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SONAE INDÚSTRIA, SGPS, SA
Publicly Traded Company
Head-office: Lugar do Espido, Via Norte, Maia
Share Capital: €700 000 000
Registered at Maia Commercial Registering Office under no. 57 048
VAT no. 506 035 034

Maia, Portugal, 22 February 2006
Sonae Indústria¹ today reports unaudited Consolidated Results for the Full Year 2005

All financial statements are prepared in accordance with IFRS (International Financial Reporting Standards). Comparisons throughout this announcement are made with pro-forma unaudited 2004 accounts, excluding Gescartão, which was sold at the end of 2004.

2005 was a solid year in terms of performance for Sonae Indústria:

- Turnover grew by 4% to 1.465 million euros;
- EBITDA increased by 1% to 208 million euros;
- Net Results were 36 million euros, up 67% on 2004;
- Net Debt reduced 13% to 632 million euros² and Net Debt/EBITDA improved from 3.5x in 2004 to 3.0x in 2005.

	<i>(euro millions)</i>						
	4Q'04 (a)	4Q'05	% chg 05/04 (a)	FY'04	FY'04 (a)	FY'05	% chg 05/04 (a)
Turnover	354	377	6%	1.492	1.404	1.465	4%
EBITDA	45	44	(4%)	239	206	208	1%
EBITDA Margin %	12,8%	11,6%		16,0%	14,7%	14,2%	
Net Profit after Minority Interest	-6	2	(138%)	43	22	36	67%
Net Debt				725		632	(13%)

(a) Excluding Gescartão

Message from CEO:

"I am pleased with our performance in 2005. Average prices and sales improved in most of the countries where we are present. We concentrated efforts on increasing our market positioning through the launch of higher value-added product offerings and thereby improved product mix. However, volume growth in PB, MDF and OSB eased from the level recorded in 2004 and increasing our profitability in Central European markets is proving to be a challenge.

¹ On 15 December 2005, Sonae SGPS demerged 126.510.092 shares (90.36% of the share capital) of Sonae Indústria and these were merged into a vehicle company, Sonae 3P. The latter fully incorporated Sonae Indústria's share capital. With the merger complete, the "old Sonae Indústria" ceased to exist and the vehicle company, Sonae 3P was renamed to Sonae Indústria. Although Sonae Indústria is formally a different legal entity, it is in practice a successor of the previous company and thus no change has occurred to the underlying business composition and operations. As such, the following report relates to the consolidated activities of the Sonae Indústria Group in 2005 and since there has been no disruption to normal business.

² Due to a clarification of interpretation of the accounting rules under IFRS, the receivables securitization programme previously treated as off balance sheet financing was brought on to the balance sheet.



We saw further consolidation in some of our principal markets, two of the most relevant deals being the acquisition by Pfeleiderer of the German Group, Kunz and the sale by Weyerhaeuser of its two French plants to the Spanish manufacturer, Finsa. These consolidation movements are an indication that the competitive environment in our main markets is becoming more rational and less prone to the volatility associated with excess capacity.

A key focus for the Group is to grow profitably. With leading market positions in all countries where we operate, our strategy is supported on three main guidelines:

- Protect our market share and profitability in Iberia;
- Increase our profitability and strengthen our market position in Central Europe. We believe that consolidation in these markets may be a key driver and as such we are available to analyse opportunities that may contribute to enhancing our profitability and our competitive position;
- Sustain our profitability and our market share in our more profitable markets, primarily through organic growth.

In line with our stated strategy for Central Europe, I am pleased to announce today that we have reached an agreement to acquire the assets of the Hornitex Group in Germany. The transaction is subject to approval by the European Competition Authorities and entails the acquisition of the assets of two production plants, Horn and Duisburg and 100% of the shares of the company that owns a third plant, Beeskow, which will taken together, increase Sonae Indústria's wood panel production capacity in Germany, by just under 1,5 million m³ to almost 3,5 million m³. As a result, Sonae Indústria's global wood panel production capacity will increase to over 9 million m³. The acquisition price for the assets and shares is approximately 60 million. Further information regarding this acquisition is available in a separate announcement released today.

As already announced in November, we signed a 50/50 joint-venture agreement with Tarkett AG to build an integrated laminate flooring production plant in Germany. Additionally, our Board approved the construction of a new particleboard production line at our White River plant in South Africa.

At the end of 2005, we successfully completed the demerger of Sonae Indústria from Sonae SGPS and, as a result, our free-float has increased to 42,06%, bringing us increased visibility with domestic and international investors.

