CIN

2016

ANNUAL REPORT

CIN: innovation, quality and leadership in the paint and varnish market

100 YEARS OF EXPERIENCE
20+ YEARS LEADERSHIP

210 MILLION EUROS
GLOBAL TURNOVER

OPERATIONS IN 12 COUNTRIES
BRAND PRESENCE IN 40+ COUNTRIES

1400+ EMPLOYEES
140 DEDICATED R&D PROFESSIONALS

CIN has been at the forefront of the sector in the Iberian Peninsula for two decades, and is also one of the largest manufacturers in Europe and a worldwide benchmark, with a turnover of EUR 210 million in 2016 (5% up on 2015).

With over 1400 employees, its business is focused on three main market segments – Construction, Industrial and Protective Coatings.

With three Research & Development Centres (R & D) in Portugal, Spain and France, CIN continually strives for innovation to improve processes, anticipate market needs and ensure the success of its products, which are sold in 40 countries in Europe, the Americas, Asia and Africa.

In addition to innovation, CIN has long been committed to the quality and sustainability of its operations, as is clearly evident in its certified Quality (ISO 9001), Environment (ISO 14001) and Hygiene, Health and Safety (OHSAS 18001) Management Systems.

Production is held in ten factories in Portugal, Spain, France, Angola and Mozambique, equivalent to more than 150,000 m^2 surface area with installed capacity of 135,000 tonnes, supported by 14 storage and distribution centres.

RESEARCH AND DEVELOPMENT CENTRE IN PORTUGAL (3.000M^2+ OF ÁREA)

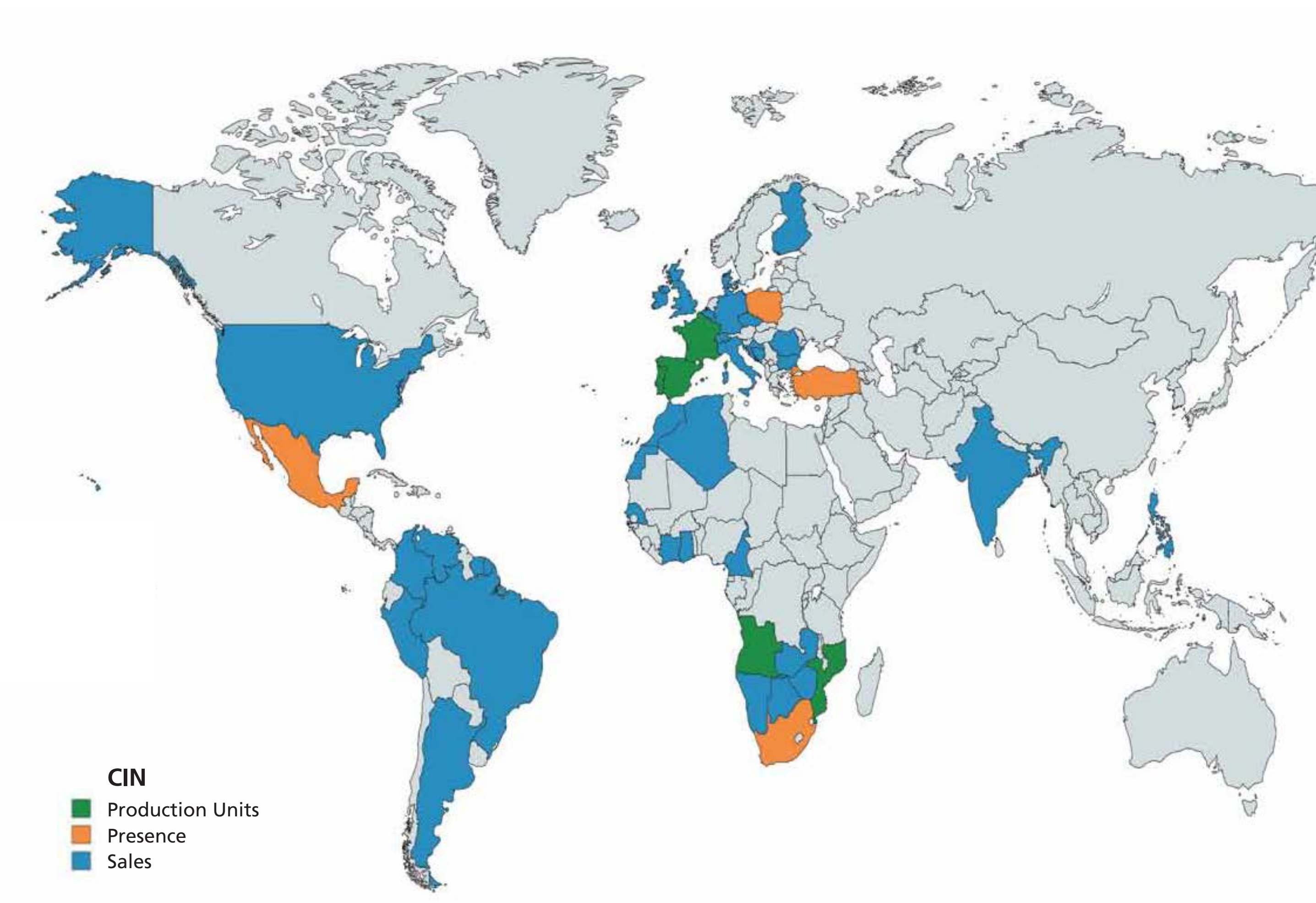
ACCELERATED AGEING RESEARCH LABORATORY

During the year, various CIN solutions were selected for prominent projects around the world, in particular the new headquarters of the European Commission in Brussels, a capital city where CIN was also involved in the painting of various other iconic buildings such as the Toison D'Or, the Chambon building and the Generali building.

CHAMBON BUILDING, BRUSSELS

GENERALI BUILDING, BRUSSELS

WHERE WE ARE



Construction

HOTEL PESTANA CR7, FUNCHAL, PORTUGAL

This business unit, which includes paints and varnishes for buildings applied by professionals and do-it-yourself-ers, is one of the three most important business units in CIN, with production centred in the Iberian Peninsula, France, Poland and Africa.

In all these territories, it is the innovation, quality and reliability of CIN solutions that have earned the trust of consumers and professionals for all kinds of purposes, from simple interior decoration to major projects such as the Oriente Museum, the Hotel Pestana CR7 and the Casa da Música in Portugal and the National Bank of Angola.

PRESENCE IN 15 COUNTRIES
IN EUROPE, AFRICA AND AMERICA

51% OF THE CIN BUSINESS
107 MILLION EUROS IN 2016

ANGOLA NATIONAL BANK, LUANDA, ANGOLA

The Construction area accounted for 51% of turnover in 2016, accompanied by a significant increase in market share in Portugal.

In Spain the sales division was reorganised, resulting in an increase in penetration in the modern distribution channel.

Currently, the company has 121 own-branded stores, including 6 megastores and 19 superstores, distributed throughout Portugal, Spain, Angola and Mozambique. It is continuing to pursue a far-reaching plan for the renovation of existing points of sale and the opening of new stores, aiming for proximity to customers.

Other important developments were the launches of the Color Trends Catalogue for 2017, including 40 new shades, entitled “Color Revelation”; and the XT CRYL 100 facade paint which completes the facades portfolio whose top-of-the-range paint, Nováqua HD, continues to show an excellent performance.

PRINCIPAL LAUNCH OF THE YEAR
COLOR REVELATION: TRENDS 2017

Industry

The industrial coatings business unit produces and sells Powder Coatings for metal protection and finishing, and Liquid Paints for a wide range of industrial applications.

With production units in Portugal, Spain and France, CIN serves more than a dozen sectors including building components, commercial and industrial vehicles, and glass and plastic packaging. The geographical expansion and reinforcement of the portfolio of solutions are two strategic priorities for the growth and consolidation of this business area.

PRESENCE IN 21 COUNTRIES
IN EUROPE, AFRICA AND THE AMERICAS

38% OF THE CIN BUSINESS
80 MILLION EUROS IN 2016

This business unit accounted for 38% of CIN's turnover in 2016. Continuing the search for innovative solutions, CIN Industrial Coatings has submitted an intellectual property patent application for Megatane S7PX varnish which confers anti-graffiti and anti-sticker properties which preventing the sticking of posters and bills.

2016 also saw the completion of a renovation project for ICS (Industrial Coatings Solutions) creating a special range of industrial and anticorrosion protection products for retail sale.

The Iberian leader in the supply of paints for the logistics sector (equipment for warehouses and transport lines) and for the coating of fire prevention systems, CIN was also selected to supply the coatings used in the renovation of CP's Alfa Pendular trains and the Douro Line Historic Train.

NEW ALFA TRAIN PAINTED WITH INDUSTRIAL COATINGS

INNOVATIVE PRODUCTS SUCH AS POWDER COATINGSWITH METAL FINISH

SUPPLY OF COATINGS FOR GLASS AND PLASTIC PACKAGING (COSMETICS AND PERFUMERY)

Protective Coatings

CEPSA SERVICE STATIONS
SPAIN - PORTUGAL

This business unit includes coatings to protect structures, which are used in the petrochemical, energy, construction and industrial sectors.

Its four major lines of coating solutions – Passive Fire Protection (metal and wood structures), Floors, Concrete and Heavy Duty (fuel tanks, pipelines, etc) have been selected for large public works and infrastructure construction projects in Europe, Central America, Africa and the Middle East.

With production in Portugal and Spain, the Protective Coatings business unit is pursuing a strategy based on the start-up of its own operations and the establishment of local partnerships in order to broaden its presence in strategic markets.

AGORA THEATRE, VALENCIA, SPAIN

PRESENCE IN 19 COUNTRIES

START OF THE SALE OF PROTECTIVE COATINGS AT CIN POLSKA

11% OF THE CIN BUSINESS

23 MILLION EUROS IN 2016

CIN has also pursued its internationalisation strategy in this area, which accounts for 11% of the global business, with the creation of CIN Coatings Polska, based in Warsaw.

The consolidation and expansion of international operations in Turkey, Mexico and South Africa was another of the major developments in 2016.

2016 saw the launch of an expanded portfolio of products for floors and for the protection and repair of concrete, as well as the refreshing of the Heavy Duty product range.

Additional investments were also made in Research and Development in all areas (Floors, Concrete, Heavy Duty and Passive Fire Protection).

PEDESTRIAN OVERPASS, GALP ENERGIA
LISBON, PORTUGAL

Africa

On the African continent, where the three business units work in a integrated manner, CIN is headquartered in Angola and Mozambique, and is here concentrating its two production and storage units.

In these markets, investments continue to be made to increase the installed capacity and efficiency of the production units, while also pursuing investment in a broad and modern chain of stores, as well as the establishment of commercial and/or industrial partnerships with local entities.

The expansion into new recognised markets on the African continent is another strategic direction.

PRODUCTION UNIT, BENGUELA, ANGOLA

PRESENCE IN 13 COUNTRIES

10.500 TONNES OF PRODUCTIVE CAPACITY

In 2016 in Angola, the investments in the Benguela factory and warehouse were completed, together with the Luanda-Viana warehouse. The Huambo store was also renovated.

In Angola and Mozambique, projects were begun with a view to obtaining environmental and quality certification of CIN in those countries.

In Mozambique, 2016 was marked by the installation of a semi-automatic filling line for 5L and 15L containers. At the same time, the tenth CIN own-branded store was opened in Pemba, in the province of Cabo Delgado. The stores in Nampula and Beira were refurbished to present a more modern image, while the Tete store moved to more modern, larger and better located premises.

PRODUCTION UNIT, MACHAVA, MOZAMBIQUE

CIN STORE, PEMBA, ANGOLA

Research, Development & Innovation (RDI)

DECORATIVE R&D (PARTIAL VIEW)

ANALYTICAL LABORATORY (PARTIAL VIEW)

NATURAL AGEING AREA

With Research and Development (R&D) driving innovation and continuing improvement, CIN considers its RDI as an investment with measurable results, since the products developed over the last three years - new, modified and improved - were responsible for 16% of the turnover achieved in 2015.

The work of its R&D centres in Portugal, Spain and France is ensured by more than 140 specialised professionals and complemented by partnerships with leading academic institutions, such as School of Science and the School of Engineering of Porto University, the School of Engineering - Polytechnic of Porto, the University of Aveiro and the University of Minho.

100 R&D PROJECTS IN 2016
35% ALREADY SUCCESSFULLY COMPLETED

13% CONTRIBUTION
TO CIN's RESULTS FROM RDI

In 2016, 100 R&D projects were developed, 35% of which were completed successfully, with 650 new raw materials tested, 2,800 colour studies performed, and 1,800 formulations developed.

This activity has resulted in countless products in CIN's various market segments, including in particular, due to their innovative nature:

- Primer HD and Deck HD: for protection and decoration of exterior wooden decks.
- XT CRYL 100: acrylic paint for facades.
- C-POX S640: epoxy-modified stoving varnish specially developed for protecting the interior of metallic drums.
- C-Floor Varnish E250: epoxy water based varnish for floors and concrete surfaces.
- Cingard Primer FD - sealant primer for concrete.
- C-POX Primer ZP160 FD: epoxy-polyamide primer with high solids content for the protection of steel structures.

In addition to the acquisition of some equipment for the various laboratories, an innovative project was started to explore the use of "DoE - Experimental Design" as an auxiliary tool for R&D planning, which made it possible to optimise human and material resources, as well as to reduce the time and cost of tests.

Managing Director's Report

Dear Shareholders,

In fulfilment of our legal obligations and, in particular, the provisions of Articles 508-A and 508-C of the Commercial Companies Code, we hereby submit the consolidated management report, the consolidated balance sheet, the consolidated financial statements of income by types, cash flow statements and accompanying notes for the financial year 2016.

Macroeconomic Background

World Economy

A year ago there was widespread concern among economists and investors about trends in the world economy. The outlook for China was bleak, with a strong likelihood of a Renminbi devaluation. Further the fall in the price of oil led to a sharp fall in investments in the energy sector while, at the same time, consumers remained reluctant to spend their income gains.

The risk of deflation was obvious in bond markets in Japan and Europe and the FED was determined to normalize interest rates, regardless of the effect that this action might have on the dollar and the weakening of emerging economies. In March, growth fell to 2.2% but from then on there was a strong improvement, only temporarily interrupted by the unexpected Brexit result. According to the latest data, global growth reached 4.4%, with China accounting for half of this total; 25% was generated in emerging markets and 25% by developed countries, with half of the latter contributed by the USA - i.e. the performance of Japan and Europe was still negligible throughout this time.

Portuguese Economy

The evolution of the Portuguese economy in 2016 was a surprise, with positive GDP growth of 1.4%, which was higher than expected, but still lower than in 2015 (1.6%).

This trend in the economy was essentially based on private consumption, which grew 2.3% in 2016, driven by growth in employment and the reversal of some austerity measures, while other components of internal demand recorded weak performance, with public consumption growing by 0.8% and investment falling by 0.9%. External demand contributed negatively to growth, although performance was an improvement on the previous year.

Furthermore, the trend towards consolidation of the public accounts continued, with the public deficit falling to 2.1% of GDP. The excessive weight of net public debt remains one of the most relevant obstacles to future growth prospects.

Following the recovery in 2015, the construction sector overall once again recorded negative growth, although the trend in the residential buildings sector was positive.

Spanish Economy

As in 2015, the Spanish economy again recorded strong growth in 2016, of 3.2%. The key to this performance was domestic demand, sustained by the increase in disposable household income arising of improved employment conditions.

In line with this dynamism, the construction industry also recorded positive growth, mainly in the residential buildings sector. However, public investment in infrastructure remained anaemic as it was the target for restructuring of the public accounts.

French Economy

The French economy grew 1.1% in 2016, which was in line with the previous year, supported by domestic demand, with enhanced private consumption and investment.

Although the public deficit decreased in 2016, it remained above the threshold of 3% of GDP imposed by the European Union, thus undermining capacity to promote public growth promotion measures.

Angolan Economy

The most recent macroeconomic data for activity in Angola indicate that the economy stagnated in 2016 as a result of ongoing low oil prices, which also affected the non-oil sector where performance was disappointing.

Oil prices reached their lowest level in the 1st quarter of 2016, at about 30 dollars a barrel, but recovered thereafter to over 50 dollars, thus boosting inflows of foreign exchange and raising expectations for a slow recovery in economic activity.

The average inflation rate exceeded 30%, the highest in the last decade and the currency underwent a significant devaluation, mainly in the first four months, with a continuation of severe restrictions on access to payments in foreign currencies.

Mozambican Economy

Estimates for the Mozambican economy in 2016 suggest GDP growth of 3.3%, the poorest performance since 2000.

