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 production | | - 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 taxation | | 33 646 353 | 25 612 512 | 36 431 694 |
| Profit / (loss) after taxation from descontinued operations | | - | - | - |
| Consolidated net profit / (loss) for the period | | 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)

| | Notes | Attributable to Equity Holders of Sonae Indústria: 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) Goodwill

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

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

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

e) Translation of financial statements of foreign companies

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

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

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

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

| | 31.12.06 | | 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:

| | Bank loans | | | | |
|---|---|---|---|---|---|
| | Non current | Current | | | |
| Company | Bank loans | Short term portion | Short term | Bank overdrafts | Total |
| 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.