SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in Euros)

ASSETS	Notes	IFRS 31.12.06	IFRS 31.12.05
NON CURRENT ASSETS:			
Tangible assets	11	1 234 559 373	1 127 955 731
Goodwill	9, 14	51 105 176	44 492 181
Intangible assets	12	510 166	896 245
Investment properties	13	8 410 688	8 985 512
Associated undertakings and non consolidated undertaking	10	2 985 727	3 213 222
Investment available for sale	10	1 409 864	1 372 620
Deferred tax asset	15	60 007 308	52 685 592
Other non current assets	16	1 284 956	2 007 538
Total non current assets		1 360 273 258	1 241 608 641
CURRENT ASSETS:			
Inventories	17	213 971 609	163 976 752
Trade debtors	18	290 208 628	239 891 538
Other current debtors	19	23 056 810	16 676 327
State and other public entities	21	18 785 614	15 538 683
Other current assets	20	55 603 220	4 973 080
Investments	10	4 769 781	3 041 265
Cash and cash equivalents	22	189 289 129	116 842 604
Total current assets		795 684 791	560 940 249
TOTAL ASSETS		2 155 958 049	1 802 548 890
SHAREHOLDERS' FUNDS, MINORITY INTERESTS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	23	700 000 000	700 000 000
Legal Reserve		59 994	
Reserves and retained earnings		- 212 328 870	- 252 848 817
Net profit (loss) for the period - Group		32 311 969	36 383 591
Total shareholders' funds		520 043 093	483 534 774
Minority interests	24	28 100 792	44 960 793
TOTAL SHAREHOLDERS' FUNDS		548 143 885	528 495 567
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term bank loans - net of short-term portion	25	134 085 215	176 146 046
Non convertible debentures	25	530 273 929	381 101 414
Long term Finance Lease Creditors - net of short-term portion	25	41 897 417	229 326
Other loans	25	95 856 073	107 182 288
Pensions liabilities	28	24 984 515	23 770 510
Other non current liabilities	27	111 284 832	106 236 035
Deferred tax liabilities	15	57 635 679	43 136 143
Provisions	31	35 380 272	17 254 812
Total non current liabilities		1 031 397 932	855 056 574
CURRENT LIABILITIES:			
Short term portion of long term bank loans	25	39 959 384	56 192 111
Short term bank loans	25	97 996 052	27 347 137
Short term portion of Finance Lease Creditors	25	2 483 759	4 476 336
Other loans	25	411 087	1 072 734
Trade creditors		258 824 535	183 420 752
Taxes and Other Contributions Payable	29	27 741 983	21 136 608
Other current liabilities	30	141 969 877	120 073 415
Provisions	31	7 029 555	5 277 656
Total current liabilities		576 416 232	418 996 749
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		2 155 958 049	1 802 548 890

The notes are an integral part of the consolidated financial statements

The Board of Directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIODS ENDED AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in Euros)

		IFRS		
	Notes	31.12.06	2º. Sem. 2006	31.12.05
Operating revenues				
Sales	37	1 692 333 903	921 383 898	1 459 552 013
Services rendered	37	6 981 465	4 356 536	5 468 193
Negative goodwill	9	19 565 777	19 565 777	-
Other operating revenues	3, 34	119 474 376	82 600 015	64 041 058
Total operating revenues		1 838 355 521	1 027 906 226	1 529 061 264
Operating costs				
Cost of sales		847 678 904	466 601 704	702 113 592
(Increase) / decrease in productior		- 7 873 782	- 8 744 225	- 4 653 806
External supplies and services		463 165 266	253 732 774	392 744 222
Staff expenses		244 471 593	139 168 511	206 049 227
Depreciation and amortisation	11, 12	107 971 033	58 429 992	101 827 792
Provisions and impairment losses	3, 10, 11, 31	35 088 175	31 116 684	801 737
Other operating costs	35	27 795 419	14 808 362	21 793 187
Total operating costs		1 718 296 608	955 113 802	1 420 675 951
Operational profit / (loss)		120 058 913	72 792 424	108 385 313
Financial profits	36	51 525 288	35 732 588	31 836 538
Financial costs	36	119 302 883	70 941 704	75 961 611
Gains and losses in associated companies		- 5 205	- 197 596	133 356
Gains and losses in investments		72 557	601	- 141 358
Current profit / (loss)		52 348 670	37 386 313	64 252 238
Taxation	37	18 702 317	11 773 801	27 820 544
Consolidated net profit / (loss) afer taxatior		33 646 353	25 612 512	36 431 694
Profit / (loss) after taxation from descontinued operations		-	-	-
Consolidated net profit / (loss) for the perioc		33 646 353	25 612 512	36 431 694
Attributable to:				
Equity Holders of Sonae Industria		32 311 969	23 684 400	36 383 591
Minority Interests		1 334 384	1 928 112	48 103
Profit/(Loss) per share				
Excluding discontinued operations:				
Basic	38	0.2308	0.1692	0.2599
Diluted	38	0.2308	0.1692	0.2599
From discontinued operations:				
Basic	38	-	-	-
Diluted	38	-	-	-

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIODS ENDED AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in Euros)

		Attributable to Equity Holders of Sonae Indústria					
	Notes	Share Capital	Reserves and retained earnings	Net Profit/(Loss)	Total	Minority Interests	Total Equity
Balance as at 1 January 2005		700 000 000	- 311 273 229	42 580 440	431 307 211	38 906 799	470 214 010
Appropriation of consolidated result of 2004:							
Transfer to legal reserves and retained earnings			42 580 440	- 42 580 440			
Changes in conversion reserves			15 803 248		15 803 248	6 281 046	22 084 294
Changes in fair value of hedge financial instruments, net of taxation			- 1 650 356		- 1 650 356	- 160 039	- 1 810 395
Consolidated Profit/(Loss) for the period ended at 31 December 2005				36 383 591	36 383 591	48 103	36 431 694
Others			1 691 080		1 691 080	- 115 116	1 575 964
Balance as 31 December 2005		700 000 000	- 252 848 817	36 383 591	483 534 774	44 960 793	528 495 567
Balance as at 1 January 2006		700 000 000	-252 848 817	36 383 591	483 534 774	44 960 793	528 495 567
Appropriation of consolidated result of 2005:							
Transfer to legal reserves and retained earnings			36 383 591	-36 383 591			
Changes in conversion reserves			-12 746 692		-12 746 692	-1 785 925	-14 532 617
Changes in fair value of hedge financial instruments, net of taxation			1 225 189		1 225 189	118 790	1 343 979
Aquisição de partes de capital						-1 356 364	-1 356 364
Consolidated Profit/(Loss) for the period ended at 31 December 2006				32 311 969	32 311 969	1 334 384	33 646 353
Others			15 717 853		15 717 853	-15 170 886	546 967
Balance as 31 December 2006		700 000 000	- 212 268 876	32 311 969	520 043 093	28 100 792	548 143 885

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 2006 AND 2005

(Amounts expressed in Euros)

OPERATING ACTIVITIES	Notes	31.12.06	31.12.05
Receipts from trade debtors		1 673 124 336	1 444 830 952
Payments to trade creditors		1 273 235 770	1 080 776 757
Payments to staff		237 782 110	205 524 987
Net cash flow from operations		162 106 456	158 529 208
Payment / (receipt) of corporate income tax		9 659 575	6 619 028
Other receipts / payments relating to operating activities		40 058 705	20 591 437
Net cash flow from operating activities (1)		192 505 586	172 501 617
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments		81 944 704	107 624 889
Tangible and intangible assets		1 147 225	23 745 895
Loans granted		96 883	433 627
Investment subventions		7 164 502	
Interest and similar charges		4 764 495	3 645 457
Dividends		55 815	47 058
Others			7 442
		95 173 624	135 504 368
Cash Payments arising from:			
Investments		177 535 737	99 200 072
Tangible and intangible assets		99 993 857	40 282 011
Loans granted		329 270	158 901
		277 858 864	139 640 984
Net cash used in investment activities (2)		- 182 685 240	- 4 136 616
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		210 570 425	348 462 286
Set up of jointly controlled companies		30 090 000	
		240 660 425	348 462 286
Cash Payments arising from:			
Loans obtained		123 741 992	427 014 965
Interest and similar charges		45 597 123	43 790 120
Dividends			5 013
Finance leases - repayment of principal		5 893 556	4 280 593
Others			60 240
		175 232 671	475 150 931
Net cash used in financing activities (3)		65 427 754	- 126 688 645
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		75 248 100	41 676 356
Effect of foreign exchange rate		3 007 610	- 2 629 424
Cash and cash equivalents at the beginning of the period	22	116 475 852	72 170 072
Cash and cash equivalents at the end of the period	22	188 716 342	116 475 852

The notes are an integral part of the consolidated financial statements

The board of directors

SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2006

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA, whose head-office is at Lugar do Espido, Via Norte, Apartado 1096, 4470-909 Maia, Portugal, is the parent company of a group of companies as detailed in notes 5 to 7 ("Sonae Indústria Group"). The Group's operations and business segments are described in Note 39.

