of tangible fixed asset), IAS 32 (classification and tax effects of transactions involving net equity or dividends) and IAS 34 (exemption from disclosing segmental assets and liabilities). The amendment to IAS 1 affected the presentation of the Group's consolidated financial statements;

IFRS 1 (revision), 'First-time Adoption of IFRSs'. This revision aims to include a specific exemption for entities that formerly operated in hyperinflationary economies and that adopted IFRSs for the first time. This exemption allows an entity to measure some assets and liabilities at fair value and to use that fair value as the deemed cost on the statement of financial position at transition date to IFRSs. Furthermore, date of transition to IFRSs replaces references to specific dates when retrospective application of IFRSs is not mandatory. This amendment had no effect on the Group's consolidated financial statements as they were already presented under IFRSs.

IFRS 7 (amendment), 'Disclosures – Offsetting Financial Assets and Financial Liabilities'. This amendment is part of IASB's project for offsetting assets and liabilities and introduces new disclosure requirements about non-recognized offsetting rights (of assets and liabilities), about assets and liabilities which were offset and the effect of offsetting on credit risk. This amendment had no effects on the Group's consolidated financial statements;

IFRS 13 (new), 'Fair value: Measurement and disclosure'. This standard aims to increase consistency by defining fair value and setting out a common basis for fair value measurement and disclosure across IFRSs. This amendment had no effects on the Group's consolidated financial statements;

IFRIC 20 (new),'Stripping costs in the production phase of a surface mine. This interpretation refers to the accounting of overburden waste removal costs in the production phase of a surface mine, as an asset, taking into consideration that the waste removal generates two potential benefits: immediate extraction of mineral resources and improved access to further quantities of mineral resources to be extracted in the future. This interpretation had no effects on the Group's consolidated financial statements;

At 31 December 2013 the following standards and interpretations had been issued and endorsed by the European Union, but had not been applied as they only become effective on later periods:

IFRS 10 (new), 'Consolidated Financial Statements' (effective in the European Union for periods beginning on or after 1 January 2014). IFRS 10 replaces all principles related to control and consolidation included in IAS 27 and SIC 12 by changing the definition of control and the criteria to be used for identifying control. The core principle that a consolidated entity presents a parent and its subsidiaries as a single entity remains unchanged. The Group will apply this standard in the annual period in which it becomes effective;

IFRS 11 (new), 'Joint Arrangements' (effective in the European Union for periods beginning on or after 1 January 2014). IFRS 11 focus on rights and obligations arising from joint arrangements rather than on legal form. Joint arrangements may consist of joint operations (rights to the assets and obligations) or joint ventures (rights to the net assets recognized using the equity method). Proportionate consolidation is no longer allowed to measure joint controlled entities. The Group will apply this standard in the annual period in which it becomes effective;

IFRS 12 (new), 'Disclosure of Interests in Other Entities' (effective in the European Union for periods beginning on or after 1 January 2014). This standard sets out disclosure requirements for all types of interests in other entities, including subsidiaries, joint arrangements, associates and specific purpose entities, in order to assess the nature, risks and financial effects related to interest in other entities. The Group will apply this standard in the annual period in which it becomes effective;

Amendments to IFRS 10, IFRS 11 and IFRS 12, 'Transition Guidance' (effective in the European Union for periods beginning on or after 1 January 2014). This amendment clarifies that when the accounting treatment of financial investments under IFRS 10 is different from the one under the former IAS 27/SRC 12, comparative information must only be re-presented for the immediately preceding period. Any differences arising must be recognized through net equity at beginning date of the comparative period. Specific disclosure requirements are included in IFRS 12. The Group will apply this standard in the annual period in which it becomes effective;

IAS 27 (amended 2011), 'Separate Financial Statements' (effective in the European Union for periods beginning on or after 1 January 2014). IAS 27 was amended after IFRS 10 was issued and contains the recognition and disclosure requirements for investments in subsidiaries, joint ventures and associates of entities that prepare separate financial statements. The Group will apply this standard in the annual period in which it becomes effective;

IAS 28 (amended 2011), 'Investments in Associates and Joint Ventures' (effective in the European Union for periods beginning on or after 1 January 2014). IAS 28 was amended after IFRS 11 was issued and now includes the accounting treatment for investments in associates and joint ventures as well as the requirements for applying the equity method. The Group will apply this standard in the annual period in which it becomes effective;

IAS 32 (amendment), 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities' (effective in the European Union for periods beginning on or after 1 January 2014). This amendment is part of IASB's project for offsetting assets and liabilities, and aims to clarify the statement "have the right to receive or pay a single net amount". It further clarifies that some systems settling two financial instruments (clearing houses) may be equivalent to settlement of a single amount. The Group will apply this standard in the annual period in which it becomes effective;

IAS 36 (amendment), 'Recoverable amount disclosures for non-financial assets' (effective in the European Union for annual periods beginning on or after 1 January 2014). This amendment refers to disclosure requirements of impaired assets for which recoverable amounts were measured for fair value less estimated costs to sell. The Group will apply this standard in the annual period in which it becomes effective;

IAS 39 (amendment), 'Novation of derivatives and continuation of hedge accounting' (effective in the European Union for annual periods beginning on or after 1 January 2014). This amendment allows an entity to keep applying hedge accounting for a derivative that was designated as a hedging instrument, when a law or regulation transfers the counterparty rights to a clearing house. The Group will apply this standard in the annual period in which it becomes effective;

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment entities' (effective in the European Union for annual periods beginning on or after 1 January 2014). This amendment defines investment entities, which are exempted from applying IFRS 10 to investments in subsidiaries. These ones should be measured at fair value through profit or loss, in accordance with IAS 39. Specific disclosure requirements are included in IFRS 12. The Group will apply this standard in the annual period in which it becomes effective;

The aforementioned changes, namely IFRS 11, will affect the Group's consolidated financial statements upon application. The effects may be assessed with resource to the information disclosed in note 5 – Joint Ventures (assets, liabilities, income and expenses). These companies, which are proportionately consolidated in these consolidated financial statements, will thereafter be recognized using the equity method.

At 31 December 2013 the following standards had been issued, with effective date on later periods and still pending endorsement by the European Union:

IAS 19 (amendment), 'Defined benefit plans: employee contribution' (effective for annual periods beginning on or after 1 January 2014). This standard still needs to be endorsed by the European Union. This amendment intends to simplify the recognition of contributions by employees or third parties to defined benefit plans in situations where contributions are independent of worked years;

Annual improvements to IFRSs 2010 – 2012 cycle (effective for period beginning on or after 1 July 2014). These amendments still need to be endorsed by the European Union. This improvement cycle affects IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38;

Annual improvements to IFRSs 2011 – 2013 cycle (effective for period beginning on or after 1 July 2014). These amendments still need to be endorsed by the European Union. This improvement cycle affects IFRS 1, IFRS 3, IFRS 13, and IAS 40;

IFRS 9 (new), 'Financial instruments' (effective date still not defined). This standard still needs to be endorsed by the European Union. It relates to the first phase of IFRS 9, which includes two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortized cost only when the entity holds it to receive its contractual cash flows and these cash flows represent the nominal value and interest. Otherwise, financial instruments are measured at fair value through profit or loss. The Group will apply this standard in the annual period in which it becomes effective;

IFRS 9 (amendment), 'Financial instruments' (effective date still not defined). This standard still needs to be endorsed by the European Union. It relates to the third phase of IFRS 9, and consists of a comprehensive revision of hedge accounting rules included in IAS 39: quantitative assessment of hedge effectiveness is eliminated, allows more hedged items to be designated as such and allow the recognition through other comprehensive income of some effects arising from hedging instruments. This amendment aims to increase consistency between hedge accounting and risk management policies. The Group will apply this standard in the annual period in which it becomes effective.

The Company does not expect any significant effects on its consolidated financial statements arising 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 2.12).

2.2. Consolidation Principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings and is able to establish financial and operational policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. 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. Companies included in the consolidated financial statements are listed on Note 4.

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.d and 14). 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.

b) Financial Investments in jointly owned companies

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) are accounted for through the proportionate consolidation method, as from the date the joint control is acquired or established. Under this method, the assets, liabilities, profits and losses of these companies are incorporated proportionately to the control attributable and line by line, in the Group's financial statements in appendix.

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the joint-venture at the time of acquisition is recorded as goodwill (Note 2.2.d). 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.

Transactions, balances and dividends between the companies are eliminated proportionately to the control attributable to the Group.

Joint-venture companies are detailed in Note 5.

c) Investments in associated companies

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of associated companies and are offset against losses or profits in the period and against dividends received.

Any excess of the acquisition cost over the Group's share in the fair value of the identifiable net assets acquired is recognized as part of the investment (note 2.2.d). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognized as income in the profit or loss for the period of acquisition, in results related to associated companies.

An assessment of investments in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss is disclosed in the 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 and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment.

The Group's share in unrealized gains arising from transactions with associated companies is eliminated. Unrealized losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated companies are disclosed in note 6.

d) 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).

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the joint-venture or associate company at the time of acquisition is recorded 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 balance sheet date. Exchange rate differences arising from this translation are disclosed 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 in the 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.

Any excess of the Group's share in the fair value of identifiable assets and liabilities in jointly controlled and associated companies over cost, is recognized as income in the profit or loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets and liabilities acquired.

e) 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 balance sheet date. 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 balance sheet date.

Whenever a foreign company is sold, accumulated exchange rate differences are recorded in the Income Statement as a gain or loss on the disposal.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

	31.12.2013		31.12.2012	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8337	0.8489	0.8161	0.8106
South African Rand	14.5666	12.7730	11.1732	10.5285
Canadian Dollar	1.4671	1.3669	1.3137	1.2837
American Dollar	1.3791	1.3275	1.3194	1.2842
Swiss Franc	1.2276	1.2308	1.2072	1.2052

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 acquired after that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

In the period ended 31 December 2013 the Group changed subsequent measurement of land and buildings to revaluation method on the basis that it better reflects the economic value of these classes of tangible fixed assets.

Increase in tangible fixed assets arising from revaluation is recognized through Other comprehensive income for the period and will thereafter be transferred to Other reserves and accumulated earnings 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.

The Group separately recognizes and depreciates the components of Property Plant and Equipment whose useful lives are significantly different from the related main assets' 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 depreciation 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 in the Income Statement when it is incurred (note 38).

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 3 to 6 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 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 assets.

2.7. Government 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 as income in the same period as the relevant expense.

Grants related to depreciable assets are disclosed as Other non-current liabilities and are recognized as income on a straight line basis over the expected useful lives of those assets.

2.8. Impairment of non-current assets, except for goodwill and deferred taxes

Assets are assessed for impairment at each balance sheet date 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 recognized in the 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. 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 in 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.

2.9. 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 capitalisation.

2.10. 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.

2.11. 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 balance sheet 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 of provisions are recognized under Provisions and Impairment losses on the Consolidated Income Statement.

2.12. 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 assets on the consolidated balance sheet.

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 12 months as from the balance sheet date.

Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. 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, including transaction costs.

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 balance sheet 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 consolidated 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 realisable value, corresponding to their nominal value less impairment losses, recorded under the caption Impairment losses in accounts receivable, 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 in the consolidated balance sheet as current assets unless they mature after twelve months as from the balance sheet 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 in the income statement on an accruals basis, in accordance with the accounting policy defined in note 2.9. 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 as no interest is paid and financial discount is deemed to be not relevant.

f) Derivatives

The Group uses 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 on the Profit and Loss 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 equity under the caption Hedging reserves, included 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 in note 26.

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, which is included in Other Accumulated Comprehensive Income, 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 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, are accounted for as financial items 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 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 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.

2.13. Post-employment benefits

As referred to in note 29, 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 and from changes in demographic and financial assumptions 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 balance sheet date reflect the present value of obligations for defined benefits adjusted for actuarial gains or losses and/or past service costs not recorded, net of the fair value of net assets of the pension fund.

2.14. 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 when future economic benefits are probable.

2.15. 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 and includes deferred taxation, in accordance with the tax rules in force in the respective country of incorporation, considering the period 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 balance sheet date a review is made of the deferred tax assets recognized, which are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in 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.

2.16. Revenue recognition and accrual basis

Revenue from the sale of goods is recognized in 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 sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recognized in the Consolidated Income Statement taking into consideration the stage of completion of the transaction at the balance sheet date.

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, when they will be recognized in the Consolidated Income Statement.

2.17. 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 caption Other Operating Profits and Losses.

2.18. Balances and transactions expressed in foreign currencies

Transactions in currencies other than the Euro, are translated to Euro using the exchange rate as at the transaction date.

At each balance sheet 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 historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, 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.

When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (note 2.12.f).

2.19. 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 period for the shareholders. This compensation consists in granting a number of the Company's shares, which may choose, on payment date, to deliver the shares or to pay the corresponding amount, taking into consideration the market price of the shares on payment date.

This liability is stated on the Consolidated Statement of Financial Position under Other reserves, and is stated on the Consolidated Income Statement under Staff expenses, on a straight line basis over the deferral period, taking into consideration the fair value of granted shares on grant date.

If the employee ceases functions during the period over which payment of previously recognized liabilities is deferred, liabilities will be derecognized from the Consolidated Statement of Financial Position against Staff expenses on Consolidated Income Statement.

2.20. Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.21. Segment information

At the reporting date reportable segments are assessed on the basis of the internal reporting system of financial information (note 44).

2.22. Judgments and estimations

The most significant estimations included in these consolidated financial statements refer to:

a) Useful lives of tangible and intangible assets (notes 10, 11 and 12);
b) Impairment tests on goodwill and other tangible and intangible assets (note 13);
c) Impairment analysis of accounts receivable (notes 18 and 19);
d) Adjustments to assets, namely fair value adjustments and, relating to inventories, write-down to net realizable value (note 33);
e) Calculation of provisions and pension liabilities (notes 29 and 33);
f) Calculation of income tax (note 41).

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 profit or loss 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.

2.23. Emission rights of carbon dioxide

The Group has industrial facilities located in several European countries, which are within the scope of the European Emission Trading Scheme.
The scheme consists of an allowance granted by the State where the facility is located, which is recognized in Other Intangible Assets and Deferred Gains, at the market value of the date it was granted. Deferred gains are transferred to Other Operating Revenues on a straight line basis over the period.

At 31 December 2013 an estimation of emissions produced in the period is recognized in Cost Accruals and Other Operating Costs.

