

SONAE INDÚSTRIA, SGPS, SA

Registered Office: Lugar do Espido, Via Norte, Maia, Portugal

Registered at the Commercial Registry of Maia

Registry and tax identification No. 506 035 034

Share Capital: € 700 000 000

Publicly Traded Company

Annual Report

Consolidated and Individual Accounts 2008

19th February 2009

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Appendices to the Management Report and Qualified Shareholdings

Appendix required by Article 447 of Portuguese Company Law
Appendix required by Article 448 of Portuguese Company Law
Qualified Shareholdings

Appendix required by Article 14, no. 7 of the CMVM Regulation no. 05/2008

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

Individual Financial Statements

Balance Sheet
Income Statement
Statement of Changes in Equity
Statement of Cash Flow
Notes to the Financial Statements

Consolidated Financial Statements

Consolidated Balance Sheet
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Statutory External Auditor's Report and Statutory Audit Board's Reports

Statutory External Auditor's Report

Statutory Audit Board's Reports

MANAGEMENT REPORT

1. Message from the Chairman

"2008 will be remembered as the year of the financial and economic crises. What began as the sub-prime crisis in 3Q 2007 has since spread to infect the international capital markets and contaminate the international banking system in proportions we could never have imagined. The extent of the globalisation of markets we see today has through its various mechanisms spread the effects throughout the real economy at a surprising speed and with huge impacts during the last part of 2008.

As a result, it is clear to me that those companies most exposed to international markets as well as those that operate in the construction sector are finding themselves in an unenviable situation. These companies are first in the firing line and the first to suffer the full consequences of the storm. Sonae Indústria, with an industrial presence in 9 countries across 4 continents, not only falls into this group of companies but also operates in those markets which were most severely hit by the bursting of the real estate bubble. These include the North American, Spanish and British markets.

Consequently, we have been forced to adopt difficult but necessary measures to ensure that we survive as a long living company and as a sustainable leader in our industry. As a result, we are in the process of restructuring our industrial activities in Europe and South Africa.

In 2008, we published our 2nd Sustainability Report containing updated information on the measures we have taken in terms of environmental and social responsibility. We have concluded the process of establishing the values and principles of Sonae Indústria which, with their origins set in the Sonae culture, are based on the "Sonae Indústria way" of doing things. These are grouped under four headings: ambition, innovation, authenticity and responsibility. In an effort to further ensure that we meet best practices throughout the organisation, we appointed an Ethics Committee during 2008. This committee will oversee the implementation of our renewed Code of Conduct. Through these actions, we are aiming to build our vision of sustainable management based on ethical principles, which we believe to be the most appropriate and correct course for Sonae Indústria, given the volatile world we live in.

I would like to take this opportunity to thank all Sonae Indústria employees for their dedication and professionalism and challenge them to continue to strive for excellence in everything that they do. It is only through achieving excellence that we will be able to help our company deliver maximum value creation to our shareholders, customers, suppliers and local communities. I am very pleased and also grateful that we are able to rely on the ongoing loyalty and trust shown by all our stakeholders. I am convinced that this support provides the bedrock upon which to build a strong Group to face these very challenging times."

2. Message from the CEO

"After the very good results achieved in 2007, 2008 shows a significant decline in our performance. Two main factors are behind this decline - volumes and costs - which were partially offset by measures taken to reduce fixed costs and obtain efficiency gains. Our focus has been centred on cash-flow management and we have been successful in reducing working capital by € 65 million euros.

The worldwide fall in growth in 2008, which was particularly evident in the last part of the year, has significantly impacted the demand for wood based panels in almost all countries where we operate, due to the slowdown in the construction and furniture sectors.

As a result, our sales volumes declined and our turnover fell by 14% to 1,769 million euros. In response to this retraction and in an effort to control our stock levels, we implemented several commercial downtimes at our plants during 2008. These included extended seasonal production stoppages over both the summer and Christmas periods.

However, these stoppages proved to be insufficient to prevent a structural excess capacity developing in the market. Consequently and as already announced in January, we have entered into negotiations with all parties involved to downsize our operations in Northern Ireland, France and South Africa. In line with the strategy we have been pursuing, these actions are intended to adapt supply to market demand. We regret that the current business environment has forced us to implement such measures and we remain fully committed to these markets.

On the cost side, we have faced a sharp increase in urea and methanol prices, the main chemicals used to produce the resins used in our production. This has had a negative impact of close to 55 million euros on our recurrent EBITDA during 2008.

Our fixed costs have reduced by 21 million euros, due to our ongoing restructuring processes, despite the new particleboard production lines in Canada and South Africa and the new impregnation lines in Germany.

During 2008, our net debt increased by 92 million euros, largely explained by our dividend payment in May (€39 million) and by the acquisition of the Masisa stake in Tafisa Brasil, in July (€48 million).

I would like to thank our employees for their dedication, hard work and significant contributions amidst such difficult times and our shareholders and customers for their support and continuing confidence in our Group

2008 was tough, 2009 will not be easier, but we are confident and committed to implement all the necessary restructuring to get back to the profitability levels we achieved in previous years."

3. Board of Directors Report

3.1. Sector Review in 2008

The **European** wood panels sector suffered a strong demand decline throughout 2008, particularly felt in the 2nd half of the year. In addition to this demand situation, the OSB market was also affected by additional imports from North America, especially in the first half of 2008. This effect was mainly driven by the worldwide negative macroeconomic situation which began with a capital markets crisis before rapidly spreading to contaminate the real estate markets and finally affect all economic sectors.

According to the latest forecasts issued by Euroconstruct, building investment (in the 19 European Countries represented by the association) should have dropped by 2.5% in 2008, a downward estimate from the 0.3% decline forecasted in June 2008. This

drop could be even more pronounced in countries like Spain and the UK which previously posted consecutive years of buoyant activity.

European laminate flooring producers were affected by a decline in worldwide demand. According to preliminary data issued by the EPLF (European Producers of Laminate Flooring) at the beginning of 2009, worldwide sales of laminate flooring produced in Europe (by its members) should have dropped by 7.5% in 2008. Sales to Western Europe posted a drop of 7.8% while sales to Eastern Europe should have increased by 1.5%.

The resulting capacity utilisation problems led wood-based panel producers to implement measures to reduce output in the form of production stoppages of variable duration and/or cuts in working shifts. In some cases we have even witnessed indefinite capacity closures. Norbord Inc., the Canadian wood based panel producer announced the permanent closure of its PB line at the Genk plant in Belgium in February. In December, Kosche-Gruppe shut down its PB production at Valentin Holzwerkstoffe & Co. KG in Germany.

On the other hand, the slowdown in the pace of sector consolidation previously observed in 2007, continued throughout 2008.

In **North America**, the construction sector followed the negative trajectory previously recorded in 2007 mainly as a consequence of the financial crisis. According to the RISI, total US housing starts in 2008 dropped by 34% to approximately 892 million units, due to a 42% decrease in single-family starts. US particleboard demand dropped by 16% to 6.2 million m³ while US MDF demand declined by 13% to almost 5 million m³.

In **Brazil** the macroeconomic environment remained strong and GDP growth rate was higher than expected, with the International Monetary Fund reviewing 2008 GDP growth upwards to 5.8%. Nonetheless, the international credit crisis did hit the financial market mainly in the 4Q 2008 and first indications were observed particularly in the form of reduced availability of international credit which resulted in a sharp devaluation of the BRL and a gradual decline in consumption.

The growth in PB sales volumes in Brazil slowed down from 15.6% in 2007 to 2.2%¹ in 2008 while MDF sales increased by almost 9% (which compares with the 13% increase in 2007).

Capacity expansion of the Brazilian wood-based panels industry continued during 2008 with producers such as Berneck, Satipel and Sudati reporting the start-up of their first MDF production lines.

South Africa contended with power supply problems, particularly at the beginning of 2008. This prevented some plants from running at 100% and thereby decreased country production. As a consequence, energy prices have increased. GDP growth has declined to 3.8%². The devaluation of the ZAR continued throughout the year but was particularly noticeable in 4Q 2008. According to the South African Statistics Office, the total value of buildings reported as completed, grew by 9% (YoY Jan. - Nov. 2008).

Production costs, particularly chemicals, increased sharply in 2008 thereby affecting the profitability of the wood panels industry. According to the ICIS, urea began increasing in March 2008 from 200 USD/mt to post a record price in August 2008 of 850 USD/mt before decreasing sharply in October 2008 back to the 200 USD/mt.

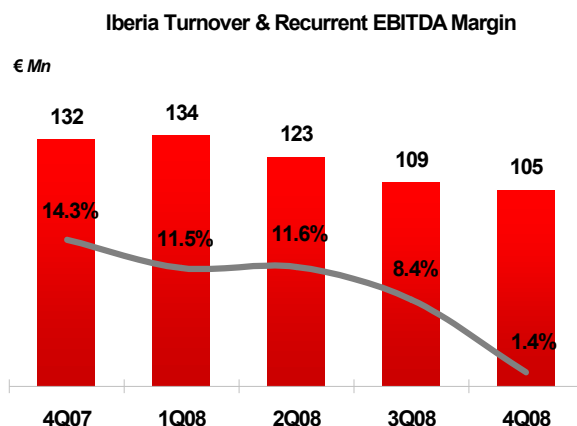
¹ Source: Brazilian Panels Industry Association (ABIPA), December 2008

² Source: IMF October 2008

level. Methanol prices were very high in the 1st Half 2008 (500 euro / mton) but decreased in the 3Q 2008 before declining further in 4Q 2008.

3.2. Sonae Indústria Business Review in 2008

3.2.1. Iberia



Spain has been enduring a sharp economic slowdown following the bursting of the real estate bubble. New housing permits declined by 60%³ in 2008 when compared to 2007 and GDP growth should have dropped 3.7% in 2007 to 1.2%⁴ in 2008. This situation has led to a 15% reduction in our sales volumes in Iberia in 2008 compared to 2007.

As previously reported and in line with our strategy of adapting production to customer demand, we have temporarily stopped our PB line in Valladolid. Including this measure, our capacity utilization in 4Q 2008 was only 63% which prevented us from diluting fixed costs adequately. Another factor which further reduced our margin was the increase in chemical costs (27% per m³ YoY).

When comparing 3Q 2008 with 4Q 2008, the contribution margin per m³ has increased but profitability declined sharply as we have implemented longer production stoppages in order to reduce stocks.

Iberian turnover in 2008 decreased by 16% compared to 2007 and recurrent EBITDA margin declined to 9%, 9 p.p. below the corresponding value for 2007.

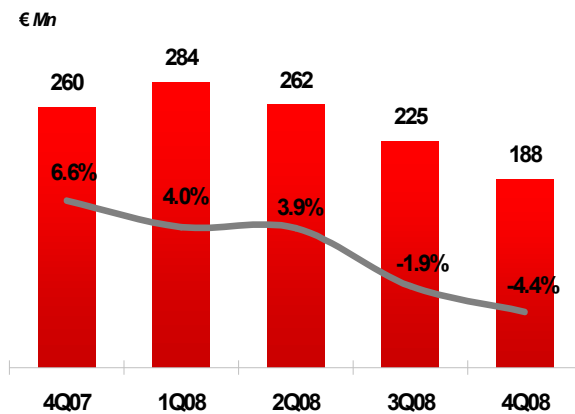
3.2.2. Central Europe (Germany, France and the UK)

Central Europe has also suffered a slowdown in the construction and furniture industry which has negatively affected wood-based panels demand.

³ *Ministerio de Fomento*, January 2009

⁴ IMF, January 2009

Central Europe Turnover & Recurrent EBITDA Margin



Our sales volumes in **Germany** decreased by 15% throughout 2008 when compared to 2007. This decline in demand combined with excess market capacity led to a downward price pressure throughout the year and forced us to implement longer production stoppages in the summer and Christmas periods.

Our MDF Line 1 (in Meppen, Germany) has been stopped indefinitely to concentrate production in order to better manage MDF capacity. In addition, the short working time (Kurzarbeit)⁵ has been initiated in Duisburg. Implementation of these processes further concentrates production in the most efficient lines and increases our capacity utilisation.

The ongoing restructuring process in Germany throughout 2008 has resulted in the lay-off of a further 222 employees resulting in a fixed costs decrease in FY 2008 (when compared with FY 2007) of 7% (10 million euros).

In addition to this, the plant restructuring process (those we latest acquired) in Germany continues unabated and will further reduce fixed costs in 2009.

In **France**, housing starts have declined by 16%⁶ (compared to 2007). Consequently, volumes sold declined by 25% (compared to 2007) and turnover decreased by 25%. With a view to managing our working capital, we have been reducing production which has affected capacity utilisation. This fell to 46% in 4Q 2008.

The structural excess capacity problem in the French market, as previously announced, forced us to consider the reorganisation of our operations in France and the closure of two plants.

In the **UK**, house prices are falling and construction statistics show a pronounced downturn with orders for new housing dropping by 37%⁷ % (YoY January – November). Our sales volumes decreased by 17% in 2008 (when compared to 2007) and 21% from 3Q 2008 to 4Q 2008. This was caused by weak demand resulting from the financial crisis which negatively affected credit availability in the country. This fall in demand combined with the need to control stocks led us to extend production stoppages. Consequently, our capacity utilisation declined to 49% in 4Q 2008.

⁵ In this process, employees can receive up to 18 months between 60% and 67% of their net salary and the company receives this amount from the government and pays during that time only the social costs.

⁶ Source: *Service économie statistiques et prospective (Ministère de l'Écologie, de l'Énergie, du Développement durable et de l'Aménagement du territoire)*, January 2009

⁷ Source : Office for National Statistics UK, January 2009

In response to these difficulties, we decided to enter into consultations regarding the future of our operations at our plant in Coleraine, Northern Ireland.

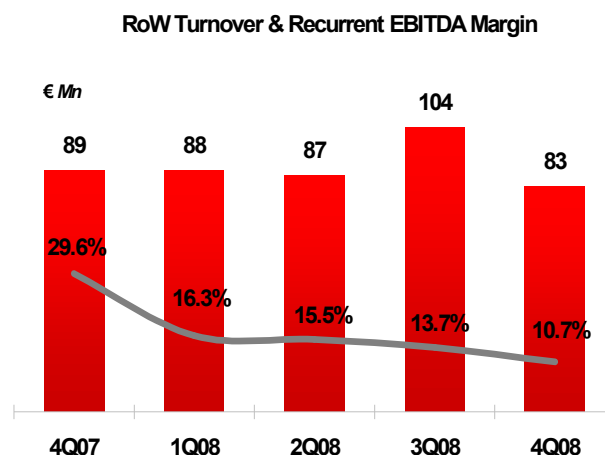
These significant production stoppages in all **Central European** countries where we operate, prevented us from diluting fixed costs, particularly in 4Q 2008.

Additionally, this region was significantly affected by the urea price increase which led our chemical costs in this region to shoot up by 21% €/m³ from 2007 to 2008. Current demand levels have not permitted us to pass on these higher costs resulting in a strong deterioration in our contribution margin.

In Central Europe, when comparing 2007 to 2008, turnover decreased by 18% to 959 million euros and recurrent EBITDA fell (by 91%) to 9 million euros.

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

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



Brazil experienced a resilient market situation in 2008 on the back of the positive macroeconomic environment and higher than expected GDP growth rate (IMF forecasted 2008 GDP growth of 5.8%). However, the international financial situation had a negative impact in the last quarter of this year and the first signs can be noted as the availability of international credit has been reduced, resulting in a sharp devaluation of the BRL and a gradual decline in consumption.

Our value-added products strategy (Melamine Faced MDF and Melamine Faced Chipboard) is paying off and enabled us to offset part of the dramatic chemicals cost increase.

In 4Q 2008 our capacity utilisation was 90%. However, two competitors started producing MDF in the 3Q 2008. These new investments have increased MDF capacity in the market, although, at a slower than expected rate.

At the beginning of this year we ramped-up our reconstructed PB Line 2 in **Canada** and regained all the customers that we had before the fire in April 2006. Volumes sold increased by 70% when compared to 2007 despite the adverse market conditions brought on by the capital market crisis (according to the RISI, total US housing starts in 2008 dropped by 34%). Nevertheless, in 4Q 2008 we witnessed a decrease in demand

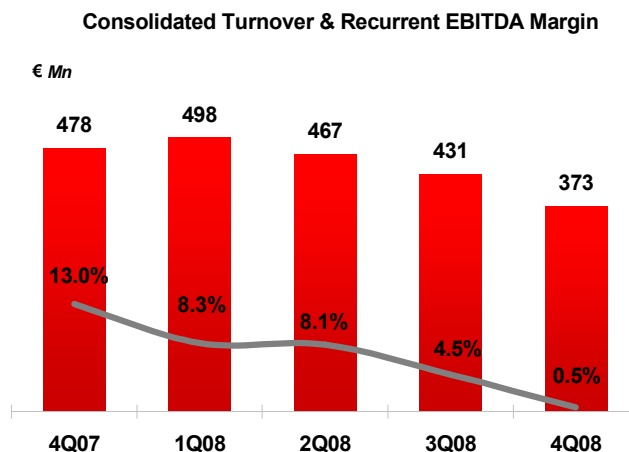
which forced us to extend our seasonal stoppages. As a result, our EBITDA was negatively affected.

On the cost side, we faced continuing increases in wood and chemical costs in the first three quarters, which declined slightly in 4Q 2008.

In **South Africa**, the macroeconomic environment continues to be positive although GDP growth was lower than expected. This resulted mainly from a combination of power cuts in the 1st half of 2008 and decreasing credit availability. The depreciation of the ZAR against the USD worsened the cost increase of imported raw-materials such as chemicals. These cost increases have been absorbed since the excess capacity did not permit us to pass them on. Despite the market slowdown in 2008 our sales volumes increased by 5% compared to 2007, due to the start of the new PB line in 3Q 2007 and the ramp-up of the new melamine line in 3Q 2008. Our turnover improved by 5% in local currency compared to 2007 but when converted to euros, decreased by 15%. Our recurrent EBITDA margin declined due to the negative effect arising from the wood and chemical cost increases.

Turnover in the **Rest of the World** totalled 362 million euros in 2008, 5% above that for 2007. Excluding the effect of the compensation for the fire at our Canadian plant which we received in 2007, recurrent EBITDA in 2008 would have decreased by 32% to 51 million euros. This was mainly driven by higher production costs, namely chemicals and the negative profitability in Canada in 1Q 2008 as a consequence of ramping-up line 2.

3.3. Financial Review of FY 2008



Consolidated Turnover in 2008 totalled 1,769 million euros, a decrease of 14% when compared to 2007. Consolidated Recurrent EBITDA was 100 million euros, representing a margin on Turnover of 6% and an absolute decrease of 67% compared to 2007.

	4Q'07	3Q'08	4Q'08	4Q'08 / 4Q'07	4Q'08 / 3Q'08	(euro millions)		
						2007	2008	%chg 08/07
Turnover	478	431	373	(22%)	(13%)	2,066	1,769	(14%)
Other Operational Income	79	13	25	(69%)	92%	129	114	(11%)
EBITDA	96	17	(4)	(105%)	(126%)	335	139	(59%)
Recurrent EBITDA	62	19	2	(97%)	(90%)	302	100	(67%)
Recurrent EBITDA Margin %	13.0%	4.5%	0.5%			14.6%	5.7%	
Depreciation and amortisation	(31)	(31)	(32)	4%	2%	(117)	(123)	5%
Provisions and Impairment Losses	(25)	(2)	(39)	56%		(33)	(56)	69%
Operational Profit	52	(12)	(69)			205	(23)	(111%)
Net Financial Charges	(20)	(19)	(21)	2%	9%	(81)	(78)	(3%)
o.w. Net Interest Charges	(7)	(12)	(12)	67%	4%	(44)	(48)	9%
o.w. Net Financial Discounts	(5)	(4)	(4)	(22%)	15%	(22)	(17)	(21%)
Profit before taxes (EBT)	32	(31)	(89)			125	(101)	(181%)
Taxes	(12)	(2)	7			(35)	(3)	
o.w. Current Tax	(5)	(2)	2			(19)	(3)	
Net Profit/(Loss) attributable to Shareholders of Sonae Indústria	15	(33)	(82)			79	(108)	

Total EBITDA decreased in FY 2008 by 59% to 139 million euros (compared to FY 2007).

In 4Q 2008, non-recurrent items totalled a negative 6 million euros as we incurred extraordinary lay-off costs.

In our Profit & Loss Account we have included provisions & impairments of about 43 million euros for business units with ongoing restructuring processes in Europe and South Africa and have not yet valued the alternative use of their land and buildings.

FY 2008 consolidated Net Results Attributable to Sonae Indústria Shareholders amounted to a negative 108 million euros, down from a positive 79 million euros in 2007.

	2007	2008
Non Current Assets	1,517	1,386
Tangible Assets	1,343	1,203
Goodwill	100	104
Deferred Tax	49	54
Other Non Current Assets	26	26
Current Assets	651	532
Inventories	258	193
Trade Debtors	260	200
Cash & Investments	66	66
Other Current Assets	67	74
Total Assets	2,168	1,918
Shareholders' Funds	595	397
Minority Interests	34	3
Shareholders' Funds + Minority Interests	629	400
Interest Bearing Debt	864	956
Short term	160	189
L-M term	704	767
Trade Creditors	226	166
Other Liabilities	449	396
Total Liabilities	1,539	1,518
Total Liabilities, Shareholders' Funds and Minority Interests	2,168	1,918

In FY 2008, additions to Fixed Assets totalled 110 million Euros of which: (i) 15 million euros relates to the line 2 project in Canada; (ii) 15 million euros to biomass energy projects in Darbo (France) and Oliveira do Hospital (Portugal); (iii) 14 million relates to the impregnation centre in Kaisersesch (Germany); (iv) 6 million euros to the new

melamine line in South Africa; and (v) 60 million euros to essential maintenance investments and other industrial improvements.

In 2008, Net Debt increased by 92 million euros. This includes the dividends paid in May (€39 million) and the acquisition of the Masisa stake in Tafisa Brasil in July (€48 million). Close monitoring of our working capital resulted in an improvement of 65 million euros, mainly driven by a 65 million euros inventory decrease. Our receivables decreased by 60 million euros and our payables decreased by 60 million euros.

Our financial costs are lower than in 2007, benefiting from the 250 million euros debt refinanced at the beginning of 2008 and from lower pre-payment discounts granted.

As previously informed, our debt has no consolidated financial ratio covenants. At the end of the year the company had cash and immediately available facilities in excess of 100 million euros.

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 functioning of global finance, allocating investment funds and managing the treasury requirements of its subsidiaries.

During 2008 the holding company only carried out internal transactions with its subsidiaries. Investments made amounted to 5,472,647 euros and disposals 495,237 euros.

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 company activities according to their professional past experience and time availability. Those activities included the analysis of industrial optimisation projects, restructuring projects and the development of relevant international networking with eventual partners and authorities in present and potential geographical areas of activity.

Non-Executive Board members have also attended the International Managers Meeting of Sonae Indústria. This event brought together over 150 Group managers for two days in June 2008 and was organised to facilitate the exchange of best practices between the representatives of the different companies.

3.6. Risk Management

3.6.1. Credit Risk Management Policy

1. Receivables (Customers)

Sonae Indústria Credit Risk derives mainly from its account receivables items related to 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 defaulting on payment of outstanding receivables, Group companies exposed to this type of risk have credit management procedures and credit approval processes in place together with insurance policies wherever necessary.

2. Other financial assets other than Trade debtors

In addition to its operating activities, Group companies have financial assets, related mainly to 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, exposure related with this type of financial assets is generally speaking, spread widely and short lived in nature.

3.6.2. Market Risks

1. Interest Rate Risk

Due to the significant proportion of floating rate debt on Sonae Indústria's consolidated Balance Sheet and the consequent cash flows related to interest payments, the company is exposed to interest rate risk.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates. This approach is based on the principle of the existence of a 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.

As an exception to its general rule, Sonae Indústria may engage in interest rates derivatives.

2. Foreign Exchange Risk

As a geographically diversified Group with subsidiaries spread throughout 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.

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 a currency other than that of the subsidiary, 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 for trading, speculative or profit making purposes.

As a policy, translation risk in connection with the conversion of the Equity investments in foreign non-Euro subsidiaries is not hedged as these are considered long-term investments. Also, it is assumed that hedging 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.

3.6.3. Liquidity Risk

Liquidity risk management in Sonae Indústria aims to ensure that the company can 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 for having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

a) consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);

b) diversification of financing sources;

c) diversification of debt maturities issued in order to avoid excessive concentration of debt repayments at short periods of time;

d) an arrangement for committed (and uncommitted) credit facilities, commercial paper programs and other facilities (such as a Securitization of Receivables program) with relating banks. This helps to ensure the right balance between satisfactory liquidity and adequate commitment fees.

3.7. Treasury Shares

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

3.8. 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 6,750,824 euros for 2008 and on a consolidated basis generated a negative Net Result of 108,447,796 euros. The Board of Directors proposes that no dividend is distributed and that the profit for the year be allocated as follows:

<i>Euros</i>	2008
Legal Reserves	337,541.20
Free Reserves	6,413,282.80
Proposed Dividend	0

3.9. Subsequent Events

Over the course of 2009, Sonae Indústria has announced that a restructuring process is being considered at its affiliated companies Spanboard Products Limited, Isoroy SAS

and Sonae Novobord, Ltd. In the specific cases of Isoroy and Sonae Novobord, this may lead to the closure of one and two plants, respectively.

3.10. Outlook

We do not envisage a rebound in the construction and furniture sectors in the near and mid-term future. We are therefore adapting our structure to the market situation.

We expect to see a significant positive effect on our production costs following the worldwide fall in urea and methanol prices.

We will continue to pursue our restructuring program and efficiency improvement plan in all markets where we operate.

Working capital and investments will continue to be closely controlled to manage the level of our debt.