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

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

2. MAIN ACCOUNTING POLICIES

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

2.1. Basis of Preparation

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

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

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

2.2. Consolidation Principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

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

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

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d and 14)). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost, is recognised as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

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

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

b) Financial Investments in jointly owned companies

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

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

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

Joint-venture companies are detailed in note 6.

c) Investments in associated companies

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

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

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

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

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

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

Investments in associated companies are disclosed in Note 7.

d) <u>Goodwill</u>

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

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

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

e) 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:

	31.12.06		31.12.05	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.6715	0.6816	0.6853	0.6837
Brazilian Real	2.8118	2.7279	2.7440	3.0049
South African Rand	9.2123	8.4381	7.4644	7.9120
Canadian Dollar	1.5281	1.4227	1.3725	1.5029
American Dollar	1.3170	1.2544	1.1797	1.2418
Swiss Franc	1.6069	1.5727	1.5551	1.5483
Polish Zloty	3.8310	3.8942		

Source: Bloomberg

2.3. Tangible assets

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

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

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

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

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

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

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

2.4. Intangible assets

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

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

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

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

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

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

2.5. Accounting for leases

Accounting for leases where the Group is the lessee

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

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

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

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

2.6. Investment Properties

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

2.7. Government grants

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

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

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

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

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

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

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.
Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement as Other Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.9. Borrowing costs

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

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

2.10. Inventories

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

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

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

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

2.11. Provisions

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

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

2.12. Financial Instruments

a) Investments

Investments are classified into the following categories:

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

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

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

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

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

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

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

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

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

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

b) Accounts receivable

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

c) Classification as equity or liability

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

d) Loans

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

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

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

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

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

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

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

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

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

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

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

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

g) Equity instruments

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

h) Own shares

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

i) Cash and Cash Equivalents

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

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

2.13. Retirement benefit plans

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

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

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

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

2.14. Contingent assets and liabilities

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

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

2.15. Income tax

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

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

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

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

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

2.16. Revenue recognition and accrual basis

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

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

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

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

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

2.17. Capital gains and losses

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

2.18. Balances and transactions expressed in foreign currencies

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

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

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

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

2.19. Subsequent events

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

2.20. Segment information

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

Information regarding business and geographic segments identified is included in Note 39.

3. RELEVANT EVENTS

On 17 April 2006 a fire broke out on production line 2 at the factory in Lac Megantic, Canada, destroying a significant part of this line's assets. In addition, Line 1 was also forced to stop for almost 2 months. The Group's insurance policy covers asset and operating losses and the compensation received will be sufficient to replace production capacity prior to the fire with new assets and to cover operating losses resulting from the stoppage of both production lines, for a period of up to 18 months.

As a result, consolidated financial statements for 2006 includes an impairment loss that results from the net value of the assets destroyed (38 115 481 euros) in "Provisions and impairment losses" on the consolidated profit and loss statement. The corresponding indemnity is included in "Provisions and impairment losses" (38 115 481 euros) and "Other current assets" on the consolidated profit and loss statement and balance sheet, respectively. As regards the estimated indemnity relating to operating losses, it is included in "Other operating profits" (31 025 219 euros) and "Other current assets" on the consolidated profit and loss statement and balance sheet, respectively. This estimate was calculated by the Company in accordance with the terms of the insurance policy which state whereby the value should take into account the gross profit margin and turnover generated in the previous year, adjusted for underlying business trends. The calculation is based on all available data at the time these accounts were finalized.

The amount of operating losses incurred until 31 December 2006 as a result of the aforementioned accident are still being analysed by the Group and the involved insurance companies. Consequently, the indemnity included in the caption Other operating profits of the consolidated profit and loss statement for 31 025 219 euros, refers to an estimation based on the available information as at the closing date of these consolidated financial statements and will only be confirmed at the end of the indemnity period covered by the insurance policy and once a final agreement has been reached between the Company and the insurance companies.

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 2006 and 31 December 2005 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.2006		31.12.2005		
			Direct	Total	Direct	Total	
1)	Agepan Eiweiler Management GmbH	Eiweiler (Germany)	100,00%	91,16%			a)
2)	Agepan Flooring Products, SARL	Luxembourg	100,00%	91,16%			a)
	Agloma - Sociedade Industrial de Madeira Aglomerada, S.A.	Oliveira do Hospital (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Cia. De Industrias y Negocios, S.A.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
3)	Darbo SAS	Linxe (France)	100,00%	91,16%			a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
4)	Ecociclo II – Energias, S. A.	Maia (Portugal)	100,00%	100,00%			a)
	Euro Decorative Boards Ltd.	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
	Euromegantic Lteé	Lac Mégantic (Canadá)	100,00%	91,16%	100,00%	91,16%	a)
	Euroresinas - Indústrias Quimicas, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
5)	GHP, GmbH	Meppen (Germany)	100,00%	91,16%			
6)	Glunz AG	Meppen (Germany)	100,00%	91,16%	98,17%	90,36%	a)
	Glunz Service GmbH	Hamm (Germany)	100,00%	91,16%	100,00%	90,36%	a)
	Glunz UK Holdings, Ltd.	Londres (United Kingdom)	100,00%	91,16%	100,00%	90,36%	a)
	Glunz UkA GmbH	Hamm (Germany)	100,00%	91,16%	100,00%	90,36%	a)
7)	Hornitex Polska	Poznan (Poland)	100,00%	91,16%			
8)	Isoroy Transformation S.A.S.	St. Dizier (France)	99,99%	91,16%	99,99%	91,16%	a)
	Isoroy, SAS	Boulogne (France)	100,00%	91,16%	100,00%	91,16%	a)
	Maiequipa - Gestão Florestal, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Megantic B.V.	Amsterdão (The Netherlands)	100,00%	91,16%	100,00%	91,16%	a)
	Movelpartes – Comp. para a Indústria do Mobiliário, S.A.	Paredes (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	OSB Deustchland	Germany	100,00%	91,16%	100,00%	91,16%	a)
	Poliface Brasil, Ltda.	São Paulo (Brazil)	99,99%	99,99%	99,99%	99,99%	a)

	Poliface North America	Baltimore (USA)	100,00%	91,16%	100,00%	91,16%	a)
	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Resoflex – Mobiliário e Equipamentos de Gestão, S.A.	Vila de Conde (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	SCS Beheer, BV	The Netherlands	100,00%	91,16%	100,00%	91,16%	a)
	Siaf – Soc. de Iniciativa e Aproveitamentos Florestais, S.A.	Mangualde (Portugal)	100,00%	91,16%	100,00%	91,16%	a)
9)	Socelpac, SGPS, SA	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100,00%	91,18%	100,00%	91,18%	a)
	Société Industrielle et Financière Isoroy	Rungis (France)	100,00%	91,16%	100,00%	91,16%	a)
	Somit – Imobiliária, S.A.	Oliveira do Hospital (Portugal)	100,00%	91,16%	100,00%	91,16%	a)
	Sonae – Serviços de Gestão, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae España, S. A.	Madrid (Spain)	99,94%	99,94%	99,94%	99,94%	a)
	Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	100,00%	91,41%	100,00%	91,41%	a)
	Sonae Indústria – Soc. Gestora de Participações Sociais, S.A.	Maia (Portugal)	HOLDING	HOLDING	HOLDING	HOLDING	HOLDING
	Sonae Indústria Brasil, Ltda.	São Paulo (Brazil)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae Indústria de Revestimentos, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae Novobord (Pty) Ltd	Woodnead (South Africa)	100,00%	91,16%	100,00%	91,16%	a)
	Sonae Tafibra (UK) Ltd	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
	Sonae Tafibra Benelux, B. V.	Woerden (The Netherlands)	100,00%	91,16%	100,00%	91,16%	a)
	Sonae UK, Limited	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	91,16%	91,16%	91,16%	91,16%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Tafiber, Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Tafibra South Africa, Limited	South Africa	100,00%	91,16%	100,00%	91,16%	a)
	Tafibras, S.A.	Curitiba (Brazil)	54,32%	49,55%	54,32%	49,55%	a)
	Tafisa Brasil, S.A.	Curitiba (Brazil)	100,00%	57,46%	100,00%	57,46%	a)
	Tafisa Canadá Societé en Commandite	Lac Mégantic (Canadá)	99,99%	91,16%	99,99%	91,16%	a)
	Tafisa France S.A.S.	Rungis (France)	100,00%	91,16%	100,00%	91,16%	a)
	Tafisa U.K.Ltd.	Knowsley (United Kingdom)	100,00%	91,16%	100,00%	91,16%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Tavapan, SA	Tavannes (Switzerlanda)	100,00%	91,16%	100,00%	90,36%	a)
	Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100,00%	91,16%	100,00%	91,16%	a)
	Tool, GmbH	Meppen (Germany)	100,00%	91,16%	100,00%	90,36%	a)

a) Majority of voting rights.

1) Company incorporated on 6 September 2006

2) Company incorporated on 23 March 2006;

3) Company acquired on 14 September 2006

4) Company incorporated on 24 November 2006

5) Company acquired 1 July 2006

6) Acquisition on 31 March of all shares held by third parties;

7) Company acquired 1 July 2006

8) Company sold 4 September 2006

9) Company liquidated 31 May 2006.

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 2006 are as follows:

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

1) Company incorporated 6 September 2006

2) Company incorporated 5 July 2006

3) Company incorporated 4 October 2006

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 2006 and 31 December 2005 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2006		31.12.2005	
		Direct	Total	Direct	Total
Ipaper - Indústria de Papéis Impregnados, S. A.	Maia (Portugal)	49,00%	49,00%	49,00%	49,00%
Promodeco – Proj. Imobiliário Decoração e Constr., Lda.	Maia (Portugal)	27,60%	27,60%	27,60%	27,60%
Serradora Boix	Barcelona (Spain)	31,25%	28,49%	31,25%	28,49%
Sonaegest	Maia (Portugal)	20,00%	20,00%	20,00%	20,00%

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

8. CHANGES TO THE CONSOLIDATION PERIMETER

Comparison of the 2005 and 2006 financial statements is affected by the companies that were included and excluded in the consolidation perimeter during 2006 and by the companies that were excluded during 2005.