On the following period, when emissions produced are definitely calculated, the amount previously recorded in Other Intangible Assets is written off against Cost Accruals for the rights delivered back to the State. When allowances are excessive and the remainder is sold, a gain or loss corresponding to the difference between cost and market value is recorded in Other Operating Revenues or Other Operating Costs.

2.24. Disclosure of non-underlying items

During the period ended 31 December 2013 the Group started to disclose non-underlying 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.

Underlying 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 classify as non-underlying 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-underlying are therefore classified as underlying.

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. This corresponds to level 2 of fair value hierarchy, as defined in IFRS 13.

Sonae Indústria uses valuation techniques for non-listed financial instruments such as available-for-sale financial assets. The most frequently used valuation models are discounted cash flow models and option valuation models which include interest rate curves and market volatility, for instance.

For some types of complex derivative instruments, more advanced valuation models are used, containing unobservable assumptions and data for which Sonae Indústria SGPS uses internal estimations and assumptions. This corresponds to level 3 of fair value hierarchy, as defined in IFRS 3.

2.26. 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 Sonae Indústria Credit Risk Management is to guarantee the effective collection of its operating receivables according to the negotiated payment terms.

In order to mitigate Credit Risk related with potential Customers default on payment of outstanding receivables, Group companies exposed to this type of risk:

- Have in place proactive, active and reactive credit management processes and procedures, backed by advanced information systems;
- Have local commissions to analyse and follow up credit risk;
- Have teams exclusively dedicated to credit risk and collection of payments from customers;
- Establish and review credit limits for their Customers, monitoring effective exposure to their Customers;
- Have protection tools in place, such as insurance policies, where viable;
- Make use of credit rating agencies;
- Make use of legal proceedings in order to recover bad debt, if applicable.

ii) Other financial assets, other than receivables

In addition to its operating activities, Group companies have financial assets, related mainly with its activities involving Financial Institutions, such as cash deposits, financial investments and derivatives with positive market value. As a result, Credit Risk arises from the potential counterparty default from these Financial Institutions.

As a rule, Group companies preferably engage in financial operations with Investment Grade Financial Institutions. On the other hand, generally speaking, exposure related with this type of financial assets is widely spread and short lived.

b) Market Risk Management Policy

i) Interest Rate Risk

As a result of the relevant portion of floating rate debt on Sonae Indústria consolidated Balance Sheet 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 and the Canadian Dollar, or to the South African Rand and Brazilian Real (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 its general rule, Sonae Indústria may engage into interest rates derivatives. If this is the case, the following is observed:

- Derivatives are not used for trading, profit making, or speculative purposes;

- Group companies preferably 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 at least two Financial Institutions are considered before closing any interest rate hedging deal.

ii) Foreign Exchange Risk

As a geographically diversified Group with subsidiaries located in three different continents, Sonae Indústria is exposed to foreign exchange risk. Consolidated Balance Sheet and Profit and Loss are is 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 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.

Also as a rule, in situations where relevant exchange risk arises from trade in other than the subsidiary local currency, exchange risk should be mitigated through the use of short term forward exchange agreements performed by the subsidiary exposed to that risk. Sonae Indústria subsidiaries do not engage in forward exchange rate agreements with 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 than Euro local currencies, 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 on foreign non Euro subsidiaries is not hedged as these are considered long-term investments and it is assumed that hedging will not add value in the long term. Gains and losses related to the translation at different exchange rates of Equity investments in foreign non Euro subsidiaries are accounted under the Conversion Reserve, included in Other Reserves and Accumulated Earnings, on the Consolidated Balance Sheet.

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 and 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.

Interest rate risk and exchange rate risk are analysed in note 28.

iii) Other Price Risks

At 31 December 2013, Sonae Indústria did not hold material investments classified as "available-for-sale".

c) Liquidity Risk Management Policy

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 programs and other facilities (such as a securitization of receivables) 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.

It is Sonae Indústria's policy to exclude consolidated financial covenants from its loan agreements that could result in the early repayment of loans. This policy takes into account the unpredictable cyclical nature of the wood based panels business which strongly influences the financial ratios at the different stages of the business cycle.

Liquidity risk is analysed in note 27.

3. CHANGES IN ACCOUNTING POLICIES

a) Post-employment benefit liabilities

In the period ended 31 December 2013 the Company started to recognize remeasurements, which were formerly designated as actuarial gains and losses, related to defined benefit plans through other comprehensive income. The financial statements of prior period were represented so as to include remeasurements which had not been recognized at 1 January 2012 and 31 December 2012. The effects of this change are stated in note 29.

b) Revaluation of tangible fixed assets

At 31 December 2013 the Group carried out a revaluation of land and buildings included under Tangible fixed assets, on the Consolidated statement of financial position. The value of these assets was assessed by an independent appraisal by using a combination of valuation methods and corresponds to level 2 fair value.

Valuation methods used were market method and cost method. Under market method properties are compared to similar situations observable in the market for value assessment, and adjusted for dimension, shape, location, accesses and general state. Cost method consists of adding up the value of each asset item within the property, ie, depreciable assets and land. Relating to buildings, replacement cost deducted by wear and tear depreciation was estimated, ie, the cost upon acquisition or production of a similar property for the same industrial purposes.

This revaluation of land and buildings consisted of increasing the cost of both and the accumulated depreciation of the latter so as to reach the carrying amount determined by independent appraisal. The increase in the carrying amount of these assets was accounted for under Revaluation of tangible fixed assets, on the Consolidated statement of comprehensive income. Furthermore, a deferred tax liability related to the taxable temporary difference arising from this revaluation was recognized under Deferred tax liability, on the Consolidated statement of financial position, and under Income tax relating to items that will not be reclassified, on the Consolidated statement of comprehensive income. When tax losses carried forward are available for used against the reversion of the aforementioned taxable temporary difference, a Deferred tax asset was recognized under Deferred tax assets, on the Consolidated statement of financial position, and under Taxation, on the Consolidated Income Statement. Depreciation for the period was not affected by this revaluation.

The main effects of this revaluation of tangible fixed assets are disclosed on note 10 (gross amount and accumulated depreciation), note 14 (deferred tax) and note 23.4 (other comprehensive income).

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 2013 and 31 December 2012 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.2013		31.12.2012		
			Direct	Total	Direct	Total	
	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	98.90%	100.00%	98.90%	a)
1)	Agloma - Sociedade Industrial de Madeira Aglomerada, S.A.	Oliveira do Hospital (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	98.90%	100.00%	98.90%	a)
	BHW Beeskow Holzwerkstoffe GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Darbo, SAS	Linxe (France)	100.00%	98.78%	100.00%	98.78%	a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Euroresinas - Indústrias Quimicas, S.A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	GHP Glunz Holzwerkstoffproduktions GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz AG	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz Service GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz UK Holdings, Ltd.	Knowsley (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz UkA GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Impaper Europe GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Isoroy, SAS	Rungis (France)	100.00%	98.78%	100.00%	98.78%	a)
	Maiequipa - Gestão Florestal, S.A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Megantic B.V.	Amsterdam (The Netherlands)	100.00%	98.78%	100.00%	98.78%	a)
	Movelpartes – Comp. para a Indústria do Mobiliário, S.A.	Paredes (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
2)	Novodecor (Pty)	Woodmead (South Africa)	100,00%	100,00%			a)
	OSB Deustchland	Germany	100.00%	98.78%	100.00%	98.78%	a)
	Poliface North America	Baltimore (USA)	100.00%	98.78%	100.00%	98.78%	a)
	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
3)	SCS Beheer, BV	The Netherlands	100.00%	98.78%	100.00%	98.78%	a)
	Sociedade de Iniciativa e Aproveit. Florestais – Energias, S.A.	Mangualde (Portugal)	100.00%	98.79%	100.00%	98.78%	a)
	Somit – Imobiliária, S.A.	Mangualde (Portugal)	100.00%	98.79%	100.00%	98.79%	a)
	Sonae Indústria – Management Services, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	100.00%	98.82%	100.00%	98.82%	a)
	Sonae Indústria – Soc. Gestora de Participações Sociais, S.A.	Maia (Portugal)	PARENT	PARENT	PARENT	PARENT	PARENT
	Sonae Indústria de Revestimentos, S.A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Sonae Novobord (Pty) Ltd	Woodmead (South Africa)	100.00%	98.78%	100.00%	98.78%	a)
	Sonae Tafibra International, B. V.	Woerden (The Netherlands)	100.00%	98.78%	100.00%	98.78%	a)
	Sonae Industria (UK), Limited	Knowsley (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	98.42%	98.78%	98.42%	98.78%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	Tafiber. Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	Tafibra South Africa, Limited	Woodmead (South Africa)	100.00%	98.78%	100.00%	98.78%	a)
	Tafisa Canadá Inc	Lac Mégantic (Canada)	100.00%	98.78%	100.00%	98.78%	a)
	Tafisa Développement	Rungis (França)	100.00%	98.78%	100.00%	98.78%	a)
	Tafisa France S.A.S.	Rungis (France)	100.00%	98.78%	100.00%	98.78%	a)
	Tafisa Investissement	Rungis (França)	100.00%	98.78%	100.00%	98.78%	a)
	Tafisa Participation	Rungis (França)	100.00%	98.78%	100.00%	98.78%	a)
	Tafisa U.K, Ltd.	Knowsley (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	Tafibra Suisse, SA	Tavannes (Switzerland)	100.00%	98.78%	100.00%	98.78%	a)

Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	98.78%	100.00%	98.78%	a)
Tool, GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)

a) Majority of voting rights.

1) Company dissolved 31 May 2013;

2) Company incorporated 31 December 2013;

3) Company merged in Megantic BV 1 January 2013.

These group companies are consolidated using the full consolidation method as described in note 2.2.a).

5. JOINT VENTURES

The joint ventures, their head offices, percentage of share capital held on 31 December 2013 and 31 December 2012 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2013		31.12.2012	
		Direct	Total	Direct	Total
Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50.00%	49.39%	50.00%	49.39%
Tecmasa. Reciclados de Andalucia, S. L.	Alcalá de Guadaira (Spain)	50.00%	49.39%	50.00%	49.39%

Joint venture companies have been consolidated using the proportionate consolidation method, as explained in note 2.2.b).

Assets, liabilities, revenues and costs included proportionately in the consolidation, after elimination of intragroup balances and flows, are as follows:

	31.12.2013	31.12.2012
Non current assets	21 215 108	26 528 525
Current assets	9 703 623	11 143 876
Non current liabilities	3 074 884	3 010 457
Current liabilities	8 202 012	11 388 895
Operating revenues	35 544 611	37 586 196
Operating costs	44 543 418	46 183 692

6. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 31 December 2013 and 31 December 2012 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2013		31.12.2012	
		Direct	Total	Direct	Total
Serradora Boix	Barcelona (Spain)	31.25%	30.87%	31.25%	30.87%

Associated companies are recognized in the consolidated financial statements using the equity method, as referred to in note 2.2.c).

The aggregated assets, liabilities, operating revenues and net profit or loss of the associated companies accounted for through the equity method in these consolidated financial statements, are as follows:

	31.12.2013	31.12.2012
Assets	16 565 084	18 686 568
Liabilities	11 328 114	11 586 484
Operating revenues	22 631 416	22 919 338
Net Profit or loss	-2 223 794	- 689 936

There are no incurred obligations regarding this associate company.

7. CHANGES TO THE CONSOLIDATION PERIMETER

Changes to the consolidation perimeter during the period that were set out in notes 5, 6 and 7, did not produce significant effects on these consolidated financial statements.

8. FINANCIAL INSTRUMENTS

In the Consolidated Statements of Financial Position at 31 December 2013 and 31 December 2012, the following financial instruments are included:

	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
31.12.2013							
Non current assets							
Available for sale investments				1 108 824	1 108 824		1 108 824
Other non current assets	1 072 124				1 072 124	1 696	1 073 820
Current assets							
Customers	121 013 543				121 013 543		121 013 543
Other current debtors	4 151 901				4 151 901	1 413 829	5 565 730
Other current assets		77 618			77 618	13 901 423	13 979 041
Cash and cash equivalents	27 295 811				27 295 811		27 295 811
Total	153 533 379	77 618		1 108 824	154 719 821	15 316 948	170 036 769

	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
31.12.2012							
Non current assets							
Available for sale investments				1 091 540	1 091 540		1 091 540
Other non current assets	1 387 950				1 387 950	1 696	1 389 646
Current assets							
Customers	140 918 477				140 918 477		140 918 477
Other current debtors	10 452 746				10 452 746	3 349 154	13 801 900
Other current assets		5 612			5 612	12 542 777	12 548 389
Cash and cash equivalents	23 182 513				23 182 513		23 182 513
Total	175 941 686	5 612		1 091 540	177 038 838	15 893 627	192 932 465

	Liabilities at fair value through profit or loss	Hedge derivatives	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.2013						
Non current liabilities						
Bank loans - net of current portion			123 145 528	123 145 528		123 145 528
Debentures - net of currentportion			118 908 927	118 908 927		118 908 927
Finance lease creditors - net of current portion			30 153 351	30 153 351		30 153 351
Other loans			2 553 262	2 553 262		2 553 262
Other non current liabilities			18 803 578	18 803 578	36 954 787	55 758 365
Current liabilities						
Bank loans			223 859 245	223 859 245		223 859 245
Debentures			129 918 927	129 918 927		129 918 927
Finance lease creditors			5 558 615	5 558 615		5 558 615
Other loans			70 902 123	70 902 123		70 902 123
Trade creditors			156 380 414	156 380 414		156 380 414
Other current liabilities			11 137 917	11 137 917	70 000 068	81 137 985
Total			891 321 887	891 321 887	106 954 855	998 276 742

	Liabilities at fair value through profit or loss	Hedge derivatives	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.2012						
Non current liabilities						
Bank loans - net of current portion			128 275 420	128 275 420		128 275 420
Debentures - net of currentportion			248 344 033	248 344 033		248 344 033
Finance lease creditors - net of current portion			36 192 908	36 192 908		36 192 908
Other loans			78 868 673	78 868 673		78 868 673
Other non current liabilities			20 896 701	20 896 701	44 044 204	64 940 905
Current liabilities						
Bank loans			133 186 332	133 186 332		133 186 332
Debentures			55 000 000	55 000 000		55 000 000
Finance lease creditors			4 114 170	4 114 170		4 114 170
Other loans			4 060 098	4 060 098		4 060 098
Trade creditors			177 584 402	177 584 402		177 584 402
Other current liabilities	61 264		8 573 544	8 634 808	77 480 291	86 115 099
Total	61 264		895 096 281	895 157 545	121 524 495	1 016 682 040

Assets and liabilities out of the scope of IFRS 7 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 off set against financial liabilities.

