SONAE INDÚSTRIA, SGPS, S. A.
Head Office: Lugar do Espido, Via Norte, Maia
Maia Commercial Resgistry 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 2007

According to the

Internacional Accounting Standard 34 - Interim Financial Report

(Translation from the Portuguese original)

Activity Report

1. Message from Carlos Bianchi de Aguiar, CEO

"I am pleased to report to you today on a very strong set of 1H07 results for Sonae Indústria. The first quarter of the year had already shown strong performance across all our main geographies and we were able to sustain our performance throughout the remainder of the semester, in spite of the backdrop of high raw material costs, particularly wood, chemicals and energy costs.

Improvements in industrial efficiency and reinforced market position, underpinned by stronger macroeconomic momentum, have led to significant increases in consolidated profitability. Consolidated Turnover grew by 39% in 1H07 to 1.077 billion euros, and Recurrent EBITDA increased by 63% to 154 million euros representing a 14.3% margin on Turnover. Turnover growth is not directly comparable with 1H06 due to the integration of the Hornitex and Darbo plants in 2H06[1], and the fire at our Canadian plant in April 2006.

Our strategy to consolidate our position in existing markets, increase profitability and achieve a strong balance sheet, is proving successful. From an industrial point of view, our factories are delivering continuous improvements in industrial processes and resource utilization, thereby driving increases in productivity levels. Our commercial efforts are focusing on clearer market segmentation and product innovation, thereby reinforcing our relationship with and the loyalty of our main customers.

We produced our first PB panel on our new line in South Africa in July and production is gradually being ramped up. The reconstruction of our Canadian particleboard line 2 is underway and we expect to start production in 4Q07. In May, we successfully completed our tender offer for the outstanding minority shareholdings in Tafisa, acquiring 82.14% of the outstanding shares representing a cash outlay of 50 million euros, and subsequently delisted the company from the Madrid stock exchange. With this operation concluded, we are now able to proceed with the financial restructuring of our operational subsidiaries and we have already implemented a share capital increase at Tafisa of 292 million euros which was concluded in August. Our holding in Tafisa at the date of this report, and after conclusion of the capital increase, is 98.78%.

Efficient and responsible use of our principal resources, the governance practices we adopt to run our organization, the way we interact with our local communities and key stakeholders and the economic value we generate are just some of the themes embedded in our day to day approach to doing business. In June, we issued our first Sustainability Report[2] in which we explained how far we have travelled on our journey

[1] Given the high degree of operational integration of the acquired assets into the Sonae Indústria Group, it is not possible to provide reliable like for like data.

[2] Available at www.sonaeindustria.com (http://www.sonaeindustria.com/docs/SI_RS2006.pdf)

towards sustainability and set out the challenges that still lay ahead. We have a long track record of responsible business practices and we are committed and well prepared to continuously improve our performance as requirements and expectations increase. Developing the Sustainability Report 2006 was a very constructive process for us as it helped us to identify where improvements are needed and plan how we can move forward and implement changes.

Finally, I would like to thank all the team at Sonae Indústria and our key stakeholders for their support, advice and loyalty, which are fundamental for the continued success and future development of our organization".

2. Highlights of Financial Performance in 1H07

Compared with 1H06:

- Turnover increased by 39% to 1.08 billion euros;
- Recurrent EBITDA was 154 million euros, up 63%;
- Net Results after minority interests increased to 45 million euros in 1H07 compared with 9 million euros in 1H06.

	2006	2Q'06	1Q'07	2Q'07	2Q'07 / 2Q'06	2Q'07 / 1Q'07	1H'06	1H'07	% chg 07/06 (euro millions)
Turnover	1.699	375	539	539	44%	0%	774	1.077	39%
EBITDA	234	51	68	87	69%	28%	98	155	58%
Recurrent EBITDA	223	52	69	85	65%	23%	95	154	63%
Recurrent EBITDA Margin %	13,1%	13,7%	12,9%	15,8%			12,2%	14,3%	
Net Profit attributable to Shareholders of Sonae Industria	32	6	13	32	391%	136%	9	45	421%
Net Debt	749	640	835	863			640	863	

3. Geographic Review of Operations

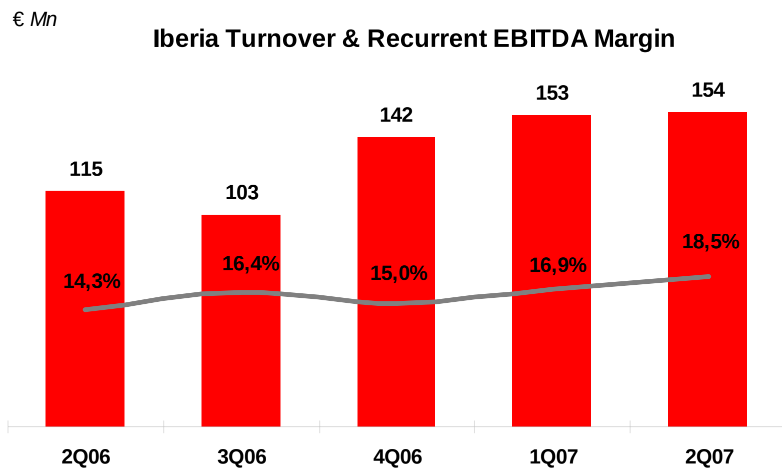
3.1. Iberia

We recorded excellent performance in our Iberian operations during 1H07, as a result of our strategy to develop our product portfolio, to excel in customer service and to consolidate our presence in strategic export markets. Volumes grew by 27% in comparison with 1H06, albeit the majority of the growth is explained by the integration of the Darbo PB plant as from October 2006. The pricing environment remained favourable, with average prices higher for all our main product lines by 4% in comparison with 1H06.

Although we have seen a reduction in the pace of growth in the construction sector, demand remains strong from the furniture and renovation industries. Our variable costs remained under pressure, principally energy and chemicals, and our fixed cost base grew as a result of the increase in business activity and the additional 150 employees integrated from the Darbo plant.

Turnover in Iberia increased by 33% in 1H07 to 307 million euros, compared with 1H06. As a result of the increase in capacity utilization to 91% in 1H07, compared with 88% in

1H06, and our focus on industrial efficiency and resource management, we achieved EBITDA growth of 62% to 54 million euros, representing a 17.7% margin on Turnover.



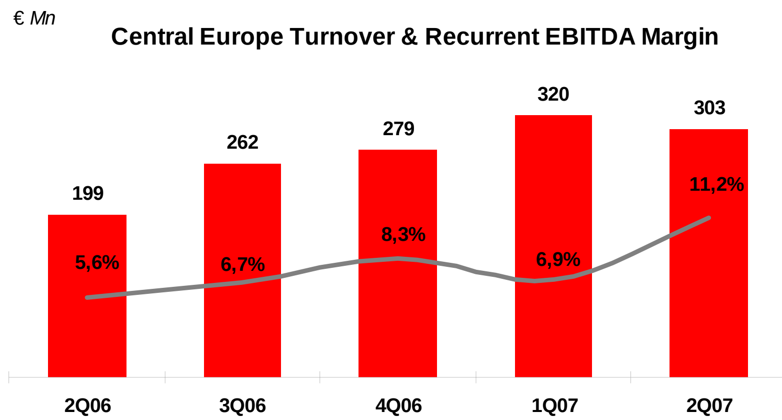
3.2. Central Europe (Germany, France and UK)

Positive market conditions were sustained throughout 1H07, albeit with a slowdown in GDP growth in 2Q07 in Germany, supported by good domestic and Eastern European demand. The German construction sector continued its declining trend in terms of new residential building permits. The Hornitex plants acquired in July 2006 are now fully integrated into Sonae Indústria's operations. We are successfully implementing a strategic shift in market and product orientation at our French plants, thereby enhancing our profitability and market position in the region. Our UK plant returned to normal operation 1 month after the occurrence of the fire in February 2007 and is achieving higher levels of industrial efficiency than before with capacity utilization of 86% in 1H07 compared with 84% in 1H06.

Direct comparisons of Sonae Indústria's performance in 1H07 with 1H06 are affected by the integration of the 3 Hornitex plants acquired in July 2006 and by the flooring JV with Tarkett started on 29 September 2006. Volumes sold in Central Europe increased by 33% to 2.5 million m^3 leading to a capacity utilization index of 91%. The high raw material cost environment reinforced the need for the sector to increase market prices.

Pressure on wood costs remained very strong during the period, although they began to stabilize in 2Q07 as a result of the milder winter and harvesting of the windfall from the Kyrill storm. Prices are expected to increase again in 2H07 in anticipation of the winter months.

Turnover in Central Europe in 1H07 was 623 million euros, representing an increase of 57% in comparison with 1H06. Led by the synergies obtained from the integration of the Hornitex assets, our focus on more profitable product lines, the turnaround in France and our focus on industrial efficiency, our Central European operations posted growth in Recurrent EBITDA to 56 million euros representing a 9% margin on Turnover, compared with 4.3% in 1H06.



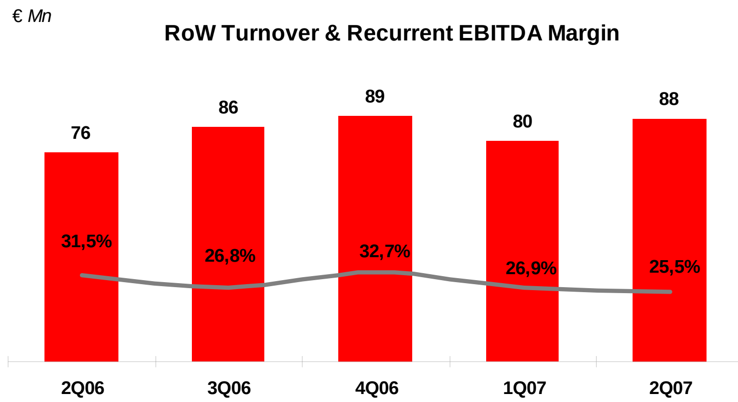
3.3. Rest of the World (Canada, Brazil; South Africa)

Our performance in the Rest of the World reflects mixed trends in our various markets. The North American wood panels market is suffering the effects of a weak construction sector and the decline in the RTA furniture (ready to assemble) and kitchen market segments leading to some producers reducing their production levels. As yet, no capacity closures have occurred and the new Sonae Indústria line in Canada is the only "new" capacity expected in the near future (becoming operational in 4Q07). Given the weaker market environment, PB price levels softened in 2Q07 in comparison with 1Q07, however they are still approximately 16% higher than in 1H06.

The Brazilian market performed very well in 1H07, strengthened by a rapidly improving macroeconomic environment. The wood panels market posted growth of around 18% in 1H07, in comparison with 1H06, the strongest growth being felt in PB. Sonae Indústria took advantage of the favourable market climate and, in line with its strategic guidelines, gave priority to value-added products such as melamine faced PB and MDF as well as thin MDF. The continued strength of the BRL led to a significant reduction in exports, however this was largely compensated by the growth in domestic demand.

The South African construction sector continued to grow reflecting a positive trend in new building permits and in infrastructure construction and supported continued growth in sales of wood based panels and a favourable price environment. Sonae Indústria started production at the new PB line at the White River plant in July and is gradually ramping up output. Construction of the new line in the same location as a line in full production led to additional industrial costs during the course of 1H07.

Turnover in the Rest of the World was 168 million euros in 1H07 and Recurrent EBITDA 44 million euros in 1H07, representing a 26.2% margin on Turnover, in line with 1H06.



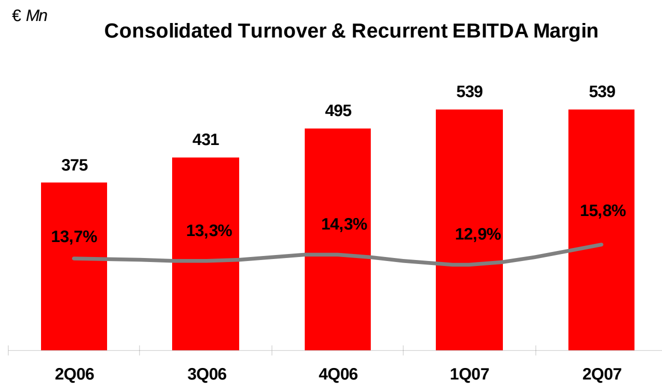
4. Financial Review of 1H07

As we have indicated in past quarters, our business performance in 1H07 is not directly comparable with that of 1H06 due to four main effects: (i) the acquisition of the Hornitex assets in Germany which consolidated in our accounts as from 1 July 2006; (ii) the acquisition of the Darbo plant in France, consolidated as from 30 September; (iii) the contribution of the Eiweiler plant to the 50%-50% partnership with Tarkett, which was formalized on 29 September 2006 and (iv) the fire at our Canadian particleboard line 2.

	2006	2Q'06	1Q'07	2Q'07	2Q'07 / 2Q'06	2Q'07 / 1Q'07	1H'06 (euro millions)	1H'07	%chg 07/06
Turnover	**1.699**	**375**	**539**	**539**	44%	0%	**774**	**1.077**	39%
Other Operational Income	119	25	24	25	1%	6%	37	49	34%
EBITDA	**234**	**51**	**68**	**87**	69%	28%	**98**	**155**	58%
Recurrent EBITDA	223	52	69	85	65%	23%	95	154	63%
Recurrent EBITDA Margin %	13,1%	13,7%	12,9%	15,8%			12,2%	14,3%	
Depreciation and amortisation	(108)	(24)	(29)	(29)	19%	1%	(50)	(57)	16%
Operational Profit	**120**	**26**	**40**	**57**	117%	43%	**47**	**97**	105%
Net Financial Charges	(68)	(17)	(18)	(21)	20%	12%	(33)	(39)	20%
Profit before taxes (EBT)	**52**	**10**	**21**	**37**	286%	71%	**15**	**58**	288%
Taxes	(19)	(3)	(6)	(5)	45%	(24%)	(7)	(11)	52%
Net Profit attributable to Shareholders of Sonae Industria	**32**	**6**	**13**	**32**	391%	136%	**9**	**45**	421%

Consolidated Turnover in 1H07 was 1.077 billion euros, representing an increase of 39% compared with 1H06.

