

SONAE INDÚSTRIA, SGPS, S. A.
Head Office: Lugar do Espido, Via Norte, Maia
Maia Commercial Registry Nr. 506 035 034
Share Capital: 700 000 000 euros
Fiscal Nr. 506 035 034
Sociedade Aberta

**Activity Report
and
Individual and Consolidated Financial Statements**

January – June 2006

**According to the International Financial Reporting
Standards**

(Translation from the Portuguese original)

1. Message from Carlos Bianchi de Aguiar, CEO

The first half of 2006 has been very busy for us at Sonae Indústria, marked by a clear focus on operational improvement and strategy execution.

We registered healthy sales performance in all geographical regions and average market prices are improving, albeit the size and timing of the recovery varies substantially by geography and product category. Total sales volumes grew by 2% to 3.5 million m³ and Consolidated Turnover by 5% to 774 million euros. However, profitability in 1H06 was lower than 1H05 due to the significantly higher variable cost base, namely due to the higher costs of energy, chemicals, transport and wood. We recorded EBITDA of 95 million euros from our recurrent operations, representing a 12% margin on Turnover, compared with EBITDA of 102 million in 1H05. Profitability showed a marked improvement during 2Q06 helped by the improving price environment, with recurrent EBITDA increasing to 52 million euros compared with 43 million in 1Q06.

Our strategy is to be a multiregional wood based panel producer, with environmental and people and safety concerns. We are oriented towards innovation and continuous operational improvement, and have the ambition to grow whilst maintaining a solid balance sheet. Profitability is our first priority and to this end, our corporate activity is founded on three strategic guidelines:

- Protect market share and profitability in Iberia;
- Increase profitability and strengthen competitive position in Central Europe;
- Grow in our more profitable markets.

In 1H06, we successfully implemented a number of strategic corporate developments. Our acquisition of the assets of the **Hornitex** Group in Germany received final approval in June and these are now being fully consolidated as of the beginning of July. Operational integration is well underway, and we are very pleased to welcome the Hornitex team into the Sonae Indústria Group, bringing with them many years of valuable experience and understanding of the German wood-panels business. With the acquisition of the Hornitex assets, Sonae Indústria's total rawboard production capacity has increased to almost 9.6 million m³, making it the largest player worldwide in terms of capacity and the second largest in Europe with 7.6 million m³.

Our joint-venture with **Tarkett** for the production and commercialization of laminate flooring has also received final approval and the investment in the new flooring lines at our Eiweiler plant is well underway. We anticipate that production will start in 4Q06.

We also announced an agreement to acquire the “**Darbo**” Particleboard (PB) plant in South West France from the Spanish group, Finsa. This transaction further reinforces our strategic commitment to the Iberian market. Although the plant is located in France, from a commercial and logistics perspective it is closer to Iberia and will therefore be integrated in our Iberian management organization. Finalization of the transaction is still subject to clearance by the competent competition authorities

Regrettably on 17 April, our Canadian plant in Lac Megantic suffered a fire which extensively damaged the second PB production line, “Line 2”. Thankfully, none of our employees were seriously injured. Although both lines came to a standstill, Line 1 was up and running again in June. As regards Line 2, we decided to invest in a completely new production line. Full capacity is expected to be restored by July 2007. From an economic perspective, the plant insurance covers both asset values and normal business continuity however Sonae Indústria’s commitment to service its existing customer base has led to the decision to import panels from other Group plants at higher transportation costs, the impact of which has been somewhat mitigated by an increase in PB prices in the North American market as a result of the shortage of supply.

In March we completed the acquisition of the remaining minority shareholdings at Glunz AG representing 0,9% of this subsidiaries’ share capital, for a total consideration of 2.8 million euros, and the shares were delisted from the Frankfurt and Düsseldorf Stock Exchanges in April.

Already into 2H06, Sonae Indústria announced a public tender offer to acquire 39,546,174 shares of Tafisa, our operating subsidiary quoted on the Spanish stock exchange. The price offered is €1,54 per share and the offer is subject to final approval by the Spanish Stock Market Regulator (Comision Nacional del Mercado de Valores). Sonae Indústria’s intention is to acquire all outstanding Tafisa shares, although this is not a condition for success of the operation. An Extraordinary Shareholders’ meeting of Tafisa has been convened for 13 September to decide on the delisting of Tafisa shares.

Finally, a note on Sonae Indústria’s increased profile with equity markets: since the completion of the demerger process from Sonae SGPS on 20 January 2006, shares in our company have been the object of significant investor interest, both domestic and international. Our free-float has increased to more than 40%, from less than 3% previously, and our visibility with equity markets has grown, thereby increasing the diversity of our shareholder base. I would therefore like to thank our shareholders for their continued confidence in our business strategy and operational performance and ultimately for their confidence in our management team.

2. Board of Directors' Report

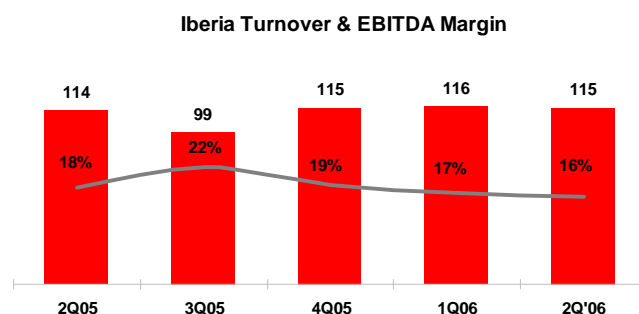
2.1. Geographic Review of Operations

2.1.1. Iberia

Our key priority is to sustain our market share and profitability in Iberia and we are focusing our efforts on improving customer service, product portfolio management and consolidating our position in strategic export markets. From an organizational perspective, further systems integration has been achieved with the successful roll-out of SAP at our principal sites in Portugal, thus enabling us to further improve customer service.

The Spanish construction sector continues to perform well whereas in Portugal the sector is under pressure and demand is expected to decrease further in 2006. Furniture imports into Spain continue to increase, a trend that is not expected to change in the near future, however the Portuguese furniture industry is developing export opportunities, especially in Eastern European countries.

Volumes sold increased by 2% in 1H06 compared with 1H05, with Turnover growth of 6.5% to 231 million euros. In addition, there has been an overall improvement in sales mix, with an increase in the proportion of higher value added products sold. As a result, recurrent EBITDA in Iberia increased to 34 million euros, 15% as a percentage of Turnover in 1H06, compared with 12% in 1H05. Total EBITDA in Iberia was 37 million euros including 3 million euros of non recurrent items in 1H06 compared with 14 million euros of non-recurrent items in 1H05.



In July, we announced that we had reached an agreement to buy the Darbo PB plant with installed PB production capacity of 450 thousand m³ in addition to 7 million m² of melamine facing capacity. The plant is located in the South West corner of France, close to the Spanish border and sells approximately 50% of its output to Spain.



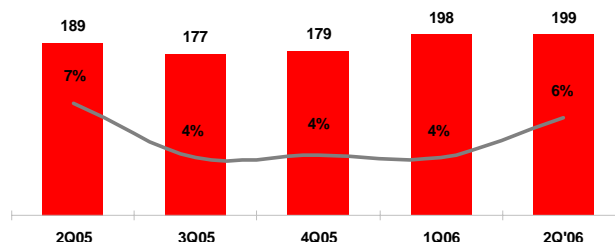
Darbo generated Turnover of 55 million euros in 2005 and achieved EBITDA breakeven in 2Q06. We anticipate that with the integration, we will be able to enhance the plant's profitability to levels closer to that of our other Iberian assets. The consideration to be paid for the plant is 30 million euros. Finalization of the transaction is still subject to clearance by the competent competition authorities.

2.1.2. Central Europe

During 1H06, our Central European operations recorded a combination of good volume growth (+6%) and benefited from a gradual improvement in the pricing environment. The economic climate in Germany is clearly more positive with improving domestic demand. New building permits increased substantially in 1H06 as did demand from the furniture industry, led by demand from Eastern Europe. Domestic demand in France was stimulated primarily by the industrial customer segment. The main driver of our volume growth in this region was raw PB, up by 38% in 1H06 to 438 thousand m³ in comparison with 1H05. Sales of MDF panels also posted a strong increase, particularly in the French market.

Turnover in 1H06 was 397 million euros, 4% higher than in 1H05 generating an EBITDA margin of 5%. Although average market prices rose gradually throughout 1H06, the increases were not enough to absorb the increase in variable costs. However, the quarterly trend in profitability was positive, with margins in 2Q06 increasing to 6% up from 4% in 1Q06.

Central Europe Turnover & EBITDA Margin



We received competition approval at the end of 1H06 for our 50/50 joint venture with Tarkett for the production and distribution of laminate flooring out of our current Eiweiler MDF plant. The joint venture is deploying new flooring lines and an automatic warehouse with capacity to produce 25 million m² of laminate flooring. Tarkett is an ideal partner for us, bringing to the partnership its strong distribution capabilities that complement our production expertise. We expect the new flooring line to be operational in 4Q06.

At the end of June, we also received approval from the competition authorities to acquire Hornitex Group assets, namely three production sites, Beeskow (PB, MDF), Horn (PB) and Duisburg (PB), totalling 1.1 million m³ of additional PB capacity and 300 thousand m³ of MDF capacity for Sonae Indústria. An additional source of value of this transaction is the acquisition of two cogeneration power plants, located at Horn (20 MW) and at Beeskow (18 MW). In 2005, Hornitex generated Turnover of 263 million euros and an EBITDA margin of 7%.



With this acquisition, Sonae Indústria aims to strengthen its position in Central Europe and secure the long-term competitiveness of its Central-European wood-based panels' activity. The locations of the Hornitex plants are complementary to those of Sonae Indústria's. Horn is in the heart of the German furniture industry, where Hornitex has a strong brand position and Duisburg is located in one of the most populated regions in Germany – the

“Ruhrgebiet”. Furthermore, the Beeskow plant is strategically positioned to serve as a platform for expanding business into Eastern European markets, particularly Poland. The plans for the integration with Sonae Indústria include maintaining the successful Hornitex brand name for furniture applications, the participation of the acquired plants in the European production and logistics activities of Sonae Indústria, the implementation of existing Sonae Indústria best practices in terms of manufacturing processes, in addition to combined research, development and applications support. In terms of total production capacity, Sonae Indústria is now the leading wood-panel producer in Germany, further enhancing its competitive position as a supplier, with a significant market presence in MFC and production of high value-added products.

Worldwide, Sonae Indústria’s total rawboard production capacity has increased to almost 9.6 million m³, making it the largest player worldwide in terms of capacity and the second largest in Europe with 7.6 million m³.

2.1.3. Rest of the World (RoW)

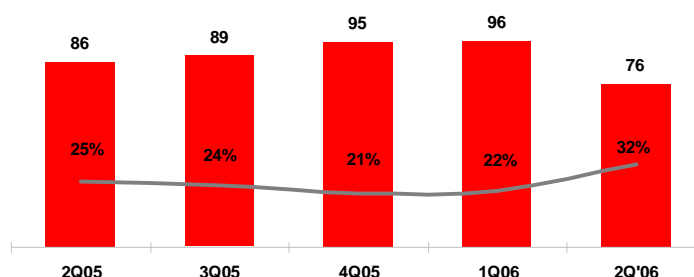
On April 17, 2006, a fire at our Canadian plant in Lac-Mégantic seriously damaged our rawboard production Line 2, mainly in the preparation area and at the press. In addition, the accident obliged us to shut down rawboard Line 1 for a 2-month period. As a result of the damage suffered, we recorded an asset impairment of 40 million euros, which is covered in full by our insurance. Line 1 resumed operations on 16 June. On 7 July, we announced our decision to rebuild Line 2, which will enable us to resume operations at full capacity by July 2007. In order to supply our customer base in North America, we are currently importing panels to North America from other Sonae Indústria plants in Europe, and are incurring higher transportation costs as a result. In terms of prices, the reduction in production capacity in North America due to the accident at our plant and to recent closures of mills has left the market with a shortage of supply causing prices to increase significantly in 1H06. Our investment in a fourth melamine line in Lac Mégantic continues as planned and we expect the new line to become operational during 3Q06.

In Brazil, we recorded significantly higher sales volumes in all products, in particular MDF reflecting an improved product mix from higher value added products. Internal demand for MDF was very strong whereas the PB market is seeing a slowdown in growth. Capacity utilization was the highest ever in Brazil at 84% in 1H06, compared with 72% in 1H05, although average prices suffered some weakness. Overall economic sentiment is positive, with higher than expected GDP growth in 1H06, a relatively stable exchange rate, slowly reducing interest rates and a benign political environment despite the forthcoming presidential elections in October. However, the relatively stronger Real is negatively affecting the competitiveness of Brazilian exports.

South African volumes were marginally positive in 1H06 in comparison with 1H05, with growth being restricted as our plants are already stretched to the limit, with capacity utilization in 1H06 of 95%, and of 100% in 2Q06. We are already deploying additional production capacity (+30%) by investing in a

new PB line at our White River plant. The line will have capacity to produce 350 thousand m³ of PB, and will in turn free-up one of the existing PB lines to produce 70 thousand m³ of MDF. With this investment we will be in a position to take advantage of the strong growth prospects for South Africa, which is currently our most profitable market. We expect the new line to be up and running by 2Q07.

RoW Turnover & EBITDA Margin



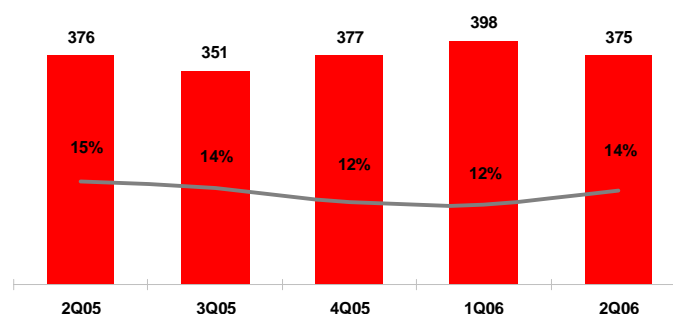
Turnover in 1H06 in the “Rest of the World” was 172 million euros, representing growth of 6% in comparison with 1H05. The fall in Turnover in 2Q06 in comparison with 2Q05 results from the fire in Canada. EBITDA in 1H06 was 45 million euros representing a 26% margin on Turnover (compared with 25% in 1H05) and including insurance compensation of 16 million euros for business interruption and extra costs related with the fire in Canada.

2.2. Financial Review

Consolidated Turnover in 1H06 was 774 million euros, representing an increase of 5% in comparison with 1H05, the strongest growth coming from Iberia and the RoW, both of which increased Turnover by 6% in comparison with 1H05.

Costs were negatively impacted by higher variable costs, the main components being a 29 million euro increase in COGS (+8%) and an 11 million euro increase in electricity costs (+36%).

Consolidated Turnover & EBITDA Margin



Recurrent EBITDA was 95 million euros in 1H06, down from 102 million euros in 1H05, a decline explained primarily by the significant increase in variable costs. Consolidated EBITDA in 1H06 was 98 million euros which compares with 116 million euros in 1H05. However, non-recurrent items in 1H06 were 3 million euros compared with 15 million euros in 1H05.