9. INVESTMENTS

At 31 December 2013 and 31 December 2012 details of Investments are as follows:

	31.12.2013		31.12.2012	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		36 969 914		37 054 870
Liquidation				84 956
Closing balance		36 969 914		36 969 914
Accumulated impairment losses (Note 33)		36 969 914		36 969 914
Net investment in group companies excluded from consolidation				
Investment in associated companies				
Opening balance		2 262 846		2 296 057
Increase in share capital				179 771
Effect of equity method application		- 696 160		- 212 982
Closing balance		1 566 686		2 262 846
Accumulated impairment losses (Note 33)				
Net investment in associated companies		1 566 686		2 262 846
Associated undertakings and non consolidated undertakings		1 566 686		2 262 846

	31.12.2013		31.12.2012	
	Current	Non current	Current	Non current
Available-for-sale investment				
Opening balance		1 107 501		1 085 401
Acquisition		94		5 000
Change in fair value		17 190		17 100
Closing balance		1 124 785		1 107 501
Accumulated impairment losses (Note 33)		15 961		15 961
Net available-for-sale investment		1 108 824		1091540

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. 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.

Available-for-sale investment consists of financial undertakings which do not fulfil the criteria to be stated as subsidiaries or as associates. They are recognized at cost as no relevant difference to their fair value is estimated. In addition, it includes an application in an investment fund which is recognized for its market fair value of EUR 782 077, which was calculated based on market information (level 1 fair value).

10. TANGIBLE ASSETS

In 2013 and 2012, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

31.12.2013	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Assets Under Development	Total Tangible Assets
Gross cost:								
Opening balance	434 438 870	1 671 554 504	16 350 415	16 194 874	35 099 785	14 753 523	21 760 715	2 210 152 686
Capital expenditure	26 573	2 309 792	40 760	58 000	2 290	6 985	19 794 686	22 239 086
Disposals	15 504 063	8 501 020	1 899 987	172 134	1 857 481	73 117		28 007 802
Revaluation	367 878 974							367 878 974
Transfers and reclassifications	618 214	15 747 182	153 034	280 368	375 366	693 772	- 17 646 271	221 665
Exchange rate effect	- 12 162 492	- 45 870 960	- 282 173	- 174 830	- 352 916	- 2 167	- 808 282	- 59 653 820
Closing balance	775 296 076	1 635 239 498	14 362 049	16 186 278	33 267 044	15 378 996	23 100 848	2 512 830 789
Accumulated depreciation and impairment losses								
Opening balance	165 204 077	1 163 942 606	14 273 345	14 224 444	32 744 799	13 599 488		1 403 988 759
Depreciations for the period	10 191 309	59 374 639	889 056	572 755	817 886	560 175		72 405 820
Impairment losses for the period	14 205 052	27 468 936					67 512	41 741 500
Disposals	8 990 698	7 158 017	1 874 622	172 133	1 807 491	73 117		20 076 078
Revaluation	238 022 331							238 022 331
Reversion of impairment losses for the period		6 734 874		95	721	502		6 736 192
Transfers and reclassifications		- 1 393			1 321	72		
Exchange rate effect	- 2 994 364	- 24 337 229	- 204 055	- 167 830	- 288 824	- 278		- 27 992 580
Closing balance	415 637 707	1 212 554 668	13 083 724	14 457 141	31 466 970	14 085 838	67 512	1 701 353 560
Carrying amount	359 658 369	422 684 830	1 278 325	1 729 137	1 800 074	1 293 158	23 033 336	811 477 229

31.12.2012	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Assets Under Development	Total tangible assets
Gross cost:								
Opening balance	462 786 346	1 765 637 982	16 383 051	17 441 156	39 882 841	14 752 346	31 625 908	2 348 509 630
Capital expenditure	360 031	2 715 042	823 514	2 400	23 918		30 786 695	34 711 600
Disposals	4 745 821	51 591 866	1 143 276	1 530 702	5 167 039	247 796		64 426 500
Transfers and reclassifications	- 23 793 662	- 43 456 737	289 432	306 250	351 343	239 469	- 40 803 180	- 106 867 085
Exchange rate effect	- 168 024	- 1 749 917	- 2 306	- 24 230	8 722	9 504	151 292	- 1 774 959
Closing balance	434 438 870	1 671 554 504	16 350 415	16 194 874	35 099 785	14 753 523	21 760 715	2 210 152 686
Accumulated depreciation and impairment losses								
Opening balance	163 733 552	1 190 133 334	14 194 897	14 961 908	36 765 886	13 301 353		1 433 090 930
Depreciations for the period	11 190 218	62 118 887	1 213 908	823 388	1 116 159	691 819		77 154 379
Impairment losses for the period	14 973 551	31 545 747		2 739	13 607	80 508	2 251 440	48 867 592
Disposals	3 482 096	50 160 326	1 118 428	1 530 565	5 129 738	244 382		61 665 535
Reversion of impairment losses for the period		3 931 656		1 885				3 933 541
Transfers and reclassifications	- 21 210 440	- 65 156 180		- 10 418	- 28 982	- 233 783	- 2 251 440	- 88 891 243
Exchange rate effect	- 708	- 607 200	- 17 032	- 20 723	7 867	3 973		- 633 823
Closing balance	165 204 077	1 163 942 606	14 273 345	14 224 444	32 744 799	13 599 488		1 403 988 759
Carrying amount	269 234 793	507 611 898	2 077 070	1 970 430	2 354 986	1 154 035	21 760 715	806 163 927

At 31 December 2013 the Group carried out a revaluation of land and buildings, whose value was determined by an independent appraisal. As a consequence, the carrying amount of

total tangible fixed assets was increased by Eur 129 856 643. Depreciation for the period was not affected by this revaluation.

Segmental revaluation effects are detailed in note 44.

Increase and reversion of impairment losses on tangible fixed assets, which were recognized in the period ended 31 December 2013, are detailed on note 33.

During 2013 and 2012 no interest paid or any other financial charges were capitalized, in accordance with conditions defined in note 2.9.

At 31 December 2013 mortgaged Land and buildings amounted to EUR 167 568 888 (EUR 172 775 920 at 31 December 2012) as a guarantee for loans amounting to EUR 38 799 617 (EUR 51 984 521 at 31 December 2012).

On the same date, there were commitments for the acquisition of tangible fixed assets amounting to EUR 7.3 million, which consist of a new melamine line in the Oliveira do Hospital plant, Portugal.

At 31 December 2013 and 2012 details of assets bought through financial leases were as follows:

	31.12.2013					31.12.2012
	Opening balance	Changes in consolidation perimeter	Increase	Other changes	Closing balance	Closing balance
Gross cost:						
Land and Buildings	34 771 500				34 771 500	34 771 500
Plant and Machinery	44 798 579			206 462	45 005 041	44 798 579
Vehicles	5 190 624			- 1 755 028	3 410 318	5 190 624
Tools			58 000		58 000	
Fixtures and Fittings	361 017			- 37 747	323 270	361 017
Intangible Assets Under Development			221 590	- 221 590		
Closing balance	85 121 720		279 590	- 1 807 903	83 568 129	85 121 720
Accumulated depreciation and impairment losses						
Land and Buildings	10 628 394		1 461 484		12 089 878	10 628 394
Plant and Machinery	21 471 138		2 987 938	- 84	24 458 992	21 471 138
Vehicles	3 487 489		512 130	- 1 688 270	2 286 071	3 487 489
Tools			6 767		6 767	
Fixtures and Fittings	215 838		80 791	- 28 082	268 547	215 838
Closing balance	35 802 859		5 049 110	- 1 716 436	39 110 255	35 802 859
Carrying amount	49 318 861		- 4 769 520	- 91 467	44 457 874	49 318 861

Minimum payments of finance lease are stated in note 25.4.

11. INTANGIBLE ASSETS

During 2013 and 2012 movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	31.12.2013										
	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	Internally generated	Non internally generated	Internally generated	Non internally generated	
Gross cost:											
Opening balance	190 006	3 553 260	18 030 000	2 393 393	63 454	1 171 470	55 172	1 328 156	18 148 626	8 636 285	26 784 911
Changes in consolidation perimeter		- 24 940								- 24 940	- 24 940
Capital expenditure						2 307 561		685 997		2 993 558	2 993 558
Disposals			418 230	30 031					418 230	30 031	448 261
Revaluation											
Transfers and reclassifications			535 021	188 803		346 617	- 55 172	- 1 231 076	479 849	- 695 656	- 215 807
Exchange rate effect	- 1 202	- 8 449	- 553 462	- 171					- 553 462	- 9 822	- 563 284
Closing balance	188 804	3 519 871	17 593 329	2 551 994	63 454	3 825 648		783 077	17 656 783	10 869 394	28 526 177
Accumulated depreciation and impairment losses											
Opening balance	98 253	2 919 687	13 989 224	1 685 164	63 454	891 321			14 052 678	5 594 425	19 647 103
Changes in consolidation perimeter		- 24 940								- 24 940	- 24 940
Amortization for the period	39 633	134 098	1 651 906	331 302		136 591			1 651 906	641 624	2 293 530
Impairment losses for the period											
Disposals			415 079	24 609					415 079	24 609	439 688
Reversion of impairment losses for the period											
Transfers and reclassifications											
Exchange rate effect	- 1 202	- 2 718	- 437 494	9					- 437 494	- 3 911	- 441 405
Closing balance	136 684	3 026 127	14 788 557	1 991 866	63 454	1 027 912			14 852 011	6 182 589	21 034 600
Carrying amount	52 120	493 744	2 804 772	560 128		2 797 736		783 077	2 804 772	4 686 805	7 491 577

	31.12.2012										
	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	Internally generated	Non internally generated	Internally generated	Non internally generated	
Gross cost:											
Opening balance	183 407	3 061 911	17 033 706	2 024 176	63 454	1 848 225	55 172	937 093	17 152 332	8 054 812	25 207 144
Changes in consolidation perimeter											
Capital expenditure						1 426 540		1 180 390		2 606 930	2 606 930
Disposals		19 905	144 257	11 013		1 953 090			144 257	1 984 008	2 128 265
Revaluation											
Transfers and reclassifications	6 939	512 946	1 242 125	380 284		- 150 206		- 789 327	1 242 125	- 39 364	1 202 761
Exchange rate effect	- 339	- 1 692	- 101 574	- 54					- 101 574	- 2 085	- 103 659
Closing balance	190 007	3 553 260	18 030 000	2 393 393	63 454	1 171 469	55 172	1 328 156	18 148 626	8 636 285	26 784 911
Accumulated depreciation and impairment losses											
Opening balance	58 785	2 894 237	11 509 682	1 287 469	63 454	816 738			11 573 136	5 057 229	16 630 365
Changes in consolidation perimeter											
Amortization for the period	39 807	45 291	2 577 457	398 425					2 577 457	483 523	3 060 980
Impairment losses for the period											
Disposals		19 905	770	918					770	20 823	21 593
Reversion of impairment losses for the period											
Transfers and reclassifications			- 625	194		74 583			- 625	74 777	74 152
Exchange rate effect	- 339	64	- 96 520	- 6					- 96 520	- 281	- 96 801
Closing balance	98 253	2 919 687	13 989 224	1 685 164	63 454	891 321			14 052 678	5 594 425	19 647 103
Carrying amount	91 754	633 573	4 040 776	708 229		280 148	55 172	1 328 156	4 095 948	3 041 860	7 137 808

12. INVESTMENT PROPERTIES

During 2013 and 2012 movements in investment properties, accumulated depreciation and impairment losses were as follows:

	31.12.2013		31.12.2012	
	Cost	Total	Cost	Total
Gross cost:				
Opening balance	1 667 281	1 667 281	1 667 281	1 667 281
Closing balance	1 667 281	1 667 281	1 667 281	1 667 281
Accumulated depreciations and impairment losses:				
Opening balance	354 067	354 067	309 808	309 808
Charge for the period	44 258	44 258	44 258	44 258
Closing balance	398 325	398 325	354 066	354 066
Carrying amount	1 268 956	1 268 956	1 313 215	1 313 215

	31.12.2013	31.12.2012
Rents from investment properties	201 514	247 886
Direct operating costs	92 165	181 400

Assets stated as investment properties consist of a portion of land and buildings from the former Göttingen industrial plant, in Germany, which was closed down in 2002. At 31 December 2013 the fair value of these assets was not determined by an independent appraisal as the Group estimated it not to be significantly different from the amount recognized on the Consolidated Statement of Financial Position.

13. GOODWILL ARISING ON CONSOLIDATION

During 2013 and 2012 movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	31.12.2013	31.12.2012
Gross value:		
Opening balance	92 496 051	92 620 183
Decreases	852 508	
Currency translation	-2 075 631	- 124 132
Closing balance	89 567 912	92 496 051
Accumulated impairment losses:		
Opening balance		
Increases	7 727 749	
Closing balance	7 727 749	
Carrying amount	81 840 163	92 496 051

Impairment tests carried out at 31 December 2013 consisted in determining the recoverable amount using the discounted cash flow method. Operating cash flows were projected over an eight-year period, thereafter extrapolated using perpetuity and discounted to 31 December 2013. Weighted Average Cost of Capital, before tax, calculated through CAPM (Capital Asset Pricing Model) methodology for each cash generating unit, was used as discount rate. These rates include specific market features and include different risk factors as well as risk-free interest rates of ten-year bonds of each country to which cash generating units belong.

Projected cash flows are based on the Group’s business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.

Goodwill was allocated through the cash generating units, which were aggregated according to the synergies generated by the respective business combinations.

31.12.2013:

	Iberian Peninsula	Germany	France	South Africa
Goodwill	71 461 306	3 588 414		6 790 443
Discount rate (pre-tax)	12.65%	9.37%	9.62%	18.86%
Growth rate on perpetuity	1.00%	1.00%	1.00%	1.00%
Growth rate (CAGR 2013-2021):				
Total income	1.59%	2.12%	4.24%	3.57%
Cost of goods sold and materials consumed	1.04%	1.67%	2.45%	3.57%
Fixed costs	0.51%	0.27%	2.61%	3.15%
Period	8 years	8 years	8 years	8 years
Test conclusions	Impairment	No Impairment	Impairment	No Impairment

CAGR Weighted average growth rate
CAGR Germany excludes the raw particleboard production component of Horn plant.