Our industrial cost base continued to increase in 1H07 as a result of ongoing pressure on global prices for oil, and on local wood costs, the latter restraining profitability growth in particular in Central Europe. Consolidated Recurrent EBITDA was 154 million euros, representing an EBITDA margin of 14.3%. Operating Results (EBIT) increased in 1H07 to 97 million euros compared with 47 million euros in 1H06.



Due to the combination of the higher average level of gross debt and of the higher interest rate environment, Net Interest Charges in 1H07 increased to 23.5 million euros, compared with 16.2 million euros in 1H06. Total Net Financial Charges in 1H07 were as follows:

Millions of Euros	**1H06**	**1H07**
Net Interest Charges	(16.2)	(23.5)
Net Exchange Losses and Hedging Costs	(4.1)	(1.1)
Net Financial Discounts	(6.5)	(10.8)
Other Net Financial Charges	(5.8)	(3.7)
Total Net Financial Charges	(32.6)	(39.1)

The tax charge in 1H07 was 10.5 million euros compared with 6.9 million euros in 1H06 and was split between current tax and deferred tax as follows:

Millions of Euros	**1H06**	**1H07**
Current Tax	7.2	7.8
Deferred Tax	(0.3)	2.8
Total Tax Charge	6.9	10.5

The current tax charge was primarily from Portugal, Brazil, Germany and South Africa.

As a result of the significant improvement in Operating Profits, Consolidated Net Results attributable to Sonae Indústria Shareholders increased to 45 million euros, compared with 9 million euros in 1H06.

The increase in fixed assets in 1H07 was 90.7 million euros, which included 40 million euros of investment in the new line in Canada, the majority of which will be recovered through our insurance policy, 18 million euros related with the continued construction of the new PB line in South Africa and other routine maintenance related investments and industrial improvements at our plants. In addition to the increase in fixed assets, we bought out almost all minority shareholders in our subsidiary Tafisa in May. This represented a cash outflow of 50 million euros.

millions of euros	1H'06	2006	1H07	% chg 1H07 / 2006
Non Current Assets	**1.173**	**1.360**	**1.496**	**10%**
Tangible Assets	1.057	1.235	1.321	7%
Goodwill	44	51	95	86%
Deferred Tax	56	60	62	4%
Other Non Current Assets	16	15	18	22%
Current Assets	**712**	**796**	**741**	**(7%)**
Inventories	168	214	244	14%
Trade Debtors	267	290	374	29%
Cash & Investments	180	194	53	(72%)
Other Current Assets	98	97	70	(28%)
Total Assets	**1.885**	**2.156**	**2.237**	**4%**
Shareholders' Funds	501	520	566	9%
Minority Interests	26	28	24	(15%)
Shareholders' Funds + Minority Interests	**527**	**548**	**590**	**8%**
Interest Bearing Debt	819	943	916	(3%)
Short term	95	141	155	10%
L-M term	724	802	761	(5%)
Trade Creditors	203	259	269	4%
Other Liabilities	336	406	461	14%
Total Liabilities	**1.358**	**1.608**	**1.647**	**2%**
Total Liabilities, Shareholders' Funds and Minority Interests	**1.885**	**2.156**	**2.237**	**4%**

Working capital increased to 385 million euros in 1H07 from 252 million euros at the end of 1H06 as a result of the increase in Turnover and of the additional working capital requirements brought to the Balance Sheet with the acquisition of Hornitex and Darbo. We are currently implementing measures to reduce the level of investment in working capital and improvements are expected in the short term.

Net debt increased to 863 million euros at the end of 1H07, compared with 749 million euros at the end of 2006. The increase largely results from the combination of the investments made during 1H07, a net increase in working capital of 106 million euros and operating profitability (EBITDA) of 155 million euros. Annualized Net Debt to EBITDA was 2.97x and Interest Cover 6.6x at the end of 1H07 compared with 3.36x and 6.05x respectively at the end of 1H06.

5. Looking Forward

Our key strategic goal is to strengthen and consolidate our market presence in core markets and increase the profitability of our existing asset base. We anticipate that overall the favourable market environment should remain, with the exception of the slowdown in the North American construction sector. The increased volatility in capital markets may also have a negative impact on economic sentiment and consumer behaviour however it has not affected our business to date. Furthermore, our operating levels in 3Q07 will be subject to the seasonal shutdown of production facilities for maintenance purposes. The relaunch of our Canadian PB line 2 in 4Q07 is likely to occur under challenging market conditions.

Industrial costs remain a concern as we do not anticipate a reduction in either energy related costs or wood. Therefore, we will continue to focus on innovation and achieving further improvements in industrial efficiency and resource utilization in order to deliver increases in profitability.

The Board of Directors
Maia, 28 August 2007

____
Belmiro de Azevedo

____
Álvaro Cuervo

____
Paulo Azevedo

____
Per Knuts

____
Thomas Nystén

____
Carlos Bianchi de Aguiar

____
Christian Schwarz

____
Rui Correia

____
José Antonio Comesaña

____
Louis Brassard

Sonae Indústria-SGPS,SA

BALANCE SHEET AS AT 30 JUNE 2007 AND 31 DECEMBER 2006

(Amounts in Euros)

ASSETS	Notes	30.06.07	31.12.06
NON CURRENT ASSETS			
Tangible assets	3	31,708	36,064
Intangible assets	4	22,800	29,019
Investment property		-	-
Investment property in progress		-	-
Goodwill arising on consolidation		-	-
Investments in jointly controlled companies		-	-
Investments in associated companies	5	636,882,929	623,323,924
Investments held for sale	5	117,922	17,922
Deferred tax assets		9,247,624	3,047,624
Other non current assets	6	926,962,881	988,568,166
Total Non Current Assets		1,573,265,863	1,615,022,719
CURRENT ASSETS			
Inventories		-	-
Trade debtors	7	273,208	776,381
Other debtors	7	43,847,685	379,419
Taxes and other contributions receivable	7	1,256,248	1,134,177
Other current assets	8	24,817,406	144,204
Investment at fair value through profit or loss		-	-
Cash and cash equivalents	9	44,280,779	97,771,288
Total Current Assets		114,475,326	100,205,469
Non current assets held for sale		-	-
TOTAL ASSETS		1,687,741,190	1,715,228,189

SHAREHOLDER´S FUNDS AND LIABILITIES	Notes	30.06.07	31.12.06
SHAREHOLDER´S FUNDS:			
Share Capital	10	700,000,000	700,000,000
Own shares		-	-
Supplementary capital		-	-
Legal reserve		1,340,138	59,994
Revaluation reserve		-	-
Translation reserve		-	-
Other reserves		271,225,627	246,902,887
Retained earnings		-	-
Net profit (loss) for the period		20,021,957	25,602,884
Total Shareholder´s Funds		992,587,722	972,565,765
LIABILITIES:			
NON CURRENT LIABILITIES			
Bank loans - long term-net of short-term portion	11	18,750,000	21,875,000
Debenture loans - long term-net of short-term portion	11	430,802,929	530,273,929
Finance lease creditors - long term - net of short-term portion		-	-
Derivatives		-	-
Other loans		-	-
Obligations arising from pensions : defined benefit plans	12	200,179	56,427
Obligations arising from share based payments		-	-
Other non current creditors		-	-
Deferred tax liabilities		-	-
Provisions		-	-
Total Non Current Liabilities		449,753,107	552,205,356
CURRENT LIABILITIES:			
Current portion of long term bank loans	11	6,250,000	6,250,000
Bank loans - short term	11	-	60,950,000
Current portion of long term debenture loans	11	100,000,000	-
Current portion of long term finance lease creditors		-	-
Finance lease creditors		-	-
Derivatives		-	-
Other loans		-	-
Trade creditors	13	491,020	494,315
Other creditors	14	128,858,817	115,136,053
Taxes and other contributions payable	14	83,790	571,764
Other current liabilities	15	9,716,734	7,054,935
Obligations arising from share based payments		-	-
Obligations arising from pensions:defined benefit plans		-	-
Provisions		-	-
Total Current Liabilities		245,400,360	190,457,068
Liabilities related to non current assets held for sale		-	-
TOTAL SHAREHOLDER´S FUNDS AND LIABILITIES		1,687,741,190	1,715,228,189

Sonae Indústria-SGPS,SA

INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2007 AND 2006

(Amounts in Euros)

	Notes	30.06.07	30.06.06
Operating Income:			
Sales		-	-
Services rendered	20	1,399,828	1,354,449
Changes in fair value of investment property		-	-
Other operating income		51,653	122,404
Total operantig income		1,451,480	1,476,853
Operating Costs			
Cost of sales		-	-
Changes in stock and work in progress		-	-
External supllies and services		(1,124,891)	(911,761)
Staff costs		(1,299,726)	(1,081,209)
Amortisation and depreciation		(14,474)	(16,379)
Provisions and impairment losses		(337,428)	-
Other operanting costs	21	(103,765)	(104,283)
Total operating costs		(2,880,284)	(2,113,632)
Operating profit/loss		(1,428,804)	(636,778)
Finantial profit / loss	22	8,795,467	6,075,995
Profit / loss from associated companies		-	-
Profit / loss from other investments		5,794,697	21,347,470
Profit / loss before tax		13,161,360	26,786,686
Income taxation	24	660,598	(6,335)
Deferred tax assets	24	6,200,000	
Net Profit / loss from continuing operations		20,021,957	26,780,351
Profit / loss from discontinued operations			
Net profit / loss for the períod		20,021,957	26,780,351

Sonae Indústria-SGPS,SA

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2007 AND 31 DECEMBER 2006

(Amounts in Euros)

	Notes	Share Capital	Own Share	Share Promiums	Suplementary Capital	Reserves: Legal Reserve	Reserves: Legal Revaluation Reserve	Reserves: Fair Value Reserve	Reserves: Hedging Reserve	Reserves: Other Reserves	Retained Earnings	Net Profit / loss	Total
Balance at 1 January 2007		700,000,000	-	-	-	-	-	-	-	246,962,880	-	25,602,884	972,565,765
Apropriation of profits from 2006:													
Transfer to legal reserve		-	-	-	-	-	-	-	-	25,602,884	(25,602,884)	-	-
Distribution dividends		-	-	-	-	-	-	-	-		-	-	-
Transfer to retained earnings										-	25,602,884	(25,602,884)	-
Acquisition / (disposal) of own shares		-	-	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in fair value of hedging finantial 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 2007		-	-	-	-	-	-	-	-	-	-	20,021,957	20,021,957
Other		-	-	-	-	1,340,138	-	-	-	(1,340,138)	-	-	-
Balance at 30 June 2007		700,000,000	-	-	-	1,340,138	-	-	-	271,225,627	-	20,021,957	992,587,722
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 finantial 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 31 December 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

OPERATING ACTIVITIES	**30.06.2007**		**30.06.2006**	
Cash receipts from trade debtors	1,903,019		1,159,970	
Cash paid to trade creditors	1,064,458		1,091,750	
Cash paid to employees	1,298,332		1,872,425	
Operational Cash Flow	**-459,771**		**-1,804,205**	
Corporate income tax paid / received	536,299		781,420	
Other cash receipts and payments relating to operating activities	-619,515		-13,823	
Net cash flow from operating activities [1]		**-1,615,585**		**-2,599,447**
INVESTMENTS ACTIVITIES:				
Cash receipts arising from:				
Financial investments	0		46,085,197	
Tangible assets	2,275			
Intangible assets				
Interest assets and similar income	1,922,214		732,330	
Dividends	5,403,768	7,328,256	20,706,168	67,523,694
Cash payments owing to:				
Financial investments	56,147,785		156,753	
Tangible assets	3,946		6,079	
Intangible assets		56,151,731		162,832
Increase / decrease in granted loans		-60,852,929		21,454,024
Net cash flow from investing activities [2]		**12,029,455**		**45,906,838**
FINANCIAL ACTIVITIES				
Cash receipts arising from:				
Cash payments owing from:				
Interest and similar costs	13,779,218		12,399,110	
Dividends				
Others		13,779,218		12,399,110
Increase / decrease in loans		-50,125,161		11,424,398
Net cash flow from financing activities [3]		**-63,904,379**		**-974,712**
Net increase / decrease in cash and cash equivalents		-53,490,511		42,332,677
Cash and cash equivalents - opening balance		97,771,288		36,421,049
Cash and cash equivalents - close balance		44,280,777		78,753,726
Net increase / decrease in cash and cash equivalents		-53,490,511		42,332,677

SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2007

(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.

2. Main Accounting Policies

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

2.1. Basis of Preparation

The accompanying financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Report, effective 1 January 2007.

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

2.2 Investments in Group and associated companies

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

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 at that date, net of depreciation and accumulated impairment losses.

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

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

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

	Years
Plant and Machinery	15
Fixtures and Fittings	4

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

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

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

2.4 Intangible Assets

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

Development expenses are recognized 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 fulfil 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.

Amortization 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

When 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 recognized 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 on the income statement under Provisions and impairment losses.

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

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

2.7. Borrowing costs

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

2.8. Provisions

Provisions are recognized when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. 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 recognized on the trade date, independently of the settlement date.

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

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

Gains or losses arising from a change in fair value of available-for-sale investments are recognized directly in equity, under Fair value reserve, included in Reserves and retained 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 recognized 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 income statement for the period.

b) <u>Accounts receivable</u>

Receivables are stated at net realizable 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 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 the date of retirement (age 65) will pay an equivalent of 24 months salary. 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 the "Fidelidade" insurance company.

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.

In 2007, Agloma – Soc.Ind.de Madeiras Aglomeradas,S.A was included in the Special Group Tax Regime that also includes the following companies: Euroresinas – Indústrias Quimicas,S.A., Sonae Indústria de Revestimentos,S.A., Ecociclo – Energia e Ambiente,S.A., Maiequipa – Gestão Florestal,S.A., Resoflex – Mobiliário e Equipamento de Gestão,S.A., Movelpartes – Componentes para a Industria de Mobiliário,S.A. and Sonae Serviços de Gestão,S.A.

