SONAE INDÚSTRIA, SGPS, S. A.

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

ANNUAL REPORT

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

201y

27 March 2019

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Share Capital € 253 319 797.26
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SONAE INDÚSTRIA

Management Report

2018

27 March 2019

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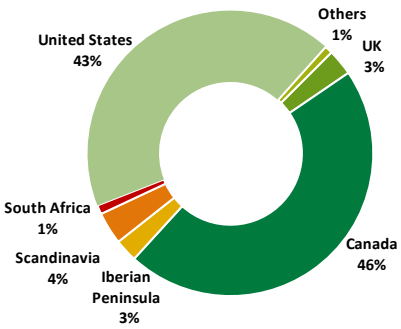
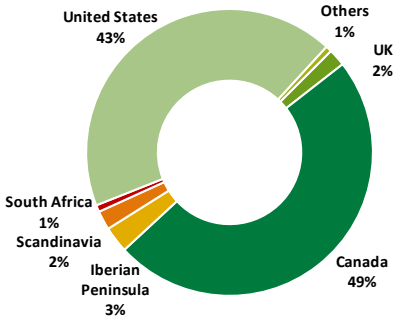
KEY INDICATORS

Turnover by Market - 2017

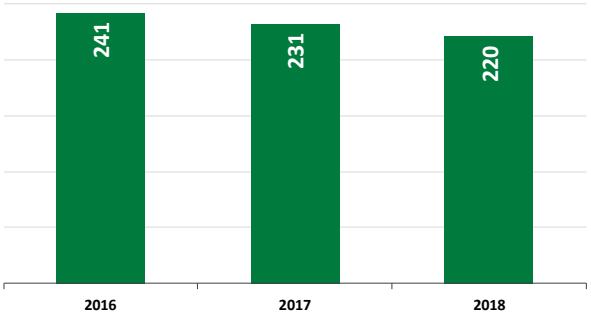


Turnover by Market - 2018



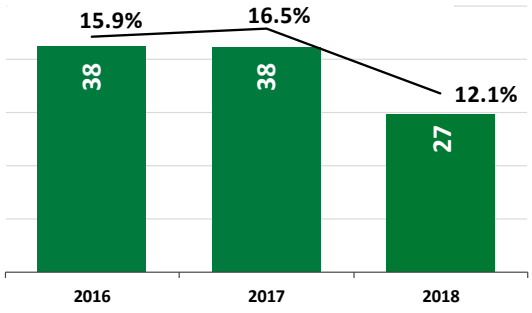
Turnover

Million euros



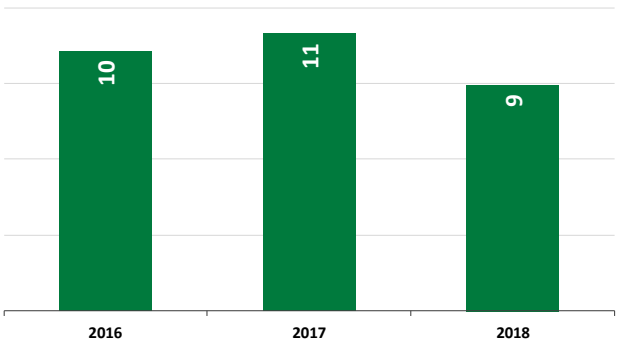
Recurrent EBITDA and % Turnover

Million euros



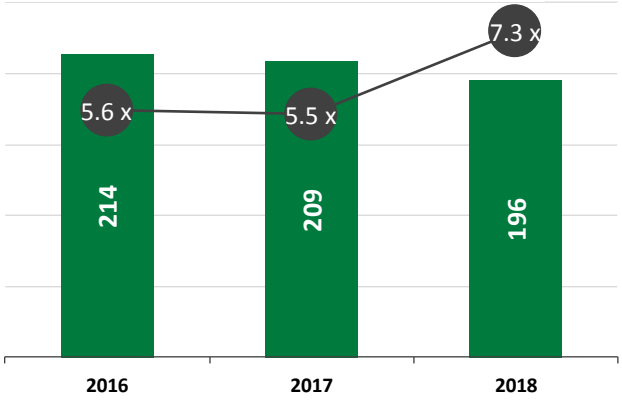
Working Capital

Million euros



Net Debt and Net Debt to Recurrent EBITDA

Million euros



CHAIRMAN'S MESSAGE

Sonae Indústria's results in 2018 were marked by a sharp contrast between the first and the second half of the year. Notwithstanding the more challenging second half of the year on which I comment below, I am pleased to report that for the third consecutive year Sonae Indústria presented positive consolidated Net Results reaching 11.0 million euros in 2018.

Proportional results, which consider our 50% share of Sonae Arauco, reflect lower contributions from our two main businesses in 2H18, leading to Proportional Recurrent EBITDA of circa 73.6 million euros with a 12.0% margin. Proportional Net Debt stood at 311.3 million euros, with a proportional leverage ratio of 4.2x.

Despite the above, Sonae Indústria's capital structure improved once again in 2018, driven by a simultaneous reduction in Net Debt and an improvement in Shareholders' Funds.

I will now turn to the review of the most significant developments of the year at our fully owned businesses and at Sonae Arauco.

Our North American business performed below our expectations for the year, primarily due to higher variable costs but also due to higher downtime on particleboard production. The increase in variable costs comprised higher transportation costs (both inbound and outbound), higher maintenance costs and higher thermal energy costs. The higher downtime was noticed particularly in the second half of the year due to a number of production issues which limited our ability to maximise sales. These problems were exacerbated by a fire incident on one of our lines which occured immediately after the annual shutdown of that line in November, requiring additional stoppage time during the second half of that month and resulted in a material increase in maintenance and related costs. This was particularly disappointing as in October we had reached our best production month and the highest EBITDA level of the year.

However, during 2018 significant business development projects were implemented by our North American operations. At the International Woodworking Fair which took place in August (USA), we launched for the North American market two new EIR textures, Feria and Brava, and a complete matching collection of Surforma® Laminates produced in Portugal for Tafisa Canada's decorative MFC products. These market initiatives were aimed at widening our leading position in decorative solutions in North America and we are encouraged by the positive reception by our customers. In this regard, we will continue to pursue other opportunities to improve our business in North America by further enhancing our decorative product offering.

It is also worth noting that during 4Q18 Tafisa Canada refinanced its main credit facility, increasing its size, extending the maturity profile and obtaining greater flexibility to support the execution of its strategy.

The results of our Laminates & Components business were below those achieved in 2017, primarily due to lower sales volumes of the Laminates business particularly to the Nordic region. Actions are being put in place to recover those volumes and to improve the profitability of the Laminates business. The most important initiative already initiated is the strategic project between our Laminates and North American businesses - under which, since 3Q18, we are supplying the North American market with matching Surforma® Laminates (HPL) produced in Portugal - that has started to bring positive results for both businesses.

Importantly, in respect of our fully owned assets, during 2018 we made progress in the sale of real estate and equipment from our inactive sites totalling circa 7 million euros. This not only contributed positively to the reduction of net debt in 2018, but will allow us, from 2019 onwards, to reduce the running costs of our inactive sites.

Turning to Sonae Arauco, 2018 was a challenging year with contrasting results in the first and second half of the year.

In the first half of the year we experienced good conditions in most markets where we operate and Sonae Arauco delivered sound results with Recurrent EBITDA above 1H17. During this period, with the strong commitment from our teams and the support from our stakeholders, our plants in Mangualde and Oliveira do Hospital, severely affected by the forest fires in October 2017, became operational again, enabling us to serve our customers with improved industrial assets, production and supply chain processes.

The second half of 2018 was nevertheless marked by a tougher business environment. In Iberia this coincided with the reintroduction of capacity in the market from our two Portuguese plants and with the coming on stream

of additional capacity by our competitors. In Germany, Sonae Arauco experienced tougher market conditions in the second half of 2018 particularly in respect of MDF.

I am pleased to be able to report that, at Sonae Arauco, over the course of 2018, we made progress in the execution of our industrial investment plan that will continue during 2019. This plan aims to build a more competitive and sustainable business by providing better products to our customers, capturing market opportunities namely in the higher value added segments, and improving the competitiveness of our industrial assets. Within this framework, during the 4Q18 we started production on the new continuous MDF press in Mangualde. During 2018, we also began two important investments: a new melamine surfacing line at our White River plant in South Africa and an investment to replace the two multi daylight particleboard presses by a new continuous press with state of the art technology at our Beeskow plant in Germany. With the investment in Beeskow we will complete a three year period of heavy investments to replace our remaining multi and single daylight presses with continuous presses.

Since 2008 and with the investment planned for 2019, we will have replaced, shut down or sold 14 non continuous presses. This represents a significant capital outlay for Sonae Indústria but constitutes a vital investment for the future that will give us a significantly improved platform to generate value and withstand the negative phases of the sector cycles.

As final words, I would like to thank the contribution over the last year of Sonae Indústria employees, management teams and Statutory Boards but also to challenge them in making further progress towards building an increasingly profitable and sustainable business, able to deliver long term value to our stakeholders.

Paulo Azevedo
Chairman Sonae Indústria

1. ABOUT SONAE INDÚSTRIA

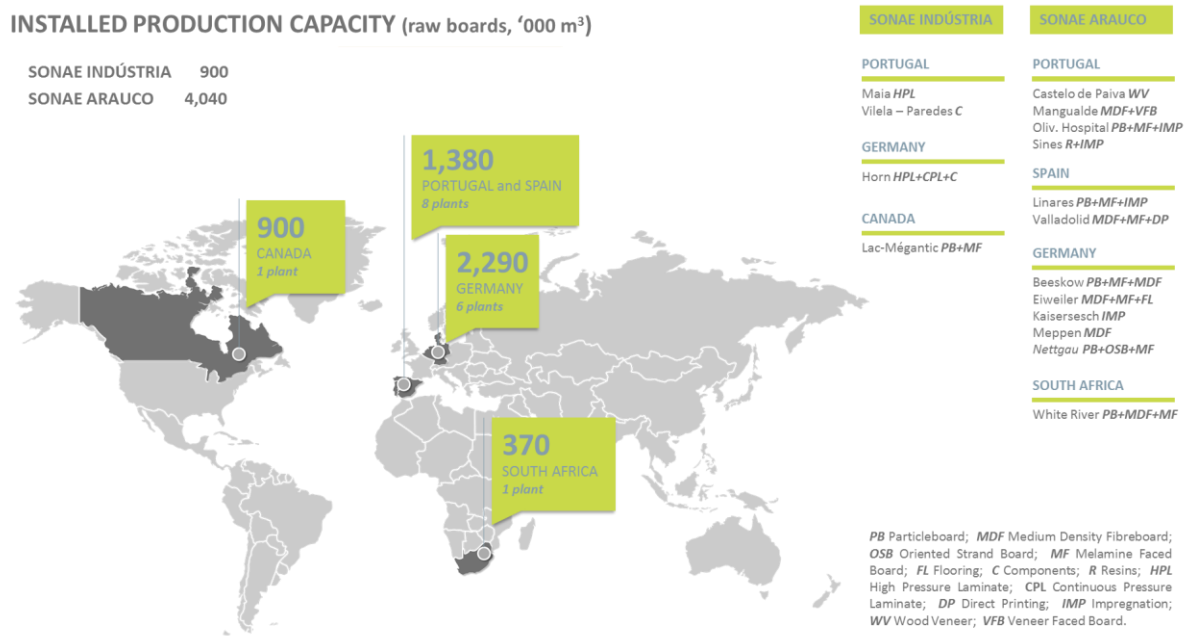
1.1. BUSINESS

Strategic partnership with Arauco

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

Fully owned businesses

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



Sonae Indústria currently operates a total of sixteen plants located in five countries on three continents, of which four plants[1] are fully owned businesses and the remaining twelve are part of the Sonae Arauco partnership, totalling 3,242 employees at the end of 2018. Considering only the fully owned businesses (i.e. without Sonae Arauco contribution) turnover reached circa 220.2 million euros in 2018.

Wood based panels

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

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

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

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

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

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

Laminates & Components

Thin laminates ensure high quality application, where design, quality and durability come together. They are versatile materials and have great surface features, such as abrasion resistance. Besides, they are the ideal solution for any successful design. Laminates create unique bold environments, while combining quality, versatility and exclusivity.

Compact solutions can withstand high impacts, thus ensuring reliability and safety. They can be used in the harshest of environments and unstable conditions, such as high wear and tear or humidity levels. Compacts are the perfect ally, thanks to their structural stability and high resistance.

The components business is equiped with the necessary resources required to achieve high production levels whilst maintaining the flexibility to attend to clients' design and quality demands, being able to manufacture several types of products and components for the furniture industry.

AWARDS

TAFISA CANADA - Safety Innovation Award

Every year, the Composite Panel Association (CPA), which represents the North American composite panel industry on technical, regulatory, quality insurance and product acceptance issues, awards companies with exemplary health and safety results or companies that demonstrated notable improvement in terms of health and safety. An award is also given for a health and safety innovation, which is deemed to have provided the greatest positive impact in terms of workplace safety. In 2018, Tafisa Canada was the winner of this award out of 5 finalists.

The project that was presented as an innovation in health and safety was the anti-error method used in the framework of the lockout project in the preparation area of particleboard production line 1. This anti-error system ensures the integrity of equipment lockout before shutdowns for maintenance work. The team took a mixture of Lean concepts, internal knowledge and creativity to develop a colour coded electrical identification method. This visual and user-friendly procedure can significantly reduce errors during equipment lockout. The

award was granted during the 2018 CPA Spring meeting and the project was presented to members during the 2018 Fall meeting.

SONAE ARAUCO - BGHM Occupational Award

The Sonae Arauco plant in Nettgau, Germany has received the "Schlauer Fuchs" BGHM Occupational Award, granted by the German Employers' Liability Insurance Association for Wood and Metal (BGHM), being recognized for the implementation of an innovative and unique occupational safety measure based on the use of a drone.

This rewards the work on the creation of a safety measure for the stored wood on the lumberyard for the inventory, using a drone. As the inventory process must be very accurate and strict safety regulations must be observed when entering the wood yard, this modern and innovative measuring method allows us to make the processes safer, more accurate, faster and more reproducible. As a drone now takes the measurement of the timber stock, the wood yard does not have to be entered by the employees for inspection.

INNOVATIVE PROJECTS

DecoChrom Project

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

After one year of the execution of the project, the team is optimising the integration of electrochromic devices in HPL, and the project is expected to be presented at the Interzum 2019 exhibition in Cologne, Germany.

More information at www.decochrom.com

FlexComp Project

The FlexComp Project started in November 2017 as a 24 month project and arises from an identified need in the transport and furnishing markets to replace metal- and polymer-based materials with others having more favourable weight, resilience and sustainability related characteristics. The use of composite materials is an attractive alternative as they promote not only the reduction of fuel consumption, but also of pollutant gas emissions, with the added benefit of higher recyclability. Accordingly, Sonae - Indústria de Revestimentos, S.A. plans to meet the identified needs by providing a postformable compact to the automotive, railway and aerospace industries with minor changes to its manufacturing process. Moreover, FlexComp aims at developing postformable compact products with the ability of adopting more complex geometries with the application of temperature and pressure in moulding processes. This project addresses the societal challenge "Intelligent, Ecological and Integrated Transport" proposed in the Europe 2020 Strategy in a two-pronged approach: weight reduction with direct impact in the reduction of pollutant gas emissions, and recyclability through the possibility of reutilizing the same material in a more sustainable way. The project is expected to enter an industrial phase in April 2019. A collaboration with ESAD (*Escola Superior de Arte e Design*) is ongoing and is aimed at presenting disruptive design pieces with FlexComp material at the Interzum 2019 exhibition in Cologne, Germany.

1.2. HISTORY

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

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

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

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

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

1.3. PRODUCTS

Raw and technical products

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

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

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

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

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

Decorative Products

DECORATIVE PRODUCTS IN NORTH AMERICA: VIVA™, BRAVA™ AND FERIA™, THE TRUE TOUCH OF WOOD™

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

In 2017, Tafisa Canada introduced five new colours in the Isola texture from its Prelude™ Series and strengthened its market position as a design leader with its VIVA™ collection, now with 12 exquisite colours.

In 2018, Tafisa innovated again by adding a complete matching line of SURFORMA® brand HPL (high-pressure laminates) to its Sommet® and Prelude® TFL (melamine faced chipboard) Series and by introducing two new EIR synchronized textures: FERIA™ & BRAVA™.

SURFORMA® HPL line is made from the same texture plates and the same printed decors as the TFL collection, enabling Tafisa Canada to offer the perfect match, the same look and feel of its products in both TFL and HPL at one address, including the EIR synchronized textures.

A trendsetter in fashion-forward interiors, Tafisa Canada is the first manufacturer in North America to introduce synchronized textured embossed in-register (EIR) decorative panels that replicate the look and feel of teak and hickory, called BRAVA™ and FERIA™ respectively – they are offered in melamine faced chipboard (TFL) and high pressure laminate (HPL). Each texture is available in 6 exclusive colours. The new panels come with a range of complementary products, including edgebanding, doors, 3D laminates and mouldings, enabling Tafisa Canada to offer an extensive complementary product program to the market.

With this new brand, the Sommet® series with VIVA™, BRAVA™ and FERIA™ is now the widest EIR collection of the industry with 3 textures and 24 colours in North America.

More information at www.tafisa.ca

A COMPLETE RANGE OF DECORATIVE PRODUCTS IN EUROPE: INNOVUS®

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

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

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

INNOVUS® ESSENCE, a product range using double-sided embossed in-register (EIR) technology to obtain decorative panels with the look and feel of real wood in a melamine surfaced panel. INNOVUS® ESSENCE, with

its two structures – Rustic and Authentic – and nine wood shades was developed with a variety of applications in mind such as doors, living room furniture and wall panelling, in applications that really value the natural effect of wood.

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

INNOVUS® LAMIFLOOR, a range of laminates with very high abrasion resistance, ideal for access flooring application.

INNOVUS® METALLIC, a range of laminates with real metal as a decorative element, that can be used for interior fittings.

2018 was the year of the establishment of the new Innovus finishes: Stucco and Fusion. The development of these new finishes follows the current strategy of offering innovative and distinctive solutions to the several customer segments, combining functionality, quality and product design.

The Stucco finish is inspired by industrial environments and urban lofts. It feels like cement with a touch of ceramics.

In turn, the Fusion finish has a warm, natural texture, reminiscent of hand carved wood. This finish was developed to be used on all kinds of materials, making it possible to design warm, cosy atmospheres.

Following the development of the new finishes, Sonae Arauco was present at Maderalia, one of the most relevant events in the sector in Iberia, which brought together approximately 36 thousand professionals. In a stand of circa 300 m2, one of the biggest exhibition spaces, Sonae Arauco presented the Innovus Essence and Innovus Colored MDF and announced officially the new Stucco and Fusion finishes to the Iberian market. In that moment, Sonae Arauco's new brand presented itself as solid, with an international character, modern and with capacity to respond the current demands of the market.

During the year, Sonae Arauco was present in several events in which the company presented its products, as well as in several editions of Architect@Work and InteriHotel, Sleep In and Archi Summit. Sonae Arauco has also associated with renowned partners in Portugal, like *Centro Cultural de Belém* and *Casa da Arquitectura*.

More information at www.sonaearauco.com

SURFORMA® - LAMINATES & COMPACTS

Surforma® Laminates and Compacts are an excellent material for indoor and outdoor surfaces. Laminates can be used either applied to suitable substrates and compacts as self-supporting compact sheets. Surforma® products meet the stringent requirements for hygiene, fire and humidity resistance and mechanical properties and are available in a variety of colors, patterns and surface textures, providing extensive options for architects and designers. Their surfaces are hard and resistant to wear, impact and scratching, making them long lasting, easy to clean and largely resistant to vandalism.

This new brand Surforma® was launched in 2018 at the International Woodworking Fair (IWF) in Atlanta, United States of America.

The Surforma® brand will be used with no regional restriction, and is aimed at generating and strengthening Sonae Indústria's brand awareness based on quality and innovation, and on having a complete product portofolio. In fact, the launch of a new laminate collection of three added-value EIR textures – the Sommet® series, designed by Tafisa Canada – serves as a testimony of the positioning that Surforma® aims to achieve, enabling Tafisa Canada to deliver on the promise of a truly matching collection which has garnered broad market acceptance at the IWF 2018.

More information at www.surforma.com

Furniture Components

Components business develops solutions for its customers, based on the company expertise and on modern technology, with several types of applications: all types of furniture, including kitchen furniture, several types of easy-assembly furniture kits, storage solutions/shelves, profiles and skirting.

Following the investment of 2.8 million euros at the end of 2017, aimed at strengthen its position in the Portuguese market of components for furniture industry, Movelpartes, a company located in Vilela, Paredes, more than duplicated its production capacity, becoming a leading company and increasing its customer base. In this regard, the company carried out a rebranding process that aims to create a new visual identity and communicate the modern, dynamic and versatile character of the brand. The new identity includes the creation of a new logo and the redesign of the website www.movelpartes.pt

1.4. STRATEGY

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

VISION:

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

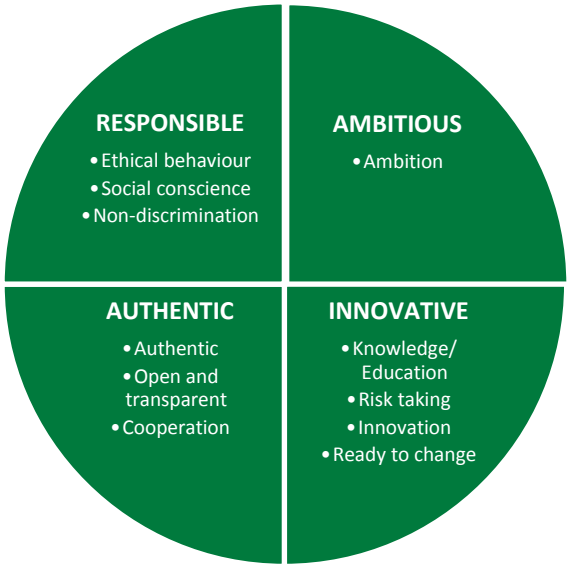
MISSION:

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

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

VALUES & PRINCIPLES

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



STRATEGIC GUIDELINES:

1. North America:
   - Continue to improve the product offering, product mix and customer service levels.
   - Strengthen our decorative solutions with the launch of new melamine colors and finishings and exploring investments on new decorative products.
   - Enhance supplier partnerships for complimentary products to our melamine collection, including matching HPL supplied from our Laminates business in Portugal.
2. Laminates and Components:
   - Improve profitability by looking for growth opportunities with existing and new customers and markets and by enhancing the partnerships with Tafisa Canada and Sonae Arauco for the provision of matching laminates.
   - Seek to improve significantly our industrial competitiveness and customer offering in Components by leveraging on the new edging line.
3. Support Sonae Arauco in achieving its strategic objectives focused on investing in productivity and flexibility; improving its sales mix, namely through its offer in decorative products, and improving product quality and service level offered to our customers.

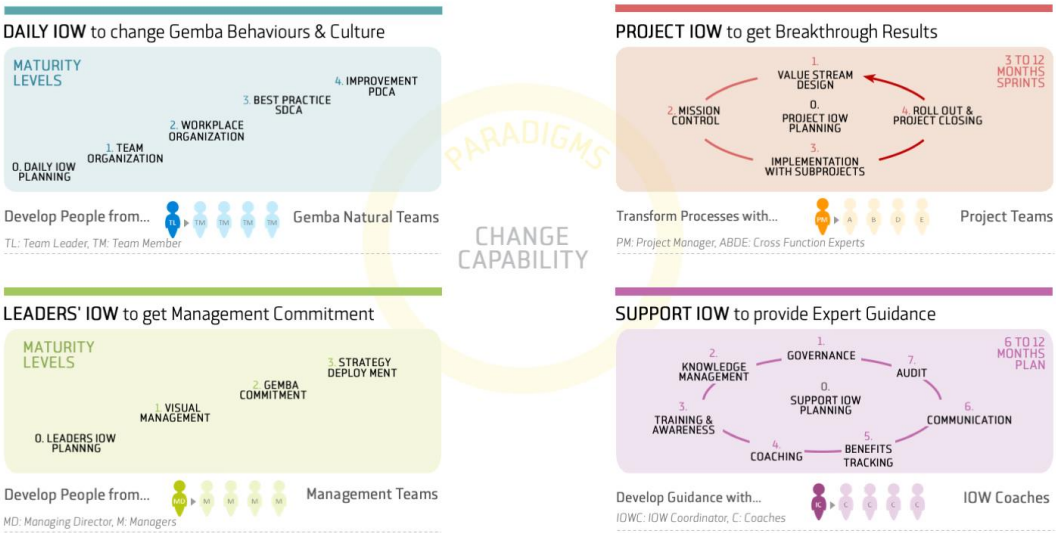
4. Seek a more balanced and flexible capital structure in order to finance the future growth of the business.

1.5. IMPROVING OUR WORK (IOW)

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

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

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



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

Five years after the implementation of its Continuous Improvement System, Sonae Indústria continues its journey with IOW.

The "**Daily IOW**" pillar is still a strong focus, in order to assure the basic stability of our processes. Our teams are working using Daily IOW routines, such as standardised meetings, 5S tools, standardization of processes and structured problem solving methodology.

At Sonae Arauco, during 2018, we have also extended the "**Project IOW"** implementation, to better manage the longer term and more disruptive initiatives inside the organization.

The "**Leaders IOW"** and "**Support IOW"** activities complete the IOW dynamic by reinforcing Management commitment and Experts guidance. We continue to believe that the efforts placed in training our employees, ensuring a common language and increasing their skills, is a key success factor. In 2018 the Sonae Arauco IOW Training Center has designed and implemented a new approach of training for new employees: the IOW Lab.

More than ever, our teams work embracing the IOW way, continuously improving, in order to deliver outstanding Customer satisfaction and results.

1.6. 2018 KEY CORPORATE EVENTS

5 April 2018	FY17 consolidated results announced
9 May 2018	Announcement on resolutions taken by the Shareholder's Annual General Meeting
9 May 2018	Announcement of the election of the statutory governing bodies for the new mandate - 2018 to 2020 - and the election of holders of various positions
9 May 2018	1Q18 consolidated results announced
27 July 2018	1H18 consolidated results announced
24 October 2018	9M18 consolidated results announced

2. SECTOR REVIEW

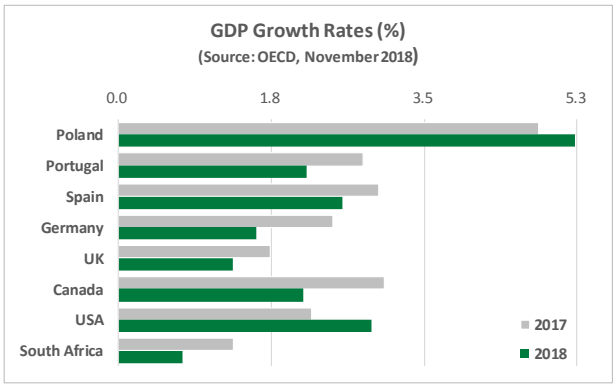
Macroeconomic context

The economic recovery in the Euro area continued in 2018, but at a slower pace, with an expected growth rate of 1.9%[2] (below by circa 0.5 p.p. *vs*. 2017). The uncertainties in global trade contributed to the economic deceleration. However, the performance of labour market improved again and the credit conditions remain favourable (short-term interest rates for the Euro area continue to be negative). From a trade perspective, Euro area presented again a surplus in the current account balance. However it is important to note that the second part of the year was clearly less dynamic, with Euro area GDP q.o.q. growth of 0.2%[3] in the last two quarters of the year.

As regards the US economy, 2018 was another year of economic expansion. The positive performance of the labour market, with low unemployment rates, contributed to higher levels of private consumption, and the tax reform and increase in oil prices contributed to higher levels of investment.

Brief analysis by region:

- 2018 represented the fifth year of growth in the Iberian Peninsula, despite expected positive GDP[4] growth rates below 2017 levels: circa 2.6% growth in Spain and 2.2% in Portugal. Despite the still high unemployment rates in both countries, these have been continuously decreasing. From a trade perspective, Spain registered a surplus in the current account balance, in line with the last six years, but Portugal registered a deficit in the current account balance, affected by weaker net exports and a slowdown in tourism. The residential construction sector, which is fairly correlated with the economic environment, kept the positive trend of 2017, as indicated by the building permits y.o.y. increases in both countries (28%[5] in Portugal and circa 25%[6] in Spain, in the latter case still at relatively low historical values though).



- Germany is expected to grow by circa 1.6%, in 2018, (below by circa 0.9 p.p. *vs.* 2017), supported by higher consumption and investment levels. From a trade perspective, it should be noted the persistent surplus in the current account balance. The improved performance of labour market and easier credit conditions contributed to higher private consumption levels, which however decreased in the second haft of the year. The constraints in the automotive industry contributed to lower production and export levels and the q.o.q. GDP growth was of -0.2%[7] and 0.2%[8] in 3Q18 and 4Q18, respectively. The macroeconomic environment led to a weak growth in the residential construction sector , as evidenced by the slight y.o.y increase in the number of building permits (up by 1%[9]).

[2] Source: European Comission, European Economic Forecast, Winter 2019 (Interim), February 2019.
[3] Source: European Comission, European Economic Forecast, Winter 2019 (Interim), February 2019.
[4] GDP: Gross Domestic Product.
[5] Source: *Instituto Nacional de Estatística*, January 2019 ("*Nova habitação residencial*", cumulative 11 months evolution until November 2018).
[6] Source: *Ministerio de Fomento*, February 2019 (Total "New Housing", cumulative 11 months evolution until November 2018).
[7] Source: European Comission, European Economic Forecast, Winter 2019 (Interim), February 2019.
[8] Source: European Comission, European Economic Forecast, Winter 2019 (Interim), February 2019.
[9] Source: German Federal Statistics Office, February 2019 ("Permits for new construction, dwelling", cumulative 11 months evolution until November 2018).

- In North America, both Canada and USA continued to grow in 2018, notwithstanding some slowdown in Canada when compared with 2017. Accordingly, for 2018 a GDP growth of circa 2.9% is expected for the US economy (up by circa 0.7 p.p. *vs*. 2017) and the Canadian economy is expected to have grown 2.1% (below by 0.9 p.p vs. 2017). In USA, the private consumption and investment positive performance have been stimulating the economic growth. In Canada, the increase in interest rates led to a slowdown in private consumption, but the United States-Mexico-Canada Agreement (USMCA) reduced the uncertainty conditioning the outlook for exports and business investment in Canada. The performance of labour market continues to improve in both countries, with lower unemployment rate. Accordingly, in Canada housing starts increased by circa 6.8%[10] y.o.y and in the USA the number of housing starts increased by 2.4%[11] y.o.y.

- For South Africa, OECD estimates point to a stagnation of GDP: 0.7% in 2018 (down by circa 0.6 p.p. *vs.* 2017). Tax changes and slow credit growth led to lower levels of private consumption. The very high unemployment levels (circa 27%[12] in 2018) contributed to a decrease in private consumption and investment.
  The combination of all these factors led to a weak growth but the residential construction sector still evidenced a y.o.y. increase of circa 5%[13] in the number of residential building permits.

Wood based panels

North America (Tafisa Canada)

Demand by product

Similarly to 2017, the consumption of particleboard in North America did not increase in 2018, despite good overall economic conditions in Canada and in the USA. Estimates published by the Composite Panel Association (CPA) indicate that total North America particleboard shipments were again stable, in 2018, when compared to 2017.

Supply information

Main investments by key industry players in North America announced since 2016:

- Arauco: USD 450 million investment in a new particleboard plant in Michigan (USA) with an expected capacity of 0.8 million m^3, which should start producing in the first half of 2019;

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

- Egger: investments in Lexington, North Carolina (USA), of USD 500 million for particleboard production, with an expected capacity of 0.6 million m3, and melamine faced particleboard production. Production potentially to start in late 2020.

[10] Source: Canada Mortgage and Housing Corporation, February 2019 ("Building permits (units)", cumulative 12 months evolution until December 2018).
[11] Source: United States Census Bureau, November 2018 ("Housing units started", cumulative 11 months evolution until November 2018).
[12] Source: OECD Statistics, Economic Outlook No 104 dataset- November 2018.
[13] Source: Statistics South Africa, February 2019 ("Building plans for residential buildings (number)", cumulative 11 months evolution until November 2018).

Europe (Sonae Arauco)

Demand by product[14]

During 2018, in the EPF[15] member countries, **particleboard** apparent consumption is expected to have grown by 3%, reaching a total of circa 31.0 million m³. Overall, particleboard consumption is expected to decelerate in 2019 but to continue growing steadily in the coming years, on the back of global GDP and construction positive evolution.

MDF consumption in Europe as a whole is expected to have risen by 1.7% in 2018, up to 11.6 million m^3. Germany keeps its position as the largest European consumer of MDF panels, in 2018, with a consumption of approximately 3.6 million m^3, followed by Poland and the United Kingdom. No decline in MDF consumption is foreseen in any country.

OSB consumption is expected to have continued increasing in 2018, by circa 4%. Positive building activity across Europe is leading to a significant levels of OSB consumption. In Europe, Poland and Germany are expected to record the most relevant increases in 2018, 3.4% and 3.0%, respectively.

Supply information[16]

The overall European **particleboard** production capacity is expected to have increased in 2018 by 3%. Particleboard capacity in the Iberian Peninsula is estimated to have increased 4.6% in 2018 and to be at approximately 3.6 million m^3. In Germany, no increases in the total particleboard available capacity are estimated to have occurred, both in 2017 and 2018. It is worth mentioning the market pressure due to exports from Poland, where Egger is investing in a new particleboard plant with an annual capacity of 0.65 million m^3 (which should start production in 2019) and Forte has invested in a new particleboard line with an annual capacity of circa 0.5 million m³ that started production in February 2018.

MDF production capacity in Europe is expected to have grown 2.3%, in 2018. In Iberia, MDF capacity is estimated to have increased approximately 2.6% in 2018.

Investments in new **OSB** production lines led to an increase in total installed capacity in 2018, estimated at around 2%. During 2019, another OSB capacity expansion is expected to take place (circa 0.6 million m3), mainly in Eastern European countries.

Laminates

The market for Laminates has grown moderately during the last few years in Europe. ICDLI[17] expects European HPL market to grow 2% in 2018.

[14] Sources: EPF: European Panel Federation, Annual Report 2017/2018 and Sonae Arauco internal estimates.

[15] European Panel Federation (EPF).

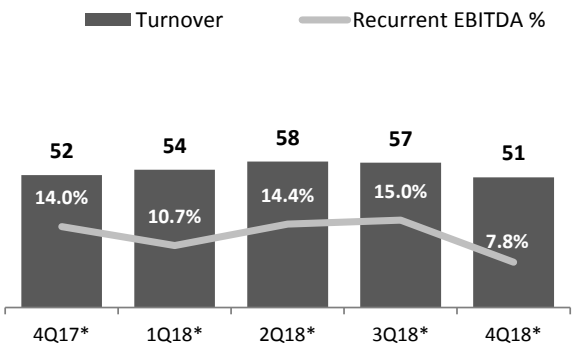
[16] Sources: Sonae Arauco internal estimates and competitors public information.

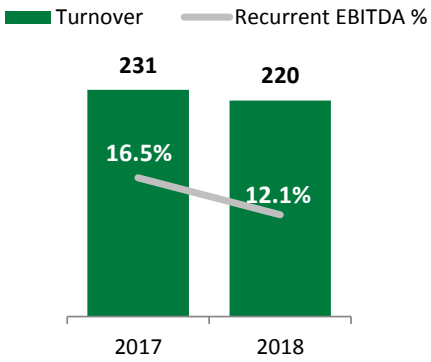
[17] International Committee of the Decorative Laminates Industry.

3. BUSINESS REVIEW

3.1. TURNOVER & RECURRENT EBITDA

TURNOVER and RECURRENT EBITDA
Million euros





*Quarterly information unaudited.

Consolidated Turnover reached circa 220.2 million euros in 2018, a reduction of 10.8 million euros (-4.7%) vs. 2017, driven by lower sales volumes in our Laminates and Components business (particularly to the Nordic markets) and by the depreciation of the Canadian Dollar vs. the Euro of 9.1 million euros, leading to a reduction of sales in euros from our North American business, despite the increase in local currency sales. For the quarter, Consolidated Turnover reached 51.3 million euros, a reduction of circa 0.9 million euros vs. 4Q17. In Canada, sales volumes in 4Q18 were materially lower (-7.4%) than in 4Q17, affected by a shortfall in production volumes which prevented the maximisation of sales in this period. In November, a fire in the larger of the two particleboard lines of Tafisa Canada, immediately after the annual maintenance shutdown of that line, implied an additional production stoppage of almost two weeks.

Variable costs per cubic meter in local currency increased materially in 2018, when compared to the previous year, mainly driven by higher maintenance costs, costs of wood (affected by higher transportation costs), costs of chemicals and thermal energy costs (due to the extreme cold weather in Canada in 1Q18). For the quarter, variable costs per cubic meter increased significantly when compared to 4Q17 and 3Q18, mainly driven by materially higher maintenance costs in Canada mostly as a result of the fire in November, which damaged equipment and implied additional one off maintenance costs.

Recurrent EBITDA in 2018 reached circa 26.7 million euros, a reduction of 11.4 million euros vs. 2017. The lower Recurrent EBITDA when compared to the previous year is mainly explained by the reduction in Turnover, as explained above, and particularly by the increase in variable costs. The **Recurrent EBITDA margin** in 2018 reached 12.1%, down by 4.4 p.p. vs. 2017. On a quarterly basis, Recurrent EBITDA for the 4Q18 stood at 4.0 million euros, with 7.8% Recurrent EBITDA margin, the negative evolution in the quarter being mostly explained by the performance of our North American business that, despite having registered in October the best month of production and EBITDA result of 2018, was negatively affected in terms of production volumes and maintenance costs as previously mentioned.

Consolidated **EBITDA** in 2018 reached 29.2 million euros, a reduction of circa 10.1 million euros vs. 2017. On a quarterly basis, Consolidated EBITDA in 4Q18 reached 7.1 million euros, a reduction of 1.5 million euros and 1.1 million euros vs. 4Q17 and 3Q18, respectively. The evolution in Consolidated EBITDA is mainly explained by the aforementioned performance of Recurrent EBITDA, but benefits from positive non recurrent items in 2018 (including a capital gain of circa 3.2 million euros, in 4Q18, as a result of the sale of Solsona inactive site real estate, which also explains the higher figure for Other operational income in 4Q18).

3.2. CONSOLIDATED FINANCIAL PERFORMANCE

3.2.1 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT Million euros	2017	2018	2018 / 2017	4Q17 Unaudited	3Q18 Unaudited	4Q18 Unaudited	4Q18 / 4Q17	4Q18 / 3Q18
Turnover	**231.0**	**220.2**	**(4.7%)**	**52.2**	**57.0**	**51.3**	**(1.7%)**	**(10.0%)**
Other operational income	7.1	8.2	16.5%	3.2	1.2	5.1	59.0%	-
EBITDA	39.3	29.2	(25.6%)	8.7	8.2	7.1	(17.8%)	(13.3%)
Non recurrent items	1.2	2.6	113.8%	1.4	(0.3)	3.1	122.9%	-
Recurrent EBITDA	**38.1**	**26.7**	**(30.0%)**	**7.3**	**8.6**	**4.0**	**(45.0%)**	**(53.3%)**
Recurrent EBITDA Margin %	16.5%	12.1%	-4.4 pp	14.0%	15.0%	7.8%	-6.2 pp	-7.2 pp
Depreciation and amortisation	(12.6)	(13.1)	(4.2%)	(3.3)	(3.3)	(3.5)	(5.9%)	(3.9%)
Provisions and impairment Losses	(3.8)	0.1	102.9%	(3.8)	0.0	0.2	104.4%	-
Operational profit (EBIT)	**23.0**	**16.3**	**(29.2%)**	**1.6**	**4.9**	**3.9**	**133.6%**	**(21.6%)**
Net financial charges	(11.6)	(11.6)	0.4%	(2.9)	(2.9)	(3.0)	(3.9%)	(6.1%)
o.w. Net interest charges	(8.2)	(8.1)	0.7%	(2.0)	(2.0)	(2.1)	(3.9%)	(6.0%)
o.w. Net exchange differences	(0.7)	0.0	100.6%	(0.1)	0.0	(0.0)	93.8%	(123.2%)
o.w. Net financial discounts	(1.7)	(1.7)	4.5%	(0.4)	(0.4)	(0.4)	(0.7%)	0.5%
Gains and losses in Joint-Ventures - Net Results	12.8	12.0	(6.5%)	(0.8)	2.8	(9.5)	-	-
Gains and losses in Joint-Ventures - Other	(2.5)	0.5	121.3%	(2.5)	0.0	0.5	121.3%	-
Profit before taxes (EBT)	**21.7**	**17.2**	**(20.8%)**	**(4.6)**	**4.8**	**(8.2)**	**(79.5%)**	**-**
Taxes	(6.5)	(6.2)	4.4%	(1.1)	(1.2)	(3.4)	-	-
o.w. Current tax	(7.1)	(5.7)	19.9%	(1.0)	(1.7)	(1.1)	(6.0%)	35.0%
o.w. Deferred tax	0.7	(0.5)	-	(0.1)	0.5	(2.3)	-	-
Consolidated net profit/(loss) for the period	**15.3**	**11.0**	**(27.8%)**	**(5.6)**	**3.7**	**(11.6)**	**(104.8%)**	**-**

Total **fixed costs** in 2018 represented 17.1% of turnover, an increase of 0.6 p.p. vs. 2017, despite the reduction in Fixed Costs when compared to 2017 (which had benefited from a positive one off effect on fixed costs of circa 1.5 million euros).

Total **headcount of Sonae Indústria** was 495 FTE's, at the end of December 2018, excluding Sonae Arauco, which compares with 497 and 486 FTE's at the end of September 2018 and December 2017, respectively.

Depreciation and amortization charges during 2018 were circa 13.1 million euros, which represents an increase of 0.5 million euros when compared to 2017. The values booked for 2018 take into account the capital expenditures concluded in Canada in recent quarters and also the investment in the new edging line for our Components plant in Portugal, which was concluded in 4Q17.

Provisions and impairment losses in 2018 represent a gain of 0.1 million euros, an improvement of circa 3.9 million euros when compared to the previous year (Provisions and Impairment Losses in 2017 included the recognition of circa 3.3 million euros (net) provisions mainly related to the legacy of claims under the competition law in Germany).