The value in use of the cash generating unit Iberian Peninsula was calculated to amount EUR 264 214 758.

31.12.2012:

	Iberian Peninsula	Germany	France	South Africa
Goodwill	73 489 917	3 588 414	6 027 749	9 389 971
Discount rate (pre-tax)	13.42%	9.43%	9.05%	17.93%
Growth Rate on Perpetuity	1.00%	1.00%	1.00%	1.00%
Period	8 years	8 years	8 years	8 years
Test Conclusions	No impairment	No impairment	No impairment	No impairment

Impairment tests carried out to the carrying amount of Goodwill resulted in impairment of the cash generating units Iberian Peninsula and France. As a consequence, an impairment loss was recognized for EUR 7 727 749, of which EUR 1 700 000 reduce the goodwill of the former and EUR 6 027 749 reduce the goodwill of the latter.

14. DEFERRED TAXES

At 31 December 2013 and 31 December 2012 deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred Tax Assets		Deferred Tax Liabilities	
	31.12.2013	31.12.2012 Restated	31.12.2013	31.12.2012 Restated
Derecognized Deferred Costs		102 650		
Harmonisation Adjustments			47 670 257	57 294 360
Provisions not Allowed for Tax Purposes	1 046 495	1 811 150		
Impairment of Assets	3 851 888	1 904 414		
Tax Losses Carried Forward	21 744 099	16 956 521		
Derecognized Tangible Fixed Assets	47 567	50 543		
Revaluation of Tangible Fixed Assets			23 315 621	887 935
Other Deferred Taxes	7 313 159	4 221 117	2 572 783	1 890 614
	34 003 208	25 046 395	73 558 661	60 072 909

	Deferred tax assets		Deferred tax liabilities	
	2013	2012 Restated	2013	2012 Restated
Opening balance	25 046 395	37 874 949	60 072 909	64 298 186
Impact on results:				
Resulting from changes in temporary differences				
Harmonisation adjusments		- 138 000	- 3 561 860	- 1 536 560
Provisions not allowed for tax purposes	- 401 641	- 101 948		
Impairment of Assets	1 947 474	- 3 792		
Derecognized tangible assets	- 2 976	- 2 975		
Derecognized deferred costs	- 102 650			
Revaluation of tangible assets			- 75 751	- 24 525
Tax losses carried forward	18 942 108	- 11 518 883		
Others	3 277 278	- 1 941 673	694 656	- 2 072 723
	23 659 593	- 13 707 271	- 2 942 955	- 3 633 808
Resulting from change in tax rate			- 29 530	
Subtotal	23 659 593	- 13 707 271	- 2 972 485	- 3 633 808
Impact on reserves:				
Items of Other Comprehensive Income	- 185 237	857 237	37 188 628	- 39 976
Currency translation effect	- 363 013	- 116 520	- 6 575 861	- 689 493
Impact of changes in the consolidation perimeter				
Reclassification	- 14 154 530	138 000	- 14 154 530	138 000
Closing balance	34 003 208	25 046 395	73 558 661	60 072 909

A deferred tax liability related to the revaluation of tangible fixed assets referred to in notes 3 and 10 was recognized for EUR 36 685 302. Simultaneously, a deferred tax asset was recognized for EUR 14 154 530, taking into consideration that a temporary difference arises from this revaluation, which justifies the future use of tax losses carried forward.

In accordance with International Financial Reporting Standards / International Accounting Standards, the Group yearly assesses deferred tax asset related to tax losses carried forward on the base of cash flows projected over a five-year period.

According to the estimation of taxable profit for the fiscal year 2013 and according to the tax returns for the fiscal year 2012, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

	31.12.2013		31.12.2012	
Limit date to be used	Tax loss carried forw ard	Deferred tax asset	Tax loss carried forw ard	Deferred tax asset
2014	3 375 000	843 750	4 575 000	1 143 750
2017	3 162 176	948 653		
2018	12 048 431	2 361 053		
2019	632 230	189 669		
2020	12 032 581	3 631 374	5 740 083	1 722 025
2021	2 042 580	612 774	710 820	213 246
2022	584 146	175 244		
2023	15 397	4 619		
2024	1 101 121	330 336		
2025	15 397	4 619		
2026	1 063 331	318 999		
2027	15 397	4 619		
2028	996 450	298 935		
2029	523 923	157 177		
2030	402 330	120 699		
2031	375 013	112 505		
	38 385 503	10 115 025	11 025 903	3 079 021
Without time limit	87 494 308	25 783 604	46 986 833	13 877 500
Sub-total	125 879 811	35 898 629	58 012 736	16 956 521
Deferred tax off set	-	- 14 154 530		
Total	125 879 811	21 744 099		

Furthermore, at 31 December 2013 and 31 December 2012, tax losses for which no deferred tax asset was recognized are detailed as follows:

	31.12.2013		31.12.2012	
Limit date to be used	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2014	2 320 773	577 990	6 567 087	1 641 772
2015	61 813	14 487	65 295	17 386
2016	223 477	46 628	55 743	14 694
2017	9 189 526	2 774 535	12 443 799	3 722 725
2018	120 238	48 598	154 623	40 495
2019	88 891 087	26 685 324	90 245 835	27 069 575
2020	58 520 943	17 564 360	64 843 584	19 447 076
2021	100 429 541	30 147 124	101 765 405	30 523 330
2022	8 690 189	2 536 232	8 179 581	2 447 787
2023	1 067 531	320 259	1 082 928	324 878
2024	18 315 068	5 494 521	19 416 189	5 824 857
2025	731 428	219 428	746 825	224 047
2026	46 655 781	13 996 735	47 719 111	14 315 733
2027	1 557 668	467 301	1 573 065	471 920
2028	22 962 888	6 888 867	23 959 338	7 187 802
2029	18 845 874	5 653 763	19 369 797	5 810 939
2030	28 400 046	8 520 015		
2031	9 382 661	2 814 798		
	416 366 532	124 770 965	398 188 205	119 085 016
Without time limit	1 222 094 458	350 072 713	1 209 559 465	358 392 670
Total	1 638 460 990	474 843 678	1 607 747 670	477 477 686

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 2013 and 31 December 2012 details of Other non-current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2013			31.12.2012		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade debtors and other debtors	12 003 306	10 931 182	1 072 124	12 319 132	10 931 182	1 387 950
Financial Instruments	12 003 306	10 931 182	1 072 124	12 319 132	10 931 182	1 387 950
State and other public entities						
Others	1 696		1 696	1 696		1 696
Assets out of scope of IFRS 7	1 696		1 696	1 696		1 696
Total	12 005 002	10 931 182	1 073 820	12 320 828	10 931 182	1 389 646

AGEING OF NON CURRENT TRADE DEBTORS AND OTHER DEBTORS

	31.12.2013	31.12.2012
Not due	1 072 124	1 387 950
Total	1 072 124	1 387 950

16. NON-CURRENT ASSETS HELD FOR SALE

In September 2012 several assets that became available for sale after production was discontinued at Knowsley plant, in England, were reclassified as Non- current assets held for sale. These assets were expected to be sold within a one-year period.

In October 2012 most of the assets, amounting to EUR 13 480 671 (GBP 11 001 576) were sold.

At 31 December 2013 Non-current assets held for sale amounted to EUR 4 318 092 (GBP 3 600 000) and consisted of the remaining assets of Knowsley industrial plant, for which a sale transaction is expected to occur in the short term.

17. INVENTORIES

At 31 December 2013 and 31 December 2012, details of Inventories on the Consolidated Statements of Financial Position were as follows:

	31.12.2013	31.12.2012
Merchandise	8 382 231	8 311 186
Finished and intermediate products	48 735 661	50 793 611
Products and working in progress	1 846 358	1 412 663
Raw Materials and Consumables	71 333 650	78 299 588
	130 297 900	138 817 048
Accumulated losses on inventories (Note 33)	6 829 193	8 833 140
	123 468 707	129 983 908

Inventories consist mainly of wood, raw boards, faced boards and chemical products.

18. TRADE DEBTORS

At 31 December 2013 and 31 December 2012, details of Trade debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2013			31.12.2012		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	145 790 391	24 776 848	121 013 543	166 075 209	25 156 732	140 918 477

		31.12.2013	31.12.2012
Not due		97 831 427	100 715 057
Due and not impaired			
	0 - 30 days	13 552 663	23 537 132
	30 - 90 days	3 685 732	5 864 869
	' + 90 days	3 063 521	2 246 958
		20 301 916	31 648 959
Due and impaired			
	0 - 90 days		
	90 - 180 days	2 270 192	12 392 802
	180 - 360 days	1 459 193	7 317 295
	+ 360 days	23 927 663	14 001 096
		27 657 048	33 711 193
	Total	145 790 391	166 075 209

19. OTHER CURRENT DEBTORS

At 31 December 2013 and 31 December 2012, details of Other current debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2013			31.12.2012		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Other debtors	4 155 402	3 502	4 151 900	10 468 857	16 111	10 452 746
Financial Instruments	4 155 402	3 502	4 151 900	10 468 857	16 111	10 452 746
Other debtors	1 413 830		1 413 830	3 349 154		3 349 154
Assets out of scope of IFRS 7	1 413 830		1 413 830	3 349 154		3 349 154
Total	5 569 232	3 502	5 565 730	13 818 011	16 111	13 801 900

AGEING OF OTHER DEBTORS

	31.12.2013	31.12.2012
Not due	9 793	38 430
Due and not impaired		
0 - 30 days	1 670 937	6 835 120
30 - 90 days	1 378 825	2 353 023
+ 90 days	1 095 847	1 242 284
	4 145 609	10 430 427
Total	4 155 402	10 468 857

Other debtors include amounts receivable from Trade creditors for EUR 2 590 422.

20. OTHER CURRENT ASSETS

At 31 December 2013 and 31 December 2012, details of Other current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2013			31.12.2012		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Derivatives instruments (note 26)	77 618		77 618	5 612		5 612
Financial Instruments	77 618		77 618	5 612		5 612
Accrued income	6 252 674		6 252 674	4 754 959		4 754 959
Deferred expenses	7 648 749		7 648 749	7 787 818		7 787 818
Assets out of scope of IFRS 7	13 901 423		13 901 423	12 542 777		12 542 777
Total	13 979 041		13 979 041	12 548 389		12 548 389

At the closing date of these consolidated financial statements, 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 26).

Accrued income includes EUR 3.9 million of estimated sales of electrical power.

Deferred expenses include EUR 6.1 million related to insurance expenses.

21. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

At 31 December 2013 and 31 December 2012, details of State and Other Public Entities on the Consolidated Statements of Financial Position were as follows:

	31.12.2013	31.12.2012
State and other public entities:		
Income Tax	2 314 236	2 342 037
Value Added Tax	5 380 631	4 774 949
Social Security Contribution	51 724	52 295
Others	2 435 915	957 644
	10 182 506	8 126 925

22. CASH AND CASH EQUIVALENTS

At 31 December 2013 and 31 December 2012, the detail of Cash and Cash Equivalents was as follows:

	31.12.2013	31.12.2012
Cash at Hand	55 553	64 924
Bank Deposits and Other Treasury Applications	27 240 258	23 117 589
Impairment in Treasury Applications		
Cash and Cash Equivalents on the Balance Sheet	27 295 811	23 182 513
Bank Overdrafts	9 193 837	40 992 770
Cash and Cash Equivalents on the Statement of Cash Flows	18 101 974	- 17 810 257

Bank overdrafts include credit balances on current accounts and are included in Bank loans under current liabilities on the Consolidated Statement of Financial Position (note 25.1).

The Consolidated Statement of Cash Flows for the period ended 31 December 2012 includes line by line the flows of the subsidiary Sonae Industria (UK), Ltd, whose results were included under Profit/(loss) from discontinued operations, after taxation, on the Consolidated Income Statement. The contribute of this subsidiary for the consolidated cash flows is detailed in note 42.

23. SHAREHOLDERS' FUNDS

23.1. SHARE CAPITAL

At 31 December 2013 and 2012 Sonae Indústria's Share Capital was fully underwritten and paid and was comprised of 140 000 000 common shares, not entitled to fixed income, with a face value of EUR 5 per share. At this date, neither the company nor any of its affiliates held any shares in the company.

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 Company Law. This reserve cannot be distributed to shareholders as it can only be used to increase share capital or against 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.

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 9);

- Hedging derivative instruments (note 26);

- Remeasurement of defined benefit obligations (notes 3 and 29)

- Revaluation of tangible fixed assets (notes 3 and 10);

- Consolidation adjustments to any of the aforementioned components.

	Accumulated other comprehensive income Atributable to the parent's shareholders					
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Actuarial gains/(losses) on defined plans	Income tax related to components of other comprehensive income	**Total**
Balance as at 1 January 2013	2 699 144	93 816		- 4 019 786	- 846 808	- 380 018
Other consolidated comprehensive income for the period	-19 195 990	- 4 866	128 387 467	821 044	36 946 178	73 061 477
Others						
Balance as at 31 December 2013	-16 496 846	88 950	128 387 467	-3 198 742	36 099 370	72 681 459

	Accumulated other comprehensive income Atributable to the parent's shareholders					
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Actuarial gains/(losses) on defined plans	Imposto relativo às componentes de outro rendimento integral	**Total**
Balance as at 1 January 2012 - restated	-7 152 005	106 475		- 241 605	39 490	-7 326 625
Other consolidated comprehensive income for the period - restated	- 890 336	- 12 659		-3 778 181	- 886 298	-3 794 878
Others	10 741 485					10 741 485
Balance as at 31 December 2012 - restated	2 699 144	93 816		-4 019 786	- 846 808	- 380 018

Currency translation reserve refers mostly to the subsidiaries Tafisa Canada, Sonae Industria (UK) and Sonae Novobord.