3.11. Dividend Policy

As stated in the 2007 Board of Directors Report, the Company policy is to distribute up to 50% of Consolidated Net Results Attributable to Sonae Indústria shareholders.

In the Shareholder's Annual General Meeting, shareholders approved the payment of 0.28 euros per share.

However, given the negative consolidated net results this year, the Board of Directors will propose to the Shareholders' General Meeting not to pay dividends in 2009 relating to the FY 2008.

3.12. Acknowledgements

We would like to thank all our employees for their demonstrated dedication and motivation amidst the backdrop of a very challenging market environment. The recognition of quality and commitment in relation to our customers, suppliers and local communities is what sets Sonae Indústria apart, being a leading company in the wood based panels sector. Sonae Indústria's management team takes this opportunity to strengthen its commitment to sound and sustainable management and thanks all stakeholders for their unwavering trust.

19th February 2009

Board of Directors

Belmiro de Azevedo

Álvaro Cuervo García

Paulo Azevedo

Per Knuts

Thomas Nystén

Carlos Bianchi de Aguiar

Rui Correia

Christophe Chambonnet

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 is subject to the Corporate Governance Code published by CMVM (the Portuguese Securities Market Commission) in September 2007, which is posted at www.cmvm.pt.

Sonae Indústria has analysed all the recommendations of the Corporate Governance Code of September 2007 and concluded that in some cases Sonae Indústria has not adopted some recommendations for the reasons which are described below.

Recommendation		Degree of Compliance	Corporate Governance Report
I.	SHAREHOLDER'S GENERAL MEETING		
I.1.	BOARD OF THE SHAREHOLDER'S GENERAL MEETING		
I.1.1	The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.	comply	1.1
I.1.2	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual corporate governance report.	comply	1.2.
I.2.	PARTICIPATION AT THE MEETING		
I.2.1	The requirement to deposit or block shares before the General Meeting, contained in the Articles of Association, shall not exceed 5 working days.	comply	1.3.
I.2.2	Should the General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	comply	1.3.
I.3.	VOTING AND EXERCISING VOTING RIGHTS		
I.3.1	Companies should not impose any statutory restriction on postal voting.	comply	1.3.
I.3.2	The statutory advance deadline for receiving voting ballots by post shall not exceed 3 working days.	comply	1.3.
I.3.3	The Company's Articles of Association shall respect the one share-one vote principle.	comply	1.3.

Recommendation		Degree of Compliance	Corporate Governance Report
I.4.	QUORUM AND RESOLUTIONS		
I.4.1	Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.	non-comply	Under Portuguese Company Law, at the first convening, there is no minimum quorum for a Shareholders' General Meeting, unless the agenda includes a deliberation that requires a qualified majority vote of two thirds. In this case, a quorum of one third of the voting power is required. For example, a qualified majority vote is required to alter company by-laws or approve mergers, de-mergers, transformations, or dissolutions. At a second convening there is no minimum quorum in either case. Sonae Indústria's Articles of Association require a quorum of over 50% of the voting power at the first convening, but there is no minimum quorum at a second convening. This requirement is aimed to increase shareholder participation. As a second convening has no minimum quorum, there is little risk of deliberations being blocked or delayed due to low participation levels.
I.5.	ATTENDANCE LISTS, MINUTES AND INFORMATION ON RESOLUTIONS ADOPTED		
I.5.1	The minutes of the Shareholders' General Meetings shall be made available to shareholders on the Company's website within a 5 day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agendas items and resolutions adopted shall be kept in a historic file on the Company's website covering meeting held for at least the last 3 years.	non-comply	Sonae Indústria informs the market in relation to the content of the proposals presented and deliberations taken at Shareholders' General Meetings. Sonae Indústria does not disclose the content of the minutes of this meeting, as we do not see any material benefit from doing so.
I.6.	MEASURES RELATING TO CHANGES IN CONTROL		
I.6.3	Defensive measures should not be adopted that automatically lead to a serious erosion in the value of the Company's assets, when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to evaluate those responsible for managing the Company.	comply	1.3.
II.	MANAGEMENT AND AUDIT BOARDS		
II.1.	GENERAL POINTS		
II.1.1.	STRUCTURE AND DUTIES		
II.1.1.1	The Board of Directors shall assess the model it has adopted in its corporate governance report, by identifying any restrictions that are holding back performance and proposing actions to be taken that are judged to be appropriate to resolve them.	comply	2.1.
II.1.1.2	Companies shall set up internal control systems in order to efficiently detect risks relating to the Company's activity, in order to protect its assets and keep its corporate governance transparent.	comply	2.4.
II.1.1.3	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	comply	2.6.

Recommendation		Degree of Compliance	Corporate Governance Report
II.1.2.	INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	comply	2.1.1. 2.2.3. and 2.9.
II.1.2.2	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	comply	2.9.
II.1.3.	ELIGIBILITY CRITERIA FOR APPOINTMENT		
II.1.3.1	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	comply	2.12.
II.1.4.	POLICY ON THE REPORTING OF IRREGULARITIES		
II.1.4.1	The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	comply	2.17.
II.1.4.2	General guidelines from this policy should be disclosed in the Corporate Governance Report	comply	2.17.
II.1.5.	REMUNERATION		
II.1.5.1	The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the shareholders. In this sense: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximization of the long term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.	comply	2.15.
II.1.5.2	The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other senior management who have regular access to privileged information and are involved in taking strategic decisions at the Company (Strategic Decision Makers - "Dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The information to shareholders shall include the criteria and main indicators proposed to be used in assessing of performance and determining the variable component, independently of whether this in the form of bonuses paid in shares, share options, annual bonuses or other awards.	comply	2.15.
II.1.5.3	At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting.	non-comply	The 2008 Shareholders' Annual General Meeting was held on 21st April. Neither of the two Shareholders' Remuneration Committee members was able to be present.

Recommendation		Degree of Compliance	Corporate Governance Report
II.1.5.5	The remuneration of the members of the Statutory Governing Bodies (including the Board of Director and Statutory Audit Board) shall be individually and disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying share holdings.	comply	2.15. - Sonae Indústria does not disclose the individual remuneration of all Board and Supervisory Board members. However, the recommendation is considered as complied since Sonae Indústria discloses the individual remuneration of the Board of Directors Chairman, the CEO and Supervisory Board Chairman as well as the aggregate remuneration of the Executive and Non-Executive Directors and the other Supervisory Board members. Since the difference between these is lower, the amounts disclosed by the company are considered to be sufficient to permit the separate evaluation of all remuneration levels.
II.2.	BOARD OF DIRECTORS		
II.2.1	Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	comply	2.5.
II.2.2	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	comply	2.5.
II.2.4	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	comply	2.1.1.
II.2.5.	The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.	non-comply	The current CFO has not yet served two Board mandates in this position. However, Sonae Indústria does not agree with this recommendation, which to our knowledge does not exist in any other Corporate Governance Code or Best Practice Guidelines issued by institutional investors. We believe that there is no benefit to shareholders and the Company in rotating a competent and successful CFO.
II.3.	CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS		
II.3.1	When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	comply	2.5.
II.3.2	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	non-comply	Non-Executive Directors receive minutes of all Executive Committee meetings. Although the President of the Executive Committee does not send these minutes to the Statutory Audit Board, he ensures that the Statutory Audit Board receives all information requested, including the consultation of the minutes book from the Executive Committee meetings.
II.4.	GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD		
II.4.2	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	comply	2.12.

Recommendation		Degree of Compliance	Corporate Governance Report
II.4.3	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	comply	2.12.
II.4.4	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, as well as acting as the point of contact with the Company and being the first recipient of their reports.	comply	2.12.
II.4.5	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the Shareholders' General Meeting that the external auditor should be discharged, should justifiable grounds exist.	comply	2.12.
II.5.	SPECIAL COMMITTEES		
II.5.1	Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary Committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements.	comply	2.1.1. e 2.2.3.
II.5.2	Members of the Shareholders' Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.	comply	1.3 e 2.1.6.
II.5.3	All Committees shall draw up minutes of the meetings they hold.	comply	2.2.1.; 2.2.2.; 2.2.3.
III.	INFORMATION AND AUDITING		
III.1.	GENERAL DISCLOSURE REQUIREMENTS		
III.1.2	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	comply	3.12.
III.1.3	The following information disclosed on the Company's Internet website, shall be available in English: a) The Company, its listed company status, the registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office – its functions and contact details; e) Financial Statements; f) Half-Yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings.	comply	3.12.

CMVM recommendations I.6.1., I.6.2., II.1.5.4., II.2.3., II.3.3. and II.4.1. have not been included here as they do not apply to Sonae Indústria.

To at all times ensure the independence of members of the Statutory Audit Board and Board of the Shareholders' General Meeting, both, prior to their appointment, issued statements attesting not to engage in any of the disqualifications provided in Article 414º-A of the Company Law. Additionally, they stated that they are not in any situation that affects their independence in accordance with paragraph 5 of Article 414º of the same law and committed themselves to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate. Furthermore, they were also requested to complete questionnaires designed in the same terms as those used by CMVM.

With regard to non-executive and independent members of the Board of Directors, the company is aware that they have not been re-elected for more than two mandates and they have also been asked to complete a questionnaire to determine any situation of loss of independence.

1. Shareholders' General Meeting

1.1. Shareholders' General Meeting: composition and duration of the mandate

The Board of the Shareholders' General Meeting was elected at the Shareholder's Annual General Meeting of Sonae Indústria held on 31st May 2007, for the current mandate (2006-2008) and is composed of:

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

The company makes human resources and logistical support available to members of Board of the Shareholders' General Meeting which is appropriate for their requirements.

1.2. Remuneration of the Board of the Shareholders' General Meeting

The remuneration of members of the company's Board of the Shareholders' General Meeting consists of a fixed fee, determined considering the company situation and market practices.

The remuneration of the Chairman of the Board of the Shareholders' General Meeting in 2008 amounted to 5000 euros.

1.3. 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. Considering that the Chairman of the Board of the Shareholders' General Meeting agrees to participate in the Shareholders General Meeting of shareholders whose evidence came to the company by fax or e-mail on the last day of that period, Sonae Indústria meets **recommendation I.2.2.** CMVM.

Individual shareholders may be represented at Shareholders' General Meetings 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.

Given that the Sonae Indústria Articles of Association do not have rules on share blocking in the event of suspension of the general meeting, the Chairman of the Shareholders' General Meeting has been consulted. He considers that, if the suspension period for the Shareholders' General Meeting does not exceed 5 working days, the share blocking required for the first session will be maintained because it is impossible to meet again before the time required for the first session. In the case of the suspension period exceeding 5 working days, the Chairman of the Shareholders' General Meeting will only require the shares blocking prior to that ordinarily required for the first session.

Each share corresponds to one vote

Shareholders' General Meetings can convene at the first session, 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 in those situations in which a higher percentage is required by law.

While Sonae Indústria is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items on the agenda of the Shareholders' General Meeting, following the rules for the exercise of voting by mail. Sonae Indústria's Articles of Association establish that 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. These votes should be received at least three days before the date of the Meeting and are subject to the normal rules regarding evidence of share ownership. Postal votes are considered negative votes in relation to any proposals presented after the date on which they were issued.

A standard form for postal voting is available from Sonae Indústria's corporate website www.sonaeindustria.com and its head offices.

Sonae Indústria does not have any process for electronic voting.

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.

As stated in the Sonae Indústria Articles of Association, the Shareholders' General Meeting is responsible for fixing the remuneration of members of the governing bodies or electing a committee for this purpose. The Sonae Indústria Shareholders' General Meeting elected the Shareholders' Remuneration Committee (described in 2.16. of this report).

At the Annual General Meeting held in 2007, the Shareholders' Remuneration Committee submitted to the shareholders a proposal on the remuneration policy for members of the governing bodies and the 2008 Annual General Meeting submitted a proposal to amend this policy. Both proposals were approved by majority vote of those shareholders present.

Regarding the performance of members of the Board of Directors, all Annual General meetings include by law, a point on the agenda regarding the general assessment of

the administration and supervision of the company where, if they so wish, shareholders discuss the performance of members of the administration.

The Company has not adopted any measures that would hinder the success of a public tender offer for the purchase of the Company's shares nor the company's articles of association which limits the number of votes that may be held or exercised by a sole shareholder. Additionally, 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. Furthermore, it does not envisage defensive measures that instigate an immediate, serious asset erosion in the company and further disturb the free transmission of shares and voluntary assessment of the performance of the Board of Directors by the shareholders.

No agreements exist relating to compensation or payments made to directors or other employees because of contract termination due to a change in company control.

2. Corporate Governing and Auditing Bodies

2.1. Corporate Governing Bodies

The Sonae Indústria Articles of Association define a corporate governance model of the company known as the "Reinforced Latin Model", which implies that the company has a Board of Directors, Statutory Audit Board and Statutory External Auditor.

The Corporate Governance Officer examines the advantages and possible disadvantages of adopting this model at this company annually and reports his conclusions to the Board of Directors.

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

2.1.1 Board of Directors

Based on the Articles of Association, 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.

Sonae Indústria's Board of Directors was composed of 10 members before the resignation of José António Comesaña Portela in December 2008.

The Chairman of the Board of Directors, who is elected by the Board, has a casting vote. As the Board of Directors was 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 at the date of this report (and considering the resignation of José António Comesaña Portela in December 2008) is composed of:

- Belmiro Mendes de Azevedo - Chairman (Non Executive)
- Álvaro Cuervo García (Non Executive and Independent)
- Duarte Paulo Teixeira de Azevedo (Non Executive)
- Per Otto Knuts (Non Executive and Independent)
- Knut Thomas Alarik Nystén (Non Executive and Independent)
- Carlos Francisco de Miranda Guedes Bianchi de Aguiar (Executive)

- Rui Manuel Gonçalves Correia (Executive)
- Christophe Chambonnet (Executive)
- Louis Maurice Brassard (Executive)

The Board mandate is three years with the possibility of re-election. The current mandate covers the period 2006 to 2008 and under the terms of law, will maintain its functions until the next Shareholders' Annual General Meeting. All members of the Board of Directors were appointed with effect from 15th 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 Manuel Gonçalves Correia, who was initially appointed to the Board of Sonae 3P on 22nd July 2002 and Christophe Chambonnet, who was co-opted by the Board of Directors in the meeting dated 20th December 2007. The Shareholders' Annual General Meeting held in 2008 ratified this cooption.

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.

Six Board meetings were held in 2008. 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.

According to Corporate Governance best practices, the Board undertook a formal self-assessment in 2005 with the help of an external consultant, having repeated such assessment in 2008. This assessment was designed to review how the Board and the Board Committees function, to evaluate Corporate Governance at Board level and to propose measures for further improvements. The main measures identified in the 2005 self-assessment have already been implemented whereas the ones identified in 2008 are being implemented. Through this process each director has the opportunity to assess his / her colleagues, express his / her views on a number of items related to their performance, having the opportunity to comment the analysis performed. This entire process is conducted with the assistance of an external consultant.

The Board of Directors has included a description of the activities undertaken by non-executive Board Members in its Management Report.

2.1.2 Executive Committee

The Executive Committee is appointed by the Board of Directors and was 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.

On 29th December 2008, José António Comesaña Portela, the COO responsible for Iberia, resigned as member of the Executive Committee of the company.

Responsibilities are currently 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

Louis Brassard

COO Canada

2.1.3 Statutory Audit Board

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.

The Statutory Audit Board as of has currently the following composition:

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

João Manuel Gonçalves Bastos was elected at the 2008 Shareholder's General Meeting as Chairman of the Statutory Audit Board until the end of the current mandate (2006 - 2008). He resigned on 16th September 2008 and was replaced by the substitute member of this Board, Óscar José Alçada da Quinta, who took over the position and was nominated Chairman by deliberation at the Statutory Audit Board Meeting, held on 7th November 2008.

2.1.4 Statutory External Auditor

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

2.1.5 Company Secretary

The Company secretary and his/her substitute are elected by the Board of Directors and have a 3-year mandate, in accordance with that practiced at other corporate governing bodies. The Company secretary shall perform those duties established by law.

The Company secretary and her substitute are:

Permanent: Júlia Maria Moreira da Silva Santos

Substitute: Patrícia Isabel Chemega dos Santos

2.2. 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 the Board and Corporate Governance Officer and one Ethics Committee:



2.2.1 Board Audit and Finance Committee (“BAFC”)

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

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

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

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

Over the course of 2008, the BAFC held 5 meetings, having been draft the respective minutes.

Responsibilities attributed to BAFC as a specialised committee of the Board of Directors, are developed in terms of company management and do not override the functions of the Statutory Audit Board, as a supervisory Board.

The BAFC is a Committee, within the Board of Directors and according to its empowerment is responsible for an in-depth analysis of the financial statements, risk management processes, the performance of the key financial ratios and among other areas, issues recommendations for final deliberation in the Board of Directors council, thereby improving its operational functioning.

2.2.2 Social Responsibility and Environment Committee (“SREC”)

The SREC is composed of the following Directors:

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

The SREC met twice in 2008, which have been registered in minutes, with its main function being to analyse corporate governance and the impact of the economic, environmental and social dimensions of sustainability, on the management of the Company’s businesses.

2.2.3 Board Nomination and Remuneration Committee (“BNRC”)

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

- Belmiro de Azevedo (Chairman)
- Álvaro Cuervo García (Independent)
- Paulo Azevedo
- Thomas Nystén (Independent)

At the beginning of 2008 Carlos Bianchi de Aguiar (CEO) left the Board Nomination and Remuneration Committee.

This Committee meetings are held normally at least twice a year, the BNRC’s main functions main tasks are to review and submit proposals and recommendations on behalf of the Board to the Shareholders’ Remuneration Committee in relation to the remuneration and other compensation of members of the Board and to analyse and approve proposals and recommendations on behalf of the Board in relation to the remuneration and other compensation for other senior executives of the Sonae Indústria Group, depending on the activity performed by them.

The BNRC liaises with the Sonae Indústria Shareholders’ Remuneration Committee (“Comissão de Vencimentos”), since this is the only means through which to guarantee that the Shareholders’ Remuneration Committee has the necessary knowledge on the performance of every director throughout the year. This is particularly important in the case of the Executive Directors, given that the Shareholders’ Remuneration Committee does not closely shadow the performance of every Director and therefore does not have the necessary knowledge that enables them to perform their functions in the best way.

The BNRC may also be assisted by external entities provided absolute confidentiality is ensured in relation to the information obtained arising from that cooperation.

Over the course of 2008, the BNRC met on two occasions, having been draft the respective minutes.

2.2.4 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 Board performance;
- taking a leading role in organising Board evaluations and assessments;

- maintaining under close review all legislative, regulatory and corporate governance developments;
- 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.

2.2.5 Ethics Committee

An Ethics Committee was created in 2008 to guarantee that the highest standards of business practices are upheld in the Sonae Indústria Group and to monitor the implementation of the new code of conduct. This Committee is also responsible for updating the Code whenever necessary.

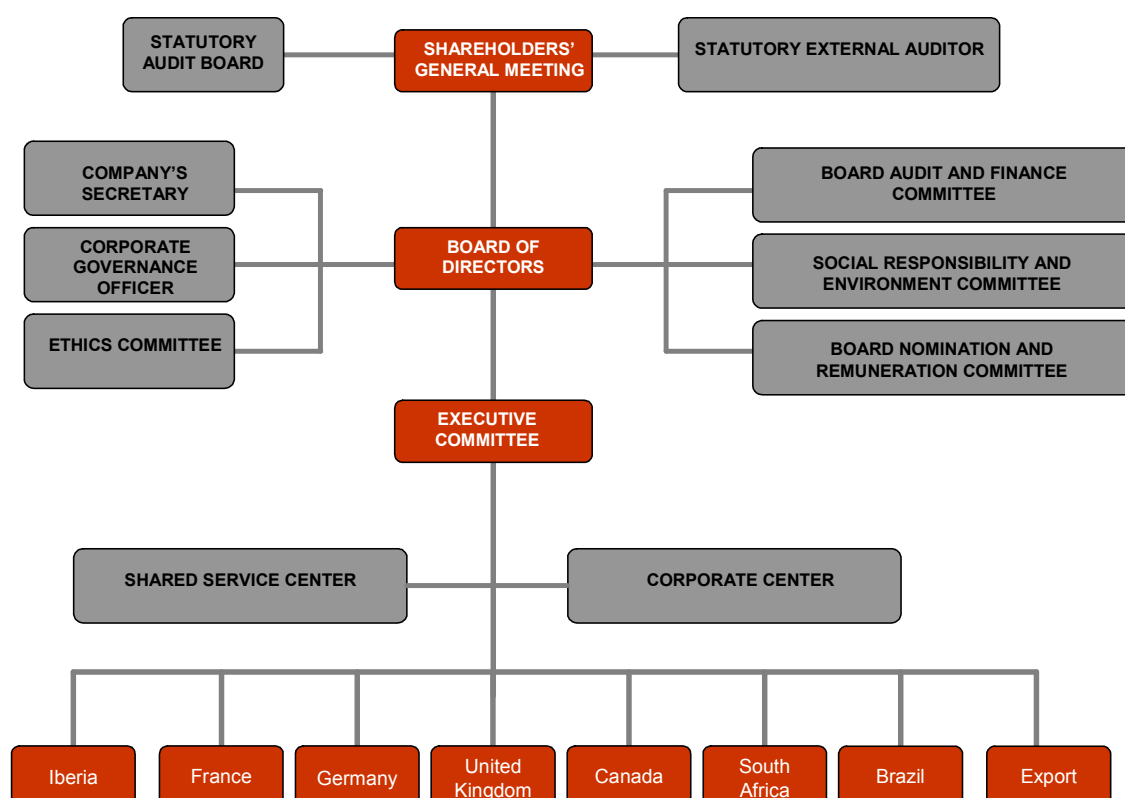
A detailed description of this Code of Conduct is included in our 2008 Sustainability Report.

The Ethics Committee is chaired by an Independent Non-Executive Board Member elected by the Board of Directors while the Corporate Governance Officer and Internal Auditor are the other Committee members. The Ethics Committee reports at least once a year to the Board of Directors and when appropriate, also to the Statutory Audit Board of the related country, on issues related to corporate governance and business ethics.

The current members of the Ethics Committee are:

- Thomas Nystén (Chairman)
- David Bain (Board and Corporate Governance Officer)
- Rogério Ribeiro (Internal Auditor)

2.3. Governing Bodies, Constitution, Organisation and Board Committees



2.4. Internal Control and Risk Management

2.4.1. Internal Control Environment

Sonae Indústria is based on integrity and ethical values that emanate from the top down with the example then being set by management. The commitment to competence is well illustrated through the fact that compensation is tied to appropriate performance.

The different governing bodies have been born from a management philosophy and operating style based on a strong organizational structure with adequate assignment of authority and responsibilities. Sound Human Resource policies and procedures together with a very recent Code of Conduct are enshrined in the framework.

Sonae Indústria faces a variety of risks from external and internal sources which must be assessed and we have instilled in our company a culture of prevention and early detection. As you will see subsequently, an Enterprise-Wide Risk Management Framework was developed and is continually updated.

Policies and procedures have been developed that help ensure management directives are carried out. Sonae Indústria has a dedicated team in Business Process & Organization which, through working with local operations and central departments, acts as a Centre of Excellence in accomplishing key objectives such as: prioritising, developing and implementing processes (including control activities); maintaining a Process Library (knowledge and documentation); establishing process best practices; and, evaluating process performance. Sonae Indústria has a huge range of activities in place as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Pertinent information is identified, captured and communicated within a form and timeframe which enables people to fulfil their responsibilities. Sonae Indústria has a strong Planning and Management Control department which supported by robust information systems, produces reports containing operational, financial and compliance-related information. The centralised accounting back-office helps to guarantee alignment and effectiveness in procedures and controls.

Sonae Indústria also believes that it has established an effective communication with external parties such as customers, suppliers, regulators and shareholders through a series of publications including the Reports and Accounts, Sustainability Reports, etc.

Internal control systems are monitored. Ongoing monitoring activities exist, namely regular management and supervisory activities. Separate evaluations are followed whose scope and frequency depends primarily on an assessment of the risks and effectiveness of ongoing monitoring procedures. For instance, the Internal Audit department has elaborated an annual plan to monitor compliance with procedures and policies and a specific department (Planning and Management Controlling) is responsible for producing management information and raising questions at the unit levels.

Internal control deficiencies are reported upstream, with serious matters reported to top management and the Board. Monthly reports are sent to the executive committee and quarterly meetings are scheduled with the audit committee, BAFC.

Sonae Indústria has a reasonable level of confidence in the internal control framework which is in place. The formal validation and communication of the Vision, Values and Principles throughout the organization (to take place in early 2009) will reinforce the tone in terms of ethical behaviour. Further developments through the implementation of

the Code of Conduct and the Whistleblower tool (already approved), will enhance the control culture of the organisation

2.4.2. 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.

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.

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.

The Risk Model has been undergoing continuous updates and in 2008 a new risk was introduced, entitled *Community Concern*. This risk evaluates the influence – negative or positive - that Sonae Indústria could exert in the local community where its activities are developed.

In 2009, the level of development and implementation of actions identified to manage the key triggers of the drivers associated with the critical risks will be checked. Additionally, verifying those actions which were completed will help to evaluate the impact of those actions on the risk exposure and risk management.

During the updating process for 2009, we expect to see an increasing relevance of other risks in light of the current economic environment such as Economic influences, Financial markets, Capital availability and Liquidity.

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. 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 Sonae Indústria aims to facilitate the understanding and implementation of these standards in all its units. This project was concluded in 2008 and is being communicated and incorporated in all processes and activities where it exerts an effect

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

Corporate Operational Risk Standards

This project was developed as Sonae Indústria wishes to ensure that the Corporate Operational Risk Standards are an even more effective tool in terms of improving operational risk management, with little or no room for uncertainty.

