



SONAE INDÚSTRIA, SGPS, SA

Registered Office: Lugar do Espido, Via Norte, Maia, Portugal

Registered at the Commercial Registry of Maia

Registry and Tax Identification No. 506 035 034

Share Capital: € 700 000 000

Publicly Traded Company

**ACTIVITY REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS**

JANUARY – SEPTEMBER 2010

**ACCORDING TO THE INTERNATIONAL ACCOUNTING STANDARD 34 – INTERIM
FINANCIAL REPORT**

Maia, Portugal, 4 November 2010: Sonae Indústria today reports unaudited Consolidated Results for the first nine months of 2010 (9M10) which are prepared in accordance with IAS 34 – Interim Financial Reporting.

Highlights of Financial Performance:

- Comparing 3Q10 with 2Q10:
 - Recurrent EBITDA increased again from 22 to 28 million Euros, resulting in a 3pp improvement in margin
 - Prices continued to strengthen
 - Net Loss increased marginally to 10 million Euros, due to the non-recurrent gain in 2Q10
- Comparing 9M10 with 9M09*:
 - Recurrent EBITDA increased from 16 to 57 million Euros
 - Net Loss reduced from 113 to 51 million Euros

	(euro millions)			3Q10 /	3Q10 /	(euro millions)		
	3Q09*	2Q10	3Q10	3Q09*	2Q10	9M09*	9M10	9M10/ 9M09*
Consolidated Turnover	291	339	313	8%	(7%)	906	972	7%
EBITDA	7	24	25	275%	3%	8	43	459%
Recurrent EBITDA	10	22	28	188%	27%	16	57	255%
Recurrent EBITDA Margin %	3,4%	6,5%	9,0%			1,8%	5,9%	
Net Profit/(Loss) attributable to Shareholders	(35)	(6)	(10)	71%	(66%)	(113)	(51)	55%
Net Debt	770	732	735	(4%)	0%	770	735	(4%)

*Restated on a like-for-like basis, by excluding Brazil

Message from Carlos Bianchi de Aguiar, CEO

“During this quarter, despite the negative seasonal effects, we were able to further increase recurrent EBITDA by 3pp to 9% of Turnover. This is the result of the combined effects of increases in contribution margins and lower fixed costs, which were, in some regions, a consequence of the restructuring measures we have implemented.

Overall, we still face markets with significant overcapacity and resistance to price increases despite the increases in resins and wood costs. Compared with last year, the regions outside Europe are the ones that improved their performance most. In Central Europe, Germany shows some positive development on the back of a strengthening market.

The restructuring program that has been implemented, improved the quality of our asset base. We closed our oldest and less efficient plants. We are now benefiting from the reduction in installed capacity in some markets, the improved capacity utilization of the remaining assets and the utilization of more efficient plants.

During 3Q10, variable costs increased slightly due to the chemical price increases we expected. Wood costs were flat, despite the effect of the summer season. Fixed costs in 9M10 reduced by 14 million Euros and productivity increased by 13%, compared to 9M09 (like for like, by excluding Brazil).

Working Capital management continues to be one of our priorities and we were able to reduce it by 7 million Euros this quarter. This effect, combined with carefully managing investments, enabled us to maintain our Net Debt level.

Having now completed the restructuring and reorganisation of our company, we decided to launch a new corporate logo, which has been designed to reinforce our values of innovation and excellence.

I am confident, that we will further improve our profitability, on the back of real efficiency improvements and the opportunities we see ahead. I am counting on our team to renew our company, by delivering innovation and excellence. I thank our shareholders, customers, banks, suppliers and other stakeholders for their continued support, allowing us to make Sonae Industria a sustainable and leading company”

Geographical Review of Operations

Iberia

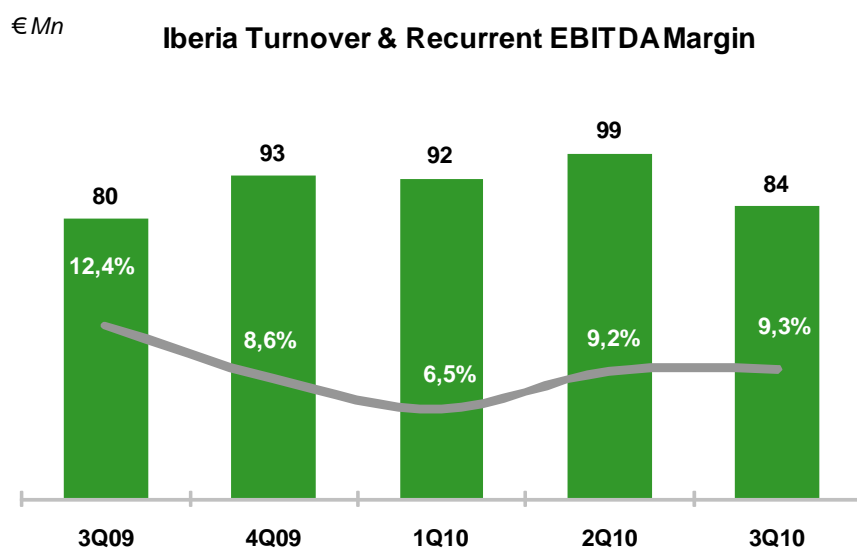
Iberia continues to experience tough market conditions. New housing permits are still below last year (18%¹ in Spain and 9%² in Portugal).

¹ Source: *Ministerio de Fomento*, September 2010 (for the period Jan. - July)

² Source: *Instituto Nacional de Estatística*, October 2010 (for the period Jan. – Aug.)

Comparing 3Q10 with 2Q10, volumes sold in Iberia decreased by 18%, mainly as a result of the negative seasonal effect due to the summer holidays, which led to a turnover decline of 15% to 84 million Euros.

On the cost side, wood prices were flat, despite being expected to fall during summer. This effect is a consequence of the continuing competition between the wood panel industries and the biomass and pellets industries for wood resources, particularly in Portugal.



Comparing 3Q10 with 2Q10, although Iberian turnover declined 15%, we were able to maintain recurrent EBITDA at 9% of Turnover. Comparing 9M10 with 9M09, Iberian volumes sold increased by 5% and turnover by 10%. Nevertheless, recurrent EBITDA margin is 2pp lower, mainly caused by higher wood costs.

