

SONAE INDÚSTRIA, SGPS, S. A.

Registered Office: Lugar do Espido, Via Norte, Maia

Registered at the Commercial Registry of Maia

Registry and Tax Identification Number 506 035 034

Share Capital: EUR 812,107,574.17

Publicly Traded Company

ANNUAL REPORT

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

201

17 February 2016

Table of contents

Management Report

Appendices to the Management Report and Qualified Shareholdings

Appendix required by Article 447 of Portuguese Company Law

Appendix required by Article 448 of Portuguese Company Law

Qualified Shareholdings

Statement issued according to and for the purposes of paragraph c) of Article 245 of CMVM Code

Corporate Governance Report

Separate Financial Statements

Statement of Financial Position

Income Statement

Statement of Comprehensive Income

Statement of Changes in Net Shareholders' Funds

Statement of Cash Flows

Notes to the Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position

Consolidated Income Statement

Consolidated Statement of Comprehensive Income

Consolidated Statement of Changes in Net Shareholders' Funds

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial statements

Statutory External Auditor Report and Statutory Audit Board Report

Statutory External Auditor Report

Statutory Audit Board Report

SONAE INDÚSTRIA

Management Report 2015

17 February 2016

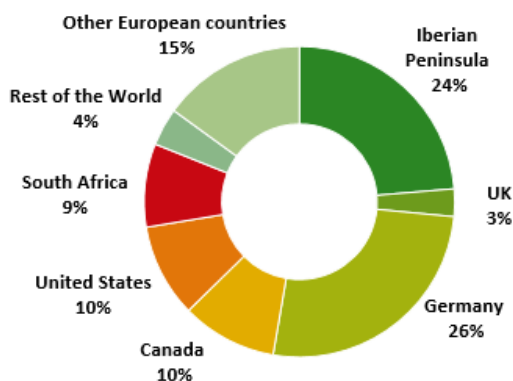
CONTENTS

KEY INDICATORS	3
CHAIRMAN'S MESSAGE.....	4
CEO'S MESSAGE.....	5
1. ABOUT SONAE INDÚSTRIA.....	6
1.1. BUSINESS.....	6
1.2. HISTORY	7
1.3. PRODUCTS	10
1.4. STRATEGY	11
1.5. IMPROVING OUR WORK (IOW) INITIATIVE.....	13
1.6. 2015 KEY CORPORATE EVENTS	14
2. SECTOR REVIEW.....	15
3. BUSINESS REVIEW	18
3.1. TURNOVER & RECURRENT EBITDA.....	18
3.1.1. Sonae Indústria Consolidated	18
3.1.2. Southern Europe	20
3.1.3. Northern Europe	21
3.1.4. Rest of the World (Canada and South Africa)	22
3.2. CONSOLIDATED FINANCIAL PERFORMANCE	23
3.2.1. Consolidated Income Statement	23
3.2.2. CAPEX.....	24
3.2.3. Consolidated Statement of Financial Position.....	25
3.3. INDIVIDUAL RESULTS OF SONAE INDÚSTRIA, SGPS	26
3.4. PROPOSED ALLOCATION OF RESULTS.....	26
3.5. OUTLOOK FOR 2016	26
3.6. INFORMATION ON SHAREHOLDINGS AND SHARE PERFORMANCE.....	26
3.7. TRANSACTIONS WITH OWN SHARES	28
3.8. DIVIDEND POLICY.....	28
4. RISK MANAGEMENT	29
4.1. CREDIT RISK MANAGEMENT POLICY	29
4.2. MARKET RISKS	29
4.3. LEGAL RISKS	31
4.4. OPERATIONAL RISKS.....	31
5. CORPORATE RESPONSIBILITY	32
5.1. SOCIAL REPORT	32
5.2. ENVIRONMENTAL REPORT	39
6. CLOSING REMARKS AND ACKNOWLEDGEMENTS	44
APPENDICES TO THE MANAGEMENT REPORT AND QUALIFIED SHAREHOLDINGS	45
APPENDIX REGARDING ARTICLE 447 OF THE COMPANY LAW	45
APPENDIX REGARDING ARTICLE 448 OF THE COMPANY LAW	46
QUALIFIED SHAREHOLDINGS.....	46
STATEMENT ISSUED UNDER THE TERMS AND FOR THE PURPOSE OF SUB-PARAGRAPH C) OF NO. 1 OF ARTICLE 245 OF THE PORTUGUESE SECURITIES CODE.....	47
GLOSSARY.....	48

KEY INDICATORS

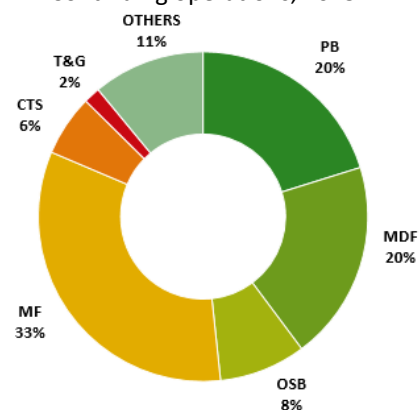
Turnover by market

Continuing operations, 2015



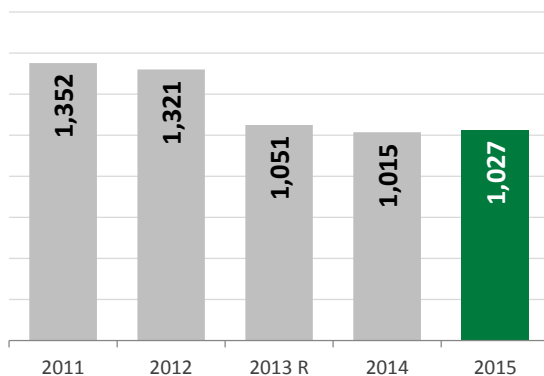
Sales by product

Continuing operations, 2015



Turnover

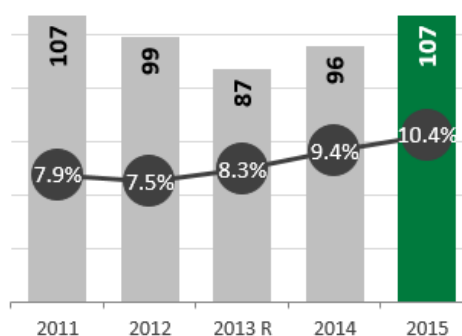
Million Euros



Recurrent EBITDA and %

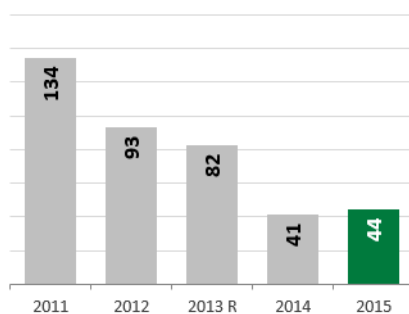
Turnover

Million Euros



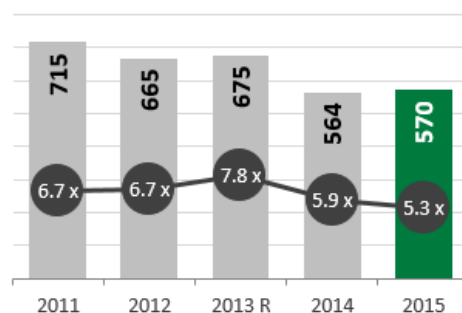
Working Capital

Million Euros



Net Debt and Net Debt to Recurrent EBITDA

Million Euros



CHAIRMAN'S MESSAGE

During 2015, the newly elected board was able to take advantage of the important industrial and financial restructuring work carried out by the previous board. Additionally, with the benefit of our new members, we were able to further support and challenge management in new steps to build a more sustainable and profitable high performance business. Importantly Sonae Indústria completed the restructuring of our industrial portfolio, signed a strategic partnership for our European and South African operations, invested in our product line, our teams and plants and delivered improved results.

We pushed ahead with our drive to ensure we have in place the right combination of assets, with more competitive and efficient plants; the right people, continuously promoting the development of core competences and sharing of best practices; improved processes, leveraging on the "Improving our Work", lean methodology; and the right partners, with whom we can create value for all stakeholders. These represent some of the more critical and fundamental steps to enable us to build a more sustainable and competitive player in the wood based panels industry.

The announced partnership with Arauco was an important milestone. The combination of two strong and reputable companies, with significant and diverse experiences in the wood based panels industry, should enable us to achieve an even stronger operation in the European and South African markets, with enhanced know-how and sharing of best practices. This partnership will also further reinforce and strengthen our balance sheet, better positioning the business to be able to capture future opportunities of growth and improved profitability.

As part of our strategy, we have also invested to increase the efficiency and competitiveness of our plants, having started the deployment of the investment in a fifth melamine surfacing line in our North American plant, with Embossed In Register® surfacing capabilities. This deployment follows the investments made during 2014 in additional melamine surfacing capacity in two of our plants in Europe and the launch of our new Innovus melamine collection. These investments clearly demonstrate our commitment to improving our products, providing a better service quality and getting closer to the market and customer needs, reinforcing our commitment to become a truly customer centric company.

Significant focus has been placed on improving the way we work and the way we manage our processes, through our continuous improvement programme. We strive to standardize and optimize all our processes, with the aspiration of achieving 'best in class' levels of operational efficiency and customer service.

Importantly, our results are also coming through with another four consecutive quarters of improved operational profitability in our continued operations. We will continue to push for consistent and sustainable improvements in these as well as for the reduction of losses in the discontinued operations to achieve positive net results and a healthy return on our capital.

It is clear that 2016 will be an exciting, challenging and interesting year, with new partners, a new business configuration and, more importantly, new development opportunities. The company has had to overcome many hurdles and it will have to continue to conquer a few more but the task is manageable, not only because of the work carried out in the last few years, but also because of our strong roots and historical knowledge of our industry and our markets. I believe all of our stakeholders will benefit from this transformational change, and I continue to count on the commitment, team spirit and dedication of all of Sonae Indústria's team and the strong minded leadership of management, that was so evident throughout 2015.

Paulo Azevedo
Chairman Sonae Indústria

CEO's MESSAGE

During 2015 we progressed significantly towards our strategic objectives that will lead us to become a sustainably profitable company. Important milestones include the strategic partnership agreement signed with Arauco, involving our European and South African operations, and the successful completion of our plan to rationalize our industrial footprint, involving the sale of our plants in Ussel and Linxe, in France and Betanzos, in Spain, which were contributing negatively to our cash flow generation.

With the completion of the re-dimensioning of our industrial footprint, we could focus our key strengths and capabilities on further enhancing our market presence in higher value added segments and on optimizing our industrial and management processes through our continuous improvement programme. During the year, we implemented a number of initiatives aimed at aligning our products and service offering closer to customers' needs and market trends. We reinforced our decorative product portfolio with the launch of the Innovus® Coloured MDF collection, and, with the launch of our new melamine Innovus® 2015 collection. This collection includes a wider range of products and types of finishings, including the new Innovus® Essence range, produced at the Embossed in Register® surfacing line of Oliveira do Hospital, which provides to our melamine paper surfaced boards a look and feel of solid wood or painted veneered panels.

To support the development and improvement of our product offering, we also continued to invest in additional melamine surfacing capabilities. We started the project of investing in a fifth surfacing line, with deep embossing capabilities, at our Lac-Mégantic plant in North America. This investment is expected to further improve our product mix in the North American market, allowing for additional sales of melamine-faced boards including deep embossed surfaces, thus continuing to position our Canadian plant as a clear reference in that market.

Importantly, we have also delivered better operating results throughout the year, delivering another four consecutive quarters of improvements in consolidated Recurrent EBITDA for our Continuing Operations, reaching 107 million Euros in 2015 (up by 11 million Euros vs. 2014, on a comparable basis). Recurrent EBITDA margin reached 10.4%, up by 1 p.p. when compared to 2014, the best margin since 2007. Our Continuing Operations delivered a significant reduction in net losses for the year, bringing us closer to the objective of achieving positive net results for the company. In terms of leverage, due to the improved profitability of the business, we were able to achieve another reduction in the Net Debt to Recurrent EBITDA ratio, which improved to 5.3x at the end of 2015, once again the best result since 2008.

We have continued to develop and invest in sound Health & Safety practices, implementing new procedures to minimize accidents and incidents in our operations. During 2015, we have reduced the frequency of accidents, but unfortunately the level of severity has increased, which lead us to review our internal processes and implement additional actions and campaigns in all sites to reinforce the commitment to instill a safety culture in our company.

For 2016, we expect to complete successfully the implementation of our strategic partnership with Arauco and to progress steadily on the execution of initiatives to improve our customer focus, our industrial efficiency and our internal processes. In addition, we will complete the investment on our new melamine surfacing line in our North American plant during the first half of the year and get our new products into the market during the second half of the year.

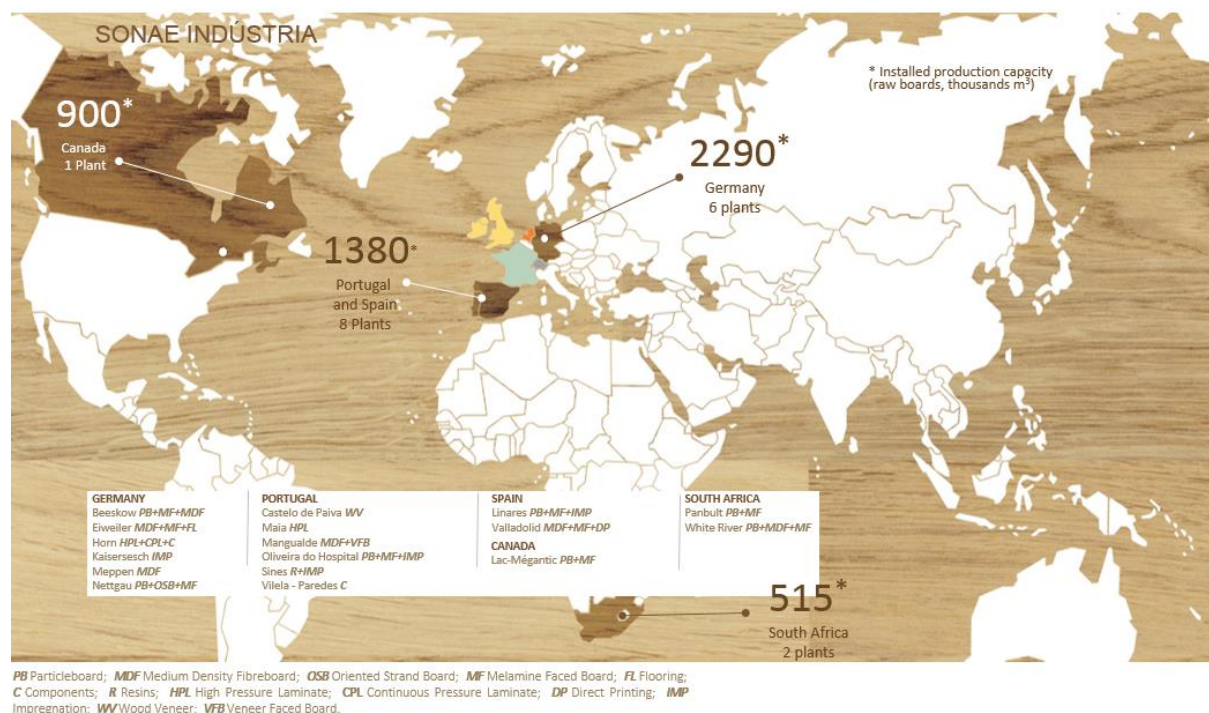
I thank all our team members throughout the organization for their hard work and commitment to obtaining the company's achievements in 2015 and ask for their continued commitment for 2016, together with the support of all our stakeholders, which has been fundamental for the improvements that we have achieved in terms of operational performance and financial structure.

Rui Correia
CEO Sonae Indústria

1. ABOUT SONAE INDÚSTRIA

1.1. BUSINESS

With a total of 17 plants located in 5 countries on 3 continents, Sonae Indústria is one of the largest wood-based panel producers in the world. At the end of 2015 the company had 3,245 employees worldwide and a consolidated turnover of 1,027 million Euros¹.



Wood-based panels are valuable alternatives to solid wood with some clear advantages, namely in terms of efficiency in the use of raw materials. Another particular advantage is their dimensional flexibility, which (in contrast to solid wood) allows for the production of tailor-made sizes, which can be adapted to the clients requirements. Hence, today wood-based panels are replacing solid wood in an increasing number of applications.

Compared to other construction materials such as steel and concrete, wood has significantly lower adverse environmental impacts when used as a building material. Wood-based panels thus have a positive effect on global warming through improved energy efficiency, which enables homeowners to significantly reduce energy spent. Additionally, when used for construction purposes, wood-based panels function as carbon stores, thereby helping to mitigate 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

¹ Turnover considers only the contribution of continuing operations.

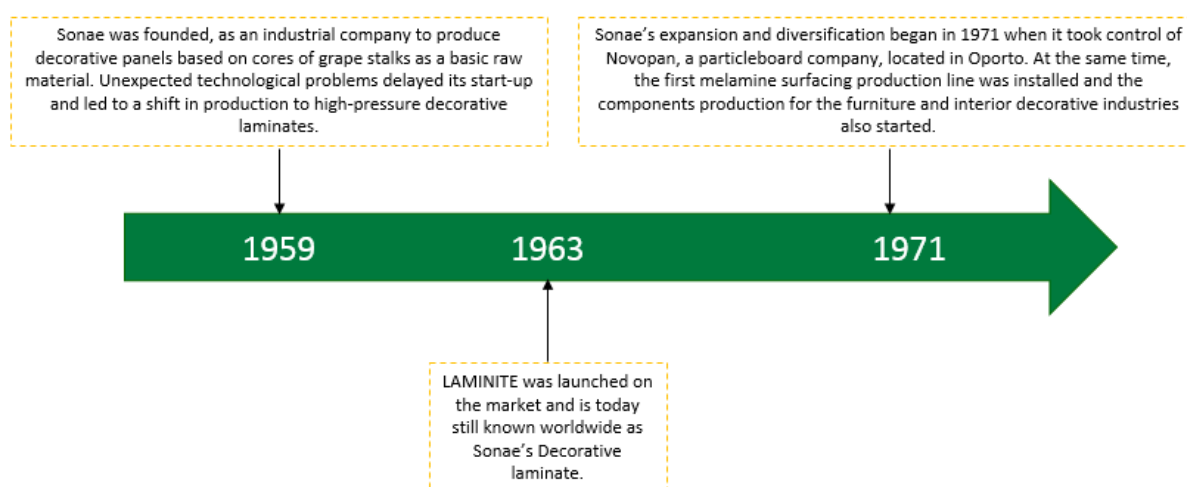
effective market for wood products provides a financial incentive to invest in active forest management. Additionally, when wood products are reused or recycled, carbon storage is extended during another service life, avoiding CO₂ emissions into the atmosphere.

1.2. HISTORY

Sonae Indústria is the result of an expansion process combining organic growth with acquisitions which began in 1959. Throughout its history, three distinctive periods can be identified:

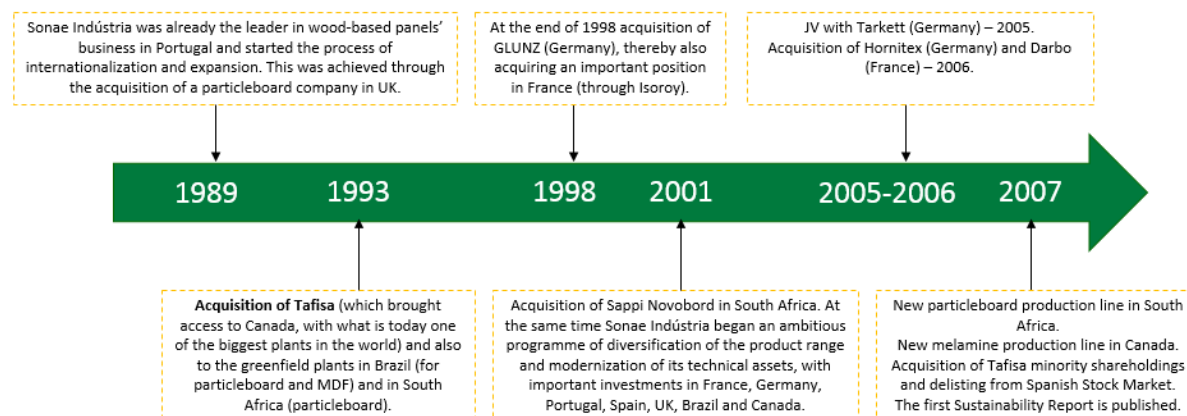
1. Development and regional expansion

In the first years of existence, these were the main events that are worth highlighting, marked by the internal growth process:



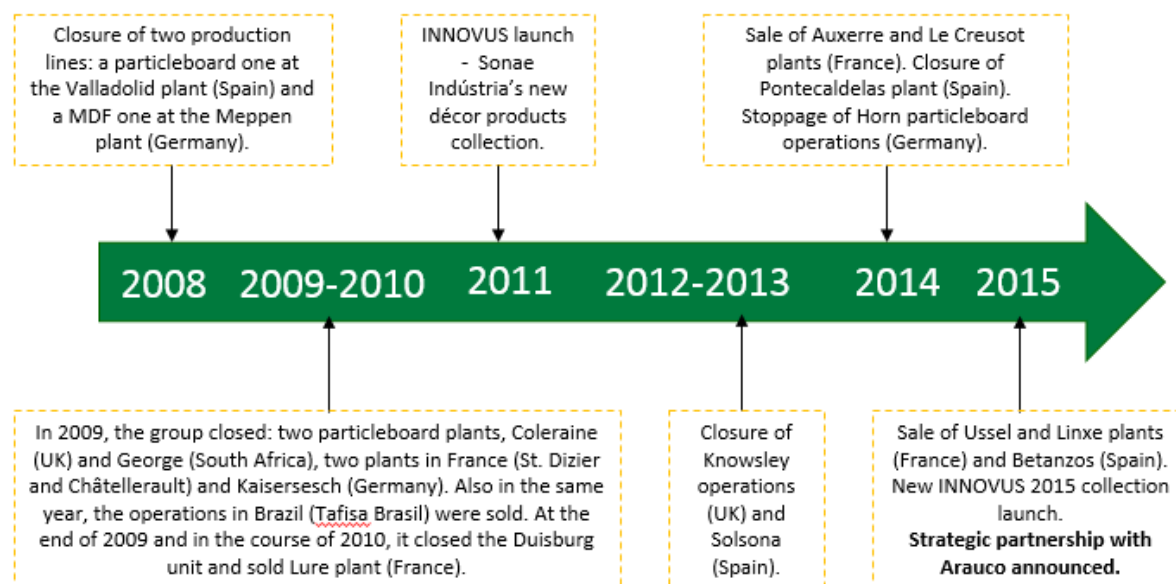
2. Internationalization and expansion

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



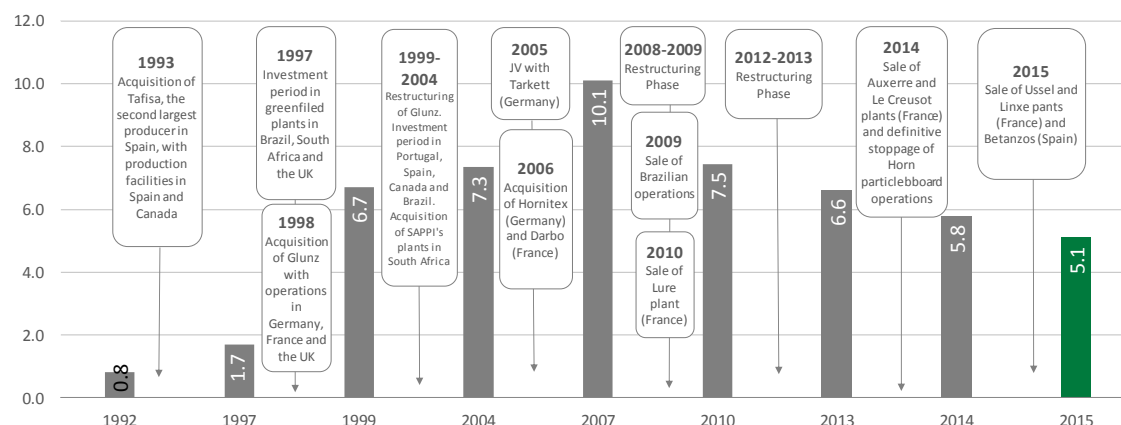
3. Restructuring phase

After 2007, now in the context of a global economic and financial crisis, Sonae Indústria was forced to take restructuring measures aimed at increasing its efficiency and flexibility, closing unsustainable industrial units and selling some assets:



Globally, the aforementioned restructuring processes and sale of assets led to a 5 million m³ reduction in installed production capacity when compared with the maximum level reached in 2007 of 10.1 million m³. At the end of 2015, Sonae Indústria's installed capacity was 5.1 million m³.

CAPACITY EVOLUTION, since 1992 (million m³)



Strategic Partnership with Arauco

At the end of November 2015, Sonae Indústria, SGPS, SA announced that entered into a strategic partnership agreement, with Inversiones Arauco Internacional, Limitada (Arauco), aiming to create a 50/50 joint-venture involving the existing European and South African wood based panels and related operations of Sonae Indústria, namely all its production facilities of wood based panels, chemicals and paper impregnation. This strategic partnership will be consummated by Arauco subscribing an amount of 137.5 million Euros to a capital increase of Sonae Indústria's subsidiary Tableros de Fibras, S.A., which will be renamed "Sonae Arauco, S.A.".

The completion of this deal is subject to certain conditions, which are expected to be fully complied during the first half of 2016, namely (i) obtain the clearance of the competent competition authorities in the EU and South Africa; (ii) execute certain internal transactions to achieve the required business perimeter; and (iii) agree certain amendments to the existing debt facilities of Sonae Indústria group and raise new debt at the future Sonae Arauco perimeter, taking advantage of the resulting much improved financial situation.

With this partnership, Sonae Indústria expects to build a stronger company in the European and South African markets and reinforce its long term growth commitment in the wood based panels industry.

AWARDS

RISK MANAGEMENT AWARD



Sonae Indústria has won the third edition of the Açoreana Risk Management Diário Económico Award (Portuguese annual award).

This award aims to value those who invest in competitiveness through security and its purpose is to recognize and reward companies and their respective managers, who stand out in the protection of their assets, namely for excellence in risk management.

At Sonae Indústria, Risk Management is fundamental and is part of the company culture and management processes, being a responsibility of all the managers and employees of the Group, at all levels of the organization.

Risk Management is developed with the aim to create value, through the management and control of the opportunities and threats that might affect the goals and the continuity of the business. Sonae Indústria seeks in all its areas of expertise to adopt the best practices which ensure the sustainability of its business.

CHAIRMAN'S AWARD

Every year, Sonae companies internally recognize its greatest innovations, rewarding the initiative, effort, and commitment of its employees.

The Chairman's Award is a charismatic and very special prize awarded by the Chairman of Sonae Companies.

After collecting applications from all Sonae companies, the winner is chosen for its level of innovation and for the positive impact it generates.

This year, the Chairman's Award was attributed to Sonae Indústria's project «Improving Board Density by Weighting Batches» which was developed by Ángel García, Luis Ferrari, Miguel García and Alberto Vicente, from the Valladolid plant, in Spain.

SUSTAINABILITY AWARD

Sonae Indústria also won the Sonae Companies Sustainability Award in 2015 with the «Rewood Project», which was developed by Tafisa Canada. This prize recognizes the implementation of measures that strengthen the sustainable development of all Sonae Companies and distinguishes the best projects that reconcile the economic, environmental and social aspects.

This project makes it possible to recycle 244,100 tons of wood fiber per year, the equivalent to more than two million trees. Furthermore, it helped preserve more than 100 indirect jobs and create 41 new recycling centers with 445 workers.

1.3. PRODUCTS

Sonae Indústria's base products, typically denominated as "raw products & technical" 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, due to its natural wooden appearance it is increasingly being used for decorative purposes as well, mostly in shop-fitting and public spaces;

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

A STRONGER RANGE OF DECORATIVE PRODUCTS: INNOVUS® update



INNOVUS®, the European brand for decorative products, is being reinforced with the development and launch of new products and a redesigned global range of décors and finishes, in line with the latest global trends in interior design and home furnishings. The latest INNOVUS® Global Collection, with over 250 decorative choices, offers unlimited solutions and inspiration for all creative and productive needs.

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

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

New additions to the range of Laminates & Compacts, such as Colour Boom or Labgrade, have also helped to strengthen the decorative products portfolio, hence positioning Sonae Indústria as a comprehensive partner for furniture production and interior design projects, for both residential and commercial applications (hotels, shops, hospitals and other public spaces).

More information at www.innovus.co.

1.4. STRATEGY

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

VISION:

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

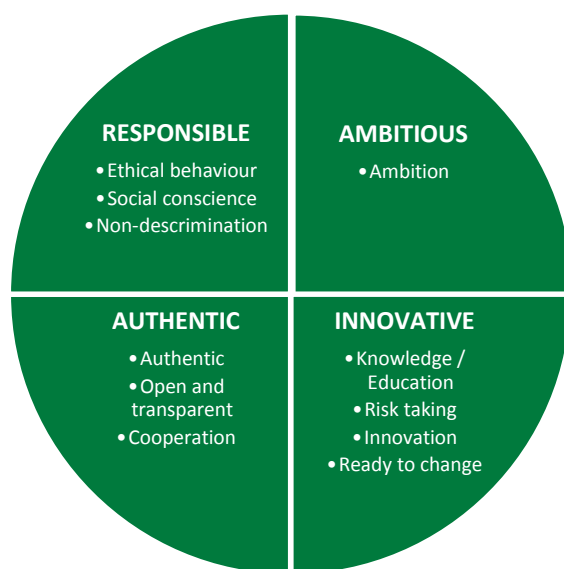
MISSION:

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

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

VALUES & PRINCIPLES

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



STRATEGIC DIRECTIONS:

During 2011 special attention was dedicated to define and align the four strategic directions to be pursued in the medium to long term, to significantly improve the company's performance. In 2015, the directions were reviewed and adapted to ensure their adequacy to the main objective of building a sustainable player, with a competitive position in all markets where it is present:

- 1) Become a **customer focused** company with a reliable integrated offer

- 2) Build a **high quality team** with talented, skilful and fully engaged people
- 3) Create a high performance culture fostering **operational excellence** and innovation
- 4) Develop **competitive** cash generating integrated **sites** with secure wood and chemicals supply
- 5) **Adequately finance the business**, with a sound balance sheet

Under the defined strategic path, Sonae Indústria keeps implementing the necessary initiatives towards the ambition to grow and run a profitable business with a commitment towards responsible business practices and sustainable value creation for the shareholders.

STRATEGIC PLAN

This Strategic Plan, defined and started in 2011, and that is being implemented, aims to improve the company's operation and economic performance in the medium and long term and comprises the following fundamental strategic directions:

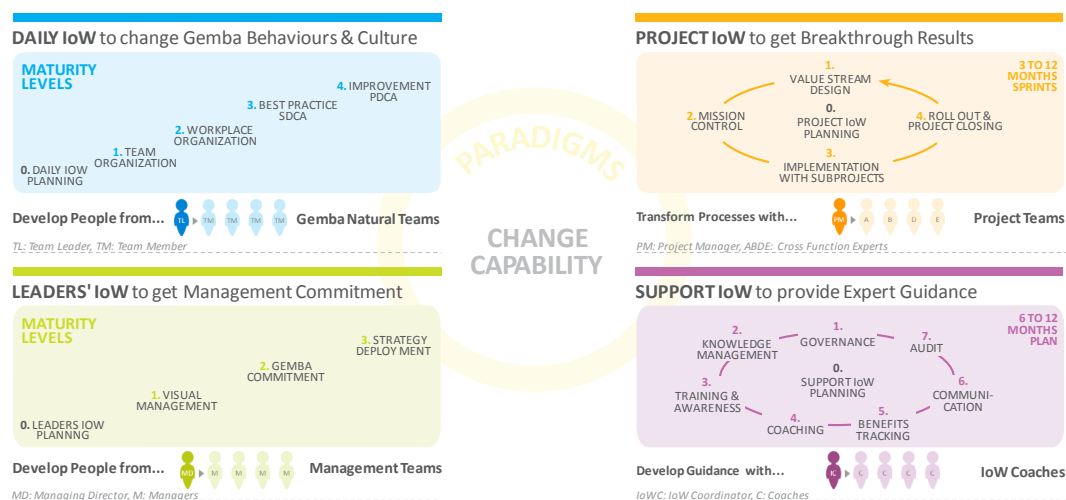
- Market and customer focus operation, with a reliable integrated offer, differentiating through a higher share of value added, supported by the development of global value added collections in Europe and North America (under the brands Innovus® in Europe and Tafilam® in North America) that replaced the several brands that existed previously in the several countries where Sonae Indústria has industrial presence;
- Reduction of installed capacity, through sale and/ or closure of less profitable plants while investing and developing our more efficient and profitable plants, with positive impact in the capacity utilization indexes of the several industrial units (between 2009 and 2015, Sonae Indústria increased the level of its capacity utilization index in circa 13 p.p.). Under this context, Sonae Indústria has concluded the closure processes of Knowsley (UK) and Solsona (Spain) plants in 2012 and of raw particleboard operations in Horn (Germany), together with the sale of the units, Auxerre, Le Creusot, Ussel and Linxe (France) in 2014 and 2015, and Betanzos (Spain), in 2015, also completing during 2014 the closure of Pontecaldelas plant (Spain);
- Optimization and cost reduction through a higher control on the input raw materials, ensuring a secure and competitive supply of wood and chemical products;
- Reduction of the fixed costs structure, adapting the support structures to the dynamic needs of the Group;
- Develop a high performance culture, fostering operational excellence and innovation as a way to improve competitiveness while leveraging on being a reference wood based panels player in the world. As such, the company developed industrial forums, where Sonae Indústria's several technical departments from several countries share best practices at industrial level. These activities aim to develop and implement a continuous improvement culture, supported by the "Improving our Work" initiative that seeks to standardize and optimize processes in order to increase efficiency and productivity levels in all areas of the group.

As part of the implementation of this Strategic Plan, Sonae Indústria has been focusing on its more profitable markets/ industrial plants, namely Canada, Germany and Iberian Peninsula, with the installation of a new cleaning line for recycled wood, and increased melamine facing capacity at the Nettgau plant (Germany) and replacement of an old melamine facing line at the Oliveira do Hospital unit (Portugal). During 2015, Sonae Indústria started to build a fifth melamine line in Lac-Mégantic, Canada, an investment of 11 million Euros, which is expected to be concluded until the end of the first half of 2016.

1.5. IMPROVING OUR WORK (IoW) INITIATIVE

The IoW initiative, Improving our Work, is a key pillar of Sonae's culture and way of working, as a powerful philosophy and methodology to seek productivity and quality, everyday, everywhere, by everyone, creating sustainable value for Sonae's stakeholders.

Based on the improvement cycle, the IoW Model has now a new approach, including a new pillar – Leaders IoW, with a specific goal – Get Management Commitment.



The IoW Model aims to develop Change Capability in an Organization, fostering behaviours changes and improvements in business processes, ensuring operational excellence, sustained by the four pillars below:

- **Daily IoW:** Improve the Natural Teams and promote a continuous improvement culture
- **Project IoW:** Processes improvements with multidisciplinary teams
- **Leaders IoW:** Deployment, follow up and support of Strategy implementation with Management teams
- **Support IoW:** Provide support to all IoW activities by IoW Team

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

Today, IoW is present in all teams, having more than 70% of the people being trained in IoW Foundations by internal trainers. Currently 30 trainers are certified by an external entity to teach and promote continuous improvement.

Almost all teams are living the experience of implementing Daily IoW, with detailed roadmaps for all the steps. This process includes an audit process in each step to ensure that all requirements are fulfilled. Those audits are made by an external entity or by internal auditors, which are also certified.

Additionally, several projects are considered under IoW umbrella, following Strategy deployment, in order to achieve higher levels of productivity, cost reduction, increase service level and add value for our customers. With a cross team approach, different team members are being exposed to continuous improvement tools and work together in IoW projects, always with the vision of having a significantly impact on the company growth.

1.6. 2015 KEY CORPORATE EVENTS

26 February 2015	FY14 consolidated results announced
10 March 2015	Announcement that Sonae Indústria has received a letter from Efanor Investimentos, SGPS, SA, according to which Mr. Belmiro de Azevedo has decided not to be candidate to the membership of Sonae Indústria's Board of Directors. The remaining points of the letter were related with the constitution of the Sonae Indústria's Board of Directors proposed by Efanor Investimentos, SGPS, S.A.
12 March 2015	Announcement that indirect affiliate, Isoroy SAS, has entered into an agreement for the sale of the business and assets relating to its Ussel plant, located in France
18 March 2015	Announcement that indirect affiliate, Tafiber, Tableros de Fibras Ibéricos, S.L., has entered into an agreement for the sale of the hardboard business operated at its plant located in Betanzos, Spain
31 March 2015	Announcement of resolutions taken by the Shareholders' Annual General Meeting and by the Board of Directors Announcement of the completion of the sale of Ussel plant
30 April 2015	Announcement of the completion of the sale of hardboard business operated at Betanzos plant
7 May 2015	1Q15 consolidated results announced
3 June 2015	Announcement that Sonae Indústria has entered into a new financing facility of up to sixty million Euros, that has a contractual maturity in June 2016
3 July 2015	Announcement that affiliates, Tafisa France SAS and Taiber, Tableros Aglomerados Ibéricos, SL, sold 100% of the Share Capital of Darbo SAS (owner of Linxe plant, located in France)
29 July 2015	1H15 consolidated results announced
11 November 2015	9M15 consolidated results announced
30 November 2015	Announcement of an agreement for a potential strategic partnership with Arauco for the European and South African markets. This agreement envisages the creation of a 50/50 joint-venture involving the existing European and South African wood based panels and related operations of Sonae Indústria, namely all its production facilities of wood based panels, chemicals and paper impregnation

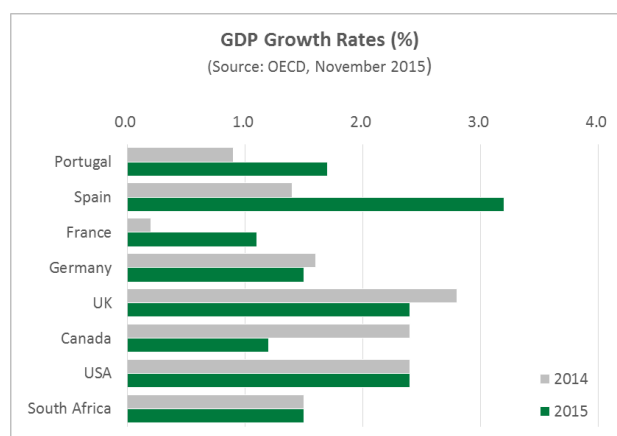
2. SECTOR REVIEW

Macroeconomic context

During 2015, signs of economic recovery from the debt sovereign crisis continued to be witnessed in Europe, mainly driven by the accommodative monetary policy and the euro depreciation, which smoothed the deterioration of the international trade markets. The reduction in the unemployment rate, the easier credit conditions (short-term interest rate for the Euro area has been negative since May 2015), the higher levels of investment and the growth of private consumptions (led by nominal income increases and low inflation), also contributed to the economic recovery. In relation to the United States economy, it is gradually moving to a more efficient and sustainable growth path led by the domestic demand, as monetary policies remained very accommodative.

Brief analysis by region:

- Southern Europe showed some improvements in certain macroeconomic indicators: GDP² growth rate increased y.o.y. (with the Spanish economy showing an important 3.2% growth rate) and the unemployment rate decreased in Portugal and Spain, remaining stable in France. Nevertheless, unemployment is still a social and economic issue in those countries, especially in Iberian Peninsula. All countries registered a surplus in the current account balance, which is an important indicator about the economy's health, namely the international competitiveness. The private consumption expenditures continued the positive trend, possibly correlated with the optimistic prospects of the business cycle as evidenced by the higher levels of consumer confidence experienced during 2015. Commodity markets and construction sectors benefited from these positive macroeconomic performances in Portugal and Spain, as indicated by the building permits y.o.y. increases in both countries (+15%³ in Portugal and an even more material growth in Spain, increasing by 29%⁴).



- Germany, presented a forecasted GDP growth rate of 1.5%, at the level of 2014 (down by only 0.1 p.p.), as unemployment rate keeps improving (Germany is the only country in the European Union achieving an unemployment rate lower than 5%). In line with the historical trend, Germany has a surplus in its current account balance due to the singular trade structure that drives the economy - exports mostly higher value added products benefiting from (almost) inelastic demand in the European markets. Private consumption continued to show an increasing trend, supporting the gradually recovery of the Northern European construction sector, as indicated by the slight y.o.y. increase in the number of building permits (up by circa 3%⁵).
- In North America, both Canada and United States are expected to present a positive GDP growth rate in 2015: the OECD estimates point to an increase of 2.4% for the U.S. economy (at the level of 2014)

² GDP: Gross Domestic Product.

³ Source: *Instituto Nacional de Estatística*, January 2016 ("Nova habitação residencial", cumulative 10 months evolution until October 2015).

⁴ Source: *Ministerio de Fomento*, January 2016 (Total "New Housing", cumulative 10 months evolution until October 2015).

⁵ Source: German Federal Statistics Office, January 2016 ("Permits for new construction, dwelling", cumulative 10 months evolution until October 2015).

and 1.2% for the Canadian economy (down by 1.2 p.p. vs. 2014), representing the lowest GDP growth rate of the last 5 years in Canada. It is also important to note that Canada's GDP decreased in the first half of the year, impacted by the slowdown of the private consumption, when compared with recent years. Unemployment decreased, and both countries continued to exhibit a recurrent deficit in the current account balance (since 2009). The North American construction market is in line with the macroeconomic prospects, witnessing a mixed performance. The weak GDP growth in Canada impacted the demand in the construction sector, as the level of housing starts was kept stable (+0.1%⁶ y.o.y.). In contrast, the better dynamic experienced by the U.S. economy, explains the improvement in the housing market, showed by significantly y.o.y. increases in the number of housing starts (up by 11%⁷).

- South Africa GDP growth rate in 2014 was weak (about 1.5%), when compared to historical performance, and the same growth rate is estimated for 2015. The unemployment is much higher, when compared with the other regions previously mentioned, and the current account balance has been negative, despite the natural richness of this territory. The South African economy, like in the past, is still facing a series of obstacles that prevent it from achieving a sustainable development coincident with its potential, namely: (i) labour disputes; (ii) electricity shortages due to the incapacity of the electricity supply in meeting the increasing demand, penalizing important sectors such as manufacturing industries; (iii) social inequalities. The unpredictable behaviour of the South African economy conditions the consumer decisions, with negative impacts in the construction sector, notwithstanding the 5%⁸ y.o.y. increase in the number of residential building permits.

Wood Based Panels

Supply information

In the last years, the investments in the wood based panel industry were mainly from strong players, which were able to expand globally through acquisitions and new investments, notwithstanding the crisis, leading to a more concentrated, but still quite disseminated, sector. The fact that, in 2015, the top 15 players represented approximately 40%, 22% and 76% of total world capacity of PB, MDF and OSB, respectively, is an important representation of the concentration levels witnessed in this industry.

In 2015, these were the major investments and operations publicly announced:

- Arauco will invest \$30 million in Bennettsville, South Carolina (USA), increasing its particleboard production in circa 100,000 m³/year. (January, 2015)
- Norbord and Ainsworth completed the merger project, which goal is to create a leading global company focused on OSB across North America, Europe and Asia. (April, 2015)
- Egger will install a MDF production facility at the Gagarin Site (Russia), which is expected to start operations in the second half of 2016. The MDF capacity during the first development stage will be circa 350,000 m³/year, and the overall planned investment is around 200 million Euros. (July, 2015)
- Homanit plans to expand its production in Krosno (Poland), with an increase in MDF production capacity of 250,000 m³/year. (August, 2015)
- Arauco announced an investment of \$325 million for a new particleboard mill located in Grayling, Michigan (USA), with an expected production capacity of 750,000 m³/year. (September, 2015)

⁶ Source: Canada Mortgage and Housing Corporation, January 2016 ("Building permits (units)", cumulative 11 months evolution until November 2015).

⁷ Source: United States Census Bureau, January 2016 ("New housing units", cumulative 11 months evolution until November 2015).

⁸ Source: Statistics South Africa, January 2016 ("Building plans for residential buildings (number)", cumulative 10 months evolution until October 2015).

- Sonae Indústria and Arauco announced an agreement for the establishment of a Joint-Venture involving the existing European and South African wood based panels and related operations of Sonae Indústria, namely all its production facilities of wood based panels, chemicals and paper impregnation. (November, 2015)

Demand by product

According to the estimates of the European Panel Federation (EPF), the demand faced by the European wood panels sector during 2015 is expected to maintain the positive signs of 2014, in line with the macroeconomic improvements described previously.

Analysing the performance by product, the European particleboard production in the EPF members increased 2.5% in 2014 y.o.y., representing a total output of 29 million m³, 1 p.p. above the projection made last year. For 2015, the projections point to a 0.5% growth when compared to 2014, which should translate into an overall production of circa 29.2 million m³. In the particleboard segment, 2014 can be seen as the turning point in terms of consumption, increasing 5.3% when compared to 2013. For 2015, is forecasted a 0.5% increase in the consumption level within the EPF members, aligned with the predicted production growth.

Regarding the MDF segment, the production in Europe increased more than 2% in 2014 vs. 2013 (not considering Turkey and Russia), reaching a total output of 11.5 million m³, still below the peak registered in 2007 with a production of 13.3 million m³. In turn, European MDF consumption increased 4.1% in 2014, strengthening the recovery trend started in 2013. For 2015 and considering the European market as a whole, MDF consumption is estimated to have increased by 0.8% when compared to 2014.

In terms of OSB production in Europe, is estimated to have increased by circa 3% in 2014, exceeding the 4.8 million m³ of total output. The European OSB consumption improved by 1.1% in 2014, 1.9 p.p. lower than the OSB production growth rate, which can be explained by the different building activity recovery throughout Europe, much more pronounced in some Eastern European countries than the Western region.

In North America, the behaviour of the housing markets between Canada and the United States was quite different in 2015, naturally correlated with the macroeconomic conditions in each country. In Canada, the lower GDP growth impacted the construction sector, as the level of housing starts remained flat, contrasting with a strong growth in the level of U.S. housing starts y.o.y. Notwithstanding these different demand patterns, estimates released by Forest Economic Advisors (FEA) forecasted that total North America particleboard demand will have increased by 6% in 2015 vs. 2014, 1 p.p. higher than the estimated growth for the MDF demand. FEA institute believes that North America particleboard and MDF markets will improve slowly in the next few years, following the overall economy and housing markets behaviour.

In South Africa, in line with 2014 performance, the particleboard segment continued to face difficult conditions, related with furniture retail trends, where demand remains severely depressed, as indicated by the decrease of durable goods consumption y.o.y. In turn, the MDF segment, significantly less developed than the particleboard, is estimated to have registered an improved performance during 2015 in terms of total sales and installed capacity.

Laminate Flooring

According to the estimates of the European Producers of Laminate Flooring (EPLF), the member companies of the EPLF sold circa 467 million m² of laminate flooring worldwide in 2014, the best performance since 2011, which represented an increase of 1%, when compared to 2013.

For 2015, total sales of laminate flooring experienced an average reduction of circa 1.5% per quarter vs. 2014, translating into a decrease of 4.3% in the first nine months of the year, when compared to same period of last year. If this negative trend was kept throughout 2015, it is expected a total sales volume of circa 450 million m², the lowest value since 2009.

