2007

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

TO OUR SHAREHOLDERS

In accordance with our legal obligations and specifically the provisions of Article 508-A of the Commercial Company Code, we herewith submit our consolidated Management Report, Balance Sheet and Profit and Loss Account, and the respective appendices to the Balance Sheet and Results for 2007.

INTERNATIONAL ECONOMY

In the first part of the year the international economic environment was characterised by a continuation of the trends observed throughout 2006 that is to say by robust growth in economic activity and international trade in globally favourable conditions in the financial markets.

Nevertheless these conditions changed abruptly in the summer.

Effectively what began as a crisis in the housing market in the USA turned into a crisis in the mortgage market, provoking serious disturbances in the international financial markets caused by a lack of liquidity, with the banks becoming strongly averse to the risk and alert to the quality of their commitments.

This environment threatened to become a crisis of solvency for the major financial institutions who had to resort to government funding to gain space to manoeuvre.

It is evident that the immediate effect was a cutback in the granting of credit which then had consequences for the actual economy, particularly for countries most exposed to the housing market.

Clearly hopes that the crisis would be short lived vanished and a continuing deterioration in expectations was apparent, so that the spectre of a recession became real.

PORTUGUESE ECONOMY

The Portuguese economy showed positive growth with a GNP increase close to 2%. However this increase was particularly low compared with economies of similar per capita income.

Growth resulted from private investment and significant expansion in the export of goods and services.

In spite of this, unemployment continued to increase, evidenced by the continuing rationalisation within the textile industry.

Private consumption remains anaemic due to the high rate of unemployment and private borrowings.

SPANISH ECONOMY

Spain continued to show a high rate of growth (+3.8% GNP). However private consumption was down and the construction sector stagnated. It is clear that the housing bubble is about to burst, although we do not know if the authorities will step in to control this eventuality. On the other hand investment in equipment continues at a high level.

However levels of productivity in the Spanish economy are low which is a significant factor in the depletion of the economic model.

Linked to this factor the levels of inflation (+4.1%) was well above the target established by the Central European Bank.

These two factors destroyed the competitiveness of the Spanish economy at a point where the engine of growth, housing went into free fall.

ANGOLAN ECONOMY

The Angolan economy continued to be the most dynamic in the world. The GNP grew significantly, sustained by oil activity. Specifically the ambitious programme of public works currently underway had a very positive effect on construction activity, which will be brought to fruition either as a result of certain planned international events or by the forthcoming electoral process.

INTRODUCTION

2007 was fairly positive for the Group. In spite of the turbulence in the markets the best results ever were achieved. On the other hand we began a process of re-evaluation of our strategic position which, when concluded, will prepare the group for the challenges to come.

MARKETS

GLOBAL MARKET

The paint industry is a mature market, anticipating an annual growth of 1.5% over the next 3 years.

The majority of the European markets are controlled by a limited number of players, Spain and Italy being the exceptions.
The main players are transforming their regional control into global or continental positions. Thus in this scenario AKZO-NOBEL acquired ICI and PPG bought Sigma Kalon.
In these circumstances medium sized companies could find it difficult to penetrate and compete in the markets.

CIN chose to become a consolidator by expanding its business and acquisitions and this was the environment which determined its strategy which is as follows:

- Simplify operations
- Ensure automisation
- Simplify the structure of products and services
- Lead in innovation, so as to ensure a higher loading of high value products and services within the portfolio
- Ensure a solid financial base

HOME MARKET

Consolidated sales for the Group at €222M were 12% higher than in the previous year.
Our estimates indicate a 6% growth across the Iberian market, of which there was 8% growth in Portugal and 3% in Spain. In this context we consolidated our position in the Iberian market.

The contribution of Portugal to the consolidated figures was up by 7%, reflecting the improvements in the Portuguese economy, and the very positive growth in the paint market of around 8%.

The contribution of Spain was quite positive for this performance, with a growth of 11.5%, manifestly higher than that of the market. Exports were up 18.9%, by virtue of the incorporation of Tintas CIN Mozambique into the consolidation, maintaining the level of the previous year. However industrial coatings continued to experience double digit growth (+10.7%). The contribution of Tintas CIN Angola was quite significant (+31%).

In global terms decorative paint grew by 9.6%, thanks to good performances in Portugal and Angola. Vehicle refinishing fell by 6.3%, comprising a robust increase in the Angolan component (+64.2%) which did not compensate for the fall in Portugal (-15.6%) and there was marginal growth in exports (+1.4%).

In protective coatings we grew by 35.3% supported by our portfolio which offers competitive technical solutions to the market.

Industrial paint was up by 8.1%, linked to the good performance in Portugal and Angola.

Accessories and sundries grew positively by 9.1%, in line with the growth in decorative paint, with which it has a strong correlation.

MARKET SECTORS

NOTE

In accordance with Directive IAS 14 which defines the information in terms of Market Segments. The Group, as well as being present in various different geographical markets, which is defined as principle sectors, has its commercial and management structure based around two main areas: non industrial and industrial paints, defined as secondary sectors. Over the years, and specifically regarding the latter we have presented the results on the consolidated families of products, independently of who sells them. We have maintained this principle in the report, with the aggregation of the results in accordance with the directive shown in note 34 annexed to the accounts.

In Portugal decorative paints showed a growth of 6.1%, which reflects a performance marginally below that of the market. A contributing factor was the Sotinco brand which bases its business model on sales to dealers, and this sub segment was seriously affected by the lack of stimulus from private consumption.

Vehicle refinishing decreased 15.6%, which reflects the characteristics apparent recently in the market.

Industrial coatings grew by 7%, reflecting the improvement in the Portuguese economy, notably exports.

The protective coatings segment grew 39.3%, based around the deepening segmentation of the market.

Accessories and sundries increased by 13.1%.

In Spain there was a 1.3% increase in the decorative paint sector, a performance below expectations, due to the decreased activity in Spain and a lack of focus in the Canaries brought about by the integration of PROITESA into Pinturas CIN Canárias.

Protective coatings showed a growth of 33.2%, reflecting actual implementation of significant projects, which had already been contracted the previous year.

The industrial paints business continued to develop, having exceeded significantly the level of €2M. We now have the prospect of a solid base from which to increase the pace of growth in the future.

INCREASING THE VALUE OF OUR BUSINESS

One of the risk factors for companies is the unproductive complexity which destroys or impedes the potential to add value. Therefore it is essential to simplify operations and create an organisational structure which meets the needs of the defined strategy.

Within the framework of market consolidation it became a priority to gain competitive advantages distinct from the competition.

It was with this objective that we combined Tintas CIN Açores, Tintas CIN Madeira and Jorges & Mineiro, a process which will continue in 2008 with the integration of NITIN and Sotinco. This process will allow clarification of brand positioning both in terms of channels and of market positioning. On the other hand, we continue to ensure support structures for the whole Group so as to gain economies of scale and improve the level of intra-company service.

In essence we must reduce the tiers of management and enlarge laterally the intrinsic capabilities of the Group. Thus, those responsible for business units should take corporate responsibility, applying individual effort in advancing global performance, yet avoiding the motivation to maximise their own unit's results to the detriment of the other units. This requires staff that are in direct contact with business opportunities to collaborate readily and share knowledge.

This entire new organisational plan requires time and imposes changes involving corporate policies. This process would not be in keeping, had CIN maintained its position as a public company, given the regulatory pressures.

HUMAN RESOURCES

We are convinced that there is a link between strong leadership and behaviour and the creation of value. Companies which highlight the importance of the quality of their leadership and an ethical approach to business are seen as being the most successful.

In this environment the development of leadership qualities is a priority for the Group. We hope that our managers create and communicate a vision, promote and inspire change and demonstrate integrity.

To create an environment which allows staff to be receptive and to continue improving their performance is fundamental for optimising the know-how intrinsic to the Group. More than ever, it is not the return on capital which is important, but the return on human resources.

We have been raising the profile of leadership, prioritising how our staff develop, carry out their tasks and encourage the skills of colleagues.

This fosters team spirit which becomes more stable, thereby improving the capacity for transmission of knowledge and expanding the level of networking.

To ensure that these values were present in the day to day decisions, the Group had, until 2007, a stock option plan to align the interests of the Group's key members of staff in order to consolidate the excellence of performance. The Board of Directors are evaluating alternatives which will ensure that these objectives continue to be pursued.

On the other hand, for the remaining staff a performance appraisal is in operation to check that they meet the defined criteria. This serves as a basis for the preparation of a training plan for staff who do not perform within the defined parameters.

CIN wishes to ensure sustainable growth in the long term so that the quality of our managers and staff is a strong component of our competitive advantage. In this way we will continue to manage the business positively, serve our customers, achieve results and meet our objectives.

This integrated effort is achieved through recruitment, training and management of skills. Thus we give priority to promoting our internal talents, while recognising that, if we do not have the skills internally, we will source them from outside the company.

FINANCIAL VISION

NOTE:

The 2007 accounts are not directly comparable with those for 2006, given that the composition of the consolidated companies was different for the 2 years being analysed. Overall, the effect of the addition of the new companies within the framework of the consolidation was minimal.

The consolidated group sales were €222M which represents a 12% growth compared with the previous year.

Gross margin of 52.4% showed a downturn compared with 2006; this was due to a change in product mix.

EBITDA was €30.2M, maintaining last year's level and reflecting the marginal contribution of the incorporation of the new companies and the non-recurring costs which, in accordance with IFRS rules, are regarded as operational.

As always we were fairly conservative regarding covering business risks. On the other hand we maintained a high level of investment so as to guarantee and improve our ability to intervene in the market. Thus operating income of 21.7M€ , which reflected the issues to which we have previously referred, was at the level of the same period of last year.

In spite of an increase in interest rates, the reduction in borrowings over almost the entire year, the use of derivatives and the lack of liquidity in the market which enabled a quite interesting transaction payment, allowed for an improvement in the Group's financial situation.

Net income grew very favourably reflecting an excellent operational performance and the use of fiscal tools to support investment and investigation.

Thus, net profit of €16.4M reflects a very significant improvement compared with December 2006, after eliminating the effect of the sale of land from the factory in Spain.

Cash flow generated from operating activities was €22.9M, which was €9.1M more than in 2006. This showed the effort applied to controlling commercial risk, using strict and rigid criteria in our credit control as well as the reduction in operational costs connected with the sale of land, all of which supported the positive growth seen.

The net cash flow from investment activities of €9.8M reflects the construction costs of the new factory, the purchase of the goodwill of Robbialac's industrial business and the Decocenter brand, the purchase of the Martolar Company and the current investments in corporate fixed assets.

The major investments were in the construction of the new factory in Spain and, in Portugal, the integration of the powder coating equipment from Ibercoat into the premises at Castelo da Maia which will provide a future capacity of around 7,500 tonnes.

Additionally, in Portugal, around €600K was invested in the expansion and renovation of the network of stores.

In terms of receivables, financial transactions yielded €20.3M, as well as €26.3M from the sale of corporate fixed assets, of which €24.7 relates to the sale of land from the Barcelona factory.

Thus free cash flow of €32.8M was not only sufficient to cover financial expenses but to reduce operational debt, so that net borrowings represent the distribution of reserves in the sum of €60M.

Total assets of €292.8M grew essentially in respect of current assets (+€13.8M) as well as due to the incorporation of the new companies, the reduction of other current assets (-€21.4M) and the increase in the level of supplies (+€28.9M)

Current liabilities grew €22.1M. We refer to the increase in bank borrowings in the order of €11.5M and third party debt (+€10M) due to the increase in the amount of tax to be paid and to equipment suppliers.

Non current liabilities of €106.8M grew €34.6M relative to 2006 due to the adjustments to long term borrowings (+€42.7M) and once again as a consequence of the aforementioned sale of land, the balances of other non-current liabilities and deferred tax grew around €8M.

Total liabilities increased to €205M, an increase of €57M over the previous year, so shareholders' funds of €87.7M fell €40.8M, highlighting particularly the distribution of reserves of €60M, net income of €16.5M and the process of selling privately owned shares.

THE MONEY MARKETS

The money and financial markets became the protagonists in 2007, showing two quite distinct patterns of behaviour. Effectively, in the early part of the year, and with some volatility in February, the long term interest rates increased and the stock markets continued to show some financial gains. In June, credit markets started to reflect growing uncertainty in relation to the value of a high number of shares. This produced a liquidity crisis which raised inter-bank rates significantly.

This required the intervention of the central banks to provide liquidity. At the same time, oil and agricultural products went up substantially, provoking inflationary tendencies. This created a dilemma for the central banks since a slowdown in the economy had brought about a slump in interest rates and a rise in inflationary pressure.

The central bank kept rates at 4%, but the market increased the spreads which, together with the decision of the FED to reduce rates, brought about an appreciation of the euro.

In this environment, the interest rate cover negotiated by the company and the optimisation of applications of liquidity were in full operation, allowing the Group to finance rates marginally above 5 year SWAP.

OUTLOOK

The Group's decision to cease being a public company gives it additional powers to develop its business model so as to become an active force for change in the paint market.

- Although the Group is essentially dependent on mature markets and with a strong possibility of low economic growth and with excess in the housing market, it is still possible to counteract the trends in the market.

Thus in Portugal it will be necessary to reinforce segmentation

- ➢ Create a DIY line
- ➢ Refurbishment
- ➢ Simplify structure
  - Brand positioning
  - Abandon marginal product lines or segments

In Spain, where the market is very fragmented, the objective will be to promote improved productivity via acquisitions: to look at regional companies, acquire distribution and increase resources for organic growth where this is expanding at a much faster rate than that of the market.

Another aspect of growth strategy involves the diversification of markets.

In effect, the rigidity of European social and fiscal policies highlights its inability of Europe to alter its development model, resulting in marginal economic growth in the oldest countries of the European Union. Overall, the admission of new members and the channelling of funds towards these countries make a presence in these markets desirable, given the existing housing shortage.

Although the main players are already in this territory, there are some local companies of worth which lack know-how in terms of marketing, distribution and technical capability, thereby giving CIN a clear opportunity to intervene.

In addition, we intend to re-evaluate the North African markets where a boom in construction is beginning to be felt, where there is still a serious housing shortage and where government funds are being heavily invested in tourism.

Another priority is industrial paints which form a pan-European market.

The positioning of CIN depends upon its current knowledge and technical development and upon a competent productive structure, offering a wide range of integrated solutions and reliable, technologically advanced products.

Given that there is a discrepancy between the tempo of this type of business and the rest of the organisation, it is essential to refine organisational levels. Hence the legal spin-off in forming CIN Industría which, in this area of business, will maximise its competitive advantages, looking towards Europe as its home market.

Additionally, we are today the Iberian leader in protective coatings, backed by a high level of technical know-how. We will therefore, as our marketing priorities, exploit this position, within South America and the Near East.