An analytical version was developed that includes technical protection themes, management programs and standardised samples of checklists, reports, impairments, etc. Each and every part of CRS⁸ was developed with reference to international standards as NFPA⁹ and/or FM¹⁰ data sheets, considering the best practices of the wood industry and the good fire protection engineering practices at Sonae Indústria.

Since Sonae Indústria does not have the internal expertise to develop an analytical version of the Standards, the Corporate Risk Management team engaged a joint team with MDS, our insurance broker, XL GAPS, the external consulting entity recognised by

⁸ Corporate Risk Standards

⁹ National Fire Protection Association

¹⁰ Factory Mutual

the entire insurance panel and AIG, the insurance panel leader. This guaranteed the validation of the output.

The involvement of internal departments of Industrial Best Practices and Health & Safety as active partners in the entire process guaranteed a wide scope of the project and the consideration of transversal implications.

The Corporate Risk Standards are divided into three areas:

1. Management Programs and Procedures:

Best Industry Practices in Loss Prevention involving the Human Element:

Preparation for emergencies;

Management of Programs (maintenance, equipment inspections, training, contractors, housekeeping).

2. Fire Protection Systems:

Reference to international recognised standards, mainly NFPA;

General requirements in detection and protection of industrial premises, fire water supply specifications and building materials characteristics;

Integration of component for Surveillance practices (hardware).

3. Special Hazards:

World class developed knowledge in fire detection and protection inherent to the wood based panels industry: wet and dry particle handling and transport, dryers, hot presses...;

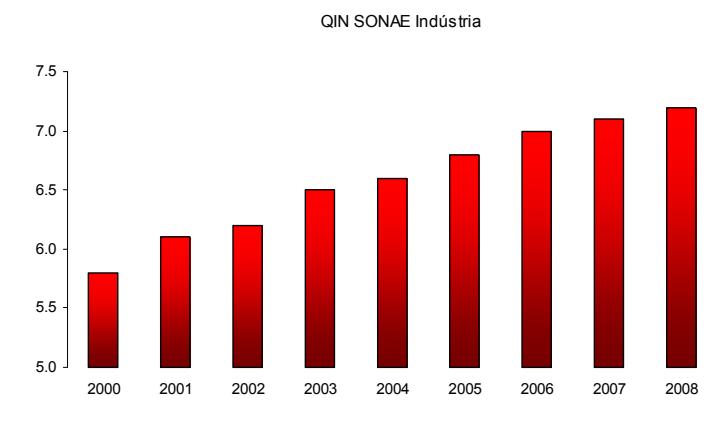
Specific issues such as thermal and hydraulic oil installations, electrical cabinets and rooms, transformers.

A process was developed to guarantee an adequate internal communication process. A live broadcast with all Country Industrial Directors and Country Risk Co-ordinators was performed in November and a CD with the Corporate Operational Risk Standards was sent to all Plant Managers and Local Risk Officers

In 2009, Sonae Indústria will consolidate this information and training program through regional Workshops with local teams and consequently roll out and implement the Standards. The Self Inspection Form is being reformulated and will incorporate a compliance verification during risk surveys and business planning: Risk Plan, Industrial Master Plan, Annual Planning and investments validation.

External Risk Inspections

Supported by the Corporate Operational Risk Standards, the XL 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 7.2 in 2008 (on a scale from 0 to 10).



In addition, AIG Europe actively participates in the Risk Engineering program in collaboration with XL GAPS and the risk management services of the insurance broker - MDS. In 2008, 10 external risk surveys were conducted by XL 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 2008, 6 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.

In 2008, the Self Inspection Form was reformulated to accommodate the new version of the Standards and will be implemented within this new framework for the first time in the first quarter of 2009.

This evaluates 70 items grouped into 5 categories (Assets, Management/Leadership, People, Process and Third Parties).

All non-conformities detected automatically generate a corrective action, and there is an automatic quarterly follow-up of outstanding corrective actions.

2008-2013 Risk Plan

Each individual plant plan (which is updated annually) defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards by 2013. 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 2008-2013 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.

2.5. Responsibilities of the Board of Directors and Executive Committee

The Board of Directors is empowered to ensure 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.

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;
- b) co-opting a substitute for a member of the Board;
- c) convening Shareholders' General Meetings;
- d) approving the Annual Report and Accounts;
- e) granting any pledge, guarantee or charge over the Company's assets;
- f) deciding to change the Company's headquarters or to approve any share capital increases;
- g) deciding on mergers, de-mergers and modifications to the corporate structure of the Company;
- h) approving the Company's Business Plan and Annual Budget;
- i) deciding key features of personnel policies including stock incentive plans and variable remuneration plans applicable to Executives and Senior Managers (Management Levels G4 and above), in areas that do not require resolutions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings, together with decisions on individual compensation for Executives of Management Levels G3 and above, which competence is 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 Sonae Indústria 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 in 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;

It is also the exclusive responsibility of the Board of Directors to define the Sonae Indústria and Sonae Indústria Group strategy and general policies as well as define the corporate structure of the Sonae Indústria Group.

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 2008, 15 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 the minutes arising from the Executive Committee meetings.

Members of the Executive Committee provide all information required by other members of the governing bodies both on time and in sufficient detail.

2.6. Regulations of the Governing Bodies

In 2008, the Board of Directors approved the regulations of the Board of Directors and Executive Committee. The Statutory Audit Board has approved its own regulation.

These regulations can be found at the site www.sonaeindustria.com.

No rules have been set for any inconsistencies or cumulative number of positions, being applicable the provisions of law.

2.7. Appointment and replacement of members of the corporate governing and auditing bodies

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.

Members of the Supervisory Audit Board are also elected by the Shareholders' General Meeting. Supervisory Board members who are temporary unable to exercise functions or whose functions have ceased are replaced by substitute members, who will subsequently continue functions until the first Shareholders Annual General Meeting. This meeting will then proceed to fill the respective vacancies.

In the absence of the alternate positions, vacancies are filled by a new election.

The Statutory External Auditor is elected by the Shareholders' General Meeting following a proposal from the Statutory Audit Board.

In the absence of the elected Statutory External Auditor, it is the responsibility of the Board of Shareholders General Meeting to appoint his substitute, subject to ratification by the following Shareholders General Meeting. In the absence of designation within 30

days, the company governing bodies shall notify the Association of External Auditors who is entitled to appoint the external auditor.

2.8. Board, Board Committees and Statutory Audit Board Meetings and attendance in 2008

During 2008, the number of meetings and attendance record for the Board of Directors, Board Committees and Statutory Audit Board were as follows:

	Number of Meetings	Attendance
Board of Directors	6	97%
Executive Committee	15	97%
Board Audit and finance Committee	5	87%
Social Responsibility and Environment Committee	2	100%
Board Nomination and Remuneration Committee	2	88%
Statutory Audit Board	6	100%

2.9. Independence of the members of the Board of Directors

The Board of Directors of Sonae Indústria is currently composed of 9 members (as referred above José António Comesaña resigned in December 2008), 4 Executive and 6 Non-executive.

Of the Non-Executive Directors, 3 (three) are Independent, in that they are not associated with any interests group within the company, 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. Additionally, they have not been re-elected for more than two mandates.

All Independent Board Members, with the exception of Per Knuts and Thomas Nystén, comply with the applicable rules of conflicts and determined in art. 414-A of the Company Law. Regarding these two members, both perform the same functions in the Supervisory Board of Glunz, AG, a company subsidiary of Sonae Indústria, but this does not imply a loss of independence.

These independent Directors exercise an important influence over the decision-making process and the development of company strategy and policy.

2.10. Professional qualification of the members of the Board of Directors in the last 5 years and shares held

Belmiro de Azevedo (Chairman Sonae Indústria): 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 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.

Álvaro Cuervo Garcia (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.

Paulo Azevedo: 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.

Per Knuts (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.

Thomas Nystén (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).

Carlos Bianchi de Aguiar (President of the Executive Committee and CEO Sonae Indústria): 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.

Rui Correia (CFO): 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.

Christophe Chambonnet (COO France): 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 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.

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. He 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	44.680.000
Sonae Indústria, SGPS, SA	1.010	Pareuro, BV (2)	2.000.000
		Sonae Capital, SGPS, SA (3)	88.859.200
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	12.500	(3) Sonae Capital, SGPS, SA	
Duarte Paulo Teixeira de Azevedo		SC, SGPS, SA (4)	391.046.000
Efanor Investimentos, SGPS, SA (1)	1	Sonae Financial Participations, B.V (5)	500
Migracom, SGPS, SA (6)	1.969.996	(4) SC, SGPS, SA	
Sonae Indústria, SGPS, SA	223	Sonae Indústria, SGPS, SA	9.521.815
		(5) Sonae Financial Participations, B.V	
		Sonae Indústria, SGPS, SA	1.462.349
		(6) Migracom, SGPS, SA	
		Sonae Indústria, SGPS, SA	90.000
		Sonae Capital, SGPS, SA (3)	161.250
		Imparfin, SPS, SA (7)	150.000
		(7) Imparfin, SPS, SA	
		Sonae Indústria, SGPS, SA	278.324
		Sonae Capital, SGPS, SA (3)	513.160

Members of the Board of Directors are currently also members of the Boards of other companies, which are listed in Point 2.11 of this report.

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

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

José Álvaro Cuervo García:

- BA Vidrio, S.A.

Per Otto Knuts:

- Stora Feldmühle AG

- FPB Holding AG

Knut Thomas Alarik Nystén:

- MD Lang Papier GmbH
- Myllykoski Corporation

2.11. Other positions held by Sonae Indústria Directors as of 31 December 2008

In companies belonging to Efanor Group

Board of Directors Member:

Belmiro Mendes de Azevedo:

- BA – Business Angels SGPS, S.A.
- Casa Agrícola de Ambrões, S.A. (Chairman)
- Efanor Investimentos, SGPS, S.A. (Chairman)
- SC – SGPS, S.A. (Chairman)
- Selfrio, SGPS, S.A. (Chairman)
- Sonae – SGPS, S.A. (Chairman)
- Sonae Capital, SGPS, S.A. (Chairman)
- Sonae Turismo – SGPS, S.A. (Chairman)
- Spred, SGPS, S.A. (Chairman)

José Alvaro Cuervo Garcia:

- Sonae – SGPS, S.A.

Duarte Paulo Teixeira de Azevedo:

- Efanor Investimentos, SGPS, S.A.
- 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)

Carlos Francisco de Miranda Guedes Bianchi de Aguiar:

- 173509 Canada, Inc. (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, S.A.
- Euro Decorative Boards, Ltd.
- Euromegantic Ltée. (Chairman)
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz Service GmbH
- Glunz UK Holdings, Ltd. (Chairman)
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- LaminatePark GmbH & Co. Kg (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.
- SIND – Shared Services Centre, S.A.
- Société Industrielle et Financière Isoroy, SAS (Chairman)
- Somit - Imobiliária, S.A.
- Sonae – Indústria de Revestimentos, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae International, Ltd.
- Sonae Novobord (PTY) Ltd. (Chairman)
- Sonae Tafibra International, B.V.
- Sonae Tafibra UK, Ltd. (Chairman)
- Sonae UK, Ltd. (Chairman)
- Spanboard Products, Ltd. (Chairman)
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber – Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd. (Chairman)
- Tafisa Brasil S.A. (Chairman)
- Tafisa Canada & Company Limited Partnership (Chairman)
- Tafisa France S.A. (Chairman)
- Tafisa UK, Ltd. (Chairman)
- Taiber – Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS (Chairman)
- Tecnologias del Medio Ambiente, S.A.

Rui Manuel Gonçalves Correia:

- 173509 Canada, Inc.
- 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
- LaminatePark GmbH & Co. Kg
- 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.
- SCS, BV
- SIAF - Imobiliária, S.A.
- SIND – Shared Services Centre, SA
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae – Indústria de Revestimentos, S.A.

- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Novobord (PTY) Ltd.
- Tableros de Fibras, S.A.
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd.
- Tafisa Brasil, SA
- Tafisa Canada & Company Limited Partnership
- Tafisa France S.A.
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS
- Tecnologias del Medio Ambiente, S.A.

Christophe Chambonnet:

- Glunz AG
- Isoroy, SAS
- LaminatePark GmbH & Co. Kg
- Société des Essences Fines Isoroy, SAS
- Société des Tranchage Isoroy, SAS
- Tafisa France, SAS
- Tarkett Agepan Laminate Flooring, SCS
- Tavapan, SA (Chairman)

Louis Maurice Brassard:

- 173509 Canada, Inc
- Euromegantic Ltée
- Isoroy, SAS
- Sonae Novobord (PTY) Ltd
- Tafibra South Africa (PTY) Ltd
- Tafisa Canada & Company Limited Partnership
- Tafisa France, SAS

Statutory Audit Board Member:

Per Otto Knuts:

- Glunz AG (Supervisory Board – “Aufsichtsrat”)

Knut Thomas Alarik Nystén:

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

In companies not belonging to Efanor Group:

Board of Directors Member:

Belmiro Mendes de Azevedo:

- Praça Foz – Sociedade Imobiliária, S.A. (Chairman)
- Setimanale – SGPS, S.A. (Chairman)

Duarte Paulo Teixeira de Azevedo:

- Imparfin, SGPS, S.A.
- Migracom – SGPS, S.A. (Chairman)

José Álvaro Cuervo Garcia:

- ACS – Actividades de Construcción Y Servicios, S.A.
- Bolsas Y Mercados Españoles (BME)

2.12. Independence of the Statutory Audit Board members

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

The current members of the Statutory Audit Board were elected at the Shareholders' Annual General Meeting held on 31st May 2007 until the end of the current mandate (2006-2008). The current chairman, Óscar José Alçada da Quinta was elected as a substitute at the same meeting, as explained above, assuming the functions of effective member following the resignation of João Manuel Gonçalves Bastos, elected by the Shareholders' Annual General on 21st April 2008, who resigned in September 2008.

The Annual Report of the Statutory Audit Board includes a description of the supervisory performed and is published on the company's website together with other accountability documents.

The Statutory Audit Board proposed the election of the Statutory External Auditor at the Shareholders' Annual General Meeting held in 2007, who is also the external auditor of the company. The proposed remuneration policy approved at the 2008 Shareholders' Annual General Meeting states that the Statutory External Auditor of the company should be paid according to the normal levels of fees for similar services by reference to market information, as negotiated annually under the supervision of the Statutory Audit Board and monitoring of the Board Audit and Finance Committee.

The Statutory Audit Board meets the Statutory External Auditor whenever it deems fit and monitors their activities and conclusions of their work through the final audit reports.

The remuneration of the Supervisory Board members of the company consists of a fixed fee, determined taking into account the situation of society and the practices of the market and includes one annual allowance insurance. The remuneration of the Chairman amounts to 16,682 euros and of the other two members amounts to 25,766.5 euros.

2.13. Professional qualification of the members of the Statutory Audit Board in the last 5 years and shares held

ÓSCAR ALÇADA DA QUINTA (Chairman of the Statutory Audit Board):

Degree in Economics (University of Porto). Mr. Quinta has held various functions in both the administrative and financial departments of different companies (1982-1986) and since 1986 has provided services within the external audit of the Official Statutory Auditors Association. Through this activity in 1990 he was included in the List of Official External Auditors, a function which he works on exclusivity, initially on a stand-alone basis but subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

ARMANDO LUÍS VIEIRA DE MAGALHÃES (Statutory Audit Board Member):
Bachelor of Accounting (former-ICP and current ESCAP), Degree in Economics (University of Porto), Executive-MBA European Management (IESF / IFG. Mr. Magalhães performed various functions in a credit institution (1964-1989) and since 1989 has practiced as an external auditor, first on a stand-alone basis but subsequently as partner of Santos Carvalho & Associados, SROC.

JORGE MANUEL FELIZES MORGADO (Statutory Audit Board Member):
Management Degree (ISEG, Technical University of Lisbon), MBA in Finance-IEDE Madrid, MBA in Management and Information Systems (Catholic University), Official External Auditor. Mr. Morgado held various roles as auditor in Coopers & Lybrand (1980-1989), responsible for Management Control and Internal Audit of the Coelima Group (1989-1991) before becoming a partner of Deloitte (1991-2004). From 2004 he has been an Official Statutory Auditor and Partner of Econotopia-Consultoria e Gestão, SA.

None of the members of the Statutory Audit Board hold Sonae Indústria shares.

2.14. Other positions held by Sonae Indústria Directors as of 31 December 2008

In companies belonging to Efanor Group

Óscar Alçada da Quinta

Sonaecom - SGPS, S.A. (Supervisory Audit Board)
Sonae Distribuição, SGPS, SA (Supervisory Audit Board)

Armando Luís Vieira de Magalhães

Sonaecom - SGPS, S.A. (Supervisory Audit Board)
Sonae Capital, SGPS, SA (Supervisory Audit Board)

Jorge Manuel Felizes Morgado

Sonae, SGPS, SA (Supervisory Audit Board)
Sonae Capital, SGPS, SA (Supervisory Audit Board)
Sonae Sierra, SGPS, SA (Supervisory Audit Board)

In other companies not belonging to Efanor Group

Óscar Alçada da Quinta

BA GLASS I – Serviços de Gestão e Investimentos, SA. (Supervisory Audit Board)
Lisgráfica-Impressão e Artes Gráficas, SA (Supervisory Audit Board)
Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Board of Directors)

Armando Luís Vieira de Magalhães

Futebol Clube do Porto - Futebol S.A.D (Supervisory Audit Board)

2.15. 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).

In the 2008 Shareholders' Annual General Meeting, the Salaries Shareholders' Remuneration Committee deliberated on making certain amendments to the remuneration policy adopted by the 2007 Shareholders' Annual General Meeting, and presented a new remuneration policy.

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, which includes an Annual Salary paid in reference to one year period (salaries are paid 12 months), an Annual Responsibility Allowance and a package of benefits linked to market practices, (ii) a variable "Annual Performance Bonus", which is paid during the first quarter of the following year, and (iii) a discretionary variable third component, attributable on the first quarter of the following year, as a deferred performance bonus under the Medium Term Incentive Plan, which vests on the second anniversary of the attribution date.

Individual compensation packages will be defined as a function of the level of responsibility of each ED and will be reviewed annually. Each ED is attributed a Sonae Indústria Management Level named "Grupo Funcional" ("GF" or "G"). Sonae Indústria's EDs are normally "Senior Executive" (G2), being attributed to the CEO the level "Group Senior Executive" (G1). Sonae Indústria Management Levels are applied in a similar way across all Efanor Group and are related to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons, as well as helping to promote internal equity. The compensation packages to be awarded to EDs will be benchmarked using market surveys of the compensation of Portuguese and European top executives, with the aim of setting fixed remuneration close to the median and total compensation close to the third quartile in comparable circumstances;

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 real performance achieved 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) is based on market comparables and is structured as follows: (i) a fixed remuneration (of which approx. 15% depends on attendance at meetings); (ii) an Annual Responsibility Allowance. No other variable remuneration of any kind is payable to NEDs. The Fixed Remuneration is increased by up to 6% for NEDs serving as Chairmanship of any Board Committee.

2008	Total Fixed Annual Remuneration		Total Short Term Performance Bonus		Total Deferred Medium Term Performance Bonus		Total 2007	
	2007	2008	2007 (a)	2008 (b)	2007 (c)	2008 (d)	2007	2008
Chairman of the Board of Directors	142,333	184,000					142,333	184,000
CEO	257,465	256,600	103,035	43,200	114,000		474,500	299,800
Executive Directors (remaining)	852,161	874,944	293,079	161,423	143,087		1,288,328	1,036,367
Non-executive Directors (remaining)	149,020	143,600					149,020	143,600
Total of Board of Directors	1,400,980	1,459,144	396,114	204,623	257,087		2,054,181	1,663,767

(a) relative to 2007, achievement approved in 2008

(b) relative to 2008, achievement approved in 2009

(c) relative to 2007 and to be paid in 2010

(d) relative to 2008 and to be paid in 2011

Given that Sonae Indústria does not have “*dirigentes*” within the meaning of paragraph 3 of Article 248-B of the Securities Code, its Board of Directors has not submitted any remuneration policy to the Shareholders’ Annual General Meeting.

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.

In 2009 a compensation for a Executive Board Member amounted to 1,012,100 euros

The company does not have plans for the allotment of shares and/or options for share purchases

2.16. 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, and is therefore independent in relation to the Board of Directors.

2.17. Policy of Communication Irregularities

During 2008 and with the formalization of the Code of Conduct of Sonae Indústria, the procedure of reporting irregularities was defined. This is available on our website www.sonaeindustria.com.

Employees and service providers may report, on a confidential basis, concerns about any behaviour or decision that in its opinion, does not respect the ethics and the Code of Conduct.

The possible case of irregularity should be sent via e-mail or post to one of the following addresses:

E-mail: corporate.governance.officer@sonaeindustria.com

Post: Sonae Industria SGPS, S.A.
Corporate Governance Officer
Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

A meeting to clarify the alleged irregularity can then be arranged with the Corporate Governance Officer, when required

Each irregularity report will be received by the Corporate Governance Officer, who is responsible for initiating and supervising the investigation into all reports.

Once the research is concluded and if the irregularity reported corresponds to wrongful conduct, the Ethics Committee shall notify the situation to the superior of the employee or the Service Provider's Company in order to apply corrective actions and / or initiate disciplinary proceedings to be initiated.

As the Company wishes to encourage good faith reporting of any alleged irregularity while avoiding damage to the reputation of innocent persons initially indicated as allegedly suspected of wrongful misconduct, anonymous reports are not accepted.

The investigation will be conducted in a confidential manner and the Company ensures that there will be no discriminatory or retaliatory action against any employee or service provider who reports an alleged irregularity in good faith based on his/her personal knowledge. If any employee or service provider believes that he or she has been retaliated against for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Corporate Governance Officer.

The company provides a means by which to report irregularities on its internet.

The company maintains a record of all complaints and cases investigated as well as their findings which will be available for consultation by the governing bodies and external auditor.

3. Information

3.1. 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.

In the 2008 Shareholders' Annual General Meeting, the conversion of the book-entry bearer shares of the Company to book-entry registered shares was approved. Consequently the wording of paragraph 1 in article 6 of the Company's Articles of Association was amended to the following wording " ARTICLE SIX One - The shares shall be nominal and may be titled or registered."

On 30th May 2008 the shares were converted into book-entry registered shares.

3.2. Qualified Shareholding under Article 20 of the Portuguese Securities Code

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A			
Directly	44.780.000	31,9857%	31,9857%
By Pareuro, BV (controlled by Efanor)	27.118.645	19,3705%	19,3705%
By SC, SGPS, SA (indirectly controlled by Efanor)	9.521.815	6,8013%	6,8013%
By Sonae Financial Participations B.V (indirectly controlled by Efanor)	1.462.349	1,0445%	1,0445%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor)	1.010	0,0007%	0,0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0,0005%	0,0005%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)	223	0,0002%	0,0002%
By Migracom, SGPS, SA (company controlled by Efanor's Director, Paulo Azevedo)	90.000	0,0643%	0,0643%
By Linhacom, SGPS, SA (company controlled by Efanor's Director, Cláudia Azevedo)	23.186	0,0166%	0,0166%
	82.997.939	59,2842%	59,2842%

3.3. Identification of the shareholders that detain special rights and a description of those rights.

There are no Shareholders with special rights.

3.4. Possible restrictions on share-transfer, i.e. consent clauses for their disposal or restrictions on share-ownership.

There are no restrictions to the transfer of company shares.

3.5. Shareholder agreements which the company may be aware of and which may restrict the transfer of securities or voting rights.

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

3.6. Rules applicable to the amendment of the articles of association

The rules applicable to amendments of the articles of association are established by law. It is the task of the Shareholders' General Meeting to decide on the amendment of the articles of association. However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the Company's share capital by new cash entries up to two billion euros, on one or more occasions.

3.7. Control mechanisms for a possible employee-shareholder system inasmuch as the voting rights are not directly exercised by them.

Control mechanisms for a possible employee-shareholder system, inasmuch as the voting rights are not directly exercised by them, are nor planned.

3.8. Share Price performance in 2008

2008 was marked by a global drop in equity markets, resulting from the deepening crisis of confidence prevailing within capital markets, due to problems related to subprime mortgages. The Sonae Indústria share price was particularly affected as the

company acts in a highly cyclical sector, depends on the construction industry and is exposed to those economies most affected by the real estate crisis: Spain and North America.



MAIN EVENTS IN 2008

- **15th Jan. 2008:** Masisa, S.A. acquired from Brascan Brasil 45.68% of the capital of Tafibras Participações, S.A.
- **05th March 2008:** FY 2008 consolidated results announced.
- **26th March 2008:** repaid in advance, the entire 15 000 000 issued bonds
- **28th April /2008:** Dividend paid related to FY 2007, liquid amount of 0.224 euros per share.
- **7th April 2008:** 1Q 2008 consolidated results announced
- **20th April 2008:** conversion of all shares from bearer registered shares to nominal registered shares
- **1st July 2008:** Masisa, S.A. exercises its put option over the shares representing around 45.68% of the share capital of Tafibras Participações, SA (Tafibrás)
- **31st July 2008:** 1H 2008 consolidated results announced
- **10th Sept. 2008:** Start-up of the new melamine production line in White River, South Africa and the start-up of the new Hot Gas Generator in Oliveira do Hospital, Portugal
- **17th Sept. 2008:** Change in the composition of the Statutory Audit Board
- **6th Nov. 2008:** 9M 2008 consolidated results announced
- **07th Nov.2008:** New chairman of the Statutory Audit Board elected
- **29th Dec. 2008:** Resignation of a member of the Board of Directors

3.9. Dividend policy.

Every year, the actual pay-out ratio is proposed by the Board of Directors, considering the target pay-out ratio of 50% and the existing investment opportunities. In relation to 2007, the Board of Directors proposed to the Shareholders' General Meeting a dividend payment of 50% of the 2007 Consolidated Net Profits Attributable to its Equity Holders. This proposal which amounted to 39.2 million euros was subsequently approved.

