



SONAE INDÚSTRIA, SGPS, S. A.

Headquarters: Lugar do Espido, Via Norte, Maia
Registered at Maia Commercial Registering Office under nº. 506 035 034
Share Capital: 700 000 000 euros
VAT nº 506 035 034
Publicly Traded Company

**Corporate Governance Report
31 December 2007**

(Translation from the Portuguese original)

5 March 2008

CORPORATE GOVERNANCE REPORT

0. Compliance with CMVM Recommendations

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

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

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

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

1. Corporate Governing Bodies

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

The adoption of the "Reinforced Latin Model" implies that the company will have a Board of Directors, Statutory Audit Board and Statutory External Auditor. In this same General Meeting it was also decided to reduce the number of members of the Board of Directors from eleven to ten.

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

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

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

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

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

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

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

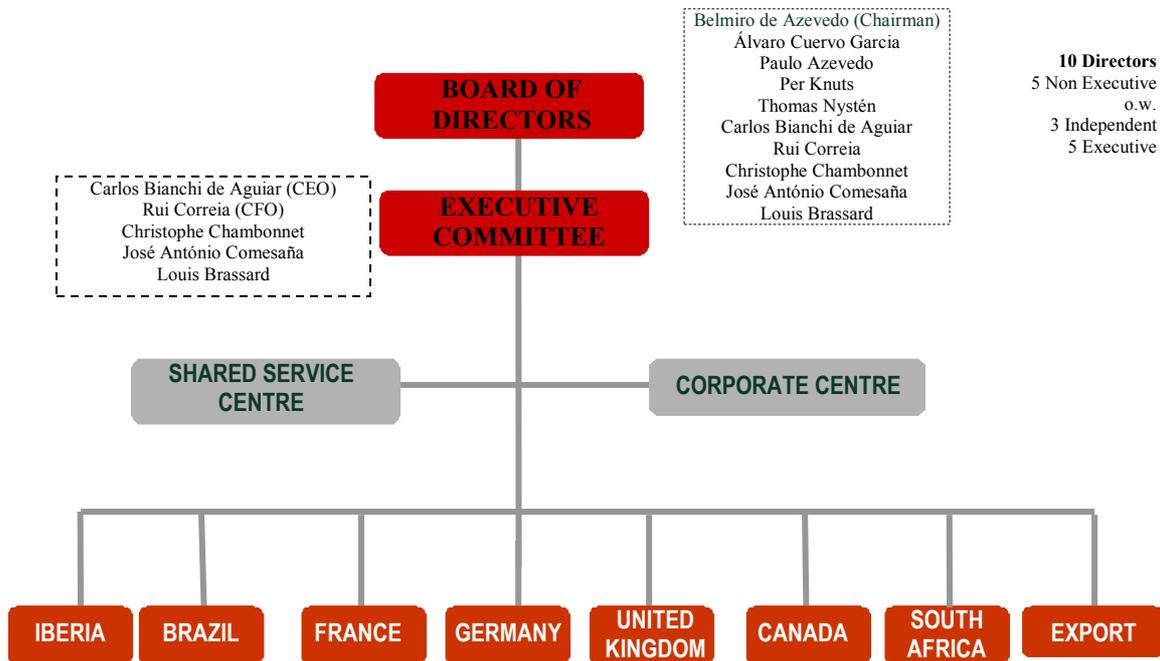
PriceWaterHouseCoopers & Associados, SROC, Lda. represented by António Joaquim Brochado Correia or José Pereira Alves was elected as the Company's Statutory External Auditor.

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

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

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

2. Governing Bodies, Constitution and Organisation



2.1. Board Composition and Organisation

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

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

The Board of Directors is currently composed of:

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

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

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

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

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

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

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

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

Sonae Indústria's Board of Directors

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

positions in the Efanor/Sonae Group from an early stage. Mr Belmiro de Azevedo is today Chairman of the Board of Sonae Group and Chairman of the Board and CEO of Sonae Capital, SGPS S.A., a member of the European Union Hong Kong Business Cooperation Committee, of the International Advisory Board of Allianz AG and of the Harvard Business School International Advisory Board. He has been decorated on a number of occasions, some of the most prominent being the “Encomienda de Numero de la Ordem del Mérito Civil” from His Majesty D.Juan Carlos, King of Spain, the “Order of the Cruzeiro do Sul” from the President of the Brazilian Federal Republic, the “Grã Cruz da Ordem do Infante D. Henrique” from the President of the Portuguese Republic, nomination as “Honorary Fellow” of the London Business School and member of the “Order of Outstanding Contributors to Sustainable Development” from the World Business Council for Sustainable Development.