GOVERNANCE OF COMPANIES

INTRODUCTION

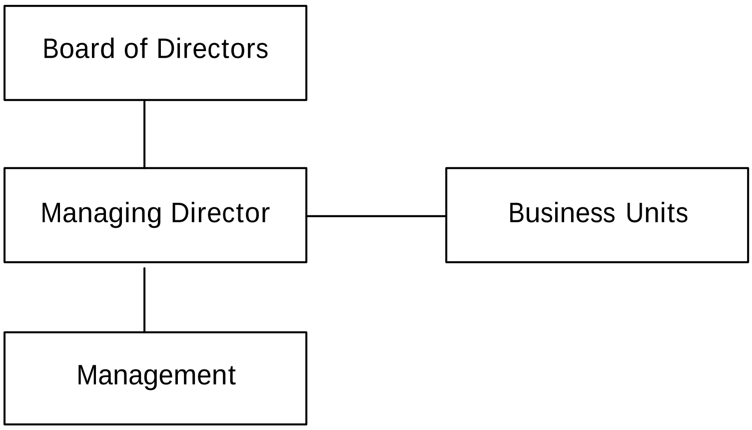
The CIN shareholders, representing 91.57% of the voting rights, at a meeting of the General Assembly held on 12th February 2007 voted favourably in respect of a resolution by shareholder SF - Sociedade de Controlo, SA, SGPS for the company to cease being a publicly quoted company. The Management Board of CMVM, via a decision made on 8th March 2007 granted the request such that from that date CIN ceased to be subject to the regulations of a publicly quoted company.

As provided for in the mechanism for “potestiva” acquisitions, within the terms of Article 490 of the Commercial Company Code, SF - Sociedade de Controlo, SA, SGPS retained, with effect from 24 May 2007, 100% of the share capital of CIN – Corporaçao Industrial do Norte.

However, it is the wish of its Board of Directors to continue to be ruled by these principles, so that we maintain the control over the governance of the company.

I) DISSEMINATION OF INFORMATION

1. CHART OF THE FUNCTIONAL ORGANISATION OF THE QUOTED COMPANY



The Board has an obligation to meet every two months, and extraordinarily as necessary, decisions being taken by simple majority vote.

The Board is assisted by the secretary, who provides advice and services, essentially regarding correct procedures to be used in meetings, duties, implementation and compliance with rules governing the company.

The Secretary is responsible for preparing the Agenda for meetings and is responsible for acting as secretary, drafting the minutes and signing them jointly with the members of the Board.

The Board, as well as its statutory and legal responsibilities, is responsible for the strategic management of the Group, its development and control and monitoring to ensure that its objectives are met.

The remuneration policy is based on ensuring the capacity to attract and keep staff of high potential, who enhance our development activities, setting high standards of performance in terms of profitability, personal development and respect for all those whom we serve.

The Board defines the basis of this policy and advises the Human Resources department on its application.

This structure for senior staff is based on three pillars:

a) Competitive basic salary
b) An annual incentive, based on performance and linked to the achievement of both individual and group targets
c) Long term incentives established in accordance with best practice in the market.

The Board is an organisation which can only function if a majority of its members are present.

As provided for in their powers of delegation, the Board have transferred all legal powers to the Managing Director which do not interfere with the provisions of Article 406 of the Commercial Company Code, lines a) to d), f), l) and m).
On this basis, the daily management of the company is the responsibility of the Managing Director who is also the President of the company, and defines the rules and procedures to follow to put the strategies and policies agreed by the Board into action.

The Group has developed a flexible management structure, with few hierarchical levels. It is based on a group of Senior Managers who assist the Managing Director, each one being responsible for a specific activity and whose main responsibility is to implement the policies defined by the Board and to furnish the information necessary for the Board to be able to decide on strategic matters.

This group is composed of the directors of the following operational departments:

- Administration
- Finance
- Operations

- Technical
- Decorative Commercial
- Industrial Commercial
- Marketing
- Export

The group meets with the Managing Director on a monthly basis to review the most relevant activities in the month, to define plans for carrying out Board policies and take any corrective measures that may be required.

2) OUTLINE OF THE SYSTEM FOR THE CONTROL OF RISKS.

As a Group involved in activities in different markets, CIN is affected by various risks.

The Board is regularly informed of possible risks the Group runs in carrying out its activities.

Decisions are taken after analysing the opportunities and the risks associated and plans are made to mitigate possible risks implied. Where necessary, decisions are taken after consulting external consultants, and risks only taken when they can be effectively controlled.

We regularly compare our view with external partners to ensure the reliability of our evaluation.
Periodically, we evaluate actual performance with our decision making model and monitor the respective risk factors.

3) DESCRIPTION OF THE POLICY OF DIVIDEND DISTRIBUTION

The Group has defined the principle of distributing between 35 – 50% of consolidated net income, in order to guarantee stable resources to satisfy the needs for financing the growth of the Group.

In this context, the Board of Directors will propose to the General Assembly the distribution of a company dividend of €7.5M which will represent a pay-out of 45.63%. By doing so, it emphasises confidence in the future performance of the Group.

The dividend of €7,500,000 distributed among 25 million shares corresponds to a gross share dividend of 30 centimos and a net dividend of 24 centimos.

DIVIDEND GROWTH

Year	Gross Dividend	Tax (IRS/ IRC)		Inheritance and Gift Tax	Net Dividend	
		Resident	Non-resident		Resident	Non-resident
2003	0.1550	0.02325	0.03875	-	0.13175	0.11625
2004	0.1550	0.02325	0.03875	-	0.13175	0.11625
2005	0.1550	0.03100	0.03100	-	0.12400	0.12400
2007	0.3000	0.06000	0.06000	-	0.24000	0.24000

4) MARKETS

The capital market in 2007 showed two distinct tendencies. In the first half a benign economic environment allowed the capital market to develop robustly.

The sub-prime crisis provoked a general feeling of malaise which was clearly evident in markedly increased volatility and a downturn in investors' confidence.

Unexpected losses announced by institutional investors and the growing uncertainty about new losses drained the liquidity of the markets.

In this context, the performance of the stock exchanges in developed markets was unimpressive, being down by 10%. However, emerging markets, benefitting from the pressure of increased prices of raw materials and the strong growth in the world economy, showed quite positive growth.

Portugal benefitted from the prospects created by some merger and acquisition activities.

On the other hand, the international crisis strongly affected capitalisation in the banking sector and some companies more exposed to the international market.

5) PLAN FOR THE ISSUE OF SHARE OPTIONS

In the process of ceasing to be a public company, the Board Meeting on 22 March 2007 discussed advancing the maturity date for options granted in June 2005 to 26 March 2007, as well as proposing to revoke the "Regulations of Participation for CIN Personnel", which was approved at the General Assembly on 31 May 2007, such that, on 31 December 2007, there were no attributed options outstanding.

6) COMPOSITION OF THE REMUNERATION COMMITTEE

The remuneration committee is made up of the Presidents of the Board of Directors, the General Assembly and the Fiscal Board. This has the function of defining the remuneration for personnel in accordance with the established policy.

Current Members of this Committee are:
João Manuel Fialho Martins Serrenho (Engº.)
Amadeu José de Melo Morais (Dr.)
José Antonio Ferreira de Barros (Engº.)

7) REMUNERATION OF AUDITORS AND INDIVIDUAL AND CORPORATE MEMBERS OF THE TEAM.

The Group has contracted as official auditor Deloitte & Associados – SROC, SA a member of the international Deloitte Touche Tohmatsu organisation who are also auditors for almost every company within the Group.

The nomination for these functions is made by the Board, based on principles of independence and technical capacity.

CIN has recourse to other departments of this organization. However, we are of the opinion that the professional and legal regulations which govern the activities of auditor are sufficient to maintain the principles of objectivity in the work.

The cost of the services rendered by the firms in the Deloitte group increased to €287,030 as detailed below:

Legal Certification of the Accounts and Audit	176,620 €
Fiscal consultancy	63,417 €
Other services	47,000 €

II - COMPANY REGULATIONS

1) CONFLICTS OF INTEREST, PROFESSIONAL DISCRETION AND OTHER INCOMPATIBILITIES.

As provided for in the Code of Commercial Companies and the Stock Market Code, members of the Board of Directors have special responsibilities to avoid conflicts of interest, to maintain confidentiality and to manage the company with due diligence. We understand this to mean that the Board itself must publicise these rules and practices, both within the Board and with its staff to ensure conscientious adherence to these standards.

Senior staff in particular are responsible for addressing any potential situations of conflict of interest, and for the subsequent analysing of such situations at the appropriate level within the company.

As for professional secrecy, especially for privileged information, it is the practice of the company to call the attention of its senior managers to the confidential nature of such information, and to their duty in not passing on or misusing it.

The company has not defined a formal code of conduct to follow regarding such information, but this has not stopped us from promoting and controlling these aspects.

2) LIMITS ON VOTING RIGHTS, SPECIAL RIGHTS AND PARA-SOCIAL AGREEMENTS.

There are no statutory limits on the right to vote, nor shareholders with special rights.

The company has no knowledge of any parasocial agreements.

III - ADMINISTRATIVE BODIES.

1) COMPOSITION OF THE BOARD OF DIRECTORS.

The Board is currently composed of five members, three of whom are representatives of the shareholders, and two independent Directors. The executive have a direct responsibility for running the business. However, the non-executives have a responsibility to make an objective evaluation of the decisions of the Board.

2) EXECUTIVE COMMITTEE

There is no executive committee or any other type of committee. The existing organisational structure has carried out such duties effectively.

3) SECRETARIAL CONTROL.

As there is no executive committee, control is exercised directly by the Board of Directors, who must meet every two months and at other times as necessary, with decisions taken by simple majority. During the year there were 9 meetings at all of which a member or his representative were present.

4) REMUNERATION OF THE BOARD OF DIRECTORS.

Board remuneration is based on three components

a) A fixed monthly salary
b) An annual incentive based on an evaluation of the achievement of the objectives set
c) Long term incentives based on best market practice

Which are established by the Remuneration Committee, comprising the Presidents of the General Assembly, the Fiscal Board and the Board of Directors.

The Remuneration for Board members of the Group companies was €1,124,465 of which €540,965 was fixed salary and €583,500 a variable component.

ACTIVITIES OF THE PRINCIPAL GROUP COMPANIES

LACOSE-SOTINCO

In accordance with the Group strategy and with effect from 1st January 2007, a new company named "Sotinco Refinish, S.A. "was founded which brought together all activities in the vehicle refinishing sector of Lacose-Sotinco. Accordingly the Lacose-Sotinco information for 2007 is not comparable with that of the previous year.

Sales in 2007 increased to €18.5M, which represented a 5% growth when comparing on a like for like basis. There were a notable number of new dealerships opened during the year. Gross margin by value was positioned at €9.3M. However in percentage terms the trend was slightly down, caused by the generalised growth of the market and also by the effect of the mix of products sold, by virtue of the higher number of colour mixing machines installed in 2007.

Operating profits were €3.6M and the net profit was €2.5M, both representing levels of profit identical to 2006.

NITIN

The volume of sales in 2007 were 9.2% up and slightly exceeded €5M. Significant factors that affected this performance were the reinforcing and promotion of the Nitin brand in the product portfolio of its traditional client base as well as a significant increase in new customers.

Gross margin of €2.3M grew in line with sales.

We maintained the cost structure under pressure, thanks to the optimisation activity implemented in previous periods. Accordingly operating profit which increased to €635K,

Represented a significant growth of 53% over the equivalent period last year.

Due to the successful management of current assets, it was possible to reinforce the financial component with a consequent improvement in the financial results. As a consequence we achieved a net profit of €763K, which represents an increase of 61% compare with 2006.

NICTRADING

In 2007 sales reached €11.8M, which represented a growth in the order of 9% over the previous year. Despite the growth being generalised, the Angolan market stood out as a driving force in the increase in sales in 2007.

Operating profits were €2.8M, similar to those of the previous year. It was notable that these were adversely affected by a drop in percentage gross margin and the increase in transport costs.

Financial expenses evolved favourably due to an increase in available funds allowing on the one hand for financial structures to be put in place and on the other hand to benefit from the advance payments to suppliers.

As a result net profit grew to €3M up 7% on the 2006 figure.

BARNICES VALENTINE

For the 2007 period sales were €69.8M, a growth of 12.5% compared with 2006, allowing us to consolidate the double digit growth obtained in the previous year.

All the divisions of the company presented significant growth. However the mix of products sold allied with the increase in costs of raw materials, produced a decline in the percentage gross margin. In addition personnel costs linked to an inflation of 4.2% put the profitability under pressure such that operating profit of €3.7M was broadly at the same level as 2006.

Investments made in 2007 grew to €20M. Notable among these was the new factory which will become operational in the middle of 2008. Of activity undertaken in 2007, reference must be made to the definition and implementation of a new concept for stores, which will enhance the company's market penetration.

PINTURAS CIN CANÁRIAS

Sales in 2007 were valued at €10.4M, which reflects a growth of 4% over 2006. The year 2007 was characterised, essentially, by the effort expended in the integration of Proitesa into the Pinturas CIN Canárias operation, notably the challenge as regards the production and commercial activities. Thus sales between companies increased significantly and the gross margin, which grew to €5.3M, represents a 2% growth compared with the previous year.

As a result of the aforementioned integration, the cost structure increased, mainly in staffing costs. Operating results of €1.2M represents a drop compared with 2006. We are constructing the fundamentals on which to base a deep penetration into the market in the Canary Islands. In the short term via a Group perspective, we are forecasting raised levels of profitability.

TINTAS CIN ANGOLA

Sales volume in 2007 grew to €15,827K representing an increase of 31% over 2006. We must however point out that this growth was adversely affected by the devaluation of the US$ in relation to the Euro, since US$ sales showed a growth of 43.2%.

Gross margin improved slightly from 42% in 2006 to 42.6% in 2007, due to the increase in selling prices compensating for the devaluation of the US$ and the increase in import costs.

EBITDA against sales showed a significant improvement from 14.6% in 2006 to 18.2% in 2007 resulting from an improvement in gross margin and in a reduction both staffing costs and other operational costs whose increase was less than the growth in sales.

Net profit more than doubled in 2007 coming from the improvements as described in both operating profits and financial performance.

ACKNOWLEDGEMENTS

We extend our appreciation to our customers, the principal reason for our existence, for their confidence and cooperation in the development of our products.

We thank our employees for their hard work, co-operation, competence and the enthusiastic way in which they have responded to the challenges emanating from the growth and transformation of the organisation.

We acknowledge with thanks the professional way in which our financial institutions and suppliers have supported us.

To the Fiscal Supervisor and our Auditors, our thanks for their prompt and competent advice.