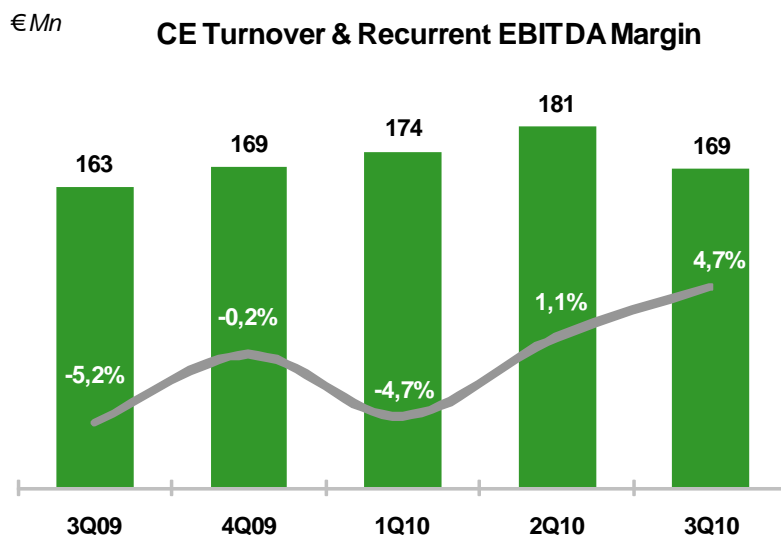
Central Europe (Germany, France and the UK)

In Central Europe, recurrent EBITDA continued to recover, which illustrates the effectiveness of the restructuring process we have implemented, particularly in Germany.

In **Germany**, new house construction permits (YoY Jan. – August) were up 8%³, indicating a slow recovery from last year. Comparing 9M10 with 9M09, our volumes sold increased by 5% and turnover by 17% (on a like-for-like basis, excluding turnover and volumes generated by our Kaisersesch plant, which production was stopped in October 2009). During 3Q10, compared to 2Q10, we were able to continue to recover contribution margin, even allowing for the raw material cost increases, particularly felt for chemicals. Moreover, the restructuring process we have implemented continues to reduce our fixed costs. Both effects, combined with higher

³ Source: German Federal Statistical Office, October 2010

operational efficiency, led to a strong recovery in recurrent EBITDA, despite the seasonal reduction in capacity utilization.



In **France**, demand from the construction and furniture segments remains weak, but there are some positive trends, as housing permits increased by 20%⁴ (YoY Jan - August), although these permits have not yet been converted into construction start ups. Turnover in 9M10 increased by 6%, when compared to 9M09 (on a like-for-like basis, excluding the turnover of our Châtelleraut and Lure plants⁵). Comparing 2Q10 to 3Q10, the summer holidays effect led to a turnover decline of 26% and capacity utilization did not improve which prevented us from achieving a further recovery in Recurrent EBITDA.

In the **UK**, the new government austerity measures and fragile consumer confidence combined to constrain demand within the UK market. This weakening in the quarter was reflected by the return of traditional seasonality. Capacity utilisation fell as a result of planned maintenance activities. The UK result for 9M10 shows a turnover decrease of 3% in local currency and an EBITDA margin increase of 1pp, comparing with 9M09. Price increases were implemented and accepted across our customer base which helped to protect margins.

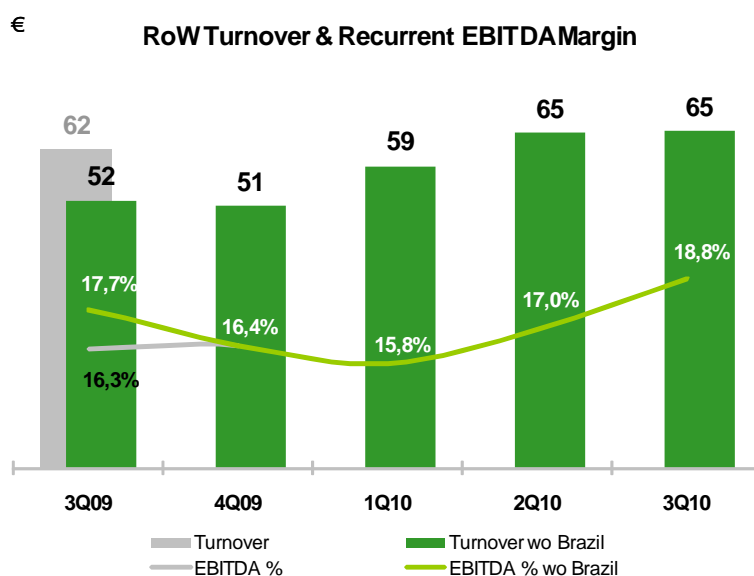
In **Central Europe**, quarter on quarter, turnover decreased by 7% to 169 million Euros, and recurrent EBITDA further recovered from 2 million Euros to 8 million Euros, which illustrates the effectiveness of the restructuring process we have implemented, particularly in Germany. When comparing 9M10 with 9M09, in spite of closing 16% of our production capacity in this region, turnover is flat and recurrent EBITDA margin increased by 6pp.

⁴ Source: *Service économie statistiques et prospective (Ministère de l'Écologie, de l'Énergie, du Développement durable et de l'Aménagement du territoire)*, October 2010

⁵ The production of our Châtelleraut plant was stopped in June 2009 and our Lure plant was sold in April 2010.

Rest of the World (Canada and South Africa)

On 26 August 2009, we sold Tafisa Brasil. In order to facilitate like-for-like comparisons, the RoW comparative figures in the chart below are shown both with and without the impact of the Brazilian operations.



The Canadian market remained strong and the South African market recovered and posted a very good set of results.

In **North America**, US housing starts increased by 9% (YoY Jan. – August)⁶ while Canadian housing starts were up by 43% (YoY Jan - August)⁷, resulting in a stronger market, compared to 2009. However, this market recovery pace slowed in the latest months. Our turnover during 3Q10 fell compared to 2Q10 (12% lower in local currency), mainly due to normal seasonality, but comparing to 3Q09, turnover is 9% higher. Recurrent EBITDA remained at a similar level, in spite of cost and price pressure.