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.

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 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 2007 and 31 December 2006, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

Jun-07

	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress	Total
Gross Value								
Opening Balance		38.299			126.461			164.760
Mergers								
Acquisitions							3.899	3.899
Disposals								
Transfers		1.359			2.540		-3.899	
Variações cambiais								
Closing Balance		39.658			129.001			168.658
Accumulated Depreciations & Imparment Losses								
Opening Balance		14.326			114.370			128.696
Mergers								
Depreciations		4.863			3.392			8.255
Disposals								
Transfers								
Variações câmbiais								
Closing Balance		19.189			117.762			136.950
Net Value		20.469			11.239			31.708

Dec-06

	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress	Total
Gross Value								
Opening Balance		29.923			130.459			160.382
Mergers								0
Acquisitions							10.256	10.256
Disposals					3.998		1.880	5.878
Transfers		8.376					-8.376	0
Closing Balance		38.299			126.461			164.759
Accumulated Depreciations & Imparment Losses								
Opening Balance		5.928			107.355			113.283
Mergers								0
Depreciations		8.398			11.013			19.411
Disposals					3.998			3.998
Transfers								0
Closing Balance		14.326			114.370			128.695
Net Value		23.973			12.091			36.064

4. Intangible Assets

During the period ended 30 June 2007 and 31 December 2006, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	Jun-07					
	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 & Imparment Losses						
Opening Balance	33 168					33 168
Mergers						
Depreciations	6 219					6 219
Disposals						
Transfers						
Variações câmbiais						
Closing Balance	39 387					39 387
Net Value	22.800	-	-	-	-	22.800

	Dec-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						
Closing Balance	62 187					62 187
Accumulated Depreciations & Imparment Losses						
Opening Balance	20 730					20 730
Mergers						
Depreciations	12 438					12 438
Disposals						
Transfers						
Closing Balance	33 168					33 168
Net Value	29.019	-	-	-	-	29.019

5. Investments

At 30 June 2007 and 31 December 2006, detail of investments was as follows:

	30.06.2007		31.12.2006	
	Non Current	Current	Non Current	Current
Investment Group Companies				
Opening Balnace	634.824.394		754.797.511	
Acquisition	56.047.785		156.753	
Disposal	(9.976)		(120.129.870)	
Others	(42.478.805)			
Closing Balance	648.383.398		634.824.394	
Accumulated Imparement Losses	(11.500.469)		(11.500.469)	
	636.882.929		623.323.924	
Available-For-Sale Investments				
Opening Balnace	17.922		17.922	
Acquisition	100.000		-	
Disposal	-		-	
Merger (Nota 2.1)	-			
Closing Balance	117.922		17.922	
	637.000.850		623.341.846	

The amount recognised as disposal of Investments in Group Companies relates to:

Liquidation of Sonae Espanha amounting to 9.976 euros.

The amount recognised as “Others“ relates to a reduction in the share capital of the following companies:

Agloma – Soc.Ind.de Madeira Aglomerada,S.A. reduced share capital, the number of shares attributed to Sonae Indústria, SGPS, SA being 4.981.690 (5 euros each) and amounting to 24.908.450 euros;

Sonae Industria – Produção e Comercialização de Derivados de Madeira,S.A. reduced share capital, the number of shares attributed to Sonae Indústria, SGPS, SA being 168.660 shares (5 euros each) and amounting to 843.300 euros;

Siaf Imobiliária,S.A. reduced share capital, the number of shares attributed to Sonae Indústria, SGPS, SA being 998 shares (5 euros each) and amounting to 4.990 euros;

Sonae Industria de Revestimentos,S.A. reduced share capital, the number of shares attributed to Sonae Indústria, SGPS, SA being 3.364.413 shares (5 euros each) and amounting to 16.822.065 euros.

The amount recognised during the period as acquisition under Investments in Group Companies relates to:

An increase in investment recorded in June 2007 to offset losses in Ipaper – Industria de Papeis Impregnados,S.A.;

Acquisition of 130.000 shares of Imoplamac – Gestão de Imóveis,S.A. amounting to 6.000.000 euros:

A call option on 5.100 shares of Ipaper – Industria de Papeis Impregnados,S.A. which was exercised;

Acquisition in Madrid´s stock market of 32.482.393 Tafisa – Tableros de Fibras,S.A.´S shares amounting to 50.022.885 euros;

Subscription of 20.000 of participation in INEGI units, 5 euros each.

On 30 June 2007, Sonae Industria,SGPS had the following holdings in Group and Associated Companies:

Company	% Share	Acquisition Value	Shareholder´s Funds Jun-07	Net Profit Jun-07
Euroresinas - Industrias Quimicas, S.A.	100,00%	5.204.481	6.563.648	368.315
Ipaper . Produção de Papeis Impregnados,S.A.	100,00%	634.044	-366.847	86.218
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	824.251	74.503
Movelpartes - Componentes para Industria do Mobiliário,S.A.	100,00%	4.437.198	5.661.706	89.037
Resoflex - Mobiliário e Equipamento de Gestão,S.A.	100,00%	3.742.915	1.930.905	-81.172
Sonae Industria de Revestimentos,S.A.	99,98%	21.726.867	12.452.067	580.143
Imoplamac - Gestão de Imóveis,S.A.	100,00%	6.000.000	5.062.639	268.669
Sonae Industria Brasil	100,00%	490.252	255.824	-350
Sonae Serviços de Gestão,S.A.	100,00%	2.000.000	3.249.141	201.907
Sonaegest	20,00%	159.615	1.508.777	111.538
Taiber	0,02%	25.142	5.159.769	-4.745.239
Tafisa - Tableros de Fibras,S.A.	98,42%	564.960.546	194.462.052	-2.084.006
Ecociclo - Gestão Ambiental,S.A.	100,00%	631.267	1.211.199	215.733
Somit Imobiliária,S.A.	0,02%	5.000	58.516.353	5.210.145
Sonae Industria - Produção e Comercialização de Derivados de Madeira,S.A.	2,81%	3.025.625	72.276.268	11.927.172
Siaf Energia, S.A.	0,20%	5.000	7.051.974	348.987
Siaf Imobiliária,S.A.	0,02%	10	7.310.217	573.006
Agloma - Soc.Ind.Madeira Aglomerada,S.A.	100,00%	31.896.550	22.809.588	682.866

a) The values recorded for the holdings in Agloma, Resoflex and Sonae Industria Brasil were higher than their recoverable value, therefore the company recognized impairment charges on the prior year's balance sheet under the heading Investments in associated companies.

6. Other Non Current Assets

The detail of Other Non Current Assets at June 30, 2007 and December 31, 2006, was as follows:

	30.06.07	31.12.06
Loans Granted To Group Companies (Nota 19)	926 962 881	988 969 071
Other Loans Granted	0	0
Tax Recoverable	0	0
Other Non- Current Assets	0	0
	926 962 881	988 969 071
Accumulated Imparment Losses (Nota 16)	0	400 905
	926 962 881	988 568 166

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 5.057%.

7. Trade and Other Current Debtors

At 30 June 2007 and 31 December 2006, the details of Current Trade Debtors were as follows:

	30.06.07	31.12.06
Current Accounts	273 208	776 381
Bills Receivable	0	0
Doubtful Debtors	0	0
	273 208	776 381
Accumulated Imparment Losses	0	0
	273 208	776 381

At 30 June 2007 and 31 December 2006, the details of Other Current Trade Debtors were as follows:

	30.06.07	31.12.06
State & Other Public Entities		
Income Tax	1 023 348	960 725
Value Added Tax	232 900	173 452
Social Security Contribuitions		
Others		
	1 256 248	1 134 177
Other Debtors	43.847.685	379.419

8. Other Current Assets

The detail of Other Current Assets at 30 June 2007 and 31 December 2006 was the following:

	30.06.07	31.12.06
Accrued Revenue	24 805 209	137 696
Deferred Costs	12 196	6 507
	24 817 406	144 204
Accumulated Imparment Losses	0	0
	24 817 406	144 204

"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 2007 and 31 December 2006 the detail of Cash and cash equivalents was the following:

	30.06.07	31.12.06
Cash at Hand	1 244	957
Deposits	403 801	61 318 245
Treasury Apllications	43 875 734	36 452 086
Cash & Cash Equivalents - Balance Sheet	44 280 779	97 771 288
Bank Overdrafts	0	0
Cash & Cash Equivalents - Cash Flows Statement	44 280 779	97 771 288

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 are composed of a bank application, 600.000 euros maturing on 17 July and a Cash Reserve of 15,760,513 euros related to the Group Securitization programme, maturing on 6 July, and of various financial operations with Group companies amounting to 27,515,221 euros.

10. Share Capital

On June 30, 2007, 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 entity had more than 20% of the subscribed capital on 31 December 2006:

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

11. Loans

At 30 June 2007 and 31 December 2006 Sonae Industria, SGPS, S.A had the following outstanding loans:

	30.06.07				31.12.06			
	Reductions/Repayments		Nominal Value		Reductions/Repayments		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank Loans	6 250 000	18 750 000	6 250 000	18 750 000	6 250 000	21 875 000	6 250 000	21 875 000
Debentures	100 000 000	430 802 929		535 000 000		530 273 929		535 000 000
Obligations Under Finance Leases								
Other Loans					60 950 000		60 950 000	
Bank Overdrafts								
Hedge Derivatives								
Gross Debt	106 250 000	449 552 929	6 250 000	553 750 000	67 200 000	552 148 929	67 200 000	556 875 000
Investments								
Cash & Cash Equivalents - Balnace Sheet	44 280 779		44 280 779		97 771 288		97 771 288	
Net Debt	61 969 221	449 552 929	- 38 030 779	553 750 000	- 30 571 288	552 148 929	- 30 571 288	556 875 000
Total Net Debt	511 522 150		515 719 221		521 577 641		526 303 712	

The loans have the following repayment schedule:

	30.06.07	31.12.06
2007	3 125 000	67 200 000
2008	106 250 000	106 250 000
2009	86 250 000	86 250 000
2010	156 250 000	156 250 000
After 2010	208 125 000	208 125 000
	560 000 000	624 075 000

On June 30, 2007, 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 basis points 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 6 months plus 87.5 basis points, 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 6 months plus 100 basis points, 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 6 months plus 110 basis points, 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 30 June 2007, the principal outstanding was 25,000,000 euros;

f) Sonae Indústria 2006/2014 50,000,000 euros Bond issued on 28 March 2006, to be repaid in one payment at maturity in 8 years. Interest is calculated on EURIBOR 6 months plus 87.5 basis points 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 2007, the balance was keep at zero. Interest is calculated at the Euribor rate that matches the maturity of the issue.

h) Sonae Indústria 2006/2013 50,000,000 euros Bond issued on 3 July 2006, to be repaid in one payment at maturity in 7 years. The company has the option of total or partial repayment (by reduction of nominal value of bonds) from July 2011. Interest is calculated on EURIBOR 6 months plus 86 basis points and will be paid twice a year on 3 January and 3 July;

i) Sonae Indústria 2006/2014 (second issue) 50,000,000 euros Bond issued on 2 August 2006, to be repaid in one payment at maturity in 8 years. Interest is calculated on EURIBOR 6 months plus 88 basis points and will be paid twice a year on 2 February and 2 August;

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, without taking into account salary growth, amounted to 309,452 euros and the market value of the fund is 109,274 euros. The company had a provision of 200,178 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 88/90

13. Trade Creditors

At 30 June 2007 and 31 December 2006 all amounts recorded under this item resulted from normal operations.

14. Other Creditors

On 30 June 2007 and 31 December 2006 the detail of this item was as follows:

	30.06.07	31.12.06
State & Other Public Entities		
Income Tax	51 506	545 251
Social Security Contributions	32 268	26 463
Others	15	50
	83 790	571 764
Other Creditors		
Loans From Group Companies (Nota 19)	128 844 011	114 894 000
Fixed Assets Supliers		47
Others	14 805	242 006
	128.858.817	115.136.053

15. Other Current Liabilities

On 30 June 2007 and 31 December 2006 this item had the following detail:

	30.06.07	31.12.06
Accrued Costs		
Insurance	240	4 913
Holidays	302 447	235 673
Native	41 530	
Bonus	162 526	430 590
Interests	9 148 102	6 377 259
External Suplies & Services	61 888	6 500
	9 716 734	7 054 935

16. Provisions & Accumulated Impairment Losses

The changes in provisions and accumulated impairment losses during the period ended in June, 2007 were the following:

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Imparment Losses on Investments (Nota 5)	11 500 469	0	0	0	11 500 469
Accumulated Imparment Losses on Other Non Current Assets (Nota 6)	400 905	0	400 905	0	0
	11 901 374	0	400 905	0	11 500 469

Impairment losses are offset against the corresponding asset.

17. Contingent Assets & Liabilities

	30.06.07	31.12.06
Granted Guarantees:		
Fiscal Processes in Course	197.690	357.258
Lawsuits in Course		
Loans - BEI	117.487.238	117.493.745
Loans - ABN	2.639.832	2.529.655
Others - Siempelkamp	1.250.000	1.250.000
	121.574.760	121.630.658

The company, together with its affiliates, Isoroy and Glunz, signed financing contracts with the European Investment Bank and ABN which are fully covered by bank guarantees corresponding to the total amount of the facility.

18. Operational Leases

During first semester 2007, 57 185 euros were recorded as a cost on the profit and loss statement relating to operational lease payments. During first semester 2006, operational lease payments amounted to 30 417 euros..