The Mozambican government, at the start of 2016, reported a correction in the amount of public debt, with the announcement of a considerable increase to levels in excess of 130% of GDP and then in October it revealed that it would not be able to meet its scheduled payment commitments, which led to its sovereign rating being downgraded to "default" and, consequently, to an intervention by the International Monetary Fund.

Inflation soared to nearly 20%, from 4% in 2015, along with a steep devaluation of the metical, which meant that restrictive monetary policies had to be adopted, with drastic rises in interest rates.

Activity 2016

Introduction

Some of the variables that influenced the deterioration of the economic outlook in 2016 had an impact on the management position throughout the year. Against this background, we deepened the adjustment of our organizational structure in Angola; we were conservative in advancing our exposure to emerging markets and we boosted momentum in the markets in which we are most exposed, by enhancing performance in core markets and segments for the Group.

Markets

Turnover reached € 210.3 million in 2016, an increase of 5.0% year on year. This trend reflects the first integration of the Monopol Group of companies (Monopol) in the consolidation perimeter. Comparative evolution without Monopol would have shown a 4.8% reduction in turnover.

In terms of markets, sales in Portugal increased by 5.9%, especially in the decorative and anticorrosion segment. In Spain, activity also improved positively in the industrial segment.

With the incorporation of Monopol in the consolidation perimeter in 2016, turnover volume in France increased to about 17% of the Group's overall value. Comparable activity in this market contracted by 3.2%.

The export market grew 5.9% mainly due to growth in the industrial segment, with the German market and new geographical areas contributing positively.

Reflecting the slowdown in the local economy and, essentially, the adjustment imposed in response to the scarcity of import supporting currencies, Angola recorded a very significant decline in turnover (-45%). In Mozambique there was also a significant decrease in sales in Euros (-28.2%), as a result of the major devaluation of the metical, while in local currency, activity grew slightly, supported essentially by the price component.

In the South African and Mexican markets, which are the foreign protective coatings markets with a local presence, turnover remained the same as in the previous year.

Business Units (BU)

In the **Decorative Paints** BU, turnover fell by 6.7%.

In Portugal, sales maintained a robust growth rate (+ 8.1%), reflecting the trend already recorded in previous periods of expanding market share, benefiting from positive trends in internal demand indicators and continuous pressure on the competition.

In Spain, global sales in decorative products remained the same as in 2015.

In France, sales in the CIN Deco project fell by 4.1% during a phase of correction compared to the strong growth seen in 2015.

In Angola, the Decorative Paints BU contracted by around 50%, due to the fall in internal growth rates and to the activity-based adjustment measures imposed by the Group, as a result of limitations in access to foreign exchange to guarantee the external support essential to the development of local activity.

Also in Mozambique, performance declined by around 28%, influenced by the deterioration of the economic indicators and by the major depreciation of the Metical against the Euro.

There was also negative growth in exports of decorative goods (-39%) exacerbated by the worsening economic climate of the target countries.

Turnover in the **Industrial** BU saw major growth of 32%, supported by the integration of Monopol's activity. Comparable evolution showed growth of 4.8% due to the good performance of the BU in Portugal, Spain and in Exports.

The **Protective Coatings** BU recorded a 7.6% decrease in sales, due to poor performance in Angola and in Spain as a result of the political stalemate and the low rate of investment in infrastructure. In Portugal, protective sales grew 4.8%.

Financial Vision

Note: Comparability of operating performance in the years under review is affected by non-recurring movements and by the incorporation of the Monopol Group companies into the consolidation perimeter.

The Group's consolidated sales amounted to € 210.3 million, representing growth of 5% over 2015.

The gross margin, 53.6%, increased year on year, in line with the trend already evident in 2015, due to enhanced activity in the segments with the highest margin and benefiting from the cost of raw materials, a trend that has now run its course.

External supplies and services and personnel costs grew significantly, by +7.1% and +14.1% respectively, a trend which is explained by the incorporation of Monopol, as, compared to the previous perimeter, the figures decreased, mainly due to the contraction in Angola and Mozambique, as a result of the measures imposed in order to adapt to the crisis occurring in each country and also due to the sharp exchange rate devaluation.

Recurrent EBITDA in 2016 amounted to €22.2 million, a fall of € 2.1 million year on year. This decrease was entirely due to the lower contribution of income recorded in Angola and Mozambique, as a consequence of the substantial reduction in sales described above, which could not be fully offset by the improvement in profitability in other geographical areas and due to the contribution of Monopol.

We maintained the Group's usual conservatism in hedging business risks and in our investment policies and anticipation / assurance in ability to respond to future activity trends - recurring EBIT therefore stood at € 13.9 million, 14.2% less than in the same period of 2015.

Net financial costs fell very sharply in 2016, supported by the fall in the pricing of credit lines, a result of the continuous process of renegotiation of the price and maturity of debt.

Reflecting the activity described, net income for the year was € 7.3 million, a decrease of 13.3% year on year.

In 2016, the Group released funds for operating activities of € 19.1 million, 5% higher than in 2015 and in line with activity trends.

Investment amounted to € 5.6 million, primarily explained by investments of € 5.4 million in tangible fixed assets, mainly in Portugal, for the purchase of the facilities adjacent to the current distribution centre and the modernization of manufacturing equipment and by financial investments of € 1.2 million, which are the amounts spent in the year on the purchase of the Monopol Group.

Regarding financing activities, net financial charges of € 2.9 million were recorded - a significant decrease of 24% year on year, with € 3.5 million in dividends and €3.0 million in loans.

Total assets amounted to € 264 million, down slightly from 2015, but the non-current component was significantly lower, € 8.7 million, due to the decrease in financial assets as a result of the removal, through consolidation, of the investment in the Monopol group and the resulting registration of the goodwill generated by that operation.

Current assets increased by € 7.7 million, primarily due to the € 5.8 million growth in monetary assets and customers by € 4.3 million, mainly in connection with the integration of Monopol. Other current financial assets decreased by € 3.3 million due to the decrease in the amount invested in short-term financial investments.

Non-current liabilities amounted to € 96.9 million, slightly higher than in 2015, due to the renegotiation which resulted in an increase in the amount and maturity of one of the contracted bond loans. Current liabilities of € 77.1 million decreased year on year, due to the reduction in the use of available credit lines.

Equity was € 90.3 million, slightly down compared to 2015 and financial autonomy was similar to the previous year, 42%, when adjusted for net debt.

Money and Capital Markets

Central banks are reaching the limit in the effects of the Quantitative Easing (QE) policy, promoting the idea that monetary policy has become less effective in stimulating growth, with a clear shift towards reliance on fiscal policies, through enhanced public investment.

This change of tone has supported risk appetite, with stock valuations reaching their highest levels since the financial crisis. Shares will apparently still be "cheap" given the expectation of low return on the bond market side.

However, the consolidation and strengthening of the pace of economic growth has been accompanied by an increase in the inflation rate, which is starting to be noticed by the markets, with the consequent risk of faster than expected rises in interest rates, thus reducing the attractiveness of shares.

Against this background, the process of renegotiation of the debt continued by increasing its maturity and improving its terms of payment while at the same time some preventive interest hedging measures were taken, in view of the scenario outlined above.

Description of the Dividend Distribution Policy

The Group has defined the principle of distributing between 35 and 50% of net income, so as to guarantee stable resources to meet its growth financing needs.

Although the external constraints already envisaged last year were much more severe than expected, the Group's performance remained at an acceptable level during 2016.

Moreover, the release of funds was not affected and there was a reduction of around 5 million Euros in net debt.

In this context, the Board of Directors will propose to the General Meeting that € 3.5m of the net profit of € 7.3m, or 14 cents per share, be allocated in dividends.

Management Bodies

1. Membership of the Board of Directors

The Board of Directors currently has five members, four of whom are representatives of shareholders, with one independent director. Executive directors have direct responsibility for business operations, while the non-executive director is responsible for making an independent and objective assessment of the decisions of the Board.

2. Board Member Remuneration Policy

The remuneration of the Board includes three components:

a) Fixed monthly remuneration;
b) An annual incentive, based on an evaluation scheme with defined objectives;
c) Long-term incentives, established in line with best market practices,

established by the Remuneration Committee, made up of the Chairs of the Board of the General Meeting, the Supervisory Board and the Board of Directors.

Outlook

As in 2015, 2016 was affected by a series of negative surprises.

However, the pace of economic growth has been accelerating, creating "momentum" for global growth, supported by the slowdown in stock level reductions and stable or even rising commodity prices. However, in political terms, the growing significance of populist ideals is creating a context of instability that needs to be taken into account. The stimulus policy designed by the Trump administration, with the US economy in full employment, leaves questions about the way forward for the FED, while the ECB's announcement of stimulus reduction and the Brexit negotiations are creating an environment of uncertainty that may encourage investors and managers to postpone irreversible decisions, which in Europe, driven by the electoral calendar, could severely constrain this "momentum" of economic growth and capital formation.

In this context, we believe that companies should focus on growth in income to guarantee their independence.

The Paint market is a mature market and CIN is also geographically exposed mainly to mature markets so the weight of the macroeconomic components and the local competitive scenario has gained in significance.

Accordingly, a policy of increasing volumes, promoting price increases and cost cutting, while still making sense, is starting to be less effective.

In order to respond to these challenges, in 2017 we will continue to promote our strategic vision of growth and business complementarity, based on the continuous search for maintenance of a solid organizational structure, without losing agility and flexibility, to build a business model promoting diversification of the high concentration that we currently have in customers, products and geographical areas.

This will enable us to promote a granular approach to markets and segments, by concentrating resources where we can win market share with higher performing products and segments.

In the Industrial Coatings Unit, we will focus growth on the segments defined as strategic, by diversifying geographies, consolidating a global market vision - based on organic growth and appropriate methodologies and instruments - mergers, acquisitions and alliances.

This was why in December we analysed the Govesan company - which will have an impact on improving the profitability of the less performing segments and a more diversified geographical exposure.

In this way we plan to optimize operational profitability by means of gains in scale, process improvement and continuous enhancement of the supply chain.

The Deco market is the largest volume segment with the highest growth stability, with well-established Barriers to entry

- ✓ Branding and distribution channels
- ✓ Limited product replacement
- ✓ Low price sensitivity

And Key growth Factors

- ✓ Population growth
- ✓ Reduction of household size and break-up of family unit
- ✓ Policies for promotion or not of home ownership
- ✓ Renovation
- ✓ Potential growth in the DIY market

The intervention process is based on:

- Maximizing market coverage through evaluation with geomarketing tools and coordination of development (new openings, rebranding, closures) of the POS network, ensuring a better balance between independent distribution and the Group's direct sales, while streamlining the current dealer channel by developing the customers with most potential and attracting new resale customers and optimizing the product portfolio

- The protective coatings business unit will continue the process of rationalizing and reviewing the core product range in order to guarantee the performance and competitiveness of CIN products in the Iberian and International markets. This will strengthen and formalize portfolio management functions, together with support for international sales and will enhance coordination, internally and with the other BUs, especially in terms of commercial penetration, while consolidating trade and service capacity in key international markets. This will strengthen CIN's brand as a player recognized by the market and will develop the Protective Coatings business in the identified key geographical areas.

Acknowledgements

Thank you to our Customers, the main reason for our existence - we are grateful for their trust in us and for their collaboration in the development of our products.

Thank you to our Employees for their commitment and collaboration, for their competence and the enthusiastic way they have responded to the company's growth and transformation effort.

Thank you to the Credit Institutions and to our Suppliers for the way in which they have supported us.

Thank you to the Supervisory Board, the Statutory Auditor and our Auditors, for always being available to provide expert advice.

Maia, 19 April 2017

THE BOARD OF DIRECTORS

João Manuel Fialho Martins Serrenho, *Chairman*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member of the Board*
Maria João Serrenho dos Santos Lima, *Member of the Board*
Ângelo Barbedo César Machado, *Member of the Board*
Manuel Fernando de Macedo Alves Monteiro, *Member of the Board*

Financial Information

Consolidated statements of financial position for the years ended as of 31 December 2016 and 2015

(Amounts expressed in Euro)

ASSETS	Notes	IAS/IFRS 31/12/16	IAS/IFRS 31/12/15
NON CURRENT ASSETS:			
Goodwill	7	23 771 320	20.077.734
Intanglble assets	8	3 682 480	3.395.091
Tangible assets	6	94 682 239	95.634.271
Investment properties	9	6 958 781	6.958.781
Other financial assets	10, 11	3 761 961	3.528.531
Other investments	4	133 194	11.836.913
Deferred tax assets	12	4 398 433	4.615.047
Other non current assets	10, 13	258 470	224.426
Total non current assets		**137 646 878**	**146.270.794**
CURRENT ASSETS:			
Inventories	14	32 934 201	34 073 828
Customers	10, 15	35 383 005	31 166 678
Other current debtors	10, 16	3 684 495	4 973 895
State and other public entities	10, 26	4 063 585	1 774 433
Other current assets	10, 17	2 550 394	2 451 204
Other financial assets	10, 11	14 192 710	17 491 408
Cash and cash equivalents	10, 18	33 862 242	28 086 744
Total current assets		**126 670 632**	**120 018 190**
Total assets		**264 317 510**	**266 288 984**
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share Capital	10	25 000 000	25 000 000
Legal reserve	20	5 000 000	5 000 000
Revaluation reserves	20	2 758 445	2 758 445
Conversion reserves	20	(4 327 808)	(690 944)
Fair value reserves	20	(419 065)	(301 011)
Other reserves		54 913 877	51 851 221
Consolidated net profit for the year		7 326 121	8 454 641
		90 251 570	**92 072 352**
Non-controlling interests	21	4 987	7 452
Total shareholders' funds		**90 256 557**	**92 079 804**
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	10, 22	87 800 000	84 359 123
Other non current creditors	10, 25	3 581 184	4 386 957
Retirement benefit obligations	23	1 231 278	977 589
Deferred tax liabilities	12	4 331 783	5 060 097
Total non current liabilities		**96 944 245**	**94 783 766**
CURRENT LIABILITIES:			
Bank loans	10, 22	24 767 181	30 292 378
Suppliers	10, 24	23 778 366	24 121 025
Other current creditors	10, 25	2 673 968	2 479 778
State and other public entities	10, 26	7 526 341	5 475 595
Other current liabilities	10, 27	13 765 036	12 186 640
Provisions	28	4 605 816	4 869 998
Total current liabilities		**77 116 708**	**79 425 414**
Total shareholders' funds and liabilities		**264 317 510**	**266 288 984**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2016.

ACCOUNTANT No. 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of profit and loss for the years ended as of 31 December 2016 and 2015

(Amounts expressed in Euro)

	Notes	IAS/IFRS 31/12/16	IAS/IFRS 31/12/15
Operating income:			
Sales	29	210 297 066	200 368 138
Services rendered	29	11 142	-
Other operating income		2 197 468	2 023 855
Total operating income		**212 505 676**	**202 391 993**
Operating expenses:			
Raw materials and consumables used	14	98 025 331	93 790 931
Changes in inventories of finished goods and work in progress	14	(510 893)	960 017
External supplies and services		39 469 546	36 846 543
Payroll expenses		50 769 822	44 477 253
Amortisation and depreciation expenses	6, 8	8 390 247	7 775 352
Provisions and impairment losses	28	(33 958)	310 159
Other operating expenses		4 744 730	3 447 358
Total operating expenses		**200 854 826**	**187 607 613**
Operating results		**11 650 850**	**14 784 380**
Financial expenses	30	(3 071 426)	(5 117 561)
Financial income	30	625 757	966 710
Results before income taxes		**9 205 181**	**10 633 529**
Income taxes	31	(1 881 525)	(2 344 274)
Consolidated net profit for the year		**7 323 656**	**8 289 255**
Discontinued operations	3	-	151 745
Consolidated net profit for the year		**7 323 656**	**8 441 000**
Attributable to:			
Group		7 326 121	8 454 641
Non-controlling interests	21	(2 465)	(13 641)
		7 323 656	**8 441 000**
Earnings per share			
Basic	34	0,293	0,338
Diluted	34	0,293	0,338

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2016.

