

**SONAE INDÚSTRIA, SGPS, S. A.**

Registered Office: Lugar do Espido, Via Norte, Maia

Registered at Maia Commercial Registering Office under no. 506 035 034

Share Capital: 700 000 000 euros

VAT no. 506 035 034

Publicly Traded Company

# **Annual Report**

**Consolidated and Separate Accounts**

**2007**

**5 March 2008**

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**Statement issued according and for the purposes of paragraph c) of Article 245. CMVM code**

# MANAGEMENT REPORT

## 1. Message from the Chairman

Sonae Indústria posted its best results ever in 2007, driven by our strategy of improving profitability, pursuing sustainable growth and maintaining a strong balance sheet, which has been rigorously followed over recent years. This strategy enabled us to benefit from the strong demand felt for the greater part of the year in Europe and the positive market environment prevailing in both Brazil and South Africa.

Our ambition has been and continues to be to grow in a competitive and global marketplace. Today, Sonae Indústria has an industrial presence in 9 countries, spread out over 4 continents and is one of the leading wood panel players in the world. We are a multi-regional company with common values centred on competence, honesty and trust, delivered by our workforce of almost 7000 employees.

We will continue to act responsibly in environmental and social terms through achieving the most efficient utilisation of resources. Our continued commitment to this area will be explained in our Sustainability Report.

I am certain that we are well prepared to seize the market opportunities that may arise and to strengthen our position in those markets where we are present, despite the backdrop of a more difficult European market.

I am very proud of our team and I would like to thank them for their contributions, enthusiasm and commitment throughout these years. I count on their support, the loyalty of our customers and suppliers and the confidence and trust shown by our shareholders to allow us to face the challenging times ahead.

## 2. Message from the CEO

2007 proved to be a very positive year. Consolidated Turnover increased by 22% to 2.1 billion euros and EBITDA reached 335 million euros, 43% higher than that posted in 2006.

Following the 2006 acquisitions of the ex-Hornitex plants in Germany and the Darbo plant in South West France, our focus in Europe has been on restructuring and improving operational profit through efficiency gains from these assets. We have also expanded and modernised our impregnated paper production capacity in Kaisersesch, Germany. In line with our goal of growing in our most profitable markets, we invested in a new PB line in the White River plant in South Africa and have rebuilt the PB line 2 in Canada. At the beginning of 2007, we faced very high pressure on our raw materials costs, mainly wood, chemicals and energy which we succeeded in offsetting through market positioning and improvements in operational efficiencies.

2007 also marked the year in which Tafisa was de-listed from the Madrid Stock Exchange, following a public tender offer that enabled the minority shareholders to sell their shares to Sonae Indústria at a price approved by the Spanish stock market regulator (CNMV). The process of acquiring Tafisa was initiated back in

1993 and has given Sonae Indústria the international dimension it has needed. With this last step, the only listed company in our Group is now Sonae Indústria itself, since Glunz had already been de-listed in 2006.

In the immediate future, I expect us to face further complex challenges. The US and European economies are slowing down on the back of the lack of confidence that has prevailed within the financial markets and some residential real estate markets, mainly driven by the so called “*subprime crisis*”. For this reason, I believe that we may face some weakness in demand. If this materialises, Sonae Indústria will implement all the measures necessary to adapt production to customers’ needs. We believe that there is still room for improvements in Central Europe through further restructuring and efficiency gains. In Canada, we will fight to re-conquer our market share, looking for growth opportunities that may arise under the current tough market conditions. In Brazil, we will work to achieve an agreement with Masisa to allow us to move towards the consolidation and development of our market position. Furthermore, we will be investing in surfacing capacity in South Africa to benefit from the expected economic growth there.

The combination of the greater industrial sector consolidation that has taken place in recent years together with the restructuring we have undertaken, as well as our improvements in operational efficiency and innovation, lead me to believe that we are now well placed to face the current weakness in markets, as well as further retraction in economic activity, should that arise.

### **3. Board of Directors Report**

#### **3.1. Sector Review in 2007**

The European Wood panels sector started 2007 brightly with strong demand which had previously been seen in the last quarters of 2006. This effect was mainly driven by growth emanating from the Eastern European countries, the furniture industry in Central Europe and from what continues to be a high construction level in Spain. However, depending on the country, this environment evolved differently over 2007. According to the latest forecasts issued by Euroconstruct, real construction output in 2007 increased by 2%. In Western Europe, the construction sector cooled down to a 1.7% growth rate, affected by the slowdown in real estate markets particularly in Spain, Ireland and Great Britain. In Central Eastern Europe on the other hand, real construction volume grew by 7.6% last year with housing construction catching up to those levels seen in Western Europe.

The consolidation process of the European wood-based panels sector which had been particularly active in recent years, slowed down in 2007 with fewer M&As concluded. The Swiss Krono Group acquired the French particleboard producer Depalor in May and in September, the European Commission’s DG Competition authorized Kronospan’s takeover of the Hungarian particleboard manufacturer Falco, from Constantia Industries.

Consolidation in the European laminate flooring industry accelerated in 2007 with several transactions being completed, namely the acquisition of Pergo by Pfleiderer which was concluded in March. The sharp decline in export deliveries to several non-European markets created additional pressure on volumes in Central Europe. Preliminary data issued by the EPLF (European Producers of Laminate Flooring) association points to a 6% increase in worldwide sales of laminate flooring produced in Europe (by its members).

OSB suffered a slowdown in export volumes to the US caused by the deterioration of the USD and decrease in construction sector activity in this region, mainly due to the *subprime crisis* previously faced in 2006.

Production costs increased particularly in wood, chemicals and energy, thereby affecting the profitability of the wood panels industry. Wood costs were very high at the beginning of 2007, driven by high demand and competition from the biomass energy plants. In the second half of 2007 wood cost began to stabilize due to increased availability of this raw material. Along 2007, the wood panels industry faced a sharp increase in chemical prices mainly because of the volatility seen in methanol price. According to the information from Methanex, the average methanol price in Europe grew by 6.4% in 2007 to €320/MT, the highest level witnessed since 2002.

In North America, the construction sector followed the negative trajectory previously recorded in 2006 mainly as a consequence of the financial crisis. According to RISI, total US housing starts in 2007 dropped by 26% to approximately 1.34 million units due to a 29% decrease in single-family starts, while North American particleboard consumption decreased by 9% to 9.2 million m<sup>3</sup> in 2007, particularly in the US where demand dropped by 10%.

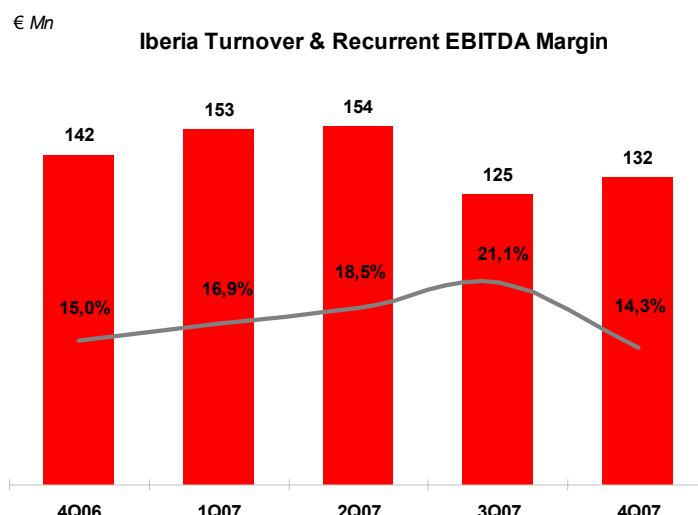
In Brazil the improved macroeconomic environment brought a very strong performance to the wood panels sector. According to the latest forecast from OCDE (dated December 2007), GDP grew by 4.8% and unemployment and interest rates recorded their lowest levels of recent years. The construction sector took advantage of these strong economic conditions and (according to the Brazilian Panels Industry Association - ABIPA), the sales volume of particleboards in Brazil grew 16%, whilst MDF sales were up 13%. The international credit crisis did hit the financial market but with no significant impact on the real economy while the strength of the BRL led to a decline in export volumes, although this was largely compensated by the strong domestic demand.

In South Africa, despite the power supply problems faced at the end of 2007 and the devaluation of the ZAR, GDP grew by 5.1%. According to the South African Statistics Office, the total value of buildings reported as completed grew 17.3%. The Particle Board market took advantage of this positive environment.

### **3.2. Sonae Indústria Business Review in 2007**

#### **3.2.1. Iberia**

In 2007, we achieved an excellent level of performance by focusing on protecting our market share through product portfolio improvement, managing customer service and consolidating our presence in strategic export markets. Turnover increased by 19% on 2006 to 565 million euros, on the back of higher volumes (220,000 m<sup>3</sup> above 2006, including a full year of Darbo sales in 2007).



Despite recording this strong performance in 2007, we did in the last months of the year face a tailing off in demand due to a slowdown in the economic environment. The economic growth forecast for Spain for 2008 has been revised downwards from 3% to 2.7% (European Commission) and the Portuguese construction sector continues to underperform. Turnover in 4Q 2007 decreased 6% when compared to 4Q 2006, chemical costs increased dramatically and we have returned to profitability levels comparable to those seen at the end of 2006.

Recurrent EBITDA increased to 99 million euros in 2007, 39% above 2006 and represented an 18% EBITDA margin (compared with 15% in 2006). Total EBITDA reached 124 million euros which includes a 26 million euros gain on the sale of our site in Pontevedra.

### 3.2.2. Central Europe (Germany, France and UK)

Over the course of 2007, Germany experienced a slowdown in residential construction, with new building permits dropping significantly as a consequence of changes in legislation (the ending of incentives to encourage private sector building) and a VAT increase. As a result, most market segments have suffered from weaker demand. The strength of the Euro against the USD has effectively halted exports to North America and has led to imports of OSB into European markets which are traditionally customers of German plants. This led to price and volume pressure in the OSB market late in the year.

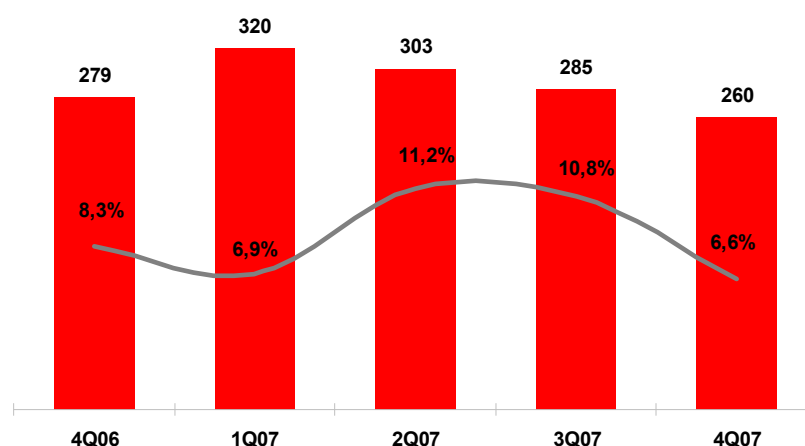
In France, the construction sector grew marginally during 2007 showing a declining trend in the second half. Furniture sales increased, particularly in the kitchen and *flat pack* segments, positively affecting our activity in these sectors. In this context, we succeeded in increasing our market share and achieving record sales.

The UK operation performed well in 2007, driven in the first half of 2007 by strong market demand and a favourable exchange rate providing protection against imports from Continental Europe. In the second half of the year, increased supply combined with the credit crunch restricted demand.

Nevertheless, industrial volumes remained at similar levels to those of 2006 despite the fire at our Knowsley plant in February 2007, which caused a 30 day production stoppage.

€ Mn

### Central Europe Turnover & Recurrent EBITDA Margin



The first phase of integrating the Hornitex plants into our German operations and organisation was successfully completed and we are continuing the restructuring process with a view to further improving efficiency and profitability.

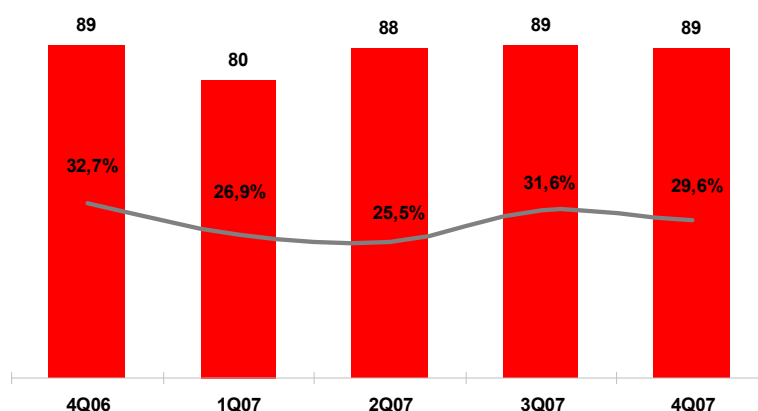
A direct comparison between 2006 and 2007 is affected by the impact of the 3 Hornitex plants, acquired in July 2006, by the Flooring JV with Tarkett and by the fire in February 2007 at our UK plant. Turnover increased by 25% on 2006 to reach 1.2 billion euros. Recurrent EBITDA, based on significantly improved profitability in France and the UK, totalled 104 million euros which represents an 80% increase on 2006 and resulted in an EBITDA margin of 9%.

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

Our performance in Canada, Brazil and South Africa reflects a combination of mixed market trends and of specific impacts which make direct comparisons difficult.

€ Mn

### RoW Turnover & Recurrent EBITDA Margin



In Canada, our PB Line 2 produced its first boards in December 2007, 20 months after the fire that destroyed the previous line in April 2006. The production constraints that resulted from the fire changed our product mix. Melamine turnover



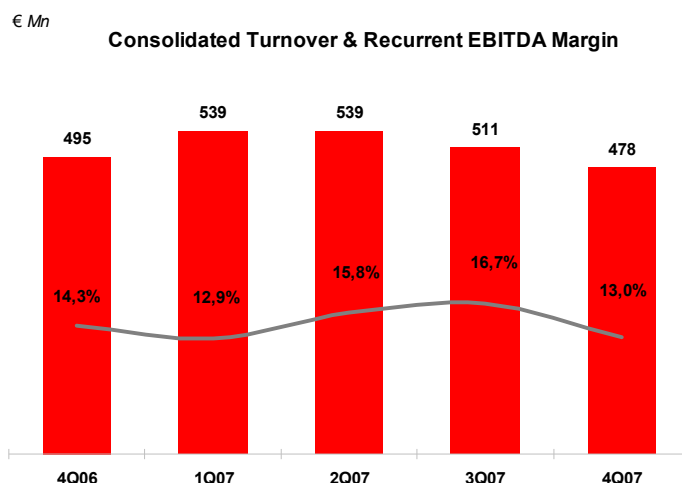
grew substantially in both Canadian and US markets. The “*subprime*” crisis in the US that emerged during the second half of 2007 was a consequence of already existing problems in real estate markets. This economic environment contributed to capacity closures towards the end of the year and our rebuilt PB line is the only “new PB capacity” expected to enter operations in North-America. Despite overall weaknesses in the US housing market, some regions like the North East where we have significant access, showed more stability in 2007. Also, the Canadian housing market, where we sell most of our volume posted one of its best years of the last two decades in 2007.

In line with 2005 and 2006, South African GDP growth remained very high at 4.5% during 2007, in spite of successive interest rate hikes that have contributed to a slowdown in economic output. Our main variable costs have increased significantly, due also to the devaluation of the ZAR. Nevertheless, we saw our turnover (in local currency) and profitability increasing as we managed to outweigh these higher industrial costs. South Africa also has to deal with electricity capacity problems. Nevertheless, demand is very solid and we expect that building and construction will remain the strongest performing sector over the next 2-3 years. Our new PB line in White River initiated production in July 2007 and we are planning to invest a further 8 million euros in a new melamine line in 2008.

Brazil experienced a very strong market during 2007 due to the positive macroeconomic environment. GDP growth rate was higher than expected, inflation was kept under control and the lowest level of interest and unemployment rates in recent years was achieved. As a consequence, there was an increase in real income per capita resulting in a higher level of demand. The international credit crisis is already reaching the financial markets but this has had no significant impact on the real economy. Our marketing strategy focused on value-added products (Melamine Faced MDF and Melamine Faced Chipboard), rather than merely looking for volume growth, which led to a significant growth in profitability. The Brazilian market has many players and will be facing strong competition from installed capacity growth in the coming years. In January 2008, Sonae Indústria and Masisa agreed to work together to develop a joint-venture for this market.

Turnover in the Rest of the World totalled 346 million euros in 2007, reflecting no growth compared to 2006. This arises as a consequence of a decrease in turnover in Canada due to the fire and in South Africa because of the devaluation of the ZAR. Recurrent EBITDA reached 98 million euros, slightly above the 2006 figure of 96 million euros.

### 3.3. Financial Review of FY2007



As previously explained, our business performance in 2007 is not directly comparable with 2006 due to four main effects namely the: (i) acquisition of the Hornitex assets in Germany which we consolidated as from 1 July 2006; (ii) acquisition of the Darbo plant in France, consolidated as from 30 September 2006; (iii) contribution of our Eiweiler plant to the 50%-50% partnership with Tarkett, which was formalized on 29 September 2006 and (iv) reduced activity in Canada due to the fire that destroyed our 2<sup>nd</sup> particleboard line in April 2006.

	4Q'06	3Q'07	4Q'07	4Q'07 / 4Q'06	4Q'07 / 3Q'07	(euro millions)		
						2006	2007	% chg 07/06
<b>Turnover</b>	<b>495</b>	<b>511</b>	<b>478</b>	(3%)	(6%)	<b>1.699</b>	<b>2.066</b>	22%
Other Operational Income	36	1	79	116%	8.380%	119	129	8%
<b>EBITDA</b>	<b>61</b>	<b>85</b>	<b>96</b>	56%	12%	<b>234</b>	<b>335</b>	43%
Recurrent EBITDA	71	85	62	(12%)	(27%)	223	302	36%
Recurrent EBITDA Margin %	14,3%	16,7%	13,0%			13,1%	14,6%	
Depreciation and amortisation	(31)	(29)	(31)	(3%)	6%	(108)	(117)	8%
<b>Operational Profit</b>	<b>36</b>	<b>56</b>	<b>52</b>	44%	(7%)	<b>120</b>	<b>205</b>	71%
Net Financial Charges	(17)	(21)	(20)	20%	(4%)	(68)	(81)	19%
o.w. Net Interest Charges	(11)	(13)	(7)	(34%)	(44%)	(37)	(44)	17%
o.w. Net Financial Discounts	(6)	(5)	(5)	(8%)	2%	(17)	(22)	30%
<b>Profit before taxes (EBT)</b>	<b>19</b>	<b>35</b>	<b>32</b>	68%	(9%)	<b>52</b>	<b>125</b>	138%
Taxes	(0)	(12)	(12)	2.786%	0%	(19)	(35)	89%
o.w. Current Tax	(3)	(7)	(5)	59%	(32%)	(14)	(19)	36%
<b>Net Profit attributable to Shareholders of Sonae Indústria</b>	<b>17</b>	<b>18</b>	<b>15</b>	(13%)	(18%)	<b>32</b>	<b>79</b>	143%

Consolidated Turnover in 2007 was 2.1 billion euros, an increase of 22% compared with 2006. Consolidated Recurrent EBITDA was 302 million euros, representing a margin on Turnover of 15% and a 36% increase when compared with 2006. Operating Results (EBIT) increased 71% in 2007 to 205 million euros compared with 120 million in 2006.

Consolidated Net results attributable to Sonae Indústria Shareholders increased by 143% to 79 million euros, compared with 32 million euros in 2006.

The higher interest rate environment and higher average debt levels during 2007 led to an increase on Net Interest Charges to 44 million euros, compared with 37 million euros in 2006. However, due to the increase in EBITDA, our interest cover rate improved from 6.3x to 7.7x.

	2006	2007	% chg 2007 / 2006
<b>Non Current Assets</b>	<b>1.360</b>	<b>1.517</b>	<b>12%</b>
Tangible Assets	1.235	1.343	9%
Goodwill	51	100	96%
Deferred Tax	60	49	(19%)
Other Non Current Assets	15	26	76%
<b>Current Assets</b>	<b>796</b>	<b>651</b>	<b>(18%)</b>
Inventories	214	258	20%
Trade Debtors	290	260	(10%)
Cash & Investments	194	66	(66%)
Other Current Assets	97	67	(31%)
<b>Total Assets</b>	<b>2.156</b>	<b>2.168</b>	<b>1%</b>
Shareholders' Funds	520	595	14%
Minority Interests	28	34	20%
<b>Shareholders' Funds + Minority Interests</b>	<b>548</b>	<b>629</b>	<b>15%</b>
Interest Bearing Debt	943	864	(8%)
Short term	141	160	13%
L-M term	802	704	(12%)
Trade Creditors	259	226	(13%)
Other Liabilities	406	449	10%
<b>Total Liabilities</b>	<b>1.608</b>	<b>1.539</b>	<b>(4%)</b>
<b>Total Liabilities, Shareholders' Funds and Minority Interests</b>	<b>2.156</b>	<b>2.168</b>	<b>1%</b>

During 2007 gross fixed assets increased by 202 million euros. This amount includes (i) 90 million euros for the reinstatement of line 2 in Canada, of which 49 million euros was already financed by cash advances from insurance claims (ii) 34 million euros related to the construction of our new PB line in South Africa; (iii) 16 million euros in relation to a paper impregnation centre in Germany; and (iv) other maintenance investments and industrial improvements. We also bought out most of the minority shareholding in our subsidiary Tafisa in May 2007, representing a cash outflow of 50 million euros.

During 4Q 2007, we managed to decrease Net Debt by 102 million euros, as a result of our efforts to reduce working capital, which included extending production curtailments at some plants during December. At the end of 2007 the Net Debt to EBITDA ratio was 2.4x and the Net Gearing was 127% (compared to 3.2x and 137% at the end of 2006).

### 3.4. Review of the Individual Accounts of the Holding Company

Sonae Indústria, SGPS, SA, as the holding company of the Sonae Indústria Group, defines the strategic guidelines for the Group and actively manages shareholdings and monitors the business activity of its subsidiaries. Amongst its main activities it is responsible for the global finance function, allocating funds for investment and for treasury requirements of its subsidiaries.

The main financial transactions that occurred during 2007 were the:

- Acquisition of 32,482,393 of Tafisa's outstanding shares in the process which enabled Tafisa to be delisted from the Spanish stock exchange, representing a cash outflow of 50million euros;
- Share capital increase at Tafisa amounting to 285 million euros
- Acquisition of 100% of the equity share capital of Imoplamac – Gestão de Imóveis S.A., company that owns the sites where some of our Portuguese plants are installed, amounting to 6 million euros
- Acquisition of the remaining 51% of the equity share capital of Ipaper – Indústria de Papéis Impregnados, S.A., amounting to 25 thousand euros,

- through the exercise of a call option, and merger of this company into EuroResinas - Indústrias Químicas, S.A.;
- e) Merger of Resoflex – Mobiliário e Equipamentos de Gestão, S.A. into Movelpartes – Componentes para a Indústria do Mobiliário, S.A.

### 3.5. Activity carried out by the Non-Executive Board Members

Besides participating actively in the activities of the Board Committees to which they were appointed (for a full description of composition and main tasks of each committee please see the Corporate Governance Report), the Non-Executive Board Members have participated in activities of the company according to their professional past experience and time availability. Those activities include the analysis of industrial footprint optimization, expansion projects, restructuring projects and the development of relevant international networking with eventual partners and authorities in present and potential geographical areas of activity. The Non-Executive Board members have also attended the International Managers Meeting of Sonae Indústria. This event brought together over 150 managers of the Group for two days in June 2007 and was organized to enable the exchange of best practices between the representatives of the different companies.

### 3.6. Treasury Shares

The Company did not acquire or sell any own shares during the year. As at 31 December, the Company did not hold any own shares.

### 3.7. Proposal for Appropriation of Results

Sonae Indústria SGPS SA, as the holding company of the Group, on an individual accounts basis, generated Net Profits of 21,190,023.42 euros for 2007 and on a consolidated basis generated 78,612,713.00 euros of Net Profit Attributable to its Equity Holders. The Board of Directors will propose to the Shareholders' General Meeting that the Net Profit for the year should be appropriated as follows:

<i>Euros</i>	<b>2007</b>
Legal Reserves	1,059,501.17
Proposed Dividend	20,130,522.25

A gross dividend of 28 cents per share will be proposed, totalling 39,200,000.00 euros, using Free Reserves in the amount of 19,069,477.75 euros to complement appropriation of the Net Profits for the year stated above.

### 3.8. Outlook

Deceleration in Iberia and in Central Europe has been evident while Brazil and South Africa have proved resilient.

We firmly believe that there is still scope to improve our operational efficiency in Central Europe and Iberia, by adapting our production to the evolution in demand. We will concentrate our efforts on completing the integration and restructuring of the plants we acquired in Germany and on optimizing our industrial and logistics costs. We will also continue investing to improve health and safety and address environmental issues so that we improve our standards in these areas.

Having experienced a sharp increase in chemical costs in 4Q 2007, we expect these costs to return to earlier price levels by the middle of the year.

In Canada, we are focused on the ramp-up of our 2<sup>nd</sup> particleboard line and, since we are the lowest cost producer in this market, we will be aiming to improve our market share.

In line with our established strategic guidelines, we will continue to seek opportunities to grow in our most profitable markets. In Brazil, we are negotiating a joint-venture with Masisa and we will increasingly focus on value-added products. In South Africa, we will invest 8 million euros in a new melamine line in White River.

### **3.9. Dividend Policy**

As stated in the 2006 Board of Directors Report, the policy of the Company is to distribute up to 50% of Consolidated Net Results Attributable to Shareholders of Sonae Indústria, with the actual pay-out ratio taking into consideration this target pay-out ratio of 50% and the investment opportunities that the Board plans to execute in the near future.

The Board of Directors will propose to the Shareholders' General Meeting that Sonae Indústria should pay a dividend that represents slightly less than 50% of 2007 Net Consolidated Profits Attributable to its Equity Holders for the first time in recent years, as explained in point 3.7. above. This amount was decided by considering the investments being implemented at group level together with the investment opportunities that are currently envisaged, namely in Brazil.

### **3.10. Acknowledgements**

We would like to emphasise that being one of the leading wood panel producers in the World is only possible with the full commitment and dedication of our employees, the confidence of our equity and debt holders and the loyalty of our customers and suppliers. We would therefore like to thank all of them and reaffirm our commitment to do our utmost to pursue sustainable value and potential growth for Sonae Indústria, reinforcing our responsible and efficient way of utilising resources. We also extend our thanks to the Statutory Audit Board and to the External Auditors for their advice and valuable assistance throughout the year and to the local communities, in which we operate, for their continuing support.

Maia 5<sup>th</sup> March 2008

Board of Directors

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Belmiro de Azevedo

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Álvaro Cuervo

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Paulo Azevedo

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Per Knuts

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Thomas Nystén

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Carlos Bianchi de Aguiar

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Rui Correia

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Christophe Chambonnet

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José Antonio Comesaña

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Louis Brassard

# CORPORATE GOVERNANCE REPORT

## 0. Compliance with CMVM Recommendations

Sonae Indústria is committed to developing and implementing good corporate governance practices going beyond mere compliance with regulatory obligations. Sonae Indústria firmly believes that good governance reduces risk and creates shareholder value. Good governance should include responsible management practices and a broad-based concern about environmental, social and ethical issues.

Sonae Indústria complies with all but Recommendations 8 and 10-A of the Corporate Governance Recommendations issued by the CMVM, (the Portuguese Securities Exchange Regulator) dated November 2005.

In relation to Recommendation 8, Sonae Indústria discloses the individual remuneration of the Chairman of the Board of Directors and the CEO, as well as the aggregate remuneration of the Executive and Non-Executive Directors. The Board's decision is based on the fact that disclosure of individual remuneration of all Directors is not generally accepted practice amongst Portuguese companies (less than 7% of listed companies in Portugal complied in their 2006 financial statements). In addition, the Board believes that the disclosure currently made is sufficient to separately assess the remuneration of the main components of the Board: the Chairman, CEO, Executive Committee and Non-Executive Directors.

Sonae Indústria launched a process to develop a sustainability reporting strategy in 2007. Sonae Indústria's business practices are rooted in strong ethical standards and processes and are set out in detail in the company's Code of Conduct, as well as the procedures used to communicate irregularities, currently in the approval process by the relevant corporate governing bodies. Following approval, these documents will be disclosed to all employees and Sonae Indústria will thereby become compliant with Recommendation 10-A.

## 1. Corporate Governing Bodies

The Shareholder's Annual General Meeting held on 31 May 2007 introduced amendments to the Articles of Association including the changes necessary to adopt a corporate governance model in accordance with alterations made to Portuguese Company Law.

The adoption of the "Reinforced Latin Model" implies that the company will have a Board of Directors, Statutory Audit Board and Statutory External Auditor.

In this same General Meeting it was also decided to reduce the number of members of the Board of Directors from eleven to ten.

In accordance with the company's Articles of Association, the Statutory Audit Board may be composed of an even or odd number of members, with a minimum of three and a maximum of five with one or two substitutes appointed, depending on the number of members being either three or more, respectively.