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

	30.06.07	31.12.06
2006		28.448
2007	67.494	47.925
2008	118.287	34.638
2009	94.898	14.750
2010	73.530	
2011	23.539	
2012		
After 2012		
	377.748	125.761

19. <u>Related Parties</u>

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

Transactions	Sales & Services Rendered		Purchases & Acquired Services		Interest Income		Interest Expenses	
	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06
Parent Company & Group Companies	**1 399 828**	**1 354 449**	**134 627**	**367 221**	**24 594 082**	**16 358 783**	**2 321 506**	**1 964 090**
- Agloma	818	921					921 041	747 985
- Agloma Investimentos							62 301	
- Ecociclo	4 122	5 169			45 881	47 360		
- Euroresinas	4 300	7 200			639 882	412 611		
- Glunz	298 540	276 639						
- Implamac	1 636	1 842		11 292	61 390			
- SInd-pcdm	174 965	214 345	56 192	39 215	739 929	101 417		532
- Isoroy	217 439	226 694						
- Ipaper	4 091	4 605			75 707			
- Maiequipa	1 636	2 036			29 078	25 066		
- Movelpartes	1 731	2 757					26 581	11 496
- Resoflex	1 364	4 649					20 247	10 740
- Siaf Imobiliária	1 636	1 842					327 335	193 006
- Siaf Energia	1 000	1 159			126 552	107 154	311	
- Sonae Industria Revestimentos	10 708	5 315	3 236	104 902			321 503	317 217
- Somit	818	921						
- Somit Imobiliária	818	921					618 148	180 002
- Sonae Uk	102 762	77 773	4 682	188 895				
- Spanboard		16 750						
- Sonae Serviços de Gestão	3 927	2 062	27 501	22 294		193	24 038	881
- Sonae Tafisa Benelux		4 051						
- Tafisa Canadá	199 272	166 222						
- Tafisa Espanha	188 996	237 928	43 016	47				
- Tafisa South Africa	179 248	92 064		575				
- Tavapan		583						
- Taiber					22 875 663	15 664 980		

Balance	Accounts Receivable		Accounts Payable		Loans			
					Obtained		Granted	
	30.06.07	31.12.06	30.06.07	31.12.06	30.06.07	31.12.06	30.06.07	31.12.06
Parent Company & Group Companies	**273 208**	**776 382**	**159 759**	**207 873**	**128 844 011**	**114 894 000**	**926 962 881**	**988 969 071**
- Agloma	165	186			46 766 810	47 951 000		
- Agloma Investimentos					8 535 057			
- Ecociclo	825	1 043					299 892	312 486
- Euroresinas	825	14 302					20 283 717	20 934 190
- Sonae Espanha								400 905
- Glunz	49 759	158 736						
- Implamac	330	371						
- SInd-pcdm	34 712	109 615		21 353			18 000 000	18 031 073
- Isoroy	36 240	137 508						
- Ipaper	825	1 940						100 000
- Maiequipa	330	411					831 617	846 406
- Movelpartes	330	2 698			1 630 000	1 403 000		
- Resoflex		929			1 147 000	918 000		
- Sc - Consultadoria				2 702				
- Siaf Imobiliária	330	743			17 097 000	16 658 000		
- Siaf Energia	199	234			272 000		4 000 000	4 006 905
- Sonae Industria Revestimentos	2 294	4 879	1 186	1 260	17 011 596	16 708 000		
- Socelpac								
- Somit	165	186						
- Somit Imobiliária	165	186			34 850 548	30 067 000		
- Solinca			2 523	49 284				
- Sonae ,sgps			65 674	90 647				
- Sonae Uk	17 127	49 156	4 675	3 155				
- Spanboard		2 792		4 220				
- Sonae Serviços de Gestão	792	416	5 546	4 496	1 534 000	1 189 000		
- Tafisa Benelux		675						
- Tafisa Canadá	66 424	113 002						
- Tafisa Espanha	31 497	112 645	42 564	140				
- Tafisa South Africa	29 875	53 011		483				
- Taiber			603				883 547 654	944 337 106
- Tradema		10 621						
- Tavapan		97						
- Novis			1 271	491				
- Optimus			3 711	2 182				
- Box Lines				3 442				
- MDS				109				
- Praedium III			3 014					
- MCH				5 019				
- Equador			28 994	23 909				

20. Services Rendered

The detail for Services Rendered is presented below:

Services Rendered	30.06.07	30.06.06
Internal Cmmunication	149.878	175.560
Consolidation & Management Control	8.422	56.862
Legal	69.664	82.896
Administration	676.712	627.414
Engineering	236.763	136.475
Others	258.389	275.242
TOTAL	**1.399.828**	**1. 354.449**

21. Other Operational Costs

	30.06.07	30.06.06
Taxes	60,662	55,910
Others	43,104	48,373
	103,765	104,283

22. Financial Results

	30.06.07	30.06.06
Financial Expenses:		
Interest Expenses	16 766 664	10 184 167
Exchange Losses	505	2 891
Others	312 397	311 113
Financial Results	8 795 466	6 075 995
	17 079 566	10 498 171
Financial Revenues		
Interest Income	25 874 778	16 571 451
Exchange Gains	254	2 715
	25.875.032	16.574.166

23. Gains on Investments

The company received dividends of 5,403,768 euros from the following companies:

Agloma – Soc.Ind.Madeira Aglomerada,S.A.	1 068 190	€
Sonae Industria de Revestimentos,S.A.	784 404	€
Sonae Industria – Produção e Comercialização Derivados Madeira,S.A.	323 488	€
Imoplamac – Gestão de Imóveis,S.A.	1 465 724	€
Maiequipa – Gestão Florestal,S.A.	115 908	€
Euroresinas – Industrias Químicas,S.A.	1 646 054	€

Furthermore, the company recognised a gain amounting to 390 929 euros for the liquidation of Sonae España, S. A.-

24. Income Taxation

The income and deferred taxation recorded at 30 June 2007 and 2006 were:

	30.06.07	30.06.06
Income Tax	660.598	(6.335)
Deferred Tax	6.200.000	-
	6.860.598	(6.335)

The income taxation represents the tax savings from the tax perimeter of 678 614 euros.
A deferred tax asset related to tax losses carried forward, amounting to 6 200 000 euros, has been recognised as a result of expected taxable net profits to occur over future periods.

25. Earnings Per Share

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

	30.06.07	30.06.06
Net Profit		
Net Profit Considered for Basic EPS Calculation (Periodic Net Profit)	20 021 957	26 780 351
Net Profit Considered for Diluted EPS Calculation	20 021 957	26 780 351
Number of Shares		
Weighted Average Number of Shares for Basic EPS Calculation	140 000 000	140 000 000
Weighted Average Number of Shares for Diluted EPS Calculation	140 000 000	140 000 000
Net Profit Per Share	0,142	0,191

During 1H07, no effect from discontinued operations was recorded.

26. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 28 August 2007.

APPENDIX REGARDING ARTICLE 447 OF THE COMPANY LAW

	date	Acquisitions amount	Acquisitions average value	Sales amount	Sales average value	Balance at 30.06.2007 amount
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49,999,997
Sonae Indústria, SGPS, SA						1,010
Carlos Bianchi de Aguiar						
Sonae Indústria, SGPS, SA						720
Rui Manuel Gonçalves Correia						
Sonae Indústria, SGPS, SA						5,000
Tableros de Fibras, SA						
Sales	18.05.2007			100	1.54	0
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (5)						150,000
Migracom,SGPS,SA(6)						49,996
Sonae Indústria, SGPS,SA						40,172
Sales	29.05.2007			39,949	9.8	223
Agostinho Conceição Guedes						
Sonae Indústria, SGPS,SA						2,520

	date	Acquisitions amount	Acquisitions average value	Sales amount	Sales average value	Balance at 30.06.2007 amount
(1) Efanor Investimentos, SGPS, SA						
Sonae Indústria - SGPS, SA						44,674,706
Pareuro, BV **(2)**						20,000
Sonae-SGPS, SA **(3)**						658,804,410
(2) Pareuro, BV						
Sonae, SGPS, SA						400,000,000
Sonae Indústria, SGPS, SA						27,118,645
(3) Sonae-SGPS, SA						
Sonae Capital-SGPS, SA **(4)**						391,046,000
(4) Sonae Capital-SGPS, SA						
Sonae Indústria, SGPS, SA						9,521,815
(5) Imparfin, SGPS, SA						
Sonae, SGPS, SA						4,105,273
Sonae Indústria, SGPS, SA						278,324
(6) Migracom,SGPS,SA						
Sonae,SGPS, SA						740,992
Acquisition	22.05.2007	593,616	2.03			
Acquisition	01.06.2007	147,376	2.17			
Sonae Indústria, SGPS, SA						39,949
Acquisition	20.05.2007	39,949	9.80			

QUALIFIED SHAREHOLDINGS

Complying with Article 8, no. 1, e) of the CMVM Regulation no. 04/2004

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, S.A.	44,674,706	31.9105%	31.9105%
Pareuro, BV	27,118,645	19.3705%	19.3705%
Sonae Capital, SGPS, SA	9,521,815	6.8013%	6.8013%
Maria Margarida CarvalhaisTeixeira de Azevedo	1,010	0.0007%	0.0007%
Nuno Miguel Teixeira de Azevedo	969	0.0007%	0.0007%
Duarte Paulo Teixeira de Azevedo	40,172	0.0286%	0.0286%
Maria Claudia Teixeira de Azevedo	23,186	0.0165%	0.0165%
Total allocation	81,380,503	58.1288%	58.1288%

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007 AND AT 31 DECEMBER 2006

(Amounts expressed in Euros)

		IFRS	
ASSETS	Notes	30.06.07	31.12.06
NON CURRENT ASSETS:			
Tangible assets	11	1 321 047 819	1 234 559 373
Goodwill	9, 14	94 934 805	51 105 176
Intangible assets	12	3 366 549	510 166
Investment properties	13	8 340 360	8 410 688
Associated undertakings and non consolidated undertaking	10	3 427 792	2 985 727
Investment available for sale	10	1 599 694	1 409 864
Deferred tax asset	15	62 246 106	60 007 308
Other non current assets	16	1 111 314	1 284 956
Total non current assets		1 496 074 439	1 360 273 258
CURRENT ASSETS:			
Inventories	17	243 967 518	213 971 609
Trade debtors	18	373 648 679	290 208 628
Other current debtors	19	14 752 246	23 056 810
State and other public entities	21	21 781 578	18 785 614
Other current assets	20	34 476 375	55 603 220
Investments	10		4 769 781
Cash and cash equivalents	22	52 606 147	189 289 129
Total current assets		741 232 543	795 684 791
TOTAL ASSETS		2 237 306 982	2 155 958 049
SHAREHOLDERS' FUNDS, MINORITY INTERESTS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	23	700 000 000	700 000 000
Legal Reserve		1 340 138	59 994
Reserves and retained earnings		- 179 961 108	- 212 328 870
Net profit (loss) for the period - Group		44 917 057	32 311 969
Total shareholders' funds		566 296 087	520 043 093
Minority interests	24	23 989 584	28 100 792
TOTAL SHAREHOLDERS' FUNDS		590 285 671	548 143 885
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term bank loans - net of short-term portion	25	145 585 268	134 085 215
Non convertible debentures	25	430 802 929	530 273 929
Long term Finance Lease Creditors - net of short-term portion	25	53 395 594	41 897 417
Other loans	25	131 333 404	95 856 073
Liabilities for post-employment benefits	28	24 990 755	24 984 515
Other non current liabilities	27	122 004 941	111 284 832
Deferred tax liabilities	15	69 096 172	57 635 679
Provisions	31	39 672 415	35 380 272
Total non current liabilities		1 016 881 478	1 031 397 932
CURRENT LIABILITIES:			
Short term portion of long term bank loans	25	35 611 689	39 959 384
Short term bank loans	25	16 739 711	97 996 052
Short term portion of long term non convertible debentures	25	100 000 000	
Short term portion of Finance Lease Creditors	25	2 527 888	2 483 759
Other loans	25	403 969	411 087
Trade creditors		269 293 553	258 824 535
Taxes and Other Contributions Payable	29	31 741 955	27 741 983
Other current liabilities	30	167 376 834	141 969 877
Provisions	31	6 444 234	7 029 555
Total current liabilities		630 139 833	576 416 232
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2 237 306 982	2 155 958 049

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 2007 AND 2006

(Amounts expressed in Euros)

		IFRS	
	Notes	30.06.07	30.06.06
Operating revenues			
Sales	37	1 072 079 471	770 950 005
Services rendered	37	5 399 573	2 624 929
Negative goodwill	9	259 694	
Other operating revenues	34	49 233 544	38 135 545
Total operating revenues		1 126 972 282	811 710 479
Operating costs			
Cost of sales		549 585 876	381 077 200
(Increase) / decrease in production		- 3 822 521	870 443
External supplies and services		268 818 317	209 432 492
Staff expenses		142 514 393	105 303 082
Depreciation and amortisation	11, 12	57 380 936	49 541 041
Provisions and impairment losses	10, 11, 31	6 543 770	5 232 675
Other operating costs	35	8 957 359	12 987 057
Total operating costs		1 029 978 130	764 443 990
Operational profit / (loss)		96 994 152	47 266 489
Financial profits	36	30 116 251	15 792 700
Financial costs	36	69 229 879	48 361 179
Gains and losses in associated companies		156 205	192 391
Gains and losses in investments		81 075	71 956
Current profit / (loss)		58 117 804	14 962 357
Taxation	37	10 548 132	6 928 516
Consolidated net profit / (loss) afer taxation		47 569 672	8 033 841
Profit / (loss) after taxation from descontinued operations		-	-
Consolidated net profit / (loss) for the period		47 569 672	8 033 841
Attributable to:			
Equity Holders of Sonae Industria		44 917 057	8 627 569
Minority Interests		2 652 615	- 593 728
Profit/(Loss) per share			
Excluding discontinued operations:			
Basic	38	0.3208	0.0616
Diluted	38	0.3208	0.0616
From discontinued operations:			
Basic	38	-	-
Diluted	38	-	-

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 2007 AND 2006

(Amounts expressed in Euros)