ACCOUNTANT No. 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of changes in shareholders' funds for the years ended as of 31 December 2016 and 2015

(Amounts expressed in Euro)

		Reserves									
	Share capital	Legal reserve	Revaluation reserves	Conversion reserves	Hedging reserves	Fair value reserves	Other reserves	Total reserves	Non-controlling interests	Net profit	Total
Balances as of 1 January 2015	25.000.000	5.000.000	2.758.445	1.394.650	(91.607)	(11.893)	54.976.774	64.026.369	21.093	3.254.472	92.301.934
Appropriation of consolidated net profit of 2014:											
Transfer to other reserves	-	-	-	-	-	-	1.254.472	1.254.472	-	(1.254.472)	-
Distributions	-	-	-	-	-	-	-	-	-	(2.000.000)	(2.000.000)
Comprehensive income for the year	-	-	-	(2.085.594)	91.607	(289.118)	-	(2.283.105)	(13.641)	8.454.641	6.157.895
Changes in perimeter	-	-	-	-	-	-	(399.505)	(399.505)	-	-	(399.505)
Others	-	-	-	-	-	-	(3.980.520)	(3.980.520)	-	-	(3.980.520)
Balances as of 31 December 2015	**25.000.000**	**5.000.000**	**2.758.445**	**(690.944)**	**-**	**(301.011)**	**51.851.221**	**58.617.711**	**7.452**	**8.454.641**	**92.079.804**
Balances as of 1 January 2016	25.000.000	5.000.000	2.758.445	(690 944)	-	(301 011)	51 851 221	58 617 711	7 452	8 454 641	92 079 804
Appropriation of consolidated net profit of 2015:											
Transfer to other reserves	-	-	-	-	-	-	4 954 641	4 954 641	-	(4 954 641)	-
Distributions	-	-	-	-	-	-	-	-	-	(3 500 000)	(3 500 000)
Comprehensive income for the year	-	-	-	(3 636 864)	-	(118 054)	-	(3 754 918)	(2 465)	7 326 121	3 568 738
Others	-	-	-	-	-	-	(1 891 985)	(1 891 985)	-	-	(1 891 985)
Balances as of 31 December 2016	**25.000.000**	**5.000.000**	**2.758.445**	**(4 327 808)**	**-**	**(419 065)**	**54 913 877**	**57 925 449**	**4 987**	**7 326 121**	**90 256 557**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2016.

ACCOUNTANT No. 63002

Paula Macedo

BOARD OF DIRECTORS

João Manuel Fialho Martins Serrenho, *President*

Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*

Maria João Serrenho dos Santos Lima, *Member*

Ângelo Barbedo César Machado, *Member*

Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of comprehensive income for the years ended as of 31 December 2016 and 2015

(Amounts expressed in Euro)

	IAS/IFRS 31/12/16	IAS/IFRS 31/12/15
Consolidated comprehensive income for the year, including non-controlling interests	7 323 656	8 441 000
Other consolidated comprehensive income:		
Items to be reclassified to net profit in the future:		
Variation in hedging reserves	-	91 607
Variation in exchange conversion reserves	(3 636 864)	(2 085 594)
Variation in fair value reserves	(118 054)	(289 118)
Balances as of 31 December 2016	**3 568 738**	**6 157 895**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2016.

ACCOUNTANT No. 63002
Paula Macedo

BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of cash flows
for the years ended as of 31 December 2016 and 2015

(Amounts expressed in Euro)

OPERATING ACTIVITIES:	Notes	IAS/IFRS 31/12/16	IAS/IFRS 31/12/15
Receipts from customers		245 836 689	228 314 739
Payments to suppliers		(152 008 392)	(145 422 955)
Payments to employees		(28 664 617)	(27 242 562)
Cash generated from operations		**65 163 680**	**55 649 222**
Income taxes paid		(1 786 078)	(2 957 180)
Other receipts/(payments) relating to operating activities		(44 271 820)	(34 883 916)
Flows generated before extraordinary items		**(46 057 898)**	**(37 841 096)**
Discontinued operations			349 000
Net cash generated by operating activities (1)		**19 105 782**	**18 157 126**
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments available for sale		11 970 187	7 467 060
Investment properties		-	30 000
Tangible assets		66 030	161 255
		12 036 217	**7 658 315**
Payments relating to:			
Other investments		(1 186 350)	(8 508 450)
Investments available for sale		(11 043 312)	(13 775 021)
Tangible assets		(5 358 190)	(6 962 137)
Intangible assets		(70 695)	(132 717)
		(17 658 547)	**(29 378 325)**
Net cash used in investing activities (2)		**(5 622 330)**	**(21 720 010)**
FINANCING ACTIVITIES:			
Receipts relating to:			
Borrowings		103 050 424	57 572 075
Interest and similar income		438 292	490 721
		103 488 716	**58 062 796**
Payments relating to:			
Borrowings		(106 130 534)	(80 836 329)
Dividends		(3 500 000)	(1 800 000)
Interest and similar costs		(3 356 552)	(4 296 376)
		(112 987 086)	**(86 932 705)**
Net cash used in financing activities (3)		**(9 498 369)**	**(28 869 909)**
Variation of cash and cash equivalents (4) = (1) + (2) + (3)		3 985 083	(32 432 793)
Cash and cash equivalents at the beginning of the year		28 086 744	59 582 437
Changes in perimeter	5	3 238 256	-
Exchange variation in cash and cash equivalents at the beginning of the year		(1 447 841)	937 100
Cash and cash equivalents at the end of the year	18	**33 862 242**	**28 086 744**

The accompanying notes form an integral part of the consolidated statement for the year ended as of 31 December 2016.

ACCOUNTANT No. 63002
Paula Macedo

BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Notes to the Consolidated Financial Statements as of 31 December 2016

(Amounts expressed is Euro)

Introduction

CIN - Corporação Industrial do Norte, S.A. ("CIN" or "the Company") is a share capital company ("Sociedade Anónima"), established in 1926, with headquarters located in Maia and is the Parent Company of a group of companies ("CIN Group" or "Group") and its main activity is the production and sale of paint, varnish and similar products.

The Group develops its activities in Portugal, with subsidiaries in Spain, France, Netherlands, Luxembourg, Angola, Mozambique, South Africa and Mexico.

As of 31 December 2016, Pleso Holding B.V. (with headquarters located in Netherlands) fully owns CIN's share capital.

The accompanying financial statements are expressed in Euro (rounded to the nearest unit), as it is the functional currency used in the economic environment where the Group operates. Foreign operations and transactions are included in the financial statements in accordance with the policy established in Note 1.2.d).

1. Main accounting policies

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

1.1. Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 3), maintained in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2016. These standards include the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretations Committee ("SIC"), as adopted by the European Union. The standards and interpretations mentioned above will generally be presented as "IAS/IFRS".

The Board of Directors has assessed the Company's and its subsidiaries and associates ability to operate on a continuous basis, based on all relevant information, facts and circumstances of a financial, commercial or other nature, including subsequent events to the reporting date of the financial statements, available about the future. As a result of the evaluation, the Board of Directors has concluded that it has adequate resources to maintain its activities, and there is no intention to cease activities in the short term, and therefore considered appropriate to use the assumption of continuity of operations in the preparation of the financial statements.

Adoption of new, amended or reviewed standards and interpretations

The following standards, interpretations, amendments and endorsed revisions by the European Union and with mandatory application for first time in the year ended as of 31 December 2016:

Standard	Applicable in the European Union in the years starting on or after	Observations
Amendment to IAS 19 – Employee benefits – Employee contribution	1-Feb-15	Clarifies under which circumstances emplyees' contributions to post-employment benefit plans consist of a decrease in the cost of sort term benefits.
Improvements to international finantial statement standards (2010-2012 cycle)	1-Feb-15	These improvements involve the clarification of some aspects relating to: IFRS 2 – Share based payments: definition of the vesting condition; IFRS 3 – Concentration of business activities: recording of contingent payments; IFRS 8 – Operating segments: disclosures relating to the aggregation of segments and clarification of the need to reconcile total assets by segment with the amount of the assets in the finantial statements; IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets: need to proportionately revalue accumulated amortization in the case of the revaluation of fixed assets; and IAS 24 – Disclosure of related parties: defines that an entity that renders management services to the Company or its parent company is considered a related party; and IFRS 13 – Fair value: clarification relating to the measurement of short term receivables or payables.
Improvements to international financial statement standards (2012-2014 cycle)	1-Jan-16	These improvements involve the clarification of some aspects relating to: IFRS 5 – Non current assets held for sale and discontinued operating units: introduces guidelines on how to proceed in the case of changes as to the expected realization method (sale or distribution to the shareholders); IFRS 7 – Finantial instruments: disclosures: clarifies the impact of asset monitoring contracts under the disclosures relating to continued involvement of derecognized investments, and exempts the interim finantial statements from the disclosures required relating to the compensation of finantial assets and liabilities; IAS 19 – Employees benefits: defines that the rate to be used to discount defined benefits must be determined by reference to high quality bonds of companies issued in the currency that the benefits will be paid; and IAS 34 – Interim finantial statements: clarification on the procedures to be used when the information is available in other documents issued together with the interim finantial statements.
Amendment to IFRS 11 – Recording of acquisitions of interests in joint agreements	1-Jan-16	This amendment releases to the acquisition of interests in joint operations. It establishes the requirement to apply IFRS 3 when the joint operation acquired consists of a business activity in accordance with IFRS 3. When the joint operation in question does not consist of a business activity, the transaction must be recorded as the acquisition of assets. This Amendment is of prospective application to new acquisitions of interests.
Amendment to IAS 1 – Presentation of Finantial Statements – "Disclosure Iniciative"	1-Jan-16	This amendment clarifies some aspects relating to disclosure initiatives, namely: (i) the entity must not make it difficult to understand the financial statements by the aggregation of significant items with insignificant items or the aggregation of significant items of different natures; (ii) the disclosures specifically required by the IFRS need only to be provided if the information in question is significant; (iii) the lines in the financial statements specified by IAS 1 can be aggregated or segregated in accordance with what is significant in relation to the objectives of the financial statement; (iv) the part of other recognized income resulting from the application of the equity method in associates and joint agreements must be presented separately from the remaining elements of other recognized income, also segregating the items that can be reclassified to the statement of profit and loss from those that will not be reclassified; (v) the structure of the notes must be flexible, and should follow the following order: • a declaration of compliance with the I FRS's in the first section of the notes; • a description of the significant accounting policies in the second section; • supporting information for the items on the financial statements in the third section; and • other information in the fourth section.
Amendment to IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets – Acceptable depreciation and amortization methods	01-Jan-16	This amendment establishes the presumption (that can be refuted) that income is not an appropriate basis for amortizing an intangible asset and forbids the use of income as a basis for depreciating tangible fixed assets. The presumption established for amortizing intangible assets can only be refuted when the intangible asset is expressed based on the income generated or when utilization of the financial benefits is significantly related to the income generated.
Amendment to IAS 16 – Tangible fixed assets and IAS 41 – Agriculture – Production plants	01-Jan-16	This amendment excludes plants that produce fruits or other components used for ha rvesting and/or removal under the application of IAS 41, becoming covered by IAS 16.

Amendment to IAS 27 – Application of the equity method on separate financial statements	01-Jan-16	This amendment introduces the possibility of measuring interests in subsidiaries, joint agreements and associates in separate financial statements in accordance with the equity method, in addition to the measurements methods presently existing. This change applies retrospectively.
Amendments to IFRS 10 – Consolidated Finantial Statements, IFRS 12 –Disclosures of interests in Other Entities and IAS 28 – Investments in Associates and Joint Ventures	1-Jan-16	These amendments clarify some aspects related to the application of consolidation exception by investment entities.

There are no significant effects recorded in the Group's financial statements for the year ended December 31, 2016, as a result of the adoption of the standards, interpretations, amendments and revisions referred to above.

New, amended or reviewed standards and interpretations that will take effect in future years

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Effective date (annual periods beginning on or after)	Observations
IFRS 9 – Financial Instruments (2009) and subsequent amendments	1-Jan-18	This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules.
IFRS 15 – Revenue from Client Contracts	1-Jan-18	This standard introduces a structure for recognizing revenue based on principles and a model to be applied to all contracts entered into with clients, substituting IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Fidelity programs; IFRIC 15 – Agreements to construct real estate; IFRIC 18 – Transfer of assets from clients and SIC 31 – Revenue – Direct exchange contracts involving services and publicity.

The Group does not consider relevant impacts of the application of these standards.

New, amended or reviewed standards and interpretations not adopted

The following standards, interpretations, amendments and revisions, with mandatory application in future years, weren't, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Observations
IFRS 14 – Regulated assets	This standard establishes the financial statement requirements of entities that adopt for the first time IFRS standards applicable to regulated assets.
IFRS 16 – Leases	This standard introduced the principles for the recognition and measurement of leases, substituting IAS 17 – Leases. The standard defines a single model for recording lease contracts, which results in the recognition by the lessor of assets and liabilities for all lease contracts, except for those for periods of less than twelve months or for leases of assets of reduced value. Lessors will continue to classify leases between operating and finance leases, IFRS 16 not requiring substantial changes for such entities in relation to IAS 17.
Amendments to I FRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Jointly Controlled Entities	These amendments eliminate the conflict existing between these standards, relating to the sale or the contribution of assets between the investor and the associate or between the investor and the jointly controlled entity.
Amendments to IAS 12 – Income Taxes	These amendments clarify the conditions for recognition and measurement of tax assets resulting from unreleased losses.
Amendments to IAS 7 – Statement of Cash Flows	These amendments introduce additional disclosures related to the cash flows of financing activities.
Amendments to IFRS 15 – Revenue from Client Contracts	These amendments introduce several clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.
Amendments to IFRS 2 – Share-based payment	These amendments introduce a number of clarifications in the standard related to: (i) recording cash-setled share-based payment transactions, recording of modifications in share-based payment transactions (from cash-setled to setled with equity instruments), (iii) the classification of cleared setlement transactions.
Amendments to IFRS 4 – Insurance Contracts	These amendments give some orientations about the application of IFRS 4 in addition with IFRS 9.
Amendments to IAS 40 – Investment properties	These amendments clarify that the change of classification from or to investment property should only be done when there are evidences of change in the asset use.
Improvements to international finantial reporting standards (2014-2016 cycle)	These improvements include the clarification of some aspects related to: IFRS 1 – First Time Adoption of International Finantial Reporting Standards: elimination of some short term exemples; IFRS 12 – Disclosure of Interests in Other Entities: clarification of the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 – Investments in Associates and Joint Ventures introduction of several clarifications about the measurement at fair value of results from investment in associates or joint ventures held by venture capital companies or investment funds.
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	This interpretation establishes the date of the initial recognition of the advance or deferred income and the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

These standards have not yet been endorsed by the European Union and as such were not applied by the Group in the year ended 31 December 2016.

The accounting policies and measurement criteria adopted by the Group as of 31 December 2016 are consistent with those used in the preparation of the consolidated financial statements as of 31 December 2015.

In the preparation of the consolidated financial statements, in accordance with the IAS/IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as the income and expenses in relation to the reported periods. All the estimates and assumptions made by the Board of Directors were made on the basis of its better existing knowledge, with reference to the date of approval of the financial statements, of the events and transactions in progress.

The accompanying consolidated financial statements have been prepared for appreciation and approval by the General Shareholders Meeting. The Group's Board of Directors believes that they will be approved without changes.

1.2. Consolidation policies

The consolidation policies adopted by the Group are as follows:

a) Investments in Group companies

The companies where the Group has control, i.e., where it has, cumulatively: (i) power over the investee; (ii) is exposed to, or has the right over variable results by the relationship it has with the investee; and (iii) has the capability to use its power to affect the amount of the results of the investee, are included in the consolidated financial statements by the full consolidation method. The equity and net result of those investments attributable to non-controlling shareholders are presented separately, under the caption "Non-controlling interests", in the consolidated statement of financial position and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 3.

In business combinations occurred after the date of transition to the International Financial Reporting Standards as adopted by the European Union – IFRS (1 January 2004), the assets and liabilities of each subsidiary are measured at fair value at the date of acquisition in accordance with IFRS 3 - "Business Combinations", with this measurement able to be concluded until 12 months after acquisition date. Any excess on the cost of acquisition over the fair value of the identifiable net assets acquired (including contingent liabilities) is recognized as goodwill (Note 1.2 c)). Any excess of the fair value of the identifiable net assets and liabilities acquired over its cost is recognized as an income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value attributed to the net assets acquired. Non-controlling interests are presented according to their share in the fair value of the acquired identifiable assets and liabilities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement as from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of the affiliates are performed, whenever necessary, in order to adapt its accounting policies to those used by the Group. All intercompany transactions, balances and distributed dividends are eliminated during the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities – SPE´s"), even if no share capital interest is directly or indirectly held in those entities, these are consolidated by the full consolidation method. As of 31 December 2016 and 2015, there are no special purpose entities within the Group perimeter.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control over the financial and operating decisions - usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

According to the equity method, the investments in associated companies are initially recorded at acquisition cost, which is adjusted proportionally to the Group's corresponding share capital, as at the acquisition date or as at the date of the first adoption of the equity method. On a yearly basis, investments are subsequently adjusted in accordance with the Group's participation in the associated company's net result. Additionally, the dividends of the subsidiary are recorded as a reduction in the investment's book value, and the Group's proportion in the changes occurred in the associated company's equity are recorded as a change in the Group's equity.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognized as goodwill, which is included in the caption "Investments in associated companies" (Note 1.2.c)). If that difference is negative, it is recorded as a gain in the caption "Gains and losses in associated companies" after reassessment of the fair value of the identifiable assets and liabilities acquired.