Alvaro Cuervo Garcia (Independent): holds a post graduate degree in Statistics and Psychology and a PhD in Economics from the University of Madrid (Spain). Mr Cuervo is a professor of Business Economics and was Head of the Business department at the Complutense University in Madrid, Head of Business Economics at Valladolid and Oviedo University (Spain) and CIDE (Mexico) and visiting professor at New York University and California Berkeley University (USA). As a member of the Spanish government’s consultative committee for privatizations and Chairman of the Economic and Business Scientific Association (Spain), he holds a number of other directorship roles.

Paulo Azevedo: holds a degree in Chemical Industrial Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business studies from the Oporto Institute of Business Studies. Having been CEO of Optimus – Telecomunicações S.A. between 1998 and 2000. Today Mr. Paulo de Azevedo is CEO of Sonae SGPS and holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo’s son.

Per Knuts (Independent): holds a degree in Chemical Engineering from the Royal Institute of Technology (Sweden) and was Chairman for the Global Council of Stora Feldmuhle AG Companies and FPB Holding AG (Dusseldorf – Germany) between 1998 and 2004.

Thomas Nystén (Independent): obtained a Master of Arts degree (Political Economy) at the University of St Andrews (Scotland) in 1963 and completed an AMP at the Harvard Business School in 1984. Previously held the positions of Executive Director of the Myllykoski Corporation in Helsinki and CEO of MD Lang Papier in Germany (1994- 2004).

Carlos Bianchi de Aguiar (President of the Executive Committee and CEO Sonae Indústria): graduated with a degree in economics from the University of Oporto. Having worked for Sonae Indústria since 1986, he has occupied a number of managerial and directorship roles in various geographies, namely the UK (’90-’95), Spain (’96-’97) and Germany (’00-’01). He returned to Portugal in 2002 to become Group CFO and was appointed CEO in 2005.

Rui Correia (CFO): holds a degree in Economics from the University of Oporto and a post graduate degree in Business Management from the Oporto Institute of Business Studies. Having exercised functions in the Efanor/Sonae Group since 1994, he was head of the Finance Department of Sonae SGPS from 2000 and was appointed as Sonae Indústria CFO in 2005. Since 2001, he has also held a number of directorship roles in the Efanor/Sonae Group.

Christophe Chambonnet (COO France): obtained a degree in engineering from ISAB (France), a MS in Applied Economics and an MBA from the University of Purdue, USA. Between 1998 and 2000 he has occupied a number of managerial and directorship roles in the Marketing area, namely in

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

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

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

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

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

2.2. Executive Committee Composition and Organisation

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

Responsibilities are divided among the Executive Committee members as follows:

EXECUTIVE COMMITTEE

Carlos Bianchi de Aguiar

President of the Executive Committee and CEO

Rui Correia

CFO

Christophe Chambonnet

COO France

José António Comesaña

COO Iberia

Louis Brassard

COO Canada

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

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

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

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

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

3. Board Committees

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



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

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

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

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

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

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

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

The SREC is composed of the following Directors:

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

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

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

The BNRC is composed of the following Directors:

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

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

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

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

In 2007, the BNRC met on two occasions.

3.4. Board and Corporate Governance Officer

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

Principal duties of the BCGO encompass:

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

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

4. Board Assessment

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

5. Board and Board Committee Meetings and Attendance in 2007

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

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

6. Directors' Remuneration and Other Compensation

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

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

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

Executive Directors

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

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

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

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

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

Non-Executive Directors

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

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

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

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

7. Capital Structure

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

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

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A	44,674,706	31.9105%	31.9105%
Pareuro, BV	27,118,645	19.3705%	19.3705%
SC, SGPS, SA	9,521,815	6.8013%	6.8013%
Duarte Paulo Teixeira de Azevedo	40,172	0.0287%	0.0287%
Maria Claudia Teixeira de Azevedo	23,186	0.0166%	0.0166%
Maria Margarida CarvalhaisTeixeira de Azevedo	1,010	0.0007%	0.0007%
Nuno Miguel Teixeira de Azevedo	969	0.0007%	0.0007%
	81,380,503	58.1289%	58.1289%