Considering the evolution just in terms of the Western European countries, total sales are in line with the overall performance exhibiting a quarter on quarter reduction, when compared to 2014, and below by 9% in the first nine months of the year vs. same period of last year.

3. BUSINESS REVIEW

3.1. TURNOVER & RECURRENT EBITDA

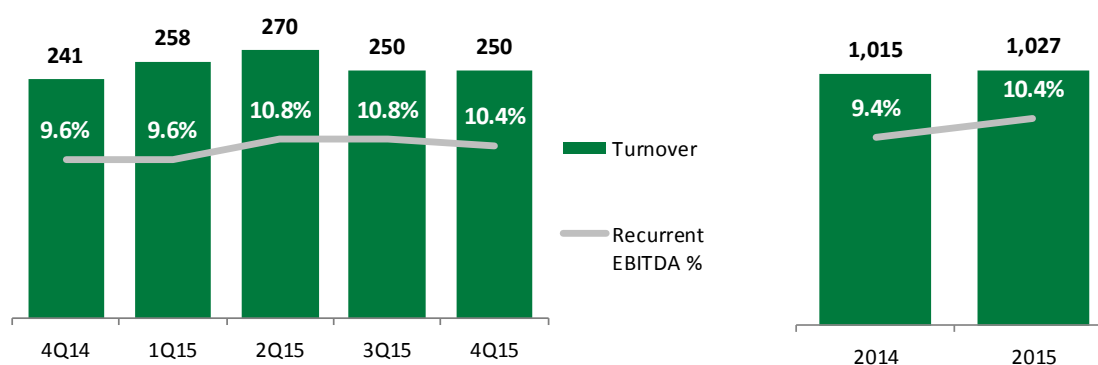
At the end of 2014, Sonae Indústria classified as “discontinued operations” the results of the French industrial units Auxerre and Le Creusot (which were sold in April of 2014), Ussel (sold in March of 2015) and Linxe (sold in July 2015), of Pontecaldelas plant, in Spain, (whose production activities were stopped during the 1st half of 2014), and of Betanzos, in Spain, (sold in April 2015). The analysis presented in this chapter excludes the contribution of these operations classified as “discontinued operations”.

3.1.1. Sonae Indústria Consolidated

Consolidated Sonae Indústria

Turnover & Recurrent EBITDA margin

Million euros



Consolidated **turnover** for Sonae Indústria’s continuing operations reached 1,027 million Euros in 2015, representing an increase of 1.3% y.o.y., on a comparable basis. This top line performance was driven by improvements in the **average selling prices** that increased by 1.5% when compared to 2014, as the **sales volumes** were kept flat y.o.y.. The main contribution to the positive performance of average selling prices came from the improvements witnessed in sales mix, with a growing share of value added products, with different contributions per geography, which more than compensated the decreases felt in OSB prices. As such, it is worth highlighting that the share of surfaced melamine products in total sales volumes increased by 1 p.p., when compared to 2014. On a quarterly basis, consolidated turnover at the 4Q15 increased by 4%, when compared to same period of last year.

Consolidated **average unitary variable costs per m³** evidenced a quarter on quarter reduction throughout 2015, translating into an overall improvement in the average unitary variable cost of the year of 0.7%, when compared to 2014. This reduction was achieved due to the positive contributions of chemicals (in this case mostly related with a decline in market prices, combined with efficiency improvements in some of the company’s operations) and thermal energy costs, which more than compensated the negative contributions of the remaining variable cost categories.

Regarding **fixed costs**, and considering exclusively the contribution of the continuing operations, total fixed costs were reduced by circa 4.4 million Euros during 2015, when compared to the previous year. This improvement is also a reflection of the on-going streamlining of the support areas, adapting them to a reduced industrial footprint. At the end of 2015, Sonae Indústria’s recurrent fixed costs represented circa 19% of the company’s consolidated turnover (approximately the same level of 2014).

Total **headcount** (considering the contribution of all operations, including discontinued) was of 3,245 FTEs at the end of December 2015, a reduction of 351 FTEs when compared to the end of 2014. This reduction is mainly explained by the impact of: (i) reductions at the head office of the French operations and (ii) sale of plants, namely Ussel and Linxe⁹, in France and Betanzos in Spain.

⁹ Linxe is the manufacturing plant of the sold subsidiary Darbo.

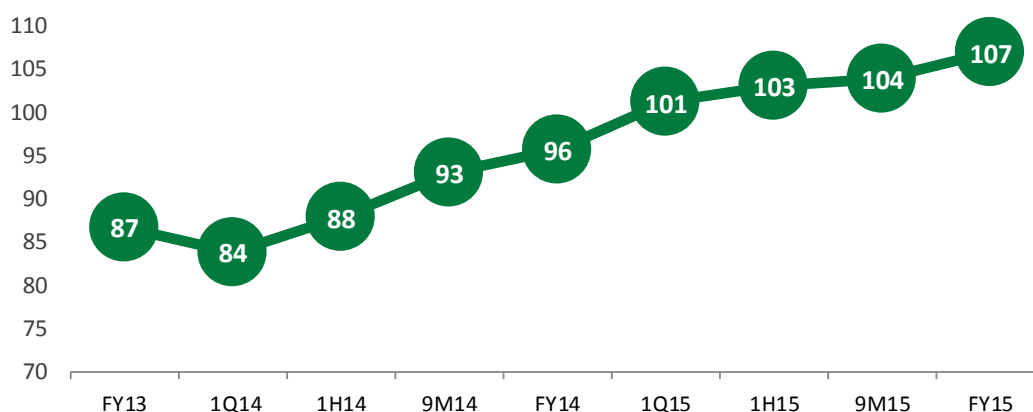
The **average capacity utilization index** of Sonae Indústria's continuing operations for 2015 improved by 0.6 p.p. to 78.5%, when compared to 2014, mainly due to higher utilization levels of the MDF plants in all of Europe and of the particleboard lines in the Iberian Peninsula. It is also important to highlight that performance of this index in the 4Q15 increased by 1.9 p.p., when compared to the 4Q14, notwithstanding the seasonal maintenance shutdown occurred in line 2 of our North American plant (stopped in 4Q in 2015, instead of 3Q).

Sonae Indústria's **Recurrent EBITDA** for full year 2015 reached 107 million Euros, representing an increase of 11 million Euros when compared to 2014, with an implicit **recurrent EBITDA margin** of 10.4% (1 p.p. above the value registered in 2014). Recurrent EBITDA margin in the fourth quarter of 2015 was 10.4%, up by 0.87 p.p. when compared to same period of last year. **Non-recurrent EBITDA** items were approximately 14.5 million Euros in the year, and were mainly related with redundancy costs (3.4 million Euros) and on-going costs associated with inactive sites and restructuring measures (10 million Euros). Total **EBITDA** reached 92 million Euros, up by 2.5 million Euros, when compared to 2014. Nevertheless, it must be noted that the 2014 result was positively impacted by a one-off event related with an insurance settlement in the UK, in the amount of 13.2 million Euros. Excluding the contribution of this item, the EBITDA would have presented a significant improvement, increasing by 21% or 16 million Euros, on a comparable basis.

Consolidated Sonae Indústria

LTM Recurrent EBITDA (continuing operations)

Million Euros



LTM: Last twelve months

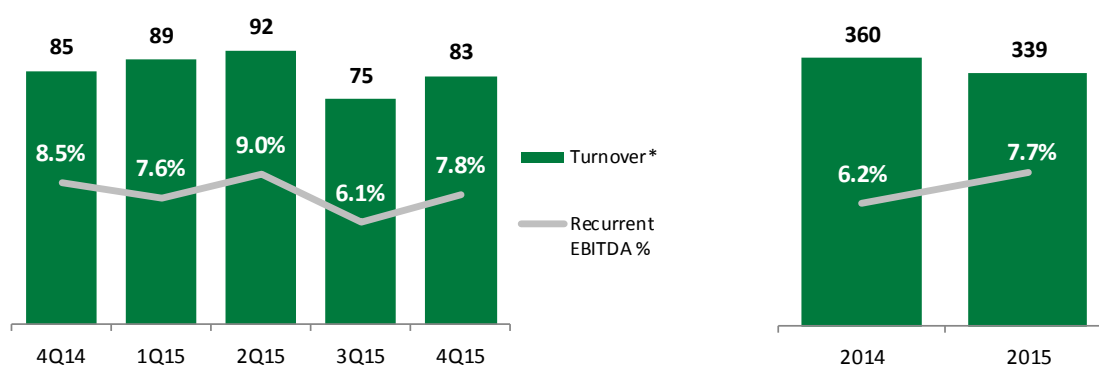
3.1.2. Southern Europe

Southern Europe performance analysis reflects the performance of the operations considered as “continued” in the Iberian Peninsula, together with the Western Europe and overseas export activities, thus excluding the former French operations and the Betanzos and Pontecaldelas plants.

Southern Europe

Turnover & Recurrent EBITDA margin

Million euros



*Turnover per region includes intercompany group sales (between regions)

In Southern Europe, the macroeconomic environment showed signs of improvement during 2015, namely in terms of economic growth, private consumption expenditure and easier access to credit, which has some positive influences over consumer decisions and the investment in durable goods, which translated into an increased demand in the Southern European construction sector. In Portugal, the new housing indicator experienced an increase of 15%¹⁰ y.o.y., being the increase more material in Spain (+29%¹¹ vs. 2014).

Comparing the performance of 2015 with 2014, the following results should be highlighted for this region:

- **Turnover** decreased 5.6% and reached 339 million Euros in 2015, explained by the reduction in **sales volumes** generated in Iberian Peninsula. However, it should be noted that sales volumes increased in 4Q15, when compared to same quarter of the previous year, mostly driven by improved sales of MDF products and higher export volumes;
- **Average selling prices** improved slightly, when compared to last year performance, mostly driven by the particleboards category. Overall, average selling prices registered an increase of 1.7%, on average, during 2015;
- **Average unitary variable costs (per m³)** were up by 0.7%, negatively impacted by the negative contributions of wood and maintenance costs, notwithstanding the decreases registered in the average variable costs of chemicals, thermal energy and electricity.

The combination of the above factors led to a **Recurrent EBITDA margin** of 7.7% in the Southern European region during 2015, up by 1.5. p.p. when compared to 2014. On a quarterly basis, it should be noted the increase of 1.7 p.p. in the Recurrent EBITDA margin of 4Q15 vs. the previous quarter.

¹⁰ Source: Instituto Nacional de Estatística, January 2016 (“Nova habitação residencial”, cumulative 10 months evolution until October 2015).

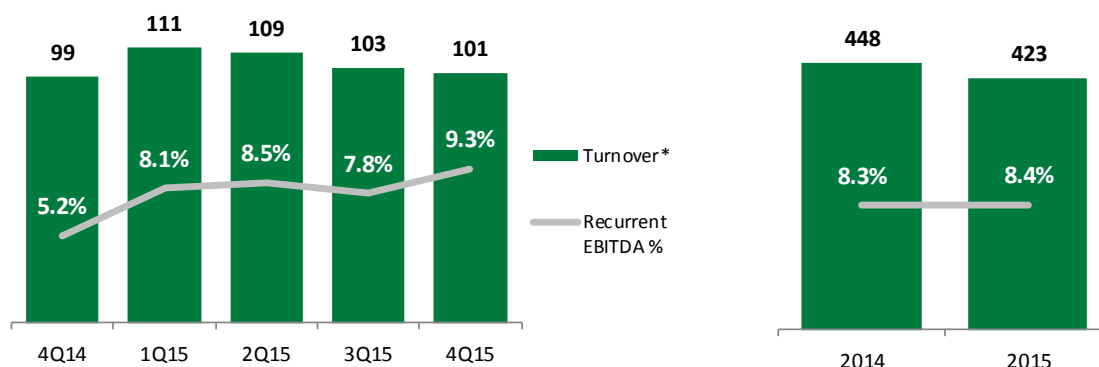
¹¹ Source: Ministério de Fomento, January 2016 (Total “New Housing”, cumulative 10 months evolution until October 2015).

3.1.3. Northern Europe

Northern Europe

Turnover & Recurrent EBITDA margin

Million euros



*Turnover per region includes intercompany group sales (between regions)

During 2015, the Northern European construction sector showed an overall improved performance, when compared to 2014, as indicated by the evolution of the new house construction permits in Germany, which have increased by 3%¹² y.o.y. It also should be noted that this positive outcome was achieved through the improved performance witnessed since June 2015, which has more than reversed the negative trends experienced in the first months of the year.

In terms of the financial performance in the year, and when compared to 2014, the following key items are worth highlighting for this region:

- **Turnover** decreased by 5.6%, driven by the combination of reduced **sales volumes** (-2.8%) and lower **average selling prices** (down by 3.7% y.o.y.), in this latter case, driven mostly by the performance of OSB products, impacted by new capacity and geo-political problems in Eastern Europe. The lower volumes sold in this region are explained by the decrease witnessed in raw particleboard products, as the remaining product categories either remained table, for example, in the case of OSB, or improved, in the case of MDF, when compared to 2014;
- **Average unitary variable costs (per m³)** benefited from reductions in average wood costs, partly determined by the higher consumption of recycled wood (made possible by the strategic investment in additional recycling equipment carried out in the Nettgau plant). This effect, together with the reduction of average chemicals and thermal energy costs, has more than offset the negative contributions of electricity and maintenance costs.

The combination of the above factors led to a **Recurrent EBITDA margin** of 8.4% in the Northern European region during 2015, up by 0.1. p.p., when compared to 2014. On a quarterly basis, the Recurrent EBITDA margin of 9.3% in 4Q15 was the best of the year, increasing by 1.5 p.p. and 4.1. p.p., when compared to previous quarter and same quarter last year, respectively.

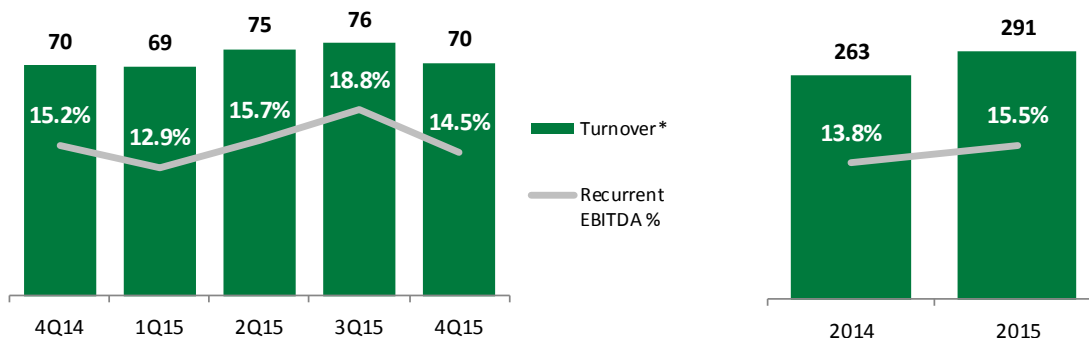
¹² Source: German Federal Statistics Office, January 2016 ("Permits for new construction, dwelling", cumulative 10 months evolution until October 2015).

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

Rest of the World

Turnover & Recurrent EBITDA margin

Million euros



*Turnover per region includes intercompany group sales (between regions)

The North American construction markets' behaviour was aligned with the macroeconomic cycles in the United States and in Canada, witnessing a mixed performance throughout 2015. The Canadian economy, experienced a material slowdown in terms of economic growth, when compared to recent years, which negatively impacted demand in the construction sector, leading to a lacklustre level of housing starts (+0.1%¹³ vs. 2014). On the other hand, the United States economy had an overall positive performance during 2015, with additional levels of private investment stimulating the demand in the construction sector, as evidenced by the increase of 11%¹⁴ in the level of housing starts, when compared to 2014. In South Africa and despite all the social and economic issues that affected consumer's decisions, the local construction sector evidenced a positive trend, with the level of residential buildings increasing by 5%¹⁵ y.o.y.

Financial performance during 2015, and when compared to 2014, showed the following evolution in these regions:

- The overall consolidated **turnover** for the region as a whole increased by 10.6% in Euro terms, driven, once again, by the Canadian operations, which partially offset the negative impacts of the continuous quarter on quarter devaluation of both Canadian dollar and South Africa rand during 2015 (of circa 8.5 million euros). In terms of **sales volumes**, the operations presented different performances, with Canada delivering a slight increase, with improvements in all products, while South Africa was marginally down, due to lower raw board sales. However, the improved product mix achieved in South Africa during 2015, when compared to previous year, as evidenced by a higher mix of melamine surfaced products, should be noted;
- **Average selling prices** evolution were in line with sales volumes trends, increasing in Canada, despite the slight slowdown in the last quarter of the year, and registering a slight decrease in South Africa (-0.8% y.o.y.), impacted by the different product mix;
- The **average unitary variable costs (per m³)**, were reduced by 2% in South Africa, with positive contributions from chemicals, thermal energy and maintenance costs, which have more than offset the higher wood and electricity costs. The Canadian operations experienced an increase in the unitary variable costs mostly explained by significant increases in wood, thermal energy and maintenance costs.

The combination of the above factors led to a **Recurrent EBITDA margin** of 15.5% for the entire region during 2015, up by 1.7. p.p., when compared to 2014. On a quarterly basis, the Recurrent EBITDA margin decreased 0.7 p.p., when compared to the same quarter last year, impacted by the maintenance stoppage of Lac Mégantic line 2 during 4Q15.

¹³ Source: Canada Mortgage and Housing Corporation, January 2016 ("Building permits (units)", cumulative 11 months evolution until November 2015).

¹⁴ Source: United States Census Bureau, January 2016 ("New housing units", cumulative 11 months evolution until November 2015).

¹⁵ Source: Statistics South Africa, January 2016 ("Building plans for residential buildings (number)", cumulative 10 months evolution until October 2015).

3.2. CONSOLIDATED FINANCIAL PERFORMANCE

3.2.1. Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT								
Million euros	2014	2015	2015 / 2014	4Q14	3Q15	4Q15	4Q15 / 4Q14	4Q15 / 3Q15
Consolidated turnover	1,015	1,027	1.3%	241	250	250	4%	(0%)
Southern Europe*	360	339	(6%)	85	75	83	(2%)	10%
Northern Europe*	448	423	(6%)	99	103	101	2%	(2%)
Rest of the World*	263	291	11%	70	76	70	1%	(8%)
Other operational income	40	25	(38%)	6	6	6	7%	12%
EBITDA	90	92	3%	15	25	19	26%	(22%)
Recurrent EBITDA	96	107	12%	23	27	26	13%	(3%)
Southern Europe	22	26	18%	7	5	7	(10%)	41%
Northern Europe	37	36	(5%)	5	8	9	80%	17%
Rest of the World	36	45	25%	11	14	10	(3%)	(29%)
Recurrent EBITDA Margin %	9.4%	10.4%	1.0 pp	9.6%	10.8%	10.4%	0.9 pp	-0.4 pp
Depreciation and amortisation	(64)	(63)	1%	(16)	(16)	(15)	4%	2%
Provisions and impairment Losses	(10)	(0)	96%	0	(2)	(1)	-	20%
Operational profit	18	29	64%	0	8	3	575%	(64%)
Net financial charges	(50)	(41)	18%	(11)	(12)	(11)	(1%)	1%
o.w. Net interest charges	(31)	(24)	20%	(6)	(6)	(7)	(25%)	(13%)
o.w. Net exchange differences	1	2	(73%)	(0)	(1)	1	-	-
o.w. Net financial discounts	(13)	(13)	3%	(4)	(3)	(4)	(4%)	(19%)
Share in results of Joint Ventures	(3)	(2)	50%	(1)	(1)	(0)	(68%)	(28%)
Profit before taxes continuing operat. (EBT)	(35)	(13)	63%	(12)	(5)	(9)	26%	101%
Taxes	(7)	(4)	47%	(5)	(2)	2	136%	183%
o.w. Current tax	(6)	(9)	(49%)	(2)	(3)	(2)	(9%)	44%
o.w. Deferred tax	(1)	5	-	(3)	1	4	-	-
Profit / (loss) from continuing operations	(42)	(17)	61%	(17)	(7)	(7)	57%	12%
Profit / (loss) from discontinued operations	(74)	(19)	74%	(51)	(2)	(0)	(99%)	79%
Consolidated net profit / (loss) for the period	(116)	(36)	69%	(68)	(8)	(8)	89%	8%
Losses (income) attrib. to non-controlling interests	(0)	(0)	100%	(0)	(0)	0	(137%)	-
Net profit/(loss) attributable to Equity Holders	(116)	(36)	69%	(68)	(8)	(8)	89%	8%

*Turnover per region includes intercompany group sales (between regions).

Consolidated **EBITDA** for 2015 was 92 million Euros, above the 2014 value by 3% (+2.5 million Euros). It should be highlighted that 2014 value was positively impacted by the receipt of an insurance settlement in the UK in the amount of 13.2 million Euros. If this one-off effect is excluded, Sonae Indústria's total EBITDA would have improved by 16 million Euros, year on year, on a comparable basis. 2015 **Recurrent EBITDA** was 107 million Euros, 11 million Euros (+12%) above the value registered in 2014, mainly due to the continued improved performance of the Southern Europe and Rest of the World operations. The group's consolidated performance was still negatively impacted by **non-recurrent costs**, totalling 15 million Euros in 2015, of which 10 million Euros associated with on-going cost with inactive sites and restructuring measures and 3.4 million Euros related with redundancy payments and circa 1 million Euros with a capital loss in the sale of a real estate asset in Portugal (vacant land).

The combination of the above factors led to a **Recurrent EBITDA margin** for 2015 of 10.4% (1 p.p. above the value registered in 2014). Total Recurrent EBITDA in the fourth quarter was of 26 million Euros (3 million Euros above the 4Q14) with a Recurrent EBITDA margin of 10.4%.

Depreciation and amortization charges for 2015, for continuing operations, were circa 63 million Euros, registering a slight reduction of 1% when compared to 2014. For the quarter, this item totalled 15 million Euros, also marginally down when compared to values booked in both 4Q14 and 3Q15, on a comparable basis.

Provisions and impairments losses booked in 2015, for continuing operations, totalled a net amount of 0.5 million Euros, mainly related with reversal of provisions for the Horn restructuring process (following the dismissal costs incurred during the year), which almost fully compensated the additional impairment losses and provisions booked in the period, mostly associated with costs of the restructuring measures in Germany.

The value of **net financial charges** for the year was 41 million Euros, improving by 18% when compared with 2014. The main contribution to this reduction was the improvement in the group net interest charges, associated with reduction in the average cost of debt, to 5.3% (reduction of 0.8 p.p. when compared to the average cost of 2014). Net financial charges for 4Q15 were 11.5 million Euros, in line with values booked in both 3Q15 and in the same period of 2014.

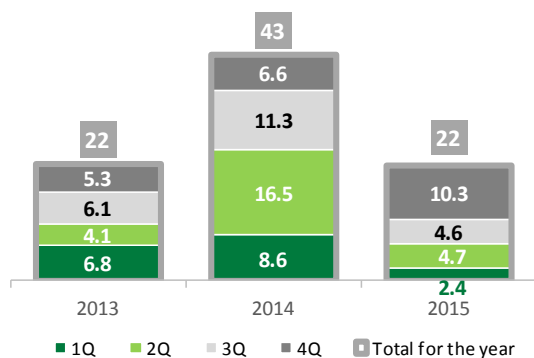
Current tax charges booked during 2015 were of 9 million Euros, 3 million Euros above 2014 mostly due to higher tax charges in Canada and South Africa. The current tax charges booked in Canada and South Africa were offset by corresponding reversal of previous recognized **deferred tax liabilities**. Additionally, during 2015 additional **deferred tax assets** were booked, in the total amount of 4.3 million Euros for German operations. The corresponding net impact of the deferred tax movements was a positive impact of circa 5 million Euros in 2015 in the consolidated results.

The consolidated **Net loss** of the group for 2015 was of 36 million Euros, driven in large part by the impact of discontinued operations, with a loss of 19 million Euros. Nevertheless, due to the improved operational performance of the continuing operations and the significant reduction of the negative contribution from the discontinued operations, the consolidated net losses of the group were reduced by circa 69% (-80 million Euros), when compared to 2014. In the last quarter of 2015, the group booked a consolidated Net loss of 8 million Euros, in line with the previous quarter.

3.2.2. CAPEX

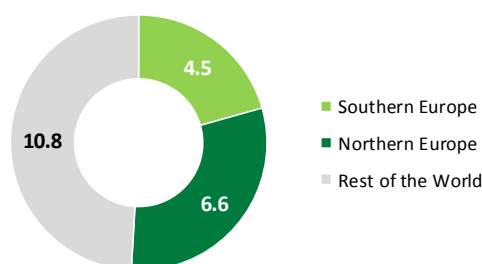
Additional Gross Tangible Fixed Assets

Million euros



2015 | Additional Gross Tangible Fixed Assets

Million euros



Additions to Gross Tangible Fixed Assets reached 22 million Euros in 2015, which compares with 43 million Euros during 2014 and 22 million Euros in 2013. It should be noted that the 2014 capex included almost 23 million Euros related with the strategic investments completed during that year, in additional surfacing and recycling capacities.

The majority of 2015 investments were related with maintenance and health & safety improvements, being circa 7.7 million Euros related with the strategic investment implemented in Lac Megantic plant (in Canada) in the increase of capacity of melamine production.

3.2.3. Consolidated Statement of Financial Position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Million euros	2014	9M15	2015
Non current assets	830	770	758
Tangible assets	700	641	629
Goodwill	82	81	81
Deferred tax asset	28	27	28
Other non current assets	20	21	20
Current assets	244	269	243
Inventories	99	100	98
Trade debtors	99	117	85
Cash and cash equivalents	12	19	29
Other current assets	35	32	31
Non-current assets classified as available for sale	12	0	2
Total assets	1,086	1,039	1,003
Shareholders' Funds	111	71	58
Equity Holders	111	71	58
Non-controlling interests	(0)	(0)	(0)
Liabilities	965	968	945
Interest bearing debt	576	602	599
Non current	457	392	71
Current	119	210	528
Trade creditors	156	141	139
Other liabilities	233	225	207
Liabilities directly associated with non-current assets classified as available for sale	10	0	0
Total Shareholders' Funds and liabilities	1,086	1,039	1,003
Net debt	564	583	570
Net debt to LTM recurrent EBITDA	5.9 x	5.6 x	5.3 x
Working Capital	41	76	44

LTM: last twelve months

At the end of December 2015, the assets (equipment) of Souselas industrial plant, in Portugal, which is inactive, were classified as Non-current assets held for sale as they were available for immediate sale and it was estimated that a sale transaction would be completed in a twelvemonth period.

Sonae Indústria consolidated **working capital** was, at the end of 2015, 44 million Euros, slightly above the value at December 2014 (+ 3 million Euros), but presenting a significant reduction of 32 million Euros, when compared to September 2015. This decrease was a direct consequence of positive impact of improvements in the average collection period.

Net debt decreased by 13 million Euros, to 570 million Euros, when compared to September 2015, but was slightly above the value registered at the end of December 2014 (+6 million Euros). It should be noted that, according to IFRS rules, given the non-fulfilment of a financial covenant at end of 2015, long-term debt facilities amounting to 314 million Euros were reclassified to current debt. Nevertheless, all the financing institutions involved have formally waived this non fulfilment of financial covenant, and as such, the repayment of such debt continues to be subject to the contractually defined maturity dates.

The combination of the improved level of LTM Recurrent EBITDA with the reduced level of Net Debt led to a reduction of the **Net Debt to Recurrent EBITDA ratio** to 5.3x, improving by 0.6x when compared to December 2014 and by 0.3x vs. September 2015. This is the lowest value since September 2008, clearly evidencing the deleveraging path that has been pursued in the last years.

Total **Shareholder's Funds** at the end of December 2015 were negatively impacted by the net losses registered during the year (-36 million Euros) and by the accounting impact associated with the consolidation of the Canadian and South African operations using lower exchange rates, resulting in a negative change of the revaluation reserve in the amount of 14.6 million Euros. It is also worth noting that the 13 million Euro reduction in Shareholder's Funds registered during the 4Q15 was also determined by the devaluations of the CAD and ZAR.

3.3. 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.

3.4. 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 232,814,928.99 Euros for 2015.

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

3.5. OUTLOOK FOR 2016

For 2016, and foreseen in the strategic partnership agreement signed with the Arauco group, we expect to successfully complete the tasks necessary to execute this transaction, namely (i) obtain the clearance of the competent competition authorities in the EU and South Africa; (ii) execute certain internal transactions to achieve the required business perimeter agreed with Arauco; and (iii) agree certain amendments to the existing debt facilities of Sonae Indústria group and raise new debt at the future Sonae Arauco perimeter, taking advantage of the resulting much improved financial situation.

In 2016, we will continue to implement our strategic plan, and to successfully implement initiatives to improve our industrial efficiency, our market positioning and internal processes, while investing in training and improvement of our people's capabilities.

We also expect to complete the investment in the new melamine surfacing line in our North American plant during the first half of the year, so our new products are available in the market during the second half of the year.

With the continuous support from our key stakeholders, we expect to be able to successfully complete the execution of the defined strategy and complete the aforementioned strategic partnership, reinforcing the company's long term growth commitment and its competitive position in the wood based panels industry.

3.6. 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 68.6% 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 its people, Sonae Indústria's aim is to be recognized as a sustainable world leader in the wood-based panels industry.

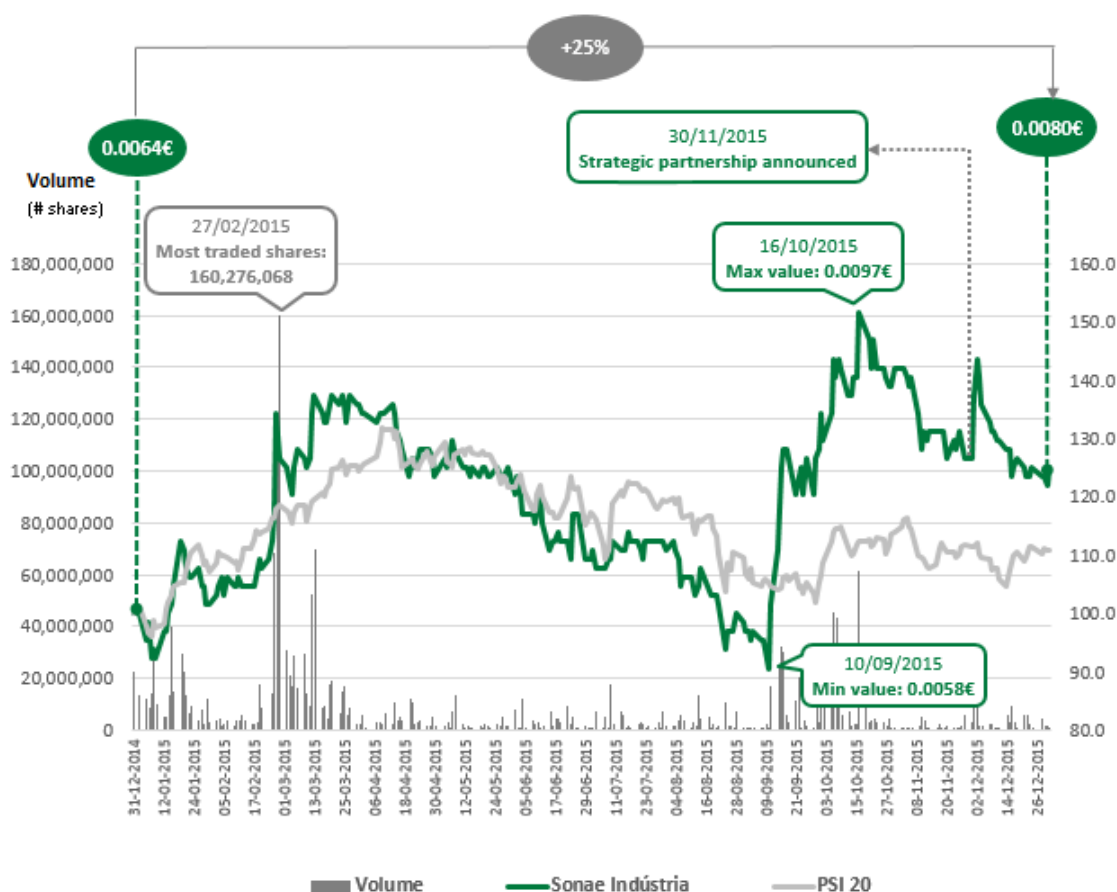
2015 | SONAE INDÚSTRIA MANAGEMENT REPORT

Share performance

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

	2012	2013	2014	2015
Share Capital	700,000,000.00	700,000,000.00	812,107,574.17	812,107,574.17
Total number of shares	140,000,000	140,000,000	11,350,757,417	11,350,757,417
Net Results	-98,876,879	-78,045,917	-115,720,185	-36,004,592
Net Results per share	-0.706	-0.557	-0.010	-0.003
Dividends per share*	0.000	0.000	0.000	0.000
Prices				
Year High	0.7100	0.6630	0.8660	0.0097
Year Low	0.3900	0.4500	0.0059	0.0058
Year Average	0.5600	0.5559	0.4552	0.0077
Share price as at 31-Dec	0.4890	0.5630	0.0064	0.0080
Market Capitalization as at 31-Dec	68,460,000	78,820,000	72,644,847	90,806,059
Average trading volumes per day (shares)	150,479	413,413	4,390,031	8,037,786

* distributed in the following year



Sonae Indústria's performance is quite dependent on the business cycles prospects given the correlation with the construction and furniture industries. As such, the share price evolution of Sonae Indústria is impacted by the macroeconomic cycles.

Sonae Indústria's share price evolution during 2015 exhibited a stochastic behaviour, following the PSI 20 trend until the beginning of September and then experienced an important appreciation until the end of the year, contrasting with the PSI 20 evolution that was kept relatively flat during that period. The end of the restructuring

phase combined with the improved financial results and the announcement of the strategic partnership with Arauco, could have contributed to the overall positive market reaction. This has resulted in a better performance of Sonae Indústria's share price vs PSI 20, increasing by 25% during 2015.

The highest daily turnover in Sonae Indústria shares was registered on 27 February (160,276,068 shares), the day after the announcement of the 2014 consolidated results.

In terms of share price, during 2015, the minimum was registered on 10 September (0.0058€) and the maximum on 16 October (0.0097€).

Regarding the liquidity, Sonae Indústria's share had, during 2015, an average turnover of 8,037,786 shares per day.

3.7. TRANSACTIONS WITH OWN SHARES

Sonae Indústria, SGPS, S.A. did not acquire or sell any own shares during the year and as at 31 December 2015, the company did not hold any own shares.

3.8. 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.

4. RISK MANAGEMENT

4.1. CREDIT RISK MANAGEMENT POLICY

a) Receivables (Customers)

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

The main objective of Sonae Indústria Credit Risk Management 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.

4.2. 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 only to the extent that the risks and valuation of such derivatives can be accurately assessed by the company. Sonae Indústria subsidiaries do not engage in interest rate derivatives for trading, speculative or profit making purposes.

b) Foreign Exchange Risk

As a geographically diversified Group 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 Assets and Liabilities of foreign non-Euro subsidiaries are accounted as Equity under the "Other Accumulated Comprehensive Income".

c) Liquidity Risk

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

For this purpose, Liquidity Management at the Group comprises:

- consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);
- diversification of financing sources;
- diversification of debt maturities issued in order to avoid excessive concentration of debt repayments in short periods of time;
- negotiation of (committed and uncommitted) credit facilities, commercial paper programmes and other facilities (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.

4.3. 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 and a more rigorous respect for their legal obligations.

4.4. OPERATIONAL RISKS

The production of wood-based panels is an industrial activity with a significant operational risk, which arises 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.

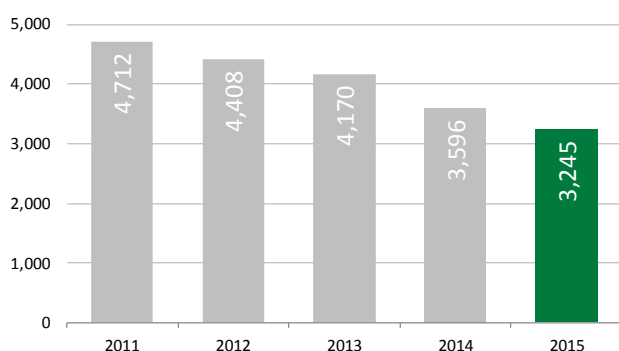
5. CORPORATE RESPONSIBILITY

5.1. SOCIAL REPORT

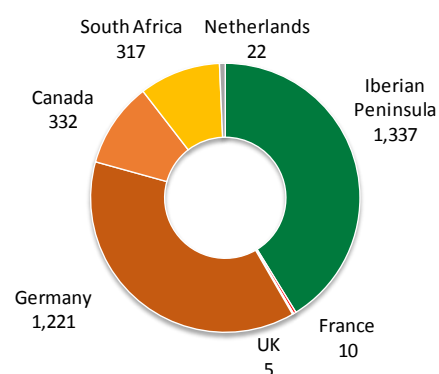
PEOPLE

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)

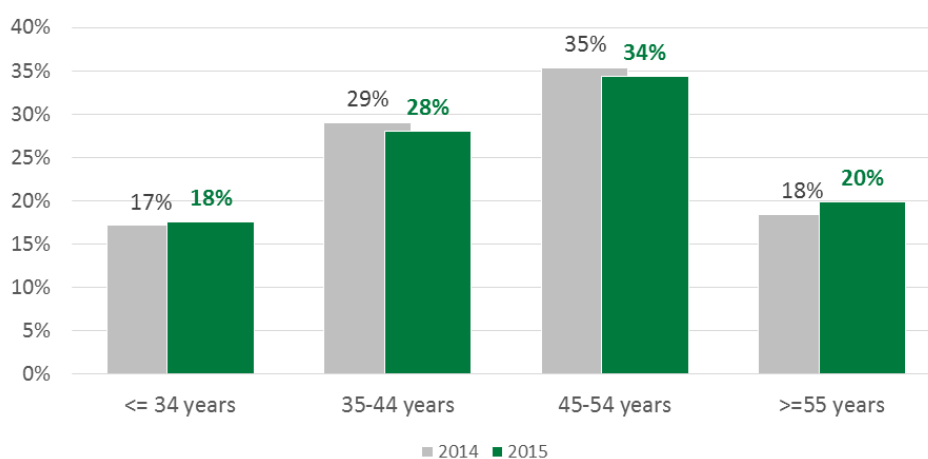


Employees per country (excluding Trainees)



At the end of 2015, Sonae Indústria employed, in total, 3,245 people in 8 different countries. The reduction when compared to the end of 2014 is mostly explained by the sale of three plants, Ussel and Linxe, in France, and Betanzos, in Spain, and by the streamlining of the group support structures.

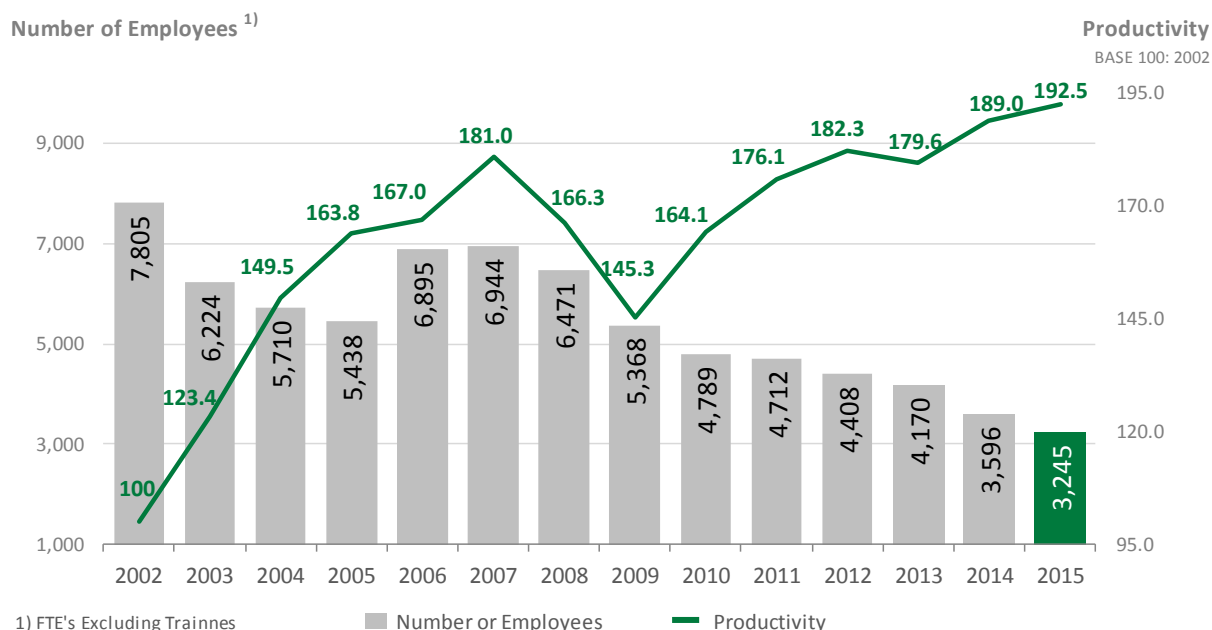
Workforce by age group



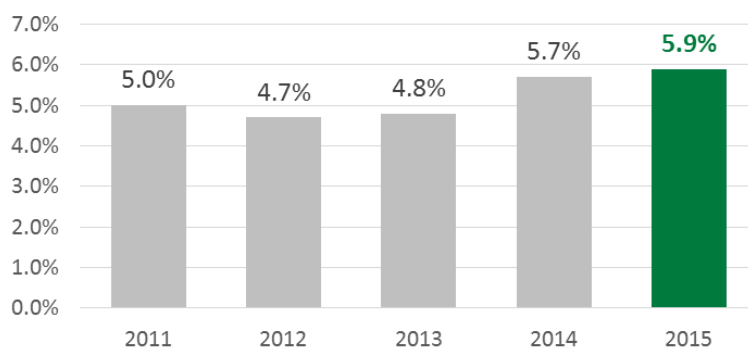
The most representative age group at Sonae Indústria corresponds to ages between 45 and 54 years (corresponding to 34% of the total employees). It should also be noted that women represent circa 17% of the total workforce of the company, exactly the same value registered for 2014.

Productivity

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

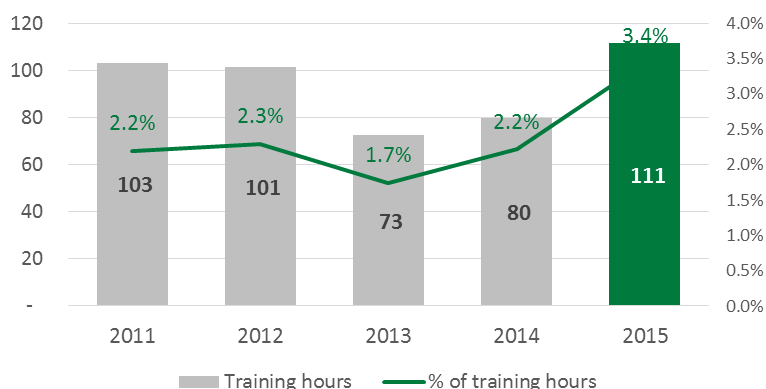


Absenteeism rate (%)



Absenteeism had been consistently decreasing over the last years, but experienced an increase in the last two years, due to long term leaves. In face of these results, Sonae Indústria took the decision in 2014 to set up a working group to address this area in order to reduce the absenteeism levels in a responsible way. The group has already identified some corrective measures to address this topic, which are expected to be implemented during 2016.

Training hours and % by employee



In 2015 the number of training hours per employee increased significantly, representing the highest value of the last five years. This is mainly the result of the IoW (Improving our Work) implementation and the associated training initiatives, which involves a significant number of participants and training hours. These continuous improvement programmes that were supported by external entities, have since 2014 been replaced with 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 four Portuguese universities; *Faculdade de Engenharia da Universidade do Porto (FEUP)*, *Escola Superior Tecnológica de Viseu (ESTV)*, *Universidade de Aveiro (UA)* and *Universidade Nova de Lisboa (UNL)*, as well as with three research Institutes, *Associação Rede de Competência em Polímeros (ARCP)*, *Pólo de Inovação em Engenharia de Polímeros (PIEP)* and *Centro de Nanotecnologia e Materiais Técnicos, Funcionais e Inteligentes (CENTI)*. 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, and performance evaluation of gluing systems;
- G3 – Impregnated papers and laminates – impregnation, performance characterization, development of new products / processes;
- G4 – Emissions – analysis of VOC¹⁶ emissions, in particular the formaldehyde ones.

With the above objectives in mind, Sonae Indústria, has through one of its subsidiaries, a series of facilities and equipment in the university's campus.

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

¹⁶ Volatile organic compound emissions.

INVOLVEMENT IN LOCAL COMMUNITY

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

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

Sonae Indústria also takes education seriously and every year awards bursaries to the most promising employee's children.

The company also opens the doors of both its head office and manufacturing plants to high school and university students. In 2015, Sonae Indústria had a visit from Swiss students to the Portuguese factories, allowing the students to have a brief insight of the daily tasks performed at these locations, and to have a better understanding of Sonae Indústria's business.

Open Day, Maia, Portugal

In 2015, Sonae Indústria has introduced a new activity in this area, holding an Open Day, in July, where the company invited the employee's children to join them at work for a day.

With this initiative Sonae Indústria tried to bring the children closer to the parent's working environment, allowing the children to see their parent's work place and make them understand the importance of having a job in a playful and fun way. With this initiative, the company hopes to transmit educational values through playful activities, while appreciating the time and quality of life. By doing so, Sonae Indústria expects to increase motivation and the sense of belonging to the company.

As the feedback was very positive, and every participant considered they had such a great time, Sonae Indústria expects to repeat the experience, as the company is certain this is an experience the children and their parents will not forget.

"T-SHIRT", WOODY AND THE URBAN FOREST - PORTUGAL

In Portugal, the T-Shirt voluntary programme has been active since 2008, continuously supporting the local community where Sonae Indústria units are located, through the implementation of initiatives and campaigns to increase awareness among employees by involving them in community issues.

The T-shirt programme gives all company employees the opportunity to put on the socially responsible t-shirt and spend as much as three working days every year doing volunteer work. The days are funded by the company to encourage such activities.

Education and children's wellbeing is an important part of this commitment and in 2015 the group continued to work with the Woody education programme, already in its 4th year. Sonae Indústria's volunteers visit local schools to 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 recycling and its advantages. With this aim in mind, a 40 page soft covered book was printed where "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. Since the programme started in October of 2011, the company volunteers have visited 46 schools, 146 classrooms and had the privilege of spending these hours with 3,100 children.

During the month of December the usual Christmas Campaign was held and once again Sonae Indústria's employees showed their solidarity by donating toys, food, baby products and clothes which were collected and offered to local institutions.

Throughout the year, Sonae Indústria manufacturing units offered various donations to schools, institutions and universities. Products were also distributed to 16 institutions such as schools, local fire departments, social and cultural associations, Rotary clubs and sport associations.

“T-SHIRT”, REFORESTATION ACTIVITIES IN PORTUGAL

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 an environmental and a social-economical perspectives.

In 2015 almost 100 employees, family and friends from Sonae Indústria units were involved in the reforestation process in Lousã, to support *Floresta Unida*, an organization whose target is to plant 400 million trees in 30 years and protect 150 million others.

Take care of the present and plant the future!