Profit and Loss Statement highlights

	2Q'05	1Q'06	2Q'06	2Q'06 / 2Q'05	2Q'06 / 1Q'06	(euro millions)		
						1H'05	1H'06	%chg 06/05
Turnover	376	398	375	(0%)	(6%)	737	774	5%
Other Operational Income	6	12	25	289%	119%	30	37	22%
EBITDA	57	46	51	(9%)	11%	116	98	(16%)
EBITDA Margin %	15,0%	11,6%	13,7%			15,7%	12,6%	
Recurrent EBITDA	56	43	52	(7%)	20%	102	95	(7%)
Operational Profit	30	21	26	(11%)	26%	64	47	(26%)
Net Financial Charges	(8)	(15)	(17)	102%	11%	(21)	(33)	59%
Profit before taxes (EBT)	21	5	10	(55%)	75%	43	15	(66%)
Taxes	(13)	(4)	(3)	(77%)	(17%)	(20)	(7)	(65%)
Net Profit after minority interests	8	2	6	(17%)	191%	23	9	(63%)

Depreciation charges in 1H06 were in line with 1H05, at 49,5 million euros. As regards provisions and impairment losses, a net charge of 4 million euros was recorded in 1H06 which includes an asset impairment at the Canadian plant of approximately 40 million euros however this was completely offset in the same line by insurance compensation for loss of property.

Net Financial Charges in 1H06 were negative by 33 million euros, 16 million euros of which were net interest charges and 4 million euros were net foreign exchange and derivative variations. The balance includes net financial discounts and other financial income and losses.

The tax charge in 1H06 was 6,9 million euros compared with 20 million euros in 1H05. The net change results from a combination of higher current taxes recorded in 1H06 and no reversal of deferred tax assets:

	1H05	1H06
Current Tax	3,8 million euros	7,2 million euros
Deferred Tax Reversal	15,9 million euros	(0,3) million euros

Consolidated Net Results after Minority Interests in 1H06 were 9 million euros, compared with 23 million euros in 1H05. The decline was the result of a combination of lower recurrent EBITDA due to increased variable costs and an increase in Net Financial Charges, although the lower tax charge had a positive impact.

CAPEX during 1H06 totalled 41 million euros, of which the main components were 5 million euros allocated to the White River expansion project and 17 million euros to investment in the flooring lines at our Eiweiler plant as part of our joint venture with Tarkett. Working Capital at the end of 1H06 stood at 252 million euros, compared with 284 million euros at the end of 1H05. Efforts have been made to reduce the level of inventories and customers and significant improvement has been achieved in terms of the cash conversion cycle which reduced from 79 days in 2Q05 to 57 days in 2Q06.

Balance Sheet highlights

	1H'05	2005	1H'06	% chg 1H'06 / 2005
Non Current Assets	1.258,0	1.241,6	1.172,7	(6%)
Tangible Assets	1.151,4	1.128,0	1.057,1	(6%)
Goodwill	45,9	44,5	43,9	(1%)
Deferred Tax	54,0	52,7	55,8	6%
Other Non Current Assets	6,7	16,5	15,8	(4%)
Current Assets	464,7	560,9	712,3	27%
Inventories	173,8	164,0	167,6	2%
Trade Debtors	114,1	239,9	267,0	11%
Cash & Investments	86,5	119,9	179,6	50%
Other Current Assets	90,4	37,2	98,1	164%
Total Assets	1.722,7	1.802,5	1.885,0	5%
Shareholders' Funds	466,4	483,5	501,2	4%
Minority Interests	44,5	45,0	25,8	(43%)
Shareholders' Funds + Minority Interests	510,8	528,5	527,0	(0%)
Interest Bearing Debt	805,2	751,4	819,2	9%
Short term	89,4	84,6	95,5	13%
L-M term	715,8	666,8	723,8	9%
Trade Creditors	169,3	183,4	203,2	11%
Other Liabilities	237,3	339,2	335,6	(1%)
Total Liabilities	1.211,9	1.274,1	1.358,0	7%
Total Liabilities, Shareholders' Funds and Minority Interests	1.722,7	1.802,5	1.885,0	5%

Three new bond issues were completed in 2006. In March, Sonae Indústria issued a 50 million euro bond that matures in 2014 and in July and August, a further two 50 million euro bonds were issued, with maturities in 2013 and 2014 respectively.

Net Debt at the end of 1H06 was 640 million euros, down 79 million euros in comparison with the end of 1H05, and the Net Debt to Equity ratio was 121%. Gross Debt increased from 805 million euros to 819 million euros and available liquidity increased to 179 million euros. Net Debt / EBITDA (last 12 months) stood at 3.4x, compared with 2.9x at the end of 1H05.

3. Looking Forward

We anticipate continued strength in volumes in most of our markets, adjusted for the seasonal shutdown of production facilities for maintenance purposes, and an improving market environment in Central Europe, which should allow for a gradual improvement in profitability for this region. Notwithstanding our positive outlook on market conditions and for our business activity, we anticipate that our main variable costs will remain high and, in the short term, the accident in Canada will constrain our operations.

From an organizational point of view, the areas that will be most demanding in terms of management time and effort over the next months will be the integration of the Hornitex team and assets, the start-up of flooring production in the Tarkett joint-venture in 4Q06 and the integration of the Darbo plant once approval has been obtained. In addition, we will be investing in our new PB line in South Africa, and

the new PB line in Canada. We maintain our goal of pursuing growth in our most profitable markets and will carefully consider any opportunities that may arise.

Maia, 30 August 2006

The Board of Directors

Belmiro de Azevedo

Álvaro Cuervo García

Ángel García Altozano

Paulo Azevedo

Per Knuts

Thomas Nystén

Carlos Bianchi de Aguiar

Christian Schwarz

Rui Correia

José Antonio Comesaña

Louis Brassard

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Amounts expressed in Euros)

		IFRS	
ASSETS	Notes	30.06.06	31.12.05
NON CURRENT ASSETS:			
Tangible assets	9	1 057 149 502	1 127 955 731
Goodwill	12	43 941 634	44 492 181
Intangible assets	10	644 245	896 245
Investment properties	11	8 838 216	8 985 512
Associated undertakings and non consolidated undertaking	8	3 405 614	3 213 222
Investment available for sale	8	1 414 603	1 372 620
Deferred tax asset	13	55 750 506	52 685 592
Other non current assets	14	1 536 531	2 007 538
Total non current assets		1 172 680 851	1 241 608 641
CURRENT ASSETS:			
Inventories	15	167 623 350	163 976 752
Trade debtors	16	267 031 505	239 891 538
Other current debtors	17	20 691 992	16 676 327
State and other public entities	19	10 262 259	15 538 683
Other current assets	18	67 111 196	4 973 080
Investments	8	15 690 272	3 041 265
Cash and cash equivalents	20	163 877 983	116 842 604
Total current assets		712 288 557	560 940 249
TOTAL ASSETS		1 884 969 408	1 802 548 890
SHAREHOLDERS' FUNDS, MINORITY INTERESTS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	21	700 000 000	700 000 000
Legal Reserve		59 994	
Reserves and retained earnings		- 207 479 749	- 252 848 817
Net profit (loss) for the period - Group		8 627 569	36 383 591
Total shareholders' funds		501 207 814	483 534 774
Minority interests	22	25 774 753	44 960 793
TOTAL SHAREHOLDERS' FUNDS		526 982 567	528 495 567
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term bank loans - net of short-term portion	23	153 189 940	176 146 046
Non convertible debentures	23	430 795 888	381 101 414
Long term Finance Lease Creditors - net of short-term portion	23	171 996	229 326
Other loans	23	139 594 333	107 182 288
Pensions liabilities	26	23 593 051	23 770 510
Other non current liabilities	25	112 038 628	106 236 035
Deferred tax liabilities	13	43 720 480	43 136 143
Provisions	29	17 636 793	17 254 812
Total non current liabilities		920 741 109	855 056 574
CURRENT LIABILITIES:			
Short term portion of long term bank loans	23	43 506 086	56 192 111
Short term bank loans	23	41 502 012	27 347 137
Short term portion of Finance Lease Creditors	23	2 472 222	4 476 336
Other loans	23	10 125 244	1 072 734
Trade creditors		203 186 573	183 420 752
Taxes and Other Contributions Payable	27	22 217 753	21 136 608
Other current liabilities	28	109 669 696	120 073 415
Provisions	29	4 566 146	5 277 656
Total current liabilities		437 245 732	418 996 749
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1 884 969 408	1 802 548 890

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIODS ENDED AT 30 JUNE 2006 AND 2005

(Amounts expressed in Euros)

	Notes	IFRS	
		30.06.06	30.06.05
Operating revenues			
Sales	37	770 950 005	734 910 923
Services rendered	37	2 624 929	2 571 825
Other operating revenues	3, 32	36 874 361	30 257 822
Total operating revenues		<u>810 449 295</u>	<u>767 740 570</u>
Operating costs			
Cost of sales		381 077 200	352 276 125
(Increase) / decrease in production		870 443	- 7 886 638
External supplies and services		209 432 492	191 267 030
Staff expenses		105 303 082	103 955 640
Depreciation and amortisation	9, 10	49 541 041	49 713 727
Provisions and impairment losses	3, 8, 9, 29	3 971 491	3 481 741
Other operating costs	33	12 987 057	11 103 637
Total operating costs		<u>763 182 806</u>	<u>703 911 262</u>
Operational profit / (loss)		<u>47 266 489</u>	<u>63 829 308</u>
Financial profits	34	15 792 700	17 267 388
Financial costs	34	48 361 179	37 804 142
Gains and losses in associated companies		192 391	94 432
Gains and losses in investments		71 956	74 130
Current profit / (loss)		<u>14 962 357</u>	<u>43 461 116</u>
Taxation	35	6 928 516	19 711 119
Consolidated net profit / (loss) after taxation		<u>8 033 841</u>	<u>23 749 997</u>
Profit / (loss) after taxation from discontinued operations		-	-
Consolidated net profit / (loss) for the period		<u>8 033 841</u>	<u>23 749 997</u>
Attributable to:			
Equity Holders of Sonae Industria		8 627 569	23 158 532
Minority Interests		<u>- 593 728</u>	<u>591 465</u>
Profit/(Loss) per share			
Excluding discontinued operations:			
Basic	36	0.0616	0.1654
Diluted	36	<u>0.0616</u>	<u>0.1654</u>
From discontinued operations:			
Basic	36	-	-
Diluted	36	<u>-</u>	<u>-</u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIODS ENDED AT 30 JUNE 2006 AND 2005

(Amounts expressed in Euros)

Notes	Attributable to Equity Holders of Sonae Indústria				Minority Interests	Total Equity
	Share Capital	Reserves and retained earnings	Net Profit/(Loss)	Total		
Balance as at 1 January 2005	700 000 000	- 311 273 230	42 580 440	431 307 210	38 906 798	470 214 008
Appropriation of consolidated result of 2004:						
Transfer to legal reserves and retained earnings		42 580 440	- 42 580 440			
Changes in conversion reserves		11 909 008		11 909 008	4 956 486	16 865 494
Consolidated Profit/(Loss) for the period ended at 30 June 2005			23 158 532	23 158 532	591 465	23 749 997
Others						
Balance as 30 June 2005	700 000 000	- 256 783 782	23 158 532	466 374 750	44 454 749	510 829 499
Balance as at 1 January 2006	700 000 000	- 252 848 817	36 383 591	483 534 774	44 960 793	528 495 567
Appropriation of consolidated result of 2005:						
Transfer to legal reserves and retained earnings		36 383 591	- 36 383 591			
Changes in conversion reserves		- 7 376 528		- 7 376 528	- 939 522	- 8 316 050
Aquisição de partes de capital					- 1 651 522	- 1 651 522
Consolidated Profit/(Loss) for the period ended at 30 June 2006			8 627 569	8 627 569	- 593 728	8 033 841
Others		16 421 999		16 421 999	- 16 001 268	420 731
Balance as 30 June 2006	700 000 000	- 207 419 755	8 627 569	501 207 814	25 774 753	526 982 567

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.
CONSOLIDATED CASH FLOWS STATEMENTS
FOR THE PERIODS ENDED AT 30 JUNE 2006 AND 2005
(Amounts expressed in Euros)

<u>OPERATING ACTIVITIES</u>	<u>Notes</u>	<u>30.06.06</u>	<u>30.06.05</u>
Net cash flow from operating activities (1)		52 486 322	24 982 059
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments		33 650 360	29 112 266
Tangible and intangible assets		266 865	4 805 007
Others		4 897 662	2 479 228
		<u>38 814 887</u>	<u>36 396 501</u>
Cash Payments arising from:			
Investments		49 346 238	6 797 846
Tangible and intangible assets		41 487 433	16 891 758
Loans granted		333 747	4 198 970
		<u>91 167 418</u>	<u>27 888 574</u>
Net cash used in investment activities (2)		<u>- 52 352 531</u>	<u>8 507 927</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Loans obtained		104 378 923	340 094 679
		<u>104 378 923</u>	<u>340 094 679</u>
Cash Payments arising from:			
Loans obtained		33 120 635	337 719 021
Interest and similar charges		20 495 990	29 103 692
		<u>53 616 625</u>	<u>366 822 713</u>
Net cash used in financing activities (3)		<u>50 762 298</u>	<u>- 26 728 034</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		50 896 089	6 761 952
Effect of foreign exchange rate		3 905 854	- 418 157
Cash and cash equivalents at the beginning of the period	20	116 475 852	72 170 072
Cash and cash equivalents at the end of the period	20	<u>163 466 087</u>	<u>79 350 181</u>

The notes are an integral part of the consolidated financial statements

The board of directors



SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2006

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA, whose head-office is at Lugar do Espido, Via Norte, Apartado 1096, 4470-909 Maia, Portugal, is the parent company of a group of companies as detailed in notes 5 to 7 ("Sonae Indústria Group"). The Group's operations and business segments are described in Note 37.

The notary deed of the demerger-merger-merger process of the stake held by Sonae SGPS, SA in Sonae Indústria, SGPS, SA's share capital was held on 15 December 2005. Sonae SGPS, SA demerged 90.3644% of Sonae Indústria, SGPS, SA's share capital, which was incorporated into Sonae 3P – Panels, Pulp and Paper, SGPS, SA and all of Sonae Indústria SGPS, SA's assets were simultaneously merged into Sonae 3P – Panels, Pulp and Paper, SGPS, SA. As a result, Sonae Indústria, SGPS, SA ceased to exist and the incorporating company, Sonae 3P – Panels, Pulp and Paper, SGPS, SA was renamed to Sonae Indústria, SGPS, SA.

Due to the fact that the activity of Sonae Indústria Group remained substantially unchanged after the aforementioned merger operation, the comparability of consolidated financial statements at 30 June 2006, 31 December 2005 and 30 June 2005 was not affected.

2. MAIN ACCOUNTING POLICIES

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

2.1. Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board



("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2006.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Note 5) on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Note 2.12).

2.2. Consolidation Principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings and is able to establish financial and operational policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 5.

When losses attributable to minority interests exceed the minority interest in the equity of the Group company, the excess, and any further losses attributable to minority interests, are charged against the equity holders of Sonae except to the extent that minority shareholders have a binding obligation and are able to cover such losses. If the Group company subsequently reports profits, such profits are allocated to the equity holders of Sonae until the minority's share of losses previously absorbed by the equity holders of Sonae has been recovered.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.c and 12)). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost, is recognised as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.



The results of Group companies acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on consolidation.

b) Investments in associated companies

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

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

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

An assessment of investments in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss is disclosed in the income statement. Impairment losses recorded in prior years that are no longer justifiable, are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment.