24. NON-CONTROLLING INTERESTS

Changes to this item during 2013 and 2012 were as follows:

	31.12.2013	31.12.2012 Restated
Opening balance	- 939 705	329 050
Net profit for the period attributed to non-controling interests	- 870 214	-1 175 020
Other comprehensive income	818 422	- 36 611
Others	196 250	- 57 124
Closing balance	- 795 247	- 939 705

25. LOANS

As at 31 December 2013 and 31 December 2012 Sonae Indústria had the following outstanding loans:

31.12.2013

	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans	223 859 245	123 145 528	224 851 903	123 649 567	
Debentures	129 918 927	118 908 927	130 000 000	120 000 000	
Obligations under finance leases	5 558 615	30 153 351	5 558 615	30 153 351	-3 228 745
Other loans	70 902 123	2 553 262	71 656 925	2 553 262	
Gross debt	430 238 910	274 761 068	432 067 443	276 356 180	-3 228 745
Cash and cash equivalent in balance sheet	27 295 811		27 295 811		
Net debt	402 943 099	274 761 068	404 771 632	276 356 180	- 3 228 745
Total net debt	677 704 167		681 127 812		

31.12.2012

	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans	133 186 332	128 275 420	133 311 753	129 230 007	
Debentures	55 000 000	248 344 033	55 000 000	250 000 001	
Obligations under finance leases	4 114 170	36 192 908	4 114 170	36 192 908	-1 038 028
Other loans	4 060 098	78 868 673	4 060 098	79 716 721	
Gross debt	196 360 600	491 681 034	196 486 021	495 139 637	-1 038 028
Cash and cash equivalent in balance sheet	23 182 513		23 182 513		
Net debt	173 178 087	491 681 034	173 303 508	495 139 637	- 1 038 028
Total net debt	664 859 121		668 443 145		

The average interest rates of each class of debt stated in the previous table were as follows:

	2013	2012
Bank loans	6.8650%	5.1752%
Debentures	4.0640%	3.2296%
Finance leases	10.7560%	10.1960%
Others	4.7550%	2.7505%

Bank overdrafts were not taken into consideration for the calculation of these average interest rates as the amounts were irrelevant.

The column "Fair value adjustment" includes the adjustments which would have to be made in the period if the corresponding items were stated at fair value. Its calculation took into consideration applicable market interest rates (level 2 fair value).

The aforementioned loans do not include loans from related parties, which were non-existent at the closing date of these consolidated financial statements.

The corresponding maturity schedule is detailed in note 27.

25.1. Bank Loans

Bank loans (nominal value) presented in the table in note 25. 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 2013 is detailed in the following table:

	31.12.2013				
	Non current	**Current**			Total
Company		Short term portion	Short term	Bank overdrafts	
Sonae Indústria-SGPS,SA	83 409 091	6 969 697	150 500 000	177 247	241 056 035
Taiber, Tableros Aglomerados Ibéricos,SL			35 000 000		35 000 000
Tafisa Canada Inc.	25 266 797	6 853 124			32 119 921
Sonae Novobord (Pty) Ltd	10 724 846	6 472 665		1 273 702	18 471 213
Tafisa-Tableros de Fibras, SA			7 000 000	362 403	7 362 403
Imoplamac - Gestão de Imóveis, S. A.	4 248 833	2 862 580			7 111 413
Sonae Ind., Prod. e Com.Deriv.Madeira,SA				4 009 046	4 009 046
Laminate Park GmbH & Co.				3 145 859	3 145 859
Others				225 580	225 580
	123 649 567	23 158 066	192 500 000	9 193 837	348 501 470

Company	31.12.2012 Non current	Current Short term portion	Short term	Bank overdrafts	Total
Sonae Indústria-SGPS,SA	60 378 788	42 969 697	27 500 000	25 046 189	155 894 674
Tafisa Canada Inc.	39 314 825	3 846 527		106 477	43 267 829
Sonae Novobord (Pty) Ltd	22 420 645	8 438 508		77 467	30 936 620
Tafisa-Tableros de Fibras, SA		8 000 000		8 361 119	16 361 119
Imoplamac - Gestão de Imóveis, S. A.	7 115 749	1 564 251		77 467	8 757 467
Laminate Park GmbH & Co.				3 611 667	3 611 667
Sonae Ind., Prod. e Com.Deriv.Madeira,SA				2 780 658	2 780 658
Euroresinas-Indústrias Quimicas,SA				920 083	920 083
Others				11 643	11 643
	129 230 007	64 818 983	27 500 000	40 992 770	262 541 760

Non-current bank loans and the related short term portion are detailed as follows:

a) In January 2006 Sonae Indústria SGPS. S. A. contracted commercial paper with several financial institutions, subsequently amended in September 2010. At 31 December 2013 commercial paper issued amounted to EUR 20 000 000 (EUR 51 000 000 at 31 December 2012);

b) During the first half of 2007 Sonae Novobord together with Sonae Indústria, SGPS, S. A. contracted a loan with the European Investment Bank, denominated in ZAR, for a maximum amount of ZAR 247 170 000 . The loan pays interest at a market rate and will be redeemed in 14 consecutive and equal semi-annual instalments, the first of which was made in September 2010. At 31 December 2013 outstanding principal was ZAR 123 585 000 (EUR 8 484 110).

c) During first half 2007 Sonae Novobord together with Sonae Indústria, SGPS, S. A. contracted a loan with International Finance Corporation (IFC) of ZAR 71 800 000. The loan pays interest at a market rate and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which was made in June 2009. At 31 December 2013 outstanding principal was ZAR 26 925 000 (EUR 1 848 401).

d) In February 2009 Sonae Indústria, SGPS, SA contracted a loan with a Portuguese financial institution for EUR 20 000 000. This loan pays interest at variable rate and will be redeemed from 2009 to 2015. At 31 December 2013 outstanding principal amounted to EUR 4 545 455.

e) In September 2009 Sonae Indústria, SGPS, SA contracted commercial paper with a Portuguese financial institution for a maximum nominal amount of EUR 40 000 000, which was increased to EUR 65 000 000 in April 2013. This programme matured in October 2013. Sonae Indústria, SGPS, SA thereafter contracted a new commercial paper programme with the same financial institution for the same amount, maturing January 2014, thereon extended to March 2014. At 31 December 2013 there was commercial paper issued for the programme's total amount.

f) In July 2010 Tableros de Fibras SA contracted a commercial paper programme, which was amended in May 2013 aiming to postpone maturity from December 2013 to December 2016. Maximum nominal amount of EUR 7 000 000 will be reduced beginning January 2014 until its maturity. At 31 December 2013 there was commercial paper issued for the programme's total amount.

g) In August 2010 Sonae Indústria, SGPS, SA contracted a loan for EUR 10 000 000 with a Portuguese financial institution, which pays interest at variable rate and will be redeemed from 2012 to 2015. At 31 December 2013 outstanding principal amounted to EUR 5 833 333.

h) In March 2011 Sonae Indústria, SGPS, SA contacted a commercial paper programme with a maximum nominal amount of EUR 50 000 000 and maturity in 2015. At 31 December 2013 there was commercial paper issued for the programme's total amount.

i) In July 2011 Tafisa Canada Inc. contracted a loan for CAD 81 000 000 with a syndicate of financial institutions from North America. The loan will mature within five years and is divided into two parts: the first one, amounting to CAD 66 000 000, will be redeemed over that period; the second one, with a maximum amount of CAD 15 000 000, will be redeemed when the loan matures (revolving). In June 2013 the company increased the first part of the loan by CAD 7 500 000. At 31 December 2013 the first part amounted to CAD 42 495 139 (EUR 28 965 537) and the second part was not utilized. This loan includes two financial ratios calculated on the basis of the company's individual financial statements: "Financial Liabilities / (Net Shareholders' Funds + Financial Liabilities)" and "Adjusted EBITDA/Debt Service". These ratios are tested quarterly until debt matures and in case of breach, repayment may be required.

j) In July 2011 Tafisa Canada Inc. contracted a loan for CAD 5 000 000 with a Canadian financial institution. This loan, which originally matured in April 2016, is now due to mature in April 2017, including a grace period beginning July 2013 and ending June 2014. At 31 December 2013 the outstanding principal amounted to CAD 3 777 778 (EUR 2 575 009). This loan includes one ratio calculated in the basis of the company's individual financial statements: "Non-current Liabilities/Net Shareholders' Funds". This ratio is tested annually based on the company's end year accounts and in case of breach, repayment may be required.

k) In November 2012 Imoplamac, S. A. contracted a loan with a Portuguese financial institution for EUR 8 680 000. This loan pays interest quarterly at variable rate and will be repaid in quarterly instalments from March 2013 to March 2016. At 31 December 2013 outstanding amount was EUR 7 111 414.

l) In December 2012 Sonae Indústria, SGPS, SA contracted a loan with a Portuguese financial institution for EUR 25 000 000, which was made available in March 2013. This loan pays interest at variable rate and will be redeemed from 2015 to 2018. At 31 December 2013 the outstanding principal amounted to EUR 25 000 000.

m) On 11 December 2012 Sonae Novobord contracted a loan with a South African financial institution for 150 000 000 South African Rands (ZAR). This loan pays interest at market rate and will be repaid in three successive and equal annual instalments, beginning 2013. At 31 December 2013 the outstanding principal amounted to ZAR 100 000 000 (EUR 6 865 000). This loan includes tree ratios calculated on the basis of the company's individual financial statements: "Net Financial Liabilities/EBITDA", "EBITDA/Interest" and "Free Cash Flow/Debt Service". These ratios are tested quarterly until debt matures and in case of breach, repayment may be required.

n) In June 2013 Sonae Indústria, SGPS, SA entered into a new agency agreement with a Portuguese financial institution to issue commercial paper. The programme had a maximum nominal amount of EUR 50 000 000 which was increased to EUR 100 000 000 in December 2013, and the purchase of Commercial Paper is not underwritten. The programme matures in June 2018. At 31 December 2013 there was commercial paper issued under this programme for EUR 57 500 000.

o) In June 2013 Sonae Indústria, SGPS, SA contracted two new commercial paper contracts with a Portuguese financial institution, each one with a maximum nominal amount of EUR 25 000 000. Term of these programmes was extended from October 2013 to January 2014 and thereon further extended to April 2014. At 31 December 2013 no amount had been issued.

p) In November 2013 Sonae Indústria, SGPS, SA and Taiber, Tableros Aglomerados Ibéricos, S. L. contracted a loan with a Portuguese financial institution for a maximum amount of EUR 50 000 000, which may be withdrawn by each entities over a period up to six months. This loan pays interest at variable rate and matures in October 2014. At the date of these consolidated financial statements Taiber, Tableros Aglomerados Ibéricos, S. L. had withdrawn EUR 35 000 000 (no amount had been withdrawn by Sonae Indústria, SGPS, SA). Shares of the subsidiary Sonae Novobord are pledged as a guarantee for this loan.

q) In November 2013 Sonae Indústria, SGPS, SA contracted a loan with a Spanish financial institution for EUR 13 000 000. This contract pays interest at variable rate and will be totally redeemed in November 2014. At 31 December 2013 the outstanding principal amounted to EUR 13 000 000.

As set out in point 1.3. – Voting and Exercising Voting Rights, of the Corporate Governance Report, at 31 December 2013 there were loans amounting to EUR 131 million (representing 19.3% of consolidated net debt) whose repayment may be required by creditors in case of change in shareholder control.

At 31 December 2013 ratios included in the aforementioned contracts complied with contracted conditions.

25.2. Bond Issues

a) Sonae Indústria 2005/2013 bonds, issued on 31 March 2005, with a principal amount of 55 000 000 euros, and a bullet repayment 8 years after issue date. Interest is paid semi-annually in arrears on 31 March and 30 September. At 31 December 2013 this loan had been totally repaid;

b) Sonae Indústria 2006/2014 bonds, issued on 28 March 2006, with a principal amount of 50 000 000 euros and a bullet repayment 8 years after issue date. Interest is paid semi annually in arrears on 28 March and 28 September;

c) Sonae Indústria 2006/2014 bonds, issued on 2 August 2006, with a principal amount of 50 000 000 euros and a bullet repayment 8 years after issue date. Interest is paid semi annually in arrears on 2 February and 2 August;

d) Sonae Indústria. 2010/2017 bonds, issued in May 2010 through private subscription with a principal amount of EUR 150 000 000 and a seven-year period. In October 2012 the contract was amended and repayment schedule was altered. Payment will be done through reduction of nominal value, from the 8th coupon payment date, which will take place 5 May 2014, in seven successive semi-annual instalments, the six first of which will amount to EUR 15 000 000, and a last one, which will amount to EUR 60 000 000. Interest is paid semi-annually on 5 May and 5 November.

The aforementioned debenture loans pay interest at variable rate composed of 6 month Euribor plus a spread.

25.3. Other Loans

Other loans, as detailed in the table in note 25, are included in the Consolidated Statement of Financial Position, in “Other Loans” in Current Liabilities and Non-Current Liabilities, and had the following composition on 31 December 2013 and 31 December 2012:

Company	31.12.2013		
	Non current	Current	
	Others	Securitization	Others
Glunz AG		25 284 859	78 950
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	2 020 724	8 469 207	5 917 577
Isoroy SAS		11 629 875	
Tableros Tradema,S.L.	328 203	11 785 008	163 687
Sonae Tafibra International, BV		7 285 746	
Sonae Industria (UK), Ltd.		939 846	
Tafiber, Tableros de Fibras Ibéricas,SL	204 335		102 170
	2 553 262	65 394 541	6 262 384

Company	31.12.2012		
	Non current		Current
	Securitization	Others	Others
Glunz AG	18 541 795		78 950
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	27 749 559	4 241 538	3 390 461
Isoroy SAS	6 854 880		
Tableros Tradema,S.L.	9 706 638	492 359	488 599
Sonae Tafibra International, BV	8 598 265		
Sonae Industria (UK), Ltd.	3 225 429		
Tafiber, Tableros de Fibras Ibéricas,SL		306 258	102 088
	74 676 566	5 040 155	4 060 098

a) In September 2012 Sonae Indústria, SGPS, SA together with its subsidiaries Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S. A., Tableros Tradema, S. L., Isoroy S. A. S., Glunz AG, Sonae Tafibra International, B. V. and Sonae Industria (UK) Limited contracted with ING Belgium SA/NV and Finacity Corporation a Securitization facility of trade receivables for a maximum amount of EUR 100 000 000, renewable for periods of eighteen months over a six-year period. Next renewal will take place in March 2014. At 31 December 2012 the outstanding principal amounted to EUR 65 394 544.

Trade receivables securitized amounting to EUR 75 997 148 were kept on the consolidated balance sheet as the criteria set out on IAS 39 for their derecognition were not fully met, namely the whole credit risk related to the securitized assets was not completely transferred.

b) In September 2012 Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S. A. contracted a factoring facility of trade receivables for a maximum amount of EUR 5 000 000, for one year, renewable. In September 2013 this contract was renewed for one year. At 31 December 2013 the outstanding principal amounted to EUR 3 971 220.

Trade receivables factored amounting to EUR 4 490 112 were kept on the consolidated balance sheet as the criteria set out on IAS 39 for their derecognition were not fully met, namely the whole credit risk related to the factored assets was not completely transferred.