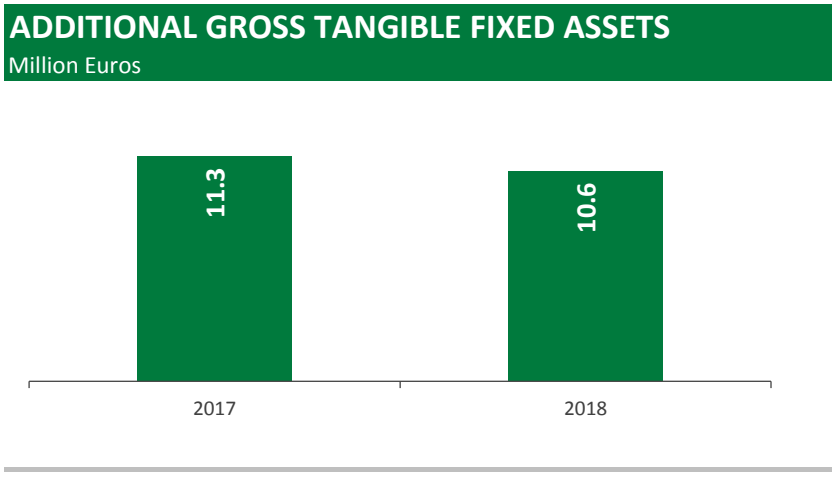
Net financial charges during 2018 were circa 11.6 million Euros, in line with the values booked for 2017.

Gains and losses in Joint-Ventures – Net Results refers to 50% of the net results of Sonae Arauco in the period . This amounted to circa 12.0 million euros in 2018, which include (considering the 50% contribution) one off negative effects (all booked in 4Q18) (namely full impairment of the accounting values of its investment (including a loan) in the joint venture LaminatePark (circa 8 million euros) and impairment of the accounting value of tangible assets (circa 3.5 million euros)) and circa 16 million euros of accounting gains from property damage insurance related with the fires that affect the two Sonae Arauco plants in Portugal in October 2017.

Current tax charges were 5.7 million euros in 2018, a decrease of 1.4 million euros when compared to 2017, mainly driven by lower tax charges in Canada. **Deferred tax charges** in 4Q18 represent a charge of circa 2.3 million euros, which include the full write-off of deferred tax assets in Portuguese companies.

Net results in 2018 were circa 11.0 million euros positive, a reduction of circa 4.2 million euros when compared to 2017, mainly explained by the aforementioned reduction in EBITDA, which more than offset the positive variations in Provisions and Impairment Losses and in Gains and losses in Joint-Ventures (aggregate Net Results and Other).

3.2.2 CAPEX



Additions to Gross Tangible Fixed Assets reached circa 10.6 million euros in 2018, mainly related with recurrent investments in our North American business (circa 9.5 million euros).

3.2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	2017	9M18 Unaudited	2018
Non current assets	**360.2**	**370.9**	**354.5**
Tangible assets	146.5	142.2	135.7
Investments in joint ventures	205.6	218.0	212.5
Deferred tax asset	1.5	2.1	0.0
Other non current assets	6.6	8.5	6.3
Current assets	**40.9**	**46.2**	**47.4**
Inventories	17.0	18.6	18.2
Trade debtors	13.6	18.7	12.3
Cash and cash equivalents	4.1	2.1	10.6
Other current assets	6.2	6.8	6.2
Non-current assets classified as available for sale	**0.0**	**0.0**	**0.0**
Total assets	**401.0**	**417.1**	**401.8**
Shareholders' Funds	**126.1**	**145.2**	**135.5**
Equity Holders	126.1	145.2	135.5
Non-controlling interests	0.0	0.0	0.0
Liabilities	**274.9**	**271.9**	**266.3**
Interest bearing debt	212.7	206.9	206.5
Non current	198.5	188.0	188.6
Current	14.2	18.9	17.9
Trade creditors	19.6	23.2	21.6
Other liabilities	42.5	41.7	38.3
Total Shareholders'Funds and liabilities	**401.0**	**417.1**	**401.8**
Net debt	**208.7**	**204.7**	**195.8**
Working Capital	**11.0**	**14.1**	**9.0**

Investments in Joint-Ventures (50% shareholding in Sonae Arauco) reached circa 212.5 million euros, which is circa 6.8 million euros higher than the book value of this investment at the end of 2017, mainly due to positive variations from: (i) Gains and losses in Joint-Ventures of circa 12.5 million euros (including Net Results and Other), as previously explained, and ii) the net revaluation of land and buildings in Sonae Arauco of circa 4.0 million euros, and despite negative variations from: a) the dividend paid by Sonae Arauco to Sonae Indústria in an amount of circa 6.4 million euros and b) the unfavourable exchange rate evolution of the South African Rand of 2.7 million euros.

Consolidated **Working Capital** reached circa 9.0 million euros, a reduction of 2.0 million euros when compared to December 2017, explained by the reduction in trade debtors and the increase in trade creditors, which more than offset the increase in inventories.

Net Debt stood at 195.8 million euros at the end of December 2018, representing a decrease of 8.9 million euros vs. September 2018, and of 12.8 million euros when compared to the end of 2017, benefiting from the dividend received from Sonae Arauco and from the sale of real estate and equipment from our inactive sites.

Total **Shareholders' Funds**, at the end of December 2018, totaled circa 135.5 million euros, which represents an increase of circa 9.4 million euros when compared to 2017, mainly explained by the positive impacts from net results and from the revaluation of land and buildings in Sonae Arauco, which more than offset the negative impacts of the exchange rate evolutions of the South African Rand and of the Canadian Dollar vs. the Euro of 2.7 million euros each one of them.

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

In 2018, Sonae Indústria, SGPS, SA, as the holding company of the Group, generated on its individual accounts a negative Net Result of 443,961.81 euros.

This Net Result is essentially explained by operational costs of -9.6 million euros (which include provisions of -8.3 million euros) and net Financial charges of -7.5 million euros, despite results related with investments in subsidiaries and joint ventures of +16.6 million euros (that include dividends from Megantic BV and Sonae Arauco of circa +11.3 million euros and circa +6.4 million euros, respectively).

3.4. PROPOSED ALLOCATION OF RESULTS

In accordance with applicable legal and statutory terms, the Board of Directors proposes to the Shareholders' General Meeting that the negative results of 443,961.81 euros in Sonae Indústria, SGPS, SA 2018 individual accounts be transferred to retained earnings.

It also proposes that the referred amount of -443,961.81 euros is fully covered by free reserves.

3.5. PROPORTIONAL INDICATORS (UNAUDITED)

EXPLANATORY COMMENTS ON PROPORTIONAL INDICATORS

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

These Proportional Indicators consider the full contribution of our wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.

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

FINANCIAL INDICATORS (unaudited)

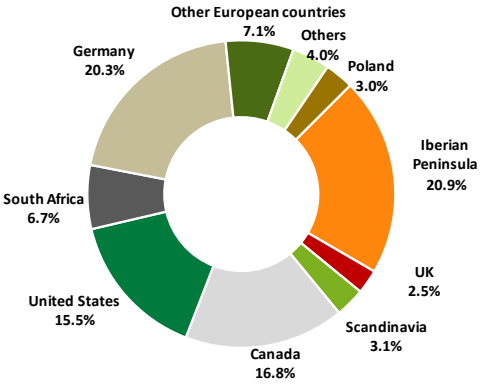
	2017	2018
Proportional Turnover	630	612
Proportional Rec. EBITDA	89	74
Proportional Rec. EBITDA margin	14.0%	12.0%
LEVERAGE		
Proportional Net Debt	301	311
Proportional Leverage (Net Debt / LTM Rec. EBITDA)	**3.4 x**	**4.2 x**
LOAN TO VALUE		
Net Debt of Sonae Indústria	209	196
Asset Value*	496	372
LTV (Net Debt of Sonae Indústria / Asset Value)	**42%**	**53%**

* Calculated as described in the Glossary of Terms. This compares with a Consensus 'Asset Value' of circa EUR 443M based on the average of the sum of the parts valuation (as at year-end 2019) of Sonae Indústria assets carried out by two independent equity research houses.

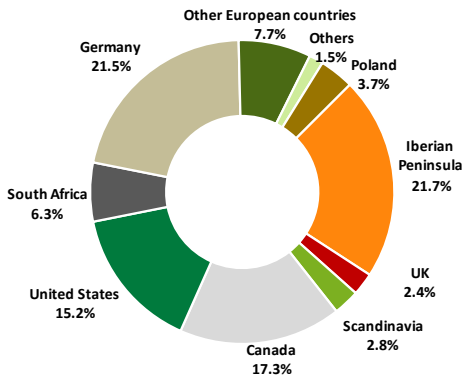
In 2018, **Net Debt to Recurrent EBITDA (proportional)** stood at 4.2x, which represents an increase of 0.8x vs. 2017. **Loan to Value** also increased when compared to 2017, reaching circa 53% at the end of 2018. In respect

of Net Debt to Recurrent EBITDA (proportional) and Assets Value at year end 2018, it should be noted that if all insurance compensation had been received at year end, Sonae Arauco's Net Debt in 2018 would have been reduced by circa 25 million euros (estimated net effect considering the final amount of compensation already agreed with the insurers and the residual amounts still to be paid in relation to the fires damages).

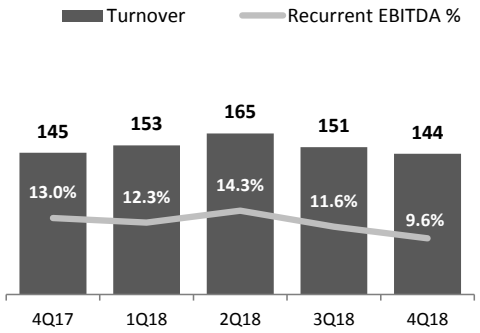
PROPORTIONAL TURNOVER BY DESTINATION MARKET – 2017

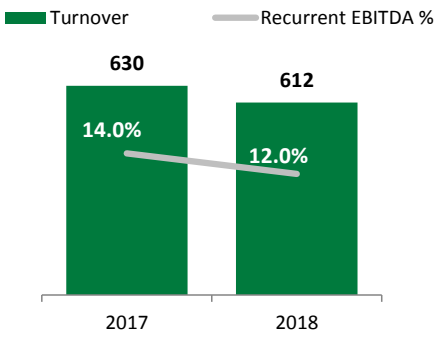


PROPORTIONAL TURNOVER BY DESTINATION MARKET – 2018



PROPORTIONAL TURNOVER and RECURRENT EBITDA (unaudited)
Million euros





Proportional Turnover in 2018 was circa 18.4 million euros lower than in the previous year. This evolution was driven by a lower contribution from our fully owned businesses, essentially due to the depreciation of the Canadian Dollar (circa 9.1 million euros), and by a circa 7.6 million euros lower contribution by Sonae Arauco, partially due to the fact that the two Sonae Arauco plants in Portugal hit by the forest fires in October 2017, only gradually resumed production in the first half of 2018 (it should be noted that insurance income related with business interruption is not included under Turnover).

Proportional Recurrent EBITDA in 2018 was circa 15.0 million euros lower than in 2017. This evolution was driven by a lower contribution from our fully owned businesses and by Sonae Arauco.

The **average unitary variable costs (per m^3)** increased y.o.y. in Canada and in all regions where Sonae Arauco operates.

Total **headcount for Sonae Indústria,** at the end of December 2018, was 3,242 FTEs including 100% of Sonae Arauco operations.

3.6. OUTLOOK FOR 2019

Although business and economic indicators during 2018 were overall supportive, there were clear signs of deceleration in Europe in the last two quarters of the year and equity markets registered negative performances in both North America and Europe in the year. Prevailing geopolitical uncertainties including, among other, those related with the developments of the Brexit process and of the trade tensions between the US and China make

the outlook for the global economy in 2019 and beyond more unclear. On the wood based panels supply side, we should see new capacity coming on stream in both Eastern Europe and North America.

In North America, following the success of the launch, in 2018, of two new textures, Feria and Brava, and of a complete matching collection of Surforma® HPL produced in Portugal for Tafisa Canada MFC products, we will continue to pursue opportunities to improve our business, namely by further enhancing our product offering to meet customers' requirements.

In our Laminates business, we will focus on increasing sales volumes and improving profitability levels, namely by seeking opportunities to supply the North American market with Laminates under our new brand Surforma® and seeking to replace sales volumes lost in Northern Europe in 2017.

At Sonae Arauco, we expect to continue to improve the competitiveness of our industrial assets and customer offering, leveraging on the multi-year industrial investment plan that has progressed in 2018 and will proceed in 2019.

Continued efforts will be made on the monetization of the remaining real estate and equipment related with our inactive sites and on further reducing the running costs of these sites.

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

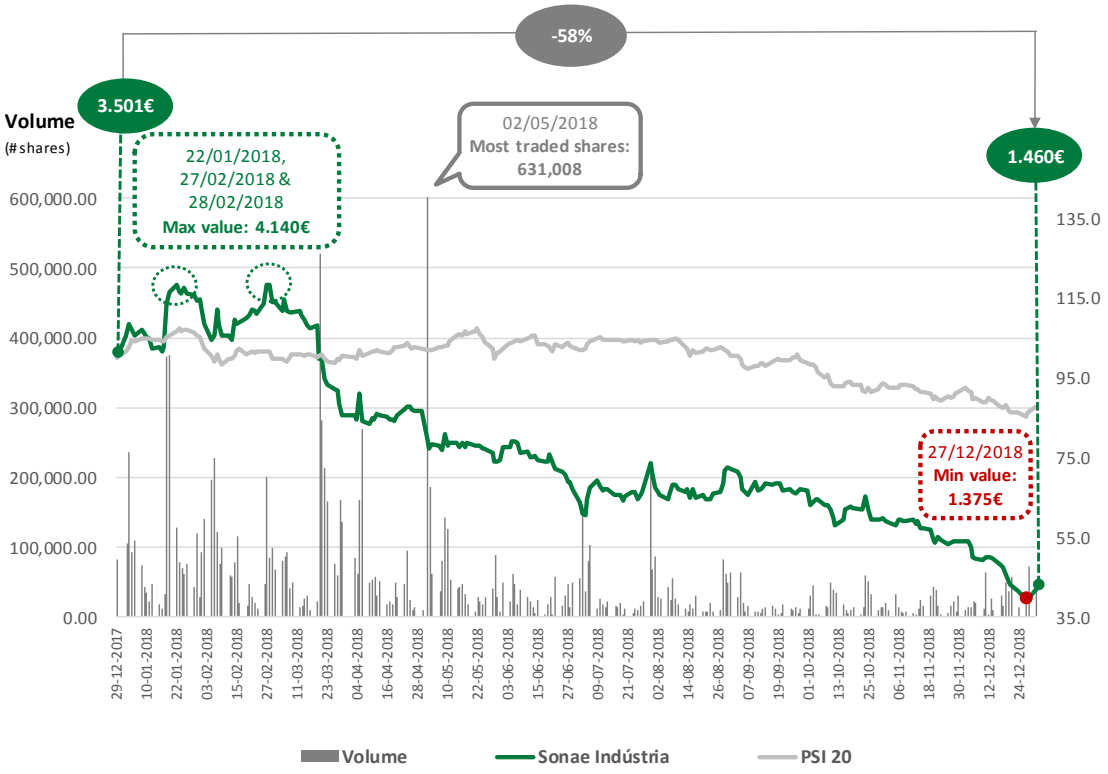
3.7. INFORMATION ON SHAREHOLDINGS AND SHARE PERFORMANCE

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

Share performance

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

	2015	2016	2017	**2018**
Share Capital	812,107,574.17	812,107,574.17	253,319,797.26	**253,319,797.26**
Total number of shares	11,350,757,417	11,350,757,417	45,403,029	**45,403,029**
Net Results	-36,004,592	11,008,954	15,265,731	**11,028,470**
Net Results per share	-0.003	0.001	0.336	**0.243**
Dividends per share	0.000	0.000	0.000	**0.000**
Prices				
Year High	0.0097	0.0079	3.6590	**4.1400**
Year Low	0.0058	0.0043	1.4000	**1.3750**
Year Average	0.0077	0.0054	2.2956	**2.7039**
Share price as at 31-Dec	0.0080	0.0060	3.5010	**1.4600**
Market Capitalization as at 31-Dec	90,806,059	68,104,545	158,956,005	**66,288,422**
Average trading volumes per day (shares)	8,037,786	8,455,716	57,761	**50,477**



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

During 2018, Sonae Indústria's share price varied significantly in relative terms, contrasting with a less pronounced evolution of the Portuguese Stock Market index (PSI 20). Accordingly, Sonae Indústria's share price decreased by 58% from the end of 2017 until the end of 2018 (with the index PSI 20 decreasing 12%).

The highest daily trading volume of Sonae Indústria shares was registered on 2 May (631,008 shares).

The minimum share price during 2018 was registered on 27 December (1.375 euros). On the other hand, the maximum share price was achieved on three sessions: 22 January, 27 February and 28 February (4.140 euros).

Regarding liquidity, Sonae Indústria's share had, during 2018, an average turnover of 50,477 shares per day.

3.8. 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 2018, the company did not hold any own shares.

3.9. DIVIDEND POLICY

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

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

3.10. SUBSEQUENT EVENTS

During the first quarter of 2019, Sonae Arauco has received an amount of circa 32.6 million euros of insurance compensation, that was outstanding to be received at the end of 2018, related to the 2017 forest fires that affected two Portuguese plants.

In February 2019, Laminate Park GmbH & Co KG ("Laminate Park"), announced its intention to cease operations at the plant located at Eiweiler (Germany) by the end of 2019. Laminate Park is the joint venture between Sonae Arauco and Tarkett for the manufacturing and sale of MDF/HDF laminate flooring.

4. RISK MANAGEMENT

4.1. CREDIT RISK MANAGEMENT POLICY

a) Receivables (Customers)

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

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

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

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

To foster the sharing of experiences, the alignment of procedures and practices and to ensure the enforcement of sound controlling rules, Sonae Arauco promotes the "Customer's Credit Risk Management Forum".

b) Financial assets other than trade debtors

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

4.2. MARKET RISKS

a) Interest Rate Risk

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

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

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

b) Foreign Exchange Risk

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

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

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

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

c) Liquidity Risk

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

For this purpose, liquidity management at the Group comprises:

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

4.3. LEGAL RISKS

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

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

4.4. OPERATIONAL RISKS

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

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

5. CORPORATE RESPONSIBILITY (UNAUDITED)

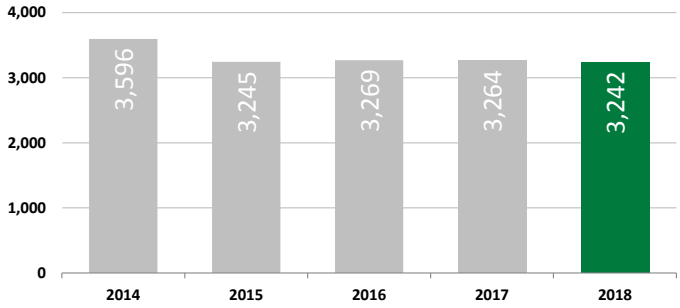
Note: information in this section includes full Sonae Arauco activity which means that aggregate data consider 100% of Sonae Arauco figures also in 2016, 2017 and 2018.

5.1. SOCIAL REPORT

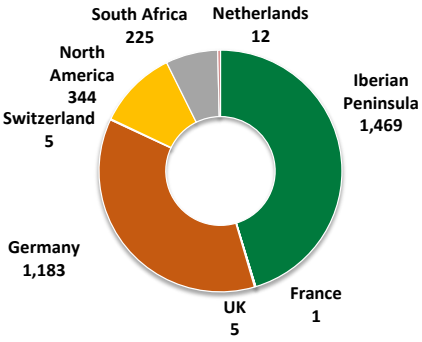
PEOPLE

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

Number of Employees (excluding Trainees)

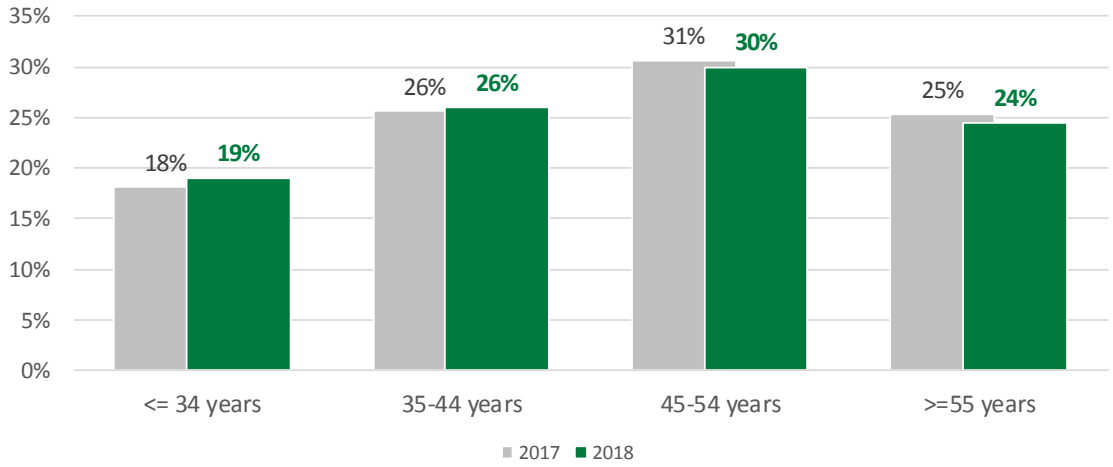


Employees per country / region (excluding Trainees)



At the end of 2018, Sonae Indústria employed 495 employees (excluding trainees) which compares with 486 employees at the end of 2017. Considering 100% of Sonae Arauco, the number of employees reaches 3,242 people in ten different countries, similar to the value registered at the end of 2017. Since 2015, Sonae Indústria mantained a relatively stable headcount level.

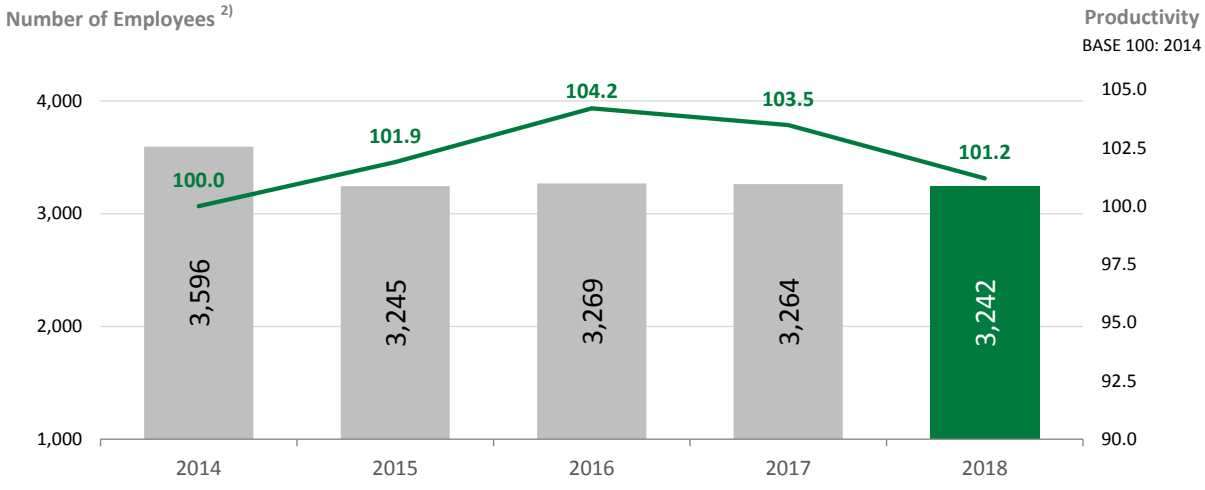
Workforce by age group



The most representative age group at Sonae Indústria (including 100% of Sonae Arauco) ranges between 45 and 54 years (corresponding to 30% of the total employees). It should also be noted that women represent circa 18% of the total workforce of the company, an increase of circa 0.8 p.p. *vs.* 2017.

Productivity [1]

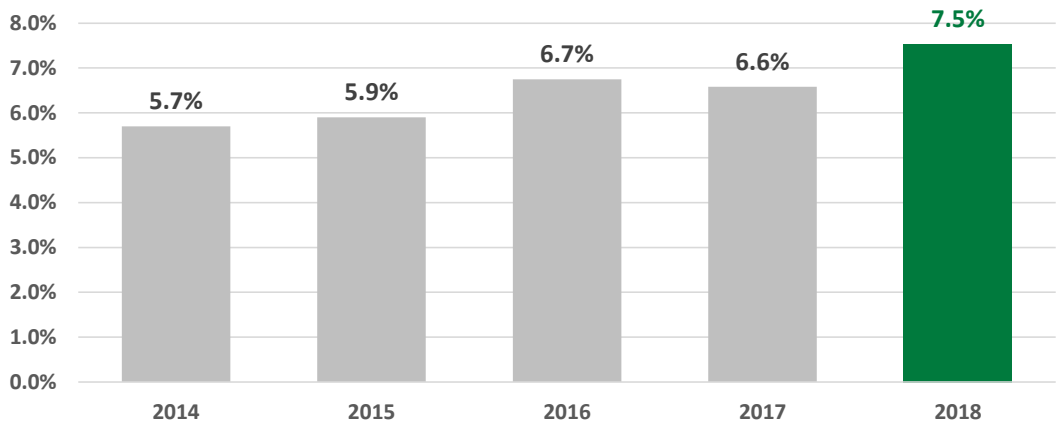
Between 2014 and 2016, productivity increased strongly, particularly driven by the restructuring process that the company went through until 2015. Despite the decrease of the number of employees, in 2018, productivity was lower (-2.2%) than in 2017, mainly explained by the turnover evolution of i) Sonae Arauco, partially due to the effect of Sonae Arauco Portuguese sites affected by the forest fires in October 2017, which only gradually resumed production in the first half of 2018, and ii) our fully owned businesses, essentially due to the depreciation of the Canadian dollar.



1) Productivity based on the aggregate figures, i.e., including 100% of Sonae Arauco turnover and FTE's

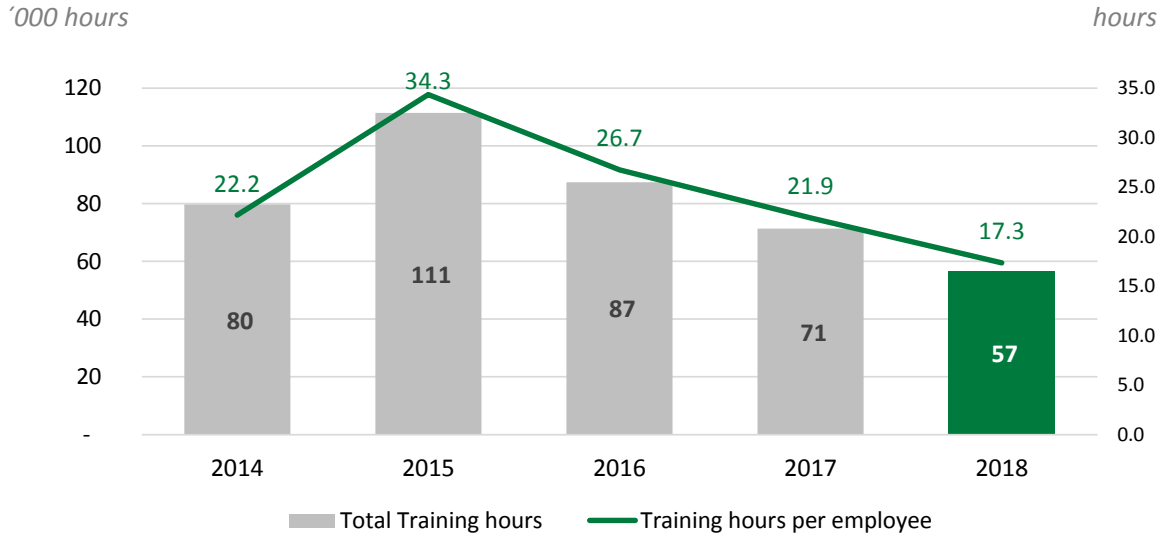
2) FTE's Excluding Trainees

Absenteeism rate (%)



Absenteeism had been increasing over the last years, mainly due to long-term leaves. Sonae Indústria has an ageing workforce with the consequent growing rate of prolonged absences due to natural diseases. The increase registered in 2018 is essentially driven by Sonae Arauco (notably in Germany) and, in 2019, Sonae Arauco human resources teams will conduct specific actions to offset that evolution.

Total training hours and training hours by employee



In 2015, the number of training hours per employee increased significantly, mainly as the result of the continuous improvement program, IOW (Improving our Work), implementation and the associated training initiatives, which involved a significant number of participants and training hours. Since 2015, the IOW as a strategic company guideline, played an important role on the training hours.

In the beginning of 2018, a new training model designed by the IOW Training Center replaced the traditional training programs with an average duration of around 30 hours by the IOW Lab training for new admissions (duration of 8h) plus specific training on demand if needed.

The fires that affected Sonae Arauco portuguese sites in October 2017, which implied a rebuilding stage that lasted approximately until the first half of 2018, also contributed to a decrease of the training hours.

PARTNERSHIPS WITH UNIVERSITIES

With the objective of developing and improving the characteristics of our products we have developed partnerships with several Portuguese universities; *Faculdade de Engenharia da Universidade do Porto* (FEUP),

Escola Superior Tecnológica de Viseu (ESTV), *Universidade de Aveiro* (UA), *Universidade Nova de Lisboa* (UNL), *Universidade de Coimbra* (UC), *Universidade de Trás os Montes e Alto Douro* (UTAD), *Instituto Superior Técnico de Lisboa* (IST), *Instituto Superior de Engenharia do Porto* (ISEP) and *Instituto de Higiene e Medicina Tropical* (IHMT), as well as with research associations - *Associação Rede de Competência em Polímeros* (ARCP), *Pólo de Inovação em Engenharia de Polímeros* (PIEP), *Centro de Nanotecnologia e Materiais Técnicos, Funcionais e Inteligentes* (CENTI), *TechMinho* and Colab ForestWise – Laboratório Colaborativo para a Gestão Integrada da Floresta e do Fogo. These partnerships provide the basis for product and process innovation in the Group and encourage the proximity between our company and the academic community. At the moment, and within the defined competences framework, the main objectives of our research are as follows:

- New polymers, fundamental investigation;
- Resins – industrial control and monitoring;
- Wood based panels – development of new products, analysis of physical and mechanical characteristics, and performance evaluation of gluing systems;
- Impregnated papers and laminates – impregnation, performance characterization, development of new products / processes;
- Emissions – analysis of VOC[18] emissions;
- Forest and fires management.

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

With these partnerships, Sonae Indústria has privileged access to university, equipment and techniques, researchers' know-how, development of new technologies and methodologies in collaborative projects and a permanent access to high value technicians that could potentially be integrated in the company.

INVOLVEMENT IN LOCAL COMMUNITY

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

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

SONAE ARAUCO

Sonae Arauco opened once again the doors of its sites to high school and university students, allowing students to have a brief insight of the work and day-to-day routines and responsibilities performed at these locations. These initiatives continue to be a priority to bring us closer to the educational community and contribute to a better understanding of our business.

At our facilities in Maia, Portugal, in the scope of an internal initiative named Taking Me Further, Sonae Arauco and Sonae Indústria employees, in 2018, were invited to join several activities such as running, padel, guitar lessons and nutrition sessions according to their personal preferences. This initiative is an example of a dedicated programme designed to develop a balanced, high performance and healthy work environment.

Throughout the year, the Portuguese industrial units offered various donations to schools, local institutions and universities. Products were also distributed to institutions such as schools, local fire departments, social and cultural associations, Rotary clubs and sports associations. Also, as a result of the fires that affected two of our industrial sites in Portugal, Sonae Arauco together with the help of some of our clients and partners, was strongly

[18] Volatile organic compound emissions.

committed to help both the employees and local communities recover from their losses, and contributed with several donations.

Since July 2017, Sonae Arauco´s industrial unit in Valladolid has been involved in a project of mentoring for the STEM talent development (Science, Technology, Engineering and Mathematics) and the promotion of scientific and technological vocations aimed specifically at women with the aim to inspire and empower the next generation of women leaders in science and technology.

At the end of November 2018, 18 employees of Sonae Arauco Valladolid plant and Cuellar sawmill together with 702 people, participated on a run to promote companionship and teamwork, encouraging healthy living habits and spending a good time, whilst donating 10% of the registration profits to "*Banco de Alimentos de Valladolid*" (Valladolid food bank).

Also in Spain, the *Operación Kilo* was carried out once again and a total of 217kg of food was collected from all the employees and donated to "*Banco de Alimentos de Valladolid*", "*Banco de alimentos de Segovia*" and to the "*Cruz Roja in Tres Cantos*".

In Germany, Sonae Arauco once gain made various contributions to institutions such as local fire brigades, schools, youth associations, red cross, amongst others. The company have also made contributions of products to a youth center, children's playground and sports associations.

In South Africa, Sonae Arauco engaged in several actions, not only through financial assistance, but also through active partnerships, promoting and participating in awareness campaigns. The main focuses were education (including bursaries and skills), education initiatives to teachers and the Worldwide Fund for Nature (WWF). Seven teachers were selected to attend the Annual International Creativity Educators Conference and 13 students from disadvantaged backgrounds have graduated and completed their 1-year apprenticeship program (Furntech) and are now able to open their own woodwork businesses or find employment in the wood manufacturing sector - a great achievement for all these students.

TAFISA CANADA

In 2018, Tafisa Canada and its employees supported, for the 15th consecutive year, the "Fondation du Centre de Santé et de Services Sociaux du Granit" (Health and Social Services Foundation). The voluntary donations helped maintain and improve health care services provided to the entire population of Lac-Mégantic and surrounding communities. For every dollar donated to the organization by an employee, Tafisa Canada contributed with an equal amount.

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

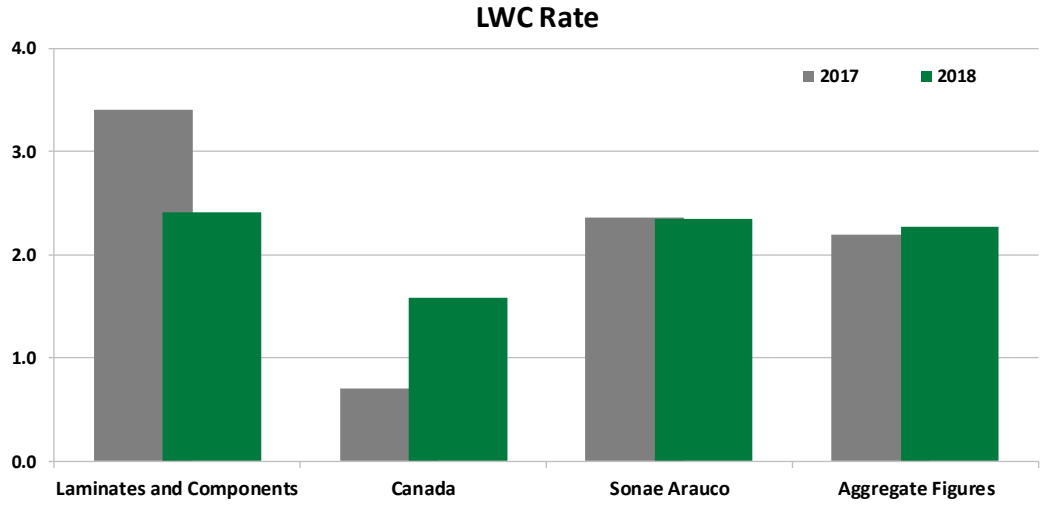
Also for the third year, Tafisa Canada employees participated in a dragon boat charity race to raise funds for "La Maison La Cinquième Saison", a non-profit organization dedicated to the care of people who are in the final stages of their lives. Tafisa Canada proudly made a donation on behalf of its employees who took part in the race.

The town of Lac-Mégantic also hosted the second Canada Man/Woman Extreme Triathlon in North America in July 2018. One of the toughest full distance triathlons in the world, comparable to similar ones in Norway, Scotland, Alaska and Switzerland. Several employees of Tafisa Canada participated in the shorter version of the event and Tafisa Canada was the main sponsor of the race.

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

KEY HEALTH AND SAFETY PERFORMANCE INDICATORS

The chart below represents the Lost Workday Cases (LWC) rate[19]:



During 2018, Sonae Indústria's overall LWC rate slightly deteriorated (3% compared with 2017 rate) essentially due to the impact of the Canadian operation where there was an increase of the number of events with loss of workdays when compared to the previous year. This increase implied a deterioration of the rate, in Canada, in more than the double of the rate achieved in 2017.

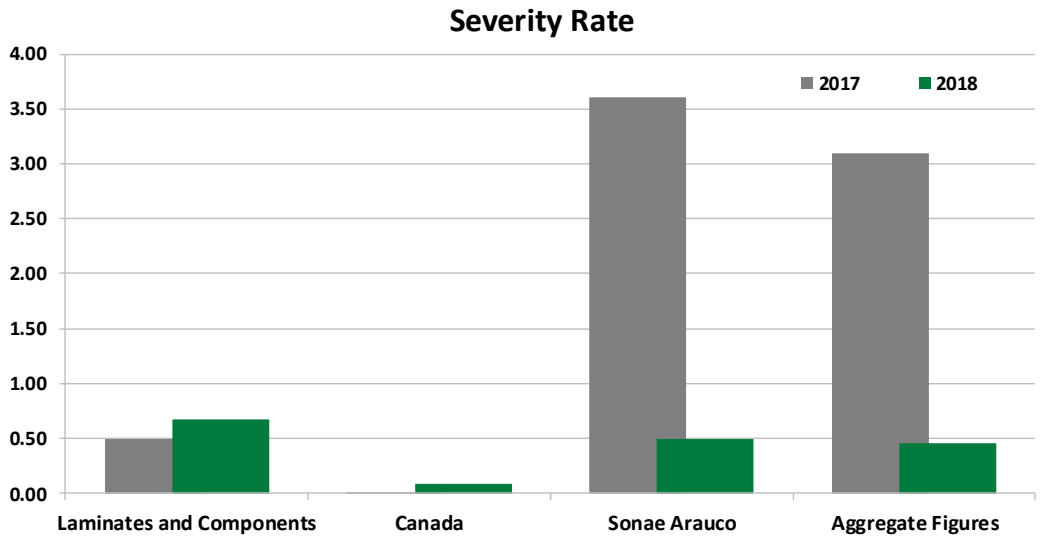
Looking at the LWC rate results from the other main businesses we continue to achieve improvements in Sonae Arauco (0.5% compared to 2017) and in the Laminates and Components (29% compared to 2017). For the Components business this evolution reflects the rigor and focus that has been put in this operation, in particular in Health and Safety, in the last 2 years. The update of the industrial equipment done during 2018 with the installation of a new, state of the art, production line also contributed to the improvement on the work conditions.

At Sonae Arauco, 2018 was marked by the consolidation of the "BeST" (Behavioural Safety Transformation), a project which started at the end of the previous year with support of DuPont and in all Sonae Arauco locations. Within the scope of this project some key actions have to be highlighted:

- STOP™ for Supervision – training program that was cascade down to all company employees, who have supervision roles, to enable on how to perform safety observations and safety dialogues;
- Incident report change – introduction of SIF (Serious Injury and Fatalities) concept to determine the real/potential events that should be investigated as opposed to the Lost Workday concept. With this concept there was more visibility and focus on the real life threatening incidents;
- Life Saving Rule – definition and approval of 6 cardinal rules associated to safety of the organization that cannot be compromised. The defined rules for Sonae Arauco were: Safety Interlock Bypasses / Machine protection removal; Isolation of Energy Sources (LOTO); Work at Height; Hot Work; Access to wood yard, Warehouses and Loading areas and Confined Space Entry.

Other actions have been done, or are in the planning process, that will further strength Sonae Industria safety culture and promote the required awareness in this area of paramount importance.

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



In terms of the seriousness of the injuries, translated by the Severity Rate[20], there was a significant reduction compared with the previous year that had been impacted by the fatalities that occurred in Sonae Arauco sites.

The main objective remains unchanged and safety performance is a key focus that will drive Sonae Indústria in the upcoming years. As an industrial company we are committed to guarantee the employees permanent comfort and safety. For this purpose, all of Sonae Indústria employees activities, including the ones from its subsidiaries and affiliated companies, are subject to a preventive approach in relation to the management of safety, hygiene and health at work, which includes:

- Risk reduction and control to prevent incidents, accidents, injuries and occupational diseases;
- Safety in the factories and workplaces in general, including all equipments;
- Employees training and commitment to ongoing improvement in all these processes.

5.2. ENVIRONMENTAL REPORT

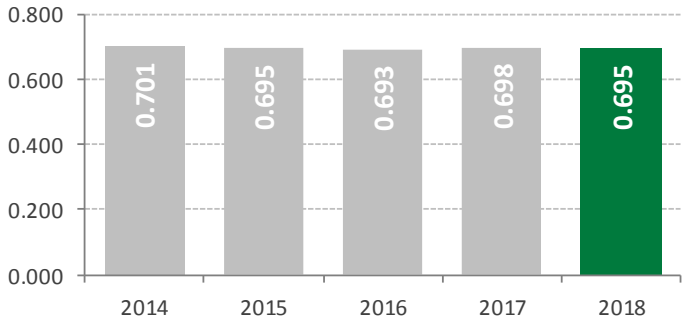
Wood consumption (dry ton/m3)

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

[20] **Severity rate** = Number of workdays lost due to LWC*1,000 / Number of hours worked. A fatality is considered by adding 7,500 days in the numerator.
Sonae Arauco figures for Severity Rate include Horn laminates plant and real estate.

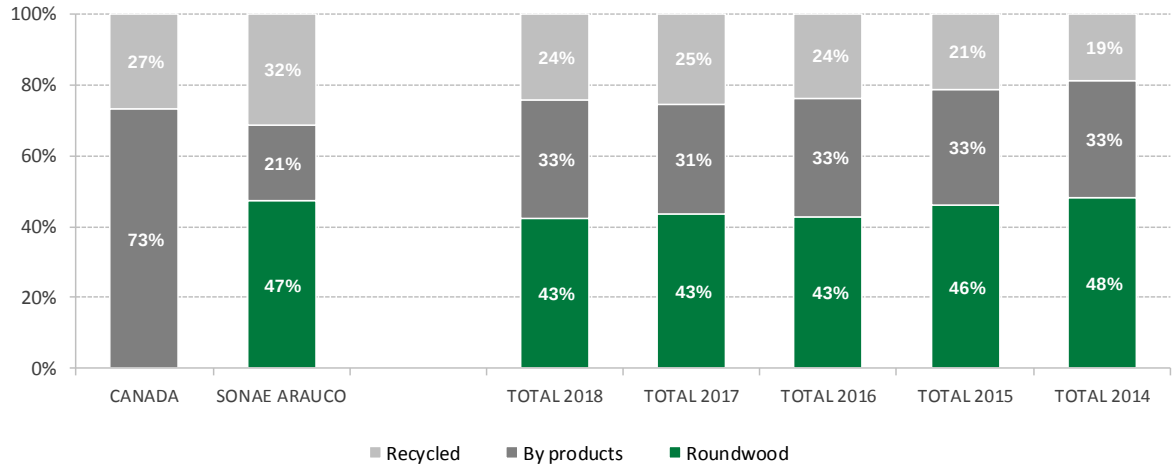
The figures below consider the board businesses (aggregate figures of Canada and Sonae Arauco) and show the global evolution of the wood mix consumption and wood use efficiency figures, which illustrate our continuous efforts within this key operational area.

