SONAE INDÚSTRIA, SGPS, S.A.

Registered Office: Lugar do Espido, Via Norte, Maia

Registered at the Commercial Registry of Maia

Registry and Tax Identification Number 506 035 034

Share Capital: 700 000 000 euros

Publicy Traded Company

Annual Report

Separate and Consolidated Financial Statements

2010

23 February 2011

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MANAGEMENT REPORT

1. Message from the Chairman

“Over the last two years, Sonae Indústria has undergone an extensive company restructuring process which involved the closure of 6 plants, the sale of our business in Brazil as well as a plant in France. We took tough decisions, the social impact of which we are aware of in the respective local communities where we operated. However, we believe this was the only way to continue our path towards a sustainable business, with a strong balance sheet and higher operational performance.

Following this restructuring, we decided to adopt a matrix organisation by creating two new functional roles within the Executive Committee: CM & SO - Chief Marketing and Sales Officer and CI & TO - Chief Industrial and Technology Officer. This new organisation aims to put more emphasis on performance, capturing synergies and sharing knowledge, with a view to a continuous improvement. Having completed this process, we decided to launch a new corporate logo to renew our image, thereby reinforcing our values of innovation and excellence.

In 2010, we published our third sustainability report which describes in detail how the process of restructuring took place in each country and we disclose the environmental and H&S indicators monitored by us.

Despite the improvements achieved in terms of profitability, I believe we still have a long way to go because we are far from achieving our goals. However, I am convinced of our team’s capacity to manage these challenges. I count on all employees, banks and shareholders to make this company an example of economic, social and environmental sustainability. "

2. Message from the CEO

“2010 was another difficult year for our industry. The economic environment together with the financial crisis and the unpredictability of our costs, especially wood, brought additional difficulties to the management of the business.

After all the restructuring, finalized in the beginning of 2010 with the closure of our Duisburg plant, it was time to implement a new organizational model more in line with the challenges of the business. Thus, as we announced in April, we have implemented a matrix organization model in order to improve the speed of implementation of best practices across the organization in all areas of the business: support functions, industrial and commercial. A number of new initiatives were identified to reduce costs and improve efficiency that can generate more than 20 million Euros of savings. The changes implemented at top level, with the appointment of a new Board Member, Mr. João Paulo Pinto, as CITO and the repositioning of Mr. Christophe Chambonnet to take on the role of CMSO, also implied adjustments to the management teams in Iberia and France. In the case of Germany, we completed the restructuring of the management team, with the recruitment of new CMSO and a new COO.

Having implemented the restructuring and reorganization of Sonae Indústria, we decided to launch a new corporate logo, which has been designed to reinforce our values. The logo, as well as the Company transforms and renews itself.

The markets in which we operate still face significant excess of installed capacity. Overall we improved the capacity utilization of our plants by 5.6pp, benefiting from the plant closures implemented in previous years. YoY, our turnover increased 6% to 1.293 million Euros and our recurrent EBITDA margin increased 116% to 71 million Euros. In 2010, the average selling price of our products increased by 8.3%. Variable costs increased 12% and wood prices were the main contributor for this increase. Fixed costs were reduced by 6.5%.

We believe that the most recent capacity closures, namely in Germany, with the consequent reduction in the overcapacity of the market, will have a positive impact on the performance of the business. Increases in variable costs are pushing prices up and customers understand that they have to pay more for the products in order to secure supply. Prices often have to move at short notice because the costs, particularly wood, also move at short notice.

Working Capital management continues to be one of our priorities. If we look back, we see that, over the last 3 years, we have been able to reduce working capital by 167 million Euros. Despite the increase in activity and the increase in the cost of raw materials in 2010, we were also able to reduce working capital by almost 9 million Euros. This effect, combined with the effects of restricting ourselves to only essential investment and the sale of our Lure plant, enabled us to reduce Net Debt by 39 million Euros.

Unfortunately we have to regret two fatalities that occurred at our Knowsley plant. Our thoughts go to the families of those that have died.