This General Meeting also elected the following members to the company's Statutory Audit Board:

- Manuel Guilherme Oliveira e Costa (Chairman)
- Armando Luís Vieira de Magalhães (Member)

- Jorge Manuel Felizes Morgado (Member)
- Óscar José Alçada da Quinta (Substitute)

In December 2007, Manuel Guilherme Oliveira e Costa resigned as Chairman of the Statutory Board and was replaced by the substitute member of this Board, Óscar José Alçada da Quinta, who took over the position of Chairman by deliberation of the Statutory Audit Board on 21 December. Óscar José Alçada da Quinta will retain this function until the next Shareholders' Annual General Meeting.

Following the above-mentioned changes as of 31 December 2007, the Statutory Audit Board is composed of:

- Óscar José Alçada da Quinta (Chairman)
- Armando Luís Vieira de Magalhães (Member)
- Jorge Manuel Felizes Morgado (Member)

PriceWaterHouseCoopers & Associados, SROC, Lda. represented by António Joaquim Brochado Correia or José Pereira Alves was elected as the Company's Statutory External Auditor.

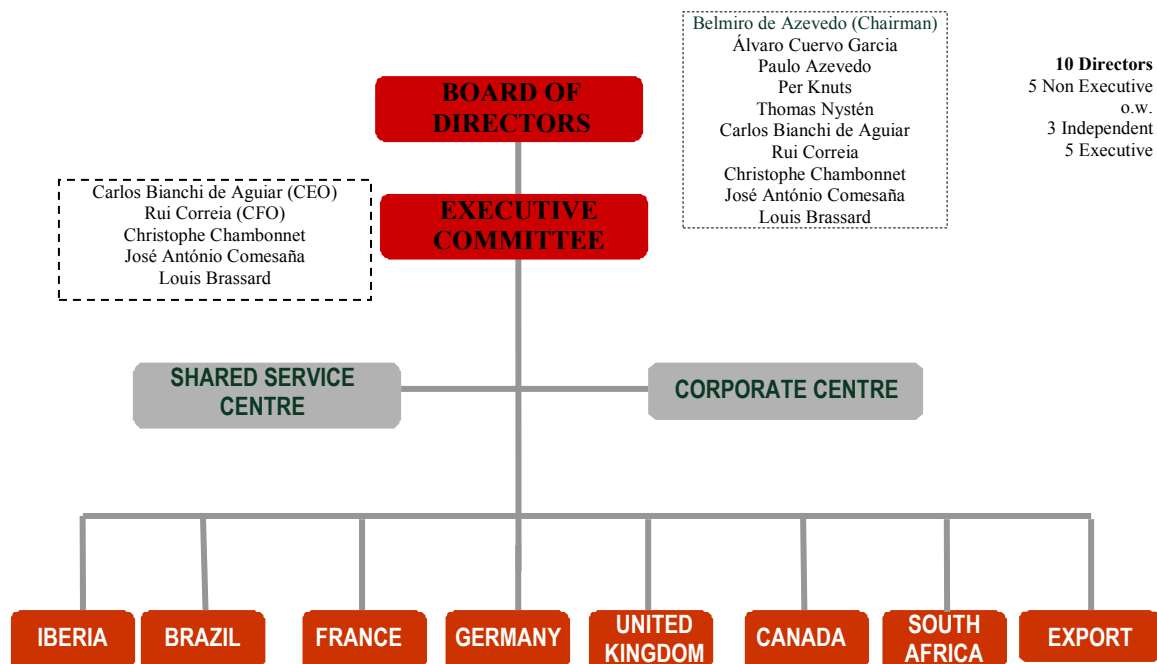
In the same General Meeting, following changes to Portuguese Company Law, a new Board of the Shareholders' General Meeting was elected:

- João Augusto Esmeriz Vieira de Castro (Chairman)
- António Agostinho Cardoso da Conceição Guedes (Secretary)

The members of both the Statutory Audit Board and the Board of the Shareholders' General Meeting, responded to two questionnaires addressed to the company and formally declared their independence and lack of incompatibility in accordance with Portuguese Company Law, and committed themselves to immediately notifying the company of any occurrence that may lead to their loss of independence or to any incompatibility during their mandate.



## 2. Governing Bodies, Constitution and Organisation



### 2.1. Board Composition and Organisation

Based on the changes to the Articles of Association made in the 2007 Shareholders' General Meeting, the Board of Directors may be composed of an even or odd number of members, ranging from a minimum of three and maximum of thirteen, elected at a Shareholders' General Meeting. In the same General Meeting, the number of members of Sonae Indústria's Board of Directors was reduced to 10 following the resignation of Angel Garcia Altozano on this same date. In December, Christian Günther Schwarz resigned as a member of the Board of Directors and Christophe Chambonnet was co-opted to replace him on the Board and appointed to the Executive Committee by the Board of Directors in the meeting dated 20 December 2007. In accordance with the law, the Board of Directors will propose the ratification of his appointment to the next Shareholders' General Meeting.

According to the changes made to the Articles of Association, the Chairman of the Board of Directors, who is elected by the Board, has now a casting vote. As the Board of Directors is composed of an even number of members, in order to comply with Article 395º Point 4 of Portuguese Company Law, the Board of Directors conferred a casting vote to Duarte Paulo Teixeira de Azevedo, in the event of the absence or incapacity of the Chairman.

The Board of Directors is currently composed of:

- Belmiro Mendes de Azevedo - Chairman (Non Executive)
- Álvaro Cuervo Garcia (Non Executive and Independent);
- Duarte Paulo Teixeira de Azevedo (Non Executive)
- Per Otto Knuts (Non Executive and Independent)

- Knut Thomas Alarik Nysten (Non Executive and Independent)
- Carlos Francisco de Miranda Guedes Bianchi de Aguiar (Executive)
- Rui Manuel Gonçalves Correia (Executive)
- Christophe Chambonnet (Executive)
- José António Comesaña Portela (Executive)
- Louis Maurice Brassard (Executive)

As such, it can be seen that the number of Non-Executive Directors is equal to the number of Executive Directors. Of the Non-Executive Directors, 3 (three) are Independent, in that they are not associated with special interest groups related either to the Company or to its reference shareholder and they have no materially relevant business interests that could interfere with their ability to freely exercise independent judgement. These Independent Non-Executive Directors do not hold qualified shareholding nor do they act on behalf of shareholders with qualified shareholdings of 2% or more of the company's share capital and they have not been re-elected for longer than two mandates. These independent Directors exercise an important influence over the decision-making process and the development of company strategy and policy.

The Board mandate is three years, with the possibility of re-election and the current mandate covers the period 2006 to 2008. All members of the Board of Directors were appointed with effect from 15 December 2005. This marked the registration date for the merger of the "old" Sonae Indústria – SGPS, SA, into Sonae 3P – Panels, Pulp and Paper, SA and the renaming of the latter to Sonae Indústria SGPS, SA, with the exception of Rui Correia, who was initially appointed to the Board of Sonae 3P on 22 July 2002 and Christophe Chambonnet, who was co-opted by the Board of Directors in the meeting dated 20 December 2007.

As stipulated by the Company's Articles of Association, Sonae Indústria's Board of Directors meets once a quarter and additionally whenever the Chairman or two of its members call a meeting. All decisions taken are recorded in the respective minutes. According to the Articles of Association, when a Board member misses two meetings without a justification, which is accepted by the Board of Directors, this will be considered a definitive absence.

Nine Board meetings were held in 2007. The Board of Directors can only deliberate if the majority of its members are present or represented by proxy, and decisions are taken by a majority of the votes of the Board members present or represented and of those who vote by post.

Members of the Board of Directors are currently also members of the Boards of other companies, which are listed in Point 18 of this report. Former Board memberships held over the last 5 years are also listed in Point 19 of this report.

The Board of Directors is empowered to assure the management of the Company in accordance with the objects established in the Company's Articles of Association. Currently, the Board of Directors may deliberate on increases in the Company's share capital of up to two billion euros, on one more occasions, in accordance with the law.

<b>Sonae Indústria's Board of Directors</b>
<b>Belmiro de Azevedo (Chairman Sonae Indústria):</b> obtained a degree in Industrial Chemical Engineering at the University of Oporto, a PMD from Harvard Business School, participated in the Financial Management Programme from Stanford University and has occupied a diverse number of

<p>positions in the Efanor/Sonae Group from an early stage. Mr Belmiro de Azevedo is today Chairman of the Board of Sonae Group and Chairman of the Board and CEO of Sonae Capital, SGPS S.A., a member of the European Union Hong Kong Business Cooperation Committee, of the International Advisory Board of Allianz AG and of the Harvard Business School International Advisory Board. He has been decorated on a number of occasions, some of the most prominent being the “Encomienda de Numero de la Ordem del Mérito Civil” from His Majesty D.Juan Carlos, King of Spain, the “Order of the Cruzeiro do Sul” from the President of the Brazilian Federal Republic, the “Grã Cruz da Ordem do Infante D. Henrique” from the President of the Portuguese Republic, nomination as “Honorary Fellow” of the London Business School and member of the “Order of Outstanding Contributors to Sustainable Development” from the World Business Council for Sustainable Development.</p>
<p><b>Alvaro Cuervo Garcia</b> (Independent): holds a post graduate degree in Statistics and Psychology and a PhD in Economics from the University of Madrid (Spain). Mr Cuervo is a professor of Business Economics and was Head of the Business department at the Complutense University in Madrid, Head of Business Economics at Valladolid and Oviedo University (Spain) and CIDE (Mexico) and visiting professor at New York University and California Berkeley University (USA). As a member of the Spanish government’s consultative committee for privatizations and Chairman of the Economic and Business Scientific Association (Spain), he holds a number of other directorship roles.</p>
<p><b>Paulo Azevedo</b>: holds a degree in Chemical Industrial Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business studies from the Oporto Institute of Business Studies. Having been CEO of Optimus – Telecomunicações S.A. between 1998 and 2000. Today Mr. Paulo de Azevedo is CEO of Sonae SGPS and holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo’s son.</p>
<p><b>Per Knuts</b> (Independent): holds a degree in Chemical Engineering from the Royal Institute of Technology (Sweden) and was Chairman for the Global Council of Stora Feldmuhle AG Companies and FPB Holding AG (Dusseldorf – Germany) between 1998 and 2004.</p>
<p><b>Thomas Nystén</b> (Independent): obtained a Master of Arts degree (Political Economy) at the University of St Andrews (Scotland) in 1963 and completed an AMP at the Harvard Business School in 1984. Previously held the positions of Executive Director of the Myllykoski Corporation in Helsinki and CEO of MD Lang Papier in Germany (1994- 2004).</p>
<p><b>Carlos Bianchi de Aguiar (President of the Executive Committee and CEO Sonae Indústria)</b>: graduated with a degree in economics from the University of Oporto. Having worked for Sonae Indústria since 1986, he has occupied a number of managerial and directorship roles in various geographies, namely the UK ('90-'95), Spain ('96-'97) and Germany ('00-'01). He returned to Portugal in 2002 to become Group CFO and was appointed CEO in 2005.</p>
<p><b>Rui Correia (CFO)</b>: holds a degree in Economics from the University of Oporto and a post graduate degree in Business Management from the Oporto Institute of Business Studies. Having exercised functions in the Efanor/Sonae Group since 1994, he was head of the Finance Department of Sonae SGPS from 2000 and was appointed as Sonae Indústria CFO in 2005. Since 2001, he has also held a number of directorship roles in the Efanor/Sonae Group.</p>
<p><b>Christophe Chambonnet (COO France)</b>: obtained a degree in engineering from ISAB (France), a MS in Applied Economics and an MBA from the University of Purdue, USA. Between 1998 and 2000 he has occupied a number of managerial and directorship roles in the Marketing area, namely in</p>

companies based in USA, Canada, France and Belgium. Between 2000 and 2005 he was a Board member of Tafisa Canada, a subsidiary of Sonae Indústria. Between April 2005 and June 2006, he was vice president of Tembec Avebene SAS, a French company. As from July 2006, he was appointed COO of Isoroy SAS.

**José António Comesaña (COO Iberia):** obtained a degree in Industrial Mechanical Engineering from the Barcelona School of Industrial Engineers and has held a number of managerial and directorship roles in Sonae Indústria. Having started his career in the resins sector, he has been in the wood panels business for over 33 years with Tafisa. Previously held numerous positions at plant management level and has been COO of Iberia since 1998. He joined Sonae Indústria with the acquisition of Tafisa in 1993.

**Louis Brassard (COO Canada):** obtained a degree in Industrial Engineering from the Montreal Polytechnic School (Quebec Canada) and an MBA in Finance and Marketing from Montreal University. Mr. Brassard has been with Sonae Indústria since 1994 and has held a number of managerial and directorship roles.

Sonae Indústria Directors have the following Sonae Indústria Shares attributed to them:

Number of Shares		Number of Shares	
Belmiro Mendes de Azevedo		(1) Efanor Investimentos, SGPS, SA	
Efanor Investimentos, SGPS, SA (1)	49,999,997	Sonae Indústria, SGPS, SA	44,674,706
Sonae Indústria, SGPS, SA	1,010	Pareuro, BV (2)	20,000
		Sonae Capital, SGPS, SA (3)	82,350,553
Carlos Bianchi de Aguiar		(2) Pareuro, BV	
Sonae Indústria, SGPS, SA	720	Sonae Capital, SGPS, SA (3)	50,000,000
Rui Manuel Gonçalves Correia		Sonae Indústria, SGPS, SA	27,118,645
Sonae Indústria, SGPS, SA	5,000	(3) Sonae Capital, SGPS, SA	
Duarte Paulo Teixeira de Azevedo		SC, SGPS, SA (4)	391,046,000
Efanor Investimentos, SGPS, SA (1)	1	(4) SC, SGPS, SA	
Migracom, SGPS, SA (5)	69,996	Sonae Indústria, SGPS, SA	9,521,815
Sonae Indústria, SGPS, SA	223	(5) Migracom, SGPS, SA	
		Sonae Indústria, SGPS, SA	39,949
		Sonae Capital, SGPS, SA (3)	161,250
		Imparfim, SPS, SA (6)	150,000
		(6) Imparfim, SPS, SA	
		Sonae Indústria, SGPS, SA	278,324
		Sonae Capital, SGPS, SA (3)	513,159

## 2.2. Executive Committee Composition and Organisation

The Executive Committee is appointed by the Board of Directors and is composed of the CEO, CFO and COOs from Iberia, France and Canada. The Company's Articles of Association permit the Board to delegate ordinary company business, duties and responsibilities to an Executive Committee.

Responsibilities are divided among the Executive Committee members as follows:

## EXECUTIVE COMMITTEE

**Carlos Bianchi de Aguiar**

President of the Executive Committee and CEO

**Rui Correia**

CFO

**Christophe Chambonnet**

COO France

**José António Comesaña**

COO Iberia

**Louis Brassard**

COO Canada

The Board of Directors has delegated powers to the Executive Committee to manage day-to-day operations of the Company except:

- a) appointing the Chairman of the Board of Directors;
- b) co-opting members to the Board of Directors;
- c) convening Shareholders' General Meetings;
- d) approving the Annual Report and Accounts;
- e) granting any pledge, guarantee or charge over the assets of Sonae Indústria;
- f) deciding to change the Company's registered office or approving any share capital increases;
- g) deciding on mergers, de-mergers and modifications to the corporate format of Sonae Indústria;
- h) approving the Company's Business Plan and Annual Budget;
- i) defining key features of personnel policies, including stock incentive plans and variable remuneration plans applicable to executives and senior managers (Management Level G4 and above), in areas that do not require decisions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings, together with decisions on individual compensation for executives of Management Level G3 and above, which are delegated to the Board Nomination and Remuneration Committee and, when these executives are Officers of the Company, also require decisions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings;
- j) defining or changing major accounting policies of any company included in the consolidation perimeter of the Group;
- k) approving quarterly and half-yearly reports and accounts;
- l) selling, acquiring directly or by long term lease or transacting in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 5,000,000 euros, unless covered by the Annual Budget or the Business Plan, duly approved by the Board;
- m) purchasing or subscribing new shares in the share capital of any subsidiary company where the accumulated amount exceeds 20,000,000 euros in any

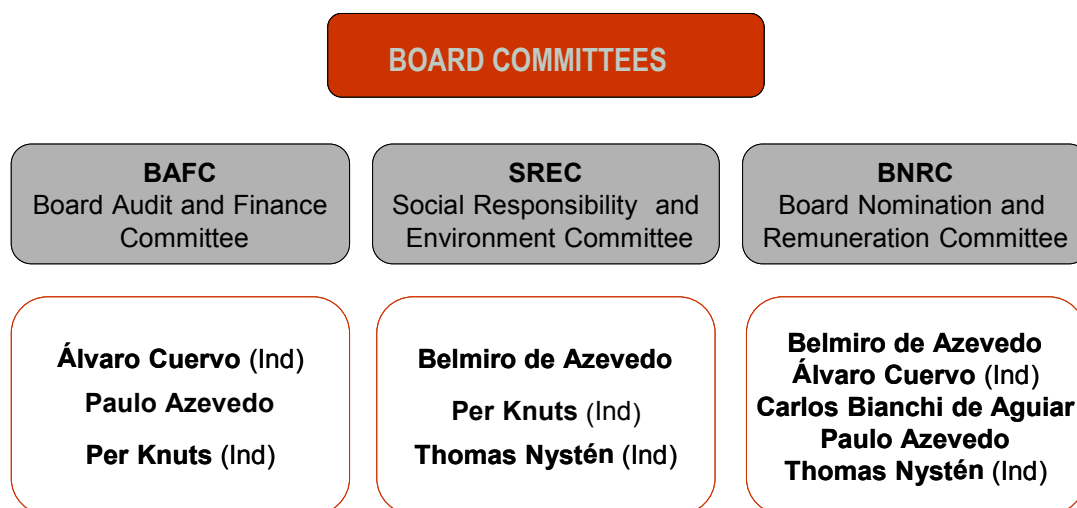
- financial year, unless covered by the Annual Budget or the Business Plan, duly approved by the Board;
- n) investing in any other company or other financial assets when the accumulated value is in excess of 10,000,000 euros in any financial year, unless covered by the Annual Budget or the Business Plan, duly approved by the Board;
  - o) making any other financial investment which exceeds the accumulated amount of 10,000,000 euros in any financial year, unless covered by the Annual Budget or the Business Plan, duly approved by the Board;
  - p) disposing of assets or other divestments, if such a transaction has a significant effect on the operating results of the Company (defined as equal or greater than 5%) or affects the jobs of more than 100 employees, unless covered by the Annual Budget or the Business Plan, duly approved by the Board.

The Executive Committee normally meets at least once every month and additionally whenever the President of the Executive Committee (CEO) or a majority of its members call a meeting in writing, at least 3 days before the appointed date. Meetings can only take place if at least four of the members are present (either physically or by videoconference). The CEO presides over the meeting as Chairman. Over the course of 2007, 16 meetings of the Executive Committee were held.

Decisions made by the Executive Committee are taken by a qualified majority of four votes in favour. In the absence of this qualified majority, the Executive Committee must submit the matter under consideration to the Board of Directors for deliberation. With the objective of maintaining the Board of Directors permanently informed on decisions taken by the Executive Committee, all Board members are sent a summary of the minutes arising from the Executive Committee meetings.

### 3. Board Committees

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors has created 3 Board Committees and the role of Board and Corporate Governance Officer:



### **3.1. Board Audit and Finance Committee (“BAFC”)**

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

- Álvaro Cuervo (Chairman; independent)
- Paulo Azevedo
- Per Knuts (Independent)

The BAFC normally meets at least 5 times yearly and is responsible for:

- Analysing the financial statements and earnings announcements to be disclosed to the market and reporting their findings to the Board of Directors;
- Reviewing risk management, internal control and business processes;
- Verifying the results of internal and external audits;
- Advising on any changes in accounting policies and practices;
- Verifying compliance with accounting standards;
- Reviewing compliance with legal and statutory obligations, particularly within the financial domain.

Over the course of 2007, the BAFC held 6 meetings.

### **3.2. Social Responsibility and Environment Committee (“SREC”)**

The SREC is composed of the following Directors:

- Belmiro de Azevedo (Chairman)
- Per Knuts (Independent)
- Thomas Nysten (Independent)

The SREC met twice in 2007 with its main function being to analyse the impact of the economic, environmental and social dimensions of sustainability.

### **3.3. Board Nomination and Remuneration Committee (“BNRC”)**

The BNRC is composed of the following Directors:

- Belmiro de Azevedo (Chairman)
- Álvaro Cuervo (Independent)
- Carlos Bianchi de Aguiar (CEO)
- Paulo Azevedo
- Thomas Nysten (Independent)

In meetings held normally at least twice a year, the BNRC's main function is to analyse and submit proposals and recommendations on behalf of the Board of Directors to the Shareholders' Remuneration Committee in relation to the remuneration and other compensation of members of the Board of Directors, and to analyse and approve proposals and recommendations on behalf of the Board of Directors in relation to remuneration and other compensation for senior executives of the Sonae Indústria Group.

The BNRC liaises with the Sonae Indústria Shareholders' Remuneration Committee (“Comissão de Vencimentos”). It may also receive assistance from external entities

provided absolute confidentiality is ensured in relation to the information obtained as a result of that cooperation.

In 2007, the BNRC met on two occasions.

### **3.4. Board and Corporate Governance Officer**

The Board and Corporate Governance Officer ("BCGO") is David Graham Shenton Bain, who reports to the Board of Sonae Indústria as a whole, through the Chairman.

Principal duties of the BCGO encompass:

- Supporting the Board in defining its role, objectives and operating procedures in order to optimise its performance;
- Taking a leading role in organising Board evaluations and assessments;
- Keeping all Legislative, Regulatory and Corporate Governance developments under close review;
- Supporting and challenging the Board to achieve the highest standards in Corporate Governance;
- Supporting the Board in ensuring that the concept of stakeholders and the need to protect minority interests are in the Board's mind when important business decisions are being taken.

The BCGO also acts as the secretary of the BAFC and BNRC.

## **4. Board Assessment**

To aligning itself with Corporate Governance best practices, the Board has decided to undertake a self-assessment every 2 or 3 years. The last formal self-assessment was carried out in 2005 with the help of an external consultant. The assessment was designed to review how the Board and the Board Committees function, to evaluate Corporate Governance at Board level and propose measures for further improvements. The main measures identified in the 2005 self-assessment have already been implemented. Another self-assessment will be completed during 2008.

## **5. Board and Board Committee Meetings and Attendance in 2007**

During 2007, the number of meetings and attendance record for the Board of Directors and Board Committees were as follows:

	<b>Number of Meetings</b>	<b>Attendance</b>
Board of Directors	9	91%
Executive Committee	16	100%
Board Audit and Finance Committee	6	85%
Social Responsibility and Environment Committee	2	100%
Board Nomination and Remuneration Committee	2	89%



## **6. Directors' Remuneration and Other Compensation**

The Shareholders' Annual General Meeting held in 2007 approved a proposal made by Sonae Indústria Shareholders' Remuneration Committee ("Comissão de Vencimentos") setting out the remuneration policy to be followed during the current mandate (2006 – 2008).

This remuneration and compensation policy is based on the presumption that initiative, effort and commitment are the essential foundation stones for good performance. For these reasons, individual activity, performance and contributions to the company's success should be evaluated annually, which will thereby influence the attribution of variable remuneration and other compensations to each person.

In relation to Directors' remuneration and other compensation, the approved policy establishes the following:

### Executive Directors

Remuneration and compensation of the Executive Directors (ED) includes: (i) a fixed component, composed of a base remuneration or salary, paid 12 times per year, and benefits in line with current market practices, (ii) a variable annual performance bonus paid in the first quarter of the following year, and (iii) a third variable and discretionary component, attributable in the first quarter of the following year, as deferred remuneration under the Company's Medium-term Incentive Plan, which vests and becomes payable on the second anniversary of the attribution date.

Individual remuneration and compensation packages will be defined according to the responsibility levels of each ED and will be reviewed annually. Each ED will be attributed with a Sonae Indústria Management Level. Normally, "Senior Executive" (Management Level G2) is attributed to Sonae Indústria's ED and "Group Senior Executive" to the CEO. Sonae Indústria's Management Levels are similar to those of the Efanor/Sonae Group and are based on the classification of corporate functions under the Hay international model, thereby facilitating market comparisons and internal equity. Remuneration and compensation packages to be attributed to ED will be benchmarked, using market surveys of Portuguese and European Top Executive remuneration, in order to establish a fixed remuneration close to the average and a total remuneration or compensation close to the third quartile, on a comparable basis.

The purpose of the Annual Performance Bonus is to reward the achievement of several objectives annually defined, related to "Key Performance Indicators of Business Activity" (Business KPIs) and "Personal Key Performance Indicators" (Personal KPIs). The Bonus target to be attributed will be based on a percentage of the fixed component, which will vary between 40% and 60%. Business KPIs, which include economic and financial indicators, will be based on approved budgets; individual performance of the business unit and group performance will account for 70% of the Annual Performance Bonus and constitute objective indicators. The remaining 30% will derive from Personal KPIs, based on subjective indicators and amounts paid will be based on actual performance and may vary between 0% and 120% of the target bonus attributed;

The Medium-term Incentive Plan will be aimed at enhancing ED's loyalty, aligning them with shareholders and increasing their awareness of their importance on the overall success of our organisation. Currently, the objective values are defined as a percentage of the Annual Performance Bonus. For the Executive Directors, such amounts represent between 50% and 100% of the target Annual Performance Bonus.

Amounts attributed derive from one or more KPIs, aligned with value creation to shareholders and are similar for all EDs.

### Non-Executive Directors

Remuneration of Non-Executive Directors (NEDs) consists of a fixed remuneration (of which approx. 15% is paid as meeting attendance fees), with no variable remuneration or other compensation payable. For those NEDs who exercise functions in other companies of the Efanor/Sonae Group, the remuneration paid by Sonae Indústria is derived from the overall Efanor/Sonae Group compensation, allocated in proportion to the estimated time devoted to Sonae Indústria as NEDs. For the remaining NEDs, a fixed remuneration is paid (including remuneration for attendance in meetings) based on benchmarking to the market. This remuneration is increased up to 15% for those NEDs serving on Board Committees and up to an additional 10% for the respective Chairmanship.

2007	Total Fixed Annual Remuneration		Total Short Term Performance Bonus		Total Deferred Medium Term Performance Bonus		Total 2007	
	2006	2007	2006 (a)	2007 (b)	2006 (c)	2007 (d)	2006	2007
Chairman of the Board of Directors	61,000	156,083					61,000	156,083
CEO	221,400	228,000	102,000	125,000	147,200	100,000	470,600	453,000
Executive Directors (remaining)	775,270	785,231	283,815	367,639	261,780	192,804	1,320,865	1,345,674
Non-executive Directors (remaining) (e)	173,070	162,607					173,070	162,607
<b>Total of Board of Directors</b>	<b>1,230,740</b>	<b>1,331,921</b>	<b>385,815</b>	<b>492,639</b>	<b>408,980</b>	<b>292,804</b>	<b>2,025,535</b>	<b>2,117,364</b>

In 2008, a subsidiary of Sonae Indústria paid compensation for loss of office of 144,975 Euros to an Executive Director who ceased functions during 2007.

No special agreements exist regarding compensation or payments to be made to either Company Directors or employees in the event of termination of service resulting from a tender offer.

## **7. Capital Structure**

Sonae Indústria's share capital amounts to 700 million euros and is represented by 140 million ordinary shares with a nominal value of 5 euros per share. All shares are listed on Euronext Lisbon. No limitations or restrictions are in place regarding the transfer of control or sale of shares.

**Qualified Shareholdings according to Article 8, nr 1, line e) of CMVM regulation 04/2004**

Shareholder	Number 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%
SC, SGPS, SA	9,521,815	6.8013%	6.8013%
Duarte Paulo Teixeira de Azevedo	40,172	0.0287%	0.0287%
Maria Claudia Teixeira de Azevedo	23,186	0.0166%	0.0166%
Maria Margarida Carvalhais Teixeira de Azevedo	1,010	0.0007%	0.0007%
Nuno Miguel Teixeira de Azevedo	969	0.0007%	0.0007%
	81,380,503	58.1289%	58.1289%

## **8. Voting Rights and Shareholder Representations**

Under the terms of Sonae Indústria's Articles of Association, the Shareholders' General Meeting is composed only of shareholders with voting rights and holding shares or subscription bonds who, until five business days before the meeting taking place, provide evidence of their ownership, according to the terms established by company law.

According to the changes made in the Company's Articles of Association approved at the 2007 General Meeting, each share corresponds to one vote. Shareholders' General Meetings can meet at the first instance, as long as shareholders representing over fifty percent of the Company's share capital are present or represented. All decisions at Shareholder's General Meetings are taken by simple majority, except if a higher percentage is required by law. Individual shareholders may be represented at Shareholders' General Meetings by their spouse, direct family, a Director of the Company or another shareholder, as long as they have notified the Chairman of the Shareholders' General Meeting in writing, identifying the representative and his or her residence and date of the meeting. Corporate shareholders may be represented by a person duly appointed for that purpose by letter, the authenticity of which is scrutinised by the Chairman of the Shareholders' General Meeting.

No shareholders possess special voting rights. The Board of Directors has no knowledge of shareholders' agreements in which the Company or the shareholders of the Company are involved.