Sustainable growth is core to Sonae Indústria's strategy. In July 2005, the Board approved strategic global guidelines, with particular emphasis placed on the importance of health and safety and eco-efficiency. These two areas will be the catalysts of sustainability management within the Group going forward".

Carlos Bianchi de Aguiar



Operational review

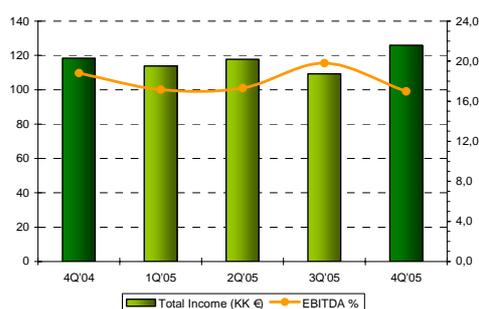
II.3.1. Iberia

Spanish and Portuguese construction and furniture industries witnessed contrasting trends. Whereas in Portugal, the construction sector continues to decline (down 18% in 2005), Spanish residential construction still posted strong growth, with more than 600 thousand new houses built in 2005.

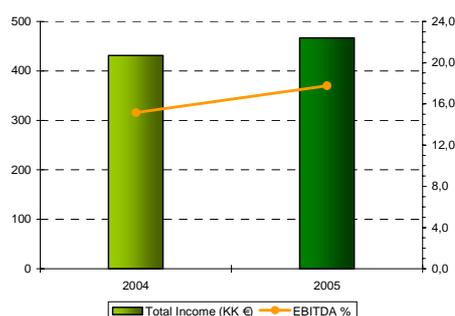
Spanish domestic furniture consumption performed well however furniture manufacturing remained flat year on year, as a consequence of higher imports and lower exports. Portugal actually increased its exports of furniture which now represent circa 50% of sales.

We focused our efforts on sustaining market share with particular emphasis on improving customer service, product portfolio management and consolidating our presence in strategic export markets.

Quarterly Evolution



Yearly Evolution



Total Income excluding non-recurrent items grew by 6% in 2005 to 443 million euros. This increase was helped by an overall improvement in average prices year-on-year, mainly supported on a change in product mix, towards higher value added products, particularly in MDF based products. Although overall volumes declined, this was more than offset by an increase in average prices.

Variable costs were affected by the higher costs of energy and chemicals however their impact has been mitigated mainly as a result of lower wood costs in the PB production process. The savings in wood costs were based on important investments in recycling sites, self-management of forestry activities and technical developments to allow a higher proportion of eucalyptus consumption.

EBITDA in 2005 was 83 million euros, up 27% on 2004, of which 24 million euros were related to non-recurrent items (4,5 million euros in 2004), namely the sale of forestry land. EBITDA from underlying operations represented 13% of Total Income.

II.3.2. Central Europe - Germany, France and UK

Demand in main market segments – trade and industry - was generally flat to weaker when compared to 2004. Total demand for wood based products declined, primarily led by a continued slowdown in the industry market segment.



Despite the slowdown in domestic demand, our subsidiary Glunz was able to increase sales volumes on the back of higher exports to strategic markets.

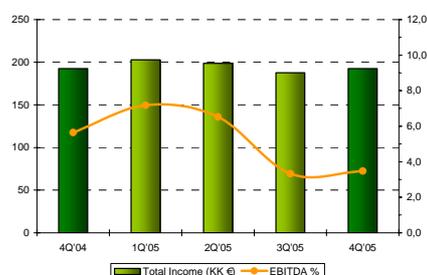
Particleboard prices were strong in all Central European markets whereas prices of MDF only improved in France and the UK. Negative pressure was felt on OSB prices, particularly in Germany as OSB prices in this region are exposed to the high price volatility of OSB prices in the US market, given that the US is a significant strategic export market.

In November 2005, a 50/50 joint venture was signed with Tarkett A.G. to build an integrated laminate flooring production plant at Sonae Indústria's existing MDF site in Eiweiler to produce and sell laminate flooring in Western Europe, Africa, Asia and Oceania. Final production capacity will be 30 million m². Both companies will operate together in the above markets, using Sonae Indústria's know-how within the panel industry and Tarkett's expertise within the flooring industry.