In the two previous years, Sonae Indústria did not distribute dividends as it opted to instead strengthen its balance sheet following the significant deterioration in shareholders' funds as a result of past accumulated losses.

3.10. Share and Share Options Schemes

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

3.11. 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.

3.12. 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 or by telephone: 00 351 22 010 0638. The investor relations director is Patrícia Vieira Pinto.

In addition, Sonae Indústria has an institutional website (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 de capitais") is Rui Correia, who can be contacted

via the Investor Relations' Department or alternatively, directly by email: rmcorreia@sonaeindustria.com.

The Company's website contains several information in English, including the company's name, the quality of publicly traded company, the headquarters and other elements mentioned in Article 171 of the Companies Code, the Articles of Association, the identity of the governing bodies and the representative relations with equity market, the Investor Relations Department, their duties and ways of access, documents of accountability, corporate events calendar, proposals for discussion and vote at Shareholders' Annual General Meeting and notice to convene the same meeting.

3.13. Remuneration of the Statutory External Auditors

In 2008, the statutory external auditor PriceWaterhouseCoopers invoiced Sonae Indústria and its affiliated companies a total amount of 782,334 euros. Of this total, 92% related to the audit and legal certification of the accounts and 6% to other reliability services while 2% related to services other than legal certification of the accounts.

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

Appendices to the Management Report Qualified Shareholdings

APPENDIX REGARDING ARTICLE 447 OF THE COMPANY LAW

		Acquisitions		Sales		Balance at
	date	amount	average value	amount	average value	31.12.2008
						amount
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49.999.997
(1 share is held by the spouse)						
Sonae Indústria, SGPS, SA						1.010
Sonae Capital,SGPS, S.A. (2)						838.862
Shares (*)	28.01.2008	1.862				
Acquisition	06.02.2008	160.000	1,84			
Acquisition	07.02.2008	150.000	1,84			
Acquisition	08.02.2008	350.000	1,78			
Acquisition	11.02.2008	177.000	1,76			
(1.862 shares are held by the spouse)						
Carlos Bianchi de Aguiar						
Sonae Indústria, SGPS, SA						720
Rui Manuel Gonçalves Correia						
Sonae Indústria, SGPS, SA						12.500
Acquisition	27.05.2008	7.500	4,05			
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Sonae Capital,SGPS, S.A. (2)						411
Shares (*) (held by the menor descendent)	28.01.2008	411				
Migracom,SGPS,SA (3)						1.969.996
Increase in share capital	27.11.2008	1.900.000	1			
Sonae Indústria, SGPS,SA						223
(held by the menor descendent)						
Agostinho Conceição Guedes						
Sonae Indústria, SGPS,SA						2.520
		Acquisitions		Sales		Balance at
	date	amount	average value	amount	average value	31.12.2008
						amount
(1) Efanor Investimentos, SGPS, SA						
Sonae Indústria, SGPS, SA						44.780.000
Acquisition	04.09.2008	105.294	2,70			
Pareuro, BV (4)						2.000.000
Increase in share capital	21.01.2008	1.980.000	152			
Sonae Capital, SGPS, SA (2)						88.859.200
Acquisition of Rights of Demerger	11.01.2008	13.029.263	0,17			
Acquisition of Rights of Demerger	14.01.2008	11.000.000	0,20			
Acquisition of Rights of Demerger	15.01.2008	26.613.385	0,21			
Shares (*)	28.01.2008	82.350.553	0,00			
Shares (**)	28.01.2008	6.330.331	0,00			
Acquisition of Shares	07.03.2008	178.316	1,48			
(2) Sonae Capital,SGPS, SA						
SC,SGPS, SA (5)						391.046.000
Sonae Financial Participation,B.V. (6)						500
(3) Migracom,SGPS,SA						
Sonae Indústria, SGPS, SA						90.000
Acquisition	17.01.2008	50.000	4,95			

Acquisition	18.01.2008	51	4,82	
Sonae Capital, SGPS, SA				161.250
Shares (*)	28.01.2008	161.250	0,00	
Imparfin, SGPS, SA (7)				150.000
(4) Pareuro, BV				
Sonae Capital, SGPS, SA (2)				50.000.000
Shares (*)	28.01.2008	50.000.000	0,00	
Sonae Indústria, SGPS, SA				27.118.645
(5) SC, SGPS, S.A.				
Sonae Indústria, SGPS, SA				9.521.815
(6) Sonae Financial Participations B.V.				
Sonae Indústria, SGPS, SA				1.462.349
Acquisition	25.08.2008	5.000	2,63	
	26.08.2008	60.000	2,66	
	27.08.2008	16.501	2,64	
	28.08.2008	30.000	2,65	
	29.08.2008	35.000	2,67	
	01.09.2008	15.000	2,65	
	02.09.2008	25.000	2,68	
	03.09.2008	8.000	2,68	
	04.09.2008	100.000	2,66	
	05.09.2008	60.000	2,60	
	08.09.2008	40.000	2,67	
	09.09.2008	45.000	2,65	
	10.09.2008	30.000	2,59	
	11.09.2008	35.000	2,57	
	12.09.2008	47.500	2,57	
	15.09.2008	38.121	2,49	
	16.09.2008	50.000	2,45	
	17.09.2008	70.000	2,47	
	18.09.2008	70.000	2,37	
	19.09.2008	90.000	2,37	
	22.09.2008	35.000	2,35	
	23.09.2008	35.000	2,34	
	24.09.2008	100.000	2,29	
	25.09.2008	15.000	2,27	
	26.09.2008	25.000	2,26	
	29.09.2008	20.000	2,25	
	30.09.2008	34.156	2,21	
	01.10.2008	12.500	2,23	
	02.10.2008	25.428	2,19	
	03.10.2008	32.500	2,12	
	06.10.2008	59.643	2,00	
	07.10.2008	68.000	1,88	
	08.10.2008	130.000	1,67	
(7) Imparfin, SGPS, SA				
Sonae Indústria, SGPS, SA				278.324
Sonae Capital, SGPS, SA (2)				513.159
Shares (*)	28.01.2008	513.160	0,00	

(*) - number of shares from the rights resulting from the demerger in the demerger process of Sonae, SGPS, SA

(**) - number of shares resulting from the acquisition of rights of demerger

APPENDIX REGARDING ARTICLE 448 OF THE COMPANY LAW

	<u>Number of shares at 31/12/08</u>
Efanor Investimentos, SGPS, SA	
Sonae Indústria, SGPS, SA	44.780.000
Pareuro, BV	2.000.000
Sonae Capital, SGPS, SA	88.859.200
Pareuro, BV	
Sonae Indústria, SGPS, SA	27.118.645
Sonae Capital, SGPS, SA	50.000.000
Sonae Capital, SGPS, SA	
SC, SGPS, SA	391.046.000
Sonae Financial Participations B.V.	500
SC, SGPS, SA	
Sonae Indústria, SGPS, SA	9.521.815
Sonae Financial Participations B.V.	
Sonae Indústria, SGPS, SA	1.462.349

QUALIFIED SHAREHOLDINGS

Complying with Article 8, no. 1, e) of the CMVM Regulation no. 05/2008

Shareholder	No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, S.A.			
Directly	44.780.000	31,9857%	31,9857%
By Pareuro, BV (controlled by Efanor)	27.118.645	19,3705%	19,3705%
By SC, SGPS, SA (indirectly controlled by Efanor)	9.521.815	6,8013%	6,8013%
By Sonae Financial Participations B.V. (indirectly controlled by Efanor)	1.462.349	1,0445%	1,0445%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor)	1.010	0,0007%	0,0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0,0005%	0,0005%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)	223	0,0001%	0,0001%
By Migracom, SGPS,SA (Company controlled by Efanor's Director, Paulo Azevedo)	90.000	0,0642%	0,0642%
By Linhacom, SGPS,SA (Company controlled by Efanor's Director, Cláudia Azevedo)	23.186	0,0166%	0,0166%
Total allocation	82.997.939	59,2841%	59,2841%

LIST OF TRANSACTIONS MADE BY PERSONS DISCHARGING MANAGERIAL RESPONSABILITIES AND PEOPLE CLOSELY CONNECTED WITH THEM DURING THE 2nd HALF OF 2008

Complying with Article 14, no. 7 of the CMVM Regulation no. 05/2008

	Date	Acquisitions		Sales		Balance
		Amount	average value	Amount	average value	31.12.2008
						Amount
Efanor Investimentos, SGPS, SA (1)						
Sonae Indústria, SGPS, SA						44.780.000
Acquisition	04.09.2008	105.294	2,70			
Sonae Financial Participations B.V (2)						
Sonae Indústria, SGPS, SA						1.462.349
Acquisition	25.08.2008	5.000	2,63			
	26.08.2008	60.000	2,66			
	27.08.2008	16.501	2,64			
	28.08.2008	30.000	2,65			
	29.08.2008	35.000	2,67			
	10.09.2008	30.000	2,59			
	11.09.2008	35.000	2,57			
	12.09.2008	47.500	2,57			
	15.09.2008	38.121	2,49			
	16.09.2008	50.000	2,45			
	17.09.2008	70.000	2,47			
	18.09.2008	70.000	2,37			
	19.09.2008	90.000	2,37			
	22.09.2008	35.000	2,35			
	23.09.2008	35.000	2,34			
	24.09.2008	100.000	2,29			
	25.09.2008	15.000	2,27			
	26.09.2008	25.000	2,26			
	29.09.2008	20.000	2,25			
	30.09.2008	34.156	2,21			
	01.10.2008	12.500	2,23			
	02.10.2008	25.428	2,19			
	03.10.2008	32.500	2,12			
	06.10.2008	59.643	2			
	07.10.2008	68.000	1,88			
	08.10.2008	130.000	1,67			
Nuno Miguel Teixeira de Azevedo (3)						
(held by descendent)						
Sonae Indústria, SGPS, SA						711
Sale	25.10.2008			258	1,634	

(1) Entity closely connected with directors Belmiro de Azevedo and Paulo Azevedo, since they are also directors of Efanor, and in the case of Belmiro de Azevedo, because he holds Efanor

(2) Entity closely connected with the director Belmiro de Azevedo, as he indirectly holds it

(3) Director of the parent company of Sonae Indústria

**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.

Belmiro Mendes de Azevedo

Álvaro Cuervo Garcia

Duarte Paulo Teixeira de Azevedo

Per Otto Knuts

Knut Thomas Alarik Nysten

Carlos Francisco de Miranda Guedes Bianchi de Aguiar

Rui Manuel Gonçalves Correia

Louis Maurice Brassard

Christophe Chambonnet

Individual Financial Statements

Sonae Indústria, SGPS,SA

BALANCE SHEET AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007

(Amounts in Euros)

ASSETS	Notes	31.12.08	31.12.07
NON CURRENT ASSETS			
Tangible assets	3	14.248	24.675
Intangible assets	4	4.143	19.731
Investment property		-	-
Investment property in progress		-	-
Goodwill arising on consolidation		-	-
Investments in jointly controlled companies		-	-
Investments in associated companies	6	927.309.795	921.842.133
Investments held for sale	6	117.922	117.922
Deferred tax assets	7	9.396.042	9.247.624
Other non current assets	8	690.090.455	680.160.458
Total Non Current Assets		1.626.932.604	1.611.412.543
CURRENT ASSETS			
Inventories		-	-
Trade debtors	9	456.839	442.702
Other debtors	9	366.220	1.319.589
Taxes and other contributions receivable	9	1.679.182	1.331.193
Other current assets	10	221.544	332.365
Derivatives instruments	20	216.108	136.807
Cash and cash equivalents	11	23.406.351	89.410.824
Total Current Assets		26.346.245	92.973.480
Non current assets held for sale		-	-
TOTAL ASSETS		1.653.278.849	1.704.386.023
SHAREHOLDER'S FUNDS AND LIABILITIES			
SHAREHOLDER'S FUNDS:			
Share Capital		700.000.000	700.000.000
Own shares		-	-
Supplementary capital		-	-
Legal reserve		2.399.639	1.340.138
Revaluation reserve		-	-
Translation reserve		(1.065.070)	95.244
Merge reserve		245.920.750	245.920.750
Other reserves		6.235.399	25.304.876
Retained earnings		-	-
Net profit (loss) for the period		6.750.824	21.190.023
Total Shareholder's Funds	12	960.241.543	993.851.033
LIABILITIES:			
NON CURRENT LIABILITIES			
Bank loans - long term-net of short-term portion	13	194.375.000	75.625.000
Debenture loans - long term-net of short-term portion	13	302.147.961	431.336.457
Finance lease creditors - long term - net of short-term portion		-	-
Derivatives		-	-
Other loans		-	-
Obligations arising from pensions : defined benefit plans	14	269.678	238.079
Obligations arising from share based payments		-	-
Other non current creditors		-	-
Deferred tax liabilities		-	-
Provisions		-	-
Total Non Current Liabilities		496.792.639	507.199.536
CURRENT LIABILITIES:			
Current portion of long term bank loans	13	6.250.000	6.250.000
Bank loans - short term	13	20.000.000	-
Current portion of long term debenture loans	13	80.000.000	100.000.000
Current portion of long term finance lease creditors		-	-
Finance lease creditors		-	-
Derivatives	20	1.168.770	-
Other loans		-	-
Trade creditors	15	421.406	612.675
Other creditors	16	78.726.245	87.183.030
Taxes and other contributions payable	16	371.644	352.261
Other current liabilities	17	9.306.602	8.937.489
Obligations arising from share based payments		-	-
Obligations arising from pensions:defined benefit plans		-	-
Provisions		-	-
Total Current Liabilities		196.244.667	203.335.454
Liabilities related to non current assets held for sale		-	-
TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES		1.653.278.849	1.704.386.023

Sonae Indústria, SGPS,SA

INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2008 AND 2007

(Amounts in Euros)

	<u>Notes</u>	<u>31.12.08</u>	<u>31.12.07</u>
Operating Income:			
Sales		-	-
Services rendered	23	3.814.233	2.796.587
Changes in fair value of investment property		-	-
Other operating income		539.168	739.368
Total operating income		<u>4.353.400</u>	<u>3.535.955</u>
Operating Costs			
Cost of sales		-	-
Changes in stock and work in progress		-	-
External supplies and services		(2.586.676)	(3.038.841)
Staff costs		(2.776.524)	(3.302.655)
Amortisation and depreciation		(25.989)	(28.716)
Provisions and impairment losses			(337.428)
Other operating costs	24	<u>(384.257)</u>	<u>(293.639)</u>
Total operating costs		<u>(5.773.445)</u>	<u>(7.001.279)</u>
Operating profit/loss		<u>(1.420.045)</u>	<u>(3.465.324)</u>
Financial profit / loss	25	5.197.854	11.995.281
Profit / loss from associated companies		-	-
Profit / loss from other investments	26	<u>2.498.080</u>	<u>5.804.673</u>
Profit / loss before tax		6.275.889	14.334.629
Income taxation	27	326.518	655.394
Deferred tax assets	27	<u>148.417</u>	<u>6.200.000</u>
Net Profit / loss from continuing operations		6.750.824	21.190.023
Profit / loss from discontinued operations			
Net profit / loss for the period		<u><u>6.750.824</u></u>	<u><u>21.190.023</u></u>

Sonae Indústria, SGPS,SA

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2008 AND 2007
(Amounts in Euros)

	Share Capital	Own Share	Share Premiums	Supplementary Capital	Reserves					Retained Earnings	Net Profit / loss	Total
					Legal Reserve	Merge Reserve	Fair Value Reserve	Hedging Reserve	Other Reserves			
Balance at 1 January 2007	700.000.000	-	-	-	59.994	245.920.750	-	-	982.137	-	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	<u>700.000.000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.340.138</u>	<u>245.920.750</u>	<u>-</u>	<u>95.244</u>	<u>25.304.878</u>	<u>-</u>	<u>21.190.023</u>	<u>993.851.033</u>
Balance at 1 January 2008	700.000.000	-	-	-	1.340.138	245.920.750	-	95.244	25.304.878	-	21.190.023	993.851.033
Apropriation of profits from 2007:												
Transfer to legal reserve	-	-	-	-	1.059.501	-	-	-	-	(1.059.501)	-	-
Distribution dividends	-	-	-	-	-	-	-	-	(19.069.478)	(20.130.522)	-	(39.200.000)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	21.190.023	(21.190.023)	-
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 2008	-	-	-	-	-	-	-	-	-	-	6.750.824	6.750.824
Other	-	-	-	-	-	-	-	(1.160.314)	-	-	-	(1.160.314)
Balance at 31 December 2008	<u>700.000.000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.399.639</u>	<u>245.920.750</u>	<u>-</u>	<u>(1.065.070)</u>	<u>6.235.400</u>	<u>-</u>	<u>6.750.824</u>	<u>960.241.543</u>

CASH FLOW STATEMENT

	31.12.2008	31.12.2007
OPERATING ACTIVITIES		
Cash receipts from trade debtors	3.800.095	3.130.284
Cash paid to trade creditors	3.186.144	2.790.801
Cash paid to employees	2.783.725	2.964.461
Operational Cash Flow	-2.169.774	-2.624.978
Corporate income tax paid / received	-896.136	-513.209
Other cash receipts and payments relating to operating activities	739.890	-159.118
Net cash flow from operating activities [1]	-533.748	-2.270.887
INVESTMENTS ACTIVITIES:		
Cash receipts arising from:		
Financial investments	354.985	42.578.805
Tangible assets		2.275
Intangible assets		
Interest assets and similar income	51.469.168	5.174.487
Dividends	2.498.080	5.403.768
	54.322.233	53.159.335
Cash payments owing to:		
Financial investments	5.472.647	340.776.612
Tangible assets	1.413	4.935
Intangible assets		3.150
	5.474.060	340.784.697
Increase / decrease in granted loans	14.993.588	-350.081.750
Net cash flow from investing activities [2]	33.854.585	62.456.387
FINANCIAL ACTIVITIES		
Cash receipts arising from:		
Loans	2.873.200.000	
	2.873.200.000	0
Cash payments owing from:		
Interest and similar costs	40.170.134	32.760.170
Dividends	39179599	
Loans	2.884.450.000	32.760.170
	2.963.799.733	
Increase / decrease in loans	-8.725.579	-35.785.794
Net cash flow from financing activities [3]	-99.325.311	-68.545.964
Net increase / decrease in cash and cash equivalents	-66.004.473	-8.360.463
Cash and cash equivalents - opening balance	89.410.824	97.771.288
Cash and cash equivalents - close balance	23.406.351	89.410.825
Net increase / decrease in cash and cash equivalents	-66.004.473	-8.360.463



SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2008

(Amounts expressed in euros)

1. Introduction

SONAE INDÚSTRIA, SGPS, S.A. is based at Lugar do Espido, Via Norte, Apartado 1096, 4470-177 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 costumers". The impairment losses are recorded when the company know that never go to 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,

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

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 hired prior to 31/12/94, according to which they shall be entitled to receive a pension in the amount of 20% of their salary at that date.

It is a Defined Benefits Plan in the form of an insurance policy.

2.11. Contingent assets and liabilities

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

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



2.12. Income tax

Income tax for the year is determined based on the taxable income of the Company, considering the interim period profit and using the estimated effective average annual income tax rate.

In 2008, Ecociclo II - Energias, 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.,Sonae Serviços de Gestão ,S.A and Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.

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

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

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

2.13. Revenue recognition and accrual basis

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

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

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



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

2.14. 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 Industria 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 Industria, SGPS does not hedge its exposure to floating interest rates.



As an exception to its general rule, Sonae Industria 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 2008, Sonae Industria did not hold material investments classified as “available-for-sale”.

b) Liquidity Risk Management Policy

Liquidity risk management in Sonae Industria 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 unfavorable 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 2008 and 31 December 2007, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

Dez-08							
	Land & Building	Plant & Machinery	Vehicles	Tools	Fixtures & Fittings	Other Tangible Assets	Tangible Assets in Progress
Gross Value							
Opening Balance		40.647			129.001		169.648
Acquisitions							3.124
Transfers		298			2.826		-3.124
Closing Balance		40.945			131.827		172.772
Accumulated Depreciations & Impairment Losses							
Opening Balance		24.107			120.866		144.973
Depreciations		9.475			4.076		13.551
Closing Balance		33.581			124.942		158.524
Net Value		7.364			6.885		14.248

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		164.760
Acquisitions							4.889
Transfers		2.349			2.540		-4.889
Closing Balance		40.647			129.001		0
Accumulated Depreciations & Impairment Losses							
Opening Balance		14.326			114.370		128.695
Depreciations		9.782			6.496		16.278
Closing Balance		24.107			120.866		144.973
Net Value		16.540			8.135		24.675



4. Intangible Assets

During the periods ended 31 December 2008 and 31 December 2007, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	Dez-08					
	R&D Expenses	Patents, Royalties & Other Rights	Software	Other Intangible Assets	Intangible Assets in Progress	Total
Gross Value						
Opening Balance	62 187					62 187
Acquisitions					3 150	3 150
Transfers					- 3 150	- 3 150
Closing Balance	62 187					62 187
Accumulated Depreciations & Impairment Losses						
Opening Balance	45 606					45 606
Depreciations	12 438					12 438
Closing Balance	58 044					58 044
Net Value	4.143	-	-	-	-	4.143

	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
Acquisitions					3 510	3 510
Transfers						
Closing Balance	62 187				3 510	65 697
Accumulated Depreciations & Impairment Losses						
Opening Balance	33 168					33 168
Depreciations	12 438					12 438
Closing Balance	45 606					45 606
Net Value	16.581	-	-	-	3.510	20.091



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
31 December 2008								
Non current assets								
Available for sale investments	6				117 922	117 922		117 922
Other non current assets	8	690 090 455				690 090 455		690 090 455
Current assets								
Customers	9	456 839				456 839		456 839
Other current debtors	9						366 220	366 220
Other current assets	10						221 544	221 544
Derivative instruments	20			216 108		216 108		216 108
Cash and cash equivalents	11	23 406 351				23 406 351		23 406 351
Total		713 953 645		216 108	117 922	714 287 675	587 764	714 875 440
31 December 2007								
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
Total		770 714 016		136 807	117 922	770 968 745	951 922	771 920 666
	Note	Liabilities at fair value through profit or loss	Hedge derivatives	Other financial Liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total	
31 December 2008								
Non current liabilities								
Bank loans - net of short term portion	13			194 375 000	194 375 000		194 375 000	
Debentures - net of short term portion	13			302 147 961	302 147 961		302 147 961	
Current liabilities								
Bank loans	13			26 250 000	26 250 000		26 250 000	
Debentures	13			80 000 000	80 000 000		80 000 000	
Trade creditors	15			421 406	421 406		421 406	
Derivatives	20		1 168 770		1 168 770		1 168 770	
Other creditors	16			77 583 000	77 583 000	1 143 245	78 726 245	
Other current liabilities	17					9 306 602	9 306 602	
Total			1 168 770	680 777 367	681 946 137	10 449 847	692 395 984	
31 December 2007								
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 liabilities								
Bank loans	13			6 250 000	6 250 000		6 250 000	
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	
Total				700 133 070	700 133 070	9 811 581	709 944 650	



6. Investments

At 31 December 2008 and 31 December 2007, details of investments were as follows:

	31.12.2008		31.12.2007	
	Non Current	Current	Non Current	Current
<u>Investment Group Companies</u>				
Opening Balance	933.342.602		634.824.394	
Acquisition	5.472.647		340.676.612	
Disposal	(495.237)		(42.588.781)	
Others			430.377	
Closing Balance	938.320.012		933.342.602	
Accumulated Impairment Losses	(11.010.217)		(11.500.469)	
	<u>927.309.795</u>		<u>921.842.133</u>	
<u>Other financial applications</u>				
Opening Balance	117.922		17.922	
Acquisition			100.000	
Disposal	-		-	
Closing Balance	<u>117.922</u>		<u>117.922</u>	
<u>Derivate financial instruments</u>				
Opening Balance		136.807		
Acquisition				136.807
Disposal		119.479		
Fair Value		198.781		
Others				
Closing Balance		<u>216.108</u>		<u>136.807</u>
	<u>927.427.716</u>	<u>216.108</u>	<u>921.960.055</u>	<u>136.807</u>

The amount recognised as disposal of Investments in Group Companies relates to the disposal of Sonae Industria Brasil amounting to 490.252 euros and to the reduction in share capital of Somit Imobiliária, S.A. amounting to 4.985 euros.

The amount recognized during the period as acquisition under Investments in Group Companies is related to the increase in capital share of Agloma Investimentos, SGPS, S.A. amounting 5.000.000 euros, the acquisition of 100 shares of Sonae RE, S.A. amounting 500 euros and by the coverage of losses in Sonae Industria – Produção e Comercialização de Derivados de Madeira, S.A. amounting 472.147 euros.

Interest rate hedge derivatives (note 2) were recorded at fair value.