The Company has not taken any measures that would hinder the success of a public tender offer for the purchase of the Company's shares. It has not entered into any relevant kind of agreement that would be subject to change or termination in the event of transfer of control resulting from a public tender offer.

As Sonae Indústria is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items in the agenda of the Shareholders' General Meeting.

Postal votes can only be considered when sent to the headquarters of the Company by registered post with notification of receipt addressed to the Chairman of the Shareholders' General Meeting, which are received at least three days before the date of the Meeting and subject to the normal rules regarding evidence of share ownership. Votes by post are considered negative votes in relation to any proposals presented after the date they were issued.

A standard form for postal voting is available from Sonae Indústria's corporate website [www.sonaeindustria.com](http://www.sonaeindustria.com) and its head offices.

Proposals to be submitted by the Board of Directors to the Shareholders' General Meeting are made available to shareholders, as required by law, (one month or fifteen days notice ahead of the meeting, depending on whether there is a proposal to alter the Company's Articles of Association) at the Company's registered office, together with all relevant reports, documents and other legally mandatory information. These documents and the Annual Reports are available on the Company's website [www.sonaeindustria.com](http://www.sonaeindustria.com) as from same date.

#### **9. Rules for nomination and substitution of members of the Board of Directors and changes to the Company's Articles of Association**

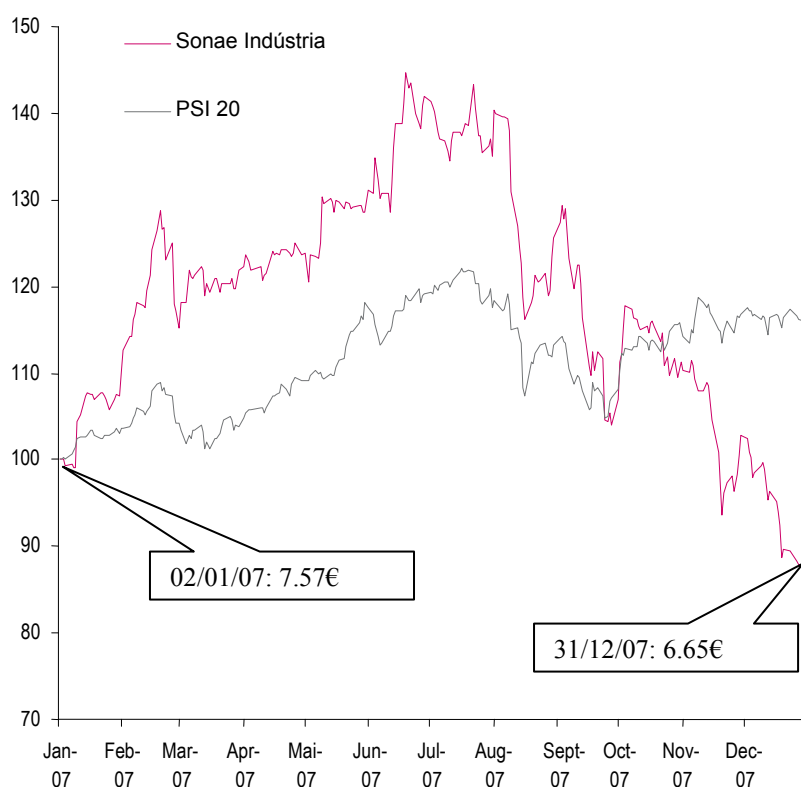
Members of the Board of Directors are elected by the Shareholders' General Meeting. Groups of shareholders representing between 10% and 20% of the Company's share capital, may submit a stand-alone proposal to nominate a Director in advance of the Shareholders' General Meeting. Each shareholder cannot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

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

#### **10. Shareholders' Remuneration Committee**

Sonae Indústria's Shareholders' Remuneration Committee is appointed by the Shareholders' General Meeting for a three-year term and is currently composed of Efanor Investimentos - SGPS, SA, represented by José Manuel Neves Adelino, and Imparfin -SGPS, SA, represented by Bruno Walter Lehmann.

## 11. Share Price Performance during 2007



### MAIN EVENTS IN 2007

- **24th Jan.:** Glunz is nominated for the Innovation prize in Germany
- **31st Jan:** Press Announcement concerning the agreement with Swedwood from IKEA Group
- **1st March:** FY2006 unaudited consolidated results announced
- **13th April:** the Spanish Securities Market Commission (Comissão Nacional de Mercado de Valores) approved the Public Tender for 39.546.174 shares representing 8,84% of the share capital of Tableros de Fibras, SA (Tafisa)
- **17th Mai:** 1Q07 unaudited consolidated results announced
- **18th Mai:** Sonae Indústria informs about the results of the tender offer to acquire shares of Tableros de Fibras, SA (Tafisa)
- **4th June:** Announcement that the Annual General Meeting approved by unanimity the authorization to acquire own shares
- **5th July:** release the first Sustainability Report of Sonae Indústria
- **29th Aug.:** 1H07 unaudited consolidated results announced
- **7th Nov.:** 3Q07 unaudited consolidated results announced
- **28th Nov.:** Announcement of the sale of Pontevedra land

## **12. Investor Relations**

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

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

Sonae Indústria's Investor Relations Department may be contacted by email at [investor.relations@sonaeindustria.com](mailto:investor.relations@sonaeindustria.com) or by telephone: 00 351 22 010 0638.

In addition, Sonae Indústria has an institutional website ([www.sonaeindustria.com](http://www.sonaeindustria.com)) that posts all earnings announcements, statements, reports and accounts together with any other public documents, press releases or general news items on a wide range of themes relating to the Company and Group.

Sonae Indústria's legal representative relations with equity market ("Representante para as Relações com o Mercado") is Rui Correia, who can be contacted via the Investor Relations' Department or alternatively, directly by email: [rmcorreia@sonaeindustria.com](mailto:rmcorreia@sonaeindustria.com).

## **13. Dividend Policy**

Sonae Indústria has not distributed dividends in recent years, as it has opted to strengthen its balance sheet following the significant deterioration in shareholders' funds as a result of losses accumulated up to 2003. As Sonae Indústria has now recovered its financial strength and is generating positive results, a policy of distributing up to 50% of Consolidated Net Results Attributable to the Shareholders of Sonae Indústria will be proposed. Each year, the actual pay-out ratio will be proposed taking into consideration this target pay-out ratio of 50% and the investment opportunities that the Board plans to execute in the near future. The Board of Directors will propose to the Shareholders' General Meeting that Sonae Indústria pays dividends in the amount of 50% of the 2007 Consolidated Net Profits Attributable to its Equity Holders.

## **14. Share and Share Options Schemes**

Sonae Indústria does not currently award any remuneration or other compensation involving or linked to shares or share options.

## **15. Transactions with Related Parties**

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

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

## **16. Remuneration of the Statutory External Auditors**

In 2007 the statutory external auditors, PriceWaterhouseCoopers, invoiced Sonae Indústria and its affiliated companies a total amount of 696,839 euros of which 95.3% related to audit and the legal certification of the accounts and 4.7% to other services.

To safeguard external auditor independence, tax consultancy and other services are provided by different teams from those involved in the audit process.

## **17. Risk Management**

Sonae Indústria has a Risk Management Department which is responsible for promoting and monitoring the development of structured and systematic processes and activities to manage business risks.

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

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

A global approach is in place to assure a suitable and balanced coverage of the operational risk through its transfer to our reinsurance panel. Property damage and business interruption risks are covered by a global policy, developed and implemented locally. Sonae Indústria adopts this global policy as a support to its processes of risk management and is committed to improving plant protection and prevention levels to reinforce this partnership.

### **Process of Integrated Risk Management**

At Sonae Indústria, Risk Management is based on a standard and integrated methodology, denominated Enterprise-Wide Risk Management ("EWRM").

In 2006, the systematisation process initiated in 2004, was consolidated, fully integrated and aligned with strategic business goals, aimed at prioritizing relevant business risks and identifying procedures to mitigate their impact. The process covers the whole organisation, encompassing all countries and corporate functions.

The Risk Model, which was built in 2004 and reviewed in 2006, aggregates business risks into three categories (Business Environment Risks, Business Process Risks and Information for Decision-Making Risks) and contains the quantification of the Significance (impact on the EBITDA and operational efficiency) as well as Probability (the frequency of occurrence of the event or scenario) of the critical risks for Sonae Indústria.

A Risk ScoreCard (RiSC 07) was developed identifying and defining KPIs to challenge and monitor the accomplishment of the Action Plans prepared to address the Critical risks that were identified. The KPIs identified are integrated into the Compensation Process of those people with the capacity to deal and manage these risks. This is done through the identification and fulfilment of procedures, included in the PAR process, to

address those risks and subsequent measurement of their impact through the KPIs. The KPIs are measured on a local (country) basis and the objectives defined as such.

In addition, financial risk management is included in Business Process Risk and is complemented and monitored within the scope of the financial function.

### **Operational Risk Management**

The manufacture of wood-based panels is an industrial activity with very significant operational fire and explosion risks. As a world leader, it would be unacceptable for Sonae Indústria to fail to recover from a catastrophic event on a “world class” scale. Thus, loss prevention and protection of core assets is a constant concern for our Group.

As a structured response to this “risk exposure”, an ambitious Loss Prevention Programme was set up in 2003.

This programme is the corner stone of the property damage and loss prevention strategy in all plants.

### **Corporate Risk Standards**

Having been developed in 2003, the Corporate Risk Standards are divided into several groups of Loss Prevention measures as follows:

- Management Programs
- Automatic Fire Protection
- Specific protection systems for machinery and equipment
- Surveillance
- Manual Fire Fighting
- Warehousing
- Maintenance
- Water Supply
- Contingency Planning and Business Continuity Management

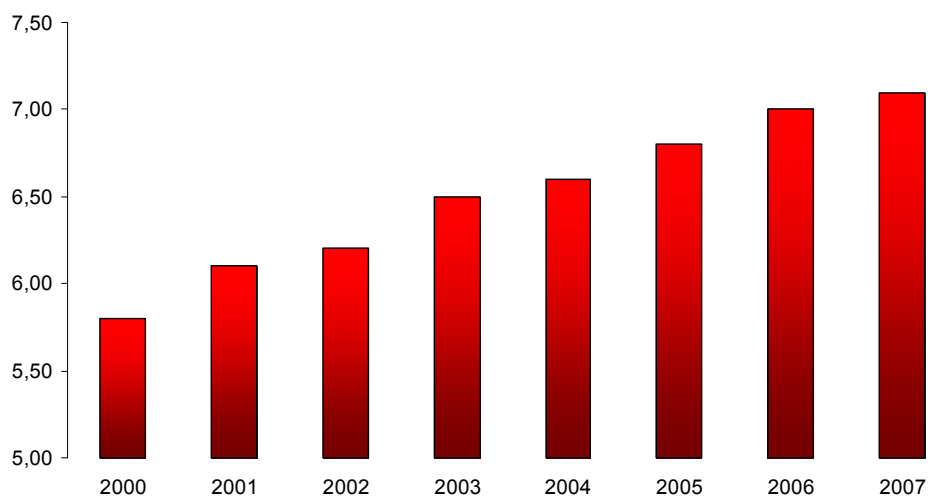
In the last quarter of 2007, a project to develop an analytical version of these standards was launched with the support of recognized external consultants and with one of the key insurance market representatives, who is currently involved with Sonae Indústria.

With this project, whose completion is scheduled for the first quarter of 2008, Sonae Indústria aims to facilitate the understanding and implementation of these standards in all its units.

### **External Risk Inspections**

Supported by the Corporate Risk Standards, the Swiss Re GAPS conducts external risk inspections at all sites every two years; a report is issued with a set of recommendations for each of the plants visited and a rating of the risk quality (QIN – Quality Index Number) is allocated for each plant. Since 2000, the overall QIN of Sonae Indústria has improved from 5.8 in 2000 to 7.1 in 2007 (on a scale from 0 to 10).





In addition, AIG Europe actively participates in the Risk Engineering program in collaboration with Swiss Re and the risk management services of the insurance broker - MDS.

In 2007, 22 external risk surveys were conducted by Swiss Re GAPS and AIG Europe in close cooperation with each plant and with the support of the Risk Management Department.

### **Internal Risk Inspections**

An internal visit is made to each plant every 18 months to review the status of the previous internal and external recommendations as well as compliance with Corporate Risk Standards. In 2006, 10 internal surveys were carried out.

### **Self Inspection Form**

A Quarterly Control self-assessment procedure using a Self Inspection Form has been carried out by each plant since 2000. This evaluates 106 items grouped into 23 categories. All non-conformities detected automatically generate a corrective action, and there is an automatic quarterly follow-up of outstanding corrective actions.

In 2007, with the Self Inspection Form now implemented in Lotus Notes, the process generated 413 corrective actions of which 162 were implemented while 251 are in progress at the year end.

### **Risk Plan 2004-2010**

Each individual plant plan (which is updated annually) defines a set of measures to be taken towards achieving full compliance with the Corporate Risk Standards by 2010. The main objectives encompass:

- Improving Sonae Indústria's Installations Risk Standard with a view to increasing employee and asset safety, and avoiding eventual periods of business interruption;
- Obtaining a payback reflected in the insurance premium (demonstration of real and tangible commitment to loss prevention);

- Forming the basis for preparation of the annual budget for investment in Loss Prevention measures and establishing priorities based on the impact on Loss Prevention.

The 2004-2010 Risk Plan forms an integral part of the Industrial Master Plan of Sonae Indústria, which consists of the investment planning of each plant for the next 5 years.

### **Insurance Premium Distribution**

Sonae Indústria's global insurance premium is charged to each plant with 50% being allocated according to local insurance market prices and 50% being based on the plant's measured risk quality. The former is calculated in line with "stand alone" local market insurance premium levels and the latter according to the QIN of each plant, so that the "worst" performers pay their fair share of insurance costs.

### **Relevant Event**

On 17 April 2006 Sonae Indústria suffered a significant fire at our plant at Lac Mégantic, Canada. The core of the plant – the second chipboard line- and substantial part of the preparation area were severely affected. Operations in this line were interrupted for a period of approximately 20 months and activity only recommenced in December 2007.

The risk management procedures in place contributed to the absence of serious personal injuries. In economic terms, the impact is not expected to be significant since there is an adequate property damage and business interruption insurance cover.

### **New Acquisitions**

In the course of 2006, four plants were acquired by Sonae Indústria: three in Germany and one in France. In the second half of the year, Risk Management initiated the process of implementing the Corporate Risk Standards at these plants. During 2007 external risk surveys were conducted for the first time at these plants by Swiss Re GAPS/AIG Europe using the reference standards. The QIN issued to these plants are in line with the average Sonae Indústria risk level.

### **Risk Management Organisation**

In addition to the active involvement of all Sonae Indústria Group managers and employees, risk management activity is performed and supported by the Risk Management Department, together with the Corporate Planning and Management Control Department.

The Risk Management Department consists of a central team with 2 full time members. There is a formally coordinated network of Country Risk Officers in each of the countries where Sonae Indústria has industrial operations and at each of the sites there is a Plant Risk Officer.

The Corporate Planning and Management Control Department is composed of 8 people, organised into three teams to better address the challenges and changes the businesses face: the Corporate Reporting Team, which is also responsible for business analysis, the Investment Analysis and big projects Team and the Strategic Planning and special projects Team.

## **18. Other Positions held by Sonae Indústria Directors as of 31 December 2007**

### **Belmiro Mendes de Azevedo:**

- BA – Business Angels SGPS, S.A. (Sole Director)
- Casa Agrícola de Ambrões, S.A.(Chairman)
- Efanor Investimentos, SGPS, S.A. (Chairman)
- Praça Foz – Sociedade Imobiliária, S.A. (Chairman)
- Setimanale – SGPS, S.A. (Chairman)
- Sonae – SGPS, S.A. (Chairman)
- Sonae Capital – SGPS, S.A. (Chairman and CEO)
- Spred, SGPS, S.A. (Chairman)

### **Jose Alvaro Cuervo Garcia:**

- ACS – Actividades de Construccion Y Servicios, S.A.
- BA Vidrio, S.A.
- Bolsas y Mercados Españoles (BME)
- Sonae – SGPS, S.A.

### **Duarte Paulo Teixeira de Azevedo:**

- Efanor Investimentos, SGPS, S.A.
- Imparfin, SGPS, S.A.
- Inparvi, SGPS, S.A.
- Migracom – SGPS, S.A. (Chairman)
- Sonae, SGPS, S.A. (President of Executive Committee - CEO)
- Sonae Distribuição – SGPS, S.A. (Chairman)
- Sonae Sierra, SGPS, S.A. (Chairman)
- Sonaecom, SGPS, S.A. (Chairman)

### **Per Otto Knuts:**

- Glunz AG (Supervisory Board – “Aufsichtsrat”)

### **Knut Thomas Alarik Nysten:**

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

### **Carlos Francisco de Miranda Guedes Bianchi de Aguiar:**

- 173509 Canada, INC. (Chairman)
- Agepan Tarkett Laminate Park, GmbH & Co. Kg (Chairman)
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- Darbo, SAS
- Ecociclo – Energia e Ambiente, S.A.
- Ecociclo II Energias, SA
- Euro Decorative Boards, Ltd.
- Euromegantic Ltée. (Chairman)
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz Service GmbH
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- Maiequipa – Gestão Florestal, S.A.
- Movelpartes – Componentes para a Indústria do Mobiliário, S.A.

- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- Rochester Real Estate, Ltd.
- SIAF - Imobiliária, S.A.
- Somit - Imobiliária, S.A.
- Somit – Sociedade de Madeiras Industrializadas e Transformadas, S.A.
- Sonae – Indústria de Revestimentos, S.A.
- Sonae – Serviços de Gestão, S.A.
- Sonae International, Ltd.
- Sonae Novobord (PTY) Ltd. (Chairman)
- Sonae Tafibra Benelux, B.V.
- Sonae Tafibra UK, Ltd.
- Sonae UK, Ltd.
- Spanboard Products, Ltd.
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber – Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd. (Chairman)
- Tafibrás Participações S.A. (Chairman)
- Tafisa Brasil S.A. (Chairman)
- Tafisa France S.A. (Chairman)
- Tafisa UK, Ltd.
- Taiber – Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS (Chairman)
- Tecnologias del Medio Ambiente, S.A.

**Rui Manuel Gonçalves Correia:**

- 173509 Canada, INC.
- Agepan Tarkett Laminate Park GmbH & Co. Kg
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- Ecociclo – Energia e Ambiente, S.A.
- Ecociclo II- Energias, S.A.
- Euromegantic Ltée
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS
- Maiequipa – Gestão Florestal, S.A.
- Megantic, B.V.
- Movelpartes – Componentes para a Indústria do Mobiliário, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- SC - Consultadoria de Gestão, S.A.
- SIAF - Imobiliária, S.A.
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Somit – Sociedade de Madeiras Industrializadas e Transformadas, S.A.
- Sonae – Indústria de Revestimentos, S.A.
- Sonae – Serviços de Gestão, S.A.

- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Novobord (PTY) Ltd.
- Tableros de Fibras, S.A.
- Tafibra South Africa (PTY) Ltd.
- Tafisa France S.A.
- Tafisa UK, Ltd.
- Tarkett Agepan Laminate Flooring, SCS
- Tecnologias del Medio Ambiente, S.A.

**Christophe Chambonnet:**

- Agepan Tarkett Laminate Park GmbH & Co. Kg
- Glunz AG
- Tavapan, S.A.

**José António Comesaña Portela:**

- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A. (Chairman)
- Compañia de Industrias y Negocios, S.A.
- Ecociclo – Energia e Ambiente, S.A.
- Imoplamac – Gestão de Imóveis, S.A.
- Maiequipa – Gestão Florestal, S.A.
- Racionalización y Manufacturas Forestales, S.A.
- SCS Beheer, B.V.
- Serradora Boix, SL
- SIAF – Imobiliária, S.A.
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit – Imobiliária, S.A.
- Somit – Sociedade de Madeiras Industrializadas e Transformadas, S.A.
- Sonae – Serviços de Gestão, S.A.
- Tableros de Fibras, S.A.
- Tableros Tradema, SL
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibrás Participações, S.A. (Chairman)
- Tafisa Brasil, S.A. (Chairman)
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tecmasa Reciclados de Andalucia
- Tecnologias del Medio Ambiente, S.A. (Chairman)

**Louis Maurice Brassard:**

- 173509 Canada, Inc.
- Euromegantic Ltée
- Isoroy SAS
- Sonae Novobord (PTY) Ltd.
- Tafibra South Africa (PTY) Ltd.
- Tafisa France S.A.

**19. Other Positions formerly held by Sonae Indústria Directors:**

During the past five years, Belmiro de Azevedo, Carlos Bianchi de Aguiar, Christian Schwarz, Rui Correia, Jose Antonio Comesaña, Christophe Chambonnet and Paulo Azevedo have also been Directors at various other Efanor/Sonae Group companies.

Within the same period, the following Directors also held directorships at the following companies outside to the Efanor/Sonae Group:

**Per Otto Knuts:**

- Stora Feldmühle AG
- FPB Holding AG

**Knut Thomas Alarik Nysten:**

- MD Lang Papier GmbH
- Myllykoski Corporation

# Appendices to the Management Report

## Qualified Shareholdings

**APPENDIX REGARDING ARTICLE 447 OF THE COMPANY LAW**

	date	Acquisitions		Sales		Balance at
		amount	average value	amount	average value	31.12.2007
						amount
<b>Belmiro Mendes de Azevedo</b>						
Efanor Investimentos, SGPS, SA (1)						49,999,997
Sonae Indústria, SGPS, SA						1,010
<b>Carlos Bianchi de Aguiar</b>						
Sonae Indústria, SGPS, SA						720
<b>Rui Manuel Gonçalves Correia</b>						
Sonae Indústria, SGPS, SA						5,000
Tableros de Fibras, SA						0
Sales	18.05.2007			100	1.54	
<b>Duarte Paulo Teixeira de Azevedo</b>						
Efanor Investimentos, SGPS, SA (1)						1
Migracom,SGPS,SA (5)						69,996
Increase in share capital	20.11.2007	20,000	76.45			
Imparfin, SGPS, SA (6)						0
Sales	23-07-2007			150,000	25.75	
Sonae Indústria, SGPS,SA						223
Sales	29.05.2007			39,949	9.8	
<b>Agostinho Conceição Guedes</b>						
Sonae Indústria, SGPS,SA						2,520
<hr/>						
	date	Acquisitions		Sales		Balance at
		amount	average value	amount	average value	31.12.2007
						amount
<b>(1) Efanor Investimentos, SGPS, SA</b>						
Sonae Indústria - SGPS, SA						44,674,706
Pareuro, BV (2)						20,000
Sonae Capital,SGPS, SA * (3)						82,350,553
<b>(2) Pareuro, BV</b>						
Sonae Capital, SGPS, SA * (3)						50,000,000
Sonae Indústria, SGPS, SA						27,118,645
<b>(3) Sonae Capital,SGPS, SA</b>						
SC - SGPS, SA (4)						391,046,000
<b>(4) SC,SGPS, SA</b>						
Sonae Indústria, SGPS, SA						9,521,815
<b>(5) Migracom,SGPS,SA</b>						
Sonae Indústria, SGPS, SA						39,949
Acquisition	29.05.2007	39,949	9.80			
Sonae Capital,SGPS, SA* (3)						161,250
Imparfin,SGPS,SA (6)						150,000
Acquisition	23.07.2007	150,000	25.75			
<b>(6) Imparfin, SGPS, SA</b>						
Sonae Indústria, SGPS, SA						278,324
Sonae Capital, SGPS, SA * (3)						513,159

(\*) - number of shares resulting from the demerger process of Sonae, SGPS, SA by applying the attribution factor to the number of shares of Sonae, SGPS, SA held by Sonae Capital, SGPS, SA at 31 December 2007.



## APPENDIX REGARDING ARTICLE 448 OF THE COMPANY LAW

	Number of shares at 31/12/07
<b>Efanor Investimentos, SGPS, SA</b>	
Sonae Indústria,SGPS, SA	44,674,706
Pareuro, BV	20,000
Sonae Capital-SGPS, SA (*)	82,350,553
<b>Pareuro, BV</b>	
Sonae Indústria, SGPS, SA	27,118,645
Sonae Capital-SGPS, SA (*)	50,000,000
<b>Sonae Capital-SGPS, SA</b>	
SC, SGPS, SA	391,046,000
<b>SC, SGPS, SA</b>	
Sonae Indústria,SGPS, SA	9,521,815

(\*) - number of shares resulting from the demerger process of Sonae, SGPS, SA by applying the attribution factor to the number of shares of Sonae, SGPS, SA held by Sonae Capital, SGPS, SA at 31 December 2007.

## QUALIFIED SHAREHOLDINGS

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

Shareholder	No. of shares	% Share Capital	% Voting rights
<b>Efanor Investimentos, SGPS, S.A.</b>	44,674,706	31.9105%	31.9105%
Pareuro, BV	27,118,645	19.3705%	19.3705%
SC, 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	0.0287%	0.0287%
Maria Claudia Teixeira de Azevedo	23,186	0.0166%	0.0166%
Total allocation	81,380,503	58.1290%	58.1290%

## Separate Financial Statements

# Sonae Indústria-SGPS,SA

BALANCE SHEET AS AT 31 DECEMBER 2007 AND 31 DECEMBER 2006

(Amounts in Euros)

ASSETS	Notes	31.12.07	31.12.06
<b>NON CURRENT ASSETS</b>			
Tangible assets	3	24,675	36,064
Intangible assets	4	19,731	29,019
Investment property		-	-
Investment property in progress		-	-
Goodwill arising on consolidation		-	-
Investments in jointly controlled companies		-	-
Investments in associated companies	6	921,842,133	623,323,924
Investments held for sale	6	117,922	17,922
Deferred tax assets		9,247,624	3,047,624
Other non current assets	8	680,160,458	988,568,166
Total Non Current Assets		1,611,412,543	1,615,022,719
<b>CURRENT ASSETS</b>			
Inventories		-	-
Trade debtors	9	442,702	776,381
Other debtors	9	1,319,589	379,419
Taxes and other contributions receivable	9	1,331,193	1,134,177
Other current assets	10	332,365	144,204
Derivatives instruments	20	136,807	-
Cash and cash equivalents	11	89,410,824	97,771,288
Total Current Assets		92,973,480	100,205,469
Non current assets held for sale		-	-
<b>TOTAL ASSETS</b>		<b>1,704,386,023</b>	<b>1,715,228,189</b>
<b>SHAREHOLDER'S FUNDS AND LIABILITIES</b>			
<b>SHAREHOLDER'S FUNDS:</b>			
Share Capital		700,000,000	700,000,000
Own shares		-	-
Supplementary capital		-	-
Legal reserve		1,340,138	59,994
Revaluation reserve		-	-
Translation reserve		95,244	-
Other reserves		271,225,627	246,902,887
Retained earnings		-	-
Net profit (loss) for the period		21,190,023	25,602,884
Total Shareholder's Funds	12	993,851,033	972,565,765
<b>LIABILITIES:</b>			
<b>NON CURRENT LIABILITIES</b>			
Bank loans - long term-net of short-term portion	13	75,625,000	21,875,000
Debenture loans - long term-net of short-term portion	13	431,336,457	530,273,929
Finance lease creditors - long term - net of short-term portion		-	-
Derivatives		-	-
Other loans		-	-
Obligations arising from pensions : defined benefit plans	14	238,079	56,427
Obligations arising from share based payments		-	-
Other non current creditors		-	-
Deferred tax liabilities		-	-
Provisions		-	-
Total Non Current Liabilities		507,199,536	552,205,356
<b>CURRENT LIABILITIES:</b>			
Current portion of long term bank loans	13	6,250,000	6,250,000
Bank loans - short term	13	-	60,950,000
Current portion of long term debenture loans	13	100,000,000	-
Current portion of long term finance lease creditors		-	-
Finance lease creditors		-	-
Derivatives		-	-
Other loans		-	-
Trade creditors	15	612,675	494,315
Other creditors	16	87,183,030	115,136,053
Taxes and other contributions payable	16	352,261	571,764
Other current liabilities	17	8,937,489	7,054,935
Obligations arising from share based payments		-	-
Obligations arising from pensions:defined benefit plans		-	-
Provisions		-	-
Total Current Liabilities		203,335,454	190,457,068
Liabilities related to non current assets held for sale		-	-
<b>TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES</b>		<b>1,704,386,023</b>	<b>1,715,228,189</b>

# Sonae Indústria-SGPS,SA

## INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2007 AND 2006

(Amounts in Euros)

	<u>Notes</u>	<u>31.12.07</u>	<u>31.12.06</u>
Operating Income:			
Sales		-	-
Services rendered	23	2,796,587	3,049,812
Changes in fair value of investment property		-	-
Other operating income		739,368	126,223
Total operating income		<u>3,535,955</u>	<u>3,176,036</u>
Operating Costs			
Cost of sales		-	-
Changes in stock and work in progress		-	-
External supplies and services		(3,038,841)	(2,508,538)
Staff costs		(3,302,655)	(2,261,535)
Amortisation and depreciation		(28,716)	(31,849)
Provisions and impairment losses		(337,428)	-
Other operating costs	24	<u>(293,639)</u>	<u>(74,205,108)</u>
Total operating costs		<u>(7,001,279)</u>	<u>(79,007,030)</u>
Operating profit/loss		<u>(3,465,324)</u>	<u>(75,830,994)</u>
Financial profit / loss	25	11,995,281	13,822,300
Profit / loss from associated companies		-	-
Profit / loss from other investments		5,804,673	83,891,674
Profit / loss before tax		<u>14,334,629</u>	<u>21,882,981</u>
Income taxation	27	655,394	672,279
Deferred tax assets	27	6,200,000	3,047,624
Net Profit / loss from continuing operations		<u>21,190,023</u>	<u>25,602,884</u>
Profit / loss from discontinued operations			
Net profit / loss for the period		<u>21,190,023</u>	<u>25,602,884</u>

Sonae Indústria-SGPS,SA

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2007 AND 2006

(Amounts in Euros)

Notes	Share Capital	Own Share	Share Premiums	Supplementary Capital	Reserves					Retained Earnings	Net Profit / loss	Total
					Legal Reserve	Legal Revaluation Reserve	Fair Value Reserve	Hedging Reserve	Other Reserves			
Balance at 1 January 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	-	-	-	-	-	-	-	-	-	1,199,879	(1,199,879)	-
Acquisition / (disposal) of own shares	-	-	-	-	-	-	-	-	-	-	-	-
Increase/ (decrease) in fair value of hedging financial instruments net of taxes	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of hedging financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in fair value of available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of available for sale investment	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the period ended at 31 December 2006	-	-	-	-	-	-	-	-	-	-	25,602,884	25,602,884
Other	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2006	700,000,000	-	-	-	59,994	-	-	-	246,902,887	-	25,602,884	972,565,765
Balance at 1 January 2007	700,000,000	-	-	-	59,994	-	-	-	246,902,887	-	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 financial instruments net of taxes	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of hedging financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in fair value of available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase / (decrease) in fair value of available for sale investment	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the period ended at 31 December 2007	-	-	-	-	-	-	-	-	-	-	21,190,023	21,190,023
Other	-	-	-	-	1,280,144	-	-	95,244	(1,280,144)	-	-	95,244
Balance at 31 December 2007	700,000,000	-	-	-	1,340,138	-	-	95,244	271,225,627	-	21,190,023	993,851,032

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

	31.12.2007	31.12.2006
<b>OPERATING ACTIVITIES</b>		
Cash receipts from trade debtors	3,130,284	2,651,272
Cash paid to trade creditors	2,790,801	2,451,890
Cash paid to employees	2,964,461	2,788,387
<b>Operational Cash Flow</b>	<b>-2,624,978</b>	<b>-2,589,005</b>
Corporate income tax paid / received	-513,209	1,150,058
Other cash receipts and payments relating to operating activities	-159,118	431,818
<b>Net cash flow from operating activities [1]</b>	<b>-2,270,887</b>	<b>-3,307,245</b>
<b>INVESTMENTS ACTIVITIES:</b>		
Cash receipts arising from:		
Financial investments	42,578,805	46,085,197
Tangible assets	2,275	41
Intangible assets		
Interest assets and similar income	5,174,487	2,631,747
Dividends	5,403,768	20,706,168
	53,159,335	69,423,153
Cash payments owing to:		
Financial investments	340,776,612	856,753
Tangible assets	4,935	11,737
Intangible assets	3,150	
	340,784,697	868,490
Increase / decrease in granted loans	-350,081,750	143,235,173
<b>Net cash flow from investing activities [2]</b>	<b>62,456,387</b>	<b>-74,680,511</b>
<b>FINANCIAL ACTIVITIES</b>		
Cash receipts arising from:		
Cash payments owing from:		
Interest and similar costs	32,760,170	26,130,589
Dividends		
Others	32,760,170	26,130,589
Increase / decrease in loans	-35,785,794	165,468,583
<b>Net cash flow from financing activities [3]</b>	<b>-68,545,964</b>	<b>139,337,994</b>
Net increase / decrease in cash and cash equivalents	-8,360,463	61,350,239
Cash and cash equivalents - opening balance	97,771,288	36,421,049
Cash and cash equivalents - close balance	89,410,825	97,771,288



SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 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 Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC), effective 1 January 2007.