8. Voting Rights and Shareholder Representations

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

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

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

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

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

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

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

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

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

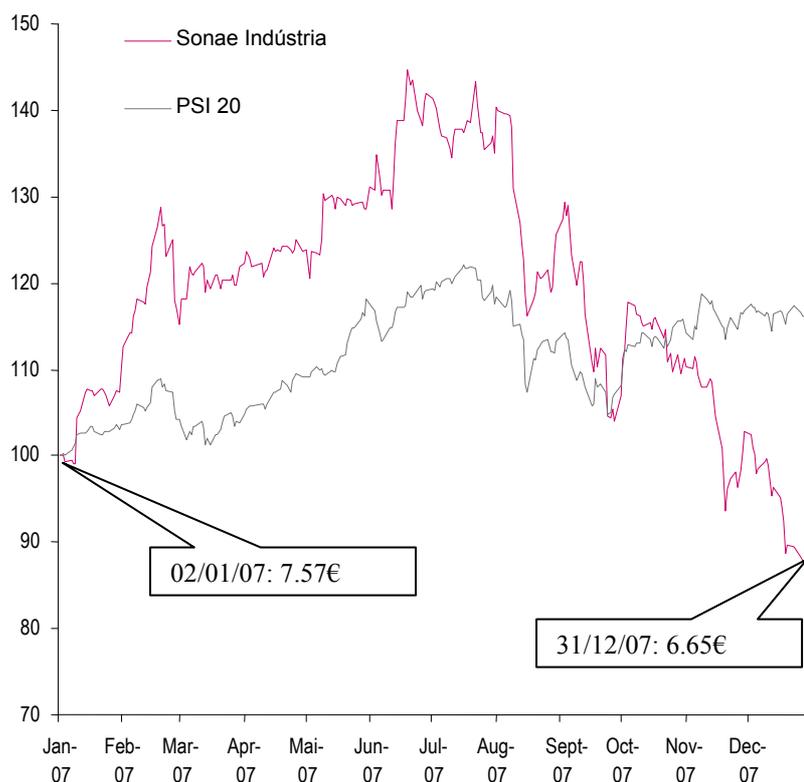
Members of the Board of Directors are elected by the Shareholders' General Meeting. Groups of shareholders representing between 10% and 20% of the Company's share capital, may submit a stand-alone proposal to nominate a Director in advance of the Shareholders' General Meeting. Each shareholder cannot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

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

10. Shareholders' Remuneration Committee

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

11. Share Price Performance during 2007



MAIN EVENTS IN 2007

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

12. Investor Relations

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

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

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

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

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

13. Dividend Policy

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

14. Share and Share Options Schemes

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

15. Transactions with Related Parties

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

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

16. Remuneration of the Statutory External Auditors

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

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

17. Risk Management

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

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

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

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

Process of Integrated Risk Management

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

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

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

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

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

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

Operational Risk Management

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

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

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

Corporate Risk Standards

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

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

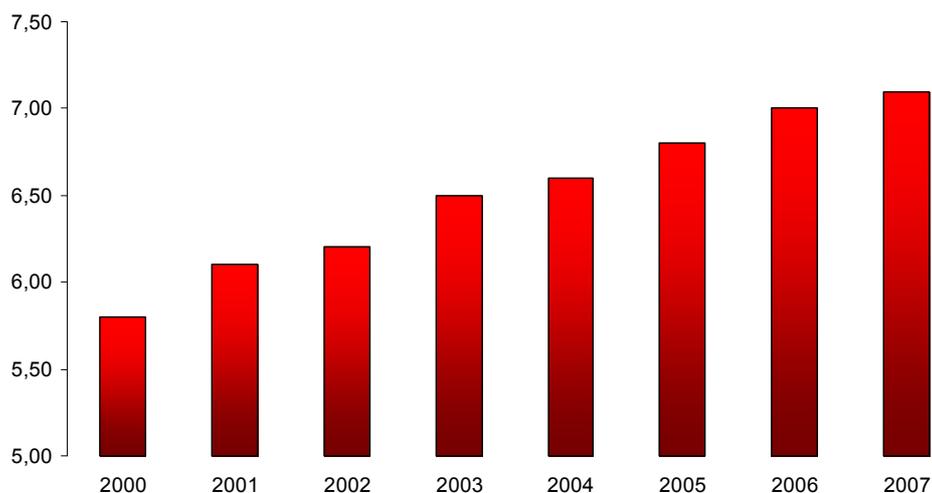
In the last quarter of 2007, a project to develop an analytical version of these standards was launched with the support of recognized external consultants and with one of the key insurance market representatives, who is currently involved with Sonae Indústria.

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

External Risk Inspections

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

QIN SONAE Indústria



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

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

Internal Risk Inspections

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

Self Inspection Form

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

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

Risk Plan 2004-2010

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

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

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

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

Insurance Premium Distribution

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

Relevant Event

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

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

New Acquisitions

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

Risk Management Organisation

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

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

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

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

Belmiro Mendes de Azevedo:

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

Jose Alvaro Cuervo Garcia:

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

Duarte Paulo Teixeira de Azevedo:

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

Per Otto Knuts:

- Glunz AG (Supervisory Board – “Aufsichtsrat”)

Knut Thomas Alarik Nysten:

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

Carlos Francisco de Miranda Guedes Bianchi de Aguiar:

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

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

Rui Manuel Gonçalves Correia:

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

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

Christophe Chambonnet:

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

José António Comesaña Portela:

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

Louis Maurice Brassard:

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

19. Other Positions formerly held by Sonae Indústria Directors:

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

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

Per Otto Knuts:

- Stora Feldmühle AG
- FPB Holding AG

Knut Thomas Alarik Nysten:

- MD Lang Papier GmbH
- Myllykoski Corporation