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



Wood consumption per cubic meter produced for Sonae Indústria's portfolio registered a slight decrease when compared to 2017, due to a reduction in wood consumption, which more than offset the decrease in the finished production.

Wood consumption by type



In 2018, the global wood supply mix for the board operations showed a slight inversion on the recent years trend of incorporation of recycled material, whilst the incorporation of by products increased.

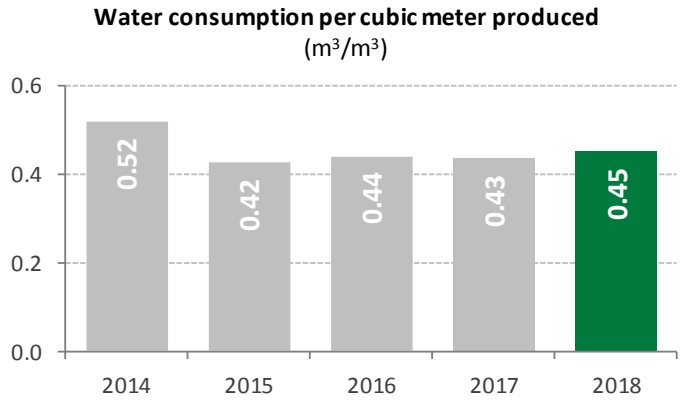
Compared to 2017, the utilisation of roundwood maintained the same value, the by products usage increased to 33% (increase of 2 p.p. compared to 2017) and the incorporation of recycled material reduced to 24% (decrease of 1 p.p. compared with 2017). This effect was mainly driven by the investments on cleaning systems for the recycled material in Sonae Arauco sites, in Oliveira do Hospital (Portugal) and Linares (Spain) which, during a significant part of 2018, required adjustments typical in cases of newly installed equipment which means that the real impacts of those investments were not yet reflected in 2018 figures. The canadian operation maintained the level of incorporation of recycled and by products within the same values of 2017.

Water consumption (m^3/m^3)

Municipal, surface and underground water

Sonae Indústria's industrial process requires water and, conscient of this impact, efforts are done to reduce the use of fresh water and to increase the reutilization of treated wastewater. These are common environmental objectives in several industrial sites.

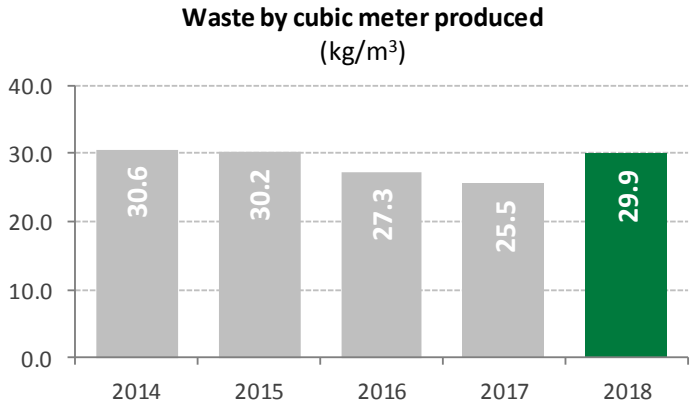
Overall, the specific water consumption increased in 2018, when compared with 2017, mainly due to the effect of Sonae Arauco Portuguese sites, affected by the forest fires in October 2017, which had to undergo extensive reconstruction and used water intensively in this process. After completing the repairs, fire and industrial water reserves had to be replenished which, in Mangualde alone, represent an intake of more than 12,000m3 of fresh water.



Waste generation (kg/m³)

Hazardous and non-hazardous waste

The global indicator on specific waste generation registered a significant change when compared to 2017, which is again explained by Sonae Arauco Portuguese sites, Mangualde and Oliveira do Hospital. As mentioned before, these two industrial sites suffered significant damages in the end of 2017 and were being reconstructed until 2Q18. These activities generated tons of non-hazardous residues, mainly metal scrap and demolition material, that had to be disposed and, consequently, negatively impacted the indicator.



MANAGEMENT SYSTEMS

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

The situation of management systems certifications of Sonae Indústria affiliates and subsidiaries, at the end of 2018, was the following:

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

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

6. CLOSING REMARKS AND ACKNOWLEDGEMENTS

Activity carried out by the Non-Executive Board Members

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

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

Acknowledgements

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

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

27 March 2019,

The Board of Directors,

_____	_____
Paulo Azevedo	Carlos Moreira da Silva
_____	_____
Albrecht Ehlers	Berta Cunha
_____	_____
Isabel Barros	Javier Vega
_____	_____
José Romão de Sousa	Christopher Lawrie
_____	
Louis Brassard	

APPENDICES TO THE MANAGEMENT REPORT AND QUALIFIED SHAREHOLDINGS

APPENDIX REGARDING ARTICLE 447 OF THE COMPANIES LAW

	Date	Acquisitions amount	Acquisitions € average value	Sales amount	Sales € average value	Position at 31.12.2018	Balance at 31.12.2018 amount
Duarte Paulo Teixeira de Azevedo							
Efanor Investimentos, SGPS, SA **(1)**						Minoritary	
Migracom, SA **(2)**						Dominant	

	Date	Acquisitions amount	Acquisitions € average value	Sales amount	Sales € average value	Position at 31.12.2018	Balance at 31.12.2018 amount
(1) Efanor Investimentos, SGPS, SA							
Sonae Indústria, SGPS, SA							19 370 549
Pareuro, BV **(3)**						Dominant	
(2) Migracom, SA							
Sonae Indústria, SGPS, SA							38 931
Imparfim, Investimentos e Participações Financeiras, SA (4)						Minoritary	
(3) Pareuro, BV							
Sonae Indústria, SGPS, SA							11 730 752
(4) Imparfin, Investimentos e Participações Financeiras, SA							
Sonae Indústria, SGPS, SA							120 396

QUALIFIED SHAREHOLDINGS

Complying with Article 8, nr.1, paragraph b) of the CMVM Regulation nr. 05/2008

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA (1)			
Directly	19,370,549	42.6636%	42.6636%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	11,730,752	25.8369%	25.8369%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	4	0.000009%	0.000009%
By Migracom,SA (Company controlled by Efanor Investimentos, SGPS, SA´s Director, Duarte Paulo Treixeira de Azevedo)	38,931	0.0857%	0.0857%
By Linhacom, SA (Company controlled by Efanor Investimentos, SGPS, SA´s Director, Maria Cláudia Teixeira de Azevedo)	10,030	0.0221%	0.0221%
Total allocation	31,150,266	68.6083%	68.6083%

On 30 April 2018, TEAK Capital, SA informed Sonae Indústria of having signed a services agreement with the company Pareuro, BV, through which it was granted, by way of consideration, a call option over 2,000,000 shares representative of 4.40% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2021. This agreement replaces and revokes the previous agreement signed on 22 February 2016.

Teak Capital, SA also informed that 40% of its share capital is held by Carlos Moreira da Silva, 45% by his wife (under the regime of separation of people and property) Fernanda Arrepia and 15% by TPR, BV, the latter being jointly held by Carlos Moreira da Silva's three descendants, Tiago Moreira da Silva, Pedro Moreira da Silva and Raquel Moreira da Silva. Fernanda Arrepia and Tiago Moreira da Silva are also directors of TEAK.

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

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

(Free translation from the original in Portuguese)

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

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

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

_____	_____
Duarte Paulo Teixeira de Azevedo	Carlos António da Rocha Moreira da Silva
_____	_____
Albrecht Olof Lother Ehlers	Berta Maria Nogueira Dias da Cunha
_____	_____
Isabel Sofia Bragança Simões de Barros	Javier Vega de Seoane Azpilicueta
_____	_____
José Joaquim Romão de Sousa	George Christopher Lawrie
_____	
Louis Brassard	

GLOSSARY

Asset Value	Asset Value is calculated as follows: [6.5 x LTM Recurrent EBITDA of fully consolidated business (100%)] + [market value of inactive sites real estate properties owned 100% by Sonae Indústria] + [50% x (6.5 x LTM Recurrent EBITDA of Sonae Arauco – Sonae Arauco Net Debt)]
CAPEX	Investment in tangible fixed assets
EBITDA	Earnings Before Interests and Taxes + Depreciations and Amortizations + (Provisions and impairment losses - Impairment losses in trade receivables + Reversion of impairment losses in trade receivables)
FTEs	Full Time Equivalent; the equivalent of one person working full time, according to the working schedule of each country where Sonae Indústria has operations
Fixed Costs	Overheads + Personnel costs (internal and external); *management accounts concept*
Gross Debt	Bank loans + Debentures + Obligations under finance leases + Other loans + Loans from related parties
Headcount	Total number of internal FTEs, excluding trainees
Loan to Value	Net Debt of Sonae Indústria / Asset value
LTM	Last Twelve Months
Net Debt	Gross Debt - Cash and cash equivalents
Proportional: Turnover, Recurrent EBITDA (unaudited)	Proportional Turnover and Proportional Recurrent EBITDA consider, in what regards to Turnover and Recurrent EBITDA, the full contribution of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
Proportional Leverage (unaudited)	Proportional Net Debt / Proportional LTM Recurrent EBITDA
Proportional Net Debt (unaudited)	Proportional Net Debt considers the full contribution of the Net Debt of the wholly owned businesses and the proportional consolidation of the 50% contribution from Sonae Arauco.
Recurrent EBITDA	EBITDA excluding non-recurrent operational income / costs
Recurrent EBITDA margin	Recurrent EBITDA / Turnover
Working Capital	Inventories + Trade Debtors – Trade Creditors

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

SONAE INDÚSTRIA

CORPORATE GOVERNANCE REPORT

2018

27 March 2019

SONAE INDUSTRIA

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

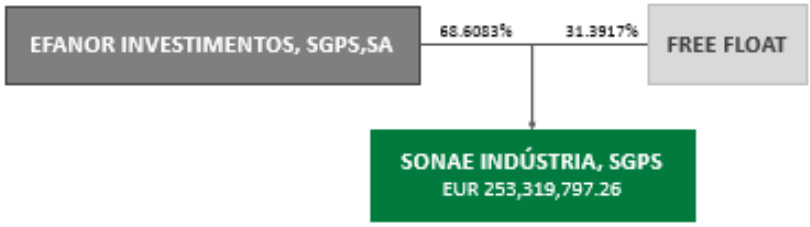
A.SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

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

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

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



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

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

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

As at 31 December 2018, the company did not own any 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))

On 31 December 2018, the amount of debt in loans which grant to the respective creditors the option to consider the amount of debt due in the event of a change in shareholder ownership was circa 158 million euros (81% of the value of the consolidated net debt).

	Million € [1]	No. Contracts
Total	**158**	**5**

1) Debt value (nominal).

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

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

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

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

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

II. SHAREHOLDINGS AND BONDS HELD

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

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

On 30 April 2018, TEAK Capital, SA informed Sonae Indústria of having signed a services agreement with the company Pareuro, BV, through which it was granted, by way of consideration, a call option over 2,000,000 shares representative of 4.40% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2021. This agreement replaces and revokes the previous agreement signed on 22 February 2016. TEAK Capital, SA also informed that 40% of its share capital is held by Carlos Moreira da Silva, 45% by his wife (under the regime of separation of people and property) Fernanda Arrepia and 15% by TPR, B.V., the latter being jointly held by Carlos Moreira da Silva's three descendants, Tiago Moreira da Silva, Pedro Moreira da Silva and Raquel Moreira da Silva. Fernanda Arrepia and Tiago Moreira da Silva are also directors of TEAK.

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

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

Sonae Indústria directors held the following company shares as at 31 December 2018:

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

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

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

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

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

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

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting

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

The Board of the Shareholders' General Meeting was elected at the Shareholders' Annual General Meeting of Sonae Indústria held on 9 May 2018, for the mandate 2018-2020 and is composed by:

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

b) Exercise of voting rights

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

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

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

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

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

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

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

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

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

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

Each share corresponds to one vote, with no limitation.

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

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

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

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

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

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

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

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

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

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

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

On 31 December 2018, Sonae Indústria's Board of Directors was constituted by nine Directors. All its members were elected at the Annual General Meeting held on 9 May 2018 for the 2018-2020 mandate.

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

- Duarte Paulo Teixeira de Azevedo - 15 December 2005;
- Carlos António da Rocha Moreira da Silva – 12 November 2014;
- Albrecht Olof Lothar Ehlers – 8 September 2011;
- Berta Maria Nogueira Dias da Cunha – 9 May 2018;
- Isabel Sofia Bragança Simões de Barros – 9 May 2018;
- Javier Vega de Seoane Azpilicueta – 29 March 2012;
- José Joaquim Romão de Sousa – 31 March 2015;
- George Christopher Lawrie – 12 April 2013;
- Louis Brassard – initially appointed on 15 December 2005, resigned on 28 April 2009 and was co-opted on 8 June 2016.

On 31 December 2018, the Board of Directors of Sonae Indústria comprised:

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

Further to his appointment, in December 2018, to the Board of Directors of Efanor Investimentos, SGPS, SA, Carlos Moreira da Silva lost the status of independent Director.

The Board of Directors, having appointed Carlos Moreira da Silva as lead independent Director and taking into account the loss of independence of this Director, at the end of the 2018, will address this issue in the course of 2019.

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

Of the nine (9) Directors, two (2) are Managing Directors and seven (7) are non-executive members, as indicated in the previous paragraph.

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

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

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

Carlos Moreira da Silva (Vice-Chairman of the Board of Directors): degree in Mechanical Engineering – University of Porto, MSc in Management Sci. and Operational Research (University of Warwick – UK) and PhD in Management Sciences (University of Warwick – UK). He held several positions in companies of Sonae Group / Sonae Indústria Group between September 1988 and January 2000. In 2003, he was CEO of Sonae Indústria, SGPS, SA until April 2005, also holding other positions in other companies of Sonae Indústria Group. He was member of Advisory Board of 3i Spain (2005-2012), member of the Supervisory Board of Jerónimo Martins Dystrybucja, SA (from 2009 to 2012) and Chairman of the Board of Directors of La Seda de Barcelona (2010-2014). Currently, he is Chairman of BA Group and is member of the Board of Directors of Gascan, SA and member of the Board of Directors of Efanor Investimentos, SGPS, SA.

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

Berta Cunha (Independent): holds a degree in Economics by the University of Coimbra. She held various positions in Banco Português de Investimentos, in the areas of Mergers and Acquisitions and Corporate Finance. Between 2002 and 2005, she was director of F. Turismo-Capital de Risco, SA. Between 2002 and 2018, she was director of Cosec - Companhia de Seguros de Crédito, SA.

Isabel Barros: holds a degree in Psychology by the University of Porto and an MBA by the EADA Business School Barcelona and Nagoya International School Japan. Between 2007 and 2010, she was Senior Manager of Korn Ferry Hay Group; from 2011 to 2015 she was Talent Management & Development Director of Sonae; between 2016 and 2017, she was Human Resources Director at Sonae MC and, since 2017, she is Chief Human Resources Officer of Sonae MC.

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

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

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

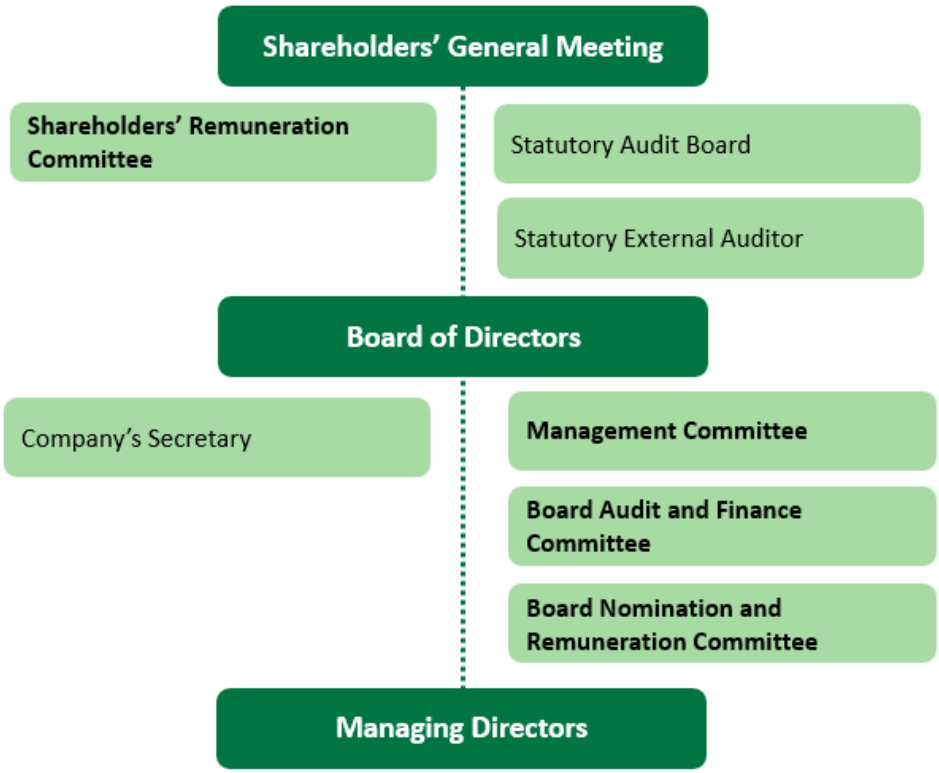
Louis Brassard (Managing Director): has a degree in Industrial Engineering by the Montreal Polytechnic School (Quebec, Canada). MBA in Finance and Marketing – University of Montreal. Since 1994, he held various positions in Sonae Indústria's Group, and, currently, he is COO of Tafisa Canada and member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

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

Paulo Azevedo is a Director and shareholder of Efanor Investimentos SGPS, SA, to whom the control of the majority of the voting rights in Sonae Indústria is attributed. Carlos Moreira da Silva is Director of Efanor Investimentos SGPS, SA, since December 2018.

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

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



The Board of Directors is conferred with the widest powers to manage and represent the Company under the terms of Portuguese law and as stipulated by the Company's Articles of Association.

Under the terms of the Board of Directors Regulation, the Board of Directors is, namely, responsible for (i) defining both Sonae Indústria and Sonae Indústria Group strategy and general policies; ii) defining the corporate structure of Sonae Indústria Group; and iii) approving the strategic plan and annual budget of Sonae Indústria and of the affiliates that integrate Sonae Indústria Group.

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

a) appointing the Chairman of the Board;

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

c) convening Shareholders' General Meetings;

d) approving of any Reports and Accounts;

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

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

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

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

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

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

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

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

m) investing in any other company;

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

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

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

q) defining the corporate structure of Sonae Indústria Group.

The rules applied to the transactions with related companies are the same of the transactions with other entities, i.e. all the transactions with related companies that respect to matters that have not been delegated to the managing directors, under the aforementioned terms, must be previously approved by the Board of Directors.

The Board of Directors also appointed a Management Committee, composed, up to December 2018, by the Managing Directors and by the COO of Laminates & Components. The Management Committee's main objective is to support the Managing Directors in the functions that were delegated by the Board of Directors.

Notwithstanding the delegation of powers and the appointment of a Management Committee, all members of the Board of Directors have full access to corporate information, having the possibility to request it through the Management Committee.

b) Functioning

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

The Board of Directors is regulated by the functioning rules that can be read at:

http://www.sonaeindustria.com/file_bank/investor/Regul%20CA%20PT_22062016.pdf (Portuguese version)
http://www.sonaeindustria.com/file_bank/investor/BoD%20Regulation%20ENG_22062016.pdf (English version)

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

The Board of Directors convened 7 times in 2018, with the respective minutes of meetings recording all the deliberations made. The attendance of all Board of Directors members to those meetings was 100% (physically, by electronic means or by representation), except for the attendance of the Director Paulo Azevedo, which was 85.71%.

The number of meetings held each year by the management bodies and their committees 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)

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

The company's Shareholder's Remuneration Committee liaises with the Board Nomination and Remuneration Committee to assess the performance of the Managing Directors. This assessment considers the degree of compliance with de Key Performance Indicators of Business Activity, as further explained in section 69 and is relevant to determine the remunerations of theses Directors.

Additionally, the Board of Directors examines annually its internal operations, as well as evaluate its performance, and the performance of its committees, taking into account, namely, the defined strategy and budget approved.

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

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

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

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

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

In relation to the other members of the Board of Directors, apart from their roles as Board membersthey also exercised administrative or supervisory functions in the companies listed below.

DUARTE PAULO TEIXEIRA DE AZEVEDO

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

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

Positions in other companies:

- Efanor Investimentos, SGPS,SA (Director)
- Sonae – SGPS, SA (Chairman of the Board of Directors)

- Sonae MC Serviços Partilhados, SA (Chairman of the Board of Directors)
- Sonae MC – SGPS, SA (Chaiman of the Board of Directors)
- Modelo Continente, SGPS, SA (Chairman of the Board of Directors)
- Sonae Sierra, SGPS, SA (Chairman of the Board of Directors)
- Sonae Corporate, SA (Chairman of the Board of Directors)
- Sonae Capital, SGPS, SA (Chairman of the Board of Directors)
- Imparfin – Investimentos e Participações Financeiras, SA (Director)
- Migracom, SA (Chairman of the Board of Directors)
- Efanor – Serviços de Apoio, SA (Director)

CARLOS MOREIRA DA SILVA

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

- Sonae Arauco, SA (Director)

Positions in other companies:

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

ALBRECHT EHLERS

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

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

Positions in other companies:

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

ISABEL BARROS

Positions in other companies outside Sonae Indústria Group:

- Modelo Continente Hipermercados, SA (Director)
- Continente Hipermercados, SA (Director)

JAVIER VEGA

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

- Sonae Arauco, SA (Director)

Positions in other companies:

- DKV Seguros (Chairman of the Board of Directors)
- Gestlink, SA (Chairman of the Board of Directors)
- Vedegane, SA (Chairman of the Board of Directors)
- Fujitsu (Chairman of the Advisory Board)
- Atrevia (Director)
- Telampartner (Director)

JOSÉ ROMÃO DE SOUSA

Positions in other companies outside Sonae Indústria Group:

- Promotor SGPS, SA (Chairman of the Board of Directors)
- Epoli-Espumas de Polietileno, SA (Chairman of the Board of Directors)
- Epoli (Czechia) sro (Chairman of the Board of Directors)
- CEV, SA (Chairman of the Board of Directors)
- Converde SA (Chairman of the Board of Directors)
- Monte das Janelas Verdes – Sociedade Agrícola SA (Chairman of the Board of Directors)
- DIF-Informação Cambial e de Mercados, SA (Chairman of the Board of Directors)

GEORGE CHRISTOPHER LAWRIE

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

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

LOUIS BRASSARD

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

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

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

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

The Board of Directors appointed two Managing Directors, George Christopher Lawrie and Louis Brassard. With the main objective of supporting the Managing Directors in the functions delegated by the Board of Directors, the Board of Directors appointed a Management Committee, composed, until 31 December 2018, of the two Managing Directors and the COO of Laminates & Components.

The Board of Directors also appointed two specialised committees, the Board Audit and Finance Committee ("BAFC") and the Board Nomination and Remuneration Committee ("BNRC").

*until 31 december 2018.

The rules that regulate the functioning of the Management Committee and the terms of reference of the BAFC and BNRC can be read on the company website, through the following links:

- Management Committee:

  http://sonaeindustria.com/file_bank/investor/Regul%20Mancom%20PT.pdf (Portuguese version)
  http://sonaeindustria.com/file_bank/investor/Management%20Committee%20Regulation.pdf (English version)

- BAFC:

  http://www.sonaeindustria.com/file_bank/investor/terms%20of%20reference%20BAFC_PT.pdf (Portuguese version)

  http://www.sonaeindustria.com/file_bank/investor/terms%20of%20reference%20BAFC_Eng.pdf (English version)

- BNRC:

  http://www.sonaeindustria.com/file_bank/investor/Terms%20of%20reference%20BNRC_PT.pdf (Portuguese version)

  http://www.sonaeindustria.com/file_bank/investor/terms%20of%20reference%20BNRC.pdf (English version)

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

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

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

The Board of Directors appointed three committees with specialised expertise.

Management Committee ("MANCOM")

During 2018, the Management Committee was composed by the two Managing Directors and by the COO of Laminates & Components:

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

At the beginning of 2019, Frederico Moniz ceased to be a member of the MANCOM.

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

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

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

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

The MANCOM shall provide, in a timely and appropriate manner, the information requested by members of the Statutory Governing Bodies of the company, namely the information related with the course of operations or activities of Sonae Indústria or of any of its businesses.

The Chairman of the MANCOM shall:

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

Over the course of 2018, the MANCOM met on ten occasions and the respective minutes have been drafted.

Board Audit and Finance Committee ("BAFC")

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

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

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

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

Over the course of 2018, the BAFC held five meetings and the respective minutes have been drafted.

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

Board Nomination and Remuneration Committee ("BNRC")

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

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

The BNRC has the following specialised competencies:

a) the BNRC will review and submit proposals and recommendations, on behalf of the Board, to the Shareholders' Remuneration Committee in relation to the remuneration and other compensation of members of the Board

and will review and approve proposals and recommendations, on behalf of the Board, in relation to the remuneration and other compensation for other top management of the Sonae Indústria Group;

b) the BNRC is responsible for the succession planning and nomination processes of Board members, for reviewing all remuneration and other compensation policies and proposals applicable to Board members and other Sonae Indústria top management and for monitoring Sonae Indústria's talent management and contingency planning processes.

The BNRC liaises with Sonae Indústria´s Shareholders' Remuneration Committee, since this is the only means which guarantees 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.

In relation to the sucession planning and nomination processes of the governing bodies, the BNRC establishes the criteria and requirements of the new members profile, taking into account, namely, the diversity policy described in this report (part I, section F).

Over the course of 2018, the BNRC met on two occasions and the respective minutes have been drafted.

The BNRC was mainly composed by independent directors until the election of the Director Carlos Moreira da Silva to the Board of Directors of Efanor Investimentos, SGPS, SA, which occurred in December 2018.

Directors must inform the Chairman of the Board of Directors, or the Board of Directors, of facts that may constitute or cause a conflict of interests between them and / or third parties and the Company. The Director who reports a conflict of interests will not be allowed to participate in the deliberation regarding the subject under discussion, but must provide the necessary information and clarifications.

Directors cannot practice, either as self-employed persons or acting forsomeone else, any activity which competes with Sonae Indústria, unless authorized by the Shareholders' General Meeting. As a rule, executive directors must not hold executive functions in companies outside the Group. Whenever they intend to do so, they must previously inform the Board of Directors.

In the beginning of each fiscal year, the company circulates through the members of the Board of Directors, the Statutory Audit Board and the Board of Directors Committees, the corporate calendar with the dates of the meetings that take place in that year, so that everyone is informed of the meeting dates of the different governing bodies and committees.

III. SUPERVISION

a) Composition

30. Identification of the supervisory body

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

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

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

The current Statutory Audit Board was elected at the 2018 Shareholders' Annual General Meeting for the 2018-2020 mandate and has the following composition:

- António Augusto Almeida Trabulo – Chairman
- Óscar José Alçada da Quinta – Member
- Ana Luísa Nabais Aniceto da Fonte – Member
- Carla Manuela Geraldes – Substitute Member

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

- António Augusto Almeida Trabulo – March 2015
- Óscar José Alçada da Quinta – May 2007, as substitute member and March 2015, as effective member
- Ana Luísa Nabais Aniceto da Fonte – May 2018
- Carla Manuela Geraldes – May 2018

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

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

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

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

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

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

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

ANA LUÍSA NABAIS ANICETO DA FONTE (Statutory Audit Board Member): degree in Business Administration and Management – *Universidade Católica Portuguesa*. From 2001 to 2016, she worked in several audit companies. Since 2016, she is a Statutory External Auditor. Since 2017, she is a Professor of Audit for the graduation studies in Management of the *Universidade Católica Portuguesa.*

CARLA MANUELA GERALDES (Statutory Audit Board Substitute Member): degree in Economics by the University of Porto. Since 2001, she is Statutory External Auditor. From 1996 to 2003, she was Audit Manager in Deloitte and, since 2004, she is a partner of Crowe Horwath Portugal.

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

b) Functioning

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

The Statutory Audit Board has a functioning regulation that can be read at the company website, through the following links:

http://sonaeindustria.com/file_bank/investor/Conselho%20Fiscal_Regulamento%202018_Final.pdf
(Portuguese version)

http://sonaeindustria.com/file_bank/investor/Conselho%20Fiscal_Regulamento%202018_Final_ENG.pdf
(English version)

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

In 2018, the Statutory Audit Board convened five times. The minutes were drawn up recording the respective deliberations. All members attended 100% of the meetings.

The number of annual meetings held by the supervisory bodies and their committees 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)

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

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

Positions held by Statutory Audit Board members on 31 December 2018:

António Trabulo

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

- Sonae Arauco Portugal, SA (Statutory Audit Board)

Positions in other companies:

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

Óscar Alçada da Quinta

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

- Sonae Arauco Portugal, SA (Statutory Audit Board)

Positions in other companies:

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

Ana Luísa Nabais Aniceto da Fonte

Positions in other companies outside Sonae Indústria Group:

- SDSR - SPORTS DIVISION SR, S.A. (Statutory Audit Board)
- Ana Fonte & Associados, SROC (Manager)

c) Responsibilities and functions

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

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

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

The regulation of Statutory Audit Board establishes that it must receive, on a quarterly basis, detailed information of all the amounts invoiced to Sonae Indústria Group by the Statutory External Auditor or by any member of its network, with information of the services rendered.
The Statutory External Auditor or any member of its network may not render any services forbidden by law to any company of the Group, no matter the location of the respective company head office.

38. Other roles of the supervisory body

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

a) supervising the company's management;

b) overseeing the compliance with legal and regulatory requirements and with the rules issued by supervisory authorities, as well as the internal general procedures, rules and practices;

c) 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;

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

e) overseeing the effectiveness of the risk management, internal control and internal audit system, when applicable, being responsible for the assessment of the relevant operating procedures in respect to the existence of an adequate control environment, an efficient management of the respective activities through the appropriate risk management and the complete, prompt and reliable accounting and financial information, and an adequate system of supervision and communication;

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

g) monitoring and overseeing the adequacy of the process of preparation and disclosure of financial information, including the adequacy of the accounting policies, estimates, forecasts, relevant information and their consistent application between accounting periods in a duly documented and released manner, as well as presenting recommendations or proposals to ensure its integrity;

h) selecting the statutory external auditor or the statutory external audit firm to be proposed for appointment to the Shareholders' General Meeting and recommend justifiably the preference for one of the selected companies;

i) overseeing and monitoring the independence of the statutory external auditor and, most importantly and according to the law, overseeing the adequacy and approve the hiring of other services either by the statutory external auditor or by any other entity in a relation of partnership or which is part of the same network, apart from the audit services being rendered;

j) supervising the revision to the Company's separate and consolidated accounting statements, particularly its execution, highlighting the factors that influenced the integrity of the process of preparation and release of the financial information, bearing in mind potential remarks and conclusions by the Portuguese Securities Market Commission (CMVM), as part of its role as the authority responsible for audit supervision;

k) informing the management body on the conslusions of the statutory audit work, explaining how it contributed to the integrity of the process of preparation and release of financial information, along with the role performed by the supervisory board over that process.

Besides those responsibilities, the Statutory Audit Board must issue prior opinion on any transactions with related parties (as set out in the International Accounting Standards adopted according to EU regulations), in the terms set forth in section 91.

Any member of the Statutory Audit Board can:

a) obtain from management the Company's accounting books, records and documentation for revision and verification, as well as verify the carrying amounts of any kind of assets, namely money, securities and goods;

b) obtain from management or from any director, information or explanations regarding the Company's ongoing operations, activities or any of its businesses;

c) under the terms established by law, obtain from a third party that has carried out operations on the Company's behalf, information they may need to explain those operations;

d) attend board meetings, whenever deemed convenient.

The members of the Statutory Audit Board must promptly inform the Statutory Audit Board of any facts that may cause a conflict of interest between them and the Company.

In the event of a conflict of interest, the respective member of the Statutory Audit Board must provide all information and explanation requested by the other members, and he will not be allowed to participate in the deliberation on the subject in question.

The Statutory Audit Board has not issued any opinion regarding compliance with the company's strategic plan and budget, having acted in accordance with legal rules that determine its competences, capacity and duty of intervention.

The Statutory Audit Board Regulation establishes that the selection of the Statutory External Auditor to be proposed to the Shareholders' General Meeting must comprise a request made to international audit firms, with selection criteria that include resources and coordination ability, quality and dedication to field work, types, number and deadlines of reports to be issued, communication tools and cost of services.

The referred regulation also establishes the methodology of communication between the Company and the Statutory External Auditor, imposing that the Statutory Audit Board must be the main interface between the Statutory External Auditor and the Company and the first recipient of the respective reports.

It is also responsibility of the Statutory Audit Board to present a proposal for the Statutory External Auditor remuneration and make sure that the Company provides adequate working conditions.

The Statutory External Auditor must cooperate with the Statutory Audit Board by providing information in respect to any relevant irregularities that affect the performance of its role, as well as any difficulties that may have arisen in the course of its work.

IV. STATUTORY EXTERNAL AUDITOR

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

The Statutory External Auditor is Deloitte & Associados, Sociedade de Revisores Oficiais de Contas, SA, represented by António Manuel Martins Amaral or Nuno Miguel dos Santos Figueiredo.

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

Deloitte & Associados, SROC, S.A. was elected at the Annual General Meeting of 2018 for the mandate 2018-2020.

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

In 2018, Deloitte did not provide other services to Sonae Indústria Group.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor

The External Auditor of the company is Deloitte & Associados, Sociedade de Revisores Oficiais de Contas, SA, represented by António Manuel Martins Amaral or Nuno Miguel dos Santos Figueiredo, registered in the CMVM under nr. 20161389.

43. Permanence of functions

Deloitte is the External Auditor of the company since may 2018.

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

Sonae Indústria will, at least, comply with the law regarding the rotation of the External Auditor and of the respective Statutory External Auditor partner. A cost benefit analysis of the rotation and an assessment to guarantee the independence of both will always be performed.

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

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

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

During 2018, no services other than auditing were hired to the External Auditor.

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

Sonae Indústria and its subsidiaries that are in a controlling or in a group relationship paid Deloitte the following amounts in 2018:

By the company	
Auditing services (€)	21,595 € / 16.97 %

By other group entities	
Auditing services (€)	105,653.22€ / 83.03%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

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

The rules applicable to amendments made to the company's Articles of Association are established by law. It is the Shareholders' General Meeting's responsibility to decide on the amendment of the Articles of Association. However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the company's share capital through new cash injections up to one thousand and two hundred million euros, on one or more times.

II. REPORTING OF IRREGULARITIES

49. Tools and policy for reporting of irregularities

Sonae Indústria has a Code of Conduct that includes a policy for the communication of irregularities, which is available at the company website, www.sonaeindustria.com. Sonae Indústria's Code of Conduct and policy for communication of irregularities aims to create the climate and means for its employees and service providers to

express their concerns about any behaviour or decision that they believe does not respect the company's ethics or Code of Conduct. The company elected an Ethics Committee, composed by the Chairman of the Board Audit and Finance Committee and the head of the Group's legal department, which is responsible for receiving any communication of irregularity, for initiating and supervising the investigation of all alleged irregularities. The Ethics Committee is composed by Javier Vega and Júlia Moreira da Silva.

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

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

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

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

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

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

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

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

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

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

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

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

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

Relations with employees and service providers

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

Relations with shareholders and other investors

- Value creation
- Transparency
- Compliance

Relations with governments and local communities

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

Relations with business partners

- Customer focus
- Integrity
- Ethical behaviour
- Transparency

Relations with competitors

- Enforcement of competition laws
- Ethical behaviour

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

III. INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

At Sonae Arauco there is also a Code of Ethics, distributed to its employees in January 2018, with the objective of reinforcing the awareness of Sonae Arauco's Vision, Values and Principles and encouraging the good conduct of its employees.

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

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

It is the responsibility of the Board of Directors to define, at all times, the objectives related with the assumption of risks, as well as to create the necessary structures and services to ensure that the internal control and risk management system works properly. For this purpose, the Board of Directors, through the Board Audit and Finance Committee, monitors the activities of Internal Audit and Risk Management.

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

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

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

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

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

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

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

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

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

- **Macroeconomic risks**

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

- **Competition**

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

- **Business continuity risks**

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

- **Cost structure risks**

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

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

- **Technological risks**

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

- **Operational risks**

Sonae Indústria's activities are subject to certain operational risks, especially with respect to industrial production of its subsidiaries. There are multiple factors, not directly controllable by Sonae Indústria nor by its subsidiaries, which may interrupt production and have potentially negative effects on operations and,

consequently, on the financial situation and results. The manufacture of wood-based panels is an industrial activity that entails high operational risk due to the possibility of accidents involving fire or explosions.

Sonae Indústria strives to improve its industrial processes through more efficient, sustainable and safer practices. The constant evaluation, monitoring and mitigation of the operational risks is a paramount concern. In parallel the company is also focused in increasing the level of awareness towards the identification of new risks in order to anticipate potential losses.

- **Financial risks**

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

It should be noted that none of Sonae Indústria customers, including Sonae Arauco customers represents more than 7.5% of its aggregate turnover (considering 100% of Sonae Arauco turnover).

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

- **Economic risks**

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

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

Foreign exchange risk exposure is due to the fact that Sonae Indústria is a geographically diversified group, present in three different continents, and as such subject to transactions and balances denominated in pound sterling, South African rand, Canadian dollar, American dollar, Swiss franc and Polish zloty. The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in the value of capital

invested in subsidiaries outside the Eurozone. Sonae Indústria's subsidiaries are exposed to the risk associated with commercial transactions made in currencies other than their local currency.

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

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

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

- **Legal and regulatory risks**

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

The activities of Sonae Indústria and its subsidiaries and affiliated companies, as industrial activities, are subject to regulatory frameworks in a number of areas, including national regulations, European Union directives and international agreements, by which Sonae Indústria is bound and which may influence its management and strategic decisions. Indeed, Sonae Indústria, through its subsidiaries and affiliated companies, is subject not only to different legal frameworks but also to legislation in different areas, such as industrial and forestry, environmental, labour, health and safety, construction and housing, urban planning, among others. The non-compliance with such regulations could lead to operational restrictions, investment needs or even the revocation of licences, authorization or permits or in sanctions. Possible changes to regulations, legislation, or changes in interpretation on the part of competent authorities, the position of authorities or difficulties in complying with new laws and regulations could lead to increased adjustment costs, namely industrial and operational, or, in the limit, constricting the respective operating income, which could have an adverse impact on Sonae Indústria and its subsidiaries activity and operating results. It is worth referring the work being developed in relation to the regulatory changes introduced by the European Industrial Emissions Directive (IED[1]) and in relation to the formaldehyde reclassification.

Although formaldehyde is naturally produced by vegetation (leaves and wood) - up to 10 million tons per year globally - since 1 January 2016, it has been reclassified as a carcinogenicity Cat 1B substance, when present above certain values, leading to new challenges for the wood-based products industry. This reclassification triggered a

[1] Directive n. 2010/75/EU.

series of new obligations under European and national legislations and opened the way for potential actions in the scope of the European regulation for registration, evaluation, authorization and restriction of Chemicals (REACH[2]).

The reclassification only applies to an extremely rare form of cancer in Europe (nasopharyngeal), and a comprehensive risk assessment for workers and consumers has demonstrated safe use. In 2018, Sonae Indústria, through its European subsidiaries, participated in the discussion at the European level of a proposal to restrict the sale or use of all products releasing formaldehyde at concentrations above a given limit. Depending on the limits defined, changes and additional investments may be required.

The Industrial Emissions Directive (IED) is the main European regulatory instrument for pollutant emissions from industrial facilities. The IED aims to achieve a high level of protection of human health and the environment, as a whole, by reducing harmful industrial emissions across the European Union. Sonae Indústria's subsidiaries in Europe conducted an assessment of potential gaps in the applicable industrial operations and identified the requirements to comply with the IED rules.

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

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

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

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

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

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

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

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

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

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

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

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

This department is focused in the promotion of a culture of risk awareness throughout the organization and in the coordination of risk management activities and respective reporting of results. It is also responsible for

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

implementing the Enterprise Wide Risk Management (EWRM) methodology, detecting, assessing and prioritising the risks and their potential impact on the organisation's activities.

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

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

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

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

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

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

The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Accordingly, the protection of core assets, as well as programs for prevention loss of income are constant concerns of Sonae Industria, which are assigned to the Operational Risk Management function.

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

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

Operational Risk Management:

Given the already mentioned operational risks associated to such an industrial activity as that of Sonae Industria, protection of assets is essential to ensure business continuity and prevent negative impacts, including financial impacts. Constant evaluation of the exposures and of how the operating risks can be reduced to an acceptable level are mandatory activities.

During 2018, Operational Risk Management activities continued to focus on improvements of both managerial activities (e.g. standards) and technical developments (e.g. additional/improvements in protection systems), again, aiming at a better control over the existing hazards.

The reconstruction of the Portuguese sites owned by a subsidiary of Sonae Industria, that were extensively damaged by the devastating wildfires, was an important centre of attention of the Operational Risk Management department, from October 2017 onwards, to ensure that these industrial sites were rebuilt incorporating all the required protections to prevent recurrences.

Corporate Operational Risk Standards (CORS)

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

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

1. Management Programs and Procedures:

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

2. Fire Protection Systems:

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

3. Special Hazards:

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

During 2018, we kept the implementation of the measures defined in the plan for mitigation of dust explosions as well as the treatment and recover of thermal oil. Thermal oil systems are critical assets to our business and a proper risk identification requires a degree of industrial and expert knowledge so that the system installation and operation becomes saffer.

INSPECTIONS

External Risk Inspections

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

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

Internal Risk Inspections

During 2018, there was no formal Internal Risk inspection, mainly because the findings from the External Risk Inspections were used as the driver for the improvements in this area.

Nevertheless, there were regular internal visits which focused on specific problems and follow up of issues previously identified.