I believe that despite the difficult market condition we will keep improving the profitability of our business. We can see positive signs in some of our most important markets and we will keep working hard on the existing and new initiatives in improving the efficiency. I thank our shareholders, customers, banks, suppliers and other stakeholders for their continued support to make Sonae Industria a sustainable and leading company"

3. Board of Directors Report

3.1. Sector Review in 2010

Markets conditions of the wood-based panels sector slightly improved from an extremely challenging 2009, resulting in overall capacity utilization increase. However, industry was negatively affected by sustained rise in raw materials' costs, which was not fully absorbed by positive movements in prices.

<u>European construction and furniture sector in 2010</u>
According to the latest information issued by Euroconstruct, following what was described as worst year for construction in that decade (in 2009 output decreased by 8.8%), construction was still 3.3% down in 2010 when compared with 2009. The adverse economic conditions, together with significant austerity measures, led to cuts in housing construction and public investments which, together with depressed levels of demand, negatively impacted the performance of the sector, although with contrasting magnitudes depending on the country.

However, EU27 furniture exports increased 3.1% YoY in volume terms (and around 5.7% in value) in the first 10 months of 2010, according to Eurostat information.

European wood based panels industry

This building and furniture investment improvement has probably resulted in an increased European wood based panels demand. According to estimates made by the European Panel Federation, particleboard production in the EPF countries was up 8% YoY in the first half of 2010, with home sales recovering 3% and exports growing 11% YoY. MDF production rose by an estimated 19% YoY with home sales increasing 9% YoY and exports jumping 23% YoY. OSB production was up by 11% YoY with home sales advancing 20% YoY while exports were slightly down (-2% YoY).

Laminate Flooring Industry

According to preliminary figures from beginning of 2001 from EPLF (European Producers of Laminate Flooring), worldwide sales of laminate flooring recovered 8.1% in 2010 (YoY).

Sales in the core Western Europe markets were up 5%, especially given the boost in demand in markets such as Turkey. Eastern European manufacturers of laminate flooring were able to post a positive development of 7.2% last year, helped by the jump in sales to Russia (+41.2%). Sales to North America increased 14% despite the increasing level of local capacity installed.

North American wood based panels industry

Consumption of both MDF and PB in North America, especially in the United States, continued to be affected by a still depressed housing market and a furniture industry under pressure. North America PB consumption should have increased 0.7% YoY, following the drop observed in 2009. MDF domestic demand grew by an estimated 3.6% in 2010 YoY.

South African wood based panels industry

According to the local statistics office, furniture production during 2010 recovered 3.7% YoY. However wood based panel output should have contract by 1.1% and housing construction declined by 21% YoY (Jan. Nov.).

3.2. Sonae Indústria Business Review

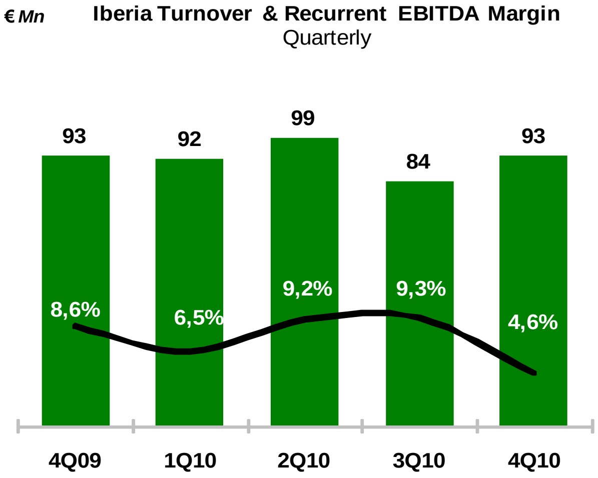
3.2.1. Iberia

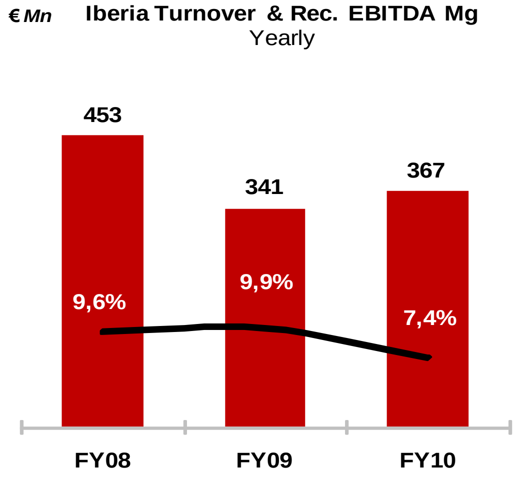
Iberia continued to experience tough market conditions, particularly in Spain where demand is very depressed and cost increases were difficult to be transferred to customers. New housing permits are still below last year (18%[1] in Spain and 8%[2] in Portugal, YoY).