Maia 26th February 2008

The Board of Directors

João Manuel Fialho Martins Serrenho
President

Maria Francisca Fialho Martins Serrenho Bulhosa
Member of the Board

Maria João Fialho Martins Serrenho Santos Lima
Member of the Board

Ângelo Barbedo César Machado
Member of the Board

Manuel Fernando de Macedo Alves Monteiro
Member of the Board

CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED AS OF 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of statements originally issued in Portuguese - Note 42)

ASSETS	Notes	IAS/IFRS 31-12-2007	IAS/IFRS 31-12-2006
NON CURRENT ASSETS:			
Consolidation differences	7	6.575.739	6.468.107
Intangible assets	8	6.181.282	4.535.871
Tangible assets	6	75.161.724	61.275.577
Investment properties	9	8.066.740	-
Investments in associated companies		-	380.664
Investments available for sale	10	4.946.298	512.854
Derivative instruments	21	626.173	899.475
Deferred tax assets	11	7.219.639	7.946.855
Other non current assets	12	25.158.526	49.769.335
Total non current assets		133.936.121	131.788.738
CURRENT ASSETS:			
Inventories	13	36.200.822	33.902.081
Customers	14	56.039.150	53.363.626
Other current debtors	15	5.555.887	4.235.738
Other current assets	16	1.913.655	23.283.859
Cash and cash equivalents	17	59.113.949	30.214.129
Total current assets		158.823.463	144.999.433
TOTAL ASSETS		292.759.584	276.788.171
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital	18	25.000.000	25.000.000
Own shares		-	(2.802.859)
Legal reserve		5.000.000	5.000.000
Revaluation reserves		2.758.445	2.758.445
Conversion reserves		(780.752)	(219.861)
Hedging reserves		460.238	652.120
Fair value reserves		706.437	-
Other reserves		38.035.253	41.318.338
Consolidated net profit for the year		16.523.780	56.849.253
		87.703.401	128.555.436
Minority interests	20	42.159	-
TOTAL SHAREHOLDERS' FUNDS	19	87.745.560	-
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term bank loans	21	93.322.719	50.620.142
Other non current liabilities	22	4.459.815	6.602.009
Deferred tax liabilities	11	9.054.386	14.968.403
Total non current liabilities		106.836.920	72.190.554
CURRENT LIABILITIES:			
Bank loans	21	26.703.469	15.211.674
Suppliers	24	28.504.791	28.373.164
Other current creditors	25	24.377.794	14.716.052
Other current liabilities	26	8.748.045	7.965.815
Liabilities for retirement pension complements	23	307.190	83.510
Provisions	27	9.535.815	9.691.966
Total current liabilities		98.177.104	76.042.181
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		292.759.584	276.788.171

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2007.

ACCOUNTANT Nº 63002

Paula Macedo

THE BOARD OF DIRECTORS

João Manuel Fialho Martins Serrenho
Presidente

Maria Francisca Fialho Martins Serrenho Bulhosa
Member

Maria João Serrenho dos Santos Lima
Member

Ângelo Barbedo César Machado
Member

Manuel Fernando de Macedo Alves Monteiro
Member

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE YEARS ENDED AS OF 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of statements originally issued in Portuguese - Note 42)

	Notes	IAS/IFRS 31-12-2007	IAS/IFRS 31-12-2006
Operating income:			
Sales	28	221.738.991	197.255.542
Services rendered	28	296.892	295.857
Other operating income	29	2.033.115	54.963.648
Total operating income		224.068.998	252.515.047
Operating expenses:			
Cost of goods sold and consumed	13	106.329.445	94.999.414
Variation in production	13	(656.538)	(3.628.467)
External supplies and services		39.442.477	34.900.374
Payroll expenses		46.016.297	40.709.542
Amortisation and depreciation	6 and 8	6.583.913	6.761.673
Provisions and impairment losses	27	1.926.992	1.691.387
Other operating expenses		2.770.602	1.997.125
Total operating expenses		202.413.188	177.431.048
Operating results		21.655.810	75.083.999
Gains and losses in associated companies	30	-	(132.195)
Financial expenses	30	(4.252.460)	(2.939.674)
Financial income	30	2.801.045	1.188.831
Results before income taxes		20.204.395	73.200.961
Income taxes	31	(3.769.617)	(16.351.708)
Consolidated net profit for the year		16.434.778	56.849.253
Attributable to:			
Group		16.523.780	56.849.253
Minority interests		(89.002)	-
		16.434.778	56.849.253
Earnings per share			
Basic		0,657	2,323
Diluted		0,657	2,323

The accompanying notes form na integral part of the consolidated financial statements as of 31 December 2007.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS FOR THE YEARS ENDED AS OF 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of statements originally issued in Portuguese - Note 42)

			Reservas									
	Share capital	Own shares	Legal reserve	Revaluation reserves	Conversion reserves	Hedging reserves	Fair value reserves	Other reserves	Total reserves	Minority interests	Net profit	Total
Balances as of 31 December 2005	25.000.000	(5.348.168)	5.000.000	2.758.445	225.973	356.316	-	36.522.032	44.862.766	-	8.209.096	72.723.694
Appropriation of consolidated net profit of 2005:												
	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-	(3.875.000)	(3.875.000)
Distributed dividends	-	-	-	-	-	-	-	4.334.096	4.334.096	-	(4.334.096)	-
Mc Transfer to other reserves												
	-	(68.986)	-	-	-	-	-	-	-	-	-	(68.986)
Acquisitions	-	2.614.295	-	-	-	-	-	-	-	-	-	2.614.295
Va Disposals	-	-	-	-	(445.834)	-	-	-	(445.834)	-	-	(445.834)
Losses in own shares disposals	-	-	-	-	-	-	-	(126.407)	(126.407)	-	-	(126.407)
Dividends attributed to own shares detained	-	-	-	-	-	-	-	128.654	128.654	-	-	128.654
Changes in hedging reserves	-	-	-	-	-	295.804	-	-	295.804	-	-	295.804
Net consolidated profit for the period	-	-	-	-	-	-	-	-	-	-	56.849.253	56.849.253
Others	-	-	-	-	-	-	-	459.963	459.963	-	-	459.963
Balances as of 31 December 2006	25.000.000	(2.802.859)	5.000.000	2.758.445	(219.861)	652.120	-	41.318.338	49.509.042	-	56.849.253	128.555.436
Balances as of 1 January 2007	25.000.000	(2.802.859)	5.000.000	2.758.445	(219.861)	652.120	-	41.318.338	49.509.042	-	56.849.253	128.555.436
Appropriation of consolidated net profit of 2006:												
	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	(60.000.000)	(60.000.000)	-		(60.000.000)
Distributed dividends	-	-	-	-	-	-	-	56.849.253	56.849.253	-	(56.849.253)	-
Mc Transfer to other reserves												
	-	(1.426.839)	-	-	-	-	-	-	-	-	-	(1.426.839)
Acquisitions	-	4.229.698	-	-	-	-	-	-	-	-	-	4.229.698
Va Disposals	-	-	-	-	(560.891)	-	-	-	(560.891)	-	-	(560.891)
Losses in own shares disposals	-	-	-	-	-	-	-	(159.226)	(159.226)	-	-	(159.226)
Variation in hedging reserves	-	-	-	-	-	(191.882)	-	-	(191.882)	-	-	(191.882)
Variation in fair value reserves	-	-	-	-	-	-	706.437	-	706.437	-	-	706.437
Changes in perimeter	-	-	-	-	-	-	-	37.606	37.606	-	-	37.606
Net consolidated profit for the period	-	-	-	-	-	-	-	-	-	(89.002)	16.523.780	16.434.778
Others	-	-	-	-	-	-	-	(10.719)	(10.719)	131.161	-	120.442
Balances as of 31 December 2007	25.000.000	-	5.000.000	2.758.445	(780.752)	460.238	706.437	38.035.252	46.179.620	42.159	16.523.780	87.745.560

onsolidated financial statements as of 31 December 2007.

BOARD OF DIRECTORS

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Member

INTRODUCTION

The principal operations of CIN - Corporação Industrial do Norte, S.A. ("CIN" or "the Company") and Group companies ("CIN Group") are the production and sale of paint, varnish and similar products.

CIN's shares were listed in Euronext Lisboa from 1988 until 8th March 2007, date in which the Portuguese Stock Exchange Regulator (CMVM – Comissão de Mercado de Valores Mobiliários) deliberated that CIN was no longer qualified as a public company. This decision was taken following an Extraordinary Shareholders' Meeting held on 12 February 2007, where the shareholder SF – Sociedade de Controlo, S.G.P.S., S.A. committed itself to acquire all of CIN's shares for a 6.75 Euro each. This acquisition was performed in accordance with the terms and disposals of the Portuguese Securities Market Code (Article 27, nr. 3 and 4). As of 31 December 2007, SF – Sociedade de Controlo, S.G.P.S., S.A. fully owns CIN's share capital.

The attached financial statements are stated in Euro (functional currency used in the economic environment where the Group operates). Foreign operations and transactions are included in the financial statements in accordance with the policy described in 1.2.d) note.

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS" – previously designated International Accounting Standards – "IAS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") or by the previous Standing Interpretation Committee ("SIE"), as adopted by the European Union, in force as of 1 January 2007.

The accompanying consolidated financial statements were prepared based on the accounting records of the companies included in the consolidation, under the going concern concept and based in the historical cost, except for some financial instruments that are recorded based in the fair value (Note 3).

During 2007, the Group adopted for the first time IFRS 7 - "Financial Instruments: Disclosures" and corresponding amendments to IAS 1-"Presentation of Financial Statements", which are effective for years beginning on or after 1 January 2007. The impact of the adoption of this standard results in additional disclosures provided in these financial statements regarding the financial instruments used by the Group.

As of 31 December 2007,, the following Standards and Interpretations had been issued but were not yet effective as of 1 January 2007 and therefore not mandatory: Revised IAS 23 'Borrowing Costs'; IFRS 8 – ' Operating Segments'; IFRIC 13 – 'Customer Loyalty Programmes'; IFRIC 11 and IFRS 2 – 'Group and Treasury Share Transactions' and IFRIC 12 –'Service Concession Agreements'. The Group has decided not to early adopt these Standards and Interpretations.

Additionally, the following four Interpretations were also issued during the year ended as of 31 December 2007: IFRIC 7 - "Applying The Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"; IFRIC 8 - "Scope of IFRS 2"; IFRIC 9 - "Reassessment of Embedded Derivatives"; and IFRIC 10 - "Interim Financial Reporting and Impairment". The adoption of these Interpretations has not led to any material changes in the Group's accounting policies.

When preparing the attached financial statements some estimates were used that affect reported assets and liabilities figures, as well as income and expenses figures during the reporting period. However, all estimates and assumptions were made in accordance with the Board of Director's best available knowledge at the date of the financial statements' approval, of the events and transactions in course.

1.2. CONSOLIDATION POLICIES

The consolidation policies adopted by the Group are as follows:

a) <u>Investments in Group companies</u>

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights in the Shareholders' General Meeting and where the Group is able to control the respective financial and operating policies (definition of control normally used by the Group), were included in the accompanying consolidated financial statements by the full consolidation method. Equity and net result attributable to minority shareholders are shown separately, under the caption "Minority interests" in the consolidated balance sheet and in the consolidated profit and loss statement. Companies included in the consolidated financial statements by the full consolidation method are disclosed in Note 3.

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

In business combinations assets and liabilities of each subsidiary are measured at their fair value at the date of acquisition. Any excess on the cost of acquisition over the fair value of the identifiable net assets and liabilities acquired is recognised as a consolidation difference (Note 1.2. c)). Any excess of the fair value of the identifiable net assets and liabilities acquired over acquisition cost is recognised as income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value. Minority interests are presented according to their share in the fair value of the identifiable assets and liabilities of the acquired subsidiaries.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement as from the effective date of acquisition or up to the effective date of disposal, respectively.

Whenever necessary, adjustments to the financial statements of subsidiaries are performed in order to adapt the accounting policies to those used by the Group. All inter-Group transactions, balances and distributed dividends are eliminated in the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities"), even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control over the financial and operating decisions - 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 their acquisition cost adjusted by the amount corresponding to the Group's share on the changes in equity (including the net profit) of the associated companies against profit and loss of the period and by 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, which is included in the caption "Investments in associated companies" (Note 1.2.c)). If those differences are negative they are recorded as a gain of the year in the caption "Gains and losses in associated companies".

An assessment of investments held in associated companies is performed whenever there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period. When impairment losses recorded in previous periods vanish, they are reverted in the statement of profit and loss for the year.

When the Group's share of accumulated losses of the associated company exceeds the investment's book value, the investment is recorded at nil value while the net equity of the associated company is not positive, except to the extent of the Group's commitments to the associate. In such cases, the Group records a provision to cover those commitments.

Unrealized gains arising from transactions with associated companies are eliminated to the extent of the group's interest in the associated company against the investment held. Unrealized losses are also eliminated but only to the extent that there is no evidence of impairment of the asset transferred.

c) <u>Consolidation differences</u>
The differences between the acquisition cost of Group companies and the fair value of the identifiable assets and liabilities (including contingent liabilities) of those companies as of the date of acquisition are recorded, if positive, in the caption "Consolidation differences" (Note 7), and if negative, as an income in the profit and loss statement.

The differences between the acquisition cost of associated companies and the fair value of the identifiable assets and liabilities of those companies as of the date of acquisition are recorded, if positive, in the caption "Investments in associated companies", and if negative, as an income in profit and loss statement.

On an annual basis, the Group performs formal impairment tests on consolidation differences as of the year end. When the consolidation difference amount is higher than the respective recoverable amount, an impairment loss is recorded in the caption "Other operational costs". The recoverable amount is the higher of the net sales price and the respective value in use. The net sales price is the amount that would be obtained with the asset disposal, deducted from the disposal direct costs. The value in use is the present value of the estimated future cash-flows that the company estimates will derive with the asset continuous use and the respectively disposal at the end of the estimated useful life. The recoverable amount is estimated for each asset, individually or, if not possible, for the cash generating unit to which the asset belongs to.

Impairment losses related to consolidation differences cannot be reverted.

d) <u>Translation of financial statements of foreign companies</u>
Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Gains and losses, as well as cash flows are translated to Euro using the average exchange rate for the year. The exchange rate differences originated after 1 January 2004 are recorded in equity, under the caption "Conversion reserves". The accumulated exchange differences until before 1 January 2004 (IFRS transition date) were written-off against the caption "Other reserves".
Whenever a foreign company is disposed, the accumulated exchange rate differences are recorded in the statement of profit and loss as a gain or loss associated with the disposal.

Exchange rates used in the translation of foreign affiliated companies (Tintas Cin Angola, S.A. and Tintas Cin Moçambique, SARL) were as follows:

	31 December 2007		31 December 2006	
	End of the year	Year average	End of the year	Year average
USD	1,4721	1,3797	1,317	1,2628

1.3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used by CIN Group in the preparation of it's consolidated financial statements are as follows:

a) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date) are recorded at deemed cost, which corresponds to its acquisition cost, or its acquisition cost restated in accordance with generally accepted accounting principles in Portugal (and in other countries) until that date, net of accumulated amortisation and accumulated impairment losses.

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

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

The depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings and other constructions	20 - 50
Machinery and equipment	7 - 17
Transport equipment	3 - 5
Tools and utensils	4 - 14
Office equipment	3 - 14
Other tangible assets	5 - 11

The Group records a full year's depreciation for fixed assets acquired during the year, regardless of the month they start operating.

Maintenance and repair costs are recorded as expenses in the year they are incurred. Tangible assets in progress represent fixed assets still in construction/development and are stated at acquisition cost. These assets are transferred to fixed assets and depreciated as from the date they are concluded or ready to be used.

Gains or losses arising from the disposal or write-off of tangible assets are calculated as the difference between the selling price and the assets' net book value as of the date of its disposal/write-off, being recorded in the statement of profit and loss under the captions "Other operating income" or "Other operating expenses".

b) Intangible assets

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

Research costs and expenses with new technical knowledge are recorded in the statement of profit and loss, when incurred.

Development costs are capitalised as an intangible asset if the Group has proven technical feasibility and ability to complete the development and to sell/use such assets and it is likely that those assets will generate future economic benefits. Development costs which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Intangible assets, which mainly comprise project development costs, industrial property and other rights, and software are amortised on a straight line basis over a period of 3 to 5 years.

Commercial goodwill is not subject to depreciation.