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

Risk Plan

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

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

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

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

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

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

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

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

- The process of reporting financial information is documented. The risks, tasks and associated controls are identified, individualized and segregated, being properly established and approved the criteria for its preparation and disclosure, which are periodically reviewed;
- The utilization of consistent accounting principles in compliance with the rules in force, which are explained in the notes to the financial statements and are present in the company formal document – "Group's Accounting Policies" – is updated and validated by the Board Audit and Finance Committee and approved by the Board of Directors;
- The plans, procedures and records of Group companies allows a reasonable assurance that the transactions are executed only with proper authorization, approved by management, and registered in compliance with accounting standards, also ensuring that the Group companies maintain a proper record of its assets with

their existence reconciled with the accounting records, being adopted appropriate measures always when differences are verified;

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

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

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

IV. INVESTOR RELATIONS

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

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

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

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

In addition to the compliance of all legal obligations regarding the disclosure of information to the market, this department ensures timely disclosure of information to its shareholders, investors and to the markets in general.

57. Representative for the Relations with Capital Markets

Sonae Indústria's legal representative for Relations with Capital Markets is its Managing 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 2018, the Department received contacts and requests for clarification from 22 individuals and entities, of which 3 were non-resident. In overall terms, the average response time to the information requests from investors was less than 48 hours. No information requests from earlier years are pending.

V. WEBSITE

59. Website address

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

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

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

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

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

The company's Articles of Association are available at:

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

The functioning regulations of the Board of Directors, Management Committee and the Statutory Audit Board, as well as the terms of reference of the BAFC and of the BNRC are available at:

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

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

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

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

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

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

Information about the Investor Relations Department is available at:

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

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

The company's accounting documents are available at:

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

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

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

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

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

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

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

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

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

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

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

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

D. REMUNERATIONS

I. COMPETENCIES FOR APPROVAL OF REMUNERATIONS

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

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

II. REMUNERATIONS COMMITTEE

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

Sonae Indústria's Shareholders' Remuneration Committee is appointed at the Shareholders' General Meeting for a three-year term and was elected at the Shareholders' General Meeting held on 9 May 2018 for the mandate 2018-2020. Currently, this committee is composed by Efanor Investimentos - SGPS, SA, represented by Duarte Paulo Teixeira de Azevedo, by Imparfin, Investimentos e Participações Financeiras, SA, represented by José Fernando Oliveira de Almeida Côrte-Real and by Professor José Manuel Neves Adelino.

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

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

The Shareholders' Remuneration Committee may decide, freely, on the hiring by the company of the necessary or convenient consulting services to carry out the committee's duties. During 2018, 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.Paulo Azevedo was present at the Shareholders' General Meeting held on 2018.

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

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

III. REMUNERATION STRUCTURE

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

At the Shareholders' General Meeting held in 2018, the Shareholder's Remuneration Committee presented a declaration concerning the remuneration and compensation policy of the governing bodies and the persons discharging managerial responsibilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Executive Directors (EDs)

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

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

a second element of Medium Term, awarded in the first half of the year to which it relates, subject to the accomplishment of the objectives in each year until its payment and paid after a three years deferral period, and (ii.3) a third element of Long Term, awarded in the first half of the year following the year to which it relates, subject to the accomplishment of the objectives fixed in each of the following five years and paid five years after its award.

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

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

a) The Short Term Variable Bonus

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

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

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

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

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

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

The Long Term Variable Bonus (LTVB) is designed to increase the awareness of the importance of performance in a sustainable manner on the overall success of the organisation. The maximum amount of this bonus in euros is equal to the Short Term Variable Bonus awarded, will be deferred for a five years period and will only be due if the company registers consolidated profits in all years during the

deferred period and if such profits are, in each year, in an amount equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year they respect to.

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

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

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

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

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

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

Non-Executive Directors (NEDs)

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

Statutory Audit Board

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

Statutory External Auditor

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

Board of the Shareholders' General Meeting

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

Persons Discharging Managerial Responsibilities

Under the terms of paragraph 25 of n. 1 of Article 3 of EU Regulation 596/2014, dated 16 April, , in addition to the members of the statutory governing bodies mentioned above, Persons Discharging Managerial Responsibilities also include senior executives who have regular access to privileged information directly or

indirectly related to that entity and power to take managerial decisions affecting the future developments and business prospects of the company.

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

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

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

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

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

The company has an internal regulation that defines the scope and rules applicable to the Medium Term Variable Bonus.

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

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

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

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

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

The remuneration policy approved at the Annual General Meeting, in 2018, does not contemplate the remuneration in the form of shares. To ensure the effectiveness and transparency of the Remuneration and Compensation Policy, the Executive Directors have not entered and should not enter into agreements with the company or with third parties with the objective of mitigating the risk inherent to the variability of the remuneration that is fixed by the company.

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

The company does not attribute options.

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

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

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

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

The company's articles of association do not include any provision regarding directors pension benefits, thus the approved remuneration and compensation policy does not include any pension system, 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.

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

2018	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total Long Term Variable Bonus		Total	
	2017	2018	2017 (a)	2018 (b)	2017 (c)	2018 (d)	2017 (e)	2018 (f)	2017	2018
Paulo Azevedo	51,800.00	51,800.00							**51,800.00**	**51,800.00**
Javier Vega	29,140.00	29,140.00							**29,140.00**	**29,140.00**
Albrecht Ehlers (g)	40,600.00	40,600.00							**40,600.00**	**40,600.00**
Carlos Moreira da Silva	35,700.00	31,700.00							**35,700.00**	**31,700.00**
José Romão de Sousa	28,700.00	28,700.00							**28,700.00**	**28,700.00**
Berta Cunha (h)		19,733.33								**19,733.33**
Isabel Barros (h)		17,600.00								**17,600.00**
Christopher Lawrie	223,220.00	251,600.00	110,374.00 (1)	113,212.92 (3)	108,258.00	120,000.00	110,374.00	113,212.92	**552,226.00**	**598,025.84**
Louis Brassard (i)	187,949.00	189,420.86	95,810.16 (2)	82,338.62 (4)	71,763.00	91,537.60	95,810.16	82,338.62	**451,332.31**	**445,635.70**
Total Board of Directors	**597,109.00**	**660,294.19**	**206,184.16**	**195,551.54**	**180,021.00**	**211,537.60**	**206,184.16**	**195,551.54**	**1,189,498.31**	**1,262,934.87**

(a) Relative to 2017, amount approved and paid in 2018.

(b) Relative to 2018, amount approved and to be paid in 2019.

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

(d) The initial amount related to 2018 is deferred for three years and adjusted proportionally in the year to which it relates and in the two subsequent years, in the proportion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

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

(f) Relative to 2018, amount equal to the Short Term Variable Bonus allocated is deferred for five years and will only be due if the company registers consolidated profits in all the years of the deferred period and if, in each year, those profits are equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year to which they relate.

(g) Out of the amount paid in 2017, 28.300 euros were paid by Sonae Indústria and 12,300 euros by Sonae Arauco Deutcshland GmBh.
Out of the amount earned in 2018, 28.300 euros were paid by Sonae Indústria and 12,300 euros by Sonae Arauco Deutcshland GmBh.

(h) Relative to 8 months

(i) Values in euros correspondent to the values in Canadian dollars paid by Tafisa Canada

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

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

(3) Fixed from the target value of 120,000 euros.

(4) Fixed from the target value of 91,537.60 euros.

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

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

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

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

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

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

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

In 2018, the members of the Statutory Audit Board earned the following remuneration:

Statutory Audit Board member	Remuneration in Euros
António Trabulo (Chairman)	9,233.33
Óscar Quinta	7,900
Ana Fonte (for an 8-months period)	6,400
TOTAL	23,533.33

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

In 2018, the Chairman of the Board of the Shareholders' General Meeting earned the total remuneration of 5,000 euros.

V. AGREEMENTS WITH IMPACT ON REMUNERATION

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

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

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

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

VI. SHARE PLANS OR STOCK OPTIONS PLANS

85. Identification of the plan and of the respective recipients

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

86. Description of the plan

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

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

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

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

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

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

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

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

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

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

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

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

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

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

With exception of transactions with related parties included in the company consolidation perimeter, in the scope of their respective activities, any related parties transactions with individual or aggregate value higher than 10 million euros, on a yearly basis, must 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.

Any transactions that have been contracted with related parties shall be a result of a comparative process and all transactions approved by the Board of Directors which are not subject to prior opinion of the Statutory Audit Board must be reported, on a half-year basis, by the CFO of the company to the Statutory Audit Board.

II. INFORMATION CONCERNING TRANSACTIONS

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

The information in relation to related parties transactions may be found in point nr. 31 of the Notes to the Consolidated Financial Statements.

F. DIVERSITY POLICY IN THE ADMINISTRATIVE AND SUPERVISORY BODIES

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

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

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

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

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

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

Sonae Indústria recognizes and supports the regime of balanced distribution of men and women in management and supervisory bodies of listed companies, published on 1 August 2017. At the Shareholders' General Meeting held in May 2018, the proposal presented complied with the established in the law, in respect to the proportion of persons of each gender in the management and supervisory bodies, with the Board of Directors being now constituted by seven male members and two female members and the Statutory Audit Board by two male members and two female members, being one of them a substitute member.

PART II – ASSESSMENT OF THE CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria, SGPS, SA adopted the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance published at https://cam.cgov.pt/.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria did not fully comply with three and partially with one of the recommendations of the aforementioned Corporate Governance Code, during the 2018 exercise, being the non-compliance or partial compliance explained at the end of this item. 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. GENERAL PROVISIONS		
I.1. Company's relationship with investors and disclosure		
I.1.1. The companie should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the market in general.	**Compliant**	**29, 50 and 56 to 58**
I.2. Diversity in the composition and functioning of the company's governing bodies		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	**Compliant**	**19, 26, 29 and 33**

RECOMMENDATION	Degree of compliance	Corporate Governance report
I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members and detailed minutes of the meetings of each of these bodies should be carried out.	**Compliant**	**22, 27 and 34**
I.2.3. The internal regulations of the governing bodies the managing body, the supervisory body and their respective committees should be disclosed, in full, on the company's website.	**Compliant**	**22, 27, 34 and 61**
I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	**Compliant**	**23 and 35**
I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	**Compliant**	**49**
I.3. Relationship between the company bodies		
I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	**Compliant**	**21, 29 and 38**
I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	**Compliant**	**29**
I.4. Conflicts of interest		
I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	**Compliant**	**29 and 38**

RECOMMENDATION	Degree of compliance	Corporate Governance report
I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	**Compliant**	**29 and 38**
I.5. Related party transactions		
I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory.	**Non-compliant**	**See explanation below**
I.5.2. The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.	**Not applicable**	
II. SHAREHOLDERS AND GENERAL MEETINGS		
II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote**.**	**Compliant**	**13**
II.2. The company shall not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	**Compliant**	**14**
II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	**Compliant**	**12**
II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	**Non-compliant**	**See explanation below**
II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years the amendment or maintenance of this rule will be subject to a shareholder resolution without increased quorum in comparison to the legally established and in that resolution, all votes cast will be counted without observation of the imposed limits.	**Not applicable**	
II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	**Compliant**	**4**

RECOMMENDATION	Degree of compliance	Corporate Governance report
III. NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.l.l..	**Compliant**	**17**
III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but suffcient to ensure, with effciency, the duties which they have been attributed.	**Compliant**	**17, 18, 29 and 31**
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	**Compliant**	**17, 18, 21 and 28**
III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i) having carried out functions in any of the company's bodies for more than 9 years, either on a consecutive or non-consecutive basis; ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or offcer of the legal person; iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi) having been a qualified holder or representative of a shareholder of qualifying holding.	**Compliant**	**17 and 18**

RECOMMENDATION	Degree of compliance	Corporate Governance report
III.5. The provisions of (i) of recommendation III.4. does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	**Not applicable**	
III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**Compliant**	**21**
III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**Not applicable**	
III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	**Compliant**	**38**
III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	**Compliant**	**27 and 29**
III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	**Compliant**	**50 to 52**
III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	**Compliant**	**29, 38 and 51**
III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	**Compliant**	**38, 51, 54 and 55**
IV. EXECUTIVE MANAGEMENT		
IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	**Compliant**	**29**

RECOMMENDATION	Degree of compliance	Corporate Governance report
IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i) the definition of the strategy and main policies of the company; ii) the organisation and coordination of the business structure; iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	**Compliant**	**21**
IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	**Compliant**	**51 and 52**
IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	**Compliant**	**51**
V. EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT		
V.1. Annual evaluation of performance		
V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Compliant**	**24 and 25**
V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Compliant**	**38 and 51**
V.2. Remuneration		
V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.	**Compliant**	**66 and 67**
V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for	**Compliant**	**69**

RECOMMENDATION	Degree of compliance	Corporate Governance report
deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.		
V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 1 9 th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application ofthe approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	**Partial Compliant**	**69 and see explanation below**
V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	**Not applicable**	
V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	**Compliant**	**67**
V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	**Compliant**	**67**

RECOMMENDATION	Degree of compliance	Corporate Governance report
V.3. Director remuneration		
V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	**Compliant**	**69 and 70**
V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	**Compliant**	**69 and 70 to 72**
V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	**Not applicable**	
V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	**Compliant**	**69 and 77**
V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in offce before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	**Compliant**	**83**
V.4. Appointments		
V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	**Non-compliant**	**See explanation below**
V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	**Compliant**	**29**
V.4.3. This nomination committee includes a majority of non-executive, independent members.	**Compliant**	**29**
V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	**Compliant**	**27 and 29**

RECOMMENDATION	Degree of compliance	Corporate Governance report
VI. RISK MANAGEMENT		
VI.1 The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	**Compliant**	**21 and 50 to 52**
VI.2 Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	**Compliant**	**50 to 55**
VI.3 The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	**Compliant**	**54**
VII. FINANCIAL STATEMENTS AND ACCOUNTING		
VII.1. Financial information		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	**Compliant**	**38**
VII.2. Statutory audit of accounts and supervision		
VII.2.1. Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	**Compliant**	**37 and 38**
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	**Compliant**	**37 and 38**
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	**Compliant**	**45**

RECOMMENDATION	Degree of compliance	Corporate Governance report
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	**Compliant**	**51**
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any diffculties encountered whilst carrying out their duties.	**Compliant**	**38**

Explanation for non-compliance or partial compliance with recommendations

Recommendation I.5.1. – Sonae Indústria defends that the related party transactions should not be subject to previous favourable and binding opinion of the Statutory Audit Board, except when established by law, but only to previous favourable opinion of that supervisory body. This understanding has two main reasons: (i) a legal reason, since the law establishes that the Board of Directors is responsible for the management of the company, hence resolutions should only be submitted to shareholders and to the Statutory Audit Board in the circumstances established by law or the company statutes; and (ii) due to the fact that the composition of the Board of Directors (either in total number of members or in the number of independent members), the mechanisms for management of conflicts of interest established by law and complied by the Directors, and the previous favourable opinion of the Statutory Audit Board are enough to ensure the transparency of related party transactions.

Recommendation II.4. –Given the low adherence to postal vote, including by electronic means, and the fact that there were no requests from shareholders, in 2018, to digitally participate in the general meeting, Sonae Indústria does not find it is a priority to invest in electronic means. However, Sonae Indústria will closely monitor the requests of its shareholders and will implement that tool when deemed necessary.

Recommendation V.2.3. – The statement on the remuneration policy presented at the Annual General Meeting held on 2018, was still based on the recommendations of the Corporate Governance Code of CMVM, and not the Corporate Governance Code of IPCG.

Recommendation V.4.1. – Taking into account that the final version of the Corporate Governance Code was only published at the end of the first quarter of 2018, Sonae Indústria could not implement this recommendation in relation to the proposal of the appointment of the company's governing bodies for the new mandate presented in its Shareholders' General Meeting held on 9 May. Sonae Indústria expresses, in advance, its intention to comply with this recommendation in the future.

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 INDUSTRIA

Sonae Indústria,SGPS,SA

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts expressed in EUR)

ASSETS	Notes	31.12.18	31.12.17
NON CURRENT ASSETS:			
Tangible fixed assets	3	5,02	65,02
Investment in subsidiaries and joint ventures	5	450.723.285,65	448.763.904,11
Other financial Investments	´5/4	122.625,30	122.625,30
Deferred tax asset	6		281.811,03
Other non current assets	´7/4	20.025.496,09	18.286.112,87
Total Non Current Assets		470.871.412,06	467.454.518,33
CURRENT ASSETS			
Trade debtors	´8/4	84.055,96	173.688,96
Other current debtors	´8/4	1.505.975,35	4.876.327,85
Current tax asset	8	565.705,29	613.259,57
Other current assets	´9/4	482.430,55	623.878,20
Cash and cash equivalents	´10/4	31.319,24	80.337,92
Total Current Assets		2.669.486,39	6.367.492,50
Total Assets		473.540.898,45	473.822.010,83
SHAREHOLDER'S FUNDS AND LIABILITIES			
SHAREHOLDER'S FUNDS:			
Share Capital		253.319.797,26	253.319.797,26
Legal reserve		1.807.489,48	
Other reserves and accumulated earnings		33.898.338,25	36.149.789,54
Total Shareholder's Funds	11	289.025.624,99	289.469.586,80
NON CURRENT LIABILITIES			
Bank loans - net of current portion	´12/4	151.370.782,54	159.536.305,84
Provisions	17	4.000.000,00	
Other non current liabilities	13		317.546,92
Total Non Current Liabilities		155.370.782,54	159.853.852,76
CURRENT LIABILITIES			
Current portion of non-current bank loans	´12/4	14.000.000,00	11.900.000,00
Current bank loans	´12/4	2.135.021,73	1.750.000,00
Trade creditors	´14/4	148.839,27	157.505,92
Other current creditors	´15/4	4.638.157,11	5.742.537,20
Current tax liability	15	23.848,50	22.602,33
Other taxes and contributions	15	16.732,42	20.938,77
Other current liabilities	´16/4	615.047,05	1.629.268,13
Provisions	17	7.566.844,84	3.275.718,92
Total Current Liabilities		29.144.490,92	24.498.571,27
Total Liabilities		184.515.273,46	184.352.424,03
Total Shareholder's Funds and Liabilities		473.540.898,45	473.822.010,83

The notes are an integral part of the separate financial statements

Sonae Indústria,SGPS,SA

SEPARATE INCOME STATEMENT

(Amounts expressed in EUR)

	Notes	31.12.18	31.12.17
Operating Income:			
Services rendered	22	281.423,88	293.832,00
Other income and gains	23	87.978,45	1.109.870,15
Total operating income		369.402,33	1.403.702,15
Operating Costs:			
External supplies and services		-548.598,88	-849.865,59
Staff expenses	20/21	-613.374,97	-752.752,90
Depreciation and Amortization	3	-60,00	-200,00
Provisions and impairment losses	17	-8.291.125,92	-3.275.718,92
Other expenses and losses	23	-109.658,35	-166.926,22
Total operating costs		-9.562.818,12	-5.045.463,63
Operating profit/(loss)		-9.193.415,79	-3.641.761,48
Financial profit/(loss)	24	-7.478.782,38	-6.907.024,75
Financial expenses		-8.520.690,47	-8.617.676,72
Financial income		1.041.908,09	1.710.651,97
Results related on investments in subsidiaries and joint ventures	25	16.635.399,61	46.822.656,93
Profit/(Loss) before taxation		-36.798,56	36.273.870,70
Corporate income tax - current tax	26	-125.352,22	-182.539,57
Corporate income tax - deferred tax	´6/26	-281.811,03	58.458,41
Net Profit/(loss) from continuing operations, after taxation		-443.961,81	36.149.789,54
Profit/(loss) for the period	27	-443.961,81	36.149.789,54
Profit (loss) per Share			
From continuing operations			
Basic	27	-0,00978	0,79620
Diluted	27	-0,00978	0,79620

SEPARATE STATEMENT OF PROFIT (LOSS) FOR THE PERIOD AND COMPREHENSIVE INCOME

(Amounts expressed in EUR)

		31.12.18	31.12.17
Net profit/(loss) for the period	´11/27	-443.961,81	36.149.789,54
Other comprehensive income			
Actuarial gains / (losses) on post retirement plan			23.640,68
		0,00	23.640,68
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-443.961,81	36.173.430,51

The notes are an integral part of the separate financial statements

Sonae Indústria,SGPS,SA

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS` FUNDS

(Amounts expressed in EUR)

					ımulated other comprehensive inc		
		Share capital	Legal reserve	Other Reserves and accumulated earnings	Actuarial gains / (losses) on benefit pension plans	**Subtotal**	**Total shareholder's funds**
	NOTES	11	11	11			
Balance as at 1 January 2018		253.319.797,26	0,00	36.149.789,54	0,00	0,00	289.469.586,80
Appropriation of previous year's net profit / (loss)			1.807.489,48	-1.807.489,48			
Total comprehensive income							
Net profit /(loss) for the period	11			-443.961,81			-443.961,81
Total				-443.961,81	0,00	0,00	-443.961,81
Balance as at 31 December 2018		253.319.797,26	1.807.489,48	33.898.338,25	0,00	0,00	289.025.624,99
Balance as at 1 January 2017		812.107.574,17	3.131.756,77	-561.919.533,68	-23.640,68	-23.640,68	253.296.156,58
Appropriation of previous year's net profit / (loss)			-3.131.756,77	3.131.756,77			
Total comprehensive income							
Net profit /(loss) for the period	11			36.149.789,54			36.149.789,54
Other comprehensive income					23.640,68	23.640,68	23.640,68
Total				36.149.789,54	23.640,68	23.640,68	36.173.430,22
Capital reduction	11	-558.787.776,91		558.787.776,91			0,00
Balance as at 31 December 2017		253.319.797,26	0,00	36.149.789,54	0,00	0,00	289.469.586,80

The notes are an integral part of the separate financial statements

SONAE INDÚSTRIA,SGPS,S.A.

SEPARATE STATEMENTS OF CASH FLOWS

(Amounts expressed in EUR)

OPERATING ACTIVITIES	Notes	**2018**		**2017**	
Receipts from trade debtors		371.057		296.594	
Payment to trade creditors		602.362		752.280	
Payments to staff		1.104.250		1.033.369	
Net cash flow from operations		**-1.335.555**		**-1.489.055**	
Payment/(receipt) of corporate income tax		13.681		-139.952	
Other receipts/ (payments) relating to operating activities		-5.887		14.395	
Net cash flow from operating activities [1]			**-1.355.123**		**-1.334.708**
INVESTMENTS ACTIVITIES:					
Cash receipts arising from:					
Investments	5.1.1			4.000.070	
Loans granted				15.000	
Loans granted to related parties - medium and long term	7	2.970.617		1.562.000	
Loans granted to related parties - short term	8.2.1	3.502.864		8.065.795	
Dividends	25	17.725.747	24.199.228	22.396.693	36.039.558
Cash payments arising from:					
Investments	5	3.049.729		9.543.068	
Loans granted to related parties - medium and long term	7	4.710.000	7.759.729	10.435.646	19.978.714
Net cash flow from investing activities [2]			**16.439.499**		**16.060.844**
FINANCIAL ACTIVITIES					
Cash receipts arising from:					
Interest and similar income		908.644		1.232.419	
Loans obtained	12.2	1.645.685.022		806.596.645	
Loans obtained from related parties - short term	12.2	22.434.954	1.669.028.620	30.458.500	838.287.564
Cash payments arising from:					
Interest and similar charges		8.872.013		8.336.293	
Loans obtained	12.2	1.651.751.145		814.945.500	
Loans obtained from related parties - short term	12.2	23.493.854		29.854.500	
Others		45.003	1.684.162.015	-41.399	853.094.894
Net cash used in financing activities [3]			**-15.133.395**		**-14.807.330**
Net increase in cash and cash equivalents (4) = (1)+(2)+(3)			-49.019		-81.194
Cash and cash equivalents - at the beginning of the period	10		80.338		161.532
Cash and cash equivalents - at the end of the period	10		31.319		80.338
Net increase / (decrease) in cash and cash equivalents			-49.019		-81.194

The notes are an integral part of the separate financial statements

SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Euros)

1. Introduction

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

The Company's shares are listed on NYSE Euronext.

Separate financial statements are presented as required by the Commercial Companies Code. As permitted by Decree-Law no. 158/2009 of July 13, the separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS - EU). Consolidated financial statements are also presented, in accordance with current legislation.

The Company's main activity is the management of shareholdings (note 5).

2. Main Accounting Policies

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

2.1. Basis of Preparation

Management assessed the Company's ability to operate on a continuous basis, based on all relevant information, facts and circumstances of a financial, commercial or other nature, including events subsequent to the reference date of the financial statements, available on the future. As a result of the evaluation, Management concluded that the Company has adequate resources to maintain its activities, with no intention of ceasing its activities in the short term, and considered it appropriate to use the assumption of continuity of operations in the preparation of the financial statements.

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), applicable to the period beginning 1 January 2018 and endorsed by the European Union.

2.1.1 In the year ended 31 December 2018, the following standards and interpretations, which have been endorsed by European Union, became effective:

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

IFRS 4 (amendment), Insurance contracts (applying IFRS 4 with IFRS 9). This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance.

IFRS 9 (new), Financial instruments. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition;

IFRS 15 (new), Revenue from contracts with customers. This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach;

IFRS 15 (amendment) Revenue from contracts with customers. This amendment refers to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition;

IAS 40 (amendment), Transfers of Investment property. This amendment clarifies when assets are transferred to or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer;

Annual Improvement 2014 - 2016. The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28;

IFRIC 22 (new), Foreign currency transactions and advance consideration. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions.

The application of the standards referred to in this point had no significant effects on these financial statements.

2.1.2 At 31 December 2018, the following standards and interpretations had been issued by IASB and had been endorsed by the European Union, but had not been applied as they only become effective in later periods:

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

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

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

With regard to IFRS 16 – Leases, which becomes effective 1 January 2019, the company has decided to apply this standard to contracts that were previously identified as leases under IAS 17. The company has decided to recognized at 1 January 2019 a lease liability which corresponds to the present value at that date of the remaining lease payments of contracts that had been classified as operating leases under IAS 17. That liability has been estimated to amount to approximately EUR 1.102. At the same date, the company will recognized a right-of-use asset for the same amount. Comparative information will not be restated.

The company does not expect that the adoption of other standards will produce significant effects, in its financial statements.

2.1.3 At 31 December 2018, the following standards, effective 1 January 2017 or later, had been issued by IASB but still had not been endorsed by the European Union:

IAS 1 and IAS 8 (amendment), Definition of Material (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. Under this amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the user of financial statements make on the basis of those financial statements.

IAS 19 (amendment), Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling;

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

IFRS 3 (amendment), Business Combinations (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment clarifies that to be considered a business combination, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

IFRS 17 (new), Insurance Contracts (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This standard will revoke IFRS 4 – Insurance Contracts and will be applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary features. IFRS 17 is based on current measure of technical liabilities at each reporting date. Current measure may be based on a building block approach or on a premium allocation approach. Recognition of service margin depends on whether it is positive or negative. IFRS 17 should be applicable retrospectively.

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the

European Union. This amendment contains changes to several standards, whose references to the Conceptual Framework have been updated.

The company does not expect that the adoption of these standards will produce significant effects in the future, in its financial statements.

These financial statements were prepared from the books and accounting records of the company on the assumption of continuity of operations and based on historical cost, except for financial instruments that are recorded at fair value.

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2.2. Investments in subsidiaries and joint ventures

Assets and liabilities of each subsidiary and joint venture are recorded at cost less any impairment losses. Financial investments in subsidiaries and joint ventures are tested for imparity when appropriate. If an impairment loss exists, it is recorded as a cost.

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

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

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

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

Revenues from financial investments (dividends received) are recorded on the Profit and Loss statement of the period in which distribution is decided and announced.

2.3. Tangible Fixed Assets

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

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

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

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

Other Machinery	5<x<20
Office Equipment	4

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

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

2.4. Intangible Assets

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

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

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

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

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

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 Assets and Financial Liabilities

Financial assets and financial liabilities are initially recognized at their fair value, except for Trade debtors which do not contain a significant financing component, which are initially measured at their transaction prices. Transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to the fair value of an instrument which is not measured at fair value through profit or loss.

Financial assets can be subsequently classified into the following categories:

i) Financial assets measured at amortized cost;
ii) Financial assets measured at fair value through other comprehensive income;
iii) Financial assets measured at fair value through profit or loss

Classification of financial assets into these categories is done on the basis of the Group's business model for managing financial assets and on the contractual characteristics of the financial assets.

Financial liabilities can be subsequently classified into the following main categories:

i) Financial liabilities measured at amortized cost;
ii) Financial liabilities measured at fair value through profit or loss;

These financial assets and liabilities are stated on the Separate Statement of Financial Position under different classes of assets and liabilities, in accordance with the nature of each instrument.

The company holds the following financial instruments, which may be either financial assets or financial liabilities:

a) 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.

b) 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.

c) 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.

d) Trade accounts payable

Accounts payable are stated at their nominal value.

e) 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.

f) 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.

g) 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.

h) Cash and Cash Equivalents

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

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

2.10. Liability for medium and long term incentives plan

Each year the Company granted their employees that belong to a functional group classified as Executive or above a cash benefit which is related to the value added in the previous period for the shareholders. This compensation will be pay, after a period of three years if the employee is in function at the end of the period.

The liability is recorded in the Other Non Current and Current Liabilities item of the Statement of Financial Position, and Personnel Expenses, of the Income Statement by nature, linearly over the period of deferral of the payment,

2.11. Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

2.12. Income tax

Income tax for the year is determined based on the taxable income of the Company, considering the interim period profit and using the estimated effective average annual income tax rate.

The Special Group Tax Regime includes the following companies: Sonae Indústria de Revestimentos, S.A., Maiequipa – Gestão Florestal, S.A., Movelpartes – Componentes para a Industria do Mobiliário, S.A., Frases e Frações – Imobiliária e Serviços, S.A., Sonae Indústria – Management Services, S.A. and Parcelas e Narrativas – Imobiliária, S.A..

Deferred taxes are calculated using the report liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually reviewed using the tax rates in place or announced and thereby expected to apply at the time the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer likely.
Deferred tax assets and liabilities are recorded in the Income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

Deferred taxes are recorded as cost or income for the period, unless they result from amounts recorded directly in equity, in which case deferred tax is also recorded under the same heading.

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 is recognized in relation with contracts with customers: (i) that have been approved (orally or in writing) by all the parties; (ii) for which the company can identify each party's rights regarding the goods and services to be transferred; (iii) for which the company can identify the payment terms of goods and services to be transferred; (iv) that have commercial substance; and (v) for which it is probable that

the company will collect the consideration to which it is entitled for the goods and services transferred to the customer.

Revenue is recognized for each performance obligation included in a contract with customers that have the characteristics set out above, when the customer is invoiced. There are no significant differences, if any, between the moment the invoice is issued and the moment the customer obtains control of the goods and services transferred, which typically occurs upon shipment or delivery. Performance obligations are generally satisfied at a point in time.

The revenue from services provided by the company, management services, is recorded in the section Services rendered.

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.

The dividends received from investments in subsidiaries, associates and joint ventures are recognized as income in the period they are assigned to the partners or shareholders.

Interests earned from loans are recorded in the period to which they relate, having regard to the period up to the end of each year.

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.

	31.12.2018	31.12.2017
GBP	0,8945	0,8872

2.16. Subsequent events

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

2.17. Risk management

a) Credit Risk Management Policy

i) Receivables (Customers)

Sonae Indústria credit Risk derives mainly from its account receivables items related with its operating activity.

The main objective of credit risk management at Sonae Indústria is to ensure the effective collection of customer's operating receipts in accordance with the negotiated conditions. The payment is as low as possible, while maintaining the lowest possible level of impairment debtors.

In order to mitigate credit Risk related with potential customers default on payment of outstanding receivables, Sonae Indústria :

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

To foster the sharing of experiences, the alignment of procedures and practices and to ensure the enforcement of sound controlling rules, Sonae Arauco promotes the “Customer’s Credit Risk Management Forum”.

At Sonae Indústria, SGPS, credit risk is small, since customers are only related entities.

ii) Other financial assets, other than receivables

In addition to its operating activities and the related trade debtor balances, the company has other financial assets, which are mainly associated with its cash management activities and with deposits in financial institutions. As a result of these bank movements and balances, credit risk arises from the potential counterparty default by the applicable financial institutions. This risk is, nevertheless,

considered as low due to the limited duration and amounts typically involved in bank deposits and to the credit profile of the financial institutions used by Group companies.

In Sonae Indústria, SGPS, credits on related entities in the form of loans are more relevant, although credit risk is also small.

b) Market Risk Management Policy

i) Interest Rate Risk

Due to the relevant proportion of floating rate debt, and of the consequent interest payment cash flows, Sonae Indústria is exposed to interest rate risk, particularly to the risk of interest rate variation of the Euro, since most of its debt is denominated in this currency.

As a general rule, Sonae Indústria does not hedge its exposure to interest rate fluctuations through financial derivatives. This approach is based on the principle of a positive correlation between interest rate levels and "operational cash flow before net interest", which creates a natural hedge of "operational cash flow from net interest" to the Sonae Indústria.

As an exception to this policy, Sonae Indústria may contract interest rate derivatives solely to cover exposures to existing risks and only to the extent that the following principles are observed:

- Derivatives are not used for purposes of trading, generation of income or speculative purposes;
- The company only contracts derivatives with financial institutions with a minimum Investment Grade rating;
- Contracted derivatives replicate exactly the underlying exposures with respect to settlement dates and base indexes;
- The maximum financial cost of the derivative as a whole and the underlying exposure are always known and limited from the beginning of the derivative contract;
- Quotations of two Financial Institutions are obtained prior to the contracting of interest rate derivatives (Note 19.2.1).

ii) Other Price Risks

As at 31st December 2018, Sonae Indústria did not hold material investments classified as “other financial investments”.

c) Liquidity Risk Management Policy

At Sonae Indústria, liquidity risk management aims to ensure that the company obtains, in a timely manner, the financing necessary to continue its business, implement the defined strategy and comply with its obligations under the most favorable terms and conditions. The liquidity risk is analyzed in note 19.1.
For this purpose, the company's 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 debt maturities issued in order to avoid excessive concentration of debt repayments in short periods of time;
- negotiation of (committed and uncommitted) credit facilities, commercial paper programmes and other facilities with relationship banks to ensure the right balance between satisfactory liquidity and adequate commitment fees;

2.18 Judgments and estimations

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

a) Impairment tests on investment in subsidiaries and joint ventures;
b) Impairment analysis of accounts receivable ;
c) Adjustments to assets and provisions;
d) Calculation of income tax .

These estimations and associated assumptions 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

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.

Sonae Indústria SGPS applies valuation techniques for unquoted financial instruments, such as available-for-sale financial assets. The most commonly used valuation models are discounted cash flow models and option valuation models that incorporate, for example, interest rate and market volatility curves.

For some more complex types of derivatives, more advanced valuation models containing assumptions and data that are not directly observable in the market are used for which Sonae Indústria SGPS uses internal estimates and assumptions. This is the level 3 of the fair value hierarchy as defined in IFRS 13.

2.20 Relevant Events

Nothing special to point out.

3 Tangible Assets

During the periods ended 31 December 2018 and 2017, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	31.12.18		
	Machinery and equipment	Office equipment	Total
Gross asset:			
Opening balance	38.099	133.355	171.454
Closing Balance	38.099	133.355	171.454
Accumulated depreciation and impairment losses			
Opening balance	38.069	133.320	171.389
Depreciations for the period	25	35	60
Closing Balance	38.094	133.355	171.449
Carrying amount	5	0	5

	31.12.17		
	Machinery and equipment	Office equipment	Total
Gross asset:			
Opening balance	38.099	133.355	171.454
Closing Balance	38.099	133.355	171.454
Accumulated depreciation and impairment losses			
Opening balance	38.029	133.160	171.189
Depreciations for the period	40	160	200
Closing Balance	38.069	133.320	171.389
Carrying amount	30	35	65

4. Financial Instruments

As of December 31, 2018 and 2017, the assets and liabilities recognized in the statement of financial position correspond to the following financial instruments:

	notes	Assets ate amortized Cost	Sub-total	Assets out of scope of IFRS 9	Total
31.12.18					
Non current assets					
Other financial investments	5	122.625	122.625		122.625
Other non current assets	7	20.025.496	20.025.496		20.025.496
Current assets					
Customers	8	84.056	84.056		84.056
Other current debtors	8	1.505.975	1.505.975		1.505.975
Other current assets	9	22.765	22.765	459.665	482.431
Cash and cash equivalents	10	31.319	31.319		31.319
Total		21.792.237	21.792.237	459.665	22.251.902

		Assets ate amortized Cost	Sub-total	Assets out of scope of IAS 39	Total
31.12.17					
Non current assets					
Other financial investments	5	122.625	122.625		122.625
Other non current assets	7	18.286.113	18.286.113		18.286.113
Current assets					
Customers	8	173.689	173.689		173.689
Other current debtors	8	4.876.328	4.876.328		4.876.328
Other current assets	9	134.131	134.131	489.747	623.878
Cash and cash equivalents	10	80.338	80.338		80.338
Total		23.673.224	23.673.224	489.747	24.162.971

	notes	Other financial Liabilities	Sub-total	Liabilities out of scope of IFRS 9	Total
31.12.18					
Non current liabilities					
Bank loans - net of current portion	12	151.370.783	151.370.783		151.370.783
Current liabilities					
Bank loans - currente position of non current liabilities	12	14.000.000	14.000.000		14.000.000
Bank loans	12	2.135.022	2.135.022		2.135.022
Trade creditors	14	148.839	148.839		148.839
Other current creditors	15	4.638.157	4.638.157		4.638.157
Other current liabilities	16	571.031	571.031	44.016	615.047
Total		172.863.831	172.863.831	44.016	172.907.847

		Other financial Liabilities	Sub-total	Liabilities out of scope of IAS 39	Total
31.12.17					
Non current liabilities					
Bank loans - net of current portion	12	159.536.306	159.536.306		159.536.306
Other current non liabilities	13			317.547	317.547
Current liabilities					
Bank loans - currente position of non current liabilities	12	11.900.000	11.900.000		11.900.000
Bank loans	12	1.750.000	1.750.000		1.750.000
Trade creditors	14	157.506	157.506		157.506
Other current creditors	15	5.742.537	5.742.537		5.742.537
Other current liabilities	16	1.591.818	1.591.818	37.450	1.629.268
Total		180.678.167	180.678.167	354.997	181.033.164

5. Investments

At 31 December 2018 and 31 December 2017, details of investments were as follows:

	31.12.18		31.12.17	
	Non current	Current	Non current	Current
Investment in subsidiaries				
Opening balance at 1January	245.451.809	-	244.830.703	-
Other increase	3.049.729	-	4.621.105	-
Other decrease			-4.000.000	
Closing balance for the period	248.501.537	-	245.451.809	-
Accumulated impairment losses	-25.151.820	-	-24.061.473	-
	223.349.717	-	221.390.335	-
Investment in join ventures				
Opening balance at 1January	1.087.764.828	-	1.088.400.304	-
Other		-	(635.476)	-
Closing balance for the period	1.087.764.828	-	1.087.764.828	-
Accumulated impairment losses	-860.391.259	-	-860.391.259	-
	227.373.569	-	227.373.569	-
	450.723.286		448.763.904	

5.1 Investments in subsidiaries

5.1.1 Movement of the period

During 2018, the following movements were recorded to cover the losses recorded in the subsidiaries in 2017:

Subsidiaries	Value
Increases	**3.049.729**
- Loss Cover	**3.049.729**
- Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	1.338.241
- Parcelas e Narrativas - Imobiliária, S.A.	1.021.901
- Frases e Frações - Imobiliária e Serviços ,S.A.	600.005
- Sonae Indústria - Management Services, S.A.	89.582

As of December 31, 2018 and 2017, receipts and payments of financial investments may be detailed as follows:

Subsidiaries	31 december 2018		31 december 2017	
	Receipts	Payments	Receipts	Payments
- Sonae Indústria de Revestimentos,S.A.			4.000.000	
- Frases e Frações - Imobiliária e Serviços ,S.A.		600.005		1.965.808
- Sonae Indústria - Management Services, S.A.		89.582		101.577
- Movelpartes - Componentes para a Indústria do Mobiliário,S.A.		1.338.241		1.165.452
- Parcelas e Narrativas - Imobiliária, S.A.		1.021.901		1.388.267
	0	3.049.729	4.000.000	4.621.105

5.1.2 Valuation of financial investments

At 31 December 2018, Sonae Industria, SGPS had the following investments in subsidiaries companies:

					2018		2017		
Subsidiaries	% Share	Acquisition Value	Accumulated Impairment Losses	Net Value	Shareholder´s Funds	Net profit	Shareholder´s Funds	Net profit	
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	700.059	2.738.825	2.738.825	-90.347	2.829.172	22.073	a)
Movelpartes - Componentes para Industria do	100,00%	10.636.174	6.794.065	3.842.109	418.486	-939.653	92.793	-1338.241	a)-b)
Sonae Industria de Revestimentos,S.A.	100,00%	18.552.828	10.195.530	8.357.298	6.601.393	-1440.468	7.962.193	626.372	a)-b)
Frases e Frações - Imobiliária e Serviços,S.A.	100,00%	5.239.694	5.239.694	0	-370.250	-1370.250	399.995	-600.005	a)
Parcelas e Narrativas - Imobiliária,S.A.	100,00%	3.092.796	2.070.895	1021.901	2.113.255	1363.255	-271901	-1021.901	a)
Sonae Indústria - Mangement Services,S.A.	100,00%	241.159	151.577	89.582	-159.896	-188.286	-60.862	-89.582	a)
Glunz UK	100,00%	1	0	1	-27.407	-50.038	22.261	44.774	
Megantic BV	100,00%	207.300.000	0	207.300.000	73.396.624	9.482.139	78.485.026	16.918.698	c)
		248.501.537	**25.151.820**	**223.349.717**					

a) It is estimated that the amount by which the cost of acquisition of the financial interests in Maiequipa – Gestão Florestal,S.A., in Sonae Indústria de Revestimentos, S.A., in Movelpartes - Componentes para a Indústria do Mobiliário ,S.A., in Frases e Frações - Imobiliária e Serviços, S.A., in Parcelas e Narrativas – Imobiliária, S.A. and in Sonae Indústria - Management Services, S.A. is registered, is higher than its recoverable amount, and impairment losses were recognized in the year, 1.000.000 euros in respect of the subsidiary Frases e Frações - Imobiliária e Serviços, S.A., and 90.347 euros in relation to the subsidiary in Maiequipa – Gestão Florestal, S.A., and in previous years (Note 17).

b) Impairment tests were performed on November 30, 2018, related to Sonae Indústria de Revestimentos S.A. and Movelpartes - Componentes para a Indústria do Mobiliário, S.A., which consisted of determining the value of use using the discounted cash flow method. For this purpose, operating cash flow projections were made for a period of 5 years, subsequently extrapolated through perpetuity and restated at the closing date of these financial statements. The discount rates used correspond to the weighted average cost of capital (WACC) rates, recalculated using the Capital Asset Pricing Model (CAPM) methodology for each reportable segment, after taxes. These rates consider market specificities by incorporating different risk factors as well as the 10-year risk-free interest rate of 10-year German Treasury Bonds plus a risk premium in Portugal. The use of a 5-year period for the projection of cash flows took into account the extent and intensity of the economic cycles to which the group activity is subject. The cash flows considered are based on the Group's Business Plan, which includes projections updated annually in order to incorporate the developments occurring in the markets in which the Group operates.

c) Impairment tests were performed on November 30, 2018, related to the company Tafisa Canada Inc., which consisted of determining the value in use using the discounted cash flow method. For this purpose, operating cash flow projections were made for a period of 5 years, subsequently extrapolated through perpetuity and restated at the closing date of these financial statements. The discount rates used correspond to the weighted average cost of capital (WACC) rates, recalculated using the Capital Asset Pricing Model (CAPM) methodology for each reportable segment, after taxes. These rates consider market specificities by incorporating different risk factors as well as the 10-year risk-free interest rate on Canada's Treasury Bonds. The use of a period of 5 years for the projection of cash flows took into account the extent and intensity of the business cycles to which the group activity is subject. The cash flows considered are based on the Group's Business Plan, which includes projections updated annually in order to incorporate the developments occurring in the markets in which the Group operates.