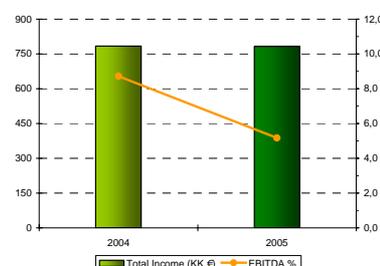
In Germany, nearly all plants were run at full capacity. French utilization rates were affected by a de-bottlenecking investment in the Lure plant and by important investment made at the Ussel plant, which will permit an improvement in capacity utilization rates in 2006. In the UK, an investment was completed in 2005, enabling provision of adequately cleaned raw recycled fibre to the production process. However, during implementation, some constraints in production capacity were felt.

Sonae Indústria has completed the roll-out of an integrated, SAP based information system across its German and French operations and is now extending roll-out to other countries.

Quarterly Evolution



Yearly Evolution



The competitive environment remains challenging as there is still excess capacity in both France and Germany and the opportunities to pass on increased input costs have been arising slower than in other geographies where Sonae Indústria operates. Some sector consolidation was already seen during 2005, namely the acquisition of Weyerhaeuser's French plants by Finsa and the acquisition of Kunz by Pfleiderer, which should represent a step towards reducing excess capacity in the market and stabilizing competitive pressure.

Total Income in Central Europe was marginally lower than in 2004, by 0,2%, at 782 million euros. EBITDA was 40 million euros in 2005, compared with 68 million in 2004 and represented a margin of 5% of Total Income.



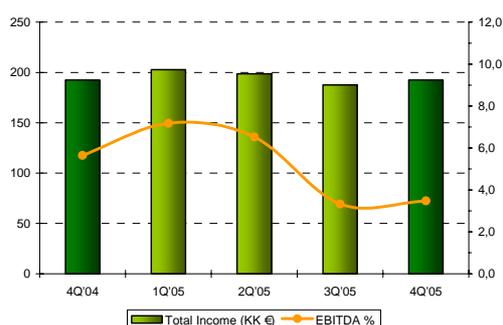
II.3.3 Rest of the World - Canada, Brazil and South Africa

Market conditions were mixed in 2005. North American housing starts remained strong, led by the low interest rate environment and despite the appreciation of the CAD over the USD, the Canadian economy has shown remarkable resilience. The Brazilian market was characterized by a general decline in volumes of PB and flooring sold and slow growth in MDF. This trend is explained by a slow-down in production levels of the furniture industry caused by lower internal demand and a decline in exports, due primarily to the significant appreciation of the Real. The flooring market is also facing strong competition from alternative flooring products such as ceramics and carpets. Notwithstanding the fact that the Brazilian market continues to exhibit excess capacity, a few operators have announced investment in three new MDF lines. Market conditions in the South African market remained favourable for the year, led by the positive macroeconomic environment, and as a result of a shortfall in capacity throughout the industry. Both the South African construction and furniture manufacturing sectors reported robust growth.

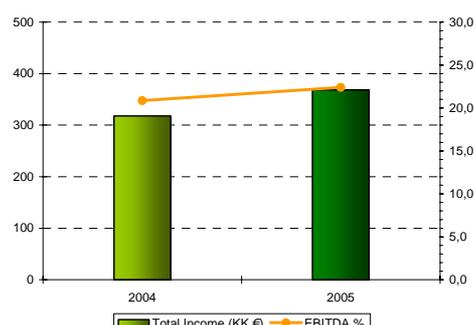
Sonae Indústria's Canadian sales to the United States decreased to 45%, with a marginally negative impact on total sales of the CAD appreciation against the USD. Brazil achieved an increase in Turnover, despite the weak market environment, on the back of a rise in sales of melamine, Raw PB and MDF however the appreciation of the Real, led to a significant decline in export volumes. Sales in South Africa recorded growth of more than 13% in 2005 on the back of strong consumer demand and the low interest rate environment. A notable evolution in South Africa was the shift in production to a higher proportion of PB, at the expense of MDF, to satisfy local demand, a trend that is likely to continue into 2006. Imports of MDF from Brazil will compensate this shift in production. Sonae Indústria's flooring brand (Poliface) is positioned as a premium brand in South African and has been extremely successful at capturing market share.