An evaluation of investments held in associated companies is performed on an annual basis to assess if there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period in the caption "Gains and losses in associated companies". When those losses recorded in previous periods are no longer applicable, they are reversed in the statement of profit and loss for the period.

When the Group's share of losses in the associated company exceeds the investment's book value, the investment is recorded at null value, except to the extent of the Group's commitments to the associate. In such case, the Group records a provision to cover those commitments.

Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate against the investment held. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the transferred asset.

As of 31 December 2016 and 2015, the Group has no investments in associated companies.

c) Goodwill

In acquisitions made after the date of transition to IFRS (1 January 2004), the difference between the acquisition cost of financial investments in Group companies (subsidiaries), added by the amount of the non-controlling interests, and the attributable amount to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, is recorded under the caption "Goodwill" (Note 7) and, when negative, after reassessing its computation, is directly recorded in the statement of income. The differences between the acquisition cost of financial investments in associated companies and in jointly controlled entities and the amount attributable to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positives, are maintained in the caption "Investments in associated companies" and, when negatives, after a reassessment of its computation, are directly recorded in the statement of income.

Additionally, the excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities as at the date of acquisition is calculated using the local currency of each of those companies. Translation to the Group's currency (Euro) is performed using the exchange rate as at the balance sheet date. Exchange rate differences arising from this translation are recorded under the equity caption "Conversion reserves".

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts in accordance with generally accepted accounting principles in Portugal as of that date, and was then subject to impairment tests. The impact of these adjustments was recorded in the caption "Retained earnings", in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was recomputed retrospectively using the local currency of each subsidiary.

The Group, in a transaction basis (for each business combination), will choose to measure any non-controlling interest in the acquire either at fair value or at the proportionate share of the non-controlling interest of the acquire's identifiable net assets. Until January 1, 2010, the non-controlling interests were valued solely in accordance with the proportion of the fair value of assets and liabilities acquired.

Future contingent payments are recognized as a liability as of the date of the business combination at its fair value, with any change in the initial amount being recorded against "Goodwill", but only during the reassessment period (12 months following the acquisition date) and if related with events prior to the acquisition date, otherwise, it will have to be recorded in the statement of profit and loss.

Acquisitions or disposals of stakes in already controlled entities, as long as they do not represent a loss of control, are treated as transactions between shareholders, thus only affecting the equity caption with no impact on goodwill or net results.

Whenever a disposal generates a loss in control, all assets and liabilities of the disposed entity will have to be disregarded and whatever interest recognized in the disposed company will have to be reassessed at fair value and the resulting gain or loss arising from the disposal recorded in the statement of profit and loss.

Goodwill is not amortized, but is subject to impairment tests on an annual basis. The recoverable amounts of cash generating units are determined based on the estimation of its value of use and from its disposal at the end of its useful life. The recovery amount is estimated to individual assets or, if not possible, for the cash-generating unit to which the asset belongs. These estimations require the use of assumptions based on estimates of future circumstances, which may be different from the expected outcomes. Impairment losses identified in the period are recorded in the statement of profit and loss under the caption "Provisions and impairment losses", and may not be reversed.

d) Conversion of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The resulting exchange rate differences are recorded in equity captions. The exchange rate differences originated after 1 January 2004 are recorded in equity, under the caption "Conversion reserves". The accumulated exchange differences until before 1 January 2004 (IFRS transition date) were written-off against the caption "Other reserves".

Goodwill and adjustments to the fair value arising from the acquisition of foreign subsidiaries are recorded as assets and liabilities of those companies and translated to Euro at the balance sheet date exchange rate. Exchange differences occurring in this conversion are recorded in the equity capitation "Conversion reserves".

Whenever a foreign company is disposed, the accumulated exchange rate differences are recorded in the statement of profit and loss as a gain or loss associated with the disposal.

Exchange rates used in the translation of foreign group companies were as follows:

	31 December of 2016		31 December of 2015	
	End of the year	Year average	End of the year	Year average
Kwanza (AOA)	174,537	180,569	146,854	133,041
Metical (MZN)	75,463	69,346	49,297	41,313
South African Rand (ZAR)	14,4541	16,2835	16,9435	14,1685
Mexican Peso (MXM)	21,8100	20,6677	18,9162	17,6151

1.3. Main accounting policies

The main accounting policies used by CIN Group in the preparation of its consolidated financial statements are as follows:

a) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date), are recorded at their respective deemed cost, which corresponds to its acquisition cost, or its acquisition cost restated in accordance with generally accepted accounting principles in Portugal (and in other countries) until that date, net of accumulated amortization and accumulated impairment losses.

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

The impairments that are detected are booked in the year, in the "Amortization and depreciation" caption of the profit and loss statement.

Depreciation is calculated on a straight line basis, as from the date the asset is available for use, over the expected useful life for each group of assets.

The depreciation rates used correspond to the following estimated useful lives:

	Years	
Buildings and other constructions	20	50
Machinery and equipment	7	17
Transport equipment	3	5
Office equipment	3	14
Other tangible assets and tools	4	14

Maintenance and repair costs are recorded as expenses in the year they are incurred. The significant improvements of fixed assets, that increase the corresponding estimated useful life, are capitalized and depreciated in accordance with the remaining useful life of the asset.

Tangible assets in progress represent fixed assets still in construction/development and are stated at acquisition cost. These assets are transferred to fixed assets and depreciated as from the date they are concluded or ready to be used, in accordance with management's intentions.

Gains or losses arising from the disposal or write-off of tangible assets are calculated as the difference between the selling price and the assets' net book value as of the date of its disposal/write-off, being recorded in the statement of profit and loss under the captions "Other operating income" or "Other operating expenses".

b) Intangible assets

Intangible assets are recorded at cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is likely that future economic benefits will flow to the Group, are controlled by the Group and if its cost can be reliably measured.

Research costs and expenses with new technical knowledge are recorded in the statement of profit and loss, when incurred.

Development costs are recognized as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate future economic benefits. Development costs which do not fulfill these conditions are recorded as an expense in the period in which they are incurred.

Intangible assets, which mainly comprise project development costs, industrial property and other rights, and software are amortized on a straight line basis over a period of 3 to 5 years.

Commercial goodwill is not subject to depreciation, being subject to annual impairment tests.

Brands with indefinite useful life are not amortized and are subject to an annual impairment analysis.

Amortization and depreciation of intangible assets are recorded in the statement of profit and loss in the caption "Amortization and depreciation".

c) Investment properties

Investment properties corresponding to real estate assets held for rental or capitalization rather than industrial or administrative purposes are stated at acquisition cost. The Group disclosures the investment properties fair value (Note 9).

d) Financial instruments

i) Investments

Investments held by the Group are classified as follows: 'Investments measured at fair value through profit and loss', 'Loans and account receivables', 'Investments held to maturity' e 'Investments available-for-sale'. The classification depends on the intention behind the acquisition of investment.

Investments measured at fair value through profit and loss

This category is divided into two subcategories: "Financial assets classified as held for trading" and "Financial assets designated by the Group at fair value through profit or loss". A financial asset is classified under this category if it is acquired principally for the purpose of selling it in the short term or its performance or investment strategy are analyzed and defined by the Board of Directors based on the fair value of the financial asset. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current assets if they are held for trading or if it is expected that they will be realized within twelve months of the balance sheet date.

Investments held to maturity

This category includes financial assets, non derivatives, with fixed or variable repayments and fixed maturity and is the intention of the Board of Directors to hold them until its maturity date. These investments are classified as non-current assets, unless they mature within 12 months of the balance sheet date.

Investments available-for-sale

It includes financial assets, non derivative, designated as available for sale or all the other investments that are not classified as held to maturity or measured at fair value through profit and loss. This category is included in non-current assets except if the Board of Directors has the intention to sale the investment in less than twelve months as of the balance sheet date.

All purchases and sales of investments are recognized on its trade date, which the date the Group assumes all risks and obligations inherent in the purchase or sale of the asset. All investments are initially recognized at fair value more transaction costs, the only exception being the 'investments recorded at fair value through profit and loss'. In this case, investments are initially recognized at fair value and the transaction costs are recognized in the statement of profit and loss.

The investments are derecognized when the right to receive financial flows have expired or have been transferred and, consequently, all the risks and benefits involved have been transferred.

Investments available-for-sale and investments measured at fair value through profit or loss are subsequently recorded at fair value excluding any deduction of transaction costs which may be incurred during its sale taking into consideration the stock market price at the balance sheet date, without any deduction of transaction costs that may occur until its disposal.

Held to maturity investments, loans and accounts receivables are carried at amortized cost using the effective interest rate method.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period under financial expenses or gains. Gains or losses arising from changes in fair value of available-for-sale investments are recorded directly under the "Fair value reserve" in Equity, until the investment is sold or otherwise disposed of, or until it is considered to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to net profit or loss for the period.

The fair value of investments held for sale is based on current market prices. If the market in which investments are included is not an active market, or has no liquidity, (unquoted investments), the Group records at cost, taking into account the existence of impairment losses. The Board of Directors believes that the fair value of these investments does not differ significantly from their acquisition cost. The fair value of quoted investments is based on the closing price of the stock market where they are traded at the balance sheet date.

Group assesses at each balance sheet date whenever there is objective evidence that a financial asset may be impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value to below its cost is indicative of the asset is on impairment. If there is some evidence of impairment to 'Investments available for sale', the accumulated losses - calculated by the difference between the acquisition cost and fair value less any impairment loss previously recognized in the statement of profit and loss - is removed from equity and recognized in the statement of profit and loss.

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

ii) <u>Accounts receivable</u>

The debts from customers and other debtors that don´t bear interests are recorded at their nominal amount and presented in the consolidated statement of financial position deduced from impairment losses, in order to reflect their net realizable value. The accounts receivable, when current, do not include interests given the immaterial impact of discounting the cash flows.

iii) <u>Loans</u>

Loans are recorded as liabilities at the respective nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

iv) <u>Accounts payable</u>

Non interest bearing debts to third parties are stated at their nominal value, except if the impact of discounting the cash flows is material.

v) <u>Derivative instruments and Hedge accounting</u>

The Group may use derivative instruments to manage its exposure to financial risks. Derivative instruments are only used for hedge accounting purposes. Derivative instruments are not used for speculation purposes.

The cash-flow hedges used by the Group relate to swaps of interest rates to cover (hedge) the interest rate variation risk of bank loans obtained.

The Group uses the following criteria to classify derivative instruments as cash-flows hedges:

– The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
– The hedging efficiency can be reasonably measured;
– There is proper documentation about the hedging transaction at the inception date;
– The hedged transaction has to be highly probable.

Cash flow hedges are initially recorded at cost, if any, and subsequently revaluated at their fair value. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity in the caption "Hedging reserves" and transferred to income in the same period that the hedged instrument affects the profit and loss statement.

In cases when the derivative instruments do not comply with the above mentioned requirements to be considered as a cash-flow hedge, although initially engaged for that purpose, the changes in its fair value are recognized directly in the profit and loss statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised. When a hedging instrument no longer qualifies for hedge accounting, the cumulative gain or loss that was deferred in equity is transferred immediately to the profit and loss of the year and the subsequent revaluations of the derivative are recorded in the income statement, or added to the carrying amount of the hedged asset. Subsequent revaluations are recorded directly in the income statement.

In the case of derivatives embedded in other financial instruments or contracts, these are treated as separate derivatives when the risks and characteristics are not closely related with the host contracts and when the contracts are not reflected by its fair value with unrealized gains and losses recognized in the income statement.

vi) <u>Cash and cash equivalents</u>

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach its maturity within less than three months and may be mobilized without significant risk of change in value.

e) Lease contracts

Lease contracts are classified as (i) a financial 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.

Classifying a lease as financial or as operational depends on the substance of the transaction rather than on the form of the contract.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the statement of financial position. In addition, interests included in the lease installments and depreciation of the fixed assets, calculated as explained in Note 1.3 a), are recorded in the statement of profit and loss of the period to which they apply.

The operational lease installments on assets acquired under long-term rental contracts are recognized in full as expenses in the period to which they refer to (Note 33).

f) Inventories

Merchandise, raw, subsidiary and consumable materials are stated at acquisition average cost, which is lower than market value.

Finished and intermediate goods are stated at production cost (includes the cost of raw materials, direct labor and production overheads), which is lower than market value.

Whenever necessary, the Group companies record impairment losses to reduce inventories to their net realizable or market value.

g) Provisions

Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) arising 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 each balance sheet date so as to reflect the best estimate of its fair value as of that date (Note 28). Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to those affected by it.

h) Government or other public entities subsidies

Government subsidies are recognized at their fair value if only it is highly likely that it will receive them and will be able to accomplish the conditions required to its concession.

Non-repayable subsidies obtained to finance investments in tangible fixed assets are recorded as “Other non-current liabilities” and “Other current liabilities”. These subsidies are recognized in the statement of profit and loss in accordance with the depreciation of the related tangible fixed assets.

Subsidies related to incurred costs are recorded as income in the financial statements since there is reasonable assurance that they will be received, the entity has already incurred in costs and all conditions to reimbursement are fulfilled.

i) Pension complements

As mentioned in Note 23, the Group has assumed (through its Parent company and some subsidiaries) commitments to provide pension complements to its employees due to age or disability, which comprise defined benefit plans. For this effect, the Group has constituted pension funds and insurances.

With the purpose of estimating its responsibilities related to these commitments, the Group determines each year the actual cost of those responsibilities, based in the “Projected Unit Credit Method”.

In accordance with IAS 19 – “Employees Benefits” the costs with past responsibilities are immediately recognized in situations where the benefit is being paid. Otherwise, they are recognized on a straight line basis during the average estimated period until the start of the benefits payment.

The responsibilities related to pensions complements recognized at balance sheet date represent the present value of the future benefits, adjusted by actuarial gains/ losses and/or past responsibilities non-recognized, deducted of the fair value of net pension funds assets.

j) Accrual basis and Revenue recognition

Income and expenses are recorded on an accrual basis. Under this basis, income and expenses are recognized in the period to which they relate independently of when the amounts are received or paid. Differences arising between the amounts received and paid and the corresponding income and expenses are recorded in the captions “Accruals and deferrals” included in “Other current assets” and “Other current liabilities”.

Revenue arising from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the Company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the Company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

Income and expenses for which the actual amount is yet unknown, are recorded based on the best estimate of the Board of Directors of the Group companies.

k) Income tax

Income Tax for the year is determined based on the taxable results of the companies included in the consolidation, in accordance with tax legislation in force in each company´s jurisdiction, and considers deferred taxation.

Current Income Tax is computed based on the taxable results of the companies included in consolidation.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the correspondent amounts for tax purposes. Deferred taxes are computed an reassessed on a yearly basis using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever its recoverability ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if related to items directly recorded in equity. In these cases the corresponding deferred tax is also recorded in equity captions.

l) Tax consolidation

The Income Tax accrual that is reflected in the consolidated financial statements is computed in accordance with the Special Taxation Regime for Groups of Companies (“Regime Especial de Tributação dos Grupos de Sociedades”), which includes most of CIN Group companies with headquarters in Portugal. Cin Group companies with headquarters in Spain: Amida Inversiones, S.L., CIN Valentine, S.A.U., Pinturas Cin Canárias, S.A.U., Cin Pinturas y Barnices, Cin Inmuebles, S.L. and Soritec S.A. are also taxed by the respective consolidated tax result, in accordance with Spanish legislation. CIN Group companies with headquarters in France, Celliose e PFI are also taxed by the respective consolidated tax result, in accordance with French legislation. Additionally, the other CIN Group companies are taxed on an individual basis and according to the applicable legislation.

m) Balance sheet classification

All assets and liabilities, including deferred taxes, accomplishable or demandable in more than one year after the balance sheet date are classified as “Non-current assets or liabilities”. Deferred taxes are also included as “Non-current assets or liabilities”.

n) Legal reserve

Portuguese commercial legislation requires that, at least, 5% of net profit for each year must be appropriated for increases in legal reserve until it represents at least 20% of share capital. Such reserve is not attributable unless the Company is under liquidation, but it can be used either to absorb losses after the extinction of all the other reserves or to be incorporated in share capital.

o) Balances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates at the date of the balance sheet.

Favorable and unfavorable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss of the year.

p) Impairment of assets, except Goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit and loss under the caption “Provisions and impairment losses”. The recoverable amount is the higher of an asset’s net selling price and its value of use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of the disposal. The value of use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is recorded when the company concludes that the impairment losses previously recognized for the asset no longer exist or have decreased. The reversal is recorded in the statement of profit and loss as “Other 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 and amortization) had no impairment loss been recognized for that asset in prior years.