The amounts referring to shareholders' equity and net income related to the subsidiary Megantic, BV, relate to Tafisa Canada, Inc, the only subsidiary and relevant asset of Megantic, BV.

Assumptions used:

2018

	SIR	Movelpartes	Tafisa Canadá
Discount rate (after-tax)	7,61%	7,61%	7,03%
Sales (CAGR)	6,86%	18,54%	4,58%
Growth rate on Perpetuity	1,00%	1,00%	1,00%
Period	5 anos	5 anos	5 anos
Test Conclusions	No impairment	No impairment	No impairment

2017

	SIR	Movelpartes
Discount rate (after-tax)	8,60%	8,60%
Sales (CAGR)	5,12%	18,54%
Growth rate on Perpetuity	1,00%	1,00%
Period	5 anos	5 anos
Test Conclusions	No impairment	No impairment

Following the tests carried out, no increase to existing impairment losses was necessary.

d) The shares of Parcelas e Narrativas – Imobiliária, S.A. are pledged to guarantee a loan (Note 12).

5.2 Investments in joint ventures

Joint control of Sonae Arauco, S. A. was established by contract entered into in 2015 by Sonae Indústria, SGPS, S.A. and Arauco Internacional Limitada, a company of Arauco Group and is reflected on a joint decision making at the appropriate management levels of Sonae Arauco. Contractual provisions established that Sonae Indústria, SGPS, S.A. assumes certain legal and tax contingencies of Sonae Arauco and subsidiaries which relate to the period before the joint venture was set up. As a consequence, Sonae Arauco, S.A. has the right to be reimbursed by the total amount of payments done by the company or its subsidiaries with relation to the aforementioned contingencies, as well as relating to some businesses specifically referred to in the said agreement.
The processes in progress understood to be relevant for the purposes of disclosure are referenced in Note 28, the note of the Board of Directors of Sonae Indústria SGPS, S.A., is in Note 17, for the said contingencies and payments to be made to the former subsidiary.

At December 31, 2018 the Company held the following investment in a joint venture, included in Investments in Subsidiaries and Joint Ventures:

					2018		2017	
Joint Venture	% Share	Acquisition Value	Accumulated Impairment Losses	Net Value	Shareholder´s Funds	Net profit	Shareholder´s Funds	Net profit
Sonae Arauco, S.A.	50,00%	1.087.764.828	860.391.259	227.373.569	254.913.274	23.953.497	249.281.675	25.629.081

As of December 31, 2018 and December 31, 2017, receipts and payments of financial investments may be detailed as follows:

Joint Venture	31 december 2018		31 december 2017	
	Receipts	Payments	Receipts	Payments
- Sonae Arauco,S.A. (Note 25)		0		4.921.962
	0	0	0	4.921.962

The amount of payments made in 2017 and recorded as "Gains or losses on Subsidiaries or Joint Ventures" refers to the amounts paid under the agreement referred to in the above paragraph.

As of December 31, 2018 and 2017, the recoverable value of the investment in Sonae Arauco, S.A., was estimated based on the following assumptions:

2018

	Cash Generating Rules			
	Portugal	Espanha	Alemanha	Africa do Sul
Discount rate (after tax) (a)	6,74%	6,38%	5,37%	13,35%
Growth rate on perpetuity (b)	1,00%	1,00%	1,00%	1,00%
Growth rate c):				
Total net income	2,03%	2,93%	0,92%	3,90%
Cost of goods sold and materials consumed	2,01%	2,92%	1,14%	3,32%
Cash Flows projeted over	5 years	5 years	5 years	5 years

(a) weighted average cost of capital (WACC) rates calculated using the CAPM methodology (after tax values)
(b) Growth rate used to extrapolate cash flows in perpetuity
(c) Composite average growth rate, including perpetuity

2017

	Cash Generating Rules			
	Portugal	Espanha	Alemanha	Africa do Sul
Discount rate (after tax) (a)	7,73%	6,48%	5,26%	13,28%
Growth rate on perpetuity (b)	2,00%	2,00%	2,00%	2,00%
Growth rate c):				
Total net income	2,30%	3,39%	1,55%	5,41%
Cost of goods sold and materials consumed	1,34%	3,15%	1,94%	6,39%
Cash Flows projeted over	5 years	5 years	5 years	5 years

(a) weighted average cost of capital (WACC) rates calculated using the CAPM methodology (after tax values)
(b) Growth rate used to extrapolate cash flows in perpetuity
(c) Composite average growth rate, including perpetuity

Following the tests carried out, it was not necessary to record impairment losses.

5.3 Other Financial Investments

At December 31, 2018 and December 31, 2017, other financial investments is detailed as follows:

	31.12.18		31.12.17	
	Non current	Current	Non current	Current
Other financial investments				
Opening balance at 1January	122.625	-	124.190	-
Other increase	0	-	-1.565	-
Closing balance for the period	122.625	-	122.625	-

Other financial investments refer to financial holdings that do not meet the criteria to be classified as subsidiaries or associates and is detailed as follows:

	31.12.18	31.12.17
Shares INEGI	109.976	109.976
Shares CTIMM	5.986	5.986
Shares PIEP	5.000	5.000
Shares BIOMASSA	297	297
Shares Sonae RE, Societé Anonyme	1.200	1.200
Deposir guarantee	167	167
	122.625	122.625

6. Deferred taxes

Details of deferred tax asset at 31 December 2018 and 31 December 2017 were as follows:

	31.12.18		31.12.17	
	Assets	Liabilities	Assets	Liabilities
Others	0	-	281.811	-
	0	-	281.811	-

DEFERRED TAXES - FLOWS

	31.12.18		31.12.17	
	Assets	Liabilities	Assets	Liabilities
Opening Balance	281.811	-	223.352	-
Net losses carried forward		-		-
Others	- 281.811		58.458	
Sub-total (Note 25)	- 281.811	-	58.458	-
Closing Balance	0		281.811	-

In 2018, deferred tax assets related to tax benefits were canceled, as there is no prospect of their recoverability.

In 2018, there are the following tax benefits obtained:

Benefit tax	Year of Production	Value (euros)	Year of Expiry
Sifide	2012	65.866	2018
Sifide	2013	79.939	2019
Sifide	2014	48.332	2022
Sifide	2015	21.349	2023
Sifide	2016	60.567	2024
Sifide	2017	105.260	2025
Cfei	2013	12.946	2018
Rfai	2017	692.968	2027

In 2018, no deferred tax asset was recorded on the tax losses generated by the Special Tax Group of Companies (about 591.624 euros) because there is no prospect of recoverability.

For 2018, there are the following deductible tax losses:

Year of Production	Value (euros)	Deadline for deduction
2013	11.364.311	2018
2016	4.659.090	2028
2017	4.434.206	2022

7. Other Non-Current Assets

Details of Other Non-Current Assets at 31 December 2018 and 31 December 2017 were as follows:

	31.12.18	31.12.17
Loans granted to group companies (Note 2.2 e 20)	20.025.496	18.286.113
	20.025.496	18.286.113
Accumulated Imparment Losses		
	20.025.496	18.286.113

Decomposition of the loans granted and their variation in the period:

2018

Companies	Inicial balance 2018	Increase 2018	Decrease 2018	Final balance 2018
Maiequipa - Gestão Florestal,S.A.	532.880	67.000		599.880
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	906.000	3.925.000	906.000	3.925.000
Glunz UK	0	718.000	359.000	359.000
Frases e Frações - Imobiliária e Serviços,S.A.	6.498.567		638.000	5.860.567
Parcelas e Narrativas - Imobiliária,S.A.	10.348.666		1.067.617	9.281.049
Total (Note 20)	18.286.113	4.710.000	2.970.617	20.025.496

2017

Companies	Inicial balance 2017	Increase 2017	Decrease 2017	Final balance 2017
Maiequipa - Gestão Florestal,S.A.	445.900	86.980		532.880
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	906.000			906.000
Frases e Frações - Imobiliária e Serviços,S.A.	8.060.567		1.562.000	6.498.567
Parcelas e Narrativas - Imobiliária,S.A.		10.348.666		10.348.666
Total (Note 20)	9.412.467	10.435.646	1.562.000	18.286.113

In compliance with the article no 5, no. 4 of Decree-Law no. 495/88 of December 30, added by article no 1 of Decree-Law no. 318/94 of December 24, it is informed that loans contracts were entered into during the period ended December 31 of 2018 with the companies Maiequipa - Gestão Florestal, S.A., Glunz UK and Movelpartes – Componentes para a Indústria do Mobiliário, S.A..

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 4,82 %.

The loans are subject to interest rate conditions but do not provide conditions for repayment, that is to say, repayment is made through the availabilities of each of the companies, and it is not possible at this moment to predict its date, nor is it expected that its reimbursement occurs next year.

8. Trade, Other Current Debtors and Current Tax Assets

8.1) At 31 December 2018 and 31 December 2017, details of Current Trade Debtors were as follows:

	31.12.18	31.12.17
Current customer accounts	84.056	173.689
	84.056	173.689

At 31 December 2018 and 31 December 2017, the detail of trade debtors' maturities was as follows:

	31.12.18	31.12.17
Not due	62.786	151.488
Due and not impaired		
< 30 days	21.107	22.038
> 90 days	163	163
	21.270	22.201
	84.056	173.689

8.2) At 31 December 2018 and 31 December 2017, details of Other Current Trade Debtors were as follows:

	31.12.18	31.12.17
Group companies - interest (note 20)	988.862	744.498
Group companies - current Income Tax (note 20)	29.569	138.350
Group companies - loans (Note 8.2.1)	487.300	3.990.164
	1.505.732	4.873.012
Other debtors (Note 8.2.2)	244	3.315
Total	1.505.975	4.876.328

8.2.1) Loans granted and their variation in the period:

2018

Companies	Inicial balance 2018	Increase 2018	Decrease 2018	Final balance 2018
Maiequipa - Gestão Florestal,S.A.	9.000	98.000	-92.500	14.500
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	3.677.500	985.000	-4.662.500	0
Glunz UK	303.664	479.000	-782.664	0
Frases e Frações - Imobiliária e Serviços,S.A.		985.500	-583.000	402.500
Parcelas e Narrativas - Imobiliária, S.A.		551.800	-481.500	70.300
Total (Note 20)	3.990.164	3.099.300	-6.602.164	487.300

2017

Companies	Inicial balance 2017	Increase 2017	Decrease 2017	Final balance 2017
Maiequipa - Gestão Florestal,S.A.	13.000	99.500	-103.500	9.000
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.	209.000	7.684.000	-4.215.500	3.677.500
Glunz UK	602.026	655.665	-954.027	303.664
Frases e Frações - Imobiliária e Serviços,S.A.		26.000	-26.000	0
Parcelas e Narrativas - Imobiliária, S.A.	11.231.933	387.500	-11.619.433	0
Sonae Indústria - Management Services, S.A.		269.500	-269.500	0
Total (Note 20)	12.055.959	9.122.165	-17.187.960	3.990.164

In compliance with the article no 5, no. 4 of Decree-Law no. 495/88 of December 30, added by article no 1 of Decree-Law no. 318/94 of December 24, it is informed that financial transaction contracts were entered into during the period December 2018 with the companies Maiequipa - Gestão Florestal, S.A, Movelpartes – Componentes para a Indústria do Mobiliário, S.A., Frases e Frações – Imobiliária e Serviços, S.A. e Parcelas e Narrativas – Imobiliária, S.A..

Financial transactions granted to Group companies have a short term maturity and they yield interest at an average rate of 4,82 %.

8.2.2) At 31 December 2018 and 31 December 2017, detail of Others Debtors maturities was as follows:

	AGEING OF ADVANCE CREDITORS		AGEING OF TRADE CREDITORS (ASSET BALANCES)		TOTAL DEBTORS	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Due and not impaired						
< 30 days	91			129	91	129
30 - 90 days			153		153	0
> 90 days				3.187	0	3.187
	91	0	152	3.315	244	3.315

8.3) At 31 December 2018 and 31 December 2017, Other Current Tax Assets were as follows:

	31.12.18	31.12.17
Current tax asset		
Income Tax	565.705	613.260
	565.705	613.260

9. Other Current Assets

Details of Other Current Assets at 31 December 2018 and 31 December 2017 were the following:

	31.12.18	31.12.17
Accrued revenue	22.765	134.131
Deferred costs	459.665	489.747
Assets out of Scope of IFRS 9/IAS 39	459.665	489.747
	482.431	623.878

The item accrued revenue refers to interest receivable from loans granted to its subsidiaries.

The item deferred costs refers to the deferral of costs with guarantees and bank charges.

10. Cash and Cash equivalents

At 31 December 2018 and 31 December 2017 detail of Cash and cash equivalents was the following:

	31.12.18	31.12.17
Cash at Hand	500	1.989
Deposits	30.819	78.348
Cash & Cash Equivalent in balance sheet	31.319	80.338
Bank Overdrafts (1)	135.022	551.145
	166.341	631.483

(1) In Statement of Financial Position- Non Current bank loans (Note 12)

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

11. Shareholders' Funds

On December 31, 2018, the Company's capital, fully subscribed and paid up, amounted to Eur 253 319 797,26 is represented by 45 403 029 common shares, book-entry and nominative, with no par value.

The shares representing the share capital, on the dates of December 31, 2018 and 2017, do not confer the right to any fixed remuneration.

As of December 31, 2018 and 2017, the company and its subsidiaries did not hold any of their own shares.

The following entities had more than 20% of the subscribed capital on 31 December 2018:

Entity	%
Efanor Investimentos, SGPS, S. A.	42,66
Pareuro BV	25,84

Shareholder's Funds Detail:

	2018	2017
Share Capital	**253.319.797**	**253.319.797**
Legal Reserve	**1.807.489**	
Other reservs and accumulated earnings	**33.898.338**	**36.149.790**
Free Reserve	34.342.300	
Net Income	-443.962	36.149.790
	289.025.625	289.469.587

Legal Reserve: Commercial legislation establishes that at least 5% of annual net profit has to be intended to strengthen the legal reserve until it represents at least 20% of the capital. This reserve is not distributable to not be in the event of the liquidation of the company, but can be used to absorb losses, after exhausted the other reserves, or incorporated into the capital.

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

12. Loans

12.1) Bank Loans

At 31 December 2018 and 31 December 2017 Sonae Indústria, SGPS, S.A had the following outstanding loans:

	31.12.18				31.12.17			
	Amortised cost		Nominal Value		Amortised cost		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Loans - Commercial Paper	16.000.000	151.370.783	16.000.000	152.100.000	13.650.000	158.985.161	13.650.000	160.100.000
Bank Overdrafts	135.022		135.022			551.145		551.145
Gross Debt	16.135.022	151.370.783	16.135.022	152.100.000	13.650.000	159.536.306	13.650.000	160.651.145
Cash & Cash Equivalent in balance sheet	31.319	0	31.319	0	80.338		80.338	
Net Debt	16.103.702	151.370.783	16.103.702	152.100.000	13.569.662	159.536.306	13.569.662	160.651.145
Total Net Debt	167.474.485		168.203.702		173.105.968		174.220.807	

The loans (nominal value) have the following repayment schedule:

	31.12.18	31.12.17
2018		13.650.000
2019	16.135.022	17.801.145
2020	46.100.000	45.850.000
2021	103.000.000	97.000.000
2022	3.000.000	
	168.235.022	174.301.145

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

	2018	2017
Loans - Commercial Paper	4,568%	4,591%

In the calculation of these average interest rates, bank overdrafts were not considered due to the immateriality of the amounts involved.

a) Bank Loans

Bank Loans [1)]

Company	Loan	Contract date	Maturity (with reference to 31.12.2018)	Currency	Outstanding principal at 31.12.2018 (Eur)	Outstanding principal at 31.12.2017 (Eur)
Sonae Indústria, SGPS, S.A.	Commercial paper programme	june 2013	june 2023 Note: programme without subscription guarantee	EUR	€ 2.000.000	€ 1.750.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	july 2014	repaid between may 2020 and may 2022	EUR	€ 8.100.000	€ 7.500.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme 2)	may 2016	repaid between may 2019 and may 2021	EUR	€ 136.500.000	€ 143.500.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	july 2016	july 2019	EUR	€ 4.000.000	€ 4.000.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	july 2016	july 2018	EUR		€ 1.000.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme 3)	december 2016	repaid between june 2018 and december 2019	EUR	€ 7.500.000	€ 16.000.000
Sonae Indústria, SGPS, S.A.	Commercial paper programme 4)	june 2018	repaid between december 2018 and june 2021	EUR	€ 10.000.000	
	Others			EUR	€ 135.022	€ 551.145
				Total	**€ 168.235.022**	**€ 174.301.145**

Additional notes

1) The aforemenioned loans pay interest at variable rate

2) The shares of subsidiaries Megantic B.V. e Tafisa Canada Inc.,shares held by Megantic BV, were pledged as collateral for this loan.In this agreement, Sonae Indústria,SGPS,S.A. is obliged to maintain a certain maximum level of financial debt calculated based on the Company´s separate financial statements,also commintting it self to a maximum "Net Debt/Ebitda" ratio for Tafisa Canadá Inc. calculated based on the separate financial statements of this subsidiary.Failure to comply with any of these rations may lead to the anticipated maturity of the loan

3) Under this financing,Sonae Indústria,SGPS,S.A.pledged the shares of its subsidiary Parcelas e Narrativas - Imobiliária,S.A..Under this financing, Sonae Indústria,SGPS,S.A. is obliged to maintain a racio of financial autonomy ("Total Equity/Total Assets").This ratio is tested annually from december 31, 2016 until the end of the financing based on the Company´s consolidated financial statements, and its failure may lead to the early maturity of this loan.

4) Under this financing,Sonae Indústria,SGPS,S.A. is obliged to maintain a racio of financial autonomy ("Total Equity/Total Assets").This ratio is tested annually from december 31, 2018 until the end of the financing based on the Company´s consolidated financial statements, and its failure may lead to the early maturity of this loan.

As of December 31, 2018, the ratios associated with the aforementioned loans complied with the contractually established limits.

12.2) Cash Flows

The financial liabilities (nominal value) derived from the financing activities disclosed in note 12.1 and note 20, were as follows:

	31.12.2018				
Separate Statements of Financial Position	Opening balance	Increase	Decrease	Others	Closing Balance
Non-Current Liabilities:					
Bank loans - net of current portion	160.651.145	1.612.800.000	1.612.751.145	-8.600.000	152.100.000
Current Liabilities:					
Current portion of non-current bank loans	11.900.000	21.000.000	27.500.000	8.600.000	14.000.000
Currente bank loans	1.750.000	11.885.022	11.500.000		2.135.022
Current loans from subsidiaries	5.145.000	22.434.954	23.493.854		4.086.100
Total	179.446.145	1.668.119.976	1.675.244.999	0	172.321.122

Separate Statements of Cash Flows	Cash receipts from	Cash payments to
Financing activities		
Loans obtained	1.668.119.976	1.675.244.999
Total	1.668.119.976	1.675.244.999

	31.12.2017				
Separate Statements of Financial Position	Opening balance	Increase	Decrease	Others	Closing Balance
Non-Current Liabilities:					
Bank loans - net of current portion	180.900.000	551.145		-20.800.000	160.651.145
Current Liabilities:					
Current portion of non-current bank loans	250.000			11.650.000	11.900.000
Currente bank loans	1.500.000	806.045.500	814.945.500	9.150.000	1.750.000
Current loans from subsidiaries	4.541.000	30.458.500	29.854.500		5.145.000
Total	187.191.000	837.055.145	844.800.000	0	179.446.145

Separate Statements of Cash Flows	Cash receipts from	Cash payments to
Financing activities		
Loans obtained	837.055.145	844.800.000
Total	837.055.145	844.800.000

13. Others Non Current Liabilities

At 31 December 2018 and 31 December 2017 details of this item were as follows:

	31.12.18	31.12.17
Accrued Costs		
Personal expenses		317.547
Liabilities out of scope of IFRS9/IAS39		317 547

The amount entered in the "Personal expenses" in 2017 relates to the company's responsibility for the medium and long-term incentive plan recorded on a straight-line basis over the payment deferral period granted in 2015, 2016 and 2017.

A medium and long term incentive granted in 2015 was paid in 2018 and the medium and long term incentive granted in 2017 and 2018 was canceled.

14. Trade Creditors

At 31 December 2018 and 31 December 2017 all amounts recorded under this item resulted from normal operations. Trade creditor maturities were as follows:

	MATURITY OF TRADE CREDITORS	
	31.12.18	31.12.17
To be paid		
< 90 days	146.709	157.191
90 - 180 days	1.347	
> 180 days	782	315
	148.838	157.506

15. Other Creditors and Other taxes and contributions

15.1) At 31 December 2018 and 31 December 2017 details of Others Creditors were as follows:

	31.12.18	31.12.17
Other Creditors		
Group companies - current Income Tax (Note 20)	181.107	225.770
Loans from group companies (Note 20)	4.086.100	5.145.000
Others	370.951	371.767
Financial Instrumets	4.638.157	5.742.537

Loans from Group companies is related with Sonae Indústria de Revestimentos,S.A.,3.978.000 euros , it has a short term maturity and an average interest rate of 2,4 % and Sonae Indústria – Management Services,S.A., 108.100 euros it has a short term maturity and an average interest rate of 0,48 %.

Loans obtained and their variation in the period:

2018

Companies	Inicial balance 2018	Increase 2018	Decrease 2018	Final balance 2018
Sonae Indústria de Revestimentos,.S.A	5.054.500	16.270.054	-17.346.554	3.978.000
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.		3.702.000	-3.702.000	0
Glunz UK		350.000	-350.000	0
Parcelas e Narrativas - Imobiliária, S.A.		1.272.500	-1.272.500	0
Sonae Indústria - Management Services, S.A.	90.500	840.400	-822.800	108.100
Total (Note 20)	5.145.000	22.434.954	-23.493.854	4.086.100

2017

Companies	Inicial balance 2017	Increase 2017	Decrease 2017	Final balance 2017
Sonae Indústria de Revestimentos,.S.A	4.541.000	27.361.000	-26.847.500	5.054.500
Movelpartes - Componentes para a Indústria do Mobiliário,S.A.		86.000	-86.000	0
Frases e Frações - Imobiliária e Serviços,S.A.		2.089.000	-2.089.000	0
Parcelas e Narrativas - Imobiliária, S.A.		345.000	-345.000	0
Sonae Indústria - Management Services, S.A.		577.500	-487.000	90.500
Total (Note 20)	4.541.000	30.458.500	-29.854.500	5.145.000

In compliance with the article no 5, no. 4 of Decree-Law no. 495/88 of December 30, added by article no 1 of Decree-Law no. 318/94 of December 24, it is informed that financial transaction contracts were

entered into during the period December 2018 with the companies Sonae Indústria de Revestimentos, S.A. and Sonae Indústria – Management Services,S.A.

The maturity of other debts to third parties is as follows:

31.12.18	< 90 days	90 - 180 days	> 180 days	Total
Subsidiaries	4.159.107		108.100	4.267.207
Other Current Maturity of Creditors			370.951	370.951
	4.159.107	0	479.051	4.638.157

31.12.17	< 90 days	90 - 180 days	> 180 days	Total
Subsidiaries	225.770	90.500	5.054.500	5.370.770
Other Current Maturity of Creditors	371.767	0	0	371.767
	597.537	90.500	5.054.500	5.742.537

15.2) At 31 December 2018 and 31 December 2017, details of Current tax liability and Other taxes and contributions were as follows:

	31.12.18	31.12.17
Current tax liability	**23 849**	**22 602**
Tax retention	23.849	22.602
Other taxes and contributions	**16.732**	**20.939**
Value Added Tax	4.908	10.979
Social Security Contributions	11.825	9.835
Others		126
Liabilities out of scope of IFRS9/IAS39	40.581	43.541

16. Other Current Liabilities

At 31 December 2018 and 31 December 2017 this item had the following detail:

	31.12.18	31.12.17
Accrued Costs		
Personal expenses	367.671	544.144
Insurances	0	20.358
Accrued financial expenses	203.359	1.027.316
	571.031	1.591.818
External supllies & services	44.016	37.450
Liabilities out of scope of IFRS9/IAS39	44.016	37.450
	615.047	1.629.268

17. Provisions and Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended December, 31 2018 and December, 31 2017 were the following:

31.12.2018

Description	Opening Balance	Increase	Utilization	Reversion	Closing Balance
Accumulated imparment losses on investments (Note 5)	884.452.732	1.090.347			885.543.079
Non current provisions		4.000.000			4.000.000
Current provisions		4.291.126			4.291.126
	884.452.732	9.381.473	0	0	893.834.205

31.12.2017

Description	Opening Balance	Increase	Utilization	Reversion	Closing Balance
Accumulated imparment losses on investments (Note 5)	913.800.658	3.105.657		32.453.583	884.452.732
Non current provisions	91.528		91.528		
Current provisions		3.275.719			3.275.719
	913.892.185	6.381.376	91.528	32.453.583	887.728.451

Impairment losses are offset against the corresponding asset on Statement of Financial Position. Increase in impairment losses relates as described (note 25).

Impairment losses in the year 2018 were recognized in the amount of 1.000.000 euros in respect of the subsidiary Frases e Frações - Imobiliária e Serviços, S.A. and 90.347 euros in relation to the subsidiary Maiequipa - Gestão Florestal, S.A .

Provisions were created for other risks and charges in the year of 8.291.126 euros, of which 4.000.000 euros were recorded in Non Current Liabilities and 4.291.126 euros in Current Liabilities. The amount of provisions as of December 31, 2018, is associated with contingencies assumed in the process of loss of control of the Group now designated by Sonae Arauco, associated with contingencies of alleged violation of competition laws and an estimate for other expenses with right of return by the said entity (Note 5.2.).

As described in Note 28, Sonae Indústria SGPS assumed the obligation to compensate Sonae Arauco for certain losses incurred by Sonae Arauco Deutschland, which includes the abovementioned expenses.

18. Operating Leases

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

	31.12.18	31.12.17
Maturing in em 2018	13.224	13.224
Maturing in em 2019	2.204	1.102
	15.428	14.326

19. Financial Risks

19.1. Liquidity Risk

The liquidity risk described on note 2.17, c), related to gross debt referred to on note 12, can be analysed as follows:

2018			
Liquidity Risk			
	Maturity of gross debt	Interest	Total
2018			
2019	16.135.022	6.022.335	22.157.357
2020	46.100.000	4.782.642	50.882.642
2021	103.000.000	1.707.184	104.707.184
2022	3.000.000	34.058	3.034.058
	168.235.022	12.546.218	180.781.240

2017			
Liquidity Risk			
	Maturity of gross debt	Interest	Total
2018	13.650.000	6.258.329	19.908.329
2019	17.801.145	5.855.085	23.656.230
2020	45.850.000	4.549.634	50.399.634
2021	97.000.000	1.559.494	98.559.494
2022			
	174.301.145	18.222.541	192.523.686

The interest amounts indicated in the previous tables were calculated based on the interest rates in effect at December 31, 2018 and 2017 for each of the outstanding amounts. The amount indicated for 2019 (2018) in the gross debt maturity profile includes, in addition to the scheduled debt repayments, the amortization of the amounts considered in the end 2018 debt (2017) for which the debt commitment is less than one year.

The maturity profile of the remaining financial instruments is included in the respective explanatory notes.

19.2. Market risk

19.2.1 Interest rate risk

In the interest rate risk analysis in Note 2.17 b), the effect that would have been produced in the results for 2018 and 2017 was calculated, in the event of a + 0.75% change in relation to the interest rates and of -0.75% in relation to the interest rates fixed during those years.

Sensitivity Analysis						
	2018			2017		
	"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	-4.086.100	-43.278	43.278	-5.145.000	-54.302	54.302
External	-168.235.022	-1.195.448	1.195.448	-174.301.145	-1.120.964	1.120.964
	-172.321.122	-1.238.727	1.238.727	-179.446.145	-1.175.266	1.175.266
Loans to group companies	20.512.796	160.792	-160.792	22.231.424	173.416	-173.416
	20.512.796	160.792	-160.792	22.231.424	173.416	-173.416
		-1.077.934	**1.077.934**		**-1.001.850**	**1.001.850**

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 84,4 times the standard deviation of that variable in 2018 (48,9 times in 2017).

20. Related Parties

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

Balance	Accounts Receivable		Accounts Payable		Other Creditors		Other non Currents Assets		Other debtors	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	83.892	173.526	117.334	113.557	4.240.818	5.373.957	20.025.496	18.286.113	1.479.344	4.873.012
- ZYEvolution			17.110							
- Maiequipa			5.558	5.558	8.644	9.015	599.880	532.880	40.888	30.274
- Movelpartes	1.757	3.593			39.871	56.349	3.925.000	906.000	189.711	3.727.632
- Siaf Energia						3.187				
- Sonae ,sgps			49.000	49.000						
- Sind - Management services				2.988	108.100	90.500			3.181	3.166
- Sonae Arauco Deustchland			1.347	97						
- Solinca investimentos Turisticos			602	830						
- Sonaecenter II			19.518	28.017						
- Sonae Arauco France	36.463	105.044								
- Imosede			55	55						
- Tafisa Canadá	42.214	44.076								
- Nos			122	170						
- Glunz UK							359.000			317.344
- Parcelas e Narrativas					1047		9.281.049	10.348.666	546.548	291.472

Transactions	Sales & Services Rendered		Purchases & Acquired Services		Interest Income		Interest Expenses	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	281.424	293.832	139.386	314.023	1.031.740	1.080.347	122.063	84.285
- ZY Evolution			13.910					
- Sonae Arauco France			-36.463					
- Sonae Arauco Portugal			142.609	137.064				
- Maiequipa					28.038	23.668		
- Movelpartes	8.443	4.404			203.999	153.129	4.810	2
- Somit Imobiliária								
- Siaf Energia				18.137				
- Sonae Industria Revestimentos	19.700	24.972	2.576				115.265	61.027
- Sonaecenter II			73.034	67.924				
- Sonae ,sgps			50.000	50.000				
- Sind - Management services				29.148	60	827	537	417
- Sonae Arauco			-121.976	235				
- Sonae Arauco Deustchland			1.347	97				
- Solinca investimentos Turisticos			4.097	3.706				
- Nos			9.702	5.814				
- Digitmarket				1.627				
- Imosede			550	271				
- Tafisa Canadá	253.281	264.456						
- Glunz UK					16.064	21.946	498	
- Megantic								12.767
- Frases e Frações					304.450	375.761		9.704
- Parcelas e Narrativas					479.129	505.016	953	368

Revenues and expenses recorded as a result of transactions with related parties refer to the operating activity and were carried out under conditions comparable to transactions carried out in the market between independent parties.

20.2 The expenses with remuneration of the Board of Directors of the Company are detailed as follows:

	2018	2017
Short term benefit	555.751	552.557
Medium term benefit	0	72.172
	555.751	624.729

In 2018, the estimate created in 2017 and 2018 regarding the medium and long-term incentive plan amounting to approximately 72.172 euros was canceled. This income is reclassified in other operating income (Note 23) and in personal costs, in equal shares.

21. Remuneration Supervisory Board

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

	2018	2017
Supervisory Board	26.200	25.700
General Assembley	7.000	7.000
Remuneration Committee	5.000	5.000
Total remuneration	38.200	37.700

Fees of Audit company, Deloitte & Associados, SROC,S.A. is detailed as follows:

Total Fees related to audit and legal certification of the accounts	21.095

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. Services Provided

Services provided are as follows:

	2018	2017
Management Service	281.424	293.832
TOTAL	281.424	293.832

23. Other Operational Income and Losses

Other operating income are detailed as follows:

Other Operation Income	31.12.18	31.12.17
Supplementary revenue		204.606
Others	87.978	905.264
	87.978	1.109.870

The item "others" essentially refers to the cancellation of part of the estimate of the medium and long-term incentive plan amounting to approximately 807.316 euros (Note 20).

Other operating losses are detailed as follows:

Other Operation Losses	31.12.18	31.12.17
Taxes	108.628	142.938
Others	1.030	23.988
	109.658	166.926

24. Financial Results

	31.12.18	31.12.17
Financial expenses:		
Interest expenses (Note 18 e 20)	6.719.053	7.028.725
Exchange Losses	45.269	266
Others	1.756.368	1.588.686
Financial expenses	8.520.690	8.617.677
Financial results	- 7.478.782	- 6.907.025
	1.041.908	1.710.652
Financial income		
Interest income (Note 20)	1.032.393	1.082.163
Exchange Gains	266	41.665
Others	9.249	586.824
	1.041.908	1.710.652

25. Income or losses related on investments in subsidiaries and join ventures

In 2018 and 2017 the company had the following investment results:

	2018	2017
Dividends	**17.725.747**	**22.396.693**
Sonae Indústria de Revesyimentos,S.A.		1.162.735
Sonae Arauco,S.A.	6.406.347	5.661.957
Megantic, B.V.	11.319.400	15.572.000
Reversal of Impairment		**32.453.583**
Reversal of Impairment of participation of Maiequipa,S.A.(Note 5)		353.072
Reversal of Impairment of paraticipation of Sonae Arauco,S.A.(Note 5)		32.100.511
Gains related with investments	17.725.747	54.850.276
Other lost in investments		**- 4.921.962**
Sonae Arauco,S.A.		- 4.921.962
Registration of impairment		**- 3.105.657**
Registration of impairment of participation of Maiequipa,S.A.(Note 5)	- 90.347	
Registration of impairment of participation of Sims,S.A.(Note 5)		- 151.577
Registration of impairment of participation of Frases e Frações,S.A.(Note 5)	- 1.000.000	- 1.565.812
Registration of impairment of participation of Parcelas e Narrativas,S.A.(Note 5)		- 1.388.268
Losses related with investments	- 1.090.347	- 8.027.619
Profit/(loss) on other investments	16.635.400	46.822.657

26. Taxes

The income and deferred taxation recorded at 31 December 2018 and 31 December 2017 were:

	31.12.18	31.12.17
Current tax	- 3.952	108.741
Deferred tax (Note 6)	- 281.811	58.458
	- 285.763	167.200
Current tax - Prior Year adjustment	- 121.400	- 291.281
	- 407.163	- 124.081
Current tax	- 125.352	- 182.540
Deferred tax	- 281.811	58.458

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

	2018	2017
Net income/(loss) before tax	-36.799	36.273.871
Tax rate	21%	21%
Expectable tax	-7.728	7.617.513
Impairment loss of financial assets	228.973	652.188
Reversal impairment loss of financial assets		-6.815.253
Provisions	1.741.136	678.609
Dividends	-3.722.407	-4.703.305
Non-deductible costs		1.033.612
Current tax at special rate	3.952	5.242
Non-deductible financial charges	1.318.486	1.322.827
Deferred tax asset unrecognize	281.811	
Deferred tax asset recognize	469.527	58.458
Others	-27.987	-17.093
	285.763	-167.200
Effective tax rate	-776,6%	0,5%

27. Earnings Per Share

Earnings per share were calculated as follows:

	31.12.18	31.12.17
Net Profit (loss)		
Net Profit / (loss) considered to calculate base earnings per share (Periodic Net Profit/(loss))	- 443 962	36 149 790
Net Profit/(loss) considered diluted earnings per share	- 443 962	36 149 790
Number of Shares		
Weighted average number of shares used to calculate basic earning per share	45 403 029	45 403 029
Weighted average number of shares used to calculate diluted earnings per share	45 403 029	45 403 029
Basic and diluted earnings per share	-0,00978	0,79620

During 2018, no effect from discontinued operations was recorded.

28. 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 euros, should be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation.

The subsidiary Sonae Indústria de Revestimentos, S.A. rendered surety of 2.271.000 euros in favor of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, S.A., having been brought court challenges against the respective settlement.

The subsidiary Maiequipa – Gestão Florestal, S.A. rendered surety of 1.242.746 euros in favor of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, S.A., having been brought court challenges against the respective settlement.

Sonae Indústria, SGPS, S.A. presented bank guarantees of 9.286.997 euros to suspend tax enforcement procedures initiated by tax authorities, having been brought court challenges against the respective settlement, with the exception of the process IRC 2015, which to date only a graceful complaint has been filed

According to the information available on this date, the Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was done to current tax and deferred tax asset recognized in these separate financial statements.

The guarantee of Sonae Indústria, SGPS, S.A. provided to the Social Security Institute in the amount of 321.858 euros to guarantee the contingency that Sonae Arauco Portugal, S.A. has with this entity still.

Sonae Indústria, SGPS, S.A. has a guarantee granted to Montepio of 1.090.248 euros under a real estate lease agreement entered into between the subsidiary Frases e Frações - Imobiliária e Serviços, S.A. and Montepio.

Former subsidiary Sonae Arauco Deutschland GmbH (formerly Glunz AG) and other German producers of wood-based panels are involved in certain litigation procedures filed by some customers for damages resulting from alleged breaches of competition law, after which former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes were resolved between the years 2015 and 2018 and their respective effects were recognized on the separate financial statements of each company and on the consolidated financial statements of the joint venture Sonae Arauco, S. A. (in which perimeter of consolidation these former subsidiaries are included) for the respective periods. For the cases still in progress, the complaints submitted specifically to the former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH amount to a maximum contingency (based on the claimed values) of 31.5 million euros. Regarding other cases in which these former subsidiaries are jointly involved with other German producers, the maximum contingency amounted to 26 million euros as at 31 December 2018, a reduction against the 42.7 million euros at 31 December 2017 as a result of developments occurred during 2018 regarding one of those cases, which had no effect on the consolidated financial statements of Sonae Arauco, S.A. for the period ended 31 December 2018. According to the opinion of these former subsidiaries' lawyers, at the closing date of these separate financial statements, it is not possible to reliably estimate the outcome of the proceedings in progress or the amount of any payments that may be established. Under the terms of the agreement for the subscription of Sonae Arauco, S. A. shares, entered into in 2015 by Sonae Arauco, S.A., Sonae Indústria, SGPS, S.A. and the Arauco, Sonae Indústria, SGPS, S.A. assumes the obligation to compensate Sonae Arauco, S.A. for any losses resulting from these proceedings.

Darbo SAS, a former subsidiary of Sonae Indústria, SGPS, S.A. located in France, was sold on 3 July 2015 to a subsidiary of Gramax Capital and was excluded from the Group's consolidated financial statements on that date. This company's insolvency was requested at the Trade Court of Dax, in France, in September 2016, and was declared by that court to be liquidated, in October of that year.

Following that case, 110 former employees of Darbo filed various lawsuits with the Labour Court of Dax, in France, against, among others, Sonae Indústria, SGPS, S.A. and Gramax Capital, through which they claim compensation for alleged dismissal without fair reason, for a total amount of 13.653.917,28 euros. The same former employees also filed a lawsuit at the Civil Court of Dax against the seller and buyer companies and against Sonae Indústria, SGPS, S.A., through which they claim annulment of the sale of Darbo SAS and the payment of compensation for alleged damages suffered, in the same amount claimed before the Labour Court of Dax (13.653.917.28 euros). At the date of approval of these separate financial statements, legal proceedings are under way and it is not possible to predict whether the outcome will result in any obligation to be recognized under the liabilities of Sonae Indústria.

29. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 27 of March 2019.