Companies included in 2006:

	Company	Head Office	Percentage of capital held at date of acquisition / incorporation	
			Directo	Total
1)	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100,00%	91,16%
2)	Agepan Flooring Products, SARL	Luxemburg	100,00%	91,16%
3)	Agepan Tarkett Laminate Park GmbH & Co. GK	Eiweiler (Germany)	50,00%	45,58%
4)	Darbo, SAS	Linxe (France)	100,00%	91,16%
5)	Ecociclo II – Energias, S. A.	Maia (Portugal)	100,00%	100,00%

6)	GHP, GmbH	Meppen (Germany)	100,00%	91,16%
7)	Hornitex Polska	Poznan (Poland)	100,00%	91,16%
8)	Tarkett Agepan Laminate Flooring SCS	Luxemburg	50,00%	45,58%
9)	Tecmasa, Reciclados de Andalucia, S. L.	Alcalá de Guadaira (Spain)	50,00%	45,58%

1) Company incorporated 6 September 2006;

2) Company incorporated 23 March 2006;

3) Company incorporated 6 September 2006;

4) Company acquired 14 September 2006;

5) Company incorporated 24 November 2006;

6) Company aqcuired 1 July 2006;

7) Company acquired 1 July 2006;

8) Company incorporated 5 July 2006;

9) Company incorporated 4 October 2006.

The inclusion of these companies in the consolidation perimeter during 2006 affected the comparability of the consolidated profit and loss statements of 2006 and 2005 financial years as follows:

	Year 2006	Companies entering perimeter in 2006	Year 2006 comparable basis	Year 2005
	[1]	[2]	[1] - [2]	
Operating revenues				
Sales	1 692 333 903	163 572 485	1 528 761 418	1 459 552 013
Services rendered	6 981 465	25 884	6 955 581	5 468 193
Negative goodwill	19 565 777	19 565 777		
Other operating revenues	119 474 376	19 649 735	99 824 641	64 041 058
Total operating revenues	1 838 355 521	202 813 881	1 635 541 640	1 529 061 264
Operating costs				
Cost of sales	847 678 904	83 252 628	764 426 276	702 113 592
(Increase) / decrease in production	- 7 873 782	- 1 869 847	- 6 003 935	- 4 653 806
External supplies and services	463 165 266	51 977 041	411 188 225	392 744 222
Staff expenses	244 471 593	40 678 513	203 793 080	206 049 227
Depreciation and amortisation	107 971 033	10 361 225	97 609 808	101 827 792
Provisions and impairment losses	35 088 175	12 659 869	22 428 306	801 737
Other operating costs	27 795 419	517 618	27 277 801	21 793 187
Total operating costs	1 718 296 608	197 577 047	1 520 719 561	1 420 675 951
Operational profit / (loss)	120 058 913	5 236 834	114 822 079	108 385 313
Financial profits	51 525 288	4 167 644	47 357 644	31 836 538
Financial costs	119 302 883	12 202 622	107 100 261	75 961 611
Net financial profit / (loss)	- 67 777 595	- 8 034 978	- 59 742 617	- 44 125 073
Gains and losses in associated companies	- 5 205		- 5 205	133 356
Gains and losses in investments	72 557		72 557	- 141 358
Current profit / (loss)	52 348 670	- 2 798 144	55 146 814	64 252 238
Taxation	18 702 317	- 7 120 985	25 823 302	27 820 544
Consolidated net profit / (loss) after taxation	33 646 353	4 322 841	29 323 512	36 431 694
Consolidated net profit / (loss) for the period	33 646 353	4 322 841	29 323 512	36 431 694
Attributable to:				
Equity holders of Sonae Indústria	32 311 969	5 608 430	26 703 539	36 383 591
Minority interests	1 334 384	- 1 285 589	2 619 973	48 103

Companies excluded in 2006:

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

1) Company sold 4 September 2006;

2) Company liquidated 31 May 2006.

The comparability of consolidated financial statements of 2006 and 2005 financial years was not materially affected by the exclusion of these companies from the consolidation perimeter during 2006.

Companies excluded in 2005:

	Company	Head Office	Percentage of capital held at date of acquisition / incorporation	
			Direct	Total
1)	Explotaciones Comerciales, Industriales y de Servicios, S.A.	Madrid (Spain)	100,00%	91,16%
2)	Explotaciones Madereras Catalanas, S. A.	Barcelona (Spain)	100,00%	91,16%
3)	Florestal y Maderera, S. A.	Madrid (Spain)	100,00%	91,16%
4)	Gollin GmbH	Bad Oeynhausen (Germany)	90,00%	81,32%
5)	Orpin, S. A.	Madrid (Spain)	100,00%	91,16%
6)	Tafibra - Tableros Aglomerados y de Fibras, A.I.E.	Madrid (Spain)	100,00%	91,18%
7)	Sonae 4-P, Panels, Pulp, Paper and Packiging, S. A.	Madrid (Spain)	100,00%	91,16%
8)	Novobord (Pty) Ltd.	Woodnead (South Africa)	100,00%	91,16%

1) Company sold 31 December 2005;
2) Company sold 25 October 2005;
3) Company sold 25 October 2005;
4) Company sold 31 December 2005;
5) Company sold 25 October 2005;
6) Company liquidated 30 December 2005;
7) Company liquidated 31 December 2005;
8) Company liquidated during 2005. Its assets were tarnsferred to Sonae Novobord (Pty) Ltd.

The comparability of consolidated financial statements of 2006 and 2005 financial years was not materially affected by the exclusion of these companies from the consolidation perimeter during 2005.

9. BUSINESS COMBINATIONS

As explained in notes 5 and 8, during the year the Group acquired 100% of the share capital of GHP GmbH, Darbo SAS and Hornitex Polska. It also acquired the remaining outstanding shares of its subsidiary Glunz AG which were previously held by third parties.

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

Euros	GHP GmbH	Darbo SAS	Hornitex Polska	Glunz AG	Total
Cost					
Acquisition cost	60 500 000	30 514 175	11 175	2 276 832	
Costs attributable to the combination	256 130			546 715	
	60 756 130	30 514 175	11 175	2 823 547	
Fair value of net assets at aqcuisition date	82 218 940	23 901 996	(1 302 906)	95 682 156	
Direct ownership percentage acquired	100.00%	100.00%	100.00%	0.88%	
Total ownership percentage acquired	91.16%	91.16%	91.16%	0.81%	
Goodwill (Note 14)	-	6 027 749	1 197 933	1 802 514	9 028 195
Negative goodwill	(19 565 777)	-	-	-	(19 565 777)

The fair value of the net assets at the time of the acquisition are as follows:

	GHP GmbH			Darbo SAS		
	Carrying amount at acquisition date	Fair value adjustments	Fair value at acquisition date	Carrying amount at acquisition date	Fair value adjustments	Fair value at acquisition date
Non current assets						
Tangible and intangible assets	167 384 607	4 458 049	171 842 656	19 138 832	10 421 174	29 560 006
Other non current assets	11 175		11 175	11 123		11 123
Current assets	35 008 859		35 008 859	17 090 905		17 090 905
Non current liabilities	62 651 101	41 089 116	103 740 217		5 070 612	5 070 612
Current liabilities	19 757 744	1 145 789	20 903 533	17 377 435	311 991	17 689 426
Net assets	119 995 796	-37 776 856	82 218 940	18 863 425	5 038 571	23 901 996

The fair value of the assets and liabilities acquired was calculated through independent valuations and internal audits. The adjustments to value referred to earlier, include changes to the book value of the assets and liabilities as a result of the evaluations made, recognition of the fair value of financial leases which prior to the acquisition were accounted for as operating leases on the financial statements of the companies acquired. This reclassification led to an increase in tangible assets of 43 104 726 euros (40 542 726 euros at GHP GmbH and 2 562 000 euros at Darbo SAS), to an increase in non-current liabilities of 41 423 843 euros (39 237 658 euros at GHP GmbH and 2 186 185 euros at Darbo SAS) and to an increase in current liabilities of 1 617 059 euros (1 305 068 at GHP GmbH and 311 991 euros at Darbo SAS).

The companies acquired contributed with Turnover of 162 651 131 euros to Consolidated Turnover and with 7 161 555 euros to Consolidated Net Results attributable to Sonae Indústria shareholders. If the acquisitions had occurred on 1 January 2006, Consolidated Turnover would have been higher by 192 688 021 euros and the Consolidated Net Results attributable to Sonae Indústria shareholders would have been lower by 4 984 173 euros. These amounts were determined through the financial statements of the companies acquired for the period in question and no adjustments were made to align accounting practices with those of the Soane Indústria Group.

The Goodwill arising on the acquisition of Darbo SAS, of 6 027 749 arises from the fact that the company is expected to generate positive net results in the future as a result of synergies the Group expects to achieve in Iberia and France.

The negative goodwill recorded with the acquisition of GHP GmbH, of -19 565 777 euros is a result of the costs that the Group will have to incur to implement a restructuring plan for the business acquired and that could not be taken to goodwill in accordance with IFRS 3. At 31 December 2006, 20 236 891 euros of restructuring costs had already been recorded on the consolidated financial statements.