Evidence of impairment in accounts receivable arises when:

- t he counterparty presents significant financial difficulties;
- there are significant delays in payments by the main counterpart; and
- it is likely that the debtor goes into liquidation or in financial restructuring.

For accounts receivable, the Group uses historical information and information for its legal department, which allow estimate the amounts in impairment. For inventories, the impairments are based on market values and in several indicators of rotation of inventories.

q) Financial expenses

The financial expenses related with loans obtained (interests, bonus, accessory costs and lease contracts' interest) are recorded as costs in the statement of profit and loss, on an accrual basis, except if the expense is related to construction/development of assets that qualify. The capitalization of these expenses takes place after the beginning of the construction preparation activities' and ends when the asset is ready for use or the project is suspended.

r) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations that arise from past events and which existence will be confirmed, or not, by one or more occurrences of uncertain future events not controlled by the Company, or (ii) present obligations that arise from past events but that are not recorded because it is unlikely that an outflow of resources occurs to settle the obligation or the obligation amount cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case no disclosure is made.

Contingent assets are possible assets arising from past events and whose existence will be confirmed, or not, by uncertain future events not controlled by the Company.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when the existence of future economic benefits is likely.

s) Judgments and estimates

In preparing the consolidated financial statements, the Board of Directors based it on the best knowledge and experience of past and/ or current events considering certain assumptions concerning future events.

The most significant accounting estimates reflected in the consolidated financial statements for the twelve month period ended 31 December 2016 and 31 December 2015 include:

a) Useful lives of the tangible and intangible assets;
b) Impairment analysis of goodwill and intangible assets with indefinite useful life;
c) Recognition of adjustments on assets (accounts receivable and inventories) and provisions;
d) Recoverability of deferred tax assets; and
e) Computation of retirement benefits obligations.

The estimates were based on the best information available at the time of preparation of consolidated financial statements and based on best knowledge and experience of past and/ or current events. However, situations that occur in subsequent periods which are not foreseeable at the time, were not considered in these estimates. Changes to these estimates, which occur after the date of the consolidated financial statements will be corrected by results of a prospective as required by IAS 8. For this reason and given the degree of uncertainty associated, the actual results of these transactions may differ from corresponding estimates.

The key estimates and assumptions concerning future events included in the preparation of consolidated financial statements, are described in the corresponding notes.

t) Risk management policies

The Group is exposed to several risks in the course of its activity, namely: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Group's risk management program focuses in the financial market unpredictability and aims to minimize the collateral effects in its financial performance.

Group's risk management is assured by the financial department of CIN in accordance with the policies approved by the Board of Directors. Accordingly, the Board of Directors has been setting the main overall risk management policies and some specific rules for certain areas, such as interest rate risk hedging, credit risk and liquidity risk.

i) <u>Exchange rate risk</u>

In the course of its operations, the Group performs non Euro transactions. The normal procedure is to elect a functional currency to each subsidiary that fits its main economic environment and that best represents the composition of its cash-flows. Thus, this exchange rate risk arises mainly from trade, resulting from the purchase and sale of products and services in currencies other than the functional currency of each business. The management policy of exchange rate risk and transaction of the Group seeks to minimize or eliminate this risk, contributing to a lower sensitivity of the results of the Group to currency fluctuations.

The amount of assets and liabilities (in Euro) of the Group recorded in currency other than Euro can be summarized as follows:

	Tintas Cin Angola	Tintas Cin Moçambique	Tintas Cin México	Tintas Cin África do Sul
December 31, 2016				
Assets	26.101.212	4.613.009	468.425	1.189.395
Liabilities	(980.990)	(538.944)	(26.148)	(108.097)
	25.120.222	**4.074.065**	**442.277**	**1.081.298**
December 31, 2015				
Assets	28.581.347	5.840.992	509.687	1.110.022
Liabilities	(2.068.506)	(703.277)	(41.972)	(14.855)
	26.512.841	**5.137.715**	**476.715**	**1.095.167**

O Foreign companies' financial statement translation risk or accounting risk consists of the impact on the Parent company's net equity as a result of having to 'translate' the foreign subsidiaries' financial statements. The existing guidelines to cover this risk include an individual approach of each hedging opportunity given the specific currency at stake and the subsidiary's capital structure (as of 31 December 2016, this situation only applies to subsidiaries disclosed above).

As mentioned in note 1.2 d), assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Gains and losses, as well as cash flows are translated to Euro using the average exchange rate for the year. The underlying exchange difference is posted into equity in caption "Conversion reserves".

ii) Price Risk

Price risk mainly applies to raw materials such as zinc, resin and titanium dioxide.

There is a permanent monitoring of price evolution and trends for these raw materials as to develop expectations and act upon them.

In relation to zinc, price risk is managed through futures' market hedging. As of 31 December 2016 and 2015 there are no open positions for these instruments.

Resin and titanium dioxide price change risk is minimized by contracts celebrated with suppliers that fix a steady price for larger periods, typically, one semester.

Abnormal price variations in raw materials may be reflected in the selling prices.

iii) Credit Risk

The Group's exposure to credit risk mainly relates to accounts receivable resulting from its operating activities. Credit risk is the risk that the counterpart fails its contractual obligations, thus originating a Group loss.

Credit risk is essentially associated with receivables from sales and services rendered to customers. Managing this risk assures that effective collections are performed in the agreed terms so that the Group's financial position is not affected. This risk is monitored on a regular basis, ensuring that (a) credit to customers is limited and is based on the average days of sales outstanding of each customer; (b) credit limit evolution is assessed on a regular basis; (c) receivables impairment assessments are performed in a timely manner.

Group's credit risk is moderate and it is not focused in a single customer or group of customers, as receivables balance are composed by a large variety of entities from different business segments and geographical areas. Credit guarantees are asked whenever a customer's financial position might be questionable. These guarantees may consist of credit insurances and bank guarantees.

Accounts receivables impairment losses are computed according to the following criteria: (a) the customer credit profile; (b) the average days of sales outstanding; (c) the customer's financial position. Adjustments recorded in the years ended as of 31 December 2016 and 2015 are disclosed in Note 28.

As of 31 December 2016 and 2015 the Group does not consider the need for any additional impairment losses, besides those recorded and disclosed in Note 28.

Amounts regarding financial assets recorded in the accompanying consolidated financial statements are net of accumulated impairment losses, and represent the maximum exposure of the Group to credit risk.

iv) Liquidity Risk

Liquidity risk is the lack of capacity to fulfill all due liabilities in the agreed terms and at a reasonable cost. Liquidity indicators must be set to manage the liquidity levels as to ensure that the maximum return is obtained at a minimum cost and in a safe and efficient way.

CIN Group's liquidity risk management aims to:

- Liquidity – to ensure permanent, efficient and sufficient access to funds to liquidate obligations in due time;
- Security – to minimize the likelihood of non collection of applications of funds; and
- Financial efficiency – to minimize the opportunity cost of excess liquidity detention in the short term.

The Group's procedures seek to match assets and liabilities maturity dates. Group's balances as of 31 December 2016 and 2015 show that the 'permanent capital' is higher than non-current assets, thus confirming Group's concern towards a well-balanced financial management. The Group ensures that the financial instruments and credit lines and amounts meet the businesses and subsidiaries' specific needs and allow a reasonable liquidity surplus. Typically, these credit facilities are obtained without the concession of guarantees.

v) Interest rate risk

The exposure of the Group to interest rate risk results of loans that bear interest at variable rates.

Borrowing costs are therefore vulnerable to variable interest rate changes. The impact of volatility on the Group's results and net equity isn't significant as Group's financial debt level is low. Moreover, the presumed correlation between interest market rates and economic growth allows operating gains and compensates the additional borrowing costs ('natural hedge').

As of 31 December 2016 and 2015 the financial net debt of the Group amounts to 64,512,229 Euros and 69,073,349 Euros, respectively. These balances are composed of current and non-current loans (Note 22), and cash and cash equivalents (Note 16) celebrated with different entities. Additionally, there is the amount of 14,192,710 euros (17,491,408 euros in 2015) included in "Other financial assets" short-term, depending on their characteristics.

Group's income and cash-flows are not very influenced by interest rate changes, as Group's cash and bank balances as well as eventual loans granted to Group companies depend only on the

Euro interest rates, which volatility is historically low.

As for long term loans, the procedure is to use whenever appropriate cash-flow hedging derivative instruments (e.g. 'interest rate swaps'), that perfectly cover interest rate risk.

Interest Rate Sensitivity Analysis

The sensitivity analysis was conducted based in the exposure to the interest rate risk as of balance sheet date and both for derivate and non-derivative financial instruments. As for liabilities based on variable interest rates, the following assumptions were made:

- The liabilities amount was stable throughout the year and price re-fixation happened in the beginning of the year;
- Variations in market interest rates changes interest amounts to be paid or received of variable interest rate financial instruments;
- Fixed interest rate financial instrument's interest to be paid or received are only affected if financial instruments are expressed at fair value;
- Changes in interest market rates will be reflected in the fair value of hedging derivatives and all hedging derivatives are efficient;
- Derivative financial instruments (swaps) fair value of any financial asset or liability is estimated by discounting future cash-flows to the present time at interest market rates at the end of each year, assuming a parallel variation in the yields' curves.

Sensitivity analysis was performed on a 'ceteris paribus' basis, this is, by manipulating one variable and assuming that all the others remain unchanged. Realistically, this situation isn't often met and changes in some of the assumptions might be correlated.

If interest rates have been higher or lower in 0.75 basis points, ceteris paribus, [hardly that could have happened], the estimated impact on the Group's net result and reserves had been the following:

	2016		2015	
	-0,75 b.p.	+0,75 b.p.	-0,75 b.p.	+0,75 b.p.
Net profit (1)	380.000	(390.000)	421.000	(421.000)
Net equity (2)	-	-	-	-

(1) mainly results from the Group's exposure to interest rate risk on its variable interest rate loans;

(2) mainly results from changes in the fair value of hedging derivatives.

It is the Board of Director's understanding that this sensitivity analysis doesn't properly reflect the Group's inherent interest rate risk, as the exposure at year end might not reflect the exposure throughout the year and because it does not account for payments made during the year.

u) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post balance sheet date events that provide information about conditions that have only arised after the balance sheet date are considered non adjusting events and are disclosed in the Notes to the financial statements, if material.

2. Changes in accounting policies and corrections of misstatements

During the year ended as of 31 December 2016 there were no changes in accounting policies and no material mistakes related with prior periods.

3. Group companies included in consolidation

The affiliated companies included in consolidation by the full consolidation method, their headquarters and percentage participation held as of 31 December 2016, are as follows:

		Share Capital held		
Designation	Headquarters	Direct	Indirect	Effective
With headquarters in Portugal:				
CIN - Corporação Industrial do Norte, S.A. ("Parent Company")	Maia	-	-	-
Cin Industrial Coatings, S.A. ("Cin Industrial Coatings")	Maia	-	100%	100%
Sotinco Refinish, S.A. ("Refinish")	Maia	-	100%	100%
Terraços do Souto – Sociedade Imobiliária, S.A. ("Terraços do Souto")	Maia	100%	-	100%
Martolar – Materiais de Construção, Lda. ("Martolar")	Alenquer	100%	-	100%
Nictrading – Comércio Internacional, Lda. ("Nictrading")	Machico	-	100%	100%
Navis – Marina Paints, S.A. ("Navis")	Maia	45%	-	45%
Atossa Imobiliária, Sociedade Unipessoal, Lda. ("Atossa")	Maia	100%	-	100%
Com sede em outros países:				
CIN Valentine, S.A. ("CIN Valentine")	Barcelona (Spain)	-	100%	100%
Pinturas Cin Canarias, S.A. ("Pinturas Cin Canarias")	Tenerife (Spain)	-	100%	100%
Amida Inversiones, S.L. ("Amida Inversiones")	Barcelona (Spain)	5%	95%	100%
Cin Inmuebles, S.L. ("Cin Inmuebles")	Barcelona (Spain)	-	100%	100%
Cin Pinturas & Barnices, SLU ("Cin Pinturas & Barnices")	Madrid (Spain)	-	100%	100%
Cin Internacional B.V. ("Cin BV")	Amesterdam (Netherlands)	100%	-	100%
Tintas Cin de Angola, SARL ("Cin Angola")	Benguela (Angola)	1%	99%	100%
Tintas Cin (Moçambique), SARL ("Cin Moçambique")	Maputo (Mozambique)	-	100%	100%
Coatings RE, S.A. ("Coatings RE")	Luxembourg	-	100%	100%
Vita Investments, S.A. ("Vita Investments")	Luxembourg	-	100%	100%
PF Investissements, S.A. ("PF Investissements")	Lyon (France)	-	100%	100%
Cin Celliose, S.A. ("Celliose")	Lyon (France)	-	100%	100%
Cin Coatings Mexico S de RL de CV ("Cin Coatings Mexico")	Izcalli (Mexico)	-	100%	100%
Cin Coatings South Africa (PTY), Ltd. ("Cin Coatings South Africa")	Johannesburg (South Africa)	-	99%	99%
Cin Monopol, SAS ("Monopol")	Valence (France)	-	100%	100%
Laboratoires des PPC , SRL ("PPC)	Lyon (France)	-	100%	100%
CIN SORITEC, S.A. ("Soritec")	Girona (Spain)	-	100%	100%
NASA, Sociedad de R.L.	Valence (France)	-	100%	100%

These subsidiaries were included in the consolidated financial statements using the full consolidation method, as established in IAS 27 – "Consolidated and Separate Financial Statements" (subsidiary control through the major voting rights or other method, being owner of the company's share capital - Note 1.2.a)).

In 2015, the Group entered into a process that led to the acquisition, in January 2016, of a group of companies ("Monopol Group"), located in France and Spain (Note 5).

During the year 2015, the companies Cin Coatings Mexico, Cin Coatings South Africa and Cin Pinturas & Barnices, owned by Amida Inversiones, Started to be included in the consolidation by the full consolidation method.

Additionally, in the year 2015, the Group sold its operations related to painting, varnishes and other products and accessories for automotive refinish, in the domestic market, with the result of this disposal recorded under caption "Discontinued operations".

4. Subsidiaries excluded from consolidation

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2016, are as follows:

Designation	Headquarteres	Book Value	Share Capital held		
			Direct	Indirect	Efective
Held by CIN:					
Tintas Cin Guiné, Lda. ("Cin Guiné")	Bissau (Guiné)	-	51%	-	51%
Tintas Cin Macau, Lda. ("Cin Macau")	Macau (China)	-	90%	-	90%

The financial investments in Group companies – CIN Guiné and CIN Macau are recorded at acquisition cost. Impairment losses are recorded to reduce these investments to their estimated net realizable value in order to reflect restrictions motivated by their country conditions, or by their inactivity.

The Group owns the subsidiaries "CINBRASIL Participações, Ltda." (Brasil), Cin Coatings Turkey, Limited" (Turkey) and Global Paint – S.P., ZO.O (Poland), which present no relevant activity and were also excluded from consolidation. Overall net amount of the investment amounts to 130,000 Euros. The Board of Directors of CIN believes that the non-inclusion of these companies is not relevant for the accompanying consolidated financial statements.

5. Changes in the consolidation perimeter

As mentioned in Note 4, the Cin Group acquired, in 2015, the whole share capital of the Monopol Group, formed by the companies "CIN Monopol, SAS", "Laboratoires des PPC, SRL", "CIN SORITEC, SA" and "NASA, Sociedad de R.L." and started to control this Group with effect from 1 January 2016.

The integration of Monopol Group in the Industry Unit allows to broaden the complementarity of our product offer, consolidating the Group´s strategy in the market.

The inclusion of the acquired companies related to the Monopol Group on 1 January 2016 had the following impact on the variation in the scope of the consolidated financial statements for 2016:

Net assets acquired	Notes	Accounting Value	Adjustments Fair Value	Fair Value
Tangible fixed assets	6	1.883.838	-	1.883.838
Intangible assets	8	309.491	-	309.491
Investments		56	-	56
Inventory	14	3.746.541	(750.000)	2.996.541
Customers and other third party debts		3.766.466	-	3.766.466
Cash and cash equivalents		3.238.256	-	3.238.256
Other Assets		45.613	-	45.613
Provisions for liabilities and charges	28	(20.000)	(2.250.000)	(2.270.000)
Loans obtained		(915.588)	-	(915.588)
Suppliers and other creditors		(2.969.456)	-	(2.969.456)
Other liabilities		(80.504)	-	(80.504)
		9.004.713	**(3.000.000)**	**6.004.713**
Goodwill	7			3.693.586
Acquisition price				9.698.299
Net cash flow arising from the acquisition:				
Payments made				(9.698.299)
Cash and cash equivalents acquired				3.238.256
				(6.460.043)

The fair value adjustments made are a consequence of contractual terms, as well as a result of contingencies identified in the due diligence process, in which we highlight the following:

- Investments to be performed to adequate the facilities to the safety and quality and risk prevention standards of the Cin Group;
- Impairments identified in inventories.