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



At 31 December 2008, Sonae Industria, SGPS had the following holdings in Group and Associated Companies:

Company	% Share	Acquisition Value	Shareholder's Funds Dez-08	Net Profit Dez-08
Euroresinas - Industrias Químicas, S.A.	100,00%	5.838.525	5.287.891	-1.015.426
Maiequipa - Gestão Florestal, S.A.	100,00%	3.438.885	646.319	-29.622
Movelpartes - Componentes para Industria do Mobiliário, S.A.	100,00%	8.180.114	6.444.256	-248.733
Sonae Industria de Revestimentos, S.A.	99,98%	21.726.867	12.557.991	170.418
Imoplamac - Gestão de Imóveis, S.A.	100,00%	6.000.000	1.062.142	223.949
Sonae Serviços de Gestão, S.A.	100,00%	2.000.000	3.331.439	265.084
Sonaegest	20,00%	159.615	1.799.135	125.023
Taiber	0,02%	25.142	60.517.993	51.328.847
Tafisa - Tableros de Fibras, S.A.	96,63%	849.919.750	324.672.996	17.307.129
Ecociclo - Gestão Ambiental, S.A.	100,00%	631.267	1.205.362	118.243
Somit Imobiliária, S.A.	0,02%	15	15.118.952	1.934.681
Sonae Industria - Produção e Comercialização de Derivados de Madeira, S.A.	2,81%	3.497.772	83.341.567	3.930.580
Siaf Energia, S.A.	0,20%	5.000	4.742.793	2.082.492
Siaf Imobiliária, S.A.	0,02%	10	5.609.510	1.011.241
Agloma - Soc. Ind. Madeira Aglomerada, S.A.	100,00%	31.896.550	23.023.812	844.622
Agloma Investimentos, SGPS, S.A.	6,54%	5.000.000	82.289.835	-3.144.062
Sonae RÊ, S.A.	4,00%	500	1.250.000	166

a) The values recorded for the holdings in Agloma, Maiequipa 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 Industria, PCDM, SA were prepared in accordance with IFRS/IAS;

c) In 2008, Somit Imobiliária, S.A. reduced its share capital by 22.432.500 euros, from 22.500.000 euros to 67.500 euros by means of cancellation of 4.486.500 shares with a nominal value of 5 euros each. The number of shares owned by Sonae Industria, S.A. decreased by 997.

d) Agloma Investimentos, S.A. increased its capital share in 65.000.000 euros with the issuance of 13.000.000 new shares at a nominal value of 5 euros. The number of shares owned by Sonae Industria, S.A. increased by 1.000.000.

e) During 2008, Sonae Industria – Produção e Comercialização de Derivados de Madeira, S.A. shareholders covered losses from previous years amounting to 16.802.376 euros. The investment made by Sonae Industria amounted to 472.147 euros.



7. Deferred tax

Details of deferred tax asset at December 31, 2008 and December 31, 2007 were as follows:

	Deferred tax assets	
	31.12.08	31.12.07
Assets impairment	2.326.102	3.047.624
Financial Instruments	-	-
Prior years fiscal losses (Nota 27)	7.069.940	6.200.000
	<u>9.396.042</u>	<u>9.247.624</u>
	Deferred tax assets	
	31.12.08	31.12.07
Opening balance	9.247.624	3.047.624
Profit/loss effects		
Assets impairment	(721.523)	-
Prior years fiscal losses (Nota 27)	869.940	6.200.000
	<u>148.417</u>	<u>6.200.000</u>
Closing balance	<u>9.396.042</u>	<u>9.247.624</u>

8. Other Non Current Assets

Details of Other Non Current Assets at December 31, 2008 and December 31, 2007, were as follows:

	31.12.08	31.12.07
Loans Granted To Group Companies (Nota 2.2 e 22)	690 090 455	680 160 458
Other Loans Granted	0	0
Tax Recoverable	0	0
Other Non- Current Assets	<u>0</u>	<u>0</u>
	690 090 455	680 160 458
Accumulated Imparment Losses (Nota 18)	<u>690 090 455</u>	<u>680 160 458</u>

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 6,345%.



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

At 31 December 2008 and 31 December 2007, details of Current Trade Debtors were as follows:

	31.12.08	31.12.07
Current Accounts	456 839	442 702
Bills Receivable	0	0
Doubtful Debtors	0	0
	<u>456 839</u>	<u>442 702</u>
Accumulated Impairment Losses	0	0
	<u>456 839</u>	<u>442 702</u>

At 31 December 2008 and 31 December 2007, detail of trade debtors maturities was as follows:

AGEING OF TRADE DEBTORS			
		31.12.08	31.12.07
Not Due		<u>417.194</u>	<u>408.873</u>
Due and not impaired			
	0 - 30 dias	39.645	33.829
	30 - 90 dias	-	-
	+ 90 dias	-	-
		<u>39.645</u>	<u>33.829</u>
Due and impaired			
	0 - 90 dias	-	-
	90 - 180 dias	-	-
	180 - 360 dias	-	-
	+ 360 dias	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
	Total	<u>456.839</u>	<u>442.702</u>

At 31 December 2008 and 31 December 2007, details of Other Current Trade Debtors and State and other public entities were as follows:

	31.12.08	31.12.07
State & Other Public Entities		
Income Tax	1 226 545	1 025 846
Value Added Tax	452 637	305 348
Social Security Contributions		
Others Debtors	<u>366 220</u>	<u>619 557</u>
Assets out of scope of IFRS7	<u>2 045 402</u>	<u>1 950 751</u>
Other Debtors		<u>700.032</u>
Financial instruments	-	<u>700.032</u>



At 31 December 2008 and 31 December 2007, Others Debtors matured as follows:

	AGEING OF OTHER DEBTORS	
	31.12.08	31.12.07
Not Due	-	-
Due and not impaired		
0 - 30 dias	-	700.032
30 - 90 dias	-	-
+ 90 dias	-	-
	<u>-</u>	<u>700.032</u>
Due and impaired		
0 - 90 dias	-	-
90 - 180 dias	-	-
180 - 360 dias	-	-
+ 360 dias	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>700.032</u>

10. Other Current Assets

Details of Other Current Assets at 31 December 2008 and 31 December 2007 were the following:

	31.12.08	31.12.07
Accrued Revenue	213 619	327 375
Deferred Costs	<u>7 926</u>	<u>4 990</u>
	221 545	332 365
Accumulated Impairment Losses	<u>0</u>	<u>0</u>
Assets out of scope of IFRS7	<u>221 545</u>	<u>332 365</u>

Accrued Revenue includes mainly interest due but not paid related to loans to group companies.



11. Cash and Cash equivalents

At 31 December 2008 and 31 December 2007 detail of Cash and cash equivalents was the following:

	31.12.08	31.12.07
Cash at Hand	1 211	1 192
Deposits	170 699	247 565
Treasury Applications	23 234 441	89 162 066
Cash & Cash Equivalents - Balance Sheet	23 406 351	89 410 824
Bank Overdrafts	0	0
Cash & Cash Equivalents - Cash Flows Statement	23 406 351	89 410 824

Cash & equivalents comprise 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 15.993.441 euros related to the Group Securitization program, and by various financial operations with Group companies amounting to 7.241.000 euros.

12. Share Capital

On December 31, 2008, 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 2008:

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

13. Loans



At 31 December 2008 and 31 December 2007 Sonae Industria, SGPS, S.A had the following outstanding loans:

	31.12.08				31.12.07			
	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	9 375 000	6 250 000	9 375 000	6 250 000	15 625 000	6 250 000	15 625 000
Debentures	80 000 000	302 147 961	80 000 000	305 000 000	100 000 000	431 336 457	100 000 000	435 000 000
Obligations Under Finance Leases								
Other Loans	20 000 000	185 000 000	20 000 000	185 000 000		60 000 000		60 000 000
Bank Overdrafts								
Hedge Derivatives								
Gross Debt	106 250 000	496 522 961	106 250 000	499 375 000	106 250 000	506 961 457	106 250 000	510 625 000
Investments								
Cash & Cash Equivalents - Balance Sheet	23 406 351		23 406 351		89 410 824		89 410 824	
Net Debt	82 843 649	496 522 961	82 843 649	499 375 000	16 839 176	506 961 457	16 839 176	510 625 000
Total Net Debt	579 366 610		582 218 649		523 800 633		527 464 176	

The loans have the following repayment schedule:

	31.12.08	31.12.07
2008		106 250 000
2009	106 250 000	86 250 000
2010	91 250 000	191 250 000
2011	78 125 000	3 125 000
2012	75 000 000	25 000 000
Após 2012	255 000 000	205 000 000
	605 625 000	616 875 000

At December 31, 2008, the contracted loans are summarized as follows:

- Sonae Industria 2004 bonds, issued on 15 October 2004, with a principal amount of 80.000.000 euros, and 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;
- Sonae Industria 2005/2013 bonds, issued on 31 March 2005, with a principal amount of 55.000.000 euros, and a single 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;
- During first semester 2005, 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 Industria 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 2008, the principal outstanding was 15.625.000 euros;



d) Sonae Industria 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 at EURIBOR 6 months plus 87.5 basis points and will be paid twice a year on 28 March and 28 September;

e) On 25 January 2006, Sonae Industria signed and subsequently added a Commercial Paper agreement of up to 240.000.000 euros, with a number of financial institutions. The programme matures on 27 January 2016. At 31 December 2008, the balance was kept at 205.000.000 euros. Interest is calculated at the EURIBOR rate that matches the maturity of the issue.

f) Sonae Industria 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 at EURIBOR 6 months plus 86 basis points and will be paid twice a year on 3 January and 3 July;

g) Sonae Industria 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 at EURIBOR 6 months plus 88 basis points and will be paid twice a year on 2 February and 2 August;

h) Sonae Industria 2008/2013 50.000.000 euros Bond issued on 7 January 2008, to be repaid in one payment at maturity in 5 years. Interest is calculated at EURIBOR 6 months plus 60 basis points and will be paid twice a year on 7 January and 7 July;

i) Sonae Industria 2008/2012 50.000.000 euros Bond issued on 28 April 2008, to be repaid in one payment at maturity in 4 years. Interest is calculated at EURIBOR 6 months plus 80 basis points and will be paid twice a year on 28 April and 28 October.

14. Pension Fund Liabilities

Sonae Industria – Produção e Comercialização de Derivados de Madeira, S.A, has an insurance policy for employees hired prior to 31/12/94, according to which they shall be entitled to receive a pension in the amount of 20% of their salary at that date. Sonae Industria, SGPS, S.A. employees are also covered by this plan.

This is a Defined Benefits Plan in the form of an insurance contract.

According to actuarial studies carried out by the fund manager, total liabilities for services provided, taking into account salary growth, amounted to 403.611 euros and the market value of the fund is 133.933 euros. The company had a provision of 269.678 euros.



The actuarial assumptions were as follows:

Pension Growth Rate: 0%
 Forecasted Income Rate: 5%
 Expected Salary Growth Rate: 3%
 Technical Actuarial Rate: 5%
 Mortality Rate: TV 88/90

15. Trade Creditors

At 31 December 2008 and 31 December 2007 all amounts recorded under this item resulted from normal operations.

Trade creditors mature as follow:

MATURITY OF TRADE CREDITORS		
	31.12.08	31.12.07
To be Paid		
< 90 dias	421.406	612.675
90 - 180 dias	-	-
> 180 dias	-	-
	<u>421.406</u>	<u>612.675</u>

16. Other Creditors and State & Other Public Entities

At 31 December 2008 and 31 December 2007 details of this item were as follows:

	31.12.08	31.12.07
State & Other Public Entities		
Income Tax	334 753	321 076
Social Security Contributions	36 806	31 106
Others	85	80
Liabilities out of scope of IFRS7	<u>371 644</u>	<u>352 261</u>
Other Creditors		
Loans From Group Companies (Nota 19)	77 583 000	86 308 938
Fixed Assets Suppliers		
Fornecedores Imobil. c/c CP		
Others		
Financial Instruments	<u>77.583.000</u>	<u>86.308.938</u>
Others Creditors	<u>1.143.245</u>	<u>874.092</u>
Liabilities out of scope of IFRS7	<u>1.143.245</u>	<u>874.092</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 2008 and 31 December 2007 this item had the following detail:

	31.12.08	31.12.07
Accrued Costs		
Insurance	5 945	955
Holidays	265 516	198 427
Bonus	489 122	604 762
Interests	8 476 373	7 723 898
External Supplies & Services	69 646	409 447
Liabilities out of scope of IFRS7	9 306 602	8 937 489

18. Provisions & Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended December, 2008 were the following:

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Impairment Losses on Investments (Nota 5)	11 500 469	0	0	490 252	11 010 217
Accumulated Impairment Losses on Other Non Current Assets (Nota 6)		0	0		0
	11 500 469	0	0	490 252	11 010 217

Impairment losses are offset against the corresponding asset. Reduction of impairment losses on Other Non Current Assets is related with the subsidiary Sonae Indústria Brasil which was written off when this company was sold.

19. Operational Leases



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 (Note 13)	Interest	Total
2009	106.250.000	23.624.842	129.874.842
2010	91.250.000	17.901.805	109.151.805
2011	78.125.000	24.565.411	102.690.411
2012	75.000.000	15.913.396	90.913.396
2013	155.000.000	10.709.522	165.709.522
2014	100.000.000	4.570.085	104.570.085
	<u>605.625.000</u>	<u>97.285.061</u>	<u>702.910.061</u>

The calculation of interest in the previous table was based on interest rates at 31 December 2008 applicable to each item of debt. Gross debt maturing in 2009 includes scheduled repayment of debt along with the repayment of debt as at end 2008 maturing within less than one year (although some credit limits might be rolled over).

Sensitivity Analysis						
2008			2007			
"Notional"	Efeitos em resultados (Valores em Eur)		"Notional"	Efeitos em resultados (Valores em Eur)		
	0,75%	-0,75%		0,75%	-0,75%	
Gross Debt						
Group	-77.583.000	-629.175	629.175	-86.308.938	-755.406	755.406
External	-605.625.000	-3.841.031	3.841.031	-616.875.000	-3.395.064	3.395.064
	<u>-683.208.000</u>	<u>-4.470.206</u>	<u>4.470.206</u>	<u>-703.183.938</u>	<u>-4.150.470</u>	<u>4.150.470</u>
Financial Instruments						
Derivatives	250.000.000	668	-668	50.000.000		
	<u>250.000.000</u>	<u>668</u>	<u>-668</u>	<u>50.000.000</u>		
Loans to Group Companies	697.331.455	5.570.487	-5.570.487	750.841.458	6.477.405	-6.477.405
Treasury Applications	15.993.441	133.181	-133.181	18.481.066	219.151	-219.151
	<u>713.324.896</u>	<u>5.703.668</u>	<u>-5.703.668</u>	<u>769.322.524</u>	<u>6.696.556</u>	<u>-6.696.556</u>
		<u>1.901.102</u>	<u>-1.901.102</u>		<u>2.546.086</u>	<u>-2.546.086</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	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Parent Company & Group Companies	3 827 941	2 793 177	966 949	1 249 426	45 421 969	45 354 962	4 182 630	4 082 404
- Agloma	1.874	1.636					1.074.993	1.391.897
- Agloma Investimentos						2.426		
- Ecociclo	13.607	8.213			66.434	75.488	1.955.133	255.966
- Ecociclo II					220.941	16.198		
- Euroresinas	30.573	13.164			2.105.909	1.551.802		217
- Glunz	1.000.384	597.079						
- Implamac		3.273			214.296	151.687		
- Sind-pcdm	428.792	347.088	164.669	473.886	5.594.171	2.515.101		
- Isoroy	595.451	434.878						
- Maiequipa	3.704	3.273			71.599	60.555		
- Movelpartes	30.573	4.049					131.612	75.033
- Resoflex		1.500						24.294
- Sc - Consultadoria			28.654	17.332				
- Siaf Imobiliária	4.061	3.273			269.744	134.411	35.374	331.435
- Siaf Energia	2.409	1.985			129.594	239.450	35.596	13.494
- Sonae Industria Revestimentos	31.499	22.086	12.372	8.379	339.342	138.707		325.627
- Sonaecenter			384.144					
- Somit		1.636				1.396		
- Somit Imobiliária		1.636			283.443		840.249	1.606.839
- Solinca			10.311	28.262				
- Sonae ,sgps			13.150	363.896				
- Sonae Uk	223.995	205.523		8.051				
- Spanboard								
- Sind - Share Services Center	7.082	7.855	54.021	55.001			86.875	57.602
- Tafisa Benelux	5.584							
- Tafisa Canadá	465.990	398.545						
- Tafisa Espanha	468.810	377.991		826				
- Tafisa South Africa	480.661	358.496						
- Tavapan	32.892							
- Taiber					36.126.496	40.467.740		
- Tradema			192					
- Imosede			21.627	21.028				
- Novis			16.302	4.015				
- Efanor			66.000					
- Praedium III			9.841	9.018				
- Optimus				16.759				
- Mds				6.960				
- Digitmarket			70	376				
- Smp				180				
- Cronosaude				1.370				
- Efanor				66.000				
- Sonae Imobiliária III				918				
- Sonaecom			14.576					
- Equador			171.020	167.168				
- Efanor ,Sgps							22.798	
Empresas associadas	0	3.409			0	41.927		
- Ipaper		3.409				41.927		

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

Total Fixed salaries	834.161
Total Bonus	449.865
	<u>1.284.025</u>



Balance	Accounts Receivable		Accounts Payable		Loans			
					Obtained		Granted	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Parent Company & Group Companies	456 839	442 702	182 281	490 872	77 583 000	86 308 938	697 331 455	750 841 458
- Agloma	187	165				23.170.000		
- Agloma Investimentos					77.583.000	11.167.938		
- Ecociclo	1.928	901					881.002	741.966
- Ecociclo II							6.765.000	1.597.000
- Euroresinas	3.722	1.650					30.699.640	31.568.916
- Sonae Espanha								
- Glunz	103.181	81.569						
- Implamac		330					4.217.163	3.353.000
- Sind-pcdm	57.260	66.952	33.895	28.238			97.515.148	68.414.822
- Isoroy	63.356	60.918						
- Maiequipa	370	330					1.184.194	1.189.193
- Movelpartes	3.722	558				2.965.000		
- Resoflex								
- Sc - Consultadoria			3.085	5.244				
- Siaf Imobiliária	406	330					3.691.852	4.732.489
- Siaf Energia	241	199				1.065.000		4.214.405
- Sonae Industria Revestimentos	3.834	2.294	2.437	865			6.601.074	5.185.000
- Somit		165						
- Somit Imobiliária		165				46.161.000	16.164.654	
- Solinca			4.153	2.850				
- Sonae ,sgps				50.447				
- Sonae Uk	29.970	48.939						
- Spanboard								
- Sind - Share Services Center	1.241	842	10.804	5.546		1.780.000		
- Tafisa Benelux	465							
- Tafisa Canadá	88.916	84.551						
- Tafisa Espanha	52.833	56.177		345.822				
- Tafisa South Africa	42.301	29.875						
- Taiber							529.611.728	629.844.667
- Tradema		5.794						
- Tavapan	2.906							
- Efanor				19.965				
- Novis			3.090	837				
- Optimus				2.102				
- Sonaecenter			51.091					
- Praedium III			993	1.005				
- Efanor			19.800					
- Sonaecom			20.321					
- Equador			32.612	27.952				

23. Services Rendered

Details of Services Rendered are presented below:

Services Rendered	31.12.08	31.12.07
Internal Communication	279.408	299.356
Legal	223.342	142.723
Health & security	146.329	100.267
Administration	1.935.964	1.369.875
Engineering	681.204	491.349
Others	547.985	393.018
TOTAL	3.814.231	2.796.587

24. Other Operational Costs

	31.12.08	31.12.07
Taxes	145.582	226.039
Losses in disposal financial investment	140.252	9.976
Others	98.422	57.624
	384.257	293.639



25. Financial Results

	31.12.08	31.12.07
Financial Expenses:		
Interest Expenses	40 956 643	34 656 778
Exchange Losses	6 052	1 165
Others	909 503	464 328
Financial Results	5 197 854	11 995 281
	<u>47 070 052</u>	<u>47 117 552</u>
Financial Revenues		
Interest Income	46 246 775	47 075 615
Exchange Gains	3 757	374
Others	819.520	41.563
	<u>47.070.052</u>	<u>47.117.552</u>

26. Gains on Investments

The company received dividends of 2.498.080 euros from the following companies:

Aglom - Soc.Ind.Madeira Aglomerada,S.A.	982.180
Euroresinas - Industrias Quimicas,S.A.	573.331
Sonae Industria - Produção e Comercialização Derivados de Madeira,S.A.	506.766
Imoplamac - Gestão de Imóveis,S.A.	225.222
Sonae Industria de Revestimentos,S.A.	202.197
Somit Imobiliária,S.A.	6.615
Siaf Energia,S.A.	1.769

27. Income Taxation

The income and deferred taxation recorded at 31 December 2008 and 2007 were:

	31.12.08	31.12.07
Income taxation	(326.518)	(655.394)
Deferred taxation	<u>(148.417)</u>	<u>(6.200.000)</u>
	<u>(474.935)</u>	<u>(6.855.394)</u>

The income taxation includes tax savings from the tax perimeter of 413.580 euros along with income tax on specific items and local taxes in the amount of 81.593 euros.

A deferred tax asset related to tax losses amounting to 869.940 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:

	31.12.08	31.12.07
Net Income/(Loss) Before Yax	6.275.889	14.334.629
<u>Adjustments in Net Income Before Tax</u>		
Non-deductible provisions (e.g. restructuring and other risks & charges)	31.599	45.413
Non deductible assets adjustments (e.g.debt and inventory)	-490.252	400.906
Capital gains/losses on the sale of fixed assets	140.252	
Dividends	-2.499.555	-1.350.942
Others	-113.980	-13.358
	-2.931.936	-917.982
Net Income/(Loss) Before Yax after adjustments	3.343.953	13.416.647
Income taxation	835.988	3.354.162
Utilisation of prior year losses without deferred tax assets	835.988	3.354.162
Deferred tax assets recognized	-869.940	-6.200.000
Deferred tax assets reversal - impairment losses	721.523	
Current tax - prior year adjustment	5.469	148.620
Fiscal saving from fiscal perimeter	81.571	-774.932
Excess/insufficiency of valuation	-413.558	-29.082
	-474.935	-6.855.394

28. Earnings Per Share

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

	31.12.08	31.12.07
Net Profit		
Net Profit Considered for Basic EPS Calculation (Periodic Net Profit)	6 750 824	21 190 023
Net Profit Considered for Diluted EPS Calculation	6 750 824	21 190 023
Number of Shares		
Weighted Average Number of Shares for Basic EPS Calculation	140 000 000	140 000 000
Weighted Average Number of Shares for Diluted EPS Calculation	140 000 000	140 000 000
Net Profit Per Share	0,05	0,15

During 2008, 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 in 19 February 2009.

Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Euros)

ASSETS		Notes	IFRS	
			31.12.2008	31.12.2007
NON CURRENT ASSETS:				
Tangible assets	11	1 202 504 678	1 342 821 348	
Goodwill	14	103 811 638	100 086 856	
Intangible assets	12	12 490 658	10 836 148	
Investment properties	13	8 114 976	8 270 032	
Associated undertakings and non consolidated undertakings	10	3 075 688	3 414 225	
Investment available for sale	10	389 763	1 602 518	
Deferred tax asset	15	53 985 797	48 605 752	
Other non current assets	16	1 751 010	1 632 731	
Total non current assets		1 386 124 208	1 517 269 610	
CURRENT ASSETS:				
Inventories	17	192 882 429	257 715 327	
Trade debtors	18	199 825 603	260 140 025	
Other current debtors	19	15 418 674	21 839 466	
State and other public entities	21	30 835 909	30 154 245	
Other current assets	20	27 529 412	14 778 315	
Cash and cash equivalents	22	65 750 257	65 883 548	
Total current assets		532 242 284	650 510 926	
TOTAL ASSETS		1 918 366 492	2 167 780 536	
SHAREHOLDERS' FUNDS, MINORITY INTERESTS AND LIABILITIES				
SHAREHOLDERS' FUNDS:				
Share capital	23	700 000 000	700 000 000	
Own shares				
Legal Reserve	23	2 399 639	1 340 138	
Reserves and retained earnings	23	- 196 851 529	- 184 863 692	
Net profit (loss) for the period - Group		- 108 447 796	78 612 713	
Total shareholders' funds		397 100 314	595 089 159	
Minority interests	24	3 072 691	33 742 417	
TOTAL SHAREHOLDERS' FUNDS		400 173 005	628 831 576	
LIABILITIES:				
NON CURRENT LIABILITIES:				
Long term bank loans - net of short-term portion	25	268 056 483	187 543 520	
Non convertible debentures	25	302 147 961	431 336 457	
Long term Finance Lease Creditors - net of short-term portion	25	47 949 761	51 100 454	
Other loans	25	148 419 100	34 506 252	
Pensions liabilities	29	25 244 259	22 935 627	
Other non current liabilities	28	118 741 078	124 751 509	
Deferred tax liabilities	15	69 902 362	69 968 231	
Provisions	33	37 498 938	40 061 308	
Total non current liabilities		1 017 959 942	962 203 358	
CURRENT LIABILITIES:				
Short term portion of long term bank loans	25	31 507 509	38 874 701	
Short term bank loans	25	74 070 252	16 730 627	
Short term portion of long term non convertible debentures	25	80 000 000	100 000 000	
Short term portion of Finance Lease Creditors	25	3 535 578	3 465 063	
Other loans	25	301 760	504 957	
Trade creditors	30	165 920 462	226 228 686	
Taxes and Other Contributions Payable	31	16 307 234	29 638 918	
Other current liabilities	32	116 981 282	155 539 419	
Provisions	33	11 609 467	5 763 231	
Total current liabilities		500 233 545	576 745 602	
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1 918 366 492	2 167 780 536	

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 2008 AND 2007

(Amounts expressed in Euros)