SOCIAL RESPONSIBILITY PROGRAMMES IN SPAIN

Sonae Indústria's Madrid office team organized a toy collecting campaign called “Jugueterada” over the Christmas period and were able to collect 850 toys, which were distributed to children on the 6th of January, on *Reyes Magos* day (Wise Men Day). A Toy and a smile that helped to build new dreams!

Additionally, and similar to past initiatives, the Spanish held a food collecting campaign over the Christmas period. A total of 509 kilograms of food was donated by the staff from Sonae Indústria's four locations and distributed to the *Cruz Roja*, *Caritas* and *Banco de Alimento*.

SOCIAL RESPONSIBILITY PROGRAMMES IN GERMANY

In Germany, Sonae Indústria companies once again made various contributions to institutions such as local Fire Brigades, schools and youth associations, amongst others.

The companies have also made contributions of Sonae Indústria's products to a Youth Centre, a Children's Playground, a Sports Association, a Circus and a Museum.

SOCIAL RESPONSIBILITY PROGRAMMES IN CANADA

In 2015, Tafisa Canada and its employees continued to uphold their engagement towards the *Fondation du Centre de Santé et de Services Sociaux du Granit* (Health and Social Services Foundation). The Foundation's main objective is to help maintain and improve the quality and quantity of care and services provided to the entire population of Lac-Mégantic and surrounding communities.

Fun and sports go together and Tafisa Canada is a firm supporter of physical activities, which are essential to good mental and physical health. Tafisa continued to support various long-standing commitments to sports associations involving children, youth and adults.

Community development and involvement are important to Tafisa Canada. This year, Tafisa Canada contributed to several local events but also had a physical presence during these activities. In order to get more engaged and know by the community, booths were set up and employees, several spouses and children volunteered their time to represent the company. They talked about the company, its mission, its values and involvement within the community and handed out beverages and treats to all visitors who came to see them.

CORPORATE SOCIAL INVESTMENT INITIATIVES IN SOUTH AFRICA (CSI)

In South Africa, Sonae Indústria's company, Sonae Novobord, engaged in several actions, not only through financial assistance, but also through active partnerships, promoting and participating in awareness campaigns.

The main focuses are Education (including bursaries and skills), providing education initiatives to teachers, and Worldwide Fund for Nature (WWF).

- During 2015, Sonae Novobord, CSI Committee have maintained their focus on youth education and clear development and assistance was given to Camden, Hazyview and Khanyisani schools.
- For the 2nd year, six teachers were selected from the above schools to attend the Teachers Creativity Conference.
- Support to “Friends of Alex”, a food sponsorship programme for disadvantaged pre-primary school children.
- Furntech: 17 pupils from disadvantaged backgrounds have graduated and completed their 1-year apprenticeship program, and are now able to open their own woodwork businesses or gain employment in the wood manufacturing sector - a great achievement for all these students.
- Active engagement in the World Wide Fund for Nature – This was the last year of our 5 year partnership where we invested in the security of South Africa’s water resources and ecosystems.

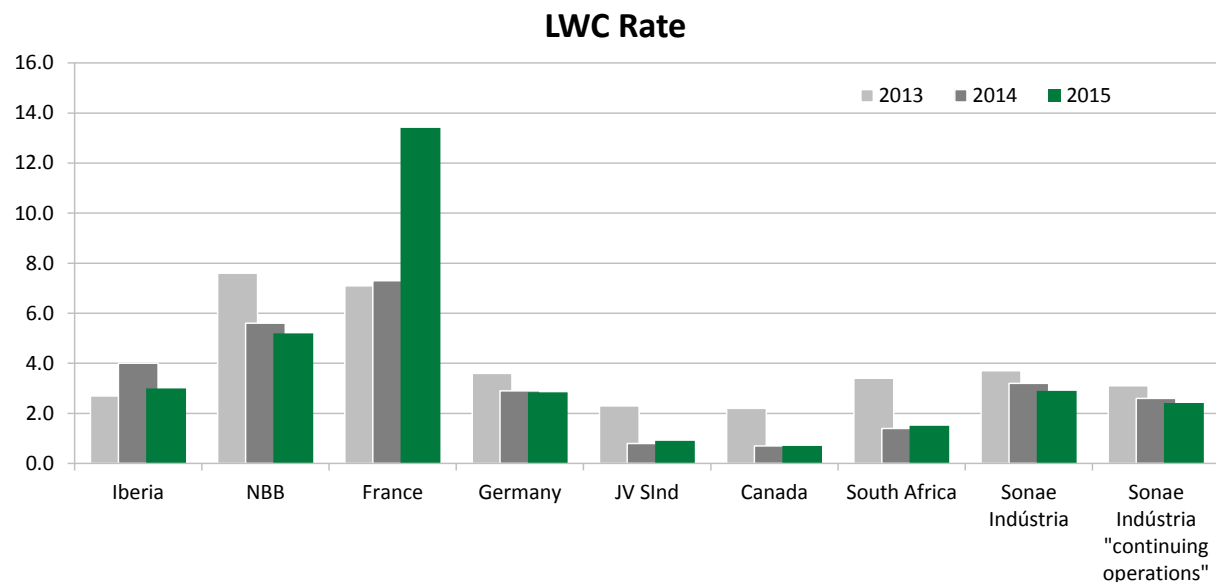
The CSI committee is comprised of 5 members, of which the chairperson is independently appointed. The remaining members of the team are Sonae employees who manage this portfolio in conjunction with their own job responsibilities.

KEY HEALTH AND SAFETY PERFORMANCE INDICATORS

In 2015, Sonae Indústria defined the pillars on which it will leverage its sustainable Health and Safety management practices. These pillars are focused on: Training Programme, Hazards’ Management, Process Improvement, Incident Investigation & Reporting and Integrated Audits.

Based in these pillars, several actions were launched and implemented in the several industrial sites of the group, to support the continuous improvement of Sonae Indústria’s safety indicators.

The figure below represents the country-wide and global Lost Workday Cases (LWC) rate¹⁷:



Sonae Indústria’s overall LWC rate improved 9% (compared with 2014 rate). Notwithstanding this important result, that is coherent with the previous year’s performance, evidencing that we are on the right path in reducing

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).

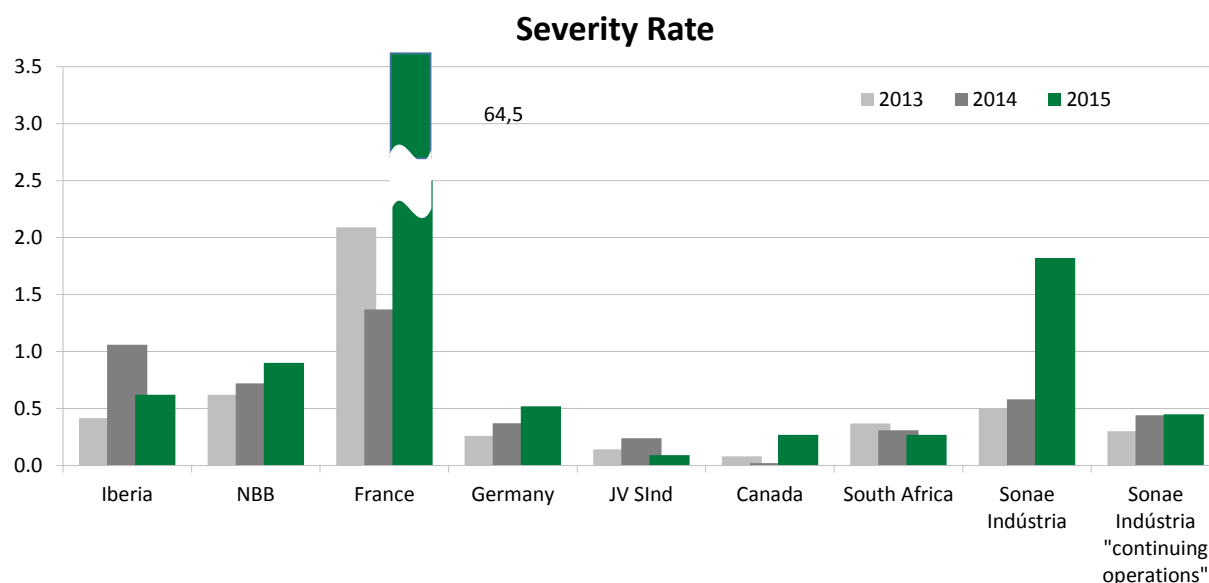
the number of incidents that result in lost workdays, we regret to report a fatality that occurred in one French site.

During 2015, within the scope of the five pillars defined, different actions were promoted to improve our H&S performance, namely:

- The existent Incident Communication and Classification Procedure was revised and updated to include the report of “Near Misses”, promoting the identification and correction of situations before the event of an accident;
- It was implemented a Corporate Report that compiles all events occurred in the month, the root causes and the mitigation measures implemented. These reports were shared with all sites, thus promoting an important source of information on potential hazards;
- A “Monthly Improvements” report was also created, which compiles four improvement actions, implemented monthly, in each industrial site;
- On an operational side, actions such as the “Safety Inspection Tag” were implemented to ensure that every equipment safety devices are verified as part of the normal employees’ tasks, representing the recognition that safety starts with each individual.

All these actions contributed significantly to involve our employees, share experiences and raise awareness for the Health & Safety issues inside the group.

Looking at the results by operation, it is worth highlighting the good results achieved in Germany, Non Board Business (NBB), and the Iberian Peninsula (reductions of 2%, 7%, and 25%, respectively, when compared with last year). In France, several accidents were registered during the year which led to a significant increase in the LWC rate (+84% when compared to 2014). Both South Africa and Tarkett Joint Venture registered increases, of 7% and 13%, respectively. Canada maintained the same level of performance as in the previous year, with no change in the rate.



The Severity rate is related with the seriousness of the injuries based on the days lost. As previously referred, we regret to report that a fatality happened in France, which significantly affected the performance of the Group's Severity rate¹⁸ indicator, which increased globally.

Following the previously mentioned fatal accident, inspection actions and campaigns have been reinforced in all sites, to guarantee that the unique conditions found during such an event will never occur again in any of the industrial sites.

¹⁸ **Severity Rate** = Number of workdays lost due to LWC*1,000 / Number of hours worked.

On an individual analysis, when compared to 2014, South Africa, Iberian Peninsula and Tarkett Joint Venture reported improved results (reduction of 13%, 42% and 63% respectively). As for the NBB and German operations, notwithstanding the better performance registered in terms of the LWC rate, the Severity rate of these operations increased when compared with previous year. Canada's indicator was also negatively impacted by an incident that occurred in the beginning of the year, with impact of days lost throughout the year.

Notwithstanding these results, our main aim remains unchanged and we will strive to continue to reduce these rates year on year.

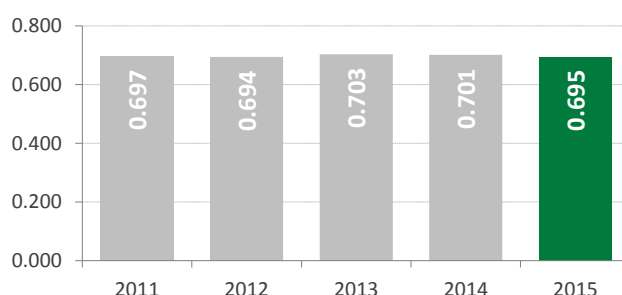
5.2. ENVIRONMENTAL REPORT

Wood Consumption (dry ton / m³)

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 CO₂ emissions and climate change.

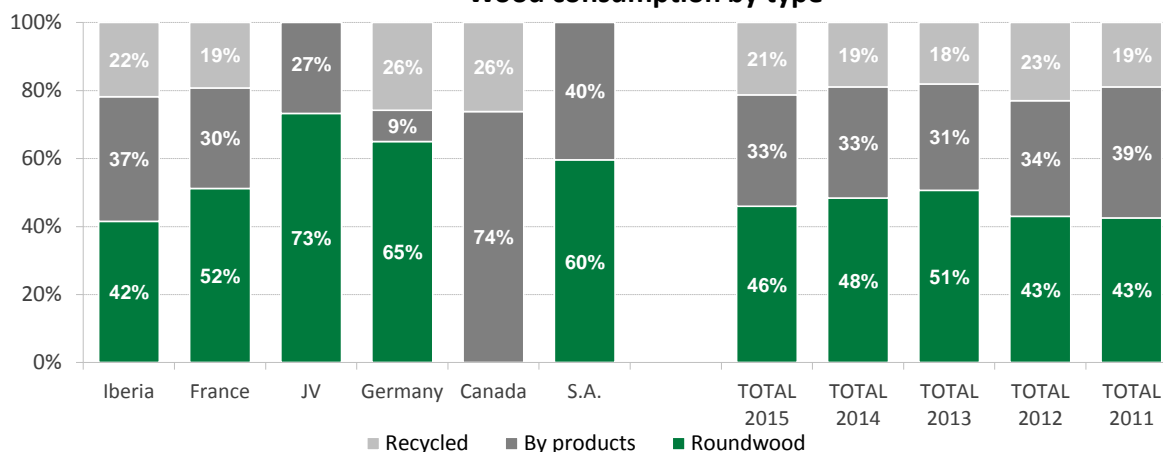
In the figures below we present the global evolution of the wood mix consumption and wood use efficiency figures, which illustrate our continuous efforts within this key operational area.

Wood consumption per cubic meter produced
(dry ton/m³)



Global specific wood consumption for Sonae Indústria's portfolio was slightly lower when compared to 2014 and one of the best performances of the last years. This is a direct result of the increase of PB production in the overall product mix aligned with more efficient industrial operations.

Wood consumption by type



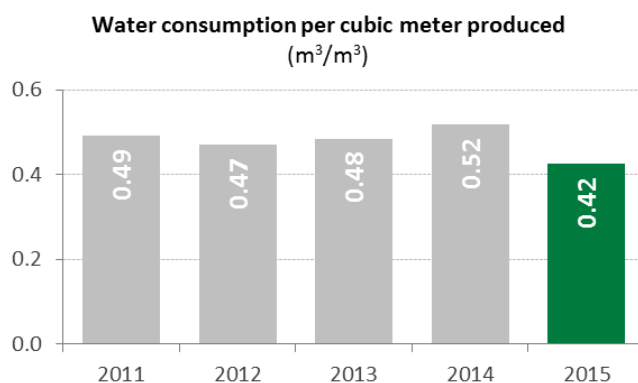
The global wood supply mix of Sonae Indústria continues to reveal an improvement in the value of the recycled raw materials contribution. The effect registered in 2015 was mainly due to the increase in the German operations where recycled wood consumption grew 16 p.p. when compared with previous year. The growth was possible due to the start-up of a new cleaning installation equipment in Nettgau, which enabled an increase in the capacity to process recycled wood, and also due to Iberian Peninsula's activity, where this material intake increased when compared to 2014.

Water Consumption (m^3/m^3)

Municipal, surface and underground water

As it is globally well known, 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.

Sonae Indústria specific water consumption has decreased, when compared with 2014, mainly due to the effect of the sale, during 2015, of the hardboard operation, which is a very intensive water consumption process. Other contribution effect was the reduction of MDF production in the global production portfolio of the past year.

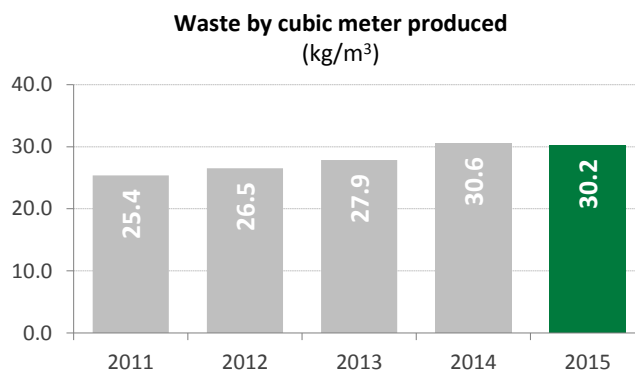


Waste Generation (kg/m^3)

Hazardous and non-hazardous waste

The global indicator on specific waste generation registered a slight decrease of 2% when compared to 2014 performance.

This indicator still reflects contribution from inactive operations where wastes needed to be managed during 2015.

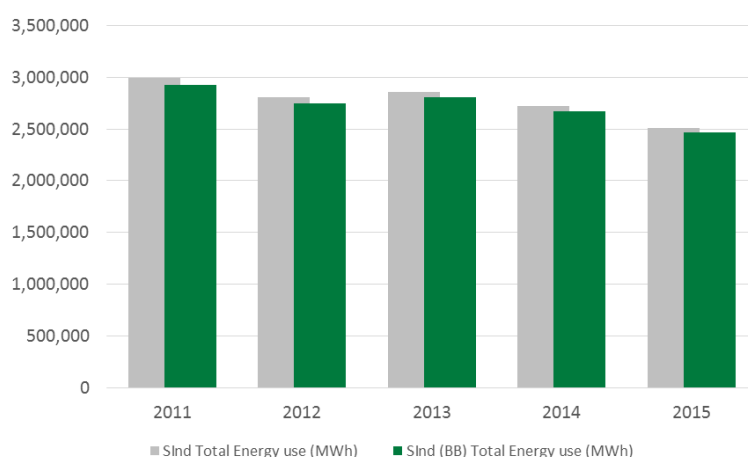


Energy use

Energy is a very relevant aspect of wood-based panel production. It is used in the day to day activities of the manufacturing processes, as for example, drying the wood particles, heating up the presses or driving equipment.

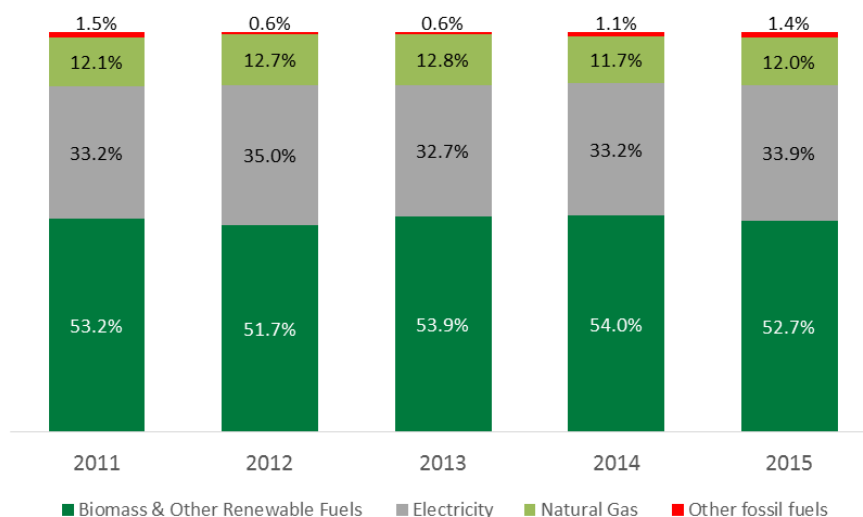
Sonae Indústria has a strong commitment with energy management, aiming to reduce the energy usage (by means of efficiency improvements) and, at the same time, to minimize the use of fossil fuels. A strong evidence of this commitment is the fact that more than 50% of Sonae Indústria's energy use is obtained directly from renewable fuels (biomass and other renewable process by-products) and only circa 15% of energy use is obtained directly from fossil fuels. Furthermore, in 2015, significant investments were made to further reduce fossil fuel consumption, namely, natural gas.

Sonae Indústria Total and Board Business (BB) Energy Use (MWh)



Due to the industrial base reorganization, that took place during the last years, the total energy use has constantly decreased. It should also be noted that circa 98% of total energy use is spent in the Board Business¹⁹.

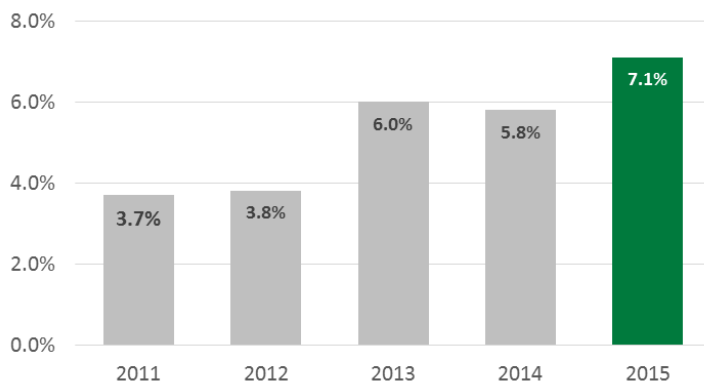
Board Business Specific energy consumption (SEC) by type (%)



The specific energy consumption, in a macro analysis, was kept approximately constant in the last years.

¹⁹ Board Business: manufacturing units of particleboard, MDF and OSB.

Electrical Energy Savings (vs. ref. year 2009)



Nonetheless, the macro specific consumption figures do not always translate correctly the real evolution registered in the field – there may be, for example, plant activity levels and/or PB/MDF/OSB mix, among other variables, affecting the global values of this indicator. Removing these two influences, by means of mathematical modelling, the commitment and resources allocated becomes clear. For example, in 2015, the electrical energy savings reached 7.1% (vs. ref. year 2009), as a result of the countless energy efficiency measures implemented continuously since 2009. One of the most common measures implemented is the variable speed drive (VSD) application in electrical motors.

MANAGEMENT SYSTEMS

Quality, Environmental and Health & Safety management systems are an important part of Sonae Indústria's standardised way of operating. During 2015, there were no significant changes to the certification situation, in the continued operations.

All Sonae Indústria board operations are currently certified according to Health and Safety, Quality and Environmental management systems.

The situation of Sonae Indústria management systems certifications, at the end of 2015, was the following:

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

*HPL plant

**resins & paper impregnation plant

***components plant

****wood veneer plant

*****sawmill

*****paper impregnation plant

6. 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 analyse 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 shareholders, customers, suppliers, financial institutions and other business associates of Sonae Indústria for their continuing involvement and for the confidence that they have once more shown in the organisation.

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

17 February 2016,

The Board of Directors,

Paulo Azevedo

Carlos Moreira da Silva

Albrecht Ehlers

Rui Correia

Javier Vega

Chris Lawrie

José Romão de Sousa

Jan Bergmann

APPENDIXES TO THE MANAGEMENT REPORT AND QUALIFIED SHAREHOLDINGS

APPENDIX REGARDING ARTICLE 447 OF THE COMPANY LAW

	Acquisitions			Sales		Position at 31.12.2015	Balance at 31.12.2015 amount
	Date	amount	€ average value	amount	€ average value		

Duarte Paulo Teixeira de Azevedo
Efanor Investimentos, SGPS, SA (1)
Migracom, SGPS, SA (2)

Minoritary
Dominant

Rui Manuel Gonçalves Correia
Sonae Indústria, SGPS, SA

6,807,809

	Acquisitions			Sales		Position at 31.12.2015	Balance at 31.12.2015 amount
	Date	amount	€ average value	amount	€ average value		

(1) Efanor Investimentos, SGPS, SA
Sonae Indústria, SGPS, SA
Pareuro, BV (3)

Dominant

4,842,637,142

(2) Migracom, SGPS, SA
Sonae Indústria, SGPS, SA
Imparfim, SGPS, SA (4)

Jointly Controlled

9,732,857

(3) Pareuro, BV
Sonae Indústria, SGPS, SA

2,932,687,752

(4) Imparfim, SGPS, SA
Sonae Indústria, SGPS, SA

30,098,752

APPENDIX REGARDING ARTICLE 448 OF THE COMPANY LAW

Number of shares at 31.12.2015	
Efanor Investimentos, SGPS, SA	
Sonae Indústria, SGPS, SA	4,842,637,142
Pareuro, BV	Dominated
Pareuro, BV	
Sonae Indústria, SGPS, SA	2,932,687,752

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	4,842,637,142	42.6636%	42.6636%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	2,932,687,752	25.8369%	25.8369%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	1,010	0.000009%	0.000009%
By Migracom, SGPS, SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Duarte Paulo Treixeira de Azevedo)	9,732,857	0.0857%	0.0857%
By Linhacom, SGPS, SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Maria Cláudia Teixeira de Azevedo)	2,507,400	0.0221%	0.0221%
Total allocation	7,787,566,161	68.6083%	68.6083%

(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 is the controlling shareholder 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 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.

Duarte Paulo Teixeira de Azevedo

Carlos António da Rocha Moreira da Silva

Albrecht Olof Luther Ehlers

Rui Manuel Gonçalves Correia

Javier Vega de Seoane Azpilicueta

George Christopher Lawrie

José Joaquim Romão de Sousa

Jan Bergmann

GLOSSARY

Capacity Utilization Index	Finished-Available Production (m ³) / Installed production capacity (m ³); <i>raw boards only</i>
CAPEX	Investment in Tangible Fixed Assets
EBITDA	Earnings Before Interests and Taxes + Depreciations and Amortizations + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)
FTEs	Full Time Equivalent
Fixed Costs	Overheads + Personnel costs (internal and external); <i>management accounts concept</i>
Gross Debt	Bank loans + Debentures + Obligations under finance leases + other loans + Loans from related parties
Headcount	Total number of internal FTEs, excluding trainees
MDF	Medium Density Fibreboard
Net Debt	Gross Debt - Cash and cash equivalents
Net Debt to LTM Rec. EBITDA	Net Debt / Last Twelve Months Recurrent EBITDA
OSB	Oriented Strand Board
Recurrent EBITDA	EBITDA excluding non-recurrent operational income / costs
Recurrent EBITDA margin	Recurrent EBITDA / Turnover
Turnover (regions)	Sales Finished Goods and merchandise + Services Rendered; excluding sales of other materials like for ex. wood by-products, <i>management accounts concept</i>
Working Capital	Inventories + Trade Debtors – Trade Creditors

SONAE INDÚSTRIA

**CORPORATE
GOVERNANCE
REPORT
2015**

17 February 2016

CONTENTS

PART I – MANDATORY INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE.....	3
A. SHAREHOLDER STRUCTURE	3
I. Capital Structure.....	3
II. Shareholdings and Bonds Held	4
B. GOVERNING BODIES AND COMMITTEES	5
I. General Meeting	5
a) Composition of the general meeting board	5
b) Exercise of Voting rights.....	6
II. Management and Supervision.....	7
a) Composition.....	7
b) Functioning	11
c) Committees within the Management and Supervisory bodies and board delegates	15
III. Supervision	18
a) Composition.....	18
b) Functioning	20
c) Responsibilities and functions	21
IV. Statutory External Auditor.....	22
V. External Auditor	22
C. INTERNAL ORGANISATION	24
I. Articles of Association	24
II. Reporting of irregularities	24
III. Internal Control and Risk Management.....	26
IV. Investor Relations	37
V. Website.....	38
D. REMUNERATIONS	39
I. Competencies for approval of remunerations	39
II. Remunerations Committee.....	40
III. Remuneration structure	40
IV. Disclosure of Remuneration	46
V. Agreements with impact on Remuneration	47
VI. Share plans or stock options plans	48
E. TRANSACTIONS WITH RELATED PARTIES	49
I. Control mechanisms and procedures.....	49
II. Information concerning transactions	50
PART II – ASSESSMENT OF THE CORPORATE GOVERNANCE.....	51
1. Identification of the corporate governance code adopted	51
2. Analysis of compliance with the Corporate Governance Code adopted	51

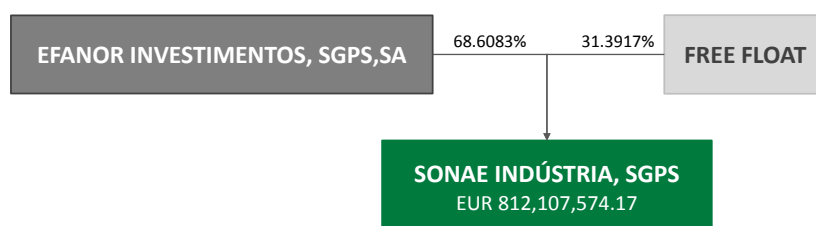
PART I – MANDATORY INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A.SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

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

Sonae Indústria's share capital amounts to 812,107,574.17 Euros and is represented by 11,350,757,417 ordinary nominal shares without nominal value. All shares are admitted to trading on the NYSE Euronext Lisbon. Sonae Indústria's share capital is distributed according to the below illustration (the qualified shareholding attributed to Efanor in the picture below is better explained in item 7 of this report):



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

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

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

The company at the date of 31st December 2015 did not own any of its own shares.

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

As of 31 December 2015, loans from financial institutions, amounted to a total circa 450 million Euros (79% 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.

Summary	Million €	No. Contracts
Commercial Paper	126	5
Bonds	150	1
Bank Loans	174	6
Total	450	12

Nevertheless, such agreements do not harm the free trading of the company shares, nor they interfere with the shareholders evaluation on the management bodies' performance, as these defend the social interests, aiming to ensure the sustainability of the business in the long term under the current market conditions.

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

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

II. SHAREHOLDINGS AND BONDS HELD

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

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA (1)			
Directly	4,842,637,142	42.6636%	42.6636%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	2,932,687,752	25.8369%	25.8369%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	1,010	0.000009%	0.000009%
By Migracom, SGPS,SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Duarte Paulo Teixeira de Azevedo)	9,732,857	0.0857%	0.0857%
By Linhacom, SGPS,SA (Company controlled by Efanor Investimentos, SGPS, SA's Director, Maria Cláudia Teixeira de Azevedo)	2,507,400	0.0221%	0.0221%
Total allocation	7,787,566,161	68.6083%	68.6083%

(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 is the controlling shareholder 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 2015:

Number of Shares		Number of Shares	
Duarte Paulo Teixeira de Azevedo	(2) Pareuro, BV		
Efanor Investimentos, SGPS, SA (1)	Minoritary	Sonae Indústria, SGPS, SA	2,932,687,752
Migracom, SGPS, SA (3)	Dominant		
Rui Manuel Gonçalves Correia	(3) Migracom, SGPS, SA		9,732,857
Sonae Indústria, SGPS, SA	6,807,809	Sonae Indústria, SGPS, SA	
		Imparfin, SGPS, SA (4)	Jointly controlled
		(4) Imparfin, SGPS, SA	
		Sonae Indústria, SGPS, SA	30,098,752
(1) Efanor Investimentos, SGPS, SA			
Sonae Indústria, SGPS, SA	4,842,637,142		
Pareuro, BV (2)	Dominant		

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

The 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 or more times, through cash injections under the terms established by law. These powers were renewed in the General Meeting held on 4 April 2014 and may be exercised over a period of five years from that date, notwithstanding the general meeting decision to renew these powers again.

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

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

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

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the 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 31 March 2015, for the mandate 2015-2017 and is composed by:

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

Up to the date of the Shareholders' General Meeting mentioned above, the chairman of the Shareholder's General Meeting was António Agostinho Cardoso da Conceição Guedes.

b) Exercise of Voting rights

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

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. Nevertheless, the company is currently developing a system to implement the electronic vote, which is expected to be available for the Shareholder's General Meeting of 2016.

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 of article 20, number 1

Each share corresponds to one vote, with no limitation.

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

The decisions are taken by simple majority, 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 (Article 245-A, number 1, paragraph h))

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

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

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

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

The Sonae Indústria Board of Directors on 31 December 2015 comprised 8 directors, all elected in the Annual General Meeting held on 31 March 2015 for the 2015-2017 mandate.

Date of the Sonae Indústria Directors first appointment:

- Duarte Paulo Teixeira de Azevedo - 15 December 2005;
- Carlos António da Rocha Moreira da Silva – 12 November 2014;
- Albrecht Olof Lothar Ehlers – 8 September 2011;
- Javier Vega de Seoane Azpilicueta – 29 March 2012;
- José Joaquim Romão de Sousa – 31 March 2015;
- Rui Manuel Gonçalves Correia - 22 July 2002;
- Kurt Jan Bergmann - 29 March 2012;
- George Christopher Lawrie – 12 April 2013.

On 31st December 2015 the Board of Directors of Sonae Indústria was composed of:

- Duarte Paulo Teixeira de Azevedo – Chairman (Non-Executive)

- Carlos António da Rocha Moreira da Silva – Deputy Chairman (Non-Executive and independent)
- Albrecht Olof Lothar Ehlers (Non-Executive and Independent)
- Javier Vega de Seoane Azpilicueta (Non-Executive and Independent)
- José Joaquim Romão de Sousa (Non-Executive and Independent)
- Rui Manuel Gonçalves Correia (Executive)
- George Christopher Lawrie (Executive)
- Kurt Jan Bergmann (Executive)

Up to the Shareholders' General Meeting data, Belmiro de Azevedo was the Chairman of the Board of Directors.

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

Among the eight (8) directors, three (3) are executive members and five (5) are non-executive members, as indicated in the previous item.

Among the non-executive Directors, four (4) are independent, also as indicated in previous item. 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 each of the members of the Board of Directors

Paulo Azevedo (Chairman of the Board of Directors): Holds a degree in Chemical Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business Studies (MBA) from the Oporto Business School (ex-EGP). Was CEO of Optimus – Telecomunicações S.A. between 1998 and 2000; CEO of Sonaecom between 2000 and 2007 and is CEO of Sonae SGPS, S.A. since May 2007. Holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo's son.

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

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).

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

José Romão de Sousa (Independent): Holds a BSc in Chemical and Industrial Engineering – IST, Universidade de Lisboa (Portugal) and a PhD in Chemical Engineering – Imperial College, University of London (UK). Large experience in the manufacturing industry, in particular in the areas of chemicals (formaldehyde resins, adhesives and water-borne emulsion resins) and plastics (Vinyl and polyolefin extrusion and calendaring). Has had several management functions in the ProHolding group, being still today non-executive Chairman of several group companies and associated companies, including a new venture into biologic fungicides. Experience in the financial sector, namely in private equity, portfolio management and stock broker company. Currently, is Chairman of the Board of Directors of Promotor SGPS, SA and Epoli-Espumas de Polietileno SA, among other companies.

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 Schrodgers, 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.

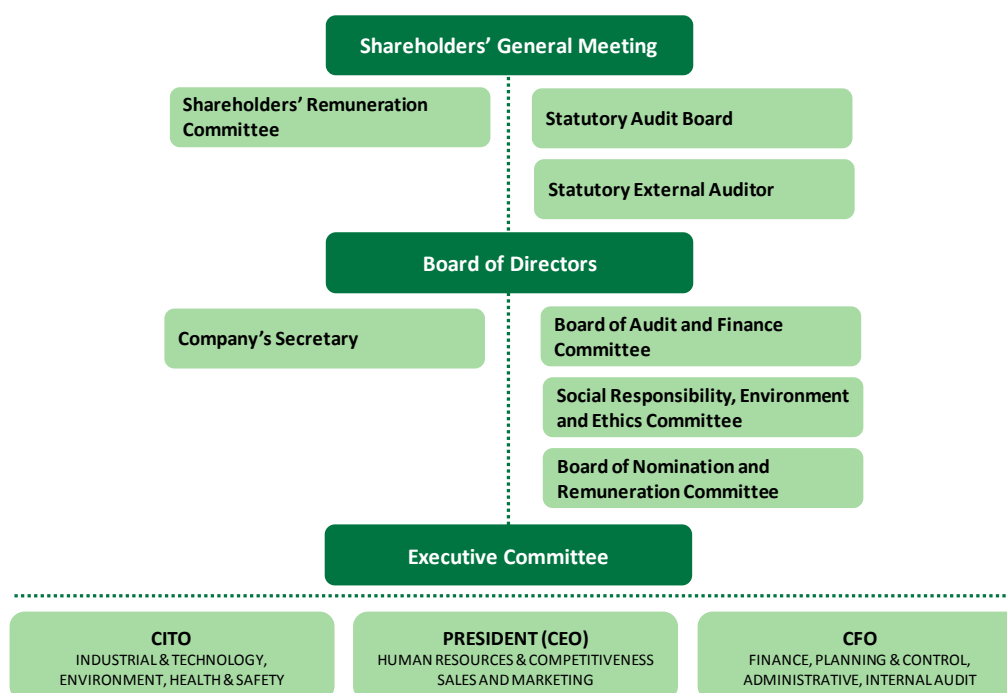
Jan Bergmann (CITO): obtained a degree in Engineering by Berlin University (Germany), “Dr.-ING” Technical University of Berlin, Business Administration and Finance for Technical Managers – European School of Management and Technology. Held various positions within the Group DuPont and joined Glunz AG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

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

Paulo Azevedo is the son of Belmiro de Azevedo, who, under the terms of paragraph b) of no. 1 of Article 20 and of no. 1 of Article 21 of the Portuguese Securities Code, is the ultimate beneficial owner, since he is the controlling shareholder of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

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

The responsibilities of the different governing bodies and committees of the company is split as follows:



The Board of Directors has delegated powers the broadest managing powers to the Executive Committee to manage operations of the Company, including all legal and statutory competences that are attributed to the Board of Directors, with exception of:

- a) appointing the Chairman of the Board;
- b) co-opting a substitute for a member of the Board;
- c) convening Shareholders' General Meetings;
- d) approving 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.

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 to those meetings

The Board of Directors convened 11 times in 2015, with the respective minutes recording all the deliberations made. The attendance of the Board of Directors members to those meetings was the following (physical or electronic means):

Board of Directors' member	% assiduity
Belmiro de Azevedo	0%
Paulo Azevedo	100%
Carlos Moreira da Silva	100%
Albrecht Ehlers	81.81%
Javier Vega	63.63%
José Romão de Sousa	66.66%
Rui Correia	100%
Christopher Lawrie	100%
Jan Bergmann	100%

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:

Duarte Paulo Teixeira de Azevedo:

- Efanor Investimentos, SGPS, S.A.
- Sonae - SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Center Serviços II, S.A. (Chairman)
- 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)

Rui Manuel Gonçalves Correia:

- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Ecociclo – Energia e Ambiente, S.A.
- Frases e Frações Imobiliária e Serviços, 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 – 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 France S.A.S
- 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 – 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

Supervisory bodies Member:

Albrecht Ehlers:

- Glunz AG (Supervisory Board Chairman – “Aufsichtsrat”)

In companies not belonging to Efanor Group:

Board of Directors Member:

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:

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

Carlos Moreira da Silva:

- BA Group (Chairman)
- Banco BPI, S.A.

José Romão de Sousa:

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

Supervisory bodies Member:

Albrecht Ehlers:

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

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 the 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 and of the Board of Directors can be read on the company website, through the following links:

- Board of Directors:
http://www.sonaeindustria.pt/file_bank/investor/BoD%20Regulation%20ENG_2015_FV.pdf
- Executive Committee:
http://www.sonaeindustria.pt/file_bank/investor/ExCom%20Regulation%20ENG_2015_FV.pdf

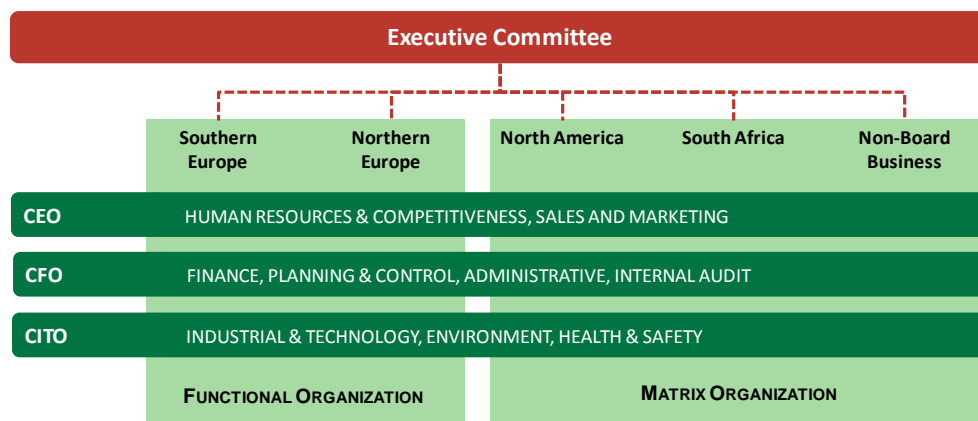
28. Composition of the Executive Committee

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



The fields of responsibility of the Executive Committee are split as follows:

- Rui Manuel Gonçalves Correia - CEO
- George Chistopher Lawrie - CFO
- Kurt Jan 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 2015 the Executive Committee convened 16 times, with the respective minutes recording the deliberations made. The attendance level of the Executive members to the meetings was of 100% with exception of Jan Bergmann, whose attendance was of 81.25%.

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 provides the minutes of the Executive Committee's meetings to all the members of both the Board of Directors and the Supervisory Audit Board. 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.

Board Audit and Finance Committee ("BAFC")

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

- Javier Vega (Chairman; Independent)
- Carlos Moreira da Silva (Independent)
- José Romão de Sousa (Independent)
- 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 2015, 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:

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

This Committee is responsible for:

- Monitoring and analysing 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 once during 2015 and recorder in the minutes their deliberations.

The Ethics Sub Committee met once.

Board Nomination and Remuneration Committee (BNRC)

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

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

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.

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 2015, the BNRC met on two occasions with the respective minutes having been drafted.

III.	SUPERVISION
a)	Composition

30. Identification of the supervisory body

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

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

The Statutory Audit Board may comprise an even or odd number of members, with a minimum of three and a maximum of five 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.

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

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

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

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

Up to the date of the Shareholders' Annual General Meeting, the following members were part of the Statutory Audit Board: Armando Luís de Magalhães e Jorge Manuel Felizes Morgado.

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

All members of the Statutory Audit Board comply with the rules of incompatibilities referred to in paragraph 1 of 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.

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

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

MANUEL HELENO SISMEIRO (Chairman of the Statutory Audit Board): Degree in Finance, SCEF (Portugal), Accountant, ICL (Portugal). Currently he is a specialist consultant in the areas of internal audit and internal control and is Chairman of the Statutory Audit Board of OCP Portugal Produtos Farmacêuticos SA, Sonae 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 PricewaterhouseCoopers - 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.

OSCAR ALÇADA DA QUINTA (Statutory Audit Board 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.

ANTÓNIO AUGUSTO ALMEIDA TRABULO (Statutory Audit Board Member): Degree in Economics – University of Porto, Postgraduate Course in Accounting and Corporate Finance – Open University (Portugal), Sufficiency Researcher Diploma in the field of Economics Financiera y Contabilidad – University of Valladolid (Spain), Phd Course in Management and Business Administration – University of Valladolid (Spain), completed curricular part (in the final stages of completion Thesis), Statutory Auditor. Currently exerts functions of Statutory Auditor, partner of the company Velosa, Silva, Marques and Trabulo, SROC.

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

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

b) Functioning

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

The rules regulating how the Statutory Audit Board functions can be read at the company website, through the following links:

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

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

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

In 2015 the Statutory Audit Board convened 7 times. The minutes were drawn up recording the respective deliberations. All the members attended 100% of the meetings.

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

The Statutory Audit Board members 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 2015:

In companies belonging to Efanor Group:

Manuel Heleno Sismeiro

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

Óscar Alçada da Quinta

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

António Trabulo

- Sonae Investimentos, SGPS, SA (Statutory Audit Board member)

In other companies not belonging to Efanor Group:

Manuel Heleno Sismeiro

- BBI – Banif Banco de Investimentos, SA (Chairman of the Statutory Audit Board)
- OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)
- Segafredo Zanetti (Portugal) SA (Chairman of the Board of the Shareholders' General Meeting)

Óscar Alçada da Quinta

- BA GLASS I – Serviços de Gestão e Investimentos, S.A. (Conselho Fiscal) (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

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

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

38. Other roles of the supervisory body

The Statutory Audit Board main responsibilities are as follows:

- a) supervising the Company's management;
- b) overseeing compliance with legal and regulatory requirements and the Company's Articles of Association;
- c) verifying that the books of account, accounting records and supporting documentation are correctly maintained;
- d) verifying, when considered convenient and in a manner considered as appropriate, the extent of cash and stocks of any kind of goods or other values belonging to the Company or received as a guarantee or deposit;
- e) verifying the accuracy of the documents used in the presentation of accounts;
- f) verifying if the accounting policies and criteria used by the Company are conducive to a true and fair view of the financial position and results of its operations;
- g) preparing an annual report on the supervisory work performed and express an opinion on the report, accounts and other proposals submitted by the Board of Directors;
- h) convening the Shareholders' General Meeting, whenever the Chairman of the General Meeting fails to convene it when being obliged to do this;
- i) overseeing the effectiveness of the risk management, internal control and internal audit system, if they exist;
- j) receiving communications of alleged irregularities presented by the Company's shareholders, employees or others;
- k) appointing and hiring services from experts to help one or more members in the exercise of their duties. The hiring of and fees for these experts should bear in mind the complexity of the matters involved and the financial position of the Company;
- l) overseeing the process of preparation and disclosure of financial information;
- m) proposing the appointment of the statutory external auditor to the Shareholders' General Meeting;
- n) overseeing the work performed by the statutory external auditor in the Company's financial statements;
- o) overseeing the independence of the statutory external auditor, namely in relation to additional services provided;
- p) complying with any other functions required by law and by the Company's Articles of Association;

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

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

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

IV. STATUTORY EXTERNAL AUDITOR

39. Identification of the statutory external auditor and its representative partner

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

40. Indication of the number of consecutive years the statutory external auditor works for the company and/or group

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

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

In 2015 PriceWaterHouseCoopers did not provide other compliance and assurance services to any Sonae Indústria subsidiaries.

V. EXTERNAL AUDITOR

42. Identification of the external auditor

The external auditor of the company is PriceWaterHouseCoopers & Associados, SROC, Lda, represented by Hermínio António Paulos Afonso, registered in the CMVM under 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 and its representative

Sonae Indústria has adopted the principle of not proceeding with the rotation of the external auditor at the end of its third mandate, only if the Statutory Audit Board concludes that, if the external auditor is kept in functions beyond the before mentioned period, it will not collide with its independence, and if the cost-benefit analysis of this replacement are in favour of the renewal of this mandate.

In the proposal presented at the last Shareholders' Annual General Meeting to appoint the statutory external auditor of the company, the Statutory Audit Board considered that the quality of the work performed and the accumulated experience in the sector of activity that Sonae Indústria is part of, both of the statutory audit firm

which election is proposed as well as of the entities belonging to the same network in the countries where Sonae Indústria holds, direct or indirectly, affiliated companies, that are included in her consolidated accounts and where such entities are external auditors of Sonae Indústria's affiliated companies constituted an asset that must be taken into account. Having contemplated those facts and the extent of the burden to be supported by Sonae Indústria in an eventual replacement, it was recommended the permanence of such statutory audit firm in the exercise of her functions. The Shareholders' Annual General Meeting has approved the presented proposal.

As for the Statutory External Auditor representative, on top of ensuring compliance with the legal stipulations, it must also be conducted an evaluation to ensure its independence.

45. Indication of the governing body responsible for the appraisal of the external auditor and periodicity of such appraisal

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

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

During 2015 no subsidiary of Sonae Indústria hired other services to the external auditor. If the company or any of its subsidiaries intends to hire such services, these must be approved by the Statutory Audit Board.

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

Sonae Indústria and its subsidiaries paid PriceWaterhouseCoopers the following amounts in 2015:

By the company	
Auditing services (€)	13,730 € / 3.29 %
By other group entities	
Auditing services (€)	352,581€ / 84.42%
Other reliability guarantee services (€)	51,359 € / 12.30%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

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

The rules applicable to amendments of the Articles of Association are established by law. It is up to 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 at Work
- Social Conscience
- Communication
- Compliance

Relations with shareholders and other investors

- Value creation
- Transparency
- Compliance

Relations with governments and local communities

- Ethical Behaviour
- Social Conscience
- Tax Statement
- Environmental Awareness

Relations with business partners

- Customer Focus

- Integrity
- Ethical behaviour
- Transparency

Relations with competitors

- Enforcement of competition laws
- Ethical behaviour

The complete code of conduct can be found at the company 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

Both Internal Control and Risk Management are important parts of Sonae Indústria culture, being present in the management processes and responsibilities of all group employees, at the different levels of the organization. This is supported by the Group transversal functions, notably the Risk Management, Internal Audit and Planning and Management Control departments, with specialized teams that report hierarchically to the Board of Directors.