Nevertheless, volumes sold from Iberia in 4Q10, compared to 3Q10, recovered by 13%, and turnover moved 11% up to 93 million Euros. However, recurrent EBITDA declined to 5%, being negatively impacted by the raw material costs increases, strongly on the wood, but also on paper and chemicals.

[1] Source: *Ministerio de Fomento,* January 2011 (for the period Jan. – Nov.)
[2] Source: *Instituto Nacional de Estatística,* January 2011 (for the period Jan. – Dec.)

The wood cost increase is a consequence of the winter effect combined with higher demand from the pulp industry and an increasing competition from the energy sector for the same wood resources.





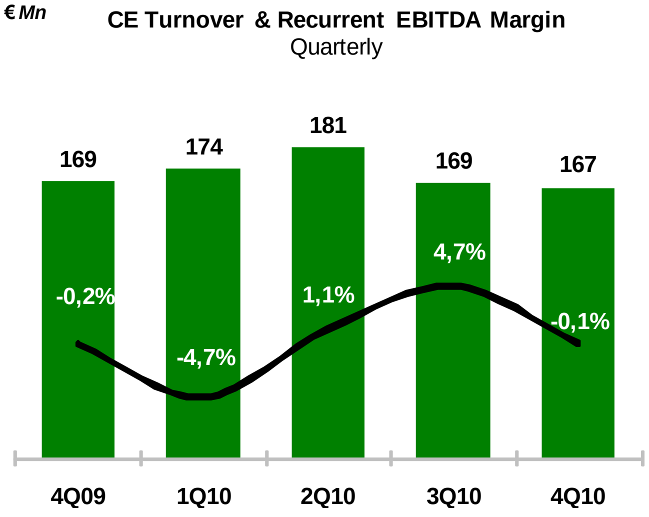
Comparing FY10 with FY09, Iberian volumes sold increased by 2% and turnover by 8%. Nevertheless, recurrent EBITDA margin is 2.5pp lower, mainly caused by higher wood and chemical costs.

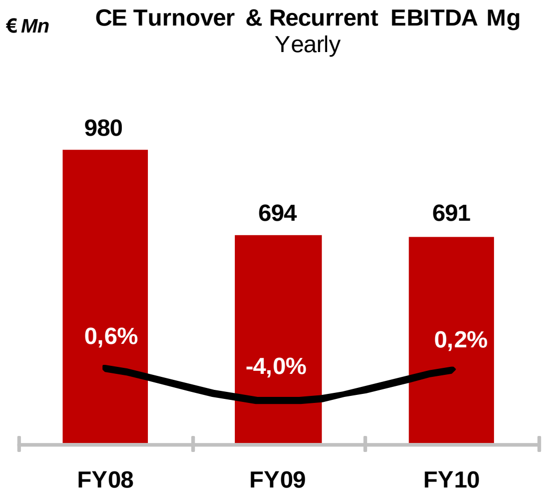
3.2.2. Central Europe (Germany, France and the UK)

In Central Europe, despite being affected by winter conditions, recurrent EBITDA continued illustrating the effectiveness of the restructuring process we have implemented, particularly in Germany.

In **Germany**, new house construction permits (YoY Jan. – Nov.) were up 8%[3], indicating a slow recovery from last year. During 4Q10, compared to 3Q10, volumes sold moved 5% up but the capacity utilization remained flat due to stock reduction measures implemented, which led to a decline in recurrent EBITDA margin. Comparing FY10 with FY09, volumes sold increased by 2%, (on a like-for-like basis, excluding volumes generated by our Kaisersesch plant, which production was stopped in October 2009). Additionally, restructuring measures implemented reduced our fixed costs, which, combined with higher operational efficiency, led to a 5pp recovery in recurrent EBITDA margin.
By hiring a new COO for the Board of Directors of Glunz, we believe we can lead the team and business in the right direction.