	Notes	IFRS			
		31.12.2008	2nd. half 2008	1st. half 2008	31.12.2007
Operating revenues					
Sales	41	1 761 563 732	800 908 311	960 655 421	2 056 119 499
Services rendered	41	7 489 459	3 310 821	4 178 638	10 165 769
Negative goodwill					685 753
Other operating revenues	3,36	114 340 432	37 316 579	77 023 853	128 937 845
Total operating revenues		<u>1 883 393 623</u>	<u>841 535 711</u>	<u>1 041 857 912</u>	<u>2 195 908 866</u>
Operating costs					
Cost of sales		929 577 834	428 023 407	501 554 427	1 016 305 254
(Increase) / decrease in production		25 793 943	28 834 822	- 3 040 879	- 17 237 755
External supplies and services		471 260 030	216 633 373	254 626 657	524 439 121
Staff expenses		278 376 483	134 154 184	144 222 299	290 460 537
Depreciation and amortisation	11,12	123 035 231	62 587 660	60 447 571	116 805 491
Provisions and impairment losses	11,12,33	55 580 961	40 567 356	15 013 605	32 970 366
Other operating costs	37	22 923 254	11 631 674	11 291 580	27 131 640
Total operating costs		<u>1 906 547 736</u>	<u>922 432 476</u>	<u>984 115 260</u>	<u>1 990 874 654</u>
Operational profit / (loss)		<u>- 23 154 113</u>	<u>- 80 896 765</u>	<u>57 742 652</u>	<u>205 034 212</u>
Financial profits	38	86 618 544	40 554 230	46 064 314	60 585 335
Financial costs	38	164 591 858	80 372 279	84 219 579	141 126 430
Gains and losses in associated companies		127 642	127 642		127 321
Gains and losses in investments		57 794	36 819	20 975	82 274
Current profit / (loss)		<u>- 100 941 991</u>	<u>- 120 550 353</u>	<u>19 608 362</u>	<u>124 702 712</u>
Taxation	39	2 934 767	- 4 321 271	7 256 038	35 272 535
Consolidated net profit / (loss) after taxation		<u>- 103 876 758</u>	<u>- 116 229 082</u>	<u>12 352 324</u>	<u>89 430 177</u>
Profit / (loss) after taxation from discontinued operations		-	-	-	-
Consolidated net profit / (loss) for the period		<u>- 103 876 758</u>	<u>- 116 229 082</u>	<u>12 352 324</u>	<u>89 430 177</u>
Attributable to:					
Equity Holders of Sonae Industria		- 108 447 796	- 114 887 354	6 439 558	78 612 713
Minority Interests		<u>4 571 038</u>	<u>- 1 341 728</u>	<u>5 912 766</u>	<u>10 817 464</u>
Profit/(Loss) per share					
Excluding discontinued operations:					
Basic	40	- 0.7746	- 0.8206	0.0460	0.5615
Diluted	40	<u>- 0.7746</u>	<u>- 0.8206</u>	<u>0.0460</u>	<u>0.5615</u>
From discontinued operations:					
Basic	40	-	-		-
Diluted	40	<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 2008 AND 2007

(Amounts expressed in Euros)

Notes	Attributable to Equity Holders of Sonae Indústria					Minority Interests	Total Equity
	Share Capital	Legal Reserve	Reserves and retained earnings	Net Profit/(Loss)	Total		
Balance as at 1 January 2007	700 000 000	59 994	- 212 328 870	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		1 280 144	31 031 825	- 32 311 969			
Distributed dividends							
Share capital increase							
Changes in negative Goodwill			- 510 935		- 510 935	2 033 338	1 522 403
Changes in conversion reserves							
Acquisition and disposals of affiliated undertakings							
Changes in fair value of hedge financial instruments, net of taxation			95 244		95 244		95 244
Investment in associated 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	1 340 138	- 184 863 692	78 612 713	595 089 159	33 742 417	628 831 576
Balance as at 1 January 2008	700 000 000	1 340 138	-184 863 692	78 612 713	595 089 159	33 742 417	628 831 576
Appropriation of consolidated result of 2007:							
Transfer to legal reserves and retained earnings		1 059 501	77 553 212	-78 612 713			
# Distributed dividends			-39 200 000		-39 200 000		-39 200 000
Changes in conversion reserves			-42 557 611		-42 557 611	1 651 803	-40 905 808
Changes in fair value of hedge financial instruments, net of taxation			-1 160 314		-1 160 314		-1 160 314
Investment in associated companies						-36 492 529	-36 492 529
Consolidated Profit/(Loss) for the period ended at 31 December 2008				-108 447 796	-108 447 796	4 571 038	-103 876 758
Others			-6 623 124		-6 623 124	- 400 038	-7 023 162
Balance as 31 December 2008	700 000 000	2 399 639	- 196 851 529	- 108 447 796	397 100 314	3 072 691	400 173 005

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 2008 AND 2007

(Amounts expressed in Euros)

	Notes	31.12.08	31.12.07	
			Published	Restated
<u>OPERATING ACTIVITIES</u>				
Receipts from trade debtors		1 759 622 434	2 038 157 176	2 038 157 176
Payments to trade creditors		1 410 054 702	1 585 970 495	1 585 970 495
Payments to staff		288 370 178	287 617 251	287 617 251
Net cash flow from operations		61 197 554	164 569 430	164 569 430
Payment / (receipt) of corporate income tax		16 287 635	20 759 615	20 759 615
Other receipts / payments relating to operating activities		36 583 943	67 877 118	67 877 118
Net cash flow from operating activities (1)		81 493 862	211 686 933	211 686 933
<u>INVESTMENT ACTIVITIES</u>				
Cash receipts arising from:				
Investments		6 385 649	27 299 494	27 299 494
Tangible and intangible assets		10 390 101	62 294 623	62 294 623
Loans granted		20 122	123 537	123 537
Investment subventions		2 915 850	812 476	812 476
Interest and similar charges		6 521 977	4 525 330	4 525 330
Dividends		57 795	82 275	82 275
		26 291 494	95 137 735	95 137 735
Cash Payments arising from:				
Investments		36 842 493	86 755 123	86 755 123
Tangible and intangible assets		132 763 972	186 585 168	186 585 168
Loans granted		2 003 930	1 265 810	1 265 810
		171 610 395	274 606 101	274 606 101
Net cash used in investment activities (2)		- 145 318 901	- 179 468 366	- 179 468 366
<u>FINANCING ACTIVITIES</u>				
Cash receipts arising from:				
Loans obtained		3 117 292 136	13 987 945	1 091 012 706
Set up of jointly controlled companies			670 639	670 639
Others		70 671 726		
		3 187 963 862	14 658 584	1 091 683 345
Cash Payments arising from:				
Loans obtained		3 049 647 888	130 306 896	1 207 331 657
Interest and similar charges		59 391 808	50 026 830	50 026 830
Dividends		39 179 599		
Finance leases - repayment of principal		3 080 178	3 162 143	3 162 143
Others			3 026 246	3 026 246
		3 151 299 473	186 522 115	1 263 546 876
Net cash used in financing activities (3)		36 664 389	- 171 863 531	- 171 863 531
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		- 27 160 650	- 139 644 964	- 139 644 964
Effect of foreign exchange rate		4 605 330	- 83 378	- 83 378
Cash and cash equivalents at the beginning of the period	22	49 154 756	188 716 342	188 716 342
Cash and cash equivalents at the end of the period	22	17 388 776	49 154 756	49 154 756

The notes are an integral part of the consolidated financial statements

The board of directors board of directors



SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(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 41.

The shares of the company are listed on Euronext Lisbon.

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 2008 and enacted by the European Union.

In the year ended 31 December 2008 the following Interpretations became applicable: IFRIC 11 IFRS 2 – Group and Treasury Shares Transactions. These Interpretations had no relevant impact on the Group's accounting policies.



At 31 December 2008 the following standards and interpretations had been issued: IFRS 2 – Share Based Payments (Amended 2008), IFRS 3 – Business Combinations (Revised 2008), IFRS 8 – Operating Segments, IAS 1 – Presentation of Financial Statements (Revised 2007), IAS 23 – Borrowing Costs (Revised 2007), IAS 27 – Consolidated and Separate Financial Statements (Amended 2008), IAS 32 – Financial Instruments: Presentation (Amended 2008), IFRIC 13 – Customer Loyalty Programmes, IFRIC 14 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. As these standards and interpretations were not compulsorily applicable for the year beginning 1 January 2008, 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.

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) and 14). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost, is recognised as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

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

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

b) Financial Investments in jointly owned companies

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

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

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

Joint-venture companies are detailed in note 6.



c) Investments in associated companies

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

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

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

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

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

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

Investments in associated companies are disclosed in Note 7.



d) 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 14). The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Reserves and retained earnings.

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

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

e) 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:



	31.12.08		31.12.07	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.9525	0.7943	0.7333	0.6840
Brazilian Real	3.2436	2.6555	2.5963	2.6612
South African Rand	13.0668	11.9933	10.0301	9.6544
Canadian Dollar	1.6998	1.5574	1.4449	1.4657
American Dollar	1.3917	1.4631	1.4721	1.3684
Swiss Franc	1.4850	1.5862	1.6547	1.6425
Polish Zloty	4.1535	3.5002	3.5935	3.7814

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.

Increase and utilization of provisions are recognized on specific accounts of profit or loss, respectively included under Provisions and Impairment losses and Other Operating Revenues of the Consolidated Profit and Loss Statement.

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 41.

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 receivables.

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 2008, 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.

During first half 2008 line 2 was fully rebuilt and operational.

As a result, consolidated financial statements include, as from the occurrence date, the following effects that correspond to the final position resulting from the discussions held with the insurers:



CAD	Year 2006	Year 2007	1 Half 2008	Total
Compensation for property damages	69 630 661	22 387 718	75 173 945	167 192 324
Compensation for business interruption	43 432 314	34 423 039	4 608 851	82 464 204
Total	<u>113 062 975</u>	<u>56 810 757</u>	<u>79 782 796</u>	<u>249 656 528</u>

EUR	Year 2006	Year 2007	1 Half 2008	Total
Compensation for property damages	48 941 303	15 274 916	48 271 445	112 487 664
Compensation for business interruption	30 527 271	23 486 495	2 959 481	56 973 247
Total	<u>79 468 574</u>	<u>38 761 411</u>	<u>51 230 926</u>	<u>169 460 911</u>

On the previous table, translation of CAD to EUR was carried out using the average exchange rate for the corresponding period, in accordance with the procedure used to translate to EUR the income statements of companies included in the consolidation whose reporting currency is other than EUR.

The compensation for property damages and business interruption losses paid by the insurers in first half 2008 was included under Other operating revenues (43 766 166 euros) on the consolidated profit and loss account, and under Tangible assets (7 464 760 euros) on the consolidated balance sheet.

The amount of 7 464 760 euros, which reduced Tangible assets, corresponds to the compensation item for property damages that refers to the portion of the investment carried out for the sole purpose of complying with existing safety regulations in the Province of Quebec (Canada). These assets substantially will not generate any additional future economic benefit when compared to the existing assets prior to the accident.

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 2008 and 31 December 2007 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.08		31.12.07		
			Direct	Total	Direct	Total	
	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Agepan Flooring Products, SARL	Luxemburg	100.00%	98.78%	100.00%	98.78%	a)
	Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	98.90%	100.00%	98.82%	a)
	Agloma - 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%	98.90%	100.00%	98.82%	a)
	Cia. De Industrias y Negocios, S.A.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	Darbo, SAS	Linxe (France)	100.00%	98.78%	100.00%	98.78%	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%	98.78%	a)
	Euromegantic Lteé	Lac Mégantic (Canada)	100.00%	98.78%	100.00%	98.78%	a)
	Euroresinas - Indústrias Químicas, S.A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	GHP, GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz AG	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz Service GmbH	Hamm (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz UK Holdings, Ltd.	Londres (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Glunz UKA GmbH	Hamm (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Hornitex Polska	Poznan (Poland)	100.00%	98.78%	100.00%	98.78%	a)
1)	IM Impregnation Management GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Impaper Europe GmbH & Co. KG	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)
	Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
2)	Isoroy Casteljalous, SA	Casteljalous (France)	100.00%	98.78%	100.00%	98.78%	a)
	Isoroy, SAS	Boulogne (France)	100.00%	98.78%	100.00%	98.78%	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%	98.78%	a)
	Movelpartes – Comp. para a Indústria do Mobiliário, S.A.	Paredes (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	OSB Deutchland	Germany	100.00%	98.78%	100.00%	98.78%	a)
3)	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%	98.78%	a)
	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	SCS Beheer, BV	The Netherlands	100.00%	98.78%	100.00%	98.78%	a)
	Siaf – Soc. de Iniciativa e Aproveitamentos Florestais, S.A.	Mangualde (Portugal)	100.00%	98.78%	100.00%	98.78%	a)
	Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100.00%	98.78%	100.00%	98.78%	a)
	Société Industrielle et Financière Isoroy	Rungis (France)	100.00%	98.78%	100.00%	98.78%	a)
	Somit – Imobiliária, S.A.	Oliveira do Hospital (Portugal)	100.00%	98.78%	100.00%	98.78%	a)
4)	Somit – Soc. de Madeiras Industrializadas e Transform., S. A.	Oliveira do Hospital (Portugal)	100.00%	98.89%	100.00%	98.82%	a)
	Sonae – Serviços de Gestão, S. A.	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%	a)
	Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	100.00%	98.82%	100.00%	98.82%	a)
	Sonae Indústria – Soc. Gestora de Participações Sociais, S.A.	Maia (Portugal)	MÃE	MÃE	MÃE	MÃE	MÃE
5)	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%	98.78%	a)
	Sonae Tafibra (UK) Ltd	Knowsley (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
6)	Sonae Tafibra International, B. V.	Woerden (The Netherlands)	100.00%	98.78%	100.00%	98.78%	a)
	Sonae UK, Limited	Knowsley (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	98.42%	98.78%	98.42%	98.78%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	Tafiber, Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
	Tafibra South Africa, Limited	South Africa	100.00%	98.78%	100.00%	98.78%	a)
7)	Tafibras, S.A.	Curitiba (Brazil)	100.00%	99.34%	54.32%	53.66%	a)
	Tafisa Brasil, S.A.	Curitiba (Brazil)	100.00%	98.78%	100.00%	62.24%	a)



Tafisa Canadá Société en Commandite	Lac Mégantic (Canada)	99.99%	98.78%	99.99%	98.78%	a)
Tafisa France S.A.S.	Rungis (France)	100.00%	98.78%	100.00%	98.78%	a)
Tafisa U.K.Ltd.	Knowsley (United Kingdom)	100.00%	98.78%	100.00%	98.78%	a)
Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100.00%	98.78%	100.00%	98.78%	a)
Tavapan, SA	Tavannes (Switzerland)	100.00%	98.78%	100.00%	98.78%	a)
Tecnologías del Medio Ambiente, S.A.	Barcelona (Spain)	100.00%	98.78%	100.00%	98.78%	a)
Tool, GmbH	Meppen (Germany)	100.00%	98.78%	100.00%	98.78%	a)

a) Majority of voting rights.

- 1) Company merged into Impaper Europe GmbH & Co. KG on 01.02.2008;
- 2) Company sold 14.03.2008;
- 3) Company merged into Tafibras, SA on 16 September 2008;
- 4) Company liquidated 31.05.2008;
- 5) Company merged into Tafibras, SA on 16 September 2008;
- 6) Formerly designated as Sonae Tafibra Benelux, B. V.;
- 7) Company merged into Tafibras, SA on 19 September 2008;

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 2008 and 31 December 2007 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.08		31.12.07	
		Direct	Total	Direct	Total
Agepan Tarkett Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50.00%	49.39%	50.00%	49.39%
Tarkett Agepan Laminate Flooring SCS	Luxembourg	50.00%	49.39%	50.00%	49.39%
Tecmasa, Recicladors de Andalucía, S. L.	Alcalá de Guadaira (Spain)	50.00%	49.39%	50.00%	49.39%

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 2008 and 31 December 2007 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2008		31.12.2007	
		Direct	Total	Direct	Total
1) Promodeco – Proj. Imobiliário Decoração e Constr., Lda.	Maia (Portugal)	27.60%	27.18%	27.60%	27.18%
Serradora Boix	Barcelona (Spain)	31.25%	30.87%	31.25%	30.87%
Sonaegest	Maia (Portugal)	20.00%	20.00%	20.00%	20.00%

- 1) Company sold 17.01.2008.



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 2008 and 31 December 2007 is affected by the companies that were included and excluded in the consolidation perimeter during 2007 and 2008.

Companies excluded in 2008:

COMPANY	HEAD OFFICE	% OF CAPITAL HELD AT LIQUIDATION DATE	
		Direct	Total
1) Isoroy Casteljaloux, SA	Casteljaloux (France)	100.00%	98.78%
2) Somit – Soc. de Madeiras Industrializadas e Transform., S. A.	Oliveira do Hospital (Portugal)	100.00%	98.82%

- 1) Company sold 14.03.2008;
- 2) Company liquidated 31.05.2008.

Companies included in 2007:

COMPANY	HEAD OFFICE	% OF CAPITAL HELD AT ACQUISITION / INCORPORATION DATE	
		Direct	Total
1) Agioma Investimentos, SGPS, S. A.	Maia (Portugal)	100.00%	98.90%
2) Aserraderos de Cuellar, S.A.	Madrid (Spain)	100.00%	98.90%
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 Casteljaloux, SA	Casteljaloux (France)	100.00%	98.78%
7) Somit – Soc. de Madeiras Industrializadas e Transform., S. A.	Oliveira do Hospital (Portugal)	100.00%	98.89%

- 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 financial statements for 2008 and 2007.

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 2008 and 2007.

9. FINANCIAL INSTRUMENTS

In the Consolidated Balance Sheets at 31 December 2008 and 31 December 2007, 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
31.12.2008								
Non current assets								
Available for sale investments	10				389 763	389 763		389 763
Other non current assets	16	1 744 276				1 744 276	6 739	1 751 015
Current assets								
Customers	18	199 825 603				199 825 603		199 825 603
Other current debtors	19	15 045 151				15 045 151	373 523	15 418 674
Other current assets	20		16 305 349	216 108		16 521 457	11 007 955	27 529 412
Cash and cash equivalents	22	65 750 257				65 750 257		65 750 257
Total		282 365 286	16 305 349	216 108	389 763	299 276 506	11 388 217	310 664 723
31.12.2007								
Non current assets								
Available for sale investments	10				1 602 518	1 602 518		1 602 518
Other non current assets	16	1 578 390				1 578 390	54 341	1 632 731
Current assets								
Customers	18	260 140 025				260 140 025		260 140 025
Other current debtors	19	21 057 227				21 057 227	782 239	21 839 466
Other current assets	20		5 047 080	136 807		5 183 887	9 594 428	14 778 315
Cash and cash equivalents	22	65 883 548				65 883 548		65 883 548
Total		348 659 189	5 047 080	136 807	1 602 518	355 445 596	10 431 007	365 876 603



	Note	Liabilities at fair value through profit or loss	Hedge derivatives	Other financial Liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.2008							
Non current liabilities							
Bank loans - net of short term portion	25			268 056 483	268 056 483		268 056 483
Debentures - net of short term portion	25			302 147 961	302 147 961		302 147 961
Finance lease creditors - net of short term por	25			47 949 761	47 949 761		47 949 761
Other loans	25			148 419 100	148 419 100		148 419 100
Other non current liabilities	28	9 230		507 006	516 236	118 224 843	118 741 079
Current assets							
Bank loans	25			105 577 761	105 577 761		105 577 761
Debentures	25			80 000 000	80 000 000		80 000 000
Finance lease creditors	25			3 535 578	3 535 578		3 535 578
Other loans	25			301 760	301 760		301 760
Trade creditors	30			165 920 462	165 920 462		165 920 462
Other current liabilities	32	6 244 352	1 168 770	12 148 686	19 561 808	97 419 485	116 981 293
Total		6 253 582	1 168 770	1 134 564 558	1 141 986 910	215 644 328	1 357 631 238
31.12.2007							
Non current liabilities							
Bank loans - net of short term portion	25			187 543 520	187 543 520		187 543 520
Debentures - net of short term portion	25			431 336 457	431 336 457		431 336 457
Finance lease creditors - net of short term por	25			51 100 454	51 100 454		51 100 454
Other loans	25			34 506 252	34 506 252		34 506 252
Other non current liabilities	28	216 079		1 119 165	1 335 244	123 416 265	124 751 509
Current assets							
Bank loans	25			55 605 328	55 605 328		55 605 328
Debentures	25			100 000 000	100 000 000		100 000 000
Finance lease creditors	25			3 465 063	3 465 063		3 465 063
Other loans	25			504 957	504 957		504 957
Trade creditors	30			226 228 686	226 228 686		226 228 686
Other current liabilities	32	942 442		29 910 576	30 853 018	124 686 401	155 539 419
Total		1 158 521		1 121 320 458	1 122 478 979	248 102 666	1 370 581 645

10. INVESTMENTS

At 31 December 2008 and 31 December 2007, details of Investments are as follows:

	31.12.2008		31.12.2007	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		42 726 009		42 726 009
Acquisition				
Disposal				
Liquidation		5 671 139		
Currency translation effect				
Closing balance		37 054 870		42 726 009
Accumulated impairment losses (Note 33)		36 990 037		42 661 176
Net investment in group companies excluded from consolidation		64 833		64 833
Investment in associated companies				
Opening balance		3 349 392		2 920 894
Increase in share capital				
Disposal		466 179		
Effect of equity method application		127 642		428 498
Currency translation effect				
Closing balance		3 010 855		3 349 392
Accumulated impairment losses (Note 33)				
Net investment in associated companies		3 010 855		3 349 392
Associated undertakings and non consolidated undertakings		3 075 688		3 414 225



	31.12.2008		31.12.2007	
	Current	Non current	Current	Non current
Available-for-sale investment				
Opening balance		1 618 479		1 433 432
Acquisition		500		100 000
Disposal		1 201 021		
Currency translation effect		- 12 234		85 047
Closing balance		405 724		1 618 479
Accumulated impairment losses (Note 33)		15 961		15 961
Net available-for-sale investment		389 763		1 602 518
Investments				
Opening balance			4 769 781	
Acquisition			14 134 527	
Disposal			18 904 308	
Closing balance				
Accumulated impairment losses (Note 33)				
Net investments measured at fair value through profit and loss				

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.

11. TANGIBLE ASSETS

During 2008, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	2008							
	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	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
Changes in consolidation perimeter	- 1 912 172	- 4 936 288	- 3 081		- 74 860	- 854 609	- 22 603	- 7 803 613
Capital expenditure	25 141	2 281 262	1 379 291	1 795	395 901	1 405 353	103 625 265	109 114 008
Disposals	4 115 684	8 754 934	1 281 717	712 175	3 178 677	109 235	- 92 713	18 059 709
Transfers and reclassifications	39 704 664	156 112 981	921 219	1 774 496	1 464 360	1 033 355	- 200 812 431	198 644
Exchange rate effect	- 31 936 657	- 98 245 218	- 553 020	- 466 755	- 2 225 874	- 218 735	- 8 225 073	- 141 871 332
Closing balance	510 091 054	1 967 649 522	17 485 141	18 197 906	47 819 463	17 392 643	46 228 957	2 624 864 686
Accumulated depreciation and impairment losses								
Opening 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
Changes in consolidation perimeter	- 861 383	- 3 422 758	- 3 081		- 45 513	- 838 087		- 5 170 822
Charge for the period	14 873 678	125 967 181	1 514 284	2 025 552	4 307 470	652 757	745 024	150 085 946
Disposals	1 080 275	5 486 211	1 231 061	389 577	3 097 634	60 559		11 345 317
Transfers and reclassifications					- 96 837			- 96 837
Exchange rate effect	- 4 913 872	- 44 333 790	- 352 494	- 391 093	- 1 573 294	- 7 278	- 6 481	- 51 578 302
Closing balance	144 443 508	1 199 771 388	13 623 321	12 921 866	37 480 913	13 037 022	1 081 990	1 422 360 008
Carrying amount	365 647 546	767 878 134	3 861 820	5 276 040	10 338 550	4 355 621	45 146 967	1 202 504 678



	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

Charges for the period include impairment losses in the amount of 30 339 095 euros (15 465 324 euros for the period ended 31 December 2007).

Charges to impairment losses are detailed in note 33.

During 2008 and 2007 no interest paid or any other financial charges were capitalised, in accordance with conditions defined in note 2.9.

At 31 December 2008, mortgaged Land and buildings amounted to 19 132 500 euros (24 925 000 euros at 31 December 2007) as a guarantee for bank loans.

At 31 December 2008 and 2007, details of assets bought through financial leases were as follows:

	31.12.2008				31.12.2007
	Opening balance	Changes to consolidation perimeter	Increase	Other changes	Closing balance
Gross cost:					
Land and Buildings	33 761 516			- 584 834	33 176 682
Plant and Machinery	61 004 516			- 16 205 936	44 798 580
Vehicles	4 793 515		726 931	- 910 303	4 610 143
Tools					
Fixtures and Fittings	712 964			- 706 841	6 123
Other tangible assets					
	100 272 511		726 931	- 18 407 914	82 591 528
					100 272 511
Accumulated depreciation and impairment losses:					
Land and Buildings	7 312 711		851 774	- 58 086	8 106 399
Plant and Machinery	13 647 950		2 988 146	- 7 117 544	9 518 552
Vehicles	3 478 705		548 425	- 826 488	3 200 642
Tools					
Fixtures and Fittings	677 072			- 687 341	- 10 269
Other tangible assets					
	25 116 438		4 388 345	- 8 689 459	20 815 324
					25 116 438
Carrying amount	75 156 073		- 3 661 414	- 9 718 455	61 776 204
					75 156 073



The amounts included in column Other changes refer to items of tangible assets that having reached the term of the respective lease contract, were acquired thereafter and, consequently transferred to own tangible assets.