Brands with indefinite useful life are not amortised and are subject to an annual impairment analysis.

c) Investment property

Investment properties corresponding to real estate assets held for rental or capitalisation rather than industrial or administrative purposes are stated at acquisition cost.

d) Financial instruments

i) Investments

Investments held by the Group are classified as follows:

Investments held to maturity, are classified as non-current assets unless they mature within 12 months as of the balance sheet date. The investments classified as held to maturity are financial non-derivative assets with defined or determinable payment dates, have defined maturity and the Group has the intention and capacity to maintain them until the maturity date.

Investments measured at fair value through profit and loss (“investments held for trading”) are classified as current assets. The purpose of this portfolio of investments is to obtain short term profits.

Investments available for sale are all the other investments that are not classified as held to maturity or measured at fair value through profit and loss, being classified as non current assets.

Investments are initially measured at acquisition cost, which is the fair value of the price paid; transaction costs are included in investments held to maturity and investments available for sale.

After their initial recognition, investments available for sale and investments measured at fair value through profit and loss are subsequently measured at their fair value by reference to their market value at the balance sheet date, without any deduction for transaction costs which may be incurred until its sale.

Gains or losses arising from a change in the fair value of available for sale investments are recognised under the equity caption “Fair value reserves”, until the investment is sold or disposed, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to profit and loss account for the period.

Investments available for sale in equity instruments which are not listed on a stock exchange market are stated at cost acquisition net of impairment losses. The Board of Directors believes that the respective fair value of these investments does not significantly differ from their acquisition cost.

All purchases and sales of investments are recorded in the date the corresponding acquisition agreements are signed, independently of the financial liquidation date.

ii) Debts from third parties

Debts from third parties not bearing interests are stated at their nominal value, less impairment losses so that they reflect the respective net realisable value.

iii) Loans

Loans are recorded as labilities at their nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

iv) Debts to third parties

Non interest bearing debts to third parties are stated at their nominal value.

v) <u>Derivative financial instruments and Hedge accounting</u>

The Group uses derivative financial instruments to cover its financial risks. These instruments are not used for trading purposes (speculation).

The cash-flow hedges used by the Group relate to swaps of interest rates to cover (hedge) the interest rate variation risk of bank loans obtained. The amount of the loans, the interest payment dates and the reimbursement plan related to derivative interest cover instruments that are substantially similar to the conditions established in the contractual loans.

The Group uses the following criteria to classify derivative instruments as cash-flows hedges:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The hedging efficiency can be reasonably measured;
- There is proper documentation about the hedging transaction;
- The hedged transaction has to be highly probable.

These derivative hedging instruments are initially recorded at cost, if there is one. This cost is subsequently adjusted to its fair value. Changes in fair value of these investments are deferred in equity in the caption "Hedging reserves", and transferred to income in the same period that the hedged instrument affects the profit and loss statement.

The hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. When the derivative instrument is no longer classified as an hedging instrument, the accumulated fair value differences deferred in equity in the caption "Hedging reserves" are transferred to the statement of profit and loss.

vi) <u>Own shares</u>

Own shares are recorded at acquisition cost as a deduction to equity. Gains or losses on the disposal of own shares are recorded in the equity caption "Other reserves". During the year ended as of 31 December 2007, the Group disposed of all of its own shares

vii) <u>Cash and cash equivalents</u>

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach their maturity within less than three months and are subject to insignificant risks of change in value.

e) Lease contracts

Lease contracts are classified as (i) financial, if all or a substantial part of the risks and benefits related to the asset are transferred and (ii) operational, if all or a substantial part of the risks and benefits related to the asset are not transferred. Classifying a lease as financial or operational depends on the substance of the transaction, rather than the form of the contract.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the balance sheet. In addition, interest included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 1.3.a), are recognised in the statement of profit and loss of the period to which they apply.

The operational lease instalments on assets acquired under operational leases are recognised as expenses in the period to which they refer to (Note 33).

f) Inventories

Merchandise, raw, subsidiary and consumable materials are stated at acquisition average cost, which is lower than market value.

Finished and intermediate goods are stated at production cost (includes the cost of raw materials, direct labour and production overheads), which is lower than market value.

Whenever necessary, the Group companies record impairment losses to reduce inventories to their net realisable or market value.

g) Provisions

Provisions are recognised when, and only when, the Group has a present obligation (legal or constructive) arising 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 each balance sheet date so as to reflect the best estimate of its fair value as of that date (Note 27).

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to those affected by it.

h) Government or other public entities subsidies

Government subsidies are recognized at their fair value if only it is highly likely that it will receive them and will be able to accomplish the conditions required to its concession.

Non-repayable subsidies obtained to finance investments in tangible fixed assets are recorded as “Other non current liabilities” and “Other current liabilities”. These subsidies are recognised in the statement of profit and loss in accordance with the depreciation of the related tangible fixed assets.

Subsidies related to incurred costs are recorded as income in the financial statements since there is reasonable assurance that they will be received, the entity has already incurred in costs and all conditions to reimbursement are fulfilled.

i) Pension complements

As mentioned in Note 23, the Group has assumed (through its Parent company and some subsidiaries) commitments to provide pension complements to its employees due to age or disability, which comprise defined benefit plans. For this effect, the Group has constituted pension funds and insurances.

With the purpose of estimating its responsibilities related to these commitments, the Group determines each year the actual cost of those responsibilities, based in the “Projected Unit Credit Method”.

In accordance with IAS 19 – “Employees Benefits” the costs with past responsibilities are immediately recognised in situations where the benefit is being paid. Otherwise, they are recognized on a straight line basis during the average estimated period until the start of the benefits payment.

The responsibilities related to pensions complements recognized at balance sheet date represent the present value of the future benefits, adjusted by actuarial gains/losses and/or past responsibilities non-recognized, deducted of the fair value of net pension funds assets.

j) Accrual basis and Revenue

Income and expenses are recorded on an accruals basis. Under this basis, income and expenses are recognised in the period to which they relate independently of when the amounts are received or paid. Differences arising between the amounts received and paid and the corresponding income and expenses are recorded in the captions “Accruals and deferrals” included in “Other current assets” and “Other current liabilities”.

Income and expenses for which the actual amount is yet unknown, are recorded based on the best estimate of the Board of Directors of the Group companies.

The sales income is recognized in the consolidated profit and loss statement when the inherent assets risks and significant advantages are already under the buyer’s jurisdiction and when it is reasonably possible to measure the corresponding income. Sales are recognized net of taxes and discounts.

k) Corporate Income tax

Corporate Income Tax for the year is determined based on the taxable results of the companies included in the consolidation, in accordance with tax legislation in place for each company, and considers deferred taxation.

Current Income Tax is computed based on the taxable results of the companies included in consolidation.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes. The deferred tax assets and liabilities are computed annually using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever their realisation ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred taxes are recorded in the statement of profit and loss as costs and income, except if they relate to items directly recorded in equity. In these cases, the corresponding deferred tax is also recorded in equity captions.

l) Tax consolidation

The Corporate Income Tax accrual that is reflected in the consolidated financial statements is computed in accordance with the Special Taxation Regimen for Groups of Companies (*"Regime Especial de Tributação dos Grupos de Sociedades"*), which includes CIN Group companies with headquarters in Portugal, Cin Group companies with headquarters in Spain, Amida Inversiones, S.L., Barnices Valentine, S.A., Pinturas Cin Canárias, S.A., Aerminium Coating, S.L.U. and Cin Inmuebles, S.L. are also taxed by the respective consolidated tax result, in accordance with Spanish legislation. Additionally, the other Cin Group companies are taxed on an individual basis and according to the applicable legislation.

m) Balance sheet

All assets and liabilities, including deferred taxes, accomplishable or exigible in more than one year after the balance sheet date are classified as "Non-current assets or liabilities".

n) Legal reserve

Portuguese commercial legislation requires that, at least, 5% of net profit for each year must be appropriated for increases in legal reserve until it represents at least 20% of share capital. Such reserve is not attributable unless the Company is under liquidation, but it can be used either to absorb losses after the extinction of all the other reserves or to be incorporated in share capital.

o) Balances and transactions expressed in foreign currencies
All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates in force at the balance sheet date.

Favourable and unfavourable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss of the year.

p) Impairment of assets, except consolidation differences
Assets are assessed for impairment at each balance sheet date and 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 statement of profit and loss under the caption "Provisions and impairment losses". The recoverable amount is the higher of an assets' net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal. The value in use is the present value of estimated future cash flows expected to derive from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The reversal of impairment losses recognised in prior years is recorded when the Company concludes that the impairment losses previously 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 of impairment losses is recorded in the statement of profit and loss in the caption "Other operating 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 and amortisation) had no impairment loss been recognised for that asset in prior years.

q) Share-based payments
CIN Group applied IFRS 2 – "Share-based payments" in relation to stock options attributed to Directors and some key Group personnel. According to transition measures, the rules of this standard were not applied to all equity instruments contracts before 7 November 2002.

In 25 May 2005 a new stock options plan was attributed to Directors and some key Group personnel (370,000 shares at a strike price of 5.3 Euros per share). IFRS 2 rules were applied to this stock options plan.

However, and given the fact that the Company has lost its public company status in the beginning of 2007, all share-based payment contracts were early executed by those entitled following the deliberation of the Shareholders' Annual Meeting held on 31 May 2007. As a consequence, as of 31 December 2007, there are no share-based payment contracts.

r) Financial expenses

The financial expenses related with loans obtained (interests, bonus, accessory costs and lease contracts' interest) are recorded as costs in the statement of profit and loss, on an accrual basis.

s) Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed in the respective Notes, 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 only disclosed when it is likely the existence of future economic benefits.

t) Risk management policies

The Group is exposed to several risks in the course of its activity, namely: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Group's risk management program focuses in the financial market unpredictability and aims to minimize the collateral effects in its financial performance.

Group's risk management is assured by the financial department of CIN in accordance with the policies approved by the Board of Directors. Accordingly, the Board of Directors has been setting the main overall risk management policies and some specific rules for certain areas, such as interest rate risk hedging and credit risk.

i) Exchange rate risk

In the course of its operating activity, the Group performs non Euro transactions. The normal procedure is to elect a functional currency to each subsidiary (USD in relation to Tintas Cin de Angola, S.A. and Tintas Cin Moçambique, SARL) that fits its main economic environment and that best represents the composition of its cash-flows.

As a result, exchange rate risk mainly derives from commercial transactions not expressed in the functional currency of each business. Exchange rate risk policy aims to minimize or eliminate that risk, reducing the Group's results sensitivity to exchange rate changes.

Foreign companies financial statement translation risk or accounting risk consists of the impact on the Parent company's net equity as a result of having to 'translate' the foreign subsidiaries' financial statements. The existing guidelines to cover this risk include an individual approach of each hedging opportunity given the specific currency at stake and the subsidiary's capital structure (as of 31 December 2007, this situation only applies to subsidiaries 'Tintas Cin de Angola, SARL' and 'Tintas Cin Moçambique, SARL', as their financial statements were 'translated' from USD to Euro).

As mentioned in note 1.2 d), assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Gains and losses, as well as cash flows are translated to Euro using the average exchange rate for the year. The underlying exchange difference is posted into equity in caption "Conversion reserves".

ii) <u>Price risk</u>

Price risk mainly applies to raw materials such as zinc, resin and titanium dioxide.

There is a permanent monitoring of price evolution and trends for these raw materials as to develop expectations and act upon them.

In relation to zinc, price risk is managed through futures' market hedging. Resin and titanium dioxide price change risk is minimized by contracts celebrated with suppliers that fix a steady price for larger periods, typically, one year.

Abnormal price variations in raw materials might be reflected in the selling prices.

iii) <u>Credit risk</u>

The Group's exposure to credit risk mainly relates to accounts receivable resulting from operating activities. Credit risk is the risk that the counterpart fails its contractual obligations, thus originating a Group loss.

Credit risk is essentially associated with receivables from sales and services rendered to customers. Managing this risk assures that effective collections are performed in the agreed terms so that the Group's financial position is not affected. This risk is monitored on a regular basis, ensuring that (a) credit to customers is limited and is based on the average days of sales outstanding of each customer; (b) credit limit evolution is assessed on a regular basis; (c) receivables impairment assessments are performed in a timely manner.

Group's credit risk is moderate and it is not focused in a single customer or group of customers, as receivables balance are composed by a large variety of entities from different business segments and geographical areas. Credit guarantees are asked whenever a customer's financial position might be questionable. These guarantees may consist of credit insurances and bank guarantees.

Accounts receivables adjustments are calculated according to the following criteria: (i) the customer credit profile; (ii) the average days of sales outstanding; (iii) the customer's financial position. Adjustments recorded in the years ended as of 31 December 2007 and 2006 are disclosed in Note 27.

As of 31 December 2007 and 2006 the Group does not consider additional impairment losses, besides the adjustments recorded and disclosed in Note 27.

Amounts regarding financial assets recorded in the accompanying consolidated financial statements are net of accumulated impairment losses, and represent the maximum exposure of the Group to credit risk.

iv) <u>Liquidity risk</u>

Liquidity risk is the lack of capacity to fulfill all due liabilities in the agreed terms and at a reasonable cost. Liquidity indicators must be set to manage the liquidity levels as to ensure that the maximum return is obtained at a minimum cost and in a safe and efficient way.

CIN Group's liquidity risk management aims to:

* Liquidity: to ensure permanent, efficient and sufficient access to funds to liquidate due obligations;
* Security: to minimize the likelihood of non collection of applications of funds;
* Financial efficiency: to minimize the opportunity cost of excess liquidity detention in the short term.

The Group's procedures seek to match assets and liabilities maturity dates. Group's balances as of 31 December 2007 and 2006 show that the 'permanent capital' is higher than non-current assets, thus confirming Group's concern towards a well-balanced financial management.

The Group ensures that the financial instruments and credit lines and amounts meet the businesses and subsidiaries' specific needs and allow a reasonable liquidity surplus. Typically, these credit facilities are obtained without the concession of guarantees.

v) <u>Interest rate risk</u>

The exposure of the Group to interest rate risk results of loans that bear interest at variable rates.
Borrowing costs are therefore vulnerable to variable interest rate changes. The impact of volatility on the Group's results and net equity isn't significant as Group's financial debt level is low. Moreover, the presumed correlation between interest market rates and economic growth allows operating gains and compensates the additional borrowing costs ('natural hedge').

As of 31 December 2007 and 2006 the financial net debt of the Group amounts to 60,912,239 Euros and 15,281,299 Euros, respectively. These balances are composed of current and non-current loans (Note 21), and cash and cash equivalents (Note 17) celebrated with different entities. As of 31 December 2006 net debt included current securities recorded in the caption 'Other current assets' (Note 16).

Group's income and cash-flows are influenced by interest rate changes at a rather low level. Group's cash and bank balances as well as eventual loans granted to Group companies depend only on the Euro interest rates, which volatility is historically low.

As for long term loans, the procedure is to use whenever appropriate cash-flow hedging derivative instruments (e.g 'interest rate swaps'), that perfectly cover interest rate risk.

Interest Rate Scenario Analysis
The scenario analysis was conducted based in the exposure to the interest rate risk as of balance sheet date and for both derivate and non-derivative financial instruments. As for liabilities based on variable interest rates, the following assumptions were made:

- The liabilities amount was stable throughout the year and price re-fixation happened in the beginning of the year;
- Variations in market interest rates changes interest amounts to be paid or received of variable interest rate financial instruments;
- Fixed interest rate financial instrument's interest to be paid or received are only affected if financial instruments are expressed at fair value;
- Changes in interest market rates will be reflected in the fair value of hedging derivatives and all hedging derivatives are efficient;
- Derivative financial instruments (swaps) fair value of any financial asset or liability is estimated by discounting future cash-flows to the present time at interest market rates at the end of each year, assuming a parallel variation in the yields' curve.