[3] Source: German Federal Statistical Office, January 2011





In **France**, demand from the construction and furniture segments remains weak, but there are some positive trends, as housing permits increased by 15%[4] (YoY Jan. – Dec.), although these permits have not yet been converted into construction start ups yet. Comparing 3Q10 to 4Q10, volumes sold recovered by 10% and capacity utilization improved slightly. However, raw material costs jumped by 13%, not only due to wood and chemical price increases but also due to the high winter electricity fees. These effects strongly damaged the 4Q10 recurrent EBITDA. Comparing FY10 with FY09, volumes sold increased by 3%, on a like-for-like basis (excluding the turnover of our Châtellerault and Lure plants[5]) but we were not able to improve the recurrent EBITDA margin as price increases did not compensate the 9% higher raw material cost.

In the **UK**, government austerity measures combined with fragile consumer confidence, constrain demand within the UK market. Nevertheless, value of new housing orders recovered by 40%[6] (YoY Jan. – Set.). During 4Q10, we suffered a fatal accident at our UK plant, which prevented us from a normal production cycle and led to a decline in the capacity utilization. As a result, volumes sold fell by 19% and recurrent EBITDA strongly declined.
However, volumes sold in FY10 were 8% below FY09 level, and EBITDA margin decreased by 2pp, as a result of the negative effect of the 4Q10.

In **Central Europe**, quarter on quarter, turnover slightly decreased to 167 million Euros, and recurrent EBITDA declined to zero, due to different reasons faced in Germany, France and UK. When comparing FY10 with FY09, in spite of closing 15% of our production capacity in this region, turnover is flat and recurrent EBITDA margin increased by 4pp, illustrating the effectiveness of the restructuring process we have implemented.

3.2.3. Rest of the World (Canada, Brazil and South Africa)

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

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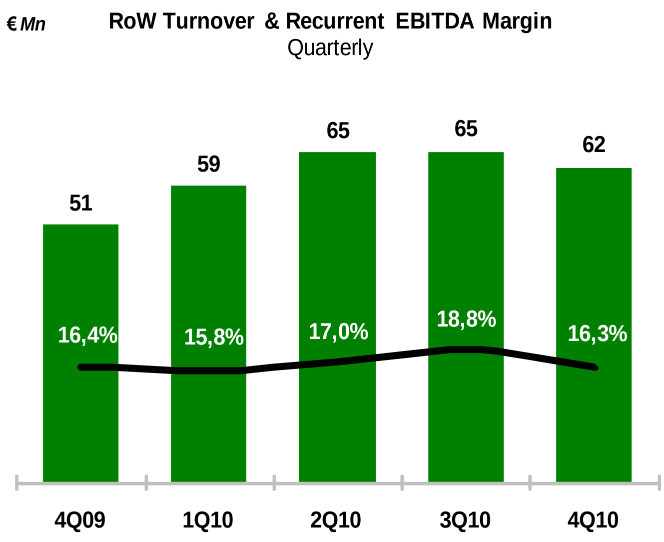
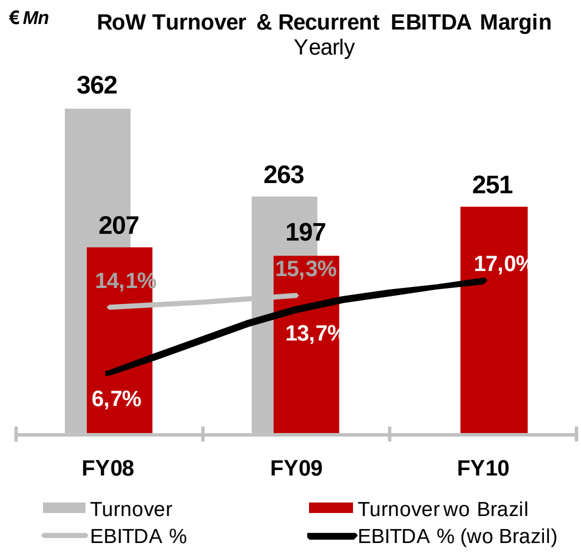
[4] Source: *Service économie statistiques et prospective (Ministère de l'Écologie, de l'Energie, du Développement durable et de l'Aménagement du territoire)*, January 2011
[5] The production of our Châtellerault plant was stopped in June 2009 and our Lure plant was sold in April 2010.
[6] Source: Office for National Statistics UK, December 2010





The Canadian and the South African market remained strong despite seasonal lower production.