		Attributable to Equity Holders of Sonae Indústria					
	Notes	Share Capital	Reserves and retained earnings	Net Profit/(Loss)	Total	Minority Interests	Total Equity
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
Acquisition and disposals of affiliated undertakings						- 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 at 30 June 2006		700 000 000	- 207 419 755	8 627 569	501 207 814	25 774 753	526 982 567
Balance as at 1 January 2007		700 000 000	-212 268 876	32 311 969	520 043 093	28 100 792	548 143 885
Appropriation of consolidated result of 2006:							
Transfer to legal reserves and retained earnings			32 311 969	-32 311 969			
Changes in conversion reserves			5 619 985		5 619 985	1 962 223	7 582 208
Aquisição de partes de capital						-6 597 724	-6 597 724
Consolidated Profit/(Loss) for the period ended at 30 June 2007				44 917 057	44 917 057	2 652 615	47 569 672
Others			-4 284 048		-4 284 048	-2 128 322	-6 412 370
Balance as 30 June 2007		700 000 000	- 178 620 970	44 917 057	566 296 087	23 989 584	590 285 671

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 2007 AND 2006

(Amounts expressed in Euros)

	Notes	30.06.07	30.06.06
OPERATING ACTIVITIES			
Net cash flow from operating activities (1)		59 064 778	52 486 322
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments		27 901 190	33 650 360
Tangible and intangible assets		3 428 862	266 865
Others		3 756 017	4 897 662
		35 086 069	38 814 887
Cash Payments arising from:			
Investments		86 587 023	49 346 238
Tangible and intangible assets		84 705 753	39 425 987
Loans granted		284	333 747
		171 293 060	89 105 972
Net cash used in investment activities (2)		- 136 206 991	- 50 291 085
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		35 211 469	104 378 923
Others		20 296 527	
		55 507 996	104 378 923
Cash Payments arising from:			
Loans obtained		100 049 960	33 120 635
Interest and similar charges		24 660 251	20 495 990
Finance leases - repayment of principal		1 804 177	2 061 446
		126 514 388	55 678 071
Net cash used in financing activities (3)		- 71 006 392	48 700 852
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		- 148 148 605	50 896 089
Effect of foreign exchange rate		- 72 967	3 905 854
Cash and cash equivalents at the beginning of the period	22	188 716 342	116 475 852
Cash and cash equivalents at the end of the period	22	40 640 704	163 466 087

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 2007

(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 39.

2. MAIN ACCOUNTING POLICIES

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

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with IAS 34 – Interim Financial Reporting, effective 1 January 2007.

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) <u>Investments in Group companies</u>

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.d and 14)). 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) Financial Investments in jointly owned companies

Financial investments in joint ventures (companies that the Group holds together with third parties and in which joint control is established in a shareholders' agreement) are accounted for through the proportionate consolidation method, as from the date the joint control is acquired or established. Under this method, the assets, liabilities, profits and losses of these companies are incorporated proportionately to the control attributable and line by line, in the Group's financial statements in appendix.

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the joint-venture at the time of acquisition is recorded as goodwill (Note 2.2.d). If the difference between the acquisition cost and the fair value of the assets at the time of acquisition is negative, it is recognized as income in the period.

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

Joint-venture companies are detailed in note 6.

c) Investments in associated companies

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

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

Any excess of the 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.d). 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 7.

d) <u>Goodwill</u>

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 14). 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 cannot 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.

e) <u>Translation of financial statements of foreign companies</u>

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:

	30.06.07		31.12.06	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.6740	0.6745	0.6715	0.6816
Brazilian Real	2.6024	2.7170	2.8118	2.7279
South African Rand	9.5529	9.5265	9.2123	8.4381
Canadian Dollar	1.4245	1.5066	1.5281	1.4227
American Dollar	1.3505	1.3287	1.3170	1.2544
Swiss Franc	1.6553	1.6316	1.6069	1.5727
Polish Zloty	3.7678	3.8435	3.8310	3.8942

Source: Bloomberg

2.3. Tangible assets

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

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

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. Inventories

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

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

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

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

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) <u>Accounts receivable</u>

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) <u>Classification as equity or liability</u>

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

d) <u>Loans</u>

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) <u>Trade accounts payable</u>

Accounts payable are stated at their nominal value.

f) <u>Derivatives</u>

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. Post-employment benefits

As referred to in Note 28, some of the Group companies are committed to provide benefits to their employees when they get retired. These commitments are considered as defined benefit plans, and autonomous pension funds have been established to this effect:

In order to estimate its obligations, the Group obtains, annually, actuarial valuations according to the “Projected Unit Credit Method”. 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 39.

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, for a period of up to 18 months.

As a result, consolidated financial statements include, as from the occurance date, an accumulated impairment loss corresponding to the net value of the assets destroyed of 38 115 481 euros, the corresponding indemnity amounting to 38 115 481 euros and an indemnity relating to operating losses incurred for a total accumulated amount of 42 501 206 euros.

The estimated indemnity for destroyed assets was not altered during first half 2007 as a reliable calculation of the amount receivable was not available.

The estimate of operating losses recognised in 2006 and first half 2007 (note 34) was calculated by the Company in accordance with the terms of the insurance policy which state whereby the value should take into account the gross profit margin and turnover generated in the previous year, adjusted for underlying business trends. The calculation is based on all available data at the time these accounts were finalized. This estimate will only be confirmed at the end of the indemnity period covered by the insurance policy and once a final agreement has been reached between the Company and the insurance companies.

At 30 June 2007 the insurance companies had made advance payments amounting to 77 131 360 euros for assets and operating losses. Payments amounting to 14 759 983 (note 20) were still pending.

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 2007 and 31 December 2006 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			30.06.07		31.12.06		
			Direct	Total	Direct	Total	
	Agepan Eiweiler Management GmbH	Eiweiler (Germany)	100,00%	98,42%	100,00%	91,16%	a)
	Agepan Flooring Products, SARL	Luxembourg	100,00%	98,42%	100,00%	91,16%	a)
1)	Agloma Investimentos, SGPS, SA	Maia (Portugal)	100,00%	98,47%			a)
	Agloma - Sociedade Industrial de Madeira Aglomerada, S.A.	Oliveira do Hospital (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
2)	Aserraderos de Cuellar, SA	Madrid (Spain)	100,00%	98,47%			a)
	Cia. De Industrias y Negocios, S.A.	Madrid (Spain)	100,00%	98,42%	100,00%	91,16%	a)
	Darbo SAS	Linxe (France)	100,00%	98,42%	100,00%	91,16%	a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Ecociclo II – Energias, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Euro Decorative Boards Ltd.	Knowsley (United Kingdom)	100,00%	98,42%	100,00%	91,16%	a)
	Euromegantic Lteé	Lac Mégantic (Canada)	100,00%	98,42%	100,00%	91,16%	a)
	Euroresinas - Indústrias Quimicas, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	GHP, GmbH	Meppen (Germany)	100,00%	98,42%	100,00%	91,16%	a)
	Glunz AG	Meppen (Germany)	100,00%	98,42%	100,00%	91,16%	a)
	Glunz Service GmbH	Hamm (Germany)	100,00%	98,42%	100,00%	91,16%	a)
	Glunz UK Holdings, Ltd.	London (United Kingdom)	100,00%	98,42%	100,00%	91,16%	a)
	Glunz UkA GmbH	Hamm (Germany)	100,00%	98,42%	100,00%	91,16%	a)
	Hornitex Polska	Poznan (Poland)	100,00%	98,42%	100,00%	91,16%	a)
3)	Imoplamac – Gestão de imóveis, S.A.	Maia (Portugal)	100,00%	100,00%			a)
4)	Ipaper – Indústria de Papeis Impregnados, S.A.	Maia (Portugal)	100,00%	100,00%			a)
	Isoroy, SAS	Boulogne (France)	100,00%	98,42%	100,00%	91,16%	a)
	Maiequipa - Gestão Florestal, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Megantic B.V.	Amsterdam (The Netherlands)	100,00%	98,42%	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 Deustchland	Hamm (Germany)	100,00%	98,42%	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%	98,42%	100,00%	91,16%	a)
	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	100,00%	98,42%	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%	98,42%	100,00%	91,16%	a)
	Siaf – Soc. de Iniciativa e Aproveitamentos Florestais, S.A.	Mangualde (Portugal)	100,00%	98,42%	100,00%	91,16%	a)
	Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100,00%	98,42%	100,00%	91,16%	a)
	Société Industrielle et Financière Isoroy	Rungis (France)	100,00%	98,42%	100,00%	91,16%	a)
	Somit – Imobiliária, S.A.	Oliveira do Hospital (Portugal)	100,00%	99,42%	100,00%	91,16%	a)
5)	Somit – Soc. De Madeiras Industrializadas e Transform., S.A.	Oliveira do Hospital (Portugal)	100,00%	98,47%			a)
	Sonae – Serviços de Gestão, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
6)	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%	98,47%	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	Woodnead (South Africa)	100,00%	98,42%	100,00%	91,16%	a)
	Sonae Tafibra (UK) Ltd	Knowsley (United Kingdom)	100,00%	98,42%	100,00%	91,16%	a)
	Sonae Tafibra Benelux, B. V.	Woerden (The Netherlands)	100,00%	98,42%	100,00%	91,16%	a)
	Sonae UK, Limited	Knowsley (United Kingdom)	100,00%	98,42%	100,00%	91,16%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100,00%	98,42%	100,00%	91,16%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	98,42%	98,42%	91,16%	91,16%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100,00%	98,42%	100,00%	91,16%	a)
	Tafiber, Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100,00%	98,42%	100,00%	91,16%	a)
	Tafibra South Africa, Limited	South Africa	100,00%	98,42%	100,00%	91,16%	a)
	Tafibras, S.A.	Curitiba (Brazil)	54,32%	53,47%	54,32%	49,55%	a)
	Tafisa Brasil, S.A.	Curitiba (Brazil)	100,00%	62,01%	100,00%	57,46%	a)
	Tafisa Canadá Societé en Commandite	Lac Mégantic (Canadá)	99,99%	98,42%	99,99%	91,16%	a)
	Tafisa France S.A.S.	Rungis (France)	100,00%	98,42%	100,00%	91,16%	a)
	Tafisa U.K.Ltd.	Knowsley (United Kingdom)	100,00%	98,42%	100,00%	91,16%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100,00%	98,42%	100,00%	91,16%	a)
	Tavapan, SA	Tavannes (Switzerland)	100,00%	98,42%	100,00%	90,36%	a)
	Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100,00%	98,42%	100,00%	91,16%	a)
	Tool, GmbH	Meppen (Germany)	100,00%	98,42%	100,00%	90,36%	a)

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

a) Majority of voting rights.

1) Company acquired 24 April 2007;

2) Company acquired 24 April 2007;

3) Company acquired 1 January 2007;

4) Acquisition of shares representing 51% of the share capital, corresponding to the total amount of shares owned by third parties until then.;

5) Company acquired 24 April 2007;

6) Company liquidated 28 May 2007;

.

6. JOINT VENTURES

The joint ventures, their head offices, percentage of share capital held and balance sheet on 30 June 2007 and 31 December 2006 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		30.06.07		31.12.06	
		Direct	Total	Direct	Total
Agepan Tarkett Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50,00%	49.21%	50,00%	45.58%
Tarkett Agepan Laminate Flooring SCS	Luxembourg	50,00%	49.21%	50,00%	45.58%
Tecmasa, Reciclados de Andalucia, S. L.	Alcalá de Guadaira (Spain)	50,00%	49.21%	50,00%	45.58%

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

7. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 30 June 2007 and 31 December 2006 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
			30.06.2007		31.12.2006	
			Direct	Total	Direct	Total
1)	Ipaper - Indústria de Papéis Impregnados, S. A.	Maia (Portugal)			49,00%	49,00%
	Promodeco – Proj. Imobiliário Decoração e Constr., Lda.	Maia (Portugal)	27,60%	27,18%	27,60%	25,23%
	Serradora Boix	Barcelona (Spain)	31,25%	30.76%	31,25%	28,49%
	Sonaegest	Maia (Portugal)	20,00%	20,00%	20,00%	20,00%

1) Shares representing 51% of share capital which correspond to the total amount of shares owned by third parties until then were acquired 24 April 2007. As from this date, the company has been included in the consolidated financial statements by the full consolidation method.

Associated companies are recognised in the consolidated financial statements using the equity method, as referred in Note 2.2.c).

8. CHANGES TO THE CONSOLIDATION PERIMETER

Comparability of consolidated financial statements as at 30 June 2007, 31 December 2006 and 30 June 2007 is affected by the companies that were included and excluded in the consolidation perimeter during 2006 and first half 2007.

Companies included in 2006:

	Company	Head Office	Percentage of capital held at date of acquisition / incorporation	
			Direct	Total
1)	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100,00%	91,16%
2)	Agepan Flooring Products, SARL	Luxemburg	100,00%	91,16%
3)	Agepan Tarkett Laminate Park GmbH & Co. GK	Eiweiler (Germany)	50,00%	45,58%
4)	Darbo, SAS	Linxe (France)	100,00%	91,16%
5)	Ecociclo II – Energias, S. A.	Maia (Portugal)	100,00%	100,00%
6)	GHP, GmbH	Meppen (Germany)	100,00%	91,16%
7)	Hornitex Polska	Poznan (Poland)	100,00%	91,16%
8)	Tarkett Agepan Laminate Flooring SCS	Luxemburg	50,00%	45,58%
9)	Tecmasa, Reciclados de Andalucia, S. L.	Alcalá de Guadaira (Spain)	50,00%	45,58%

1) Company incorporated 6 September 2006;
2) Company incorporated 23 March 2006;
3) Company incorporated 6 September 2006;
4) Company acquired 14 September 2006;
5) Company incorporated 24 November 2006;
6) Company acquired 1 July 2006;
7) Company acquired 1 July 2006;
8) Company incorporated 5 July 2006;
9) Company incorporated 4 October 2006.

The inclusion of these companies in the consolidation perimeter during 2006 did not affect the comparability of the consolidated balance sheets at 30 June 2007 and 31 December 2006.