International Financial Reporting Standard (IFRS7), effective for annual periods beginning on or after 1 January 2007, was applied for the first time on these financial statements.

The accompanying financial statements have been prepared from the books and accounting records of the company on a going concern basis, except for financial instruments that they are recorded at their fair value (Note 2.9).

**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 impairment when appropriate. If an impairment loss exists, it is recorded as a cost.

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

### **2.3 Tangible Assets**

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

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

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

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

	<u>Years</u>
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 company and if their cost can be reliably measured.

Development expenses are recognized as an intangible asset if the company demonstrates technical feasibility and intention to complete the asset, 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 company is the lessee, the lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

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

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

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

## **2.9. Financial Instruments**

### **a) Investments**

Investments are classified into the following categories:

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



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

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

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

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

Changes in the fair value of investments measured at fair value through profit or loss are included in the income statement for the period.

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

b) Accounts receivable

Receivables are stated at net realizable value corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable). The impairment losses are recognized in "Impairment loss in cost of sales". The impairment losses are recorded when the company knows that it will never receive the trade receivables.

The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate, which is deemed zero whenever payments are expected to be received over a one-year period.



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

c) Classification as equity or liability

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

d) Loans

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

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives instruments

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

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

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

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;



- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

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

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

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

These derivative instruments over which no hedge accounting was applied are initially stated at cost, if any, and then adjusted to their fair value. Changes in fair value, calculated with resource to specific software, are accounted for as financial items on the profit and loss statement.

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

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

Derivative instruments are stated on the balance sheet under Other non current assets, Other current assets, Other non current liabilities and Other current liabilities.



g) 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 14, 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, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

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

**2.12. Income tax**

Income tax for the year is determined based on the taxable income of the Company, considering the interim period profit and, when relevant, deferred taxation.

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 Químicas,S.A., Sonae Indústria de Revestimentos,S.A., Ecociclo – Energia e Ambiente,S.A., Maiequipa – Gestão Florestal,S.A., Movelpartes – Componentes para a Industria de



Mobiliário,S.A. and Sonae Serviços de Gestão,S.A..Resoflex – Mobiliário e Equipamento de Gestão was excluded after the merger occurred in December 2007.

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. 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.

#### **2.15. Balances and transactions expressed in foreign currencies**

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the 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.

#### **2.16. 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.

#### **2.17. Risk management**

##### **a) Market Risk Management Policy**

##### **i). Interest Rate Risk**

As a result of the relevant portion of floating rate debt on Sonae Indústria Balance Sheet and the consequent cash flows related to interest payments, the company is exposed to interest rate risk, and it is particularly exposed to the risk of variation of Euro interest rates, as most of its floating rate debt is denominated in Euro.

As a general rule, Sonae Indústria,SGPS does not hedge its exposure to floating interest rates.

As an exception to its general rule, Sonae Indústria may engage into interest rates derivatives. If this is the case, the following is observed:

- Derivatives are not used for trading, profit making, or speculative purposes;



- The Company only engage in derivative transactions with Investment Grade Financial Institutions;
- Derivatives match exact periods, settlement dates and base interest rate of the underlying exposures;
- Maximum financial charges on the aggregate of the derivative and the underlying exposures are always known and limited on the inception of the hedging period;
- Quotes from at least two Financial Institutions are considered before closing any interest rate hedging deal.

#### ii) Other Price Risks

As at 31st December 2007, Sonae Indústria did not hold material investments classified as “available-for-sale”.

#### b) Liquidity Risk Management Policy

Liquidity risk management in Sonae Indústria aims to ensure that the company is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

- consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);
- diversification of financing sources;
- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;
- arrangement of committed (and uncommitted) credit facilities, commercial paper programs, and other facilities (such as a Securitization of Receivables program) with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees;



### 3. Tangible Assets

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

Dez-07							
	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress
Gross Value							
Opening Balance		38.299			126.461		
Mergers							
Acquisitions							4.889
Disposals							
Transfers		2.349			2.540		-4.889
Exchange rate effect							
Closing Balance		40.647			129.001		
Accumulated Depreciations & Impairment Losses							
Opening Balance		14.326			114.370		
Mergers							
Depreciations		9.782			6.496		
Disposals							
Transfers							
Exchange rate effect							
Closing Balance		24.107			120.866		
Net Value		16.540			8.135		
Dez-06							
	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress
Gross Value							
Opening Balance		29.923			130.459		
Mergers							
Acquisitions							10.256
Disposals					3.998		1.880
Transfers		8.376					-8.376
Exchange rate effect							
Closing Balance		38.299			126.461		0
Accumulated Depreciations & Impairment Losses							
Opening Balance		5.928			107.355		
Mergers							
Depreciations		8.398			11.013		
Disposals					3.998		
Transfers							
Exchange rate effect							
Closing Balance		14.326			114.370		
Net Value		23.973			12.091		



#### 4. Intangible Assets

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

	Dez-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					3 150	3 150
Disposals						
Transfers						
Exchange rate effect						
Closing Balance	62 187				3 150	65 337
Accumulated Depreciations & Impairment Losses						
Opening Balance	33 168					33 168
Mergers						
Depreciations	12 438					12 438
Disposals						
Transfers						
Exchange rate effect						
Closing Balance	45 606					45 606
Net Value	16.581	-	-	-	3.150	19.731
	Dez-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						
Exchange rate effect						
Closing Balance	62 187					62 187
Accumulated Depreciations & Impairment Losses						
Opening Balance	20 730					20 730
Mergers						
Depreciations	12 438					12 438
Disposals						
Transfers						
Exchange rate effect						
Closing Balance	33 168					33 168
Net Value	29.019	-	-	-	-	29.019



## 5. Financial instruments

	Note	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
<b>31 December 2007</b>								
Non current assets								
Available for sale investments	6				117 922	117 922		117 922
Other non current assets	8	680 160 458				680 160 458		680 160 458
Current assets								
Customers	9	442 702				442 702		442 702
Other current debtors	9	700 032				700 032	619 557	1 319 589
Other current assets	10						332 365	332 365
Derivative instruments	20			136 807		136 807		136 807
Cash and cash equivalents	11	89 410 824				89 410 824		89 410 824
<b>Total</b>		<b>770 714 016</b>		<b>136 807</b>	<b>117 922</b>	<b>770 968 745</b>	<b>951 922</b>	<b>771 920 667</b>

<b>31 December 2006</b>								
Non current assets								
Available for sale investments	6				17 922	17 922		17 922
Other non current assets	8	988 568 166				988 568 166		988 568 166
Current assets								
Customers	9	776 381				776 381		776 381
Other current debtors	9	7 970				7 970	371 449	379 419
Other current assets	10						144 204	144 204
Derivative instruments	20							
Cash and cash equivalents	11	97 771 288				97 771 288		97 771 288
<b>Total</b>		<b>1087 123 805</b>			<b>17 922</b>	<b>1087 141 727</b>	<b>515 653</b>	<b>1087 657 380</b>

	Note	Liabilities at fair value through profit or loss	Hedge derivatives	Other financial liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total
<b>31 December 2007</b>							
Non current liabilities							
Bank loans - net of short term portion	13			75 625 000	75 625 000		75 625 000
Debentures - net of short term portion	13			431 336 457	431 336 457		431 336 457
Current assets							
Bank loans	13			6 250 000	6 250 000		6 250 000
Debentures	13			100 000 000	100 000 000		100 000 000
Trade creditors	15			612 675	612 675		612 675
Other creditors	16			86 308 938	86 308 938	874 092	87 183 030
Other current liabilities	17					8 937 489	8 937 489
<b>Total</b>				<b>700 133 070</b>	<b>700 133 070</b>	<b>9 811 581</b>	<b>709 944 651</b>
<b>31 December 2006</b>							
Non current liabilities							
Bank loans - net of short term portion	13			82 825 000	82 825 000		82 825 000
Debentures - net of short term portion	13			530 273 929	530 273 929		530 273 929
Current assets							
Bank loans	13			6 250 000	6 250 000		6 250 000
Trade creditors	15			494 315	494 315		494 315
Other creditors	16			114 895 574	114 895 574	240 479	115 136 053
Other current liabilities	17					7 054 935	7 054 935
<b>Total</b>				<b>734 738 818</b>	<b>734 738 818</b>	<b>7 295 414</b>	<b>742 034 232</b>



## 6. Investments

At 31 December 2007 and 31 December 2006, details of investments were as follows:

	31.12.2007		31.12.2006	
	Non Current	Current	Non Current	Current
<b><u>Investment Group Companies</u></b>				
Opening Balance	634.824.394		754.797.511	
Acquisition	341.106.989		156.753	
Disposal	(42.588.781)		(120.129.870)	
Closing Balance	933.342.602		634.824.394	
Accumulated Impairment Losses	(11.500.469)		(11.500.469)	
	<u>921.842.133</u>		<u>623.323.924</u>	
<b><u>Other financial applications</u></b>				
Opening Balance	17.922		17.922	
Acquisition	100.000		-	
Disposal	-		-	
Closing Balance	<u>117.922</u>		<u>17.922</u>	
<b><u>Derivate financial instruments</u></b>				
Opening Balance				
Acquisition				
Disposal				
Closing Balance		<u>136.807</u>		
		<u>136.807</u>		
	<u>921.960.055</u>	<u>136.807</u>	<u>623.341.846</u>	<u>-</u>

The amount recognised as disposal of Investments in Group Companies relates to the liquidation of Sonae Espanha amounting to 9.976 euros and to the reduction in share capital of several group companies.

The investment in Agloma – Soc.Ind.de Madeira Aglomerada,S.A. was reduced by 24.908.450 euros;

The investment in Sonae Industria – Produção e Comercialização de Derivados de Madeira,S.A. was reduced by 843.300 euros;

The investment in Siaf Imobiliária,S.A. was reduced by 4.990 euros;

The investment in Sonae Industria de Revestimentos,S.A. was reduced by 16.822.065 euros.

The amount recognized during the period as acquisition under Investments in Group Companies is related to:

- The acquisition of 51% of share capital of Ipaper – Industria de Papeis Impregnados,S.A from Investalentejo, SGPS, SA for the amount of 24 900 euros and an additional increase in investment on this company to offset accumulated losses in. the amount of 100 000 euros.;
- Acquisition of 130.000 shares of Imoplamac – Gestão de Imóveis,S.A. amounting to 6.000.000 euros:
- Acquisition in the Madrid stock exchange of 32.482.393 shares of Tafisa – Tableros de Fibras,S.A. amounting to 50.022.885 euros;

Increase in capital share of Tafisa – Taberos de Fibras,S.A.: Sonae Industria,SGPS,S.A. subscribed for and fully paid up 184.608.252 shares amounting to 284.959.204 euros.



The amount recognized in the period as acquisitions under the item Other financial applications is related to the subscription for 20.000 participation units of INEGI in the amount of 100 000 euros.

Interest rate hedge derivatives of Sonae Industria 2005/2008 bonds ( note 2) were recorded at fair value.

The accumulated impairment losses relate to the investment in Agloma – Sociedade de Madeiras Aglomeradas,S.A., Maiequipa – Gestão Florestal,S.A. and Sonae Indústria Brasil.

At 31 December 2007, Sonae Industria,SGPS had the following holdings in Group and Associated Companies:

Company	% Share	Acquisition Value	Shareholder's Funds Dez-07	Net Profit Dez-07
Euroresinas - Industrias Quimicas, S.A.	100,00%	5.838.525	6.876.648	603.506
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	675.941	29.577 a)
Movelpartes - Componentes para Industria do Mobiliário,S.A.	100,00%	8.180.114	6.692.989	642.179
Sonae Industria de Revestimentos,S.A.	99,98%	21.726.867	12.589.808	212.879
Imoplamac - Gestão de Imóveis,S.A.	100,00%	6.000.000	1.063.415	237.075
Sonae Industria Brasil	100,00%	490.252	256.427	-351 a)
Sonae Serviços de Gestão,S.A.	100,00%	2.000.000	3.066.355	141.540
Sonaegest	20,00%	159.615	1.674.112	276.873
Taiber	0,02%	25.142	6.372.570	3.067.998
Tafisa - Tableros de Fibras,S.A.	96,63%	849.919.750	502.375.424	13.209.390
Ecociclo - Gestão Ambiental,S.A.	100,00%	631.267	1.087.119	391.297
Somit Imobiliária,S.A.	0,02%	5.000	68.692.631	9.159.735
Sonae Industria - Produção e Comercialização de Derivados de Madeira,S.A.	2,81%	3.025.625	80.636.527	20.287.431
Siaf Energia, S.A.	0,20%	5.000	3.544.812	931.065
Siaf Imobiliária,S.A.	0,02%	10	4.598.269	445.634
Agloma - Soc.Ind.Madeira Aglomerada,S.A.	100,00%	31.896.550	23.161.370	1.034.648 a)

a) The values recorded for the holdings in Agloma, Maiequipa and Sonae Industria Brasil were estimated to be higher than their recoverable value, therefore the company recognized impairment charges on prior year's balance sheet under the heading Investments in associated companies (note 18).

b) The amounts stated as shareholders' funds and net profit of Sonae Indústria, PCDM, SA were prepared in accordance with IFRS/IAS;

c) Changes in the acquisition cost of Movelpartes – Componentes para a Indústria de Mobiliário, S.A. and Euroresinas – Indústrias Químicas, S.A. are due to the merger processes which took place in both companies during the period;



d) In 2007 several group companies reduced share capital by cancellation of shares:

- Sonae Indústria de Revestimentos, S.A. reduced share capital by 16 825 200 euros, from previous 26 825 200 euros to 10 000 000 euros by means of cancellation of 3 365 040 shares owned by Sonae Indústria, SGPS, SA, with a face value of 5 euros;
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A. reduced share capital by 24 949 000 euros, from previous 25 000 000 euros to present 51 000 euros by means of cancellation of 8 110 treasury shares and 4 981 690 shares owned by Soane Indústria, SGPS, SA, with a face value of 5 euros.
- Siaf – Imobiliária, S.A. reduced share capital by 22 949 000 euros, from previous 23 000 000 euros to present 51 000 euros, by means of cancellation of 106 540 treasury shares, 4 482 262 shares owned by Tafiber, Tableros de Fibras Ibéricos, SL and 998 shares owned by Sonae Indústria, SGPS, SA, with a face value of 5 euros;
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A. reduced share capital by 30 000 000 euros, from previous 48 868 700 euros to present 18 868 700 euros, by means of cancellation of 3 376 394 shares owned by Tafiber, Tableros de Fibras Ibéricos, SL, 2 454 946 shares owned by Somit Imobiliária, SA and 168 660 shares owned by Sonae Indústria, SGPS, SA, with a face value of 5 euros.

## 7. **Deferred tax**

Details of deferred tax asset at December 31, 2007 and December 31, 2006 were as follows:

Deferred tax assets	
	31.12.07
Assets impairment	3.047.624
Financial Instruments	-
Prior years fiscal losses (Nota 27)	6.200.000
	9.247.624
Deferred tax assets	
	31.12.06
Opening balance	3.047.624
Profit/loss effects	0
Assets impairment	-
Prior years fiscal losses (Nota 27)	3.047.624
	6.200.000
	6.200.000
	3.047.624
Closing balance	9.247.624
	3.047.624





## 8. Other Non Current Assets

Details of Other Non Current Assets at December 31, 2007 and December 31, 2006, were as follows:

	31.12.07	31.12.06
Loans Granted To Group Companies (Nota 2.2 e 22)	680 160 458	988 969 071
Other Loans Granted	0	0
Tax Recoverable	0	0
Other Non- Current Assets	0	0
	<u>680 160 458</u>	<u>988 969 071</u>
Accumulated Impairment Losses (Nota 18)		400 905
	<u>680 160 458</u>	<u>988 568 166</u>

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 5,516%.

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

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

	31.12.07	31.12.06
Current Accounts	442 702	776 381
Bills Receivable	0	0
Doubtful Debtors	0	0
	<u>442 702</u>	<u>776 381</u>
Accumulated Impairment Losses	0	0
	<u>442 702</u>	<u>776 381</u>

At 31 December 2007 and 31 December 2006, detail of trade debtors maturities was as follows:

Ageing of Trade Debtors			
		31.12.2007	31.12.2006
Not Due		408.873	732.962
Due and not impaired			
	0 - 30 days	33.829	43.419
	30 - 90 days	0	0
	+ 90 days	0	0
		<u>33.829</u>	<u>43.419</u>
Due and impaired			
	0 - 90 days	0	0
	90 - 180 days	0	0
	180 - 360 days	0	0
	+ 360 days	0	0
		<u>0</u>	<u>0</u>
Total		<u>442.702</u>	<u>776.381</u>



At 31 December 2007 and 31 December 2006, details of Other Current Trade Debtors and State and other public entities were as follows:

	31.12.07	31.12.06
State & Other Public Entities		
Income Tax	1 025 846	960 725
Value Added Tax	305 348	173 452
Social Security Contributions		
Others Debtors	619 557	371 449
Assets out of scope of IFRS7	1 950 751	1 505 626
Other Debtors	700.032	7.970
Financial instruments	700.032	7.970

At 31 December 2007 and 31 December 2006, Others Debtors matured as follows:

		Ageing of Other Debtors	
		31.12.2007	31.12.2006
Not Due		0	0
Due and not impaired			
	0 - 30 days	700.032	7.970
	30 - 90 days	0	0
	+ 90 days	0	0
		700.032	7.970
Due and impaired			
	0 - 90 days	0	0
	90 - 180 days	0	0
	180 - 360 days	0	0
	+ 360 days	0	0
		0	0
Total		700.032	7.970

## 10. Other Current Assets

Details of Other Current Assets at 31 December 2007 and 31 December 2006 were the following:

	31.12.07	31.12.06
Accrued Revenue	327 375	137 696
Deferred Costs	4 990	6 507
	332 365	144 204
Accumulated Impairment Losses	0	0
Assets out of scope of IFRS7	332 365	144 204

Other current assets mainly include interest due but not paid related to loans to group companies.



## 11. Cash and Cash equivalents

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

	31.12.07	31.12.06
Cash at Hand	1 192	957
Deposits	247 565	61 318 245
Treasury Applications	89 162 066	36 452 086
Cash & Cash Equivalents - Balance Sheet	89 410 824	97 771 288
Bank Overdrafts	0	0
Cash & Cash Equivalents - Cash Flows Statement	89 410 824	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.

The item Treasury applications is composed by a Cash Reserve of 18.481.066 euros related to the Group Securitization program, and by various financial operations with Group companies amounting to 70.681.600 euros.

## 12. Share Capital

On December 31, 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 2007:

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



### 13. Loans

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

	31.12.07				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	15 625 000	6 250 000	15 625 000	6 250 000	21 875 000	6 250 000	21 875 000
Debentures	100 000 000	431 336 457	100 000 000	435 000 000		530 273 929		535 000 000
Obligations Under Finance Leases								
Other Loans		60 000 000		60 000 000		60 950 000		60 950 000
Bank Overdrafts								
Hedge Derivatives								
<b>Gross Debt</b>	<b>106 250 000</b>	<b>506 961 457</b>	<b>106 250 000</b>	<b>510 625 000</b>	<b>6 250 000</b>	<b>613 098 929</b>	<b>6 250 000</b>	<b>617 825 000</b>
Investments								
Cash & Cash Equivalents - Balance Sheet	89 410 824		89 410 824		97 771 288		97 771 288	
<b>Net Debt</b>	<b>16 839 176</b>	<b>506 961 457</b>	<b>16 839 176</b>	<b>510 625 000</b>	<b>- 91 521 288</b>	<b>613 098 929</b>	<b>- 91 521 288</b>	<b>617 825 000</b>
<b>Total Net Debt</b>	<b>523 800 633</b>		<b>527 464 176</b>		<b>521 577 641</b>		<b>526 303 712</b>	

The loans have the following repayment schedule:

	31.12.07	31.12.06
2007		67 200 000
2008	106 250 000	106 250 000
2009	86 250 000	86 250 000
2010	191 250 000	156 250 000
2011	3 125 000	3 125 000
Após 2011	230 000 000	205 000 000
	<b>616 875 000</b>	<b>624 075 000</b>

At December 31, 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 31 December 2007, the principal outstanding was 21 875 000 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 31 December 2007, the balance was keep at 60.000.000 euros. 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 80 basis points and will be paid twice a year on 2 February and 2 August;

#### **14. Pension Fund Liabilities**

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



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

According to actuarial studies carried out by the fund manager, total liabilities for services provided, taking into account salary growth, amounted to 345.830 euros and the market value of the fund is 107.751 euros. The company had a provision of 238.079 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

## 15. Trade Creditors

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

Trade creditors mature as follow:

Maturity of Trade Creditors		
	31.12.2007	31.12.2006
To be paid		
< 90 days	612.675	494.315
90 - 180 days	0	0
> 180 days	0	0
	<u>612.675</u>	<u>494.315</u>



## 16. Other Creditors and State & Other Public Entities

At 31 December 2007 and 31 December 2006 details of this item were as follows:

	31.12.07	31.12.06
State & Other Public Entities		
Income Tax	321 076	545 251
Social Security Contributions	31 106	26 463
Others	80	50
Liabilities out of scope of IFRS7	<u>352 261</u>	<u>571 764</u>
Other Creditors		
Loans From Group Companies (Nota 22)	86 308 938	114 894 000
Fixed Assets Suppliers		47
Fornecedores Imobil. c/c CP		1 528
Others		
Financial Instruments	<u>86.308.938</u>	<u>114.895.574</u>
Others Creditors	<u>874.092</u>	<u>240.479</u>
Liabilities out of scope of IFRS7	<u>874.092</u>	<u>240.479</u>

The Company and its subsidiaries each year grant their employees that belong to the functional group Executive a compensation which is related to the value added in the period for the shareholders. This compensation will be paid after a three-year period if the employee is still in the Group.

This liability is stated on the balance sheet under Other creditors and is stated on the profit and loss statement under Personnel costs. If the employee ceases functions during the period over which payment of previously recognised liabilities is deferred, liabilities will be derecognised from the balance sheet against Personnel costs on the profit and loss statement.

## 17. Other Current Liabilities

At 31 December 2007 and 31 December 2006 this item had the following detail:

	31.12.07	31.12.06
Accrued Costs		
Insurance	955	4 913
Holidays	198 427	235 673
Bonus	604 762	430 590
Interests	7 723 898	6 377 259
External Supplies & Services	<u>409 447</u>	<u>6 500</u>
Liabilities out of scope of IFRS7	<u>8 937 489</u>	<u>7 054 935</u>



## 18. Provisions & Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended December, 2007 were the following:

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Impairment Losses on Investments (Nota 6)	11 500 469	0	0	0	11 500 469
Accumulated Impairment Losses on Other Non Current Assets (Nota 8 )	400 905	0	0	400 905	0
	11 901 374	0	0	400 905	11 500 469

Impairment losses are offset against the corresponding asset. Reduction of impairment losses on Other non current assets is related to the loan to the subsidiary Sonae Espanha which was written off when this company was liquidated.

## 19. Operational Leases

In 2007, charges for operational lease payments in the amount of 126.293 euros were recorded on the profit and loss statement. In 2006, operational lease payments amounted to 64.722 euros.

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

	31.12.07	31.12.06
2007		47.925
2008	119.364	34.638
2009	95.659	14.750
2010	73.908	
After 2010	23.595	
	312.526	97.313

## 20. Financial Derivatives

The fair value of derivative instruments are stated as follows:

	Other Current Assets	
	31.12.07	31.12.06
Derivatives at fair value through reserves	136.807	-
	136.807	-





	Maturity of derivatives instruments	
	2008	2009
Derivatives at fair value through reserves	145.789	-8.982
	145.789	-8.982

#### Derivatives at fair value through reserves

They are made up by interest rate derivatives, mainly swaps, which consist on cash flow hedges. Changes in the fair value of these financial instruments were recorded under Hedging reserves, included in the caption Reserves and retained earned on the balance sheet, for the amount of 95 244 euros. No amounts related to instruments which matured in 2007 were transferred from reserves to profit or loss

## **21. Financial Risks**

The liquidity risk described on note 2.17., b), related to gross debt referred to on note 13, can be analysed as follows:

	Maturity of gross debt (Nota 13)	Interest	Total
2008	106.250.000	29.811.566	136.061.566
2009	86.250.000	27.960.684	114.210.684
2010	191.250.000	23.833.519	215.083.519
2011	3.125.000	14.173.572	17.298.572
2012	25.000.000	20.290.579	45.290.579
2013	105.000.000	11.196.331	116.196.331
>2013	100.000.000	4.030.133	104.030.133
	616.875.000	131.296.384	748.171.384

The calculation of interest in the previous table was based on interest rates at 31 December 2007 applicable to each item of debt. Gross debt maturing in 2008 includes scheduled repayment of debt along with the repayment of debt as at end 2007 maturing within less than one year (although some credit limits might be rolled over).



	Total amount of hired credit limit	
	31.12.2007	31.12.2006
Commitment < 1 ano	30.000.000	45.000.000
Commitment > 1 ano	60.000.000	
Total	<u>90.000.000</u>	<u>45.000.000</u>

The analysis of interest rate risk, described on note 2.17., a), i), consisted on calculating the way net profit before tax would had been impacted if there would had been a change of +0.75 or -0.75 percentage points in actual 2007 interest rates.