Scenario analysis was performed on a 'ceteris paribus' basis, this is, by manipulating one variable and assuming that all the others remain unchanged. Realistically, this situation isn't often met and changes in some of the assumptions might be correlated.

If interest rates have been higher or lower in 75 basis point, ceteris paribus, [hardly that could have happened], the estimated impact on the Group's net result and reserves had been the following:

	2007		2006	
	-0,75 b.p.	+ 0,75 b.p.	-0,75 b.p.	+ 0,75 b.p.
Net profit (1)	+305,000	-555,000	+230,000	-185,000
Net equity (2)	-250,000	+15,000	-380,000	+225,000

(1) mainly results from the Group's exposure to interest rate risk on its variable interest rate loans.
(2) mainly results from changes in the fair value of hedging derivatives.

It is the Board of Director's understanding that this scenario analysis doesn't properly reflect the Group's inherent interest rate risk, as the exposure at year end might not reflect the exposure throughout the year and because it does not account for payments made during the year.

u) Segment information

In each period, the Group identifies the most adequate business and geographic segments.

Information regarding the business segments identified is included in Note 34.

t) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post balance sheet date events that provide information about conditions that have only arised after the balance sheet date are considered non adjusting events and are disclosed in the Notes to the financial statements, if material (Note 41).

2. CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF MISSTATEMENTS

During the year ended as of 31 December 2007 there were no changes in accounting policies and no material mistakes related with previous periods.

3. GROUP COMPANIES INCLUDED IN CONSOLIDATION

The affiliated companies included in consolidation by the full consolidation method, their headquarters and percentage participation held as of 31 December 2007, are as follows:

Designation	Headquarters	Share capital held Direct	Indirect	Effective
With headquarters in Portugal:				
Cin – Corporação Industrial do Norte, S.A. ("Parent company")	Maia	-	-	-
Lacose-Sotinco, Tintas e Vernizes, Sociedade Unipessoal, Lda. ("Lacose-Sotinco")	Maia	100%	-	100%
Nitin – Nova Indústria de Tintas, S.A. ("Nitin")	Lisbon	100%	-	100%
Nictrading – Comércio Internacional, Lda. ("Nictrading")	Machico	-	100%	100%
Terraços do Souto – Sociedade Imobiliária, S.A. ("Terraços do Souto")	Maia	100%	-	100%
Tintas Cin (Açores), Sociedade Unipessoal, Lda. ("Cin Açores")	S. Miguel	100%	-	100%
Tintas Cin (Madeira), Sociedade Unipessoal, Lda. ("Cin Madeira")	Funchal	100%	-	100%
Cin – Tintas para Repintura Automóvel, S.A. ("Cin Repintura")	Maia	100%	-	100%
Cin – Aluguer e Gestão de Veículos, Sociedade Unipessoal, Lda. ("Cin Aluguer")	Maia	100%	-	100%
Cin – Indústria, S.A (former Ibercoat– Tintas em .	Maia	100%	-	100%
Atossa Imobiliária, Sociedade Unipessoal, Lda. a") (1)	Maia	100%	-	100%
Jorges & Mineiro, Lda. ("Jorges & Mineiro")	Santarém	100%	-	100%
Sotinco Refinish, S.A ("Refinish") (2)	Maia	-	100%	100%
With headquarters in other countries:				
Barnices Valentine, S.A. ("Barnices Valentine")	Spain	-	100%	100%
Pinturas Cin Canárias, S.A. ("Pinturas Cin Canarias")	Spain	-	100%	100%
Productos Industriales de Tenerife, S.A. sa") (1)	Spain	-	100%	100%
Amida Inversiones, S.L. ("Amida Inversiones")	Spain	-	100%	100%
Cin Internacional B.V. ("Cin BV")	Holand	100%	-	100%
Tintas Cin Angola, SARL ("Cin Angola")	Angola	4%	96%	100%
Tintas Cin Moçambique, SARL ("Cin Moçambique")	Moçambique	-	100%	100%
Cin Inmuebles, S.L. ("Cin Inmuebles")	Spain	-	100%	100%
Coatings RE, S.A. ("Coatings RE")	Luxembourg	-	100%	100%
Vita Investments, S.A. ("Vita Investments")	Luxembourg	-	100%	100%
Artilin, S.A. ("Artilin")	France	-	80.23%	80.23%
Aerminium Coating, S.L.U. ("Aerminium")	Spain	-	100%	100%

(1) Company established on 18 October 2007
(2) Company that resulted from the spin-off of part of subsidiary Lacose-Sotinco activity. Established on 1 January 2007
(3) Included in the consolidation perimeter as from 1 January 2007

These subsidiaries were included in the consolidated financial statements using the full consolidation method, as established in IAS 27 – "*Consolidated and Separate Financial Statements"* (subsidiary control through the major voting rights or other method, being owner of the company's share capital - Note 1.2.a)).

4. SUBSIDIARIES EXCLUDED FROM CONSOLIDATION

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2007, are as follows:

Companies	Headquarters	Book value	Share capital held: Direct	Indirect	Effective
Held by CIN:					
Tintas CIN Guiné, Lda. ("CIN Guiné")	Bissau	-	51%	-	51%
Tintas CIN Macau, Lda. ("Cin Macau")	Macau	-	90%	-	90%
Martolar – Sociedade de Construção, S.A.	Alenquer	1,849,996	100%	-	100%

The financial investments in Group companies – CIN Guiné, CIN Moçambique and CIN Macau are recorded at acquisition cost. Impairment losses are recorded to reduce these investments to their estimated net realisable value in order to reflect restrictions motivated by their country conditions, or by their inactivity. The Board of Directors of CIN believes that the non-inclusion of these companies is not relevant for the accompanying consolidated financial statements.

Additionally, Martolar – Materiais de Construção, S.A. was acquired on 20 December 2007 and was excluded from consolidation as the financial information was not available as of the balance sheet date. The purchase price acquisition allocation will be computed in the first semester of 2008. The Board of Directors of CIN Group believes that this exclusion is not relevant for the accompanying consolidated financial statements. This investment is recorded under the caption "Investments available for sale" (Note 10).

5. CHANGES IN CONSOLIDATION PERIMETER

The changes in the consolidation perimeter during the year ended as of 31 December 2007, were as follows:

Designation	Headquarters	Share capital held: Direct	Indirect	Effective
Additional share capital acquisitions				
Artilin, S.A. ("Artilin")	France	-	80.23%	80.23%
Inclusion in the consolidation perimeter				
Tintas Cin Moçambique ("Cin Moçambique")	Mozambique	-	100%	100%

Until 31 December 2006, the investment in Artilin was included in consolidation by the equity method (share capital held corresponding to 42.6% of voting rights). As from 1 January 2007, and following an additional share capital acquisition in 2007, CIN was granted the majority of the voting rights, and, consequently, the subsidiary has been consolidated by the full consolidation method.

"CIN Moçambique" was included for the first time in the consolidation perimeter as from 1 January 2007.

The impact of the additional share capital acquisition in Artilin and the inclusion of CIN Moçambique in the consolidation perimeter for the year ended as of 31 December 2007, was as follows:

	Net book value	Fair value adjustment	Fair value
Net assets acquisitions:			
Tangible assets	416,961	-	416,961
Intangible assets	472,610	(457,347)	15,263
Investiments	1,246	-	1,246
Inventory	1,019,042	-	1,019,042
Receivables and other debtors	1,581,382	-	1,581,382
Cash and cash equivalents	137,634	-	137,634
Other assets	130,584	-	130,584
Provisions for risks and charges	-	(92,228)	(92,228)
Loans obtained	(335,987)	-	(335,987)
Payables and other creditors	(1,950,226)	-	(1,950,226)
Other liabilities	(63,844)	-	(63,844)
	1,409,402	(549,575)	859,827

The contribution of Artilin and CIN Moçambique to consolidated net profit for the period between 1 January 2007 and 31 December 2007 was negative and positive, respectively, and amounted to Euro 450,189 and Euro 46,224.

Additionally, the Group recorded directly in shareholders equity the impact of Cin Moçambique's first inclusion in the consolidation perimeter as well as the Artilin additional share capital acquisition impact. The net effect amounted to Euro 37,606.

6. TANGIBLE ASSETS

During the years ended as of 31 December 2007 and 2006, the movement in tangible assets, as well as in the respective accumulated depreciation and accumulated impairment losses was as follows:

2006

	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Office equipment	Containers	Tangible assets in progress	Total
Gross assets:									
Opening balance	22,286,548	58,654,523	48,228,854	2,925,228	3,297,624	12,759,277	346,638	4,045,241	152,543,933
Changes in perimeter	1,975,815	508,854	490,277	-	-	306,903	-	9,037	3,290,886
Additions	9,977,986	270,966	1,203,074	111,023	338,881	215,358	-	5,183,463	17,300,751
Disposals and write-offs	(7,626,990)	(16,013,824)	(3,200,328)	(534,484)	(184,544)	(1,310,157)	(363)	(1,255,498)	(30,126,187)
Transfers	-	-	965,736	-	51,075	-	-	(1,085,768)	(68,957)
Closing balance	26,613,359	43,420,519	47,687,613	2,501,768	3,503,037	11,971,380	346,275	6,896,475	142,940,426
Accumulated depreciation and impairment losses:									
Opening balance	400,000	34,467,458	38,752,606	2,506,171	2,559,866	10,921,929	275,573	-	89,883,603
Changes in perimeter	-	193,516	351,888	-	-	261,121	-	-	806,525
Depreciations	-	2,409,299	2,731,613	162,525	212,219	660,876	21,197	-	6,197,730
Impairment losses	-	1,086,328	488,967	242	82,411	217,802	15,176	-	1,890,926
Disposals and write-offs	(400,000)	(11,800,640)	(2,964,881)	(522,385)	(132,596)	(1,293,069)	(363)	-	(17,113,935)
Transfers	-	26,355,961	39,360,193	2,146,553	2,721,899	10,768,659	311,583	-	81,664,849
Net value	26,613,359	17,064,558	8,327,420	355,214	781,138	1,202,722	34,692	6,896,475	61,275,577

2007

	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Office equipment	Containers	Tangible assets in progress	Total
Gross assets:									
Opening balance	26,613,359	43,420,519	47,687,613	2,501,768	3,503,037	11,971,380	346,275	6,896,475	142,940,426
Changes in perimeter	-	360,177	525,952	73,136	1,875	108,182	-	100	1,069,422
Additions	1,572,358	3,228,126	793,636	353,684	158,310	953,880	-	20,754,973	27,814,968
Disposals and write-offs	(105,709)	(1,247,123)	(766,855)	(261,838)	(90,792)	(275,727)	-	-	(2,748,045)
Transfers	(6,821,262)	4,051,083	446,339	-	54,924	80,638	-	(5,277,193)	(7,465,473)
Closing balance	21,258,744	49,812,783	48,686,685	2,666,750	3,627,354	12,838,353	346,275	22,374,354	161,611,298
Opening balance	-	26,355,961	39,360,193	2,146,553	2,721,899	10,768,659	311,583	-	81,664,848
Changes in perimeter	-	135,965	372,450	67,495	1,875	74,679	-	-	652,464
Depreciations	-	2,439,947	2,361,319	217,505	245,795	705,355	21,196	-	5,991,117
Impairment losses	-	(107,744)	(75,239)	(242)	(19,946)	(61,782)	(15,175)	-	(280,128)
Disposals and write-offs	-	(407,447)	(658,152)	(230,788)	(39,282)	(243,059)	-	-	(1,578,728)
Transfers	-	(13,218)	13,218	-	-	-	-	-	-
Closing balance	-	28,403,464	41,373,789	2,200,523	2,910,341	11,243,852	317,604	-	86,449,573
Net value	**21,258,744**	**21,409,319**	**7,312,896**	**466,227**	**717,013**	**1,594,501**	**28,671**	**22,374,354**	**75,161,724**

As of 31 December 2007 and 2006, the caption "Tangible assets in progress" was made up as follows:

	31.12.2007	31.12.2006
New factory in Montcada Y Reixach (Barnices Valentine)	20,353,364	1,856,183
Integration of powder paint industrial facilities (Cin)	994,015	-
Algarve factory's improvements (Cin)	246,786	-
New laboratories (Cin)	212,843	212,843
New warehouse (Cin Canárias)	-	2,318,277
New factory (CIN Angola)	-	1,973,891
Others	567,346	535,281
	22,374,354	6,896,475

On 12 June 2006 the subsidiary Barnices Valentine sold the land where its factory is currently located in Barcelona (Montcada y Reixach) by a total amount of Euro 74,160,000, and therefore proceeded to the derecognition of all the related property, land, buildings and other infrastructures. The pending receivable amount related with that disposal of Euro 24,720,000 is included in the caption "Other non-current assets" (Note 12). The collection is guaranteed by a personal endorsement.

As referred in the public deed, Barnices Valentine has acquired the obligation to execute the dismantlement of buildings and equipment and the decontamination of the disposed land. For that effect, the Company has recorded a provision of Euro 6,900,000 and provided a bank guarantee of Euro 5,000,000 in favour of the buyer. As of 31 December 2007, the referred provision amounts to Euro 6,347,715 (Note 27).

The sales agreement allows Barnices Valentine the right to stay, free of charge, in the current facilities while the new factory (also located in Barcelona) is being finished, considering 12 June 2009 as the time limit.

On 18 July 2006, the "*Proyecto de Reparcelación en el âmbito del Plan Parcial Urbanístico del Sector Discontinuo Can Milans – Can Cuiás Nord*" was finally approved by "*Junta de Gobierno del Ayuntamiento de Montcada y Reixach*". According to the above referred land division plan, Barnices Valentine swapped its owned parcels of land denominated "Can Cuyás", which were recorded by a total amount of Euro 2,100,000, by another parcel of property owned by the municipality and denominated "Can Milans", where the new industrial facilities are currently being built. According to IAS 16 – Tangible assets – the land received was stated at its fair value based on an external evaluation performed by an expert. This appraisal led to a gain of, approximately, Euro 3,165,000 that was recorded in the caption "Other operating gains" (Note 29).

Barnices Valentine has committed to support the urbanization costs of the received land "Can Milans", estimated in, approximately, Euro 4,528,000. For that effect, the Company has recorded a provision for that amount that is included in the caption "Other non-current liabilities", which balance as of 31 December 2007 amounted to Euro 3,683,706 (Note 22).

Barnices Valentine's industrial activity is planned to be transferred to the new factory facilities in Montcada y Reixach that are now under construction. The investments made so far amount to, approximately, Euro 20,353,000 and are recorded in the caption "Tangible assets in progress".

The accumulated impairment losses recorded in the fixed assets captions amounting to Euro 1,610,798 comprise the net accounting value of the equipments of the current factory facilities in Montcada y Reixach, in relation to which there are serious doubts on their future usage in the facilities under construction.

Part of the transfers included in caption "Machinery and equipment" relate to the transfer of tintometric systems from "Inventory" to "Tangible assets", as these equipments were being used by Group stores and delegations (Note 13).

Additionally, the transfers occurred in 2007 in the caption "Land and natural resources" correspond to the reclassification of some buildings held by the Group that are not directly allocated to the operating activity and therefore are now recorded as "Investment properties" (Note 9).