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



Investments in associated companies are disclosed in Note 6.

c) Goodwill

The excess of the cost of acquisition of investments in group, jointly controlled and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 12). The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Reserves and retained earnings.

Goodwill is not amortised, but it is subject to impairment tests on an annual basis. Impairment losses identified in the period are disclosed in the income statement under Provisions and impairment losses, and may not be reversed.

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

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to euro using exchange rates at the balance sheet date. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under Translation reserves in Reserves and retained earnings. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Retained earnings

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the balance sheet date.

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



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

	30.06.06		31.12.05	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.6921	0.6870	0.6853	0.6837
Brazilian Real	2.7829	2.6896	2.7440	3.0049
South African Rand	9.1844	7.7417	7.4644	7.9120
Canadian Dollar	1.4132	1.3996	1.3725	1.5029
American Dollar	1.2713	1.2287	1.1797	1.2418
Swiss Franc	1.5672	1.5609	1.5551	1.5483

2.3. Tangible assets

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

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

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

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

	Years
Buildings	50
Plant & Machinery	15
Vehicles	5
Tools	4
Fixtures and Fittings	10
Other Tangible Assets	5

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

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



2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognised as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognised as an intangible asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

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

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which normally is 5 years.

Brands and patents with indefinite useful lives are not amortised, but are subject to impairment tests on an annual basis.

2.5. Accounting for leases

Accounting for leases where the Group is the lessee

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as a finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are



apportioned between the finance charge and the reduction of the outstanding liability. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Lease payments under operating lease contracts are recognised as an expense on a straight line basis over the lease term.

2.6. Investment Properties

Investment properties are recorded at acquisition cost net of depreciation and of accumulated impairment losses. These are registered as a result of land and buildings used in discontinued operations and that the Group had established lease contracts with third parties.

2.7. Government grants

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

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

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

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

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

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



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

2.9. Borrowing costs

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

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

2.10. Stocks

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress.



2.11. Provisions

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

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

2.12. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

Investments measured at fair value through profit or loss are classified as current assets.

Available-for-sale investments are classified as non-current assets.

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

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

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted



market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, included in Reserves and retained earning until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

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.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received

b) Accounts receivable

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses, recorded under the caption Impairment losses in accounts receivable, and thereby reflect their net realisable value.

c) Classification as equity or liability

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

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.9. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.



f) Derivatives

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

Derivatives classified as cash flow hedge instruments are used by the Group mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the Profit and Loss statement.

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

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

Cash flow hedge instruments used by the Group to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognised in the income statement over the same period in which the hedged instrument affects income statement.

Whenever the company chooses not to apply hedge accounting to derivative instruments, changes in fair value affect results immediately on a daily basis.

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



In those cases in which derivatives, in spite of having been negotiated to hedge financial risks inherent to the business (essentially, currency “forwards” to cover future imports), no longer meet the criteria for hedge accounting under IAS 39, changes in the fair value are recorded directly in the income statement.

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

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

g) Equity instruments

Equity instruments are those that represent a residual interest on the Group's net assets and are recorded at the amount received, net of costs incurred with their issuance.

h) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Reserves and retained earnings under Other reserves

i) Cash and Cash Equivalents

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

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



2.13. Retirement benefit plans

As referred to in Note 26, some of the Group companies are committed to provide pension complements to their employees. These commitments are considered as defined benefit plans, and autonomous pension funds have been established to this effect:

In order to estimate its obligations, the Group obtains, annually, actuarial valuations according to the "Projected Unit Credit Method". When unrecognised cumulative actuarial gains and losses exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets, these are recorded as income or expense on a straight line basis over the average remaining service period of the participants.

Past service costs are recorded immediately when benefits are being paid. Otherwise, these are recorded on a straight line basis over the average remaining service period until they vest (generally, the date of retirement if they still work for the Group).

Obligations recorded at the closing balance sheet date reflect the present value of obligations for defined benefits adjusted for actuarial gains or losses and/or past service costs not recorded, net of the fair value of net assets of the pension fund.

2.14. Contingent assets and liabilities

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

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

2.15. Income tax

Income tax for the period is calculated based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation and includes deferred taxation, in accordance with the tax rules in force in the respective country of incorporation, considering the period profit and using the estimated effective average annual income tax rate.



Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer probable

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

2.16. Revenue recognition and accrual basis

Revenue from the sale of goods is recognised in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognised net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognised as income in the year they are attributed to the shareholders.

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

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



2.17. Capital gains and losses

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

2.18. Balances and transactions expressed in foreign currencies

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

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

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

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

2.19. Subsequent events

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

2.20. Segment information

All business and geographic segments of the Group are identified annually.

Information regarding business and geographic segments identified is included in Note 37.



3. RELEVANT EVENTS

On 17 April 2006 a fire broke out on production line 2 at the factory in Lac Megantic, Canada, destroying a significant part of this line's assets. In addition, Line 1 was also forced to stop for almost 2 months. The Group's insurance policy covers asset and operating losses and the compensation received will be sufficient to replace production capacity prior to the fire with new assets and to cover operating losses resulting from the stoppage of both production lines.

As a result, financial statements as at 30 June 2006 include estimations for the impairment loss to the destroyed assets, in "Provisions and impairment losses" on the consolidated profit and loss statement (40 405 701 euros). The corresponding indemnity is included in "Provisions and impairment losses" (40 405 701 euros) and "Other current assets" on the consolidated profit and loss statement and balance sheet, respectively. As regards the estimated indemnity relating to operating losses, it is included in "Other operating profits" (16 498 415 euros) and "Other current assets" on the consolidated profit and loss statement and balance sheet, respectively.

The amount of operating losses incurred until 30 June 2006 as a result of the aforementioned accident are still being analysed by the Group and the involved insurance companies. Consequently, the indemnity included in the caption Other operating profits of the consolidated profit and loss statement for 16 496 415 euros, refers to an estimation based on the available information as at the closing date of these consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

No changes to the accounting policies mentioned in note 2. and no corrections to prior period errors were made.



5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 30 June 2006 and 31 December 2005 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			30.06.2006		31.12.2005		
			Direct	Total	Direct	Total	
1)	Agepan Flooring Products, SARL	Luxembourg	100,00%	91,16%			a)
	Agloma - Sociedade Industrial de Madeira Aglomerada, S.A.	Oliveira do Hospital (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Cia. De Industrias y Negocios, S.A.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Euro Decorative Boards Ltd.	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
	Euromegantic Lteé	Lac Mégantic (Canada)	100,00%	91,16%	100,00%	91,16%	a)
	Euroresinas - Indústrias Químicas, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
2)	Glunz AG	Meppen (Germany)	100,00%	91,16%	98,17%	90,36%	a)
	Glunz Service GmbH	Hamm (Germany)	100,00%	91,16%	100,00%	90,36%	a)
	Glunz UK Holdings, Ltd.	Londres (United Kingdom)	100,00%	91,16%	100,00%	90,36%	a)
	Glunz UKa GmbH	Hamm (Germany)	100,00%	91,16%	100,00%	90,36%	a)
	Isoroy Transformation S.A.S.	St. Dizier (France)	99,99%	91,16%	99,99%	91,16%	a)
	Isoroy, SAS	Boulogne (France)	100,00%	91,16%	100,00%	91,16%	a)
	Maiequipa - Gestão Florestal, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Megantic B.V.	Amsterdão (The Netherlands)	100,00%	91,16%	100,00%	91,16%	a)
	Movelpartes – Comp. para a Indústria do Mobiliário, S.A.	Paredes (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	OSB Deutschland	Germany	100,00%	91,16%	100,00%	91,16%	a)
	Poliface Brasil, Ltda.	São Paulo (Brazil)	99,99%	99,99%	99,99%	99,99%	a)
	Poliface North America	Baltimore (USA)	100,00%	91,16%	100,00%	91,16%	a)
	Racionalización y Manufacturas Forestales, S.A.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Resoflex – Mobiliário e Equipamentos de Gestão, S.A.	Vila de Conde (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	SCS Beheer, BV	The Netherlands	100,00%	91,16%	100,00%	91,16%	a)
	Siaf – Soc. de Iniciativa e Aproveitamentos Florestais, S.A.	Mangualde (Portugal)	100,00%	91,16%	100,00%	91,16%	a)
3)	Socelpac, SGPS, SA	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100,00%	91,18%	100,00%	91,18%	a)
	Société Industrielle et Financière Isoroy	Rungis (France)	100,00%	91,16%	100,00%	91,16%	a)
	Somit – Imobiliária, S.A.	Oliveira do Hospital (Portugal)	100,00%	91,16%	100,00%	91,16%	a)
	Sonae – Serviços de Gestão, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae España, S. A.	Madrid (Spain)	99,94%	99,94%	99,94%	99,94%	a)
	Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	100,00%	91,41%	100,00%	91,41%	a)



Sonae Indústria – Soc. Gestora de Participações Sociais, S.A.	Maia (Portugal)	HOLDING	HOLDING	HOLDING	HOLDING	HOLDING
Sonae Indústria Brasil, Ltda.	São Paulo (Brazil)	100,00%	100,00%	100,00%	100,00%	a)
Sonae Indústria de Revestimentos, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
Sonae Novobord (Pty) Ltd	Woodhead (South Africa)	100,00%	91,16%	100,00%	91,16%	a)
Sonae Táfibra (UK) Ltd	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
Sonae Táfibra Benelux, B. V.	Woerden (The Netherlands)	100,00%	91,16%	100,00%	91,16%	a)
Sonae UK, Limited	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
Spanboard Products Ltd	Belfast (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
Tableros de Fibras, S.A.	Madrid (Spain)	91,16%	91,16%	91,16%	91,16%	a)
Tableros Tradema, S.L.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
Tafiber, Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
Táfibra South Africa, Limited	South Africa	100,00%	91,16%	100,00%	91,16%	a)
Tafibras, S.A.	Curitiba (Brazil)	54,32%	49,55%	54,32%	49,55%	a)
Tafisa Brasil, S.A.	Curitiba (Brazil)	100,00%	57,46%	100,00%	57,46%	a)
Tafisa Canadá Société en Commandite	Lac Mégantic (Canada)	99,99%	91,16%	99,99%	91,16%	a)
Tafisa France S.A.S.	Rungis (France)	100,00%	91,16%	100,00%	91,16%	a)
Tafisa U.K.Ltd.	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
Tavapan, SA	Tavannes (Switzerland)	100,00%	91,16%	100,00%	90,36%	a)
Tecnologías del Medio Ambiente, S.A.	Barcelona (Spain)	100,00%	91,16%	100,00%	91,16%	a)
Tool, GmbH	Meppen (Germany)	100,00%	91,16%	100,00%	90,36%	a)

a) Majority of voting rights.

1) Company constituted on 23 March 2006;

2) Acquisition on 31 March 2006 of all shares held by third parties until then;

3) Company liquidated 31 May 2006.

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

6. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 30 June 2006 and 31 December 2005 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		30.06.2006		31.12.2005	
		Direct	Total	Direct	Total
Ipaper - Indústria de Papéis Impregnados, S. A.	Maia (Portugal)	49,00%	49,00%	49,00%	49,00%
Promodeco – Proj. Imobiliário Decoração e Constr., Lda.	Maia (Portugal)	27,60%	27,60%	27,60%	27,60%
Serradora Boix	Barcelona (Spain)	31,25%	28,49%	31,25%	28,49%
Sonaegest	Maia (Portugal)	20,00%	20,00%	20,00%	20,00%

Associated companies are consolidated using the equity method, as referred in Note 2.2.b).



7. CHANGES TO THE CONSOLIDATION PERIMETER

Main changes occurred in the consolidation perimeter during the six-month period ended 30 June 2006 are as follows:

Companies liquidated:

Company	Head Office	Percentage of capital held at disposal date	
		Direct	Total
1) Socelpac, SGPS, SA	Maia (Portugal)	100,00%	100,00%

1) Company liquidated on 31 May 2006.

The aforementioned change to the consolidation perimeter did not significantly affect the comparability of consolidated financial statements.

Furthermore, during the second half of 2005 the following companies were sold or liquidated: Explotaciones Comerciales, Industriales y de Servicios, S. A., Explotaciones Madereras Catalanas, S. A., Florestal y Maderera, S. A., Orpin, S. A., Tafibra – Tableros Aglomerados y de Fibras, A. I. E., Sonae 4-P, Panels, Paper and Packaging, S. A. and Novobord (Pty) Ltd. This change to the consolidation perimeter did not significantly affect the comparability of consolidated financial statements as at 30 June 2006 and 2005.

8. INVESTMENTS

At 30 June 2006 and 31 December 2005, details of Investments are as follows:

	30.06.06		31.12.05	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		42 726 009		42 948 640
Disposal				196 990
Liquidation				25 641
Closing balance		42 726 009		42 726 009
Accumulated impairment losses (Note 29)		42 661 176		42 661 176
Net investment in group companies excluded from consolidation		<u>64 833</u>		<u>64 833</u>
Investment in associated companies				
Opening balance		3 148 389		3 168 799
Increase in share capital				100 000
Disposal				50 463
Effect of equity method application		192 392		137 700
Changes in consolidation perimeter				- 138 744
Transfer				- 68 903
Closing balance		3 340 781		3 148 389
Accumulated impairment losses (Note 29)				
Net investment in associated companies		<u>3 340 781</u>		<u>3 148 389</u>



	30.06.06		31.12.05	
	Current	Non current	Current	Non current
Available-for-sale investment				
Opening balance		1 396 195		6 437 535
Acquisition		100 000		8 209
Disposal				5 393 091
Transfer				68 903
Currency translation effect		- 58 017		274 639
Closing balance		1 438 178		1 396 195
Accumulated impairment losses (Note 29)		23 575		23 575
Net available-for-sale investment		1 414 603		1 372 620
Investments measured at fair value through profit and loss				
Opening balance	3 079 442		15 287 880	
Acquisition	39 107 552			
Disposal	33 566 308		12 208 438	
Changes in fair value	7 072 635			
Closing balance	15 693 321		3 079 442	
Accumulated impairment losses (Note 29)	3 049		38 177	
Net investments measured at fair value through profit and loss	15 690 272		3 041 265	

9. TANGIBLE ASSETS

During the six-month period ended 30 June 2006, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	30.06.06						
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction
Gross cost:							
Opening balance	399 281 939	1 645 040 535	13 234 770	8 116 442	45 754 871	12 820 085	16 320 975
Changes in consolidation perimeter							
Capital expenditure	432 927	633 476	219 090	3 016	146 837		37 739 018
Disposals	- 176 654	8 656 551	606 945	47 342	775 622	79 456	- 46 421
Transfers	3 520 269	2 708 955	194 949	69 805	548 776	109 037	- 7 205 659
Exchange rate effect	- 5 611 437	- 18 110 883	- 123 497	- 151 120	- 530 994	- 587	- 1 244 119
Closing balance	397 800 352	1 621 615 532	12 918 367	7 990 801	45 143 868	12 849 079	45 656 636
Accumulated depreciation, amortisation and impairment losses							
Opening balance	92 741 075	863 283 400	9 127 211	5 278 558	31 330 192	10 853 450	
Changes in consolidation perimeter							
Charge for the period	7 370 528	79 543 107	289 677	685 223	2 216 062	402 655	
Disposals	10 133	6 262 033	535 575	45 426	700 274	64 617	
Transfers	251 778	- 251 778					
Exchange rate effect	- 673 311	- 7 517 316	- 92 934	- 45 081	- 349 305		
Closing balance	99 679 937	928 795 380	8 788 379	5 873 274	32 496 675	11 191 488	
Carrying amount	298 120 415	692 820 152	4 129 988	2 117 527	12 647 193	1 657 591	45 656 636

Charges for the period include an impairment loss of 41 294 308 euros which is also included in Provisions and impairment losses on the consolidated profit and loss statement. Provisions and impairment losses almost totally refer to the carrying amount of Tafisa Canada's tangible assets that were destroyed by the fire referred to in note 3.