The comparability of the consolidated profit and loss statements at 30 June 2007 and 2006 was affected by the companies included in 2006. Due to the high degree of integration of these operations, it is not possible to quantify their impact accurately.

Companies excluded in 2006:

	Company	Head Office	Percentage of capital held at date of acquisition / incorporation	
			Direct	Total
1)	Isoroy Transformation S.A.S.	St. Dizier (France)	99,99%	91,16%
2)	Socelpac, SGPS, SA	Maia (Portugal)	100,00%	100,00%

1) Company sold 4 September 2006;
2) Company liquidated 31 May 2006.

The exclusion of these companies from the consolidation perimeter during 2006 did not affect the comparability of the consolidated financial statements for the periods ended 30 June 2007, 31 December 2006 and 30 June 2006.

Companies included in 2007:

	Company	Head Office	Percentage of capital held at date of acquisition / incorporation	
			Direct	Total
1)	Agloma Investimentos, SGPS, S.A.	Maia (Portugal)	100,00%	100,00%
2)	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100,00%	100,00%
3)	Imoplamac – Gestão de Imóveis, S.A.	Maia (Portugal)	100,00%	100,00%
4)	Ipaper – Indústria de Papeis Impregnados, S.A.	Maia (Portugal)	100,00%	100,00%
5)	Somit – Soc. De Madeiras Industrializadas e Transform., S.A.	Maia (Portugal)	100,00%	100,00%

1) Company acquired 24 April 2007;

2) Company acquired 24 April 2007;

3) Company acquired 1 January 2007;

4) Shares representing 51% of the share capital which corresponded to the total amount of shares owned by third parties until then were acquired 24 April 2007.

5) Company acquired 24 April 2007;

The inclusion of these companies in the consolidation perimeter during first half 2007 did not have a material impact on the comparability of the consolidated balance sheets at 30 June 2007 and 31 December 2006 and the consolidated profit and loss statements for the periods ended 30 June 2007 and 2006.

Companies excluded in 2007:

	Company	Head Office	Percentage of capital held at date of acquisition / incorporation	
			Direct	Total
1)	Sonae España, S.A.	Madrid (Spain)	99,94%	99,94%

1) Company liquidated 28 May 2007.

The exclusion of this company from the consolidation perimeter during first half 2007 did not have a material impact on the comparability of the consolidated financial statements for the periods ended 30 June 2007, 31 December 2006 and 30 June 2006.

9. BUSINESS COMBINATIONS

At 28 July 2006, Sonae Indústria, SGPS, S.A. made an offer for 39 546 174 shares of its subsidiary Tableros de Fibras, S.A. (Tafisa) corresponding to the total amount of shares owned by third parties. In May 2007 the conclusion of this process led to the acquisition of 32 482 393 shares, with Sonae Indústria, SGPS, S.A. increasing direct and indirect ownership to 98,42% of Tafisa shares from 91,16% previously.

The business combination originated by the acquisition of the aforementioned Tafisa shares considered the accounts of Tafisa and its subsidiaries prepared in accordance with International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) and no adjustments to fair value of assets and liabilities were recognised.

At 1 January 2007 Sonae Indústria, SGPS, S.A. acquired all the shares of Imoplamac – Gestão de imóveis, S.A.. The acquired assets were recognised for their fair value, according to an independent appraisal.

At 24 April 2007 Sonae Indústria, SGPS, S.A. acquired 51% of the shares of Ipaper – Indústria de Papeis Impregnados, S.A. which caused the ownership to increase from 49% to 100% and was followed by a change in consolidation method, as mentioned in note 7. When consolidating the company, the carrying amount of assets and liabilities was recorded as no relevant difference to their fair values was anticipated.

At 24 April 2007, Sonae Indústria Group acquired all the shares of Agloma Investimentos, SGPS, S.A., which held all the shares of Somit – Sociedade de Madeiras Industrializadas e Transformadas, S.A. and Aserraderos de Cuellar, S.A.. The acquired assets were recognised for their fair value, based on an independent appraisal.

Euros	Tafisa and its' control companies	Agloma Invest. SGPS Somit - S.M.I.T. SA Aserrad. Cuellar, SA	Ipaper, SA	Imoplamac, SA	Total
Cost					
Acquisition cost	50 022 885	15 454 999	24 900	6 000 000	71 502 784
Carrying amount of net assets at acquisition date	90 877 741	20 855 717	(395 541)	4 049 960	115 387 877
Fair value of net assets at aqcuisition date	na	15 329 676	na	6 259 694	
Direct ownership percentage acquired	7,26%	100,00%	51,00%	100,00%	
Total ownership percentage acquired	7,26%	98,47%	51,00%	100,00%	
Goodwill (Note 14)	43 425 161	354 361	420 441		44 199 963
Negative goodwill				259 694	259 694

na - not available

10. INVESTMENTS

At 30 June 2007 and 31 December 2006, details of Investments are as follows:

	30.06.07		31.12.06	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		42 726 009		42 726 009
Currency translation effect		7 808		
Closing balance		42 733 817		42 726 009
Accumulated impairment losses (Note 31)		42 661 176		42 661 176
Net investment in group companies excluded from consolidation		72 641		64 833
Investment in associated companies				
Opening balance		2 920 894		3 148 389
Effect of equity method application		534 257		- 227 495
Transfer		- 100 000		
Closing balance		3 355 151		2 920 894
Accumulated impairment losses (Note 31)				
Net investment in associated companies		3 355 151		2 920 894

	30.06.07		31.12.06	
	Current	Non current	Current	Non current
Available-for-sale investment				
Opening balance		1 433 432		1 396 195
Acquisition		100 000		85 227
Disposal		7 607		20 489
Transfer				
Currency translation effect		89 830		- 27 501
Closing balance		1 615 655		1 433 432
Accumulated impairment losses (Note 31)		15 961		23 568
Net available-for-sale investment		1 599 694		1 409 864
Investments measured at fair value through profit and loss				
Opening balance	4 769 781		3 079 442	
Acquisition	14 134 527		83 312 680	
Disposal	18 904 308		81 622 341	
Closing balance			4 769 781	
Accumulated impairment losses (Note 31)				
Net investments measured at fair value through profit and loss			4 769 781	

11. TANGIBLE ASSETS

During the six-month period ended 30 June 2007, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	30.06.07							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction	Total tangible assets
Gross cost:								
Opening balance	464 461 863	1 881 653 116	10 101 675	9 411 014	57 066 427	12 910 283	58 146 152	2 493 750 530
Changes in consolidation perimeter	31 880 907	16 599 348	256 428	119 679	103 457	476 357	3 505 703	52 941 879
Capital expenditure	41 633	513 999	171 526		118 536	236 353	90 646 574	91 728 621
Disposals	917 401	4 969 755	120 205		935 206		182 596	7 125 163
Transfers and reclassifications	564 503	9 838 984	2 247 072	6 709 836	- 7 303 475	259 205	- 13 132 262	- 816 137
Exchange rate effect	5 662 387	19 852 146	134 956	- 6 371	476 877	226	2 785 507	28 905 728
Closing balance	501 693 892	1 923 487 838	12 791 452	16 234 158	49 526 616	13 882 424	141 769 078	2 659 385 458
Accumulated depreciation and impairment losses								
Opening balance	130 141 937	1 062 716 318	8 400 501	6 565 770	39 628 914	11 394 270	343 447	1 259 191 157
Changes in consolidation perimeter	2 493 480	10 958 589	208 392	117 933	76 956	464 762		14 320 112
Charge for the period	5 049 529	48 281 464	408 209	845 230	2 314 880	298 023		57 197 335
Disposals	642 429	3 715 087	69 626		909 110			5 336 252
Transfers		- 8 085	1 221 107	3 495 774	- 4 708 796			
Exchange rate effect	1 100 371	11 495 052	84 116	6 132	279 616			12 965 287
Closing balance	138 142 888	1 129 728 251	10 252 699	11 030 839	36 682 460	12 157 055	343 447	1 338 337 639
Carrying amount	363 551 004	793 759 587	2 538 753	5 203 319	12 844 156	1 725 369	141 425 631	1 321 047 819

Charges to impairment losses are detailed in note 31.

During the period ending 30 June 2007 no interest paid or any other financial charges were capitalised, in accordance with conditions defined in note 2.9.

At 30 June 2007, mortgaged Land and buildings amounted to 26 170 000 euros (27 137 500 euros at 31 December 2006) as a guarantee for bank loans and has commitments for the acquisition of tangible assets amounted to 7 000 000 euros.

At 30 June 2007, details of assets bought through financial leases were as follows:

	30.06.07			
	Opening balance	Changes in consolidation perimeter	Other changes	Closing balance
Gross cost:				
Land and Buildings	11 547 527	22 448 097	- 10 290	33 985 334
Plant and Machinery	65 181 753			65 181 753
Vehicles	387 834		13 692	401 526
Tools				
Fixtures and Fittings	712 964			712 964
Other tangible assets				
	77 830 078	22 448 097	3 402	100 281 577
Accumulated depreciation and impairment losses				
Land and Buildings	5 472 194	994 972	438 266	6 905 432
Plant and Machinery	12 127 686		2 392 772	14 520 458
Vehicles	229 792		51 253	281 045
Tools				
Fixtures and Fittings	638 072		19 500	657 572
Other tangible assets				
	18 467 744	994 972	2 901 791	22 364 507
Carrying amount	59 362 334	21 453 125	- 2 898 389	77 917 070

The increase in Land and Buildings is due to the inclusion of Imoplamac – Gestão de Imóveis, S.A. in the consolidation perimeter (notes 5 and 8).

12. INTANGIBLE ASSETS

During the six-month period ended 30 June 2007, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	30.06.07					
	Development Costs	Patents, Royalties And Other Rights	Software	Other Intangible Assets	Intangible Assets Under Development	Total intangible assets
Gross cost:						
Opening balance	803 599	4 051 626	288 246	1 655 526	20 947	6 819 944
Changes in consolidation perimeter		29		642 755		642 784
Capital expenditure					2 144 454	2 144 454
Disposals						
Transfers and reclassifications	463 215			354 756	- 1 839	816 132
Exchange rate effect	- 226	- 420	14			- 632
Closing balance	1 266 588	4 051 235	288 260	2 653 037	2 163 562	10 422 682
Accumulated amortisation and impairment losses						
Opening balance	417 423	3 950 907	285 922	1 655 526		6 309 778
Changes in consolidation perimeter		25		634 912		634 937
Charge for the period	45 363	6 155	800	60 955		113 273
Disposals						
Transfers						
Exchange rate effect	- 140	- 1 729	14			- 1 855
Closing balance	462 646	3 955 358	286 736	2 351 393		7 056 133
Carrying amount	803 942	95 877	1 524	301 644	2 163 562	3 366 549

13. INVESTMENT PROPERTIES

During the six-month period ended 30 June 2007, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	30.06.07		
	Cost	Under construction	Total
Gross cost:			
Opening balance	8 788 399		8 788 399
Changes to consolidation perimeter			
Increase			
Disposals			
Transfers			
Closing balance	8 788 399		8 788 399
Accumulated depreciation and impairment losses:			
Opening balance	377 711		377 711
Changes to consolidation perimeter			
Charge for the period	70 328		70 328
Disposals			
Transfers			
Closing balance	448 039		448 039
Carrying amount	8 340 360		8 340 360

14. GOODWILL ARISING ON CONSOLIDATION

During the six-month period ended 30 June 2007, movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	30.06.07
	Goodwill
Gross value:	
Opening balance	51 105 176
Increases	44 199 963
Currency translation	- 370 334
Closing balance	94 934 805
Accumulated impairment losses:	
Closing balance	

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

15. DEFERRED TAXES

At 30 June 2007 and 31 December 2006 deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred tax assets		Deferred tax liabilities	
	30.06.07	31.12.06	30.06.07	31.12.06
Difference between fair value and cost of tangible assets			2 502 274	2 502 275
Harmonisation adjusments			55 213 619	42 870 655
Provisions and impairment losses not accepted for tax purposes	10 848 953	10 780 570		
Impairment of Assets	1 757 559	1 757 559		
Tangible assets written off	19 120	13 910		
Intangible assets written off	223 494	240 530		
Deferred costs written off	228 334			
Valuation of hedging derivatives	83 055	86 125	115 647	505 112
Revaluation of tangible fixed assets			3 467 586	2 651 114
Tax losses carried forward	47 843 024	47 128 614		
Others	1 242 567		7 797 046	9 106 523
	62 246 106	60 007 308	69 096 172	57 635 679

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 the six-month period ended 30 June 2007 and for fiscal year 2006, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

	30.06.07			31.12.06		
	Tax loss carried forward	Deferred tax asset	Limit date to be used	Tax loss carried forward	Deferred tax asset	Limit date to be used
Originated in 1999	1 528 502	496 763	2014	1 528 502	496 763	2014
Originated in 2000	36 725	11 938	2015	36 725	11 938	2015
Originated in 2001	84 657	21 164	2007	84 657	21 164	2007
Originated in 2001	26 693 286	8 410 373	2016	38 865 008	12 245 372	2016
Originated in 2002	95 083	23 771	2008	153 061	38 266	2008
Originated in 2002	13 714 886	4 114 466	2017	13 714 886	4 114 466	2017
Originated in 2003	405 821	101 455	2009	544 023	136 005	2009
Originated in 2003	9 360	927	2010			
Originated in 2003	3 740 985	1 122 293	2018	3 740 985	1 122 293	2018
Originated in 2004	1 319 193	329 798	2010	8 788 231	2 197 058	2010
Originated in 2004	53 271	15 981	2019	53 271	15 981	2019
Originated in 2005	31 227 604	7 806 901	2011	161 732	40 433	2011
Originated in 2005	183 567	18 173	2012	179 848	17 805	2012
Originated in 2006	203 460	50 865	2012	203 458	50 865	2012
Originated in 2006	13 069 468	1 293 877	2013	10 995 457	1 088 550	2013
Originated in 2007	556 824	139 206	2013			
	92 922 692	23 957 950		79 049 844	21 596 959	
Without time limit	80 038 990	23 885 074		84 998 784	25 531 655	
	172 961 682	47 843 024		164 048 628	47 128 614	

Furthermore, at 30 June 2007 and 31 December 2006, tax losses for which no deferred tax assets were recognised, are detailed as follows:

	30.06.07			31.12.06		
	Tax loss carried forward	Tax credit	Limit date to be used	Tax loss carried forward	Tax credit	Limit date to be used
Originated in 1999	21 000 978	6 300 375	2014	20 999 339	6 299 801	2014
Originated in 2000	49	17	2015			
Originated in 2001	253 737	63 434	2007			
Originated in 2001	51 318 957	15 414 373	2016	50 945 246	15 283 574	2016
Originated in 2002	3 235 352	808 838	2008	5 720	1 564	2008
Originated in 2002	53 261 077	16 205 071	2017	48 726 117	14 617 835	2017
Originated in 2003	3 057 881	764 470	2009	173 858	43 465	2009
Originated in 2003	98 012 964	29 550 458	2018	95 081 602	28 524 481	2018
Originated in 2004	4 300 990	1 075 247	2010	83 551	22 956	2010
Originated in 2004	20 695 425	6 279 362	2019	19 280 761	5 784 229	2019
Originated in 2005	1 085 026	271 257	2011	417 922	104 488	2011
Originated in 2005	1 082 928	379 025	2020			
Originated in 2006	38 587 441	9 646 860	2012	62 900 153	15 725 038	2012
Originated in 2006				2 793 827	276 589	2013
Originated in 2006	7 164 437	2 376 363	2021	4 244 376	1 400 644	2021
Originated in 2007	2 996 999	296 703	2014			
	306 054 241	89 431 853		305 652 472	88 084 664	
Without time limit	780 584 465	273 091 255		786 519 961	284 461 788	
	1 086 638 706	362 523 108		1 092 172 433	372 546 452	

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.