In **South Africa**, residential building permits posted a YoY increase of 4%⁸ (Jan – July). Our volumes sold during 3Q10 increased by 26%, compared to 2Q10, and 13% in comparison with 3Q09, and represent the highest quarterly value in m³ achieved over the last 2 years. Additionally, our contribution margin increased further as a result of efficiency improvements, and, despite continued downward pressure on prices, this resulted in a much stronger

⁶ Source RISI, September 2010

⁷ Source: CMHC - Canada Mortgage and Housing Corporation, October 2010

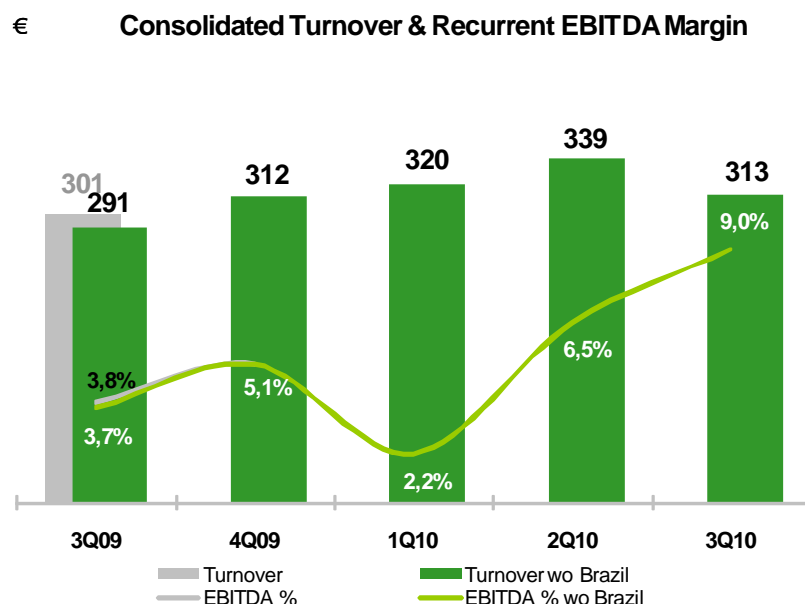
⁸ Source: Statistics South Africa September 2010

Recurrent EBITDA during the quarter. Comparing 9M10 with 9M09, turnover (in local currency) was 12% higher and our recurrent EBITDA margin increased by 5pp.

For the Rest of the World, compared to 2Q10, 3Q10 turnover was flat, reaching 65 million Euros and recurrent EBITDA increased by 11% to 12 million Euros. Compared to 9M09 (excluding Brazil), turnover in 9M10, increased by 29% and recurrent EBITDA moved 4pp up to 17% of turnover.

Financial Review of 9M10

In the chart below, consolidated comparative figures are shown both with and without the impact of the Brazilian operations, to facilitate like-for-like comparisons.



Consolidated turnover in 3Q10 totalled 313 million Euros, only 8% below 2Q10 despite lower volumes sold due to the seasonal effect from the summer holidays. Recurrent EBITDA was 28 million Euros, 27% higher than 2Q10. Total EBITDA in 3Q10 was 25 million Euros, which includes charges for restructuring costs in Germany and France.

9M10 consolidated turnover totalled 972 million Euros, 7% higher than 9M09 (excluding Brazil), in spite of a reduction of 10% in installed capacity, and recurrent EBITDA increased 4pp to 57 million Euros.

Net interest charges for 9M10 are 4 million Euros below 9M09, benefiting from both lower interest rates and lower average debt levels.

	(euro millions)			3Q10 / 3Q09*	3Q10 / 2Q10	(euro millions)		% chg 9M10/ 9M09*
	3Q09*	2Q10	3Q10			9M09*	9M10	
Consolidated Turnover	291	339	313	8%	(7%)	906	972	7%
Other Operational Income	22	25	8	(63%)	(67%)	45	53	17%
EBITDA	7	24	25			8	43	459%
Recurrent EBITDA	10	22	28	188%	27%	16	57	255%
Recurrent EBITDA Margin %	3,4%	6,5%	9,0%			1,8%	5,9%	
Depreciation and amortisation	(30)	(22)	(23)	23%	(3%)	(88)	(75)	15%
Provisions and Impairment Losses	(15)	(4)	(2)	(84%)	47%	(20)	(10)	50%
Operational Profit	(21)	7	4	118%	(48%)	(73)	(13)	82%
Net Financial Charges	(12)	(12)	(13)	(6%)	(11%)	(39)	(35)	8%
o.w. Net Interest Charges	(6)	(6)	(6)	(3%)	(4%)	(23)	(18)	25%
o.w. Net Financial Discounts	(3)	(4)	(3)	15%	8%	(9)	(10)	(5%)
Profit before taxes (EBT)	(33)	(4)	(9)	73%	(106%)	(111)	(48)	57%
Taxes	(3)	(2)	(1)	(56%)	(26%)	(3)	(4)	(18%)
o.w. Current Tax	(1)	(1)	(1)	(44%)	47%	(1)	(2)	(69%)
Net Profit/(Loss) attributable to Shareholders	(35)	(6)	(10)	71%	(66%)	(113)	(51)	55%

*Restated on a like-for-like basis, by excluding Brazil

9M10 consolidated Net Profit/(Loss) Attributable to Sonae Indústria Shareholders was a negative 51 million Euros, an improvement of 62 million Euros compared with 9M09 (excluding Brazil). In 3Q10, consolidated Net Profit/(Loss) Attributable to Sonae Indústria Shareholders was a negative 10 million Euros, an improvement of 25 million Euros compared to 3Q09.

Additions to Fixed Assets in 9M10 were 15 million Euros, mostly related to investments in essential maintenance, Health & Safety and Environmental improvements.

During 3Q10, Working Capital reduced by 7 million Euros, which enabled us to maintain our Net Debt level of the previous quarter.

	(euro millions)	
	2009	9M'10
Non Current Assets	1.233	1.127
Tangible Assets	1.083	987
Goodwill	92	93
Deferred Tax	33	31
Other Non Current Assets	24	16
Current Assets	370	385
Inventories	134	141
Trade Debtors	163	185
Cash & Investments	34	19
Other Current Assets	38	39
Total Assets	1.602	1.512
Shareholders' Funds	353	313
Minority Interests	2	2
Shareholders' Funds + Minority Interests	355	315
Interest Bearing Debt	791	754
Short term	138	172
L-M term	654	583
Trade Creditors	155	152
Other Liabilities	302	290
Total Liabilities	1.248	1.197
Total Liabilities, Shareholders' Funds and Minority Interests	1.602	1.512

Looking Forward

Although we expect a recovery of sales volumes in 4Q10, we are cautious on the size of the recovery as this will depend on the macroeconomic environment in each of the markets. We will continue to optimize our operations to achieve further improvements in our efficiency and productivity.

Despite expecting seasonal wood cost increases, we will carry on fighting to improve our contribution margin.