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

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

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

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

The centralised accounting back-office, **Shared Service Centre (SSC)** 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.

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

Sonae Indústria has a reasonable level of confidence in the internal control framework which is currently in place. Communication of the Vision, Values and Principles throughout the organization reinforces the importance in terms of ethical behaviour. The existence of the Code of Conduct, of the Whistle-blower (reporting of irregularities) 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, the Board of Directors, through the Board Audit and Finance Committee, monitors the activities of Internal Audit and Risk Management.

The Internal Audit and Risk Management departments report functionally to and meet 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.

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 related to those activities.

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

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

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

Sonae Indústria 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.

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. Additionally, it is also each functional area of the Group the responsibility of controlling and monitoring of the risks inherent to each function.

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

- **Macroeconomic risks**

Sonae Indústria's activity is reliant upon the macroeconomic environment and the profile of the markets in which it operates. Sonae Indústria's subsidiaries' products are fundamentally commodities, having the nature of durable goods, and are mainly intended for the construction and furniture sectors. The Group's operational activity is, therefore, cyclical, being positively correlated with general economic cycles and, in particular, with the evolution of the sectors mentioned. Thus, Sonae Indústria's and its subsidiaries' businesses can be negatively affected by periods of economic recession, in particular by a drop in household consumption levels which, in turn, are influenced, among other things, by wage policies and unemployment levels, as well as prevailing confidence and social protection levels. The availability of credit in the economy is also relevant for Sonae Indústria Group's business due to its potential impact on the property market. Sonae Indústria, through its subsidiaries, has a strong presence in international markets, where it produces and sells, contributing almost 80% of its consolidated turnover. Its most important markets are the Eurozone, North America (namely Canada and the United States) and South Africa. These markets have different macroeconomic, political and social profiles and, as such, are reacting differently to the global economic and financial crisis. In fact, the rate at which the various markets emerge from the current crisis depends on variables outside of Group's control. Equally, possible political and/or social and/or religious tensions in any of the markets may have a material impact on Sonae Indústria Group's operations and financial situation that is impossible to estimate.

- **Competition**

The activity developed by Sonae Indústria through its subsidiaries faces stiff competition in all the markets in which it is present (namely in Iberian Peninsula, Germany, Canada and South Africa), which could have adverse effects on the Group's financial situation and results to the extent that new competing factories and/or the adoption of a more aggressive pricing policy by these competitors, could lead to a reduction in turnover and/or the need to review prices by Sonae Indústria's subsidiaries, with a knock-on effect on the profitability and sustainability of its operations. Based on Sonae Indústria's diversified assets and geographical exposure to various European markets, but also the North American and South African markets, and also others through exports, as well as the initiatives taken with respect to resizing the industrial presence by closing and selling the least profitable units, the increased focus on higher added value products as a way of differentiating, and the effort to contain costs as part of a strategy already being implemented, could protect the competitive position of the Company and allow it to achieve its objectives of being recognised as a reference player in the wood-based panels sector. It must also be mentioned that the potential closure or sale of industrial units by Sonae Indústria as part of the ongoing Strategic Plan may affect its market position, where it has a presence, since such closures and/or sales may mean a reduction in installed production capacity and a loss of market position compared to its competitors. This loss of market position may have adverse effects on the Group's profitability, since competing companies may adopt a more aggressive strategy in terms of pricing and supply policy within these markets, with consequences for the sustainability of the Group's turnover and cost structure.

- **Business Continuity risks**

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

- **Cost structure risks**

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

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

- **Technological risks**

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

Indústria to monitor and anticipate technological advances, or to predict the receptiveness of new products, could affect its business and the results of its operations.

- **Operational risks**

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

- **Financial risks**

The main **financial risk** that Sonae Indústria is exposed to is the risks associated with its customer portfolio, namely **credit risk**. The credit risk is related to receivables from customers, i.e. the risk that a customer is late in paying or does not pay for the goods and services acquired, basically due to a lack of liquidity. Sonae Indústria Group's credit risk control systems are, above all, related to receivables from customers, having as main purpose to guarantee the effective collection of the receivables from customers in accordance with the agreed conditions. Among other procedures implemented by Sonae Indústria to mitigate this risk, Sonae Indústria makes use of credit insurance, as a mandatory tool to mitigate this risk, in all regions where it is present and such insurance is available. In specific situations where we are not able to contract credit insurance to mitigate this risk, alternative and/or complementary solutions (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.

It should be noted that none of Sonae Indústria Group's customers represent more than around 8% of its consolidated turnover. Sonae Indústria has been signing multi-annual supply contracts with its largest customers, being the most recent one in place until 31 August 2018. Despite the greater spread of the customers' base, the possible non-renewal of these agreements could impact upon the profitability of Sonae Indústria's business.

The second financial risk is related with the existence of **financial covenants** in Sonae Indústria financing agreements.

The refinancing agreements signed during 2014 with the two main creditor banks include one financial covenant. Sonae Indústria undertakes to maintain a Financial Autonomy Ratio, calculated annually from 31 December 2015 onwards, higher than 6.97%. The non-compliance with this financial autonomy ratio requirement may lead to an event of default of the contractual obligations assumed in the before mentioned refinancing agreements, which could lead to its termination, including the early repayment of the associated financial debt.

- **Economic risks**

The **economic risks** that Sonae Indústria is exposed to include: Interest Rate Risk, Foreign Exchange Risk and Liquidity Risk.

Interest Rate Risk depends on the proportion of floating rate debt 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. As such, and as an exception to its general rule, Sonae Indústria Group may engage into interest rates derivatives, and in this case, the following principles should be observed: (i) derivatives should not be used for trading, profit making, or speculative purposes; (ii) engage preferably in derivative transactions with Investment Grade financial institutions; (iii) match exact periods, settlement dates and base interest rate of the underlying exposures; and (iv) maximum financial charges (aggregate of the

derivative and the underlying exposure) should be known and limited on the inception of the hedging period. The inefficiencies, whenever they exist, are booked under the financial results item of the consolidated income statement

Foreign Exchange Risk exposure is due to the fact that it is a geographically diversified group, with subsidiaries located in three different continents, and as such it is subject to transactions and balances denominated in pound sterling, South African rand, Canadian dollar, American dollar, Swiss franc and polish zloty. The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in exchange rates (risk relative to the value of capital invested in subsidiaries outside the Eurozone) and Sonae Indústria's subsidiaries are exposed to the risk of a change in both exchange and transaction rates (risk associated with commercial transactions made in currencies other than the euro). Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. The Group company 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 hedging, reducing the Group's transaction risk. In line with this reasoning, Sonae Indústria's subsidiaries only contract debt that is denominated in the respective local currency. Also, in situations where there is a relevant exchange risk as a result of operational activity involving currencies other than the local currency of each subsidiary, the exchange risk must, as a general rule, be mitigated by the subsidiary exposed to the exchange rate risk contracting foreign exchange derivatives. In turn, the currency conversion risk emerges from the fact that, when preparing the Group's consolidated accounts, the financial statements of the subsidiaries denominated in currencies other than that of the consolidated accounts (euro), must be converted into euros. As exchange rates vary between accounting periods and as the value of the subsidiaries' assets do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion in different periods at different exchange rates.

Liquidity Risk 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. For several years now the Group has maintained a series of bank and commercial paper credit facilities to meet treasury needs, for terms typically of up to one year, renewable with the agreement of the respective credit entities. These entities, most of which are also involved in medium and long term loans, are contractually entitled to not renew these credit facilities on maturity, although they have always ensured its renewal or replacement. Furthermore, it is not possible to foresee the level of subscription for commercial paper to be issued by the Company. In case these operations are not renewed, Sonae Indústria will have to find alternative short term financing sources so as to meet its debt service obligations. The Company believes that gains in operating performance attained over the last quarters will have a positive effect on the probability of renewing short term credit facilities as well as on the possibility of contracting additional short term financing facilities with other banks, as already accomplished in 2015. On the other hand, the possible execution of the agreement signed with Arauco Group, which has been disclosed to the market, to set up a strategic partnership involving wood based panels and related activities in Europe and South Africa, will bring about the renegotiation of most of the Group's bank debt. The company estimates that the possible conclusion of these renegotiations with present and new creditor banks, along with a reduction in global debt to be accomplished as a result of an increase in share capital of subsidiary Tableros de Fibras, S. A. for EUR 137.5 million to be subscribed for by Arauco, as stated on the signed agreement, will contribute to a significant improvement in the Company's debt maturity profile and cost.

- **Legal and Regulatory risks**

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.

The activities of Sonae Indústria and its subsidiaries are, as industrial activities, subject to regulatory frameworks in a number of areas, including national regulations, European Union directives and international agreements, by which Sonae Indústria is bound and which may influence its management and strategic decisions. Indeed, Sonae Indústria, through its subsidiaries, is subject not only to different legal frameworks in countries as diverse as Canada, South Africa, Germany, Spain, Portugal or France, but also to legislation in different areas, such as industrial and forestry, environmental, labour, hazardous materials transportation, health and safety, construction and housing, urban planning, among others. The non-compliance with such regulations could lead

to operational restrictions, investment needs or even the revocation of licences, authorization or permits or in sanctions. Possible changes to regulations, legislation, or changes in interpretation on the part of competent authorities, the position of authorities or difficulties in complying with new laws and regulations could lead to increased adjustment costs, namely industrial and operational, or, in the limit, constricting the respective operating income, which could have an adverse impact on Sonae Indústria and its subsidiaries activity and operating results. It should be highlighted the on-going regulatory changes of both REACH¹, on the reclassification of formaldehyde as dangerous substance and of the European Industrial Emissions Directive² in the definition of the best practices in the wood based panels sector. In the reclassification of formaldehyde – substance used in the manufacturing process of urea-formaldehyde resins, which are the bonding agent of the vast majority of the products manufactured by the Sonae Indústria – there is already a recommendation to reclassify this substance as “category 1B carcinogen” (presumed to have carcinogenic potential for humans, classification largely based on animal evidence)³. This substance reclassification has entered into force from 1 January 2016 onwards. This reclassification may have consequences both in the definition of the emission standards of Sonae Indústria’s industrial operations, and on the restrictive levels of concentration of formaldehyde in the workplace environments. These changes may lead to additional investments needs in Sonae Indústria’s manufacturing units. Although a general ban on the utilization of formaldehyde may be a possible theoretical scenario, it is not considered a likely one, being more foreseeable that such regulatory changes result in restrictions as the ones previously described. As for the definition of the best possible practices in the wood based panels sector, Sonae Indústria considers that additional investment may be required to comply with such practices, in a period between two to five years, with the aim of incorporating some of those practices in the activities where they are not currently considered.

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

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.

¹ *Registration, Evaluation, Authorisation and Restriction of Chemicals*; Regulation (CE) n. 1907/2006, of 18 December or Decree-law n. 293/2009, of 13 October.

² Directive n. 2010/75/EU.

³ In experiences performance on animals in relation to which there are enough evidence to support carcinogenicity consequences to animals (presumed carcinogenic for humans).

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 and local insurance policies as a support to its processes of risk management 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.

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 Integrated Risk Management (which includes the area of Insurance Management).

Operational Risk Management reports directly to the company Industrial Manager, in order to be focused on developing and implementing measures to mitigate risks in industrial operations.

A formally coordinated network of Country Risk Officers exists (for Germany and South Africa only) and at each of the sites there is a dedicated Plant Risk Officer.

The Operational Risk Management is also related to the **Corporate Department GTech** ("Group Technology"). This department is responsible for the implementation and sharing of industrial best practices and procedures, through an effective coordination with local teams, namely 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.

Sonae Indústria has also established an autonomous **Continuous Improvement** team, which 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 risk management is encompassed into the **Internal Audit & Risk Management** area.

The goal of the insurance management, which is included in the Integrated Risk management area, 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 2015 to achieve the goals set as regards risk control environment.

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 2015.

Corporate Operational Risk Standards (CORS)

The CORS were developed with reference to international standards such as NFPA⁴ and/or FM⁵ 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 risk management and insurance market fields. 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.

⁴ National Fire Protection Association.

⁵ Factory Mutual.

With the objective of complementing the above standards, specific standards that define the ideal protection per type of industrial equipment, started to be developed and implemented in 2015. This information is developed by the Operational Risk Management department together with GTech department, based on the existing equipment suppliers' best-practices and recommendations. These standards expedite the investment approval process, as the industrial already have the specifications necessary for the installation, thus promoting the standardization of the systems.

Under the scope of the risk reduction plan adopted by Sonae Indústria, namely prevention of risk of explosions, a specialized reference company has been selected to implement the mitigation measures. The execution of this plan was started in 2015 in Oliveira do Hospital and Beeskow industrial units.

In 2015, Sonae Indústria incident communication report procedure was revised to include additional and relevant information for the investigation of the accidents occurred in all industrial units.

As part of this procedure, on top of the incidents' report, it was included the report on "Near Misses". The analysis and sharing of this information allows a preventive action to reduce the number of incidents in the group.

It was implemented a monthly report, for each industrial unit, with four improvement actions implemented with the objective of eliminating risk situations. The report compiled with information on all industrial units is shared monthly within all Sonae Indústria group, promoting the benchmark of the corrected situations.

It was also developed and implemented a corporate report that compiles all events occurred in the month, related with people and assets, with identification of the root causes, consequences and mitigation measures implemented. The same reports include a monthly follow-up on these areas indicators.

These reports were widespread with all industrial units and shared with all employees to promote the identification of similar situations.

INSPECTIONS

External Risk Inspections

As Sonae Indústria changed from a Global Insurance program to Local Insurance programs, there is no longer in place a common evaluation to all industrial units.

This evaluation program is now performed in each geography by risk engineers from the insurance companies that are responsible for the corresponding policies in place. Depending on the geography and on the insurance companies, this process of risk evaluation can be either performed on an annual or quarterly basis.

These evaluation results are then translated into recommendations que continue to be scheduled in the Risk plan of each industrial unit.

Internal Risk Inspections

Following the change to local programs, and to define an evaluation criterion between all industrial units, it was implemented a common internal evaluation process for Safety, Operational Risk Management and Environment area.

During 2015 five industrial units were evaluated according to this new process.

The visits results are reported and a follow-up of the identified commendations is performed.

Risk Plan

Each individual plant plan defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards, with corporate directives published and with recommendations that result from the internal risk inspections. 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 2015 this process was reviewed and is now part of the investment needs preparation for the following year.

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 (Article 245-A, number 1, paragraph m))

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

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

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

The reliability, independence, integrity and the opportunity of the financial information are guaranteed through the clear separation between who executes the operations, prepares the information and its internal users (and naturally external), and even through the realization of several control activities throughout the process of preparation, validation and disclosure of financial information.

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

- The process of reporting financial information is documented. The risks, tasks and associated controls are identified, individualized and segregated, being properly established and approved the criteria for its preparation and disclosure, which are periodically reviewed;
- The utilization of consistent accounting principles in compliance with the rules in force, which are explained in the notes to the financial statements and are present in the company formal document – “Políticas Contabilísticas do Grupo” – permanently updated and validated by the Group's Executive Committee, constitutes the base of the report control system;
- The plans, procedures and records of Group companies allows a reasonable assurance that the transactions are executed only with a proper authorization approved by management, and recorded in compliance with accounting principles, also ensuring that the Group companies maintain a proper record of its assets with their existence reconciled with the accounting records, being adopted appropriate measures always when differences are verified.
- The financial, accounting and management information is reviewed regularly by the management of each business unit and by the persons in charge of the profit centres, ensuring continuous monitoring and related budget control;

- During the process of preparation and review of financial information, detailed schedules are established by the Consolidated Accounts Department, which are shared with the areas involved, being all documents reviewed in detail, including the review of principles used, verifying the accuracy of the information and its consistence with principles and policies defined in the Group's accounting policies document and followed in previous periods;
- With regard to the separate entities, accounting records are ensured by the Group's Share Service Centre that guarantees the control and consistent recording of business processes transactions and the recording of the assets, liabilities and equity accounts balances. The financial statements are prepared by the different functions of administrative services. Compliance with the rules and the schedule mentioned above, guarantees the consistent respect of criteria and the early detection of any potential deviation or inaccuracies in records. Financial statements are prepared by chartered accountants of each company and reviewed by Planning and Management Control, Consolidation, Statutory External Auditor and by Sonae Indústria's Statutory Audit Board;
- Consolidated financial statements are prepared on a monthly basis by the consolidation Group department. This process represents an additional control of the reliability of financial information, as regards the consistent application of accounting principles, cut-off procedures and control of related parties transactions and balances;
- In the assessment process of the company risk, the Executive Committee permanently identifies the relevant risks to the preparation of the financial statements in order to ensure an appropriate and real image of the company situation in every moment. A monthly detailed analysis of the financial statements aims to ensure that these reflect the risks, events and external and internal circumstances that impact the report period.
- The Management Report is prepared by the Investors Relations department and contributed to, and reviewed by, several business and support departments. The Corporate Governance Report is also prepared by the same department in cooperation with the legal department.
- The Group financial statements are prepared under the supervision of the Executive Committee. The documents that constitute the Annual Report and Accounts are sent for review and approval by the Sonae Indústria Board of Directors, after being preliminarily verified with the External Auditor. Once approved, the documents are sent to the External Auditor who issues the accounts legal certification and its report, both object of a detailed analysis and deliberation by the Statutory Audit Board.
- The process of preparing separate and consolidated financial information and the Management report is supervised by the Statutory Audit Board and by the Board Audit and Finance Committee of the Board of Directors. These bodies meet quarterly to review the individual and consolidated financial statements. The Statutory Auditor presents the main conclusions of the work carried out regarding the yearly financial information, directly to the Statutory Audit Board and to the Board Audit and Finance Committee. Promptly and when something material happens with relevant impact in the accounts, the External Auditor meets with the Statutory Audit Board to discuss and validate the implications of those situations in the results' announcements.
- Internal rules applicable to the disclosure of financial information aim to warrant that information is disclosed to the market in a timely manner, in order to prevent information asymmetry.

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

- Accounting estimates – major accounting estimates are described in the notes to the financial statements. Estimates are based on information available during the preparation of the financial statements and in the best knowledge and experience of past and present events;
- Balances and transactions with related parties – balances and transactions with related parties are disclosed in the notes to the financial statements. These transactions are related mainly to the operational recurrent activities of the Group, and to the granting and obtaining of loans under arm's length conditions and supported in good transfer pricing practices.

- Compliance and updated rules and accounting policies – The accounting policies produced by the different regulators are permanently updated. Financial statements are presented according with the last available versions and whenever such impacts the disclosure of the financial information reports, to prevent incompleteness, inaccuracy or ill-time of the financial statements, as referred in the notes to the financial statements.
- New information systems or reviewed or its discontinuity – The adoption of new information systems or its constant updates could impact the timely presentation of the financial information and even its reliability and consistency. The permanent update of the decision-making information systems is accompanied by multidisciplinary internal and external teams that provide an adequate control environment. In turn, the company risk of not having an effective and redundant information and technology infrastructure in the processes scope used to define, develop, keep and operate a timely and adequate treatment information environment, could result in information loss and/or in the availability of the systems to report the information in a complete way and in time. To minimize this risk, the Group has been developing and implementing information technology solutions that allows to face this risk in a more controlled way.
- Fraud and Human errors – The fraud situation in which an individual or a group of people in collusion, namely those with higher management responsibility positions, engages in fraud practices related with the financial information preparation can be hard to detect, depending on the hierarchical level of the intervenient. The existence of different information internal recipients, namely the top management level, the Planning and Management Control, the Investor Relations department and local teams allows successive and redundant controls which enable the identification of potential fraud and human errors situations.
- Cost/benefit relation of the internal control process – The implementation of an internal control system related with the preparation and disclosure of financial information can represent a cost that has to be assessed in terms of benefit. It has to exist a direct relationship between benefits (security) that the company aims to achieve with the internal control system implementation and the reasonable security that this may provide. The business processes optimization, which includes the process of preparation and disclosure of business information, has been subject of analysis and permanent update, in terms of processes optimization and internal control environment, existing an effective responsibility in the company with that objective and included in the information and technology department.
- Company's less common transactions – Sometimes company's less common transactions occur and because they are exceptional, they could not be detected and timely signaled by the internal control system once this could not be prepared to overcome it. When this exceptional situation happens, it is immediately identified at local or consolidated level, analysed by the several internal departments and, if it is the case, with external confirmation usually with the External Auditor and/or experts.

IV. INVESTOR RELATIONS

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

Sonae Indústria has its own Investor Relations' Department, 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 2015 the Department received contacts and requests for clarification from 15 investors, of which 6 were non-resident. In overall terms, the average response time to the information requests from investors was less than 48 hours. No information requests from earlier years are pending.

V. WEBSITE

59. Website address

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

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

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

<http://www.sonaeindustria.com/page.php?ctx=2,0,27> (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, which must be available for at least five years, as well as the half-year calendar of corporate events, released at the beginning of each semester, which must include dates of shareholders' general meetings and dates of release of annual, half-year and, if applicable, quarterly results

The company's accounting documents are available at:

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

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

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

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 the notice of General Meeting and all the preparatory and subsequent information

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=2,0,102> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,102> (English version)

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

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

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

<http://www.sonaeindustria.com/page.php?ctx=2,0,102> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,102> (English version)

D. REMUNERATIONS

I. COMPETENCIES FOR APPROVAL OF REMUNERATIONS

66. Details of the powers for establishing the remuneration of the governing bodies, Executive Committee members and of the company Persons Discharging Managerial Responsibilities

As defined in the Articles of Association of the company, the Shareholders' General Meeting is responsible for establishing the remuneration of the members of the governing bodies or for electing a committee for this

purpose. As for the members of the Board of Directors, the 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 on 31 of March 2015 for the mandate 2015-2017. Currently this committee is composed by Efanor Investimentos - SGPS, SA, represented by Duarte Paulo Teixeira de Azevedo, by, Imparfin - 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 Paulo Azevedo at the Shareholders' Remuneration Committee, who is also Chairman of the Board of Directors, corresponds to the representation of shareholder interests in the Shareholders' Remuneration Committee, as he intervenes in that capacity. Paulo Azevedo does not participate in the discussion nor is present in the moment of the meeting in which his own 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 as mentioned in Article 2 of Law 28/2009, dated 19 June

At the General Meeting held in 2015 the Remuneration Committee presented a declaration concerning the remuneration and compensation policy of the governing bodies and the Persons Discharging Managerial Responsibilities, and a share attribution plan.

However, the shareholder Efanor Investimentos, SGPS, S.A., taking into consideration that Sonae Indústria's restructuring plan is nearing completion, considers that the main objective of the organization should now be to increase the productivity and profitability of the existing businesses in order to create value for its shareholders. Thus, the variable component of the remuneration of the executive directors should be aligned with those strategic objectives. And, considering that the indexation of that variable component to the trading price of the shares of Sonae Indústria, SGPS, SA, is not the most direct way to ensure the referred to alignment, as an alternative to the proposal submitted by the Shareholders' Remuneration Committee of Sonae Indústria, it proposed the approval of the statement on the remuneration and compensation policy to be applied to the

Company's Statutory Governing Bodies and to Persons Discharging Managerial Responsibilities that presented and which was approved at the General Meeting.

The remuneration and compensation policy to be applied to the Statutory Governing Bodies of Sonae Indústria and other Senior Management 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 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 of comparable companies issuers of securities listed at the stock market.

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

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

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

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

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

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

Thus, for each financial year, an evaluation is made of business activity and of the 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.

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

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

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

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

The definition of the remuneration and compensation policy of members of the Company's statutory bodies, the main objective is to seize talent with high performance level, which represent a relevant and material

contribution to the sustainability of the Company's businesses. With that in mind, remuneration parameters of statutory bodies are set and periodically reviewed in accordance with remuneration practices of comparable national and international companies, aligning, in individual and aggregate terms, the maximum target amounts to be paid to members of the statutory bodies, with market practices, differentiating on an individual and positive manner the members of statutory bodies according to, amongst others, the respective profile and curriculum, the nature and job description and the responsibilities of the relevant statutory body and of the member itself, and the direct correlation degree between individual performance and businesses performance.

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

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

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

As for the Company's Statutory Governing Bodies, the approved policy establishes the following:

Executive Directors (EDs)

The remuneration and compensation policy for the Executive Directors (EDs) includes, in the way it is structured, control mechanisms, taking into account the connection to personal and collective performance, to prevent behaviours that 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 which comprises three elements, (ii.1) a first element of Short Term, awarded in the first half of the year following the year to which it relates (the "Performance Year"), subject to the accomplishment of the objectives fixed for the Performance Year, paid immediately after its award, (ii.2) a second element of Medium Term, awarded in the first half of the year following the year to which it relates, subject to the accomplishment of the objectives and paid after a 3 years deferral period, and (ii.3) a third element of Long Term, awarded in the first half of the year following the year to which it relates, subject to the accomplishment of the objectives fixed in each of the following five years and paid five years after its award.

(i) The fixed component of the remuneration (FR) of the EDs is based on the personal competences and level of responsibility of the function exercised by each ED and is reviewed annually. Each ED is attributed a classification named internally as Management Level ("Grupo Funcional"). EDs are classified under one of the following Management Levels: "Group Leader", "Group Senior Executive" and "Senior Executive". The Management Levels

are structured according to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons as well as helping to promote internal equity.

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

a) The Short Term Variable Bonus

The target value of the short term variable bonus equals, the maximum, to 1/3 of the target value of the total variable component.

The amount of the variable bonus of EDs without a specific geographic responsibility is based on the Company consolidated KPI's, resulting 50% from the Operational Cash Flow, 20% from Fixed Costs and 30% of the other performance indicators to be annually defined by the Shareholders' Remuneration Committee. Thereafter, a multiplication factor will be applied. This multiplication factor results from the individual performance assessment and can range between 0 and 150% according with the individual performance classification attributed to the relevant ED.

Regarding EDs with geographic responsibility, the calculation is similar to the previously described but the combine result of the Company's Operational Cash Flow and consolidated Fixed Costs has a weight of 50%, of which 35% for the Operational Cash Flow and 15% for Fixed Costs, the weight of the relevant geography represents the 20%, of which 15% is allocated to the Operational Cash Flow and 5% to Fixed Costs, and the remaining 30% depend on the other performance indicators, namely related to the performance of the working teams under the responsibility of the ED, to be annually defined by the Shareholders' Remuneration Committee. The multiplication factor resultant from the individual performance assessment is applied in the same way.

b) The Medium Term Variable Bonus (Deferred for 3 years)

The Medium Term Variable Bonus (MTVB) is designed to reinforce the alignment of the EDs with the strategic objectives of the company and the interests of the shareholders. The payment of the amount awarded is deferred for 3 years and adjusted proportionally in each one of the three years following the year to which it relates, in the portion of one third in each year. The indicators to be used are: (i) the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA), which will have a weight of 60%, and (ii) the increase of productivity in euros at constant prices by employees, with a weight of 40%.

c) The Long Term Variable Bonus (Deferred for 5 years)

The Long Term Variable Bonus (LTVB) is designed to increase the awareness of the importance of performance in a sustainable manner on the overall success of the organisation. The amount of this bonus in euros is equal to the Short Term Variable Bonus awarded, will be deferred for a 5 years period and will only be due if the company registers consolidated profits in all years during the deferred period and if such profits are, in each year, in an amount equal or higher than 20% of the consolidated Shareholders' Funds registered in the beginning of the year they respect to.

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

In respect to the calculation of the results the total value awarded is limited to the minimum 0% and the maximum of 200% of the total target value set in advance.

The payments may be made by any of the forms of termination of an obligation as set forth in the law and in the Company's articles of association, at the Shareholders' Remuneration Committee criteria, who may, namely, at

its free criteria, fix the receipt of any of the parts of the variable component through the sale of shares of Sonae Indústria, SGPS, S.A. a discount. This discount corresponds to a contribution to the acquisition of shares that will be supported by the persons to whom variable component remuneration was awarded, which shall correspond to a percentage of the trading price of the shares, at the date of the share transmission, up to a maximum percentage of 5% of such value.

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

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

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

Non-Executive Directors (NEDs)

The remuneration of the Non-Executive Members of the Board of Directors (NEDs) 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. Fixed Remuneration may be increased by up to 5% for those NEDs serving as Chairman of any Board Committee. There is no remuneration as variable bonus.

Statutory Audit Board (“Conselho Fiscal”)

The remuneration of the members of the Company’s Statutory Audit Board shall be based exclusively on fixed 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 amount, based on the Company’s situation and benchmarked against the market.

Persons Discharging Managerial Responsibilities

Under the terms of Paragraph 3 of Article 248.º - B of the Portuguese Securities Code, in addition to the members of the Statutory Governing Bodies mentioned above, Persons Discharging Managerial Responsibilities also includes individuals who have regular access to Privileged Information and are involved in taking management and business strategy decisions at the Company.

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

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

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

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

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

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

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

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

The Medium-Term Variable Bonus is deferred for a 3-year period and the Long-term Variable Bonus is deferred for a 5-year period.

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

The remuneration policy approved at the General Annual Meeting of 2015 no longer contemplates the remuneration in the form of shares, being still open the share attribution plans mentioned in item 86. To ensure the effectiveness and transparency of the remuneration and compensation policy, the executive directors have not entered and should not enter into agreements with the company or with third parties with the objective of mitigating the risk inherent to the variability of the remuneration that is fixed by the company.

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

The company does not attribute options.

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

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

76. Main characteristics of the complementary long-term or advanced retirement plans for directors and date of approval at the shareholders' general meeting for each individual

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

IV. DISCLOSURE OF REMUNERATION

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

2015	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total Long Term Variable Bonus	Total	
	2014	2015	2014 (a)	2015 (b)	2014 (c)	2015 (d)	2015 (e)	2014	2015
Belmiro de Azevedo (f)	182,200	44,800						182,200	44,800
Paulo Azevedo	28,300	45,685						28,300	45,685
Javier Veja	31,000	29,565						31,000	29,565
Albrecht Ehlers (g)	41,400	40,860						41,400	40,860
Carlos Moreira da Silva (h)	0	30,900						0	30,900
José Romão de Sousa (i)	0	24,125							24,125
Rui Correia	276,880	276,900	110,000 ⁽¹⁾	123,640 ⁽⁴⁾	165,000 ⁽⁷⁾	165,000 ⁽¹⁰⁾	123,640 ⁽¹³⁾	551,880	689,180
Cristopher Lawrie	222,905	223,220	89,990 ⁽²⁾	121,682 ⁽⁵⁾	89,990 ⁽⁸⁾	108,258 ⁽¹¹⁾	121,682 ⁽¹⁴⁾	402,885	574,842
Jan Bergmann (j)	250,000	250,000	93,264 ⁽³⁾	112,400 ⁽⁶⁾	139,896 ⁽⁹⁾	150,000 ⁽¹²⁾	112,400 ⁽¹⁵⁾	483,160	624,800
Total of Board of Directors	1,032,685	966,055	293,254	357,722	394,886	423,258	357,722	1,720,825	2,104,757

(a) Relative to 2014, amount approved and paid in 2015.

(b) Relative to 2015, estimated value subject to real KPI achievement and to subsequent approval by the Shareholder's Remuneration Committee.

(c) Relative to 2014, approved in 2015, deferred for the three-year vesting period until 2018.

(d) Relative to 2015, the initial amount is deferred for 3 years and adjusted proportionally in each one of the 3 years following the year to which it relates, in the portion of one third in each year. The indicators to be used are: (A) the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA), which will have a weight of 60%, and (B) the increase of productivity in euros by employee with a weight of 40%.

(e) Relative to 2015, the initial amount to be allocated will be deferred for a 5 years period and will only be due if the company registers consolidated profits in all years during the deferred period and if such profits are, in each year, in an amount equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year they respect to.

(f) Relative to three months in 2015.

(g) Out of the amount paid in 2014, 29,100 Euros were paid by Sonae Indústria, SGPS, SA and 12,300 by Glunz AG. Out of the amount earned in 2015, 28,560 Euros were paid by Sonae Indústria, SGPS, SA and 12,300 Euros by Glunz AG.

(h) Amount not yet paid.

(i) Relative to nine months in 2015.

(j) Amounts fully paid by Glunz AG.

(1) Fixed from the target value of the year in the amount of 110,000 Euros.

(2) Fixed from the target value of the year in the amount of 108,258 Euros.

(3) Fixed from the target value of the year in the amount of 100,000 Euros.

(4) Fixed as from the target value of the year in the amount of 110,000 Euros.

(5) Fixed from the target value of the year in the amount of 108,258 Euros.

(6) Fixed from the target value of the year in the amount of 100,000 Euros.

(7) Fixed from the target value of the year in the amount of 165,000 Euros.

(8) Fixed from the target value of the year in the amount of 108,258 Euros.

(9) Fixed from the target value of the year in the amount of 150,000 Euros.

(10) Fixed from the target value of the year in the amount of 165,000 Euros.

(11) Fixed from the target value of the year in the amount of 108,258 Euros.

(12) Fixed from the target value of the year in the amount of 150,000 Euros.

(13) Amount equal to the Short Term Variable Bonus granted

(14) Amount equal to the Short Term Variable Bonus granted

(15) Amount equal to the Short Term Variable Bonus granted

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 2015 the members of the Statutory Audit Board earned the following remuneration:

Statutory Audit Board member	Remuneration/Euros
Manuel Heleno Sismeiro (Chairman)	9,900
António Trábulo*	7,100
Óscar Quinta*	7,100
Armando Magalhães**	1,500
Jorge Morgado**	1,500
TOTAL	27,100
*Appointed at the General Shareholders' Meeting of 31 March 2015	
** Cessed duties at the General Shareholders' Meeting of 31 March 2015	

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

In 2015 the Chairman of the Board of the General Meeting, in duty until the Annual General Meeting, earned the total remuneration of 1,250 Euros. The Chairman of the Board of the General Meeting elected in that General Meeting earned the total remuneration of 3,750 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 and other officers ('dirigentes'), in accordance to the terms of Article 248-B, number 3, of the Securities Code, which foresee compensation in case of resignation, ungrounded dismissal or termination of the work contract subsequent to a change in the company control (Article 245-A, number 1, paragraph I)).

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

VI. SHARE PLANS OR STOCK OPTIONS PLANS

85. Identification of the plan and of the respective recipients

The remuneration policy approved at the Annual Shareholders' General meeting of 2015 does not contemplate any variable remuneration in the form of share attribution plan.

However, and taking into consideration that the previous policies contemplated such remuneration (denominated as Medium-Term Variable Bonus (MTVB)), it is still applicable for the plans that are open the rules established in the Share Attribution Plan that were subject to deliberation of the General Meeting in the year they refer to.

86. Description of the plan

The main characteristics of the Plans that are still open are:

MTVB was one of the components of Sonae Indústria's Remuneration Policy. This component which differed from the others, as it had a restricted and casuistic character, being subject to the eligibility rules set out in the Plan.

MTVB allowed the eligible persons to share with shareholders, the value that is created as a result of their direct influence on the strategy definition and management of the underlying businesses, in the proper measurement of the annual assessment of their performance.

The executive directors of Sonae Indústria and of its subsidiary companies were eligible to be awarded the MTVB.

According with the remuneration policy approved by the Board of Directors, employees who, through that policy, were entitled to the present plan were also eligible for the award of the MTVB.

MTVB was set on an annual basis, for periods of three years. From the beginning of the third consecutive plan it would occur, at each moment, the coexistence of three plans of three years each.

The MTVB was valued at the date of attribution using prices which represent the price of the share, in the Portuguese stock market, considering for this effect the most favourable of the following: closing share price of the first day of trading after the General Meeting of Shareholders or the average closing share price (regarding the thirty-day period of trading prior to the General Meeting of Shareholders).

Members entitled to MTVB have the right to acquire a number of shares corresponding to the division between the amount of MTVB granted and the price of the share at the date of attribution calculated under the terms of the previous paragraph. Such right can be exercised three years after attribution, which may be adjusted, through the deferral period by the completion level of long term KPIs defined by the Shareholders' Remuneration Committee, in order to reinforce the alignment with the long term sustainability business objectives.

In line with the statement of a strengthens policy of the alignment of executive directors with the company's long term interests, the Shareholders' Remuneration Committee could, at its discretion, determine that the executive director contributed to the acquisition of shares up to a percentage that could not exceed 5% of its share price at the date of the share transmission.

If, after the granting date and before its exercise, dividends are distributed, changes in the nominal value of shares or in the share capital of the company occur or any other change in equity with impact in the economic value of the attributed rights, the number of shares attributed will be adjusted to an equivalent figure considering the effect of the mentioned changes.

On the vesting date of the MTVB, the company reserves the right to deliver, instead of shares, cash in the amount the equivalent to its market value at exercise date.

The acquisition right of the shares attributed by the MTVB become due three years after its attribution.

The right to exercise the acquisition right of shares granted under the plan expires if the contractual link between the member and the company ceases before the three year period subsequent to its attribution, notwithstanding situations included in the following paragraphs.

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

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

The current policy is extensive to all active plans regarding which shares have not yet been transmitted.

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

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

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

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

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

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

The mechanisms implemented by the company for the 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.

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

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

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

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

All transactions with 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, in accordance to the terms of Article 20 of the Securities Code.

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.

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 36 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 during the 2015 exercise. Besides fulfilling the legal requirements and recommendations of the referred Code, Sonae Indústria, being aware of the importance of good corporate governance for business and for its shareholders, constantly seeks to adopt best practices in all areas in which operates, and as such prepared its own Code of Conduct, which can be found on the company's website www.sonaeindustria.com.

RECOMMENDATION	Degree of compliance	Corporate Governance report
I. VOTING AND CORPORATE CONTROL		
I.1 Companies should encourage their shareholders to attend and vote at general meeting and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	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 prevails - without super quorum requirements as to the one legally in force - and that in said	Comply	13

RECOMMENDATION	Degree of compliance	Corporate Governance report
resolution, all votes issued be counted, without applying said restriction.		
I.5 Measures that require payments or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and the free assessment by shareholders of the performance of Board members, shall not be adopted.	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	21 and 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
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

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>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.</p>	Comply	17 and 18
<p>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:</p> <ul style="list-style-type: none"> 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
<p>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.</p>	Comply	28
<p>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.</p>	Comply	28
<p>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</p>	Not applicable	

RECOMMENDATION	Degree of compliance	Corporate Governance report
other non-executive members and the conditions so that body can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		
II.2. Auditing		
II.2.1 Depending on the applicable model, the Chairman of Statutory Audit Board, the Chairman of the Audit Committee or the Chairman of the Financial Matters Committee shall be independent in accordance with the applicable legal standard and shall have the necessary skills to carry out the respective duties.	Comply	32 and 33
II.2.2 The Auditing Body shall be the main interface between the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the respective remuneration and ensuring that proper conditions for the provision of services are provided within the company.	Comply	45
II.2.3 The Auditing Body shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	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		
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:	Comply	69

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies;</p> <p>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;</p> <p>c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.</p>		
<p>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.</p>	Not applicable	
<p>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.</p>	Not applicable	
III. REMUNERATIONS		
<p>III.1 The remuneration of the executive board members shall be based on actual performance and shall discourage taking on excessive risk.</p>	Comply	69
<p>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.</p>	Comply	69
<p>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.</p>	Comply	69
<p>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.</p>	Comply	69 and 72
<p>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.</p>	Comply	69
<p>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.</p>	Comply	69

RECOMMENDATION	Degree of compliance	Corporate Governance report
III.7 When the variable remuneration includes stock options, the beginning of the exercise period shall be deferred for a period of not less than three years.	Not applicable	
III.8 When the dismissal of a board member is not due to serious breach of duties nor to the unfitness for the normal exercise of the functions but, yet, is due to an inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation beyond that which is legally due, is unenforceable.	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 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.	Comply	44
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1 The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to Article 20 of the Portuguese Securities Code shall be conducted during normal market conditions.	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		

RECOMMENDATION	Degree of compliance	Corporate Governance report
VI.1 Companies shall provide, via their websites, in both Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	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

Separate Statement of Financial Position

Separate Income Statement

Separate Statement of Comprehensive Income

Separate Statement of Changes in Shareholders' Funds

Separate Statement of Cash Flows

Notes to the Financial Statements

Sonae Indústria-SGPS,SA

SEPARATE STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

(Values in EUR)

ASSETS	Notes	31.12.15	31.12.14
NON CURRENT ASSETS:			
Tangible assets	3	703	1.339
Intangible assets	4	0	0
Investment in associates	6	664.493.068	545.741.926
Available-for-sale investments	6	122.922	122.922
Deferred tax assets	7	2.652.466	4.743.026
Other non current assets	8	284.895.781	378.640.939
Total Non Current Assets		952.164.940	929.250.152
CURRENT ASSETS			
Trade debtors	9	25.423	24.856
Other debtors	9	11.272.734	11.914.800
Income tax receivable	9	1.311.088	921.022
Other current assets	10	102.685	408.960
Cash and cash equivalents	11	164.408	34.598
Total Current Assets		12.876.338	13.304.235
Total Assets		965.041.278	942.554.387
SHAREHOLDER'S FUNDS AND LIABILITIES			
SHAREHOLDER'S FUNDS:			
Share Capital		812.107.574	812.107.574
Legal reserve		3.131.757	3.131.757
Other reserves and retained earnings		-432.356.410	-199.435.134
Accumulated other comprehensive income		225.852	177.210
Total Shareholder's Funds	12	383.108.773	615.981.407
NON CURRENT LIABILITIES			
Bank loans - long term - net of current portion	13	4.873.284	114.099.921
Debentures - long term - net of current portion	13		147.604.120
Total Non Current Liabilities		4.873.284	261.704.041
CURRENT LIABILITIES			
Current portion of long term bank loans	13	7.536.111	7.270.202
Bank loans - short term	13	212.354.481	39.969.550
Current portion of long term debentures	13	147.987.525	0
Trade Creditors	14	185.374	448.843
Other creditors	15	206.170.531	13.995.609
Income tax payable	15	489.624	834.858
Taxes and other contributions payable	15	34.613	57.403
Other current liabilities	16	2.300.962	2.292.474
Total Current Liabilities		577.059.221	64.868.939
Total Liabilities		581.932.505	326.572.980
Total Shareholder's Funds and Liabilities		965.041.278	942.554.387

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 2015 AND 2014
(Values in EUR)

	Notes	31.12.14	31.12.14
Operating Income:			
Other income and gains	22	229.308	91.996
Total operating income		<u>229.308</u>	<u>91.996</u>
Operating Costs:			
External supplies and services		-828.587	-491.496
Staff expenses	20/21	-1.222.140	-1.272.464
Depreciation and Amortization	3/4	-636	-1.462
Other expenses and losses	22	-386.153	-644.211
Total operating costs		<u>-2.437.517</u>	<u>-2.409.632</u>
Operating profit/(loss)		<u>-2.208.209</u>	<u>-2.317.637</u>
Financial profit/(loss)	23	<u>1.332.878</u>	<u>1.220.518</u>
Financial expenses		-17.939.500	-29.503.565
Financial income		19.272.377	30.724.083
Gains and losses in associated companies	24	-232.471.666	-131.619.660
Profit/(Loss) before taxation		<u>-233.346.997</u>	<u>-132.716.779</u>
Corporate income tax - current tax	25	2.622.628	1.443.167
Corporate income tax - deferred tax	25	-2.090.560	-784.210
Net Profit/(loss) from continuing operations, after taxation		<u>-232.814.929</u>	<u>-132.057.822</u>
Profit/(loss) for the period		<u><u>-232.814.929</u></u>	<u><u>-132.057.822</u></u>
Profit (loss) per Share			
Excluding Discontinued operations			
Basic	26	-0,02051	-0,01163
Diluted		<u>-0,02051</u>	<u>-0,01163</u>

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 31 DECEMBER 2015 AND 2014
(Values in EUR)

		31.12.15	31.12.14
Net profit/(loss) for the period	12	-232.814.929	-132.057.822
Other comprehensive income			
Other comprehensive income for the period, net of tax		48.642	97.201
		<u>48.642</u>	<u>97.201</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>- 232 766 287</u></u>	<u><u>- 131 960 621</u></u>

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 2015 AND 2014

(Values in EUR)

	NOTES	Accumulated other comprehensive income										Subtotal	Total shareholder's funds
		Share capital	Legal reserve	Other Reserves and accumulated 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		
Balance as at 1 January 2015		12	12	12									
		812 107 574	3 131 757	-199 435 134							177 210	177 210	615 981 408
Total comprehensive income													
Net profit / Loss for the period	12			- 232 814 929									- 232 814 929
Other comprehensive income													
Total				- 232 814 929									- 232 814 929
Others				-106.348							48 642	48 642	- 57 706
Balance as at 31 December 2015	12	<u>812 107 574</u>	<u>3 131 757</u>	<u>-432 356 411</u>							<u>225 852</u>	<u>225 852</u>	<u>383 108 773</u>
Balance as at 1 January 2014		700 000 000	3 131 757	-65 896 265							80 009	80 009	637 315 501
Total comprehensive income													
Net profit / Loss for the period	12			- 132 057 822									- 132 057 822
Other comprehensive income													
Total				- 132 057 822									- 132 057 822
Balance as at 31 December 2014	12	<u>812 107 574</u>	<u>3 131 757</u>	<u>-199 435 134</u>							<u>177 210</u>	<u>177 210</u>	<u>615 981 408</u>

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 2015 AND 2014
(Values in EUR)

OPERATING ACTIVITIES	Notes	2015	2014
Receipts from trade debtors		-567	0
Payment to trade creditors		1.729.411	1.067.760
Payments to staff		1.175.910	1.121.122
Net cash flow from operations		-2.905.889	-2.188.882
Payment/(receipt) of corporate income tax		-633.399	-1.481.922
Other receipts/ (payments) relating to operating activities		92.864	979.822
Net cash flow from operating activities [1]		-2.179.625	272.862
INVESTMENTS ACTIVITIES:			
Cash receipts arising from:			
Investments			
Tangible fixed assets and intangible assets			
Dividends	24	258.962	363.644
Cash payments arising to:			
Investments	6	144.431.770	72.537.574
Tangible fixed assets and intangible assets		144.431.770	905 72.538.479
Net cash flow from investing activities [2]		-144.172.808	-72.174.835
FINANCIAL ACTIVITIES			
Cash receipts arising from:			
Interest and similar charges		2.628.520	1.199.882
Increase in share capital			110.634.172
Loans granted to related parties		304.196.781	328.780.925
Loans obtained		1.293.733.981 1.600.559.282	3.357.148.292 3.797.763.271
Cash payments arising from:			
Interest and similar costs		17.851.953	33.014.061
Loans granted to related parties		212.441.000	162.175.000
Loans obtained		1.223.763.752	3.530.758.383
Others		1.454.077.039	3.725.947.444
Net cash used in financing activities [3]		146.482.243	71.815.827
Net increase in cash and cash equivalents (4) = (1)+(2)+(3)		129.810	-86.147
Cash and cash equivalents - opening balance	11	34.598	120.745
Cash and cash equivalents - close balance	11	164.408	34.598
Net increase / decrease in cash and cash equivalents		129.810	-86.147

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 2015

(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 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), applicable to the period beginning 1 January 2015 and endorsed by the European Union.