10. INVESTMENTS

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

	31.12.06		31.12.05	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		42 726 009		42 948 640
Disposal				196 990
Liquidation				25 641
Closing balance		42 726 009		42 726 009
Accumulated impairment losses (Note 31)		42 661 176		42 661 176
Net investment in group companies excluded from consolidation		64 833		64 833
Investment in associated companies				
Opening balance		3 148 389		3 168 799
Increase in share capital				100 000
Disposal				50 463
Effect of equity method application		- 227 495		137 700
Changes in consolidation perimeter				- 138 744
Transfer				- 68 903
Closing balance		2 920 894		3 148 389
Accumulated impairment losses (Note 31)				
Net investment in associated companies		2 920 894		3 148 389

	31.12.06		31.12.05	
	Current	Non current	Current	Non current
Available-for-sale investment				
Opening balance		1 396 195		6 437 535
Acquisition		85 227		8 209
Disposal		20 489		5 393 091
Transfer				68 903
Currency translation effect		- 27 501		274 639
Closing balance		1 433 432		1 396 195
Accumulated impairment losses (Note 31)		23 568		23 575
Net available-for-sale investment		1 409 864		1 372 620
Investments measured at fair value through profit and loss				
Opening balance	3 079 442		15 287 880	
Acquisition	83 312 680			
Disposal	81 622 341		12 208 438	
Closing balance	4 769 781		3 079 442	
Accumulated impairment losses (Note 31)			38 177	
Net investments measured at fair value through profit and loss	4 769 781		3 041 265	

11. TANGIBLE ASSETS

During the twelve-month period ended 31 December 2006, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	2006							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction	Total tangible assets
Gross								
Opening balance	399 281 939	1 645 040 536	13 234 771	8 116 441	45 754 871	12 820 081	16 320 975	2 140 569 614
Changes in consolidation perimeter	52 392 910	262 218 070	33 878		10 548 513	- 68 074	17 422 955	342 548 252
Capital expenditure	2 200 820	5 579 755	413 257	8 163	950 511	- 268 251	107 412 322	116 296 577
Disposal	6 672 303	41 374 848	879 023	95 130	2 286 630	186 772	16 086 111	67 580 817
Transfers and reclassifications	25 443 410	40 078 706	- 2 593 489	1 501 204	2 963 004	610 684	- 63 639 670	4 363 849
Exchange rate effect	- 8 184 913	- 29 889 103	- 107 719	- 119 664	- 863 842	2 615	- 3 284 319	- 42 446 945
Closing balance	464 461 863	1 881 653 116	10 101 675	9 411 014	57 066 427	12 910 283	58 146 152	2 493 750 530
Accumulated depreciation and impairment losse								
Opening balance	92 741 075	863 283 400	9 127 212	5 278 556	31 330 191	10 853 450		1 012 613 884
Changes in consolidation perimeter	29 318 140	107 198 251			5 031 473	- 57 863		141 490 001
Charge for the period	12 742 729	135 718 826	603 528	1 392 699	5 324 355	763 461	343 447	156 889 045
Disposal	3 597 419	30 129 074	746 776	93 081	1 966 583	164 848		36 697 781
Transfer	251 778	1 551 869	- 476 963		466 204	22		1 792 910
Exchange rate effect	- 1 314 366	- 14 906 954	- 106 500	- 12 404	- 556 726	48		- 16 896 902
Closing balance	130 141 937	1 062 716 318	8 400 501	6 565 770	39 628 914	11 394 270	343 447	1 259 191 157
Carrying amount	334 319 926	818 936 798	1 701 174	2 845 244	17 437 513	1 516 013	57 802 705	1 234 559 373

	2005							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction	Total tangible asset
Gross								
Opening balance	398 140 852	1 577 797 176	13 514 125	5 805 246	42 552 969	12 498 164	16 527 666	2 066 836 198
Changes in consolidation perimeter	- 2 367 295	- 3 710 067	- 354 410	- 57 529	- 609 014			- 7 098 315
Capital expenditure	44 217	697 604	168 833	32 948	424 903	79 037	39 536 170	40 983 712
Disposal	11 017 239	26 010 103	662 370	368 722	157 874	85 454		38 301 762
Transfers and reclassifications	- 4 631 141	34 086 784	175 266	2 574 827	2 065 330	310 805	- 40 422 686	- 5 840 815
Exchange rate effect	19 112 545	62 179 141	393 326	129 672	1 478 557	17 533	679 825	83 990 599
Closing balance	399 281 939	1 645 040 535	13 234 770	8 116 442	45 754 871	12 820 085	16 320 975	2 140 569 617
Accumulated depreciation and impairment losse								
Opening balance	89 325 386	780 914 776	9 098 282	4 161 927	26 744 724	10 047 307		920 292 402
Changes in consolidation perimeter	- 868 563	- 2 669 092	- 309 192	- 45 767	- 455 852			- 4 348 466
Charge for the period	7 002 453	87 784 816	675 493	1 143 678	4 404 918	907 280		101 918 638
Disposal	6 415 295	22 439 988	614 109	56 948	118 902	84 961		29 730 203
Transfer	1 588 919	- 2 880 082	- 6 841	- 12 867	- 13 733	- 16 176		- 1 340 780
Exchange rate effect	2 108 175	22 572 970	283 578	88 535	769 037			25 822 295
Closing balance	92 741 075	863 283 400	9 127 211	5 278 558	31 330 192	10 853 450		1 012 613 886
Carrying amount	306 540 864	781 757 135	4 107 559	2 837 884	14 424 679	1 966 635	16 320 975	1 127 955 731

Charges for the period include an impairment loss of 50 156 311 euros of which 38 115 481 euros relate to the net book value of Tafisa Canada´s tangible assets that were destroyed by the fire referred to in note 3. The effect of this impairment loss on the consolidated profit and loss statement is also included in note 3.

Charges to impairment losses are detailed in note 31.

During the period ending 31 December 2006 no interest paid or any other financial charges were capitalised, in accordance with conditions defined in note 2.9.

At 31 December 2006, mortgaged Land and buildings amounted to 27 137 500 euros (33 492 500 euros at 31 December 2005) as a guarantee for bank loans.

At 31 December 2006 and 2005, details of assets bought through financial leases were as follows:

	2006				31.12.2005
	Opening balance	Changes to consolidation perimeter	Other changes	Closing balance	Closing balance
Gross cost:					
Land and Buildings	6 602 696	2 562 000	2 382 831	11 547 527	6 602 696
Plant and Machinery	20 461 790	40 542 726	4 177 237	65 181 753	20 461 790
Vehicles	338 023		49 811	387 834	338 023
Tools					
Fixtures and Fittings	712 964			712 964	712 964
Other tangible assets					
	28 115 473	43 104 726	6 609 879	77 830 078	28 115 473
Accumulated depreciation and impairment losses					
Land and Buildings	5 035 548		436 646	5 472 194	5 035 548
Plant and Machinery	6 914 478		5 213 208	12 127 686	6 914 478
Vehicles	133 922		95 870	229 792	133 922
Tools					
Fixtures and Fittings	599 072		39 000	638 072	599 072
Other tangible assets					
	12 683 020		5 784 724	18 467 744	12 683 020
Net assets	15 432 453	43 104 726	825 155	59 362 334	15 432 453

12. INTANGIBLE ASSETS

During the twelve-month period ended 31 December 2006, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

	2006					
	Developmen Costs	Patents, Royalties And Other Rights	Softwar	Other Intangible Asset	Intangible Assets Under Developmen	Total intangible assets
Gross cost:						
Opening balance	805 060	4 036 502	223 951	1 655 526	20 947	6 741 986
Changes in consolidation perimeter			63 454			63 454
Capital expenditure			827			827
Disposals						
Transfers and reclassifications		12 910				12 910
Exchange rate	- 1 461	2 214	14			767
Closing balance	803 599	4 051 626	288 246	1 655 526	20 947	6 819 944
Accumulated amortisation and losses						
Opening balance	564 527	3 918 902	179 160	1 183 152		5 845 741
Changes in consolidation perimeter			60 329			60 329
Charge for the period	95 977	29 983	46 419	230 018		402 397
Disposals						
Transfers	- 242 356			242 356		
Exchange rate	- 725	2 022	14			1 311
Closing balance	417 423	3 950 907	285 922	1 655 526		6 309 778
Carrying amount	386 176	100 719	2 324		20 947	510 166

	2005					
	Development Costs	**Patents, Royalties And Other Rights**	**Software**	**Other Intangible Assets**	**Intangible Assets Under Development**	**Total intangible assets**
Gross cost:						
Opening balance	828 159	3 993 935	223 951	1 724 531	62 081	6 832 657
Changes in consolidation perimeter				- 69 005		- 69 005
Capital expenditure					7 689	7 689
Disposals	23 325				6 795	30 120
Transfers and reclassifications		39 811			- 42 031	- 2 220
Exchange rate effect	226	2 759				2 985
Closing balance	805 060	4 036 505	223 951	1 655 526	20 944	6 741 986
Accumulated depreciation and impairment losses						
Opening balance	479 142	3 837 003	134 370	868 209		5 318 724
Changes in consolidation perimeter				- 15 787		- 15 787
Charge for the period	105 853	79 220	44 790	330 730		560 593
Disposals	20 604					20 604
Transfers						
Exchange rate effect	136	2 679				2 815
Closing balance	564 527	3 918 902	179 160	1 183 152		5 845 741
Carrying amount	240 533	117 603	44 791	472 374	20 944	896 245