12. INTANGIBLE ASSETS

During 2008, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

2008												
	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		452 792		4 038 343	4 996 766	770 634		2 653 037	3 608 142	1 979 464	8 604 908	9 894 270
Changes in consolidation perimeter									4 788 016	809 974	4 788 016	809 974
Capital expenditure												
Disposals				1 068 180							1 068 180	1 068 180
Transfers and reclassifications		5 964		13 256	6 094 182	508 748		7 689	- 6 342 448	- 496 185	- 248 266	39 472
Exchange rate effect		- 1 335		- 23 890	- 304 974				- 232 250		- 537 224	- 25 225
Closing balance		457 421		2 959 529	10 785 974	1 279 382		2 660 726	1 821 460	2 293 253	12 607 434	9 650 311
Accumulated amortisation and impairment losses												
Opening balance		430 909		3 969 070	457 827	349 028		2 456 196			457 827	7 205 203
Changes in consolidation perimeter												
Charge for the period		24 083		6 344	2 559 970	465 276		92 051			2 559 970	587 754
Disposals				1 068 186							1 068 186	1 068 186
Transfers		- 623		- 525	97 062	1 148					97 062	97 062
Exchange rate effect		- 1 163		- 22 736	- 48 523	- 121					- 48 523	- 24 020
Closing balance		453 206		2 883 967	3 066 336	815 331		2 548 247			3 066 336	6 700 751
Carrying amount		4 215		75 562	7 719 638	464 051		112 479	1 821 460	2 293 253	9 541 098	2 949 560

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	13 258	71 984	6 747 960
Changes in consolidation perimeter				25				642 755				642 780
Capital expenditure									8 368 849	2 514 727	8 368 849	2 514 727
Disposals				3 726								3 726
Transfers and reclassifications		- 350 297		- 25	4 932 415	546 683		354 756	- 4 713 180	- 548 521	219 235	2 596
Exchange rate effect		- 510		- 9 557	56				- 55 216		- 55 160	- 10 067
Closing balance		452 792		4 038 343	4 996 766	770 634		2 653 037	3 608 142	1 979 464	8 604 908	9 894 270
Accumulated amortisation and impairment losses												
Opening balance		417 423		3 950 907	61 971	223 951		1 655 526			61 971	6 247 807
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	336 643
Disposals				3 726								3 726
Transfers				- 25								- 25
Exchange rate effect		- 360		- 10 129		56		1 357				- 9 076
Closing balance		430 909		3 969 070	457 827	349 028		2 456 196			457 827	7 205 203
Carrying amount		21 883		69 273	4 538 939	421 606		196 841	3 608 142	1 979 464	8 147 081	2 689 067



13. INVESTMENT PROPERTIES

During 2008, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	2008			2007		
	Cost	Under construction	Total	Cost	Under construction	Total
Gross cost:						
Opening balance	8 788 398		8 788 398	8 788 398		8 788 398
Changes to consolidation perimeter						
Increase						
Disposals	14 400		14 400			
Transfers						
Exchange rate effect						
Closing balance	8 773 998		8 773 998	8 788 398		8 788 398
Accumulated depreciations and impairment losses:						
Opening balance	518 366		518 366	377 711		377 711
Changes to consolidation perimeter						
Charge for the period	140 656		140 656	140 655		140 655
Disposals						
Transfers						
Exchange rate effect						
Closing balance	659 022		659 022	518 366		518 366
Carrying amount	8 114 976		8 114 976	8 270 032		8 270 032

14. GOODWILL ARISING ON CONSOLIDATION

During 2008 and 2007, movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	Goodwill	
	2008	2007
Gross value:		
Opening balance	100 086 856	51 105 175
New companies		
Increases	11 571 386	49 828 568
Decreases	3 076 276	
Transfers and write-offs		
Currency translation	-4 770 328	- 846 888
Closing balance	103 811 638	100 086 856
Accumulated impairment losses:		
Closing balance		

Increase in Goodwill in the period refers to the acquisition as from 1 July 2008 of all shares of Tafibras, SA that were held by third parties until then (note 5). Taking into consideration that this subsidiary already was controlled by the Group, the aforementioned acquisition is not a business combination under the terms of IFRS 3.

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



15. DEFERRED TAXES

At 31 December 2008 and 31 December 2007 deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Harmonisation adjustments			59 897 966	58 763 486
Provisions not allowed for tax purposes	3 377 394	4 397 809		
Impairment of Assets	2 588 090	2 143 125		
Derecognized intangible assets	600	4 548		
Derecognized tangible assets	186 174	209 358		
Derecognized deferred costs	177 647	193 609		
Valuation of hedging derivatives	108 820	141 766		
Revaluation of tangible assets			3 044 798	3 295 958
Tax losses carried forward	47 547 072	41 497 076		
Others		18 461	6 959 598	7 908 787
	<u>53 985 797</u>	<u>48 605 752</u>	<u>69 902 362</u>	<u>69 968 231</u>

	Deferred tax assets		Deferred tax liabilities	
	2008	2007	2008	2007
Opening balance	48 605 752	60 007 308	69 968 231	57 635 679
Impact on results:				
Harmonisation adjustments			9 817 199	8 581 750
Changes in provisions not allowed for tax purposes	- 177 842	- 6 567 788		
Impairment of Assets	504 928	385 567		
Derecognized intangible assets	- 3 947	- 9 362		
Derecognized tangible assets	- 23 184	- 31 172		
Derecognized deferred costs	- 15 962	- 38 985		
Valuation of hedging derivatives		65 101		- 481 985
Revaluation of tangible assets			- 251 160	- 322 798
Tax losses carried forward	9 658 708	- 6 619 938		
Others	- 18 952	250 137	761 723	1 614 326
	<u>9 923 748</u>	<u>- 12 566 440</u>	<u>10 327 762</u>	<u>9 391 293</u>
Impact on reserves:				
Currency translation effect	- 4 543 703	1 164 884	- 10 393 631	1 508 947
	<u>- 4 543 703</u>	<u>1 164 884</u>	<u>- 10 393 631</u>	<u>1 508 947</u>
Impact of changes in the consolidation perimeter:				
Acquisitions				1 432 312
Closing balance	<u>53 985 797</u>	<u>48 605 752</u>	<u>69 902 362</u>	<u>69 968 231</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 2008 and according to the tax return for the fiscal year 2007, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:



Limit date to be used	31.12.2008		31.12.2007	
	Tax loss carried forward	Deferred tax asset	Tax loss carried forward	Deferred tax asset
2008				
2009			378 636	94 659
2010	5 987 562	1 496 486	7 212 814	1 803 141
2011	161 732	40 433	161 732	40 433
2012	28 279 760	7 069 940	23 396 226	6 200 000
2013				
2014	9 053 703	2 263 426		
2015				
2016				
2017	12 406 750	3 722 025	12 406 750	3 722 025
2018	3 740 985	1 122 296	3 740 985	1 122 296
2019	53 271	15 981	53 271	15 981
2020				
2021	13 906 977	4 172 093		
2022				
2023				
2028	6 224 992	709 649		
	79 815 732	20 612 329	47 350 414	12 998 535
Without time limit	98 602 904	26 934 743	105 772 167	28 498 541
Total	178 418 636	47 547 072	153 122 581	41 497 076

Furthermore, at 31 December 2008 and 31 December 2007, tax losses for which no deferred tax assets were recognised, are detailed as follows:

Limit date to be used	31.12.2008		31.12.2007	
	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2007			253 737	63 434
2008			3 240 690	810 306
2009			2 885 767	721 447
2010	56 788	14 197	4 378 441	1 096 699
2011			574 240	143 579
2012	15 239 574	3 809 894	26 516 598	7 019 513
2013	36 422	9 106	383 085	96 318
2014	18 491 424	5 547 428	32 967 957	9 890 469
2015	36 775	11 033	49	17
2016	90 183 965	27 055 189	66 749 192	20 043 443
2017	66 975 963	20 092 789	51 545 728	15 690 466
2018	101 762 748	30 528 825	88 047 862	26 560 927
2019	9 095 614	2 728 684	5 354 629	1 677 123
2020	1 082 928	324 878	1 082 928	379 025
2021	19 416 189	5 824 857	19 416 189	5 855 105
2022	746 825	224 047		
2023	20 424 468	6 127 340		
	343 549 683	102 298 267	303 397 092	90 047 871
Without time limit	841 744 931	256 787 469	780 665 412	237 392 833
Total	1 185 294 614	359 085 736	1 084 062 504	327 440 705

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



16. OTHER NON CURRENT ASSETS

At 31 December 2008 and 31 December 2007 details of Other non current assets on the Consolidated Balance sheet were as follows:

	31.12.2008			31.12.2007		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Loans granted to associated companies	10 931 182	10 931 182		14 132 899	14 132 899	
Other loans granted				149 962	130 114	19 848
Trade accounts receivable and other debtors	<u>1 744 271</u>		<u>1 744 271</u>	<u>1 558 542</u>		<u>1 558 542</u>
Financial Instruments	12 675 453	10 931 182	1 744 271	15 841 403	14 263 013	1 578 390
Others	6 739		6 739	54 341		54 341
Assets out of scope of IFRS 7	6 739		6 739	54 341		54 341
Total	<u>12 682 192</u>	<u>10 931 182</u>	<u>1 751 010</u>	<u>15 895 744</u>	<u>14 263 013</u>	<u>1 632 731</u>

AGEING OF NON CURRENT TRADE DEBTORS AND OTHER DEBTORS			
	31.12.2008	31.12.2007	
Not due	<u>1 115 647</u>	<u>654 120</u>	
Due and not impaired			
< 6 months	167 337	6 592	
6 - 12 months	136	150	
> 1 year	<u>461 151</u>	<u>897 679</u>	
	<u>628 624</u>	<u>904 422</u>	
Due and impaired			
< 6 months			
6 - 12 months			
> 1 year			
Total	<u>1 744 271</u>	<u>1 558 542</u>	

17. INVENTORIES

At 31 December 2008 and 31 December 2007, details of Inventories on the Consolidated Balance Sheet were as follows:

	31.12.2008	31.12.2007
Merchandise	11 241 939	12 792 958
Finished and intermediate products	76 792 137	106 051 119
Products and working in progress	1 610 524	1 725 817
Raw Materials and Consumables	<u>120 336 784</u>	<u>149 733 708</u>
	<u>209 981 384</u>	<u>270 303 602</u>
Accumulated impairment losses on inventories (Note 33)	<u>17 098 955</u>	<u>12 588 275</u>
	<u>192 882 429</u>	<u>257 715 327</u>



18. TRADE DEBTORS

At 31 December 2008 and 31 December 2007, details of Trade Debtors on the Consolidated Balance Sheet were as follows:

	31.12.2008			31.12.2007		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	216 567 800	16 742 197	199 825 603	276 859 705	16 719 681	260 140 024

	31.12.2008	31.12.2007
Not due	155,725,848	203,431,697
Due and not impaired		
0 - 30 days	17,747,807	34,481,114
30 - 90 days	9,483,134	10,596,124
' + 90 days	5,773,798	9,347,670
	33,004,739	54,424,908
Due and impaired		
0 - 90 days	11,860,656	4,590,668
90 - 180 days	2,060,788	613,443
180 - 360 days	1,439,043	2,844,742
+ 360 days	12,476,726	10,954,247
	27,837,213	19,003,100
Total	216,567,800	276,859,705

19. OTHER CURRENT DEBTORS

At 31 December 2008 and 31 December 2007, details of Other current debtors on the Consolidated Balance Sheet were as follows:

	31.12.2008			31.12.2007		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Other debtors	14 658 608	19 628	14 638 980	20 402 117	19 628	20 382 489
Advances to trade creditors	388 730		388 730	391 711		391 711
Goup companies	17 441		17 441	705 903	422 876	283 027
Financial Instruments	15 064 779	19 628	15 045 151	21 499 731	442 504	21 057 227
Outros Devedores	373 523		373 523	782 239		782 239
Assets out of scope of IFRS 7	373 523		373 523	782 239		782 239
Total	15 438 302	19 628	15 418 674	22 281 970	442 504	21 839 466



	AGEING OF OTHER DEBTORS		AGEING OF ADVANCES TO TRADE CREDITORS		AGEING OF GROUP COMPANIES	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Not due	125 791	810 337	309 298	54 520	564	283 027
Due and not impaired						
0 - 30 days	14 098 375	14 467 597	53 141	48 217	16 877	
30 - 90 days	99 726	136 347	8 039	81 234		
+ 90 days	334 716	4 934 015	18 252	207 740		
	<u>14 532 817</u>	<u>19 537 959</u>	<u>79 432</u>	<u>337 191</u>	<u>16 877</u>	
Due and impaired						
0 - 90 days		53 821				
90 - 180 days						
180 - 360 days						
+ 360 days						422 876
		<u>53 821</u>				<u>422 876</u>
Total	<u>14 658 608</u>	<u>20 402 117</u>	<u>388 730</u>	<u>391 711</u>	<u>17 441</u>	<u>705 903</u>

20. OTHER CURRENT ASSETS

At 31 December 2008 and 31 December 2007, details of Other current assets on the Consolidated Balance Sheet were as follows:

	31.12.2008			31.12.2007		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Derivatives instruments	16 521 457		16 521 457	5 183 887		5 183 887
Financial Instruments	16 521 457		16 521 457	5 183 887		5 183 887
Accrued revenue	5 441 863		5 441 863	2 583 923		2 583 923
Deferred Costs	5 535 277		5 535 277	6 996 291		6 996 291
Others	30 815		30 815	14 214		14 214
Assets out of scope of IFRS 7	11 007 955		11 007 955	9 594 428		9 594 428
Total	<u>27 529 412</u>		<u>27 529 412</u>	<u>14 778 315</u>		<u>14 778 315</u>

21. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

At 31 December 2008 and 31 December 2007, details of State and Other Public Entities on the Consolidated Balance Sheet were as follows:

	31.12.2008	31.12.2007
State and other public entities:		
Income Tax	11 385 261	7 556 685
Value Added Tax	10 503 748	15 994 345
Social Security Contribution	90 016	12 872
Others	8 856 884	6 590 344
	<u>30 835 909</u>	<u>30 154 246</u>



22. CASH AND CASH EQUIVALENTS

At 31 December 2008 and 31 December 2007, the detail of Cash and Cash Equivalents was as follows:

	31.12.2008	31.12.2007
Cash at hand	98 186	120 588
Bank deposits	8 040 212	30 644 304
Treasury applications	57 611 859	35 118 656
Cash and cash equivalents on the balance sheet	65 750 257	65 883 548
Bank overdrafts	48 361 481	16 728 792
Cash and cash equivalents on the statement of cash flows	17 388 776	49 154 756

Bank overdrafts include credit balances on current accounts, and are included as Bank loans under current liabilities on the consolidated balance sheet's (note 25).

At 31 December 2008, the item Treasury applications included the amount of 15 993 441 euros which related to the securitization facility described on note 25.3. The item's remaining amount was composed of several very short term treasury applications at banks, with low risk (bank risk) and returns aligned with existing market applications with similar maturity and risk profiles.

23. SHAREHOLDERS' FUNDS

23.1. SHARE CAPITAL

At 31 December 2008 and 2007, Sonae Indústria's Share Capital was fully underwritten and paid and was comprised of 140 000 000 common shares, not entitled to fixed income, with a face value of 5 euros per share. At this date, neither the company nor any of its affiliates held any shares in the company.

23.2. 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.

23.3. 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 in 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.

24. MINORITY INTERESTS

Changes to this item during 2008 and 2007 were as follows:

	2008	2007
Opening balance	33 742 417	28 100 792
Decrease / (increase) in ownership percentage on consolidated companies	-36 492 529	- 7 314 987
Change resulting from currency translation	1 651 803	2 033 338
Net profit for the period attributed to minority interests	4 571 038	10 817 464
Others	- 400 038	105 810
Closing balance	3 072 691	33 742 417

Decrease of Minority interests resulted from the acquisition of all shares of the subsidiary Tafibras, S. A. which were previously held by third parties.

25. LOANS

As at 31 December 2008 and 31 December 2007 Sonae Indústria had the following outstanding loans:

31.12.2008					
	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans	105 577 761	268 056 483	105 577 761	268 056 483	970 201
Debentures	80 000 000	302 147 961	80 000 000	305 000 000	
Obligations under finance leases	3 535 578	47 949 761	3 535 578	47 949 761	-1 242 400
Other loans	301 760	148 419 100	301 760	148 419 100	
Gross debt	189 415 099	766 573 305	189 415 099	769 425 344	- 272 199
Investment					
Cash and cash equivalent in balance sheet	65 750 257		65 750 257		
Net debt	123 664 842	766 573 305	123 664 841	769 425 344	- 272 199
Total net debt	890 238 147		893 090 185		



	31.12.2007					
	Amortised cost		Nominal value		Fair value adjustment	
	Current	Non current	Current	Non current	Publicado	Reexpreso
Bank loans	55 605 328	187 543 520	55 605 328	187 543 520	-1 829 917	-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	3 488 023
Other loans	504 957	34 506 252	504 957	34 506 252		
Gross debt	159 575 348	704 486 683	159 575 348	708 150 226	8 058 560	1 658 106
Investment						
Cash and cash equivalent in balance sheet	65 883 548		65 883 548			
Net debt	93 691 800	704 486 683	93 691 800	708 150 226	8 058 560	1 658 106
Total net debt	798 178 483		801 842 026			

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.

25.1 Bank Loans

The bank loans and overdrafts presented in the table in note 25. are included in “Long Term Bank Loans – net of the Short Term portion”, “Short Term portion of Long Term Bank Loans”, and “Short Term Bank Loans” on the Consolidated Balance Sheet and their composition as at 31 December 2008 are detailed in the following table:

31.12.2008					
Company	Non current	Current			Total
		Short term portion	Short term	Bank overdrafts	
Sonae Indústria-SGPS,SA	194 375 000	6 250 000	20 000 000		220 625 000
Glunz AG	48 706 700	15 089 200		5 351 391	69 147 291
Sonae Novobord (Pty) Ltd	21 577 825	5 784 974		757 192	28 119 991
Tafisa-Tableros de Fibras, SA			2 000 000	15 518 005	17 518 005
Taiber,Tableros Aglomerados Ibéricos,SL				15 697 279	15 697 279
Isoroy SAS				4 794 651	4 794 651
Sonae UK,Ltd.			2 449 697	791 576	3 241 273
Sonae Ind., Prod. e Com.Deriv.Madeira,SA		3 375 000	330 802		3 705 802
Tableros Tradema,S.L.	2 303 083	479 461		77 230	2 859 774
Others	1 093 875	528 874	928 272	5 374 157	7 925 178
	268 056 483	31 507 509	25 708 771	48 361 481	373 634 244

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 semi-annually, 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 2008, outstanding principal was 63 795 000 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 2008, the principal outstanding was 15 625 000 euros;

c) On 25 January 2006 Sonae Indústria SGPS, S. A. contracted commercial paper with several financial institutions, subsequently amended on 19 March 2008. This programme has a maximum nominal amount of 190 000 000 euros and will mature on 27 January 2016. At 31 December 2008, commercial paper issued amounted to 155 000 000 euros;

d) On 10 March 2008 Sonae Indústria SGPS, S. A. contracted a new commercial paper programme with a maximum nominal amount of 50 000 000 euros. The programme will mature on 25 March 2010. At 31 December 2008, commercial paper had been issued for the programme's full amount;

e) 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 on 30 June 2003. As at 31 December 2008, the principal outstanding was 4 976 081 euros;

f) During the first half of 2007, Sonae Novobord together with Sonae Indústria, SGPS, S. A. contracted a loan with the European Investment Bank, denominated in ZAR, 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 2008, outstanding principal was 16 769 919 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 2008, outstanding principal was 5 494 884 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 2008, the principal outstanding was 2 449 693 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 2008, the principal outstanding was 3 375 000 euros;

25.2 Bond Issues

a) Sonae Indústria 2004 bonds, issued on 15 October 2004, with a principal of 80 000 000 euros. Principal will be paid in a single bullet payment 5 years after issue date. Interest is 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 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 paid semi-annually in arrears on 27 April and 27 October. This loan was fully repaid on 27 October 2008;

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 paid semi-annually in arrears on 27 April and 27 October. This loan was repaid in anticipation, for its full amount, on 27 October 2008;

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 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 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 paid semi-annually in arrears on 2 February and 2 August;



h) Sonae Indústria 2008/2013 bonds, issued on 7 January 2008, with a principal amount of 50 000 000 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 6th coupon payment date (7 January 2011). Interest is paid semi-annually in arrears on 7 January and 7 July;

i) Sonae Indústria 2008/2012 bonds, issued on 28 April 2008, with a principal amount of 50 000 000 euros and a bullet repayment 4 years after issue date. Interest is paid semi-annually in arrears on 28 April and 28 October.

The aforementioned bonds pay interest calculated at Euribor 6 months plus a spread ranging from 0.6% to 0.875%.

25.3 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 2008:

Company	31.12.2008		
	Non current		Current
	Securitization	Others	Others
Glunz AG	49 874 895		60 131
Isoroy SAS	41 672 484		
Tableros Tradema,S.L.	32 750 144		
Sonae Tafibra Benelux, BV	10 119 326		
Sonae UK,Ltd.	9 569 294		
Sonae Ind., Prod. e Com.Deriv.Madeira,SA		2 185 504	
Spanboard Products,Ltd	2 012 904		7 080
Others		234 549	234 549
	<u>145 999 047</u>	<u>2 420 053</u>	<u>301 760</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 2008, the principal outstanding was 145 999 047 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.

25.4 Financial lease creditors

Details of finance leases creditors at 31 December 2008 and at 31 December 2007 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
2008		8 680 765		3 465 063
2009	8 674 278	8 521 200	3 535 578	3 585 532
2010	8 411 960	8 314 972	3 807 374	3 677 724
2011	8 170 473	8 105 780	3 915 257	3 782 999
2012	8 199 803	8 060 689	4 229 274	4 071 641
2013	8 130 679		4 536 945	
after 2013 (2012)	36 589 895	44 862 204	31 460 911	35 982 558
	78 177 088	86 545 610	51 485 339	54 565 517
Lease creditors - current			3 535 578	3 465 063
Lease creditors - non current			47 949 761	51 100 454

26. FINANCIAL DERIVATIVES

The fair value of derivative instruments is stated as follows:

	Other current assets (note 20)		Other current liabilities (note 32)		Other non current liabilities (note 28)	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Derivatives at fair value through profit or loss	16 305 348	5 047 080	6 244 352	942 442	9 230	216 078
Derivatives at fair value through reserves	216 109	136 807	1 168 770			
	16 521 457	5 183 887	7 413 122	942 442	9 230	216 078



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 38), which corresponds to a net loss of 26 196 426 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 -1 160 314 euros. No amounts related to instruments which matured in 2008 were transferred from reserves to profit or loss.

27. 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 (note 25)	Interests	Total
2009	189 415 099	34 121 853	223 536 952
2010	113 832 357	26 676 947	140 509 304
2011	102 994 020	32 143 767	135 137 787
2012	246 785 276	25 627 656	272 412 932
2013	163 972 282	15 784 015	179 756 297
2014	108 208 922	8 874 153	117 083 075
>2014	33 632 487	9 106 278	42 738 765
	<u>958 840 443</u>	<u>152 334 669</u>	<u>1 111 175 112</u>

The calculation of interest in the previous table was based on interest rates at 31 December 2008 applicable to each item of debt. Gross debt maturing in 2009 includes scheduled repayment of debt along with the repayment of debt as at end 2008 maturing within less than one year (although some credit limits might be rolled over).



The analysis of interest rate risk, described on note 2.23., b), i), consisted on calculating the way net profit before tax would have been impacted if there would have been a change of +0.75 or - 0.75 percentage points in actual 2008 interest rates.

Considering Euribor 6 months as a reference indicator for interest rates of Euro, a change of 0.75 percentage points corresponds to 1,4 times the standard deviation of that variable in 2008.

Sensitivity Analysis						
		2008			2007	
		"Notional" (Euros)	Effect in Profit and Loss (Euros)		"Notional" (Euros)	Effect in Profit and Loss (Euros)
			0.75%	-0.75%		0.75% -0.75%
Gross Debt excluding banks overdrafts						
	EUR	- 869 203 094	- 4 867 321	4 867 321	- 779 188 507	- 4 204 429 4 204 429
	GBP	- 14 023 618	- 113 517	113 517	- 28 470 911	- 232 060 232 060
	ZAR	- 27 240 884	- 152 045	152 045	- 43 337 364	- 214 466 214 466
		- 910 467 596	- 5 132 883	5 132 883	- 850 996 782	- 4 650 955 4 650 955
Financial Derivatives						
	EUR	255 000 000	669 311	- 669 311	50 000 000	
	ZAR	5 008 562	- 26 297	26 297	11 370 573	- 50 299 50 299
		260 008 562	643 014	- 643 014	61 370 573	- 50 299 50 299
Treasury applications						
	EUR	44 183 441	146 352	- 146 352	18 481 066	290 269 - 290 269
	BRL	13 934 946	181 466	- 181 466	16 637 589	24 056 - 24 056
		58 118 387	327 818	- 327 818	35 118 655	314 325 - 314 325
			- 4 162 051	4 162 051		- 4 386 929 4 386 929

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 2008 and 2007 exchange rates.

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

					Sensitivity Analysis			
Foreign currency amount		EUR equivalent			2008		2007	
31.12.2008	31.12.2007	31.12.2008	31.12.2007		-1%	+1%	-1%	+1%
CAD	100 434 904	113 800 000	59 085 854	78 759 842	- 590 859	590 859	- 787 598	787 598
GBP	21 668 910	16 271 830	22 749 539	22 188 430	- 227 495	227 495	- 221 884	221 884
ZAR	366 512 311	202 820 925	28 049 187	20 221 246	- 280 492	280 492	- 202 212	202 212



The remaining financial assets and liabilities do not include any balances denominated in currencies other than the functional currency of the respective subsidiary which may represent any relevant exchange rate risks.

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			
					2008		2007	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	-1%	+1%	-1%	+1%
CAD	103 847 243	118 665 909	61 106 853	82 127 420	611 069	- 611 069	821 274	- 821 274
GBP	22 106 219	17 721 904	21 637 834	24 165 765	216 378	- 216 378	241 658	- 241 658
ZAR	414 799 722	228 076 717	32 770 847	22 739 249	327 708	- 327 708	227 392	- 227 392

28. OTHER NON CURRENT LIABILITIES

At 31 December 2008 and 31 December 2007, details of Other non current liabilities were as follows:

	31.12.2008	31.12.2007
Derivative instruments	9 230	216 078
Group companies	72 604	72 604
Other creditors	434 401	1 046 562
Financial instruments	516 235	1 335 244
State and other public entities	44 122 456	45 800 911
Other creditors	74 102 387	77 615 354
Liabilities out of scope of IFRS 7	118 224 843	123 416 265
Total	118 741 078	124 751 509

31.12.2008	2009	2010	2011	2012	2013	After 2013	Total
Maturity of Group Companies						72 604	72 604
Maturity of Other non current creditors	434 401						434 401
	434 401					72 604	507 005
31.12.2007	2008	2009	2010	2011	2012	After 2012	Total
Maturity of Group Companies						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

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 74 102 387 euros relating to deferred income-investment subventions.