In the year ended 31 December 2015 the following standards and interpretations, which have been endorsed by European Union, became effective:

Annual improvements 2011-2013 (effective for periods beginning on or after 1 July 2014). The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect 4 standards: IFRS 1, First Time Adoption, IFRS 3, Business Combinations, IFRS 13, Fair Value Measurement and IAS 40, Investment Property;

IFRIC 21 (new), Levies (effective for periods beginning on or after 1 July 2014). Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment.

The application of these standards did not produce any significant effects on these consolidated financial statements.

At 31 December 2015, 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:

IAS 1 (amendment), Presentation of Financial Statements (effective for periods beginning on or after 1 January 2016). This amendment contains guidance relating to materiality and aggregation, presentation of subtotals, structure of financial statements and accounting policies;

IAS 16 (amendment), Tangible Fixed Assets, and **IAS 38** (amendment), Intangible Assets (effective for periods beginning on or after 1 January 2016). In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset;

IAS 19 (amendment), Employee Benefits (effective for periods beginning on or after 1 February 2015). This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service;

IFRS 11 (amendment), Joint Arrangements (effective for periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business;

IAS 16 (amendment), Tangible Fixed Assets, and **IAS 41** (amendment), Agriculture: 'Bearer Plants' (effective for periods beginning on or after 1 January 2016). This amendment defines the concept of bearer plant and transfers this type of asset from the scope of IAS 41 – Agriculture to the one of IAS 16 – Tangible Assets, with the related effect on measurement. However, biologic assets produced by these plants are kept in the scope of IAS 41 – Agriculture;

Annual improvements 2010-2012 (effective for periods beginning on or after 1 February 2015). These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect the following standards: IFRS 2 - Share-based Payment, IFRS 3 - Business Combinations, IFRS 8 - Operating Segments, IFRS 13 - Fair Value Measurement, IAS 16 - Property, Plant and Equipment, IAS 24 - Related Parties Disclosures and IAS 38 - Intangible Assets;

Annual improvements 2012-2014 (generally effective for periods beginning on or after 1 January 2016). This amendment cycle includes changes to the following standards: IFRS 5 – Non-current Assets Available for Sale and Discontinued Operations, IAS 19 – Employee Benefits and IAS 34 – Interim Financial Reporting.

At 31 December 2015, the following standards had been issued, with effective date on later periods and still pending endorsement by the European Union:

IAS 27 (amendment), Separate Financial Statements (effective for periods beginning on or after 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements;

IFRS 9 (new), Financial Instruments (effective for periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model;

IFRS 10 (amendment), Consolidated Financial Statements, and **IAS 28** (amendment), Investment in Associates and Joint Ventures (effective for periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary;

IFRS 10 (amendment), Consolidated Financial Statements, **IFRS 12** (amendment), Disclosure of Interests in Other Entities, and **IAS 28** (amendment), Investments in Associates and Joint Ventures: 'Investment entities – exemption from consolidation' (effective for periods beginning on or after 1 January 2016). This amendment specifies that an intermediate holding company which is a subsidiary of an investment entity is exempted from consolidation. Furthermore, the optional use of equity method under IAS 28 is extensible to an entity which not being an investment entity, holds an interest in an associate or joint venture which qualifies as investment entity;

IFRS 14 (new), Regulatory Deferral Accounts (applicable for periods beginning on or after 1 January 2016). This standard allows first-time adopting entities to keep recognizing regulatory assets and liabilities according to the accounting policy used in the former standards. However, to enhance comparability with entities using IFRSs, which do not recognize regulatory assets or liabilities, the amounts thereon must be separately disclosed on the financial statements;

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

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

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. Financial investments in Group and Associated Companies are tested for impairment 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 Fixed Assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at their deemed cost, which corresponds to their acquisition cost or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal at that date, net of depreciation and accumulated impairment losses.

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

Depreciation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life for each class of assets.

Depreciation rates used correspond to the following expected useful lives of the underlying assets:

Other Machinery	5<x<20
Office Equipment	4

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

Gains or losses arising from the sale or write-off of tangible assets are determined as the difference between the sale price and the accounting net value at the sale/write-off date and are registered as Other Operational Income/ Other Operational Losses.

2.4. Intangible Assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is likely that they will generate future economic benefits, if they are controlled by the company and if their cost can be reliably measured.

Development expenses are recognized as an intangible asset if the company demonstrates technical feasibility and intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Development expenses which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Intangible assets are recognized only if they are identifiable and it is probable that they will result in future economic benefits to the company, are controlled by it and it can reasonably measure its value.

Internal costs associated with maintenance and software development are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

Amortization is calculated on a straight line basis as from the date the asset is first used, over the expected useful life, which ranges from 3 to 6 years.

2.5. Accounting for leases

When accounting for leases in which the company is the lessee, the lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

A lease is classified as a financial or an operating lease dependent on the substance of the transaction rather than the form of the contract.

Lease payments within operating lease contracts are recognized as expenses on a straight line basis over the lease term.

2.6. Impairment of non-current assets

Assets are assessed for impairment at the end of each year, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded on the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value net of costs incurred on sale and its value in use. Fair value less sale related costs is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded on the income statement as Other Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2.7. Borrowing costs

Borrowing costs are normally recognized as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of tangible and intangible assets are capitalized as part of the cost of the qualifying asset. Borrowing costs are capitalized from the time of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalization. Borrowing costs are recognized as an expense in the period in which they are incurred.

2.8. Provisions

Provisions are recognized when, and only when, the company has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

In situations where it is estimated to have a significant period of time between the onset of the obligation and the related expenditure, the provision is recorded at its present value.

2.9. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Investments measured at fair value through profit or loss
- Available-for-sale investments

Investments measured at fair value through profit or loss includes the investments held for trading by the company to be sold within a short period of time. They are classified as current assets in the statement of financial position.

Available-for-sale investments are stated as non-current assets except if they are intended to be sold within the next 12 months as from the balance sheet date.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them.

Available-for-sale investments 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 has objective evidence that part or the whole amount receivable will not be paid and as long as the loss can be reliably estimated.

The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

The receivables are recorded as currents assets, except when its maturity is greater than twelve months from the balance sheet date, situation when they are classified as non-current assets.

c) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.13. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

The company uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the company for trading purposes.

Derivatives classified as cash flow hedge instruments (Swaps) are used by the company mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge

instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the Income statement.

The company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the company are initially accounted for at fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, included in Reserves and retained earnings on the statement of financial position, and then recognized in the income statement over the same period in which the hedged instrument affects income statement.

The fair value of these financial instruments is calculated with resource to derivative valuation software and was based on the present value, at report date, of future cash flows of both the fixed and variable legs of the derivative instrument.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the Income statement.

These derivative instruments, over which no hedge accounting was applied, are initially stated at cost, if any, and then adjusted to their fair value.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value. Gains and losses are taken through the Income statement.

Additionally, the company also negotiates, in specific situations, interest derivatives in order to hedge fair values. In these cases, derivatives are stated at fair value through profit or loss. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through profit or loss.

Derivative instruments are stated on the Statement of Financial Position under Other non- current assets, Other current assets, Other non-current liabilities and Other current liabilities.

For the periods presented, the company has no financial instruments traded derivatives.

g) Equity Instruments

The equity instruments that represent a residual interest in assets after deduction of liabilities and are recorded at the amount received net of any costs of issuance.

h) Own shares

The own shares are recorded at acquisition cost as a deduction from equity. Gains or losses on the sale of own shares are recorded in Other reserves included in Other reserves and retained earnings.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and for which the risk of change in value is insignificant.

In the statement of cash flows, cash and equivalents also include bank overdrafts, which are included in the balance sheet item Borrowings.

2.10. Liability for medium and long term incentives plan

Each year the Company 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 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 Statement of Financial Position against Staff expenses 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 Químicas, 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., Agloma Investimentos SGPS SA, Siaf Energia S.A. , Sonae Industria PCDM, S.A., Somit Imobiliaria, S.A. and Imoplamac –Gestão Imoveis S.A.

Sonae Industria - Management Services S.A was removed from this Special Group Tax Regime following its merge in another group company.

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.

The dividends received from investments in subsidiaries and associates are recognized as income in the period they are assigned to the partners or shareholders. Interests earned from loans are recorded in the period to which they relate, having regard to the period up to the end of each year.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other Current Liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they are to be recognised in the income statement.

2.14. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the Income statement as the difference between the sale price and the net book value at date of sale or write-off, under the caption Other Operating Profits and Losses.

2.15. Balances and transactions expressed in foreign currencies

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the report, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

2.16. Subsequent events

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

2.17. Risk management

a) Market Risk Management Policy

i) Interest Rate Risk

As a result of the relevant portion of floating rate debt on Sonae Indústria 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 Indústria, SGPS does not hedge its exposure to floating interest rates.

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;
- 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 2015, Sonae Indústria did not hold material investments classified as “available-for-sale”.

b) Liquidity Risk Management Policy

Liquidity risk management in Sonae Indústria 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 payments obligations when due, under the most favourable terms and conditions.

For this purpose, Liquidity management 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.

If an active market is not available, generally accepted valuation techniques are used, based on market assumptions. The resulting fair value corresponds to level 2 of fair value hierarchy, as defined in IFRS

13. When these techniques use mostly or exclusively unobservable information, the resulting fair value corresponds to level 3 or fair value hierarchy, as defined on the aforementioned standard.

2.20 Relevant Events

On 30 September 2015, Sonae Indústria entered into a strategic partnership agreement with Inversiones Arauco Internacional, Limitada, a company belonging to Arauco Group. This agreement envisages to set up a joint venture involving wood based panels and related operations presently controlled by Sonae Indústria Group in Europe and South Africa, which will be held in equal parts by Sonae Indústria and Arauco Groups.

This agreement, if implemented, will be carried out by means of an increase in share capital of Sonae Indústria's subsidiary Tafisa – Tableros de Fibras, S: A., for EUR 137.5 million, to be subscribed by Arauco, which will gain ownership of half of this subsidiary's share capital and subsequent joint control. The joint venture that may arise from this agreement will not include Sonae Indústria's operations in North America and the laminates and components business, which will continue to be controlled by Sonae Indústria.

The completion of this transaction is subject to certain conditions, namely, the clearance of the competent Competition Authorities, the execution of certain internal transactions to achieve the required business perimeter and certain amendments to relevant existing debt facilities of Sonae Indústria Group.

The high level of uncertainty that covers this operation derives not only from its contingent nature, as its realization depends on the fulfilment of the abovementioned conditions, but also from the timing of execution and from the values to assign to certain key variables.

Similarly, it is impracticable to reliably quantify the effects this transaction, in case it takes place, would have on the consolidated financial statements of the Company.

A reduction in ownership interest resulting from a capital increase, which would change a position of control to a situation of joint control, could affect the company's net profit or loss in a way that is not possible to reliably identify at this date as it is impossible to identify the value to assign to several key variables to this process.

3. Tangible Assets

During the periods ended 31 December 2015 and 2014, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

31.12.15			
	Machinery and equipment	Office equipment	Advances on account of tangible assets
	Total		
Gross asset:			
Opening balance	38.099	133.355	171.454
Closing Balance	38.099	133.355	-
Accumulated depreciation and impairment losses			
Opening balance	37.941	132.174	166.188
Depreciations for the period	44	592	636
Closing Balance	37.985	132.766	170.751
Carrying amount	114	589	-
31.12.14			
	Machinery and equipment	Office equipment	Advances on account of tangible assets
	Total		
Gross asset:			
Opening balance	38.099	132.619	736
Capital expenditure		736	(736)
Closing Balance	38.099	133.355	-
Accumulated depreciation and impairment losses			
Opening balance	37.897	130.756	166.188
Depreciations for the period	44	1.418	1.462
Closing Balance	37.941	132.174	170.115
Carrying amount	158	1.181	-

4. Intangible Assets

During the periods ended 31 December 2015 and 2014, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

31.12.15			
	Software	Software	Total
	NGI	Total	GI + NGI
Gross asset:			
Opening balance	550	550	550
Closing Balance	550	550	550
Accumulated depreciation and impairment losses			
Opening balance	550	550	550
Closing Balance	550	550	550
Carrying amount	-	-	-
31.12.14			
	Software	Software	Total
	NGI	Total	GI + NGI
Gross asset:			
Opening balance	550	550	550
Closing Balance	550	550	550
Accumulated depreciation and impairment losses			
Opening balance	550	550	550
Closing Balance	550	550	550
Carrying amount	-	-	-

5. Financial Instruments

As of December 31, 2015 and 2014, the assets and liabilities recognized in the statement of financial position correspond to the following categories:

	notes	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
31.12.15								
Non current assets								
Available for sale investments	6				122.922	122.922		122.922
Other non current assets	8	284.895.781				284.895.781		284.895.781
Current assets								
Customers	9	25.423				25.423		25.423
Other current debtors	9	11.272.734				11.272.734		11.272.734
Other current assets	10						102.685	102.685
Cash and cash equivalents	11	164.408				164.408		164.408
Total		296.358.346			122.922	296.481.268	102.685	296.583.953
31.12.14								
Non current assets								
Available for sale investments	6				122.922	122.922		122.922
Other non current assets	8	378.640.939				378.640.939		378.640.939
Current assets								
Customers	9	24.856				24.856		24.856
Other current debtors	9	11.914.800				11.914.800		11.914.800
Other current assets	10						408.960	408.960
Cash and cash equivalents	11	34.598				34.598		34.598
Total		390.615.192			122.922	390.738.114	408.960	391.147.074
		Liabilities at fair value through profit or loss	Hedge derivatives	Other financial Liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total	
31.12.15								
Non current liabilities								
Bank loans - net of current portion	13			4.873.284	4.873.284		4.873.284	
Current liabilities								
Bank loans	13			219.890.592	219.890.592		219.890.592	
Debentures	13			147.987.525				
Trade creditors	14			185.374	185.374		185.374	
Other current creditors	15			206.170.531	206.170.531		206.170.531	
Other current liabilities	16					2.300.962	2.300.962	
Total				579.107.306	431.119.781	2.300.962	433.420.743	
31.12.14								
Non current liabilities								
Bank loans - net of current portion	13			114.099.921	114.099.921		114.099.921	
Debentures - net of current portion	13			147.604.120	147.604.120		147.604.120	
Current liabilities								
Bank loans	13			47.239.752	47.239.752		47.239.752	
Debentures	13							
Trade creditors	14			448.843	448.843		448.843	
Other current creditors	15			13.995.609	13.995.609		13.995.609	
Other current liabilities	16					2.292.474	2.292.474	
Total				323.388.245	323.388.245	2.292.474	325.680.720	

6. Investments

At 31 December 2015 and 31 December 2014, details of investments were as follows:

	31.12.15		31.12.14	
	Non current	Current	Non current	Current
<u>Investment in group companies</u>				
Opening balance at 1 January	1.011.535.370	-	938.997.795	-
Acquisition over the period	351.731.770	-	72.537.574	-
Closing balance for the period	1.363.017.139	-	1.011.535.369	-
Accumulated impairment losses	-698.524.071	-	-465.793.443	-
	664.493.068	-	545.741.926	-
<u>Investments held for sale</u>				
Fair value at 1 January	122.922	-	122.922	-
Fair value at the end of the period	122.922	-	122.922	-
	664.615.990	-	545.864.848	-

Investment in group companies

The main changes is related to

Coverage of losses in subsidiary Taiber Tableros Aglomerados Ibericos SL amounting 30.600 Euros;
 Coverage of losses in subsidiary Sonae Industria Revestimentos, S.A. amounting 264.465 Euros;
 Coverage of losses in subsidiary Euroresinas – Industrias Quimicas, S.A. amounting 502.769 Euros;
 Coverage of losses in subsidiary Movelpartes – Componentes para a Indústria do Mobiliário, S.A. amounting 2.929.254 Euros;
 Capital increase in subsidiary Tafisa Tableros Fibras, S.A. amount of 139.799.681 Euros and purchase of shares to minority shareholders, amounting 855,000 Euros corresponding the participation on 31 December 2015 to 287.405 shares;
 Purchase of 13.734.113 shares of Megantic BV, for the amount of 207.300.000 Euros. The transaction value was supported by a valuation performed by an independent entity;
 Subscribe the entire share capital of a new company Frases e Frações – Imobiliária e Serviços, S.A., which was established in December, amounting 50.000 Euros corresponding to 1.000 shares;
 Sale the shares of Sonae Indústria – Management Services, S.A. to Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A. by 250.000 Euros;
 Registration of impairment losses on the participations of Tafisa Tableros Fibra, S.A. in the amount 229.232.774 Euros;
 Registration of impairment losses on the participations of Ecociclo – Energia e Ambiente, S.A. in the amount 691.359 Euros;
 Registration of impairment losses on the participations of Movelpartes – Componentes para a Indústria do Mobiliário, S.A. in the amount 2.806.495 Euros.

At 31 December 2015, Sonae Industria, SGPS had the following holdings in Group and Associated Companies:

Company	% Share	Acquisition Value	Accumulated Impairment Losses	Shareholder's Funds	Net profit
Euroresinas - Industrias Quimicas, S.A.	100,00%	18.169.378	0	16.356.462	609.826
Maiequipa - Gestão Florestal, S.A.	100,00%	3.438.885	962.785	2.938.397	-17.070 a)-c)
Movelpartes - Componentes para Industria do Mobiliário, S.A.	100,00%	7.661.911	6.794.065	1.114.613	-2.291.006 a)-c)
Sonae Industria de Revestimentos, S.A.	100,00%	22.552.828	10.195.530	11.533.574	261.247 a)-c)
Imoplamac - Gestão de Imóveis, S.A.	100,00%	6.000.000	0	6.048.535	1.108.961
Ecociclo - Gestão Ambiental, S.A.	100,00%	1.720.021	691.359	213.803	20.493 a)-c)
Frases e Frações - Imobiliária e Serviços, S.A.	100,00%	50.000	0	15.496	-34.504
Megantic BV	100,00%	207.300.000	0	60.929.402	-70.947
Tafisa - Tableros de Fibras, S.A.	99,86%	1.087.554.828	678.432.472	191.575.480	170.725.620 b)-c)
Aglom Investimentos, S.A.	6,54%	5.000.000	0	100.421.820	3.593.570
Sonae Industria - Produção e Comercialização de Derivados de Madeira, S.A.	2,97%	3.497.787	1.447.861	72.741.877	2.538.101 a)-c)
Siaf Energia, S.A.	0,20%	5.000	0	7.022.267	34.186
Sonae RE, Société Anonyme	0,04%	1.200	0	1.083.881	-110.315
Somit Imobiliária	0,02%	10	0	3.813.647	1.017.175
Taiber	0,02%	65.292	0	36.689.212	-82.018.452
		<u>1363.017.139</u>	<u>698.524.071</u>		

- a) The values recorded for the participation in Maiequipa - Gestão Florestal S.A., Sonae Industria Revestimentos S.A., Movelpartes – Componentes para a Indústria de Mobiliário, S.A, Ecociclo – Energia e Ambiente, S.A., Sonae Industria PCDM, S.A. and Tafisa –Tableros de Fibras, S.A. were estimated to be higher than their recoverable value, therefore the company recognized impairment losses (note 17).
- b) The amount of Shareholder's funds is related with Individual Shareholder's Funds
- c) Impairment tests carried out at 31 December 2015 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 2015. 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 in Germany added a risk premium in each country considered. 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 companies activity. Projected cash flows are based on the Group companies business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.

Assumptions used:

2015

	<u>Península Ibérica</u>	<u>Alemanha</u>	<u>África Sul</u>
Discount rate (pre-tax)	9,19%	7,68%	18,13%
Growth rate on Perpetuity	1,00%	1,00%	1,00%
Growth rate (CAGR 2015-2023):			
Total net income	1,35%	1,27%	2,68%
Cost of Goods sold and materials consumed	1,25%	1,32%	2,57%
Fixed costs	0,76%	0,61%	2,53%
Cash flows projected over	8 anos	8 anos	8 anos

2014

	<u>Península Ibérica</u>	<u>Alemanha</u>	<u>África Sul</u>
Discount rate (pre-tax)	9,54%	7,44%	17,14%
Growth rate on Perpetuity	1,00%	1,00%	1,00%
Growth rate (CAGR 2015-2023):			
Total net income	1,31%	1,24%	2,49%
Cost of Goods sold and materials consumed	1,20%	1,51%	2,08%
Fixed costs	0,72%	0,71%	2,45%
Cash flows projected over	8 anos	8 anos	8 anos

2015

	<u>Tableros de Fibras</u>			<u>SIR</u>	<u>M ovelpartes</u>	<u>Ecociclo</u>	<u>Sind PCDM</u>
	<u>Península Ibérica</u>	<u>Alemanha</u>	<u>África Sul</u>				
Discount rate (pre-tax)	9,19%	7,68%	18,13%	9,74%	9,22%	9,48%	9,53%
Growth rate on Perpetuity	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
Test Conclusions	Impairment			No impairment	Impairment	Impairment	No impairment

2014

	<u>Tableros de Fibras</u>			<u>SIR</u>	<u>M ovelpartes</u>	<u>Ecociclo</u>	<u>Sind PCDM</u>
	<u>Península Ibérica</u>	<u>Alemanha</u>	<u>África Sul</u>				
Discount rate (pre-tax)	9,54%	7,44%	17,14%	9,89%	9,96%	9,70%	9,60%
Growth rate on Perpetuity	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
Test Conclusions	Impairment			Impairment	Impairment	No impairment	No impairment

As a result of the tests carried out on 31 December 2015, the company recognized impairments related with the company Ecociclo – Energia e Ambiente, S.A. in amount of 691.359 Euros, related with the company Movelpartes-Componentes para a Indústria de Mobiliário, S.A. in amount of 2.806.495 Euros and related with the company Tafisa-Tableros de Fibra, S.A. in amount of 229.232.774 Euros (Note 17).

Investments held for sale

Available-for-sale investment consists of financial undertakings which do not fulfil the criteria to be stated as subsidiaries or as associates and is detailed as follows:

Shares INEGI	109.976
Shares CTIMM	5.986
Shares PIEP	5.000
Shares PINUS	1.496
Shares BIOMASSA	297
Deposir guarantee	167
	<u>122.922</u>

7. Deferred taxes

Details of deferred tax asset at 31 December 2015 and 31 December 2014 were as follows:

<u>DEFERRED TAXES - BALANCE</u>				
	31.12.15		31.12.14	
	Assets	Liabilities	Assets	Liabilities
Net losses carried forward	1.511.726	-	2.764.271	-
Others	1.140.740	-	1.978.755	-
	<u>2.652.466</u>	<u>-</u>	<u>4.743.026</u>	<u>-</u>
<u>DEFERRED TAXES - FLOWS</u>				
	31.12.15		31.12.14	
	Assets	Liabilities	Assets	Liabilities
Opening Balance	4.743.026	-	5.527.236	-
Net losses carried forward	-1.252.545	-	-1.318.807	-
Others	-838.015	-	534.597	-
Sub-total (Note 25)	<u>-2.090.560</u>	<u>-</u>	<u>-784.210</u>	<u>-</u>
Closing Balance	<u>2.652.466</u>	<u>-</u>	<u>4.743.026</u>	<u>-</u>

The amount included in Others concerns SIFIDE to deduct tax benefits in the coming years. The movements during the period refers to the use of about 594 thousand Euros in the income statement of 2014, the use of about 454 thousand Euros in calculating the 2015 tax estimate and SIFIDE registration for 2014 in about 210 thousand Euros.

8. Other Non-Current Assets

Details of Other Non-Current Assets at 31 December 2015 and 31 December 2014 were as follows:

	31.12.15	31.12.14
Loans granted to group companies (Nota 2.2 e 20)	284 895 781	378 640 939
	<u>284 895 781</u>	<u>378 640 939</u>
Accumulated Impairment Losses (Nota 17)	284 895 781	378 640 939
	<u>284 895 781</u>	<u>378 640 939</u>

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 5,109 %.

No repayment terms are provided, only for interest rate. The repayment is made by availabilities, and is not expected that the repayment will occur on one year.

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

At 31 December 2015 and 31 December 2014, details of Current Trade Debtors were as follows:

	31.12.15	31.12.14
Current customer accounts	25 423	24 856
	<u>25 423</u>	<u>24 856</u>

At 31 December 2015 and 31 December 2014, the detail of trade debtors' maturities was as follows:

	31.12.15	31.12.14
Not due	24.606	23.166
> 90 days	818	1.690
	<u>818</u>	<u>1.690</u>
	<u>25.423</u>	<u>24.856</u>

At 31 December 2015 and 31 December 2014, details of Other Current Trade Debtors were as follows:

	31.12.15	31.12.14
Group companies -interest (note 20)	3.209.190	5.117.470
Group companies -current Income Tax (note 20)	2.999.626	1.663.060
Group companies -loans (Note 20)	5.033.000	5.128.000
	<u>11.241.816</u>	<u>11.908.530</u>
Other debtors	30.917	6.270
	<u>11.272.734</u>	<u>11.914.800</u>

At 31 December 2015 and 31 December 2014, detail of Others Debtors maturities was as follows:

	AGEING OF ADVANCE CREDITORS		AGEING OF TRADE CREDITORS (ASSET BALANCES)		TOTAL DEBTORS	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Due and not impaired						
< 30 days	-	-	7.768	87	7.768	87
30 - 90 days	23.150	-			23.150	-
> 90 days				6.183	-	6.183
	<u>23.150</u>	<u>-</u>	<u>7.768</u>	<u>6.270</u>	<u>30.917</u>	<u>6.270</u>

At 31 December 2015 and 31 December 2014, details of State and Other Public entities were as follows:

	31.12.15	31.12.14
Current tax asset		
Income Tax	1.311.088	921.022
	<u>1.311.088</u>	<u>921.022</u>

10. Other Current Assets

Details of Other Current Assets at 31 December 2015 and 31 December 2014 were the following:

	31.12.15	31.12.14
Accrued revenue	29 283	27 308
Deferred costs	73 403	38 165
	<u>102 685</u>	<u>408 960</u>

11. Cash and Cash equivalents

At 31 December 2015 and 31 December 2014 detail of Cash and cash equivalents was the following:

	31.12.15	31.12.14
Cash at Hand	1 113	1 078
Deposits	163 295	33 520
Cash & Cash Equivalents - Balance Sheet	164 408	34 598
Overdraft (1)	(9.999.481)	(5.123)
	<u>(9.835.073)</u>	<u>29.475</u>

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

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

The amount of the item Other receipts/payments relating to operating activities in 2014, relates mainly to expenses incurred with capital increase.

12. Shareholders' Funds

Share Capital

The share capital, is 812.107.574,17 Euros and was comprised of 11 350 757 417 common shares, without face value. At 31 December 2015 and 2014, shares are not entitled to any fixed income. At the same date, neither the Company nor any of its affiliates held any shares in the Company.

The following entities had more than 20% of the subscribed capital on 31 December 2015:

<u>Entity</u>	<u>%</u>
Efanor Investimentos, SGPS, S. A.	42,66
Pareuro BV	25,83

Shareholder's Funds Detail:

	2015	2014
Share Capital	8 12.107.574	8 12.107.574
Legal Reserve	3.131.757	3.131.757
Other reservs and accumulated earnings	-432.356.410	-199.435.134
Free Reserve	20.145.630	20.145.630
Other Reserves	245.913.105	245.913.105
Accumulated Earnings	-465.600.216	-333.436.047
Net Income	-232.814.929	-132.057.822
Other accumulated comprehensive Income	225.852	177.210
	383.108.773	615.981.407

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.

Other Reserves and Accumulated Earnings

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, as well as the amount corresponding to the allocation of shares of the company in accordance with the note 2.10.

Accumulated Earnings: The change of this item relates to costs of capital increase of 106.348 Euros, in addition to the loss recorded in 2014.

Other Accumulated Comprehensive Income

Shares Plan: During 2015 was recognized the amount of 147.700 Euros related with Liability for medium and long term incentive plan, 77.131 Euros for the payment of Liability for medium and long term incentive 2011 and 21.927 Euros refers to a deviation between the amount estimated and the real payment.

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 147.700 Euros, recognized on Staff expenses stated in Income statement was registered according to the rules of transactions plans on the basis of shares and settled with own capital.

	2015						2014					
	Opening Balance	Converted Opening Balance	Assigned	Cancelled	Paid	Closing Balance	Opening Balance	Assigned	Cancelled	Paid	Closing Balance	
Nº Granted shares	433.881	35.177.700	31.545.125		11.861.298	54.861.527	302.747	181.586		50.452	433.881	
Fair Value	304.199		254.990		77.131	482.058	187.958	138.193		21.952	304.199	
Payment date			2018					2017				
Personnel costs			147.700					97.201				

The liability is recorded under “Reserves – Deferred Premium” and is included in the balance sheet item “Other Comprehensive income” and is detailed as follow:

	2015	2014
Shares Plan		
- Awarded 2012 and payable in 2015		90.803
- Awarded 2013 and payable in 2016	81.492	51.858
- Awarded 2014 and payable in 2017	80.613	34.548
- Awarded 2015 and payable in 2018	63.748	
	225.852	177.210

13. Loans

At 31 December 2015 and 31 December 2014 Sonae Indústria SGPS, S.A had the following outstanding loans:

	NOTES	31.12.15				31.12.14			
		Amortised cost		Nominal Value		Amortised cost		Nominal Value	
		Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Loans - Commercial Paper	c)	140.850.000	4.513.293	140.850.000	5.050.000	36.650.000	112.250.000	36.650.000	112.250.000
Bank Loans	a)	69.041.111	359.991	69.041.111	833.333	10.584.630	1.849.921	10.584.630	1.944.444
Debentures	b)	147.987.525		150.000.000			147.604.120		150.000.000
Bank Overdrafts		9.999.481		9.999.481		5.123		5.123	
Gross Debt		367.878.117	4.873.284	369.890.592	5.883.333	47.239.752	261.704.041	47.239.752	264.194.444
Cash & Cash Equivalent in balance sheet		164.887		164.887		34.598		34.598	
Net Debt		367.713.230	4.873.284	369.725.706	5.883.333	47.205.155	261.704.041	47.205.155	264.194.444
Total Net Debt		372.586.514		375.609.039		308.909.195		311.399.599	

The loans (nominal value) have the following repayment schedule, not considering the reclassifications mentioned below in notes b) and c):

	31.12.15	31.12.14
2015		47.239.752
2016	116.615.592	4.411.111
2017	10.383.333	4.133.333
2018	79.475.000	86.350.000
2019	84.600.000	84.600.000
2020	84.700.000	84.700.000
	375.773.926	311.434.197

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

	2015	2014
Bank Loans	6,682%	7,403%
Debentures	4,535%	5,809%
Loans - Commercial Paper	4,781%	6,303%

At 31 December 2015 the contracted loans are summarized as follows:

a) Bank Loans

1) On 05 august 2010 Sonae Industria contracted a loan with a financial institution in the total amount of 10.000.000 Euros, which was amended in august 2014 aiming to postpone maturity from November 2012 to August 2017, interests are calculated at market rate. At 31 December 2015, outstanding principal amounted to 1.944.444 Euros, shown under current liabilities in the amount of 1.111.111 Euros and Non-Current Liabilities in the amount of 833.333 Euros (at 31 December 2014 1.111.111 Euros shown under current liabilities and 1.944.444 Euros under non-current liabilities);

2) On 22 October 2014 Sonae Industria contracted a loan with a financial institution until the total amount 10.000.000 Euros. This loan pays interest at a variable rate. Contract is a 1 year term being automatically renewed for equal periods. On 26 June 2015 the company signed an addendum aiming to postpone maturity to 30 July 2016. At 31 December 2015 outstanding principal amounted to 7.930.000 Euros, shown under current liabilities;

3) On 2 June 2015 Sonae Industria contracted a loan with a financial institution until the total amount 60.000.000 Euros, this loan pays interest at a variable rate. Contract is a 1 year term being automatically renewed for equal periods. At 31 December 2015 outstanding principal amounted to 60.000.000 Euros, show under current liabilities. This loan is collateralized by a pledge of shares of subsidiary Tafisa Canadá Inc;

4) On December 2015 Sonae Industria contracted a loan with a financial institution until the total amount 10.000.000 Euros, this loan pays interest at a variable rate and will run until January 2016. At 31 December 2015 outstanding principal amounted to 9.999.481 Euros, show under current liabilities.

b) Bond Issues

On 21 November 2014 Sonae Industria issued a new Sonae Industria 2014/2020 bonds, through private subscription with a principal amount of 150.000.000 Euros and a six-year period. The maturity of this loan is November 2020 and payment will be done through reduction of nominal value, from the 7th coupon date , in six successive semi-annual instalments .Interest is paid semi-annually on may and November . Sonae Indústria, SGPS is required to fulfil an Equity ratio (Total net shareholders' funds/Total net assets). This ratio is tested annually based on the company's consolidated financial statements, from 31 December 2015 to maturity date, and its failure can lead to early maturity of this loan.

At 31 December 2015, conditions established by contract for the Equity ratio referred to in the above mentioned were not fulfilled, which caused loans amounting to EUR 147 987 525 Euros (amortized cost) to be reclassified under Current portion of non-current non-convertible debentures, on the Statement of Financial Position. At the date of approval of these financial statements, the company had obtained a formal statement from the financing institution assuring that repayment would not be required before contractually defined maturity date. As such, this loan will be disclosed under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

c) Other Loans – Commercial Paper

1) On September 2010 Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 2.500.000 Euros , which was increased to 12.500.000 Euros in march 2014. This programme matures in September 2015. On January 2016, by agreement of the parties, the maturity postpone to June 2016. At 31 December 2015 there was commercial paper issued for the programme's total amount.

2) On June 2013 Sonae Indústria SGPS, S.A. entered into a new agency agreement with a financial institution to issue commercial paper. The programme had a maximum nominal amount of 50.000.000 Euros which was increased to 100.000.000 Euros in December 2013 and the purchase of commercial paper is not underwritten. The programmes mature in June 2018. On November 2014 Sonae Indústria proceeded to repurchase commercial paper in the amount 30.000.000 Euros , 15.000.000 Euros were refinanced under the bond loan (described b-4)) At 31 December 2015 commercial paper issued amounted to 13.650.000 Euros maturing in short term .

3) On July 2014 Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 10.000.000 Euros. The programme will be reduced semi-annually from December 2015 until June 2018. At 31 December 2015 there was commercial paper issued for the programme's total amount with short term maturity in the amount of 3.300.000 Euros and long term maturity in amount of 5.050.000 Euros.

4) On august 2014 Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 110.000.000 Euros .On November 2014 occurred 1ª issue under this programme with a maximum amount of 103.900.000 Euros, the programme will be reduced semi-annually beginning august 2016 until its maturity November 2020.On 29 may 2015 the company signed a addendum, to change the maximum nominal amount to 93.900.000 Euros. At 31 December 2015 there was commercial paper issued for the programme's total amount. Sonae Indústria, SGPS is required to fulfil an Equity ratio (Total net shareholders' funds/Total net assets). This ratio is tested annually based on the company's consolidated financial statements, from 31 December 2015 to maturity date, and its failure can lead to early maturity of this loan. At 31 December 2015, conditions

established by contract for the Equity ratio referred to in the above mentioned were not fulfilled, which caused loans amounting to EUR 93.000.000 (amortized cost) to be reclassified under Current portion of non-current bank loans, on the Statement of Financial Position. At the date of approval of these financial statements, the company had obtained formal statements from the financing institutions assuring that repayment would not be required before contractually defined maturity dates. As such, these loans will be disclosed under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

5) On February 2015, Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 12.500.000 Euros. The programme will be reduced semi- annually beginning august 2016 until its maturity February 2018. Sonae Indústria, SGPS is required to fulfil an Equity ratio (Total net shareholders' funds/Total net assets). This ratio is tested annually based on the company's consolidated financial statements, from 31 December 2015 to maturity date, and its failure can lead to early maturity of this loan. At 31 December 2015, conditions established by contract for the Equity ratio referred to in the above mentioned were not fulfilled, which caused loans amounting to EUR 9.375.000 (amortized cost) to be reclassified under Current portion of non-current bank loans, on the Statement of Financial Position. At the date of approval of these financial statements, the company had obtained formal statements from the financing institutions assuring that repayment would not be required before contractually defined maturity dates. As such, these loans will be disclosed under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

6) On October 2015 Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 5.000.000 Euros. This loan pays interest at a variable rate. Contract is one year term being automatically renewed for equal periods. At 31 December 2015 there was commercial paper issued for the programme's total amount maturing in short term.

14. Trade Creditors

At 31 December 2015 and 31 December 2014 all amounts recorded under this item resulted from normal operations. Trade creditor maturities were as follows:

	MATURITY OF TRADE CREDITORS	
	31.12.15	31.12.14
To be paid		
< 90 days	142.925	417.226
90 - 180 days	13.835	3.640
> 180 days	28.614	27.978
	<u>185.374</u>	<u>448.843</u>

15. Other Creditors and State & Other Public Entities

At 31 December 2015 and 31 December 2014 details of this item were as follows:

	31.12.15	31.12.14
Other Creditors		
Group companies -current Income Tax (Note 20)	984.526	907.343
Loans from group companies (Note 20)	18.616.000	12.985.500
Other Creditors - financial investments (Note 20)	186.570.000	0
Financial Instruments	206.170.526	13.892.843
Others Creditors	5	102.767
	206.170.531	13.995.609

The amount recorded in Others creditors - Financial investments, is related to the amount owed for the acquisition of the company Megantic, BV.

Loans from Group companies have a short term maturity and they yield interest at an average rate of 1,799 %.

	31.12.15	31.12.14
Current tax liability	489.624	834.858
Income Tax	460.545	800.325
Tax retention	29.079	34.533
Other taxes and contributions	34.613	57.402
Value Added Tax	17.462	36.340
Social Security Contributions	17.151	21.062
Liabilities out of scope of IFRS7	524.237	892.260

16. Other Current Liabilities

At 31 December 2015 and 31 December 2014 this item had the following detail:

	31.12.15	31.12.14
Accrued Costs		
Personal expenses	269.472	247.646
Insurances	2.851	0
Accrued financial expenses	1.776.999	1.539.558
External supplies & services	251.641	505.270
Liabilities out of scope of IFRS7	2.300.962	2.292.474

17. Provisions and Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended December, 31 2015 and December, 31 2014 were the following:

31.12.2015					
Description	Opening Balance	Increase	Utilization	Reversion	Closing Balance
Accumulated impairment losses on investments (Note 6)	465.793.444	232.730.628			698.524.071
	465.793.444	232.730.628			698.524.071
31.12.2014					
Description	Opening Balance	Increase	Utilization	Reversion	Closing Balance
Accumulated impairment losses on investments (Note 6)	333.810.139	13.983.304			465.793.444
	333.810.139	13.983.304	0	0	465.793.444

Impairment losses are offset against the corresponding asset on Statement of Financial Position. Increase in impairment losses relates as described (note 24)

18. Operating Leases

At the balance sheet date, the company had irrevocable operating lease contracts with the following payment maturities:

	31.12.15	31.12.14
Maturing in em 2015		27.441
Maturing in em 2016	25.071	25.071
Maturing in em 2017	13.224	13.224
Maturing in em 2018	13.224	13.224
Maturing in em 2019	1.102	1.102
	52.621	80.062

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:

2015				2014			
Liquidity Risk				Liquidity Risk			
	Maturity of Gross Debt	Interests	Total		Maturity of Gross Debt	Interests	Total
2015				2015	47.234.630	13.347.874	60.582.504
2016	116.615.592	14.809.928	131.425.520	2016	4.411.111	12.062.340	16.473.451
2017	10.383.333	12.798.213	23.181.546	2017	4.133.333	11.812.634	15.945.967
2018	79.475.000	11.538.647	91.013.647	2018	86.350.000	10.666.037	97.016.037
2019	84.600.000	7.421.313	92.021.313	2019	84.600.000	6.762.174	91.362.174
2020	84.700.000	3.199.300	87.899.300	2020	84.700.000	2.909.008	87.609.008
	375.773.925	49.767.401	425.541.326		311.429.074	57.560.067	368.989.141

The calculation of interest in the previous table was based on interest rates at 31 December 2015 and 2014 applicable to each item of debt. Gross debt maturing in 2016 (2015) includes scheduled repayment of debt along with the repayment of debt as at end 2015 (2014) which is maturing within less than one year, and was not affected by reclassifications set out on note 13.b) and 13.c).

Maturities for the remaining financial instruments are stated on the respective notes.

For several years now the Company has maintained a series of bank and commercial paper credit facilities to meet treasury needs, for terms typically of up to one year, renewable with the agreement of the respective credit entities. These entities, most of which are also involved in medium and long term loans, are contractually entitled to not renew these credit facilities on maturity, although they have always ensured its renewal or replacement. Furthermore, it is not possible to foresee the level of subscription for commercial paper to be issued by the Company. In case these operations are not renewed, Sonae Indústria will have to find alternative short term financing sources so as to meet its debt service obligations.

The Company believes that gains in operating performance attained over the last quarters will have a positive effect on the probability of renewing short term credit facilities as well as on the possibility of contracting additional short term financing facilities with other banks, as already accomplished in 2015.

On the other hand, the possible execution of the agreement signed with Arauco Group, which has been disclosed to the market, to set up a strategic partnership involving wood based panels and related activities in Europe and South Africa, will bring about the renegotiation of most of the Group's bank debt. The company estimates that the possible conclusion of these renegotiations with present and new creditor banks, along with a reduction in global debt to be accomplished as a result of an increase in share capital of subsidiary Tableros de Fibras, S. A. for EUR 137.5 million to be subscribed for by Arauco, as stated on the signed agreement, will contribute to a significant improvement in the Company's debt maturity profile and cost.

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 on 2015 and 2014 if there would have been a change of +/- 0,75 percentage point in actual interest rates of the corresponding period.

Sensitivity Analysis						
2015			2014			
	"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	-18.616.000	-104.064	104.064	-12.985.500	-149.275	149.275
External	-357.844.444	-2.054.901	2.054.901	-307.829.074	-2.889.834	2.889.834
	-376.460.444	-2.158.965	2.158.965	-320.814.574	-3.039.109	3.039.109
Financial Instruments						
Derivates	-	-	-	-	-	-
Loans to group companies	274.520.029	2.789.286	-2.789.286	358.943.053	3.687.819	-3.687.819
Treasury Applications	-	-	-	-	-	-
	274.520.029	2.789.286	-2.789.286	358.943.053	3.687.819	-3.687.819
		630.321	-630.321		648.710	-648.710

The amount of debt included in the above table excludes bank overdrafts and borrowings that are not subject to changes in interest rate (amounting of 17.929.482 Euros in 2015 and 3.605.123 Euros in 2014) and in particular the amount to settle the Tafisa of 186.570.000 Euros, as described in note 15.

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 14,3 times the standard deviation of that variable in 2015 (35,7 times in 2014).

The interest amounts were calculated based on interest rates in effect at 31 December 2015, 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		Other debtors	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
- Aglom Investimentos	24.606	23.166	129.760	156.292	206.170.526	13.892.843	287.895.781	378.640.939	11.226.816	11.908.530
- Ecociclo					104.529	78.902		0	1.137.738	589.463
- Euroresinas					800.175	1.092.921		320.000	50.794	40.003
- Implamac					10.298.214	4.036.092		2.650.000	172.123	35.411
- Sind-pcdm	23.714	22.274	53.538	44.934	15.330	15.330	9.356.000	6.046.000	3.485.852	1.906.714
- Maesquipa					235.275	210.021	17.642.400	214.550.000	3.462.942	5.229.684
- Movelpartes					9.317	9.217	12.000.900	12.688.900	65.670	72.851
- Somit Imobiliária	892	892			1.072.051	54.007	906.000	1.045.000	64.990	228.218
- Siaf Energia					9.350	160.350	517.500	1.345.000	244.016	160.758
- Sonae Industria Revestimentos					3.356.691	3.489.191			95.227	180.092
- Sonae sgps			49.000	49.000	3.699.594	4.721.540			84.833	51.745
- Sind - Management services				5.658		25.272		938.000		176.720
- Tafisa Tableros Fibra					186.570.000		3.236.871	51.149.583	1.762.632	3.236.871
- Taber							255.036.110	292.423.456		
- Raso Viagens Turismo				25.552						
- Solinca investimentos Turisticos			140	360						
- Sonaecenter			20.200	24.525						
- Sonae RP			997							
- SC-Consultadoria			6	273						
- Imosede			221	332						
- Herco Consultoria risco			5.658	5.658						
- Frases e Frações - Imobiliária e Serviços									580.000	

Transactions	Purchases & Acquired Services		Interest Income		Interest Expenses	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
	186 682	191 264	19 238 604	30 724 083	267 282	910 557
- Agloma Investimentos			14.694	13.314		
- Ecociclo			16.937	19.091	7.863	1.885
- Euroresinas			125.033	109.768	93.582	15.741
- Implamac			444.297	321.085		
- Sind-podm	32.344	1.154	1.269.035	1.933.305		509
- Maiequipa			64.710	70.499		
- Movelpartes			66.354	48.717	4.771	7
- Somit Imobiliária			66.304	78.842	12.585	262
- Siaf Energia					60.191	64.510
- Sonae Industria Revestimentos					88.290	111.346
- Sonaecenter II	9.493	10.072				
- Sonae ,sgps	50.000	50.000				
- Sind - Management services	22.146	55.200	-144	66.705		
- Tafisa			1.762.632	3.236.871		
- Solinca investimentos Turisticos						
- Taiber			15.408.752	24.825.886		
- Pareuro						716.297
- SC-Consultadoria	6	444				
- Raso Viagens Turismo	64.402	72.604				
- Solinca investimentos Turisticos	1.038	360				
- Nos	7.839					
- Sonae RP	-1.486					
- Imosede	900	1.080				
- Cronosaude		350				

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

	2015	2014
Total Fixed salaries	719.310	761.815
Total Bonus	277.121	145.618
	996.431	907.433

21. Remuneration Supervisory Board

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

	2015	2014
Total Fixed salaries	38.975	38.100

Fees Paid to the Audit company PricewaterhouseCoopers 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 .

22. Other Operational Income and Expenses

	31.12.15	31.12.14
Other Operation Gains		
Supplementary revenue	1.931	
Gains on disposal of non current investments	125.235	
Others	102.442	9.1996
	<u>229.308</u>	<u>9.1996</u>
Other Operation Losses		
Taxes	140.314	400.859
Others	245.839	243.352
	<u>386.153</u>	<u>644.211</u>

23. Financial Results

	31.12.15	31.12.14
Financial expenses:		
Interest expenses	17.091.800	27.214.826
Others	847.699	2.288.739
Financia profit/ (loss)	1.332.878	1.220.518
	<u>19.272.377</u>	<u>30.724.083</u>
Financial income		
Interest income (note 20)	19.272.377	30.724.083
	<u>19.272.377</u>	<u>30.724.083</u>

24. Gains on Investments

	2015	2014
Dividends		
Agloma - Investimentos,SGSPS,S.A.	258.046	
Siaf Energia,S.A.	781	545
Somit Imobiliária SA	135	380
Sonae Indústria - Management Services, S.A.		362.720
Gains related with investments	<u>258.962</u>	<u>363.644</u>
Registration of impairment of participation of SIR,S.A.(Note 6)		-3.607.297
Registration of impairment of participation of Movelpartes,S.A.(Note 6)	-2.806.495	-1.711.570
Registration of impairment of participation of Tafisa,S.A.(Note 6)	-228.232.774	-125.216.576
Registration of impairment of participation of Ecociclo,S.A.(Note 6)	-69.1359	
Registration of impairment of participation of Sind PCDM SA (Note 6)		-1.447.861
Losses related with investments	<u>-231.730.628</u>	<u>-131.983.304</u>
Profit/(loss) on other investments	<u>-231.471.666</u>	<u>-131.619.660</u>

25. Taxes

The income and deferred taxation recorded at 31 December 2015 and 31 December 2014 were:

	31.12.15	31.12.14
Current tax	9.093	862.735
Deferred tax (Note 7)	439.429	(784.210)
	<u>448.522</u>	<u>78.525</u>
Current tax -Prior Year adjustment	83.546	580.432
	<u>532.068</u>	<u>658.957</u>
Current tax	92.639	1.443.167
Deferred tax	439.429	(784.210)

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

	2015	2014
Net income/(loss) before tax	-233.346.997	-132.716.779
Tax rate	21%	23%
Expectable tax	49.002.869	30.524.859
Impairment loss of financial assets	-48.873.432	-30.356.160
Dividends	54.190	-83.638
Current tax at special rate	-9.093	-8.699
Deferred tax asset recognize	300.498	173.074
Others	-26.510	-170.912
	448.522	78.525

26. Earnings Per Share

Earnings per share were calculated as follows:

	31.12.15	31.12.14
Net Profit (loss)		
Net Profit / (loss) considered to calculate base earnings per share (Periodic Net Profit/(loss))	- 232 814 929	- 132 057 822
Net Profit/(loss) considered diluted earnings per share	- 232 814 929	- 132 057 822
Number of Shares		
Weighted average number of shares used to calculate basic earning per share	11 350 757 417	11 350 757 417
Weighted average number of shares used to calculate diluted earnings per share	11 350 757 417	11 350 757 417
Basic and diluted earnings per share	-0,02051	-0,01163

During 2015, no effect from discontinued operations was recorded.