In **North America**, US housing starts increased by 6%[7] (YoY Jan. – Dec.) while Canadian housing starts were up by 23%[8] (YoY Jan – Dec.), resulting in a stronger market, compared to 2009. However, market contracted in the 2H10, and our volumes sold in 4Q10 declined by 5% and turnover in local currency fell by 4%, when comparing to 3Q10. Additionally, Recurrent EBITDA reduced 4pp, due to the strong increase in resin prices. Comparing FY10 with FY09, volumes sold increased by 13% and turnover (in local currency) moved 9% up. Moreover, recurrent EBITDA improved by 2pp, as we were able to increase the overall volume and the share of value added products, while reducing wood costs in the production cycle.

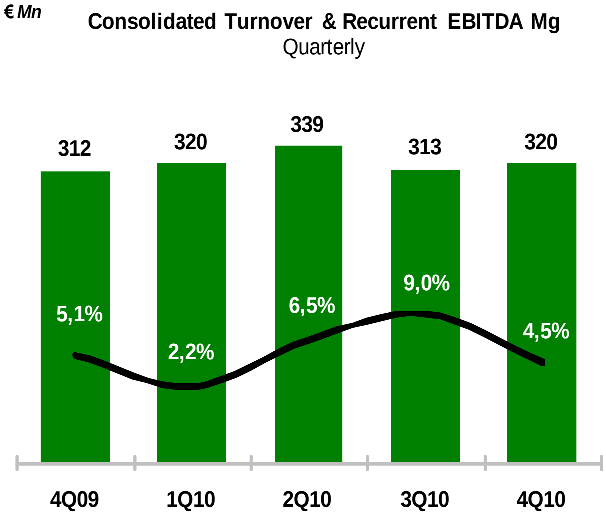
In **South Africa**, residential building permits posted a YoY increase of 5%[9] (Jan – Nov). Our volumes sold and turnover during 4Q10 in local currency decreased by 4% and 3%, respectively, due to the holiday season. Despite lower production levels, Recurrent EBITDA was kept at a high level. Comparing FY10 with FY09, volumes sold increased by 20% and turnover (in local currency) moved 12% up. Additionally, recurrent EBITDA improved by 4pp as a result of operational efficiency increased at our plants in S.A.

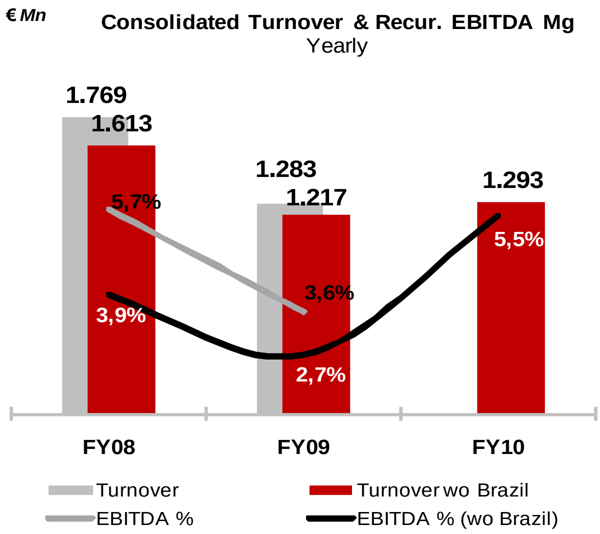
For the **Rest of the World**, compared to 3Q10, 4Q10 turnover was 5% below, reaching 62 million Euros and recurrent EBITDA decreased by 3pp to 10 million Euros. This contraction in turnover is a result of the seasonality in 4th quarter. Compared to FY09 (excluding Brazil), turnover in FY10, increased by 27% and recurrent EBITDA moved 3pp up to 17% of turnover, which clearly illustrates efficiency improvements in both countries.