6. Tangible assets

During the years ended 31 December 2016 and 2015, the movements in the gross value of tangible fixed assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

	2016							
	Land and natural resources	Buildings and other construc-tions	Machinery and equipment	Transport equipment	Administra-tive equipment	Other tangi-ble assets and tools	Tangible assets in progress	Total
Gross assets								
Opening Balance	21.989.527	107.194.687	64.261.238	4.612.782	23.807.045	3.336.389	6.265.499	231.467.167
Additions	1.959.708	691.467	573.876	222.512	319.088	205.439	1.962.803	5.934.894
Disposals and write-offs	-	(208.881)	(387.260)	(374.751)	(66.793)	(48.050)	(885.517)	(1.971.252)
Perimeter variation	-	347.474	961.060	24.482	290.314	-	(1.935.505)	(312.175)
Transfers	317.928	2.122.707	2.752.589	421.152	311.941	158.584	-	6.084.901
Adjustments	-	141.514	(42.079)	40.248	(27.831)	77.972	147.486	337.310
Closing Balance	24.267.163	110.288.968	68.119.424	4.946.425	24.633.764	3.730.334	5.554.766	241.540.844
Accumulated depreciation and impairment losses								
Opening Balance	-	60.412.980	53.473.683	3.225.214	16.762.303	1.958.717	-	135.832.897
Depreciations	-	3.369.067	2.097.127	331.480	1.620.099	153.448	-	7.571.220
Disposals and write-offs	-	(205.890)	(388.474)	(341.119)	(61.282)	(44.737)	-	(1.041.502)
Transfers	-	78.760	(86.183)	24.536	(1.084)	-	-	16.029
Perimeter variation	-	1.284.087	2.421.813	122.309	258.159	114.693	-	4.201.061
Adjustments	-	61.389	84.684	67.135	24.213	41.472	-	278.893
Closing Balance	-	65.000.393	57.602.650	3.429.555	18.602.408	2.223.593	-	146.858.605
Net value	**24.267.163**	**45.288.575**	**10.516.774**	**1.516.869**	**6.031.356**	**1.506.741**	**5.554.766**	**94.682.239**

	2015							
	Land and natural resources	Buildings and other construc-tions	Machinery and equipment	Transport equipment	Administra-tive equipment	Other tangi-ble assets and tools	Tangible assets in progress	Total
Gross assets								
Opening Balance	22.014.554	105.545.659	63.079.541	3.797.535	22.982.019	2.858.990	5.863.080	226.141.378
Additions	-	1.646.872	1.016.198	607.563	554.727	226.194	1.702.271	5.753.825
Disposals and write-offs	(25.027)	(609.716)	(1.114.405)	(53.423)	(424.533)	-	-	(2.227.103)
Transfers	-	140.919	936.370	-	603.761	(5.486)	(1.663.443)	12.121
Perimeter variation	-	16.091	73.368	15.208	19.134	-	-	123.802
Adjustments	-	454.861	270.165	245.899	71.936	256.691	363.591	1.663.143
Closing Balance	21.989.527	107.194.687	64.261.238	4.612.782	23.807.045	3.336.389	6.265.499	231.467.167
Accumulated depreciation and impairment losses								
Opening Balance	-	57.572.972	52.474.341	2.730.940	15.554.556	1.642.094	-	129.974.857
Additions	-	3.536.773	1.699.959	355.293	1.533.715	190.833	-	7.316.572
Disposals and write-offs	-	(609.716)	(908.947)	(53.423)	(372.479)	-	-	(1.944.565)
Transfers	-	(222.225)	(10.433)	(79)	(7.307)	(5.486)	-	(245.529)
Perimeter variation	-	737	10.278	(2.028)	4.299	-	-	17.342
Adjustments	-	134.484	208.484	190.455	49.519	131.276	-	714.218
Closing Balance	-	60.412.980	53.473.683	3.225.214	16.762.303	1.958.717	-	135.832.902
Net Value	**21.989.527**	**46.781.707**	**10.787.555**	**1.387.568**	**7.044.742**	**1.377.672**	**6.265.499**	**95.634.272**

As of 31 December 2016 and 2015, the caption "Tangible assets in progress" was made up as follows:

	31.12.2016	31.12.2015
Warehouse (Angola)	2.656.550	3.528.779
New facilities factory solvents – France	508.713	247.146
Investments in Information Technologies	353.872	219.226
Equipments to factory (Angola)	290.283	-
Works in building of Maia	335.444	366.063
Others	1.409.904	1.904.285
	5.554.766	**6.265.499**

Following the transfer operation of industrial facilities of subsidiarie Barnices Valentine, on 18 July 2006, the "Junta de Gobierno del Ayuntamiento de Montcada y Reixach" finally approved the "Proyecto de Reparcelación en el âmbito del Plan Parcial Urbanístico del Sector Discontinuo Can Milans – Can Cuiás Nord". According to the above referred land division plan, Barnices Valentine swapped its owned parcels of land denominated "Can Cuyás", by another parcel of property owned by the municipality and denominated "Can Milans", where the new industrial facilities were built. According to IAS 16 – Tangible assets – the land received was stated at its fair value based on an external evaluation performed by an expert.

Part of the transfers included in caption "Machinery and equipment" relate to the transfer of tintometric systems from "Inventory" to "Tangible assets", as these equipment's were being used by Group stores and delegations (Note 14).

7. Goodwill

During the years ended as of 31 December 2016 the Company recorded the Goodwill generated in the acquisition of the interest in the Monopol Group in the amount of 3,693,586 Euros (Note 5).

The Group performs formal impairment analysis as of the date of presentation of annual financial accounts.

As of December 31, 2016 and 2015, the net book value of goodwill, which was originated by acquisitions made by the Group in the referred markets in order to expand its operations in these markets, was made up as follows:

Country / Business	31.12.2016	31.12.2015
Spain	7.482.382	7.482.382
France		
- Celiose Group	8.704.940	8.704.940
- Monopol Group (Nota 5)	3.693.586	-
Portugal	3.890.412	3.890.412
	23.771.320	**20.077.734**

The impairment tests of the goodwill recorded in the financial statements are prepared in accordance with the business plans approved by the Board of Directors of each company. These tests are prepared in accordance with the following main assumptions:

Main assumptions	Spain	France	Portugal
Discount rate	10,00%	10,00%	10,00%
Explicit projection period	2017-2021	2017-2021	2017-2021
Rate of growth of perpetuity	1,50%	1,50%	1,50%

A 0.25% increase in the discount rate over the projection years does not imply the need to record impairment losses as of 31 December 2016. Similarly, a decrease of 0.5% on the perpetuity growth rate would not result in significant losses as of 31 December 2016.

8. Intangible assets

During the years ended as of 31 December 2016 and 2015, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

	2016				
	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Total
Gross Assets:					
Opening balance	30.469	6.450.889	5.828.433	2.398.609	14.708.398
Additions	-	352.583	158.941	-	511.525
Disposals and write-offs	-	(13.600)	-	-	(13.600)
Changes in perimeter (Note 5)	-	508.213	132.023	-	640.236
Transfers	(9.011)	334.300	-	9.011	334.300
Adjustments	(16.345)	-	9.084	332	(6.929)
Closing balance	5.113	7.632.385	6.128.481	2.407.952	16.173.929
Depreciation and amortization Accumulated impairment:					
Opening balance	15.290	6.117.488	4.967.537	212.994	11.313.309
Depreciation of the year	-	470.123	44.052	304.852	819.027
Downloads	(9.010)	(25.501)	103.869	(69.358)	-
Changes in perimeter (Note 5)	-	198.722	132.023	-	330.745
Adjustments	(1.636)	24.484	-	5.522	28.370
Closing balance	4.644	6.785.316	5.247.481	454.010	12.491.451
Net value	**469**	**847.069**	**881.000**	**1.953.942**	**3.682.480**

	2015				
	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Total
Gross Assets:					
Opening balance	12.521	6.096.741	5.706.903	2.397.683	14.213.846
Additions	-	354.148	116.819	-	470.967
Disposals and write-offs	-	-	(20.670)	-	(20.670)
Changes in perimeter (Note 5)	21.172	-	-	-	21.172
Adjustments	(3.224)	-	25.381	926	23.083
Closing balance	30.469	6.450.889	5.828.433	2.398.609	14.708.398
Depreciation and amortization Accumulated impairment:					
Opening balance	12.521	5.784.665	1.582.862	118.516	7.498.564
Depreciation of the year	2.831	332.823	31.139	91.987	458.780
Downloads	-	-	(18.735)	-	(18.735)
Changes in perimeter (Note 5)	-	-	3.372.271	-	3.372.271
Adjustments	(62)	-	-	2.491	2.429
Closing balance	15.290	6.117.488	4.967.537	212.994	11.313.309
Net value	**15.179**	**333.401**	**860.896**	**2.185.615**	**3.395.091**

As of 31 December 2016 and 2015, the detail of the gross value of the captions "Development expenses" and "Industrial property and other rights", was as follows:

	31.12.2016	31.12.2015
Development expenses:		
Studies and Projects – "ERP" implementation	4.121.285	4.121.285
Others studies and projects	3.511.100	2.329.604
	7.632.385	**6.450.889**
Industrial property and other rights:		
"Decocenter" Brand	3.502.200	3.502.200
Software	1.418.027	1.418.027
Others rights and licences	1.208.254	908.206
	6.128.481	**5.828.433**

On 20 December 2006, the Group acquired the "Decocenter" brand by the amount of Euro 3,500,000. This brand is currently being used by Barnices Valentine and the acquisition cost was supported on an independent valuation appraisal. This brand was classified as an intangible asset with an indefinite useful life, and consequently, it's not subject to depreciation, but is subject to an annual impairment assessment.

In the year 2015, the Board of Directors considered that assets exhausted in the context of intervention in the Spanish market, and the Group recorded an impairment loss for the year.

The caption 'Goodwill' includes the amount of Euro 2,107,069 relating to the contract signed between CIN and Tintas Robbialac, S.A. in 19 November 2007, by which CIN acquired Robbialac's business denominated "Industry Segment".

The Group does not proceed to the amortization of that goodwill, performing on an annual basis, formal tests of impairment.

The formal impairment test assumes as cash-generating unit the revenue associated with the segment of products purchased under this contract, and is made regarding the business plan approved by the Board of Directors, which is prepared in accordance with the projected cash flows for the next 10 years. The discount rate used is based on the weighted average cost of capital, and is 10%. In perpetuity the growth rate used is approximately 1.5%.

9. Investment properties

As of 31 December 2016, the caption "Investment properties" includes real estate assets held by CIN Group, mainly located in Guardeiras, Maia that is held for capital appreciation. These assets are stated at the respective acquisition cost.

It is the Board of Directors´ understanding that the fair value of these investment properties does not significantly differ from their book value.

As of 31 December 2016 and 2015, the movement in these captions was as follows:

	31.12.2016	31.12.2015
Investment properties:		
Balance as of 1 January	6.958.781	7.023.926
Disposals	-	(65.145)
Balance as of 31 December	**6.958.781**	**6.958.781**

Investment properties have generated costs in the amount of approximately 7,033 Euros in 2016 and 1,703 in 2015, which were recorded in the income statement.

10. Classes of financial instruments

The financial instruments in accordance with the policies described in Note 1.3 d), were classified as follows:

Financial assets

	Notes	Loans and account receivables	Investments available for sale	Sub-total	Assets not covered by IFRS 7	Total
December 31, 2016						
Non-current assets						
Other finantial assets	11	-	3.761.961	3.761.961	-	3.761.961
Other non-current assets	13	258.470	-	258.470	-	258.470
		258.470	3.761.961	4.020.431	-	4.020.431
Current assets						
Customers	15	35.383.005	-	35.383.005	-	35.383.005
Other current debtors	16	3.684.495	-	3.684.495	-	3.684.495
State and other public entities	26	-	-	-	4.063.585	4.063.585
Other current assets	17	2.550.394	-	2.550.394	-	2.550.394
Other finantial assets	11	14.192.710	-	14.192.710	-	14.192.710
Cash and cash equivalents	18	33.862.242	-	33.862.242	-	33.862.242
		89.672.846	-	89.672.846	4.063.585	93.736.431
		89.931.316	**3.761.961**	**93.693.277**	**4.063.585**	**97.756.862**
December 31, 2015						
Non-current assets						
Other finantial assets	11	-	3.528.531	3.528.531	-	3.528.531
Other non-current assets	13	224.426	-	224.426	-	224.426
		224.426	3.528.531	3.752.957	-	3.752.957
Current assets						
Customers	15	31.166.678	-	31.166.678	-	31.166.678
Other current debtors	16	4.973.895	-	4.973.895	-	4.973.895
State and other public entities	26	-	-	-	1.774.433	1.774.433
Other current assets	17	2.451.204	-	2.451.204	-	2.451.204
Other finantial assets	11	17.491.408	-	17.491.408	-	17.491.408
Cash and cash equivalents	18	28.086.744	-	28.086.744	-	28.086.744
		84.169.929	-	84.169.929	1.774.433	85.944.362
		84.394.355	**3.528.531**	**87.922.886**	**1.774.433**	**89.697.319**

Financial liabilities

	Notes	Coverage derivatives	Financial liabilities registered at amortized cost	Sub-total	Liabilities not covered by IFRS 7	Total
December 31, 2016						
Non-current liabilities						
Financing obtained	22	-	87.800.000	87.800.000	-	87.800.000
Other debts to third parties	25	-	3.581.184	3.581.184	-	3.581.184
		-	91.381.184	91.381.184	-	91.381.184
Current liabilities						
Financing obtained	22	-	24.767.181	24.767.181	-	24.767.181
Suppliers	24	-	23.778.366	23.778.366	-	23.778.366
Other creditors	25	-	2.673.968	2.673.968	-	2.673.968
State and other public entities	26	-	-	-	7.526.341	7.526.341
Other current liabilities	27	-	13.765.036	13.765.036	-	13.765.036
		-	64.984.551	64.984.551	7.526.341	72.510.892
		-	**156.365.735**	**156.365.735**	**7.526.341**	**163.892.076**
December 31, 2015						
Non-current liabilities						
Financing obtained	22	-	84.359.123	84.359.123	-	84.359.123
Other debts to third parties	25	-	4.386.957	4.386.957	-	4.386.957
		-	88.746.080	88.746.080	-	88.746.080
Current liabilities						
Financing obtained	22	-	30.292.378	30.292.378	-	30.292.378
Suppliers	24	-	24.121.025	24.121.025	-	24.121.025
Other creditors	25	-	2.479.778	2.479.778	-	2.479.778
State and other public entities	26	-	-	-	5.475.595	5.475.595
Other current liabilities	27	-	12.186.640	12.186.640	-	12.186.640
		-	69.079.821	69.079.821	5.475.595	74.555.416
		-	**157.825.901**	**157.825.901**	**5.475.595**	**163.301.496**

Financial instruments recognized at fair value

The table below details the financial instruments measured at fair value after initial recognition, grouped into three levels according to the possibility of observing its fair market value:

Level 1: fair value is determined based on current active market prices;

Level 2: fair value is determined based on valuation techniques. The main inputs of the valuation models are observable in the market;

Level 3: fair value is determined based on valuation models, whose main inputs are not observable in the market.

	31-12-2016		
	Level 1	Level 2	Level 3
Financial assets measured at fair value			
Investments availabe for sale (Note 11)	**2.760.006**	**-**	**1.001.955**

	31-12-2015		
	Level 1	Level 2	Level 3
Financial assets measured at fair value			
Investments availabe for sale (Note 11)	**3.150.371**	**-**	**378.160**

11. Other financial assets

As of 31 December 2016 and 2015, these captions included financial investments classified as available for sale and had the following movement in the year:

	2016		
	Gross value	Impairment losses (Note 28)	Net value
Investments available for sale:			
Balances as of 1 January 2016	3.806.418	(277.887)	3.528.531
Fair value variations	(390.365)	-	(390.365)
Increases	1.340.347	(716.552)	623.795
Balance as of 31 December 2016	**4.756.400**	**(994.439)**	**3.761.961**

	2015		
	Gross value	Impairment losses (Note 28)	Net value
Investments available for sale:			
Balances as of 1 January 2015	3.080.246	(127.887)	2.952.359
Fair value variations	246.189	-	246.189
Increases	492.499	(150.000)	342.499
Decreases	(12.516)	-	(12.516)
Balance as of 31 December 2015	**3.806.418**	**(277.887)**	**3.528.531**

As of 31 December 2016, the fair value of the Boero Bartolomeo, S.p.A. shares, corresponding to 2.515% of this entity's share capital, amounted to, approximately, Euro 1,981,731 (2,397,857 Euro as of 31 December 2015), based on the year end stock quotation.