The estimated fair value of transferred asset and of related liabilities is not significantly different from their respective carrying amounts.

25.4. Financial lease creditors

Details of finance leases creditors at 31 December 2013 and at 31 December 2012 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
2012		8 623 429		4 114 170
2013	9 334 634	9 310 896	5 919 249	6 582 102
2014	9 344 678	9 303 918	6 440 158	6 422 655
2015	8 610 305	8 538 608	6 285 401	6 235 478
2016	6 925 132	6 854 035	5 111 645	5 057 124
2017	12 429 887		11 154 117	
after 2018 (2017)	841 878	18 393 118	801 396	11 895 549
	47 486 514	61 024 004	35 711 966	40 307 078
Lease creditors - current			5 558 615	4 114 170
Lease creditors - non current			30 153 351	36 192 908

Assets recognized under finance lease arrangements are stated in note 10.

25.5. Cash Flows

The 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 in note 25.1.

26. FINANCIAL DERIVATIVES

The fair value of derivative instruments is stated as follows:

	Other current assets		Other current liabilities	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Derivatives at fair value through profit or loss:				
Exchange rate forwards	77 618	5 612		61 264
	77 618	5 612		61 264

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 balance sheet date (level 2 fair value). 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 (note 40), which corresponds to a net gain of EUR 354 362 (net loss of EUR 2 884 813 at 31 December 2012).

Derivative instruments recognized at fair value through profit or loss held by the Group at 31 December 2013 fully mature in 2014.

Derivatives at fair value through reserves

In 2013 and 2012 no derivative financial instruments at fair value through reserves were contracted.

27. FINANCIAL RISKS

27.1. Liquidity risk

Liquidity risk described in note 2.24, c) related to gross debt referred to in note 26, can be analysed as follows:

	31.12.2013		
	Maturity of gross debt (note 25)	Interest	Total
2014	432 067 443	24 496 632	456 564 075
2015	115 967 016	16 669 220	132 636 236
2016	65 581 309	9 434 045	75 015 354
2017	77 604 446	4 557 111	82 161 557
2018	16 297 804	1 450 677	17 748 481
2019	491 111	36 145	527 256
After 2019	414 494	14 090	428 584
	708 423 623	56 657 920	765 081 543

	31.12.2012		
	Maturity of gross debt (note 25)	Interest	Total
2013	196 486 021	22 394 728	218 880 749
2014	293 495 524	24 935 968	318 431 493
2015	60 096 624	12 934 337	73 030 961
2016	62 434 285	8 706 115	71 140 400
2017	66 725 410	3 880 985	70 606 395
2018	11 147 662	1 276 681	12 424 343
After 2018	1 240 132	50 236	1 290 368
	691 625 658	74 179 050	765 804 709

The calculation of interest in the previous table was based on interest rates at 31 December 2013 and 2012 applicable to each item of debt. Gross debt maturing in 2014 (2013) includes scheduled repayment of debt along with the repayment of debt as at end 2013 (2012) maturing within less than one.

Maturities for the remaining financial instruments are stated in the respective notes.

Consistent with the principles described in note 2.25 c), Sonae Indústria is focused on the management of its debt maturing during 2014 and 2015 with the aim of achieving appropriate leeway that would permit the management team to implement its strategic plan, that as already indicated to the market, contemplates the reduction of the industrial footprint, concentration on the most profitable plants, achievement of operating efficiencies and the sale of non-core assets.

During the fourth quarter of 2013 the Company performed, a detailed review of its capital structure and debt maturity profile in order to determine alternatives for achieving long term financing solutions that would give the Company time to implement its strategic plan (reducing considerably the amount of debt repayments during 2014 and 2015) and that would get the support of its key stakeholders, particularly from the shareholders and principal creditor banks.

As a result of this review, discussions are being held with the three main creditor banks, with the purpose of finding adequate solutions for the refinancing of the debt maturing during the next few years. These discussions may result in the extension of current debt maturities and refinement of current financing terms, combined with other initiatives aiming to improve the capital structure of the Company over time so as to enable the Company to access the bank debt market and/or debt capital markets in the medium term to refinance its debt if deemed appropriate.

27.2. Market risk

27.2.1. Interest rate risk

The analysis of interest rate risk described on note 2.24, b), i), consisted in calculating the way net profit before tax for 2013 and 2012 would have been impacted if there would have been a change of +0.75 or -0.75 percentage points in actual interest rates of the corresponding periods:

		Sensitivity Analysis					
		2013			**2012**		
		"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	644 988 066	-3 590 896	3 590 896	568 279 783	-3 675 179	3 675 179
	GBP	873 037	- 9 893	9 893	1 896 670	- 52 455	52 455
	CAD	32 110 269	- 274 683	274 683	42 038 276	- 347 144	347 144
	ZAR	17 198 270	- 134 698	134 698	30 860 490	- 113 821	113 821
		695 169 642	-4 010 170	4 010 170	643 075 218	-4 188 599	4 188 599
Bank deposits and other treasury applications							
	EUR	1 428 027	11 497	- 11 497	3 874 033	72 331	- 72 331
		1 428 027	11 497	- 11 497	3 874 033	72 331	- 72 331
			-3 998 673	3 998 673		-4 116 268	4 116 268

Gross debt in the table above excludes bank overdrafts and borrowings which are not subject to change in interest rate. Bank deposits and other treasury applications in the table above exclude demand deposits.

Considering Euribor 6 months as a reference indicator for interest rates of Euro, a change of 0.75 percentage points corresponds to 35.7 2 times the standard deviation of that variable in 2013 (2 times in 2012).

27.2.2. Exchange rate risk

With respect to exchange rate risk, described in note 2.24., 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 2013 and 2012 exchange rates.

i) Loans net of treasury applications

	Amount denominated in foreign currency		Eur equivalent		Sensitivity analysis			
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	2013		2012	
					-1%	1%	-1%	1%
GBP	17 795 110	13 000 000	21 344 700	15 929 420	- 213 447	213 447	- 159 294	159 294

Sensitivity refers to the effect that -1% and 1% changes in closing exchange rates for 2013 and 2012 would have on net exchange differences disclosed in note 40.

ii) The remaining financial assets and liabilities do not include any amounts denominated in currencies other than the functional currency of the respective subsidiary which may represent any relevant exchange rate risks.

b) Sensitivity analysis of existing derivatives to hedge the exchange rate risk set out in the previous point:

At the closing date of these consolidated financial statements, existing derivative instruments to hedge the exchange rate risk amounted to irrelevant values (note 26).

27.2.3. Credit risk

Credit risk described in note 2.24, a) is mostly reflected through the amount stated in Trade Debtors (note 18). No relevant differences between the amounts recognized and the corresponding estimated fair value were identified.

28. OTHER NON-CURRENT LIABILITIES

At 31 December 2013 and 31 December 2012 details of Other non-current liabilities were as follows:

	31.12.2013	31.12.2012
Borrowings from related parties		
Other creditors	18 803 577	20 896 701
Financial instruments	18 803 577	20 896 701
Other creditors	36 954 787	44 044 204
Liabilities out of scope of IFRS 7	36 954 787	44 044 204
Total	55 758 364	64 940 905

31.12.2013	2015	2016	2017	2018	Total
Maturity of Other non current creditors	7 255 897	5 082 216	4 823 210	1 642 254	18 803 577
	7 255 897	5 082 216	4 823 210	1 642 254	18 803 577

31.12.2012	2014	2015	2016	2017	Total
Maturity of Other non current creditors	2 101 701	6 265 000	6 265 000	6 265 000	20 896 701
	2 101 701	6 265 000	6 265 000	6 265 000	20 896 701

Other creditors (financial instruments) include EUR 18 561 400 (EUR 20 896 701 at 31 December 2012) related to the fine imposed by the German Competition Authority.

Other creditors (out of scope of IFRS 7) include EUR 35 727 688 (EUR 42 552 874 at 31 December 2013) related to deferred investment subventions.

29. 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. Furthermore, some subsidiaries have the legal obligation to pay their employees some lump sum amounts when they get retired.

Current liabilities associated with past years of service are evaluated every year through actuarial studies and based on the "Projected Unit Credit" methodology. Actuarial assumptions employed on the last report prepared at 31 December 2013 and 2012 were:

	Germany							
	Glunz AG		GHP GmbH		Tool GmbH		Impaper	
	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12
Mortality table	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G
Salary grow th rate	2,0%	0.0%	0,0%	0,0%	0,0%	0,0%	2,0%	0,0%
Return on fund	3,5%	3,8%	3,5%	3,8%	3,5%	3,8%	3,5%	3,8%
Actuarial tecnical rate	3,5%	5,0%	3,5%	5,0%	3,5%	5,0%	3,5%	5,0%
Pension grow th rate	1,75%	1,75%	1,75%	1,75%	1,75%	1,75%	1,75%	1,75%

	South Africa		France		Portugal	
	31.12.13	31.12.12	31.12.13	31.12.12	31.12.13	31.12.12
Mortality table	PA(90)-2	PA(90)	INSEE 2006-2008	INSEE 2006-2008	TV 88/90	TV 88/90
Salary grow th rate	8,0%	7,7%	2,0%	2,0%	3,0%	3,0%
Return on fund	9,5%	8,2%	-	-	3,3%	2,7%
Actuarial tecnical rate	9,5%	8,2%	3,0%	2,75%	4,0%	5,5%
Pension grow th rate	5,3%	5,0%	-	-	0,0%	0,0%
Trend rate of medical aid obligation	1,2%	0,0%				

In previous periods, pension funds and provisions for pension liabilities were created by various companies within the Group in the following countries:

South Africa:

The employees of Sonae Novobord (PTY) have the following benefit scheme:

Defined contribution plan composed of a number of assets that are managed by a third party. The Company is obliged to deliver the defined contributions. The amount of EUR 511 710 was included in the item Staff expenses, on the Consolidated Income Statement, during the period. At 31 December 2013, no contributions were outstanding or unpaid.

Defined Benefit plan with a fund managed by a third party under South African pension fund law. Present value of the defined benefit liability is calculated in accordance with International Accounting Standard 19, taking into consideration applicable law, and based on actuarial reports performed by an independent party. This plan comprises obligations for retirement pensions and survivors pensions.

Post-Retirement Health Benefit scheme under which the Company will provide for 50% of eligible health expenses incurred after the employee's retirement.

The actuarial discount rate of 9.5%, which was used for calculating the defined benefit liability of Sonae Novobord (Pty) Ltd, corresponds to the rate of return of zero coupon South African government bonds with maturity corresponding to the average duration of the defined benefit liability. This rate of return was calculated based on the yield curve of South African zero coupon government bonds published by the Bond Exchange of South Africa, taking into consideration that corporate bond market is not developed in this country.

The estimated average duration of the defined benefit liability recognized by Sonae Novobord is 16.9 years.

In the actuarial report carried out on 31 December 2013, the defined benefit liability amounted to EUR 851 535.

Germany:

Glunz AG, GHP GmbH, Too GmbH and Impaper Europe GmbH & Co. KG have funded defined benefit plans. The plan is calculated according to International Accounting Standard 19, and based on actuarial reports carried out by an independent party.

The actuarial discount rate of 3.5% used for calculating defined benefit liabilities of German subsidiaries corresponds to the weighted average rate obtained by applying the yield curve of high quality corporate bonds, which is calculated based on information published by Bloomberg of corporate bonds rated at least AA by at least one of the main international rating agencies.

The average duration of the recognized defined benefit liability is:

- Glunz AG: 11.64 years;
- GHP GmbH: 21.74 years;
- Tool GmbH: 18.45 years;
- Impaper Europe GmbH & Co. KG: 22.89 years.

In accordance with the actuarial reports carried out at 31 December 2013, these companies' defined benefit liabilities amounted to EUR 20 941 758.

France:

Upon retirement of their employees, Isoroy SAS and Darbo SAS are obliged to pay a lump sum defined under the terms of the sector's collective labour agreement.

The actuarial discount rate of 3%, which was used for calculating the defined benefit liability of French subsidiaries, corresponds to the rate of return of AA-rated corporate bonds maturing within more than ten years, from Markit iBoxx index.

The average duration of the recognized defined benefit liability is:

- Isoroy SAS: 11.1 years;
- Darbo SAS: 10.2 years.

An actuarial report calculated the liabilities of the two companies on 31 December 2013 to be EUR 1 279 800.

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 independent parties. Employees of eight 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 4% 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 liability recognized by the Portuguese subsidiaries is 20 years.

An actuarial report calculated the liabilities of these companies on 31 December 2013 to be EUR 2 578 735.

The main risk to which these defined benefit plans expose the Group is the liquidity risk. At 31 December 2013 assets funding the plans represented 21.9% (20.8% at 31 December 2012) 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 2013 and 31 December 2012, to the present value of the defined benefit obligations are presented as follows:

	31.12.2013			31.12.2012 Restated		
	Plan without fund	Plan with fund	Total	Plan without fund	Plan with fund	Total
(+) Opening balance of defined benefit obligations' present value	2 405 594	32 623 748	35 029 342	2 285 158	29 130 162	31 415 320
(+) Interest cost	113 978	1 375 759	1 489 737	141 280	1 569 098	1 710 378
(+) Current service cost	85 942	435 792	521 734	73 866	427 174	501 040
(+) Actuarial losses/(gains), of which:	- 72 433	- 957 291	-1 029 724	71 566	3 577 494	3 649 060
Due to change in financial assumptions	- 193 883	252 855	58 972	N/A	ND	ND
Due to change in demographic assumptions	74 141	191 341	265 482	ND	ND	ND
(+) Recognised past service cost	- 21 070	- 290 906	- 311 976		- 131 245	- 131 245
(-) Paid pensions	120 640	1 939 680	2 060 319	100 008	1 636 397	1 736 405
(+) Exchange rate effect	- 260 038	-1 201 971	-1 462 009	- 66 268	- 312 536	- 378 804
(=) Closing balance of defined benefit obligations' present value	2 131 335	30 045 451	32 176 785	2 405 594	32 623 749	35 029 344

During 2013 and 2012 the fair value of the plan assets changed as follows:

	31.12.2013	31.12.2012 Restated
(+) Opening balance of plan assets	7 349 940	6 210 537
(+) Contribution to plan assets	696 876	694 699
Employees	24 583	99 614
Employer	672 293	595 086
(+) Remeasurements	811 502	962 378
(-) Paid pensions	629 855	292 548
(+) Exchange rate effect	- 1 167 623	- 225 303
(=) Closing balance of plan assets	7 060 839	7 349 763

Funding assets do not include any securities issued by the Company or its subsidiaries nor any assets occupied or used by the Group.