13. INVESTMENT PROPERTIES

During the twelve-month period ended 31 December 2006, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	31.12.2006			31.12.2005
	Cost	Under construction	Total	Total
Gross cost:				
Opening balance	9 237 766		9 237 766	
Changes to consolidation perimeter				
Increase				
Disposals	380 000		380 000	
Transfers	- 69 367		- 69 367	9 237 766
Closing balance	8 788 399		8 788 399	9 237 766
Accumulated depreciation and impairment losses:				
Opening balance	252 254		252 254	
Changes to consolidation perimeter				
Charge for the period	154 590		154 590	155 856
Disposals	29 133		29 133	
Transfers				96 398
Closing balance	377 711		377 711	252 254
Carrying amount	8 410 688		8 410 688	8 985 512

14. GOODWILL ARISING ON CONSOLIDATION

During the twelve-month period ended 31 December 2006, movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	31.12.06	31.12.05
	Goodwill	
Gross value:		
Opening balance	44 492 181	45 269 819
Increases	9 028 195	219 726
Decreases		1 400 250
Transfers and write-offs		26 811
Currency translation	-2 415 200	376 075
Closing balance	51 105 176	44 492 181
Accumulated impairment losses:		
Closing balance		

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

15. DEFERRED TAXES

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

	Deferred tax assets		Deferred tax liabilities	
	31.12.06	31.12.05	31.12.06	31.12.05
Difference between fair value and cost of tangible assets			2 502 275	
Harmonisation adjusments			42 870 655	41 130 842
Provisions and impairment losses not accepted for tax purposes	10 780 570	3 898 133		
Impairment of Assets	1 757 559			
Tangible assets written off	13 910	184 692		
Intangible assets written off	240 530	299 538		
Deferred costs written off		43 327		
Valuation of hedging derivatives	86 125		505 112	
Revaluation of tangible fixed assets			2 651 114	
Tax losses carried forward	47 128 614	48 254 901		
Others		5 001	9 106 523	2 005 301
	60 007 308	52 685 592	57 635 679	43 136 143

	Deferred tax assets		Deferred tax liabilities	
	31.12.06	31.12.05	31.12.06	31.12.05
Opening balance	52 685 592	66 318 079	43 136 143	32 127 706
Impact on results:				
Harmonisation adjusments			2 335 368	4 524 632
Changes in provisions and impairment losses not accepted for tax purposes	7 184 972	1 320 656		
Impairment of Assets	1 757 559			
Derecognized intangible assets	- 170 782	- 225 543		
Derecognized tangible assets	- 59 008	- 40 118		
Deferred costs written off	- 43 328	- 45 497		
Valuation of hedging derivatives			551 458	
Revaluation of tangible fixed assets			- 17 874	
Tax losses carried forward	- 3 396 749	- 16 036 341		
Others		29	7 007 368	2 680 110
	5 272 664	- 15 026 814	9 876 320	7 204 742
Impact on reserves:				
Currency translation effect	- 703 461	1 394 327	- 4 245 379	3 803 695
Recognition in Reserves	89 028		594 718	
	- 614 433	1 394 327	- 3 650 661	3 803 695
Impact of changes in the consolidation perimeter:				
Acquisitions			5 610 392	
Disposals				
Previously offset deferred tax	2 663 485		2 663 485	
Closing balance	60 007 308	52 685 592	57 635 679	43 136 143

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 31 December 2006 and the tax return of each company for fiscal year 2005, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

	31.12.06			31.12.05		
	Tax loss carried forward	Deferred tax asset	Limit date to be used	Tax loss carried forward	Deferred tax asset	Limit date to be used
Originated in 1993				2 310 596	808 708	2008
Originated in 1999	1 528 502	496 763	2014	1 528 502	534 976	2014
Originated in 2000	36 725	11 938	2015	36 725	12 854	2015
Originated in 2001	84 657	21 164	2007	97 047	26 688	2007
Originated in 2001	38 865 008	12 245 372	2016	40 877 400	14 306 985	2016
Originated in 2002	153 061	38 266	2008	269 693	74 166	2008
Originated in 2002	13 714 886	4 114 466	2017	13 714 886	4 800 210	2017
Originated in 2003	544 023	136 005	2009	138 205	38 462	2009
Originated in 2003	3 740 985	1 122 293	2018	3 740 985	1 309 345	2018
Originated in 2004	8 788 231	2 197 058	2010	9 468 726	2 374 689	2010
Originated in 2004	53 271	15 981	2019	53 271	18 645	2019
Originated in 2005	161 732	40 433	2011			
Originated in 2005	179 848	17 805	2014			
Originated in 2006	10 995 457	1 088 550	2015			
Originated in 2006	203 458	50 865	2012			
	79 049 844	21 596 959		72 236 036	24 305 728	
Without time limit	84 998 784	25 531 655		64 569 001	23 949 173	
	164 048 628	47 128 614		136 805 036	48 254 901	

The level of deferred tax assets recognized on account of deductible tax losses was affected by the reduction in the tax rate that is applied to a number of Group companies.

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

	31.12.06			31.12.05		
	Tax loss carried forward	Tax credit	Limit date to be used	Tax loss carried forward	Tax credit	Limit date to be used
Originated in 1999	20 999 339	6 299 801	2014	43 812 435	15 334 352	2014
Originated in 2001	50 945 246	15 283 574	2016	48 908 453	17 117 959	2016
Originated in 2002	5 720	1 564	2008	5 338	1 468	2008
Originated in 2002	48 726 117	14 617 835	2017	48 725 176	17 053 812	2017
Originated in 2003	173 858	43 465	2009	172 496	47 436	2009
Originated in 2003	95 081 602	28 524 481	2018	95 088 900	33 281 115	2018
Originated in 2004	83 551	22 956	2010	263 398	72 434	2010
Originated in 2004	19 280 761	5 784 229	2019	19 280 761	6 748 266	2019
Originated in 2005	417 922	104 488	2011	375 609	103 293	2011
Originated in 2006	62 900 153	15 725 038	2012			
Originated in 2006	2 793 827	276 589	2013			
Originated in 2006	4 244 376	1 400 644	2021			
	305 652 472	88 084 664		256 632 566	89 760 135	
Without time limit	786 519 961	284 461 788		768 067 547	267 719 807	
	1 092 172 433	372 546 452		1 024 700 113	357 479 942	

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

	31.12.06	31.12.05
Loans granted to associated companies	14 132 897	14 132 905
Other loans granted	266 671	161 200
Trade accounts receivable and other debtors	1 079 300	1 770 959
Others	69 124	75 395
	15 547 992	16 140 459
Accumulated impairment losses (Note 31)	14 263 036	14 132 921
	1 284 956	2 007 538

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

17. INVENTORIES

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

	31.12.06	31.12.05
Merchandise	15 723 822	10 672 926
Finished and intermediate products	89 181 673	64 509 000
Products and working in progress	2 995 739	2 353 767
Raw Materials and Consumables	121 613 564	91 212 997
	229 514 798	168 748 690
Accumulated impairment losses on inventories (Note 31)	15 543 189	4 771 938
	213 971 609	163 976 752

18. TRADE DEBTORS

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

	31.12.06	31.12.05	
		Restated	Published
Current accounts	255 716 807	222 880 882	243 284 568
Bills receivable	37 741 009	20 744 711	341 025
Doubtful debtors	15 261 669	12 561 675	12 561 675
	308 719 485	256 187 268	256 187 268
Accumulated impairment losses on trade debtors (Note 31)	18 510 857	16 295 730	16 295 730
	290 208 628	239 891 538	239 891 538

19. OTHER CURRENT DEBTORS

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

	31.12.06	31.12.05
Other debtors	19 306 235	14 175 453
Advances to trade creditors	1 525 550	829 448
Goup companies	2 668 198	2 163 548
	23 499 983	17 168 449
Accumulated impairment losses in accounts receivable (Note 31)	443 173	492 122
	23 056 810	16 676 327

20. OTHER CURRENT ASSETS

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

	31.12.06	31.12.05
Accrued revenue	43 096 500	1 386 208
Deferred Costs	5 899 593	3 503 054
Derivatives instruments	6 528 109	
Others	79 018	83 818
	55 603 220	4 973 080

The item Accrued revenue includes an estimated indemnity of 41 351 673 euros for operating losses, net of insurance compensation received, and an impairment loss for the assets destroyed by the fire at the Canadian plant, as explained in Note 3.

21. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

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

	31.12.06	31.12.05
State and other public entities:		
Income Tax	4 905 409	4 059 189
Value Added Tax	11 303 377	10 295 174
Social Security Contribution	10 327	14 993
Others	2 566 501	1 169 327
	18 785 614	15 538 683

22. CASH AND CASH EQUIVALENTS

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

	31.12.06	31.12.05
Cash at hand	1 994 530	3 175 464
Bank deposits	103 065 901	52 823 600
Treasury applications	84 228 698	60 843 540
Cash and cash equivalents on the balance sheet	189 289 129	116 842 604
Bank overdrafts	572 787	366 752
Cash and cash equivalents on the statement of cash flows	188 716 342	116 475 852

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

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

23. SHARE CAPITAL

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

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

24. MINORITY INTERESTS

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

	31.12.06	31.12.05
Opening balance	44 960 793	38 906 799
Decrease / (increase) in ownership percentage on consolidated companies	- 1 356 364	- 235 893
Change resulting from currency translation	- 1 785 924	6 318 979
Net profit for the period attributed to minority interests	1 334 384	48 103
Others	- 15 052 097	- 77 195
Closing balance	28 100 792	44 960 793

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

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

25. LOANS

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

	31.12.06				31.12.05			
	Amortised cost		Nominal value		Amortised cost		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	137 955 436	134 085 215	137 955 436	134 085 215	83 539 248	176 146 046	83 539 248	176 146 046
Debentures		530 273 929		535 000 000		381 101 414		385 000 000
Obligations under finance leases	2 483 759	41 897 417	2 483 759	41 897 417	4 476 336	229 326	4 476 336	229 326
Other loans	411 087	95 856 073	411 087	95 856 073	1 072 734	107 182 288	1 072 734	107 182 288
Gross debt	140 850 282	802 112 634	140 850 282	806 838 705	89 088 318	664 659 074	89 088 318	668 557 660
Investment	4 769 781		4 769 781		3 041 265		3 041 265	
Cash and cash equivalent in balance sheet	189 289 129		189 289 129		116 842 604		116 842 604	
Net debt	- 53 208 628	802 112 634	- 53 208 628	806 838 705	- 30 795 551	664 659 074	- 30 795 551	668 557 660
Total net debt	748 904 006		753 630 077		633 863 523		637 762 109	

The loans have the following repayment schedule:

	31.12.06	31.12.05	
2006		89 088 318	2006
2007	140 850 282	37 961 270	2007
2008	140 622 195	140 970 897	2008
2009	212 935 155	224 227 737	2009
2010	175 114 511	172 619 155	2010
2011	22 324 796	19 836 061	2011
2012	21 084 827	72 942 540	After 2011
After 2012	234 757 221		
	947 688 987	757 645 978	

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 2006 are detailed in the following table:

Company	Bank loans				
	Non current	Current			Total
	Bank loans	Short term portion	Short term	Bank overdrafts	
Glunz AG	78 349 600	14 042 000			92 391 600
Sonae Indústria-SGPS,SA	21 875 000	6 250 000	60 950 000		89 075 000
Sonae Novobord (Pty) Ltd	14 479 803	4 678 930	15 379 961		34 538 694
Tafisa Brasil, SA	319 756	37 342	21 088 839		21 445 937
Sonae UK,Ltd.	10 424 399	6 949 600		495 226	17 869 225
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	7 627 148	4 964 045			12 591 193
Others	1 009 509	3 037 467	4 465	77 561	4 129 002
	134 085 215	39 959 384	97 423 265	572 787	272 040 651

a) During 2002, the Company, together with its main shareholder, Sonae S.G.P.S., SA and with its affiliated company Glunz AG., contracted a loan with the European Investment Bank for 119 000 000 Euros, withdrawn in full by 31 March 2005. The loan pays interest quarterly, indexed to Euribor, and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which was made in June 2005. At 31 December 2006, outstanding principal was 92 391 600 euros. Following a financial restructuring process at Sonae Indústria, S.G.P.S., S.A. , Sonae S.G.P.S., SA was released from this loan.

b) During the first half of 2005 a loan contracted by Sonae SGPS SA with the European Investment Bank, of 50 000 000 Euros, was transferred to Sonae Indústria SGPS, SA. The loan pays interest quarterly, at market rates, and will be redeemed in 16 consecutive and equal semi-annual instalments. On 31 December 2006, the principal outstanding was 28 125 000 euros;

c) On 25 January 2006 Sonae Indústria SGPS, S. A. contracted commercial paper with several financial institutions for up to a maximum nominal amount of 100 000 000 euros. This programme will mature on 27 January 2016. At 31 December 2006, outstanding principle was 60 950 000 euros and related to an issue that matured on 11 January 2007. Interest is calculated using Euribor throughout the issuance period.

d) Sonae Novoboard raised ZAR 200 000 000 in debt from Firstrand Bank. The facility was issued at a fixed rate of 13.18%, interest is payable semi-annually, and principal is repaid in 14 consecutive and variable instalments, the first of which occurred in June 2003. As at 31 December 2006, the principal outstanding was 19 158 733 euros;

e) On 4 December 2006, Sonae Novobord contracted a loan from Santander Totta in ZAR (South African Rands) up to a maximum principal of 15 000 000 euros on withdrawal date. The loan has a three month maturity period and may be automatically renewed for equal periods. The facility was issued at a market rate and interest is payable quarterly. At 31 December 2006, the principal outstanding was 15 379 961.

f) Sonae UK signed a loan contract with the European Investment Bank, for GBP 35 000 000. This loan pays interest at market rates and is redeemable in 15 consecutive and semi-annual instalments, the first of which matured in June 2002. As at 31 December 2006, the principal outstanding was 17 374 000 euros;

g) 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 2006, the principal outstanding was 10 125 000 euros;

h). During 2005, Tafisa Brazil contracted two loans from Santander Banespa of 80 000 000 reais. The loans pay interest at market rates and are automatically renewed at the end of each month. At 31 December 2006, outstanding principal was 59 000 000 reais (20 982 760 euros).

25.2 Bond Issues

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

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

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

d) Sonae Indústria 2005/2010 bonds, issued on 27 April 2005, with a principal amount of 150 000 000 euros and a bullet repayment 5 years after issue date. Sonae Indústria may anticipate repayment, either partially or for the full amount of principal outstanding, at any interest payment date after April 2008, inclusive. Interest is calculated using Euribor six months plus 110 bps, paid semi-annually in arrears on 27 April and October;

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

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

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

25.3 Other Loans

Other loans, as detailed in the table in note 25, are included in the consolidated Balance Sheet, in “Other Financing” in Current Liabilities and Non-Current Liabilities, and had the following composition on 31 December 2006:

Company	Other Loans		
	Long term		Short term
	Securitization	Others	Others
Tableros Tradema,S.L.	12 352 671		
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	18 214 271	59 645	59 646
Isoroy SAS	20 213 491	167 144	169 176
Glunz AG	15 244 345		44 425
Sonae Tafibra Benelux, BV	9 402 221		
Sonae UK,Ltd.	17 020 919		
Spanboard Products,Ltd	2 456 912		
Others		724 454	137 840
	94 904 830	951 243	411 087

During 2004, Sonae Indústra SGPS SA together with its subsidiaries Soane Indústria – Produção e Comercialização de Madeira, S.A (then Sonae Tafibra – Gestão Comercial S.A), Tableros Tradema S.L (then Tafibra, Tableros Aglomerados e de Fibras, A.I.E), Isoroy S.A.S (then Isoroy Diffusion S.N.C.), Glunz AG, Sonae Tafibra Benelux, B.V., Sonae (UK) Limited and Spanboard Products Limited, signed a Securitization facility of up to 120 000 000 euros, later increased to 150 000 000 euros, with ABN Amro Bank, NV and TAPCO – Tulip Asset Purchase Company BV. This facility matures in March 2009. At 31 December 2006, the principal outstanding was 94 904 830 euros.

25.4 Financial lease creditors

Details of finance leases creditors at 31 December 2006 and 2005 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.06	31.12.05	31.12.06	31.12.05
2006	-	5 363 377	-	4 443 758
2007	7 134 059	147 775	2 483 758	147 248
2008	6 780 212	114 656	2 319 852	114 656
2009	6 620 369		2 367 727	
2010	6 411 164		2 379 621	
2011	6 172 911		2 372 999	
after 2011	49 824 097		32 457 219	
	82 942 812	5 625 808	44 381 176	4 705 662
Lease creditors - current			2 483 759	4 476 336
Lease creditors - non current			41 897 417	229 326

26. FINANCIAL DERIVATIVES

Foreign Exchange (fx) derivatives

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

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

Profits and losses associated to changes in the value of derivative instruments that have not received hedge accounting treatment were negative by 9 799 631 euros and have been recorded directly in the Profit and Loss Statement, as Financial Losses. This item also includes changes in market value of loans due to foreign exchange rate fluctuations, which the Group aims to hedge.

Interest rate derivatives

Interest rate hedging instruments in place on 31 December 2006 were essentially interest rate related swaps and collars (cash flow hedges), contracted to hedge the risk of interest rate fluctuation associated with loans with outstanding principal of 19 158 733 euros (24 724 190 euros at 31 December 2005).

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

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

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

Hedging instruments are accounted for at cost (if such a cost exists) and subsequently valued at fair value. Changes in fair value are recorded in Shareholder's Funds, under "Hedging Reserves" included in item "Reserves and Retained Earnings", which are transferred to Net Income in the same period that Net Results are impacted by the underlying loan. The Group recorded a loss of 889 267 euros in reserves and retained earnings.

Fair value of hedging instruments

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

	Other current assets (note 20)		Other current liabilities (note 30)		Other non current liabilities (note 27)	
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Exchange rate derivatives	5 829 177		3 216 459	3 920 051		
Hedge derivatives	698 932		56 762	2 872 692	836	402 066
	6 528 109		3 273 221	6 792 743	836	402 066

27. OTHER NON CURRENT LIABILITIES

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

	31.12.06	31.12.05
State and other public entities:		
Others	33 772 070	26 656 350
Goup companies	72 604	72 604
Other creditors	77 440 158	79 507 081
	111 284 832	106 236 035

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

Other creditors include circa 77 004 000 euros relating to deferred income-investment subventions.