16. OTHER NON CURRENT ASSETS

At 30 June 2007 and 31 December 2006 details of Other non current assets on the Consolidated Balance sheet were as follows:

	30.06.07	31.12.06
Loans granted to associated companies	14 132 898	14 132 897
Other loans granted	264 542	266 671
Trade accounts receivable and other debtors	914 539	1 079 300
Others	62 348	69 124
	15 374 327	15 547 992
Accumulated impairment losses (Note 31)	14 263 013	14 263 036
	1 111 314	1 284 956

Accumulated impairment losses include the full balance recorded in the Associated Companies line.

17. INVENTORIES

At 30 June 2007 and 31 December 2006, details of Inventories on the Consolidated Balance Sheet were as follows:

	30.06.07	31.12.06
Merchandise	15 933 627	15 723 822
Finished and intermediate products	94 808 562	89 181 673
Products and working in progress	3 189 831	2 995 739
Raw Materials and Consumables	146 378 601	121 613 564
	260 310 621	229 514 798
Accumulated impairment losses on inventories (Note 31)	16 343 103	15 543 189
	243 967 518	213 971 609

18. TRADE DEBTORS

At 30 June 2007 and 31 December 2006, details of Trade Debtors on the Consolidated Balance Sheet were as follows:

	30.06.07	31.12.06
Current accounts	346 349 349	255 716 807
Bills receivable	27 304 064	37 741 009
Doubtful debtors	19 638 951	15 261 669
	393 292 364	308 719 485
Accumulated impairment losses on trade debtors (Note 31)	19 643 685	18 510 857
	373 648 679	290 208 628

19. OTHER CURRENT DEBTORS

At 30 June 2007 and 31 December 2006, details of Other current debtors on the Consolidated Balance Sheet were as follows:

	30.06.07	31.12.06
Other debtors	13 981 280	19 306 235
Advances to trade creditors	785 657	1 525 550
Goup companies	428 482	2 668 198
	15 195 419	23 499 983
Accumulated impairment losses in accounts receivable (Note 31)	443 173	443 173
	14 752 246	23 056 810

20. OTHER CURRENT ASSETS

At 30 June 2007 and 31 December 2006, details of Other current assets on the Consolidated Balance Sheet were as follows:

	30.06.07	31.12.06
Accrued revenue	19 168 007	43 096 500
Deferred Costs	14 475 551	5 899 593
Derivatives instruments	832 817	6 528 109
Others		79 018
	34 476 375	55 603 220

At 30 June 2007, the item Accrued revenue includes an estimated indemnity of 14 759 983 euros for operating losses, net of insurance compensation received till the end of the period, and an impairment loss for the assets destroyed by the fire at the Canadian plant, as explained in Note 3.

21. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

At 30 June 2007 and 31 December 2006, details of State and Other Public Entities on the Consolidated Balance Sheet were as follows:

	30.06.07	31.12.06
State and other public entities:		
Income Tax	5 156 529	4 905 409
Value Added Tax	10 394 427	11 303 377
Social Security Contribution	12 382	10 327
Others	6 218 240	2 566 501
	21 781 578	18 785 614

22. CASH AND CASH EQUIVALENTS

At 30 June 2007 and 31 December 2006, the detail of Cash and Cash Equivalents was as follows:

	30.06.07	31.12.06
Cash at hand	970 370	1 994 530
Bank deposits	24 398 106	103 065 901
Treasury applications	27 237 671	84 228 698
Cash and cash equivalents on the balance sheet	52 606 147	189 289 129
Bank overdrafts	11 965 443	572 787
Cash and cash equivalents on the statement of cash flows	40 640 704	188 716 342

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 2007 and 31 December 2006 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.

23. SHARE CAPITAL

At 30 June 2007, 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.

24. MINORITY INTERESTS

Changes to this item during the periods ending 30 June 2007 and 31 December 2006 were as follows:

	30.06.07	31.12.06
Opening balance	28 100 792	44 960 793
Decrease / (increase) in ownership percentage on consolidated companies	- 6 597 724	- 1 356 364
Change resulting from currency translation	1 962 223	- 1 785 924
Net profit for the period attributed to minority interests	2 652 615	1 334 384
Others	- 2 128 322	- 15 052 097
Closing balance	23 989 584	28 100 792

The item Decrease/(increase) in ownership percentage on consolidated companies includes mainly the change in minority interests resulting from the acquisition of Tafisa shares (Note 9).

25. LOANS

As at 30 June 2007 and 31 December 2006 Sonae Indústria had the following outstanding loans:

	30.06.07				31.12.06			
	Amortised cost		Nominal value		Amortised cost		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	52 351 400	145 585 268	52 351 400	145 585 268	137 955 436	134 085 215	137 955 436	134 085 215
Debentures	100 000 000	430 802 929	100 000 000	435 000 000		530 273 929		535 000 000
Obligations under finance leases	2 527 888	53 395 594	2 527 888	53 395 594	2 483 759	41 897 417	2 483 759	41 897 417
Other loans	403 969	131 333 404	403 969	131 333 404	411 087	95 856 073	411 087	95 856 073
Gross debt	155 283 257	761 117 195	155 283 257	765 314 266	140 850 282	802 112 634	140 850 282	806 838 705
Investment					4 769 781		4 769 781	
Cash and cash equivalent in balance sheet	52 606 147		52 606 147		189 289 129		189 289 129	
Net debt	102 677 110	761 117 195	102 677 110	765 314 266	- 53 208 628	802 112 634	- 53 208 628	806 838 705
Total net debt	863 794 305		867 991 376		748 904 006		753 630 077	

The loans have the following repayment schedule:

	30.06.07	31.12.06
2007	38 079 592	140 850 282
2008	145 997 495	140 622 195
2009	118 504 032	212 935 155
2010	178 474 960	175 114 511
2011	27 279 657	22 324 796
2012	155 882 663	21 084 827
After 2012	256 379 124	234 757 221
	920 597 523	947 688 987

Change in debt maturing in 2009 results from the Securitization facility being rescheduled from March 2009 to March 2012 as mentioned in note 25.3.

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

25.1 Bank Loans

The bank loans and overdrafts presented in the table in note 25. are included in “Long Term Bank Loans – net of the Short Term portion”, “Short Term portion of Long Term Bank Loans”, “Non convertible debentures – net of the Short Term portion”, “Short term portion of long term non convertible debentures" and "Short Term Bank Loans" on the Consolidated Balance Sheet and their composition as at 30 June 2007 are detailed in the following table:

	Bank loans				
	Non current	Current			Total
Company	Bank loans	Short term portion	Short term	Bank overdrafts	
Glunz AG	71 138 200	14 291 900		7 876 767	93 306 867
Sonae Novobord (Pty) Ltd	34 325 784	5 904 018			40 229 802
Sonae Indústria-SGPS,SA	18 750 000	6 250 000			25 000 000
Sonae UK,Ltd.	10 385 760	3 461 920			13 847 680
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	5 501 073	4 252 151		35 387	9 788 612
Tafisa Brasil, SA	337 125	53 796	4 613 607		5 004 528
Others	5 147 326	1 397 904	160 661	4 053 289	10 759 181
	145 585 268	35 611 689	4 774 268	11 965 443	197 936 668

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 a fixed rate of 3,64%, and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which was made in June 2005. At 30 June 2007, outstanding principal was 85 430 100 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 in 2001 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. At 30 June 2007, the principal outstanding was 25 000 000 euros;

c) 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 2007, there was not any commercial paper to be matured.

d) Sonae Novoboard 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 2007, the principal outstanding was 16 438 803 euros;

e) During the first half of 2007, Sonae Novobord, together with Sonae Indústria, S.G.P.S., SA, contracted a loan with the European Investment Bank up to a maximum principal of 25 000 000 Euros. The loan pays interest at a market rate and will be redeemed in 14 consecutive and equal semi-annual instalments, the first of which will be made in September 2010. At 30 June 2007, outstanding principal was 22 938 267 euros.

f) On 4 December 2006, Sonae Novobord contracted a loan from Santander Totta in ZAR (South African Rands) up to a maximum principal of 15 000 000 euros on withdrawal date. The loan has a three month maturity period and may be automatically renewed for equal periods. The facility was issued at a market rate and interest is payable quarterly. The loan was completely redeemed during the first half of 2007.

g) 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 2007, the principal outstanding was 13 847 680 euros;

h) 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 a fixed rate of 3.16%, and the principal is repaid in 16 consecutive semi-annual instalments. As at 30 June 2007, the principal outstanding was 8 437 500 euros;

i) During 2005, Tafisa Brazil contracted two loans from Santander Banespa of 80 000 000 reais. The loans pay interest at market rates and are automatically renewed at the end of each month. At 30 June 2007, outstanding principal was 12 000 000 reais (4 611 120 euros).

25.2 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 six months plus 87.5 bps, 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 27 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. Sonae Indústria may anticipate repayment, either partially or for the full amount of principal outstanding, at any interest payment date after April 2008, inclusive. Interest is calculated using Euribor six months plus 110 bps, paid semi-annually in arrears on 27 April and 27 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 28 September;

f) Sonae Indústria 2006/2013 bonds, issued on 3 July 2006, with a principal amount of 50 000 000 euros and a bullet repayment 7 years after issue date. Sonae Indústria may anticipate repayment, either partially or for the full amount of principal outstanding, at any interest payment date after July 2011, inclusive. Interest is calculated using Euribor six months plus 86 bps, paid semi annually in arrears on 3 January and 3 July;

g) Sonae Indústria 2006/2014 bonds, issued on 2 August 2006, with a principal amount of 50 000 000 euros and a bullet repayment 8 years after issue date. Interest is calculated using Euribor six months plus 80 bps, paid semi annually in arrears on 2 February and 2 August.

25.3 Other Loans

Other loans, as detailed in the table in note 25, 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 2007:

Company	Other Loans		
	Long term		Short term
	Securitization	Others	Others
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	32 726 211		54 345
Glunz AG	27 668 262		35 025
Isoroy SAS	22 694 804		167 142
Tableros Tradema,S.L.	17 935 283		
Sonae UK,Ltd.	17 485 592		
Sonae Tafibra Benelux, BV	9 617 914		
Spanboard Products,Ltd	2 550 669		10 006
Others		654 669	137 451
	130 678 735	654 669	403 969

During 2004, Sonae Indústra SGPS SA together with its subsidiaries Soane Indústria – Produção e Comercialização de Madeira, S.A (then Sonae Tafibra – Gestão Comercial S.A), Tableros Tradema S.L (then Tafibra, Tableros Aglomerados e de Fibras, A.I.E), Isoroy S.A.S (then Isoroy Diffusion S.N.C.), Glunz AG, Sonae Tafibra Benelux, B.V., Sonae (UK) Limited and Spanboard Products Limited, signed a Securitization facility of up to 120 000 000 euros, later increased to 150 000 000 euros (2006) and 175 000 000 (2007), with ABN Amro Bank, NV and TAPCO – Tulip Asset Purchase Company BV. This facility, which initially matured in March 2009, was rescheduled to March 2012. At 30 June 2007, the principal outstanding was 130 678 735 euros.

25.4 Financial lease creditors

Details of finance leases creditors at 30 June 2007 and at 31 December 2006 are as follows:

	Minimum lease payments		Present value of minimum lease payments		Future interest	
	30.06.07	31.12.06	30.06.07	31.12.06	30.06.07	31.12.06
2007	4 449 007	7 134 059	1 764 822	2 483 758	2 684 185	4 650 301
2008	8 569 770	6 780 212	3 443 454	2 319 852	5 126 316	4 460 360
2009	8 409 927	6 620 369	3 552 675	2 367 727	4 857 251	4 252 642
2010	8 200 722	6 411 164	3 629 611	2 379 621	4 571 111	4 031 543
2011	7 962 469	6 172 911	3 697 943	2 372 999	4 264 526	3 799 912
after 2011	58 279 990	49 824 097	39 834 977	32 457 219	18 445 013	17 366 878
	95 871 885	82 942 812	55 923 482	44 381 176	39 948 402	38 561 636
Lease creditors - current			2 527 888	2 483 759		
Lease creditors - non current			53 395 594	41 897 417		

26. 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 5 403 594 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 30 June 2007 were 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 16 438 803 euros (19 158 733 euros at 31 December 2006).