The Board of Directors



SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2010 AND 31 DECEMBER 2009

(Amounts expressed in Euros)

ASSETS	Notes	30.09.2010	31.12.2009
NON CURRENT ASSETS:			
Tangible assets	5	986 929 721	1 083 367 412
Goodwill		93 228 871	92 175 949
Intangible assets	5	10 688 705	12 446 257
Investment properties		1 412 796	6 665 733
Associated undertakings and non consolidated undertakings		2 666 654	3 011 096
Investment available for sale		300 702	300 702
Deferred tax asset	6	30 849 111	33 229 430
Other non current assets		1 147 121	1 357 948
Total non current assets		<u>1 127 223 681</u>	<u>1 232 554 527</u>
CURRENT ASSETS:			
Inventories		141 269 059	133 939 030
Trade debtors		185 281 638	163 348 206
Other current debtors		13 599 461	12 488 146
State and other public entities		10 029 990	14 240 208
Other current assets	7	15 621 472	11 487 023
Cash and cash equivalents	8	18 857 074	34 328 941
Total current assets		<u>384 658 694</u>	<u>369 831 554</u>
TOTAL ASSETS		<u>1 511 882 375</u>	<u>1 602 386 081</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share capital		700 000 000	700 000 000
Legal reserve		3 131 757	2 737 181
Other reserves and accumulated earnings		- 379 054 449	- 326 976 317
Accumulated other comprehensive income		<u>- 10 822 980</u>	<u>- 22 778 753</u>
Total		313 254 328	352 982 111
Non-controlling interests		1 590 050	1 703 556
TOTAL SHAREHOLDERS' FUNDS		<u>314 844 378</u>	<u>354 685 667</u>
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term bank loans - net of short-term portion	9	155 527 529	215 964 021
Non convertible debentures	9	301 162 680	301 912 691
Long term Finance Lease Creditors - net of short-term portion	9	41 198 203	43 725 783
Other loans	9	84 652 077	91 940 590
Post retirement liabilities		25 442 702	25 334 414
Other non current liabilities		60 914 957	65 790 251
Deferred tax liabilities	6	60 503 954	57 367 250
Provisions	12	9 179 498	22 316 496
Total non current liabilities		<u>738 581 600</u>	<u>824 351 496</u>
CURRENT LIABILITIES:			
Short term portion of long term bank loans	9	142 925 821	103 996 868
Short term bank loans	9	24 522 512	29 679 489
Short term portion of Finance Lease Creditors	9	4 106 466	3 919 801
Other loans	9	179 981	303 667
Trade creditors		152 419 484	154 737 066
Taxes and Other Contributions Payable		17 826 967	13 302 885
Other current liabilities	11	108 883 061	101 703 507
Provisions	12	7 592 105	15 705 635
Total current liabilities		<u>458 456 397</u>	<u>423 348 918</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u>1 511 882 375</u>	<u>1 602 386 081</u>

The notes are an integral part of the consolidated financial statements

The Board of Directors



SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENTS

FOR THE PERIODS ENDED 30 SEPTEMBER 2010 AND 2009

(Amounts expressed in Euros)

	Notes	30.09.2010 (Non Audited)	3rd Quarter 2010 (Non Audited)	30.09.2009 (Non Audited)	3rd Quarter 2009 (Non Audited)
Operating revenues					
Sales	17	968 692 539	312 613 022	967 724 855	299 545 090
Services rendered	17	3 779 382	784 358	3 584 735	998 247
Other operating revenues	13	52 972 331	8 035 281	103 139 016	78 029 689
Total operating revenues		<u>1 025 444 252</u>	<u>321 432 661</u>	<u>1 074 448 606</u>	<u>378 573 026</u>
Operating costs					
Cost of sales		483 246 274	150 737 611	465 772 886	142 448 165
(Increase) / decrease in production		- 6 703 711	1 191 842	19 539 520	3 587 831
External supplies and services		278 982 261	85 353 905	280 584 459	88 842 978
Staff expenses		187 527 211	51 861 408	194 349 010	60 403 895
Depreciation and amortisation		74 688 372	23 158 702	93 863 127	30 893 053
Provisions and impairment losses		10 088 607	2 373 286	21 714 983	15 411 670
Other operating costs	14	10 387 752	2 927 770	9 005 553	2 659 789
Total operating costs		<u>1 038 216 766</u>	<u>317 604 524</u>	<u>1 084 829 538</u>	<u>344 247 381</u>
Operational profit / (loss)	17	<u>- 12 772 516</u>	<u>3 828 135</u>	<u>- 10 380 932</u>	<u>34 325 645</u>
Financial income	15	39 728 511	10 960 544	56 607 784	14 074 140
Financial expense	15	74 997 894	23 925 652	99 050 356	27 570 282
Gains and losses in associated companies		- 118 366	22 351	- 88 928	
Gains and losses in investments		57 810	57 810	98 700	
Current profit / (loss)		<u>- 48 102 455</u>	<u>- 9 056 812</u>	<u>- 52 813 732</u>	<u>20 829 503</u>
Taxation	16	3 883 754	1 456 121	3 308 719	1 983 023
Consolidated net profit / (loss) after taxation		<u>- 51 986 209</u>	<u>- 10 512 933</u>	<u>- 56 122 451</u>	<u>18 846 480</u>
Profit / (loss) after taxation from discontinued operations		- -	-	-	-
Consolidated net profit / (loss) for the period		<u>- 51 986 209</u>	<u>- 10 512 933</u>	<u>- 56 122 451</u>	<u>18 846 480</u>
Attributable to:					
Equity holders of Sonae Industria		- 51 269 523	- 10 351 490	- 55 577 688	18 451 150
Non-controlling interests		<u>- 716 686</u>	<u>- 161 443</u>	<u>- 544 763</u>	<u>395 330</u>
Profit/(Loss) per share					
Excluding discontinued operations:					
Basic		- 0.3662	- 0.0739	- 0.3970	0.1318
Diluted		<u>- 0.3662</u>	<u>- 0.0739</u>	<u>- 0.3970</u>	<u>0.1318</u>
From discontinued operations:					
Basic		-	-	-	-
Diluted		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The notes are an integral part of the consolidated financial statements

The board of directors



SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 30 SEPTEMBER 2010 AND 2009

(Amounts expressed in Euros)