Sensitivity Analysis						
2007				2006		
	"Notional"	Effect in profit and loss (Euros)		"Notional"	Effect in profit and loss (Euros)	
		0,75%	-0,75%		0,75%	-0,75%
Gross Debt						
Group	-86.308.938	-755.406	755.406	-114.894.000	-968.949	968.949
External	<u>-616.875.000</u>	<u>-3.395.064</u>	<u>3.395.064</u>	<u>-624.075.000</u>	<u>-2.910.827</u>	<u>2.910.827</u>
	-703.183.938	-4.150.470	4.150.470	-738.969.000	-3.879.775	3.879.775
Financial Investments						
	<u>50.000.000</u>					
	50.000.000					
Loans to Group Companies	750.841.458	6.477.405	-6.477.405	1.005.278.071	6.905.815	-6.905.815
Treasury Applications	18.481.066	219.151	-219.151	20.143.086	158.528	-158.528
	<u>769.322.524</u>	<u>6.696.556</u>	<u>-6.696.556</u>	<u>1.025.421.157</u>	<u>7.064.342</u>	<u>-7.064.342</u>
		<u>2.546.086</u>	<u>-2.546.086</u>		<u>3.184.567</u>	<u>-3.184.567</u>



## 22. Related Parties

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

Transactions	Sales & Services Rendered		Purchases & Acquired Services		Interest Income		Interest Expenses	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
<b>Parent Company &amp; Group Companies</b>	<b>2 793 177</b>	<b>3 039 763</b>	<b>1 249 426</b>	<b>1 155 071</b>	<b>45 354 962</b>	<b>38 284 683</b>	<b>4 082 404</b>	<b>3 752 982</b>
- Agloma	1 636	1 842					1 391 897	1 509 905
- Agloma Investimentos					2 426		255 966	
- Ecociclo	8 213	10 339			75 488	91 062		
- Ecociclo II					16 198			
- Euroresinas	13 164	25 020			1 551 802	935 816	217	112
- Glunz	597 079	639 200						
- Imoplamac	3 273	3 684		13 174	151 687			
- Sind-pcdm	347 088	461 485	473 886	78 429	2 515 101	949 401		532
- Isoroy	434 878	532 866						
- Maiequipa	3 273	4 073			60 555	51 158		
- Movelpartes	4 049	7 285					75 033	24 990
- Resoflex	1 500	9 254					24 294	22 254
- Sc - Consultadoria			17 332	980				
- Siaf Imobiliária	3 273	3 684			134 411		331 435	454 418
- Siaf Energia	1 985	2 318			239 450	244 619	13 494	
- Sonae Industria Revestimentos	22 086	13 777	8 379	142 931	138 707		325 627	570 191
- Socelpac								502 230
- Somit	1 636	1 842			1 396			
- Somit Imobiliária	1 636	1 842					1 606 839	660 921
- Solinca			28 262	54 852				
- Sonae ,sgps			363 896	319 582				
- Sonae Uk	205 523	165 033	8 051	238 761				
- Spanboard		33 500		4 220				
- Sonae Serviços de Gestão	7 855	4 123	55 001	44 588		193	57 602	7 429
- Sonae Tafisa Benelux		8 102						
- Tafisa Canadá	398 545	374 279		887				
- Tafisa Espanha	377 991	528 599	826	16 559				
- Tafisa South Africa	358 496	206 451		488				
- Tavapan		1 165						
- Taiber					40 467 740	36 012 434		
- Tradema				1 261				
- Imosede			21 028	8 650				
- Novis			4 015	3 441				
- Mch				20 701				
- Praedium III			9 018	5 269				
- Optimus			16 759	15 679				
- Mds			6 960					
- Digitmarket			376					
- Smp			180					
- Cronosaude			1 370					
- Efanor			66 000					
- Sonae Imobiliária III			918					
- Box Lines				2 845				
- Equador			167 168	181 774				
<b>Associated Companies</b>	<b>3 409</b>	<b>10 047</b>						
- Ipaper	3 409	10 047						

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

Total fixed salaries: 701.839

Total bonus: 261.902

963.741



Balance	Accounts Receivable		Accounts Payable		Loans			
					Obtained		Granted	
	31.12.06	31.12.06	31.12.06	31.12.06	31.12.06	31.12.06	31.12.06	31.12.06
<b>Parent Company &amp; Group Companies</b>	<b>442 702</b>	<b>776 382</b>	<b>490 872</b>	<b>212 892</b>	<b>86 308 938</b>	<b>114 894 000</b>	<b>750 841 458</b>	<b>988 969 071</b>
- Agloma	165	186			23 170 000	47 951 000		
- Agloma Investimentos					11 167 938			
- Ecociclo	901	1 043					741 966	312 486
- Ecociclo II							1 597 000	
- Euroresinas	1 650	14 302					31 568 916	20 934 190
- Sonae Espanha								400 905
- Glunz	81 569	158 736						
- Imoplamac	330	371					3 353 000	
- Sind-pcdm	66 952	109 615	28 238	21 353			68 414 822	18 031 073
- Isoroy	60 918	137 508						
- Maiequipa	330	411					1 189 193	846 406
- Movelpartes	558	2 698			2 965 000	1 403 000		
- Resoflex		929				918 000		
- Sc - Consultadoria			5 244	2 702				
- Siaf Imobiliária	330	743				16 658 000	4 732 489	
- Siaf Energia	199	234			1 065 000		4 214 405	4 006 905
- Sonae Industria Revestimentos	2 294	4 879	865	1 260		16 708 000	5 185 000	
- Socelpac								
- Somit	165	186						
- Somit Imobiliária	165	186			46 161 000	30 067 000		
- Solinca			2 850	49 284				
- Sonae ,sgps			50 447	90 647				
- Sonae Uk	48 939	49 156		3 155				
- Spanboard		2 792		4 220				
- Sonae Serviços de Gestão	842	416	5 546	4 496	1 780 000	1 189 000		
- Sonae Tfibra Benelux		675						
- Tafisa Canadá	84 551	113 002						
- Tafisa Espanha	56 177	112 645	345 822	140				
- Tafisa South Africa	29 875	53 011		483				
- Taiber							629 844 667	944 337 106
- Tradema	5 794	10 621						
- Tavapan		97						
- Efanor			19 965					
- Novis			837	491				
- Optimus			2 102	2 182				
- Box Lines				3 442				
- Praedium III			1 005					
- Mds				109				
- Mch				5 019				
- Equador			27 952	23 909				
<b>Associated Companies</b>		1 940						100 000
- Ipaper		1 940						100 000

## 23. Services Rendered

Details of Services Rendered are presented below:

Services Rendered	31.12.07	31.12.06
Internal Communication	299.356	351.121
Consolidation & Management Control		129.390
Legal	142.723	165.792
Health & security	100.267	454.438
Administration	1.369.875	1.254.827
Engineering	491.349	272.951
Others	393.018	421.292
<b>TOTAL</b>	<b>2.796.587</b>	<b>3.049.812</b>



## 24. Other Operational Costs

	31.12.07	31.12.06
Taxes	226.039	96.453
Losses in disposal financial investment	9.976	74.044.674
Others	57.624	63.981
	<u>293.639</u>	<u>74.205.108</u>

## 25. Financial Results

	31.12.07	31.12.06
<b>Financial Expenses:</b>		
Interest Expenses	34 656 778	24 422 525
Exchange Losses	1 165	5 652
Others	464 328	637 381
Financial Results	<u>11 995 281</u>	<u>13 822 301</u>
	<u>47 117 552</u>	<u>38 887 859</u>
<b>Financial Revenues</b>		
Interest Income	47 075 615	38 882 239
Exchange Gains	374	5 620
Others	41.563	-
	<u>47.117.552</u>	<u>38.887.859</u>

## 26. 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 €



## 27. Income Taxation

The income and deferred taxation recorded at 31 December 2007 and 2006 were:

	31.12.07	31.12.06
Income taxation	(655.394)	(672.279)
Deferred taxation	(6.200.000)	(3.047.624)
	<u>(6.855.394)</u>	<u>(3.719.903)</u>

The income taxation includes tax savings from the tax perimeter of 774.932 euros along with income tax on specific items and local taxes in the amount of 148 629 euros.

A deferred tax asset related to tax losses carried forward amounting to 6 200 000 euros was recognised as a result of expected taxable net profits to take place over the next periods.

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

	31.12.07	31.12.06
<b>Net income/(loss) before tax</b>	14.334.629	21.882.981
<b>Income taxation</b>	<u>3.583.657</u>	<u>6.017.820</u>
<b><u>Non deductible incomes</u></b>		
Non-deductible provisions (e.g. restructuring and other risks & charges)		20.538.643
Non deductible assets adjustments (e.g.debt and inventory)		
Capital gains/losses on the sale of fixed assets		
Dividends	1.350.942	5.694.196
Others	13.358	11.886
	<u>1.364.300</u>	<u>26.244.725</u>
<b><u>Non deductible losses</u></b>		
Non-deductible provisions (e.g. restructuring and other risks & charges)	446.319	
Capital gains/losses on the sale of fixed assets		
Others		158.469
	<u>446.319</u>	<u>158.469</u>
<b>Income taxation</b>	<u>2.665.676</u>	<u>-20.068.435</u>
Utilisation of prior year losses without deferred tax assets	-2.665.676	
Deferred tax assets recognized	-6.200.000	-3.047.624
Current tax - prior year adjustment	148.620	12.179
Fiscal saving from fiscal perimeter	-774.932	-690.794
Excess/insufficiency of valuation	-29.082	6.335
	<u>-6.855.394</u>	<u>-3.719.904</u>



## 28. Earnings Per Share

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

	<u>31.12.07</u>	<u>31.12.06</u>
<b>Net Profit</b>		
Net Profit Considered for Basic EPS Calculation (Periodic Net Profit)	21 190 023	25 602 884
Net Profit Considered for Diluted EPS Calculation	<u>21 190 023</u>	<u>25 602 884</u>
<b>Number of Shares</b>		
Weighted Average Number of Shares for Basic EPS Calculation	140 000 000	140 000 000
Weighted Average Number of Shares for Diluted EPS Calculation	<u>140 000 000</u>	<u>140 000 000</u>
Net Profit Per Share	<u>0,151</u>	<u>0,183</u>

During 2007, no effect from discontinued operations was recorded.

## 29. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 5 March 2008.

# Consolidated Financial Statements



SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euros)

ASSETS		Notes	IFRS	
			31.12.07	31.12.06
NON CURRENT ASSETS:				
Tangible assets	12		1 342 821 348	1 234 559 373
Goodwill	9, 15		100 086 856	51 105 176
Intangible assets	13		10 836 148	510 166
Investment properties	14		8 270 032	8 410 688
Associated undertakings and non consolidated undertakings	11		3 414 225	2 985 727
Investment available for sale	11		1 602 518	1 409 864
Deferred tax asset	16		48 605 752	60 007 308
Other non current assets	17		1 632 731	1 284 956
Total non current assets			<u>1 517 269 610</u>	<u>1 360 273 258</u>
CURRENT ASSETS:				
Inventories	18		257 715 327	213 971 609
Trade debtors	19		260 140 025	290 208 628
Other current debtors	20		21 839 466	23 056 810
State and other public entities	22		30 154 245	18 785 614
Other current assets	21		14 778 315	55 603 220
Investments	11			4 769 781
Cash and cash equivalents	23		65 883 548	189 289 129
Total current assets			<u>650 510 926</u>	<u>795 684 791</u>
TOTAL ASSETS			<u>2 167 780 536</u>	<u>2 155 958 049</u>
SHAREHOLDERS' FUNDS, MINORITY INTERESTS AND LIABILITIES				
SHAREHOLDERS' FUNDS:				
Share capital	24		700 000 000	700 000 000
Legal Reserve	24		1 340 138	59 994
Reserves and retained earnings	24		- 184 863 692	- 212 328 870
Net profit (loss) for the period - Group			<u>78 612 713</u>	<u>32 311 969</u>
Total shareholders' funds			<u>595 089 159</u>	<u>520 043 093</u>
Minority interests	25		<u>33 742 417</u>	<u>28 100 792</u>
TOTAL SHAREHOLDERS' FUNDS			<u>628 831 576</u>	<u>548 143 885</u>
LIABILITIES:				
NON CURRENT LIABILITIES:				
Long term bank loans - net of short-term portion	26		187 543 520	134 085 215
Non convertible debentures	26		431 336 457	530 273 929
Long term Finance Lease Creditors - net of short-term portion	26		51 100 454	41 897 417
Other loans	26		34 506 252	95 856 073
Pensions liabilities	30		22 935 627	24 984 515
Other non current liabilities	29		124 751 509	111 284 832
Deferred tax liabilities	16		69 968 231	57 635 679
Provisions	34		<u>40 061 308</u>	<u>35 380 272</u>
Total non current liabilities			<u>962 203 358</u>	<u>1 031 397 932</u>
CURRENT LIABILITIES:				
Short term portion of long term bank loans	26		38 874 701	39 959 384
Short term bank loans	26		16 730 627	97 996 052
Short term portion of long term non convertible debentures	26		100 000 000	
Short term portion of Finance Lease Creditors	26		3 465 063	2 483 759
Other loans	26		504 957	411 087
Trade creditors	31		226 228 686	258 824 535
Taxes and Other Contributions Payable	32		29 638 918	27 741 983
Other current liabilities	33		155 539 419	141 969 877
Provisions	34		<u>5 763 231</u>	<u>7 029 555</u>
Total current liabilities			<u>576 745 602</u>	<u>576 416 232</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES			<u>2 167 780 536</u>	<u>2 155 958 049</u>

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIODS ENDED AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euros)

	Notes	IFRS		
		31.12.07	2º. Sem. 07	31.12.06
Operating revenues				
Sales	42	2 056 119 499	984 040 028	1 692 333 903
Services rendered	42	10 165 769	4 766 196	6 981 465
Negative goodwill	9	685 753	426 059	19,565,777
Other operating revenues	3, 37	128 937 845	79 704 301	119 474 376
Total operating revenues		<u>2 195 908 866</u>	<u>1 068 936 584</u>	<u>1 838 355 521</u>
Operating costs				
Cost of sales		1 016 305 254	466 719 378	847 678 904
(Increase) / decrease in production		- 17 237 755	- 13 415 234	- 7 873 782
External supplies and services		524 439 121	255 620 804	463 165 266
Staff expenses		290 460 537	147 946 144	244 471 593
Depreciation and amortisation	12, 13	116 805 491	59 424 555	107 971 033
Provisions and impairment losses	3, 11, 12, 13, 34	32 970 366	26 426 596	35 088 175
Other operating costs	38	27 131 640	18 174 281	27 795 419
Total operating costs		<u>1 990 874 654</u>	<u>960 896 524</u>	<u>1 718 296 608</u>
Operational profit / (loss)		205 034 212	108 040 060	120 058 913
Financial profits	39	60 585 335	30 469 084	51 525 288
Financial costs	39	141 126 430	71 896 551	119 302 883
Gains and losses in associated companies		127 321	- 28 884	- 5 205
Gains and losses in investments		82 274	1 199	72 557
Current profit / (loss)		<u>124 702 712</u>	<u>66 584 908</u>	<u>52 348 670</u>
Taxation	40	35 272 535	24 724 403	18 702 317
Consolidated net profit / (loss) after taxation		<u>89 430 177</u>	<u>41 860 505</u>	<u>33 646 353</u>
Profit / (loss) after taxation from discontinued operations		-	-	-
Consolidated net profit / (loss) for the period		<u>89 430 177</u>	<u>41 860 505</u>	<u>33 646 353</u>
Attributable to:				
Equity Holders of Sonae Industria		78 612 713	33 695 656	32 311 969
Minority Interests		<u>10 817 464</u>	<u>8 164 849</u>	<u>1 334 384</u>
Profit/(Loss) per share				
Excluding discontinued operations:				
Basic	41	0.5615	0.2407	0.2308
Diluted	41	<u>0.5615</u>	<u>0.2407</u>	<u>0.2308</u>
From discontinued operations:				
Basic	41	-	-	-
Diluted	41	<u>-</u>	<u>-</u>	<u>-</u>

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIODS ENDED AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euros)

Notes	Attributable to Equity Holders of Sonae Indústria				Minority Interests	Total Equity
	Share Capital	Reserves and retained earnings	Net Profit/(Loss)	Total		
Balance as at 1 January 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		- 12 746 692		- 12 746 692	- 1 785 925	- 14 532 617
Changes in fair value of hedge financial instruments, net of taxation		1 225 189		1 225 189	118 790	1 343 979
Investment in consolidated companies					- 1 356 364	- 1 356 364
Consolidated Profit/(Loss) for the period ended at 31 December 2006			32 311 969	32 311 969	1 334 384	33 646 353
Others		15 717 853		15 717 853	- 15 170 886	546 967
Balance as 31 December 2006	700 000 000	- 212 268 876	32 311 969	520 043 093	28 100 792	548 143 885
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		- 510 935		- 510 935	2 033 338	1 522 403
Changes in fair value of hedge financial instruments, net of taxation		95 244		95 244		95 244
Investment in consolidated companies					-7 314 987	-7 314 987
Consolidated Profit/(Loss) for the period ended at 31 December 2007			78 612 713	78 612 713	10 817 464	89 430 177
Others		-3 150 956		-3 150 956	105 810	-3 045 146
Balance as 31 December 2007	700 000 000	- 183 523 554	78 612 713	595 089 159	33 742 417	628 831 576

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 31 DECEMBER 2007 AND 2006  
(Amounts expressed in Euros)

<u>OPERATING ACTIVITIES</u>	<u>Notes</u>	<u>31.12.07</u>	<u>31.12.06</u>
Receipts from trade debtors		2 038 157 176	1 673 124 336
Payments to trade creditors		1 585 970 495	1 273 235 770
Payments to staff		287 617 251	237 782 110
Net cash flow from operations		164 569 430	162 106 456
Payment / (receipt) of corporate income tax		20 759 615	9 659 575
Other receipts / payments relating to operating activities		67 877 118	40 058 705
Net cash flow from operating activities (1)		211 686 933	192 505 586
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments		27 299 494	81 944 704
Tangible and intangible assets		62 294 623	1 147 225
Loans granted		123 537	96 883
Investment subventions		812 476	7 164 502
Interest and similar charges		4 525 330	4 764 495
Dividends		82 275	55 815
		95 137 735	95 173 624
Cash Payments arising from:			
Investments		86 755 123	177 535 737
Tangible and intangible assets		186 585 168	99 993 857
Loans granted		1 265 810	329 270
		274 606 101	277 858 864
Net cash used in investment activities (2)		- 179 468 366	- 182 685 240
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Loans obtained		13 987 945	210 570 425
Set up of jointly controlled companies			30 090 000
Increase in share capital		670 639	
		14 658 584	240 660 425
Cash Payments arising from:			
Loans obtained		130 306 896	123 741 992
Interest and similar charges		50 026 830	45 597 123
Finance leases - repayment of principal		3 162 143	5 893 556
Others		3 026 246	
		186 522 115	175 232 671
Net cash used in financing activities (3)		- 171 863 531	65 427 754
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		- 139 644 964	75 248 100
Effect of foreign exchange rate		- 83 378	3 007 610
Cash and cash equivalents at the beginning of the period	23	188 716 342	116 475 852
Cash and cash equivalents at the end of the period	23	49 154 756	188 716 342

The notes are an integral part of the consolidated financial statements

The board of directors



SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 ("Group"). The Group's operations and business segments are described in Note 42.

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 the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC), effective 1 January 2007.

International Financial Reporting Standard (IFRS) 7, effective for annual periods beginning on or after 1 January 2007, was applied for the first time on these consolidated financial statements.

In the year ended 31 December 2007 the following Interpretations issued in 2006 became applicable: IFRIC 7 – Applying the restatement approach under IAS 29 Financial reporting in



hyperinflationary economies; IFRIC 8 – Scope of IFRS 2, IFRIC 9 – Reassessment of embedded derivatives and IFRIC 10 – Interim financial reporting and impairment. These Interpretations had no relevant impact on the Group's accounting policies.

At 31 December 2007 the following standards and interpretations had been issued: IAS 23 – Borrowing costs (as revised in 2007), IFRS 8 – Operating segments, IFRIC 13 – Customer loyalty programmes, IFRIC 11 IFRS 2 – Group and treasury shares transactions and IFRIC 12 - Service concession arrangements. As these standards and interpretations were not compulsorily applicable for the year beginning 1 January 2007, the Group decided not to apply them. No relevant effects are estimated for future consolidated financial statements from the application of these standards and interpretations, except for IFRS 8 whose application is mandatory for annual periods beginning on or after 1 January 2009.

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

## 2.2. Consolidation Principles

The consolidation methods adopted by the Group are as follows:

### a) Investments in Group companies

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

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



Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.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 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) Goodwill

The excess of the cost of acquisition of investments in Group, jointly controlled and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 15). 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) Translation of financial statements of foreign companies

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

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

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

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

	31.12.07		31.12.06	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.7333	0.6840	0.6715	0.6816
Brazilian Real	2.5963	2.6612	2.8118	2.7279
South African Rand	10.0301	9.6544	9.2123	8.4381
Canadian Dollar	1.4449	1.4657	1.5281	1.4227
American Dollar	1.4721	1.3684	1.3170	1.2544
Swiss Franc	1.6547	1.6425	1.6069	1.5727
Polish Zloty	3.5935	3.7814	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 and deferred taxes

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

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:

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

Investments measured at fair value through profit or loss include the investments held for trading acquired by the Group to be sold within a short period of time. They are classified as current assets on the consolidated balance sheet.

The Group classifies as available-for-sale the investments which cannot be regarded as investments measured at fair value through profit or loss or as held-to-maturity investments.

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

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

All purchases and sales of investments are 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.



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.

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

b) Accounts receivable

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

Impairment losses are recognised following objective evidence that part or the whole amount receivable will not be paid as long as the loss can be reliably estimated. For that, each group company takes into consideration market information showing that the customer is insolvent along with historical data of overdue and not paid amounts receivable.

Recognised impairment losses correspond to the difference between the carrying amount and the present value of the estimated cash flows, discounted at the original effective interest rate, which is nil whenever payment is expected to occur within less than twelve months.

Accounts receivable are stated in the consolidated balance sheet as current assets unless they mature after twelve months as from the balance sheet date, in which case they will be stated as non current assets.

c) Classification as equity or liability

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

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in



Note 2.9. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

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

Derivatives classified as cash flow hedge instruments (Swaps) are used by the Group mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the 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 are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, included in Reserves and retained earnings on the consolidated balance sheet, and then recognised in the income statement over the same period in which the hedged instrument affects income statement.

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





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

In some cases derivative instruments were negotiated to hedge cash flows mainly related to exchange rate hedges (forwards) of loans and trade transactions which do not consist in perfect hedging relations therefore not qualifying for hedge accounting. Notwithstanding, they significantly mitigate the effect on loans and accounts receivable denominated in foreign currencies of changes in exchange rates which the Group intends to hedge.

These derivative instruments over which no hedge accounting was applied are initially stated at cost, if any, and then adjusted to their fair value. Changes in fair value, calculated with resource to specific software, are accounted for as financial items on the consolidated profit and loss statement.

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

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

Derivative instruments are stated on the consolidated balance sheet under Other non current assets, Other current assets, Other non current liabilities and Other current liabilities.

g) Equity instruments

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



h) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in 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 30, some of the Group companies are committed to provide benefits to their employees when they get retired. These commitments are considered as defined benefit plans, and autonomous pension funds have been established to this effect:

In order to estimate its obligations, the Group obtains, annually, actuarial valuations according to the "Projected Unit Credit Method". 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. Liability for medium and long term incentives plan

The Company and its subsidiaries each year grant their employees that belong to the functional group Executive a compensation which is related to the value added in the period for the shareholders. This compensation will be paid after a three-year period if the employee is still in the Group.

This liability is stated on the consolidated balance sheet under Other non current liabilities and Other current liabilities and is stated on the consolidated profit and loss statement under Personnel costs. If the employee ceases functions during the period over which payment of previously recognised liabilities is deferred, liabilities will be derecognised from the balance sheet against Personnel costs on the profit and loss statement.

#### 2.20. 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.

#### 2.21. Segment information

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

Information regarding business and geographic segments identified is included in Note 42.

#### 2.22. Judgments and estimations

The most significant estimations included in these consolidated financial statements refer to:

- a) Useful lives of tangible and intangible assets;
- b) Impairment tests on goodwill and other tangible and intangible assets;
- c) Adjustments to assets, namely fair value adjustments;
- d) Calculation of provisions and pensions liabilities.

These estimations were based on the best available information at the date these consolidated financial statements were prepared and were based on the knowledge and experience of present and past events. Notwithstanding, some situations may occur in future



periods which were not included in present estimations as they were not foreseeable. Changes to estimations after these financial statements date will be prospectively corrected through profit or loss in accordance with IAS 8.

Main estimations and assumptions relating to future events included in these consolidated financial statements are described in the correspondent notes.

## 2.23. Risk management

### a) Credit Risk Management Policy

#### i) Receivables (Customers)

Sonae Indústria Credit Risk derives mainly from its account receivables items related with its operating activity.

The main objective of Sonae Indústria Credit Risk Management is to guarantee the effective collection of its operating receivables according to the negotiated payment terms.

In order to mitigate Credit Risk related with potential Customers default on payment of outstanding receivables, Group companies exposed to this type of risk:

- have in place credit management procedures and credit approval processes;
- have local (per country) credit risk committees;
- have dedicated teams for credit management and collections;
- establish and review credit limits for their Customers, monitoring effective exposure to their Customers;
- have insurance policies in place where viable;
- make use of credit rating agencies, if needed;
- make use of legal proceedings in order to recover bad debt, if applicable

#### ii) Other financial assets other than Trade debtors

In addition to its operating activities, Group companies have financial assets, related mainly with its activities involving Financial Institutions, such as cash deposits, financial investments and derivatives with positive market value. As a result, Credit Risk arises from the potential counterparty default from these Financial Institutions.

As a rule, Group companies only engage in financial operations with Investment Grade Financial Institutions. On the other hand, generally speaking, exposure related with this type of financial assets is widely spread and short lived.



## b) Market Risk Management Policy

### i). Interest Rate Risk

As a result of the relevant portion of floating rate debt on Sonae Indústria consolidated Balance Sheet and the consequent cash flows related to interest payments, the company is exposed to interest rate risk, and it is particularly exposed to the risk of variation of Euro interest rates, as most of its floating rate debt is denominated in Euro.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates.

This approach is based on the principle of the existence of a negative correlation between the interest rate levels and the “operating cash flow before net interest charges”, which creates a natural hedge on the “operating cash flow after net interest charges” for Sonae Indústria. The rationale behind this principle is as follows:

- Sonae Indústria is mainly exposed to the Euro area on its operating activity and, as referred before, it is also mainly exposed to the Euro currency in what concerns to its floating rate debt.
- Sonae Indústria operating activity is cyclical in the sense it is tied to business cycles of the overall economy and particularly of the construction sector (and also of the furniture sector on its own). This is mostly due to the nature of our products, and to the fact that they are commodity-like and durable goods, performing better when there are good economic conditions.
- Under regular economic circumstances, when there is a strong level of economic activity and demand, inflation tends to increase. Since nominal interest rates are a function of inflation and also because the European Central Bank (ECB) has as its main mission keeping price stability, it normally acts in order to relieve inflationary tensions by increasing interest rates. Opposite effects occur when there is a weak level of activity and demand, with low pressure on prices.
- When activity and demand are strong in the Euro Area, Sonae Indústria tends to have superior economic performance and operating cash flow generation. On the other hand, when economic conditions are strong, ECB tends to increase interest rates in order to refrain demand and avoid price increases, which is reflected on higher net interest charges for Sonae Indústria, creating a natural hedge on “operating



cash flow after net interest charges". The same principle (with opposite signs) applies on economic downturn situations.

- It is our understanding that, apart from the Euro interest rate, the same rationale applies to other interest rates to which Sonae Indústria is exposed such as the Pound Sterling and the Canadian Dollar, or to the South African Rand and Brazilian Real (while acknowledging that in emerging markets, interest rate behaviour is influenced by other effects not directly related with domestic economic conditions).

As an exception to its general rule, Sonae Indústria may engage into interest rates derivatives. If this is the case, the following is observed:

- Derivatives are not used for trading, profit making, or speculative purposes;
- Group companies only engage in derivative transactions with Investment Grade Financial Institutions;
- Derivatives match exact periods, settlement dates and base interest rate of the underlying exposures;
- Maximum financial charges on the aggregate of the derivative and the underlying exposures are always known and limited on the inception of the hedging period;
- Quotes from at least two Financial Institutions are considered before closing any interest rate hedging deal.

## ii) Foreign Exchange Risk

As a geographically diversified Group with subsidiaries located in four different continents, Sonae Indústria is exposed to foreign exchange risk. Consolidated Balance Sheet and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries' are exposed to foreign exchange risk of both translation and transaction type.

Foreign exchange risk relates to the possibility of registering gains or losses resulting from the change in exchange rates.

Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. Sonae Indústria subsidiaries cash flows are largely denominated in the subsidiary local currency. This is valid independently of the nature





of the cash flows, i.e.: operating or financial, and provides a degree of natural currency hedging, reducing the Group's transaction risk. In line with this rationale, as a principle, Sonae Indústria's subsidiaries financial debt is denominated in their local currency.

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

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

Translation risk arises from the fact that for each accounting period, the Financial Statements of the subsidiaries denominated in other than Euro local currencies, must be translated or converted into Euro in order to prepare the Consolidated Financial Statements of the Group. As exchange rates vary between periodical financial statements and the referred subsidiaries assets' do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion at different exchange rates.

As a policy, translation risk in connection with the conversion of the Equity investments on foreign non Euro subsidiaries is not hedged as these are considered long-term investments and it is assumed that hedging will not add value in the long term. Gains and losses related to the translation at different exchange rates of Equity investments in foreign non Euro subsidiaries are accounted under the Conversion Reserve.

Some Sonae Indústria subsidiaries concede or receive intercompany funding on currencies other than their local currency. Whenever this happens, intercompany funding is always denominated in the currency of the other Group counterparty. It is Sonae Indústria policy to hedge systematically the outstanding amount of this intercompany funding in order to reduce volatility on subsidiaries (and consolidated) financial statements. This volatility arises from the fact that, there is no offset of the Exchange Rate gain or loss registered in the Profit and Loss of the Group counterparty with the intercompany asset or liability denominated in other than its local currency (gain or loss registered as a result of the change in value of its foreign currency intercompany asset or liability), on the side of the other Group counterparty (and as a result, on the Consolidated accounts).



These intercompany loans hedges are done through forward exchange rate agreements, performed by the subsidiary exposed to the exchange rate risk and rolled over consistently on a semi-annual basis. Quotes from at least two Financial Institutions are considered before closing any of these foreign exchange hedging deals. These foreign exchange rate derivatives are also not used for trading, profit making, or speculative purposes.

### iii) Other Price Risks

As at 31st December 2007, Sonae Indústria did not hold material investments classified as “available-for-sale”.

### c). Liquidity Risk Management Policy

Group Liquidity risk management aims to ensure that the Group is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

- consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);
- diversification of financing sources;
- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;
- arrangement of committed (and uncommitted) credit facilities, commercial paper programs, and other facilities (such as a Securitization of Receivables program) with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees;

## 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.

At closing date of these financial statements, performance tests on line 2 were still being carried out. Accordingly, the assets were stated on the consolidated balance sheet as Assets in progress.

As a result, consolidated financial statements include, as from the occurrence date, the following effects:

#### Year 2006

- An impairment loss corresponding to the carrying amount of the destroyed assets (38 115 481 euros), stated on the consolidated profit and loss statement under caption Provisions and impairment losses, along with the corresponding insurance compensation (38 115 481 euros), stated on the consolidated profit and loss statement under caption Provisions and impairment losses and on the consolidated balance sheet under Other current assets;
- An insurance compensation corresponding to the estimation of incurred operating losses (31 025 219 euros), recognised on the consolidated profit and loss statement under Other operating gains and on the consolidated balance sheet under Other current assets.

#### Year 2007:

- Gain corresponding to the cash advance paid by the insurance companies as compensation for the investment on line 2, amounting to 10 703 722 euros, included in the consolidated profit and loss statement under Other operating revenues. As no reliable information is available to estimate the amount receivable, the accumulated gain recognized in profit or loss in 2006 and 2007 correspond to the cash advances paid by the insurance companies, recognized in accordance with IAS 16, § 65 and 66.
- An estimated insurance compensation for operating losses incurred until October, amounting to 23 486 496 euros, stated on the consolidated profit and loss statement under Other operating revenues. The accumulated gain recognised in 2006 and 2007 are the estimated operating losses for which cash advances were paid by the insurance companies.



At closing date of these consolidated financial statements, definite amounts to recognise as compensation for operating and asset losses are still being discussed with the insurance companies.

#### 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 31 December 2007 and 31 December 2006 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.07		31.12.06		
			Direct	Total	Direct	Total	
1)	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100,00%	98,78%	100,00%	91,16%	a)
	Agepan Flooring Products, SARL	Luxemburg	100,00%	98,78%	100,00%	91,16%	a)
	Aglom Investimentos, SGPS, S. A.	Maia (Portugal)	100,00%	98,82%			a)
2)	Aglom - Sociedade Industrial de Madeira Aglomerada, S.A.	Oliveira do Hospital (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100,00%	98,82%			a)
	Cia. De Industrias y Negocios, S.A.	Madrid (Spain)	100,00%	98,78%	100,00%	91,16%	a)
	Darbo, SAS	Linxe (France)	100,00%	98,78%	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%	98,78%	100,00%	91,16%	a)
	Euromegantic Lteé	Lac Mégantic (Canada)	100,00%	98,78%	100,00%	91,16%	a)
	Euroresinas - Industrias Quimicas, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	GHP, GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	91,16%	a)
	Glunz AG	Meppen (Germany)	100,00%	98,78%	100,00%	91,16%	a)
	Glunz Service GmbH	Hamm (Germany)	100,00%	98,78%	100,00%	91,16%	a)
	Glunz UK Holdings, Ltd.	Londres (United Kingdom)	100,00%	98,78%	100,00%	91,16%	a)
	Glunz UKA GmbH	Hamm (Germany)	100,00%	98,78%	100,00%	91,16%	a)
	Hornitex Polska	Poznan (Poland)	100,00%	98,78%	100,00%	91,16%	a)
3)	IM Impregnation Management GmbH	Meppen (Germany)	100,00%	98,78%			a)
4)	Impaper Europe GmbH & Co. KG	Meppen (Germany)	100,00%	98,78%			a)
5)	Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100,00%	100,00%			a)
6)	Ipaper – Indústria de Papeis Impregnados, S. A.	Maia (Portugal)	100,00%	100,00%			a)
7)	Isoroy Casteljaloux, SA	Casteljaloux (France)	100,00%	98,78%			a)
	Isoroy, SAS	Boulogne (France)	100,00%	98,78%	100,00%	91,16%	a)
	Maiequipa - Gestão Florestal, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Megantic B.V.	Amsterdão (The Netherlands)	100,00%	98,78%	100,00%	91,16%	a)
	Movelpartes – Comp. para a Indústria do Mobiliário, S.A.	Paredes (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	OSB Deutschland	Germany	100,00%	98,78%	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%	98,78%	100,00%	91,16%	a)
	Racionalización y Manufacturas Forestales, S.A.	Madrid (Spain)	100,00%	98,78%	100,00%	91,16%	a)
8)	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%	98,78%	100,00%	91,16%	a)



	Siaf – Soc. de Iniciativa e Aproveitamentos Florestais, S.A.	Mangualde (Portugal)	100,00%	98,78%	100,00%	91,16%	a)
	Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100,00%	98,78%	100,00%	91,18%	a)
	Société Industrielle et Financière Isoroy	Rungis (France)	100,00%	98,78%	100,00%	91,16%	a)
	Somit – Imobiliária, S.A.	Oliveira do Hospital (Portugal)	100,00%	98,78%	100,00%	91,16%	a)
9)	Somit – Soc. de Madeiras Industrializadas e Transform., S. A.	Oliveira do Hospital (Portugal)	100,00%	98,82%			a)
	Sonae – Serviços de Gestão, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
10)	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%	98,82%	100,00%	91,41%	a)
	Sonae Indústria – Soc. Gestora de Participações Sociais, S.A.	Maia (Portugal)	MÃE	MÃE	MÃE	MÃE	MÃE
	Sonae Indústria Brasil, Ltda.	São Paulo (Brazil)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae Indústria de Revestimentos, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae Novobord (Pty) Ltd	Woodhead (South Africa)	100,00%	98,78%	100,00%	91,16%	a)
	Sonae Táfibra (UK) Ltd	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	91,16%	a)
	Sonae Táfibra Benelux, B. V.	Woerden (The Netherlands)	100,00%	98,78%	100,00%	91,16%	a)
	Sonae UK, Limited	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	91,16%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100,00%	98,78%	100,00%	91,16%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	98,42%	98,78%	91,16%	91,16%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100,00%	98,78%	100,00%	91,16%	a)
	Tafiber, Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100,00%	98,78%	100,00%	91,16%	a)
	Táfibra South Africa, Limited	South Africa	100,00%	98,78%	100,00%	91,16%	a)
	Tafibras, S.A.	Curitiba (Brazil)	54,32%	53,66%	54,32%	49,55%	a)
	Tafisa Brasil, S.A.	Curitiba (Brazil)	100,00%	62,24%	100,00%	57,46%	a)
	Tafisa Canadá Société en Commandite	Lac Mégantic (Canada)	99,99%	98,78%	99,99%	91,16%	a)
	Tafisa France S.A.S.	Rungis (France)	100,00%	98,78%	100,00%	91,16%	a)
	Tafisa U.K.Ltd.	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	91,16%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100,00%	98,78%	100,00%	91,16%	a)
	Tavapan, SA	Tavannes (Switzerland)	100,00%	98,78%	100,00%	90,36%	a)
	Tecnologías del Medio Ambiente, S.A.	Barcelona (Spain)	100,00%	98,78%	100,00%	91,16%	a)
	Tool, GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	90,36%	a)

a) Majority of voting rights.

- 1) Company acquired 24 April 2007;
- 2) Company acquired 24 April 2007;
- 3) Company incorporated 10 September 2007;
- 4) Company incorporated 17 September 2007;
- 5) Company acquired 1 January 2007;
- 6) Acquisition of 51% of share capital on 24 April 2007, corresponding to the whole shares owned by third parties until then. Subsequent merger into Euroresinas – Indústrias Químicas, SA on 31 May 2007;
- 7) Company acquired on 31 August 2007;
- 8) Company merged into Movelpartes – Componentes para a Indústria de Mobiliários, S. A. on 1 August 2007;
- 9) Company acquired 24 April 2007;
- 10) Company liquidated 28 May 2007.

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



## 6. JOINT VENTURES

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

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.07		31.12.06	
		Direct	Total	Direct	Total
Agepan Tarkett Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50,00%	49,39%	50,00%	45,58%
Tarkett Agepan Laminate Flooring SCS	Luxembourg	50,00%	49,39%	50,00%	45,58%
Tecmasa, Reciclados de Andalucía, S. L.	Alcalá de Guadaira (Spain)	50,00%	49,39%	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 31 December 2007 and 31 December 2006 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
			31.12.2007		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%	30,87%	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 was included in the consolidated financial statements by the full consolidation method until it was merged into Euroresinas – Indústrias Químicas, SA on 31 May 2007.

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 31 December 2007 and 31 December 2006 is affected by the companies that were included and excluded in the consolidation perimeter during 2006 and 2007.



### Companies included in 2007:

COMPANY	HEAD OFFICE	% OF CAPITAL HELD AT ACQUISITION / INCORPORATION DATE	
		Direct	Total
1) Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100,00%	98,82%
2) Aserraderos de Cuellar, S.A.	Madrid (Spain)	100,00%	98,82%
3) IM Impregnation Management GmbH	Meppen (Germany)	100,00%	98,78%
4) Impaper Europe GmbH & Co. KG	Meppen (Germany)	100,00%	98,78%
5) Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100,00%	100,00%
6) Isoroy Casteljalous, SA	Casteljalous (France)	100,00%	98,78%
7) Somit – Soc. de Madeiras Industrializadas e Transform., S. A.	Oliveira do Hospital (Portugal)	100,00%	98,82%

- 1) Company acquired 24 April 2007;
- 2) Company acquired 24 April 2007;
- 3) Company incorporated 10 September 2007;
- 4) Company incorporated 17 September 2007;
- 5) Company acquired 1 January 2007;
- 6) Company acquired 31 August 2007;
- 7) Company acquired 24 April 2007;

The inclusion of these companies in the consolidation perimeter did not materially affect the comparability of the consolidated balance sheets as at 31 December 2007 and 2006. The comparability of the consolidated profit and loss statements for 2007 and 2006 was affected as follows:

	Year 2007	Companies entering perimeter in 2007	Intragroup eliminations	Year 2007 comparable basis	Year 2006
	[1]	[2]	[3]	[1] - [2] - [3]	
Operating revenues					
Sales	2 056 119 499	13 964 118	- 15 143 199	2 057 298 580	1 692 333 903
Services rendered	10 165 769	2 426 060	- 3 147 457	10 887 166	6 981 464
Negative goodwill	685 753			685 753	19 565 777
Other operating revenues	128 937 845	185 709		128 752 136	119 474 376
Total operating revenues	2 195 908 866	16 575 887	- 18 290 656	2 197 623 635	1 838 355 521
Operating costs					
Cost of sales	1 016 305 254	7 351 331	- 15 143 199	1 024 097 122	847 678 904
(Increase) / decrease in production	- 17 237 755	- 495 281		- 16 742 474	- 7 873 782
External supplies and services	524 439 121	3 962 776	- 3 147 457	523 623 802	463 165 266
Staff expenses	290 460 537	1 930 765		288 529 772	244 471 593
Depreciation and amortisation	116 805 491	564 346		116 241 145	107 971 033
Provisions and impairment losses	32 970 366	2 606		32 967 760	35 088 175
Other operating costs	27 131 640	218 306		26 913 334	27 795 419
Total operating costs	1 990 874 654	13 534 849	- 18 290 656	1 995 630 461	1 718 296 608
Operational profit / (loss)	205 034 212	3 041 038		201 993 174	120 058 913
Financial profits	60 585 335	638 886		59 946 449	51 525 288
Financial costs	141 126 430	1 509 878		139 616 552	119 302 883
Net financial profit / (loss)	- 80 541 095	- 870 992		- 79 670 103	- 67 777 595
Gains and losses in associated companies	127 321			127 321	- 5 205
Gains and losses in investments	82 274			82 274	72 557
Current profit / (loss)	124 702 712	2 170 046		122 532 666	52 348 670
Taxation	35 272 535	369 114		34 903 421	18 702 317
Consolidated net profit / (loss) after taxation	89 430 177	1 800 932		87 629 245	33 646 353
Consolidated net profit / (loss) for the period	89 430 177	1 800 932		87 629 245	33 646 353
Attributable to:					
Equity holders of Sonae Indústria	78 612 713	1 786 161		76 826 552	32 311 969
Minority interests	10 817 464	14 771		10 802 693	1 334 384



#### Companies excluded in 2007:

COMPANY	HEAD OFFICE	% OF CAPITAL HELD AT LIQUIDATION DATE	
		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 in 2007 did not materially affect the comparability of the consolidated financial statements for 2007 and 2006.

#### 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 Andalucía, 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 31 December 2007 and 31 December 2006.

The comparability of the consolidated profit and loss statements for 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 at 31 December 2007 and 31 December 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 90% of the shares of Imoplamac – Gestão de imóveis, S.A.. Subsequently, at 16 April 2007, the remaining 10% of shares were acquired. The acquired assets were recognised for their fair value, according to an independent appraisal.

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.

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 31 August 2007 Sonae Indústria, SGPS, SA acquired all the shares of Isoroy Casteljalous, SA. The carrying amount of assets and liabilities was used in the consolidation of this company as no relevant difference to their fair value was estimated.



The assets acquired and goodwill arising on consolidation are detailed as follows:

Euros	Offer for TAFISA	Aglom. Invest. Somit Cuellar	Isoroy Casteljaloux	Ipaper	Imoplamac	Total
Cost						
Acquisition cost	50 022 885	15 454 000	100 000	634 044	6 000 000	72 210 929
Costs attributable to the combination	330 377					330 377
	50 353 262	15 454 000	100 000	634 044	6 000 000	72 541 306
Fair value of net assets at acquisition date	89 960 812	15 305 633	1 413 819	313 603	6 259 694	113 253 562
Direct ownership percentage acquired	7.26%	100.00%	100.00%	100.00%	100.00%	
Total ownership percentage acquired	7.26%	98.82%	98.78%	100.00%	100.00%	
Goodwill (Note 15)	43 822 197	328 973		320 441		44 471 611
Negative goodwill			1 297 136		259 694	1 556 830

The fair value of net assets at the acquisition date of Tafisa shares, in the amount of 89 960 812 euros, correspond to the consolidated net assets of this company and its subsidiaries.

Negative goodwill arising on the consolidation of Isoroy Casteljaloux, in the amount of 1 297 136 euros, is justified by the existing expectation at acquisition date of future profits which are expected to result from synergies with present Group operations.

In 2007 an adjustment to the cost of GHP GmbH (acquired 1 July 2006) was recorded which caused an adjustment to the negative goodwill recognised in 2006 for the amount of -871 077 euros. This adjustment was stated under Negative goodwill on the consolidated profit and loss statement.

In August 2007 the subsidiary Tableros de Fibras SA (Tafisa) increased its share capital in the amount of 291 687 779 euros which was subscribed for by Sonae Indústria at a proportion higher than the previous ownership percentage, which caused ownership of Tafisa to increase from 98,42% to 98,72%. As a result, a goodwill was recorded in the amount of 5 356 957 euros.

The fair value of net assets at acquisition date is detailed as follows:

	Aglom. Invest., Somit e Cuellar			Imoplamac		
	Carrying amount at acquisition date	Fair value adjustments	Fair value at acquisition date	Carrying amount at acquisition date	Fair value adjustments	Fair value at acquisition date
Non current assets						
Tangible and intangible assets	11 979 111	-5 526 041	6 453 070	21 173 545	3 642 044	24 815 589
Other non current assets	9 269 397		9 269 397			
Current assets	19 487 009		19 487 009	2 622 119		2 622 119
Non current liabilities	10 491 310		10 491 310	14 547 852	967 642	15 515 494
Current liabilities	9 412 533		9 412 533	5 662 520		5 662 520
Net assets	20 831 674	-5 526 041	15 305 633	3 585 292	2 674 402	6 259 694



## 10. FINANCIAL INSTRUMENTS

In the Consolidated Balance Sheets at 31 December 2007 and 31 December 2006, the following financial instruments are included:

Note	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
<b>31 December 2007</b>							
Non current assets							
Available for sale investments	11			1 602 518	1 602 518		1 602 518
Other non current assets	17	1 578 390			1 578 390	54 341	1 632 731
Current assets							
Customers	19	260 140 025			260 140 025		260 140 025
Other current debtors	20	21 057 227			21 057 227	782 239	21 839 466
Other current assets	21		5 047 080	136 807	5 183 887	9 594 428	14 778 315
Investments	11						
Cash and cash equivalents	23	65 883 548			65 883 548		65 883 548
<b>Total</b>		<b>348 659 189</b>	<b>5 047 080</b>	<b>1 602 518</b>	<b>355 445 596</b>	<b>10 431 007</b>	<b>365 876 603</b>

<b>31 December 2006</b>							
Non current assets							
Available for sale investments	11			1 409 864	1 409 864		1 409 864
Other non current assets	17	1 206 203			1 206 203	78 753	1 284 956
Current assets							
Customers	19	290 208 628			290 208 628		290 208 628
Other current debtors	20	22 828 001			22 828 001	228 808	23 056 809
Other current assets	21		5 829 177	698 931	6 528 108	49 075 112	55 603 220
Investments	11	4 769 781			4 769 781		4 769 781
Cash and cash equivalents	23	189 289 129			189 289 129		189 289 129
<b>Total</b>		<b>508 301 742</b>	<b>5 829 177</b>	<b>698 931</b>	<b>1 409 864</b>	<b>49 382 673</b>	<b>565 622 387</b>

Note	Liabilities at fair value through profit or loss	Hedge derivatives	Other financial liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total
<b>31 December 2007</b>						
Non current liabilities						
Bank loans - net of short term portion	26		187 543 520	187 543 520		187 543 520
Debentures - net of short term portion	26		431 336 457	431 336 457		431 336 457
Finance lease creditors - net of short term portion	26		51 100 454	51 100 454		51 100 454
Other loans	26		34 506 252	34 506 252		34 506 252
Other non current liabilities	29	216 079	1 119 165	1 335 244	123 416 265	124 751 509
Current assets						
Bank loans	26		55 605 328	55 605 328		55 605 328
Debentures	26		100 000 000	100 000 000		100 000 000
Finance lease creditors	26		3 465 063	3 465 063		3 465 063
Other loans	26		504 957	504 957		504 957
Trade creditors	31		226 228 686	226 228 686		226 228 686
Other current liabilities	33	942 442	29 910 576	30 853 018	124 686 401	155 539 419
<b>Total</b>		<b>1 158 521</b>	<b>1 121 320 458</b>	<b>1 122 478 979</b>	<b>248 102 666</b>	<b>1 370 581 645</b>

31 December 2006							
Non current liabilities							
Bank loans - net of short term portion	26		134 085 215	134 085 215		134 085 215	
Debentures - net of short term portion	26		530 273 929	530 273 929		530 273 929	
Finance lease creditors - net of short term portion	26		41 897 417	41 897 417		41 897 417	
Other loans	26		95 856 073	95 856 073		95 856 073	
Other non current liabilities	29	836	507 005	507 841	110 776 991	111 284 832	
Current assets							
Bank loans	26		137 955 436	137 955 436		137 955 436	
Debentures	26						
Finance lease creditors	26		2 483 759	2 483 759		2 483 759	
Other loans	26		411 087	411 087		411 087	
Trade creditors	31		258 824 535	258 824 535		258 824 535	
Other current liabilities	33	3 216 459	56 762	26 875 537	30 148 758	111 821 119	141 969 877
<b>Total</b>		3 216 459	57 598	1 229 169 993	1 232 444 050	222 598 110	1 455 042 160



## 11. INVESTMENTS

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

	31.12.07		31.12.06	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		42 726 009		42 726 009
Disposal				
Liquidation				
Closing balance		42 726 009		42 726 009
Accumulated impairment losses (Note 34)		42 661 176		42 661 176
Net investment in group companies excluded from consolidation		64 833		64 833
Investment in associated companies				
Opening balance		2 920 894		3 148 389
Increase in share capital				
Disposal				
Effect of equity method application		428 498		- 227 495
Changes in consolidation perimeter				
Transfer				
Closing balance		3 349 392		2 920 894
Accumulated impairment losses (Note 34)				
Net investment in associated companies		3 349 392		2 920 894
Available-for-sale investment				
Opening balance		1 433 432		1 396 195
Acquisition		100 000		85 227
Disposal				20 489
Transfer				
Currency translation effect		85 047		- 27 501
Closing balance		1 618 479		1 433 432
Accumulated impairment losses (Note 34)		15 961		23 568
Net available-for-sale investment		1 602 518		1 409 864
Investments				
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 34)				
Net investments measured at fair value through profit and loss			4 769 781	

Available-for-sale investment is made up of financial undertakings which do not fulfil the criteria to be stated as subsidiaries excluded from consolidation or as associates. They are recognised at cost as no relevant difference to their fair value is estimated.



## 12. TANGIBLE ASSETS

During 2007, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	2007							
	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	33 793 070	21 918 528	259 508	119 679	178 319	1 404 552	3 527 654	61 201 310
Capital expenditure	279 684	1 172 899	614 829	2 964	314 774	220 038	199 204 890	201 810 078
Disposals	12 329 999	63 391 441	338 165	373 130	1 859 683	76 914	173 015	78 542 347
Transfers and reclassifications	21 795 479	76 073 529	6 274 257	8 572 555	- 4 404 380	1 696 128	- 110 317 610	- 310 042
Exchange rate effect	325 665	3 765 088	110 345	- 132 537	143 156	- 17 573	1 183 015	5 377 159
Closing balance	508 325 762	1 921 191 719	17 022 449	17 600 545	51 438 613	16 136 514	151 571 086	2 683 286 688
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	3 342 596	14 267 080	211 472	117 932	118 758	1 361 491		19 419 329
Charge for the period	12 576 431	110 040 619	1 557 996	1 936 737	4 690 823	614 300		131 416 906
Disposals	9 914 220	60 849 909	246 254	335 337	1 753 020	78 517		73 177 257
Transfers		- 2 545 190	3 712 989	3 495 773	- 4 708 796			- 45 224
Exchange rate effect	278 616	3 418 048	58 969	- 103 891	10 042	- 1 355		3 660 429
Closing balance	136 425 360	1 127 046 966	13 695 673	11 676 984	37 986 721	13 290 189	343 447	1 340 465 340
Carrying amount	371 900 402	794 144 753	3 326 776	5 923 561	13 451 892	2 846 325	151 227 639	1 342 821 348

	2006							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction	Total tangible assets
Gross								
Opening balance	399 281 939	1 645 040 536	13 234 771	8 116 441	45 754 871	12 820 081	16 320 975	2 140 569 614
Changes in consolidation perimeter	52 392 910	262 218 070	33 878		10 548 513	- 68 074	17 422 955	342 548 252
Capital expenditure	2 200 820	5 579 755	413 257	8 163	950 511	- 268 251	107 412 322	116 296 577
Disposal	6 672 303	41 374 848	879 023	95 130	2 286 630	186 772	16 086 111	67 580 817
Transfers and reclassifications	25 443 410	40 078 706	- 2 593 489	1 501 204	2 963 004	610 684	- 63 639 670	4 363 849
Exchange rate effect	- 8 184 913	- 29 889 103	- 107 719	- 119 664	- 863 842	2 615	- 3 284 319	- 42 446 945
Closing 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
Accumulated depreciation and impairment losses								
Opening balance	92 741 075	863 283 400	9 127 212	5 278 556	31 330 191	10 853 450		1 012 613 884
Changes in consolidation perimeter	29 318 140	107 198 251			5 031 473	- 57 863		141 490 001
Charge for the period	12 742 729	135 718 826	603 528	1 392 699	5 324 355	763 461	343 447	156 889 045
Disposal	3 597 419	30 129 074	746 776	93 081	1 966 583	164 848		36 697 781
Transfer	251 778	1 551 869	- 476 963		466 204	22		1 792 910
Exchange rate effect	- 1 314 366	- 14 906 954	- 106 500	- 12 404	- 556 726	48		- 16 896 902
Closing 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
Carrying amount	334 319 926	818 936 798	1 701 174	2 845 244	17 437 513	1 516 013	57 802 705	1 234 559 373

Charges for the period include impairment losses in the amount of 15 465 324 euros. In 2006, impairment losses amounted to 50 156 311 euros, of which 38 115 481 euros related to the carrying amount of Tafisa Canada's tangible assets destroyed in the accident described on note 3. The effect of this impairment loss on the consolidated profit and loss statement for 2006 is also described on note 3.

Charges to impairment losses are detailed in note 34.

During 2007 and 2006 no interest paid or any other financial charges were capitalised, in accordance with conditions defined in note 2.9.



At 31 December 2007, mortgaged Land and buildings amounted to 24 925 000 euros (27 137 500 euros at 31 December 2006) as a guarantee for bank loans.