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 515 523 euros in reserves and retained earnings.

Fair value of hedging instruments

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

	Other current assets (note 20)		Other current liabilities (note 30)		Other non current liabilities (note 27)	
	30.06.07	31.12.06	30.06.07	31.12.06	30.06.07	31.12.06
Exchange rate derivatives	832 817	5 829 177	6 858 920	3 216 459		
Hedge derivatives		698 932		56 762	127 252	836
	832 817	6 528 109	6 858 920	3 273 221	127 252	836

27. OTHER NON CURRENT LIABILITIES

At 30 June 2007 and 31 December 2006, details of Other non current liabilities were as follows:

	30.06.07	31.12.06
State and other public entities:		
Others	40 857 309	33 772 070
Goup companies	95 636	72 604
Other creditors	81 051 996	77 440 158
	122 004 941	111 284 832

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 90% of 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 80 490 344 euros relating to deferred income-investment subventions.

28. PENSION FUND LIABILITIES

Various Group companies assumed the liability of giving their employees cash contributions to pension plans for old age, incapacity, early retirement, survival and post retirement medical care. 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 and correspond to defined benefits plans.

Some Group companies assumed liabilities for the payment of cash contributions after the workers retire, according to each country's legal regulations which correspond to defined benefits plans.

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 2006 were:

	South Africa		Germany				France		Portugal	
			Glunz AG		GHP GmbH					
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Mortality table	A55	PA (90)	Richttafeln 2005 G	Richttafeln 1998	Richttafeln 2005 G	-	TPG 1993	TPG 1993	TV 88/90	TV 73/77
Salary growth rate	5,5%	5,0%	2,0%	2,0%	0,00%	-	2,0%	2,0%	3,0%	3,0%
Return on fund	8,5%	8,0%	4,5%	-	4,10%	-	-	-	6,0%	6,0%
Actuarial tecnical rate	8,5%	8,0%	4,5%	4,5%	4,75%	-	4,5%	4,0%	4,0%	4,0%
Pension growth rate	5,0%	3,5%	1,5%	1,5%	1,50%	-	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 Sonae Novobord (PTY) have the following benefit scheme:

Defined contribution plan composed of a number of assets that are managed by a third party. The Company is obliged to deliver the defined contributions. At 31 December 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.

Post-Retirement Health Benefit scheme under which the Company will provide for 50% of eligible health expenses incurred after the employee's retirement.

In an actuarial study carried out on 31 December 2006, liabilities amounted to 40 903 003 ZAR (4 440 021 euros) covered by the market value of the fund of 34 111 000 ZAR (3 702 749 euros) and by a provision of 6 792 000 ZAR (737 272 euros), which is recorded as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet.

Germany:

Glunz AG has a defined benefit plan and it has 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 19 133 237 euros, which fully provides for the liabilities calculated by the actuarial study reported to 31 December 2006. On the same date, the value of the fund constituted at the end of the year was 27 117 euros.

GHP GmbH has a defined benefit plan and it has constituted a fund. The plan is calculated according to International Accounting Standard 19. In an actuarial study dated 31 December 2006, liabilities amounted to 1 029 103 euros and were covered by the fund and by provisions for Pension Liabilities in Non Current Liabilities of 8 117 euros and 1 020 986 euros respectively.

France:

Upon retirement of their employees, Isoroy SAS and Darbo SAS 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 2006 to be 1 838 429 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 2006, based on an actuarial study on the same date, were calculated to be 3 541 864 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 1 287 273 euros and 2 254 591, respectively.

At 30 June 2007 and 31 December 2006, the amount of liabilities for defined benefits recognised in the consolidated balance sheet is detailed as follows:

	30.06.07	31.12.06
Present value of obligations	30 597 396	30 749 539
Actuarial Losses/(Gains) not recognised	713 394	739 768
Fair value of plan assets	4 893 247	5 025 256
Pension liabilities	24 990 755	24 984 515

Pension liabilities changed from 31 December 2006 to 30 June 2007 mainly due to exchange rate effects and changes in the consolidation perimeter.

29. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

At 30 June 2007 and 31 December 2006, State and other public entities had the following composition:

	30.06.07	31.12.06
State and other public entities		
Income Tax	12 411 601	13 743 944
Value Added Tax	9 078 714	3 474 862
Social Security Contribution	7 811 324	7 945 825
Others	2 440 316	2 577 352
	31 741 955	27 741 983

30. OTHER CURRENT LIABILITIES

At 30 June 2007 and 31 December 2006, Other current liabilities were composed of:

	30.06.07	31.12.06
Group companies	209 717	814 434
Derivatives	6 858 920	3 273 221
Trade debtors advances	464 160	493 850
Fixed assets suppliers	12 899 822	8 415 384
Other creditors	35 180 646	23 995 329
Accrued expenses:		
Insurances	870 703	332 978
Personnel costs	28 067 001	29 390 350
Accrued financial expenses	7 565 593	6 713 869
Rappel discounts (annual quantity discounts)	33 462 808	31 745 244
External supplies and services	11 801 297	13 321 427
Other accrued expenses	23 224 001	13 157 603
Deferred income:		
Investment subventions	6 760 721	10 314 172
Other deferred income	11 445	2 016
	167 376 834	141 969 877

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

31. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the period ended 30 June 2007 were as follows:

	30.06.07						
	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes	Closing balance
Accumulated impairment losses on investments (Note 10)	42 684 744					- 7 607	42 677 137
Accumulated impairment losses on tangible assets (Note 11)	45 391 373	2 579 646	5 526 041		5 694	264	53 491 630
Accumulated impairment losses on other non-current assets (Note 16)	14 263 036					- 23	14 263 013
Accumulated impairment losses on trade debtors (Note 18)	18 510 857	78 076	- 506 169	3 542 810	964 880	- 1 017 009	19 643 685
Accumulated impairment losses on other debtors (Note 19)	443 173						443 173
Accumulated impairment losses on inventories (Note 17)	15 543 189	107 413	22 851	1 205 318	529 088	- 6 580	16 343 103
Provisions	42.409.827	1.639.368	178.769	3.000.960	2.797.076	1.684.801	46.116.649
	179 246 199	4 404 503	5 221 492	7 749 088	4 296 738	653 846	192 978 390

Impairment losses are offset against the corresponding asset in the consolidated balance sheet.

Increases and utilizations of impairment losses are recorded under Provisions and Impairment Losses and Other operating Revenues on the consolidated profit and loss statement, respectively, with the exception of:

- Increases and utilizations in impairment losses in investments which are included under Gains and losses in investments on the consolidated profit and loss statement;
- Increases and utilizations in impairment losses in inventories which are included under Cost of goods sold and Changes in production on the consolidated profit and loss statement, depending on the inventory's nature.

Impairment losses included in the Other changes column relate mainly to assets being written down against previously recorded impairment loss.

32. OPERATING LEASE

At 30 June 2007 and 31 December 2006, the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments	
	30.06.07	31.12.06
2007	2 325 189	8 568 812
2008	4 613 289	7 049 890
2009	2 621 056	4 277 993
2010	1 625 622	3 520 312
2011	810 812	2 662 137
After 2011	158 380	6 915 257
	12 154 348	32 994 401

33. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable		Loans			
					Obtained		Granted	
	30.06.07	31.12.06	30.06.07	31.12.06	30.06.07	31.12.06	30.06.07	31.12.06
Parent company and group companies	5 395 663	9 402 672	6 152 538	9 253 321	209 498		3 100	2 007 687
Associated companies		400 719		807 532				

Transactions	Sales and services rendered		Purchases and services obtained	
	30.06.07	30.06.06	30.06.07	30.06.06
Parent company and group companies	5 367 669	5 729 490	28 923 510	26 046 246
Associated companies		780 941		2 544 644

34. OTHER OPERATING REVENUES

Details of Other operating revenues on the Consolidated Profit and Loss Statement for the periods ended 30 June 2007 and 31 December 2006 are as follows:

	30.06.07	30.06.06
Gains on disposals of tangible and intangible assets	2 060 615	392 067
Supplementary Revenue	16 913 793	3 654 117
Investment subventions	3 423 556	3 730 656
Tax received	2 753 675	6 109 292
Reversion of impairment losses	970 574	2 313 872
Gains on provisions	2 797 075	1 261 184
Others	20 314 256	20 674 358
	49 233 544	38 135 545

The item Others includes an estimated indemnity of 11 514 389 euros relating to the operating losses resulting from the accident referred to in Note 3.

35. OTHER OPERATING COSTS

Details of Other operating costs on the Consolidated Profit and Loss Statement for the periods ended 30 June 2007 and 2006 are as follows:

	30.06.07	30.06.06
Taxes	6 351 515	5 950 720
Losses on disposal of non current investments	65 440	138 807
Losses on disposal of tangible and intangible assets	441 178	349 506
Others	2 099 226	6 548 024
	8 957 359	12 987 057

36. FINANCIAL RESULTS

Financial results for the periods ended 30 June 2007 and 31 December 2006 were as follows:

	30.06.07	30.06.06
Financial Expenses:		
Interest expenses	26 135 550	18 428 754
Cash discounts granted	12 340 605	7 911 687
Losses in currency translation	13 359 340	12 959 485
Others	17 394 384	9 061 253
Financial profit/(loss)	- 39 113 628	- 32 568 479
	30 116 251	15 792 700
Financial revenues:		
Interest income	2 629 163	2 274 546
Cash discounts obtained	1 513 920	1 368 170
Gains in currency translation	17 651 752	2 946 252
Others	8 321 416	9 203 732
	30 116 251	15 792 700

Gains and losses from changes in the fair value of derivatives, which are detailed in note 26, are included in Others.

37. TAXES

Corporate income tax accounted for during the periods ended 30 June 2007 and 2006 is detailed as follows:

	30.06.07	30.06.06
Current tax	7 760 370	7 220 755
Deferred tax	2 787 762	- 292 239
	10 548 132	6 928 516

38. EARNINGS PER SHARE

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

	30.06.07	31.12.06
Net Profit		
Net profit considered to calculate basic earnings per share (Net Profit attributable to equity holders of Sonae Indústria)	44 917 057	8 627 569
Effect of potential shares		
Interest related to convertible bonds (net of tax)		
Net Profit considered to calculate diluted earnings per share	44 917 057	8 627 569
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	140 000 000	140 000 000

During the period ended 30 June 2007 no significant profit or loss occurred relating to discontinued operations.

39. 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's activity and it determines how internal management and financial reporting systems are organised.

Geographic segments identified for the periods ended 30 June 2007 are as follows:

- Portugal
- Spain
- France
- United Kingdom
- Germany
- Rest of Europe

- Brazil
- Canada
- South Africa

39.1 Geographic segments

The contribution of main geographic segments to the Consolidated Profit and Loss Statement for the six-month periods ended 30 June 2007, based on location of assets, are detailed as follows:

	30.06.07									
	Portugal	Spain	France	Un. Kingdom	Germany	Rest of Europe	Brazil	Canada	South Africa	Consolidated
Operating income	179 969 458	212 940 340	173 245 981	64 976 122	449 891 618	145 587 929	71 514 210	56 948 311	52 097 985	
Intersegmental eliminations	- 58 583 188	- 35 438 579	- 46 521 829		- 134 918 066	- 4 727 182			- 10 829	
External Operating income	121 386 270	177 501 761	126 724 152	64 976 122	314 973 552	140 860 748	71 514 210	56 948 311	52 087 156	**1 126 972 282**
Allocated Operating Net Profit/(Loss)	21 141 158	17 331 434	1 766 761	1 130 165	25 163 077	- 766 360	12 183 386	9 569 347	10 203 355	**97 722 323**
Non Allocated Operating Net Profit/(Loss)										**- 728 171**
Financial Net Profit/(Loss)										**- 39 113 628**
Gains and losses in associated companies										156 205
Gains and losses in investments										81 075
Taxation										**10 548 132**
Net Consolidated Profit/(Loss) after taxation										**47 569 672**
Attributable to Equity Holders of Sonae Industria										44 917 057
Attributable to Minority Interests										2 652 615

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issuance on 28 August 2007.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
& Associados - Sociedade de
Revisores Oficiais de Contas, Lda.
o'Porto Bessa Leite Complex
Rua António Bessa Leite, 1430 - 5º
4150-074 Porto
Portugal
Tel +351 225 433 000
Fax +351 225 433 499

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 interim information for the period of six months ended 30 June 2007, of **Sonae Indústria, SGPS, SA**., included in: the Directors' Report, the consolidated and individual balance sheets (which shows a total of Euros 2,237,306,982 and Euros 1,687,741,190, respectively, and a total consolidated equity of Euros 590,285,671, including total minority interests of Euros 23,989,584, an individual equity of Euros 992,587,722, and a net consolidated and individual profit for the period of Euros 44,917,057 and Euros 20,021,957, 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 Accounting Standard 34 – Interim Financial Reporting 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.

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 2007 are not free of material misstatements that affects its conformity with the International Accounting Standard 34 – Interim Financial Reporting and that the information included is not complete, true, timeliness, clear, objective and licit.

Emphasis

9 As mentioned on the Note 3 of the consolidated financial statements, a fire in the Canadian subsidiary's plant in April 2006 destroyed one of the production lines and interrupted the production. At the end of the previous year, there was an uncertainty regarding the estimated amounts to be received as indemnities for business interruption losses (16,498,415 euros and 31,025,219 euros as of 30 June 2006 and 31 December 2006, respectively), which has been reduced significantly considering the amounts received until now. As the final agreement with the insurance company has not yet been reached and no reliable information was available to determine the indemnity to be received regarding the assets destroyed, no additional accrual has been registered, besides the amount corresponding to the impairment losses booked in the previous year.

Porto, 29 August 2007

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

António Joaquim Brochado Correia, R.O.C.