	30.09.2010		3rd Quarter 2010	30.09.2009	3rd Quarter 2009
	(Non Audited)	Reclassified amounts	(Non Audited)	(Non Audited)	(Non Audited)
Net profit / (loss) for the period (a)	- 51 986 209	- 1 047 727	- 10 512 933	- 56 122 451	18 846 480
Other comprehensive income					
Change in currency translation reserve	10 753 480	- 289 038	- 10 477 461	34 849 363	14 827 061
Change in fair value of cash flow hedge derivatives	1 336 765	1 336 765	540 359	- 757 735	528 470
Income tax relating to components of other comprehensive income					
Other comprehensive income for the period, net of tax (b)	12 090 245	1 047 727	- 9 937 102	34 091 628	15 355 531
Total comprehensive income for the period (a) + (b)	- 39 895 964	-	- 20 450 035	- 22 030 823	34 202 011
Total comprehensive income attributable to:					
Equity holders of Sonae Indústria	- 39 313 750		- 20 161 131	- 21 750 154	33 774 367
Non-controlling interests	- 582 214		- 288 904	- 280 669	427 644
	- 39 895 964	-	- 20 450 035	- 22 030 823	34 202 011

The notes are an integral part of the consolidated financial statements

The board of directors



SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS AT 30 SEPTEMBER 2010 AND 2009

(Amounts expressed in Euros)

Accumulated other comprehensive income								
Share capital	Legal reserve	Other Reserves and accumulated earnings	Currency translation	Cash flow hedge derivatives	Subtotal	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Non controlling interests	Total shareholders' funds
Balance as at 1 January 2009	700 000 000	2 399 639	- 266 480 489	- 37 753 766	- 1 065 070	- 38 818 836	397 100 314	400 173 005
Acquisition / (disposal) of subsidiaries		- 311 418				- 311 418	- 296 705	- 608 123
Appropriation of previous year's net profit / (loss)	337 542	- 337 542						
Total comprehensive income for the period		-55 577 688				- 55 577 688	- 544 763	- 56 122 451
Net profit/(loss) for the period			34 585 269	- 757 735	33 827 534	33 827 534	264 094	34 091 628
Other comprehensive income for the period								
Total		-55 577 688	34 585 269	- 757 735	33 827 534	-21 750 154	- 280 669	-22 030 823
Others		-1 903 296				- 1 903 296	409 987	- 1 493 309
Balance as at 30 September 2009	<u>700 000 000</u>	<u>2 737 181</u>	<u>-324 610 433</u>	<u>-3 168 497</u>	<u>-1 822 805</u>	<u>-4 991 302</u>	<u>373 135 446</u>	<u>376 040 750</u>

Accumulated other comprehensive income								
Share capital	Legal reserve	Other Reserves and accumulated earnings	Currency translation	Cash flow hedge derivatives	Subtotal	Total shareholders' funds attributable to the equity holders of Sonae Indústria	Non controlling interests	Total shareholders' funds
Balance as at 1 January 2010	700 000 000	2 737 181	- 326 976 317	-21 365 240	-1 413 513	-22 778 753	352 982 111	354 685 667
Appropriation of previous year's net profit / (loss)	394 576	- 394 576						
Total comprehensive income for the period		-51 269 523				- 51 269 523	- 716 686	- 51 986 209
Net profit/(loss) for the period			10 619 008	1 336 765	11 955 773	11 955 773	134 472	12 090 245
Other comprehensive income for the period								
Total		-51 269 523	10 619 008	1 336 765	11 955 773	-39 313 750	- 582 214	-39 895 964
Others		- 414 033				- 414 033	468 708	54 675
Balance as at 30 September 2010	<u>700 000 000</u>	<u>3 131 757</u>	<u>-379 054 449</u>	<u>-10 746 232</u>	<u>- 76 748</u>	<u>-10 822 980</u>	<u>1 590 050</u>	<u>314 844 378</u>

The notes are an integral part of the consolidated financial statements

The board of directors



SONAE INDÚSTRIA, S.G.P.S., S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 30 SEPTEMBER 2010 AND 2009
(Amounts expressed in Euros)

		30.09.2010	30.09.2009
<u>OPERATING ACTIVITIES</u>	<u>Notes</u>		
Net cash flow from operating activities (1)		5 851 945	56 824 476
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments		69 403 526	110 008 606
Tangible and intangible assets		8 346 940	2 100 817
Investment subventions		238 076	
Dividends		283 890	
Others			98 700
		<u>78 272 432</u>	<u>112 208 123</u>
Cash Payments arising from:			
Investments			537 745
Tangible and intangible assets		14 572 637	28 419 467
		<u>14 572 637</u>	<u>28 957 212</u>
Net cash used in investment activities (2)		<u>63 699 795</u>	<u>83 250 911</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Loans		16 833	
Borrowings		4 899 646 082	1 854 447 730
Interest and similar charges		197 149	1 150 801
		<u>4 899 860 064</u>	<u>1 855 598 531</u>
Cash Payments arising from:			
Loans		26 124	
Borrowings		4 932 364 173	1 940 424 979
Interest and similar charges		22 197 723	35 402 250
Finance leases - repayment of principal		2 312 013	2 094 667
Others		23 166 306	3 179 613
		<u>4 980 066 339</u>	<u>1 981 101 509</u>
Net cash used in financing activities (3)		<u>- 80 206 275</u>	<u>- 125 502 978</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>- 10 654 535</u>	<u>14 572 409</u>
Effect of foreign exchange rate		<u>- 338 607</u>	<u>- 1 529 284</u>
Cash and cash equivalents at the beginning of the period	8	<u>6 654 807</u>	<u>17 388 776</u>
Cash and cash equivalents at the end of the period	8	<u>- 3 661 121</u>	<u>33 490 469</u>

The notes are an integral part of the consolidated financial statements

The board of directors



SONAE INDÚSTRIA SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA has its head-office at Lugar do Espido, Via Norte, Apartado 1096, 4470-909 Maia, Portugal.

The shares of the company are listed on Euronext Lisbon.

2. ACCOUNTING POLICIES

The present set of consolidated financial statements has been prepared on the basis of the accounting policies that were disclosed in the notes to the consolidated financial statements of year 2009.

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting. As such, they do not include all the information which should be included in annual consolidated financial statements and therefore should be read in connection with the financial statements of year 2009.



2.2. Translation of financial statements of foreign companies

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

	30.09.2010		31.12.2009		30.09.2009	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8599	0.8564	0.8881	0.8903	0.9093	0.8855
South African Rand	9.5438	9.7867	10.6655	11.6212	10.8980	11.8203
Canadian Dollar	1.4073	1.3583	1.5128	1.5841	1.5709	1.5925
American Dollar	1.3648	1.3116	1.4406	1.3909	1.4643	1.3637
Swiss Franc	1.3287	1.3977	1.4836	1.5099	1.5078	1.5103
Polish Zloty	3.9847	4.0024	4.1044	4.3191	4.2296	4.3708

Source: Bloomberg

3. CHANGES IN ESTIMATES

In the second quarter 2010 the Group carried out a revision of estimated useful lives of depreciable items recognized under Land and Buildings and Plant and Machinery, which resulted in the following changes:

	Period of useful life (years)	
	Former	Updated
Buildings	50	20 - 40
Plant and machinery	2 - 15	2 - 25

The aforementioned changes were carried out aiming to better adjust the depreciation period of tangible assets to their wear and tear, based on historical information gathered.