The movement in impairment losses is detailed in note 29.

During the period ending 30 June 2006 no interest paid or any other financial charges were capitalised, in accordance with conditions defined in note 2.9.



At 30 June 2006, mortgaged Land and buildings amounted to 27 220 000 euros (33 492 500 euros at 31 December 2005) as a guarantee for loans. At the same date, the Group had assumed commitments to acquire fixed assets of 15 659 666 euros (3 950 239 euros at 31 December 2005).

10. INTANGIBLE ASSETS

During the six-month period ended 30 June 2006, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	30.06.06					
	Development Costs	Patents, Royalties And Other Rights	Software	Other Intangible Assets	Intangible Assets Under Development	Total intangible assets
Gross cost:						
Opening balance	805 060	4 036 505	223 951	1 655 526	20 944	6 741 986
Changes in consolidation perimeter						
Capital expenditure						
Disposals						
Transfers						
Exchange rate effect	- 1 446	- 965				- 2 411
Closing balance	803 614	4 035 540	223 951	1 655 526	20 944	6 739 575
Accumulated depreciation, amortisation and impairment losses:						
Opening balance	564 527	3 918 902	179 160	1 183 152		5 845 741
Changes in consolidation perimeter						
Charge for the period	48 474	15 297	22 395	165 105		251 271
Disposals						
Transfers						
Exchange rate effect	- 718	- 964				- 1 682
Closing balance	612 283	3 933 235	201 555	1 348 257		6 095 330
Carrying amount	191 331	102 305	22 396	307 269	20 944	644 245

11. INVESTMENT PROPERTIES

During the six-month period ended 30 June 2006, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	30.06.06		
	Cost	Under construction	Total
Gross cost:			
Opening balance	9 237 766		9 237 766
Transfers	- 69 368		- 69 368
Closing balance	9 168 398		9 168 398
Accumulated depreciation and impairment losses:			
Opening balance	252 254		252 254
Charge for the period	77 928		77 928
Closing balance	330 182		330 182
Carrying amount	8 838 216		8 838 216



12. GOODWILL ARISING ON CONSOLIDATION

During the six-month period ended 30 June 2006, movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	30.06.06
	Goodwill
Gross value:	
Opening balance	44 492 181
Increases	1 850 405
Currency translation	-2 400 952
Closing balance	43 941 634
Accumulated impairment losses:	
Closing balance	

Goodwill is not amortised. Impairment tests on goodwill are performed on a yearly basis.

13. DEFERRED TAXES

At 30 June 2006 and 31 December 2005 deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred tax assets		Deferred tax liabilities	
	30.06.06	31.12.05	30.06.06	31.12.05
Harmonisation adjustments			38 937 264	41 130 842
Provisions and impairment losses not accepted for tax purposes	4 040 263	3 898 133		
Tangible assets written off	78 184	184 692		
Intangible assets written off	280 623	299 538		
Deferred costs written off	21 192	43 327		
Tax losses carried forward	51 330 244	48 254 901		
Others		5 001	4 783 216	2 005 301
	<u>55 750 506</u>	<u>52 685 592</u>	<u>43 720 480</u>	<u>43 136 143</u>

In accordance with International Financial Reporting Standards / International Accounting Standards, on a yearly basis the Group performs an evaluation of the deferred tax asset relating to tax losses carried forward that was accounted for in previous years.

According to the estimation of taxable profit for 30 June 2006 and the tax return of each company for fiscal year 2005, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:



	30.06.06			31.12.05		
	Tax loss carried forward	Deferred tax asset	Limit date to be used	Tax loss carried forward	Deferred tax asset	Limit date to be used
With time limit						
Originated in 1993	2 310 596	808 708	2008	2 310 596	808 708	2008
Originated in 1999	1 528 502	534 976	2014	1 528 502	534 976	2014
Originated in 2000	36 725	12 854	2015	36 725	12 854	2015
Originated in 2001	84 657	23 280	2007	97 120	26 708	2007
Originated in 2001	40 877 100	14 306 985	2016	40 877 400	14 306 985	2016
Originated in 2002	327 116	89 957	2008	269 620	74 146	2008
Originated in 2002	13 714 886	4 800 210	2017	13 714 886	4 800 210	2017
Originated in 2003	544 026	150 063	2009	138 205	38 462	2009
Originated in 2003	3 740 985	1 309 345	2018	3 740 985	1 309 345	2018
Originated in 2004	9 016 529	2 291 822	2010	9 468 726	2 374 689	2010
Originated in 2004	53 271	18 645	2019	53 271	18 645	2019
Originated in 2005	17 392	3 946	2010	17 908	4 063	2010
Originated in 2005	161 732	44 476	2011			2011
Originated in 2006	111 068	25 198	2011			
Originated in 2006	74 983	20 621	2012			
	<u>72 599 568</u>	<u>24 441 086</u>		<u>72 253 944</u>	<u>24 309 791</u>	
Without time limit	<u>87 726 858</u>	<u>26 889 158</u>		<u>64 551 093</u>	<u>23 945 110</u>	
	<u>160 326 426</u>	<u>51 330 244</u>		<u>136 805 037</u>	<u>48 254 901</u>	

Furthermore, at 30 June 2006 and 31 December 2005, tax losses for which no deferred tax assets were recognised, are detailed as follows:

	30.06.06			31.12.05		
	Tax loss carried forward	Tax credit	Limit date to be used	Tax loss carried forward	Tax credit	Limit date to be used
With time limit						
Originated in 1999	30 682 865	10 739 003	2014	43 812 435	15 334 352	2014
Originated in 2001	48 908 453	17 117 959	2016	48 908 453	17 117 959	2016
Originated in 2002	5 338	1 468	2008	5 338	1 468	2008
Originated in 2002	48 725 176	17 053 812	2017	48 725 176	17 053 812	2017
Originated in 2003	229 376	63 078	2009	172 496	47 436	2009
Originated in 2003	95 088 900	33 281 115	2018	95 088 900	33 281 115	2018
Originated in 2004	1 109 590	305 137	2010	263 398	72 434	2010
Originated in 2004	19 280 761	6 748 266	2019	19 280 761	6 748 266	2019
Originated in 2005	417 922	114 928	2011	375 609	103 293	2011
	<u>244 448 381</u>	<u>85 424 766</u>		<u>256 632 566</u>	<u>89 760 135</u>	
Without time limit	<u>748 851 222</u>	<u>261 211 088</u>		<u>768 067 547</u>	<u>267 719 807</u>	
	<u>993 299 603</u>	<u>346 635 854</u>		<u>1 024 700 113</u>	<u>357 479 942</u>	
	<u>1 153 626 029</u>	<u>397 966 098</u>		<u>1 161 505 150</u>	<u>405 734 843</u>	

Deferred tax assets are offset against deferred tax liabilities in situations where the company generating the related temporary differences is legally entitled to offset the recognised amounts and intends to settle on a net basis or else to realise the assets and settle the liability simultaneously.



14. OTHER NON CURRENT ASSETS

At 30 June 2006 and 31 December 2005 details of Other non current assets on the Consolidated Balance sheet were as follows:

	30.06.06	31.12.05
Loans granted to associated companies	14 132 899	14 132 905
Other loans granted	277 603	161 200
Trade accounts receivable and other debtors	1 468 827	1 770 959
Others	79 450	75 395
	<u>15 958 779</u>	<u>16 140 459</u>
Accumulated impairment losses (Note 29)	14 422 248	14 132 921
	<u>1 536 531</u>	<u>2 007 538</u>

15. INVENTORIES

At 30 June 2006 and 31 December 2005, details of Inventories on the Consolidated Balance Sheet were as follows:

	30.06.06	31.12.05
Merchandise	11 735 110	10 672 926
Finished and intermediate products	62 417 532	64 509 000
Products and working in progress	2 583 310	2 353 767
Raw Materials and Consumables	95 220 626	91 212 997
	<u>171 956 578</u>	<u>168 748 690</u>
Accumulated impairment losses on inventories (Note 29)	4 333 228	4 771 938
	<u>167 623 350</u>	<u>163 976 752</u>

16. TRADE DEBTORS

At 30 June 2006 and 31 December 2005, details of Trade Debtors on the Consolidated Balance Sheet were as follows:

	30.06.06	31.12.05	
		Restated	Published
Current accounts	246 365 304	222 880 882	243 284 568
Bills receivable	21 872 379	20 744 711	341 025
Doubtful debtors	14 396 017	12 561 675	12 561 675
	<u>282 633 700</u>	<u>256 187 268</u>	<u>256 187 268</u>
Accumulated impairment losses on trade debtors (Note 29)	15 602 195	16 295 730	16 295 730
	<u>267 031 505</u>	<u>239 891 538</u>	<u>239 891 538</u>



17. OTHER CURRENT DEBTORS

At 30 June 2006 and 31 December 2005, details of Other current debtors on the Consolidated Balance Sheet were as follows:

	30.06.06	31.12.05
Other debtors	17 774 167	14 175 453
Advances to trade creditors	980 568	829 448
Group companies	2 421 909	2 163 548
	<u>21 176 644</u>	<u>17 168 449</u>
Accumulated impairment losses in accounts receivable (Note 29)	484 652	492 122
	<u>20 691 992</u>	<u>16 676 327</u>

18. OTHER CURRENT ASSETS

At 30 June 2006 and 31 December 2005, details of Other current assets on the Consolidated Balance Sheet were as follows:

	30.06.06	31.12.05
Accrued revenue	57 089 389	1 386 208
Deferred Costs	9 929 978	3 503 054
Others	91 829	83 818
	<u>67 111 196</u>	<u>4 973 080</u>

The item Accrued revenue includes an estimated indemnity of 56 356 172 euros for operating losses and an impairment loss for the assets destroyed by the fire at the Canadian plant, as explained in Note 3.

19. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

At 30 June 2006 and 31 December 2005, details of Other non current assets on the Consolidated Balance Sheet were as follows:

	30.06.06	31.12.05
State and other public entities:		
Income Tax	2 639 697	4 059 189
Value Added Tax	5 986 518	10 295 174
Social Security Contribution	14 528	14 993
Others	1 621 516	1 169 327
	<u>10 262 259</u>	<u>15 538 683</u>



20. CASH AND CASH EQUIVALENTS

At 30 June 2006 and 31 December 2005, the detail of Cash and Cash Equivalents was as follows:

	30.06.06	31.12.05
Cash at hand	3 770 371	3 175 464
Bank deposits	39 539 067	52 823 600
Other deposits	60 664 302	
Treasury applications	59 904 243	60 843 540
Cash and cash equivalents on the balance sheet	163 877 983	116 842 604
Bank overdrafts	411 896	366 752
Cash and cash equivalents on the statement of cash flows	163 466 087	116 475 852

The item Other deposits includes short term deposits to guarantee the acquisition of Hornitex assets (Note 38).

Bank overdrafts include credit balances on current accounts, and are included as Bank loans under current liabilities on the consolidated balance sheet's.

The balance of Treasury applications at 30 June 2006 and 31 December 2005 was composed of several very short term treasury applications at banks, with low risk (bank risk) and returns aligned with existing market applications with similar maturity and risk profiles.

21. SHARE CAPITAL

At 30 June 2006 and 31 December 2005, Sonae Indústria's Share Capital was fully underwritten and paid and was comprised of 140 000 000 common shares, not entitled to fixed income, with a face value of 5 euros per share. At this date, neither the company nor any of its affiliates held any shares in the company.

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



22. MINORITY INTERESTS

Changes to this item during the periods ending 30 June 2006 and 31 December 2005 were as follows:

	30.06.06	31.12.05
Opening balance	44 960 793	38 906 799
Decrease / (increase) in ownership percentage on consolidated companies	-1 651 522	- 235 893
Change resulting from currency translation	- 939 522	6 318 979
Net profit for the period attributed to minority interests	- 593 728	48 103
Others	-16 001 268	- 77 195
Closing balance	25 774 753	44 960 793

The item Decrease/(increase) in ownership percentage on consolidated companies includes mainly the change in minority interests resulting from the acquisition of Glunz AG shares (Note 5).

The item Others includes an effect of circa -16 000 000 euros resulting from a revision of the calculation method of minorities interests performed during the period ended 30 June 2006, which was compensated in the caption Reserves and retained earnings. Both current period and comparative period net profit remained unaffected.

23. LOANS

As at 30 June 2006 and 31 December 2005 Sonae Indústria had the following outstanding loans:

	30.06.06				31.12.05			
	Amortised cost		Nominal value		Amortised cost		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	85 008 098	153 189 940	85 008 098	153 189 940	83 539 248	176 146 046	83 539 248	176 146 046
Debentures		430 795 888		435 000 000		381 101 414		385 000 000
Obligations under finance leases	2 472 222	171 996	2 472 222	171 996	4 476 336	229 326	4 476 336	229 326
Other loans	10 125 244	139 594 333	10 125 244	139 594 333	1 072 734	107 182 288	1 072 734	107 182 288
Gross debt	97 605 564	723 752 157	97 605 564	727 956 269	89 088 318	664 659 074	89 088 318	668 557 660
Investment	15 690 272		15 690 272		3 041 265		3 041 265	
Cash and cash equivalent in balance sheet	163 877 983		163 877 983		116 842 604		116 842 604	
Net debt	- 81 962 691	723 752 157	- 81 962 691	727 956 269	- 30 795 551	664 659 074	- 30 795 551	668 557 660
Total net debt	641 789 466		645 993 578		633 863 523		637 762 109	

The loans have the following repayment schedule:

	30.06.06	31.12.05
2006	77 410 488	89 088 318
2007	32 984 709	37 961 270
2008	132 683 221	140 970 897
2009	265 234 133	224 227 737
2010	172 669 462	172 619 155
2011	19 886 368	19 836 061
After 2011	124 693 452	72 942 540
	825 561 833	757 645 978

The aforementioned loans do not include loans granted by related parties.