29. 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 2008 were:

	South Africa		Germany							
			Glunz AG		GHP GmbH		Tool GmbH			
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Mortality table	PA(90)	PA(90)	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G
Salary growth rate	7,10%	7,1%	2,00%	2,0%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Return on fund	8,60%	9,0%	4,10%	4,0%	4,10%	4,10%	4,10%	4,10%	4,10%	4,10%
Actuarial technical rate	8,60%	9,0%	5,60%	4,75%	5,60%	4,75%	5,60%	4,75%	5,50%	5,6%
Pension growth rate	6,10%	6,1%	1,50%	1,5%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%

	France		Portugal	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
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	5,25%	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 2008, 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 2008, liabilities amounted to 46 733 999 ZAR (3 576 553 euros) covered by the market value of the fund of 34 130 001 ZAR (2 611 969 euros) and by a provision of 12 603 998 ZAR (964 584 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 18 633 337 euros, which fully provides for the liabilities calculated by the actuarial study reported to 31 December 2008. On the same date, the value of the fund constituted at the end of the year was 313 448 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 2008, liabilities amounted to 1 282 103 euros and were covered by the fund and by provisions for Pension Liabilities in Non Current Liabilities of 349 188 euros and 932 915 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 2008, liabilities amounted to 273 864 euros and were covered by the fund and by provisions for Pension Liabilities in Non Current Liabilities of 49 448 euros and 224 416 euros respectively.

Impaper Europe GmbH & Co. KG 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 2008, liabilities amounted to 104 561 euros and were covered by the fund and by provisions for Pension Liabilities in Non Current Liabilities of 8 141 euros and 96 420 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 2008 to be 1 631 818 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 2008, based on an actuarial study on the same date, were calculated to be 4 118 473 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 1 357 582 euros and 2 760 891 euros, respectively.

The main changes, during the periods ending 31 December 2008 and 31 December 2007, to the present value of these liabilities are presented below:

	<u>31.12.2008</u>	<u>31.12.2007</u>
Opening balance of obligations' present value	29 390 046	30 749 539
Interest cost	1 526 205	1 625 181
Current service cost	966 617	802 305
Actuarial (Gains)/Losses	360 035	-1 996 561
Paid pensions	1 982 261	1 879 438
Exchange rate effect	- 562 207	- 60 109
Changes in consolidation perimeter	- 47 243	149 129
Closing balance of obligations' present value	<u>29 651 192</u>	<u>29 390 046</u>

At 31 December 2008 and 31 December 2007, the amount of liabilities for defined benefits recognised in the consolidated balance sheet is detailed as follows:

	<u>31.12.2008</u>	<u>31.12.2007</u>
Present value of obligations	29 651 192	29 390 046
Actuarial Losses/(Gains) not recognised	- 282 843	687 493
Fair value of plan assets	4 689 776	5 766 926
Pension liabilities	<u>25 244 259</u>	<u>22 935 627</u>



The impact of these liabilities on the 2008 and 2007 consolidated profit and loss statements is detailed as follows:

	<u>31.12.2008</u>	<u>31.12.2007</u>
Interest cost	1 526 205	1 625 181
Current service cost	966 617	802 305
(Increase) / Decrease in fair value of plan assets	- 361 797	288 088
Recognized actuarial (Gains)/Losses	- 83 458	-1 996 561
	<u>2 047 568</u>	<u>719 013</u>

30. TRADE CREDITORS

At 31 December 2008 and 31 December 2007, Trade creditors stated on the consolidated balance sheet showed the following maturities:

	<u>MATURITY OF TRADE CREDITORS</u>	
	<u>31.12.2008</u>	<u>31.12.2007</u>
To be paid		
< 90 days	165 125 084	222 708 799
90 - 180 days	555 839	2 072 418
> 180 days	239 539	1 447 469
	<u>165 920 462</u>	<u>226 228 686</u>

31. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

At 31 December 2008 and 31 December 2007, State and other public entities had the following composition:

	<u>31.12.2008</u>	<u>31.12.2007</u>
State and other public entities		
Income Tax	4 745 839	14 877 387
Value Added Tax	2 176 219	3 113 994
Social Security Contribution	7 685 167	8 841 810
Others	1 700 009	2 805 727
	<u>16 307 234</u>	<u>29 638 918</u>



32. OTHER CURRENT LIABILITIES

At 31 December 2008 and 31 December 2007, Other current liabilities were composed of:

	31.12.2008	31.12.2007
Group companies	34 910	201
Derivatives	7 413 122	942 442
Trade debtors advances	643 804	381 327
Fixed assets suppliers	8 776 582	23 143 342
Other creditors	2 693 380	6 385 706
Financial instruments	19 561 798	30 853 018
Other creditors	7 842 207	13 326 882
Accrued expenses:		
Insurances	55 226	31 938
Personnel costs	23 753 319	29 311 940
Accrued financial expenses	9 137 782	8 637 046
Rappel discounts (annual quantity discounts)	28 919 892	33 428 206
External supplies and services	11 939 042	20 730 715
Other accrued expenses	9 815 327	12 445 931
Deferred income:		
Investment subventions	5 891 717	6 768 391
Other deferred income	64 973	5 352
Liabilities out of scope of IFRS 7	97 419 485	124 686 401
Total	116 981 283	155 539 419

31.12.2008	< 90 days	90 - 180 days	> 180 days	Total	Total balance sheet
Maturity of current fixed assets' suppliers	8 680 131	37 763	58 688	8 776 582	8 776 582
Maturity of Other current creditors	1 303 677	23 866	1 365 837	2 693 380	2 693 380
	9 983 808	61 629	1 424 525	11 469 961	11 469 962
31.12.2007	< 90 dias	90 - 180 dias	> 180 dias	Total	Total balance sheet
Maturity of current fixed assets' suppliers	21 574 773	595 449	973 120	23 143 342	23 143 342
Maturity of Other current creditors	5 866 645	- 4 184	523 245	6 385 706	6 385 706
	27 441 418	591 265	1 496 365	29 529 048	29 529 048



33. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2008 and 31 December 2007 were as follows:

Description	Opening balance	Exchange rate effect	Changes to perimeter	2008		Other changes	Closing balance
				Increase	Utilizations		
Accumulated impairment losses on tangible assets (Note 11)	29 387 203	- 645 679		30 339 095	59 154	- 1 434 185	57 587 280
Accumulated impairment losses on intangible assets (Note 12)	19 242						19 242
Accumulated impairment losses on other non-current assets (Note 16)	14 263 013					- 3 331 831	10 931 182
Accumulated impairment losses on trade debtors (Note 18)	16 719 680	- 585 981	- 370 413	5 114 009	3 425 777	- 709 322	16 742 196
Accumulated impairment losses on other debtors (Note 19)	442 506					- 422 877	19 629
Provisions	45 824 539	- 4 624 605	- 397 614	20 127 857	11 399 527	- 422 245	49 108 405
Sub-total	106 656 183	- 5 856 265	- 768 027	55 580 961	14 884 458	- 6 320 460	134 407 934
Accumulated impairment losses on investments (Note 10)	42 677 137					- 5 671 138	37 005 998
Accumulated impairment losses on inventories (Note 17)	12 588 275	- 602 043	- 102 851	12 649 774	7 434 200		17 098 955
Total	161 921 595	- 6 458 308	- 870 878	68 230 735	22 318 658	- 11 991 598	188 512 888

Description	Opening balance	Exchange rate effect	Changes to perimeter	2007		Other changes	Closing balance
				Increase	Utilizations		
Accumulated impairment losses on tangible assets (Note 11)	45 391 373	1 494 925	5 526 041	15 465 325	9 972	- 38 480 489	29 387 203
Accumulated impairment losses on intangible assets (Note 12)				19 242			19 242
Accumulated impairment losses on other non-current assets (Note 16)	14 263 036					- 23	14 263 013
Accumulated impairment losses on trade debtors (Note 18)	18 510 857	- 19 344	- 506 169	7 232 129	3 625 747	- 4 872 046	16 719 680
Accumulated impairment losses on other debtors (Note 19)	443 173				668		442 505
Provisions	42 409 827	1 653 997	770 723	10 253 670	11 411 299	2 147 621	45 824 539
Sub-total	121 018 266	3 129 578	5 790 595	32 970 366	15 047 686	- 41 204 937	106 656 182
Accumulated impairment losses on investments (Note 10)	42 684 744					- 7 607	42 677 137
Accumulated impairment losses on inventories (Note 17)	15 543 189	84 451	142 851	2 865 174	5 791 213	- 256 177	12 588 275
Total	179 246 199	3 214 029	5 933 446	35 835 540	20 838 899	- 41 468 721	161 921 594

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

Increase and utilization of provisions and impairment losses are stated on the Consolidated profit and loss statement as follows:

	2008		2007	
	Losses	Gains	Losses	Gains
Cost of sales	7 626 808	4 417 623	2 442 385	1 793 501
Other operating revenues		14 884 458		15 047 686
(Increase) / decrease in production	5 022 966	3 016 577	422 789	3 997 712
Provisions and impairment losses	55 580 961		32 970 366	
Total	68 230 735	22 318 658	35 835 540	20 838 899

At the end of the period the Group performed some impairment tests on some cash generating units, having recognized, as a result, losses amounting to 30 339 095 euros (note 11).

The concept of cash generating unit that was considered in the tests corresponds to the segments used for segmental reporting in note 41, ie, each country where the Group holds assets that represent at least 10% of the consolidated assets.



The impairment tests were carried out in compliance with the requirements and guidance of IAS 36 and consisted basically on calculating the present value of the projected cash flows for each segment.

34. OPERATING LEASE

At 31 December 2008 and 31 December 2007, the Group held irrevocable operating leases with the following lease payments:

	Minimum operating lease payments	
	31.12.2008	31.12.2007
2008		9 004 028
2009	6 105 343	7 372 202
2010	3 747 755	5 728 588
2011	1 756 719	3 433 475
2012	539 943	2 299 769
2013	81 762	
After 2013 (2012)	23 860	7 004 534
	<u>12 255 382</u>	<u>34 842 596</u>
Without time limit	1 937 468	1 605 430

35. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable		Loans			
					Obtained		Granted	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Parent company and group companies	1 584 421	1 467 636	3 664 534	4 405 491	14 051		3 879	247 833

Transactions	Sales and services rendered		Purchases and services obtained		Interest income		Interest expenses	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Parent company and group companies	4 814 293	8 593 508	29 997 578	36 774 622	627 087	348 049	22 798	

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

	31.12.2008	31.12.2007
Total fixed salaries	1 373 019	1 331 921
Total bonus	740 985	785 443
	<u>2 114 004</u>	<u>2 117 364</u>



36. OTHER OPERATING REVENUES

Details of Other operating revenues on the Consolidated Profit and Loss Statement for the periods ended 31 December 2008 and 31 December 2007 are as follows:

	31.12.2008	31.12.2007
Gains on disposals of non current investments	4 141 587	
Gains on disposals of tangible and intangible assets	46 734 915	38 178 887
Supplementary Revenue	8 354 048	6 671 751
Investment subventions	6 647 345	6 942 279
Tax received	4 889 155	5 612 484
Reversion of impairment losses	3 484 931	3 636 389
Gains on provisions	11 399 528	11 411 298
Others	28 688 923	56 484 757
	<u>114 340 432</u>	<u>128 937 845</u>

The item Others includes an estimated indemnity of 2 959 481 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 40 806 684 euros related to the accident referred to in Note 3.

37. OTHER OPERATING COSTS

Details of Other operating costs on the Consolidated Profit and Loss Statement for the 2008 and 2007 are as follows:

	31.12.2008	31.12.2007
Taxes	9 522 769	12 589 235
Losses on disposal of non current investments	3 355 882	65 440
Losses on disposal of tangible and intangible assets	1 671 066	1 357 869
Others	8 373 537	13 119 096
	<u>22 923 254</u>	<u>27 131 640</u>



38. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2008 and 31 December 2007 were as follows:

	31.12.2008	31.12.2007
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	2 317 273	11 207 067
related to non convertible debentures	18 462 648	25 847 955
related to finance leases	5 322 162	5 445 381
related to hedged loans (hedge derivatives)	8 606 977	2 520 171
others	19 310 413	3 014 392
	<u>54 019 473</u>	<u>48 034 966</u>
Losses in currency translation		
related to customers	1 312 490	1 224 681
related to suppliers	3 000 339	11 931 361
related to loans	43 837 254	16 975 473
others	2 562 493	249 827
	<u>50 712 576</u>	<u>30 381 342</u>
Cash discounts granted	20 151 228	24 462 717
Adjustment to fair value of financial instruments at fair value through profit or loss	28 604 010	25 260 904
Losses on valuation of hedging derivative instruments		
Fair value of inefficient component of hedge derivatives		
Other finance losses	11 104 571	12 986 501
	<u>164 591 858</u>	<u>141 126 430</u>
Financial revenues:		
Interest income		
related to bank loans	240 698	513 807
related to loans to related parties	651 406	326 120
Others	5 323 068	3 392 627
	<u>6 215 172</u>	<u>4 232 554</u>
Gains in currency translation		
related to customers	1 608 729	1 315 901
related to suppliers	2 760 289	11 205 709
related to loans	16 764 210	15 227 246
others	860 340	437 857
	<u>21 993 568</u>	<u>28 186 713</u>
Cash discounts obtained	3 224 157	2 935 935
Adjustment to fair value of financial instruments at fair value through profit or loss	54 800 436	24 662 235
Gains in valuation of hedging derivative instruments		
Fair value of inefficient component of hedge derivatives		
Other finance gains	385 211	567 899
	<u>86 618 544</u>	<u>60 585 335</u>
Finance profit / (loss)	<u>- 77 973 314</u>	<u>- 80 541 095</u>

39. TAXES

Corporate income tax accounted for in 2008 and 2007 is detailed as follows:

	31.12.2008	31.12.2007
Current tax	2 530 753	19 224 040
Deferred tax	404 014	16 048 495
	<u>2 934 767</u>	<u>35 272 535</u>

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



	31.12.2008	31.12.2007
Consolidated net profit before tax	-100 941 991	124 702 712
Tax rate	25.00%	25.00%
Expectable tax at rate 25.0%	-24 458 476	31 175 678
Differences to foreign tax rates	(+) -9 471 100	4 263 678
Effect of provincial taxes	(+) -1 304 230	2 169 694
Consolidation adjustments	(-) -1 233 686	2 562 610
Permanent differences		
Non deductible costs	(+) 21 940 331	2 321 460
Non taxed profits	(-) 20 594 975	5 944 247
Tax losses carried forward		
Recognized deferred tax asset	(+) -8 936 308	-16 124 022
Deferred tax asset not recognized in compliance with IAS 12	(-) -36 808 633	-11 846 526
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(+) -2 550 008	-4 878 467
Reverted deferred tax asset	(+) 4 834 650	6 711 269
Effect of offsetting deferred tax liabilities related to depreciation	(+) 3 494 645	3 801 484
Effect of change in tax rates		5 298 541
Other deferred tax assets and liabilities not recognized in compliance with IAS 12	(+) 3 875 202	345 972
Others	(+) -1 937 283	-3 152 421
Consolidated corporate income tax	<u>2 934 767</u>	<u>35 272 535</u>

40. EARNINGS PER SHARE

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

	31.12.2008	31.12.2007
Net Profit		
Net profit considered to calculate basic earnings per share (Net Profit attributable to equity holders of Sonae Indústria)	- 108 447 796	78 612 713
Effect of potential shares Interest related to convertible bonds (net of tax)		
Net Profit considered to calculate diluted earnings per share	<u>- 108 447 796</u>	<u>78 612 713</u>
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	140 000 000	140 000 000
Effect of potential ordinary shares from convertible bonds		
Weighted average number of shares used to calculate diluted earnings per share	<u>140 000 000</u>	<u>140 000 000</u>

During 2008 no profit or loss occurred relating to discontinued operations.



41. 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 2008 and 2007 are as follows:

- Portugal
- Spain
- France
- United Kingdom
- Germany
- Brazil
- Canada
- South Africa
- Others

41.1. Geographic segments

The contribution of main geographic segments to the Consolidated Profit and Loss Statement for 2008 and 2007, based on location of assets, are detailed as follows:

	2008									
	Portugal	Spain	France	UK	Germany	Others	Brazil	Canada	South Africa	Consolidated
Operating income	312 575 739	325 176 356	246 687 781	88 075 547	707 225 479	218 694 756	166 389 938	154 913 469	89 781 772	
Intersegmental eliminations	- 96 151 629	- 79 156 072	- 59 580 514	- 22 371	- 188 397 724	- 7 072 162			- 18 399	
External Operating income	216 424 110	246 020 284	187 107 267	88 053 176	518 827 755	211 622 594	166 389 938	154 913 469	89 763 373	1 879 121 966
Allocated Operating Net Profit/(Loss)	11 879 873	- 7 664 593	- 49 242 532	- 6 769 977	- 37 050 422	- 12 289	28 799 937	32 496 272	3 623 733	- 23 939 998
Non Allocated Operating Net Profit/(Loss)										785 886
Financial Net Profit/(Loss)										- 77 973 314
Gains and losses in associated companies										127 642
Gains and losses in investments										57 794
Taxation										2 934 767
Net Consolidated Profit/(Loss) after taxation										- 103 876 757
Attributable to Equity Holders of Sonae Indústria										- 108 447 795
Attributable to Minority Interests										4 571 038



	2007									
	Portugal	Spain	France	Un. Kingdom	Germany	Others	Brazil	Canada	South Africa	Consolidated
Operating income	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	
External Operating income	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	2 195 901 397
Allocated Operating Net Profit/(Loss)	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	205 098 244
Non Allocated Operating Net Profit/(Loss)										- 64 032
Financial Net Profit/(Loss)										- 80 541 095
Gains and losses in associated companies										127 321
Gains and losses in investments										82 274
Taxation										35 272 535
Net Consolidated Profit/(Loss) after taxation										89 430 177
Attributable to Equity Holders of Sonae Indústria										78 612 713
Attributable to Minority Interests										10 817 464

Contributions from the segments to the consolidated balance sheet as at 31 December 2008 and 31 December 2007, based upon geographic location of the assets, were as follows:

	31.12.08									
	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Consolidated
Net segmental assets	264 287 988	266 779 505	177 460 329	501 683 648	92 435 341	130 324 509	181 293 761	101 495 656	24 397 597	1 740 158 333
Non current	196 974 792	199 269 600	123 300 240	389 680 471	73 936 742	101 116 970	164 721 085	72 140 667	891 763	1 322 032 330
Current	67 313 196	67 509 905	54 160 089	112 003 177	18 498 599	29 207 539	16 572 676	29 354 989	23 505 834	418 126 003
Investments in associated companies	341 500	2 661 559								3 003 059
Non-allocated net assets										175 205 101
Total net consolidated assets										1 918 366 492
Segmental Liabilities	43 663 046	64 652 956	50 936 954	168 163 623	11 458 398	39 463 497	15 695 314	14 036 268	7 135 335	415 205 391
Non current	5 157 049	19 738 268	6 791 542	82 683 123	3 122 953	17 367 046	1 455 421	964 584	0	137 279 986
Current	38 506 997	44 914 688	44 145 412	85 480 500	8 335 445	22 096 451	14 239 893	13 071 684	7 135 335	277 925 405
Non-allocated liabilities										1 102 988 097
Total consolidated liabilities										1 518 193 488
Investment in tangible and intangible assets	17 835 306	21 484 995	6 887 387	35 784 281	2 397 259	17 895 535	17 398 563	6 509 020	91 038	126 283 384
Amortisation and depreciation	15 446 096	19 157 482	15 307 910	37 599 420	6 650 254	10 032 015	12 735 892	5 938 113	168 048	123 035 230

	31.12.07									
	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Consolidated
Net segmental assets	279 136 716	282 750 638	239 769 252	553 835 059	133 361 753	150 665 372	208 658 216	128 326 386	26 823 472	2 003 326 864
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
Non-allocated net assets										161 104 281
Total net consolidated assets										2 167 780 537
Segmental Liabilities	53 362 318	75 294 614	78 713 295	198 444 814	23 407 161	65 358 705	33 244 793	20 892 961	10 885 854	559 604 515
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
Non-allocated liabilities										979 344 445
Total consolidated liabilities										1 538 948 960
Investment in tangible and intangible assets	13 038 436	18 510 138	9 492 951	37 659 285	4 297 967	4 216 357	89 877 107	35 336 004	265 409	212 693 654
Amortisation and depreciation	15 566 637	17 244 175	15 406 162	37 246 301	7 724 329	9 752 802	9 688 585	3 990 410	186 090	116 805 491

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, was as follows.

	31.12.2008	31.12.2007
Germany	2 305	2 623
Portugal	1 123	1 058
Spain	1 013	1 032
France	809	892
South Africa	439	445
Brazil	356	359
Canada	323	314
United Kingdom	305	315
Others	51	57
	<u>6 724</u>	<u>7 095</u>

Sales and Services Rendered in 2008 and 2007, based on geographic location of the external clients, were the following:

2008		
Segment	'000 Euros	
Germany	499 550	28%
Spain	232 845	13%
France	182 280	10%
Portugal	177 298	10%
Brazil	148 072	8%
North America	112 249	6%
South Africa	90 271	5%
United Kingdom	74 977	4%
Others	251 512	14%
Total	1 769 053	

2007		
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%
Total	2 066 285	



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

2008											
Cash flows arising from:	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Inter-segment eliminations	Consolidated
Operating activities	15 062 966	-19 211 610	-5 973 547	10 480 139	2 135 335	42 157 508	-21 272 194	60 781	695 824	57 358 660	81 493 862
Investment activities	150 163 751	92 278 817	-2 871 395	-29 946 026	-1 386 301	-35 110 972	-37 623 149	-4 923 928	-1 182 888	-274 716 810	-145 318 901
Financing activities	-140 480 034	-94 767 269	1 308 756	13 081 986	-5 977 925	-10 619 059	56 531 451	667 810	- 439 477	217 358 150	36 664 389
Change in cash and cash equivalents	24 746 683	-21 700 062	-7 536 186	-6 383 901	-5 228 891	-3 572 523	-2 363 892	-4 195 337	- 926 541		-27 160 650

2007											
Cash flows arising from:	Portugal	Spain	France	Germany	United Kingdom	Brazil	Canada	South Africa	Others	Inter-segment eliminations	Consolidated
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

41.2. Business segments

In 2008, the segment of wood derivative products, which is the main business segment of the Group, accounted for more than 98% of both revenue and net assets and more than 90% of investment in tangible and intangible assets.

42. SUBSEQUENT EVENTS

At the beginning of 2009 Sonae Indústria informed the market about consultations being initiated with employees, employees representatives and remaining interested parties, regarding the reorganization of its operations in France, United Kingdom and South Africa. At issue date of these consolidated financial statements, available information did not allow the quantification of any effect that the aforementioned events might have in the Group's consolidated financial statements of 2009 and following periods.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issuance on 19 February 2009.

Statutory External Auditor's Report Statutory Audit Board's Reports

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 2008, (which shows total assets of Euros 1,918,366,492 and Euros 1,653,278,849, respectively, a total consolidated equity of Euros 400,173,005 including total minority interests of Euros 3,072,691, an individual equity of Euros 960,241,543, and a net consolidated loss of Euros 108,447,796 and a net individual profit of Euros 6,750,824, 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 2008, 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.

Porto, 19 February 2009

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

António Joaquim Brochado Correia, R.O.C.

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(Free translation from the original in Portuguese)

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

1. 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 Individual and Consolidated Statements of Sonae Indústria SGPS, S.A. with respect to the year ended 31st December 2008, which are the Board of Directors' responsibility.

2. The Statutory Audit Board has accompanied the Company's Management, the evolution of its activities and businesses together with other companies within the consolidation perimeter and convened meetings with the frequency and extent deemed appropriate. On these occasions, the Statutory Audit Board has always received all information requested from the Board of Directors, the various company departments and other companies within the consolidation perimeter. In particular, the information gathered has allowed the Statutory Audit Board to gain a greater insight into understanding and analysing the progress of the business and its financial performance as well as the management and internal control systems.

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

3. Within the scope of its mandate, the Statutory Audit Board has verified the Individual and Consolidated Balance Sheet for the fiscal year ended 31st December 2008, the Individual and Consolidated Statement of Income by nature, Cash Flow Statements and Statements of Changes in Equity and corresponding Appendices for the same period. The Statutory Audit Board has also verified the Management Report for the fiscal year ended 31st December 2008 issued by the Board of Directors and the Statutory External Auditor's Report on the Financial Statements, with which the Statutory Audit Board agrees.

4. In light of the above, the Statutory Audit Board is of the opinion that information relating to the financial statements in question has been prepared according to the applicable accountancy, legal and statutory 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.

5. The Statutory Audit Board expresses its appreciation to the Board of Directors and other departments for their cooperation.

OPINION

Arising from the above, the Statutory Audit Board is of the opinion that the Shareholders' General Meeting approves the:

- a) Management Report, Individual and Consolidated Balance Sheet for the fiscal year ended 31st December 2008, Individual and Consolidated Statement of Income by nature, Cash Flow Statements and Statements of Changes in Equity and corresponding Appendices for the same period;
- b) Proposal for Appropriation of Results submitted by the Board of Directors.

Maia, 20th February 2009

Statutory Audit Board

Óscar José Alçada da Quinta

Armando Luís Vieira de Magalhães

Jorge Manuel Felizes Morgado