28. PENSION FUND LIABILITIES

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

Current liabilities associated with past years of service are evaluated every year through actuarial studies and based on the "Projected Unit Credit" methodology. Actuarial assumptions employed on the last study prepared at 31 December 2006 were:

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

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

South Africa:

The employees of Sonae Novobord (PTY) have the following benefit scheme:

Defined contribution plan composed of a number of assets that are managed by a third party. The Company is obliged to deliver the defined contributions. At 31 December 2006, no contributions were outstanding or unpaid.

Defined Benefit plan with a fund managed by a third party and calculated in accordance with International Accounting Standard 19 and based on actuarial studies performed by an independent party.

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

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

Germany:

Glunz AG has a defined benefit plan and it has constituted a fund. The plan is calculated according to International Accounting Standard 19, and based on actuarial studies carried out by an independent party. The company has recorded a provision for Pension Liabilities in Non Current Liabilities of 19 133 237 euros, which fully provides for the liabilities calculated by the actuarial study reported to 31 December 2006. On the same date, the value of the fund constituted at the end of the year was 27 117 euros.

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

France:

Upon retirement of their employees, Isoroy SAS and Darbo SAS are obliged to pay a sum defined under the terms of the sector's collective labour agreement. An actuarial study calculated the liabilities of the two companies on 31 December 2006 to be 1 838 429 euros. This is fully covered by a provision that is recorded as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet

Portugal:

Various Group companies have a defined benefit plan and funds managed by third parties, calculated in accordance with International Accounting Standard 19 and based on actuarial studies carried out by independent parties. Employees of eight companies at 31 December 1994 are covered by this plan under which they will receive as from retirement, a life long monthly payment equivalent to 20% of their salary at their retirement date. The liability for services provided as at 31 December 2006, based on an actuarial study on the same date, were calculated to be 3 541 864 euros. This was fully covered by the value of the fund and by a provision included as a Pension Liability in Non Current Liabilities on the Consolidated Balance Sheet, of 1 287 273 euros and 2 254 591, respectively.

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

	31.12.06	31.12.05
Opening balance of obligations' present value	30 240 033	25 980 562
Interest cost	1 352 903	1 548 985
Current service cost	644 580	477 698
Actuarial (Gains)/Losses	-1 050 134	3 144 097
Recognised past service cost	1 024 696	525 769
Paid pensions	1 671 546	1 562 009
Exchange rate effect	-1 035 535	124 932
Changes in consolidation perimeter	1 244 542	
Closing balance of obligations' present value	30 749 539	30 240 034

At 31 December 2006 and 2005, the amount of liabilities for defined benefits recognised in the consolidated balance sheet is detailed as follows:

	31.12.06	31.12.05
Present value of obligations	30 749 539	30 240 034
Actuarial Losses/(Gains) not recognised	739 768	1 171 751
Fair value of plan assets	5 025 256	5 297 773
Pension liabilities	24 984 515	23 770 510

The impact of these liabilities on the 2006 and 2005 consolidated profit and loss statements is detailed as follows:.

	31.12.06	31.12.05
Interest cost	1 385 652	1 548 985
Current service cost	598 404	477 698
Past service cost	1 024 696	525 769
(Increase) / Decrease in fair value of plan assets	- 296 156	639 305
Recognized actuarial (Gains)/Losses	- 956 835	- 101 649
	1 755 761	3 090 108

29. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

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

	31.12.06	31.12.05
State and other public entities		
Income Tax	13 743 944	8 598 252
Value Added Tax	3 474 862	2 828 463
Social Security Contribution	7 945 825	7 825 568
Others	2 577 352	1 884 325
	27 741 983	21 136 608

30. OTHER CURRENT LIABILITIES

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

	31.12.06	31.12.05
Group companies	814 434	983 195
Derivatives	3 273 221	6 792 743
Trade debtors advances	493 850	181 611
Fixed assets suppliers	8 415 384	15 883 230
Other creditors	23 995 329	33 081 546
Accrued expenses:		
Insurances	332 978	632 031
Personnel costs	29 390 350	17 366 221
Accrued financial expenses	6 713 869	3 517 003
Rappel discounts (annual quantity discounts)	31 745 244	18 653 530
External supplies and services	13 321 427	8 922 036
Other accrued expenses	13 157 603	6 827 808
Deferred income:		
Investment subventions	10 314 172	7 232 200
Other deferred income	2 016	261
	141 969 877	120 073 415

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

31. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2006 and 31 December 2005 were as follows:

	2006						
Rubricas	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes	Closing balance
Accumulated impairment losses on investments (Note 10)	42 722 928				16 747	- 21 437	42 684 744
Accumulated impairment losses on tangible assets (Note 11)	877 301	- 2 624 908		49 464 568	262	- 2 325 326	45 391 373
Accumulated impairment losses on other non-current assets (Note 16)	14 132 921					130 115	14 263 036
Accumulated impairment losses on trade debtors (Note 18)	16 295 730	- 484 435	1 240 077	6 149 821	3 695 994	- 994 342	18 510 857
Accumulated impairment losses on other debtors (Note 19)	492 122					- 48 949	443 173
Accumulated impairment losses on inventories (Note 17)	4 771 938	- 107 697	10 308 751	7 036 668	5 716 013	- 750 458	15 543 189
Provisions	22 532 468	- 508 572	688 045	20 520 721	3 609 825	2 786 990	42 409 827
	101 825 408	- 3 725 612	12 236 873	83 171 778	13 038 841	- 1 223 407	179 246 199

	2005						
Rubricas	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes	Closing balance
Accumulated impairment losses on investments (Note 10)	52 345 667		- 181 572	10 597	156 637	- 9 295 127	42 722 928
Accumulated impairment losses on tangible assets (Note 11)	504 606			807 306		- 434 611	877 301
Accumulated impairment losses on other non-current assets (Note 16)	14 434 255			262 402		- 563 736	14 132 921
Accumulated impairment losses on trade debtors (Note 18)	14 800 242	553 199	- 22 058	3 091 327	1 372 450	- 754 530	16 295 730
Accumulated impairment losses on other debtors (Note 19)	2 588 307					- 2 096 185	492 122
Accumulated impairment losses on inventories (Note 17)	3 009 927	121 940		3 906 787	2 266 716		4 771 938
Provisions	23 726 803	2 809 982	- 395 785	5 592 031	8 722 707	- 477 856	22 532 468
	111 409 807	3 485 121	- 599 415	13 670 450	12 518 510	- 13 622 045	101 825 408
	#				#	#	

The increase in provisions during the year included 11 600 000 euros related with restructuring costs of the operations acquired as explained in notes 5,8 and 9.

Impairment losses are offset against the corresponding asset.

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

The increase in impairment losses on tangible assets is recorded under Provisions and impairment losses on the consolidated profit and loss statement, despite the fact that the amount of the impairment was fully offset by the estimate referred to in note 3 (38 115 481 euros). The reduction is recorded under Other operating income on the consolidated profit and loss statement

The increases and reductions in trade creditor impairment losses are recorded under Provisions and impairment losses and other operating provisions on the consolidated profit and loss statement.

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

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

32. OPERATING LEASE

At 31 December 2006 and 2005, the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments		
	31.12.06	31.12.05	
2006		5 761 681	2006
2007	8 568 812	4 803 099	2007
2008	7 049 890	4 807 772	2008
2009	4 277 993	2 888 350	2009
2010	3 520 312	13 045 077	After 2009
2011	2 662 137		
After 2011	6 915 257		
	32 994 401	31 305 979	

33. RELATED PARTIES

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

Balances	Accounts receivable		Accounts payable		Loans			
					Obtained		Granted	
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Parent company and group companies	9 402 672	9 726 889	9 253 321	8 318 020		72 605	2 007 687	1 650 191
Associated companies	400 719	800 135	807 532	971 587				

Transactions	Sales and services rendered		Purchases and services obtained		Interest income		Interest expenses	
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Parent company and group companies	10 517 966	11 133 610	56 983 722	48 343 371	47 609	222 690		2 664 210
Associated companies	1 873 328	669 158	4 741 860	1 073 732		5 029		163

34. OTHER OPERATING REVENUES

Details of Other operating revenues on the Consolidated Profit and Loss Statement for the periods ended 31 December 2006 and 2005 are as follows:

	31.12.06	31.12.05
Gains on disposals of non current investments		12 551 322
Gains on disposals of tangible and intangible assets	18 564 247	16 738 981
Supplementary Revenue	22 682 065	6 456 663
Investment subventions	7 465 627	8 429 234
Tax received	8 886 645	5 889 593
Reversion of impairment losses	3 696 256	1 283 089
Gains on provisions	3 609 825	8 722 708
Others	54 569 711	3 969 468
	119 474 376	64 041 058

The item Others includes an estimated indemnity of 42 150 387 euros relating to the operating losses resulting from the accident referred to in Note 3.

Gains arising on the sale of tangible assets include 17 779 903 euros which resulted from the payment in assets upon incorporation of Agepan Tarkett Laminate Park GmbH & Co. KG (Note 6). The transaction implied a reduction of 50% of the assets' book value previously recorded on the consolidated balance sheet.