23.1 Bank Loans

The bank loans and overdrafts presented in the table in note 23. are included in “Long Term Bank Loans – net of the Short Term portion”, “Short Term portion of Long Term Bank Loans” and “Short Term Bank Loans” on the Consolidated Balance Sheet and their composition as at 30 June 2006 are detailed in the following table:

Company	Bank loans				Total
	Non current	Current			
		Bank loans	Short term portion	Short term	
Glunz AG	85 430 100	13 792 100			99 222 200
Sonae Indústria-SGPS,SA	25 000 000	6 250 000	10 000 000		41 250 000
Sonae Novobord (Pty) Ltd	14 930 364	3 374 064			18 304 428
Sonae UK,Ltd.	13 485 547	6 742 773			20 228 320
Tafisa Brasil, SA	490 499	7 870 098	31 088 040		39 448 637
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	9 753 224	4 997 589			14 750 813
Others	4 100 206	479 462	2 076	411 896	4 993 640
	153 189 940	43 506 086	41 090 116	411 896	238 198 038

a) During 2002, the Company, together with its main shareholder, Sonae S.G.P.S., SA and with its affiliated company Glunz AG., contracted a loan with the European Investment Bank for 119 000 000 Euros, withdrawn in full by 31 March 2005. The loan pays interest quarterly, indexed to Euribor, and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which was made in June 2005. At 30 June 2006, outstanding principal was 99 222 200 euros. Following a financial restructuring process at Sonae Indústria, S.G.P.S., S.A. , Sonae S.G.P.S., SA was released from this loan.

b) During the first half of 2005 a loan contracted by Sonae SGPS SA with the European Investment Bank, of 50 000 000 Euros, was transferred to Sonae Indústria SGPS, SA. The loan pays interest quarterly, at market rates, and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which occurred on 30 June 2003. On 30 June 2006, the principal outstanding was 31 250 000 euros;

c) Sonae Novobord raised ZAR 200 000 000 in debt from Firstrand Bank. The facility was issued at a fixed rate of 13.18%, interest is payable semi-annually, and principal is repaid in 14 consecutive and variable instalments, the first of which occurred in June 2003. As at 30 June 2006, the principal outstanding was 18 304 429 euros;

d) Sonae UK signed a loan contract with the European Investment Bank, for GBP 35 000 000. This loan pays interest at market rates and is redeemable in 15 consecutive and semi-annual instalments, the first of which matured in June 2002. As at 30 June 2006, the principal outstanding was 20 228 320 euros;



e) In 2000, Sonae Indústria – Produção e Comercialização de Derivados de Madeira, SA contracted a 27 000 000 euro loan with the European Investment Bank. The loan pays interest semi-annually in arrears, at market rates, and the principal is repaid in 16 consecutive semi-annual instalments. As at 30 June 2006, the principal outstanding was 14 750 813 euros;

f) On 25 January 2006 Sonae Indústria SGPS, S. A. contracted commercial paper with several financial institutions for up to a maximum nominal amount of 100 000 000 euros. This programme will mature on 27 January 2016. At 30 June 2006, two issues had been made for 7 500 000 euros and 2 500 000 euros which will mature on 7 and 14 July 2006, respectively. Interest is calculated using Euribor throughout the issuance period.

23.2 Bond Issues

a) Sonae Indústria 2004 bonds, issued on 15 October 2004, with a principal of 80 000 000 euros. Principal will be paid in a single bullet payment 5 years after issue date. Interest is calculated using Euribor 6 months plus 87.5 bps basis, and paid semi-annually in arrears on 15 April and 15 October;

b) Sonae Indústria 2005/2013 bonds, issued on 31 March 2005, with a principal amount of 55 000 000 euros, and a bullet repayment 8 years after issue date. Interest is calculated using Euribor six months plus 87.5 bps, paid semi-annually in arrears on 31 March and 30 September;

c) Sonae Indústria 2005/2008 bonds, issued on 27 April 2005, with a principal amount of 100 000 000 euros and a bullet repayment 3 years after issue date. Interest is calculated using Euribor six months plus 100 bps, paid semi-annually in arrears on 27 April and October;

d) Sonae Indústria 2005/2010 bonds, issued on 27 April 2005, with a principal amount of 150 000 000 euros and a bullet repayment 5 years after issue date. Interest is calculated using Euribor six months plus 110 bps, paid semi-annually in arrears on 27 April and October;

e) Sonae Indústria 2006/2014 bonds, issued on 28 March 2006, with a principal amount of 50 000 000 euros and a bullet repayment 8 years after issue date. Interest is calculated using Euribor six months plus 87,5 bps, paid semi annually in arrears on 28 March and September.



23.4 Other Loans

Other loans, as detailed in the table in note 23., are included in the consolidated Balance Sheet, in “Other Financing” in Current Liabilities and Non-Current Liabilities, and had the following composition on 30 June 2006:

Company	Other Loans		
	Long term		Short term
	Securitization	Others	Others
Tableros Tradema,S.L.	58 864 171		
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	17 860 632	91 601	27 522
Isoroy SAS	17 839 653	167 144	167 142
Glunz AG	14 948 369		9 445 170
Sonae Tafibra Benelux, BV	9 219 672		
Sonae UK,Ltd.	16 057 266		
Spanboard Products,Ltd	3 742 952		
Others		802 873	485 410
	<u>138 532 715</u>	<u>1 061 618</u>	<u>10 125 244</u>

24. FINANCIAL DERIVATIVES

Foreign Exchange (fx) derivatives

Sonae Indústria Group hedges mostly with the purpose of mitigating cash flow risk and not as a negotiation instrument.

The Group has contracted several foreign exchange forwards as well as cross currency swaps that are not perfect hedging relationships so they have not received a hedge accounting treatment. Nevertheless, these hedging transactions materially mitigate the effects of foreign exchange rate fluctuations in loans that have been contracted in currencies that differ from the base currency of each company.

Profits and losses associated to changes in the value of derivative instruments that have not received hedge accounting treatment were negative by 9 865 021 euros and have been recorded directly in the Profit and Loss Statement, as Financial Losses. This item also includes changes in market value of loans due to foreign exchange rate fluctuations, which the Group aims to hedge.



Interest rate derivatives

Interest rate hedging instruments in place on the 30 June 2006 are essentially interest rate related swaps and collars (cash flow hedges), contracted to hedge the risk of interest rate fluctuation associated with loans with outstanding principal of 17 561 949 euros (24 724 190 euros at 31 December 2005).

These hedging instruments are valued at fair value at each reference date, in evaluations performed by the Group using appropriate treasury systems. The methodology used to calculate the fair value of these instruments is the comparison, for swaps, of the present value of future cash flows from the fixed leg of the derivative and the present value of the future cash flows from the variable leg of such instrument. For options, fair value is calculated using the Black'76 model.

Hedging principles utilised by the Group in using this type of hedging are as follows:

- Matching between paid and received cash flows: the timing of cash flows and the timing of rate resets in the underlying debt and in the hedging derivative coincide;
- Matching between base rates: the underlying rate for the hedge must be the same as the underlying rate for the loan the company is hedging;

Hedging instruments are accounted for at cost (if such a cost exists) and subsequently valued at fair value. Changes in fair value are recorded in Shareholder's Funds, under "Hedging Reserves" included in item "Reserves and Retained Earnings", which are transferred to Net Income in the same period that Net Results are impacted by the underlying loan. The Group recorded a loss of 184 939 euros during the period ended 30 June 2006.

Fair value of hedging instruments

The fair value of hedging instruments is composed of the following:

	Investment		Loans	
	30.06.06	31.12.05	30.06.06	31.12.05
Exchange rate derivatives			9 865 021	-8 748 343
Interest rate derivatives				
Hedge derivatives			- 184 939	-3 276 710
			<u>9 680 082</u>	<u>-12 025 053</u>



25. OTHER NON CURRENT LIABILITIES

At 30 June 2006 and 31 December 2005, details of Other non current liabilities were as follows:

	30.06.06	31.12.05
State and other public entities:		
Others	33 181 804	26 656 350
Group companies	72 605	72 604
Other creditors	78 784 219	79 507 081
	<u>112 038 628</u>	<u>106 236 035</u>

The item State and other public entities – Others includes the owing amount of ICMS – Tax on Trade of Goods and Services Rendered to be paid by the subsidiary Tafisa Brasil in accordance with the terms of the agreement celebrated with the Government of the State of Paraná (Brazil), which considers postponing the payment of each parcel of tax for a twelve-year period, to be updated yearly according to 10% of FCA index.

Other creditors include circa 77 347 775 euros relating to deferred income-investment subventions.

26. PENSION FUND LIABILITIES

Various Group companies assumed the liability of giving their employees cash contributions to pension plans for old age, incapacity, early retirement and survival. These contributions are determined as a percentage that increases as a result of the number of years that the employee has worked at the company, and which is applied to a salary table that is negotiated on a yearly basis.

Current liabilities associated with past years of service are evaluated every year through actuarial studies and based on the “Projected Unit Credit” methodology. Actuarial assumptions employed on the last study prepared at 31 December 2005 were:

	South Africa		Germany		France		Portugal	
	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
Mortality table	PA (90)	PA (90)	Richttafeln 1998	Richttafeln 1998	TPG 1993	TPG 1993	TV 73/77	TV 73/77
Salary growth rate	5,0%	5,0%	2,0%	2,0%	2,0%	2,0%	3,0%	3,0%
Return on fund	8,0%	9,0%	-	-	-	-	6,0%	6,0%
Actuarial technical rate	8,0%	9,0%	4,5%	5,7%	4,0%	4,0%	4,0%	4,0%
Pension growth rate	3,5%	4,0%	1,5%	1,5%	2,0%	2,0%	0,0%	0,0%

In previous periods, pension funds and provisions for pension liabilities were created by various companies within the Group in the following countries:



South Africa:

The employees of Tafibra South Africa Ltd. have the following benefit scheme:

Defined contribution plan composed of a number of assets that are managed by a third party. The Company is obliged to deliver the defined contributions. At 30 June 2006, no contributions were outstanding or unpaid.

Defined Benefit plan with a fund managed by a third party and calculated in accordance with International Accounting Standard 19 and based on actuarial studies performed by an independent party. In an actuarial study carried out on 31 December 2005, liabilities amounted to 32 926 000 ZAR (3 584 983 euros) covered by the market value of the fund of 29 298 000 ZAR (3 189 966 euros) and by a provision of 3 628 000 ZAR (395 017 euros), which is recorded as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet.

Post-Retirement Health Benefit scheme under which the Company will provide for 50% of eligible health expenses incurred after the employee's retirement. The Company's liability was evaluated by an actuarial study on 31 December 2005 and is fully covered by a 3 655 998 ZAR (398 065 euros) provision, recorded as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet

Germany:

Glunz AG has a defined benefit plan however it has not constituted a fund. The plan is calculated according to International Accounting Standard 19, and based on actuarial studies carried out by an independent party. The company has recorded a provision for Pension Liabilities in Non Current Liabilities of 20 226 196 euros, which fully provides for the liabilities calculated by the actuarial study reported to 31 December 2005.

France:

Upon retirement of their employees, Isoroy SAS and Isoroy Transformation are obliged to pay a sum defined under the terms of the sector's collective labour agreement. An actuarial study calculated the liabilities of the two companies on 31 December 2005 to be 1 774 530 euros. This is fully covered by a provision that is recorded as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet



Portugal:

Various Group companies have a defined benefit plan and funds managed by third parties, calculated in accordance with International Accounting Standard 19 and based on actuarial studies carried out by independent parties. Employees of eight companies at 31 December 1994 are covered by this plan under which they will receive as from retirement, a life long monthly payment equivalent to 20% of their salary at their retirement date. The liability for services provided as at 31 December 2005, based on an actuarial study on the same date, were calculated to be 1 962 835 euros. This was fully covered by the value of the fund and by a provision included as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet, of 1 163 593 euros and 799 242, respectively.

The main changes, during the periods ending 30 June 2006 and 31 December 2005, to the present value of these liabilities are presented below:

	30.06.06	31.12.05
Present value of obligations	29 223 239	30 240 034
Actuarial Losses/(Gains) not recognised	1 106 666	1 171 751
Fair value of plan assets	4 523 522	5 297 773
Pension liabilities	23 593 051	23 770 510

Changes occurred in Pension liabilities relating to 31 December 2005, amounting -177 459 euros, are mainly due to currency translation effects.

27. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

At 30 June 2006 and 31 December 2005, State and other public entities had the following composition:

	30.06.06	31.12.05
State and other public entities		
Income Tax	8 371 160	8 598 252
Value Added Tax	4 945 467	2 828 463
Social Security Contribution	6 067 306	7 825 568
Others	2 833 820	1 884 325
	22 217 753	21 136 608



28. OTHER CURRENT LIABILITIES

At 30 June 2006 and 31 December 2005, Other current liabilities were composed of:

	30.06.06	31.12.05
Group companies	164 218	983 195
Derivatives	2 345 522	6 792 743
Trade debtors advances	657 891	181 611
Fixed assets suppliers	7 264 020	15 883 230
Other creditors	23 008 155	33 081 546
Accrued expenses:		
Insurances	1 053 201	632 031
Personnel costs	18 577 547	17 366 221
Accrued financial expenses	3 979 448	3 517 003
Rappel discounts (annual quantity discounts)	23 523 253	18 653 530
External supplies and services	6 678 206	8 922 036
Other accrued expenses	13 792 366	6 827 808
Deferred income:		
Investment subventions	8 625 598	7 232 200
Other deferred income	271	261
	<u>109 669 696</u>	<u>120 073 415</u>

Other creditors include 12 600 000 euros relating to advances received for sale of land.

29. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 30 June 2006 were as follows:

Description	30.06.06					
	Opening balance	Exchange rate effect	Changes in consolidation perimeter	Increases	Utilization	Closing balance
Accumulated impairment losses on investments (Note 8)	42 722 928				16 741	42 687 800
Accumulated impairment losses on tangible assets (Note 9)	877 301	- 389 068		41 295 407	266	40 086 362
Accumulated impairment losses on other non-current assets (Note 14)	14 132 921	- 1 548		160 760	- 130 115	14 422 248
Accumulated impairment losses on trade debtors (Note 16)	16 295 730	- 623 409		2 880 818	2 313 605	15 602 195
Accumulated impairment losses on other debtors (Note 17)	492 122				7 470	484 652
Accumulated impairment losses on inventories (Note 15)	4 771 938	- 88 916		2 224 756	2 312 438	4 333 228
Provisions	22 532 468	- 195 053		1 301 391	1 261 184	22 202 939
	<u>101 825 408</u>	<u>- 1 297 994</u>		<u>47 863 132</u>	<u>5 904 234</u>	<u>139 819 424</u>

Impairment losses are offset against the corresponding asset.

Figures in the "Utilization" column refer to impairment losses related with assets written off against the corresponding impairment loss previously accounted.



30. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2006 and 31 December 2005, the Group had granted guarantees with the following purpose:

	30.06.06	31.12.05
Responsibility for granted guarantees		
Loans	210 193 716	249 252 907
Investment subventions	5 588 577	7 053 305
Others	4 260 021	6 604 980
	<u>220 042 314</u>	<u>262 911 192</u>

Guarantees in the previous table relate to:

	30.06.06	31.12.05
Bank guarantees	170 842 921	206 624 450
Mortgaged Land and buildings	27 220 000	33 492 500
Pledged assets	10 614 150	10 929 000
Others	11 365 243	11 865 242
	<u>220 042 314</u>	<u>262 911 192</u>

31. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable		Loans			
					Obtained		Granted	
	30.06.06	31.12.05	30.06.06	31.12.05	30.06.06	31.12.05	30.06.06	31.12.05
Parent company and group companies	9 835 074	9 726 889	8 762 307	8 318 020	72 605	72 605	1 998 118	1 650 191
Associated companies	537 144	800 135	1 334 625	971 587				

Transactions	services rendered		services obtained		Interest income		Interest expenses	
	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05
Parent company and group companies	5 729 490	6 874 346	26 046 246	24 965 655		222 690		2 664 210
Associated companies	780 941	4 863	2 544 644			2 713		163



32. OTHER OPERATING REVENUES

Details of Other operating revenues on the Consolidated Profit and Loss Statement for the periods ended 30 June 2006 and 2005 are as follows:

	30.06.06	30.06.05
Gains on disposals of non current investments		12 506 166
Gains on disposals of tangible and intangible assets	392 067	3 050 641
Supplementary Revenue	3 654 117	3 117 582
Investment subventions	3 730 656	4 406 765
Tax received	6 109 292	2 698 808
Reversion of impairment losses	2 313 872	890 455
Others	20 674 357	3 587 405
	<u>36 874 361</u>	<u>30 257 822</u>

The item Others includes an estimated indemnity of 16 498 415 euros relating to the operating losses resulting from the accident referred to in Note 3.