[7] Source RISI, January 2011
[8] Source: CMHC - Canada Mortgage and Housing Corporation, January 2011
[9] Source: Statistics South Africa December 2010

3.3. Financial Review of FY 2010

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 4Q10 totalled 320 million Euros, representing a 2% recovery from 3Q10. However, raw material cost increases (not compensated by prices adjustments), combined with stock reduction measures implemented, led to a 4.5pp decline in recurrent EBITDA margin, achieving 14 million Euros (5% of Turnover). Total EBITDA in 4Q10 was 10 million Euros, which includes charges for restructuring costs in Germany and France.

FY10 consolidated turnover totalled 1,293 million Euros, 6% higher than FY09 (excluding Brazil), in spite of a reduction of 9% installed capacity, and of losing 4% volumes sold. Recurrent EBITDA margin (excluding Brazil) recovered 3pp, achieving 6% of Turnover. This illustrated the effectiveness of the restructuring measures implemented.

	(euro millions)			4Q10 / 4Q09*	4Q10 / 3Q10
	4Q09*	3Q10	4Q10		
Consolidated Turnover	**312**	**313**	**320**	3%	2%
Other Operational Income	30	8	13	(57%)	62%
EBITDA	**(1)**	**25**	**10**		
Recurrent EBITDA	17	28	14	(16%)	(49%)
Recurrent EBITDA Margin %	5,4%	9,0%	4,5%		
Depreciation and amortisation	(27)	(23)	(21)	25%	11%
Provisions and Impairment Losses	(9)	(2)	(9)	(2%)	(266%)
Operational Profit	**(20)**	**4**	**(13)**	34%	
Net Financial Charges	(12)	(13)	(12)	(1%)	9%
o.w. Net Interest Charges	(6)	(6)	(6)	(15%)	(3%)
o.w. Net Financial Discounts	(4)	(3)	(3)	14%	(1%)
Profit before taxes (EBT)	**(32)**	**(9)**	**(25)**	21%	(175%)
Taxes	(0)	(1)	1		201%
o.w. Current Tax	0	(1)	(1)	(232%)	(2%)
Net Profit/(Loss) attributable to Shareholders	**(33)**	**(10)**	**(23)**	29%	(124%)

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

In 4Q10, consolidated Net Profit/(Loss) Attributable to Sonae Indústria Shareholders was a negative 23 million Euros, an improvement of 10 million Euros compared to 4Q09. FY10 consolidated Net Profit/(Loss) Attributable to Sonae Indústria Shareholders was a negative 74 million Euros, an improvement of 72 million Euros compared with FY09 (excluding Brazil).

	(euro millions)				
	2008	2009	2008*	2009*	2010
Consolidated Turnover	**1.769**	**1.283**	**1.613**	**1.217**	**1.293**
Other Operational Income	114	162	102	75	66
EBITDA	**139**	**104**	**100**	**7**	**53**
Recurrent EBITDA	100	46	63	33	71
Recurrent EBITDA Margin %	5,7%	3,6%	3,9%	2,7%	5,5%
Depreciation and amortisation	(123)	(121)	(113)	(116)	(95)
Provisions and Impairment Losses	(56)	(31)	(54)	(29)	(19)
Operational Profit	**(23)**	**(2)**	**(54)**	**(93)**	**(26)**
Net Financial Charges	(78)	(54)	(77)	(50)	(47)
o.w. Net Interest Charges	(48)	(30)	(50)	(29)	(24)
o.w. Net Financial Discounts	(17)	(13)	(17)	(13)	(13)
Profit before taxes (EBT)	**(101)**	**(56)**	**(131)**	**(143)**	**(73)**
Taxes	(3)	(4)	1	(4)	(2)
o.w. Current Tax	(3)	(1)	3	(1)	(2)
Net Profit/(Loss) attributable to Shareholders	**(108)**	**(59)**	**(128)**	**(146)**	**(74)**

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

Net interest charges for FY10 are 5 million Euros below FY09, benefiting from both lower interest rates and lower average debt levels.