35. OTHER OPERATING COSTS

Details of Other operating costs on the Consolidated Profit and Loss Statement for the periods ended 31 December 2006 and 2005 are as follows:

	31.12.06	31.12.05
Taxes	11 959 396	11 693 868
Losses on disposal of non current investments	269 511	1 688 575
Losses on disposal of tangible and intangible assets	1 035 305	3 088 392
Others	14 531 207	5 322 352
	27 795 419	21 793 187

36. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2006 and 2005 were as follows:

	31.12.06	31.12.05
Financial Expenses:		
Interest expenses	42 351 193	33 887 807
Cash discounts granted	20 436 456	15 300 847
Losses in currency translation	27 708 294	10 870 856
Others	28 806 940	15 902 100
Financial profit/(loss)	- 67 777 595	- 44 125 073
	51 525 288	31 836 538
Financial revenues:		
Interest income	5 057 012	3 265 086
Cash discounts obtained	3 866 301	2 153 661
Gains in currency translation	13 568 462	25 817 621
Others	29 033 513	600 170
	51 525 288	31 836 538

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

37. TAXES

Corporate income tax accounted for during the periods ended 31 December 2006 and 2005 is detailed as follows:

	31.12.06	31.12.05
Current tax	14 098 661	8 387 026
Deferred tax	4 603 656	19 433 518
	18 702 317	27 820 544

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

		31.12.2006	31.12.2005
Consolidated net profit before tax		52 348 670	64 252 238
Tax rate		27.50	27.50
Expectable tax at rate		14 395 884	17 669 365
Differences to foreign tax rates	(+)	- 939 188	- 370 324
Effect of provincial taxes	(+)	734 479	1 534 255
Consolidation adjustments	(-)	18 849 406	2 134 245
Permanent			
Non deductible costs	(+)	3 076 294	6 543 201
Non taxed profits	(-)	2 347 148	7 269 177
Tax losses carried forward			
Recognised deferred tax asset	(+)	-2 618 452	-23 724 358
Reverted deferred tax asset	(+)	7 044 100	30 838 876
Deferred tax asset not recognized in compliance with IAS 12	(-)	-17 864 533	-15 825 163
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(+)	-5 354 615	-9 443 503
Effect of offsetting deferred tax liabilities related to depreciation	(+)	1 308 514	2 787 381
Effect of change in tax rates	(+)	3 279 488	- 95 192
Other deferred tax assets and liabilities not recognized in compliance with IAS 12	(+)	- 725 013	-4 762 398
Others	(+)	1 832 845	421 499
Consolidated corporate income tax		18 702 317	27 820 544

The amount of 18 849 406 euros recorded as adjustments to expected taxes includes the effect of the negative goodwill explained in note 9 and the capital gain explained in note 34..

38. EARNINGS PER SHARE

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

	31.12.06	31.12.05
Net Profit		
Net profit considered to calculate basic earnings per share (Net Profit attributable to equity holders of Sonae Indústria)	32 311 969	36 383 591
Effect of potential shares		
Interest related to convertible bonds (net of tax)		
Net Profit considered to calculate diluted earnings per share	32 311 969	36 383 591
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	140 000 000	140 000 000
Effect of potential ordinary shares from convertible bonds		
Weighted average number of shares used to calculate diluted earnings per share	140 000 000	140 000 000

During the period ended 31 December 2006 no significant profit or loss occurred relating to discontinued operations.

39. SEGMENT INFORMATION

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

Geographic segments identified for the periods ended 31 December 2006 and 2005 are as follows:

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

39.1 Geographic segments

The contribution of main geographic segments to the Consolidated Profit and Loss Statement for the twelve month periods ended 31 December 2006 and 2005, based on location of assets, are detailed as follows:

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

	2005									
	Portugal	Spain	France	Un. Kingdom	Germany	Rest of Europe	Brazil	Canada	South Africa	Consolidated
Operating income	278 570 767	293 009 303	256 639 442	107 038 696	436 519 303	171 724 901	101 280 113	141 842 073	105 972 745	
Intersegmental eliminations	- 99 059 074	- 45 941 577	- 84 517 012	- 109 495	- 155 932 162	- 5 357 595	- 1 899 145	- 23 084		
External Operating income	**179 511 693**	**247 067 726**	**172 122 430**	**106 929 201**	**280 587 141**	**166 367 306**	**99 380 968**	**141 818 989**	**105 972 745**	**1 499 758 199**
Allocated Operating Net Profit/(Loss)	14 285 075	10 353 074	- 7 675 957	- 3 159 127	13 992 009	655 195	7 393 907	17 984 188	30 313 081	**84 141 445**
Non Allocated Operating Net Profit/(Loss)										**24 243 868**
Financial Net Profit/(Loss)										**- 44 125 073**
Gains and losses in associated companies										133 356
Gains and losses in investments										- 141 358
Taxation										**27 820 544**
Net Consolidated Profit/(Loss) after taxation										**36 431 693**
Attributable to Equity Holders of Sonae Industria										36 383 591
Attributable to Minority Interests										48 103

The operating profit for "Germany" in 2006 includes the negative goodwill explained in note 9 and the capital gain explained in note 34.

Contributions from the segments to the consolidated balance sheet on 31 December 2006 and 2005, based upon geographic location of the assets, were as follows:

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

	2005									
	Portugal	Espanha	França	Alemanha	Reino Unido	Brasil	Canadá	África do Sul	Outros	Consolidado
Net segmental assets	233 981 407	236 179 580	232 203 072	308 009 766	141 673 518	148 892 928	170 708 801	99 909 014	18 260 272	1 589 818 358
Non current	165 215 830	163 556 558	162 135 196	245 491 913	106 594 251	116 035 910	147 143 495	67 782 319	621 146	1 174 576 618
Current	68 765 577	72 623 022	70 067 876	62 517 853	35 079 267	32 857 018	23 565 306	32 126 695	17 639 126	415 241 740
Investments in associated companies	692 040	2 456 354								3 148 394
Non-allocated net assets										209 582 138
Total net consolidated assets										1 802 548 890
Segmental Liabilities	46 141 456	76 493 857	70 335 974	131 357 630	22 678 259	36 016 926	19 720 839	20 437 663	2 555 558	425 738 162
Non current	3 896 211	23 882 252	9 600 238	68 982 985	5 565 665	24 481 958	0	975 837	0	137 385 146
Current	42 245 245	52 611 605	60 735 736	62 374 645	17 112 594	11 534 968	19 720 839	19 461 826	2 555 558	288 353 016
Non-allocated liabilities										848 315 161
Total consolidated liabilities										1 274 053 323
Investment in tangible and intangible assets	3 554 681	4 370 139	6 563 859	5 824 289	10 596 362	1 112 792	6 620 100	2 287 324	61 849	40 991 395
Amortisation and depreciation	17 386 341	15 940 057	13 847 854	21 767 425	8 257 730	8 169 637	11 905 997	4 421 085	131 666	101 827 792

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

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

	31.12.06	31.12.05
Portugal	1 097	1 090
Germany	2 580	1 135
France	854	881
Spain	977	828
South Africa	402	391
Canada	319	323
Brazil	352	320
United Kingdom	311	302
Others	50	38
	6,942	5,308

Sales and Services Rendered in 2206 and 2005, based on geographic location of the external clients, were the following:

2006

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

2005

Segment	'000 Euros	
Germany	248 419	17%
Spain	240 703	16%
France	168 189	11%
Portugal	115 694	8%
South Africa	103 983	7%
United Kingdon	90 054	6%
Brazil	87 971	6%
North America	68 110	5%
Others	341 897	23%
Total	**1 465 020**	

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

	2006											
Cash flows arising from:	**Portugal**	**Spain**	**France**	**Germany**	**United Kingdom**	**Brazil**	**Canada**	**South Africa**	**Luxemburg**	**Others**	**Inter-segment eliminations**	**Consolidadted**
Operating activities	33 689 601	27 817 596	4 179 852	16 919 932	105 239	44 184 412	28 580 368	24 588 855	15 079	2 160 777	10 263 875	192 505 586
Investment activities	-114 955 598	-121 152 540	-35 211 395	-77 867 769	-4 651 094	-4 732 978	-30 309 855	-18 447 253	38 079	6 335 001	218 270 162	-182 685 240
Financing activities	143 266 768	102 369 056	32 000 633	78 794 107	1 344 540	-36 876 284	-3 390 491	-16 578 642	60 572	-7 028 468	-228 534 037	65 427 754
Change in Cash and Cash Equivalents	62 000 771	9 034 112	969 090	17 846 270	-3 201 315	2 575 150	-5 119 978	-10 437 040	113 730	1 467 310		75 248 100

	2005										
Cash flows arising from:	**Portugal**	**Spain**	**France**	**Germany**	**United Kingdom**	**Brazil**	**Canada**	**South Africa**	**Others**	**Inter-segment eliminations**	**Consolidated**
Operating activities	24 920 517	30 490 584	22 199 583	27 065 914	- 913 972	20 030 614	28 812 944	34 676 384	1 294 369	- 16 075 320	172 501 617
Investment activities	- 307 467 645	80 955 787	- 13 214 486	13 653 446	- 9 237 217	- 813 200	- 13 640 878	- 30 628 616	41 770 882	234 485 311	- 4 136 616
Financing activities	272 862 040	- 71 513 157	- 8 037 959	- 42 714 032	15 332 577	- 17 765 711	- 18 369 653	5 517 592	- 42 063 817	- 219 936 525	- 126 688 645
Change in Cash and Cash Equivalents	- 9 685 088	39 933 214	947 138	- 1 994 672	5 181 388	1 451 703	- 3 197 587	9 565 360	1 001 434	- 1 526 534	41 676 356

39.2 Business Segments

In 2006, Sonae Indústria’s main business segment, wood panel production, represented more than 95% of the Group’s revenues, net assets and investment in tangible and intangible assets.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issuance on 23 February 2007.