33. OTHER OPERATING COSTS

Details of Other operating costs on the Consolidated Profit and Loss Statement for the periods ended 30 June 2006 and 2005 are as follows:

	30.06.06	30.06.05
Taxes	5 950 720	5 706 687
Losses on disposal of non current investments	138 807	255 933
Losses on disposal of tangible and intangible assets	349 506	679 766
Others	6 548 024	4 461 251
	<u>12 987 057</u>	<u>11 103 637</u>

34. FINANCIAL RESULTS

Financial results for the periods ended 30 June 2006 and 2005 were as follows:

	30.06.06	30.06.05
Financial Expenses:		
Interest expenses	18 428 754	17 198 648
Cash discounts granted	7 911 687	7 330 147
Losses in currency translation	12 959 485	7 544 867
Others	9 061 253	5 730 480
Financial profit/(loss)	<u>- 32 568 479</u>	<u>- 20 536 754</u>
	<u>15 792 700</u>	<u>17 267 388</u>
Financial revenues:		
Interest income	2 274 546	1 719 841
Cash discounts obtained	1 368 170	999 877
Gains in currency translation	2 946 252	14 354 123
Others	<u>9 203 732</u>	<u>193 547</u>
	<u>15 792 700</u>	<u>17 267 388</u>



35. TAXES

Corporate income tax accounted for during the periods ended 30 June 2006 and 2005 is detailed as follows:

	30.06.06	30.06.05
Current tax	7 220 755	3 838 646
Deferred tax	- 292 239	15 872 473
	<u>6 928 516</u>	<u>19 711 119</u>

36. EARNINGS PER SHARE

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

	30.06.06	31.12.05
Net Profit		
Net profit considered to calculate basic earnings per share (Net Profit attributable to equity holders of Sonae Indústria)	8 627 569	36 383 591
Effect of potential shares Interest related to convertible bonds (net of tax)		
Net Profit considered to calculate diluted earnings per share	<u>8 627 569</u>	<u>36 383 591</u>
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	140 000 000	140 000 000
Effect of potential ordinary shares from convertible bonds		
Weighted average number of shares used to calculate diluted earnings per share	<u>140 000 000</u>	<u>140 000 000</u>

During the period ended 30 June 2006 no significant profit or loss occurred relating to discontinued operations.

37. SEGMENT INFORMATION

The main activity of the Group is the production of wood based panels and derivative products through industrial plants and commercial facilities located in Portugal, Spain, France, Germany, United Kingdom, Switzerland, The Netherlands, Canada, Brazil and South Africa. It is, therefore, an activity characterised by a high geographical dispersion of assets and markets and by a relative homogeneity of products. For segment analysis purposes, the geographic element is considered the main segmentation vector of the Group activity and it is the way the internal management and financial reporting systems are organised.



Geographic segments identified for the periods ended 30 June 2006 and 2005 are as follows:

- Portugal
- Spain
- France
- United Kingdom
- Germany
- Rest of Europe
- Brazil
- Canada
- South Africa

37.1. Geographic segments

The contribution of main geographic segments to the Consolidated Profit and Loss Statement for the twelve month periods ended 30 June 2006 and 2005, based on location of assets, are detailed as follows:

30.06.06										
	Portugal	Spain	France	Un. Kingdom	Germany	Rest of Europe	Brazil	Canada	South Africa	Consolidated
Operating income	145 422 077	162 771 897	145 907 949	58 760 566	228 406 560	82 069 367	62 314 320	111 816 474	57 875 550	
Intersegmental eliminations	- 53 345 219	- 22 550 327	- 49 261 857	- 501	- 75 164 905	- 3 601 925	- 1 665 767	- 67 197	- 51 353	
External Operating income	92 076 858	140 221 570	96 646 092	58 760 065	153 241 655	78 467 442	60 648 553	111 749 277	57 824 197	849 635 709
Allocated Operating Net Profit/(Loss)	10 344 188	10 836 063	- 6 614 207	- 2 661 532	3 964 487	592 797	6 526 881	9 996 753	14 243 567	47 228 997
Non Allocated Operating Net Profit/(Loss)										37 492
Financial Net Profit/(Loss)										- 32 568 479
Gains and losses in associated companies										192 391
Gains and losses in investments										71 956
Taxation										6 928 516
Net Consolidated Profit/(Loss) after taxation										8 033 841
Attributable to Equity Holders of Sonae Industria										8 627 569
Attributable to Minority Interests										- 593 728

30.06.2005										
	Portugal	Spain	France	Un. Kingdom	Germany	Rest of Europe	Brazil	Canada	South Africa	Consolidated
Operating income	135 707 351	151 104 303	134 464 694	51 576 501	222 076 649	91 209 032	45 314 266	68 725 602	50 623 111	
Intersegmental eliminations	- 51 068 302	- 23 604 123	- 41 879 795	- 58 371	- 76 614 618	- 3 662 317	- 1 730 226			
External Operating Income	84 639 049	127 500 180	92 584 899	51 518 130	145 462 031	87 546 715	43 584 040	68 725 602	50 623 111	752 183 757
Allocated Operating Net Profit/(Loss)	6 285 665	6 190 401	127 661	- 2 404 932	10 932 239	1 129 568	3 904 840	10 034 230	13 682 181	49 881 853
Non Allocated Operating Net Profit/(Loss)										13 947 455
Financial Net Profit/(Loss)										- 20 536 754
Gains and losses in associated companies										94 432
Gains and losses in investments										74 130
Taxation										19 711 119
Net Consolidated Profit/(Loss) after taxation										23 749 997
Attributable to Equity Holders of Sonae Industria										23 158 532
Attributable to Minority Interests										591 465

Inter-segment transactions followed the arm's length principle.



38. SUBSEQUENT EVENTS

At the beginning of July 2006 the Group acquired the assets of the Hornitex Group through the acquisition of the companies GHP, GmbH and Hornitx Polska Sp. z o.o..

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Audit and Finance Committee by delegation of power of the Board of Directors and authorised for issuance on 30 August 2006.

Sonae Indústria-SGPS,SA

BALANCE SHEET AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

(Amounts in Euros)

ASSETS	Notes	30.06.06	31.12.05
NON CURRENT ASSETS			
Tangible assets	3	41.492	47.100
Intangible assets	4	35.238	41.457
Investment property		-	-
Investment property in progress		-	-
Goodwill arising on consolidation		-	-
Investments in jointly controlled companies		-	-
Investments in associated companies	5	634.824.394	680.111.535
Investments held for sale	5	17.922	17.922
Deferred tax assets		-	-
Other non current assets	6	830.039.450	809.148.197
Total Non Current Assets		1.464.958.495	1.489.366.210
CURRENT ASSETS			
Inventories		-	-
Trade debtors	7	572.321	377.841
Other debtors	7	52.308	5.839
Taxes and other contributions receivable	7	151.369	192.930
Other current assets	8	16.488.005	83.660
Investment at fair value through profit or loss		-	-
Cash and cash equivalents	9	78.753.726	36.421.049
Total Current Assets		96.017.729	37.081.319
Non current assets held for sale		-	-
TOTAL ASSETS		1.560.976.224	1.526.447.529
SHAREHOLDER'S FUNDS AND LIABILITIES			
SHAREHOLDER'S FUNDS:			
Share Capital	10	700.000.000	700.000.000
Own shares		-	-
Supplementary capital		-	-
Legal reserve		59.994	-
Revaluation reserve		-	-
Translation reserve		-	-
Other reserves		246.902.887	245.920.750
Retained earnings		-	(157.749)
Net profit (loss) for the period		26.780.351	1.199.879
Total Shareholder's Funds		973.743.231	946.962.880
LIABILITIES:			
NON CURRENT LIABILITIES			
Bank loans - long term-net of short-term portion	11	25.000.000	28.125.000
Debenture loans - long term-net of short-term portion	11	430.795.888	381.101.414
Finance lease creditors - long term - net of short-term portion		-	-
Derivatives		-	-
Other loans		-	-
Obligations arising from pensions : defined benefit plans	12	56.427	56.427
Obligations arising from share based payments		-	-
Other non current creditors		-	-
Deferred tax liabilities		-	-
Provisions		-	-
Total Non Current Liabilities		455.852.315	409.282.841
CURRENT LIABILITIES:			
Current portion of long term bank loans	11	6.250.000	6.250.000
Bank loans - short term	11	10.000.000	-
Current portion of long term debenture loans		-	-
Current portion of long term finance lease creditors		-	-
Finance lease creditors		-	-
Derivatives		-	-
Other loans		-	-
Trade creditors	13	231.494	399.677
Other creditors	14	109.374.588	158.724.840
Taxes and other contributions payable	14	59.816	1.604.721
Other current liabilities	15	5.464.779	3.222.570
Obligations arising from share based payments		-	-
Obligations arising from pensions:defined benefit plans		-	-
Provisions		-	-
Total Current Liabilities		131.380.677	170.201.808
Liabilities related to non current assets held for sale		-	-
TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES		1.560.976.224	1.526.447.529

Sonae Indústria-SGPS,SA

INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2006 AND 2005

(Amounts in Euros)

	<u>Notes</u>	<u>30.06.06</u>	<u>30.06.05</u>
Operating Income:			
Sales		-	-
Services rendered	20	1.354.449	-
Changes in fair value of investment property		-	-
Other operating income		122.404	-
Total operating income		<u>1.476.853</u>	<u>-</u>
Operating Costs			
Cost of sales		-	-
Changes in stock and work in progress		-	-
External supplies and services		(911.761)	(694)
Staff costs		(1.081.209)	-
Amortisation and depreciation		(16.379)	-
Provisions and impairment losses		-	-
Other operating costs	21	(104.283)	(106)
Total operating costs		<u>(2.113.632)</u>	<u>(800)</u>
Operating profit/loss		(636.778)	-
Financial profit / loss	22	6.075.995	18
Profit / loss from associated companies		-	-
Profit / loss from other investments		21.347.470	-
Profit / loss before tax		<u>26.786.686</u>	<u>(782)</u>
Income taxation		(6.335)	-
Net Profit / loss from continuing operations		<u>26.780.351</u>	<u>(782)</u>
Profit / loss from discontinued operations			
Net profit / loss for the period		<u><u>26.780.351</u></u>	<u><u>(782)</u></u>

Sonae Indústria-SGPS,SA

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2006 AND 2005

(Amounts in Euros)

Notes	Share Capital	Own Share	Share Premiums	Supplementary Capital	Reserves					Retained Earnings	Net Profit / loss	Total
					Legal Reserve	Legal Revaluation Reserve	Fair Value Reserve	Hedging Reserve	Other Reserves			
Balance at 1 January 2005	50.000	-	-	-	-	-	-	-	-	(2.338)	(411)	47.251
Apropriation of profits from 2004:												
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-	-	-
Distribution dividends	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(411)	411	-
Acquisition / (disposal) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in fair value of hedging financial instruments net of taxes	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of hedging financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in fair value of available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of available for sale investment	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the period ended at 30 June 2005	-	-	-	-	-	-	-	-	-	-	(782)	(782)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2005	50.000	-	-	-	-	-	-	-	-	(2.749)	(782)	46.469
Balance at 1 January 2006	700.000.000	-	-	-	-	-	-	-	245.920.750	(157.749)	1.199.879	946.962.880
Apropriation of profits from 2005:												
Transfer to legal reserve	-	-	-	-	59.994	-	-	-	982.136	-	(1.042.130)	-
Distribution dividends	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	157.749	(157.749)	-
Acquisition / (disposal) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in fair value of hedging financial instruments net of taxes	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of hedging financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in fair value of available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of available for sale investment	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the period ended at 30 June 2006	-	-	-	-	-	-	-	-	-	-	26.780.351	26.780.351
Other	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2006	700.000.000	-	-	-	59.994	-	-	-	246.902.887	-	26.780.351	973.743.231

SONAE INDÚSTRIA,SGPS,S.A.
CASH FLOW STATEMENT

	30.06.2006	30.06.2005
OPERATING ACTIVITIES		
Cash receipts from trade debtors	1.159.970	0
Cash paid to trade creditors	1.091.750	194
Cash paid to employees	1.872.425	0
Operational Cash Flow	-1.804.205	-194
Corporate income tax paid / received	781.420	637
Other cash receipts and payments relating to operating activities	-13.823	-758
Net cash flow from operating activities [1]	-2.599.447	-1.589
INVESTMENTS ACTIVITIES:		
Cash receipts arising from:		
Financial investments	46.085.197	
Tangible assets		
Intangible assets		
Interest assets and similar income	732.330	58
Dividends	20.706.168	58
	67.523.694	
Cash payments owing to:		
Financial investments	156.753	
Tangible assets	6.079	
Intangible assets	162.832	0
Increase / decrease in granted loans	21.454.024	
Net cash flow from investing activities [2]	45.906.838	58
FINANCIAL ACTIVITIES		
Cash receipts arising from:		
Cash payments owing from:		
Interest and similar costs	12.399.110	40
Dividends		
Others	12.399.110	40
Increase / decrease in loans	11.424.398	
Net cash flow from financing activities [3]	-974.712	-40
Net increase / decrease in cash and cash equivalents	42.332.677	-1.571
Cash and cash equivalents - opening balance	36.421.049	10.967
Cash and cash equivalents - close balance	78.753.726	9.396
Net increase / decrease in cash and cash equivalents	42.332.677	-1.571



SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERÍOD ENDED 30 JUNE 2006

(Amounts expressed in euros)

1. Introduction

SONAE INDÚSTRIA, SGPS, S.A. is based at Lugar do Espido, Via Norte, Apartado 1096, 4470-909 Maia, Portugal. Due to the merger occurred in 2005, Sonae 3P – Panels, Pulp and Paper, SGPS, S.A. was renamed to Sonae Industria, SGPS, S.A.

2. Main Accounting Policies

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

2.1. Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” – previously named International Accounting Standards – “IAS”), issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), applicable to financial years beginning on 1 January 2005.

International Financial Reporting Standards (“IFRS”) were adopted for the first time in 2005. As a result, the transition date from Portuguese generally accepted accounting principles to the standards referred to above is 1 January 2004, as established by IFRS 1 – “First Time Adoption of International Financial Reporting Standards”.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the company on a going concern basis.



The notary deed of the demerger-merger-merger process of the stake held by Sonae SGPS, SA in Sonae Indústria, SGPS, SA's share capital was held on 15 December 2005. Sonae SGPS, SA demerged 90.3644% of Sonae Indústria, SGPS, SA's share capital, which was incorporated into Sonae 3P – Panels, Pulp and Paper, SGPS, SA and all of Sonae Indústria SGPS, SA's assets were simultaneously merged into Sonae 3P – Panels, Pulp and Paper, SGPS, SA. As a result, Sonae Indústria, SGPS, SA ceased to exist and the incorporating company, Sonae 3P – Panels, Pulp and Paper, SGPS, SA was renamed to Sonae Indústria, SGPS, SA. As a result, the financial statements ended 31 December 2005 are not directly comparable with those of 2004.

The effects of the merger are recorded in the accounts as from 1 October 2005.

2.2 Investments in Group companies and associated

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition adjusted for acquisition related expenses. Financial investments in Group and Associated Companies are tested for impairment when appropriate. If an impairment loss exists, it is recorded as a cost.

Revenues from financial investments (dividends received) are recorded on the Profit and Loss statement of the period in which distribution is decided and announced.