At 31 December 2007, details of assets bought through financial leases were as follows:

	31.12.2007				31.12.2006
	Opening balance	Changes to consolidation perimeter	Other changes	Closing balance	Closing balance
Gross cost:					
Land and Buildings	11 547 527	1 325 703	20 888 286	33 761 516	11 547 527
Plant and Machinery	65 181 753		- 4 177 237	61 004 516	65 181 753
Vehicles	387 834		4 405 681	4 793 515	387 834
Tools					
Fixtures and Fittings	712 964			712 964	712 964
Other tangible assets					
	<b>77 830 078</b>	<b>1 325 703</b>	<b>21 116 730</b>	<b>100 272 511</b>	<b>77 830 078</b>
Accumulated depreciation and impairment losses					
Land and Buildings	5 472 194	82 811	1 757 706	7 312 711	5 472 194
Plant and Machinery	12 127 686		1 520 264	13 647 950	12 127 686
Vehicles	229 792		3 248 913	3 478 705	229 792
Tools					
Fixtures and Fittings	638 072		39 000	677 072	638 072
Other tangible assets					
	<b>18 467 744</b>	<b>82 811</b>	<b>6 565 883</b>	<b>25 116 438</b>	<b>18 467 744</b>
Carrying amount	<b>59 362 334</b>	<b>1 242 892</b>	<b>14 550 847</b>	<b>75 156 073</b>	<b>59 362 334</b>

### 13. INTANGIBLE ASSETS

During 2007, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	2007											
	Development Costs		Patents, Royalties And Other Rights		Software		Other Intangible Assets		Assets Under Development		Total intangible assets	
	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated
Gross cost:												
Opening balance		803 599		4 051 626		64 295		223 951		1 655 526		7 689
Changes in consolidation perimeter				25				642 755				13 258
Capital expenditure										8 368 849		2 514 727
Disposals				3 726						8 368 849		2 514 727
Transfers and reclassifications		- 350 297		- 25		4 932 415		546 683		- 4 713 180		- 548 521
Exchange rate effect		- 510		- 9 857		56				- 55 216		- 55 160
Closing balance		<b>452 792</b>		<b>4 038 343</b>		<b>4 996 766</b>		<b>770 634</b>		<b>2 653 037</b>		<b>3 608 142</b>
Accumulated amortisation and impairment losses												
Opening balance		417 423		3 950 907		61 971		223 951		1 655 526		61 971
Changes in consolidation perimeter				25						633 555		633 580
Charge for the period		13 846		32 018		395 856		125 021		165 758		395 856
Disposals				3 726								3 726
Transfers				- 25								- 25
Exchange rate effect		- 360		- 10 129		56				1 357		- 9 076
Closing balance		<b>430 909</b>		<b>3 969 070</b>		<b>457 827</b>		<b>349 028</b>		<b>2 456 196</b>		<b>457 827</b>
Carrying amount		<b>21 883</b>		<b>69 273</b>		<b>4 538 939</b>		<b>421 606</b>		<b>196 841</b>		<b>3 608 142</b>



2006												
Development Costs		Patents, Royalties And Other Rights		Software		Other Intangible Assets		Assets Under Development		Total intangible assets		
Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Total
Gross cost:												
Opening balance	805 060		4 036 502		223 951		1 655 526	7 689	13 258	7 689	6 734 297	6 741 986
Changes in consolidation perimeter					63 454						63 454	63 454
Capital expenditure					827						827	827
Disposals												
Transfers and reclassifications			12 910								12 910	12 910
Exchange rate effect	- 1 461		2 214		14					14	753	767
Closing balance	803 599		4 051 626		64 295		1 655 526	7 689	13 258	71 984	6 747 960	6 819 944
Accumulated amortisation and impairment losses:												
Opening balance		564 527		3 918 902		179 160		1 183 152			5 845 741	5 845 741
Changes in consolidation perimeter					60 329					60 329		60 329
Charge for the period		95 977		29 983		1 642		44 777		1 642	400 755	402 397
Disposals								230 018				
Transfers	- 242 356							242 356				
Exchange rate effect	- 725			2 022		14					1 311	1 311
Closing balance	417 423		3 950 907		61 971		223 951	1 655 526		61 971	6 247 807	6 309 778
Carrying amount	386 176		100 719		2 324			7 689	13 258	10 013	500 153	510 166

#### 14. INVESTMENT PROPERTIES

During 2007, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	2007			2006
	Cost	Under construction	Total	Total
Gross cost:				
Opening balance	8 788 398		8 788 398	9 237 766
Changes to consolidation perimeter				
Increase				
Disposals				380 000
Transfers				- 69 367
Closing balance	8 788 398		8 788 398	8 788 399
Accumulated depreciation and impairment losses:				
Opening balance	377 711		377 711	252 254
Changes to consolidation perimeter				
Charge for the period	140 655		140 655	154 590
Disposals				29 133
Transfers				
Closing balance	518 366		518 366	377 711
Carrying amount	8 270 032		8 270 032	8 410 688

#### 15. GOODWILL ARISING ON CONSOLIDATION

During 2007, movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	31.12.2007	31.12.2006
Goodwill		
Gross value:		
Opening balance	51 105 175	44 492 181
Increases	49 828 568	9 028 195
Decreases		
Transfers and write-offs		
Currency translation	- 846 887	-2 415 200
Closing balance	100 086 856	51 105 176
Accumulated impairment losses:		
Closing balance		

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



## 16. DEFERRED TAXES

At 31 December 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	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Difference between fair value and cost of tangible assets				2 502 275
Harmonisation adjustments			58 763 486	42 870 655
Provisions and impairment losses not accepted for tax purposes	4 397 809	10 780 570		
Impairment of Assets	2 143 125	1 757 559		
Tangible assets written off	4 548	13 910		
Intangible assets written off	209 358	240 530		
Deferred costs written off	193 609			
Valuation of hedging derivatives	141 766	86 125		505 112
Revaluation of tangible fixed assets			3 295 958	2 651 114
Tax losses carried forward	41 497 076	47 128 614		
Others	18 461		7 908 787	9 106 523
	<u>48 605 752</u>	<u>60 007 308</u>	<u>69 968 231</u>	<u>57 635 679</u>

	Deferred tax assets		Deferred tax liabilities	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Opening balance	60 007 308	52 685 592	57 635 679	43 136 143
Impact on results:				
Harmonisation adjustments			8 581 750	2 335 368
Changes in provisions and impairment losses not accepted for tax purposes	- 6 567 788	7 184 972		
Impairment of Assets	385 567	1 757 559		
Derecognized intangible assets	- 9 362	- 170 782		
Derecognized tangible assets	- 31 172	- 59 008		
Deferred costs written off	- 38 985	- 43 328		
Valuation of hedging derivatives	65 101		- 481 985	551 458
Revaluation of tangible fixed assets			- 322 798	- 17 874
Tax losses carried forward	- 6 619 938	- 3 396 749		
Others	250 137		1 614 326	7 007 368
	<u>- 12 566 440</u>	<u>5 272 664</u>	<u>9 391 293</u>	<u>9 876 320</u>
Impact on reserves:				
Currency translation effect	1 164 884	- 703 461	1 508 947	- 4 245 379
Recognition in Reserves		89 028		594 718
	<u>1 164 884</u>	<u>- 614 433</u>	<u>1 508 947</u>	<u>- 3 650 661</u>
Impact of changes in the consolidation perimeter:				
Acquisitions			1 432 312	5 610 392
Previously offset deferred tax		2 663 485		2 663 485
Closing balance	<u>48 605 752</u>	<u>60 007 308</u>	<u>69 968 231</u>	<u>57 635 679</u>

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

According to the estimation of taxable profit for the fiscal year 2007 and according to the tax return for the fiscal year 2006, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:





Limit date to be used	31.12.2007		31.12.2006	
	Tax loss carried forward	Deferred tax asset	Tax loss carried forward	Deferred tax asset
2007			84 657	21 164
2008			153 061	38 266
2009	378 636	94 659	544 023	136 005
2010	7 212 814	1 803 141	8 968 079	2 214 863
2011	161 732	40 433	11 157 189	1 128 983
2012	23 396 226	6 200 000	203 458	50 865
2014			1 528 502	496 763
2015			36 725	11 938
2016			38 865 008	12 245 372
2017	12 406 750	3 722 025	13 714 886	4 114 466
2018	3 740 985	1 122 296	3 740 985	1 122 293
2019	53 271	15 981	53 271	15 981
	47 350 414	12 998 535	79 049 844	21 596 959
Without time limit	105 772 167	28 498 541	84 998 784	25 531 655
<b>Total</b>	<b>153 122 581</b>	<b>41 497 076</b>	<b>164 048 628</b>	<b>47 128 614</b>

The stated amount of deferred tax asset related to tax losses carried forward was affected by a decrease in corporate income tax rates applicable to several group companies in coming years.

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

Limit date to be used	31.12.2007		31.12.2006	
	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2007	253 737	63 434		
2008	3 240 690	810 306	5 720	1 564
2009	2 885 767	721 447	173 858	43 465
2010	4 378 441	1 096 699	83 551	22 956
2011	574 240	143 579	3 211 749	381 077
2012	26 516 598	7 019 513	62 900 153	15 725 038
2013	383 085	96 318		
2014	32 967 957	9 890 469	20 999 339	6 299 801
2015	49	17		
2016	66 749 192	20 043 443	50 945 246	15 283 574
2017	51 545 728	15 690 466	48 726 117	14 617 835
2018	88 047 862	26 560 927	95 081 602	28 524 481
2019	5 354 629	1 677 123	19 280 761	5 784 229
2020	1 082 928	379 025		
2021	19 416 189	5 855 105	4 244 376	1 400 644
	303 397 092	90 047 871	305 652 472	88 084 664
Without time limit	780 665 412	237 392 833	786 519 961	284 461 788
<b>Total</b>	<b>1 084 062 504</b>	<b>327 440 704</b>	<b>1 092 172 433</b>	<b>372 546 452</b>

The amount of deferred tax asset relating to tax losses carried forward which was not recognised but was quantified in column Tax credit, was affected by a decrease in corporate income tax rates applicable to several group companies in coming years.



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.

## 17. OTHER NON CURRENT ASSETS

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

	31.12.2007			31.12.2006		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Loans granted to associated companies	14 132 899	14 132 899		14 132 897	14 132 897	
Other loans granted	149 962	130 114	19 848	266 671	130 139	136 532
Trade accounts receivable and other debtors	1 558 542		1 558 542	1 069 671		1 069 671
Financial Instruments	15 841 403	14 263 013	1 578 390	15 469 239	14 263 036	1 206 203
Tax recoverable						
Others	54 341		54 341	78 753		78 753
Assets out of scope of IFRS 7	54 341		54 341	78 753		78 753
Total	15 895 744	14 263 013	1 632 731	15 547 992	14 263 036	1 284 956

Ageing of Trade Accounts Receivable and Other Debtors		
	31.12.2007	31.12.2006
Not due	654 120	26 750
Due and not impaired		
< 6 months	6 592	
6 - 12 months	150	613
> 1 year	897 680	1 042 308
	904 422	1 042 921
Due and impaired		
< 6 months		
6 - 12 months		
> 1 year		
Total	1 558 542	1 069 671

## 18. INVENTORIES

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

	31.12.2007	31.12.2006
Merchandise	12 792 958	15 723 822
Finished and intermediate products	106 051 119	89 181 673
Products and working in progress	1 725 817	2 995 739
Raw Materials and Consumables	149 733 708	121 613 564
	270 303 602	229 514 798
Accumulated impairment losses on inventories (Note 31)	12 588 275	15 543 189
	257 715 327	213 971 609



## 19. TRADE DEBTORS

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

	31.12.2007			31.12.2006		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	276 859 705	16 719 681	260 140 024	308 719 485	18 510 857	290 208 628

AGEING OF TRADE DEBTORS			
		31.12.2007	31.12.2006
Not due		203 431 697	234 982 812
Due and not impaired			
0 - 30 days		34 481 114	37 822 189
30 - 90 days		10 596 124	11 353 296
' + 90 days		9 347 670	7 589 968
		54 424 908	56 765 453
Due and impaired			
0 - 90 days		4 590 668	2 912 238
90 - 180 days		613 443	1 049 767
180 - 360 days		2 844 742	872 262
+ 360 days		10 954 247	12 136 953
		19 003 100	16 971 220
Total		276 859 705	308 719 485

## 20. OTHER CURRENT DEBTORS

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

	31.12.2007			31.12.2006		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Other debtors	20 402 117	19 628	20 382 489	19 077 427	20 296	19 057 131
Advances to trade creditors	391 711		391 711	1 525 550		1 525 550
Goup companies	705 903	422 876	283 027	2 668 197	422 877	2 245 320
Financial Instruments	21 499 731	442 504	21 057 227	23 271 174	443 173	22 828 001
Outros Devedores	782 239		782 239	228 808		228 808
Assets out of scope of IFRS 7	782 239		782 239	228 808		228 808
Total	22 281 970	442 504	21 839 466	23 499 982	443 173	23 056 809



	Ageing of Other Debtors		Ageing of Advances to Trade Creditors		Ageing of Group Companies	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Not due	810 337	304 655	54 520	841	283 027	2 245 320
Due and not impaired						
0 - 30 days	14 467 597	6 197 846	48 217	16 772		
30 - 90 days	136 347	27 622	81 234	1 252 182		
+ 90 days	4 934 015	12 510 013	207 740	255 755		
	<u>19 537 959</u>	<u>18 735 481</u>	<u>337 191</u>	<u>1 524 709</u>		
Due and impaired						
0 - 90 days	53 821	37 290				
90 - 180 days						
180 - 360 days						
+ 360 days					422 876	422 877
	<u>53 821</u>	<u>37 290</u>			<u>422 876</u>	<u>422 877</u>
Total	<u>20 402 117</u>	<u>19 077 426</u>	<u>391 711</u>	<u>1 525 550</u>	<u>705 903</u>	<u>2 668 197</u>

## 21. OTHER CURRENT ASSETS

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

	31.12.2007			31.12.2006		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Derivatives instruments	5 183 887		5 183 887	6 528 108		6 528 108
Instrumentos financeiros	5 183 887		5 183 887	6 528 108		6 528 108
Accrued revenue	2 583 923		2 583 923	43 096 500		43 096 500
Deferred Costs	6 996 291		6 996 291	5 899 594		5 899 594
Others	14 214		14 214	79 018		79 018
Assets out of scope of IFRS 7	9 594 428		9 594 428	49 075 112		49 075 112
Total	<u>14 778 315</u>		<u>14 778 315</u>	<u>55 603 220</u>		<u>55 603 220</u>

## 22. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

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

	31.12.2007	31.12.2006
State and other public entities:		
Income Tax	7 556 685	4 905 409
Value Added Tax	15 994 345	11 303 377
Social Security Contribution	12 872	10 327
Others	6 590 344	2 566 501
	<u>30 154 246</u>	<u>18 785 614</u>



## 23. CASH AND CASH EQUIVALENTS

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

	31.12.2007	31.12.2006
Cash at hand	120 588	1 994 530
Bank deposits	30 644 304	103 065 901
Treasury applications	35 118 656	84 228 698
Cash and cash equivalents on the balance sheet (financial instruments)	65 883 548	189 289 129
Bank overdrafts	16 728 792	572 787
Cash and cash equivalents on the statement of cash flows	49 154 756	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 (note 26).

At 31 December 2007 there were bank deposits in the amount of 18 481 066 euros which related to the securitization facility described on note 26.3.

The balance of Treasury applications at 31 December 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.

## 24. SHAREHOLDERS' FUNDS

### 24.1. SHARE CAPITAL

At 31 December 2007 and 2006, 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.

### 24.2. LEGAL RESERVE

The caption Legal reserve includes the parent company's reserve set up in accordance with articles 295 and 296 of the Company Law.



### 24.3. RESERVES AND RETAINED EARNINGS

This caption includes:

- Reserves set up by the parent company and by its subsidiaries in accordance with statutory rules or by proposition of the respective Board of Directors approved by the General Shareholders' Meeting;
- Currency translation reserves resulting from the conversion to Euros of subsidiaries' financial statements which are expressed in a different functional currency;
- Prior periods' net profits pending application;
- Consolidation adjustments to any of the aforementioned components.

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

### 25. MINORITY INTERESTS

Changes to this item during 2007 and 2006 were as follows:

	<u>31.12.2007</u>	<u>31.12.2006</u>
Opening balance	28 100 792	44 960 793
Decrease / (increase) in ownership percentage on consolidated companies	- 7 314 987	-1 356 364
Change resulting from currency translation	2 033 338	-1 785 924
Net profit for the period attributed to minority interests	10 817 464	1 334 384
Others	<u>105 810</u>	<u>-15 052 097</u>
Closing balance	<u>33 742 417</u>	<u>28 100 792</u>

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) and the consequent increase in ownership percentage of subsidiaries held by Tafisa.



## 26. LOANS

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

31.12.2007					
	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans	55 605 328	187 543 520	55 605 328	187 543 520	-1 829 917
Debentures	100 000 000	431 336 457	100 000 000	435 000 000	
Obligations under finance leases	3 465 063	51 100 454	3 465 063	51 100 454	9 888 477
Other loans	504 957	34 506 252	504 957	34 506 252	
<b>Gross debt</b>	<b>159 575 348</b>	<b>704 486 683</b>	<b>159 575 348</b>	<b>708 150 226</b>	<b>8 058 560</b>
Investment					
Cash and cash equivalent in balance sheet	65 883 548		65 883 548		
<b>Net debt</b>	<b>93 691 800</b>	<b>704 486 683</b>	<b>93 691 800</b>	<b>708 150 226</b>	<b>8 058 560</b>
<b>Total net debt</b>	<b>798 178 483</b>		<b>801 842 026</b>		

31.12.2006					
	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans	137 955 436	134 085 215	137 955 436	134 085 215	-1 387 035
Debentures		530 273 929		535 000 000	
Obligations under finance leases	2 483 759	41 897 417	2 483 759	41 897 417	11 386 811
Other loans	411 087	95 856 073	411 087	95 856 073	
<b>Gross debt</b>	<b>140 850 282</b>	<b>802 112 634</b>	<b>140 850 282</b>	<b>806 838 705</b>	<b>9 999 776</b>
Investment	4 769 781		4 769 781		
Cash and cash equivalent in balance sheet	189 289 129		189 289 129		
<b>Net debt</b>	<b>- 53 208 628</b>	<b>802 112 634</b>	<b>- 53 208 628</b>	<b>806 838 705</b>	<b>9 999 776</b>
<b>Total net debt</b>	<b>748 904 006</b>		<b>753 630 077</b>		

The column “Fair value adjustment” includes the adjustments which would have to be made if the corresponding items were to be stated at fair value.

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

### 26.1 Bank Loans

The bank loans and overdrafts presented in the table in note 26. 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 31 December 2007 are detailed in the following table:



Company	Bank loans				Total
	Non current	Current			
	Bank loans	Short term portion	Short term	Bank overdrafts	
Glunz AG	63 795 900	14 553 700		1 652 512	80 002 112
Sonae Indústria-SGPS,SA	75 625 000	6 250 000			81 875 000
Sonae Novobord (Pty) Ltd	36 901 124	6 436 240		2 891 176	46 228 541
Sonae UK,Ltd.	3 181 756	6 363 515			9 545 270
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	3 375 000	4 252 149			7 627 149
Others	4 664 740	1 019 098	1 836	12 185 102	17 870 776
	187 543 520	38 874 702	1 836	16 728 790	243 148 848

a) During 2002 and 2003, Glunz AG., contracted a loan with the European Investment Bank for 119 000 000 Euros (made up by two components). The loan pays interest quarterly, indexed to a fixed rate of 3,64%, and will be redeemed in 16 consecutive and variable semi-annual instalments, the first of which was made in June 2005. At 31 December 2007, outstanding principal was 78 349 600 euros.

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 semi-annual instalments. At 31 December 2007, the principal outstanding was 21 875 000 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 31 December 2007, commercial paper issued amounted to 60 000 000 euros.

d) Sonae Novobord raised ZAR 200 000 000 in debt from Firstrand Bank. The facility was issued at a fixed rate of 13.18%, interest is payable semi-annually, and principal is repaid in 14 consecutive and variable instalments, the first of which occurred in June 2003. As at 31 December 2007, the principal outstanding was 14 013 747 euros;

e) 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. At 31 December 2007 the loan had been completely redeemed.

f) During the first half of 2007, Sonae Novobord 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 31 December 2007, outstanding principal was 21 847 644 euros.

g) During first half 2007 Sonae Novobord contracted a loan with International Finance Corporation (IFC) of 71 800 000 ZAR. The loan pays interest at a market rate and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which will be made in June 2009. At 31 December 2007, outstanding principal was 7 158 460 euros.

h) 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 equal semi-annual instalments, the first of which matured in June 2002. As at 31 December 2007, the principal outstanding was 9 545 271 euros;

i) 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 31 December 2007, the principal outstanding was 6 750 000 euros;

j) During 2005, Tafisa Brasil 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. As at 31 December 2007, the loan had been completely repaid.

## 26.2 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.

### 26.3 Other Loans

Other loans, as detailed in the table in note 26, are included in the consolidated Balance Sheet, in “Other Financing” in Current Liabilities and Non-Current Liabilities, and had the following composition on 31 December 2007:

Company	Other Loans		
	Long term		Short term
	Securitization	Others	Others
Sonae UK,Ltd.	16 631 645		
Sonae Tafibra Benelux, BV	9 867 661		
Glunz AG	5 024 887		56 327
Spanboard Products,Ltd	2 420 647		9 196
Sonae Ind., Prod. e Com.Deriv.Madeira,SA			46 318
Isoroy SAS	34 118		168 159
Tableros Tradema,S.L.	11 495		
Others		515 799	224 957
	<u>33 990 453</u>	<u>515 799</u>	<u>504 957</u>

During 2004, Sonae Indústria 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. As at 31 December 2007, the principal outstanding was 33 990 453 euros.

Trade debtors securitized were kept on the consolidated balance sheet as the criteria set out in IAS 39 for their derecognition were not fully met, namely the whole risks related to the securitized assets were not completely transferred.

#### 26.4 Financial lease creditors

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

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
2007	-	7 134 059	-	2 483 758
2008	8 680 765	6 780 212	3 465 063	2 319 852
2009	8 521 200	6 620 369	3 585 532	2 367 727
2010	8 314 972	6 411 164	3 677 724	2 379 621
2011	8 105 780	6 172 911	3 782 999	2 372 999
2012	8 060 689		4 071 641	
after 2012 (2011)	44 862 204	49 824 097	35 982 558	32 457 219
	<u>86 545 610</u>	<u>82 942 812</u>	<u>54 565 517</u>	<u>44 381 176</u>
Lease creditors - current			3 465 063	2 483 759
Lease creditors - non current			<u>51 100 454</u>	<u>41 897 417</u>

#### 27. FINANCIAL DERIVATIVES

The fair value of derivative instruments are stated as follows:

	Other current assets (note 21)		Other current liabilities (note 33)		Other non current liabilities (note 29)	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Derivatives at fair value through profit or loss	5 047 080	5 829 177	942 442	3 216 459	216 079	
Derivatives at fair value through reserves	136 807	698 932		56 762		836
	<u>5 183 887</u>	<u>6 528 109</u>	<u>942 442</u>	<u>3 273 221</u>	<u>216 079</u>	<u>836</u>

	Maturity of financial derivatives	
	2008	2009
Derivatives at fair value through reserves	145 789	- 8 982
Derivatives at fair value through profit and loss	<u>3 917 137</u>	<u>- 28 578</u>
	<u>4 062 926</u>	<u>- 37 560</u>



#### Derivatives at fair value through profit or loss

They are made up by exchange rate derivatives (forwards) over which no hedge accounting was applied, and by interest rate derivatives (swaps) which consist on fair value hedges. Gains and losses resulting from changes in fair value are stated under the item Adjustments to fair value of financial instruments at fair value through profit or loss (note 39), which corresponds to a net loss of 598 669 euros.

#### Derivatives at fair value through reserves

They are made up by interest rate derivatives, mainly swaps, which consist on cash flow hedges. Changes in the fair value of these financial instruments were recorded under Hedging reserves, included in the caption Reserves and retained earning on the balance sheet, for the amount of 95 244 euros. No amounts related to instruments which matured in 2007 were transferred from reserves to profit or loss

### 28. FINANCIAL RISKS

The liquidity risk described on note 2.23., c), related to gross debt referred to on note 26, can be analysed as follows:

	Maturity of gross debt	Interests	Total
<b>2008</b>	159 575 348	42 685 790	202 261 138
<b>2009</b>	122 301 902	38 787 116	161 089 018
<b>2010</b>	214 220 544	32 904 094	247 124 638
<b>2011</b>	27 945 729	22 010 545	49 956 274
<b>2012</b>	84 572 381	26 795 341	111 367 722
<b>2013</b>	114 021 403	16 457 486	130 478 889
<b>&gt;2013</b>	145 088 265	17 717 660	162 805 925
	<b>867 725 572</b>	<b>197 358 032</b>	<b>1 065 083 604</b>

The calculation of interest in the previous table was based on interest rates at 31 December 2007 applicable to each item of debt. Gross debt maturing in 2008 includes scheduled repayment of debt along with the repayment of debt as at end 2007 maturing within less than one year (although some credit limits might be rolled over).



Total amount of hired credit limit		
	31.12.2007	31.12.2006
Commitment < 1year	101 026 304	138 766 826
Commitment > 1year	235 000 000	150 000 000
<b>TOTAL</b>	<b>336 026 304</b>	<b>288 766 826</b>

The analysis of interest rate risk, described on note 2.23., h), consisted on calculating the way net profit before tax would had been impacted if there would had been a change of +0.75 or -0.75 percentage points in actual 2007 interest rates.

Considering Euribor 6 months as a reference indicator for interest rates of Euro, a change of 0.75 percentage points corresponds to 2.3 times the standard deviation of that variable in 2007.

Sensitivity Analysis			
	"Notional" (Euros)	Effect in profit and loss (Euros)	
		Var. 0,75pp	Var. -0.75pp
Gross debt excluding banks overdrafts			
EUR	-779 188 507	-4 204 429	4 204 429
GBP	-28 470 911	- 232 060	232 060
BRL		- 43 571	43 571
ZAR	-43 337 364	- 214 466	214 466
	-850 996 782	-4 694 526	4 694 526
Financial derivatives			
EUR	50 000 000		
ZAR	11 370 573	- 50 299	50 299
	61 370 573	- 50 299	50 299
Treasury applications			
EUR	18 481 066	290 269	- 290 269
BRL	16 637 589	24 056	- 24 056
	35 118 655	314 325	- 314 325
		<b>-4 430 500</b>	<b>4 430 500</b>

With respect to exchange rate risk, described on note 2.23., b), ii), the following calculations were performed:

1. Sensitivity analysis of balances denominated in a currency other than the functional currency of each company included in the consolidation, by considering a change of +1% and -1% in actual 2007 and 2006 exchange rates.



1.1.– Other non current assets and Other trade debtors net of Other non current liabilities and Other current liabilities

	Foreign currency amount		EUR equivalent		Sensitivity analysis			
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	2007		2006	
					Var.		Var.	
					-1%	1%	-1%	1%
CAD	113 800 000	109 164 034	78 759 842	71 438 035	- 787 598	787 598	- 714 380	714 380
GBP	16 271 830	12 790 143	22 188 430	19 047 080	- 221 884	221 884	- 190 471	190 471
ZAR	202 820 925		20 221 246		- 202 212	202 212		

1.2.- Other financial assets net of Other financial liabilities

	Foreign currency amount		EUR equivalent		Sensitivity analysis			
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	2007		2006	
					Var.		Var.	
					-1%	1%	-1%	1%
USD	3 766 568	8 825 235	2 558 630	6 701 001	- 25 586	25 586	- 67 010	67 010

2. Sensitivity analysis of existing derivatives to hedge the exchange rate risk set out on the previous point

	Foreign currency amount		EUR equivalent		Sensitivity analysis			
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	2007		2006	
					Var.		Var.	
					-1%	1%	-1%	1%
CAD	118 665 909	114 559 098	82 127 420	74 968 325	821 274	- 821 274	749 683	- 749 683
GBP	17 721 904	55 415 611	24 165 765	82 525 109	241 658	- 241 658	825 251	- 825 251
ZAR	228 076 717	26 094 334	22 739 249	2 832 523	227 392	- 227 392	28 325	- 28 325

29. OTHER NON CURRENT LIABILITIES

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

	31.12.2007	31.12.2006
Derivative instruments	216 078	836
Group companies	72 604	72 604
Other creditors	1 046 562	434 401
-	1 335 244	507 841
State and other public entities	45 800 911	33 772 070
Other creditors	77 615 354	77 004 921
Liabilities out of scope of IFRS 7	123 416 265	110 776 991
Total	124 751 509	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 77 615 354 euros relating to deferred income-investment subventions.

<u>31 December 2007</u>	N+1	N+2	N+3	N+4	N+5	> N+5	Total
						72 604	72 604
Maturity of Other non current creditors	619 674				426 888		1 046 562
	619 674				426 888	72 604	1 119 166

<u>31 December 2006</u>	N+1	N+2	N+3	N+4	N+5	> N+5	Total
						72 604	72 604
Maturity of Group Companies						72 604	72 604
Maturity of Other non current creditors	7 513					426 888	434 401
	7 513					499 492	507 005

### 30. 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.

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					
			Glunz AG		GHP GmbH		Tool GmbH	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Mortality table	PA (90)	A55	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	-
Salary growth rate	7,1%	5,5%	2,0%	5,0%	0,00%	0,00%	0,00%	-
Return on fund	9,0%	8,5%	4,0%	8,0%	4,10%	4,10%	4,10%	-
Actuarial technical rate	9,0%	8,5%	4,75%	8,0%	4,75%	4,75%	5,6%	-
Pension growth rate	6,1%	5,0%	1,5%	3,5%	1,50%	1,50%	1,50%	-

	France		Portugal	
	31.12.07	31.12.06	31.12.07	31.12.06
Mortality table	TPG 1993	TPG 1993	TV 88/90	TV 88/90
Salary growth rate	2,0%	2,0%	3,0%	3,0%
Return on fund	-	-	6,0%	6,0%
Actuarial technical rate	4,5%	4,5%	4,0%	4,0%
Pension growth rate	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 2007, 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 2007, liabilities amounted to 50 594 915 ZAR (5 044 313 euros) covered by the market value of the fund of 42 727 904 ZAR (4 259 972 euros) and by a provision of 7 867 001 ZAR (784 340 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 16 937 270 euros, which fully provides for the liabilities calculated by the actuarial study reported to 31 December 2007. On the same date, the value of the fund constituted at the end of the year was 235 132 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 2007, liabilities amounted to 1 080 274 euros and were covered by the fund and by provisions for Pension Liabilities in Non Current Liabilities of 176 126 euros and 904 149 euros respectively.

Tool 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 report carried out at 31 December 2007, liabilities amounted to 90 658 euros and were covered by the fund and by provisions for Pension Liabilities in Non Current Liabilities of 16 728 euros and 73 930 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 2007 to be 1 853 398 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 hired until 31 December 1994 are covered by this plan under which they will receive as from retirement, a life long monthly payment equivalent to 20% of their salary at their retirement date. The liability for services provided as at 31 December 2007, based on an actuarial study on the same date, were calculated to be 3 693 963 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 1 314 100 euros and 2 379 863 euros, respectively.