The Group held shares of listed companies in Euronext Lisbon Stock Exchange Marcket, by the amount of 728,395 Euro (702,634 as of 31 December 2015).

The remaining financial investments referred to above mainly represented small investments in non listed companies. The Board of Directors believes that the net value of these investments is similar to the respective fair value.

As of 31 December 2016 and 2015, the amounts classified as short-term, included investments in banks that did not meet the requirements for classification as "Cash and cash equivalents".

12. Taxes

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2016, are as follows:

Deferred tax assets:	Opening balances	Perimeter variations	Effect on results	Effect on Equity	Closing balances
Depreciation not taxed	559.682	-	(77.387)	-	482.295
Provisions and adjustments not accepted for tax purposes	2.324.638	-	(217.317)	17.996	2.125.317
Pension fund (relating to accrued cost)	219.957	-	124.580	-	344.537
Merger reserve	1.008.811	-	(194.003)	-	814.808
Tax losses	241.818	-	169.020	(33.911)	376.927
Others	260.141	-	12.671	(18.236)	254.549
	4.615.047	**-**	**(182.436)**	**(34.178)**	**4.398.433**

Deferred tax liabilities:	Opening balances	Perimeter variations	Effect on results	Effect on Equity	Closing balances
Amortization of revaluations not accepted for tax purposes	5.915	-	(491)	-	5.424
Reinvestment of capital gains	9.303	-	(1.900)	-	7.403
Pension fund (relative to deferred cost)	19.705	-	(2.533)	-	17.172
Barnares Valentine's fair value exchange	981.538	-	-	-	981.538
Fair value of investments held for sale	157.508	-	-	(123.298)	34.210
Write-off of provisions	2.510.655	-	-	(518.564)	1.992.091
Adjustments in fair value of properties	1.338.900	-	(72.956)	-	1.265.944
Others	36.573	-	(13.992)	5.420	28.001
	5.060.097	**-**	**(91.872)**	**(636.442)**	**4.331.783**

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2015, are as follows:

Deferred tax assets:	Opening balances	Transfers	Recorded in results	Recorded in net Equity	Closing balances
Depreciation not accepted for tax purposes	524.038	-	35.644	-	559.682
Provisions and impairment losses not accepted for tax purposes	2.834.847	(17.158)	(561.870)	68.819	2.324.638
Pension fund (referring to accrued costs)	227.507	(1.571)	(5.979)	-	219.957
Merger reserve	1.052.267	-	(43.456)	-	1.008.811
Tax losses carried forward	2.662	-	239.156	-	241.818
Financial hedging derivative instruments avaliation	26.595	-	-	(26.595)	-
Others	206.211	-	42.384	11.545	260.141
	4.874.128	**(18.729)**	**(294.121)**	**53.769**	**4.615.047**

Deferred tax liabilities:	Opening balances	Transfers	Recorded in results	Recorded in net Equity	Closing balances
Revaluations depreciation not accepted for tax purposes	9.016	-	(3.101)	-	5.915
Reinvestment of gains on fixed assets disposals	11.501	-	(2.198)	-	9.303
Pension fund (referring to deferred costs)	22.239	-	(2.534)	-	19.705
Fair value of land swapped by Barnices Valentine	981.538	-	-	-	981.538
Fair value of investments held for sale	96.974	-	-	60.534	157.508
Write-off of provisions	2.180.966	-	-	329.689	2.510.655
Adjustment to the fair value of the properties	1.411.856	-	(72.956)	-	1.338.900
Others	462.909	-	(420.079)	(6.256)	36.573
	5.176.998	**-**	**(500.868)**	**383.967**	**5.060.097**

The "Merger reserve" is a consequence of the merger held in previous years by former Spanish subsidiaries of subsidiary Barnices Valentine (and that was written-off in the previous years in the consolidation process) and is being depreciated for tax purposes over a period of 20 years.

In accordance with the applicable legislation, the income tax returns of CIN and other Group companies are subject to review and correction by the tax authorities for a 4-year period (5-year for Social Security) except when tax losses have occurred or tax benefits have been granted, or tax inspections, claims or refutations are in progress, in which cases and depending on the circumstances, the deadlines are delayed or suspended. Therefore, the tax declarations of the Group Companies (established in Portugal) since 2013 are still subject to review.

The Board of Directors of CIN believes that eventual corrections following such revisions/inspections by the tax authorities will not have significant effect on the consolidated financial statements as of 31 December 2016.

In Spain, since the beginning of the year 2014, tax losses no longer have time limit for future use. In France, the future use of tax losses not also has a time limit.

As of 31 December 2016, the following Group companies had tax losses that can be carried forward, as follows (in accordance with the respective tax returns):

Year in which they were generated	Spain	France
Year 2004	143.761	-
Year 2005	1.583.106	-
Year 2006	887.467	-
Year 2008	3.919.312	-
Year 2009	-	241.669
Year 2010	15.196.261	581.203
Year 2011	10.837.227	2.226.426
Year 2012	9.669.035	1.442.147
Year 2013	6.943.987	443.956
Year 2014	4.607.897	1.348.948
Year 2015	5.203.274	-
Year 2016	4.681.090	-
	63.672.417	**6.284.349**

For the calculation and recording of deferred tax assets, were considered tax losses of Navis subsidiary, generated in 2016 and 2015, which led to a deferred tax asset of 1,183 and 6,552 Euros, respectively.

As of 31 December 2016, an amount of Euro 667,496 of deferred tax assets regarding the applications to a SIFIDE tax incentive, as such candidatures related, to the exercise of 2015, were already formally approved. The legislation establishes this tax credit to be deducted in a period not exceeding six annual periods.

The Group companies Amida Inversiones, S.L., CIN Valentine, S.A., Pinturas Cin Canárias, S.A., Cin Inmuebles, S.L., and CIN Soritec S.A. located in Spain, are being in accordance with theirs consolidated tax result, whose parent company is Amida Inversiones, S.L.U., which aggregates the tax losses generated by the companies in the tax perimeter. The Group companies located in France, Celliose and PFI, are also taxed in accordance with theirs consolidated tax result, in accordance with French legislation.

As of 31 December 2016 and 2015, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2016	**31.12.2015**
Country of origin of the subsidiary:		
Portugal	22,5%	22,5%
Spain	25,0%	25,0%
Luxembourg	29,22%	29,22%
Angola	30,0%	30,0%
Mozambique	32,0%	32,0%
France	33,3%	33,3%

In accordance with article 88 of Corporate Income Tax Code ("Código do Imposto sobre o Rendimento das Pessoas Colectivas") CIN and its subsidiaries with headquarters in Portugal are also subject to an autonomous taxation over a group of expenses at the rates defined in the referred article.

Tax benefits and exemptions

(I) Spain - Canaries

According to Spanish legislation, namely "Ley 19/1994, of 6 July – Modificación del Régimen Económico y Fiscal de Canarias", modified by "Royal Decree-Law 12/2006 of 29 December" sets a tax measure to "reserve for investments in the Canary Islands," which allows companies in relation to their properties in the Canary Islands, allocate benefits such reservations, as a reduction of their tax calculation basis, with a maximum of 90% of undistributed profit. The amount of allocated benefit was materializing for a maximum period of three years from the fiscal year in which it was provided, the investments and the requirements laid down by that legislation.

The amounts must be invested in fixed assets in the Canary Islands and is necessary for the development of their economic activities, except for contributing to the improvement and environmental protection in that territory.

Assets must remain operational in the company at least five years without being transferred, leased or transferred to third parties for use. The reserve, which is included in the equity caption "Other reserves" is unavailable while goods that should remain associated with the Company, and the amount at 31 December 2016 amounted to 4,993,975 Euros. Pending realizable values were recorded in taxes of the respective companies, in a total amount of 265,235 Euros.

13. Other non-current assets

As of 31 December 2016 and 2015, the composition of the caption was up as follows:

	31.12.2016	31.12.2015
Retirement benefits (Note 23)	76.323	87.583
Guarantee	182.147	136.843
	258.470	**224.426**

14. Inventories

As of 31 December 2016 and 2015, the composition of the caption was up as follows:

	31.12.2016	31.12.2015
Raw, subsidiary and consumable materials	8.572.886	10.454.957
Merchandise	3.507.149	2.951.649
Finished and intermediate goods	27.288.851	26.255.955
		39.662.561
Accumulated impairment losses on inventory (Note 28)	(6.434.686)	(5.588.733)
	32.934.201	**34.073.828**

The cost of goods sold and consumed for the years ended as of 31 December 2016 and 2015 were computed as follows:

	31.12.2016	31.12.2015
Opening balances:		
Raw, subsidiary and consumable materials	10.454.957	14.243.276
Merchandise	2.951.649	2.254.096
Changes in perimeter (Note 5)	1.961.782	411.515
Purchases	96.493.490	91.472.264
Inventory adjustments	(1.756.511)	(1.183.614)
Closing Balance:		
Raw, subsidiary and consumable materials	(8.572.886)	(10.454.957)
Merchandise	(3.507.149)	(2.951.649)
	98.025.331	**93.790.931**

Part of the inventory adjustments – Merchandise – refers to tangible equipment transfers – tintometric systems, as these equipments are being used by Group's delegations (Note 6).

The changes in inventories of finished goods and work in progress for the years ended as of 31 December 2016 and 2015, was computed as follows:

	31.12.2016	31.12.2015
Closing balances	27.288.851	26.255.955
Inventory adjustments	1.740.950	1.261.670
Changes in perimeter (Note 5)	(2.262.954)	-
Opening balances	(26.255.955)	(28.477.642)
	510.893	**(960.017)**

15. Customers

As of 31 December 2016 and 2015, this caption was made up as follows:

	31.12.2016	31.12.2015
Customers, current accounts	35.234.423	31.542.936
Customers, notes receivable	1.423.518	1.766.020
Customers, doubtful accounts	11.349.512	13.144.292
	48.007.353	**46.453.248**
Accumulated impairment losses on costumers (Nota 28)	(12.624.348)	(15.286.570)
	35.383.005	**31.166.678**

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from its operating activities. The amounts presented in the balance sheet are net of accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on the analysis of the economic environment. The Board of Directors believes that the net accounting values of the accounts receivable from customers are similar to their respective fair value. The Group has not a significant concentration of credit risk, as this risk is diluted within a vast number of customers.

In accordance with the information of the Group's balance sheet, the aging of accounts receivable from customers is as follows:

	31.12.2016	31.12.2015
Not due	24.472.330	21.517.820
Due and not adjusted:		
0-30 outstanding days	6.628.016	6.909.143
30-90 outstanding days	1.830.087	1.702.523
More than 90 outstanding days	2.452.572	1.037.191
Due and adjusted:		
0-90 outstanding days	382.871	314.806
90-180 outstanding days	175.586	249.078
180-360 outstanding days	868.615	1.993.485
More than 360 outstanding days	11.197.275	12.729.202
	48.007.352	**46.453.248**

16. Other debtors

As of 31 December 2016 and 2015, this caption was made up as follows:

	31.12.2016	31.12.2015
Suppliers debtors balances	292.332	401.841
Personnel	302.535	171.481
Advances to suppliers and suppliers of fixed assets	19.790	31.858
Others debtors	3.573.676	5.019.985
	4.188.333	**5.625.165**
Accumulated impairment losses (Note 28)	(503.838)	(651.270)
	3.684.495	**4.973.895**

17. Other current assets

As of 31 December 2016 and 2015, this caption was made up as follows:

	31.12.2016	31.12.2015
Bonus receivable from suppliers	437.262	514.228
Prepaid insurance	157.739	126.911
Prepaid rental	216.418	379.641
Prepaid financial expenses	435.355	407.589
Prepaid specialized work expenses	-	202.123
Others	1.303.620	820.712
	2.550.394	**2.451.204**

18. Cash and cash equivalents

As of 31 December 2016 and 2015, the caption "Cash and cash equivalents" was as follows:

	31.12.2016	31.12.2015
Cash and cash equivalents:		
Cash	52.352	56.115
Bank deposits on demand	33.762.537	22.985.664
Treasury applications	-	5.000.000
Cash equivalents	47.353	44.965
	33.862.242	**28.086.744**

Treasury applications correspond to bank term deposits made by several companies included in consolidation which mature within less than three months and bear interest at normal market rates.

As of 31 December 2016, the Company and its subsidiaries have credit facilities amounting to Euro 53,200,000 available for future operating activities and to meet financial commitments, without any restriction to its use.

19. Share capital

As of 31 December 2016, CIN – Corporação Industrial do Norte, S.A.'s fully subscribed and paid up capital consisted of 25,000,000 bearer shares, with a nominal value of 1 Euro each.

As of 31 December 2016, Pleso Holding B.V. owned 100% of the Company's share capital (Introduction).

20. Equity

Legal reserve

Portuguese commercial legislation defines that at least, 5% of annual net profit must to be allocated to the legal reserve until it represents 20% of a company's share capital. This reserve can't be distributed to shareholders unless the company is to be liquidated. This reserve can be used to compensate accumulated losses provided that all other reserves are used first and can be incorporated into share capital.

Revaluation reserves

The revaluation of reserves may not be distributed to shareholders unless it is fully depreciated or if the property subject to reassessment has been sold.

Currency conversion reserves

The currency conversion reserves reflect the exchange rate changes occurred in the transposition of the financial statements of subsidiaries in currencies other than Euro and cannot be distributed or used to absorb losses.

Fair value reserves

The fair value reserves reflect the changes in fair value of financial instruments available for sale and cannot be distributed or used to absorb losses.

21. Non-controlling interests

During the year ended 31 December 2016 and 2015, the movement in the caption "Non-controlling interests", can be detailed as follow:

	31.12.2016	31.12.2015
Balance as of 1 January	7.452	21.093
Net profit of the period	(2.465)	(13.641)
Balance as of 31 December	**4.987**	**7.452**

22. Bank loans

As of 31 December 2016, the detail by nature of bank loans was made up as follows:

	Plafond	Amount in use	Current	Non-current
Bank Loans	5.917.714	617.714	617.714	-
Commercial paper programs	113.500.000	65.600.000	22.800.000	42.800.000
Bonds	45.000.000	45.000.000	-	45.000.000
Investment subsidies	1.352.484	1.352.484	1.352.484	-
Effective interest rate effect	n.a.	n.a.	(3.017)	-
	165.770.198	**112.570.198**	**24.767.181**	**87.800.000**

Bank loans

As of 31 December 2016, the detail of bank loans (except for commercial paper programs) was made up as follows:

Company	Plafond	Amount in use	Current	Non-current
Barnices Valentine	500.000	-	-	-
CIN	4.800.000	-	-	-
Monopol	405.413	405.413	405.413	-
CPyB	110	110	110	-
PFI Investiments	212.191	212.191	212.191	-
	5.917.714	**617.714**	**617.714**	**-**

The other bank loans referred above bear interest at market rates.

Commercial Paper Programs

As of 31 December 2016, the Commercial Paper Programs can be detailed as follows:

	Program total amount	Nominal value	Current	Non-current	Interest	Book value as at December 31, 2016
CIN- Corporação Industrial do Norte, S.A						
Contract (25.000.000 Euros) 234ª Emission	25.000.000	20.000.000	20.000.000	-	3.017	20.000.000
Contract (15.000.000 Euros) 44ª Emission	15.000.000	11.500.000	-	11.500.000	4.792	11.500.000
Contract (21.000.000 Euros) 22ª Emission	21.000.000	20.600.000	2.800.000	17.800.000	5.150	20.600.000
Contract (10.000.000 Euros)	10.000.000	10.000.000	-	10.000.000	29.833	10.000.000
Contract (20.000.000 Euros) Not used	20.000.000	-	-	-	-	-
Contract (10.000.000 Euros) Not used	15.000.000	-	-	-	-	-
Contract (5.000.000 Euros) Not used	2.500.000	-	-	-	-	-
Contract (7.500.000 Euros) Not used	5.000.000	-	-	-	-	-
Barnices Valentine SL						
Contract (15.000.000 Euros) 9ª Emission	group contract	1.000.000	-	1.000.000	5.014	1.000.000
Amida Inversiones						
Contract (15.000.000 Euros) 8ª Emission	group contract	2.500.000	-	2.500.000	12.535	2.500.000
	113.500.000	**65.600.000**	**22.800.000**	**42.800.000**	**60.341**	**65.600.000**

Commercial Paper Program balances have the following underlying contracts:

Company	Program total amount	Beginning date	Maturity
CIN - Corporação Industrial do Norte, S.A.	20.000.000	May 2014	May 2019
CIN - Corporação Industrial do Norte, S.A.	25.000.000	May 2012	May 2017
CIN - Corporação Industrial do Norte, S.A.	21.000.000	September 2014	September 2021
CIN - Corporação Industrial do Norte, S.A.	15.000.000	September 2014	September 2019
CIN - Corporação Industrial do Norte, S.A.	10.000.000	March 2014	March 2019
CIN - Corporação Industrial do Norte, S.A.	7.500.000	June 2014	June 2019
CIN - Corporação Industrial do Norte, S.A.	10.000.000	June 2016	June 2020
CIN - Corporação Industrial do Norte, S.A.	5.000.000	October 2015	October 2018
	113.500.000		

In accordance with these contractual terms, the Commercial Paper Programs issuances can be made up to one year, up to the agreed limit. The financial institutions have committed themselves to the full distribution of every issuance.