2.3 Tangible Assets

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

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

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

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



	<u>Years</u>
Plant and Machinery	15
Fixtures and Fittings	10

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

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

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

2.4 Intangible Assets

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

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

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

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which is normally 5 years.



2.5 Accounting for leases

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

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

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

2.6. Impairment of non-current assets, except for goodwill

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

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

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

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



2.7. Borrowing costs

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

2.8. Provisions

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

2.9. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

Investments measured at fair value through profit or loss are classified as current assets.

Available-for-sale investments are classified as non-current assets.

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

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



Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

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.

b) Accounts receivable

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable).

c) Classification as equity or liability

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

d) Loans

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



e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Cash and Cash Equivalents

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

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

2.10. Retirement benefit plans

As referred in Note 12, the company has an insurance policy for employees which, at retirement (65) will pay an equivalent of, 24 months salary on the date of retirement All employees hired prior to 31/12/94 are covered by this policy.

It is a Defined Benefits Plan in the form of an insurance policy, established with an insurance company Fidelidade,.

2.11. Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements (Note 17), unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

2.12. Income tax

Income tax for the year is determined based on the taxable income of companies included in the consolidation and includes deferred taxation, in accordance with the tax rules in force in



the respective country of incorporation, considering the interim period profit and using the estimated effective average annual income tax rate.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually reviewed using the tax rates in place or announced and thereby expected to apply at the time the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer likely

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

As from 1 January 2006, the company started to apply the Special Group Tax Regime .

2.13. Revenue recognition and accrual basis

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognised as income in the year they are attributed to shareholders.

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

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



2.14. Balances and transactions expressed in foreign currencies

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

2.15. Subsequent events

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

3. Tangible Assets

During the period ended 30 June 2006 and 31 December 2005, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	Jun-06						
	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress
Gross Value							
Opening Balance		29.923			130.459		160.382
Mergers							
Acquisitions							4.552
Disposals							
Transfers		4.552					-4.552
Variações cambiais							
Closing Balance		34.474			130.459		164.933
Accumulated Depreciations & Impairment Losses							
Opening Balance		5.928			107.355		113.283
Mergers							
Depreciations		3.850			6.310		10.160
Disposals							
Transfers							
Variações cambiais							
Closing Balance		9.778			113.665		123.442
Net Value		24.696			16.794		41.491



	Dec-05							
	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress	Total
Gross Value								
Opening Balance								
Mergers		24.742			130.303		321.316	476.361
Acquisitions							1.496	1.496
Disposals								
Transfers		5.181			156		-322.812	-317.475
Closing Balance		29.923			130.459			160.382
Accumulated Depreciations & Impairment Losses								
Opening Balance								
Mergers		1.568			98.452			100.020
Depreciations		4.360			8.903			13.263
Disposals								
Transfers								
Closing Balance		5.928			107.355			113.282
Net Value		23.995			23.104			47.100

4. Intangible Assets

During the period ended 30 June 2006 and 31 December 2005, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	Jun-06					
	R&D Expenses	Patents, Royalties & Other Rights	Software	Other Intangible Assets	Intangible Assets in Progress	Total
Gross Value						
Opening Balance	62 187					62 187
Mergers						
Acquisitions						
Disposals						
Transfers						
Variações cambiais						
Closing Balance	62 187					62 187
Accumulated Depreciations & Impairment Losses						
Opening Balance	20 730					20 730
Mergers						
Depreciations	6 219					6 219
Disposals						
Transfers						
Variações cambiais						
Closing Balance	26 949					26 949
Net Value	35.238	-	-	-	-	35.238



	Dec-05					
	R&D Expenses	Patents, Royalties & Other Rights	Software	Other Intangible Assets	Intangible Assets in Progress	Total
Gross Value						
Opening Balance						
Mergers	62 187			155 000		217 187
Acquisitions						
Disposals						
Transfers				- 155 000		- 155 000
Closing Balance	62 187					62 187
Accumulated Depreciations & Imparment Losses						
Opening Balance						
Mergers	17 620			5 178		22 798
Depreciations	3 110			- 5 178		- 2 068
Disposals						
Transfers						
Closing Balance	20 730					20 730
Net Value	41.457	-	-	-	-	41.457

5. Investments

At 30 June de 2006 and 31 December de 2005, detail of investments is as follows:

Sonae Indústria-SGPS,SA

	30.06.2006		31.12.2005	
	Non Current	Current	Non Current	Current
<u>Investment Group Companies</u>				
Opening Balance	754.797.511		-	
Acquisition	156.753		195.555	
Disposal	(120.129.870)		-	
Merger (Nota 2.1)			754.601.956	
Closing Balance	634.824.394		754.797.511	
Accumulated Impairment Losses			(74.685.976)	
	634.824.394		680.111.535	
<u>Available-For-Sale Investments</u>				
Opening Balance	17.922		-	
Acquisition	-		-	
Disposal	-		-	
Merger (Nota 2.1)	-		17.922	
Closing Balance	17.922		17.922	
	634.842.316		680.111.535	

The value recorded for the period in asset Sales relates to the sale of Socelpac,Sgps,S.A and to the sale of Glunz shares which were recorded as investments for 120.000.000 euros and 129.870 euros respectively. The sale of Socelpac,Sgps,S.A offset the impairment charge recorded in 2005. An increase in investment was recorded in February 2006 to offset losses in Maiequipa – Gestão Florestal,S.A.



On 30 June 2006, Sonae Industria,SGPS had the following participations in Group and Associated Companies:

Company	% Share	Acquisition Value	Shareholder's Funds Jun-06	Net Profit Jun-06
Euroresinas - Industrias Químicas, S.A.	100,00%	5.204.481	6.880.425	679.144
Ipaper . Produção de Papeis Impregnados,S.A.	49,00%	509.144	88.509	42.656
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	820.608	86.906
Movelpartes - Componentes para Industria do Mobiliário,S.A.	100,00%	4.437.198	6.196.663	308.756
Resoflex - Mobiliário e Equipamento de Gestão,S.A.	100,00%	3.742.915	1.950.216	-962.133
Sonae Industria de Revestimentos,S.A.	99,98%	38.548.932	29.344.084	541.147
Sonae Espanha	99,94%	9.976	-359.231	0
Sonae Industria Brasil	100,00%	490.252	239.559	-7.652
Sonae Serviços de Gestão,S.A.	100,00%	2.000.000	2.786.973	504.493
Sonaegest	20,00%	159.615	1.376.546	11.833
Taiber	0,02%	25.142	20.129.854	2.555.491
Tafisa - Tableros de Fibras,S.A.	89,01%	514.937.661	191.344.443	-1.746.188
Ecociclo - Gestão Ambiental,S.A.	100,00%	631.267	815.715	116.970
Somit Imobiliária,S.A.	0,02%	5.000	67.859.691	16.930.624
Sonae Industria - Produção e Comercialização de Derivados de Madeira,S.A.	2,81%	3.868.925	95.564.975	6.917.272
Siaf Energia, S.A.	0,20%	5.000	6.559.327	273.822
Siaf Imobiliária,S.A.	0,02%	5.000	28.413.848	1.534.557
Aglomra - Soc.Ind.Madeira Aglomerada,S.A.	99,84%	56.805.000	47.562.344	584.445

6. Other Non Current Assets

The detail of Other Non Current Assets at June 30, 2006 and December 31, 2005, is as follows:

	30.06.06	31.12.05
Loans Granted To Group Companies (Nota 19)	830 440 355	809 549 102
Other Loans Granted	0	0
Tax Recoverable	0	0
Other Non- Current Assets	0	0
	830 440 355	809 549 102
Accumulated Imparment Losses (Nota 16)	400 905	400 905
	830 039 450	809 148 197

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 3,8%.



7. Trade and Other Current Debtors

At 30 June 2006 and 31 December 2005, the details of Current Trade Debtors presented the following detail:

	30.06.06	31.12.05
Current Accounts	572 321	377 841
Bills Receivable	0	0
Doubtful Debtors	0	0
	<u>572 321</u>	<u>377 841</u>
Accumulated Impairment Losses	0	0
	<u>572 321</u>	<u>377 841</u>

At 30 June 2006 and 31 December 2005, the details of Other Current Trade Debtors were as follows:

	30.06.06	31.12.05
Other Debtors	35 263	5 839
Advance payments to suppliers	17 046	
	<u>52 308</u>	<u>5 839</u>
Accumulated Impairment Losses		
	<u>52 308</u>	<u>5 839</u>
State & Other Public Entities		
Income Tax	14 186	58 952
Value Added Tax	137 183	133 978
	<u>151 369</u>	<u>192 930</u>

8. Other Current Assets

The detail of Other Current Assets at 30 June 2006 and 31 December 2005, was the following:

	30.06.06	31.12.05
Accrued Revenue	16 472 514	77 153
Deferred Costs	15 490	6 507
	<u>16 488 005</u>	<u>83 660</u>
Accumulated Impairment Losses	0	0
	<u>16 488 005</u>	<u>83 660</u>

"Other Current Assets" includes mainly interest due in regards to loans granted to Group and Associated companies.



9. Cash and Cash equivalents

On 30 June 2006 and 31 December 2005 cash and cash equivalents detail was the following:

	30.06.06	31.12.05
Cash at Hand	1 368	869
Deposits	284 099	425 403
Treasury Applications	78 468 259	35 994 778
Cash & Cash Equivalents - Balance Sheet	78 753 726	36 421 049
Bank Overdrafts	0	0
Cash & Cash Equivalents - Cash Flows Statement	78 753 726	36 421 049

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

Cash and Cash Equivalents on the Balance sheet is composed of two bank applications: one of 2.800.000 euros maturing on 3 July and the other a Cash Reserve of 13.853.223 euros related to the Group Securitization programme, maturing on 6 July, and of various financial operations with Group companies that total 61.815.036 euros.

10. Share Capital

On June 30, 2006, the share capital, fully underwritten and paid, is represented by 140 000 000 ordinary shares, not entitled to fixed income, with a face value of 5 euros.

The following entities had more than 20% of the subscribed capital on 30 June , 2006:

<u>Entity</u>	<u>%</u>
Efanor Investimentos, SGPS, S. A.	31,9



11. Loans

At 30 June 2005 and 31 December 2005 Sonae Indústria, SGPS, S.A had the following outstanding loans:

	30.06.06				31.12.05			
	Reductions/Repayments		Nominal Value		Reductions/Repayments		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank Loans	16 250 000	25 000 000	16 250 000	25 000 000	6 250 000	28 125 000	6 250 000	28 125 000
Debentures		430 795 888		435 000 000		381 101 414		385 000 000
Obligations Under Finance Leases								
Other Loans								
Bank Overdrafts								
Hedge Derivatives								
Gross Debt	16 250 000	455 795 888	16 250 000	460 000 000	6 250 000	409 226 414	6 250 000	413 125 000
Investments								
Cash & Cash Equivalents - Balance Sheet	78 753 726		78 753 726		36 421 049		36 421 049	
Net Debt	- 62 503 726	455 795 888	- 62 503 726	460 000 000	- 30 171 049	409 226 414	- 30 171 049	413 125 000
Total Net Debt	393 292 162		397 496 274		379 055 365		382 953 951	

The loans have the following repayment schedule:

	30.06.06	31.12.05
2006	16 250 000	6 250 000
2007	6 250 000	6 250 000
2008	106 250 000	106 250 000
2009	86 250 000	86 250 000
2010	156 250 000	156 250 000
Após 2010	105 000 000	58 125 000
	476 250 000	419 375 000

On June 30, 2006, the contracted loans are summarized as follows:

a) Sonae Indústria 2004 bonds, issued on 15 October 2004, with a principal of 80 000 000 euros. Principal will be paid in a single bullet payment 5 years after issue date. Interest is calculated using Euribor 6 months plus 87.5 bps basis, and paid semi annually in arrears on 15 April and 15 October;

b) Sonae Indústria 2005/2013 bonds, issued on 31 March 2005, with a principal amount of 55 000 000 euros, and a bullet repayment 8 years after issue date. Interest is calculated using Euribor six months plus 87.5 bps, paid semi annually in arrears on 31 March and 30 September;



c) Sonae Indústria 2005/2008 bonds, issued on 27 April 2005, with a principal amount of 100 000 000 euros and a bullet repayment 3 years after issue date. Interest is calculated using Euribor six months plus 100 bps, paid semi annually in arrears on 27 April and October;

d) Sonae Indústria 2005/2010 bonds, issued on 27 April 2005, with a principal amount of 150 000 000 euros and a bullet repayment 5 years after issue date. Interest is calculated using Euribor six months plus 110 bps, paid semi annually in arrears on 27 April and October.

e) During 1H05 a loan contracted by Sonae SGPS SA with the European Investment Bank, in the total amount of 50,000,000 Euros, was transferred to Sonae Indústria SGPS, SA. The loan pays interest quarterly, at market rates, and will be redeemed in 16 consecutive and equal semi annual instalments, the first of which occurred on 30 June 2003. On 31 December 2005, the principal outstanding was 34 375 000 euros;

f) Sonae Indústria 2006/2014 50 000 000 euros Bond issued on 28 March 2006, to be repayed in one payment at maturity in 8 years. Interest is calculated on EURIBOR 6 months plus 87.5 bps and will be paid twice a year on 28 March and 28 September;

g) On 25 January 2006 Sonae Indústria signed a Commercial Paper agreement of up to 100.000.000 euros, with a number of financial institutions. The programme matures on 27 January 2016. At 30 June 2006, the balance stood at 10 000 000 euros, composed of two issues on 30 June 2006, one of 7 500 000 euro and the other of 2 500 000 euro and that mature on 7 and 14 July 2006 respectively. Interest is calculated at the Euribor rate matching the maturity of the issue.

12. Pension Fund Liabilities

Sonae Industria – Produção e Comercialização de Derivados de Madeira,S.A, has an insurance contract for employees under which they will receive at retirement age (65) the equivalent of 24 months salary. All employees hired up to 31/12/94 are covered by this contract, Sonae Indústria,SGPS,S.A. employees are also covered by this plan.

It is a Defined Benefits Plan in the form of an insurance contract, established with Fidelidade, an insurance company.



According to actuarial studies carried out by the fund manager, total liabilities for services provided taking into account salary growth amounted to 245.217 euros (161.787 euros without salary growth assumptions) the market value of the fund being 107.694 euros. The company had a provision of 56.427 euros.

The actuarial assumptions were as follows:

Pension Growth Rate: 0%
 Forecasted Income Rate: 6%
 Expected Salary Growth Rate: 3%
 Technical Actuarial Rate : 4%
 Mortality Rate: TV 73/77

13. Trade Creditors

In 30 June 2006 and 31 December 2005 all amounts recorded under this item arose from normal operations.

14. Others Creditors

On 30 June 2006 and 31 December 2005 the detail of this item was as follows:

	30.06.06	31.12.05
State & Other Public Entities		
Income Tax		1 573 755
Social Security Contributions	28 797	30 881
Others	31 020	85
	<u>59 816</u>	<u>1 604 721</u>
Other Creditors		
Loans From Group Companies (Nota 19)	108 674 565	158 023 296
Fixed Assets Suppliers		1 528
Others	700 023	700 017
	<u>109.374.588</u>	<u>158.724.840</u>

The “Other Creditors “ includes the share capital to be pay in “Sonae Serviços de Gestão SA”.