The high oil prices again impacted the level of variable costs, namely in terms of chemicals, resins and energy costs. In the Canadian market, the supply of fibre has been under some pressure as a result of the decline in competitiveness of the Canadian sawmills due to the significant appreciation of the CAD against the USD. A number of other issues are also affecting the supply of fibre in Canada: (i) softwood sawmills are facing the countervailing and antidumping duties on softwood lumber exports from Canada into the US (ii) the new forest management legislation in Quebec has reduced by 15% to 20% the harvest rights on softwood public land (iii) many of the hardwood sawmills are not running at full capacity as China has been exporting more hardwood flooring into the US (iv) utilization of recycled wood for energy production has increased thereby reducing the amount of fibre available for panels production.

Quarterly Evolution



Yearly Evolution





Sales volumes grew on average by 4% accompanied by an increase in average prices. Total Income was 368 million euros, up 16% from 2004 also influenced by favourable exchange rate movements, and EBITDA was 82 million euros representing a margin of 22% of Total Income.

Some investments were made in 2005 namely the start-up of the recycled wood project in Canada, which has allowed the Lac Megantic PB plant to start using recycled wood in the manufacturing process. A new melamine line is planned for 2H06, which together with the refurbishment of an existing line, will allow the Canadian operation to increase its melamine production capacity by circa 50%, leading to increased production of value added products.

Financial Review of 2005

In order to be able to compare underlying operational performance, Gescartão has been excluded from the 2004 figures, as the company was sold at the end of 2004 and has not contributed to 2005 figures.

Consolidated Turnover grew by 4% in 2005 to 1.465 million euros. Sales performance was supported primarily by an overall increase in average prices, across all geographies with the exception of the German market. Volume sales were in line with 2004 and a result of higher volumes sold in Germany operations and the Rest of the World and lower volumes in Iberia, France and the UK.



Rising oil prices drove up costs throughout 2005, primarily affecting Sonae Indústria's cost of energy, resins and chemicals and direct and indirect transport costs. Some savings were achieved in fixed costs, mainly in terms of staff costs (-1%) as a result of further restructuring measures implemented throughout the year. As a percentage of Turnover, fixed costs represented circa 19% in 2005, which was in line with 2004.

In 2005, EBITDA included 24.5 million euros of non-recurrent items primarily from the sale of forestry assets and shares in Tafisa. Non-Recurrent items in 2004 were of 4.5 million euros. EBITDA in 2005 was 208 million euros, representing 14% of Turnover.

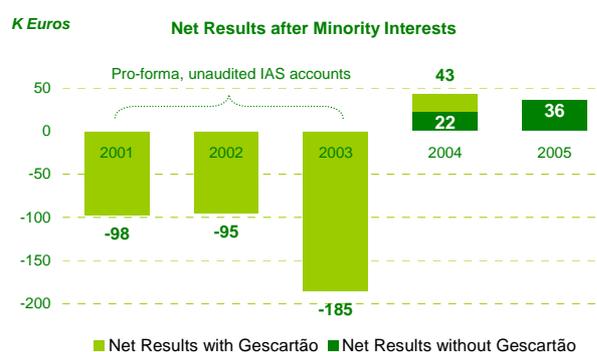
Depreciation charges of 102 million euros were 2% lower than in 2004. Provisions in 2005 fell to 1 million euros, compared with 9,5 million euros in 2004. As a result, EBIT in 2005 increased 3% in comparison with 2004 to 108 million euros.



A significant improvement was achieved in Net Financial Results in 2005 to negative 44 million euros, 38% better than in 2004 driven by the continued reduction in Gross Debt, improved financial conditions and more favourable exchange rates. The lower level of gross debt led to an increase in interest coverage ratio from 4.34x in 2004 to 6.8x in 2005.



Earnings before Taxes in 2005 increased by 79% in comparison with 2004 to 64 million euros. Income Tax in 2005 was 28 million euros and Net profit after Minority Interests in 2005 was 36 million euros, up 67% from 22 million euros in 2004.



Sonae Indústria has focused on improving its capital structure, which had been strained by a period of heavy investment which coincided with a challenging period for the wood panels sector at the beginning of the decade.

The improvement in Sonae Indústria's capital structure was led by the increase in Equity driven by better profitability, the continued reduction in Gross Debt and the improved debt profile in terms of both maturity and amortization of the facilities negotiated as well as the fact that no financial covenants are currently in place.