At 31 December 2013 and 31 December 2012, the amount of liabilities for defined benefits recognized in the Consolidated Statements of Financial Position is detailed as follows:

	31.12.2013	31.12.2012 Restated
(+) Present value of defined benefit obligations	32 176 785	35 029 344
(-) Fair value of plan assets	7 060 839	7 349 762
(+)Asset ceiling	535 882	
(=) Defined benefit liability	25 651 828	27 679 582

The effect of these liabilities on Staff Expenses, on the Consolidated Income Statements for 2013 and 2012, is detailed as follows:

	31.12.2013	31.12.2012 Restated
(+) Interest cost	1 489 737	1 649 469
(+) Current service cost	521 734	493 309
(+) Past service cost	- 311 976	- 131 245
(+) Employee contributions	- 24 583	- 37 897
(+) (Increase) / Decrease in fair value of plan assets	- 422 820	- 414 462
	1 252 092	1 559 174

Sensitivity of the Health Benefit scheme's obligations can be analysed as follows:

	2013			2012		
	- 1,0 pp	Valuation basis	+ 1,0 pp	- 1,0 pp	Valuation basis	+ 1,0 pp
	-1,0%	0,0%	+1,0%	-1,0%	0,0%	+1,0%
Defined benefit obligation	971 329	851 466	752 129	1 281 282	1 122 151	984 411

The valuation basis refers to the real growth rate of health expenses, which was included in the actuarial assumptions disclosed herewith.

Sensitivity of the defined benefit obligation, excluding the health benefit scheme, is as follows:

	2013		
	-0,5 pp	Valuation basis	+0,5 p
Defined benefit obligation	33 628 220	31 325 319	29 233 630

The valuation basis refers to the actuarial discount rate that was included in the actuarial assumptions disclosed herewith.

Change in accounting policy referred to in note 3, a) had the following effects on the Consolidated statement of financial position at 31 December 2012:

	Restated (a)	Published (b)	Difference (a) - (b)
Deferred tax asset	25 046 395	24 189 158	857 237
Total assets	1269 874 674	1269 017 527	857 147
Accumulated other comprehensive income	- 380 018	2 792 960	-3 172 978
Non-controlling interests	- 939 705	- 900 628	- 39 077
Total net shareholders' funds	131 945 011	135 157 066	-3 212 055
Post-retirement liabilities	27 679 582	23 610 290	4 069 292
Total liabilities	1269 874 764	1269 017 527	857 237

30. TRADE CREDITORS

At 31 December 2013 and 31 December 2012, Trade creditors stated on the Consolidated Statements of Financial Position showed the following maturities:

	MATURITY OF TRADE CREDITORS	
	31.12.2013	31.12.2012
To be paid		
< 90 days	152 855 419	176 272 220
90 - 180 days	2 069 288	1 287 393
> 180 days	1 455 707	24 789
	156 380 414	177 584 402

31. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

At 31 December 2013 and 31 December 2012 State and other public entities had the following composition:

	31.12.2013	31.12.2012
State and other public entities		
Income Tax	3 005 507	1 576 844
Value Added Tax	2 808 408	4 391 247
Social Security Contribution	4 348 791	4 911 613
Others	2 096 325	3 223 897
	12 259 031	14 103 601

32. OTHER CURRENT LIABILITIES

At 31 December 2013 and 31 December 2012 Other current liabilities were composed of:

	31.12.2013	31.12.2012
Group companies	20 334	20 334
Derivatives		61 264
Tangible fixed assets suppliers	4 149 672	2 875 665
Other creditors	6 967 919	5 677 545
Financial instruments	11 137 925	8 634 808
Other creditors	1 882 693	1 669 098
Accrued expenses:		
Insurances	194 182	628 951
Personnel costs	16 516 517	24 677 139
Accrued financial expenses	7 048 783	5 024 275
Rebates	17 312 464	15 882 431
External supplies and services	10 529 871	13 057 777
Other accrued expenses	8 127 030	8 577 830
Deferred income:		
Investment subventions	7 604 044	7 813 852
Other deferred income	784 477	148 938
Liabilities out of scope of IFRS 7	70 000 061	77 480 291
Total	81 137 986	86 115 099

31.12.2013	< 90 days	90 - 180 days	> 180 days	Total
Maturity of current fixed assets' suppliers	3 481 071	242 345	426 256	4 149 672
Maturity of Other current creditors	6 704 969	31 887	231 063	6 967 919
	10 186 040	274 232	657 319	11 117 591

31.12.2012	< 90 days	90 - 180 days	> 180 days	Total
Maturity of current fixed assets' suppliers	2 873 811	1 854		2 875 665
Maturity of Other current creditors	4 745 901	506 650	424 994	5 677 545
	7 619 712	508 504	424 994	8 553 210

33. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2013 and 31 December 2012 were as follows:

	31.12.2013							
Description	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilization	Reversion	Other changes	Closing balance
Impairment losses:								
Tangible fixed assets	32 922 834			41 741 500		6 736 192	1 445 529	69 373 671
Goodwill				7 727 749				7 727 749
Intangible assets	19 242							19 242
Other non-current assets	10 931 182							10 931 182
Trade debtors	25 156 732	- 767 287		4 557 159		2 204 475	- 1 965 281	24 776 848
Other debtors	16 111						- 12 609	3 502
Subtotal impairment losses	69 046 101	- 767 287		54 026 408		8 940 667	- 532 361	112 832 194
Provisions:								
Litigations in course	2 150 693			126 114	187 000		- 26 529	2 063 278
Warranties to customers	690 770	- 362			42 611			647 797
Restructuring	10 911 412	- 85 774		86 800	8 464 460	1 885 430		562 548
Other	5 638 746	- 6 025		91 458	4 234 448		3 994 190	5 483 921
Subtotal provisions	19 391 621	- 92 161		304 372	12 928 519	1 885 430	3 967 661	8 757 544
Subtotal impairment losses and provisions	88 437 722	- 859 448		54 330 780	12 928 519	10 826 097	3 435 300	121 589 738
Other losses:								
Investments	36 985 875							36 985 875
Write-down to net realizable value of inventories	8 833 140	- 77 864		4 889 219		5 921 981	- 893 321	6 829 193
Total	134 256 737	- 937 312		59 219 999	12 928 519	16 748 078	2 541 979	165 404 806

	2012							
Description	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilization	Reversion	Other changes	Closing balance
Impairment losses:								
Tangible fixed assets	33 529 610	30 788		48 867 592		3 933 541	- 45 571 615	32 922 834
Intangible assets	19 242							19 242
Other non-current assets	10 931 182							10 931 182
Trade debtors	23 911 465	- 199 079		9 497 471		4 265 976	- 3 787 149	25 156 732
Other debtors	19 628						- 3 517	16 111
Subtotal impairment losses	68 411 127	- 168 291		58 365 063		8 199 517	- 49 362 281	69 046 101
Provisions:								
Litigations in course	8 445 337			273 173	2 005 808	2 719 741	- 1 842 268	2 150 693
Warranties to customers	858 616	151		18 913	62 000	124 910		690 770
Restructuring	745 571	- 16 548		14 556 730	4 321 691	52 650		10 911 412
Other	4 481 993	5 923		2 361 638	1 123 161	34 556	- 53 091	5 638 746
Subtotal provisions	14 531 517	- 10 474		17 210 454	7 512 660	2 931 857	- 1 895 359	19 391 621
Subtotal impairment losses and provisions	82 942 644	- 178 765		75 575 517	7 512 660	11 131 374	- 51 257 640	88 437 722
Other losses:								
Investments	37 005 998						- 20 123	36 985 875
Write-down to net realizable value of inventories	7 836 654	- 13 224		7 031 388		5 638 036	- 383 642	8 833 140
Total	127 785 296	- 191 989		82 606 905	7 512 660	16 769 410	- 51 661 405	134 256 737

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:

	2013			2012		
	Losses	Gains	Total	Losses	Gains	Total
Cost of sales	1 417 373	2 094 676	- 677 303	2 367 053	2 023 877	343 176
(Increase) / decrease in production	3 471 846	3 827 304	- 355 458	3 692 864	3 417 048	275 816
Provisions and impairment losses	54 288 169	22 404 744	31 883 425	27 715 417	14 531 302	13 184 115
Staf expenses	42 611	1 349 873	- 1 307 262			
Total (Consolidated Income Statement)	59 219 999	29 676 597	29 543 402	82 606 905	24 282 070	58 324 835

Impairment losses

Column “Other changes” also includes changes in impairment losses related to sale or write-off of assets.

In the period ended 31 December 2013 movements recognized through impairment losses are detailed as follows:

- Increase in impairment losses in tangible fixed assets relates mostly to assets located in Portugal, Spain, France and Germany that were individually tested for impairment;
- Reversion of impairment losses in tangible fixed assets relates to assets located in Portugal and Spain that were individually tested for impairment;
- Increase in impairment losses in goodwill relates to cash generating units located in France (EUR 6 027 024) and Iberian Peninsula (EUR 1 700 000).

Provisions

At 31 December 2013 the amount of provisions could be detailed as follows:

- Provision for ongoing litigations: it includes estimation for compensation of former employees related to older restructuring processes for the amount of EUR 1 313 000. It is not possible to estimate the period this provision will be utilized;

- Other provisions: it includes estimated amounts of EUR 1 401 000 for environmental liabilities, EUR 2 934 000 for other long term benefits to employees (jubilee benefits which do not correspond to defined benefit plans) and EUR 761 000 for taxes. It is not possible to estimate the period these provisions will be used.

During the period, the recognition of provisions at present value of estimated liabilities did not include any significant amounts.

Provisions and Impairment Losses on the Consolidated Income Statements are detailed into geographical segment in note 44.

34. OPERATING LEASES

At 31 December 2013 and 31 December 2012 the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments	
	31.12.2013	31.12.2012
2013		5 253 314
2014	4 669 076	3 783 291
2015	2 302 536	2 003 812
2016	1 364 308	1 206 185
2017	560 910	486 993
2018	115 859	
After 2018 (2017)	16 366	279 211
	9 029 055	13 012 806

During the period the Group recognized under External suppliers and services, on the Consolidated Income Statement, rents related to operating leases for EUR 7 956 000 (EUR 8 828 000 at 31 December 2012).

35. RELATED PARTIES

35.1. Balances and transactions with related parties may be summarized as follows:

Balances	**Accounts receivable**		**Accounts payable**	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Other subsidiaries of the parent company	284 452	389 944	1 561 097	1 658 251
Joint ventures	116 434	252 425	307 807	303 707

Transactions	Income		Expenditure	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Other subsidiaries of the parent company	1 184 444	1 144 612	7 347 030	7 428 946
Joint ventures	3 744 862	4 711 949	5 656 688	8 344 364

35.2. Remuneration of the Board of Directors of the Company is detailed as follows:

	31.12.2013	31.12.2012
Short term benefits	1 398 573	1 431 501
Medium term benefits	42 400	46 224
	1 440 973	1 477 725

The amount included under Medium term benefits for 2013, on the previous table, refers to the amounts recognized under Staff expenses that relate to members of the Board of Directors.

At 31 December 2013 there were no post retirement liabilities attributed to the members of the board of directors.

35.3. During the period ended 31 December 2013 the Group recognized on these consolidated financial statements the following fees paid to the audit company PricewaterhouseCoopers & Associados, SROC, Lda and respective international network:

	31.12.2013	31.12.2012
Total fees related to audit of end year accounts	400 124	403 905
Total fees related to other realiability assurance services	35 840	36 808
Total fees related to tax consulting services		
	435 964	440 713

36. OTHER OPERATING INCOME

Details of Other operating income on the Consolidated Income Statement for the periods ended 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013	31.12.2012
Gains on disposals of non current investments	66 515	98 948
Gains on disp. and w rite off of invest. prop., tang. and intang. assets	1 754 975	372 692
Supplementary revenue	9 655 118	10 357 713
Investment subventions	7 186 656	11 151 058
Tax received	5 105 618	4 382 222
Positive exchange gains	1 871 261	1 602 814
Others	3 224 319	6 434 804
	28 864 462	34 400 251

Tax received includes EUR 4.6 million relating to tax paid upon consumption of gas and electrical power (recognized under External services and suppliers), which were reimbursed in accordance with attained energetic efficiency levels.

37. OTHER OPERATING EXPENSES

Details of Other operating expenses on the Consolidated Income Statement for 2013 and 2012 are as follows:

	31.12.2013	31.12.2012
Taxes	7 185 969	5 840 832
Losses on disposals of non current investments	852 507	72 585
Losses on disp. and w rite off of invest. prop., tang. and intang. assets	1 536 092	2 839 663
Negative exchange gains	2 805 662	2 241 429
Others	1 990 177	3 092 401
	14 370 407	14 086 910

38. 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 1 048 458 (EUR 1 260 963 in 2012).