27. 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.

Was completed in 2014 the Tax audit to IRC group companies for the year 2012, from this audit resulted corrections to taxable income in the amount of 498.494 Euros, related with current tax the amount of 478.766 Euros, and related with compensatory interest the amount of 19.729 Euros. The company filed a law suit and provided a guarantee, in January 2015, 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 2015 the Tax audit to IRC group companies for the year 2013, from this audit resulted corrections to taxable income in the amount of 297.463 Euros, related with current tax the amount of 277.140 Euros, and related with compensatory interest the amount of 20.323 Euros. The company don't agree with this fix will present a judicial review and will request the suspension of tax foreclosure process, for that reason the company did not register any adjustment in financial statements

Sonae Industria SGPS has granted a guarantee amounting to 5.049.804 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 leasing contract that Imoplamac has with a bank, in case of disregard of the contract, in the amount of 6.690.000 Euros.

On 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 50.000.000 Euros, which may be withdrawn by each entities over a period up to six months. This loan pays interest at variable rate and matures was in October 2015. On this date, and with agreement of both parties, the maturity of this loan change to July 2016. At 31 December 2015 Taiber, Tableros Aglomerados

Ibéricos, S. L. had withdrawn 39 000 000 Euros (no amount had been withdrawn by Sonae Indústria, SGPS SA). Shares of the subsidiary Sonae Novobord are pledged as a guarantee for this loan.

On October 2014 Sonae Indústria, SGPS, SA and Tableros de Fibras SA contracted a loan with a Portuguese financial institution for a maximum amount of 65.000.000 Euros, withdrawn in November 2014. This loan pays interest at variable rate and matures in November 2022 and will be redeemed in 4 consecutive and equal semi-annual instalments, beginning in may 2021. At 31 December 2015 Tableros de Fibras SA had withdrawn 65.000.000 Euros (no amount had been withdrawn by Sonae Indústria, SGPS SA). Shares of the subsidiary Glunz AG are pledged as a guarantee for this loan.

On November 2015 the affiliate Euroresinas – Indústrias Químicas, S.A. contracted a loan with a Portuguese financial institution for an amount of 4.000.000 Euros. This contract requires the fulfilment of a ratio calculated based on individual financial statements of Euroresinas – Indústrias Químicas, S.A.: "Net debt/EBITDA". This ratio is tested upon publication of annual financial statements and its failure can lead to early maturity of this loan.

Subsidiary Glunz AG and other German producers of wood-based panels are involved in some litigation filed by some customers for damages resulting from the alleged violation of competition laws, after which Glunz AG and GHP received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes have come to an end in 2015 with the related effects recognized in these consolidated financial statements. For the cases still under way, complaints correspond to a maximum contingency in the amount of EUR 55 million. According to the opinion of our lawyers, at the closing date of these consolidated financial statements, it is not possible to reliably estimate the outcome of the ongoing processes or the amount of any payments that may be established.

28. Subsequent events

On September 2010, Sonae Indústria SGPS, S.A. contracted a Commercial Paper programme with a maximum nominal amount of 2.500.000 Euros, which was increased to 12.500.000 Euros in March 2014. This programme matures in September 2015. On January 2016, by agreement of the parts, the maturity was postponed to June 2016.

As stated on notes 13.b) and 13.c), at the date of approval of these financial statements, the Company had obtained formal statements from financing institutions assuring that until maturity date repayment will not be required for loans whose ratios were not fulfilled taking into consideration figures disclosed in the consolidated financial statements as at 31 December 2015. As such, bank loans amounting to EUR 103.275.000 (amortized cost) and debentures amounting to EUR 147 987 525 (amortized cost) will be reclassified under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

29. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 17 February 2016..

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

Consolidated Income Statement

Consolidated Statement of Comprehensive Income

Consolidated Statement of Changes in Shareholders' Funds

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2015	31.12.2014
NON CURRENT ASSETS:			
Tangible fixed assets	11	628 779 728	700 089 421
Goodwill	14	80 884 032	82 096 717
Intangible assets	12	4 203 028	7 807 933
Investment properties	13	6 450 977	1 224 698
Investment in associates	10	1 493 139	1 354 074
Investment in joint ventures	10	5 695 259	7 326 715
Investment available for sale	10	1 155 713	1 128 608
Deferred tax asset	15	28 358 134	27 754 742
Other non current assets	16	804 270	972 238
Total non current assets		<u>757 824 280</u>	<u>829 755 146</u>
CURRENT ASSETS:			
Inventories	18	98 007 573	99 271 758
Trade debtors	19	85 053 009	98 523 551
Other current debtors	20	13 202 016	13 851 354
Current tax asset		2 799 769	3 312 542
Other taxes and contributions	22	4 811 295	7 296 381
Other current assets	21, 27	10 406 656	10 064 096
Cash and cash equivalents	23	28 924 470	11 948 475
Total current assets		<u>243 204 788</u>	<u>244 268 157</u>
Non-current assets held for sale	17	1 535 588	11 910 006
TOTAL ASSETS		<u><u>1 002 564 656</u></u>	<u><u>1 085 933 309</u></u>
SHAREHOLDERS' FUNDS, NON-CONTROLLING INTERESTS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	24.1	812 107 574	812 107 574
Legal reserve	24.2	3 131 757	3 131 757
Other reserves and accumulated earnings	24.3	- 801 248 687	- 767 474 878
Accumulated other comprehensive income	24.4	43 785 859	63 393 095
Accumulated other comprehensive income directly associated with non-current assets held for sale	24.4		- 27 802
Total shareholders' funds attributable to equity holders of Sonae Indústria		<u>57 776 503</u>	<u>111 129 746</u>
Non-controlling interests	25	- 106 611	- 262 099
TOTAL SHAREHOLDERS' FUNDS		<u><u>57 669 892</u></u>	<u><u>110 867 647</u></u>
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans - net of current portion	26	53 413 866	231 403 466
Non-convertible bonds	26		147 604 120
Finance lease creditors - net of current portion	26	16 749 594	23 440 018
Other loans	26	1 325 632	54 951 368
Post-retirement liabilities	30	26 578 632	27 279 500
Other non current liabilities	29	33 589 842	42 000 326
Deferred tax liability	15	55 427 496	63 291 251
Provisions	34	9 355 417	7 488 485
Total non current liabilities		<u>196 440 479</u>	<u>597 458 534</u>
CURRENT LIABILITIES:			
Current portion of non-current bank loans	26	178 706 758	21 562 801
Current bank loans	26	153 596 265	85 212 092
Current portion of non-current non-convertible bonds	26	147 987 525	
Current portion of non-current finance lease creditors	26	5 669 033	5 829 498
Other loans	26	41 619 187	6 186 912
Trade creditors	31	138 586 348	156 378 992
Current tax liability		1 508 253	2 614 128
Other taxes and contributions	32	7 018 495	7 005 541
Other current liabilities	27, 33	72 606 959	77 936 006
Provisions	34	1 155 462	5 307 416
Total current liabilities		<u>748 454 285</u>	<u>368 033 386</u>
Liabilities directly associated with non-current assets held for sale	17		9 573 742
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>1 002 564 656</u></u>	<u><u>1 085 933 309</u></u>

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in Euros)

	Notes	31.12.2015	31.12.2014
Sales	40, 45	1 023 628 488	1 009 551 129
Services rendered	40, 45	3 703 569	4 980 692
Other income and gains	37, 40	24 620 998	39 874 435
Cost of sales	40, 45	537 335 500	540 981 344
(Increase) / decrease in production	40	- 699 094	3 805 614
External supplies and services	40, 45	254 025 760	256 553 844
Staff expenses	40	150 225 328	151 501 141
Depreciation and amortisation	11, 12, 13, 43, 45	63 275 966	64 099 693
Provisions and impairment losses (increase / reduction)	34, 40, 45	450 379	10 285 817
Other expenses and losses	38, 40	18 070 511	9 312 194
Operating profit / (loss)	45	29 268 705	17 866 609
Financial expenses	41	53 295 470	62 290 708
Financial income	41	12 405 166	12 549 544
Gains and losses in associated companies	6, 10	246 384	- 224 516
Gains and losses in joint ventures	5, 10	- 1 621 962	- 3 267 193
Net profit/(loss) from continuing operations, before taxation		- 12 997 177	- 35 366 264
Taxation	42	3 682 757	7 005 794
Consolidated net profit / (loss) from continuing operations, after taxation		- 16 679 934	- 42 372 058
Profit / (loss) from discontinued operations, after taxation	43	- 19 325 299	- 73 507 271
Consolidated net profit / (loss) for the period		- 36 005 233	- 115 879 329
Attributable to:			
Equity Holders of Sonae Industria			
Continuing operations	44	- 16 679 564	- 42 315 604
Discontinuing operations	44	- 19 325 028	- 73 404 581
Equity Holders of Sonae Industria		- 36 004 592	- 115 720 185
Non-controlling interests			
Continuing operations		- 370	- 56 454
Discontinuing operations		- 271	- 102 690
Non-controlling interests		- 641	- 159 144
Profit/(Loss) per share			
From continuing operations:			
Basic	44	- 0.0015	- 0.0340
Diluted	44	- 0.0015	- 0.0340
From discontinued operations:			
Basic	44	- 0.0017	- 0.0589
Diluted	44	- 0.0017	- 0.0589

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 2015 AND 2014

(Amounts expressed in Euros)

	Notes	31.12.2015	31.12.2014
		<hr/>	<hr/>
Net consolidated profit / (loss) for the period (a)		- 36 005 233	- 115 879 329
Other consolidated comprehensive income			
Items that may be subsequently transferred to profit or loss			
Change in currency translation reserve	24.4	- 14 629 590	4 060 084
Change in fair value of available-for-sale financial assets		8 528	- 1 838
Items that may not be subsequently transferred to profit or loss			
Revaluation of tangible fixed assets	24.4		- 19 672 832
Remeasurements of defined benefit plans	24.4	240 357	- 3 293 237
Income tax relating to items that will not be reclassified	15, 24.4	- 48 000	- 9 167 910
Other consolidated comprehensive income for the period, net of tax (b)		- 14 332 705	- 9 739 913
Total consolidated comprehensive income for the period (a) + (b)		- 50 337 938	- 125 619 242
Total consolidated comprehensive income attributable to:			
Equity holders of Sonae Industria		- 50 336 776	- 125 465 886
Non-controlling interests		- 1 162	- 153 356
		- 50 337 938	- 125 619 242

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in Euros)

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Non controlling interests	Total shareholders' funds
Notes	24.1	24.2	24.3	24.4		25	
Balance as at 1 January 2014	700 000 000	3 131 757	- 647 867 883	72 681 459	127 945 333	- 795 247	127 150 086
Total consolidated comprehensive income for the period							
Net consolidated profit/(loss) for the period			-115 720 185		- 115 720 185	- 159 144	- 115 879 329
Other consolidated comprehensive income for the period				-9 745 701	- 9 745 701	5 788	- 9 739 913
Total			-115 720 185	-9 745 701	- 125 465 886	- 153 356	- 125 619 242
Increase in share capital	112 107 574		-1 470 000		110 637 574		110 637 574
Medium term incentive plan			201 079		201 079	117	201 196
Change in ownership percentage			-1 551 038	999 576	- 551 462	551 462	
Others			-1 066 851	- 570 041	-1 636 892	134 925	- 1 501 967
Balance as at 31 December 2014	<u>812 107 574</u>	<u>3 131 757</u>	<u>-767 474 878</u>	<u>63 365 293</u>	<u>111 129 746</u>	<u>- 262 099</u>	<u>110 867 647</u>

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Non-controlling interests	Total shareholders' funds
Notes	24.1	24.2	24.3	24.4		25	
Balance as at 1 January 2015	812 107 574	3 131 757	-767 474 878	63 365 293	111 129 746	- 262 099	110 867 647
Total consolidated comprehensive income for the period							
Net consolidated profit/(loss) for the period			-36 004 592		- 36 004 592	- 641	- 36 005 233
Other consolidated comprehensive income for the period				-14 332 184	- 14 332 184	- 521	- 14 332 705
Total			-36 004 592	-14 332 184	-50 336 776	- 1 162	-50 337 938
Medium term incentive plan			39 028		39 028		39 028
Change in ownership percentage			- 914 847	150 137	- 764 710	156 650	- 608 060
Transferred to Accumulated earnings			899 838	- 899 838			
Others			2 206 764	-4 497 549	- 2 290 785		- 2 290 785
Balance as at 31 December 2015	<u>812 107 574</u>	<u>3 131 757</u>	<u>-801 248 687</u>	<u>43 785 859</u>	<u>57 776 503</u>	<u>- 106 611</u>	<u>57 669 892</u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2015 AND 2014
(Amounts expressed in Euros)

	<u>Notes</u>	31.12.2015	31.12.2014
<u>OPERATING ACTIVITIES</u>			
Receipts from trade debtors		1 048 155 395	1 119 109 395
Payments to trade creditors		832 431 811	877 170 912
Payments to staff		159 242 660	178 068 622
Net cash flow from operations		56 480 924	63 869 861
Payment / (receipt) of corporate income tax		8 742 423	8 843 931
Other receipts / (payments) relating to operating activities		- 6 945 209	72 602
Net cash flow from operating activities (1)		40 793 292	55 098 532
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments			4 718
Tangible fixed assets and intangible assets		8 257 926	29 037 621
Investment properties		1 295 290	
Investment subventions		118 777	775 301
Dividends		9 500	45 000
Non-current assets held for sale		3 039 998	4 466 628
		12 721 491	34 329 268
Cash Payments arising from:			
Investments		5 373 571	124 821
Tangible fixed assets and intangible assets		25 582 926	40 628 940
Others			4 054
		30 956 497	40 757 815
Net cash used in investment activities (2)		- 18 235 006	- 6 428 547
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Interest and similar income		722 684	676 665
Loans granted to related parties			9 175 000
Loans obtained	26.5	1 471 693 025	3 644 065 246
Increase in share capital		168 502	110 734 770
		1 472 584 211	3 764 651 681
Cash Payments arising from:			
Interest and similar charges		34 633 530	48 808 551
Loans granted to related parties			9 175 000
Loans obtained	26.5	1 448 257 179	3 759 942 712
Finance leases - repayment of principal		4 661 365	5 914 358
Others		36 031	53 930
		1 487 588 105	3 823 894 551
Net cash used in financing activities (3)		- 15 003 894	- 59 242 870
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		7 554 392	- 10 572 885
Effect of foreign exchange rate		2 246 997	- 133 284
Cash and cash equivalents at the beginning of the period	23	10 500 810	20 940 411
Cash and cash equivalents at the end of the period	23	15 808 205	10 500 810

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 2015

(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 45.

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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), applicable to the period beginning 1 January 2015 and endorsed by the European Union.

2.1.1. In the year ended 31 December 2015 the following standards and interpretations, which have been endorsed by European Union, became effective:

Annual improvements 2011-2013 (effective for periods beginning on or after 1 July 2014). The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect 4 standards: IFRS 1, First Time Adoption, IFRS 3, Business Combinations, IFRS 13, Fair Value Measurement and IAS 40, Investment Property;

IFRIC 21 (new), Levies (effective for periods beginning on or after 17 June 2014). Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment.

The application of these standards did not produce any significant effects on these consolidated financial statements.

2.1.2. At 31 December 2015, 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:

IAS 1 (amendment), Presentation of Financial Statements (effective for periods beginning on or after 1 January 2016). This amendment contains guidance relating to materiality and aggregation, presentation of subtotals, structure of financial statements, disclosure of accounting policies and presentation of items of other comprehensive income which arise from investments measured using equity method;

IAS 16 (amendment), Tangible Fixed Assets, and **IAS 38** (amendment), Intangible Assets: allowed methods for calculating depreciation and amortization (effective for periods beginning on or after 1 January 2016). In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset;

IAS 19 (amendment), Employee Benefits (effective for periods beginning on or after 1 February 2015). This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is

to simplify the accounting for contributions that are independent of the number of years of employee service;

IFRS 11 (amendment), Joint Arrangements (effective for periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business;

IAS 16 (amendment), Tangible Fixed Assets, and **IAS 41** (amendment), Agriculture: 'Bearer Plants' (effective for periods beginning on or after 1 January 2016). This amendment defines the concept of bearer plant and transfers this type of asset from the scope of IAS 41 – Agriculture to the one of IAS 16 – Tangible Assets, with the related effect on measurement. However, biologic assets produced by these plants are kept in the scope of IAS 41 – Agriculture;

Annual improvements 2010-2012 (effective for periods beginning on or after 1 February 2015). These amendments include changes from the 2010-2012 cycle of the annual improvements project, that affect the following standards: IFRS 2 - Share-based Payment, IFRS 3 - Business Combinations, IFRS 8 - Operating Segments, IFRS 13 - Fair Value Measurement, IAS 16 - Property, Plant and Equipment, IAS 24 - Related Parties Disclosures and IAS 38 - Intangible Assets;

Annual improvements 2012-2014 (generally effective for periods beginning on or after 1 January 2016). This amendment cycle includes changes to the following standards: IFRS 5 – Non-current Assets Available for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosures, IAS 19 – Employee Benefits and IAS 34 – Interim Financial Reporting.

2.1.3. At 31 December 2015, the following standards had been issued, with effective date on later periods and still pending endorsement by the European Union:

IAS 27 (amendment), Separate Financial Statements (effective for periods beginning on or after 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements;

IFRS 9 (new), Financial Instruments (effective for periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model;

IFRS 10 (amendment), Consolidated Financial Statements, and **IAS 28** (amendment), Investment in Associates and Joint Ventures: sale or contribution of assets from an investor to an associate or joint venture (effective for periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary;

IFRS 10 (amendment), Consolidated Financial Statements, **IFRS 12** (amendment), Disclosure of Interests in Other Entities, and **IAS 28** (amendment), Investments in Associates and Joint Ventures: 'Investment entities – exemption from consolidation' (effective for periods beginning on or after 1 January 2016). This amendment specifies that an intermediate holding company which is a subsidiary of an investment entity is exempted from consolidation. Furthermore, the optional use of equity method under IAS 28 is extensible to an entity which not being an investment entity, holds an interest in an associate or joint venture which qualifies as investment entity;

IFRS 14 (new), Regulatory Deferral Accounts (applicable for periods beginning on or after 1 January 2016). This standard allows first-time adopting entities to keep recognizing regulatory assets and liabilities according to the accounting policy used in the former standards. However, to enhance comparability with entities using IFRSs, which do not recognize regulatory assets or liabilities, the amounts thereon must be separately disclosed on the financial statements;

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

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

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Note 4) on a going concern basis and under the historical cost convention, except for financial instruments, which are stated at fair value (Note 2.13), and land and buildings, which are stated for their revalued amounts, as described on note 2.3.

2.2. Consolidation Principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group holds, directly or indirectly, control, were included in these consolidated financial statements using the full consolidation method.

The Group holds control of entities when it fulfils all the following conditions: (i) power over the entity; (ii) exposure, or rights, to returns from its involvement with the entity; and (iii) the ability to use its power over the entity to affect the amount of its own returns.

Equity and comprehensible income attributable to minority shareholders are shown separately, under the caption Non-controlling Interests, in the Consolidated Statement of Financial Position and in the Consolidated Income Statement, respectively.

Comprehensive income and the remaining items of net shareholders' funds are attributed to the holders of non-controlling interests, according to their interest, even if this caption turns negative.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.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.

Entities included in these consolidated financial statements are listed on note 4.

b) Financial Investments in joint ventures and in associates

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) and in associates (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, under Investments in joint ventures or Investments in associates, on the Consolidated Statement of Financial Position, then adjusted by the amount corresponding to the Group's share of changes in equity (including net profit or loss) of the entity, against losses or profits in the period or against other comprehensive income for the period, and against dividends received.

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the entity at the time of acquisition is recorded under Investments in joint ventures or investments in associates, on the Consolidated Statement of Financial Position. If the difference between the acquisition cost and the fair value of the assets at the time of acquisition is negative, it is recognized as income in the period.

Adjustments to the financial statements of the entity are performed, whenever necessary, in order to adapt accounting policies to those used by the Group.

An assessment of investments in joint ventures and in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss is disclosed on the Consolidated Income Statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment.

Gains on transactions with joint ventures or associates are eliminated proportionately to the Group's interest in these entities, against the carrying amount of investment. Losses are also eliminated as long as it does not reflect an impairment situation.

Joint-venture companies are detailed in note 5 and associates are detailed in note 6.

c) Goodwill

The excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (note 14).

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 on the Consolidated Income Statement under Provisions and Impairment Losses, and cannot be reversed.

If the difference between the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, and the fair value of the identifiable net assets acquired over cost is negative, this difference is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value.

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to Euro using exchange rates at the 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 or liquidated, accumulated exchange rate differences are recorded on the Consolidated Income Statement as a gain or loss on the disposal.

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

	31.12.2015		31.12.2014	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.7340	0.7257	0.7789	0.8060
South African Rand	16.9520	14.0885	14.0351	14.3968
Canadian Dollar	1.5116	1.4163	1.4063	1.4654
American Dollar	1.0887	1.1089	1.2141	1.3267
Swiss Franc	1.0835	1.0670	1.2024	1.2146

Source: Bloomberg

2.3. Tangible fixed assets

Tangible fixed assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Tangible assets, except land and buildings, acquired after that date are recorded at acquisition cost, net of accumulated depreciation and impairment losses.

Land and buildings are recognized for their revalued amounts, net of accumulated depreciation, in case of buildings, and impairment losses.

Increase in tangible fixed assets arising from revaluation is recognized through Other comprehensive income for the period revaluation occurs, which will thereafter be transferred to Other reserves and accumulated earnings to match the effect of depreciating or selling the assets.

Further revaluation will be carried out whenever revalued amounts significantly differ from the carrying amount of revalued assets, never exceeding a five-year period between two successive revaluations.

The Group separately recognizes and depreciates the components of Property Plant and Equipment whose useful lives are significantly different from the related main asset's ones and the components that can only be used in connection with a specific asset. These components are depreciated separately on the basis of their useful lives.

Repair and maintenance expenses are recognized in profit or loss in the period they occur.

Depreciation is calculated on a straight line basis, from the date the asset is available for use, over the expected useful life for each class of assets.

Depreciation rates used correspond to the following estimated useful lives of underlying assets:

	Years
Buildings	20 - 40
Plant & Machinery	2 - 25
Vehicles	5
Tools	5
Fixtures and Fittings	4 - 10
Other Tangible Assets	5

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are transferred to the captions of tangible fixed assets according to their nature and are depreciated from the date they are available for use.

Residual values, useful lives and the depreciation method are assessed annually.

2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of 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 on the Consolidated Income Statement when it is incurred (note 39).

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. Non-current assets held for sale

Non-current assets are stated under Non-current assets held for sale, on the Consolidated Statement of Financial Position, if their carrying amounts will be recovered mainly through a sale transaction rather than through continuing use.

Carrying amount will be recovered through sale when non-current assets are available for immediate sale in their present conditions and the probability of concluding a sale transaction in the following twelve months is high.

Non-current assets held for sale may be either an individual asset or a disposal group when a group of assets is included in the same sale transaction. Disposal groups may include current assets and liabilities as long as they are included in the same sale transaction. Current and non-current assets and liabilities are stated on the Consolidated Statement of Financial Position under Non-current assets held for sale and Liabilities directly associated with non-current assets held for sale, respectively.

Non-current assets held for sale and disposals groups are measured at the lower of cost and fair value less estimated costs to sell.

Depreciation of depreciable assets ceases after classification as Non-current assets held for sale.

2.8. Government 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.

2.9. Impairment of non-current assets, except for 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.

Assets are assessed for impairment individually. In case of tangible fixed assets that cannot autonomously produce cash flows, impairment is assessed for the cash-generating unit to which the asset is assigned (note 34). Whenever a cash-generating unit includes intangibles assets without defined useful life, impairment is assessed irrespective of events that may indicate that the carrying amount of the cash-generating unit may not be recoverable (note 14).

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized on the Consolidated Income Statement under Provisions and impairment losses.

For tangible fixed assets that were revalued, occurring impairment losses are recognized through other comprehensive income until the revaluation effect is offset. Any additional impairment is recognized on the Consolidated Income Statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded on the Consolidated Income Statement 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. Impairment losses on intangible assets without defined useful life are not reversible.

2.10. 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.

2.11. Inventories

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress, respectively.

2.12. Provisions

Provisions are recognized when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation.

When a significant time delay occurs between the onset of the obligation and the related expenditure, related provision is recognized for its present value.

Provisions are reviewed and adjusted at the 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.

2.13. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Investments measured at fair value through profit or loss;
- Available-for-sale investments;
- Held-to-maturity investments.

Investments measured at fair value through profit or loss include the investments held for trading acquired by the Group to be sold within a short period of time. They are classified as current assets on the Consolidated Statement of Financial Position.

The Group classifies as available-for-sale the investments which cannot be regarded as investments measured at fair value through profit or loss or as held-to-maturity investments.

Available-for-sale investments are stated as non-current assets except if they are intended to be sold within the next 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.

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 on 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 other comprehensive income, 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 on the Consolidated Statement of Financial Position 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 on the Consolidated Income Statement on an accruals basis, in accordance with the accounting policy defined in note 2.10. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value as no interest is paid and financial discount is deemed to be not relevant.

f) Derivatives

The Group may use derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments (Swaps) are used by the Group mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the Consolidated Income Statement.

The Group's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the Group are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in 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 on note 27.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded under Other Accumulated Comprehensive Income, are transferred to profit or loss of the period or added to the

carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the Consolidated Income Statement.

In some cases derivative instruments were negotiated to hedge cash flows mainly related to exchange rate hedges (forwards) of loans and trade transactions which do not consist in perfect hedging relations therefore not qualifying for hedge accounting. Notwithstanding, they significantly mitigate the effect on loans and accounts receivable denominated in foreign currencies of changes in exchange rates which the Group intends to hedge.

These derivative instruments, over which no hedge accounting was applied, are initially stated at cost, if any, and then adjusted to their fair value. Changes in fair value, calculated with resource to specific software under the terms described on note 27, 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.

2.14. Post-employment benefits

As referred to in note 30, 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.

2.15. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

2.16. Income tax

Income tax for the period is calculated based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation 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 on the Consolidated Income Statement, except if they relate to items directly recorded in other comprehensive income, in which case the corresponding deferred tax is recorded therein.

2.17. Revenue recognition and accrual basis

Revenue from the sale of goods is recognized on the Consolidated Income Statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognized net of 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 on 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.

2.18. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the Consolidated Income Statement as the difference between the sale price and the net book value at date of sale or write-off, under the caption Other Operating Profits and Losses.

2.19. Balances and transactions expressed in foreign currencies

Transactions are recorded on individual financial statements of subsidiaries on their functional currency, using applicable exchange rates on transaction date.

At each 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 2.13.f).

2.20. Liability for medium term incentive plan

Each year the Company and its subsidiaries grant their employees that belong to a functional group classified as Executive or above a compensation which is related to the value added in the previous 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.

2.21. 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.

2.22. Segment information

At the reporting date reportable segments are assessed on the basis of the internal reporting system of financial information (note 45).

2.23. Judgments and estimations

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

- a) Useful lives of tangible and intangible assets (notes 2.3, 11, 12 and 13);
- b) Impairment tests on cash-generating units to which goodwill was allocated (note 14);
- c) Impairment analysis of accounts receivable (notes 19 and 20);
- d) Adjustments to assets, namely fair value adjustments and, relating to inventories, write-down to net realizable value (note 9, 18 and 34);
- e) Calculation of post-employment liabilities (notes 30);
- f) Calculation of provisions and impairment losses on intangible assets and tangible fixed assets (note 34);
- g) Calculation of income tax (note 42).

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.

2.24. 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 2015, 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.

2.25. Disclosure of non-underlying items

The Group discloses 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.

2.26. Fair value of assets and liabilities

If an active market is available, market price is used for determining asset and liability fair value. This corresponds to level 1 of fair value hierarchy, as defined in IFRS 13 – Fair Value measurement.

If an active market is not available, generally accepted valuation techniques are used, based on market assumptions. The resulting fair value corresponds to level 2 of fair value hierarchy, as defined in IFRS 13. When these techniques use mostly or exclusively unobservable information, the resulting fair value corresponds to level 3 of fair value hierarchy, as defined on the aforementioned standard.

2.27. 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, daily monitoring effective exposure to their Customers;

- Have protection tools in place, such as credit insurance policies, letters of credit and bank guarantees, where operationally necessary and economically 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, the Canadian Dollar or the South African Rand (while acknowledging that in emerging markets, interest rate behaviour is influenced by other effects not directly related with domestic economic conditions).

As an exception to 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 exactly match 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. Statement of Financial

Position and Income Statement are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries' are exposed to foreign exchange risk of both translation and transaction type.

Foreign exchange risk relates to the possibility of registering gains or losses resulting from the change in exchange rates.

Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. Sonae Indústria subsidiaries cash flows are largely denominated in the subsidiary 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 with 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 Translation Reserve, included in Accumulated other comprehensive income, on the Consolidated Statement of Financial Position.

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 2015, 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) short term 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.

Liquidity risk is analysed in note 28.

3. RELEVANT EVENTS

On 30 November 2015, Sonae Indústria entered into a strategic partnership agreement with Inversiones Arauco Internacional, Limitada, a company belonging to Arauco Group. This agreement envisages to set up a joint venture involving wood based panels and related operations presently controlled by Sonae Indústria Group in Europe and South Africa, which will be held in equal parts by Sonae Indústria and Arauco Groups.

This agreement, if implemented, will be carried out by means of an increase in share capital of Sonae Indústria's subsidiary Tafisa – Tableros de Fibras, S. A., for EUR 137.5 million, to be subscribed for by Arauco, which will gain ownership of half of this subsidiary's share capital and subsequent joint control.

The joint venture that may arise from this agreement will not include Sonae Indústria's operations in North America and the laminates and components business, which will continue to be controlled by Sonae Indústria.

The completion of this transaction is subject to certain conditions, namely, the clearance of the competent Competition Authorities, the execution of certain internal transactions to achieve the required business perimeter and certain amendments to relevant existing debt facilities of Sonae Indústria Group.

The high level of uncertainty that covers this operation derives not only from its contingent nature, as its realization depends on the fulfilment of the abovementioned conditions, but also from the timing of execution and from the values to assign to certain key variables.

It is therefore not possible to conclude on the existence of a high probability of realizing this operation within a one-year period, which is the reason why the assets and the liabilities were not treated as a disposal group to be recognized under Non-current assets held for sale and Liabilities directly associated with non-current assets held for sale on the Consolidated Statement of Financial Position as at 31 December 2015.

Similarly, it is impracticable to reliably quantify the effects this transaction, in case it takes place, will have on the future consolidated financial statements of the Company. There are, however, some effects that can be identified presently, among which are:

- The implementation of a joint venture implies a change in consolidation method of the companies involved, whose investments will be measured using equity method. This change in method will have a very significant effect on most of the lines of the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows;
- A change from global consolidation method to equity method does not, in theory, produce significant effects on the Group's total consolidated equity;
- A reduction in ownership interest resulting from a capital increase, which will change a position of control to a situation of joint control, could affect the company's net profit or loss in a way that is not possible to reliably identify at this date as it is impossible to identify the value to assign to several key variables to this process, namely regarding other comprehensible income to reclassify to profit or loss at the closing date of the transaction (translation reserve of subsidiaries from United Kingdom and South Africa at the date the transaction will possibly take place).

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 2015 and 31 December 2014 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.2015		31.12.2014		
			Direct	Total	Direct	Total	
	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100.00%	99.86%	100.00%	98.78%	a)
	Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	99.87%	100.00%	98.90%	a)
	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	99.87%	100.00%	98.90%	a)
	BHW Beeskow Holzwerkstoffe GmbH	Meppen (Germany)	100.00%	99.86%	100.00%	98.78%	a)
1)	Darbo, SAS	Linxe (France)	100.00%	99.86%	100.00%	98.78%	a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Euroresinas - Indústrias Químicas, S.A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
2)	Frases e Frações – Imobiliária e Serviços, S. A.	Maia (Portugal)	100.00%	100.00%			a)
	GHP Glunz Holzwerkstoffproduktions GmbH	Meppen (Germany)	100.00%	99.86%	100.00%	98.78%	a)
	Glunz AG	Meppen (Germany)	100.00%	99.86%	100.00%	98.78%	a)
	Glunz Service GmbH	Meppen (Germany)	100.00%	99.86%	100.00%	98.78%	a)
	Glunz UK Holdings, Ltd.	Knowsley (United Kingdom)	100.00%	99.86%	100.00%	98.78%	a)
	Glunz Uka GmbH	Meppen (Germany)	100.00%	99.86%	100.00%	98.78%	a)
	Impaper Europe GmbH	Meppen (Germany)	100.00%	99.86%	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%	99.86%	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%	99.86%	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)
	Novodecor (Pty)	Woodmead (South Africa)	100.00%	100.00%	100.00%	100.00%	a)
	OSB Deustchland	Germany	100.00%	99.86%	100.00%	98.78%	a)

	Poliface North America	Baltimore (USA)	100.00%	99.86%	100.00%	98.78%	a)
	Racionalización y Manufacturas Forestales, S.A.	Madrid (Spain)	100.00%	99.86%	100.00%	98.78%	a)
	Sociedade de Iniciativa e Aproveit. Florestais – Energias, S.A.	Mangualde (Portugal)	100.00%	99.86%	100.00%	98.79%	a)
	Somit – Imobiliária, S.A.	Mangualde (Portugal)	100.00%	99.86%	100.00%	98.79%	a)
3)	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%	99.86%	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%	99.86%	100.00%	98.78%	a)
	Sonae Tafibra International, B. V.	Woerden (The Netherlands)	100.00%	99.86%	100.00%	98.78%	a)
	Sonae Indústria (UK), Limited	Knowsley (United Kingdom)	100.00%	99.86%	100.00%	98.78%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100.00%	99.86%	100.00%	98.78%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	98.42%	99.86%	98.42%	98.78%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100.00%	99.86%	100.00%	98.78%	a)
	Tafiber. Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100.00%	99.86%	100.00%	98.78%	a)
	Tafibra South Africa, Limited	Woodmead (South Africa)	100.00%	99.86%	100.00%	98.78%	a)
	Tafisa Canadá Inc	Lac Mégantic (Canada)	100.00%	99.86%	100.00%	98.78%	a)
4)	Tafisa Développement	Rungis (France)	100.00%	99.86%	100.00%	98.78%	a)
	Tafisa France S.A.S.	Rungis (France)	100.00%	99.86%	100.00%	98.78%	a)
	Tafisa U.K, Ltd.	Knowsley (United Kingdom)	100.00%	99.86%	100.00%	98.78%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100.00%	99.86%	100.00%	98.78%	a)
	Tafibra Suisse, SA	Tavannes (Switzerland)	100.00%	99.86%	100.00%	98.78%	a)
	Tecnologías del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	99.86%	100.00%	98.78%	a)
	Tool, GmbH	Meppen (Germany)	100.00%	99.86%	100.00%	98.78%	a)

a) Majority of voting rights.

1) Company sold July 2015;

2) Company incorporated December 2015;

3) Company merged with Sonae Indústria – Produção e Comercialização de Derivados de Madeira, SA, in August 2015;

4) Company dissolved January 2015.

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 2015 and 31 December 2014 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2015		31.12.2014	
		Direct	Total	Direct	Total
Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50.00%	49.93%	50.00%	49.39%
Tecmasa. Reciclados de Andalucía, S. L.	Alcalá de Guadaira (Spain)	50.00%	49.93%	50.00%	49.39%

Laminate Park GmbH & Co. KG is a jointly-controlled company based in Germany, where it carries out its activity that consists in producing and selling wood derivative flooring.

Tecmasa, Reciclados de Andalucía, SL is a jointly-controlled company based in Spain. Its activity consists in trading wood for recycling.

Joint control of these companies is established by contract.

Level one fair value of investment in these companies is not available as shares representing their share capital are not listed.

Net assets and net profit/loss for these jointly-controlled companies, whose share was recognized on these consolidated financial statements under equity method, as stated on note 2.2.b), are detailed as follows:

	31.12.2015		31.12.2014	
	Laminar Park	Tecmasa, Reciclados de Andalucia	Laminar Park	Tecmasa, Reciclados de Andalucia
Non-current assets	32 015 153	197 372	53 445 843	221 063
Current assets	18 227 223	413 252	16 409 392	395 501
Cash and cash equivalents	266 798	222 043	691 112	168 886
Other non-current liabilities	3 559 203		6 921 403	
Current financial liabilities	4 347 656		7 066 011	
Other current liabilities	31 443 090	108 501	27 819 219	76 504
Operating revenues	80 635 714	427 081	78 369 514	534 737
Operating expenses	82 102 503	398 021	82 780 406	450 037
Depreciation and amortization	5 048 658	26 491	4 893 772	29 077
Interest expense	856 277		1 292 837	22
Taxation		8 907		22 095
Net profit/(loss) from continuing operations	- 3 264 027	20 117	- 6 542 770	61 976
Adjustments to the Group's accounting policies			- 36 640	- 16 951
Group's share on net profit/(loss)	- 1 632 014	10 059	- 3 289 705	22 513

6. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 31 December 2015 and 31 December 2014 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2015		31.12.2014	
		Direct	Total	Direct	Total
Serradora Boix	Barcelona (Spain)	31.25%	31.21%	31.25%	31.21%

Investments in associated companies are measured on these consolidated financial statements using the equity method, as referred to in note 2.2.b).

The Statement of Financial Position and the Income Statement of the associated companies accounted for using the equity method on these consolidated financial statements, are detailed as follows:

	31.12.2015	31.12.2014
Non-current assets	6 788 575	6 494 033
Current assets	7 314 753	7 279 732
Non-current liabilities	3 101 405	3 481 145
Current liabilities	5 868 129	5 953 110
Operating revenues	19 706 691	22 396 806
Operating expenses	18 673 820	22 667 872
Net profit/(loss) from continuing operations	1 032 871	- 719 457
Adjustments to the Group's accounting policies	-	-
Group's share on net profit/(loss)	246 384	- 224 516

Assets, liabilities and results detailed on the previous table refer to the associated company's financial statements for the annual period preceding 31.12.2015 and 31.12.2014, respectively. Based on prior years' information, the Company estimates that no significant effect arises from this time difference.

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 on note 4 did not produce any significant effect on these consolidated financial statements.

8. FINANCIAL INSTRUMENTS

In the Consolidated Statements of Financial Position at 31 December 2015 and 31 December 2014, the following financial instruments are included:

31.12.2015	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
Non current assets						
Available for sale investments			1 155 713	1 155 713		1 155 713
Other non current assets	804 270			804 270		804 270
Current assets						
Customers	85 053 009			85 053 009		85 053 009
Other current debtors	11 961 779			11 961 779	1 240 237	13 202 016
Other current assets		491 159		491 159	9 915 497	10 406 656
Cash and cash equivalents	28 924 470			28 924 470		28 924 470
Total	126 743 528	491 159	1 155 713	128 390 400	11 155 734	139 546 134

	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
31.12.2014						
Non current assets						
Available for sale investments			1 128 608	1 128 608		1 128 608
Other non current assets	970 542			970 542	1 696	972 238
Current assets						
Customers	98 523 551			98 523 551		98 523 551
Other current debtors	12 509 118			12 509 118	1 342 236	13 851 354
Other current assets		99 079		99 079	9 965 017	10 064 096
Cash and cash equivalents	11 948 475			11 948 475		11 948 475
Total	123 951 686	99 079	1 128 608	125 179 373	11 308 949	136 488 322

	Liabilities at fair value through profit or loss	Hedge derivatives	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.2015						
Non current liabilities						
Bank loans - net of current portion			53 413 866	53 413 866		53 413 866
Debentures - net of current portion						
Finance lease creditors - net of current portion			16 749 594	16 749 594		16 749 594
Other loans			1 325 632	1 325 632		1 325 632
Other non current liabilities			2 277 504	2 277 504	31 312 338	33 589 842
Current liabilities						
Bank loans			332 303 023	332 303 023		332 303 023
Debentures			147 987 525	147 987 525		147 987 525
Finance lease creditors			5 669 033	5 669 033		5 669 033
Other loans			41 619 187	41 619 187		41 619 187
Trade creditors			138 586 348	138 586 348		138 586 348
Other current liabilities	41 908		8 195 243	8 237 151	64 369 808	72 606 959
Total	41 908		748 126 955	748 168 863	95 682 146	843 851 009

	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.2014					
Non current liabilities					
Bank loans - net of current portion		231 403 466	231 403 466		231 403 466
Debentures - net of current portion		147 604 120	147 604 120		147 604 120
Finance lease creditors - net of current portion		23 440 018	23 440 018		23 440 018
Other loans		54 951 368	54 951 368		54 951 368
Other non current liabilities		241 495	241 495	41 758 831	42 000 326
Current liabilities					
Bank loans		106 774 893	106 774 893		106 774 893
Debentures					
Finance lease creditors		5 829 498	5 829 498		5 829 498
Other loans		6 186 912	6 186 912		6 186 912
Trade creditors		156 378 992	156 378 992		156 378 992
Other current liabilities	35 529	9 998 575	10 034 104	67 901 902	77 936 006
Total	35 529	742 809 337	742 844 866	109 660 733	852 505 599

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 offset against financial liabilities.

9. FAIR VALUE

Use of fair value in the preparation of these consolidated financial statements may be summarized as follows:

9.1. Financial assets and liabilities

	Financial assets				
	Measured at fair value		Not measured at fair value		
	Level of fair value	Amount	Fair value quantified	Fair value not quantified*	Total
31.12.2014					
Non current assets					
Available for sale investments	1	799 594	329 014	1 128 608	note 10
Other non current assets	-		970 542	970 542	-
Current assets					
Customers	-		98 523 551	98 523 551	-
Other current debtors	-		12 509 118	12 509 118	-
Other current assets	2	99 079		99 079	note 27
Cash and cash equivalents	-		11 948 475	11 948 475	-
Total		898 673	124 280 700	125 179 373	
31.12.2015					
Non current assets					
Available for sale investments	1	818 462	337 251	1 155 713	note 10
Other non current assets	-		804 270	804 270	-
Current assets					
Customers	-		85 053 009	85 053 009	-
Other current debtors	-		11 961 779	11 961 779	-
Other current assets	2	491 159		491 159	note 27
Cash and cash equivalents	-		28 924 470	28 924 470	-
		1 309 621	127 080 779	128 390 400	

* as it is estimated to not materially differ from carrying amount.

	Financial liabilities				Description of used valuation techniques
	Measured at fair value		Not measured at fair value		
	Level of fair value	Amount	Fair value quantified	Fair value not quantified*	
Total					
31.12.2014					
Non current liabilities					
Bank loans - net of current portion	-		231 403 466	231 403 466	-
Debentures - net of currentportion	-		147 604 120	147 604 120	-
Finance lease creditors - net of current portion	2		19 660 333	23 440 018	note 26
Other loans	-		54 951 368	54 951 368	-
Other non current liabilities	-		241 495	241 495	-
Current liabilities					
Bank loans	-		106 774 893	106 774 893	-
Finance lease creditors	2		3 176 022	5 829 498	note 26
Other loans	-		6 186 912	6 186 912	-
Trade creditors	-		156 378 992	156 378 992	-
Other current liabilities	2	35 529	9 998 575	10 034 104	note 27
Total		35 529	22 836 355	719 972 982	742 844 866
31.12.2015					
Non current liabilities					
Bank loans - net of current portion	-		53 413 866	53 413 866	-
Finance lease creditors - net of current portion	2		15 204 920	16 749 594	note 26
Other loans	-		1 325 632	1 325 632	-
Other non current liabilities	-		2 277 504	2 277 504	-
Current liabilities					
Bank loans	-		332 303 023	332 303 023	-
Debentures	-		147 987 525	147 987 525	-
Finance lease creditors	2		4 024 048	5 669 033	note 26
Other loans	-		41 619 187	41 619 187	-
Trade creditors	-		138 586 348	138 586 348	-
Other current liabilities	2	41 908	8 195 243	8 237 151	note 27
		41 908	19 228 968	728 897 987	748 168 863

* as it is estimated to not materially differ from carrying amount.

9.2. Investment properties

Investment properties are recognized at cost as referred to on note 2.6. Their fair value is disclosed on note 13.

9.3. Tangible fixed assets

Land and buildings are recognized for their revalued amounts, which was determined as at 31.12.2013. The accounting policy regarding the periodicity of revaluation of these assets is stated on note 2.3.

9.4. Non-current assets held for sale

These assets are valued at fair value less estimated costs to sell, as described on notes 2.7, 17 and 34.

Fair value hierarchy is described on note 2.26.

10. INVESTMENTS

At 31 December 2015 and 31 December 2014 details of Investments are as follows:

	31.12.2015 Non current	31.12.2014 Non current
Investment in group companies excluded from consolidation		
Opening balance	36 969 914	36 969 914
Closing balance	36 969 914	36 969 914
Accumulated impairment losses (Note 34)	36 969 914	36 969 914
Net investment in group companies excluded from consolidation		
	31.12.2015 Non current	31.12.2014 Non current
Investment in joint ventures		
Opening balance	7 326 715	5 638 909
Increase in share capital		5 000 000
Effect of equity method application (note 5)	-1631456	-3 312 194
Closing balance	5 695 259	7 326 715

	31.12.2015	31.12.2014
	Non current	Non current
Investment in associated companies		
Opening balance	1354 074	1566 686
Effect of equity method application (note 6)	139 065	- 212 612
Closing balance	<u>1493 139</u>	<u>1354 074</u>
	31.12.2015	31.12.2014
	Non current	Non current
Available-for-sale investment		
Opening balance	1144 569	1124 785
Acquisition	18 579	2 267
Change in fair value (note 24.4)	8 526	17 517
Closing balance	<u>1171674</u>	<u>1144 569</u>
Accumulated impairment losses (Note 34)	<u>15 961</u>	<u>15 961</u>
Net available-for-sale investment	<u>1155 713</u>	<u>1128 608</u>

The amount included under Investment in group companies excluded from consolidation refers to the former subsidiary Tarnaise des Panneaux, held indirectly by Sonae Industria, SGPS, SA for 100% of its share capital. In 2001, this company filed for bankruptcy, which is still pending conclusion. Consequently control was lost and the company has been excluded from consolidation. The Consolidated Statement of Financial Position includes an impairment loss for the full amount of the investment.