7. CONSOLIDATION DIFFERENCES

During the years ended as of 31 December 2007 and 2006, the movement occurred in consolidation differences was as follows:

	31.12.2007	31.12.2006
Gross value:		
Opening balance	6,468,107	6,468,107
Acquisitions	107,632	-
Closing balance	6,575,739	6,468,107
Accumulated impairment losses:		
Opening/Closing balance	-	-
Net value	6,575,739	6,468,107

The movement occurred in 2007 corresponds to the impact of the call option exercised regarding an additional percentage (40%) of subsidiary Jorge & Mineiro's share capital.

In accordance with IFRS 3, CIN Group suspended the depreciation of the "Consolidation differences" as from 1 January 2004. Additionally, the Group performs formal impairment analysis as of the date of presentation of annual financial accounts.

The net accounting value of “Consolidation differences” as of 31 December 2007 and 2006 was as follows:

Company / Business	Acquisition date	Net accounting value 31.12.2007	31.12.2006
Nitin	2000	680,705	680,705
Goodwill “La Llar del Pintor”	2000	930,119	930,119
Pinturas Cin Canárias	2001	1,755,208	1,755,208
Nictrading	2004	336,217	336,217
Ibercoat	2005	1,812,978	1,812,978
Jorges & Mineiro	2005	1,060,512	952,880
		6,575,739	6,468,107

8. INTANGIBLE ASSETS

During the years ended as of 31 December 2007 and 2006, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

2006

	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Intangible assets in progress	Advances	Total
Gross Asset:							
Opening balances	241,149	4,408,118	1,132,693	118,546	9,065	-	5,909,571
Changes in perimeter	-	-	102,258	-	-	-	102,258
Additions	-	-	3,509,831	75,000	-	6,000	3,590,831
Sales and write-offs	(1,882)	-	(63,948)	-	-	-	(65,830)
Transfers	664	-	-	(1,538)	(9,065)	-	(9,940)
Closing balances	239,931	4,408,118	4,680,834	192,008	-	6,000	9,526,891
Depreciations and accumulated impairment losses:							
Opening balances	237,697	3,466,087	687,234	35,884	-	-	4,426,902
Changes in perimeter	-	-	65,450	-	-	-	65,450
Additions	1,167	453,239	108,267	1,267	-	-	563,940
Sales and write-offs	(1,264)	-	(63,948)	-	-	-	(65,212)
Transfers	664	-	-	(727)	-	-	(63)
Closing balances	238,264	3,919,326	797,003	36,425	-	-	4,991,018
Net Value	1,667	488,792	3,883,831	155,584	-	6,000	4,535,871

2007

	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Intangible assets in progress	Advances	Total
Gross Asset:							
Opening balances	239,931	4,408,118	4,680,834	192,008	-	6,000	9,526,891
Changes in perimeter	86,078	36,682	3	-	-	-	122,763
Additions	11,314	-	103,706	2,110,000	-	-	2,225,020
Sales and write-offs	(149,492)	-	-	(787)	-	-	(150,279)
Transfers	-	-	6,000	-	-	(6,000)	-
Closing balances	187,831	4,444,800	4,790,543	2,301,221	-	-	11,724,395
Depreciations and accumulated impairment losses:							
Opening balances	238,264	3,919,326	797,003	36,425	-	-	4,991,018
Changes in perimeter	78,924	28,574	3	-	-	-	107,501
Additions	11,192	456,579	123,758	1,266	-	-	592,795
Sales and write-offs	(149,700)	-	-	(65)	-	-	(149,765)
Transfers	-	1,566	(27,434)	27,434	-	-	1,566
Closing balances	178,680	4,406,045	893,330	65,060	-	-	5,543,115
Net Value	9,151	38,755	3,897,213	2,236,161	-	-	6,181,282

As of 31 December 2007, the detail of the gross value of the captions “Development expenses” and “Industrial property and other rights”, was as follows:

Development expenses:	
Studies and Projects – “ERP” implementation	4,121,285
Others studies and projects	323,515
	4,444,800
Industrial property and other rights:	
“Decocenter” brand	3,500,000
Industrial property	677,140
Software	410,282
Other rights and licences	203,122
	4,790,544

On 20 December 2006, the Group acquired the "Decocenter" brand by the amount of 3,500,000 Euro. This brand is currently being used by Barnices Valentine and the acquisition cost was supported on an independent valuation appraisal.This brand was classified as an intangible asset with an indefinite useful life, and consequently, it's not subject to depreciation, but is subject to an annual impairment assessment.

The increase in the caption 'Goodwill' includes the amount of Euro 2,000,000 relating to the contract signed between CIN and Tintas Robbialac, S.A. in 19 November 2007, by which CIN acquired Robbialac's business denominated "Industry Segment" and which includes:

- intangible assets (brands, registration rights,...) relating to this business;
- the necessary calculations, formulas and procedures concerning the production of this business segment;
- the rights and obligations emerged from the commercial transactions with customers and suppliers;
- the workers (up to a maximum of 5) allocated to this business.

The referred contract also includes a "non competition agreement" to be fulfilled by the vendor for a period of five years.

9. INVESTMENT PROPERTIES

As of 31 December 2007, the caption "Investment properties" includes real estate assets held by CIN Group mainly located in Guardeiras, Maia that are held for capital appreciation and that were previously recorded in tangible assets' caption "Land and natural resources" (Note 6). These assets are stated at the respective acquisition cost.

Additionally, these assets' fair value is similar to their acquisition cost.

10. INVESTMENTS AVAILABLE FOR SALE

As of 31 December 2007 and 2006, these captions included financial investments classified as available for sale and had the following movement in the year:

	2006		
	Gross value	Impairment losses (Note 27)	Net value
Investments available for sale:			
Balances as of 1 January 2006	585,568	(85,259)	500,309
Changes in perimeter	47,396		47,396
Increases	106,554	(55,803)	50,751
Decreases	(85,602)		(85,602)
Balances as of 31 December 2006	653,916	(141,062)	512,854

2007

	Gross value	Impairment losses (Note 27)	Net value
Investments available for sale:			
Balances as of 1 January 2007	653,916	(141,062)	512,854
Changes in perimeter	(151,483)	(71,676)	(223,159)
Derecognitions	(51,071)	51,071	-
Increases	4,656,603	-	4,656,603
Balances as of 31 December 2007	5,107,965	(161,667)	4,946,298

The increase occurred in this caption during 2007 can be resumed as follows:

Acquisition of 100% Martolar – Materiais de Construção, S.A. share capital	1,849,996
Acquisition of Boero Bartolomeo, S.p.A. shares	1,785,710
Boero Bartolomeo, S.p.A. shares recorded at fair value	1,009,196
Others	11,701

	4,656,603
	=======

Boero Bartolomeo, S.p.A. shares are listed in Milan Stock Exchange Market. As of 31 December 2007, the fair value of these shares, corresponding to 2.515% of this entity's share capital, amounted to, approximately, Euro 2,795,000, based on the year end stock quotation. As for this investment, the Group has recognised the corresponding deferred tax liability amounting to Euro 302,759 (Note 11).

As mentioned in Note 4, once the investment in Martolar – Materiais de Construção, S.A. share capital was only acquired in late December (20 December 2007) it was not possible to obtain financial information as of 31 December 2007 nor perform the corresponding purchase price allocation. As a consequence, this investment was excluded from consolidation.

The key financial indicators of this subsidiary as of 31 December 2006 (the date of the most recent approved financial statements) are as follows:

	Effective participation percentage	Net assets	Net equity	Income	Net profit
Martolar, S.A.	100.00%	2,645,561	831,206	2,957,554	77,983

The remaining financial investments referred to above mainly represented small investments in non listed companies. The Board of Directors believes that the net value of these investments is similar to the respective fair value.

11. CURRENT AND DEFERRED INCOME TAXES

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements as of 31 December 2007, are as follows:

	Opening balances	Recorded in results	Recorded in net Equity	Closing balances
Deferred tax assets:				
Depreciation not accepted for tax purposes	166,000	(820)	-	165,180
Write-off of intangible and tangible assets not capitalisable (net from accumulated depreciation)	307,084	37,701	-	344,785
Provisions and impairment losses not accepted for tax purposes	1,652,605	86,306	(212,156)	1,526,756
Pension fund (referring to accrued costs)	22,130	59,275	-	81,405
Merger reserve	2,598,349	(271,603)	-	2,326,747
Barnices Valentine land disposal	2,796,399	(426,142)	-	2,370,257
Others	404,287	(83)	306	404,510
	7,946,855	(515,365)	(211,850)	7,219,639
Deferred tax liabilities:				
Write-off of provisions	1,316,218	157,726	-	1,473,944
Fair value of land swapped by Barnices Valentine	949,678	-	-	949,678
Fair value of investments held for sale (Note 10)	-	-	302,759	302,759
Hedging instruments valuation	246,201	-	(80,265)	165,936
Revaluations depreciation not accepted for tax purposes	52,581	(6,992)	-	45,589
Reinvestment of gains on fixed assets disposals	49,658	(10,291)	-	39,367
Pension fund (referring to deferred costs)	50,080	(2,177)	-	47,903
Barnices Valentine land disposal	12,006,627	(6,243,446)	-	5,763,181
Others	297,360	-	(31,330)	266,030
	14,968,403	(6,105,180)	191,164	9,054,386

The "Merger reserve" is a consequence of the merger held in previous years by former Spanish subsidiaries of subsidiary Barnices Valentine (and that was written-off in the previous years in the consolidation process) and is being depreciated for tax purposes over a period of 20 years.

Deferred tax assets and liabilities that result from the disposal of Barnices Valentine's land arose from the following situations:

(i) Deferred taxes assets related to provisions recorded not accepted for tax purposes, regarding the decontamination and land's dismantlement (Note 27), impairment losses related to non usable fixed assets (Note 6), and monetary correction effect on the disposed land;

(ii) Deferred taxes liabilities related with the taxation of the gain obtained in the disposal of the land, which is deferred in accordance with the collection of the corresponding realization amount, which will occur in 2009 (Note 12).

In accordance with the applicable legislation, the income tax returns of CIN and other Group companies are subject to review and correction by the tax authorities for a 4-year period (10-year period for Social Security up to 2000, inclusive, and 5-year period for the years as from 2001) except when tax losses have occurred or tax benefits have been granted, or tax inspections, claims or refutations are in progress, in which cases and depending on the circumstances, the deadlines are delayed or suspended. Therefore, the tax declarations of the Group Companies since 2004 are still subject to review.

The Board of Directors of CIN believes that eventual corrections following such revisions/inspections by the tax authorities will not have significant effect on the consolidated financial statements as of 31 December 2007.

In accordance with the applicable legislation in Portugal and Spain, tax losses can be carried forward for a period of six years and fifteen years, respectively, after their occurrence and subject to deduction to tax profits realised during that period. In France tax losses can be carried forward without any time limit.

As of 31 December 2007, the following Group companies had tax losses that can be carried forward, as follows (in accordance with the respective tax returns):

Cin Industria			Proitesa		
Year	Amount	Compensation deadline	Year	Amount	Compensation deadline
2001	112,193	2007			
2002	156,671	2008			
2003	232,578	2009			
2004	163,827	2010	2004	143,760	2019
2005	44,971	2011	2005	1,583,106	2020
2006	119,568	2012	2006	887,467	2021
	829,808			2,614,333	

Cin Canárias		
Year	Amount	Compensation deadline
1999	337,303	2014
	337,303	

Cin Inmuebles			Artilin	
Year	Amount	Compensation deadline	Year	Amount
2004	2,080	2019	2006	183,310
	2,080		2007	402,880
				586,190

On a conservative basis, these tax losses have not been considered for deferred tax assets calculations.

Spanish legislation ("Ley/2005, of 28 November 2006) establishes, among other aspects, a reduction on Corporate Income Tax over a period of two years, which as of 31 December 2006 was 35%, to 32,5% in 2007 and 30% in 2008. As a result of this change in legislation, the Group companies with headquarters in Spain adjusted deferred taxes, assuming a 30% income tax rate. The actualization effect summed up to, approximately, Euro 68,038.

As of 31 December 2007 and 2006, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2007	31.12.2006
Country of origin of the subsidiary:		
Portugal	26,5%	26,5%
Spain	30,0%	32,5/30,0%
Luxembourg	29,63%	30,38%
Angola	35,0%	35,0%
Mozambique	32,0%	32,0%
France	33,3%	33,3%

In accordance with article 81 of Corporate Income Tax Code (*"Código do Imposto sobre o Rendimento das Pessoas Colectivas"*) CIN and its subsidiaries with headquarters in Portugal are also subject to an autonomous taxation over a group of expenses at the rates defined in the referred article.

TAX BENEFITS AND EXEMPTIONS

(i) Portugal

In 2003, CIN has reflected the tax benefit established by Decree-Law 23/2004, of January 23, which originated a Corporate Income Tax saving of, approximately, Euro 556,000. This amount was recorded against a decrease of the caption "Income tax" in the statement of profit and loss as of 31 December 2003.

As to fulfill the requirements defined in article 9 of the above mentioned Decree-Law, CIN's Board of Directors created a special reserve amounting to the deduction mentioned above (included in the net equity's caption "Other Reserves"). This special reserve can only be distributed to the shareholders at the end of the fifth year after its constitution. Therefore, as of 31 December 2007, the special reserve amounts to 396,532 Euro and is included in the net equity's caption "Other reserves".

(ii) Spain – Canaries

According to Spanish legislation, namely "Ley 19/1994, of 6 July – Modificación del Régimen Económico y Fiscal de Canarias", production companies located in Canarias are able to take full advantage of a 50% benefit over Income Tax on beneficiary activities. As of 31 December 2007, CIN Canarias have adopted this tax benefit, thus saving an amount of Euro 13,935. Additionally, in order to fulfill the necessary requirements established by this legislation, Pinturas CIN Canarias, S.A. created a special reserve amounting to Euro 1,170,000, which is included in the net equity's caption "Other reserves". To be able to take full advantage of the referred tax benefit, this subsidiary should meet specific investment requirements over a defined period (5 years since the benefit was obtained).

(iii) Angola

Cin Angola's investment project related with the construction of new production facilities in the province of Benguela (Angola) was approved by ANIP – Agência Nacional para o Investimento Privado da República de Angola (National Agency for Foreign Investment in the Republic of Angola).

Following this approval, the following tax and customs benefits were granted (according to "Lei nr. 17/03", of 25 July)

- Three years customs rights payments exemption;
- Eight years Industrial Tax payments exemption;
- Five years Capital Gains Tax payments exemption.

12. OTHER NON CURRENT ASSETS

As of 31 December 2007 and 2006, this caption was made up as follows:

	31.12.2007	31.12.2006
Barnices Valentine's land disposal (Note 6)	24,720,000	49,440,000
Others	438,526	329,335
	25,158,526	49,769,335

The above included amount refers to the pending receivable amount from the disposal of Barnice's Valentine land, which will be collected in 12 June 2009. Moreover, this amount is guaranted by the buying entity.