Changes in estimated useful lives affected the comparability of consolidated financial statements for the period ended 30 September 2010. Amortization and Depreciation, which are stated on the Consolidated Income Statement for 74 688 372 eur, would be increased by 9 233 320 eur if the aforesaid change would have not been made.



4. COMPANIES INCLUDED IN CONSOLIDATION PERIMETER

During the period the following changes occurred in the consolidation perimeter of Sonae Indústria, SGPS, SA:

- Disposal of Société Industrielle et Financière Isoroy – SIFI (company owning Lure factory);
- Dissolution of Sonae Tafibra (Uk), Ltd (dormant company with no assets).

The effect of these changes in the consolidated financial statements may be presented as follows:

	SIFI	Sonae Tafibra (Uk)	Total
Non current assets			
Tangible assets	62 714 469	-	62 714 469
Others	5 741	-	5 741
Total	<u>62 720 210</u>	<u>-</u>	<u>62 720 210</u>
Current assets			
Inventories	5 396 631	-	5 396 631
Trade debtors	2 359 064	-	2 359 064
Cash and cash equivalents	1 551	-	1 551
Others	664 262	-	664 262
Total	<u>8 421 508</u>	<u>-</u>	<u>8 421 508</u>
Total assets	<u>71 141 718</u>	<u>-</u>	<u>71 141 718</u>
	SIFI	Sonae Tafibra (Uk)	Total
Non current liabilities			
Loans	57 532 169	-	57 532 169
Provisions	612 782	-	612 782
Others	270 890	-	270 890
Total	<u>58 415 841</u>	<u>-</u>	<u>58 415 841</u>
Current liabilities			
Trade creditors	7 585 933	-	7 585 933
Others	1 529 579	-	1 529 579
Total	<u>9 115 512</u>	<u>-</u>	<u>9 115 512</u>
Total liabilities	<u>67 531 353</u>	<u>-</u>	<u>67 531 353</u>
Total consideration received	69 403 526	-	69 403 526
Of which Cash and cash equivalents	69 403 526	-	69 403 526



5. TANGIBLE AND INTANGIBLE ASSETS

During the periods ended 30 September 2010 and 31 December 2009, movements in tangible and intangible assets, accumulated depreciation and impairment losses were as follows:

	<u>30.09.2010</u>	<u>31.12.2009</u>
	Total tangible assets	Total tangible assets
Gross cost:		
Opening balance	2 484 154 187	2 624 864 686
Changes in consolidation perimeter	- 113 578 359	- 194 225 441
Capital expenditure	16 410 970	26 096 139
Disposals	21 036 424	71 741 732
Transfers and reclassifications	- 285 874	4 894 822
Exchange rate effect	38 492 716	94 265 713
Closing balance	<u>2 404 157 216</u>	<u>2 484 154 187</u>
Accumulated depreciation and impairment losses		
Opening balance	1 400 786 775	1 422 360 008
Changes in consolidation perimeter	- 50 863 890	- 84 730 106
Depreciations for the period	72 327 214	118 289 935
Impairment losses for the period	1 981 568	907 889
Disposals	20 661 917	70 746 113
Reversion of impairment losses for the period	252 381	5 092 527
Transfers and reclassifications		- 16 137 771
Exchange rate effect	13 910 126	35 935 460
Closing balance	<u>1 417 227 495</u>	<u>1 400 786 775</u>
Carrying amount	<u>986 929 721</u>	<u>1 083 367 412</u>

During the periods ended 30 September 2010 and 31 December 2009 no interest paid or any other financial charges were capitalised, in accordance with conditions defined in note 2.9 to consolidated financial statements of year 2009.



	30.09.2010	31.12.2009
	Total intangible assets	Total intangible assets
Gross amount:		
Opening balance	22 755 302	25 500 039
Changes in consolidation perimeter	- 1 313	
Capital expenditure	2 042 516	2 508 060
Disposals	1 012 870	2 472 760
Transfers and reclassifications	- 601 305	- 3 161 904
Exchange rate effect	231 365	381 867
Closing balance	23 413 695	22 755 302
Accumulated amortisation and impairment losses		
Opening balance	10 309 045	10 106 710
Changes in consolidation perimeter	- 252	
Depreciations for the period	2 319 930	2 881 414
Impairment losses for the period		15 806
Disposals	11 418	1 033 023
Reversion of impairment losses for the period	7 566	
Transfers and reclassifications	3 179	- 1 797 478
Exchange rate effect	112 072	135 616
Closing balance	12 724 990	10 309 045
Carrying amount	10 688 705	12 446 257

Charges to impairment losses are detailed in note 12.

6. DEFERRED TAXES

At 30 September 2010 and 31 December 2009 deferred tax asset and liability were detailed according to underlying temporary differences as follows:

	Deferred tax assets		Deferred tax liabilities	
	30.09.2010	31.12.2009	30.09.2010	31.12.2009
Harmonisation adjustments			59 375 549	56 222 609
Provisions not allowed for tax purposes	2 429 919	1 806 804		
Impairment of Assets	1 918 164	1 918 164		
Derecognized tangible assets	119 133	127 146		
Derecognized deferred costs	102 651	116 750		
Revaluation of tangible assets			942 810	942 810
Tax losses carried forward	26 273 976	29 255 664		
Others	5 268	4 902	185 595	201 831
	30 849 111	33 229 430	60 503 954	57 367 250

Changes to deferred tax asset and liability include approximately 0.99 million eur and 4.34 million eur of exchange rate effect, respectively.