Available-for-sale investment consists of financial undertakings which do not fulfil the criteria to be stated as investment in subsidiaries or associates. They are recognized at cost as no relevant difference to their fair value is estimated. In addition, it includes an application in the investment fund Hausinvest that is recognized for its market fair value of EUR 818 462, which was calculated based on market information. This fair value is included in the first level of fair value hierarchy.

11. TANGIBLE ASSETS

In 2015 and 2014, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	31.12.2015							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Fixed Assets under construction	Total tangible fixed assets
Gross cost:								
Opening balance	694 614 035	1 377 116 456	11 741 816	13 314 019	27 941 909	9 895 357	42 172 525	2 176 796 117
Capital expenditure		184 458		4 009			21 163 523	21 351 990
Disposals	1 957 603	6 953 789	744 358	67 224	3 936 000	152 593	3 286 943	17 098 510
Reclassifications as investment properties	- 37 123 738							- 37 123 738
Transfers and reclassifications	1 396 592	28 516 269	122 414	49 006	3 118 781	560 525	- 37 769 141	- 4 005 554
Exchange rate effect	- 10 137 932	- 28 822 167	- 188 826	- 103 483	- 227 960	- 15 350	- 723 238	- 40 218 956
Closing balance	646 791 354	1 370 041 227	10 931 046	13 196 327	26 896 730	10 287 939	21 556 726	2 099 701 349
Accumulated depreciation and impairment losses								
Opening balance	399 512 236	1 016 219 363	10 764 186	12 437 562	26 599 883	8 868 508	2 304 958	1 476 706 696
Depreciations for the period	11 295 161	48 901 305	456 370	262 521	414 069	368 453		61 697 879
Impairment losses for the period - on results	31 265	79 979					36	111 280
Disposals	226 069	6 238 087	726 747	62 928	3 936 185	144 444	1 530 496	12 864 956
Reclassifications as investment properties	- 30 134 419							- 30 134 419
Transfers and reclassifications		- 6 367 613	- 12 770	7 174	2 937 329	128 873		- 3 307 007
Exchange rate effect	- 3 054 692	- 17 763 562	- 167 277	- 102 826	- 196 523	- 2 972		- 21 287 852
Closing balance	377 423 482	1 034 831 385	10 313 762	12 541 503	25 818 573	9 218 418	774 498	1 470 921 621
Carrying amount	269 367 872	335 209 842	617 284	654 824	1 078 157	1 069 521	20 782 228	628 779 728

	31.12.2014							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Fixed Assets under construction	Total Tangible Assets
Gross cost:								
Opening balance	745 854 200	1 591 424 688	14 169 683	15 808 030	31 972 407	15 335 630	22 880 953	2 437 445 591
Capital expenditure	10 759	2 412 580	188 392	11 046	13 339	3 198	40 871 783	43 511 097
Disposals	19 341 432	123 356 617	1 218 232	1 715 236	808 441	174 974	232 619	146 847 551
Revaluation								
Transfers and reclassifications	- 35 846 513	- 105 882 148	- 1 495 709	- 811 717	- 3 335 769	- 5 270 372	- 21 813 186	- 174 455 414
Exchange rate effect	3 937 021	12 517 953	97 682	21 896	100 373	1 875	465 594	17 142 394
Closing balance	694 614 035	1 377 116 456	11 741 816	13 314 019	27 941 909	9 895 357	42 172 525	2 176 796 117
Accumulated depreciation and impairment losses								
Opening balance	404 180 832	1 170 290 718	12 951 897	14 092 480	30 332 701	14 055 323	67 512	1 645 971 463
Depreciations for the period	13 208 396	53 694 066	660 535	368 669	506 641	446 900		68 885 207
Impairment losses for the period - on results	20 234 962	23 360 416	497 746	56 783	33 559	328 330	3 389 134	47 900 930
Impairment losses for the period - on Other Comprehensive Income	8 326 533	11 346 297						19 672 830
Disposals	15 424 400	116 091 472	1 149 271	1 198 482	783 820	93 110	7 449	134 748 004
Revaluation								
Reversion of impairment losses for the period		5 787 132		74	562	392	67 512	5 855 672
Transfers and reclassifications	- 32 137 306	- 128 132 208	- 2 274 718	- 903 562	- 3 575 085	- 5 869 296	- 1 076 727	- 173 968 902
Exchange rate effect	1 123 218	7 538 679	77 997	21 748	86 448	754		8 848 844
Closing balance	399 512 235	1 016 219 364	10 764 186	12 437 562	26 599 882	8 868 509	2 304 958	1 476 706 696
Carrying amount	295 101 800	360 897 092	977 630	876 457	1 342 027	1 026 848	39 867 567	700 089 421

Transfer and reclassifications include mainly tangible fixed assets reclassified as Investment properties (note 13) and as Non-current assets held for sale (nota 17).

Exchange rate effect results mainly from the translation into euro of tangible fixed assets of subsidiaries whose functional currency is the South African Rand (ZAR) or the Canadian Dollar (CAD).

During 2015 and 2014 no interest paid or any other financial charges were capitalized, in accordance with conditions defined on note 2.10.

At 31 December 2015, mortgaged Property, plant and equipment amounted to EUR 299 596 935 (EUR 276 475 044 at 31 December 2014) as guarantee for loans amounting to EUR 125 910 591 (EUR 125 436 696 at 31 December 2014). Furthermore, at the same date the Group had mortgaged Land and buildings in the amount of EUR 4 968 589 as guarantee of tax debts.

On the same date, there were no commitments to the acquisition of tangible fixed assets.

At 31 December 2015 and 2014 details of tangible fixed assets used by the Group under financial leases were as follows:

	31.12.2015				31.12.2014
	Opening balance	Increase	Other changes	Closing balance	Closing balance
Gross cost:					
Land and Buildings	31 314 785		- 4 074 455	27 240 330	31 314 785
Plant and Machinery	40 758 116		- 15 006	40 743 110	40 758 116
Vehicles	1 473 420		- 123 243	1 350 177	1 473 420
Fixtures and Fittings	337 247		- 23 496	313 751	337 247
Closing balance	73 883 568		- 4 236 200	69 647 368	73 883 568
Accumulated depreciation and impairment losses					
Land and Buildings	6 258 275	599 283	- 1 662 004	5 195 554	6 258 275
Plant and Machinery	23 781 998	2 810 324	- 1 985	26 590 337	23 781 998
Vehicles	1 230 975	204 150	- 119 227	1 315 898	1 230 975
Fixtures and Fittings	321 480	4 084	- 22 655	302 909	321 480
Closing balance	31 592 728	3 617 841	- 1 805 871	33 404 698	31 592 728
Carrying amount	42 290 840	- 3 617 841	- 2 430 329	36 242 670	42 290 840

Other changes include EUR -4 266 521 and EUR -1 601 949 of gross cost and accumulated depreciation, respectively, which were reclassified as own tangible fixed assets after being acquired.

Minimum payments of finance lease are stated in note 26.4.

12. INTANGIBLE ASSETS

During 2015 and 2014, movements in intangible assets, accumulated amortization and impairment losses were as follows:

31.12.2015										
	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	184 848	3 520 925	15 529 611	2 619 273	63 454	5 412 187		1 380 615	15 593 065	13 117 848
Capital expenditure						1 649 684	5 413	740 632	5 413	2 390 316
Disposals		34 666	1 071 034	14 377		3 578 859			1 071 034	3 627 902
Transfers and reclassifications		298 453	407 532	621 872		- 865 241	- 5 413	- 1 297 829	402 119	- 1 242 745
Exchange rate effect		- 12 867	- 318 804	- 805					- 318 804	- 13 672
Closing balance	184 848	3 771 845	14 547 305	3 225 963	63 454	2 617 771		823 418	14 610 759	10 623 845
Accumulated depreciation and impairment losses										
Opening balance	162 110	3 150 027	14 050 169	2 308 918	63 454	1 168 302			14 113 623	6 789 357
Amortization for the period	22 738	142 726	573 084	258 119		141 150			573 084	564 733
Impairment losses for the period						343 271				343 271
Disposals			1 048 692	14 377					1 048 692	14 377
Transfers and reclassifications										
Exchange rate effect		- 4 114	- 285 139	- 170					- 285 139	- 4 284
Closing balance	184 848	3 288 639	13 289 422	2 552 490	63 454	1 652 723			13 352 876	7 678 700
Carrying amount		483 206	1 257 883	673 473		965 048		823 418	1 257 883	2 945 145

31.12.2014										
	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	188 804	3 519 871	17 143 071	2 542 928	63 454	3 758 936		783 077	17 206 525	10 793 616
Capital expenditure						3 884 095		852 873		4 736 968
Disposals	4 003		1 081 773	8 225		731 530			1 081 773	743 758
Revaluation										
Transfers and reclassifications			- 672 497	84 179		- 1 499 314		- 255 335	- 672 497	- 1 670 470
Exchange rate effect	47	1 054	140 810	391					140 810	1 492
Closing balance	184 848	3 520 925	15 529 611	2 619 273	63 454	5 412 187		1 380 615	15 593 065	13 117 848
Accumulated depreciation and impairment losses										
Opening balance	136 684	3 026 127	14 359 052	1 988 754	63 454	1 027 912			14 422 506	6 179 477
Amortization for the period	22 738	123 302	1 476 662	325 798		140 390			1 476 662	612 228
Impairment losses for the period			16 246	1 111					16 246	1 111
Disposals	4 003		1 081 737	4 112					1 081 737	8 115
Reversion of impairment losses for the per										
Transfers and reclassifications	6 644		- 828 678	- 2 721					- 828 678	3 923
Exchange rate effect	47	598	108 624	88					108 624	733
Closing balance	162 110	3 150 027	14 050 169	2 308 918	63 454	1 168 302			14 113 623	6 789 357
Carrying amount	22 738	370 898	1 479 442	310 355		4 243 885		1 380 615	1 479 442	6 328 491

13. INVESTMENT PROPERTIES

During 2015 and 2014 movements in investment properties, accumulated depreciation and impairment losses were as follows:

	31.12.2015		31.12.2014	
	Cost	Total	Cost	Total
Gross cost:				
Opening balance	1 667 281	1 667 281	1 667 281	1 667 281
Disposals	1 667 281	1 667 281		
Reclassifications	37 123 738	37 123 738		
Closing balance	37 123 738	37 123 738	1 667 281	1 667 281
Accumulated depreciations and impairment losses:				
Opening balance	442 583	442 583	398 325	398 325
Charge for the period	553 094	553 094	44 258	44 258
Disposals	457 335	457 335		
Reclassifications	30 134 419	30 134 419		
Closing balance	30 672 761	30 672 761	442 583	442 583
Carrying amount	6 450 977	6 450 977	1 224 698	1 224 698

	31.12.2015	31.12.2014
Rents from investment properties	250 000	227 060
Direct operating costs	14 731	76 651

Disposals of investment properties comprise the land and the building of former Göttingen industrial plant, in Germany, which were sold during the period ended 31 December 2015.

At the closing date of these consolidated financial statements, Investment properties included the land and the buildings of Betanzos industrial plant, in Spain, which were leased after this plant was closed down (notes 11 and 17), having been reclassified as investment properties during the period ended 31 December 2015. These assets are recognized for their cost. Fair value was determined at 31 December 2015 through independent appraisal and amounted to EUR 6.6 million (level two fair value). Fair value of the land was determined through extraction method, and fair value of the buildings was determined through sales comparison method.

14. GOODWILL ARISING ON CONSOLIDATION

During 2015 and 2014, movements in goodwill arising on consolidation were as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Gross value:		
Opening balance	83 796 717	89 567 912
Decreases		6 027 749
Currency translation	-1 212 685	256 554
Closing balance	<u>82 584 032</u>	<u>83 796 717</u>
Accumulated impairment losses:		
Opening balance	1 700 000	7 727 749
Decreases		6 027 749
Closing balance	<u>1 700 000</u>	<u>1 700 000</u>
Carrying amount	<u>80 884 032</u>	<u>82 096 717</u>

14.1. Impairment tests

Impairment tests to Goodwill carried out at 31 December 2015 mainly consisted in determining the recoverable amount of each cash-generating unit using the discounted cash flow method. In some cases, fair value less estimated costs to sell of specific assets was determined by independent appraisal.

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

Recoverable amounts are compared to the net assets of each cash-generating unit, including allocated goodwill and impairment losses detailed on note 34.

Calculation of recoverable amounts consisted in projecting operating cash flows over an eight-year period, thereafter extrapolated using perpetuity and discounted to 31 December 2014. Weighted Average Cost of Capital, before tax, calculated using 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 German government bonds, to which a spread is added for each country where cash-generating units belong.

The use of an eight-year period for projecting cash flows has taken into consideration the extension and intensity of economic cycles to which the Group's activity is subject to.

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.

31.12.2015

	Cash generating units		
	Iberian Peninsula	Germany	South Africa
Goodwill	71 460 679	3 588 414	5 834 939
Discount rate (pre-tax)	9.19%	7.68%	18.13%
Growth rate on perpetuity	1.00%	1.00%	1.00%
Growth rate (CAGR 2015 - 2023):			
Total net income	1.35%	1.27%	2.68%
Cost of goods sold and materials consumed	1.25%	1.32%	2.57%
Fixed costs	0.76%	0.61%	2.53%
Cash flows projected over	8-year period	8-year period	8-year period
Testing conclusions	No impairment	No impairment	No impairment

CAGR - Compound Average Growth Rate.

31.12.2014

	Cash generating units		
	Iberian Peninsula	Germany	South Africa
Goodwill	71 460 679	3 588 414	7 047 624
Discount rate (pre-tax)	9.54%	7.44%	17.14%
Growth rate on perpetuity	1.00%	1.00%	1.00%
Growth rate (CAGR 2014 - 2022):			
Total net income	1.31%	1.24%	2.49%
Cost of goods sold and materials consumed	1.20%	1.51%	2.08%
Fixed costs	0.72%	0.71%	2.45%
Cash flows projected over	8-year period	8-year period	8-year period
Testing conclusions	No impairment	No impairment	No impairment

CAGR - Compound Average Growth Rate.

These impairment tests did not show any impairment loss to be recognized under Goodwill, at 31 December 2015.

14.2. Sensitivity tests

The Group carried out a sensitivity analysis to the recoverable amount of cash-generating units, which consisted in testing the sensitivity of recoverable amount to reasonable changes in key assumptions that most affect the present value of discounted cash flows.

Sensitivity test carried out on Iberian Peninsula cash-generating unit, whose goodwill accounts for 88% of goodwill recognized on the Consolidated Statement of Financial Position at 31 December 2015, is detailed as follows:

	Cash Generating Unit Iberian Peninsula	Increase in WACC by 1.0 p.p.	Annual increase in turnover by 1.0%	Reduction in EBITDA/Turnover margin by 0.45 p.p.	Annual increase in investment in tangible fixed assets by EUR 2 000 000
	(1)	(2)	(3)	(4)	(5)
Weighted average cost of capital rate (WACC)	9.19%	10.19%	9.19%	9.19%	9.19%
Turnover CAGR [2015 ; Perpetuity] (6)	1.38%	1.38%	1.00%	1.38%	1.38%
Average EBITA/Turnover margin [2015 ; Perpetuity]	8.95%	8.95%	8.95%	8.50%	8.95%
Average investment in tangible fixed assets [2015 - perpetuity]	6 960 550	6 960 550	6 960 550	6 960 550	8 630 550
Present value of discounted cash flows	251 731 446	227 757 276	232 355 045	230 557 618	235 115 100
Fair value less estimated costs to sell (7)	3 498 000	3 498 000	3 498 000	3 498 000	3 498 000
Total recoverable amount	255 229 446	231 255 276	235 853 045	234 055 618	238 613 100
Conclusions of sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment

- (1) Figures included in impairment test carried out on cash-generating unit Iberian Peninsula as at 31.12.2015 (reference table);
- (2) Increase in weighted average cost of capital by 1 p. p. compared to reference table, *ceteris paribus*;
- (3) A compound average growth rate of turnover of 1.00% was used instead of 1.38% that was used in reference table, *ceteris paribus*;
- (4) An average EBITDA/Turnover margin of 8.5% was used instead of 8.95% that was used in reference table, *ceteris paribus*;
- (5) Average annual investment in tangible fixed assets used in reference table was added up by EUR 2 000 000 each year, *ceteris paribus*;
- (6) Compound average growth rate;
- (7) Tangible fixed assets whose fair value less estimated costs to sell were determined by independent appraisal.

No impairment was identified as a result of this sensitivity test on Iberian Peninsula cash-generating unit.

Sensitivity test on South Africa cash-generating unit, whose goodwill accounts for 7.2% of goodwill recognized on the Consolidated Statement of Financial Position, at closing date of these financial statements, is detailed as follows:

	Cash Generating Unit South Africa	Increase in WACC by 1.0 p.p.	Annual increase in turnover by 2.5%	Reduction in EBITDA/Turnover margin by 0.45 p.p.	Annual increase in investment in tangible fixed assets by EUR 1 000 000
	(1)	(2)	(3)	(4)	(5)
Weighted average cost of capital rate (WACC)	18.13%	19.13%	18.13%	18.13%	18.13%
Turnover CAGR [2015 ; Perpetuity] (6)	2.68%	2.68%	2.50%	2.68%	2.68%
Average EBITA/Turnover margin [2015 ; Perpetuity]	14.56%	14.56%	14.56%	14.11%	14.56%
Average investment on tangible fixed assets [2015 - perpetuity]	2 549 063	2 549 063	2 549 063	2 549 063	3 384 063
Present value of discounted cash flows	67 484 864	64 168 078	60 837 141	64 477 577	62 049 974
Conclusions of sensitivity analysis	No impairment	No impairment	No impairment	No impairment	No impairment

(1) Figures included in impairment test carried out on cash-generating unit South Africa as at 31.12.2015 (reference table);

(2) Increase in weighted average cost of capital by 1 p. p. compared to reference table, *ceteris paribus*;

(3) A compound average growth rate of turnover of 2.50% was used instead of 2.68% that was used in reference table, *ceteris paribus*;

(4) An average EBITDA/Turnover margin of 14.11% was used instead of 14.56% that was used in reference table, *ceteris paribus*;

(5) Average annual investment in tangible fixed assets used in reference table was added up by EUR 1 000 000 each year, *ceteris paribus*;

(6) Compound average growth rate;

No impairment was identified as a result of this sensitivity test on generating unit South Africa.

Sensitivity test on Germany cash-generating unit, whose goodwill accounts for 4.4% of goodwill recognized on the Consolidated Statement of Financial Position, at 31 December 2015, used the same methodology and inputs that were used on the test carried out on Iberian Peninsula cash-generating unit. No impairment was identified as a result of this sensitivity test.

15. DEFERRED TAXES

At 31 December 2015 and 31 December 2014, deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred Tax Assets		Deferred Tax Liabilities	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Harmonisation Adjustments			38 104 229	43 297 564
Provisions not Allowed for Tax Purposes	997 568	1 061 768		
Impairment of Assets	1 233 414	3 413 280		
Tax Losses Carried Forward	17 857 583	14 913 534		
Defined benefit plans	2 262 330	2 283 015		
Derecognized Tangible Fixed Assets	36 378	37 448		
Revaluation of Tangible Fixed Assets			14 655 358	17 515 958
Other Temporary Differences	5 970 861	6 045 697	2 667 909	2 477 729
	<u>28 358 134</u>	<u>27 754 742</u>	<u>55 427 496</u>	<u>63 291 251</u>

Amounts recognized under deferred tax assets which arise from other temporary differences relate to, namely, deferred income on investment subventions in the amount of EUR 3.1 million (EUR 3.3 million at 31 December 2014).

	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Opening balance	27 754 742	33 241 208	63 291 251	72 647 868
Effect on profit or loss of continuing operation:				
Changes in temporary differences affecting profit or loss:				
Harmonisation adjustments			- 2 147 504	- 4 279 912
Provisions not allowed for tax purposes	137 133	- 376 570		
Impairment of Assets	- 2 179 867	- 438 608		
Derecognized tangible assets	- 1 070	- 10 119		
Revaluation of tangible assets			- 2 276 500	- 1 055 418
Tax losses carried forward	2 956 153	- 5 942 012		
Others	- 143 518	582 222	207 476	1 403 852
	<u>768 831</u>	<u>- 6 185 087</u>	<u>- 4 216 528</u>	<u>- 3 931 478</u>
Change in tax rate affecting profit or loss		- 536 458		- 1 594 741
Subtotal (note 42)	<u>768 831</u>	<u>- 6 721 545</u>	<u>- 4 216 528</u>	<u>- 5 526 219</u>
Effect on profit or loss of discontinued operations:				
Changes in temporary differences affecting profit or loss:				
Revaluation of tangible assets			- 7 685	3 066 980
Tax losses carried forward		141 467		
Subtotal		<u>141 467</u>	<u>- 7 685</u>	<u>3 066 980</u>
Effect on other comprehensive income:				
Changes in temporary differences affecting other comprehensive income:				
Revaluation of tangible fixed assets				- 6 539 414
Others	48 000	700 000		
	<u>48 000</u>	<u>700 000</u>		<u>- 6 539 414</u>
Change in tax rate affecting other comprehensive income				- 1 928 496
Subtotal	<u>48 000</u>	<u>700 000</u>		<u>- 8 467 910</u>
Currency translation effect	- 213 439	393 612	- 3 639 542	1 570 532
Closing balance	<u>28 358 134</u>	<u>27 754 742</u>	<u>55 427 496</u>	<u>63 291 251</u>

In accordance with International Financial Reporting Standards, the Group annually assesses deferred tax asset related to tax losses carried forward on the basis of cash flows projected over a five-year period, which resulted in a net increase in deferred tax asset amounting to EUR 2 956 153.

According to the estimation of taxable profit or deductible loss for the fiscal year 2015 and according to the tax returns for the fiscal year 2014, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

To be used until	31.12.2015		31.12.2014	
	Tax loss carried forward	Deferred tax asset	Tax loss carried forward	Deferred tax asset
2018	7 198 697	1 511 726	13 163 195	2 764 271
	7 198 697	1 511 726	13 163 195	2 764 271
Without time limit	59 140 176	16 345 857	54 986 088	12 149 263
Total	<u>66 338 873</u>	<u>17 857 583</u>	<u>68 149 283</u>	<u>14 913 534</u>

Furthermore, at 31 December 2015 and 31 December 2014, tax losses for which no deferred tax asset was recognized are detailed as follows:

To be used until	31.12.2015		31.12.2014	
	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2015			40 573	8 115
2016	208 307	41 661	208 307	41 661
2017	117 849	23 570	117 849	23 570
2018	83 512	16 702	83 512	16 702
2019	119 987	23 997	119 987	23 997
2020	125 844	25 169	125 844	25 169
2021	121 939	24 388	121 939	24 388
2022	1 287 230	257 446	1 216 494	243 299
2023	456 536	91 307	446 763	89 353
	2 521 204	504 240	2 481 268	496 254
Without time limit	1 872 632 371	546 616 931	1 772 854 049	522 571 786
Total	1 875 153 575	547 121 171	1 775 335 317	523 068 040

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.

16. OTHER NON-CURRENT ASSETS

At 31 December 2015 and 31 December 2014, details of Other non-current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2015			31.12.2014		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade debtors and other debtors	804 270		804 270	970 542		970 542
Loans to related parties	10 931 182	10 931 182		10 931 182	10 931 182	
Financial Instruments	11 735 452	10 931 182	804 270	11 901 724	10 931 182	970 542
State and other public entities						
Others				1 696		1 696
Assets out of scope of IFRS 7				1 696		1 696
Total	11 735 452	10 931 182	804 270	11 903 420	10 931 182	972 238

AGEING OF NON CURRENT TRADE DEBTORS AND OTHER DEBTORS AND OF LOANS TO RELATED PARTIES		
	31.12.2015	31.12.2014
Not due	804 270	970 542
Total	804 270	970 542

17. NON-CURRENT ASSETS CLASSIFIED AS AVAILABLE FOR SALE

In the period ended 31 December 2015, the Group sold tangible fixed assets and inventories of Ussel and Betanzos industrial plants, located in France and Spain respectively, which had been stated as Non-current assets held for sale, on the Consolidated Statement of Financial Position as at 31 December 2014. These sale transactions had an irrelevant effect on Net profit (loss) of discontinued operations, after taxation, on the Consolidated Income Statement.

In the same period, the Group sold subsidiary Darbo SAS, located in Linxe, France, whose assets had been classified under Non-current assets held for sale and whose liabilities had been classified under Liabilities directly associated with non-current assets held for sale, as at 31 December 2014. The sale transaction of this subsidiary had an irrelevant effect on Net profit (loss) of continuing operations, after taxation, on the Consolidated Income Statement.

In December 2015, the assets (equipment) of Souselas industrial plant, in Portugal, which is inactive, were classified as Non-current assets held for sale as they were available for immediate sale and it was estimated that a sale transaction will be completed in a twelve-month period.

At 31 December 2015 and 2014, assets recognized under Non-current assets held for sale and the corresponding liabilities, classified as Liabilities directly associated with non-current assets held for sale were detailed as follows:

	31.12.2015	31.12.2014
Tangible fixed assets	1 535 588	1 049 435
Intangible assets		576 352
Inventories		9 206 410
Trade debtors		62 256
Other current assets		945 255
Cash and cash equivalents		70 298
Non-current assets classified as available for sale	<u>1 535 588</u>	<u>11 910 006</u>
Non-current loans		328 961
Other non-current liabilities		823 815
Current loans		216 308
Trade creditors		6 121 321
Other non-current liabilities		2 083 337
Liabilities directly associated to non-current assets classified as available for sale		<u>9 573 742</u>

18. INVENTORIES

At 31 December 2015 and 31 December 2014, details of Inventories on the Consolidated Statements of Financial Position were as follows:

	31.12.2015	31.12.2014
Merchandise	6 265 965	7 351 265
Finished and intermediate products	34 934 682	35 315 543
Products and working in progress	710 410	661 223
Raw Materials and Consumables	60 497 525	60 108 995
	<u>102 408 582</u>	<u>103 437 026</u>
Accumulated losses on inventories (Note 34)	<u>4 401 009</u>	<u>4 165 268</u>
	<u>98 007 573</u>	<u>99 271 758</u>

Inventories consist mainly of wood, raw boards, faced boards and chemical products.

19. TRADE DEBTORS

At 31 December 2015 and 31 December 2014, details of Trade debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2015			31.12.2014		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	110 398 793	25 345 784	85 053 009	124 751 624	26 228 073	98 523 551

		31.12.2015	31.12.2014
Not due		75 066 082	82 993 157
Due and not impaired			
	0 - 30 days	5 685 626	7 926 753
	30 - 90 days	1 321 832	3 765 896
	' + 90 days	1 409 929	993 317
		8 417 387	12 685 966
Due and impaired			
	0 - 90 days		
	90 - 180 days	2 040 066	2 632 829
	180 - 360 days	347 692	533 957
	+ 360 days	24 527 566	25 905 715
		26 915 324	29 072 501
Total		110 398 793	124 751 624

20. OTHER CURRENT DEBTORS

At 31 December 2015 and 31 December 2014, details of Other current debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2015			31.12.2014		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Other debtors	2 666 503	3 502	2 663 001	3 205 616	3 502	3 202 114
Related parties	9 298 779		9 298 779	9 307 004		9 307 004
Financial Instruments	11 965 282	3 502	11 961 780	12 512 620	3 502	12 509 118
Other debtors	1 240 236		1 240 236	1 342 236		1 342 236
Assets out of scope of IFRS 7	1 240 236		1 240 236	1 342 236		1 342 236
Total	13 205 518	3 502	13 202 016	13 854 856	3 502	13 851 354

AGEING OF OTHER DEBTORS		
	31.12.2015	31.12.2014
Not due	9 650 058	9 293 655
Due and not impaired		
0 - 30 days	883 052	1 186 323
30 - 90 days	243 392	305 515
+ 90 days	1 188 780	1 727 127
	<u>2 315 224</u>	<u>3 218 965</u>
Total	<u>11 965 282</u>	<u>12 512 620</u>

Other debtors (financial instruments) include amounts receivable from Trade creditors for EUR 1 074 469.

Related parties comprises a loan to the jointly-controlled company Laminate Park GmbH & Co. KG amounting to EUR 9 271 164, which matures in June 2016 and pays interest at a market rate.

21. OTHER CURRENT ASSETS

At 31 December 2015 and 31 December 2014, details of Other current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2015		31.12.2014	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	491 159	491 159	99 079	99 079
Financial Instruments	491 159	491 159	99 079	99 079
Accrued income	4 675 331	4 675 331	5 174 694	5 174 694
Deferred expenses	5 240 166	5 240 166	4 790 323	4 790 323
Assets out of scope of IFRS 7	9 915 497	9 915 497	9 965 017	9 965 017
Total	<u>10 406 656</u>	<u>10 406 656</u>	<u>10 064 096</u>	<u>10 064 096</u>

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 27).

Accrued income includes EUR 2.1 million of estimated sales of electrical power (EUR 2.5 million at 31 December 2014).

Deferred expenses include EUR 3.3 million related to insurance expenses (EUR 3.4 million at 31 December 2014).

22. OTHER TAXES AND CONTRIBUTIONS (CURRENT ASSETS)

At 31 December 2015 and 31 December 2014, details of Other taxes and contributions on the Consolidated Statements of Financial Position were as follows:

	31.12.2015	31.12.2014
Other taxes and contributions:		
Value Added Tax	3 538 442	4 419 272
Social Security Contribution	68 407	54 854
Others	1 204 446	2 822 255
	<u>4 811 295</u>	<u>7 296 381</u>

23. CASH AND CASH EQUIVALENTS

At 31 December 2015 and 31 December 2014, the detail of Cash and Cash Equivalents on the Consolidated Statements of Financial Position and on the Consolidated Statements of Cash Flows was as follows:

	31.12.2015	31.12.2014
Cash at Hand	42 240	51 539
Bank Deposits and Other Treasury Applications	<u>28 882 230</u>	<u>11 896 936</u>
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	28 924 470	11 948 475
Bank Overdrafts	<u>13 116 265</u>	<u>1 447 665</u>
Cash and Cash Equivalents on the Statement of Cash Flows	<u>15 808 205</u>	<u>10 500 810</u>

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 26.1).

24. SHAREHOLDERS' FUNDS

Consolidated net shareholders' funds consist of the following items:

24.1. SHARE CAPITAL

At 31 December 2015 and 31 December 2014, share capital, which was fully underwritten and paid, amounted to EUR 812 107 574.17 and was comprised of 11 350 757 417 common shares, without face value. At this date the Company did not held any own shares.

At 31 December 2015 and 31 December 2014, shares are not entitled to any fixed income.

24.2. 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.

24.3. 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.

24.4. 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 10);
- Hedging derivative instruments (note 27);
- Remeasurement of defined benefit obligations (note 30)
- Revaluation of tangible fixed assets (notes 2.3, 2.9 and 11);
- 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	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures and Associates	Income tax related to components of other comprehensive income
Balance as at 1 January 2015	-12 361 951	88 083	107 383 926	-6 520 334	1 386 912	26 611 343
Other consolidated comprehensive income for the period	-14 629 067	8 526		240 357		- 48 000
Change in ownership percentage	16 053	124	136 171	30 234	1 921	34 366
Transferred to Accumulated earnings			-1 259 247			- 359 409
Others	-4 486 357			- 11 192		
Balance as at 31 December 2015	-31 461 322	96 733	106 260 850	-6 260 935	1 388 833	26 238 300

	Accumulated other comprehensive income Atributable to the parent's shareholders					
	Currency translation	Available-for-sale financial assets	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures and Associates	Income tax related to components of other comprehensive income
Balance as at 1 January 2014	- 16 496 846	88 950	126 516 277	- 3 198 741	1 371 956	35 600 137
Other consolidated comprehensive income for the period	4 034 431	- 1 836	-19 645 347	-3 288 627		-9 155 678
Change in ownership interest	100 464	969	1 280 049	- 32 966	14 956	363 896
Outros			- 767 053			- 197 012
Balance as at 31 December 2014	-12 361 951	88 083	107 383 926	-6 520 334	1 386 912	26 611 343

Currency translation reserve refers mostly to the subsidiaries Tafisa Canada, Sonae Industria (UK) and Sonae Novobord.

Accumulated other comprehensive income directly associated with non-current assets held for sale, on the Consolidated Statement of Financial Position as at 31 December 2014, consisted of remeasurements of defined benefit plans of Linxe and Ussel industrial plants, which were sold in the period ended 31 December 2015 (note 17).

25. NON-CONTROLLING INTERESTS

Changes to this item during 2015 and 2014 were as follows:

	31.12.2015	31.12.2014
Opening balance	- 262 099	- 795 247
Net profit for the period attributed to non-controlling interests	- 641	- 159 144
Other comprehensive income	- 521	5 788
Change in ownership percentage	156 650	551 462
Others		135 042
Closing balance	- 106 611	- 262 099

26. LOANS

As at 31 December 2015 and 31 December 2014 Sonae Indústria had the following outstanding loans:

31.12.2015					
	Amortised cost		Nominal value		Fair value adjustment - 2015
	Current	Non current	Current	Non current	
Bank loans	332 303 023	53 413 866	333 573 440	53 648 577	
Debentures	147 987 525		150 000 000		
Obligations under finance leases	5 669 033	16 749 594	5 669 033	16 749 594	-2 416 319
Other loans	41 619 187	1 325 632	41 954 760	1 325 632	
Gross debt	527 578 768	71 489 092	531 197 233	71 723 803	-2 416 319
Cash and cash equivalent in balance sheet	28 924 470		28 924 470		
Net debt	498 654 298	71 489 092	502 272 763	71 723 803	- 2 416 319
Total net debt	570 143 390		573 996 566		

31.12.2014					
	Amortised cost		Nominal value		Fair value adjustment - 2014
	Current	Non current	Current	Non current	
Bank loans	106 774 893	231 403 466	107 264 090	232 322 901	
Debentures		147 604 120		150 000 000	
Obligations under finance leases	5 829 498	23 440 018	5 829 498	23 440 018	-2 125 961
Other loans	6 186 912	54 951 368	6 186 912	55 555 350	
Gross debt	118 791 303	457 398 972	119 280 500	461 318 269	-2 125 961
Cash and cash equivalent in balance sheet	11 948 475		11 948 475		
Net debt	106 842 828	457 398 972	107 332 025	461 318 269	- 2 125 961
Total net debt	564 241 800		568 650 294		

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

	2015	2014
Bank loans	4.90%	6.08%
Debentures	4.54%	5.81%
Finance leases	11.66%	11.01%
Others	4.80%	4.49%

Bank overdrafts were not taken into consideration for the calculation of these average interest rates as the amounts were irrelevant.

Column “Fair value adjustment” includes the adjustments which would have to be made in the period if the corresponding items were to be stated at fair value. Its calculation consisted in determining the lease rent that would be applicable if the leasehold were subject to a market interest rate (second level of fair value hierarchy).

The maturity schedule of these loans is detailed on note 28.

As set out in point A.I.4 of the Corporate Governance Report, at 31 December 2015 there were loans amounting to EUR 450 million (representing 79% of consolidated net debt) whose repayment may be required by creditors in case of change in shareholder control of Sonae Indústria, SGPS, S. A..

26.1. Bank Loans

Bank loans (nominal value) presented in the table in note 26 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 2015 and 31 December 2014 is detailed in the following table:

31.12.2015					
Company	Non current	Current			Total
		Short term portion	Short term	Bank overdrafts	
Sonae Indústria-SGPS,SA	5 883 333	110 811 111	99 080 000	10 009 616	225 784 060
Tafisa-Tableros de Fibras, SA		65 000 000	2 400 000		67 400 000
Taiber, Tableros Aglomerados Ibéricos,SL			39 000 000		39 000 000
Tafisa Canada Inc.	30 630 674	466 430			31 097 104
Sonae Novobord (Pty) Ltd	14 334 570	1 769 700			16 104 270
Euroresinas-Indústrias Químicas,SA	2 800 000	1 200 000			4 000 000
Sonae Ind., Prod. e Com.Deriv.Madeira,SA				3 054 948	3 054 948
Imoplamac - Gestão de Imóveis, S. A.		729 934			729 934
Others				51 701	51 701
	<u>53 648 577</u>	<u>179 977 175</u>	<u>140 480 000</u>	<u>13 116 265</u>	<u>387 222 017</u>

31.12.2014					
Company	Non current	Current			Total
		Short term portion	Short term	Bank overdrafts	
Sonae Indústria-SGPS,SA	114 194 444	7 270 202	39 964 427	5 123	161 434 196
Taiber, Tableros Aglomerados Ibéricos,SL			39 000 000		39 000 000
Tafisa Canada Inc.	47 754 266	1 219 633			48 973 899
Sonae Novobord (Pty) Ltd	4 413 225	10 280 306		1 362 732	16 056 263
Tafisa-Tableros de Fibras, SA	65 000 000		4 800 000		69 800 000
Imoplamac - Gestão de Imóveis, S. A.	960 966	3 281 857			4 242 823
Others				79 810	79 810
	<u>232 322 901</u>	<u>22 051 998</u>	<u>83 764 427</u>	<u>1 447 665</u>	<u>339 586 991</u>

Figures on the previous table correspond to the nominal values of bank loans disclosed on note 26.

Non-current bank loans, the related short term portion and current bank loans are detailed as follows:

Company(ies)	Loan	Contract date	Maturity (with reference to 31.12.2015)	Currency	Outstanding principal at 31.12.2015 (EUR)	Outstanding principal at 31.12.2014 (EUR)
Sonae Indústria, SGPS, S.A.	Commercial paper programme	January 2006	¹⁾	EUR	-	5 000 000
Sonae Novobord (Pty) Limited and Sonae Indústria, SGPS, S.A.	Bank loan	January 2007	²⁾	ZAR	-	6 289 594
Sonae Novobord (Pty) Limited and Sonae Indústria, SGPS, S.A.	Bank loan	June 2007	²⁾	ZAR	-	1 278 937
Tableros de Fibras S.A.	Commercial paper programme	July 2010	to be partly repaid from January 2014 to December 2016, unless it is annually revoked ³⁾	EUR	2 400 000	4 800 000
Sonae Indústria, SGPS, S.A.	Bank loan	August 2010	to be repaid from November 2012 to August 2017	EUR	1 944 444	3 055 556
Sonae Indústria, SGPS, S.A.	Commercial paper programme	September 2010	January 2016 ¹⁵⁾	EUR	12 500 000	12 500 000
Tafisa Canada Inc.	Bank loan (Revolving)	July 2011	to be repaid from September 2014 to July 2019 ⁴⁾	CAD	29 572 204	47 075 146
Tafisa Canada Inc.	Bank loan	July 2011	to be repaid from August 2012 to april 2016 ⁵⁾	CAD	334 117	1 436 550
Imoplamac, S.A.	Bank loan	November 2012	to be repaid from March 2013 to March 2016 ⁶⁾	EUR	729 933	4 242 823
Sonae Novobord (Pty) Limited	Bank loan	December 2012	²⁾	ZAR	-	7 125 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2018 Note: programme without subscription guarantee	EUR	13 650 000	17 500 000
Taiber, Tableros Aglomerados Ibéricos, S.L. and Sonae Indústria, SGPS, S.A.	Bank loan ⁷⁾	November 2013	July 2016 ⁸⁾	EUR	39 000 000	39 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2014	to be repaid from December 2015 to June 2018	EUR	8 350 000	10 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	August 2014	to be repaid from May 2018 to November 2020 ⁹⁾	EUR	93 900 000	103 900 000
Tableros de Fibras, S.A. and Sonae Indústria, SGPS, S.A.	Bank loan ¹⁰⁾	October 2014	to be repaid from May 2021 to November 2022 ⁹⁾	EUR	65 000 000	65 000 000
Sonae Indústria, SGPS, S.A.	Bank loan	October 2014	November 2016, annually renewable	EUR	7 930 000	3 600 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	February 2015	to be repaid from August 2016 to February 2018 ⁹⁾	EUR	12 500 000	-
Sonae Novobord (Pty) Limited	Bank loan ¹¹⁾	April 2015	to be repaid from October 2015 to April 2020 ¹²⁾	ZAR	16 104 270	-
Sonae Indústria, SGPS, S.A.	Bank loan ¹³⁾	June 2015	June 2016	EUR	60 000 000	-
Sonae Indústria, SGPS, S.A.	Commercial paper programme	October 2015	October 2016, renewable	EUR	5 000 000	-
Euroresinas - Industrias Químicas, S.A.	Bank loan ¹⁴⁾	November 2015	to be repaid from May 2016 to November 2018	EUR	4 000 000	-
Sonae Indústria, SGPS, S.A.	Bank loan	December 2015	January 2016	EUR	9 999 481	-
Several companies	Other bank loans	-	-	EUR	2 802 439	6 374 753
Total				EUR	385 716 889	338 178 359

1) In October 2015, this amount was refinanced in the context of a new contract to issue commercial paper;

2) In second half 2015, Sonae Novobord (Pty) Ltd carried out a refinancing process which caused these loans to be repaid in anticipation;

3) Until the date of approval of these consolidated financial statements, no notification revoking this programme had been received;

- 4) This contract requires the fulfilment of two financial ratios, which are calculated based on individual financial statements of Tafisa Canada Inc.: one ratio is "Financial liabilities / (Net shareholders' funds + Financial liabilities)" and the other ratio is "Free cash flow / Debt service". These ratios are tested every three months until maturity date and its failure can lead to early maturity of this loan;
- 5) This contract requires the fulfilment of a financial ratio calculated based on individual financial statements of Tafisa Canada Inc.: "Medium and long term financial liabilities / Net shareholders' funds". This ratio is tested upon publication of annual financial statements and its failure can lead to early maturity of this loan;
- 6) In December 2015, Imoplamac, S. A. took the initiative to repay some existing contracts before maturity date for a total amount of EUR 217 433.33;
- 7) This loan is collateralized by a pledge of shares of subsidiary Sonae Novobord (Pty) Limited;
- 8) In October 2015, by agreement between the parties, the maturity of this loan carried over from October 2015 to July 2016;
- 9) For these contracts, Sonae Indústria, SGPS, S. A. is required to fulfill an Equity ratio ("Total Net shareholders' funds / Total net assets"). This ratio is tested annually based on the company's consolidated financial statements, from 31 December 2015 to maturity date, and its failure can lead to early maturity of these loans;
- 10) Collateral for this loan includes a pledge of shares of subsidiary Glunz AG;
- 11) This loan is collateralized by a pledge of shares of subsidiary Tafibra South Africa (Pty) Ltd;
- 12) This contract requires the fulfilment of three financial ratios calculated based on the consolidated financial statements of Sonae Novobord (Pty) Limited: "Net debt / EBITDA", "Net debt / Equity" and "Free cash flow / Debt service". These ratios are tested every three months until maturity date and its failure can lead to early maturity of this loan;
- 13) This loan is collateralized by a pledge of shares of subsidiary Tafisa Canada Inc.;
- 14) This contract requires the fulfilment of a ratio calculated based on individual financial statements of Euroresinas - Indústrias Químicas, S. A.: "Net debt / EBITDA". This ratio is tested upon publication of annual financial statements and its failure can lead to early maturity of this loan.

Figures on the previous table correspond to the amortized cost of bank loans disclosed on note 26.

The aforementioned contracts are subject to variable interest rates.

At the same date, in addition to mortgaged tangible fixed assets disclosed on note 11, there were other assets amounting to EUR 47 975 673 (52 808 593 at 31 December 2014) which were pledged as guarantee of the Group's liabilities. These assets consisted mostly in inventories and accounts receivable.

At 31 December 2015, conditions established by contract for the Equity ratio referred to in the above mentioned point 9) were not fulfilled, which caused loans amounting to EUR 167 308 185 (amortized cost) to be reclassified under Current portion of non-current bank loans, on the Consolidated Statement of Financial Position. At the date of approval of these consolidated financial statements, the Group had obtained formal statements from the financing institutions assuring that repayment would not be required before contractually defined maturity dates. As such, these loans will be disclosed under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

At the same date, all the other ratios associated to bank loans were fulfilled.

26.2. Bond Issues

Company(ies)	Loan	Contract date	Maturity (with reference to 31.12.2015)	Currency	Outstanding principal at 31.12.2015 (EUR)	Outstanding principal at 31.12.2014 (EUR)
Sonae Indústria, SGPS, S.A.	Sonae Indústria / 2014 - 2020 bonds	October 2014	to be repaid from May 2018 to November 2020 ¹⁾	EUR	150 000 000	150 000 000

1) Sonae Indústria, SGPS, SA is required to fulfil an Equity ratio ("Total net shareholders' funds / Total net assets"). This ratio is tested annually based on the company's consolidated financial statements, from 31 December 2015 to maturity date, and its failure can lead to early maturity of this loan.

The aforementioned bond loans pay interest at variable rate composed of 6 month Euribor plus a spread.

At 31 December 2015, conditions established by contract for the Equity ratio referred to in the above mentioned point 1) were not fulfilled, which caused loans amounting to EUR 147 987 525 euros (amortized cost) to be reclassified under Current portion of non-current non-convertible bonds, on the Consolidated Statement of Financial Position. At the date of approval of these consolidated financial statements, the Group had obtained a formal statement from the holder of these bonds assuring that repayment would not be required before contractually defined maturity date. As such, these bonds will be disclosed under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

26.3. Other Loans

Other loans, as detailed in the table in note 26, 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 2015 and 31 December 2014:

Company	31.12.2015		
	Non current	Current	
	Others	Securitization	Others
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	1 197 416	12 925 960	908 655
Glunz AG		14 645 819	78 950
Tableros Tradema,S.L.	128 216	7 020 547	22 849
Sonae Tafibra International, BV		5 523 691	
Sonae Industria (UK), Ltd.		475 656	
Euroresinas-Indústrias Químicas,SA			301 231
Isoroy SAS		51 402	
	<u>1 325 632</u>	<u>40 643 075</u>	<u>1 311 685</u>

Company	31.12.2014		
	Non current		Current
	Securitization	Others	Others
Glunz AG	18 869 853		78 950
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	11 617 604	2 058 425	5 608 211
Isoroy SAS	5 223 534		
Tableros Tradema,S.L.	10 910 505	151 546	6 131
Sonae Tafibra International, BV	5 485 197		
Sonae Industria (UK), Ltd.	1 135 908		
Tafiber, Tableros de Fibras Ibéricas,SL		102 778	102 793
Euroresinas-Indústrias Químicas,SA			390 827
	<u>53 242 601</u>	<u>2 312 749</u>	<u>6 186 912</u>

Figures on the previous table correspond to the nominal values of bank loans disclosed on note 26.

Company(ies)	Loan	Contract date	Maturity (with reference to 31.12.2015)	Currency	Outstanding principal at 31.12.2015 (EUR)	Outstanding principal at 31.12.2014 (EUR)
Several companies	Trade receivables securitization ¹⁾	August 2012	September 2016, renewable, with maximum maturity September 2018	EUR	40 167 419	52 102 130
				GBP	475 656	1 140 471
Sonae Indústria - Produção e Comercialização de Derivados de Madeira, S.A.	Trade receivables factoring	September 2012	²⁾	EUR	-	4 445 945

1) Trade receivables amounting to EUR 50 888 083 were kept on the Consolidated Statement of Financial Position at 31 December 2015 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 fully transferred;

2) Sonae Indústria - Produção e Comercialização de Derivados de Madeira, S.A. took the initiative to cancel this contract on September 2015, having repaid the total outstanding amount.