13. INVENTORIES

As of 31 December 2007 and 2006, the caption "Inventories" was made up as follows:

	31.12.2007	31.12.2006
Raw, subsidiary and consumable materials	11,016,035	9,803,926
Merchandise	10,845,088	8,640,286
Finished and intermediate goods	16,891,022	17,821,586
	38,752,145	36,265,798
Accumulated impairment losses on inventory (Note 27)	(2,551,323)	(2,363,717)
	36,200,822	33,902,081

The cost of goods sold and consumed for the years ended as of 31 December 2007 and 2006 were computed as follows:

	31.12.2007	31.12.2006
Opening balances:		
Raw, subsidiary and consumable materials	9,803,926	9,245,675
Merchandise	8,640,286	6,468,534
Changes in perimeter	972,069	694,536
Purchases	109,515,195	99,584,330
Inventory adjustments	(740,908)	(2,549,449)
Closing balances:		
Raw, subsidiary and consumable materials	(11,016,035)	(9,803,926)
Merchandise	(10,845,088)	(8,640,286)
	106,329,445	94,999,414

Part of the inventory adjustments – Merchandise – refers to tangible equipment transfers – tintometric systems, as these equipments are being used by Group's stores and delegations (Note 6).

The variation in production for the years ended as of 31 December 2007 and 2006, was computed as follows:

	31.12.2007	31.12.2006
Opening balances	16,891,022	17,821,586
Inventory adjustments	1,704,455	(3,809)
Changes in perimeter	(117,354)	(253,244)
Closing balances	(17,821,586)	(13,936,066)
	656,538	3,628,467

14. CUSTOMERS

As of 31 December 2007 and 2006, this caption was made up as follows:

	31.12.2007	31.12.2006
Customers, current accounts	51,049,317	47,882,360
Customers, notes receivable	7,381,766	7,511,514
Customers, doubtful accounts	12,813,944	12,179,203
	71,245,027	67,573,077
Accumulated impairment losses on costumers (Note 27)	(15,205,877)	(14,209,451)
	56,039,150	53,363,626

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from its operating activities. The amounts presented in the balance sheet are net of accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on the analysis of the economic environment. The Board of Directors believes that the net accounting values of the accounts receivable from customers are similar to their respective fair value. The Group has not a significant concentration of credit risk, as this risk is diluted within a vast number of customers.

In accordance with the information of the Group's balance sheet, the aging of accounts receivable from customers can be summarised as follows:

	31.12.2007	31.12.2006
Not due	37,188,228	35,293,048
Due and not adjusted:		
0-30 outstanding days	10,890,763	9,898,589
30-90 outstanding days	4,882,862	5,053,362
More than 90 outstanding days	3,077,297	3,118,627
Due and adjusted:		
0-90 outstanding days	168,211	341,050
90-180 outstanding days	464,645	323,691
180-360 outstanding days	1,101,160	700,396
More than 360 outstanding days	13,471,862	12,844,314
	71,245,027	67,573,077

15. OTHER DEBTORS

As of 31 December 2007 and 2006, this caption was made up as follows:

	31.12.2007	31.12.2006
Non consolidated subsidiaries		585,346
State and other public entities	3,021,143	968,278
Bank deposits and guarantees	839,653	746,986
Suppliers debtors balances	372,695	280,638
Personnel	283,465	1,171,123
Advances to suppliers and suppliers of fixed assets	41,972	558,467
Other debtors	1,820,538	1,286,947
Accumulated impairment losses (Note 27)	(823,579)	(1,362,047)
	5,555,887	4,235,738

The caption "Bank deposits and guarantees" includes a guarantee granted by the Group, amounting to Euro 690,000, which refers to a judicial proceeding with an old customer. As of 31 December 2007 this contingency was fully covered by a provision (Note 27).

16. OTHER CURRENT ASSETS

As of 31 December 2007 and 2006, this caption was made up as follows:

	31.12.2007	31.12.2006
Investments measured at fair value through profit and loss	-	20,336,388
Suppliers' bonuses receivable	1,020,307	2,003,332
Others	893,348	944,139
	1,913,655	23,283,859

Investments measured at fair value through profit and loss relate to an investment with maturity date in January 2007, which was recorded according to its fair value as of 31 December 2006.

17. CASH AND CASH EQUIVALENTS

As of 31 December 2007 and 2006, the caption "Cash and cash equivalents" was as follows:

	31.12.2007	31.12.2006
Cash and cash equivalents:		
Cash	37,455	419,667
Bank deposits on demand	15,415,541	12,318,033
Securities	43,597,965	17,216,484
Cash equivalents	62,988	259,945
	59,113,949	30,214,129

Securities correspond to bank term deposits made by several companies included in consolidation which mature within less than three months and bear interest at normal market rates.

The Company and its subsidiaries have credit facilities amounting to Euro 80,529,528, available for future operating activities and to meet financial commitments, without any restriction to its use.

PAYMENTS RELATING TO FINANCIAL INVESTMENTS

During the years ended as of 31 December 2007 and 2006, the payments relating to financial investments were as follows:

	31.12.2007	31.12.2006
Martolar – Materiais de Construção, S.A. share capital acquisition (100%)	1,849,996	-
Boero Bartolomeo shares acquisition (Note 10)	1,587,456	-
Artilin share capital additional acquisition	221,400	-
Call option exercise of 40% of Jorges & Mineiro share capital	107,628	-
Investments measured at fair value through profit and loss	-	20,336,388
Proitesa share capital acquisition (100%)	-	567,224
Other	26,540	55,000
	3,793,020	20,958,612

COLLECTIONS RELATING TO FINANCIAL INVESTMENTS DISPOSAL

During the years ended as of 31 December 2007 and 2006, the collections relating to the disposal of financial investments were as follows:

	31.12.2007	31.12.2006
Disposal of investments measured at fair value through profit and loss	20,336,388	-
Disposal of 'Pinturas Cin Anacolor'	-	3,005
	20,336,388	3,005

18. SHARE CAPITAL

As of 31 December 2007, CIN – Corporação Industrial do Norte, S.A.'s fully subscribed and paid up capital consisted of 25,000,000 bearer shares, with a nominal value of 1 Euro each.

As of 31 December 2007, 'SF – Sociedade de Controlo, S.A., SGPS' owned 100% of the Company's share capital.

19. NET EQUITY

DIVIDENDS

In accordance with the decision of the Extraordinary General Shareholders Meeting held on 7 December 2007, CIN distributed dividends to the single shareholder amounting to Euro 60,000,000, corresponding to a dividend of Euro 2.4 per share.

LEGAL RESERVE

Portuguese commercial legislation defines that at least, 5% of annual net profit must to be allocated to the legal reserve until it represents 20% of a company's share capital. This reserve can not be distributed to shareholders unless the company is to be liquidated. This reserve can be used to compensate accumulated losses provided that all other reserves are used first and can be incorporated into share capital.

20. MINORITY INTERESTS

The variation occurred in this caption during the year ended as of 31 December 2007 resulted from the application for the first time of the full consolidation method to Artilin, S.A..

21. BANK LOANS

BANK LOANS

As of 31 December 2007, the detail of bank loans (except for commercial paper programs) was made up as follows:

	31.12.07					
Company	Plafond	Amount in use	Current	Non-current	Interest rate	Installments period
Barnices Valentine	57,429,108	37,185,401	14,922,721	22,262,680	Market	-
CIN Canárias	1,500,000	849,688	849,688	-	Market	-
Proitesa	-	10,371	10,371	-	Market	-
Jorges & Mineiro	750,000	389,345	389,345	-	Market	-
Terraços do Souto	-	3,552	3,552	-	Market	-
Artilin	900,000	533,127	533,127	-	Market	-
Tintas CIN Angola	5,000,000	3,634,264	2,502,095	1,132,169	Market	Semester
	65,579,108	42,605,748	19,210,899	23,394,849		

The foreign subsidiary non-current bank loans include the following operations:

(i) a bank loan of USD 2,500,000 celebrated by subsidiary 'CIN Angola' to finance the construction of a new factory in Benguela. This loan will be repaid in six half year capital installments after a grace period of two years. Interest is paid on a monthly basis for a five year period. The first installment is due in 2008;

(ii) a credit facility obtained by Barnices Valentine denominated in Euro and due in 12 June 2009. As of 31 December 2007, the amount in use was Euro 51,029,108 (Euro 13,418,520 due in the short term and Euro 22,262,680 due in the long term).

The other bank loans referred above bear interest at market rates.

As of 31 December 2007, the projected reimbursement schedule of non current loans and interest payment was as follows:

	Average effective interest rate	2008	2009	2010	Total
Repayment		-	22,828,764	566,085	23,394,849
Interest	4.98%	1,185,682	500,071	28,819	1,714,571
		1,185,682	23,328,835	594,903	25,109,420

Other loans

As of 31 December 2007, the other bank loans correspond to Commercial Paper Programs and can be detailed as follows:

		31.12.07					
Issuance	Program total mount	Nominal value	Current	Non-current	Interest	Maturity	Interest rate
CIN- Corporação Industrial do Norte, S.A							
Contract (Euro 7,500,000)							
7th issuance	7,500,000	7,500,000	7,500,000	-	7,430	03-Jan-08	Market
Contract (Euro 15,000,000)							
12th issuance	15,000,000	15,000,000	-	15,000,000	15,093	04-Jan-08	Market
Contract (Euro 10,000,000)							
19th issuance	10,000,000	10,000,000	-	10,000,000	9,321	03-Jan-08	Market
Contract (Euro 50,000,000)							
4th issuance	50,000,000	40,000,000	-	40,000,000	43,120	03-Jan-08	Market

CIN Industria, S.A.

Contract (Euro 5,000,000)

20th issuance	5,000,000	5,000,000	-	5,000,000	4,596	07-Jan-08	Market
	87,500,000	77,500,000	7,500,000	70,000,000	79,560		
Commercial Paper net book value (interest paid up-front)					77,420,440		

Commercial Paper Program balances have the following underlying contracts:

Company	Program total amount	Beginning date	Maturity
CIN – Corporação Industrial do Norte, S.A.	10,000,000	March 2004	March 2009
CIN – Corporação Industrial do Norte, S.A.	15,000,000	August 2005	August 2010
CIN – Corporação Industrial do Norte, S.A.	50,000,000	December 2007	December 2012
CIN – Corporação Industrial do Norte, S.A.	7,500,000	June 2005	June 2008
CIN Industria, S.A.	5,000,000	November 2007	March 2009

In accordance with these contractual terms, the Commercial Paper Programs issuances can be made up to one year, up to the agreed limit. The financial institutions have committed themselves to the full distribution of every issuance.

CIN's Board of Directors intends to use the above mentioned programs within more than one year.

As of 31 December 2007, Commercial Paper Programs classified as non-current had the following projected repayment and interest payment plan:

	Average effective interest rate	2008	2009	2010	2011	2012 and following	Total
Repayment		-	15,000,000	15,000,000	-	40,000,000	70,000,000
Interest	5.10%	3,444,717	2,430,286	2,260,465	1,988,442	1,914,830	12,038,740
		3,444,717	17,430,286	17,260,465	1,988,442	41,914,830	82,038,740

INTEREST RATE RISK

As of 31 December 2007, CIN Group hedging financial instruments refer to interest rate “swaps” (“cash-flow hedges”).

As of the balance sheet date, these interest rate hedging instruments are recorded by their corresponding fair value, determined by valuations performed by the Group. This fair value of these financial investments was determined by updating, as of the balance sheet date, the future “cash-flows” resulting from the difference between the agreed fixed interest rate (interest rate agreed with the bank institution with whom the hedging instrument was contracted) and the agreed indexed interest rate (interest rate agreed with the entity that has granted the loan).

The Group hedging principles defined for the engagement of these financial hedging instruments are as follows:

- ⇨ “Matching” between paid and received cash-flows, e.g., there is a proximity between the interest payment dates and the maturity dates of the derivative instruments;
- ⇨ “Matching” between indexes: the reference index for the hedging financial instrument and for the loan to which the derivative is underlying is coincident.

In a scenario of increase or extreme decrease of interest rates, the maximum cost of the loan is perfectly limited and calculated.

The counterparts of the hedging instruments are limited to credit institutions with high credit quality and reputation. It is Group’s policy to contract these instruments with financial institutions also involved in its financing operations.

As of 31 December 2007, the fair value of the interest rate derivatives, amounting to Euro 626,173, is recorded in the attached consolidated Balance sheet in the non current assets caption "Derivative instruments”, against the net equity caption "Hedging reserves" and the liability caption “Liabilities for deferred taxes”.

22. OTHER NON CURRENT LIABILITIES

As of 31 December 2007 and 2006 this caption was made up as follows:

	31.12.2007	31.12.2006
Commitments costs assumed by Barnices Valentine with the swap of land (Note 6)	3,683,706	4,528,485
Consulting services related to Barnices Valentine land disposal	589,269	1,767,801
Others	186,840	305,723
	4,459,815	6,602,009

23. PENSION COMMITMENTS

CIN PENSION FUND:

The CIN Pension Fund, which was created by public deed on 31 December 1987 and is managed by "SGF - Sociedade Gestora de Fundos de Pensões, S.A.", was set up to provide employees retired as from that date, due to age or disability, the right to a monthly pension complement. This pension complement is calculated at the rate of 0,5% per year of employment, up to a maximum of 12,5% of the employee's gross salary at the date of retirement.

In accordance with an actuarial valuation performed by the Fund manager, the present value of the liabilities for past services of retired and current employees as of 31 December 2007 and 2006 was as follows:

	31.12.2007	31.12.2006
Current employees	4,494,287	3,975,019
Retired employees	1,692,841	1,750,241
	6,187,128	5,725,260

Those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re). In addition to the technical parameters referred to above, the valuation was made assuming annual salary increases of 3%, a rate of return for the fund of 5.5%, zero rate of increase of the pensions on payment, technical interest rate of 4.5% and personnel "turnover" computed in accordance with the average historical data for the Company.

The movement in the liabilities for past services between 1 January 2007 and 31 December 2007 was as follows:

Liabilities for past services as of 1 January 2007	5,725,260
Current services cost	218,783
Interest cost	302,471
Actuarial losses (gains)	134,039
Retirement complements paid	(193,425)

Liabilities for past services as of 31 December 2007	6,187,128
	========

During the year 2007, the movement in the net assets of the Fund was as follows:

Balance as of 1 January 2007	5,641,749
Contributions to the Fund in 2007	419,043
Net fund income	12,570
Retirement complements paid	(193,425)

Estimated balance as of 31 December 2007	5,879,938
	=======

As of 31 December 2007, CIN keeps a balance recorded in the caption 'Liabilities for retirement pension complements" amounting to Euro 307,190 (Euro 83,510 as of 31 December 2006), to meet the non-covered pension fund commitments.

BARNICES VALENTINE'S CONVENTION:

The subsidiary Barnices Valentine has assumed through a collective convention with its workers, the commitment to grant an indemnity ("Prémio por Jubilación") to all its employees that have joined the company before 1 January 1982 and that end their labour contracts after reaching 60 years of age.

Barnices Valentine has set up, in previous years, an insurance with an external entity, bound to cover the responsibilities resulting from the above referred convention. As of 31 December 2007, all responsibilities determined in accordance with an actuarial study are fully covered by the referred insurance. The actuarial study assumed the mortality table PERM/F-2000P and a technical interest rate of 4.2%.

24. SUPPLIERS

As of 31 December 2007 and 2006 this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2007	31.12.2006
Suppliers – current accounts	27,841,922	27,865,985
Suppliers – outstanding bills	661,963	23,891
Others	907	483,288
	28,504,791	28,373,164

As of 31 December 2007 and 2006, payables to suppliers are due within four months or less.