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 INDUSTRIA

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Tangible fixed assets	9	135 704 644	146 469 904
Goodwill	12	347 082	347 082
Intangible assets	10	86 449	142 979
Investment properties	11	5 750 140	6 001 043
Investment in joint ventures	5,8	212 459 264	205 616 464
Other investments	6,7,8	133 952	130 487
Deferred tax asset	13		1 462 160
Total non-current assets		354 481 531	360 170 119
CURRENT ASSETS			
Inventories	14	18 224 036	16 998 114
Trade debtors	6,7,15	12 302 439	13 591 178
Other current debtors	6,7,16	124 360	285 410
Current tax asset		2 506 968	1 677 850
Other taxes and contributions	18	1 552 714	2 096 256
Other current assets	6,7,17,22	2 033 291	2 128 573
Cash and cash equivalents	6,7,19	10 624 192	4 084 771
Total current assets		47 368 000	40 862 152
TOTAL ASSETS		401 849 531	401 032 271
SHAREHOLDERS`FUNDS AND LIABILITIES			
SHAREHOLDERS`FUNDS			
Share capital	20.1	253 319 797	253 319 797
Legal reserve	20.2	1 807 489	
Other reserves and accumulated earnings	20.3	(172 733 307)	(182 494 467)
Accumulated other comprehensive income	20.4	53 139 528	55 287 278
Total shareholders' funds attributabble to equity holders of Sonae Indústria		135 533 507	126 112 608
TOTAL SHAREHOLDERS`FUNDS		135 533 507	126 112 608
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank loans - net of current portion	6,7,21,23	188 102 256	197 650 071
Finance lease creditors - net of current portion	6,7,21,23	491 753	898 793
Post-retirement liabilities	25	785 667	962 252
Other non-current liabilities	6,7,24	1 128 038	2 122 999
Deferred tax liability	13	18 883 485	20 568 786
Provisions	29	1 778 290	1 983 940
Total non-current liabilities		211 169 489	224 186 841
CURRENT LIABILITIES			
Current portion of non-current bank loans	6,7,21,23	15 192 246	11 949 858
Current bank loans	6,7,21,23	2 136 274	1 750 000
Current portion of non-current finance lease creditors	6,7,21,23	529 015	500 227
Trade creditors	6,7,26	21 567 484	19 626 920
Current tax liability		29 283	53 391
Other taxes and contributions	27	490 083	734 383
Other current liabilities	6,7,22,28	11 926 431	12 842 324
Provisions	29	3 275 719	3 275 719
Total current liabilities		55 146 535	50 732 822
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		401 849 531	401 032 271

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017

(Amounts expressed in Euros)

	Notes	31.12.2018	31.12.2017
Sales	35	218 781 711	229 768 280
Services rendered	35	1 392 246	1 209 951
Other income and gains	32,35	8 225 377	7 058 706
Cost of sales	29,35	(122 579 602)	(121 786 487)
Increase / (decrease) in production	29,35	2 127 584	89 205
External supplies and services	35	(49 825 897)	(48 310 684)
Staff expenses	25,29,35	(25 213 411)	(24 814 767)
Depreciation and amortisation	9,10,11	(13 090 365)	(12 561 647)
Provisions and impairment losses (increase / reduction)	9,29,35	91 055	(3 881 626)
Other expenses and losses	33,35	(3 647 577)	(3 790 083)
Operating profit / (loss)	35	16 261 121	22 980 848
Financial income	36	660 983	1 407 191
Financial expenses	36	(12 222 705)	(13 018 615)
Gains and losses in joint ventures	5	12 500 537	10 353 561
Net profit/(loss) before taxation		17 199 936	21 722 985
Taxation	13,37	(6 171 466)	(6 457 254)
Consolidated net profit / (loss) for the period		11 028 470	15 265 731
Attributable to:			
Equity holders of Sonae Industria		11 028 470	15 265 731
Consolidated net profit/(loss) per share			
Basic	38	0.2429	0.3362
Diluted	38	0.2429	0.3362

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 2018 AND 31 DECEMBER 2017

(Amounts expressed in Euros)

	Notes	31.12.2018	31.12.2017
Consolidated net profit / (loss) for the period (a)		11 028 470	15 265 731
Consolidated other comprehensive income			
Items that may be subsequently transferred to profit or loss			
Change in currency translation reserve	20.4	(2 646 090)	(4 240 137)
Amounts reclassified to profit or loss in the period	20.4	81 145	
Group share of other comprehensive income of joint ventures	5, 20.4	(2 731 548)	(618 288)
Items that may not be subsequently transferred to profit or loss			
Revaluation of tangible fixed assets	20.4		5 796 847
Remeasurements of defined benefit plans	20.4	79 438	106 021
Group share of other comprehensive income of joint ventures	20.4	3 475 808	1 360 282
Income tax relating to items that will not be reclassified	20.4		(1 536 165)
Consolidated other comprehensive income for the period, net of tax (b)		(1 741 247)	868 560
Total consolidated comprehensive income for the period (a) + (b)		9 287 223	16 134 291
Total consolidated comprehensive income attributable to:			
Equity holders of Sonae Industria		9 287 223	16 134 291

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 DECTEMBER 2018 AND 31 DECEMBER 2017

(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	Total shareholders' funds
Notes	20.1	20.2	20.3	20.4		
Balance as at 1 January 2018	253 319 797		(182 494 467)	55 287 278	126 112 608	126 112 608
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			11 028 470		11 028 470	11 028 470
Consolidated other comprehensive income for the period				(1 741 247)	(1 741 247)	(1 741 247)
Total			11 028 470	(1 741 247)	9 287 223	9 287 223
Reclassification to profit / (loss)						
Reclassification to accumulated earnings			206 632	(206 632)		
Transferred to Legal reserve		1 807 489	(1 807 489)			
Others			333 547	(199 871)	133 676	133 676
Balance as at 31 December 2018	253 319 797	1 807 489	(172 733 307)	53 139 528	135 533 507	135 533 507

	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income	Total shareholders` funds attributable to the equity holders of Sonae Indústria	Total shareholders' funds
Notes	20.1	20.2	20.3	20.4		
Balance as at 1 January 2017	812 107 574	3 131 757	(759 319 894)	54 418 718	110 338 155	110 338 155
Total consolidated comprehensive income for the period						
Consolidated net profit/(loss) for the period			15 265 731		15 265 731	15 265 731
Consolidated other comprehensive income for the period				868 560	868 560	868 560
Total			15 265 731	868 560	16 134 291	16 134 291
Share capital reduction	(558 787 777)	(3 131 757)	561 919 534			
Others			(359 838)		(359 838)	(359 838)
Balance as at 31 December 2017	253 319 797		(182 494 467)	55 287 278	126 112 608	126 112 608

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 2018 AND 31 DECEMBER 2017

(Amounts expressed in Euros)

	Notes	31.12.2018	31.12.2017
OPERATING ACTIVITIES			
Receipts from trade debtors		219 639 912	229 521 296
Payments to trade creditors		(169 153 283)	(171 336 178)
Payments to staff		(26 139 045)	(26 210 054)
Net cash flow from operations		24 347 584	31 975 064
Payment / (receipt) of corporate income tax		(6 706 508)	(10 397 236)
Other receipts / (payments) relating to operating activities		1 315 820	2 178 634
Net cash flow from operating activities (1)		18 956 896	23 756 462
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments			2 517
Tangible fixed assets and intangible assets	32	7 106 164	211 695
Investment subventions		366 141	29 008
Dividends	8	6 406 347	5 661 957
		13 878 652	5 905 177
Cash Payments arising from:			
Investments		(3 466)	(2 076)
Tangible fixed assets and intangible assets		(10 265 475)	(11 082 685)
Others			(4 921 962)
		(10 268 941)	(16 006 723)
Net cash used in investment activities (2)		3 609 711	(10 101 546)
FINANCING ACTIVITIES			
Cash receipts arising from:			
Interest and similar income		18 638	67 558
Loans obtained	21.3	1642 449 920	855 828 995
		1642 468 558	855 896 553
Cash Payments arising from:			
Interest and similar charges		(10 365 362)	(9 381 619)
Loans obtained	21.3	(1647 588 599)	(859 631 085)
Finance leases - repayment of principal	21.3	(515 642)	(427 939)
		(1658 469 603)	(869 440 643)
Net cash used in financing activities (3)		(16 001 045)	(13 544 090)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (4) = (1) + (2) + (3)		6 565 562	110 826
Cash and cash equivalents at the beginning of the period (a)	19	4 084 771	4 795 077
Cash and cash equivalents at the end of the period (b)	19	10 487 918	4 084 771
Net increase/(decrease) in cash and cash equivalents (b) - (a)		6 403 147	(710 306)
Effect of foreign exchange rate in cash and cash equivalents (c)		(162 415)	(821 132)
Net increase/(decrease) in cash and cash equivalents resulting from cash flows (b) - (a) - (c)		6 565 562	110 826

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 2018

(Amounts expressed in Euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, S.A., whose head-office is at Lugar do Espido, Via Norte, 4470-177 Maia, Portugal, is the parent company of a group of companies as detailed in notes 4 e 5 ("Group").

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

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

The main activity of the Group is the production and commercialization of wood-based panels and derivative products, through industrial plants and commercial facilities located in Portugal, Canada and South Africa (nota 39).

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying consolidated financial statements in a consistent way for all disclosed periods are as follows:

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the IFRS Interpretations Committee (IFRS IC), applicable to the period beginning 1 January 2018 and endorsed by the European Union.

2.1.1. In the year ended 31 December 2018, the following standards and interpretations, which have been endorsed by European Union, became effective:

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

IFRS 4 (amendment), Insurance contracts (applying IFRS 4 with IFRS 9). This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance, not being applicable at consolidated level;

IFRS 9 (new), Financial instruments. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements and recognition;

IFRS 15 (new), Revenue from contracts with customers. This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach;

IFRS 15 (amendment) Revenue from contracts with customers. This amendment refers to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition;

IAS 40 (amendment), Transfers of Investment property. This amendment clarifies when assets are transferred to or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer;

Annual Improvement 2014 - 2016. The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28;

IFRIC 22 (new), Foreign currency transactions and advance consideration. An Interpretation to IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions.

The application of the standards referred to in this point had no significant effects on these consolidated financial statements.

2.1.2. At 31 December 2018, the following standards and interpretations had been issued by IASB and had been endorsed by the European Union, but had not been applied as they only become effective in later periods:

IFRS 9 (amendment), Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). The

amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss;

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

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

With regard to IFRS 16 – Leases, which becomes effective 1 January 2019, the Group has decided to apply this standard to contracts that were previously identified as leases under IAS 17. The Group has decided to recognized at 1 January 2019 a lease liability which corresponds to the present value at that date of the remaining lease payments of contracts that had been classified as operating leases under IAS 17. That liability has been estimated to amount to approximately EUR 6.5 million. At the same date, the Group will recognized a right-of-use asset for the same amount. Comparative information will not be restated.

As for the remaining standards referred to in this point, the Group does not expect any significant effects from their future application.

2.1.3. At 31 December 2018, the following standards, effective 1 January 2017 or later, had been issued by IASB but still had not been endorsed by the European Union:

IAS 1 and IAS 8 (amendment), Definition of Material (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. Under this amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the user of financial statements make on the basis of those financial statements.

IAS 19 (amendment), Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling;

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

IFRS 3 (amendment), Business Combinations (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment clarifies that to be considered a business combination, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

IFRS 17 (new), Insurance Contracts (effective for anual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This standard will revoke IFRS 4 – Insurance Contracts and will be applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary features. IFRS 17 is based on current measure of technical liabilities at each reporting date. Current measure may be based on a building block approach or on a premium allocation approach. Recognition of service margin depends on whether it is positive or negative. IFRS 17 should be applicable retrospectively.

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment contains changes to several standards, whose references to the Conceptual Framework have been updated.

The Group does not expect any significant effects from the future application of these standards.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (note 4) and the joint ventures held by the Group (note 5), adjusted in the consolidation process whenever necessary, 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.

Management assessed the Group's capacity to keep on as a going concern using all relevant financial, commercial and other information, facts and circumstances, including subsequent events which were available at the reference date of these consolidated financial statements. As a result of this assessment, Management

came to the conclusion that the Group has adequate resources to keep its activities and that there is no intention to cease activities at short term, therefore considering adequate the preparation of these consolidated financial statements under a going concern basis.

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 control, directly or indirectly, were included in these consolidated financial statements using the full consolidation method.

The Group holds control of entities when it fulfils all the following conditions: (i) power over the entity; (ii) exposure, or rights, to returns from its involvement with the entity; and (iii) the ability to use its power over the entity to affect the amount of its own returns.

Equity and comprehensible income attributable to minority shareholders are shown separately, under the caption Non-controlling Interests, in the Consolidated Statement of Financial Position and in the Consolidated Income Statement, respectively.

Comprehensive income and the remaining items of net shareholders' funds are attributed to the holders of non-controlling interests, according to their interest, even if this caption turns negative.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities or, alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (note 2.2.c and 12). 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 of identified net assets. 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 control is gained or up to the effective date control is lost, 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, which reflects on the governance structure of these entities) and in associates (companies where the Group exercises significant influence through the participation on financial and operational decisions but does not hold its control or joint-control – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for on these consolidated financial statements in accordance with the equity method.

Under the equity method, investments are recorded at acquisition cost, under Investments in joint ventures or Investments in associates, on the Consolidated Statement of Financial Position, then adjusted by the amount corresponding to the Group's share of changes in equity (including net profit or loss) of the entity, against losses or profits in the period or against other comprehensive income for the period and against dividends received.

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the entity, at the time of acquisition, is recorded under Investments in joint ventures or Investments in associates, on the Consolidated Statement of Financial Position. If the difference between the acquisition cost and the fair value of the assets at the time of acquisition is negative, it is recognized as income in the period.

Adjustments to the financial statements of the entity are performed, whenever necessary, in order to adapt accounting policies to those used by the Group.

An assessment of investments in joint ventures and in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss that is shown to exist is stated on the Consolidated Income Statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value, unless the Group is committed beyond the value of its investment.

Gains on transactions with joint ventures or associates are eliminated proportionately to the Group's interest in these entities, against the carrying amount of investment. Losses are also eliminated, as long as it does not reflect an impairment situation.

Investments in joint-venture companies are detailed on note 5. At 31 December 2018, there were no investments in associates.

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 12).

Goodwill arising on the consolidation of subsidiaries located in foreign countries is accounted for on the functional currency of these subsidiaries and is then translated into the Group's reporting currency (euro) at the exchange rate of the closing date of these consolidated financial statements. Exchange rate differences arising from this translation are stated as Translation Reserve in Other accumulated comprehensive income.

Goodwill is not amortized, but it is subject to impairment tests on an annual basis. Impairment losses identified in the period are disclosed on the Consolidated Income Statement under Provisions and Impairment Losses, and cannot be reversed.

If the difference between the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities or, alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, and the fair value of the identifiable net assets acquired over cost is negative, this difference is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value.

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to euro using exchange rates at the closing date of these consolidated financial statements. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under Translation Reserves in Other accumulated comprehensive income. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Other reserves and accumulated earnings.

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the closing date of these consolidated financial statements.

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

Exchange rates used on translation to euro of foreign subsidiaries are listed below:

	31.12.2018		31.12.2017	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8945	0.8847	0.8872	0.8761
South African Rand	16.4582	15.5715	14.8060	14.9993
Canadian Dollar	1.5605	1.5294	1.5039	1.4631
American Dollar	1.1450	1.1799	1.1993	1.1272

Source: Bloomberg

2.3. Tangible fixed assets

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

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

Land and buildings are recognized for their revalued amounts, net of accumulated depreciation, in case of buildings, and impairment losses.

Increase in tangible fixed assets arising from revaluation is recognized through Other comprehensive income for the period revaluation occurs, which will thereafter be transferred to Other reserves and accumulated earnings of Consolidated Statement of Financial Position, to match the effect of selling the assets.

Further revaluation will be carried out and determined by independent appraisal whenever revalued amounts significantly differ from the carrying amount of revalued assets, never exceeding a five-year period between two successive revaluations.

The Group separately recognizes and depreciates the components of tangible fixed assets whose useful lives are significantly different from the related main asset's ones and the components that can only be used in connection with a specific asset.

These components are depreciated separately on the basis of their useful lives.

Repair and maintenance expenses are recognized in profit or loss in the period they occur.

Depreciation is calculated on a straight line basis, from the date the asset is available for use in the location and conditions to be operated in the manner intended by the Board of Directors, over the expected useful life for each class of assets.

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

	Years
Buildings	20 - 40
Plant & Machinery	2 - 25
Vehicles	5
Tools	5
Fixtures and Fittings	4 - 10
Other Tangible Assets	5

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are transferred to the captions of tangible fixed assets, according to their nature, and are depreciated from the date they are available for use.

Residual values, useful lives and the depreciation method are assessed annually.

2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses. Intangible assets are only recognized if it is

probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognized as an expense recorded on the Consolidated Income Statement when it is incurred (note 34).

Expenditure on development is recognized as an intangible asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

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

Amortisation is calculated on a straight line basis from the date the asset is available for use, over the expected useful life, which ranges from three to six years.

2.5. Accounting for leases

Lease contracts are classified as (i) a finance lease, if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease, if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as finance or operating lease depends on the substance of the transaction rather than the form of the contract.

Tangible assets used by the Group under finance lease contracts, as well as the corresponding liabilities, are recorded on the Consolidated Statement of Financial Position for the lower of fair value of leased assets and the amount of minimum lease payments. In addition, interest included in rents, depreciation and impairment losses are recognized on the Consolidated Income Statement as expenses of the period they relate to. Depreciation and impairment losses are

calculated and recognized as set out in note 2.3 for tangible fixed assets. Whenever there is no reasonable certainty as to the acquisition of leased assets upon end of contract, the depreciation period of leased assets will be the lower of estimated useful life and leasing period.

Lease payments under operating lease contracts are recognized as an expense on the Consolidated Income Statement, on a straight line basis over the lease term.

2.6. Investment Properties

Investment properties are recorded at acquisition cost net of depreciation and of accumulated impairment losses. They comprise mostly land and buildings of operations which were discontinued and for which the Group has established lease contracts with third parties.

Useful lives and the depreciation method are the ones set out in note 2.3. for tangible fixed assets.

2.7. Non-current assets held for sale

Non-current assets are stated under Non-current assets held for sale, on the Consolidated Statement of Financial Position, if their carrying amounts will be recovered mainly through a sale transaction rather than through continuing use.

Carrying amount will be recovered through sale when non-current assets are available for immediate sale in their present conditions and the probability of concluding a sale transaction in the following twelve months is high.

Non-current assets held for sale may be either an individual asset or a disposal group when a group of assets is included in the same sale transaction. Disposal groups may include current assets and liabilities as long as they are included in the same sale transaction. Current and non-current assets and liabilities are stated on the Consolidated Statement of Financial Position under Non-current assets held for sale and Liabilities directly associated with non-current assets held for sale, respectively.

Non-current assets held for sale and disposals groups are measured at the lower of cost and fair value less estimated costs to sell.

Depreciation of depreciable assets ceases after classification as Non-current assets held for sale.

2.8. Government and other public entities grants

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognized on the Consolidated Income Statement in accordance with the relevant expense.

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

2.9. Impairment of non-current assets, except for deferred taxes

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

Assets are assessed for impairment individually. In case of tangible fixed assets that cannot autonomously produce cash flows, impairment is assessed for the cash-generating unit to which the asset is assigned (note 29). Whenever a cash-generating unit includes intangibles assets without defined useful life, impairment is assessed, irrespective of events that may indicate that the carrying amount of the cash-generating unit may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized on the Consolidated Income Statement under Provisions and impairment losses. For tangible fixed assets that were revalued,

occurring impairment losses are recognized under Revaluation of tangible fixed assets, on the Consolidated Statement of Comprehensive Income, until the revaluation effect is offset. Any additional impairment is recognized on the Consolidated Income Statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded on the Consolidated Income Statement under Provisions and impairment losses. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years. Impairment losses on goodwill are not reversible.

2.10. Borrowing costs

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

The remaining borrowing costs are recognized as an expense in the period in which they are incurred.

2.11. Inventories

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress, respectively.

2.12. Provisions

Provisions are recognized when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation.

When a significant time delay occurs between the onset of the obligation and the related expenditure, related provision is recognized for its present value.

Provisions are reviewed and adjusted at the reporting date to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

Increase and utilization or reversal of provisions are recognized under Provisions and Impairment losses on the Consolidated Income Statement.

2.13. Financial assets, financial liabilities and equity instruments

Financial assets and financial liabilities are initially recognized at their fair value, except for Trade debtors which do not contain a significant financing component, which are initially measured at their transaction prices. Transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to the fair value of an instrument which is not measured at fair value through profit or loss.

Financial assets can be subsequently classified into the following categories:

i) Financial assets measured at amortized cost;

A financial asset is measure at amortized cost if both of the following conditions are met:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets measured at fair value through other comprehensive income;

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However an entity may make and irrevocable election at initial recognition for particular investments in equity instruments that would

otherwise be measure at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Financial liabilities can be subsequently classified into the following main categories:

i) Financial liabilities measured at amortized cost;
ii) Financial liabilities measured at fair value through profit or loss;

These financial assets and liabilities are stated on the Consolidated Statement of Financial Position under different classes of assets and liabilities, in accordance with the nature of each instrument.

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.

The Group holds the following financial instruments, which may be either financial assets, financial liabilities or equity instruments:

a) Accounts receivable

Receivables are initially recognized at the transaction price, unless they contain a significant financing component, in which case they are initially recognized at fair value. Receivables are subsequently recognized at amortized cost and stated on the Consolidated Statement of Financial Position stated net of accumulated impairment losses.

Impairment losses are measured for an amount equal to the asset's lifetime expected credit loss and recognized at each reporting date.

Accounts receivable are stated on the Consolidated Statement of Financial Position as current assets unless they mature after twelve months from the balance sheet date, in which case they will be stated as non-current assets.

b) Loans

Loans are initially recorded as liabilities at their fair value, which generally corresponds to nominal value, net of up-front fees and commissions

(transaction costs) related to the issuance of those instruments. They are subsequently measured at amortized cost using the effective interest method, which uses the effective interest rate to calculate interest expenses, recorded on the Consolidated Income Statement on an accruals basis, in accordance with the accounting policy defined on note 2.10.

c) 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 hedging instruments may be used by the Group mainly to hedge interest rate risks on loans obtained (Interest Rate Swap contracts) and exchange rate risks (Forward contracts). Conditions established for these cash flow hedging 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. The inefficiencies, if any, are accounted under Financial income or Financial expenses, 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 transaction being hedged is highly probable.

Cash flow hedge instruments that may be used by the Group to hedge the exposure to changes in interest and exchange rates are initially accounted for at cost, if any, which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded under Other Comprehensive Income, on the Consolidated Statement of Comprehensive Income, and

under Accumulated other comprehensive income, on the Consolidated Statement of Financial Position, and then recognized in the Consolidated Income Statement over the same period in which the hedged instrument affects profit or loss.

The accounting of hedging 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 other 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 the revaluations are recorded in the Consolidated Income Statement.

The Group may also use financial instruments with the purpose of cash flow hedging, that essentially refer to exchange rate hedging (Forwards contracts) of loans and commercial operations. These forwards do not qualify for hedge accounting due to uncertainty on the effective date of its underlying transactions. 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.

In some derivative transactions the Group does not apply hedge accounting, although they intend to hedge cash-flows (currency forward, interest's rate option or derivatives including similar clauses). They are initially accounted for at cost, and subsequently adjusted to the corresponding fair value, determined by specialized software (under the terms described on note 22). Changes in fair value of these instruments are recognized in the Consolidated Income Statement under Financial income and Financial expenses.

Derivative instruments are stated on the Consolidated Statement of Financial Position under Other current assets and Other current liabilities (note 22).

d) Trade creditors

Trade creditors and other accounts payable are initially recorded at fair value, which corresponds to its nominal value, as no interest is paid and financial discount is deemed to be not relevant.

e) 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.

f) 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.

2.14. Post-employment benefits

As referred to in note 25, some of the Group companies are committed to provide benefits to their employees when they get retired. These commitments are considered as defined benefit plans, and autonomous pension funds have been established to this effect.

In order to estimate its obligations, the Group obtains, annually, actuarial valuations according to the “Projected Unit Credit Method”.

Remeasurements (actuarial gains or losses) arising from experience adjustments, from changes in demographic and financial assumptions and from the difference between the actual return on assets and the share in net interest are recognized through Other comprehensive income, under Net Shareholders’ Funds.

Net interest results from the product of discount rates, which are derived from high quality bonds, and the amount of liabilities deducted by the fair value of plan assets.

Past service costs are recorded immediately through profit or loss for the period.

Obligations recorded at the closing date of the consolidated financial statements reflect the present value of obligations for defined benefits adjusted for remeasurements, net of the fair value of net assets of the pension fund.

2.15. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed in the notes to the financial statements when future economic benefits are probable.

2.16. Income tax

Income tax for the period is calculated based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation, considering the period net profit and using the estimated effective average annual income tax rate.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each closing date a review is made of the deferred tax assets recognized, which are reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except for: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities that do not result from a business combination and that do not affect the accounting or tax result at the date of transaction. However, regarding temporary taxable differences relating to investments in subsidiaries, they should not be recognized in so far as: (i) the parent company has the ability to control the period of reversal of the temporary difference; and (ii) it is likely that the temporary difference will not reverse in the near future.

Deferred tax assets and liabilities are recorded on the Consolidated Income Statement, except if they relate to items directly recorded in Other comprehensive income, in which case the corresponding deferred tax is recorded therein.

2.17. Revenue recognition and accrual basis

Revenue is recognized in relation with contracts with customers: (i) that have been approved (orally or in writing) by all the parties; (ii) for which the Group can identify each party's rights regarding the goods and services to be transferred; (iii) for which the Group can identify the payment terms of goods and services to be transferred; (iv) that have commercial substance; and (v) for which it is probable that the Group will collect the consideration to which it is entitled for the goods and services transferred to the customer.

Revenue is recognized for each performance obligation included in a contract with customers that have the characteristics set out above, when the customer is invoiced. There are no significant differences, if any, between the moment the invoice is issued and the moment the customer obtains control of the goods and services transferred, which typically occurs upon shipment or delivery. Performance obligations are generally satisfied at a point in time.

Revenue from sale of goods and products arising from the Group's main activity are recognized under Sales, on the Consolidated Income Statement. Sales of all remaining products are recognized under Other income and gains (Supplementary revenue). Revenue from services rendered by the Group are recognized under Services rendered.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced and settled 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.

Goods and products sold by the Group result mostly from its main activity, which is the production of wood based panels and derivatives. Group's products have technical specifications which are defined in accordance with existing law, internal and external standards. These technical specifications may be accessed by the customers on the Group's website or upon request. If products sold do not meet the technical specifications assumed by the Group or if they have any damage, the customer can claim a refund or a product replacement. The Group does not assume any time-limited warranty for its products (warranties against production defects that are extended over a specific period of time).

The Group has not recognized as an asset any costs incurred in fulfilling contracts with customers.

Contracts with customers entered into by the Group do not contain a significant financing component.

2.18. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the Consolidated Income Statement as the difference between the sale price and the net book value at date of sale or write-off, under the captions Other income and gains and Other expenses and losses.

2.19. Balances and transactions expressed in foreign currencies

Transactions are recorded on individual financial statements of subsidiaries on their functional currency, using applicable exchange rates on transaction date.

At each closing date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional

currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between exchange rates on transaction date and those prevailing at the date of collection, payment or the date of the financial statements, are recorded as operating income or expenses of the period, in case of operating transactions, or as finance income and expenses, in case of financial transactions, on the Consolidated Income Statement. Exchange differences related to non-monetary assets or liabilities whose change in fair value is directly recognized in equity are also recognized under equity.

When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (note 2.13.f)).

2.20. Liability for medium term incentive plan

Each year, the Company and its subsidiaries grant their employees that belong to a functional group classified as Executive or above a compensation which is related to the value added in the previous year for the shareholders, to be paid after a 3-year period in case the executive is still in the company.

This compensation, which consists in a monetary obligation, is stated under Other non-current liabilities and Other current liabilities, on the Consolidated Statement of Financial Position.

2.21. Subsequent events

Events after the closing date that provide additional information about conditions that existed at the Consolidated Statement of Financial Position date are reflected in the consolidated financial statements (adjusting events). Events after the closing date that are non-adjusting events are disclosed in the notes to the consolidated financial statements, when material.

2.22. Segment information

At the reporting date, reportable segments are assessed on the basis of the internal reporting system of financial information (note 39).

2.23. Judgments and estimations

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

a) Useful lives of tangible and intangible assets (notes 2.3, 2.4, 9, 10 and 11);
b) Impairment analysis of accounts receivable (notes 15 and 16);
c) Adjustments to assets, namely fair value adjustments and, relating to inventories, write-down to net realizable value (note 7, 14 and 29);
d) Calculation of post-employment liabilities (notes 25);
e) Calculation of provisions and impairment losses on intangible assets and tangible fixed assets (note 29);
f) Calculation of income tax (note 37);
g) Quantification of contingencies (note 40);
h) Assessment of impairment indications.

These estimations were based on the best available information at the date these consolidated financial statements were prepared and were based on the knowledge and experience of present and past events. Notwithstanding, some situations may occur in future periods, which were not included in present estimations, as they were not foreseeable. Changes to estimations after these financial statements date will be prospectively corrected through the Consolidated Income Statement, in accordance with IAS 8.

Main estimations and assumptions relating to future events included in these consolidated financial statements are described in the correspondent notes.

2.24. Disclosure of non-recurring items

The Group discloses non-recurring items included under operating captions, except under amortization, depreciation, provisions and impairment losses, but including impairment losses on trade debtors, aiming to assist the readers of its consolidated financial statements to better assess the trend of future results.

Non-recurring items include those events that are infrequent, unusual, exceptional, unique or residual, therefore not expected to occur regularly in the context of the Group's normal activity. In particular, the Group classifies as non-

recurring items reimbursements from insurance, expenditure related to fines and penalties and income or expenses related to or following the discontinuing of assets, including:

- Gains or losses on sale or write-off of tangible fixed assets or intangible assets;
- Restructuring expenses;
- Termination expenses;
- Income and expenses of an entity or part of an entity that was internally classified as inactive.

All items that are not classified as non-recurring are therefore classified as recurring.

2.25. Fair value of assets and liabilities

If an active market is available, market price is used for determining asset and liability fair value. This corresponds to level 1 of fair value hierarchy, as defined in IFRS 13 – Fair Value measurement.

If an active market is not available, valuation techniques generally used in the market are utilized, based on market assumptions. The resulting fair value corresponds to level 2 of fair value hierarchy, as defined in IFRS 13. When these techniques use mostly or exclusively unobservable information, the resulting fair value corresponds to level 3 or fair value hierarchy, as defined on the aforementioned standard.

2.26. Risk management

a) Credit Risk

i) Receivables (Customers)

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

The main objective of Sonae Indústria Credit Risk Management policy is to guarantee the effective collection of its operating receivables, according to

the most commercially adequate reduced payment terms, while maintaining the level of debtors' impairments as low as possible.

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

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

To foster the sharing of experiences, the alignment of procedures and practices and to ensure the enforcement of sound controlling rules, Sonae Arauco (a joint venture – note 5) promotes the "Customer's Credit Risk Management Forum".

ii) Other financial assets, other than receivables

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

b) Market Risk

i) Interest Rate Risk

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

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash

flow before net interest charges", which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria.

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

ii) Foreign Exchange Risk

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

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

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

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

iii) Liquidity Risk

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

For this purpose, liquidity management at the Group comprises:

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

Liquidity risk is analysed in note 23.

3. RELEVANT EVENTS

In October 2017, industrial plants of Mangualde and Oliveira do Hospital, which are controlled by Sonae Arauco, S. A., a company 50%-owned by Sonae Indústria, SGPS, S. A., were hit by serious wild fires that affected central Portugal. As a consequence, wood yards, the exposed equipment within the wood yards and the electrical and cabling systems were significantly damaged, forcing these plants to stop operating. Operation was fully resumed in the first half of 2018, after reconstruction works were carried out.

Both plants are subject to a Group property damage and business interruption insurance policy, under which Sonae Arauco has been receiving compensation for the reinstatement costs of the buildings and machinery and business interruption losses.

The results of Sonae Arauco Group for the periods ended 31 December 2018 and 31 December 2017 include the following effects which arise from this event:

Accumulated gain for the insurance compensation for the reinstatement costs of buildings and machinery of EUR 39 689 187, of which EUR 32 026 094 were recognized on the Consolidated Income Statement for the period ended 31 December 2018, and the remaining EUR 7 663 093 were recognized on the Consolidated Income Statement for the period ended 31 December 2017.

Accumulated gain for the insurance compensation for damaged inventories and expenses related with fire-fighting, dismantling and cleaning of EUR 4 358 894, of which EUR 3 047 843 were recognized on the Consolidated Income Statement for the period ended 31 December 2018, and the remaining EUR 1 311 051 were recognized on the Consolidated Income Statement for the period ended 31 December 2017.

At the closing date of these consolidated financial statements, EUR 34 671 560 had been received from the insurers as compensation for the above mentioned costs and expenses.

Accumulated gain for the insurance compensation for business interruption losses of EUR 28 990 393, of which EUR 21 024 283 were recognized on the Consolidated Income Statement for the period ended 31 December 2018, and the remaining EUR 7 966 110 were recognized on the Consolidated Income Statement for the period ended 31 December 2017. At the closing date of these consolidated financial statements, EUR 10 000 000 had been received from the insurers as compensation for business interruption losses.

The accumulated gains recognized for the insurance compensation until 31 December 2018 have been agreed with the insurers.

Until the date of issue of these consolidated financial statements, an additional amount of EUR 32 628 440 was reimbursed by the insurers regarding the aforementioned gains and additional gains to be recognized in 2019.

The consolidated net profit of Sonae Arauco Group is recognized using the equity method in the Consolidated Income Statement Of Sonae Indústria for 50% of its

amount, under Gains and losses in joint ventures, which therefore include 50% of the abovementioned effects.

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 2018 and 31 December 2017 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.2018		31.12.2017		
			Direct	Total	Direct	Total	
	Frases e Frações - Imobiliária e Serviços, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Glunz UK Holdings, Ltd.	Liverpool (United Kingdom)	100.00%	100.00%	100.00%	100.00%	a)
	Glunz UkA GmbH	Meppen (Germany)	100.00%	100.00%	100.00%	100.00%	a)
	Isoroy, SAS	La Garenne-Colombes (France)	100.00%	100.00%	100.00%	100.00%	a)
	Maiequipa - Gestão Florestal, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Megantic B.V.	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%	a)
	Movelpartes - Comp. para a Indústria do Mobiliário, SA	Paredes (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Novodecor (Pty) Ltd	Woodmead (South Africa)	100.00%	100.00%	100.00%	100.00%	a)
	Parcelas e Narrativas - Imobiliária, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Poliface North America	Lac-Mégantic (Canada)	100.00%	100.00%	100.00%	100.00%	a)
	Sonae Indústria - Management Services, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Sonae Indústria - Soc. Gestora de Participações Sociais, SA	Maia (Portugal)	Parent	Parent	Parent	Parent	Parent
	Sonae Indústria de Revestimentos, SA	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
1)	Spanboard Products Ltd	Belfast (United Kingdom)	-	-	100.00%	100.00%	a)
	Tafisa Canada Inc	Lac-Mégantic (Canada)	100.00%	100.00%	100.00%	100.00%	a)
	Tafisa France S.A.S.	La Garenne-Colombes (France)	100.00%	100.00%	100.00%	100.00%	a)

a) Majority of voting rights;

1) Company dissolved on 16 October 2018.

The direct percentage of capital held refers to the direct investment of a group company in the subsidiary.

The total percentage of capital held relates to the direct and indirect ownership percentage held by the parent.

5. JOINT VENTURES

The joint ventures, their head offices, percentage of share capital held on 31 December 2018 and 31 December 2017 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.2018		31.12.2017		
			Direct	Total	Direct	Total	
	Sonae Arauco, S.A.	Madrid (Spain)	50.00%	50.00%	50.00%	50.00%	
	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100.00%	50.00%	100.00%	50.00%	a)
1)	Agloma Imobiliaria y Servicios, S. L.	Madrid (Spain)	-	-	100.00%	50.00%	a)
	Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Euroresinas - Indústrias Quimicas, S.A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	GHP Glunz Holzwerkstoffproduktions GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)
	Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Impaper Europe GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)
	Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50.00%	25.00%	50.00%	25.00%	b)
2)	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	-	-	100.00%	50.00%	a)
	Somit – Imobiliária, S.A.	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco Beeskow GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco Deutschland GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco Espana - Soluciones de Madera, S. L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco France SAS	La Garenne-Colombes (France)	100.00%	50.00%	100.00%	50.00%	a)
3)	Sonae Arauco Maroc SARL	Casablanca (Morocco)	100.00%	50.00%	-	-	a)
	Sonae Arauco Netherlands B. V.	Woerden (The Netherlands)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco Portugal, S.A.	Mangualde (Portugal)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco South Africa (Pty) Ltd.	Woodmead (South Africa)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco Suisse, S.A.	Tavannes (Switzerland)	100.00%	50.00%	100.00%	50.00%	a)
	Sonae Arauco (UK), Ltd.	Liverpool (United Kingdom)	100.00%	50.00%	100.00%	50.00%	a)
4)	Tafiber. Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	-	-	100.00%	50.00%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	50.00%	100.00%	50.00%	a)
	Tecmasa. Reciclados de Andalucia, S. L.	Madrid (Spain)	50.00%	25.00%	50.00%	25.00%	b)
	Tool, GmbH	Meppen (Germany)	100.00%	50.00%	100.00%	50.00%	a)

a) Company included in the consolidation perimeter of Sonae Arauco, S.A.;
b) Company whose investment is recognized on the consolidated financial statements of Sonae Arauco, S.A. using the equity method, as it is classified as a joint venture of this company.

1. Company dissolved on 13 July 2018;
2. Company merged with Tecnologias del Medio Ambiente, S. A. on 1 January 2018;
3. Company incorporated on 7 February 2018;
4. Company merged with Taiber, Tableros Aglomerados Ibéricos, S.A. on 1 January 2018.

The direct percentage of capital held refers to the direct investment of a group company in the subsidiary.

The total percentage of capital held relates to the ownership percentage held by the parent.

Level one fair value of investment in these companies is not available as shares representing their share capital are not listed.

5.1. Information about the joint control of joint ventures

Joint control of Sonae Arauco, S. A. was established by contract entered into in 2015 by Sonae Indústria, SGPS, S. A. and Arauco Internacional Limitada, a company of Arauco Group and is reflected on a joint decision making at the appropriate management levels of Sonae Arauco

Contractual provisions established that Sonae Indústria, SGPS, S. A. assumes certain legal and tax contingencies of Sonae Arauco and subsidiaries which relate to the period before the joint venture was set up. As a consequence, Sonae Arauco, S. A. has the right to be reimbursed by the total amount of payments done by the company or its subsidiaries with relation to the aforementioned contingencies, as well as relating to some businesses specifically referred to in the said agreement. Provisions, on the Consolidated Statement of Financial Position, included, at 31 December 2018, an estimation of the obligations already transferred to Sonae Indústria, S. A. (note 29). The ongoing contingencies regarded as relevant for disclosure purposes are described on note 40.

5.2. Information about the financial statements of joint ventures

Net assets and net profit/loss for these jointly-controlled companies, whose share was recognized on these consolidated financial statements under equity method, as stated on note 2.2.b), are detailed as follows:

	Sonae Arauco - Consolidated	
	31.12.2018	31.12.2017
Non-current assets	517 837 693	486 460 459
Current assets (without cash and cash equivalents)	217 573 340	203 319 660
Cash and cash equivalents	20 234 918	26 708 564
Non-current financial liabilities	234 035 312	181 836 027
Other non-current liabilities	73 156 014	82 277 751
Current financial liabilities	17 146 842	29 796 341
Other current liabilities	176 394 509	173 296 890

	Sonae Arauco - Consolidated	
	31.12.2018	31.12.2017
Operating revenues	875 135 451	846 696 381
Operating expenses (without Depreciation and amortization)	(764 289 161)	(754 053 610)
Depreciation and amortization	(44 103 785)	(43 550 736)
Interest income	761 650	740 714
Interest expense	(8 319 279)	(8 052 634)
Taxation	(6 406 550)	(8 725 379)
Net profit/(loss) from continuing operations (a)	23 953 497	25 629 081
Adjustments to the Group's accounting policies (b)	1 047 576	
Net profit/(loss) from continuing operations - adjusted (a) + (b)	25 001 073	25 629 081
Group's share on net profit/(loss) [(a) + (b)] x 0.5	12 500 537	12 814 541
Other comprehensive income (c)	(5 517 904)	1 483 988
Adjustments to the Group's accounting policies (d)	7 006 424	
Other comprehensive income - adjusted (c) + (d)	1 488 520	1 483 988
Group's share on other comprehensive Income [(c) + (d)] x 0.5	744 260	741 994

Consolidated net profit/(loss) from continuing operations (a) of Sonae Arauco include, namely, the following amounts, which have been reflected on the results of Sonae Indústria at 50%:

- Impairment loss recognized on the assets of the Horn power plant, in Germany, for EUR 5 005 094;

- Impairment loss recognized on the investment in LaminatePark GmbH & Co and on the shareholder's loan to this company, for EUR 15 903 516 (nota 41);

- Provision amounting to EUR 2 682 221, which corresponds to the expected present value of a probable fine to be imposed by the South African Competition Authority to Sonae Arauco South Africa (Pty) Ltd, a company controlled by Sonae Arauco, S. A.

Adjustments to the consolidated other comprehensive income of Sonae Arauco, S. A., which were done to comply with the accounting policies of Sonae Indústria Group, include EUR 4 027 000 relating to the revaluation of land and buildings carried out at 31 December 2018. This amount corresponds to the net carrying amount of land and buildings of Sonae Arauco Group deducted from the corresponding deferred taxes (the appraised value corresponds to level 3 of the fair value hierarchy). This revaluation was not done in the consolidated financial statements of Sonae Arauco, S. A. for the period ended 31 December 2018, which follow the cost model for subsequent measurement of all classes of tangible fixed assets.

Gains and losses in joint ventures, on the Consolidated Income Statement is detailed as follows:

	31.12.2018	31.12.2017
Group's share in the consolidated net profit/(loss) of joint ventures	12 500 537	12 814 541
Other effects in joint ventures		(2 460 980)
	12 500 537	10 353 561

In the period ended 31 December 2017, Other gains and losses in joint ventures include 50% of certain expenses incurred by the joint venture Sonae Arauco, S.A. which, under the partnership agreement entered into with the Arauco Group, are contractually transferred to Sonae Indústria, SGPS, SA. The amount corresponding to the remaining 50% of these expenses was included under Group's share in the consolidated net profit/(loss) of joint ventures, using the equity method.

5.3. Reconciliation of the carrying amount of investment in Sonae Arauco, S. A.

At 31 December 2018 and 31 December 2017, the carrying amount of the investment of Sonae Indústria, SGPS, S. A. in Sonae Arauco, S. A. is detailed as follows:

	31.12.2018	31.12.2017
Consolidated shareholders' funds of Sonae Arauco	254 913 274	249 281 675
Ownership interest	50%	50%
Group's share of shareholders' funds	127 456 637	124 640 837
Goodwill included in the investment	80 975 627	80 975 627
Effect of revaluation of tangible fixed assets (net of deferred tax)	4 027 000	
	212 459 264	205 616 464

6. FINANCIAL INSTRUMENTS

In the Consolidated Statements of Financial Position at 31 December 2018 and 31 December 2017, the following financial instruments are included:

31.12.2018	Assets ate amortized cost	Assets at fair value through profit or loss	Sub-total	Assets out of scope of IFRS 9	Total
Non-current assets					
Other investments	133 952		133 952		133 952
Current assets					
Customers	12 302 439		12 302 439		12 302 439
Other current debtors	40 684		40 684	83 676	124 360
Other current assets		27 676	27 676	2 005 615	2 033 291
Cash and cash equivalents	10 624 192		10 624 192		10 624 192
Total	23 101 267	27 676	23 128 943	2 089 291	25 218 234

31.12.2017	Assets ate amortized cost	Assets at fair value through profit or loss	Sub-total	Assets out of scope of IAS 39	Total
Non-current assets					
Other investments	130 487		130 487		130 487
Current assets					
Customers	13 591 178		13 591 178		13 591 178
Other current debtors	77 425		77 425	207 985	285 410
Other current assets		1 645	1 645	2 126 928	2 128 573
Cash and cash equivalents	4 084 771		4 084 771		4 084 771
Total	17 883 861	1 645	17 885 506	2 334 913	20 220 419

31.12.2018	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IFRS 9	Total
Non-current liabilities					
Bank loans - net of current portion		188 102 256	188 102 256		188 102 256
Other non-current liabilities				1 128 038	1 128 038
Current liabilities					
Current portion of non-current bank loans		15 192 246	15 192 246		15 192 246
Current bank loans		2 136 274	2 136 274		2 136 274
Trade creditors		21 567 484	21 567 484		21 567 484
Other current liabilities	5 621	2 486 969	2 492 590	9 433 841	11 926 431
Total	5 621	229 485 229	229 490 850	10 561 879	240 052 729

31.12.2017	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IAS 39	Total
Non-current liabilities					
Bank loans - net of current portion		197 650 071	197 650 071		197 650 071
Finance lease creditors - net of current portion		898 793	898 793		898 793
Other non-current liabilities				2 122 999	2 122 999
Current liabilities					
Current portion of non-current bank loans		11 949 858	11 949 858		11 949 858
Current bank loans		1 750 000	1 750 000		1 750 000
Finance lease creditors		500 227	500 227		500 227
Trade creditors		19 626 920	19 626 920		19 626 920
Other current liabilities	71 838	2 652 307	2 724 145	10 118 179	12 842 324
Total	71 838	235 028 176	235 100 014	12 241 178	247 341 192

Assets and liabilities out of the scope of IFRS 9 (IAS 39 for 31 December 2017) 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.