15. Other Current Liabilities

On 30 June 2006 and 31 December 2005 this item had the following detail:

	30.06.06	31.12.05
Accrued Costs		
Holidays	211 727	125 781
Native	49 176	
Bonus	141 092	339 191
Interests	5 022 153	2 721 871
External Supplies & Services	40 631	35 727
Deferred Income		
	5 464 779	3 222 570

16. Provisions & Accumulated Impairment Losses

The changes in provisions and accumulated impairment losses during the period ended in June 30, 2006 were the following:

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Impairment Losses on Investments (Nota 5)	74 685 976	0	74 685 976	0	0
Accumulated Impairment Losses on Other Non Current Assets (Nota 6)	400 905	0	0	0	400 905
Accumulated Impairment Losses on Other Current Assets	0	0	0	0	0
Provisions	0	0	0	0	0
	75 086 881	0	74 685 976	0	400 905

Impairment losses are offset against the corresponding asset.

17. Contingent Assets & Liabilities

	30.06.06	31.12.05
Granted Guarantees:		
Fiscal Processes in Course	357.258	357.258
Lawsuits in Course		
Garantias prestadas por processos autárquicos		
Loans - Bei	127.971.733	156.500.744
Others - Siempelkamp	1.250.000	1.750.000
	129.578.991	158.608.002

The company, together with its affiliates, Isoroy and Glunz, signed financing contracts with the European Investment Bank which are guaranteed in the full amount of the facility.



18. Operacional Leases

During the first semester of 2006, 32.504 euros were recorded as a cost in regards to lease payments for operational lease contracts.

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

	30.06.06	31.12.05
2005		
2006	28.448	61.675
2007	47.925	51.775
2008	34.638	38.031
2009	14.750	21.155
After 2009		
	<u>125.761</u>	<u>172.636</u>

19. Related Parties

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

Transactions	Sales & Services Rendered		Purchases & Acquired Services		Interest Income		Interest Expenses	
	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05	30.06.06	30.06.05
Parent Company & Group Companies	1 354 449		367 221		16 358 783		1 964 090	
- Agloma	921						747 985	
- Ecociclo	5 169				47 360			
- Euroresinas	7 200				412 611			
- Glunz	276 639							
- Implamac	1 842		11 292					
- SInd-pcdm	214 345		39 215		101 417		532	
- Isoroy	226 694							
- Maiequipa	2 036				25 066			
- Movelpartes	2 757						11 496	
- Resoflex	4 649						10 740	
- Siaf Imobiliária	1 842						193 006	
- Siaf Energia	1 159				107 154			
- Sonae Indústria Revestimentos	5 315		104 902				317 217	
- Socelpac							502 230	
- Somit	921							
- Somit Imobiliária	921						180 002	
- Sonae Uk	77 773		188 895					
- Spanboard	16 750							
- Sonae Serviços de Gestão	2 062		22 294		193		881	
- Sonae Tafisa Benelux	4 051							
- Tafisa Canadá	166 222							
- Tafisa Espanha	237 928		47					
- Tafisa South Africa	92 064		575					
- Tavapan	583							
- Taiber					15 664 980			
Associated Companies	4 605							
- Ipaper	4 605							



Balance	Accounts Receivable		Accounts Payable		Loans			
					Obtained		Granted	
	30.06.06	31.12.05	30.06.06	31.12.05	30.06.06	31.12.05	30.06.06	31.12.05
Parent Company & Group Companies	572 321	375 511	126 441	263 077	108 674 565	158 023 296	830 440 355	809 549 102
- Agloma	372				46 745 442	57 000 000		
- Ecociclo	1 043	1 055					299 892	310 098
- Euroresinas	1 452	1 348					15 283 717	15 803 891
- Sonae Espanha							400 905	400 905
- Finlog	2 333							
- Glunz	46 106	38 652						
- Imoplamac	371	502						
- Sind-pcdm	51 967	56 059	7 912	13 794		1 686 847		
- Isoroy	37 782	47 992						
- Maiequipa	411	502					331 617	342 903
- Movelpartes	556	557			642 500	657 500		1 806
- Resoflex	929	502			338 800	1 093 800		
- Sc - Consultadoria	15 684		1 812	4 952				
- Siaf Imobiliária	371	702			15 804 085	14 298 200		
- Siaf Energia	234	171						
- Sir	1 072	1 117	31 983	22 635	15 489 294	24 936 500		
- Socelpac						45 683 549		
- Somit Imobiliária	186	502			29 461 120	12 660 600		
- Somit	186							
- Solinca			716	1 799				
- Sonae Tâmbora Benelux	675							
- Sonae .sgps			60 704	173 247				
- Sonae Uk	12 962	11 676						
- Spanboard	2 792	3 892						
- Sonae Serviços de Gestão	4 254	611	4 496	3 656	193 324	6 300		
- Sonae Novabord	183 681							
- Star			15 748					
- Tafisa Canadá	166 222	67 383		713				
- Tafisa Espanha	39 655	47 251						
- Tafisa South Africa		91 617						
- Tavapan	97							
- Taiber			301	1 753			814 024 224	792 589 499
- Tradema		3 219						
- Mds			377					
- Novis			373	885				
- Optimus			2 020	2 628				
- Equador				37 015				
Associated Companies	929	201					100 000	100 000
- Ipaper	929	201					100 000	100 000

20. Services Rendered

The detail for Services Rendered is presented below:

Services Rendered	30.06.06	30.06.05
Internal Communication	175.560	
Consolidation & Management Control	56.862	
Legal	82.896	
Administration	627.414	
Engineering	136.475	
Others	275.242	
TOTAL	1.354.449	0



21. Other Operacional Costs

	30.06.06	30.06.05
Taxes	55.910	106
Others	48.373	0
	<u>104.283</u>	<u>106</u>

22. Financial Results

	30.06.06	30.06.05
Financial Expenses:		
Interest Expenses	10 184 167	
Exchange Losses	2 891	
Others	311 113	40
Financial Results	<u>6 075 995</u>	<u>18</u>
	<u>10 498 171</u>	<u>40</u>
Financial Revenues		
Interest Income	16 571 451	58
Exchange Gains	<u>2 715</u>	
	<u>16.574.166</u>	<u>58</u>

23. Gains on Investments

Socelpac,Sgps,S.A was sold in May 2006, generating a capital gain of 641.302 euros due to the difference between the loss recorded on sale (74.044.674 euros) and the reversal of the impairment charge recorded in the accounts in 2005 of 74.685.976 euros

The company received dividends of 20.706.168 euros from the following companies:

Agloma – Soc.Ind.Madeira Aglomerada,S.A.	9.995.558 €
Sonae Industria de Revestimentos,S.A.	9.557.206 €
Sonae Industria – Produção e Comercialização Derivados Madeira,S.A.	1.151.210 €
Siaf Energia,S.A.	2.194 €



24. Earnings Per Share

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

	<u>30.06.06</u>	<u>31.12.05</u>
Net Profit		
Net Profit Considered for Basic EPS Calculation (Periodic Net Profit)	26 780 351	1 199 879
Effect of Potencial Shares Interest of Convertible Bonds (after tax)		
Net Profit Considered for Diluted EPS Calculation	<u>26 780 351</u>	<u>1 199 879</u>
Number of Shares		
Weighted Average Number of Shares for Basic EPS Calculation	140 000 000	140 000 000
Effect of Potencial Ordinary Shares from Convertible Bonds		
Weighted Average Number of Shares for Diluted EPS Calculation	<u>140 000 000</u>	<u>140 000 000</u>
Net Profit Per Share	<u>0,190</u>	<u>0,009</u>

During the first semester 2006 , no effect from discontinued operations was recorded.

25. Financial Statements Approval

Present financial statements were approved by the Executive Commission by delegation of power from the Board of Directors and authorised for issuance on 30 August 2006.

Governing Bodies

In compliance with article 9, line b) of CMVM Regulation n.º 04/2004, we disclose that we received the following information:

		Acquisitions		Sales		Balance at 30.06.2006
	Date	Amount	€ Average Value	Amount	€ Average Value	Amount
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49.999.997
Sonae Indústria, SGPS, SA						1.010
Shares (*)	20.01.2006	1.010	0,00			
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (7)						150.000
Sonae Indústria, SGPS, SA						40.172
Shares (*)	20.01.2006	24.446	0,00			
Entrega ao abrigo do Plano de desempenho diferido da Sonaecom	10.03.2006	15.726	0,00			
Carlos Francisco de Miranda Guedes Bianchi de Aguiar						
Sonae Indústria, SGPS, SA						720
Shares (*)	20.01.2006	720	0,00			
Jose Antonio Comesaña Portela						
Tableros de Fibras, S.A.	23.02.2006			57.024	1,70	0
Rui Manuel Gonçalves Correia						
Sonae Indústria, SGPS, SA						5.000
Demerger-Merger rights (*)	02.01.2006	1.875	0,38			
Shares (*)	20.01.2006	2.372	0,00			
Shares (*)	20.01.2006	128	—			
Acquisitions	08.05.2006	2.500	7,35			
Tableros de Fibras, SA						100

		Acquisitions		Sales		Balance at 30.06.2006
	Date	Amount	€ Average Value	Amount	€ Average Value	Amount
(1) Efanor Investimentos, SGPS, SA						
Sonae Indústria, SGPS, SA						44.674.706
Shares (*)	20.01.2006	44.664.706	0,00			
Pareuro, BV (2)						20.000
Sonae,SGPS, SA (3)						658.804.410
Sonaecom-SGPS, SA (4)						1.000
(2) Pareuro, BV						
Sonae, SGPS, SA						400.000.000
Sonae Indústria, SGPS, SA (*)	20.01.2006	27.118.645	0,00			27.118.645
(3) Sonae, SGPS, SA						
Sonae Indústria, SGPS, SA						0
Sales	16.05.2006			1.000.000	7,35	
Sonae Capital-SGPS, SA (5)						391.046.000
Sonaecom-SGPS, SA						39.362.998
Sonae Investments BV (6)						18.151
(4) Sonaecom-SGPS, SA						
Sonae Indústria, SGPS, SA						0
Demerger-Merger rights (*)	09.01.2006	1.120.074	0,37			
Shares (*)	20.01.2006	75.937	—			
Acções entregues a colaboradores	10.03.2006			37.103	0	
Sonaecom						
Venda	23.03.2006			38.834	6,37	
(5) Sonae Capital-SGPS, SA						
Sonae Indústria, SGPS, SA						9.322.354
Acquisitions	16.05.2006	1.000.000	7,35			
(6) Sonae Investments BV						
Sonaecom-SGPS, SA						146.133.648
(7) Imparfin, SGPS, SA						
Sonae, SGPS, SA						4.105.273
Sonae Indústria, SGPS, SA (*)	20.01.2006	278.324	0,00			278.324

(*) Shares resulting from the demerger-merger rights of the demerger-merger operation involving Sonae-SGPS, SA, Sonae Indústria, SGPS, SA and Sonae Indústria-SGPS, SA (extinguished company)

(**) Shares resulting from the acquisition of demerger-merger rights

QUALIFIED SHAREHOLDINGS

In compliance with Article 8, no. 1, line e) of CMVM Regulation no. 04/2004

Shareholder	Number of Shares	% Voting rights
Efanor Investimentos, SGPS, S.A.	44.674.706	31,9105%
Pareuro, BV	27.118.645	19,3705%
Sonae Capital, SGPS, SA	9.322.354	6,6588%
Maria Margarida Carvalhais Teixeira de Azevedo	1.010	0,0007%
Nuno Miguel Teixeira de Azevedo	969	0,0007%
Duarte Paulo Teixeira de Azevedo	40.172	0,0286%
Maria Claudia Teixeira de Azevedo	23.186	0,0165%
Total de Imputação	81.181.042	57,9863%
Highfields Capital Managment LP		
Highfields Capital Ltd	2.805.796	2,00%
Highfields Capital I LP	303.444	0,22%
Highfields Capital II LP	732.578	0,52%
Total de Imputação	3.841.818	2,74%

Limited Review Report for Stock Exchange Regulatory Purposes in respect of the Consolidated and Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 We hereby present our Limited Review Report on the consolidated and individual information for the period of six months ended 30 June 2005, of **Sonae Indústria, SGPS, SA.**, included in: the Directors' Report, the consolidated and individual balance sheets (which shows a total of Euros 1,884,969,408 and Euros 1,560,976,224, respectively, and a total consolidated and individual equity of Euros 526,982,567 and Euros 973,743,231, respectively, including a consolidated and individual profit for the period of Euros 8,627,569 and Euros 26,780,351, respectively), the consolidated and individual statements of income by nature, the consolidated and individual statements of changes in equity and the consolidated and individual cash flow statements for the period then ended and in the corresponding notes to the accounts.

2 The amounts in the consolidated and individual financial statements, as well as the financial information, were obtained from the accounting records.

Responsibilities

3 It is the responsibility of the Company's Board of Directors (a) to prepare the Directors' Report and consolidated and individual financial statements that present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated and individual result of their operations, the consolidated and individual changes in equity and their consolidated and individual cash flows; (b) to prepare historical financial information in accordance with International Financial Reporting Standards, as adopted by the EU that is complete, true, timeliness, clear, objective and licit, as required by the Portuguese Securities Market Code; (c) to adopt adequate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any relevant facts that have influenced the activity, the financial position or results of the company and its subsidiaries.

4 Our responsibility is to verify the financial information included in the above mentioned documents, namely if, it is complete, true, timeliness, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Sonae Indústria, SGPS, SA.

Scope

5 Our work was performed, with the objective of obtaining moderate assurance about whether the financial information referred to above is free of material misstatement. Our work, which was based on the Technical Rules and Directives of the Portuguese Institute of Statutory Auditors, was planned in accordance with that objective, and consisted mainly of inquiries and analytical procedures to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted considering the circumstances and their consistent application; (iii) the applicability, or otherwise, of the going concern concept; (iv) the presentation of the financial information; and (v) if, the financial information is complete, true, timeliness, clear, objective and licit; and (b) substantive testing to the significant unusual transactions.

6 Our work also covered the verification of the consistency of the information included in the Director's report with the remaining documents referred to above.

7 We believe that our work provides a reasonable basis for issuing this report on the half year financial information.

Conclusion

8 Based on our work, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying consolidated and individual financial statements for the period of six months ended 30 June 2006 are not free of material misstatements that affects its conformity with the International Financial Reporting Standards (IFRS), as adopted by the EU and that the information included is not complete, true, timeliness, clear, objective and licit.

Emphasis

9 The financial information included in the Directors' Report and the consolidated and individual financial statements for the period ended 31 December 2005 have been reviewed by another auditor, who issued the required reports.

10 As mentioned on the Notes 1 and 2 of the individual financial statements, the present legal entity, Sonae Indústria, SGPS, SA is the consequence of a merge occurred in December 2005, under which the incorporate company, Sonae 3P – Panels, Pulp and Paper, SGPS, SA has changed to Sonae Indústria, SGPS, SA, after the extinguishment of the incorporated company. As a result, the financial statements as at 30 June 2006 are not comparable with those of the prior period.

Sonae Indústria, SGPS, SA.

11 The deferred tax assets, amounting to approximately, 43,200,000 euros, related with unused tax losses to be carried forward of the subsidiaries, Glunz AG and Tableros de Fibras, SA, are based on business plans and restructuring operations in the future. As frequently future events do not occur as expected, the realisation of these assets depends on the existence of sufficient future taxable profits for the utilisation of those unused tax losses.

Porto, 31 August 2006

PricewaterhouseCoopers & Associados, S.R.O.C., Lda.
represented by:

António Joaquim Brochado Correia, R.O.C.