39. Underlying and non-underlying items

Underlying and non-underlying operating items on the Consolidated income statement are detailed as follows:

	31.12.2013 Recurrent	31.12.2013 Non-recurrent	312.12.2013 Total	31.12.2012 Recurrent	31.12.2012 Non-recurrent	31.12.2012 Total
Sales	1227 148 384	581 162	1227 729 546	1316 690 424	-	1316 690 424
Services rendered	3 826 375	-	3 826 375	4 339 792	-	4 339 792
Other income and gains	25 921 670	2 942 792	28 864 462	29 783 632	4 616 619	34 400 251
Cost of sales	(645 570 401)	99 215	(645 471 186)	(679 064 964)	-	(679 064 964)
(Increase) / decrease in production	1 053 238	(751 267)	301 971	1 496 556	-	1 496 556
External supplies and services	(332 516 969)	(4 551 244)	(337 068 213)	(356 731 051)	(435 521)	(357 166 572)
Staff expenses	(185 707 130)	(10 513 413)	(196 220 543)	(202 350 270)	(2 033 223)	(204 383 493)
Impairment losses in trade debtors (increase/reduction)	(2 352 684)	-	(2 352 684)	(5 177 984)	(90 074)	(5 268 058)
Other expenses and losses	(11 558 260)	(2 812 147)	(14 370 407)	(9 956 210)	(4 130 700)	(14 086 910)
Net profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	80 244 223	(15 004 902)	65 239 321	99 029 925	(2 072 899)	96 957 026

40. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2013 and 2012 were as follows:

	31.12.2013	31.12.2012
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	19 005 011	15 069 447
related to non convertible debentures	11 144 110	10 720 660
related to finance leases	3 860 246	4 032 610
others	2 729 896	1 990 622
	36 739 263	31 813 339
Losses in currency translation		
related to loans	3 745 718	6 809 577
	3 745 718	6 809 577
Cash discounts granted	15 951 091	16 009 211
Adjustment to fair value of financial instruments at fair value through profit or loss	240 986	9 800 890
Other finance losses	6 932 974	6 605 924
	63 610 032	71 038 941

	31.12.2013	31.12.2012
Financial income:		
Interest income		
related to bank loans	34 023	574 524
related to loans to related parties		128 992
Related to loans discontinued operations		2 402 363
Others	118 060	345 218
	152 083	3 451 097
Gains in currency translation		
related to loans	3 393 729	7 267 571
	3 393 729	7 267 571
Cash discounts obtained	803 229	759 423
Adjustment to fair value of financial instruments at fair value through profit or loss	595 348	6 916 077
Other finance gains	91 798	1 848 009
	5 036 187	20 242 177
Finance profit / (loss)	**- 58 573 845**	**- 50 796 764**

41. TAXES

Corporate income tax accounted for in 2013 and 2012 is detailed as follows:

	31.12.2013	31.12.2012
Current tax	7 243 170	5 554 539
Deferred tax	- 26 632 078	10 073 463
	- 19 388 908	15 628 002

Reconciliation of consolidated Net profit/(loss) from continuing operations, before tax with taxes for the year may be detailed as follows:

		31.12.2013	31.12.2012
Consolidated net profit before tax		-98 305 038	-39 212 302
Tax rate		25.00%	25.00%
Expectable tax at rate 25.0%		-24 576 261	-9 803 076
Differences to foreign tax rates	(+)	-6 459 603	-4 395 419
Effect of provincial/municipal taxes	(+)	868 034	488 655
Consolidation adjustments	(-)	-3 313 554	3 267 143
Permanent differences			
Non deductible costs	(+)	5 756 854	5 159 895
Non taxed profits	(-)	1 131 598	874 706
Tax losses carried forward			
Deferred tax asset recognized on tax losses of previous years	(+)	-4 123 937	
Deferred tax asset not recognized in complience with IAS 12	(-)	-6 423 428	-17 050 828
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(+)	- 621 598	- 411 076
Reverted deferred tax asset	(+)	1 474 000	9 616 397
Effect of offsetting deferred tax liabilities related to depreciation	(-)	1 747 813	107 988
Effect of change in tax rates	(+)	135 747	
Others	(+)	1 300 285	1 955 659
Consolidated corporate income tax		-19 388 908	15 628 002

42. PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS

In 2012 the results of the subsidiary Sonae Industria (UK), Ltd were included under Net profit/loss after tax of discontinued operations, on the Consolidated income statement, following the discontinuation of production at Knowsley plant, England. Details are as follows:

	31.12.2012
Sales	24 655 551
Services rendered	850 424
Other income and gains	25 749 830
Cost of sales	13 506 940
(Increase) / decrease in production	1 975 672
External supplies and services	12 250 156
Staff expenses	14 131 917
Depreciation and amortisation	2 936 231
Provisions and impairment losses (increase / reduction)	43 747 367
Other expenses and losses	3 307 438
Operating profit / (loss)	- 40 599 916
Financial expenses	5 017 199
Financial income	405 520
Net profit/(loss) from descontinued operations, before tax	- 45 211 595
Taxation	
Net profit / (loss) from descontinued operations	- 45 211 595
Attributable to:	
Equity Holders of Sonae Industria	- 44 661 686
Non-controlling interests	- 549 909

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

	31.12.2012
Operating activities	3 711 002
Investment activities	14 031 213
Financing activities	- 15 902 699

43. EARNINGS PER SHARE

Earnings per share were calculated as follows:

	31.12.2013		31.12.2012		
	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)	- 78 045 917	- 78 045 917	- 54 215 194	- 44 661 686	- 98 876 879
Effect of potential shares					
Interest related to convertible bonds (net of tax)					
Net loss considered to calculate diluted earnings per share	- 78 045 917	- 78 045 917	- 54 215 194	- 44 661 686	- 98 876 879
Number of shares					
Weighted average number of shares used to calculate basic earnings per share	140 000 000	140 000 000	140 000 000	140 000 000	140 000 000
Effect of potential ordinary shares from convertible bonds					
Weighted average number of shares used to calculate diluted earnings per share	140 000 000	140 000 000	140 000 000	140 000 000	140 000 000
Basic earnings per share	-0.5575	-0.5575	-0.3873	-0.3190	-0.7063
Diluted earnings per share	-0.5575	-0.5575	-0.3873	-0.3190	-0.7063

44. 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, Spain, France, Germany, United Kingdom, Switzerland, The Netherlands, Canada and South Africa.

At 31 December 2012 identified reportable segments, taking into consideration internal system of reporting to the chief operating decision maker, for which there is a segment manager were as follows:

- Europe
- Rest of the world

In 2013 some organizational changes occurred affecting identified reportable segments, which were then:

- Northern Europe;
- Southern Europe;
- Rest of the World.

Each segment's revenue results mainly from the production and sale of particle board products and derivatives products.

Segmental information related to the Consolidated Income Statement is as follows:

	Turnover			
	External		Intersegment	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Northern Europe	495 720 051	543 373 843	36 551 635	40 264 828
Southern Europe	470 913 494	495 316 480	24 769 561	37 940 721
Continuing operations	470 913 494	495 316 480	24 769 561	37 940 721
Rest of the world	264 922 375	282 339 892		
Total segments	1231 555 921	1321 030 216	61 321 196	78 205 550
Southern Europe Discontinued operations		25 505 975		

	Cost of sales	
	31.12.2013	31.12.2012
Northern Europe	281 067 981	287 481 626
Southern Europe	229 350 447	244 358 526
Continuing operations	229 350 447	244 358 526
Rest of the world	135 052 758	147 224 811
Total segments	645 471 186	679 064 964
Southern Europe Discontinued operations		13 506 940

	External supplies and services	
	31.12.2013	31.12.2012
Northern Europe	127 456 981	138 873 480
Southern Europe	151 584 441	156 339 295
Continuing operations	151 584 441	156 339 295
Rest of the world	58 026 790	61 953 797
Total segments	337 068 213	357 166 572
Southern Europe Discontinued operations		12 250 156

	Amortization and depreciation	
	31.12.2013	31.12.2012
Northern Europe	28 229 008	28 345 531
Southern Europe	28 880 136	29 092 126
Continuing operations	28 880 136	29 092 126
Rest of the world	17 634 465	19 885 730
Total segments	74 743 609	77 323 387
Southern Europe		
Discontinued operations		2 936 231

	Provisions and impairment losses	
	31.12.2013	31.12.2012
Northern Europe	6 368 481	-4 647 324
Southern Europe	25 731 692	17 845 502
Continuing operations	25 731 692	17 845 502
Rest of the world	- 216 747	- 14 063
Total segments	31 883 425	13 184 115
Southern Europe		
Discontinued operations		43 747 367

	Operating net profit (loss)	
	31.12.2013	31.12.2012
Northern Europe	-7 919 808	22 447 031
Southern Europe	-51 119 565	-24 202 532
Continuing operations	-51 119 565	-24 202 532
Rest of the world	20 004 344	13 473 083
Total segments	-39 035 029	11 717 582
Southern Europe		
Discontinued operations		-40 599 916

Finance income and finance charges are not included in the internal system of financial reporting to the chief operating decision maker.

Sales and Services Rendered in 2013 and 2012, based on geographic location of the external customers, were the following:

2013		
Location of customers	'000 eur	
Germany	326 663 169	27%
North America	176 935 731	14%
Portugal	122 353 270	10%
Spain	120 286 264	10%
France	96 874 187	8%
South Africa	90 019 244	7%
United Kingdom	27 020 972	2%
Other	271 403 084	22%
Total	1 231 555 921	100%

2012		
Location of customers	'000 eur	
Germany	294 979 956	22%
North America	176 986 900	13%
Spain	138 924 522	11%
Portugal	117 430 055	9%
South Africa	106 000 509	8%
France	101 658 330	8%
United Kingdom	48 431 976	4%
Other	336 617 968	25%
Total	1 321 030 216	100%

The internal reporting system of financial information does not include information on segmental assets and liabilities. Segmental non-current assets, included under Tangible Fixed Assets, Intangible Assets, Goodwill, Investment Properties and Other Non Current Assets, on the Consolidated Statement of Financial Position, are as follows:

	31.12.2013	31.12.2012
Northern Europe	302 959 398	239 853 486
Southern Europe	391 337 437	424 233 028
Rest of the world	208 854 909	244 414 133
Total segments	903 151 744	908 500 647
Non Current Assets (Consolidated Statement of Financial Position)	903 151 744	908 500 647

Revaluation of land and buildings had the following effect on Tangible fixed assets, on the Consolidated statement of financial position:

	31.12.2013
Northern Europe	46 043 956
Southern Europe	70 386 435
Rest of the world	13 426 252
Total segments	129 856 643

Inter-segment transactions were executed at market prices and under identical conditions to those applied to third parties.

45. MEDIUM TERM INCENTIVE PLAN

The Group has a medium term incentive plan with the characteristics disclosed in note 2.19.

The fair value of services received was determined by reference to the fair value of granted shares, which corresponds to the average price of the Company's shares over the thirty-day period before the Shareholders' General Meeting.

Expenditure recognized under Staff expenses, on the Consolidated Income Statement, was accounted for in accordance with the recognition provisions for Equity-settled share-based payment transactions.

	31.12.2013				31.12.2012			
	Opening balance	Granted	Cancelled	Closing balance	Opening balance	Granted	Cancelled	Closing balance
Nr. of shares	529 338	385 046	126 772	787 612		562 281	32 943	529 338
Fair value	358 415	219 370	85 838	491 947		380 721	22 306	358 415
Year of payment		2 016				2 015		
Staff expenses		130 904	21 459			89 604		

46. 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. 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 consolidated financial statements.

By the end of 2010 an accident occurred at the subsidiary Sonae Industria (UK) Ltd resulting in two fatalities involving external workers that were carrying out maintenance works in this plant. It is the Company's opinion that any liability which it may possibly incur into, whose quantification is not possible at the closing date of these consolidated financial statements, will be covered by the insurance policy.

Following the accident occurred in June 2011 in the subsidiary Sonae Industria (UK) Ltd (note 3), 10 000 individuals filed a lawsuit against the company claiming to have suffered as a result of inhalation of smoke caused by the fire. It is the Company's opinion that any liability which it may possibly incur into, whose quantification is not possible at the closing date of these consolidated financial statements, will be covered by the insurance policy.

47. SUBSEQUENT EVENTS

There were no significant subsequent events (note 2.20).

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on 11 March 2014.

STATUTORY EXTERNAL AUDITOR REPORT

STATUTORY AUDIT BOARD REPORT

SONAE INDUSTRIA

pwc

Audit Report for Stock Exchange Regulatory Purposes in respect of the Consolidated and Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached consolidated and individual financial statements of Sonae Indústria, S.G.P.S., S.A., comprising the consolidated and individual statement of financial position as at 31 December 2013, (which shows total assets of euros 1,245,653,892 and euros 1,139,465,877, respectively, a total consolidated equity of euros 127,150,086 including negative non-controlling interests of euros 795,247 and other components of equity of euros 72,681,459, an individual equity of euros 637,315,501), the consolidated and individual statement of income by nature, the consolidated and individual statements of comprehensive income, the consolidated and individual statements of changes in equity and the consolidated and individual statements of cash flow for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the consolidated and individual financial statements which present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated and individual results and the consolidated and individual comprehensive income of their operations, the changes in consolidated and individual equity and the consolidated and individual cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, the financial position or results of the company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and individual financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the company and its subsidiaries' financial statements have been appropriately examined and for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated and individual financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated and individual financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated and individual financial information.

5 Our audit also covered the verification that the financial information included in the Board of Director's report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Conclusion

7 In our opinion, the consolidated and individual financial statements referred to above, present fairly in all material respects, the consolidated and individual financial position of Sonae Indústria, S.G.P.S, S.A. as at 31 December 2013, the consolidated and individual results and the consolidated comprehensive income of its operations, the changes in consolidated and individual equity and the consolidated and individual cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is consistent with the consolidated and individual financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º- A of the Portuguese Securities Market Code.

Emphasis

9 Without qualifying our opinion expressed in paragraph nº 7 above, we draw attention to the fact that, as mentioned to in Note 3 of the Notes to the Consolidated Financial Statements, the group changed as at 31 December 2013 the subsequent measurement of land and buildings to the revaluation model. The impact of this change in the group's financial statements was an increase of Assets by euros 123,467,047, Liabilities by euros 22,530,772 and equity by euros 100,936,275 (including euros 7,764,937 in the profit and loss for the period).

12 March 2014

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 2013 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 together with the subsidiaries within the consolidation perimeter and convened meetings with the frequency and extent deemed appropriate. These meetings were attended by the financial area's operational managers, especially the CFO, the internal audit manager and the risk management manager. We kept a close connection with the Statutory External Auditor that 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 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 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 2013, the separate and consolidated income statements, the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in net 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 31 December 2013 issued by the Board of Directors, and the Statutory External Auditor's Report on the financial statements issued by the Statutory External Auditor, with which the Statutory Audit Board agrees.

In light of the above, the Statutory Audit Board is of the opinion that the information relating to the financial statements in question has been prepared in accordance with the 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 the 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 corporate governance report complies with the provisions of article 245-A of the Portuguese Securities Code.

The Statutory Audit Board expresses its appreciation to the Board of Directors and other departments for their cooperation.

Opinion

Arising from the above, the Statutory Audit Board is of the 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 2013, Separate and Consolidated Income Statements, Separate and Consolidated Statements of Comprehensive Income, Separate and Consolidated Statements of Changes in Net Shareholders' Funds and Separate and Consolidated Statements of Cash Flows and corresponding Appendices for the period ended on the aforementioned date;

b) Proposal for Appropriation of Results submitted by the Board of Directors.

Statement of responsibility

In accordance with the provisions of article 245, c), nr. 1 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, 11 March 2014

Statutory Audit Board,

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Manuel Heleno Sismeiro

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Armando Luís Vieira de Magalhães

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Jorge Manuel Felizes Morgado