7. OTHER CURRENT ASSETS

At 30 September 2010 and 31 December 2009, details of Other current assets on the Consolidated Statement of Financial Position were as follows:

	30.09.2010			31.12.2009		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Derivatives instruments	5 751 084		5 751 084	3 715 287		3 715 287
Financial Instruments	5 751 084		5 751 084	3 715 287		3 715 287
Accrued revenue	1 634 825		1 634 825	2 182 992		2 182 992
Deferred Costs	8 235 563		8 235 563	5 582 183		5 582 183
Others	0		0	6 561		6 561
Assets out of scope of IFRS 7	9 870 388		9 870 388	7 771 736		7 771 736
Total	15 621 472		15 621 472	11 487 023		11 487 023

8. CASH AND CASH EQUIVALENTS

At 30 September 2010 and 31 December 2009, the detail of Cash and Cash Equivalents was as follows:

	30.09.2010	31.12.2009
Cash at hand	63 498	75 522
Bank deposits	7 277 920	9 304 640
Treasury applications	11 515 656	24 948 779
Cash and cash equivalents on the balance sheet (financial instruments)	18 857 074	34 328 941
Bank overdrafts	22 518 195	27 674 134
Cash and cash equivalents on the statement of cash flows	- 3 661 121	6 654 807



9. LOANS

As at 30 September 2010 and 31 December 2009 Sonae Indústria had the following outstanding loans:

30.09.2010				
	Amortised cost		Nominal value	
	Current	Non current	Current	Non current
Bank loans	167 448 333	155 527 529	167 448 333	155 527 529
Debentures		301 162 680		305 000 000
Obligations under finance leases	4 106 466	41 198 203	4 106 466	41 198 203
Other loans	179 981	84 652 077	179 981	84 652 077
Gross debt	171 734 780	582 540 489	171 734 780	586 377 809
Cash and cash equivalent in balance sheet	18 857 074		18 857 074	
Net debt	152 877 706	582 540 489	152 877 706	586 377 809
Total net debt	735 418 195		739 255 515	

31.12.2009					
	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans	133 676 357	215 964 021	133 676 357	215 964 021	1 473 420
Debentures		301 912 691		305 000 000	
Obligations under finance leases	3 919 801	43 725 783	3 919 801	43 725 783	996 361
Other loans	303 667	91 940 590	303 667	91 940 590	
Gross debt	137 899 825	653 543 085	137 899 825	656 630 394	2 469 781
Investment					
Cash and cash equivalent in balance sheet	34 328 941		34 328 941		
Net debt	103 570 884	653 543 085	103 570 884	656 630 394	2 469 781
Total net debt	757 113 969		760 201 278		

The main changes occurred in borrowings were as follows:

During the period Sonae Indústria fully acquired and amortized the following bond emissions for a total consideration of 150 000 000 eur: Sonae Indústria – 2006/2013, Sonae Indústria – 2008/2013 and Sonae Indústria – 2008/2012.

On the same date, Sonae Indústria together with Grupo Caixa Geral de Depósitos issued new bonds through private subscription for a total consideration of 150 000 000 eur, with no collateral, for a 7-year period. This loan will pay interest semi-annually on May and November at Euribor 6 months plus 275 bps.

Sonae Indústria, SGPS, SA contracted a loan with a Portuguese financial institution for a maximum amount of 10 000 000 eur. This loan pays interest at market rate and will be repaid from 2012 to 2015.



In July 2010 Tableros de Fibras, SA contracted commercial paper for a maximum amount of 33 000 000 eur. The programme will mature in 2011. At 30 September 2010, commercial paper had been issued for the programme's total amount.

10. FINANCIAL DERIVATIVES

At 30 September 2010 and 31 December 2009, the fair value of derivative instruments is stated as follows:

	<u>Other current assets</u>		<u>Other current liabilities</u>	
	<u>30.09.10</u>	<u>31.12.09</u>	<u>30.09.10</u>	<u>31.12.09</u>
Derivatives at fair value through profit or loss	5 751 084	3 715 287	1 495 527	9 273 881
Exchange rate forwards	5 751 084	3 715 287	1 495 527	9 273 881
Interest rate swaps (fair value hedge)				
Derivatives at fair value through reserves			521 673	1 904 353
Interest rate swaps (cash flow hedge)			521 673	1 904 353
	<u>5 751 084</u>	<u>3 715 287</u>	<u>2 017 200</u>	<u>11 178 234</u>

11. OTHER CURRENT LIABILITIES

At 30 September 2010 and 31 December 2009, Other current liabilities were composed of:

	<u>30.09.2010</u>	<u>31.12.2009</u>
Group companies	43 878	34 939
Derivatives	2 017 200	11 178 233
Trade debtors advances	8 690	
Fixed assets suppliers	3 792 439	2 107 235
Other creditors	3 885 788	3 640 580
Financial instruments	9 747 995	16 960 987
Other creditors	4 689 298	5 089 835
Accrued expenses:		
Insurances	449 798	73 634
Personnel costs	30 221 937	28 945 220
Accrued financial expenses	4 015 747	3 387 049
Rebates	24 973 983	18 199 370
External supplies and services	16 420 315	11 641 462
Other accrued expenses	11 540 379	11 570 343
Deferred income:		
Investment subventions	6 362 036	5 835 336
Other deferred income	461 573	271
Liabilities out of scope of IFRS 7	99 135 066	84 742 520
Total	<u>108 883 061</u>	<u>101 703 507</u>



12. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the period ended 30 September 2010 were as follows:

Description	30.09.2010						Closing balance
	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations / Reversion	Other changes	
Accumulated impairment losses on:							
Tangible assets (Note 5)	28 103 072	80 943		1 981 569	252 381	- 145 456	29 767 747
Intangible assets (Note 5)	35 048				7 566	- 8 240	19 242
Other non-current assets	10 931 182						10 931 182
Trade debtors	17 800 630	461 746		3 828 631	1 066 244	- 804 711	20 220 052
Other debtors	19 629						19 629
Subtotal impairment losses	<u>56 889 561</u>	<u>542 689</u>		<u>5 810 200</u>	<u>1 326 191</u>	<u>- 958 407</u>	<u>60 957 852</u>
Provisions for litigations in course	8 918 473				1 878 325		7 040 148
Provisions for guaranties to customers	850 170	2 417		103 321	109 746		846 162
Provisions for restructuring	22 582 844			3 531 095	21 347 323		4 766 616
Other provisions	5 670 644	766	- 612 782	643 991	1 583 942		4 118 677
Subtotal provisions	<u>38 022 131</u>	<u>3 183</u>	<u>- 612 782</u>	<u>4 278 407</u>	<u>24 919 336</u>		<u>16 771 603</u>
Subtotal impairment losses and provisions	<u>94 911 692</u>	<u>545 872</u>	<u>- 612 782</u>	<u>10 088 607</u>	<u>26 245 527</u>	<u>- 958 407</u>	<u>77 729 455</u>
Accumulated impairment losses on:							
Investments	37 005 998						37 005 998
Inventories	13 044 254	91 084	- 348 728	3 934 689	4 491 494	- 347 754	11 882 051
Total	<u>144 961 944</u>	<u>636 956</u>	<u>- 961 510</u>	<u>14 023 296</u>	<u>30 737 021</u>	<u>- 1 306 161</u>	<u>126 617 504</u>