7. FAIR VALUE

Use of fair value in the preparation of these consolidated financial statements may be summarized as follows:

7.1. Financial assets and liabilities

	Financial assets					
	Measured at fair value		Not measured at fair value		Total	Description of used valuation techniques
	Level of fair value	Amount	Fair value quantified	Fair value not quantified*		
31.12.2018						
Non-current assets						
Other investments	-			133 952	133 952	-
Current assets						
Customers	-			12 302 439	12 302 439	-
Other current debtors	-			40 684	40 684	-
Other current assets	2	27 676			27 676	note 17, 22
Cash and cash equivalents	-			10 624 192	10 624 192	-
Total		27 676		23 101 267	23 128 943	
31.12.2017						
Non-current assets						
Other investments	-			130 487	130 487	-
Current assets						
Customers	-			13 591 178	13 591 178	-
Other current debtors	-			77 425	77 425	-
Other current assets	2	1 645			1 645	note 17, 22
Cash and cash equivalents	-			4 084 771	4 084 771	-
Total		1 645		17 883 861	17 885 506	

	Financial liabilities					
	Measured at fair value		Not measured at fair value		Total	Description of used valuation techniques
	Level of fair value	Amount	Fair value quantified	Fair value not quantified*		
31.12.2018						
Non-current liabilities						
Bank loans - net of current portion	-			188 102 256	188 102 256	-
Current liabilities						
Current portion of non-current bank loans	-			15 192 246	15 192 246	-
Current bank loans				2 136 274	2 136 274	-
Trade creditors	-			21 567 484	21 567 484	-
Other current liabilities	2	5 621		2 486 969	2 492 590	note 22, 28
Total		5 621		229 485 229	229 490 850	
31.12.2017						
Non-current liabilities						
Bank loans - net of current portion	-			197 650 071	197 650 071	-
Finance lease creditors - net of current portion	2		201 156	697 637	898 793	note 21
Current liabilities						
Current portion of non-current bank loans	-			11 949 858	11 949 858	-
Current bank loans				1 750 000	1 750 000	-
Finance lease creditors	2		107 615	392 612	500 227	note 21
Trade creditors	-			19 626 920	19 626 920	-
Other current liabilities	2	71 838		2 652 307	2 724 145	note 22, 28
Total		71 838	308 771	234 719 405	235 100 014	

* As it is estimated to not materially differ from carrying amounts.

7.2. Investment properties

Investment properties are recognized at cost as referred to on note 2.6. Their fair value is disclosed on note 11.

7.3. Tangible fixed assets

Land and buildings are recognized for their revalued amounts, which was determined as at 31.12.2017. The accounting policy regarding the periodicity of revaluation of these assets is stated on note 2.3.

The revalued amount of land and buildings is disclosed on note 9.

Fair value hierarchy is described on note 2.25.

8. INVESTMENTS

At 31 December 2018 and 31 December 2017 details of Investments are as follows:

	31.12.2018	31.12.2017
Investment in group companies excluded from consolidation		
Opening balance	36 969 914	36 969 914
Liquidation	36 969 914	
Closing balance		36 969 914
Accumulated impairment losses		36 969 914
Net investment in group companies excluded from consolidation		

	31.12.2018	31.12.2017
Investment in joint ventures		
Opening balance	205 616 464	195 908 535
Effect of equity method	13 249 147	15 369 886
Dividends	(6 406 347)	(5 661 957)
Closing balance	212 459 264	205 616 464

	31.12.2018	31.12.2017
Other investments		
Opening balance	134 476	134 810
Acquisition	3 465	2 076
Disposal		(2 410)
Closing balance	137 941	134 476
Accumulated impairment losses	3 989	3 989
Net other investments	133 952	130 487

In the period ended 31 December 2018, it was concluded the dissolution process of Tarnaise des Panneaux, a company formerly held indirectly by Sonae Indústria for 100% of its share capital. In 2001, this company was excluded from the consolidation perimeter of Sonae Indústria after the Group filed an insolvency request in the court of law, which reflected a loss of control on this entity. The investment on this company has since then been fully impaired on the Consolidated Statement of Financial Position.

Sonae Indústria has not identified any impairment indication regarding the carrying amount of its investment in Sonae Arauco joint venture which is recognized on the Consolidated Statement of Financial Position at 31 December 2018.

Other investments consist of equity instruments of external entities and contributions to a social security fund. They are recognized at cost, which is estimated to not materially differ from their fair value. Until 31 December 2017, these assets were designated as Available-for-sale assets. This designation was changed to Other investments as a result of IFRS 9 application (nota 2.1.1).

9. TANGIBLE FIXED ASSETS

In 2018 and 2017, movements in tangible fixed assets, accumulated depreciation and impairment losses were as follows:

	31.12.2018							
	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	97 133 999	262 567 210	2 581 162	96 237	3 478 555	214 703	7 907 292	373 979 158
Capital expenditure					155 701		10 446 939	10 602 640
Disposals	(4 760 609)	(3 592 193)	(637 247)		(310 791)			(9 300 840)
Transfers and reclassifications	(4 591)	11 418 563	820 513		198 676	129 886	(12 574 108)	(11 061)
Exchange rate effect	(2 620 642)	(8 851 016)	(84 943)		(69 485)	(182)	(196 626)	(11 822 894)
Closing balance	89 748 157	261 542 564	2 679 485	96 237	3 452 656	344 407	5 583 497	363 447 003
Accumulated depreciation and impairment losses								
Opening balance	38 343 362	183 688 922	1 893 568	94 601	3 282 682	206 119		227 509 254
Depreciations for the period	2 409 078	9 980 104	277 057	654	80 597	14 751		12 762 241
Impairment losses for the period - through P/L		55 225						55 225
Disposals	(2 102 648)	(2 210 298)	(637 247)		(306 908)			(5 257 101)
Exchange rate effect	(1 069 388)	(6 150 282)	(49 439)		(58 053)	(98)		(7 327 260)
Closing balance	37 580 404	185 363 671	1 483 939	95 255	2 998 318	220 772		227 742 359
Carrying amount	52 167 753	76 178 893	1 195 546	982	454 338	123 635	5 583 497	135 704 644

	31.12.2017							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Tangible Fixed Assets under construction	Total tangible fixed assets
Gross cost:								
Opening balance	91 307 802	272 235 761	2 612 591	143 635	3 621 704	218 223	3 971 483	374 111 199
Capital expenditure			288 181				10 947 162	11 235 343
Disposals	(14 505)	(3 116 953)	(373 755)	(47 398)	(102 388)	(3 477)		(3 658 476)
Revaluation	9 532 969							9 532 969
Transfers and reclassifications	332 735	7 734 041	185 424		71 991		(6 750 151)	1 574 040
Exchange rate effect	(4 025 002)	(14 285 639)	(131 279)		(112 752)	(43)	(261 202)	(18 815 917)
Closing balance	97 133 999	262 567 210	2 581 162	96 237	3 478 555	214 703	7 907 292	373 979 158
Accumulated depreciation and impairment losses:								
Opening balance	33 296 782	186 752 575	2 251 161	141 110	3 397 687	206 190		226 045 505
Depreciations for the period	2 227 653	9 654 342	116 885	794	83 600	3 412		12 086 686
Impairment losses for the period - through P/L	1 281 964	227 670						1 509 634
Disposals	(14 505)	(2 989 182)	(372 770)	(47 303)	(97 617)	(3 477)		(3 524 854)
Reversion of impairment losses for the period	(663 222)	(356 208)						(1 019 430)
Revaluation	3 736 123							3 736 123
Transfers and reclassifications		68 267						68 267
Exchange rate effect	(1 521 433)	(9 668 542)	(101 708)		(100 988)	(6)		(11 392 677)
Closing balance	38 343 362	183 688 922	1 893 568	94 601	3 282 682	206 119		227 509 254
Carrying amount	58 790 637	78 878 288	687 594	1 636	195 873	8 584	7 907 292	146 469 904

Exchange rate effect results mainly from the translation into euro of tangible fixed assets of subsidiaries whose functional currency is the Canadian Dollar (CAD).

During 2018 and 2017 no interest paid or any other financial charges were capitalized, in accordance with conditions defined on note 2.10.

At 31 December 2018, mortgaged tangible fixed assets amounted to EUR 120 743 778 (EUR 128 604 501 at 31 December 2017) as collateral for loans amounting to EUR 37 259 448 (EUR 37 380 912 at 31 December 2017).

On the same date, there were no commitments to the acquisition of tangible fixed assets.

At 31 December 2018, gross cost of totally depreciated or impaired tangible fixed assets amounted to EUR 82 691 975 (EUR 83 176 910 at 31 December 2017). In addition, tangible fixed assets which were inactive at 31 December 2018 amounted to EUR 2 573 411 (5 480 815 at 31 December 2017). These assets were not stated as Non-current assets held for sale as the required conditions for such a classification were not met.

At 31 December 2018 and 31 December 2017 details of tangible fixed assets used by the Group under financial leases were as follows:

	31.12.2018					31.12.2017
	Opening balance	Increases	Decreases	Other changes	Closing balance	Closing balance
Gross cost:						
Land and Buildings	5 121 453				5 121 453	5 121 453
Plant and Machinery	201 410			(7 306)	194 104	201 410
Vehicles	1 203 070		(596 250)	(31 767)	575 053	1 203 070
Fixtures and Fittings	283 139	152 139	(243 584)	(8 449)	183 245	283 139
Closing balance	6 809 072	152 139	(839 834)	(47 522)	6 073 855	6 809 072
Accumulated depreciation and impairment losses:						
Land and Buildings	661 651	106 950			768 601	661 651
Plant and Machinery	54 887	13 217		(2 254)	65 850	54 887
Vehicles	927 371	55 138	(596 250)	(22 864)	363 395	927 371
Fixtures and Fittings	282 725	3 577	(243 584)	(5 476)	37 242	282 725
Closing balance	1 926 634	178 882	(839 834)	(30 594)	1 235 088	1 926 634
Carrying amount	4 882 438	(26 743)		(16 928)	4 838 767	4 882 438

Minimum payments of finance lease are stated in note 21.2.

10. INTANGIBLE ASSETS

During 2018 and 2017, movements in intangible assets, accumulated amortization and impairment losses were as follows:

	31.12.2018								
	Development Costs	Patents, Royalties And Other Rights	Software		Assets Under Development		Total intangible assets		Total
	Non-internally generated	Non-internally generated	Internally generated	Non-internally generated	Internally generated	Non-internally generated	Internally generated	Non-internally generated	
Gross cost:									
Opening balance	40 493	89 514	1 849 333	119 823			1 849 333	249 830	2 099 163
Capital expenditure					11 474	12 730	11 474	12 730	24 204
Transfers and reclassifications			11 474		(11 474)				
Exchange rate effect			(52 128)			(253)	(52 128)	(253)	(52 381)
Closing balance	40 493	89 514	1 808 679	119 823		12 477	1 808 679	262 307	2 070 986
Accumulated depreciation and impairment losses									
Opening balance	40 493	69 112	1 726 755	119 823			1 726 755	229 428	1 956 183
Amortization for the period		6 075	71 146				71 146	6 075	77 221
Exchange rate effect			(48 867)				(48 867)		(48 867)
Closing balance	40 493	75 187	1 749 034	119 823			1 749 034	235 503	1 984 537
Carrying amount		14 327	59 645			12 477	59 645	26 804	86 449

	31.12.2017							
	Development Costs	Patents, Royalties And Other Rights	Software		Assets Under Development	Total intangible assets		Total
	Non internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Internally generated	Non internally generated	
Gross cost:								
Opening balance	40 493	89 514	1 828 556	119 823		1 828 556	249 830	2 078 386
Capital expenditure					107 162	107 162		107 162
Disposals			(3 803)			(3 803)		(3 803)
Transfers and reclassifications			107 162		(107 162)			
Exchange rate effect			(82 583)			(82 583)		(82 583)
Closing balance	40 493	89 514	1 849 332	119 823		1 849 332	249 830	2 099 162
Accumulated depreciation and impairment losses								
Opening balance	40 493	63 039	1 584 342	119 823		1 584 342	223 355	1 807 697
Amortization for the period		6 073	217 983			217 983	6 073	224 056
Disposals			(3 803)			(3 803)		(3 803)
Exchange rate effect			(71 767)			(71 767)		(71 767)
Closing balance	40 493	69 112	1 726 755	119 823		1 726 755	229 428	1 956 183
Carrying amount		20 402	122 577			122 577	20 402	142 979

At 31 December 2018, gross cost of totally amortized or impaired intangible assets amounted to EUR 1 869 845 (EUR 818 633 at 31 December 2017).

11. INVESTMENT PROPERTIES

During 2018 and 2017 movements in investment properties, accumulated depreciation and impairment losses were as follows:

	31.12.2018		31.12.2017	
	Cost	Total	Cost	Total
Gross cost:				
Opening balance	37 254 929	37 254 929	37 254 929	37 254 929
Increase				
Closing balance	37 254 929	37 254 929	37 254 929	37 254 929
Accumulated depreciations and impairment losses:				
Opening balance	31 253 886	31 253 886	31 002 982	31 002 982
Charge for the period	250 903	250 903	250 904	250 904
Closing balance	31 504 789	31 504 789	31 253 886	31 253 886
Carrying amount	5 750 140	5 750 140	6 001 043	6 001 043

	31.12.2018	31.12.2017
Rents from investment properties	400 460	377 303
Direct operating costs	268 478	257 172

At the closing date of these consolidated financial statements, Investment properties included the land and the buildings of Betanzos industrial plant, in Spain, which have been leased to third parts. These assets are recognized at historical cost. Fair value was calculated with reference to 31 December 2018 and amounted to EUR 6.9 million (EUR 6.3 million at 31 December 2017) through independent appraisal and corresponds to a level two of fair value hierarchy. Fair value was estimated, with reference to 31 December 2018, under a market approach and under a cost approach.

Revenue from investment properties is recognized under Services rendered on the Consolidated Income Statement.

12. GOODWILL ARISING ON CONSOLIDATION

During 2018 and 2017, movements in goodwill arising on consolidation were as follows:

	31.12.2018	31.12.2017
Gross value:		
Opening balance	347 082	347 082
Closing balance	347 082	347 082
Carrying amount	347 082	347 082

Goodwill stated on the Consolidated Statement of Financial Position refer to subsidiaries disclosed on note 4. Due to the reduced value of goodwill, the Company decided not to carry out an impairment analysis of its value in the year ended 31 December 2018.

13. DEFERRED TAXES

At 31 December 2018 and 31 December 2017, deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred Tax Assets	Deferred Tax Liabilities	
	31.12.2017	31.12.2018	31.12.2017
Harmonisation Adjustments		16 590 835	18 126 186
Provisions not Allowed for Tax Purposes	54 222		
Impairment of Assets	1 059 442		
Tax Losses Carried Forward	66 685		
Revaluation of Tangible Fixed Assets		2 292 370	2 441 232
Other Temporary Differences	281 811	280	1 368
	1 462 160	18 883 485	20 568 786

	Deferred tax assets		Deferred tax liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Opening balance	1 462 160	1 364 497	20 568 786	20 754 938
Effect on profit or loss of continuing operation				
Changes in temporary differences affecting profit or loss				
Harmonisation adjusments			(895 615)	(546 661)
Provisions not allowed for tax purposes	(51 556)	38 258		
Impairment of Assets	(1 059 442)	2 430		
Revaluation of tangible assets			(86 376)	(13 880)
Tax losses carried forward	(63 407)			
Other temporary differences	(281 811)	58 458	(1 005)	(405)
Subtotal (note 37)	(1 456 216)	99 147	(982 996)	(560 945)
Effect on other comprehensive income				
Changes in temporary differences affecting other comprehensive income				
Revaluation of tangible fixed assets				1 536 165
Subtotal				1 536 165
Effect of currency translation	(5 944)	(1 484)	(702 305)	(1 161 372)
Closing balance		1 462 160	18 883 485	20 568 786

Harmonization adjustments refer to the difference between amortization and depreciation for accounting and for tax purposes.

In accordance with International Financial Reporting Standards, the Group annually assesses deferred tax asset related to tax losses carried forward on the basis of cash flows projected over a five-year period. Taking into consideration these projection, the Group decided to reverse all of its deferred tax assets as recoverability was not assured.

According to the estimation of taxable profit or deductible loss for the fiscal year 2018 and according to the tax returns for the fiscal year 2017, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

	31.12.2017	
To be used until	Tax loss carried forward	Deferred tax asset
Without time limit	238 162	66 685
Total	238 162	66 685

Furthermore, at 31 December 2018 and 31 December 2017, tax losses for which no deferred tax asset was recognized are detailed as follows:

To be used until	31.12.2018		31.12.2017	
	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2018			11 447 823	2 403 207
2019	119 987	23 997	119 987	23 997
2020	125 939	25 188	125 939	25 188
2021	123 549	24 710	123 549	24 710
2022	5 721 436	1 188 629	4 074 921	842 861
2023	456 536	91 307	456 536	91 307
2024	71 379	14 276	71 379	14 276
2026	122 117	24 423	116 802	23 360
2027	77 209	15 775	33 325	6 998
2028	5 528 711	1 161 029	5 528 711	1 161 029
	12 346 863	2 569 334	22 098 972	4 616 933
Without time limit	761 541 680	201 403 290	762 164 101	236 304 881
Total	773 888 543	203 972 624	784 263 073	240 921 814

The amounts presented as a tax credit refer to the deferred tax asset that was not recorded in these consolidated financial statements, as the conditions required by International Financial Reporting Standards for that were not met. In the future, this deferred tax asset may be recorded, in part or by the total above quantified amount, if conditions required by International Financial Reporting Standards are fulfilled.

With regard to tax losses carried forward without time limit to be used, at 31 December 2018 there were EUR 653 393 692 related to subsidiaries located in France (EUR 653 352 685 at 31 December 2017).

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.

14. INVENTORIES

At 31 December 2018 and 31 December 2017, details of Inventories on the Consolidated Statements of Financial Position were as follows:

	31.12.2018	31.12.2017
Merchandise	321 312	1 467 476
Finished and intermediate products	9 259 282	7 408 605
Products and working in progress	640 028	576 291
Raw Materials and Consumables	8 937 726	8 496 688
	19 158 348	17 949 060
Accumulated write-down to net realizable value of inventories (Note 29)	934 312	950 946
	18 224 036	16 998 114

	31.12.2018		31.12.2017	
	Merchandise	Raw Materials and Consumables	Merchandise	Raw Materials and Consumables
Opening balance	1 467 476	8 496 688	1 562 647	9 231 598
Exchange rate effect	(72 346)	(247 521)	(43 819)	(386 547)
Purchases	12 150 099	110 133 889	13 339 580	108 017 794
Other changes				(1 137)
Closing balance	321 312	8 937 726	1 467 476	8 496 688
Change in inventories	13 223 917	109 445 330	13 390 932	108 365 020
Write-down to net realizable value of inventories		(89 645)	97 239	(66 704)
Total	13 223 917	109 355 685	13 488 171	108 298 316
Cost of sales - Consolidated Income Statement	122 579 602		121 786 487	

Inventories consist mainly of wood, raw boards, faced boards and chemical products.

15. TRADE DEBTORS

At 31 December 2018 and 31 December 2017, details of Trade debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2018			31.12.2017		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	12 423 906	121 467	12 302 439	14 008 405	417 227	13 591 178

		31.12.2018	31.12.2017
Not due		9 690 753	11 501 044
Due and not impaired			
	0 - 30 days	2 152 908	1 565 094
	30 - 90 days	149 803	73 456
	+ 90 days	297 442	308 625
		2 600 153	1 947 175
Due and impaired			
	0 - 90 days		113 242
	90 - 180 days	11 301	110 877
	180 - 360 days	1 709	
	+ 360 days	119 990	336 067
		133 000	560 186
	Total	12 423 906	14 008 405

16. OTHER CURRENT DEBTORS

At 31 December 2018 and 31 December 2017, details of Other current debtors on the Consolidated Statements of Financial Position were as follows:

		31.12.2018		31.12.2017	
		Gross Value	Net Value	Gross Value	Net Value
Other debtors		24 270	24 270	59 076	59 076
Related parties		16 413	16 413	18 349	18 349
	Financial Instruments	40 683	40 683	77 425	77 425
Other debtors		83 677	83 677	207 985	207 985
	Assets out of scope of IFRS 9 (IAS 39 at 31.12.2017)	83 677	83 677	207 985	207 985
	Total	124 360	124 360	285 410	285 410

	AGEING OF OTHER DEBTORS AND RELATED PARTIES	
	31.12.2018	31.12.2017
Not due	7 972	10 852
Due and not impaired		
0 - 30 days	23 845	28 682
30 - 90 days	996	
+ 90 days	7 870	37 891
	32 711	66 573
Total	40 683	77 425

17. OTHER CURRENT ASSETS

At 31 December 2018 and 31 December 2017, details of Other current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2018		31.12.2017	
	Gross Value	Net Value	Gross Value	Net Value
Derivatives instruments	27 676	27 676	1 645	1 645
Financial Instruments	27 676	27 676	1 645	1 645
Accrued income	321 549	321 549	287 210	287 210
Deferred expenses	1 684 066	1 684 066	1 839 718	1 839 718
Assets out of scope of IFRS 9 (IAS 39 at 31.12.2017)	2 005 615	2 005 615	2 126 928	2 126 928
Total	2 033 291	2 033 291	2 128 573	2 128 573

At 31 December 2018 and 31 December 2017, 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 22).

Deferred expenses include EUR 879 309 related to insurance expenses (EUR 929 454 at 31 December 2017) and EUR 499 921 related to expenses with financial instruments (EUR 537 337 at 31 December 2017).

18. OTHER TAXES AND CONTRIBUTIONS (CURRENT ASSETS)

At 31 December 2018 and 31 December 2017, details of Other taxes and contributions on the Consolidated Statements of Financial Position were as follows:

	31.12.2018	31.12.2017
Other taxes and contributions		
Value Added Tax	568 018	1 180 718
Others	984 696	915 538
	1 552 714	2 096 256

19. CASH AND CASH EQUIVALENTS

At 31 December 2018 and 31 December 2017, 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:

	31.12.2018	31.12.2017
Cash at Hand	5 840	6 556
Bank Deposits and Other Treasury Applications	10 618 352	4 078 215
Cash and Cash Equivalents on the Consolidated Statement of Financial Position	10 624 192	4 084 771
Bank Overdrafts	136 274	
Cash and Cash Equivalents on the Consolidated Statement of Cash Flows	10 487 918	4 084 771

At 31 December 2018, cash and cash equivalents held in a currency other than the Group's functional currency amounted to EUR 4 492 541 (EUR 3 548 078 at 31 December 2017).

At 31 December 2018, bank deposits and other treasury applications amounted to EUR 10 618 352 (EUR 4 078 215 at 31 December 2017). On that date, there were two sort-term bank deposits of more than EUR 1 000 000 each, made in two financial institutions with a rating level of P-1 and P-2 (Moodys).

20. SHAREHOLDERS' FUNDS

Consolidated shareholders' funds consist of the following items:

20.1. SHARE CAPITAL

At 31 December 2018 and 31 December 2017, the Company's share capital, which was fully underwritten and paid, amounted to EUR 253 319 797.26 and was represented by 45 403 029 ordinary, registered and nominative shares, without nominal value.

The following entities hold more than 20% of share capital, at 31 December 2018:

Entity	%
Efanor Investimentos, SGPS, S. A.	42.66
Pareuro BV	25.84

At 31 December 2018 and 31 December 2017, shares are not entitled to any fixed income.

20.2. LEGAL RESERVE

The caption Legal reserve includes the parent company's reserve set up in accordance with articles 295 and 296 of the Portuguese Company Law. In accordance with these legal provisions, at least 5% of the annual net profit (of the parent company) must be used to increase the legal reserve until it represents no less than 20% of share capital (of the parent company). This reserve cannot be distributed, unless the Company is dissolved, but it can be used to off set accumulated losses after all other reserves were fully used, and to increase share capital.

In the General Shareholders' Meeting occurred in 9 May 2018, an increase in legal reserve was approved for EUR 1 807 489.

20.3. 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.

20.4. 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;
- Hedging derivative instruments (note 22);
- Remeasurement of defined benefit obligations (note 25);
- Revaluation of tangible fixed assets (notes 2.3, 2.9 and 9);
- Group's share in accumulated other comprehensive income of joint ventures;
- Consolidation adjustments to any of the aforementioned components.

	Accumulated other comprehensive income Atributable to the parent's shareholders						
	Currency translation	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures		Income tax related to components of other comprehensive income	**Total**
				Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss		
Balance as at 1 January 2018	6 873 920	12 164 031	(86 071)	3 850 335	35 054 610	(2 569 547)	55 287 278
Consolidated other comprehensive income for the period	(2 564 945)		79 438	(2 731 548)	3 475 808		(1 741 247)
Tranferred to Other reserves and accumulated earnings		(206 632)					(206 632)
Others	(149 016)			(50 855)			(199 871)
Balance as at 31 December 2018	4 159 959	11 957 399	(6 633)	1 067 932	38 530 418	(2 569 547)	53 139 528

	Accumulated other comprehensive income Atributable to the parent's shareholders						
	Currency translation	Revaluation Reserve	Remeasurements on defined benefit plans	Share of Other Comprehensive Income of Joint Ventures		Income tax related to components of other comprehensive income	**Total**
				Which may be subsequently transferred to profit or loss	Which may not be subsequently transferred to profit or loss		
Balance as at 1 January 2017	11 114 057	6 367 184	(192 092)	4 468 623	33 694 328	(1 033 382)	54 418 718
Other consolidated comprehensive income for the period	(4 240 137)	5 796 847	106 021	(618 288)	1 360 282	(1 536 165)	868 560
Balance as at 31 December 2017	6 873 920	12 164 031	(86 071)	3 850 335	35 054 610	(2 569 547)	55 287 278

At 31 December 2018 and 31 December 2017, Currency translation reserve refers mostly to the subsidiary Tafisa Canada Inc.

21. LOANS

As at 31 December 2018 and 31 December 2017 Sonae Indústria had the following outstanding loans:

	31.12.2018			
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Current portion of non-current bank loans	15 192 246		15 192 246	
Bank loans	2 136 274	188 102 256	2 136 274	189 112 411
Obligations under finance leases	529 015	491 753	529 015	491 753
Gross debt	17 857 535	188 594 009	17 857 535	189 604 164

	31.12.2017			
	Amortized cost		Nominal value	
	Current	Non-current	Current	Non-current
Current portion of non-current bank loans	11 949 858		11 949 858	
Bank loans	1 750 000	197 650 071	1 750 000	199 012 843
Obligations under finance leases	500 227	898 793	500 227	898 793
Gross debt	14 200 085	198 548 864	14 200 085	199 911 636

The maturity schedule of these loans is detailed on note 23.

There are leasing contracts subject to a fixed interest rate. As of 31 December 2018, the fair value of the minimum lease payments was calculated, which does not present any materially relevant difference in relation to the amounts recorded under Finance lease creditors, on the Consolidated Statement of Financial Position.

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

	2018	2017
Bank loans	4.35%	4.23%
Finance leases	4.67%	5.18%

Bank overdrafts were not included in the calculation of average interest rates as they amounted to irrelevant values.

At 31 December 2018, the total amount of outstanding debt in respect of which the creditors have the possibility to consider as due, in the event of a shareholder change, was approximately 158 million euros (81% of the carrying amount of net consolidated debt).

21.1. Bank Loans

Bank loans presented in the table in note 21 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 2018 and 31 December 2017 is detailed in the following table:

	31.12.2018			
Company	**Non-current**	**Current**		Total
		Short term portion	Short term	
Sonae Indústria-SGPS,SA	152 100 000	14 000 000	2 135 022	168 235 022
Tafisa Canada Inc.	34 012 411	192 246		34 204 657
Sonae Industria de Revestimentos,SA	3 000 000	1 000 000		4 000 000
Isoroy SAS			1 252	1 252
	189 112 411	15 192 246	2 136 274	206 440 931

	31.12.2017			
Company	**Non current**	**Current**		Total
		Short term portion	Short term	
Sonae Indústria-SGPS,SA	160 651 145	11 900 000	1 750 000	174 301 145
Tafisa Canada Inc.	34 361 698	49 858		34 411 556
Sonae Industria de Revestimentos,SA	4 000 000			4 000 000
	199 012 843	11 949 858	1 750 000	212 712 701

Figures on the previous table correspond to the nominal values of bank loans disclosed on note 21.

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 31.12.2018)	Currency	Outstanding principal at 31.12.2018 (EUR)	Outstanding principal at 31.12.2017 (EUR)
Tafisa Canada Inc.	Bank loan (*Revolving*) [1]	July 2011	October 2023	CAD	33 259 448	33 380 912
Sonae Indústria, SGPS, S.A.	Commercial paper programme	June 2013	June 2023 Note: programme without subscription guarantee	EUR	2 000 000	1 750 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2014	to be repaid from May 2020 to May 2022	EUR	8 100 000	7 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme [2]	May 2016	to be repaid from May 2019 to May 2021	EUR	136 500 000	143 500 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	July 2019	EUR	4 000 000	4 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme	July 2016	last amortization occured in July 2018, in accordance with contractual provisions	EUR		1 000 000
Sonae Indústria, SGPS, S.A.	Commercial paper programme [3]	December 2016	to be repaid from June 2018 to December 2019	EUR	7 500 000	16 000 000
Sonae - Indústria de Revestimentos, S. A.	Bank loan	September 2017	to be repaid from March 2019 to September 2022	EUR	4 000 000	4 000 000
Sonae Indústria, SGPS, S. A.	Commercial paper programme [4]	June 2018	to be repaid from December 2019 to June 2021	EUR	10 000 000	N/A
Others				EUR	1 081 483	1 581 789
Total				**EUR**	**206 440 931**	**212 712 701**

1) This agreement requires two financial ratios calculated based on the individual financial statements of Tafisa Canada Inc: a ratio of Financial Liabilities / (Equity + Financial Liabilities) and another ratio EBITDA / Cash flows from net interest and similar charges. These ratios are tested on a quarterly basis until the end of the financing and failure may lead to early repayment of the loan;
2) The shares of subsidiaries Megantic BV and Tafisa Canada Inc were pledged as collateral for this loan. In this agreement, Sonae Indústria, SGPS, SA is obliged to maintain a certain maximum level of Financial Debt calculated based on the Company's individual financial statements, also committing itself to a maximum Net Debt / EBITDA ratio for Tafisa Canada Inc, which is calculated based on the individual financial statements of this subsidiary. Failure to comply with any of these ratios may lead to the anticipated maturity of the loan;
3) Under this financing, Sonae Indústria SGPS, SA pledged the shares of its subsidiary Parcelas e Narrativas - Imobiliária, SA. Under this agreement, Sonae Indústria, SGPS, SA is obliged to maintain a ratio of Financial Autonomy (Total Equity / Total Assets). This ratio is tested annually from December 31, 2016 until the end of the financing, based on the Company's consolidated financial statements, and its failure may lead to the early maturity of the loan;
4) Under this agreement, Sonae Indústria, SGPS, S. A. is obliged to maintain a minimum level of Financial Autonomy (Total Equity / Total Assets). This ratio is tested annually from 31 December 2018 until the end of the financing, based on the Company's consolidated financial statements, and its failure may lead to early maturity of this loan.

N/A – loans that did not exist as of 31 December 2017.

Figures on the previous table correspond to the nominal value of bank loans disclosed on note 21.

The aforementioned contracts are subject to variable interest rates.

At 31 December 2018, the aforementioned ratios associated with existing loans fulfilled the contractually established limits.

At 31 December 2018, in addition to mortgaged tangible fixed assets disclosed on note 9, there were other assets amounting to EUR 27 549 025 (EUR 26 613 983 at 31 December 2017) which were pledged as collateral for the Group's liabilities. These assets consisted mostly in inventories and accounts receivable.

21.2. Financial lease creditors

Details of finance leases creditors at 31 December 2018 and at 31 December 2017 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
2018		559 407		500 227
2019	568 053	518 451	529 015	482 791
2020	416 707	367 105	403 047	355 254
2021	89 737	61 472	88 706	60 748
	1 074 497	1 506 435	1 020 768	1 399 020
Lease creditors - current			529 015	500 227
Lease creditors - non-current			491 753	898 793

Assets recognized under finance lease arrangements are stated on note 9.

Liabilities arising from leases are secured by the lessor's ownership of the leased assets.

21.3. Cash Flows

Amounts stated under cash receipts arising from loans obtained and cash payment arising from loans obtained, on financing activities of the Consolidated Statement of Cash Flows include the rollover of commercial paper programmes detailed on note 21.1.

Financial liabilities (nominal value) arising from financial activities, which are disclosed on note 21, are detailed as follows:

		31.12.2018					
Consolidated Statement of Financial Position		Opening balance	Increase	Decrease	Exchange rate effect	Others	Closing balance
Non-current liabilities:							
Bank loans - net of current portion		199 012 843	8 499 920	7 955 882	(1 264 663)	(9 179 806)	189 112 412
Finance lease creditors - net of current portion		898 793	152 139	477 304	(7 576)	(74 299)	491 753
Current liabilities:							
Current portion of non-current bank loans		11 949 858		32 680	(4 738)	3 279 806	15 192 246
Current bank loans		1 750 000	1634 086 274	1639 600 000		5 900 000	2 136 274
Current portion of non-current finance lease creditors		500 227		41 368	(4 143)	74 299	529 015
Total		214 111 721	1642 738 333	1648 107 234	(1 281 120)		207 461 700
Movements which do not affect cash flows:							
Finance lease creditors - net of current portion	(-)		152 139				
Overdrafts (classified under Cash and cash equivalents on the Consolidated Statement of Cash Flows)	(-)		136 274				
Others	(-)			2 993			
Total			1642 449 920	1648 104 241			

Consolidated Statement of Cash Flows	Cash receipts from	Cash payments to
Financing activities:		
Loans obtained	1642 449 920	1647 588 599
Finance lease creditors		515 642
Total	1642 449 920	1648 104 241

		31.12.2017					
Consolidated Statement of Financial Position		Opening balance	Increase	Decrease	Exchange rate effect	Others	Closing balance
Non-current liabilities:							
Bank loans - net of current portion		216 670 581	19 928 995	14 728 550	(2 041 096)	(20 817 087)	199 012 843
Finance lease creditors - net of current portion		1 132 741	288 181	427 938	(6 890)	(87 301)	898 793
Current liabilities:							
Current portion of non-current bank loans		390 967		102 536	(5 661)	11 667 088	11 949 858
Current bank loans		1 500 000	835 900 000	844 800 000		9 150 000	1 750 000
Current portion of non-current finance lease creditors		417 272			(4 345)	87 300	500 227
Total		220 111 561	856 117 176	860 059 024	(2 057 992)		214 111 721
Movements which do not affect cash flows:							
Finance lease creditors - net of current portion	(-)		288 181				
Total			855 828 995	860 059 024			

Consolidated Statement of Cash Flows	Cash receipts from	Cash payments to
Financing activities:		
Loans obtained	855 828 995	(859 631 085)
Finance lease creditors		(427 939)
Total	855 828 995	(860 059 024)

22. FINANCIAL DERIVATIVES

The fair value of derivative instruments is stated as follows:

	Other current assets		Other current liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Derivatives at fair value through profit or loss				
Exchange rate forwards (notes 17 and 28)	27 676	1 645	5 621	71 838
	27 676	1 645	5 621	71 838

22.1. Derivatives at fair value through profit or loss

They consist of exchange rate derivatives (forwards) over which no hedge accounting was applied.

The fair value of exchange rate forwards was determined using derivative valuation software and external appraisals when software do not allow some derivatives to be valued, and consisted in updating the receivable/payable amount at maturity date to the closing date of the consolidated financial statements (level 2 of fair value hierarchy). Receivable/payable amount, which was used for valuing, corresponds to the amount denominated in foreign currency multiplied by the difference between the contracted exchange rate and the market exchange rate at the maturity date that was determined at valuation date (forward exchange rate determined between valuation and maturity date using market information).

Gains and losses resulting from changes in fair value are stated under the item Adjustments to fair value of financial instruments at fair value through profit or loss (notes 32 and 33), which corresponds to a net gain of EUR 78 585 (net loss of EUR 150 913 in 2017).

Derivative instruments recognized at fair value through profit or loss held by the Group at 31 December 2018 fully mature in 2019.

22.2. Derivatives at fair value through reserves

In 2018 and 2017 no derivative financial instruments at fair value through reserves were contracted.

23. FINANCIAL RISKS

23.1. Liquidity risk

Liquidity risk described in note 2.26, c) related to gross debt referred to in note 21, can be analysed as follows:

	31.12.2018		
	Maturity of gross debt (note 21)	Interest	Total
2019	17 857 535	7 282 428	25 139 963
2020	47 695 293	6 004 065	53 699 358
2021	104 280 952	2 880 533	107 161 485
2022	4 192 246	1 183 534	5 375 780
2023	33 435 673	942 666	34 378 339
	207 461 699	18 293 226	225 754 925

	31.12.2017		
	Maturity of gross debt (note 21)	Interest	Total
2018	14 200 085	7 399 956	21 600 041
2019	19 483 418	6 958 108	26 441 526
2020	47 404 736	5 608 920	53 013 656
2021	131 641 142	1 977 866	133 619 008
2022	1 199 482	17 031	1 216 513
2023	182 858		182 858
	214 111 721	21 961 881	236 073 602

The calculation of interest in the previous table was based on interest rates at 31 December 2018 and 31 December 2017 applicable to each item of debt. Gross debt maturing in 2019 (2018) includes scheduled repayment of debt along with the repayment of debt as at end 2018 (2017) which is maturing within less than one year.

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

23.2. Market risk

23.2.1. Interest rate risk

The analysis of interest rate risk, described on note 2.26, b), i), consisted in calculating the way net profit before tax for 2018 and 2017 would have been impacted if there would have been a change of +0.75 or -0.75 percentage points in interest rates that were determined for the corresponding periods:

	Sensitivity Analysis					
	2018			**2017**		
	"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	172 933 910	(1 222 132)	1 222 132	179 391 401	(1 133 789)	1 133 789
CAD	34 527 789	(241 615)	241 615	34 720 320	(275 480)	275 480
	207 461 699	(1 463 747)	1 463 747	214 111 721	(1 409 269)	1 409 269

The sensitivity analysis disclosed in the previous table excludes bank overdrafts and borrowings which are not subject to change in interest rate.

Considering Euribor 6 months as a reference indicator for Euro interest rates, a change of 0.75 percentage points corresponds to 84.4 times the standard deviation of that variable in 2018 (48.9 times in 2017).

23.2.2. Exchange rate risk

With respect to exchange rate risk, described in note 2.26., b), ii), the following calculations were performed:

a) Sensitivity analysis of amounts denominated in a currency other than the functional currency of each company included in the consolidation, by considering a change of +1% and -1% in actual 2018 and 2017 closing exchange rates of each currency against the Euro.

i) Loans (-) net of treasury applications (+)

At 31 December 2018 and 31 December 2017, the Group had no outstanding loans or treasury applications held in a currency other than the functional currencies of its subsidiaries.

ii) Other balances: net assets (+) and net liabilities (-)

	Amount held in foreign currency		Eur equivalent		Sensitivity analysis (EUR)			
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	2018		2017	
					-1%	1%	-1%	1%
USD	1 823 848	1 555 938	1 592 876	1 297 372	(15 929)	15 929	(12 974)	12 974
ZAR	14 043 629	20 259 303	853 291	1 368 313	(8 533)	8 533	(13 683)	13 683
GBP	(8 213)	(22 527)	(9 181)	(25 390)	92	(92)	254	(254)

Sensitivity refers to the effect that -1% and 1% changes in closing exchange rates for 2018 and 2017 financial years would have on net exchange differences disclosed on notes 32, 33 and 36.

b) Sensitivity analysis of existing derivatives to hedge the exchange rate risk set out in the previous point, by considering a change of +1% and -1% in actual 2018 and 2017 closing exchange rates of each currency against the Euro:

i) Loans net of treasury applications

At 31 December 2018 and 31 December 2017, the Group had derivatives to hedge outstanding loans or treasury applications held in a currency other than the functional currencies of its subsidiaries.

ii) Other balances: net assets (+) and net liabilities (-)

	Amount held in foreign currency		Eur equivalent		Sensitivity analysis (EUR)			
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	2018		2017	
					-1%	1%	-1%	1%
ZAR	14 357 909	20 770 117	872 387	1 402 814	8 724	(8 724)	14 028	(14 028)

Sensitivity refers to the effect that -1% and 1% changes in closing exchange rates for 2018 and 2017 financial years would have on the hedging of the amounts identified on a).

23.2.3. Credit risk

Credit risk described on note 2.26, a) is mostly reflected through the amount stated in Trade Debtors (note 15) and Other current debtors (note 16). No relevant differences between the amounts recognized and the corresponding estimated fair value were identified.

24. OTHER NON-CURRENT LIABILITIES

At 31 December 2018 and 31 December 2017 details of Other non-current liabilities were as follows:

	31.12.2018	31.12.2017
Other creditors	1 128 038	2 122 999
Liabilities out of scope of IFRS 9 (IAS 39 at 31.12.2017)	1 128 038	2 122 999
Total	1 128 038	2 122 999

Other creditors include EUR 888 506 (EUR 1 189 166 at 31 December 2017) related to deferred investment subventions

25. POST RETIREMENT LIABILITIES

Various Group companies assumed the liability of giving their employees cash contributions to pension plans for old age, incapacity, early retirement and survival. These contributions are determined as a percentage that increases as a result of the number of years that the employee has worked at the company, and which is applied to a salary table that is negotiated on a yearly basis.