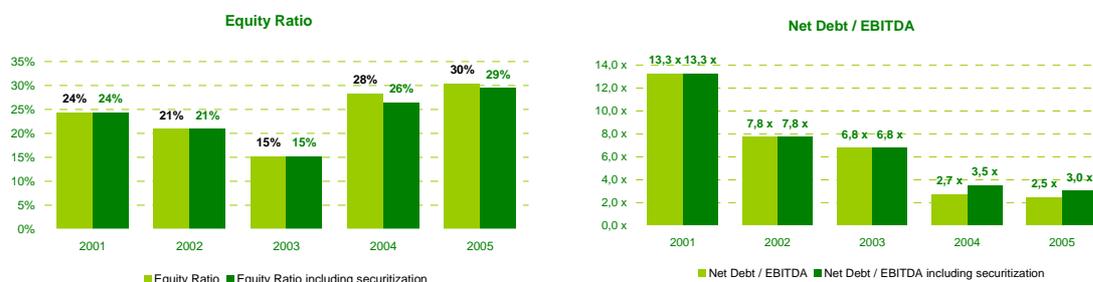
Due to a clarification of the interpretation of the accounting rules under IFRS, the receivables securitization programme previously treated as off balance sheet financing was brought onto the balance sheet. Gross Debt stood at the end of 2005 at 751 million euros, a reduction of 55 million when compared to the restated debt at the end of 2004 and available liquidity at the end of 2005 stood at 120 million euros. As a result, Net Debt reduced by 13% during 2005 to 632 million euros.

As a consequence of these improvements in profitability and in the capital structure:

- Equity Ratio increased from 26% in 2004 to 29% in 2005;
- Net Gearing reduced from 154% to 119%;



- Net Debt to EBITDA fell from 3.52x to 3.04x.



Working Capital at the end of 2005 was 233 million euros compared with 229 million euros at the end of 2004 and CAPEX during the year was 41 million euros.

Outlook

We anticipate that we will see a marginal increase in sales volumes in 2006, with stronger growth in consumption of wood panels in the South African and Canadian markets. No significant disruptions to production capacity are foreseen in the main markets where Sonae Indústria operates and as a result, in overall terms, pricing dynamics are likely to be stable or slightly positive.

The continuing impact of high oil prices on our costs is a concern for Sonae Indústria as this not only affects direct energy costs, but also affects the cost of chemicals and the transport cost of raw-materials and finished goods. Sonae Indústria's ability to sustain current levels of profitability will depend on our ability to offset higher input costs with internal efficiency gains, and the strength of our markets.

Maia, 22nd of February 2006

On behalf of the Board of Directors,



	<i>(euro millions)</i>						
	4Q'04 (a)	4Q'05	%chg 05/04 (a)	FY'04	FY'04 (a)	FY'05	% chg 05/04 (a)
Turnover	354	377	6%	1.492	1.404	1.465	4%
Other Operational Income	28	19	(31%)	73	63	64	2%
Gross Margin	188	195	4%	802	746	768	3%
EBITDA	45	44	(4%)	239	206	208	1%
EBITDA Margin %	13%	12%		16%	15%	14%	
Operational Profit	18	21	18%	131	106	108	3%
Net Financial Charges	(18)	(13)	(27%)	(71)	(71)	-44	(38%)
Profit before taxes (EBT)	1	7	587%	61	36	64	79%
Taxes	(7)	(6)	(16%)	(16)	(14)	-28	95%
Profit after minority interests	(6)	2	(138%)	43	22	36	67%

(a) Excluding Gescartão

	FY'04	FY'05	% chg FY'05 / FY'04
Non Current Assets	1.265,3	1.241,9	(2%)
Tangible Assets	1.146,5	1.128,0	(2%)
Goodwill	45,3	44,5	(2%)
Deferred Tax	61,3	53,0	(14%)
Other Non Current Assets	12,2	16,5	35%
Current Assets	516,9	560,9	9%
Inventories	159,0	164,0	3%
Trade Debtors	227,4	239,9	6%
Cash & Equivalents	74,8	116,8	56%
Other Current Assets	55,7	40,2	(28%)
Total Assets	1.782,2	1.802,8	1%
Shareholders' Funds	431,3	484,3	12%
Minority Interests	38,9	45,4	17%
Shareholders' Funds + Minority Interests	470,2	529,8	13%
Interest Bearing Debt	805,9	751,4	(7%)
Short term	118,9	84,6	(29%)
L-M term	687,0	666,8	(3%)
Trade Creditors	175,2	183,4	5%
Other Liabilities	330,8	338,2	2%
Total Liabilities	1.312,0	1.273,1	(3%)
Total Liabilities, Shareholders' Funds and Minority Interests	1.782,2	1.802,8	1%