	(euro millions)			
	2008	2009	9M'10	2010
Non Current Assets	**1.386**	**1.233**	**1.127**	**1.135**
Tangible Assets	1.203	1.083	987	984
Goodwill	104	92	93	94
Deferred Tax	54	33	31	40
Other Non Current Assets	26	24	16	17
Current Assets	**532**	**370**	**385**	**351**
Inventories	193	134	141	129
Trade Debtors	200	163	185	159
Cash & Investments	66	34	19	27
Other Current Assets	74	38	39	35
Total Assets	**1.918**	**1.602**	**1.512**	**1.486**
Shareholders' Funds	397	353	313	298
Minority Interests	3	2	2	1
Shareholders' Funds + Minority Interests	**400**	**355**	**315**	**299**
Interest Bearing Debt	956	791	754	745
Short term	189	138	172	175
L-M term	767	654	583	570
Trade Creditors	166	155	152	152
Other Liabilities	396	302	290	290
Total Liabilities	**1.518**	**1.248**	**1.197**	**1.187**
Minority Interests	**1.918**	**1.602**	**1.512**	**1.486**

Additions to Fixed Assets in FY10 were 22 million Euros, mostly related to investments in essential maintenance, Health & Safety and Environmental improvements.

During 4Q10, Working Capital reduced by 33 million Euros, which enabled us to further reduce our Net Debt by 17 million Euros.

Despite 12% higher raw material costs during FY10, compared to FY09, we were able to improve the working capital by 9 million Euros. This effect combined with the sale of Lure plant brought a Net Debt reduction of 39 million Euros.

3.4. Review of the Individual Accounts of the Holding Company

Sonae Indústria, SGPS, SA, as the holding company of the Sonae Indústria Group, defines the strategic guidelines for the Group and actively manages shareholdings and monitors the business activity of its subsidiaries. Amongst its main activities it is responsible for the functioning of global finance, allocating investment funds and managing the treasury requirements of its subsidiaries.

3.5. Activity carried out by the Non-Executive Board Members

All Non-Executive Board Members of Sonae Indústria are part of the Board Committees (for a full description of composition and main tasks of each committee please see the Corporate Governance Report), In this context these Board Members analyze matters that are within the competence of its Committee, giving guidance to the company about them and make proposals to the Board of Directors. Beyond that participation in Board committees, Non-Executive Board Members are actively participating in meetings of the Board of Directors, where they discuss and question the materials in question. According to the professional experience Non-Executive Board Members have, they also participate, in the analysis of industrial optimisation projects, restructuring and expansion projects and the development of relevant international networking with eventual partners and authorities in present and potential geographical areas of investment.

3.6. Risk Management

3.6.1. Credit Risk Management Policy

1. Receivables (Customers)

Sonae Indústria Credit Risk derives mainly from its account receivables items related to its operating activity.

The main objective of Sonae Indústria Credit Risk Management is to guarantee the effective collection of its operating receivables according to the negotiated payment terms.

In order to mitigate Credit Risk related with potential Customers defaulting on payment of outstanding receivables, Group companies exposed to this type of risk have:
- Established a Committee for analysis and monitor the Credit Risk;
- Implemented proactive credit management procedures and processes supported by IT systems;
- Coverage mechanisms (credit insurance, letters of credit, etc.).

2. Other financial assets other than Trade debtors

In addition to its operating activities, Group companies have financial assets, related mainly to its activities involving Financial Institutions such as cash deposits, financial investments and derivatives with positive market value. As a result, Credit Risk arises from the potential counterparty default from these Financial Institutions.

As a rule, Group companies only engage in financial operations with Investment Grade Financial Institutions. On the other hand, exposure related with this type of financial assets is generally speaking, spread widely and short lived in nature.

3.6.2. Market Risks

1. Interest Rate Risk

Due to the significant proportion of floating rate debt on Sonae Indústria's consolidated Balance Sheet and the consequent cash flows related to interest payments, the company is exposed to interest rate risk.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges", which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria.