The main changes, during the periods ending 31 December 2007 and 31 December 2006, to the present value of these liabilities are presented below:

	<u>31.12.2007</u>	<u>31.12.2006</u>
Opening balance of obligations' present value	30 749 539	30 240 033
Interest cost	1 625 181	1 352 903
Current service cost	802 305	644 580
Actuarial (Gains)/Losses	-1 996 561	-1 050 134
Recognised past service cost		1 024 696
Paid pensions	1 879 438	1 671 546
Exchange rate effect	- 60 109	-1 035 535
Changes in consolidation perimeter	149 129	1 244 542
Closing balance of obligations' present value	<u>29 390 046</u>	<u>30 749 539</u>

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

	<u>31.12.2007</u>	<u>31.12.2006</u>
Present value of obligations	29 390 046	30 749 539
Actuarial Losses/(Gains) not recognised	687 493	739 768
Fair value of plan assets	5 766 926	5 025 256
Pension liabilities	<u>22 935 627</u>	<u>24 984 515</u>



The impact of these liabilities on the 2007 and 2006 consolidated profit and loss statements is detailed as follows:

	31.12.2007	31.12.2006
Interest cost	1 625 181	1 385 652
Current service cost	802 305	598 404
Past service cost		1 024 696
(Increase) / Decrease in fair value of plan assets	288 088	- 296 156
Recognized actuarial (Gains)/Losses	-1 996 561	- 956 835
	<u>719 013</u>	<u>1 755 761</u>

### 31. TRADE CREDITORS

At 31 December 2007 and 31 December 2006, Trade creditors stated on the consolidated balance sheet showed the following maturities:

	MATURITY OF TRADE CREDITORS	
	31.12.2007	31.12.2006
To be paid		
< 90 days	222 708 799	255 725 113
90 - 180 days	2 072 418	1 923 569
> 180 days	<u>1 447 469</u>	<u>1 175 853</u>
	<u>226 228 686</u>	<u>258 824 535</u>

### 32. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

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

	31.12.2007	31.12.2006
State and other public entities		
Income Tax	14 877 387	13 743 944
Value Added Tax	3 113 994	3 474 862
Social Security Contribution	8 841 810	7 945 825
Others	<u>2 805 727</u>	<u>2 577 352</u>
	<u>29 638 918</u>	<u>27 741 983</u>



### 33. OTHER CURRENT LIABILITIES

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

	31.12.2007	31.12.2006
Group companies	201	814 434
Derivatives	942 442	3 273 221
Trade debtors advances	381 327	493 850
Fixed assets suppliers	23 143 342	8 415 384
Other creditors	6 385 706	17 151 869
Financial instruments	30 853 018	30 148 758
Outros credores	13 326 882	6 843 461
Accrued expenses:		
Insurances	31 938	332 978
Personnel costs	29 311 940	29 390 350
Accrued financial expenses	8 637 046	6 713 869
Rappel discounts (annual quantity discounts)	33 428 206	31 745 244
External supplies and services	20 730 715	13 321 427
Other accrued expenses	12 445 931	13 157 603
Deferred income:		
Investment subventions	6 768 391	10 314 172
Other deferred income	5 352	2 015
Liabilities out of scope of IFRS 7	124 686 401	111 821 119
Total	155 539 419	141 969 877

#### 31 December 2007

	< 90 days	90 - 180 days	> 180 days	Total
Maturity of Fixed assets' suppliers	21 574 773	595 449	973 120	23 143 342
Maturity of Other creditors	5 866 645	- 4 184	523 245	6 385 706
	27 441 418	591 265	1 496 365	29 529 048

#### 31 December 2006

	< 90 days	90 - 180 days	> 180 days	Total
Maturity of Fixed assets' suppliers	7 616 252	259 937	539 195	8 415 384
Maturity of Other creditors	4 536 986	18 341	12 596 542	17 151 869
	12 153 238	278 278	13 135 737	25 567 253



#### 34. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2007 and 31 December 2006 were as follows:

Description	2007					
	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes
Accumulated impairment losses on tangible assets (Note 12)	45 391 373	1 494 925	5 526 041	15 465 325	9 972	- 38 480 489
Accumulated impairment losses on intangible assets (Note 13)				19 242		
Accumulated impairment losses on other non-current assets (Note 17)	14 263 036					- 23
Accumulated impairment losses on trade debtors (Note 19)	18 510 857	- 19 344	- 506 169	7 232 129	3 625 747	- 4 872 046
Accumulated impairment losses on other debtors (Note 20)	443 173				668	
Provisions	42 409 827	1 653 997	770 723	10 253 670	11 411 299	2 147 621
Sub-total	121 018 266	3 129 578	5 790 595	32 970 366	15 047 686	- 41 204 937
Accumulated impairment losses on investments (Note 11)	42 684 744					- 7 607
Accumulated impairment losses on inventories (Note 18)	15 543 189	84 451	142 851	2 865 174	5 791 213	- 256 177
Total	179 246 199	3 214 029	5 933 446	35 835 540	20 838 899	- 41 468 721

Description	2006					
	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes
Accumulated impairment losses on tangible assets (Note 12)	877 301	- 2 624 908		49 464 568	262	- 2 325 326
Accumulated impairment losses on other non-current assets (Note 17)	14 132 921					130 115
Accumulated impairment losses on trade debtors (Note 19)	16 295 730	- 484 435	1 240 077	6 149 821	3 695 994	- 994 342
Accumulated impairment losses on other debtors (Note 20)	492 122					- 48 949
Provisions	22 532 468	- 508 572	688 045	20 520 721	3 609 825	2 786 990
Sub-total	54 330 542	- 3 617 915	1 928 122	76 135 110	7 306 081	- 451 512
Accumulated impairment losses on investments (Note 11)	42 722 928				16 747	- 21 437
Accumulated impairment losses on inventories (Note 18)	4 771 938	- 107 697	10 308 751	7 036 668	5 716 013	- 750 458
Total	101 825 408	- 3 725 612	12 236 873	83 171 778	13 038 841	- 1 223 407

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

The increases and utilizations of impairment losses on investments are recorded in Results from investments on the consolidated profit and loss statement.

The increase in impairment losses on tangible assets is recorded under Provisions and impairment losses on the consolidated profit and loss statement. The reduction is recorded under Other operating income on the consolidated profit and loss statement (Note 37)

The increases and reductions in trade creditor impairment losses are recorded under Provisions and impairment losses and Other operating revenues on the consolidated profit and loss statement, respectively.

The increases and reductions in inventory impairment losses are recorded under Cost of goods sold and Changes in production on the consolidated profit and loss statement, depending on the nature of the inventory.

Values included in the Other changes column related to impairment losses are related with the write-down of assets, offset by the previously recorded impairment loss.



### 35. OPERATING LEASE

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

	Minimum operating lease payments	
	31.12.07	31.12.06
2007		8 568 812
2008	9 004 028	7 049 890
2009	7 372 202	4 277 993
2010	5 728 588	3 520 312
2011	3 433 475	2 662 137
2012	2 299 769	
After 2012 (2011)	7 004 534	6 915 257
	<u>34 842 596</u>	<u>32 994 401</u>

### 36. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable		Loans			
					Obtained		Granted	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Parent company and group companies	1 467 636	9 402 672	4 405 491	9 253 321			247 833	2 007 687
Associated companies		400 719		807 532				

Transactions	Sales and services rendered		Purchases and services obtained		Interest income		Interest expenses	
	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
Parent company and group companies	8 593 508	10 517 966	36 774 622	56 983 722	348 049	47 609		
Associated companies		1 873 328		4 741 860				

Remuneration of the Board of Directors of the Company and its subsidiaries is detailed as follows:

	2007	2006
Total fixed salaries	1 331 921	1 230 740
Total bonus	785 443	794 795
	<u>2 117 364</u>	<u>2 025 535</u>



### 37. OTHER OPERATING REVENUES

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

	31.12.2007	31.12.2006
Gains on disposals of tangible and intangible assets	38 178 887	18 564 247
Supplementary Revenue	6 671 751	22 682 065
Investment subventions	6 942 279	7 465 627
Tax received	5 612 484	8 886 645
Reversion of impairment losses	3 636 389	3 696 256
Gains on provisions	11 411 298	3 609 825
Others	56 484 757	54 569 711
	<u>128 937 845</u>	<u>119 474 376</u>

The item Others includes an estimated indemnity of 27 752 812 euros relating to the operating losses resulting from the accident referred to in Note 3.

The item Gains on disposal of tangible and intangible assets includes 10 703 722 euros related to the accident referred to in Note 3. It also includes 25 583 586 euros related to the sale by Tafisa of land located in Pontevedra, Spain.

### 38. OTHER OPERATING COSTS

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

	31.12.2007	31.12.2006
Taxes	12 589 235	11 959 396
Losses on disposal of non current investments	65 440	269 511
Losses on disposal of tangible and intangible assets	1 357 869	1 035 305
Others	13 119 096	14 531 207
	<u>27 131 640</u>	<u>27 795 419</u>



### 39. FINANCIAL RESULTS

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

	31.12.2007	31.12.2006
<b>Financial expenses:</b>		
Interest expenses		
related to bank loans and overdrafts	11 207 067	14 525 620
related to non convertible debentures	25 847 955	19 570 009
related to finance leases	5 445 381	2 646 320
related to hedged loans (hedge derivatives)	2 520 171	
others	3 014 392	5 609 244
	<u>48 034 966</u>	<u>42 351 193</u>
Losses in currency translation		
related to customers	1 224 681	2 030 190
related to suppliers	11 931 361	1 549 619
related to loans	16 975 473	23 369 886
others	249 827	758 599
	<u>30 381 342</u>	<u>27 708 294</u>
Cash discounts granted	24 462 717	20 436 456
Adjustment to fair value of financial instruments at fair value through profit or loss	25 260 904	18 535 737
Losses on valuation of hedging derivative instruments		
Fair value of inefficient component of hedge derivatives		
Other finance losses	12 986 501	10 271 203
	<u>141 126 430</u>	<u>119 302 883</u>
<b>Financial revenues:</b>		
Interest income		
related to bank loans	513 807	943 170
related to loans to related parties	326 120	153 971
Others	3 392 627	3 959 871
	<u>4 232 554</u>	<u>5 057 012</u>
Gains in currency translation		
related to customers	1 315 901	401 436
related to suppliers	11 205 709	1 283 343
related to loans	15 227 246	11 013 635
others	437 857	870 048
	<u>28 186 713</u>	<u>13 568 462</u>
Cash discounts obtained	2 935 935	3 866 302
Adjustment to fair value of financial instruments at fair value through profit or loss	24 662 235	28 291 835
Gains in valuation of hedging derivative instruments		
Fair value of inefficient component of hedge derivatives		
Other finance gains	567 899	741 677
	<u>60 585 335</u>	<u>51 525 288</u>
<b>Finance profit / (loss)</b>	<u><b>- 80 541 095</b></u>	<u><b>- 67 777 595</b></u>

### 40. TAXES

Corporate income tax accounted for in 2007 and 2006 is detailed as follows:

	31.12.2007	31.12.2006
Current tax	19 224 040	14 098 661
Deferred tax	16 048 495	4 603 656
	<u>35 272 535</u>	<u>18 702 317</u>



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

	31.12.2007	31.12.2006
Consolidated net profit before tax	124 702 712	52 348 670
Tax rate	25.00%	27.50%
Expectable tax at rate 25.0%	31 175 678	14 395 884
Differences to foreign tax rates	(+) 4 263 678	- 939 188
Effect of provincial taxes	(+) 2 169 694	734 479
Consolidation adjustments	(-) 2 562 610	18 849 406
Permanent differences		
Non deductible costs	(+) 2 321 460	3 076 294
Non taxed profits	(-) 5 944 247	2 347 148
Tax losses carried forward		
Recognized deferred tax asset	(+) -16 124 022	-2 618 452
Reverted deferred tax asset	(+) 6 711 269	7 044 100
Deferred tax asset not recognized in compliance with IAS 12	(-) -11 846 526	-17 864 533
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(+) -4 878 467	-5 354 615
Effect on offsetting deferred tax liabilities related to depreciation	(+) 3 801 484	1 308 514
Effect of change in tax rates	(+) 5 298 541	3 279 488
Other deferred tax assets and liabilities not recognized in compliance with IAS 12	(+) 345 972	- 725 013
Others	(+) -3 152 422	1 832 845
Consolidated corporate income tax	35 272 535	18 702 317

#### 41. EARNINGS PER SHARE

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

	31.12.2007	31.12.06
<b>Net Profit</b>		
Net profit considered to calculate basic earnings per share (Net Profit attributable to equity holders of Sonae Indústria)	78 612 713	32 311 969
Effect of potential shares Interest related to convertible bonds (net of tax)		
Net Profit considered to calculate diluted earnings per share	<u>78 612 713</u>	<u>32 311 969</u>
<b>Number of shares</b>		
Weighted average number of shares used to calculate basic earnings per share	140 000 000	140 000 000
Effect of potential ordinary shares from convertible bonds		
Weighted average number of shares used to calculate diluted earnings per share	<u>140 000 000</u>	<u>140 000 000</u>

During 2007 no significant profit or loss occurred relating to discontinued operations.





## 42. 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 2007 are as follows:

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

### 42.1. Geographic segments

The contribution of main geographic segments to the Consolidated Profit and Loss Statement for 2007, based on location of assets, are detailed as follows:

	2007								
	Portugal	Spain	France	Un. Kingdom	Germany	Others	Brazil	Canada	South Africa
<b>Operating income</b>	334 374 720	418 473 405	325 911 811	126 711 946	849 871 324	265 305 458	154 560 534	126 362 128	106 654 048
Intersegmental eliminations	- 108 993 355	- 71 760 315	- 85 512 481		- 236 919 092	- 9 041 049	- 19 477		- 78 208
<b>External Operating income</b>	225 381 365	346 713 090	240 399 330	126 711 946	612 952 232	256 264 409	154 541 057	126 362 128	106 575 840
<b>Allocated Operating Net Profit/(Loss)</b>	33 123 816	57 409 611	3 342 741	4 642 553	26 055 638	- 1 788 991	30 790 081	27 578 013	23 944 782
<b>Non Allocated Operating Net Profit/(Loss)</b>									- 64 032
<b>Financial Net Profit/(Loss)</b>									- 80 541 095
Gains and losses in associated companies									127 321
Gains and losses in investments									82 274
<b>Taxation</b>									35 272 535
<b>Net Consolidated Profit/(Loss) after taxation</b>									89 430 177
Attributable to Equity Holders of Sonae Indústria									78 612 713
Attributable to Minority Interests									10 817 464



	2006									
	Portugal	Spain	France	Un. Kingdom	Germany	Rest of Europe	Brazil	Canada	South Africa	Consolidated
<b>Operating income</b>	297 751 696	330 551 488	281 892 276	116 545 523	677 246 760	165 140 987	134 615 607	148 977 450	109 154 084	
Intersegmental eliminations	- 104 691 595	- 45 803 659	- 94 601 746	- 505	- 168 607 638	- 6 946 701	- 2 679 896	- 99 421	- 85 469	
<b>External Operating income</b>	<b>193 060 101</b>	<b>284 747 829</b>	<b>187 290 530</b>	<b>116 545 018</b>	<b>508 639 122</b>	<b>158 194 287</b>	<b>131 935 711</b>	<b>148 878 029</b>	<b>109 068 615</b>	<b>1 838 359 242</b>
<b>Allocated Operating Net Profit/(Loss)</b>	<b>17 577 984</b>	<b>16 994 106</b>	<b>- 19 796 430</b>	<b>- 5 692 032</b>	<b>38 939 538</b>	<b>1 585 957</b>	<b>18 917 312</b>	<b>23 429 482</b>	<b>28 364 848</b>	<b>120 320 765</b>
<b>Non Allocated Operating Net Profit/(Loss)</b>										<b>- 261 852</b>
<b>Financial Net Profit/(Loss)</b>										<b>- 67 777 595</b>
Gains and losses in associated companies										- 5 205
Gains and losses in investments										72 557
<b>Taxation</b>										<b>18 702 317</b>
<b>Net Consolidated Profit/(Loss) after taxation</b>										<b>33 646 353</b>
Attributable to Equity Holders of Sonae Indústria										32 311 969
Attributable to Minority Interests										1 334 384

Contributions from the segments to the consolidated balance sheet as at 31 December 2007 and 31 December 2006, based upon geographic location of the assets, were as follows:

	31.12.07									
	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Consolidated
<b>Net segmental assets</b>	<b>279 136 716</b>	<b>282 750 638</b>	<b>239 769 252</b>	<b>553 835 059</b>	<b>133 361 753</b>	<b>150 665 372</b>	<b>208 658 216</b>	<b>128 326 386</b>	<b>26 823 472</b>	<b>2 003 326 864</b>
Non current	197 300 234	200 897 540	158 912 176	393 424 206	100 194 373	117 280 536	189 598 189	96 594 869	935 772	1 455 137 895
Current	81 836 482	81 853 098	80 857 076	160 410 853	33 167 380	33 384 836	19 060 027	31 731 517	25 887 700	548 188 969
Investments in associated companies	815 475	2 533 917								3 349 392
<b>Non-allocated net assets</b>										<b>161 104 281</b>
<b>Total net consolidated assets</b>										<b>2 167 780 537</b>
<b>Segmental Liabilities</b>	<b>53 362 318</b>	<b>75 294 614</b>	<b>78 713 295</b>	<b>198 444 814</b>	<b>23 407 161</b>	<b>65 358 705</b>	<b>33 244 793</b>	<b>20 892 961</b>	<b>10 885 854</b>	<b>559 604 515</b>
Non current	5 773 781	21 295 844	13 506 626	86 691 442	4 499 651	47 855 681	1 275 043	819 414	2 679	181 720 161
Current	47 588 537	53 998 770	65 206 669	111 753 372	18 907 510	17 503 024	31 969 750	20 073 547	10 883 175	377 884 354
<b>Non-allocated liabilities</b>										<b>979 344 445</b>
<b>Total consolidated liabilities</b>										<b>1 538 948 960</b>
<b>Investment in tangible and intangible assets</b>	<b>13 038 436</b>	<b>18 510 138</b>	<b>9 492 951</b>	<b>37 659 285</b>	<b>4 297 967</b>	<b>4 216 357</b>	<b>89 877 107</b>	<b>35 336 004</b>	<b>265 409</b>	<b>212 693 654</b>
<b>Amortisation and depreciation</b>	<b>15 566 637</b>	<b>17 244 175</b>	<b>15 406 162</b>	<b>37 246 301</b>	<b>7 724 329</b>	<b>9 752 802</b>	<b>9 688 585</b>	<b>3 990 410</b>	<b>186 090</b>	<b>116 805 491</b>

	2006									
	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Consolidated
<b>Net segmental assets</b>	<b>227 817 012</b>	<b>268 901 884</b>	<b>235 854 604</b>	<b>543 426 182</b>	<b>142 214 197</b>	<b>138 465 124</b>	<b>151 587 473</b>	<b>106 283 590</b>	<b>18 515 899</b>	<b>1 833 065 965</b>
Non current	151 098 149	189 181 012	147 665 503	405 660 838	102 824 126	109 582 509	106 748 337	72 332 119	1 825 391	1 286 917 984
Current	76 718 863	88 666 032	76 133 603	138 974 504	39 390 071	28 882 615	44 839 136	33 456 783	19 086 374	546 147 981
Investments in associated companies	686 572	2 234 322								2 920 894
<b>Non-allocated net assets</b>										<b>319 971 190</b>
<b>Total net consolidated assets</b>										<b>2 155 958 049</b>
<b>Segmental Liabilities</b>	<b>53 815 958</b>	<b>92 987 395</b>	<b>76 499 522</b>	<b>221 160 571</b>	<b>23 435 151</b>	<b>54 571 648</b>	<b>20 316 513</b>	<b>21 871 129</b>	<b>4 698 233</b>	<b>569 356 120</b>
Non current	4 751 881	22 677 761	10 539 914	90 831 938	5 254 767	38 091 128	299 720	737 272	0	173 184 381
Current	49 064 077	70 309 634	65 959 608	130 328 633	18 180 384	16 480 520	20 016 793	21 133 857	4 698 233	396 171 739
<b>Non-allocated liabilities</b>										<b>1 038 458 044</b>
<b>Total consolidated liabilities</b>										<b>1 607 814 164</b>
<b>Investment in tangible and intangible assets</b>	<b>8 056 349</b>	<b>11 490 408</b>	<b>5 351 313</b>	<b>46 430 492</b>	<b>2 092 538</b>	<b>5 468 878</b>	<b>21 726 712</b>	<b>23 371 649</b>	<b>1 337 262</b>	<b>125 325 601</b>
<b>Amortisation and depreciation</b>	<b>14 261 686</b>	<b>16 135 774</b>	<b>15 262 671</b>	<b>30 402 755</b>	<b>7 831 471</b>	<b>9 154 818</b>	<b>10 612 197</b>	<b>4 165 191</b>	<b>144 470</b>	<b>107 971 033</b>

Inter-segment transactions were executed at market prices and under identical conditions to those applied to third parties.



The average number of employees, by geography, were as follows.

	31.12.2007	31.12.2006
Germany	2 623	2 580
Portugal	1 058	1 097
Spain	1 032	977
France	892	854
South Africa	445	402
Brazil	359	352
Canada	314	319
United Kingdom	315	311
Others	57	50
	<u>7 095</u>	<u>6 942</u>

Sales and Services Rendered in 2007 and 2006, based on geographic location of the external clients, were the following:

<b>2007</b>		
Segment	'000 Euros	
Germany	532 106	26%
Spain	303 956	15%
France	245 175	12%
Portugal	200 836	10%
Brazil	137 869	7%
United Kingdom	108 329	5%
South Africa	104 661	5%
North America	88 582	4%
Others	344 771	17%
<b>Total</b>	<b>2 066 285</b>	

<b>2006</b>		
Segment	'000 Euros	
Germany	405 434	24%
Spain	266 218	16%
France	187 602	11%
Portugal	148 659	9%
North America	119 021	7%
Brazil	116 257	7%
South Africa	106 320	6%
United Kingdom	104 054	6%
Others	245 750	14%
<b>Total</b>	<b>1 699 315</b>	



Cash flow by geographic segment, based on geographic location of the assets, were as follows:

	2007											
	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Inter-segment eliminations	Consolidated	
Cash flows arising from:												
Operating activities	36 653 029	25 055 766	13 335 866	22 036 908	14 881 795	42 144 474	43 249 578	22 727 299	-8 539 031	141 249	211 686 933	
Investment activities	6 123 875	3 924 114	-1 076 071	-31 536 484	-1 767 604	-3 573 026	-40 595 885	-38 397 307	-1 347 065	-71 222 913	-179 468 366	
Financing activities	-108 303 449	-88 389 349	-12 717 604	-18 585 572	-7 925 498	-23 845 247	-4 244 210	16 798 692	4 267 042	71 081 664	-171 863 531	
Change in Cash and Cash Equivalents	-65 526 545	-59 409 469	- 457 809	-28 085 148	5 188 693	14 726 201	-1 590 517	1 128 684	-5 619 054		-139 644 964	
	2006											
	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Luxemburg	Others	Inter-segment eliminations	Consolidacted
Cash flows arising from:												
Operating activities	33 689 601	27 817 596	4 179 852	16 919 932	105 239	44 184 412	28 580 368	24 588 855	15 079	2 160 777	10 263 875	192 505 586
Investment activities	-114 955 598	-121 152 540	-35 211 395	-77 867 769	-4 651 094	-4 732 978	-30 309 855	-18 447 253	38 079	6 335 001	218 270 162	-182 685 240
Financing activities	143 266 768	102 369 056	32 000 633	78 794 107	1 344 540	-36 876 284	-3 390 491	-16 578 642	60 572	-7 028 468	-228 534 037	65 427 754
Change in Cash and Cash Equivalents	62 000 771	9 034 112	969 090	17 846 270	-3 201 315	2 575 150	-5 119 978	-10 437 040	113 730	1 467 310		75 248 100

## 42.2. Business segments

In 2007, the segment of wood derivative products, which is the main business segment of the Group, accounted for more than 95% of both revenue and net assets and more than 90% of investment in tangible and intangible assets.

## 43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issuance on 5 March 2008.

# Statutory External Auditors' Report Statutory Audit Board's Report

## Audit 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 As required by the Portuguese Securities Market Code, we present the Audit Report in respect of the Consolidated and Individual Financial Information included in the Board of Directors' Report and in the Consolidated and Individual Financial Statements of **Sonae Indústria, SGPS, SA**, comprising the consolidated and individual balance sheet as at 31 December 2007, (which shows total assets of Euros 2,167,780,536 and Euros 1,704,386,023, respectively, a total consolidated equity of Euros 628,831,576 including total minority interests of Euros 33,742,417, an individual equity of Euros 993,851,033, and a net consolidated and individual profit of Euros 78,612,713 and Euros 21,190,023, respectively), the consolidated and individual statement of income by nature, the consolidated and individual statements of changes in equity and the consolidated and individual cash flow statements for the year then ended and the corresponding notes to the accounts.

### Responsibilities

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

3 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 audit.

SONAE INDUSTRIA, SGPS, SA

## Scope

4 We conducted our examination in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Accordingly, our examination included: (i) verification that the subsidiaries' financial statements have been properly examined and for the cases where such an examination was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated and individual financial statements; and (vi) assessing whether the consolidated and individual financial information is complete, true, timely, clear, objective and licit.

5 Our examination also covered the verification that the financial information included in the Board of Director's report is in agreement with the remaining documents referred to above.

6 We believe that our examination provides a reasonable basis for our opinion.

## Conclusion

7 In our opinion, the consolidated and individual financial statements referred to above, present fairly in all material respects, the consolidated and individual financial position of **Sonae Indústria, SGPS, SA** as at 31 December 2007, the consolidated and individual results of their operations and their consolidated and individual cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the information included is complete, true, timely, clear, objective and licit.

## Emphasis

10 Without qualifying our opinion, we draw attention to the fact, that, our 2006 audit report included an uncertainty regarding the estimated amounts registered as indemnities for the business interruption losses (31,025,219 euros), incurred by the subsidiary, Tafisa Canada, as mentioned in the Note 3 of the Consolidated Financial Statements, which is not applicable in 2007, considering the amounts received until now and the disclosures on the Consolidated Financial Statements.

Porto, 5 March 2008

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

António Joaquim Brochado Correia, R.O.C.

## **Report and Opinion of the Statutory Audit Board on the Financial Statements**

(Free translation from the original in Portuguese)

### **To the Shareholders of Sonae Indústria, SGPS, S.A.**

In accordance with current law and the mandate we have been conferred, we herewith submit for your consideration our Report and Opinion regarding the activity undertaken by us together with the Consolidated and Individual Statements of Sonae Indústria SGPS, S.A. with respect to the year ended 31<sup>st</sup> December 2007, which are the Board of Directors' responsibility.

We have accompanied the evolution of the Company's activities and businesses as well as other companies within the consolidation perimeter and convened meetings on a regular basis in which the CFO was present throughout. The remit of our work encompassed compliance with the legal and statutory standards in force, risk management and internal control systems with all requested information having been received together with clarifications from the Board of Directors and various company departments, particularly the Internal Audit and its subsidiaries.

We have additionally monitored the process of preparation and disclosure of financial information as well as the review of consolidated and individual financial company statements and have received all requested information and clarifications from the Statutory External Auditor.

Within the scope of our mandate, we have verified the Consolidated and Individual Balance Sheet for the fiscal year ended 31<sup>st</sup> December 2007, the Consolidated and Individual Statement of Income by nature, Cash Flow Statements and Statements of Changes in Equity and corresponding Appendices for the same period. We have also verified the Management Report for the fiscal year ended 31<sup>st</sup> December 2007 issued by the Board of Directors and the Statutory External Auditor's Report on the Financial Statements, with which we agree.

In light of the above, we are of the opinion that information relating to the financial statements in question has been prepared according to the applicable accountancy norms, reflecting a true and appropriate image of assets and liabilities, the financial situation and results of both the company and other companies within its consolidation perimeter. The Management Report duly states the evolution of the businesses, performance and financial position of both the company and other companies within its consolidation perimeter businesses and contains a description of the main risks and uncertainties they are confronted with.

Therefore, we are of the opinion that the:

- a) Management Report, Consolidated and individual Balance Sheet for the fiscal year ended 31<sup>st</sup> December 2007, Consolidated and Individual Statement of Income by nature, Cash Flow Statements and Statements of Changes in Equity and corresponding Appendices for the same period, should be approved;
- b) Proposal for Appropriation of Results submitted to the Board of Directors should be approved.

Finally, we would like to express our gratitude to the Board of Directors, Company departments and Statutory External Auditor for their cooperation.

Maia, 5<sup>th</sup> March 2008  
Statutory Audit Board

Óscar José Alçada da Quinta  
Armando Luís Vieira de Magalhães  
Jorge Manuel Felizes Morgado



Statement issued according to  
§c, nr. 1, art. 245 CMVM Code

**Statement issued under the terms and for the purpose of sub-paragraph c) of no. 1 of Article 245 of the Portuguese Securities Code**

(Free translation from the original in Portuguese)

In terms of the order in sub-paragraph c), no. 1, Article 245 of the Portuguese Securities Code, the Board members of Sonae Indústria, SGPS, SA hereby declare, to the best of our knowledge, that the:

- a) Management Report, the annual accounts and further related documents requested by current law have been prepared according to the applicable accountancy norms, reflecting a true and appropriate image of assets and liabilities, the financial situation and results of both the company and other companies within its consolidation perimeter; and
- b) Management Report dully states the evolution of the business, performance and financial position of both the company and other companies within its consolidation perimeter business and contains a description of the main risks and uncertainties they are confronted with.