25. OTHER CREDITORS

As of 31 December 2007 and 2006, this caption was made up as follows:

	31.12.2007	31.12.2006
State and other public entities:		
Corporate Income Tax	8,489,022	1,478,039
Value Added Tax	1,358,935	1,406,647
Social Security contributions	881,692	757,161
Income taxes withheld	599,982	580,459
	11,329,631	4,222,306
Personnel	293,379	204,162
Client's credit balances	1,661,024	1,614,197
Suppliers of fixed assets	6,361,683	4,622,024
Others	4,732,077	4,053,363
	24,377,794	14,716,052

The caption "Others" includes the amount of, approximately, Euro 1,179,000 related to comissions for consulting services with the land disposal process of Barnices Valentine, due in the short term.

26. OTHER CURRENT LIABILITIES

As of 31 December 2007 and 2006, this caption was made up as follows:

	31.12.2007	31.12.2006
Accrued costs:		
Accrued payroll	4,782,191	4,691,445
Rappel	420,135	314,547
Employees' bonuses	1,341,983	863,045
Accrued insurances	112,208	238,298
Accrued interest	63,110	260,447
Advertising	568,113	539,181
Others	1,316,911	702,976
	8,604,651	7,609,939
Deferred income:		
Subsidies for investments	40,272	251,192
Other deferred income	103,122	104,684
	143,394	355,876
	8,748,045	7,965,815

27. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

The movement occurred in provisions and accumulated impairment losses for the years ended as of 31 December 2007 and 2006 was as follows:

2006

Captions	Opening balances	Changes in consolidation perimeter	Increases	Decreases	Transfers	Closing balances
Impairment losses in accounts receivable	15,180,728	245,675	992,439	(791,541)	(55,803)	15,571,498
Impairment losses in inventories	1,877,121	118,682	751,208	(383,294)	-	2,363,717
Impairment losses in available for sale investments	85,259	-	-	-	55,803	141,061
Impairment losses in tangible assets	870,000	-	1,890,926	(870,000)	-	1,890,926
Provisions	3,872,615	838,120	6,806,953	(1,825,722)	-	9,691,966

2007

Captions	Opening balances	Changes in consolidation perimeter	Increases	Decreases	Transfers	Closing balances
Impairment losses in accounts receivable (Notes 14 and 15)	15,571,498	(102.508)	1.833.936	(1.273.470)	-	16.029.456
Impairment losses in inventories (Note 13)	2,363,717	70.371	687.428	(570.194)	-	2.551.323
Impairment losses in available for sale Investments (Note 10)	141,061	71.676	-	(51.071)	-	161.666
Impairment losses in tangible assets (Note 6)	1,890,926	-	-	(280.128)	-	1.610.798
Provisions	9,691,966	92.228	1.725.183	(1.973.562)	-	9.535.815

The "Accumulated impairment losses" are recorded in the attached consolidated balance sheet as a deduction to the corresponding asset.

As of 31 December 2007 and 2006, the liabilities' caption "Provisions" may be detailed as follows:

	31.12.2007	31.12.2006
Land dismantling and decontamination provision (Note 6)	6,347,715	6,900,000
Judicial proceedings in progress (Note 15)	840,600	840,600
Accrued employees' bonus	1,230,000	1,000,000
Proitesa provisions	442,796	611,942
Other provisions	674,704	339,424
	9,535,815	9,691,966

The above referred provision amounting to Euro 6,347,715 corresponds to an estimate of the Board of Directors in relation with the costs and expenses to be incurred by the subsidiary Barnices Valentine regarding the decontamination and dismantlement of the disposed land (Note 6).

Additionally, the increase in the provision for "Accrued employees' bonus" amounting to Euro 1,230,000 was recorded against the profit and loss statement's caption "Payroll expenses".

28. SALES AND SERVICES RENDERED BY GEOGRAPHIC MARKETS

Sales and services rendered by geographic markets during 2007 and 2006 were as follows:

	31.12.2007	31.12.2006
Domestic market	209,097,318	184,614,013
Foreign market	12,938,565	12,937,386
	222,035,883	197,551,399

29. OTHER OPERATING INCOME

As of 31 December 2007 and 2006, the caption "Other operating income" was made up as follows:

	31.12.2007	31.12.2006
Barnices Valentine land disposal gains	-	50,195,174
Fair value of land for the new industrial facilities (Note 6)	-	3,165,593
Others	2,033,115	1,602,881
	2,033,115	54,963,648

As referred to in Note 6, in June 2006, the subsidiary Barnices Valentine sold the land where its factory is currently located in Barcelona (Montcada y Reixach). The referred land was sold to an external entity by public deed celebrated in 12 June 2006, for a total amount of Euro 74,160,000 (plus 16% VAT, amounting to Euro 11,856,000).

30. FINANCIAL RESULTS

As of 31 December 2007 and 2006, the financial results were as follows:

	31.12.2007	31.12.2006
Financial expenses:		
Interest	3,321,433	2,162,515
Losses in associated companies	-	132,195
Other financial expenses	931,027	777,159
	4,252,460	3,071,869
Financial results	(1,451,415)	(1,883,038)
	2,801,045	1,188,831
Financial income:		
Interest	2,097,427	270,145
Other financial income	703,618	918,686
	2,801,045	1,188,831

31. CORPORATE INCOME TAX

The Corporate Income Tax recorded in the years ended as of 31 December 2007 and 2006 can be detailed as follows:

	31.12.2007	31.12.2006
Current tax	9,359,432	4,981,146
Net deferred taxes (Note 11)	(5,589,815)	11,370,562
	3,769,617	16,351,708

32. RESPONSIBILITIES FOR GUARANTEES PROVIDED

As of 31 December 2007, CIN, the holding company of the Group, had assumed responsibilities for guarantees granted to third parties, as follows:

Vêtejo – Soc. Imob. Aquisições Patrimoniais, S.A.	432,000
Alfandega de Leixões	50,000
Others	2,433

Additionally, the subsidiary Barnices Valentine has made a guarantee of payment amounting to Euro 5,000,000 through a financial institution, in favour of the acquirer of the land, as a guarantee of the commitment to dismantle and decontaminate the disposed land (Note 6).

33. OPERATING LEASES

During the year ended as of 31 December 2007, the Group incurred in costs amounting to Euro 1,955,240 (Euro 1,833,980 in 2006) relating to operating lease contracts. These costs were recorded in the profit and loss statement.

Additionally, as of the balance sheet date, irrevocable operating lease contracts were in place, which had the following renting payments:

	31.12.07	31.12.06
Due in 2007	-	1,322,424
Due in 2008	1,712,589	873,023
Due in 2009	1,109,088	491,313
Due in 2010	704,364	159,011
Due after 2010	293,209	83,909
	3,819,250	2,929,680

34. SEGMENT INFORMATION

As of 31 December 2007 and 2006, the principal geographic segments were:

- Portugal;
- Spain;
- Angola;
- Mozambique (2007 only);
- Others.

The business segments (secondary) were divided among industrial and non-industrial area.

2006

By geographic market	Portugal	Spain	Angola	Others	Eliminations	Consolidated figures
Sales and services rendered	114,310,031	71,162,670	12,078,699	-	-	197,551,399
Inter-segmental sales	18,222,253	991,766	-	-	(19,214,019)	-
Total of sales and services rendered	**132,532,284**	**72,154,436**	**12,078,699**	**-**	**(19,214,019)**	**197,551,399**
Segment operational result	**15,873,850**	**58,517,318**	**1,237,852**	**68,972**	**(401,640)**	**75,296,352**
Net interests	**(1,105,175)**	**(733,282)**	**(156,205)**	**27,070**	**-**	**(1,967,592)**
Net profit in associated companies	**-**	**-**	**-**	**3,372,200**	**(3,500,000)**	**(127,800)**
Income tax	**(3,515,282)**	**(12,298,329)**	**(421,004)**	**(117,093)**		**(16,351,708)**
Net result for the year	**11,253,393**	**45,485,707**	**660,643**	**3,351,149**	**(3,901,640)**	**56,849,253**
Assets:						
Fixed asset	55,603,374	28,881,452	3,523,302	23,926,558	(38,761,617)	73,173,069
Inventories	19,914,970	9,936,988	5,219,872	-	(1,169,749)	33,902,081
Other segment assets	61,672,804	110,976,821	2,003,541	3,665,157	(8,605,304)	169,713,019
	137,191,148	**149,795,261**	**10,746,715**	**27,591,715**	**(48,536,670)**	**276,788,171**
Liabilities:						
Segment liabilities (excluding minority interests)	62,237,557	86,880,426	7,139,717	1,269,317	(9,294,286)	148,232,735
	62,237,557	**86,880,426**	**7,139,717**	**1,269,317**	**(9,294,286)**	**148,232,735**

By business area

Sales and services rendered:	Consolidated figures
Non industrial business area	150,155,957
Industrial business area	47,395,442
	197,551,399

Assets and net investments	Assets	Investments
Non industrial business area	100,113,109	2,764,897
Industrial business area	14,618,129	34,422
Non allocated assets	162,056,931	18,092,263
	276,788,171	**20,891,582**

2007

By geographic market	Portugal	Spain	Angola	Mozambique	Others	Eliminations	Consolidated figures
Sales and services rendered	121,575,033	79,191,097	15,826,995	2,334,891	3,107,868	-	222,035,883
Inter-segmental sales	22,290,540	1,550,780			-	(23,841,320)	-
Total of sales and services rendered	**143,865,573**	**80,741,877**	**15,826,995**	**2,334,891**	**3,107,868**	**(23,841,320)**	**222,035,883**
Segment operational result	**16,061,872**	**4,089,669**	**2,213,458**	**272,998**	**(355,964)**	**(555,569)**	**21,726,464**
Net interests	**(1,036,682)**	**(512,315)**	**(204,846)**	**-**	**231,772**	**-**	**(1,522,071)**
Net profit in associated companies	**27,975,854**	**3,734,170**	**-**		**28,415,830**	**(60,125,854)**	**-**
Income tax	**(2,963,769)**	**(500,223)**	**-**	**(118,544)**	**(187,081)**	**-**	**(3,769,617)**
Net result for the year	**40,037,275**	**6,811,301**	**2,008,612**	**154,454**	**28,104,557**	**(60,681,423)**	**16,434,778**
Assets:							
Fixed asset	60,037,012	50,204,508	4,123,342	133,956	26,718,092	(40,499,842)	100,717,068
Inventories	20,125,356	10,363,085	6,213,616	953,460	289,676	(1,744,371)	36,200,822
Other segment assets	84,205,038	69,493,559	2,734,340	1,082,976	5,791,060	(7,465,280)	155,841,693
	164,367,406	**130,061,152**	**13,071,298**	**2,170,392**	**32,798,828**	**(49,709,493)**	**292,759,584**
Liabilities:							
Segment liabilities (excluding minority interests)	112,811,644	87,565,425	7,496,604	1,576,789	3,126,537	(7,562,974)	205,014,024
	112,811,644	**87,565,425**	**7,496,604**	**1,576,789**	**3,126,537**	**(7,562,974)**	**205,014,024**

By business area	Consolidated figures
Sales and services rendered:	
Non industrial business area	163,239,848
Industrial business area	58,796,036
	222,035,884

Assets and net investments	Assets	Investments
Non industrial business area	92,170,931	2,455,200
Industrial business area	28,751,753	2,003,818
Non allocated assets	171,836,900	26,786,474
	292,759,583	**31,245,492**

35. EARNINGS PER SHARE

The earnings per share, basic and diluted, are calculated dividing the consolidated net result by the average number of existing shares during the period.

36. CONTINGENT ASSETS AND LIABILITIES

Tax Payments

In December 2002, in the context of the Special Regime for the Settlement of Debts to the Tax Authorities and Social Security (*"Regime Excepcional de Regularização de Dívidas ao Fisco e Segurança Social"* - Decree Law 248-A/2002, of 14 November) CIN settled previously claimed additional liquidations of Corporate Income Tax ("*Imposto sobre o Rendimento de Pessoas Colectivas"*) in the amount of Euro 288,575. This amount was recorded as a debit balance in the caption "Other receivables" and the Company did not create any provision to face the risk of recovery of the amount paid since the Board of Directors believes that the outcome from the claim will be favourable to the Company.

37. STATUTORY BODIES' MEMBERS REMUNERATION

As of 31 December 2007 and 2006, CIN attributed to its statutory bodies' members the following remuneration:

	31.12.2007	31.12.2006
Board of Directors	1,243,700	942,985
Statutory Auditor	15,500	15,962

38. NUMBER OF PERSONNEL

As of 31 December 2007 and 2006, the number of employees of the companies included in consolidation was of 1,342 and 1,275, respectively.

39. FINANCIAL STATEMENTS APPROVAL

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 26 February 2008.

40. ENVIRONMENTAL AREA INFORMATION

The Group takes the necessary measures regarding the environmental area, in order to comply with the prevailing legislation.

In relation with this matter, it is important to highlight that CIN Group is currently monitoring and taking the necessary measures to comply with the rules set forth in Decree-Law n.º 181/2006, of 6 September, namely the limitation of the volatile organic compounds ("VOC") emissions from paints and varnishes (that are responsible for the formation of tropospheric ozone) and consequently prevent or reduce atmospheric pollution.

The Board of Directors of CIN Group believes that there are no risks associated to environmental protection and improvement, and confirms that no communication or sanction related with these matters was received during 2007.

41. SUBSEQUENT EVENTS

As mentioned in the 'Directors Report' the Company will incorporate by merger the subsidiaries Tintas CIN (Açores), - Sociedade Unipessoal, Lda.; Tintas CIN (Madeira) - Sociedade Unipessoal, Lda. and Jorges & Mineiro, Lda. by transferring the net assets of these companies at the respective net book value, as stated in the public deed signed on 31 December 2007. This merger will produce accounting effects as from 1 January 2008.

42. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS), some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Maia, 26 February 2008

THE ACCOUNTANT number 63002

Paula Macedo

THE BOARD OF DIRECTORS

João Manuel Fialho Martins Serrenho
President

Maria Francisca Fialho Martins Serrenho Bulhosa
Member

Ângelo Barbedo César Machado
Member

Maria João Serrenho dos Santos Lima
Member

Manuel Fernando de Macedo Alves Monteiro
Member

STATUTORY AUDIT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese – Note 42)

Introduction

1. We have examined the consolidated financial statements of Cin – Corporação Industrial do Norte, S.A., which comprise the consolidated Balance sheet as of 31 December 2007, that presents a total of 292,759,584 Euros and shareholders' equity of 87,745,560 Euros, including net profit of 16,523,780 Euros, the consolidated statements of profit and loss by nature and by functions, the consolidated statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation and the consolidated results of their operations and their cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of appropriate systems of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our examination.

Scope

3. Our examination was performed in accordance with the auditing standards *("Normas Técnicas e as Directrizes de Revisão/Auditoria")* issued by the Portuguese Institute of Statutory Auditors *("Ordem dos Revisores Oficiais de Contas")*, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. An examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An examination also includes verifying the consolidation procedures used and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated financial statements. An examination also comprises verifying that the financial information contained in the consolidated Board of Directors report is in accordance with the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Cin – Corporação Industrial do Norte, S.A. as of 31 December 2007 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted in the European Union.

Porto, 10 March 2008

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by António Manuel Martins Amaral