Increases and decreases in provisions and impairment losses are stated on the Consolidated Income Statement as follows:

	30.09.2010	
	Losses	Gains
Cost of sales	889 435	1 038 422
Other operating revenues		26 245 527
(Increase) / decrease in production	3 045 254	3 453 072
Provisions and impairment losses	<u>10 088 607</u>	
Total	<u>14 023 296</u>	<u>30 737 021</u>



13. OTHER OPERATING REVENUES

Details of Other operating revenues on the Consolidated Income Statement for the periods ended 30 September 2010 and 2009 are as follows:

	30.09.2010	30.09.2009
Gains on disposals of non current investments	8 476 008	56 897 262
Gains on disposals of tangible and intangible assets	2 502 444	1 352 234
Supplementary Revenue	3 392 801	5 364 190
Investment subventions	4 879 247	5 136 128
Tax received	2 697 375	4 392 089
Reversion of impairment losses	1 326 190	8 016 372
Gains on provisions	24 919 336	16 604 757
Others	4 778 930	5 375 984
	<u>52 972 331</u>	<u>103 139 016</u>

14. OTHER OPERATING COSTS

Details of Other operating costs on the Consolidated Income Statement for the periods ended 30 September 2010 and 2009 are as follows:

	30.09.2010	30.09.2009
Taxes	6 702 737	5 654 408
Losses on disposal of tangible and intangible assets	935 119	334 454
Others	2 749 896	3 016 689
	<u>10 387 752</u>	<u>9 005 553</u>



15. FINANCIAL RESULTS

Financial results for the periods ended 30 September 2010 and 2009 were as follows:

	30.09.2010	30.09.2009
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	4 770 968	5 333 584
related to non convertible debentures	5 142 258	7 225 392
related to finance leases	3 599 189	3 750 012
related to hedged loans (hedge derivatives)	1 394 045	3 915 851
others	2 954 086	4 890 250
	<u>17 860 545</u>	<u>25 115 090</u>
Losses in currency translation		
related to customers	303 916	942 967
related to suppliers	964 804	1 387 478
related to loans	10 143 439	13 310 969
others	261 140	349 970
	<u>11 673 299</u>	<u>15 991 384</u>
Cash discounts granted	11 307 751	10 712 427
Adjustment to fair value of financial instruments at fair value through profit or loss	28 180 686	38 617 079
Losses on valuation of hedging derivative instruments	1 631 047	1 219 485
Fair value of inefficient component of hedge derivatives		
Other finance losses	4 344 567	7 394 891
	<u>74 997 894</u>	<u>99 050 356</u>
 Financial revenues:		
Interest income		
related to bank loans	8 597	32 580
related to loans to related parties		241 514
Others	141 189	473 406
	<u>149 786</u>	<u>747 500</u>
Gains in currency translation		
related to customers	660 337	760 883
related to suppliers	974 175	774 860
related to loans	19 883 442	26 964 617
others	342 001	884 554
	<u>21 859 956</u>	<u>29 384 914</u>
Cash discounts obtained	1 567 092	1 458 766
Adjustment to fair value of financial instruments at fair value through profit or loss	15 889 449	24 463 955
Gains in valuation of hedging derivative instruments	102 216	356 004
Fair value of inefficient component of hedge derivatives		
Other finance gains	160 012	196 646
	<u>39 728 511</u>	<u>56 607 784</u>
 Finance profit / (loss)	 <u>- 35 269 383</u>	 <u>- 42 442 572</u>



16. TAXES

Corporate income tax accounted for in the periods ended 30 September 2010 and 2009 is detailed as follows:

	30.09.2010	30.09.2009
Current tax	1 723 877	1 635 864
Deferred tax	2 159 877	1 672 855
	<u>3 883 754</u>	<u>3 308 719</u>

17. SEGMENT INFORMATION

The main activity of the Group is the production of wood based panels and derivative products through industrial plants and commercial facilities located in Portugal, Spain, France, Germany, United Kingdom, Switzerland, The Netherlands, Canada and South Africa.

The reportable segments which were identified for the period ended 30 September 2010 are as follows:

- Iberian Peninsula;
- Central Europe
 - France;
 - Germany;
 - United Kingdom;
- Rest of the World
 - Canada;
 - South Africa;
- Other segments.

Non reportable segments are included under Other segments.



Segments	Turnover				Operating Result	
	External		Intragroup		30.09.2010	30.09.2009
	30.09.2010	30.09.2009	30.09.2010	30.09.2009		
Iberian Peninsula	244 283 727	227 662 284	6 070 354	5 309 279	1 988 010	- 51 434
Central Europe	384 639 778	402 296 205	142 703 641	116 293 054	- 36 232 513	- 101 132 895
<i>France</i>	68 323 125	85 927 354	34 955 602	29 501 585	- 21 933 518	- 57 520 409
<i>Germany</i>	267 517 311	267 790 767	107 748 039	86 791 469	- 13 749 331	- 38 155 842
<i>United Kingdom</i>	48 799 342	48 578 084			- 549 664	- 5 456 644
Rest of the World	189 177 104	211 924 901			17 202 437	9 865 683
<i>Canada</i>	110 185 632	84 226 781			5 045 370	- 719 189
<i>Brazil</i>		69 457 202				6 922 697
<i>South Africa</i>	78 991 472	58 240 918			12 157 067	3 662 175
All other segments	134 257 928	115 052 369	64 074 622	47 622 456	- 3 398 615	- 6 859 356
Total segments	952 358 537	956 935 759	212 848 617	169 224 789	- 20 440 681	- 98 178 002
Reversion of impairment losses						27 376 043
Utilization of provisions					- 1 600 000	
Gains or losses on disposal of financial undertakings					5 877 895	57 163 450
Adjustment to depreciation					2 767 586	2 482 295
Companies excluded from the consolidation perimeter					1 203 436	1 387 849
Others					- 580 752	- 612 567
					- 12 772 516	- 10 380 932

18. Contingencies

In March 2009, Glunz AG, GHP GmbH and other wood based panel producers in Germany were subject to inspections carried out by the German Competition Authority. In March 2010 those group companies received a notice for alleged violation of competition laws. At the closing date of these consolidated financial statements it is not possible to estimate the outcome of the ongoing process and the amount of any hypothetical fine.

19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on 4 November 2010.