The estimated fair value of transferred asset and of related liabilities is not significantly different from their respective carrying amounts.

26.4. Financial lease creditors

Details of finance leases creditors at 31 December 2015 and at 31 December 2014 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
2015		8 702 976		5 829 498
2016	7 959 785	8 795 008	5 669 033	6 485 136
2017	6 737 214	6 853 803	4 935 621	5 044 058
2018	12 390 083	12 425 684	11 116 336	11 150 419
2019	444 764	505 765	413 495	476 274
2020	293 417	293 345	284 142	284 131
	<u>27 825 263</u>	<u>37 576 581</u>	<u>22 418 627</u>	<u>29 269 516</u>
Lease creditors - current			5 669 033	5 829 498
Lease creditors - non current			<u>16 749 594</u>	<u>23 440 018</u>

Assets recognized under finance lease arrangements are stated on note 11.

26.5. Cash Flows

Amounts stated under cash receipts arising from loans obtained and cash payment arising from loans obtained, on financing activities of the Consolidated Statement of Cash Flows include the rollover of commercial paper programmes detailed on note 26.1.

27. FINANCIAL DERIVATIVES

The fair value of derivative instruments is stated as follows:

	Other current assets		Other current liabilities	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Derivatives at fair value through profit or loss:				
Exchange rate forwards (notes 21 and 33)	491 159	99 079	41 908	35 529
	<u>491 159</u>	<u>99 079</u>	<u>41 908</u>	<u>35 529</u>

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 of fair value hierarchy). Receivable/payable amount, which was used for valuing, corresponds to the amount denominated in foreign currency multiplied by the difference between the contracted exchange rate and the market exchange rate at the maturity date that was determined at valuation date (forward exchange rate determined between valuation and maturity date using market information).

Gains and losses resulting from changes in fair value are stated under the item Adjustments to fair value of financial instruments at fair value through profit or loss (notes 37 and 38), which corresponds to a net gain of EUR 532 072 (net loss of EUR 82 330 at 31 December 2014, disclosed on note 41).

Derivative instruments recognized at fair value through profit or loss held by the Group at 31 December 2015 fully mature in 2016.

Derivatives at fair value through reserves

In 2015 and 2014 no derivative financial instruments at fair value through reserves were contracted.

28. FINANCIAL RISKS

28.1. Liquidity risk

Liquidity risk described in note 2.27, c) related to gross debt referred to in note 26, can be analysed as follows:

	31.12.2015		
	Maturity of gross debt (note 26)	Interest	Total
2016	212 475 573	25 521 215	237 996 788
2017	18 931 005	19 728 444	38 659 449
2018	96 813 977	17 695 624	114 509 601
2019	115 638 391	11 735 286	127 373 677
2020	93 129 495	6 556 439	99 685 934
2021	32 695 291	2 575 337	35 270 628
After 2021	33 237 304	1 101 422	34 338 726
	<u>602 921 036</u>	<u>84 913 767</u>	<u>687 834 803</u>

	31.12.2014		
	Maturity of gross debt (note 26)	Interest	Total
2015	119 280 500	26 447 965	145 728 465
2016	74 669 801	20 859 607	95 529 408
2017	16 944 096	18 147 286	35 091 382
2018	104 034 410	16 200 031	120 234 442
2019	115 113 170	10 452 811	125 565 980
2020	85 105 647	6 015 469	91 121 116
After 2020	65 451 145	3 851 115	69 302 260
	<u>580 598 769</u>	<u>101 974 284</u>	<u>682 573 053</u>

The calculation of interest in the previous table was based on interest rates at 31 December 2015 and 31 December 2014 applicable to each item of debt. Gross debt maturing in 2016 (2015) includes scheduled repayment of debt along with the repayment of debt as at end 2015 (2014) which is maturing within less than one year, and was not affected by reclassifications disclosed on notes 26.1 and 26.2.

Maturities for the remaining financial instruments are stated on the respective notes.

For several years now the Group has maintained a series of bank and commercial paper credit facilities to meet treasury needs, for terms typically of up to one year, renewable with the agreement of the respective credit entities. These entities, most of which are also involved in medium and long term loans, are contractually entitled to not renew these credit facilities on maturity, although they have always ensured its renewal or replacement. Furthermore, it is not possible to foresee the level of subscription for commercial paper to be issued by the Company. In case these operations are not renewed, Sonae Indústria will have to find alternative short term financing sources so as to meet its debt service obligations.

The Company believes that gains in operating performance attained over the last quarters will have a positive effect on the probability of renewing short term credit facilities as well as on the possibility of contracting additional short term financing facilities with other banks, as already accomplished in 2015.

On the other hand, the possible execution of the agreement signed with Arauco Group, which has been disclosed to the market, to set up a strategic partnership involving wood based panels and related activities in Europe and South Africa, will bring about the renegotiation of most of the Group's bank debt. The company estimates that the possible conclusion of these renegotiations with present and new creditor banks, along with a reduction in global debt to be

accomplished as a result of an increase in share capital of subsidiary Tableros de Fibras, S. A. for EUR 137.5 million to be subscribed for by Arauco, as stated on the signed agreement, will contribute to a significant improvement in the Company's debt maturity profile and cost.

28.2. Market risk

28.2.1. Interest rate risk

The analysis of interest rate risk, described on note 2.27, b), i), consisted in calculating the way net profit before tax for 2015 and 2014 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							
2015				2014			
"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	-533 109 928	-2 983 044	2 983 044	508 770 700	-3 744 320	3 744 320	
GBP	- 480 792	- 7 287	7 287	1 136 581	- 8 317	8 317	
CAD	-30 027 997	- 270 483	270 483	48 914 974	- 152 838	152 838	
ZAR	-16 103 345	- 103 578	103 578	14 693 309	- 90 936	90 936	
	-579 722 063	-3 364 392	3 364 392	573 515 564	-3 996 411	3 996 411	
Bank deposits and other treasury applications							
EUR	1 428 027	5 691	- 5 691	1 428 027	5 727	- 5 727	
	1 428 027	5 691	- 5 691	1 428 027	5 727	- 5 727	
		-3 358 701	3 358 701		-3 990 684	3 990 684	

Gross debt on 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 Euro interest rates, a change of 0.75 percentage points corresponds to 14.3 times the standard deviation of that variable in 2015 (7.7 times in 2014).

28.2.2. Exchange rate risk

With respect to exchange rate risk, described in note 2.27., 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 2015 and 2014 exchange rates.

i) Loans net of treasury applications

	Amount denominated in foreign currency		Eur equivalent		Sensitivity analysis (EUR)			
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	2015		2014	
					-1%	1%	-1%	1%
GBP		16 522 408		21 212 459			- 212 125	212 125
ZAR	17 428 273		1 028 094		- 10 281	10 281		

Sensitivity refers to the effect that -1% and 1% changes in closing exchange rates for 2015 and 2014 financial years would have on net exchange differences disclosed on note 41.

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 27).

28.2.3. Credit risk

Credit risk described on note 2.27, a) is mostly reflected through the amount stated in Trade Debtors (note 19) and Other current debtors (note 20). No relevant differences between the amounts recognized and the corresponding estimated fair value were identified.

29. OTHER NON-CURRENT LIABILITIES

At 31 December 2015 and 31 December 2014 details of Other non-current liabilities were as follows:

	31.12.2015	31.12.2014
Other creditors		
Financial instruments	2 277 504	241 495
Other creditors	31 312 338	41 758 831
Liabilities out of scope of IFRS 7	31 312 338	41 758 831
Total	33 589 842	42 000 326

31.12.2015	2017	Total
Maturity of Other non current creditors	2 277 504	2 277 504
	2 277 504	2 277 504

Other creditors include EUR 24 535 202 (EUR 28 648 958 at 31 December 2014) related to deferred investment subventions and EUR 6 193 800 (EUR 12 377 600 at 31 December 2014) related to the fine imposed by the German Competition Authority, to be paid until 2017 (note 47).

30. 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 2015 and 2014 were:

Germany								
	Glunz AG		GHP GmbH		Tool GmbH		Impaper	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G
Mortality table								
Salary growth rate	2,00%	2,00%	0,00%	0,00%	0,00%	0,0%	2,00%	2,0%
Return on fund	2,30%	2,45%	2,30%	2,45%	2,30%	2,45%	2,30%	2,45%
Actuarial technical rate	2,30%	2,45%	2,30%	2,45%	2,30%	2,45%	2,30%	2,45%
Pension growth rate	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%

	South Africa		France		Portugal	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	PA(90)-2	PA(90)-2	-	INSEE 2007- 2009	TV 88/90	TV 88/90
Mortality table						
Salary growth rate	8,50%	8,10%	-	2,0%	3,0%	3,0%
Return on fund	3,70%	11,95%	-	-	4,6%	2,7%
Actuarial technical rate	9,50%	9,00%	-	2,0%	3,0%	3,0%
Pension growth rate	5,60%	5,30%	-	-	0,0%	0,0%
Trend rate of medical aid obligation	0,46%	0,69%				

Benefit plans set up in previous periods by several Group companies are as follows:

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 525 297 was included in the item Staff expenses, on the Consolidated Income Statement, during the period. At 31 December 2015, no contributions were outstanding and 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 survivor's 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 obligation recognized by Sonae Novobord (Pty) Ltd is 18.2 years.

In the actuarial report prepared on 31 December 2015, the defined benefit liability amounted to EUR 759 260.

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 2.30% 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 obligation is:

- Glunz AG: 12.19 years;
- GHP GmbH: 22.89 years;
- Tool GmbH: 19.32 years;
- Impaper Europe GmbH & Co. KG: 23.02 years.

In accordance with the actuarial reports prepared at 31 December 2015, these companies' defined benefit liabilities amounted to EUR 23 115 731.

France:

Defined benefit responsibilities of subsidiaries Isoroy SAS and Darbo SAS were actuarially estimated to amount to EUR 729 578 at 31 December 2014, when they were stated under Liabilities directly associated with non-current assets held for sale.

As disclosed on note 17, in the period ended 31 December 2015, subsidiary Darbo SAS and Ussel industrial plant, which was included in subsidiary Isoroy SAS, were disposed of. At the closing date of these consolidated financial statements, residual defined benefit responsibilities of subsidiary Isoroy SAS were not calculated as they were estimated to be irrelevant.

Portugal:

Various Group companies have a defined benefit plan and funds managed by third parties, calculated in accordance with International Accounting Standard 19 and based on actuarial

studies carried out by an independent entity. Employees of 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 3.0% used for calculating the defined benefit liability of Portuguese subsidiaries was obtained from the yield curves of high quality zero coupon government bonds from the Euro Zone, plus a spread, determined based on iTaxx Europe Main index.

The average duration of the defined benefit obligation recognized by the Portuguese subsidiaries is 22 years.

An actuarial report calculated the liabilities of these companies on 31 December 2015 to be EUR 2 664 044.

The main risk to which these defined benefit plans expose the Group is the liquidity risk. At 31 December 2015 assets funding the plans represented 20.0% (21.1% at 31 December 2014) 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 2015 and 31 December 2014, to the present value of the defined benefit obligations are presented as follows:

	31.12.2015			31.12.2014		
	Plan without fund	Plan with fund	Total	Plan without fund	Plan with fund	Total
(+) Opening balance of defined benefit obligations' present value	860 983	33 157 115	34 018 098	2 131 333	30 045 452	32 176 785
(+) Interest cost	73 464	1 067 951	1 141 415	96 408	1 255 331	1 351 739
(+) Current service cost	10 576	401 070	411 646	52 882	370 828	423 710
(+) Employees' contributions		23 061	23 061		22 547	22 547
(+) Remeasurements:						
Due to change in financial assumptions		512 626	512 626	152 629	4 076 172	4 228 801
Due to change in demographic assumptions		- 123 008	- 123 008	95 239	- 385 180	- 289 941
Due to experience adjustments	5 536	- 859 759	- 854 222	- 205 198	- 270 029	- 475 227
(+) Recognised past service cost				- 682 112		- 682 112
(-) Paid pensions	33 716	1 525 970	1 559 686	82 297	2 094 203	2 176 500
(+) Exchange rate effect	- 117 990	- 650 925	- 768 915	31 677	136 197	167 874
(-) Amount reclassified as Liability directly associated with non-current assets held for sale						
				729 578		729 578
(=) Closing balance of defined benefit obligations' present value	798 854	32 002 161	32 801 015	860 983	33 157 115	34 018 098

During 2015 and 2014 the fair value of the plan assets changed as follows:

	31.12.2015	31.12.2014
(+) Opening balance of plan assets	7 163 812	7 060 840
(+) Contribution to plan assets:		
Employees	23 061	22 547
Employer	139 946	169 398
(+) Interest income	452 465	492 296
(+) Remeasurements	- 224 247	65 269
(-) Paid pensions	294 064	799 739
(+) Exchange rate effect	- 717 749	153 201
(=) Closing balance of plan assets	<u>6 543 224</u>	<u>7 163 812</u>

Funding assets do not include any assets occupied or used by the Group nor do they include any securities issued by the Company or its subsidiaries.

At 31 December 2015 and 31 December 2014, the amount of liabilities for defined benefits recognized in the Consolidated Statements of Financial Position is detailed as follows:

	31.12.2015	31.12.2014
(+) Present value of defined benefit obligations	32 801 015	34 018 098
(-) Fair value of plan assets	6 543 224	7 163 813
(+) Effect of asset ceiling	320 841	425 215
(=) Defined benefit liability	<u>26 578 632</u>	<u>27 279 500</u>

The asset ceiling, which is the present value of any future refunds from plan assets or of any future reduction in contributions to plan assets is zero, which results in an effect of asset ceiling amounting to EUR 320 841 (EUR 425 215 at 31 December 2014).

Movements occurred in defined benefit liability during 2015 and 2014 are as follows:

	31.12.2015	31.12.2014
(+) Opening balance of defined benefit liability's present value	27 279 500	25 651 828
(+) Interest cost	1 141 415	1 351 739
(-) Interest income	452 465	492 295
(+) Current service cost	411 646	423 710
(+) Employees' contributions	23 061	22 547
Remeasurements, of which:		
(+) Due to change in financial assumptions	512 626	4 228 801
(+) Due to change in demographic assumptions	- 123 008	- 289 941
(+) Due to experience adjustments	- 854 222	- 475 227
(-) Remeasurements of plan assets	- 224 247	65 269
Contribution to plan assets		
(-) Employees	23 061	22 547
(-) Employer	139 946	169 398
(+) Recognised past service cost		- 682 112
(-) Paid pensions	1 265 622	1 376 761
(+) Exchange rate effect	- 51 165	14 672
(+) Asset ceiling	- 104 373	- 110 669
(+) Changes in consolidation perimeter		
(-) Amount reclassified as Liability directly associated with non-current assets held for sale		729 578
(=) Closing balance of defined benefit liability's present value	26 578 632	27 279 500

Sensitivity of the Health Benefit scheme's obligations can be analysed as follows:

	2015			2014		
	- 1,0 pp	Valuation basis	+ 1,0 pp	- 1,0 pp	Valuation basis	+ 1,0 pp
Defined benefit obligation	885 617	759 260	658 918	1 005 338	860 985	746 629

The valuation basis refers to the actuarial discount rate that was included in the actuarial assumptions disclosed herewith.

Sensitivity of the defined benefit obligation, excluding the health benefit scheme, is as follows:

	2015			2014		
	-0,5 pp	Valuation basis	+0,5 p	-0,5 pp	Valuation basis	+0,5 p
Defined benefit obligation	34 434 122	32 002 158	29 834 089	36 615 768	33 886 691	31 547 504

The valuation basis refers to the actuarial discount rate that was included in the actuarial assumptions disclosed herewith.

31. TRADE CREDITORS

At 31 December 2015 and 31 December 2014, Trade creditors stated on the Consolidated Statements of Financial Position had the following maturities:

MATURITY OF TRADE CREDITORS		
	31.12.2015	31.12.2014
To be paid		
< 90 days	133 687 601	151 284 832
90 - 180 days	3 114 563	4 381 508
> 180 days	1 784 184	712 652
	<u>138 586 348</u>	<u>156 378 992</u>

32. OTHER TAXES AND CONTRIBUTIONS (CURRENT LIABILITIES)

At 31 December 2015 and 31 December 2014 Other taxes and contributions had the following composition:

	31.12.2015	31.12.2014
Other taxes and contributions		
Value Added Tax	3 189 932	3 072 800
Social Security Contribution	1 498 194	2 193 538
Others	2 330 369	1 739 203
	<u>7 018 495</u>	<u>7 005 541</u>

33. OTHER CURRENT LIABILITIES

At 31 December 2015 and 31 December 2014 Other current liabilities were composed of:

	31.12.2015	31.12.2014
Derivatives	41 908	35 529
Tangible fixed assets suppliers	5 418 520	6 064 556
Other creditors	2 776 725	3 934 020
Financial instruments	<u>8 237 153</u>	<u>10 034 105</u>
Other creditors	7 301 250	9 181 367
Accrued expenses:		
Insurances	335 167	1 227 009
Personnel expenses	17 002 321	14 320 967
Accrued financial expenses	6 503 606	5 656 004
Rebates	15 818 462	15 322 111
External supplies and services	8 005 824	9 570 495
Other accrued expenses	4 977 001	6 147 430
Deferred income:		
Investment subventions	4 277 243	6 327 581
Other deferred income	148 932	148 937
Liabilities out of scope of IFRS 7	<u>64 369 806</u>	<u>67 901 901</u>
Total	<u>72 606 959</u>	<u>77 936 006</u>

31.12.2015	< 90 days	90 - 180 days	> 180 days	Total
Maturity of current fixed assets' suppliers	5 109 140	61 339	248 041	5 418 520
Maturity of Other current creditors	2 211 440	10 510	554 775	2 776 725
	<u>7 320 580</u>	<u>71 849</u>	<u>802 816</u>	<u>8 195 245</u>

31.12.2014	< 90 days	90 - 180 days	> 180 days	Total
Maturity of current fixed assets' suppliers	5 588 768	128 893	346 895	6 064 556
Maturity of Other current creditors	3 372 401	181 246	380 373	3 934 020
	<u>8 961 169</u>	<u>310 139</u>	<u>727 268</u>	<u>9 998 576</u>

34. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2015 and 31 December 2014 were as follows:

Description	31.12.2015							Closing balance
	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilization	Reversion	Other changes	
Impairment losses:								
Investment properties							2 259 929	2 259 929
Tangible fixed assets	48 044 432			111 280			- 6 465 351	41 690 361
Goodwill	1 700 000							1 700 000
Intangible assets	30 833			343 271			- 7 668	366 436
Other non-current assets	10 931 182							10 931 182
Trade debtors	26 228 073	- 334 577		2 587 877		1 968 626	- 1 166 963	25 345 784
Other debtors	3 502							3 502
Subtotal impairment losses	<u>86 938 022</u>	<u>- 334 577</u>		<u>3 042 428</u>		<u>1 968 626</u>	<u>- 5 380 053</u>	<u>82 297 194</u>
Provisions:								
Litigations in course	1 504 544	- 5 072		335 067	443 085		132 431	1 523 885
Warranties to customers	541 547	2 637		64 615	59 679			549 120
Restructuring	6 055 072	11 309		2 609 040	7 017 096		- 165 559	1 492 766
Other	4 694 739			6 188 628	4 041 358		103 099	6 945 108
Subtotal provisions	<u>12 795 901</u>	<u>8 874</u>		<u>9 197 350</u>	<u>11 561 218</u>		<u>69 971</u>	<u>10 510 879</u>
Subtotal impairment losses and provisions	<u>99 733 923</u>	<u>- 325 703</u>		<u>12 239 778</u>	<u>11 561 218</u>	<u>1 968 626</u>	<u>- 5 310 082</u>	<u>92 808 073</u>
Other losses:								
Investments	36 985 875							36 985 875
Write-down to net realizable value of inventories	4 165 268	- 35 296		3 833 413		2 617 868	- 944 508	4 401 009
Subtotal	<u>140 885 066</u>	<u>- 360 999</u>		<u>16 073 191</u>	<u>11 561 218</u>	<u>4 586 494</u>	<u>- 6 254 590</u>	<u>134 194 957</u>
Provisions included under Liabilities directly associated with non-current assets held for sale	66 512 818		- 43 719 112	5 604 755		216 735	- 28 181 726	
Total	<u>207 397 884</u>	<u>- 360 999</u>	<u>- 43 719 112</u>	<u>21 677 946</u>	<u>11 561 218</u>	<u>4 803 229</u>	<u>- 34 436 316</u>	<u>134 194 957</u>

Description	31.12.2014					
	Opening balance	Exchange rate effect	Increase	Utilization	Reversion	Closing balance
Impairment losses:						
Tangible fixed assets	65 372 467		47 900 930		5 855 672	- 59 373 293
<i>Goodwill</i>	7 727 749					- 6 027 749
Intangible assets	19 242		17 357			- 5 766
Other non-current assets	10 931 182					10 931 182
Trade debtors	24 524 620	96 028	3 912 039		1 510 989	- 793 625
Other debtors	3 502					3 502
Subtotal impairment losses	108 578 762	96 028	51 830 326		7 366 661	- 66 200 433
Provisions:						
Litigations in course	2 063 278		4 518	559 735		- 3 517
Warranties to customers	631 797	454		90 700		541 547
Restructuring	562 548	21 005	16 903 793	11 432 274		6 055 072
Other	5 419 376		823 028	1 458 432		- 89 237
Subtotal provisions	8 676 999	21 459	17 731 339	13 541 141		- 92 754
Subtotal impairment losses and provisions	117 255 761	117 487	69 561 665	13 541 141	7 366 661	- 66 293 187
Other losses:						
Investments	36 985 875					36 985 875
Write-down to net realizable value of inventories	6 708 161	15 377	4 986 548		4 343 293	- 3 201 524
Subtotal	160 949 797	132 864	74 548 213	13 541 141	11 709 954	- 69 494 711
Provisions included under Liabilities directly associated with non-current assets held for sale						66 512 818
Total	160 949 797	132 864	74 548 213	13 541 141	11 709 954	- 2 981 893

Impairment losses are offset against the corresponding asset on the Consolidated Statement of Financial Position.

Increase and utilization of provisions and impairment losses are stated on the Consolidated Income Statement as follows:

	31.12.2015			31.12.2014		
	Losses	Gains	Total	Losses	Gains	Total
Cost of sales	1 434 646	1 058 262	376 384	1 285 254	1 085 079	200 175
(Increase) / decrease in production	1 324 791	1 292 822	31 969	1 383 720	1 910 759	- 527 039
Provisions and impairment losses	9 995 213	9 544 834	450 379	22 446 298	12 160 481	10 285 817
Staff expenses	260 404	632 780	- 372 376	190 552	872 593	- 682 041
Profit / (loss) from discontinued operations	8 662 892	3 835 749	4 827 143	49 242 389	9 222 183	40 020 206
Total (Consolidated Income Statement)	21 677 946	16 364 447	5 313 499	74 548 213	25 251 095	49 297 118

Provisions and impairment losses recognized under Profit or loss from discontinued operations, on the Consolidated Income statement, are included under the following items detailed on note 43:

	31.12.2015			31.12.2014		
	Losses	Gains	Total	Losses	Gains	Total
Cost of sales (discontinued operations-note 43)	2 397 861	421 334	1 976 527	1 858 290	1 092 057	766 233
Change in production (discontinued operations-note 43)	474 453	56 425	418 028	459 284	255 398	203 886
Provisions and impairment losses (discontinued operations-note 43)	5 780 513	3 291 078	2 489 435	46 914 382	7 748 358	39 166 024
Staff expenses (discontinued operations-note 43)	10 065	66 912	- 56 847	10 433	126 370	- 115 937
Profit/(loss) from discontinued operations, after taxation	8 662 892	3 835 749	4 827 143	49 242 389	9 222 183	40 020 206

34.1. Impairment losses on tangible fixed assets

Movements occurred in impairment losses during the period ended 31 December 2015 were as follows:

- Impairment losses recognized through profit or loss for 2015 are included under “Increases” on the table above;
- Impairment losses reverted in 2015 are included under “Reversion” on the table above;
- Other changes include reductions arising from disposal, write-off and reclassifications to Non-current assets held for sale, during the period ended 31 December 2015.

Tangible fixed assets are tested for impairment as part of the impairment analysis process to Goodwill, described on note 14. Cash-generating units consist of industrial plants whose activity is described on note 45 and correspond to a level of asset aggregation lower than the one used for cash-generating units identified on note 14. These plants do not include intangible assets with indefinite useful lives as it is not possible to allocate goodwill recognized on the Consolidated Statement of Financial Position and disclosed on note 14, on a non-arbitrary basis, taking in consideration the level of asset aggregation used.

Impairment tests carried out on identified cash-generating units did not identify any impairment of assets thereon. Impairment losses recognized in 2015 in the amount of EUR 111 280 relate to impairment identified on specific individual assets.

34.2. Provisions

At 31 December 2015, the amount of provisions could be detailed as follows:

- Provisions for ongoing litigations: it includes estimation for compensation of former employees related to older restructuring processes for the amount of EUR 1 million. It is not possible to estimate the period this provision will be utilized;
- Restructuring provisions: it refers mostly to obligations arising from restructuring processes carried out in industrial plants located in Germany;
- Other provisions: it includes an estimated EUR 1.2 million for environmental liabilities, EUR 1.8 million for other long term benefits to employees (jubilee benefits which do not correspond to defined benefit plans) and EUR 3.2 million for obligations arising from litigations with customers. It is not possible to estimate the period these provisions will be utilized.

During the period, the recognition of provisions for the 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 on note 45.

35. OPERATING LEASES

At 31 December 2015 and 31 December 2014 the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments	
	31.12.2015	31.12.2014
2015		3 547 938
2016	3 817 622	2 234 468
2017	2 541 807	1 274 509
2018	1 586 953	641 820
2019	589 191	277 595
2020	82 716	
	<u>8 618 289</u>	<u>7 976 330</u>

During the period, the Group recognized under External Suppliers and Services, on the Consolidated Income Statement, rents related to operating leases for EUR 6 243 000 (EUR 7 495 000 at 31 December 2014).

36. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Other subsidiaries of the parent company	329 705	355 536	4 336 245	3 849 032
Joint ventures and associates	9 527 339	9 585 557	1 836 792	1 106 626

Transactions	Income		Expenditure	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Other subsidiaries of the parent company	366 343	1 195 116	6 276 842	7 407 182
Joint ventures and associates	4 037 839	6 030 160	21 160 805	15 530 970

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

	31.12.2015	31.12.2014
Short term benefits	1 323 777	1 315 777
Medium term benefits	215 323	59 185
	<u>1 539 100</u>	<u>1 374 962</u>

The amount included under Medium term benefits for 2015, on the previous table, refers to amounts recognized under Staff expenses that relate to members of the Board of Directors.

At 31 December 2015 there were no post retirement liabilities attributed to the members of the board of directors.

36.3. During the period ended 31 December 2015 the Group recognized on these consolidated financial statements the following fees from audit company PricewaterhouseCoopers & Associados, SROC, Lda and respective international network:

	31.12.2015	31.12.2014
Total fees related to audit of end year accounts	366 311	388 413
Total fees related to other reliability assurance services	51 359	217 486
Total fees related to other services		4 500
	<u>417 670</u>	<u>610 399</u>

37. OTHER OPERATING INCOME

Details of Other operating income on the Consolidated Income Statement for the periods ended 31 December 2015 and 31 December 2014 are as follows:

	31.12.2015	31.12.2014
Gains on disposals of non current investments	925	
Gains on disp. and write off of invest. prop., tang. and intang. assets	416 199	2 300 760
Supplementary revenue	6 743 448	6 243 593
Investment subventions	6 576 836	7 171 219
Tax received	4 216 609	5 796 048
Positive exchange gains	3 170 619	2 328 916
Others	3 496 362	16 033 899
	<u>24 620 998</u>	<u>39 874 435</u>

Tax received includes EUR 4 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 (EUR 4.5 million at 31 December 2015).

38. OTHER OPERATING EXPENSES

Details of Other operating expenses on the Consolidated Income Statement for 2015 and 2014 are as follows:

	31.12.2015	31.12.2014
Taxes	4 222 252	3 783 192
Losses on disp. and write off of invest. prop., tang. and intang. asset	1 895 268	507 681
Negative exchange gains	5 568 373	2 109 160
Others	6 384 618	2 912 161
	<u>18 070 511</u>	<u>9 312 194</u>

39. 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 673 000 (EUR 711 000 in 2014).

40. Underlying and non-underlying items

Underlying and non-underlying operating items on the Consolidated Income Statement are detailed as follows:

	31.12.2015 Recurring	31.12.2015 Non-recurring	31.12.2015 Total	31.12.2014 Recurring	31.12.2014 Non-recurring	31.12.2014 Total
Sales	1 023 566 522	61 966	1 023 628 488	1 009 035 477	515 652	1 009 551 129
Services rendered	3 703 569		3 703 569	4 980 692		4 980 692
Other income and gains	20 822 722	3 798 276	24 620 998	27 303 237	12 571 198	39 874 435
Cost of sales	536 686 506	648 994	537 335 500	549 645 551	- 8 664 207	540 981 344
(Increase) / decrease in production	- 659 933	- 39 161	- 699 094	3 377 674	427 940	3 805 614
External supplies and services	249 324 199	4 701 561	254 025 760	248 800 596	7 753 248	256 553 844
Staff expenses	144 961 238	5 264 090	150 225 328	133 481 862	18 019 279	151 501 141
Impairment losses in trade debtors (increase/reduction)	613 291		613 291	2 389 143	- 1 035	2 388 108
Other expenses and losses	10 269 760	7 800 751	18 070 511	7 988 925	1 323 269	9 312 194
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	106 897 752	- 14 515 993	92 381 759	95 635 655	- 5 771 644	89 864 011

Classification of items as either recurring or non-recurring is done in accordance with criteria set out on note 2.25.

41. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2015 and 2014 were as follows:

	31.12.2015	31.12.2014
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	19 044 119	24 369 569
related to non convertible debentures	7 204 138	9 283 684
related to finance leases	2 855 722	3 350 948
others	2 172 284	2 205 537
	<u>31 276 263</u>	<u>39 209 738</u>
Losses in currency translation		
related to loans	3 114 503	1 509 656
	<u>3 114 503</u>	<u>1 509 656</u>
Cash discounts granted	13 781 688	14 212 870
Adjustment to fair value of financial instruments at fair value through profit or loss		629 667
Other finance losses	5 123 016	6 728 777
	<u>53 295 470</u>	<u>62 290 708</u>
	31.12.2015	31.12.2014
Financial income:		
Interest income		
related to bank loans	114 489	25 331
related to loans to related parties	6 658 631	8 456 643
Others	61 235	70 978
	<u>6 834 355</u>	<u>8 552 952</u>
Gains in currency translation		
related to loans	4 650 230	2 399 609
	<u>4 650 230</u>	<u>2 399 609</u>
Cash discounts obtained	907 846	986 911
Adjustment to fair value of financial instruments at fair value through profit or loss		547 337
Other finance gains	12 735	62 735
	<u>12 405 166</u>	<u>12 549 544</u>
Finance profit / (loss)	<u>- 40 890 304</u>	<u>- 49 741 164</u>

42. TAXES

Corporate income tax accounted for in 2015 and 2014 is detailed as follows:

	31.12.2015	31.12.2014
Current tax	8 668 116	5 810 468
Deferred tax	- 4 985 359	1 195 326
	<u>3 682 757</u>	<u>7 005 794</u>

Reconciliation of consolidated Net profit/(loss) from continuing operations, before tax, with taxation for the year may be detailed as follows:

	31.12.2015	31.12.2014
Consolidated net profit before tax	-12 997 177	-35 366 264
Tax rate	21.00%	23.00%
Expectable tax	-2 729 407	-8 134 241
Differences to foreign tax rates	(+) -3 930 209	-4 851 128
Effect of provincial/municipal taxes	(+) 2 240 827	1 266 555
Consolidation adjustments	(-) - 908 432	756 612
Permanent differences		
Non deductible costs	(+) 3 997 591	6 728 522
Non taxed profits	(-) 248 693	3 292 137
Tax losses carried forward		
Deferred tax asset recognized on tax losses of previous years	(+) -1 730 059	-2 560 711
Deferred tax asset not recognized in compliance with IAS 12	(-) -5 974 011	-12 624 444
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(+) - 63 490	- 142 706
Reverted deferred tax asset	(+) 7 586 087	
Effect of offsetting deferred tax liabilities related to depreciation	(-) 792 873	- 833 480
Effect of change in tax rates	(+) 1 058 283	
Others	(+) 56 627	-1 237 476
Consolidated corporate income tax	<u>3 682 757</u>	<u>7 005 794</u>

43. DISCONTINUED OPERATIONS

Profit (loss) from discontinued operations, after taxation, on the Consolidated Income statement, includes the results of the Group's components, which consist in geographical or major business segments, that ceased activity or whose assets were classified as Non-current assets held for sale in the period ended 31 December 2015 or in previous years.

Net profit (loss) from discontinued operations, on the Consolidated Income Statement for the period ended 31 December 2015, includes therefore the results of Betanzos (Spain) and Ussel (France) industrial plants, as well as the results of subsidiary Darbo SAS (France), whose assets were sold during the period (note 17), and can be detailed as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Sales	29 168 204	103 172 472
Services rendered	13 086	94 482
Other income and gains	1 927 254	9 967 809
Cost of sales	19 806 970	59 728 792
(Increase) / decrease in production	2 019 626	4 457 979
External supplies and services	10 936 717	37 716 936
Staff expenses	8 296 377	24 639 893
Depreciation and amortisation	112 825	6 923 441
Provisions and impairment losses (increase / reduction)	2 489 435	39 166 023
Other expenses and losses	709 979	2 272 498
Operating profit / (loss)	<u>- 13 263 385</u>	<u>- 61 670 799</u>
Financial expenses	6 687 321	8 795 516
Financial income	564 373	87 447
Net profit/(loss) from discontinued operations, before tax	<u>- 19 386 333</u>	<u>- 70 378 868</u>
Taxation	- 61 033	3 128 403
Net profit / (loss) from discontinued operations	<u><u>- 19 325 299</u></u>	<u><u>- 73 507 271</u></u>

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

	<u>31.12.2015</u>	<u>31.12.2014</u>
Operating activities	- 12 684 642	- 8 773 424
Investment activities	4 976 481	11 116 134
Financing activities	8 173 377	- 6 571 251

44. EARNINGS PER SHARE

Earnings per share were calculated as follows:

	31.12.2015			31.12.2014		
	Net profit/(loss)			Net profit/(loss)		
	from continuing operations	from discontinued operations	total	from continuing operations	from discontinued operations	total
Net loss						
<i>Net loss considered to calculate base earnings per share (net loss attributable to equity holders of Sonae Indústria)</i>	- 16 679 564	- 19 325 028	- 36 004 592	- 42 315 604	- 73 404 581	- 115 720 185
<i>Net loss considered to calculate diluted earnings per share</i>	- 16 679 564	- 19 325 028	- 36 004 592	- 42 315 604	- 73 404 581	- 115 720 185
Number of shares						
<i>Weighted average number of shares used to calculate basic earnings per share</i>	11 350 757 417	11 350 757 417	11 350 757 417	1 245 718 540	1 245 718 540	1 245 718 540
<i>Weighted average number of shares used to calculate diluted earnings per share</i>	11 350 757 417	11 350 757 417	11 350 757 417	1 245 718 540	1 245 718 540	1 245 718 540
<i>Basic earnings per share</i>	-0.0015	-0.0017	-0.0032	-0.0340	-0.0589	-0.0929
<i>Diluted earnings per share</i>	-0.0015	-0.0017	-0.0032	-0.0340	-0.0589	-0.0929

45. 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 2015, the following reportable segments were identified:

- 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	
		31.12.2015	31.12.2014
		Restated	
Northern Europe		422 801 772	459 039 555
Southern Europe		339 247 136	330 113 939
Rest of the world		290 545 114	267 731 738
Total segments		1052 594 022	1056 885 232
Intercompany turnover	(-)	36 903 271	42 353 411
Differences in classification	(+)	11 641 306	
Consolidated Income statement		1027 332 057	1014 531 821
Southern Europe Discontinued operations		29 181 290	103 266 954

Turnover includes sales and services rendered, which are stated on the Consolidated Income Statement.

Segmental turnover was restated so as to include intercompany turnover, which is then eliminated under "Intercompany turnover".

		Cost of sales	
		31.12.2015	31.12.2014
Northern Europe		230 041 885	249 846 642
Southern Europe		163 045 044	156 369 384
Rest of the world		144 248 571	134 765 318
Total segments		537 335 500	540 981 344
Southern Europe Discontinued operations		19 806 970	59 728 792

	External supplies and services	
	31.12.2015	31.12.2014
Northern Europe	101 649 091	108 240 311
Southern Europe	90 299 465	89 320 882
Rest of the world	62 077 204	58 992 651
Total segments	<u>254 025 760</u>	<u>256 553 844</u>
Southern Europe Discontinued operations	<u>10 936 717</u>	<u>37 716 936</u>

	Amortization and depreciation	
	31.12.2015	31.12.2014
Northern Europe	25 049 904	25 583 062
Southern Europe	20 939 114	21 685 079
Rest of the world	17 286 948	16 831 552
Total segments	<u>63 275 966</u>	<u>64 099 693</u>
Southern Europe Discontinued operations	<u>112 825</u>	<u>6 923 441</u>

	Provisions and impairment losses	
	31.12.2015	31.12.2014
Northern Europe	77 272	11 926 865
Southern Europe	477 268	-2 193 927
Rest of the world	- 104 161	552 879
Total segments	<u>450 379</u>	<u>10 285 817</u>
Southern Europe Discontinued operations	<u>2 489 435</u>	<u>39 166 023</u>

		Operating net profit (loss)	
		31.12.2015	31.12.2014
Northern Europe		1 738 211	-8 854 323
Southern Europe		157 085	7 789 059
Rest of the world		27 396 576	18 931 873
Total segments		29 291 872	17 866 609
Consolidation adjustments not included under Total segments		(+) - 23 167	
Consolidated Income statement		29 268 705	17 866 609
Southern Europe Discontinued operations		-13 263 385	-61 670 799

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 2015 and 2014, based on geographic location of the external customers, were the following:

2015		
Location of customers	Eur	
Germany	269 987 453	26%
North America	206 085 408	20%
Spain	121 959 327	12%
Portugal	118 943 925	12%
South Africa	88 192 531	9%
United Kingdom	29 178 123	3%
France	10 152 527	1%
Other	182 832 763	17%
Total	1 027 332 057	100%

2014		
<u>Location of customers</u>	<u>Eur</u>	
Germany	261 243 627	26%
North America	181 800 795	18%
Portugal	115 651 666	11%
Spain	118 822 578	12%
France	14 602 864	1%
South Africa	83 765 277	8%
United Kingdom	28 100 717	3%
Other	<u>210 544 296</u>	21%
Total	<u><u>1 014 531 821</u></u>	100%

The internal system of financial reporting 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:

	<u>31.12.2015</u>	<u>31.12.2014</u>
Northern Europe	262 390 216	286 474 665
Southern Europe	281 343 263	300 921 917
Rest of the world	<u>177 388 556</u>	<u>204 794 425</u>
Total segments	<u><u>721 122 035</u></u>	<u><u>792 191 007</u></u>
Non Current Assets (Consolidated Statement of Financial Position)	<u><u>721 122 035</u></u>	<u><u>792 191 007</u></u>

Inter-segment transactions were executed at market prices and under identical conditions to those applied to third parties.

46. MEDIUM TERM INCENTIVE PLAN

The Group has a medium term incentive plan with the characteristics disclosed on note 2.20.

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.

	31.12.2015						31.12.2014				
	Opening balance	Opening balance - conversion	Granted	Cancelled	Paid	Closing balance	Opening balance	Granted	Cancelled	Paid	Closing balance
Nr. of shares	986 224	79 960 908	54 879 515	5 533 136	27 319 733	101 987 554	787 612	314 669	65 605	50 452	986 224
Fair value	665 543		421 454	44 821	206 229	835 947	491 947	239 969	44 421	21 952	665 543
Year of payment			2 018					2 017			
Staff expenses			274 466	- 12 283				208 847			

Conversion of the number of granted shares was done as a consequence of increase in share capital during 2014, after which number of shares representing share capital increased from 140 000 000 to 11 350 757 417.

47. 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. In December 2015, a court sentence ordered this subsidiary to pay a fine and court costs for GBP 327 000 (EUR 449 000).

Following the accident occurred in June 2011 in the subsidiary Sonae Industria (UK) Ltd, about 16 000 individuals filed a lawsuit against the company claiming to have suffered as a result of inhalation of smoke caused by the fire. In July 2015, Liverpool Court handed down a first instance sentence in favour of Sonae Industria (UK) Ltd, which confirmed the Company's expectation that no liability would result from this lawsuit to be recognized on the Consolidated Statement of Financial Position.

The subsidiary Sonae Industria PCDM rendered surety in the amount of EUR 10 691 455 in favour of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, SA, having been brought court challenges against the respective settlement.

The subsidiary Sonae Industria PCDM rendered surety in the amount of EUR 2 755 346 in favour of tax authorities for suspension of tax enforcement procedures initiated against the subsidiary Agloma Investimentos SGPS, SA, having been brought court challenges against the respective settlement.

Subsidiary Glunz AG and other German producers of wood-based panels are involved in some litigation filed by some customers for damages resulting from the alleged violation of competition laws, after which Glunz AG and GHP received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes have come to an end in 2015 with the related effects recognized in these consolidated financial statements. For the cases still under way, complaints correspond to a maximum contingency in the amount of EUR 55 million. According to the opinion of our lawyers, at the closing date of these consolidated financial statements, it is not possible to reliably estimate the outcome of the ongoing processes or the amount of any payments that may be established.

48. SUBSEQUENT EVENTS

As stated on notes 26.1 and 26.2, at the date of approval of these consolidated financial statements, the Group had obtained formal statements from the relevant contracting parties assuring that until maturity date repayment will not be required for loans whose ratios were not fulfilled taking into considerations figures disclosed in the consolidated financial statements as at 31 December 2015. As such, bank loans amounting to EUR 167 308 185 (amortized cost) and bonds amounting to EUR 147 987 525 (amortized cost) will be reclassified under non-current liabilities, on interim and annual financial statements for the period beginning 1 January 2016.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on 17 February 2016.

STATUTORY EXTERNAL AUDITOR REPORT

STATUTORY AUDIT BOARD REPORT



Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Individual Financial Information

(Free translation from the original 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 financial statements of Sonae Indústria, SGPS, S.A., comprising the statement of financial position as at 31 December 2015 (which shows total assets of Euro 965,041,278 and total shareholder's equity of Euro 383,108,773 including a net loss of Euro 232,814,929), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the 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 financial statements which present fairly, in all material respects, the financial position of the Company, the results and the comprehensive income of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards 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 an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.

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 issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgments and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
o'Porto Bessa Leite Complex, Rua António Bessa Leite, 1430 - 5º, 4150-074 Porto, Portugal
Tel +351 225 433 000 Fax +351 225 433 499, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451^o of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Sonae Indústria, SGPS, S.A. as at 31 December 2015, the results and the comprehensive income of its operations, the changes in equity and the 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.

Emphases

8

8. Without qualifying our opinion expressed above, we draw attention the following facts:

i) As referred to in the notes 2.20 and 19 of the notes to the separate financial statements, we highlight the fact that the company has a significant part of its short term credit facilities (amounting to 117 million euros as at 31 December 2015) that need to be refinanced, and separately, we also highlight the ongoing process of dilution of the financial interest in Tableros de Fibras, SA and its affiliates with the subsequent change from control to joint control. As referred in the corresponding notes, there is some uncertainty regarding the evolution of these processes and their impact on the group's financing structure, as well as how the potential dilution might impact the 2016 separate financial statements. It is management's expectation that the gains in operating performance achieved over the last quarters and the potential increase of capital amounting to 137.5 million euros in Tableros de Fibras, SA to be subscribed by Arauco will contribute to a significant improvement of the group's debt maturity profile and cost comparing with the one as at 31 December 2015.

ii) As referred to in the note 27 of the notes to the separate financial statements, there are some ongoing litigious processes against one subsidiary, for which, at the closing date of these separate financial statements, it is not possible to estimate the outcome.

Report on other legal requirements

9 It is also our opinion that the information included in the Directors' Report is consistent with the 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.

18 February 2016

PricewaterhouseCoopers & Associados
– Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

Hermínio António Paulos Afonso, R.O.C.



Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Consolidated Financial Information

(Free translation from the original 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 financial statements of Sonae Indústria, SGPS, S.A., comprising the consolidated statement of financial position as at 31 December 2015 (which shows total assets of Euro de 1,002,564,656 and total shareholder's equity of Euro 57,669,892 including negative non-controlling interests of Euro 106,611 and a net loss of Euro 36,004,592), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the 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 financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards 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, 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 issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 financial statements; (ii) verification of the consolidation operations and the utilization of

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
o'Porto Bessa Leite Complex, Rua António Bessa Leite, 1430 - 5º, 4150-074 Porto, Portugal
Tel +351 225 433 000 Fax +351 225 433 499, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

the equity method; (iii) assessing the appropriateness 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 financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451^o of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Sonae Indústria, SGPS, S.A. as at 31 December 2015, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated 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.

Emphases

8. Without qualifying our opinion expressed above, we draw attention the following facts:

i) As referred to in the notes 3 and 28 of the notes to the consolidated financial statements, we highlight the fact that the group has a significant part of its short term credit facilities (amounting to 212 million euros as at 31 December 2015) that need to be refinanced, and separately, we also highlight the ongoing process of dilution of the financial interest in Tableros de Fibras, SA and its affiliates with the subsequent change from control to joint control. As referred in the corresponding notes, there is some uncertainty regarding the evolution of these processes and their impact on the group's financing structure, as well as how the potential dilution might impact the 2016 consolidated financial statements of the group. It is management's expectation that the gains in operating performance achieved over the last quarters and the potential increase of capital amounting to 137.5 million euros in Tableros de Fibras, SA to be subscribed by Arauco will contribute to a significant improvement of the group's debt maturity profile and cost comparing with the one as at 31 December 2015.

ii) As referred to in the note 47 of the notes to the consolidated financial statements, there are some ongoing litigious processes against the group, for which, at the closing date of these consolidated financial statements, it is not possible to estimate the outcome.

Report on other legal requirements

9 It is also our opinion that the information included in the Directors' Report is consistent with the consolidated financial statements for the year and that the Corporate Governance Report includes the information required under Article 245^o-A of the Portuguese Securities Market Code.

18 February 2016

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 2015 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 2015, 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 2015 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 2015, 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, nr. 1, c) of the Securities Code ("Código dos Valores Mobiliários"), the Statutory Audit Board's members state to the best of their knowledge that the information included in the management report and the other financial statements was prepared in compliance with the applicable accounting standards and provides a true and appropriate image of the assets, liabilities, financial position and results of the company and subsidiaries included in its consolidation perimeter.

Furthermore, the Statutory Audit Board is of the opinion that the management report duly states the evolution of businesses, performance and position of the company and subsidiaries included in its consolidation perimeter, and contains a description of the main risks and uncertainties they are confronted with.

Maia, 18 February 2016

Statutory Audit Board,

Manuel Heleno Sismeiro

António Augusto Almeida Trabulo

Óscar José Alçada da Quinta