CIN's Board of Directors intends to use the above mentioned programs within more than 12 months.

Bonds

On 31 December 2016, this caption consisted of two loans denominated "CIN / 2016-2021" and "CIN 2014/2019", in the amount of Euro 25,000,000 and Euro 20,000,000 respectively, issued by CIN – Corporação Industrial do Norte, S.A.. According to their conditions, the loans bear interest indexed to Euribor, with 1.8625% and 3.35% spread, and maturity is December 2021 and December 2019, respectively.

As of 31 December 2016, Commercial Paper Programs classified as non-current and the bonds, had the following projected repayment and interest payment plan, considering full use of the existing programs:

	Effective interest tax	2017	2018	2019	2020	2021	Total
Repayment		-	10.700.000	71.700.000	15.200.000	30.200.000	127.800.000
Interest	1,60%	2.025.726	1.788.233	1.569.340	529.472	527.667	6.440.438
		2.025.726	**12.488.233**	**73.269.340**	**15.729.472**	**30.727.667**	**134.240.438**

Government grants

The remaining loans refer to a refundable subsidy from the Portuguese Agency for the Investment and Foreign Trade ("AICEP"), regarding an application under the incentives program SI Inovação. In the year 2015, the Company received an achievement award in the amount of 469,320 Euros, and this amount was converted into non-refundable grant. According to the agreed conditions, the Company may qualify under certain conditions for which measurement will only occur in the future, in further conversion in non-refundable grant amounting to 871,594 Euros. The amount to be repaid in the medium and long term matures fully in 2017.

23. Pension commitments

CIN Pension Fund:

The CIN Pension Fund, which was created by public deed on 31 December 1987 and is managed by "SGF - Sociedade Gestora de Fundos de Pensões, S.A.", was set up to provide employees retired as from that date, due to age or disability, the right to a monthly pension complement. This pension complement is calculated at the rate of 0.5% per year of employment, up to a maximum of 12.5% of the employee's gross salary at the date of retirement.

In accordance with an actuarial valuation performed by the Fund manager, the present value of the liabilities for past services of retired and current employees as of 31 December 2016 and 2015 was as follows:

	31.12.2016	31.12.2015
Current	4.680.283	4.738.931
Retired	2.469.339	2.175.733
	7.149.622	**6.914.664**

As of 31 December 2016 and 2015, those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re). In addition to the technical parameters referred to above, the valuation was made assuming annual salary increases of 0,5% (0.5% in 2015), a rate of return for the fund of 3.77 (3.55% in 2015, zero rate of increase of the pensions on payment, technical interest rate of 3.77 (3.55% in 2015) and personnel "turnover" computed in accordance with the average historical data for the Company between 1994 and 2016.

The movement in the liabilities for past services for the periods ending 31 December 2016 and 2015 was as follows:

	31.12.2016	31.12.2015
Liabilities for past services as of 1 January	6.914.664	7.166.307
Current services cost	187.175	213.354
Interest cost	244.352	322.484
Actuarial losses (gains)	70.292	(533.642)
Retirement complements paid	(266.861)	(253.839)
Liabilities for past services as of 31 December	**7.149.622**	**6.914.664**

During the years 2016 and 2015, the movement in the net assets of the Fund was as follows:

	31.12.2016	31.12.2015
Balance as of 1 January	5.937.075	6.155.163
Net fund income	300.000	24.846
Retired supplements paid	(51.870)	(253.839)
Other	(266.861)	10.905
Estimated balance as of 31 December	**5.918.344**	**5.937.075**

The Group maintains recorded in the caption "Retirement benefit obligations" the amount necessary to cover the liabilities for past services not covered by the assets of the Fund in accordance with the actuarial study reported as of 31 December 2016, totalling the balance of this caption Euro 1,231,278 as of 31 December 2016 (Euro 977,589 as of 31 December 2015), which was subjected to a decrease in financial year 2016 of Euro 587,469 (increase of Euro 11,390 in 2015), as detailed below:

	31.12.2016	31.12.2015
Cost of current services	187.175	213.354
Interest cost	244.352	322.484
Fund income, net	51.870	(24.846)
Actuarial losses (gains)	70.292	(533.642)
Cost of past service ("Deferred costs")	33.780	11.260
	587.469	**(11.390)**

Consequently, the movement occurred during periods ended 31 December 2016 and 2015 on the caption "Retirement benefit obligations" for retirement benefits not covered by the assets of the Pension Fund was as follows:

	31.12.2016	31.12.2015
Balance as of 1 January	977.589	1.011.144
Personnel	587.469	(11.390)
Contributions to the pension Fund	(300.000)	(11.260)
Cost of past service ("Deferred costs")	(33.780)	(10.905)
Estimated balance as of 31 December	**1.231.278**	**977.589**

The Group deferred actuarial gains or losses related to changes in criteria in the actuarial estimate of remaining employees active period, which currently amounts to 22 years. Thus, the cost of past services established in 2003, comprising mainly the effects associated with changes in the universe of workers included in the Pension Fund, was recorded in the caption as "Other non-current assets" (Note 13).

Movements in this caption in 2016 and 2015 related to retirement benefits were made up as follows:

	31.12.2016	31.12.2015
Balance as of 1 January	87.583	98.843
Amortization of the cost of past services	(11.260)	(11.260)
Estimated balance as of 31 December	**76.323**	**87.583**

24. Suppliers

As of 31 December 2016 and 2015 this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2016	31.12.2015
Suppliers – current accounts	23.519.889	23.851.880
Suppliers – outstanding bills	258.477	269.145
	23.778.366	**24.121.025**

As of 31 December 2016 and 2015, payables to suppliers are due within less than four months.

25. Other creditors

Current

As of 31 December 2016 and 2015, this caption was made up as follows:

	31.12.2016	31.12.2015
Fixed assets suppliers	1.443.333	1.230.020
Clients credit balance	293.090	396.781
Personnel	184.647	340.185
Others	752.898	512.792
	2.673.698	**2.479.778**

Non current

As of 31 December 2016 and 2015, this caption respects entirely about leasing contracts related to computer hardware.

The minimum payments for leases as of 31 December 2016 and 2015 are detailed as follows:

	Minimum payment		Present value of minimum payments	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Until 1 year	985.093	1.043.347	805.774	827.560
Between 1 to 5 years	3.907.345	4.892.438	3.581.183	4.386.957
More than 5 years	-	-	-	-
	4.892.438	5.935.785	4.386.957	5.214.517
Discount financial effect	(505.481)	(721.268)	n/a	n/a
Presente value of minimum payments	**4.386.957**	**5.214.517**	**4.386.957**	**5.214.517**

26. State and other public entities

As of 31 December 2016 and 2015, the amounts of liabilities in this caption were as follow:

	Asset		Liability	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Corporate Income Tax	3.373.237	1.118.911	(3.552.107)	(1.999.825)
Value Added Tax	350.079	204.057	(1.967.550)	(1.467.395)
Social Security contributions	-	-	(1.345.272)	(1.200.718)
Withholding Income Taxes	216.839	243.868	(531.577)	(568.653)
Others	123.430	207.597	(129.835)	(239.004)
	4.063.585	**1.774.433**	**(7.526.341)**	**(5.475.595)**

27. Other current liabilities

As of 31 December 2016 and 2015, this caption was made up as follows:

	31.12.2016	31.12.2015
Accrued costs:		
Accrued payroll	5.942.185	5.652.694
Rappel	4.433.543	4.091.931
Accrued interest	104.744	349.937
Accrued insurances	99.015	70.293
Royalties	18.056	15.832
Others	2.965.308	1.647.957
	13.562.851	**11.828.644**
Deferred income:		
Investments Subsidies	190.927	283.314
Others	11.258	74.682
	202.185	357.996
	13.765.036	**12.186.640**

28. Provisions and accumulated impairment losses

The movement occurred in provisions and accumulated impairment losses for the years ended as of 31 December 2016 and 2015 was as follows:

	2016					
	Opening Balances	Increase	Utilization	Decrease	Transfer	Closing
Impairment losses in accounts receivable (Notes 15 and 16)	15.937.840	1.255.206	(2.878.690)	(1.496.380)	335.945	13.153.921
Impairment losses in inventories (Note 14)	5.588.733	1.872.238	0	(2.254.479)	1.228.194	6.434.686
Impairment losses in available for sale Investments (Note 11)	277.887	742.125	0	(25.572)	0	944.440
Provision	4.869.998	1.326.938	(543.831)	(1.317.589)	270.000	4.605.816

	2015					
	Opening Balances	Increases	Decreases	Utilizations	Transfers	Closing Balances
Impairment losses in accounts receivable (Notes 15 and 16)	19.056.422	1.345.597	(1.245.218)	(3.245.903)	26.942	15.937.840
Impairment losses in inventories (Note 14)	6.010.894	1.192.692	(1.543.670)	-	(71.184)	5.588.733
Impairment losses in available for sale Investments (Note 11)	127.887	150.000	-	-	-	277.887
Provisions	3.504.069	740.115	(616.030)	(758.155)	2.000.000	4.869.998

The "Accumulated impairment losses" are recorded in the attached consolidated balance sheet as a deduction to the corresponding asset.

29. Sales and services rendered by geographic markets

Sales and services rendered by geographic markets during 2016 and 2015 were as follows:

	31.12.2016	31.12.2015
Domestic market	191.678.171	182.778.166
International market	18.630.037	17.589.972
	210.308.208	**200.368.138**

The Group defines as domestic market the sales made in the countries where it has its operational activity (introduction).

30. Financial results

As of 31 December 2016 and 2015, the financial results were as follows:

	31.12.2016	31.12.2015
Financial expenses:		
Interest	1.948.639	3.330.574
Other financial expenses	1.123.057	1.786.987
	3.071.426	5.117.561
Financial results	(2.445.669)	(4.150.851)
	625.757	**966.710**
Financial income:		
Interest	562.403	561.398
Other financial income	63.354	405.312
	625.757	**966.710**

31. Corporate income tax

The Corporate Income Tax recorded in the years ended as of 31 December 2016 and 2015 can be detailed as follows:

	31.12.2016	31.12.2015
Current tax	1.790.962	2.551.021
Deferred taxes (Nota 12)	90.563	(206.747)
	1.881.525	**2.344.274**

32. Responsibilities for guarantees provided

As of 31 December 2016, the Group had assumed responsibilities for guarantees granted to third parties as follows:

Ayuntamiento de Montcada (Espanha)	586.885
IAPMEI	555.479
Câmara Municipal da Maia	75.000
Others	145.456

33. Operating leases

During the year end as of 31 December 2016, was recognized as expense of the period the amount of Euro 1,905,645 (Euro 1,902,354 as of 31 December 2015) relating to operating lease contracts.

Additionally, as of the balance sheet date, irrevocable operating lease contracts were in place, which had the following renting payments:

	31.12.2016	31.12.2015
Due in N+1	1.778.599	1.533.769
Due in N+2	1.101.658	1.118.235
Due in N+3	686.390	690.344
Due after N+3	1.225.267	1.066.043
	4.791.914	**4.408.390**

The operating lease contracts above mentioned refer essentially to the following situations:

- Leasing of vehicles to serve the Group's sales network, technical services and other employees and directors, whose average duration is 4 years;
- Leasings / rentals of own shops that can be renewed for further periods by the will of the parties.

34. Earnings per share

The earnings per share, basic and diluted, are calculated dividing the consolidated net result by the average number of existing shares during the period.

35. Contingent assets and liabilities

Tax Payments:

In December 2002, in the context of the Special Regime for the Settlement of Debts to the Tax Authorities and Social Security ("Regime Excepcional de Regularização de Dívidas ao Fisco e Segurança Social" - Decree Law 248-A/2002, of 14 November), and during the year ended as of 31 December 2013, in the context of the Special Regime for the Settlement of Debts ("Regime Excepcional de Regularização de Dívidas" - Decree Law 36/2013, of 24 September), CIN paid additional liquidations of Corporate Income Tax ("Imposto sobre o Rendimento de Pessoas Colectivas"), which were previously contested.

The Company recorded as a debit balance in the caption "State and other public entity" the amount paid of Euro 443,745 and did not create any provision to face the risk of recovery of the amount paid since the Board of Directors believes that the outcome from the claim will be favorable to the Company.

Lawsuits:

On the date of approval of these accounts, the group company, Barnices Valantine, S.L., is co-defendant in several lawsuits brought against the modification of the "General Plan Metropolitano" and, as a consequence of the referred land division plan mentioned in Note 6. The financial statements at December 31, 2016 do not include any provision, since the Board of Directors, supported in its legal counsel, believe that the outcome of such lawsuits will be favorable to the group, as any loss generated will be subject to an indemnity from the state authorities in accordance with the contracts in force.

36. Statutory bodies' members remuneration

As of 31 December 2016 and 2015, CIN ("Mother Company") attributed to its statutory bodies members of the parent company the following remuneration:

	31.12.2016	31.12.2015
Board of Directors	344.400	300.000
Supervisory Board	20.600	19.500
General Assembly	4.200	4.000

37. Number of personnel

As of 31 December 2016 and 2015, the number of employees of the companies included in consolidation was 1,329 e 1,252, respectively.

38. Financial statements approval

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 19 April, 2017. Additionally, the attached financial statements as of 31 December 2016 are pending approval by the General Assembly of Shareholders. However, the Board of Directors believes that they will be approved without significant changes.

39. Environmental area information

The Group takes the necessary measures regarding the environmental area, in order to comply with the prevailing legislation.

In relation with this matter, it is important to highlight that CIN Group is currently monitoring and taking the necessary measures to comply with the rules set forth in Decree-Law n.º 181/2006, of 6 September, namely the limitation of the volatile organic compounds ("VOC") emissions from paints and varnishes (that are responsible for the formation of tropospheric ozone) and consequently prevent or reduce atmospheric pollution.

The Board of Directors of CIN Group believes that there are no risks associated to environmental protection and improvement, and confirms that no communication or sanction related with these matters was received during 2016.

40. Explanation added for translation

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS), some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Maia, 19 April 2017

THE ACCOUNTANT number 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *Chairman*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member of the Board*
Maria João Serrenho dos Santos Lima, *Member of the Board*
Ângelo Barbedo César Machado, *Member of the Board*
Manuel Fernando de Macedo Alves Monteiro, *Member of the Board*

Statutory Audit Report

STATUTORY AUDIT CERTIFICATION

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of CIN – Corporação Industrial do Norte, S.A. ("the Entity") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016 (that presents a total of Euro 264,317,510 and equity of Euro 90,251,570, including a net profit of Euro 7,326,121), 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 present true and fairly, in all material respects, the consolidated financial position of CIN – Corporação Industrial do Norte, S.A. as at 31 December 2016 and of its consolidated financial performance and its cash flows for the year then ended in accordance with the 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 standards, technical and ethical directives of 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 are part of the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the Entity as at 31 December 2015 were examined by us and our Statutory Audit Certification, dated 19 April 2016, includes a qualification regarding the the write-off of intangible assets related to a brand by Other reserves, which does not have a material impact in the financial statements as at 31 December 2016.

Responsibilities of Management and Supervisory Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs");
- the preparation of a management report under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of the Group's operations.

The Supervisory Body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on 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 Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- 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;
- we communicate with those charged with governance 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.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge and appreciation of the Entity, we did not identify material misstatements.

Porto, 15 May 2017

Deloitte & Associados, SROC S.A.
Represented by António Manuel Martins Amaral, ROC

CIN – CORPORAÇÃO INDUSTRIAL DO NORTE, S. A.
Av de Dom Mendo nº 831 (antes EN13 km6) - 4474-009 Maia - Portugal
T +351 229 405 000 - customerservice@cin.com
www.cin.com