Present value of defined benefit liabilities associated are evaluated every year through actuarial reports and based on the “Projected Unit Credit” methodology. Actuarial assumptions employed on the last report prepared at 31 December 2018 and 2017 were:

	Portugal	
	31.12.2018	31.12.2017
Mortality table	TV 88/90	TV 88/90
Salary growth rate	3,00%	3,00%
Return on fund	3,80%	2,50%
Actuarial tecnical rate	2,75%	2,75%
Pension growth rate	0,0%	0,0%

Benefit plans set up in previous periods by several Group companies are as follows:

Portugal:

Various Group companies have a defined benefit plan and funds managed by third parties, calculated in accordance with International Accounting Standard 19 and based on actuarial studies carried out by an independent entity. Employees of three companies hired until 31 December 1994 are covered by this plan under which they will receive as from retirement, a life-long monthly payment equivalent to 20% of their salary at their retirement date. Employees may choose to be paid a lump sum instead of a monthly amount.

The actuarial discount rate of 2.75% used for calculating the defined benefit liability of Portuguese subsidiaries was obtained from the yield curves of high quality zero coupon government bonds from the Euro Zone, plus a spread, determined based on iTaxx Europe Main index.

The average duration of the defined benefit obligation recognized by the Portuguese subsidiaries is 20 years.

An actuarial report calculated the liabilities of these companies on 31 December 2018 to be EUR 785 667 (EUR 962 252 at 31 de December 2017).

The main risk to which these defined benefit plans expose the Group is the liquidity risk. At 31 December 2018 assets funding the plans represented 40,31% (38% at 31 December 2017) 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 2018 and 31 December 2017, to the present value of the defined benefit obligations are presented as follows:

	31.12.2018		31.12.2017	
	Plan with fund	Total	Plan with fund	Total
(+) Opening balance of defined benefit obligations' present value	1 560 588	1 560 588	1 757 059	1 757 059
(+) Interest cost	42 916	42 916	6 482	6 482
(+) Current service cost	49 450	49 450	8 590	8 590
(+) Remeasurements:				
Due to change in financial assumptions			(74 487)	(74 487)
Due to experience adjustements	(170 004)	(170 004)	(97 460)	(97 460)
(+) Recognised past service cost	(166 682)	(166 682)	(39 596)	(39 596)
(=) Closing balance of defined benefit obligations' present value	1 316 268	1 316 268	1 560 588	1 560 588

During 2018 and 2017 the fair value of the plan assets changed as follows:

	31.12.2018	31.12.2017
(+) Opening balance of plan assets	598 336	646 988
(+) Interest income	22 831	17 274
(+) Remeasurements	(90 566)	(65 926)
(=) Closing balance of plan assets	530 601	598 336

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 2018 and 31 December 2017, the amount of liabilities for defined benefits recognized in the Consolidated Statements of Financial Position is detailed as follows:

	31.12.2018	31.12.2017
(+) Present value of defined benefit obligations	1 316 268	1 560 588
(-) Fair value of plan assets	530 601	598 336
(=) Defined benefit liability	785 667	962 252

Sensitivity of the defined benefit obligation is as follows:

	2018			2017		
	-0,5 pp	Valuation basis	+0,5 p	-0,5 pp	Valuation basis	+0,5 p
Defined benefit obligation	1 449 250	1 316 268	1 197 889	1 714 065	1 560 588	1 423 958

The valuation basis refers to the actuarial discount rate that was included in the actuarial assumptions disclosed herewith.

26. TRADE CREDITORS

At 31 December 2018 and 31 December 2017, Trade creditors stated on the Consolidated Statements of Financial Position had the following maturities:

	MATURITY OF TRADE CREDITORS	
	31.12.2018	31.12.2017
To be paid		
< 90 days	21 419 613	19 589 609
90 - 180 days	62 039	11 591
> 180 days	85 832	25 720
	21 567 484	19 626 920

27. OTHER TAXES AND CONTRIBUTIONS (CURRENT LIABILITIES)

At 31 December 2018 and 31 December 2017 Other taxes and contributions had the following composition:

	31.12.2018	31.12.2017
Other taxes and contributions		
Value Added Tax	5 498	247 234
Social Security Contribution	211 450	203 737
Others	273 135	283 412
	490 083	734 383

28. OTHER CURRENT LIABILITIES

At 31 December 2018 and 31 December 2017 Other current liabilities were composed of:

	31.12.2018	31.12.2017
Derivatives	5 621	71 838
Tangible fixed assets suppliers	1 955 451	2 155 951
Other creditors	531 520	496 357
Financial instruments	2 492 592	2 724 146
Other creditors	482 866	488 389
Accrued expenses		
Insurances	19 068	14 105
Personnel expenses	3 912 764	4 318 109
Accrued financial expenses	229 540	1 049 512
Rebates	3 050 847	3 305 322
External supplies and services	391 968	346 339
Other accrued expenses	1 036 838	268 090
Deferred income		
Investment subventions	161 013	173 377
Other deferred income	148 935	154 935
Liabilities out of scope of IFRS 9 (IAS 39 at 31.12.2017)	9 433 839	10 118 178
Total	11 926 431	12 842 324

31.12.2018	< 90 days	90 - 180 days	> 180 days	Total
Derivatives		5 621		5 621
Maturity of current fixed assets' suppliers	1 903 225	52 226		1 955 451
Maturity of Other current creditors	500 458		31 062	531 520
	2 403 683	57 847	31 062	2 492 592

31.12.2017	< 90 days	90 - 180 days	> 180 days	Total
Derivatives		71 838		71 838
Maturity of current fixed assets' suppliers	2 155 951			2 155 951
Maturity of Other current creditors	448 854	1 616	45 887	496 357
	2 604 805	73 454	45 887	2 724 146

29. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2018 and 31 December 2017 were as follows:

	31.12.2018						
Description	Opening balance	Exchange rate effect	Increase	Utilization	Reversion	Other changes	Closing balance
Impairment losses							
Investment properties	2 259 929						2 259 929
Tangible fixed assets	6 306 154		55 224			(1 859 996)	4 501 382
Intangible assets	19 242						19 242
Trade debtors	417 227	(2 605)	102 930		(83 155)	(312 930)	121 467
Subtotal impairment losses	9 002 552	(2 605)	158 154		(83 155)	(2 172 926)	6 902 020
Provisions							
Litigations in course	749 344			(166 054)			583 290
Other	4 510 315				(39 596)		4 470 719
Subtotal provisions	5 259 659			(166 054)	(39 596)		5 054 009
Subtotal impairment losses and provisions	14 262 211	(2 605)	158 154	(166 054)	(122 751)	(2 172 926)	11 956 029
Other losses							
Investments	36 973 903					(36 969 914)	3 989
Write-down to net realizable value of inventories	950 946	(19 493)	226 375		(223 516)		934 312
Total	52 187 060	(22 098)	384 529	(166 054)	(346 267)	(39 142 840)	12 894 330

	31.12.2017					
Description	Opening balance	Exchange rate effect	Increase	Reversion	Other changes	Closing balance
Impairment losses:						
Investment properties	2 259 929					2 259 929
Tangible fixed assets	5 861 104		1 509 634	(1 019 431)	(45 153)	6 306 154
Intangible assets	19 242					19 242
Trade debtors	577 570	(9 691)	113 705	(8 701)	(255 656)	417 227
Subtotal impairment losses	8 717 845	(9 691)	1 623 339	(1 028 132)	(300 809)	9 002 552
Provisions:						
Litigations in course	738 644		553 000	(542 300)		749 344
Other	1 195 000		3 275 719		39 596	4 510 315
Subtotal provisions	1 933 644		3 828 719	(542 300)	39 596	5 259 659
Subtotal impairment losses and provisions	10 651 489	(9 691)	5 452 058	(1 570 432)	(261 213)	14 262 211
Other losses:						
Investments	36 973 903					36 973 903
Write-down to net realizable value of inventories	910 432	(6 405)	561 787	(514 868)		950 946
Total	48 535 824	(16 096)	6 013 845	(2 085 300)	(261 213)	52 187 060

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:

	31.12.2018			31.12.2017		
	Losses	Gains	Total	Losses	Gains	Total
Cost of sales	50 624	(140 269)	(89 645)	336 768	(306 232)	30 536
(Increase) / decrease in production	175 751	(83 247)	92 504	225 019	(208 636)	16 383
Provisions and impairment losses	158 154	(249 209)	(91 055)	5 452 058	(1 570 432)	3 881 626
Staff expenses		(39 596)	(39 596)			
Total (Consolidated Income Statement)	384 529	(512 321)	(127 792)	6 013 845	(2 085 300)	3 928 545

29.1. Impairment losses on tangible fixed assets

Movements occurred in impairment losses during the period ended 31 December 2018 and 31 December 2017 were as follows:

- Impairment losses recognized through profit or loss for 2018 and 2017 are included under “Increases” on the tables above;
- Impairment losses reverted in 2018 and 2017 are included under “Reversion” on the tables above;
- Other changes include reductions arising from disposal and write-off.

29.2. Provisions

At 31 December 2018, the amount of provisions could be detailed as follows:

- Provisions for ongoing litigations amounting to EUR 500 000 refer mostly to litigation with former workers of decommissioned industrial plants. It is not possible to estimate the period this provision will be utilized;
- Other provisions: EUR 1 195 000 for environmental liabilities and EUR 3 275 719 for responsibilities which, under the terms of the Sonae Arauco, S. A. joint-venture agreement, are transferred to Sonae Indústria, SGPS, S. A. (note 5).

30. OPERATING LEASES

At 31 December 2018 and 31 December 2017 the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments	
	31.12.2018	31.12.2017
2018		1 245 701
2019	2 108 658	305 735
2020	1 689 180	81 162
2021	1 368 218	295
2022	957 891	
2023	906 406	
	7 030 353	1 632 893

During the period ended 31 December 2018, the Group recognized under External Suppliers and Services, on the Consolidated Income Statement, rents related to operating leases for EUR 2 289 000 (EUR 2 245 000 in 2017).

31. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Subsidiaries of the ultimate parent company	102 311	100 248	351 433	405 851
Joint ventures of Sonae Indústria, SGPS, S. A.	483 982	537 449	1 188 820	1 496 292

Transactions	Income		Expenditure	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Subsidiaries of the ultimate parent company	69 701	68 483	1 112 604	1 045 866
Joint ventures of Sonae Indústria, SGPS, S. A.	3 217 779	3 921 967	12 420 076	16 066 435

Income and expenses recorded as a result of transactions with related parties refer to operating activities and were carried out under arm's length conditions.

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

	31.12.2018	31.12.2017
Short term benefits	823 172	953 595
Medium term benefits		143 935
	823 172	1 097 530

The amounts disclosed on the previous table relate to remunerations of the Board of Directors of Sonae Indústria, SGPS, S. A. which were recognized under Staff expenses, on the Consolidated Income Statements for the periods ended 31 December 2018 and 31 December 2017.

At 31 December 2018 and 31 December 2017 there were no post retirement liabilities attributed to the members of the board of directors.

31.3. During the period ended 31 December 2018, the Group recognized on these consolidated financial statements the following fees from audit company Deloitte & Associados, SROC, S. A. and respective international network (PricewaterhouseCoopers & Associados, SROC, Lda and respective international network for the period ended 31 December 2017):

	31.12.2018	31.12.2017
Total fees related to audit of end year accounts	127 248	88 329
Total fees related to other realiability assurance services		2 000
Total fees related to other services	3 204	9 500
	130 452	99 829

32. OTHER OPERATING INCOME

Details of Other operating income on the Consolidated Income Statement for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	31.12.2018	31.12.2017
Gains on disposals of non-current investments		1 601
Gains on disp. and write off of invest. prop., tang. and intang. assets	3 748 097	216 901
Supplementary revenue	1 762 547	2 228 983
Investment subventions	503 641	165 877
Tax received	23 911	6 172
Positive exchange gains	1 168 441	1 955 406
Adjustment to fair value of financial instruments at fair value through profit or loss	348 089	242 041
Others	670 651	2 241 725
	8 225 377	7 058 706

Gains on tangible fixed assets recorded in the period ended 31 December 2018 refer mostly to the sale of land and buildings of former Solsona industrial plant, in Spain, which has been discontinued.

33. OTHER OPERATING EXPENSES

Details of Other operating expenses on the Consolidated Income Statement for 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Taxes	1 359 829	1 412 494
Losses on disposals of non current investments	83 667	
Losses on disp. and write off of invest. prop., tang. and intang. assets	551 734	123 828
Negative exchange gains	1 181 059	1 586 701
Adjustment to fair value of financial instruments at fair value through profit or loss	269 504	392 954
Others	201 784	274 106
	3 647 577	3 790 083

34. 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 44 221 (EUR 48 686 in 2017).

35. RECURRING AND NON-RECURRING ITEMS

Recurring and non-recurring operating items on the Consolidated Income Statement are detailed as follows:

	31.12.2018 Recurring	31.12.2017 Recurring
Sales	218 781 711	229 766 809
Services rendered	1 392 246	1 209 951
Other income and gains	4 467 678	4 766 617
Cost of sales	(122 579 602)	(121 786 487)
Increase / (decrease) in production	2 127 586	89 205
External supplies and services	(49 347 378)	(47 899 989)
Staff expenses	(25 213 163)	(24 286 323)
Impairment losses in trade debtors - (increase)/reduction	(19 775)	(105 004)
Other expenses and losses	(2 938 366)	(3 637 349)
Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	26 670 937	38 117 430
Non-Recurring operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	2 569 718	1 201 687
Total operating profit/(loss) before amortization, depreciation, provisions and impairment losses (except trade debtors)	29 240 655	39 319 117

Classification of items as either recurring or non-recurring is done in accordance with criteria set out on note 2.24.

36. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2018 and 31 December 2017 were as follows:

	31.12.2018	31.12.2017
Financial income:		
Interest income		
related to bank loans	12 175	18 575
related to loans to related parties		1 968
Others	653	
	12 828	20 543
Gains in currency translation		
related to loans	12 397	112 439
related to cash and cash equivalents	540 471	614 918
	552 868	727 357
Cash discounts obtained	89 502	70 062
Other finance gains	5 785	589 229
	660 983	1 407 191
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	(8 082 154)	(8 120 074)
related to finance leases	(60 975)	(74 995)
others	(2 206)	(12 482)
	(8 145 335)	(8 207 551)
Losses in currency translation		
related to loans	(20 079)	(160 123)
related to cash and cash equivalents	(529 144)	(1 229 364)
	(549 223)	(1 389 487)
Cash discounts granted	(1 747 756)	(1 805 941)
Other finance losses	(1 780 391)	(1 615 636)
	(12 222 705)	(13 018 615)
Finance profit / (loss)	(11 561 722)	(11 611 424)

37. TAXES

Corporate income tax accounted for in 2018 and 2017 is detailed as follows:

	31.12.2018	31.12.2017
Current tax	5 698 246	7 117 346
Deferred tax	473 220	(660 092)
	6 171 466	6 457 254

Reconciliation of consolidated Net profit/(loss) from continuing operations, before tax, with taxation for the year may be detailed as follows:

	31.12.2018	31.12.2017
Consolidated net profit before tax	17 199 937	21 722 985
Tax rate	21.00%	21.00%
Expectable tax	3 611 987	4 561 827
Differences to foreign tax rates	511 376	1 511 951
Effect of provincial/municipal taxes	42 300	8 142
Consolidation adjustments	(2 490 098)	(2 768 819)
Permanent differences		
Non deductible costs	1 352 178	1 879 384
Non taxable profits	(163 868)	(71 891)
Tax losses carried forward		
Deferred tax asset not recognized (non compliance with IAS 12)	854 757	605 868
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods		(386 680)
Deferred tax asset reverted (non compliance with IAS 12) - note 13	1 456 216	
Tax withheld in foreign countries	1 534 046	
Effect of change in tax rates	7 957	6 256
Others	(545 385)	1 111 216
Consolidated corporate income tax	6 171 466	6 457 254

The amount disclosed as Consolidation adjustments relates mainly to the share of the consolidated net profit of the joint venture Sonae Arauco, S.A, which was recorded in the consolidated financial statements for the periods ended 31 December 2018 and 31 December 2017 using the equity method.

Group companies are subject to the following corporate income tax rates:

	2018		2017	
	National	Provincial	National	Provincial
Portugal	21.0%		21.0%	
Canada	15.0%	11.7%	15.0%	11.8%
South Africa	28.0%		28.0%	

38. EARNINGS PER SHARE

Earnings per share were calculated as follows:

	31.12.2018		31.12.2017	
	Net profit/(loss)		Net profit/(loss)	
	from continuing operations	total	from continuing operations	total
Net profit				
Net profit considered to calculate base earnings per share (net loss attributable to equity holders of Sonae Indústria)	11 028 470	11 028 470	15 265 731	15 265 731
Net profit considered to calculate diluted earnings per share	11 028 470	11 028 470	15 265 731	15 265 731
Number of shares				
Weighted average number of shares used to calculate basic earnings per share	45 403 029	45 403 029	45 403 029	45 403 029
Weighted average number of shares used to calculate diluted earning per share	45 403 029	45 403 029	45 403 029	45 403 029
Basic earnings per share	0.2429	0.2429	0.3362	0.3362
Diluted earnings per share	0.2429	0.2429	0.3362	0.3362

39. SEGMENT INFORMATION

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

The Company's system of internal report to the chief operating decision maker focus on type of business. Secondary activities are materially irrelevant as far as segmental report is concerned and the Group decided to present one only segment.

Consolidated revenue derives mostly from the production and sale of wood based panels and derivative products.

40. CONTINGENCIES

In October 2010 Sonae Indústria, SGPS, S. A. received a notice of assessment from tax authorities according to which the loss resulting from the dissolution of its subsidiary Socelpac, SGPS, S.A. in 2006, amounting to EUR 74 million, should

be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation.

The subsidiary Sonae Indústria de Revestimentos, S. A. rendered surety of EUR 2 271 000 in favour of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, SA, having been brought court challenges against the respective settlement.

The subsidiary Maiequipa – Gestão Florestal, S. A. rendered surety of EUR 1 242 746 in favour of tax authorities for suspension of tax enforcement procedures initiated against Sonae Indústria, SGPS, SA, having been brought court challenges against the respective settlement.

Sonae Indústria, SGPS, SA presented bank guarantees of EUR 9 286 997 to suspend tax enforcement procedures initiated by tax authorities, having been brought court challenges against the respective settlement, except for the process IRC 2015, for which only a complaint was filed, up until now.

According to the information available on this date, the Board of Directors considers that the probability of a negative outcome of the aforementioned lawsuits and complaint is low, thus no adjustment was done to the estimation of current tax recognized in these consolidated financial statements.

Surety rendered by Sonae Indústria, SGPS, S. A. in favour of "Instituto de Segurança Social" (Social Security Institute), amounting to EUR 321 858, to guarantee the contingency of Sonae Arauco Portugal, S. A. with that entity.

Sonae Indústria, SGPS, S.A. has a guarantee granted to Montepio, amounting to EUR 1 090 248, under a real estate lease agreement entered into between the subsidiary Frases and Fractions - Imobiliária e Serviços, S.A. and Montepio.

Former subsidiary Sonae Arauco Deutschland GmbH (formerly Glunz AG) and other German producers of wood-based panels are involved in certain litigation procedures filed by some customers for damages resulting from alleged breaches of competition law, after which former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH received, in March 2010, a statement of objections from the German Competition Authority. Some of these processes

were resolved between the years 2015 and 2018 and their respective effects were recognized on the individual financial statements of each company and on the consolidated financial statements of the joint venture Sonae Arauco, S. A. (in which perimeter of consolidation these former subsidiaries are included) for the respective periods. For the cases still in progress, the complaints submitted specifically to the former subsidiaries Sonae Arauco Deutschland GmbH (formerly Glunz AG) and GHP GmbH amount to a maximum contingency (based on the claimed values) of EUR 31.5 million. Regarding other cases in which these former subsidiaries are jointly involved with other German producers, the maximum contingency amounted to EUR 26 million as at 31 December 2018, a reduction against the EUR 42.7 million at 31 December 2017 as a result of developments occurred during 2018 regarding one of those cases, which had no effect on the consolidated financial statements of Sonae Arauco, S. A. for the period ended 31 December 2018. According to the opinion of these former subsidiaries' lawyers, at the closing date of these consolidated financial statements, it is not possible to reliably estimate the outcome of the proceedings in progress or the amount of any payments that may be established. Under the terms of the agreement for the subscription of Sonae Arauco, S. A. shares, entered into in 2015 by Sonae Arauco, S. A., Sonae Indústria SGPS S. A. and the Arauco Group, Sonae Indústria, SGPS, S. A. assumes the obligation to compensate Sonae Arauco, S. A. for any losses resulting from these proceedings.

Darbo SAS, a former subsidiary of Sonae Indústria, SGPS, S.A located in France, was sold on 3 July 2015 to a subsidiary of Gramax Capital and was excluded from the Group's consolidated financial statements on that date. This company's insolvency was requested at the Trade Court of Dax, in France, in September 2016, and was declared by that court to be liquidated, in October of that year.
Following that case, 110 former employees of Darbo filed various lawsuits with the Labour Court of Dax, in France, against, among others, Sonae Indústria, SGPS, SA and Gramax Capital, through which they claim compensation for alleged dismissal without fair reason, for a total amount of EUR 13 653 917.28. The same former employees also filed a lawsuit at the Civil Court of Dax against the seller and buyer companies and against Sonae Indústria, SGPS, SA, through which they claim annulment of the sale of Darbo SAS and the payment of compensation for alleged damages suffered, in the same amount claimed before the Labour Court of Dax (EUR 13 653 917.28). At the date of approval of these consolidated financial statements, legal proceedings are under way and it is not possible to predict

whether the outcome will result in any obligation to be recognized under the consolidated liabilities of Sonae Indústria Group.

41. SUBSEQUENT EVENTS

LaminatePark GmbH & Co KG (LaminatePark), a joint venture between Sonae Arauco and Tarkett for the manufacturing and sale of MDF and HDF laminate flooring announced on 19 February 2019 the intention to cease operations at its Eiweiler site, in Germany. The Economic Committee and Works Council of LaminatePark have been informed and formal discussions have begun. This intention is due to LaminatePark's poor historical financial performance. LaminatePark operates in a very competitive market environment that was strongly impacted by declining volumes in laminate flooring and MDF/HDF markets in Western Europe, particularly during 2018, which led to a very low level of capacity utilization. The decision was made in the light of there being no reasonable prospects for a material recovery in its financial profitability in the medium term. Impairment testing carried out led Sonae Arauco to recognize an impairment loss in its consolidated financial statements for the period ended 31 December 2018 for the full carrying amount of its investment in the joint venture LaminatePark and for the full carrying amount of the shareholder loan to the company. The effect of this impairment loss in Sonae Indústria's consolidated results (considering the equity method contribution from Sonae Arauco to Sonae Indústria's consolidated results) is a charge of EUR 7 951 758.

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 27 March 2019, the Board of Directors of Sonae Indústria, SGPS, S. A. decided that these consolidated financial statements shall be submitted to approval at the Company's General Shareholders' Meeting.

STATUTORY EXTERNAL AUDITOR REPORT

STATUTORY AUDIT BOARD REPORT

SONAE INDUSTRIA

STATUTORY AUDITOR'S REPORT

(Free translation of a report originally issued in Portuguese language: In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sonae Indústria, SGPS, S.A. ("the Entity"), which comprise the statement of financial position as at 31 december 2018 (showing a total of Euro 473.540.898,45 and equity of Euro 289.025.624,99, including a net loss of Euro 443.961,81), the statement of profit and loss 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 accompanying notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Sonae Indústria, SGPS, S.A. as at 31 december 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent from the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the *Ordem dos Revisores Oficiais de Contas* code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Impairment of investments in subsidiaries, joint ventures and associates and changes in accounting policy (Notes 2.2., 5. and 25. to the separate financial statements)	
As at 31 December 2018, Sonae Indústria, in its separate financial statements, has significant investments in subsidiaries and joint ventures, with a carrying amount of 223 million euros and 227 million euros, respectively (Note 5). The mentioned investments are accounted for at cost less impairment losses (Note 2.2.).	Our audit procedures included the evaluation of relevant controls in relation with the assessment of impairment indicators in what relates with non-current assets of the Entity, as well as review of the impairment tests, in the cases where impairment indicators in non-current assets were identified by the Entity.

As disclosed in Note 2.2., the Group recognizes impairment losses when impairment indicators are identified and the recoverable amount of a given asset or group of assets is lower than its carrying amount. The definition of impairment indicators and the impairment tests involve complex judgements, based on business plans, which are supported in assumptions, such as discount rates, forecasted margins, short term and long term growth rates, capital expenditure plans as well as the demand behavior. In some situations, namely in subsidiaries with real estate assets, the group estimates fair value less costs to sell, by the use of valuations performed by specialists. Such valuations are also based on several assumptions and judgements. As a result of the analysis performed, the Group recognized, on its separate financial statements as at 31 December 2018, impairment losses in the amount of 1,1 million Euro, in relation with investments in subsidiaries (Notes 5 and 25). Considering the materiality of the referred assets to the separate financial statements, the complexity of the valuation models used, based on estimates and assumptions based on economic and market values and the level of estimates involved in the measurement of impairment, we consider this area to be a key audit matter.	In what concerns the estimate of the recoverable amount used by the Entity in impairment evaluation, our procedures included: • obtaining the valuation models used to determine the recoverable amount of each financial investment and test the clerical correction of those models; • review of the methodology used by the Entity to determine the value in use, namely its compliance with applicable accounting standards; • assessing the assumptions used in the referred models, involving, whenever deemed necessary Deloitte specialists to challenge those assumptions, namely discount rates, short term and long term growth rates used, in addition to projected cash flows; • meeting with management and other officers; For the financial investment, associated with entities whose assets were subject to real estate appraisals, we assessed the assumptions used by the Entity and its specialists, as well as assessed the adequacy of the methodologies used comparing this year valuations with the accounting recognition. We evaluated the adequacy of disclosures made in relation with this matter.

Litigation and legal contingencies

(Notes 5.2., 17. and 28. to the separate financial statements)

As described in Notes 5.2 and 28., the Entity holds a number of legal proceedings/contingencies, of which the most relevant are the lawsuits filed by employees of the former subsidiary, Darbo SAS, sold in 2015 and the anti-trust contingencies filed by some customers (Germany) for damages resulting from the alleged violation of competition regulations (South Africa) against subsidiaries of the joint venture, Sonae Arauco, SA, in Germany and South Africa (Note 5.2. and 17.), fully indemnifiable by Sonae Indústria SGPS, S.A. as contemplated in the share subscription agreement with the other partner of the joint venture.
 	
In accordance with the information disclosed in Note 28., it is not possible to reliably estimate the outcome of some of these contingencies, referring to the former subsidiary of the Entity in France, Darbo SAS (13.6 million euros), and related to the alleged violation of competition regulations in former subsidiaries of the Entity in Germany, up to a maximum of 31.5 million euros (of the total responsibility of Sonae Indústria) and 26 million euros (jointly responsibility with other German producers).
 	
The classification of such litigations as contingent liabilities or as provisions, as well as their measurement, are matters involving a high degree of judgement and uncertainty, so there is a risk of the classification assumed and / or the estimates recorded may prove to be inadequate and the provisions contain material errors, therefore we consider this area to be a key audit matter.
	Our audit procedures regarding the assessment of such contingencies include the following:
	
	• Since some of these contingencies refer to geographies that are audited by other audit firms, we issued audit instructions for the auditors of those entities in accordance with ISA 600 - Audits of Group Financial Statements (Including The Work of Component Auditors):
	
	  ○ We assessed the technical competence of the component auditors;
	
	  ○ We were involved in the planning process of the above mentioned audits and procedures in this area;
	
	  ○ We jointly reviewed and analysed these contingencies;
	
	• We obtained from the legal departments of Sonae Indústria and Sonae Arauco Groups, a list of ongoing contingencies and its assessment by management;
	
	• We also obtained the legal confirmation letters, to our requests and to the auditors of the components, of the legal advisors of the Group;
	
	• We debated the assumptions and arguments that support the positioning of Management.
	
	We evaluated the adequacy of disclosures made in relation with this matter.

Responsibilities of management and supervisory body for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs);
- the preparation of a management report, including a corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451.º, n.º 3, al. e) of the Portuguese Companies' Code ("Código das Sociedades Comerciais"), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

About the corporate governance report

Pursuant to article 451.º, number 4, of the Portuguese Company's Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245.º-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material misstatements on the information disclosed therein, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed as auditors of the Entity in the shareholders' general assembly held on 9 may 2018 for a first mandate from 2018 to 2020.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional scepticism and we designed audit procedures to respond to the risk of material misstatements in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's supervisory body as at 28 march 2019.
- We declare that we have not provided any prohibited services as described in article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and we have remained independent from the Entity in conducting the audit.

Porto, 28 march 2019

Deloitte & Associados, SROC S.A.
Representada por António Manuel Martins Amaral, ROC

STATUTORY AUDITOR'S REPORT

(Free translation of a report originally issued in Portuguese language: In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Sonae Indústria, SGPS, S.A. ("the Entity") and of its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 december 2018 (showing a total of Euro 401.849.531 and equity of Euro 135.533.507, including a net profit of Euro 11.028.470), the consolidated statement of profit and loss 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 accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Sonae Indústria, SGPS, S.A. as at 31 december 2018 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the *Ordem dos Revisores Oficiais de Contas* code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Valuation of investments in joint ventures (Notes 2.2.b), 2.3., 2.23., 3., 5., 8. and 41. to the consolidated financial statements)	
As at 31 December 2018, Sonae Indústria holds a significant investment in a joint venture, Sonae Arauco, S.A., with a carrying amount of 212 million Euro (which includes Goodwill in the amount of approximately Euro 81 million – Note 5.3), having in the period, recognized, Gains related to joint ventures in the amount of 12.5 million Euro (Note 5). The Group recognizes the interests in joint ventures in accordance with the equity method (Note 2.2.b)), hence	Our audit procedures included: • Obtaining the financial statements of the joint venture and last available Auditors' Report; • Validating the application of the equity method on the mentioned financial investment;

there is a risk for those investments to be incorrectly measured due to: (i) not recognition of possible impairment losses that might arise, and from (ii) misstatements on the financial statements of the subsidiaries of the Group.

In what concerns impairment analysis over the referred investment it is worth to mention:

- In accordance with its policies (Note 2.2.b)), the Group performs an evaluation of impairment indicators at the reporting date;
- As disclosed in Note 2.2.b) the Group recognizes impairment losses when the recoverable amount of a given asset or group of assets is lower than its carrying amount;
- As a result of its analysis, the Group concluded that there are no impairment indicators in the joint venture (Note 8).

Additionally, as referred in Notes 3 and 5 to the consolidated financial statements, the results of the joint venture, which were appropriated in 50% by Sonae Indústria, include significant amounts related with:

- Indemnification for property damage in tangible fixed assets and inventory (35 million Euros - non-proportional amounts) and business interruption (21 million Euros - non-proportional amounts) as a result of the wildfires of October 2017 that affected the production units of Sonae Arauco Portugal, S.A., Oliveira do Hospital and Mangualde;
- Accounting of impairment losses, in the amount of 15.9 million Euro (non-proportional amounts – Note 5 and 41) on the financial investment and respective account receivable of a joint venture of the mentioned subsidiary (LaminatedPark).

As mentioned in the financial statements of the Group (Note 2.3), the policy for subsequent measurement of land and buildings corresponds to the revaluation model. The fair value measurement of these assets was carried out by an independent entity with reference to December 31, 2018. As a result of the revaluations made on the assets of the Joint Venture, the Group recorded an equity increase through Other comprehensive income of, approximately 4 million Euro (Note 5), corresponding to its share of the valuation effect of the referred real estate.

Considering the i) materiality of the referred assets and matters above mentioned to the consolidated financial statements; ii) the complexity in performance and analysis of the valuation models used, based on estimates and assumptions based on economic and market values and the level of estimates involved in the measurement of impairment; and iii) the materiality of the financial statements of the joint venture, financial statements of its subsidiaries and transactions with Sonae Indústria Group, we consider this area to be a key audit matter.

- Validating the impairment indicators associated with the Joint Venture;
- Verifying the valuation models used to determine the recoverable amount of non-current assets of the referred joint ventures, through (i) reviewing the clerical correction of the valuation model used; (ii) evaluation of the assumptions underlying the model, including the discount rates used, long-term growth rates and projected cash flows; and (iii) consultation with Deloitte's internal experts to critically assess the assumptions, discount rates and long-term growth rates used;
- Inquiry to management and other officers.

Given that, Sonae Arauco, S.A., is audited by other audit firms, we will issue audit instructions for the auditors of those entities in accordance with ISA 600 - Audits of Group Financial Statements (Including The Work of Component Auditors).

We assessed the technical competence of the component auditors and were involved in the Planning of the mentioned audits and, when considered relevant, reviewed the audit working papers assuring that the risks identified at group level were appropriately addressed. We reviewed the conclusion of the audit procedures to mitigate such risks, namely in what refers to internal control testing in the areas under analysis, and in what concerns revenue recognition.

We analysed the conclusions of the financial statements audit, reviewed the reports issued by the component auditors and discussed with them the main conclusions and supporting information.

For the assets that were subject to real estate appraisals, our procedures in this area included:

- Assessment of the assumptions used by the Entity and its appraiser in determining the fair value of the properties;
- Evaluation of the adequacy of the methods used and comparing the evaluations obtained with the evaluations carried out in previous years;
- Involvement of Deloitte's internal experts;
- Analysis of the adequacy of the accounting recognition against the results of the evaluations.

We evaluated the adequacy of disclosures made in relation with this matter.

Litigation and legal contingencies

(Notes 5.1., 5.2., 29 and 40 to the consolidated financial statements)

As described in Notes 5.1., 5.2., 29. and 40., the Entity holds a number of legal proceedings / contingencies, of which the most relevant are the lawsuits filed by employees of the former subsidiary, Darbo SAS, sold in 2015 and the anti-trust contingencies filed by some customers (Germany) for damages resulting from the alleged violation of competition regulations (South Africa) against subsidiaries of the joint venture, Sonae Arauco, SA, in Germany and South Africa (Note 5.2.), fully indemnifiable by Sonae Indústria

Our audit procedures regarding the assessment of such contingencies include the following:

- Since some of these contingencies refer to geographies that are audited by other audit firms, we issued audit instructions for the auditors of those entities in accordance with ISA 600 - Audits of Group Financial Statements (Including The Work of Component Auditors):

SGPS, S.A. as contemplated in the share subscription agreement with the other partner of the joint venture. In accordance with the information disclosed in Note 40., it is not possible to reliably estimate the outcome of some of these contingencies, referring to the former subsidiary of the Entity in France, Darbo SAS (13.6 million euros), and related to the alleged violation of competition regulations in former subsidiaries of the Entity in Germany, up to a maximum of 31.5 million euros (of the total responsibility of Sonae Indústria) and 26 million euros (jointly responsibility with other German producers). The classification of such litigations as contingent liabilities or as provisions as well as their measurement are matters involving a high degree of judgement and uncertainty, so there is a risk of the classification assumed and / or the estimates recorded may prove to be inadequate and the provisions contain material errors, therefore we consider this area to be a key audit matter.	○ We assessed the technical competence of the component auditors; ○ We were involved in the planning process of the above mentioned audits and procedures in this area; ○ We jointly reviewed and analysed these contingencies; • We obtained from the legal departments of Sonae Indústria and Sonae Arauco Groups, a list of ongoing contingencies and its assessment by management; • We also obtained the legal confirmation letters, to our requests and to the auditors of the components, of the legal advisors of the Group; • We debated the assumptions and arguments that support the positioning of Management. We evaluated the adequacy of disclosures made in relation with this matter.

Responsibilities of management and supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs);
- the preparation of a management report, including a corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451.º, n.º 3, al. e) of the Portuguese Companies' Code ("Código das Sociedades Comerciais"), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

About the corporate governance report

Pursuant to article 451.º, number 4, of the Portuguese Company's Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245.º-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and

we have not identified any material misstatements on the information disclosed therein, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed as auditors of Sonae Indústria, SGPS, S.A. (parent-company of the Group) in the shareholders' general assembly held on 9 may 2018 for a first mandate from 2018 to 2020.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional scepticism and we designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the consolidated financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's supervisory body as at 28 march 2019.
- We declare that we have not provided any prohibited services as described in article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and we have remained independent from the Group in conducting the audit.

Porto, 28 march 2019

Deloitte & Associados, SROC S.A.
Representada por António Manuel Martins Amaral, ROC

Report and Opinion of the Statutory Audit Board of Sonae Indústria

(Translation of the Portuguese original)

To the Shareholders of Sonae Indústria

1 – **Report**

1.1 – **Introduction**

In accordance with applicable legal and statutory standards and the mandate we have been conferred, the Statutory Audit Board prepared this report regarding the supervisory work carried out, along with the opinion in relation to the management report and further separate and consolidated financial statements of Sonae Indústria, S.G.P.S., S.A. as at 31 December 2018, which are the Board of Directors' responsibility.

1.2 – **Supervision**

During the period, the Statutory Audit Board, in the scope of his competences, has accompanied the Company's management and those of its subsidiaries, has examined the evolution of its activities, the regularity of the accounting records, the quality of the process of preparation and disclosure of the financial information, the accounting policies and the measurement criteria, to the extent deemed appropriate, as well as the compliance with the legal and statutory standards.

In the scope of his duties, the Statutory Audit Board held quarterly, ordinary meetings, and other extraordinary meetings, to discuss matters subject to his duties and competences. According to the nature of the matters under analysis, the meetings were attended by the Management team and by the managers responsible for Planning and Management Control, Administrative and Finance, Internal Audit and by the Statutory External Auditor. We have been in close contact with the Statutory External Auditor who kept us informed about the nature and conclusions of performed audit work. In addition, the Statutory Audit Board attended the meeting of the Board of Directors in which the Management Report and Accounts of the period were approved and, during the whole period, was granted access to all the documents and persons deemed adequate for the performance of his supervisory role.

Additionally, and in the scope of his competences, the Statutory Audit Board verified the effectiveness of the risk management and internal control systems, and assessed the planning and results of the internal and external auditors work, monitored the system for receiving and managing the communication of irregularities (whistle blowing), evaluated the process of preparation of the separate and consolidated accounts, informed the Board of Directors on the conclusions and quality of the work of the Statutory External Auditor and his participation in that process, and also in the scope of his duties, evaluated the competence and independence of the Statutory External Auditor and the External Auditor and supervised the definition of the respective remuneration.

In the course of the financial period, the Statutory Audit Board has paid particular attention to the accounting treatment of all operations that have materially impacted the evolution of the activity stated in the consolidated and separate financial position of Sonae Indústria SGPS, SA. In the scope of his duties, the Statutory Audit Board examined the separate and consolidated statements of financial position, income statements, statements of comprehensive income, the statement of changes in shareholders' funds, the statement of cash flows and respective notes to these financial statements as at 31 December 2018, having received all the information and explanations requested to the Statutory External Auditor, as well as Additional Audit Report set out in Article 24º of Law 148/2015, dated 09 September.

The Statutory Audit Board examined the recommendation I.5 of the Code of Corporate Governance issued by the Portuguese Institute of Corporate Governance (IPCG) in relation to the classification of the relevant level of transactions with qualified shareholders or entities associated with qualified shareholders as set out in paragraph 1 of Article 20º of the Securities Code ("Código de Valores Mobiliários") and found no evidence of any relevant transactions in the light of the aforementioned criteria nor identified any conflicts of interests.

The Statutory Audit Board analysed recommendations I.2.2, I.2.3, 1,2,4, I.3.1,1.3.2, 1.5.1, 1.5.2, III.1.1, III.8 of the Code of Corporate Governance (with particular attention to the compliance risk policy, in the scope of his legal competences), III.11, III.12, IV.4, V.1.2 (with focus on the evaluation of budget compliance and risk management, according to and in the scope of his competences), VII.1.1,VII.2.1, VII.2.2 and VII. 2.3.

The Statutory Audit Board is fully composed by independent members in the context of the applicable legal criteria, with the professional skills required for the performance of the respective role. The members developed their competences and inter-relationship with the other statutory bodies and services of the Company in accordance with the legal and recommendatory principles and standards and have not received a report from the Statutory External Auditor on any irregularities or difficulties in carrying out the respective functions.

The Statutory Audit Board examined the Corporate Governance Report, attached to the Management Report in relation to the consolidated financial statements, under the terms and for the purpose of paragraph 5 of Article 420º of the Companies Code ("Código das Sociedades Comerciais") and confirmed that this report includes the elements referred in Article 245º - A of the Securities Code ("Código de Valores Mobiliários").

Additionally, and in the scope of his competencies, the Statutory Audit Board analysed the Management Report, including the Corporate Governance Report and the remainder reporting documents, separate and consolidated, prepared by the Board of Directors, considered that the information disclosed complies with the legal standards in force and is adequate for the appropriate understanding of the Company's results and that of the companies in its consolidation perimeter, and examined the Statutory External Auditor Report which is in agreement.

2 – **Opinion**

Further to the aforementioned terms, the Statutory Audit Board is the opinion that the Shareholders General Meeting has all conditions to approve:

a) The Management Report;
b) The separate and consolidated statements of financial position, income statements, statements of comprehensive income, the statement of changes in shareholders' funds, the statement of cash flows and respective notes to these financial statements as at 31 December 2018;
c) The proposal for appropriation of results presented by the Board of Directors.

3 – **Statement of Responsibility**

In accordance with paragraph 1- a) of Article 8º of the Securities Market Commission ("CMVM") regulation number 5/2008 and with paragraph 1-c) of Article 245º of the Securities Code ("Código de Valores Mobiliários"), we hereby inform that, to the extent of our knowledge, the information included in the separate and consolidated financial statements was prepared in compliance with the applicable accounting standards and reflect the true and appropriate image of the assets and liabilities, of the financial position and results of Sonae Indústria SGPS, SA and the companies in its consolidation perimeter, and that the Management Report truthfully reflects the businesses evolution, performance and financial position of Sonae Indústria SGPS, SA and its subsidiaries included in the consolidation perimeter and includes a description of the main risks and uncertainties they are confronted with. Moreover, it is hereby confirmed that the Corporate Governance Report complies with Article 245º-A of the Securities Code ("Código de Valores Mobiliários").

Maia, 28 March 2019

The Statutory Audit Board

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António Augusto Almeida Trabulo

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Ana Luísa Nabais Aniceto da Fonte

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Óscar José Alçada da Quinta