As an exception to its general rule, Sonae Indústria may engage in interest rates derivatives.

2. Foreign Exchange Risk

As a geographically diversified Group with subsidiaries spread throughout three different continents, Sonae Indústria is exposed to foreign exchange risk. Consolidated Balance Sheet and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries are exposed to foreign exchange risk of both translation and transaction type.

As a Group rule, whenever possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency.

Also as a rule, in situations where relevant exchange risk arises from trade in a currency other than that of the subsidiary, exchange risk should be mitigated through the use of short term forward exchange agreements performed by the subsidiary exposed to that risk. Sonae Indústria subsidiaries do not engage in forward exchange rate agreements for trading, speculative or profit making purposes.

As a policy, translation risk in connection with the conversion of the Equity investments in foreign non-Euro subsidiaries is not hedged as these are considered long-term investments. Also, it is assumed that hedging will not add value in the long term. Gains and losses related to the translation at different exchange rates of Equity investments in foreign non-Euro subsidiaries are accounted under the Accumulated other comprehensive income.

3.6.3. Liquidity Risk

Liquidity risk management in Sonae Indústria aims to ensure that the company can timely obtain the financing required to properly carry on its business activities, implement its strategy and meet its payment obligations when due, while avoiding the need for having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

a) consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);

b) diversification of financing sources;

c) diversification of debt maturities issued in order to avoid excessive concentration of debt repayments at short periods of time;

d) an arrangement for committed (and uncommitted) credit facilities, commercial paper programs and other facilities (such as a Securitization of Receivables program) with relating banks. This helps to ensure the right balance between satisfactory liquidity and adequate commitment fees.

Also, with a view to mitigating Liquidity Risk, it is Sonae Indústria's policy to preclude from its loan agreements any clauses related with the compliance of financial ratios that could result in the early repayment of its loans. This policy takes into account the cyclicality of the wood based panels business which directly impacts the variability of observed financial ratios at the different stages of the business cycle.

3.6.4. Legal Risks

Sonae Industria and its subsidiaries are required, and actively promote, respect for applicable legal in countries and regions where operated. Changes in these environments can result in changes or restrictions to the present conditions of exploitation, and can lead to increased costs. In March 2009 Glunz AG, GHP GmbH and other German manufacturers of wood-based panels were subject to inspections by the German Competition Authority. In March 2010, those companies in the Group received a statement of objections for alleged violation of competition laws. A leading German layers company was hired to monitor the process. Due to the stage where the process is, it is not possible to estimate the outcome of it, nor the amount of any fine

3.6.5. Operational Risks

The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.
For a detailed description of this risk, please see the Corporate Governance Report.

3.7. Treasury Shares

The Company did not acquire or sell any own shares during the year. As at 31st December, the Company did not hold any own shares.

3.8. Proposal for Appropriation of Results

Sonae Indústria SGPS SA, as the holding company of the Group, on an individual accounts basis, generated a negative Net Result of 1,543,432.28 Euros for 2010 and on a consolidated basis generated a negative Net Result of 74,434,785.99 Euros.

The Board of Directors will propose at the Shareholders Annual General Meeting to transfer the negative Net Result of 1,543,432.28 Euros to retained earnings.

3.9. Outlook

For 2011, we expect our EBITDA margins to improve, based on a better balance between supply and demand in most markets, in which we operate. Additionally, the optimization of our business operations, supported by the matrix organization we have implemented, is expected to bring further efficiency improvements and higher sales of value added products. These combined effects are expected to allow us to generate higher contribution margins. For the 1st quarter of 2011 we expect a moderate increase in volumes sold and a recovery of the contribution margin lost in the 4th quarter.

As working capital management will remain as a top priority and we will continue to restrict our investments, we expect to achieve further deleveraging in 2011.

3.10. Dividend Policy

The Board set the goal to distribute 50% of the company's profits.
Each year, the ratio of effective payment to be proposed by the Board will take into account the degree of soundness of capital structure of society, as well as the existing investment plan

3.11. Acknowledgements

We would like to thank all our employees for their continued dedication amidst the backdrop of a very challenging market environment. We would also like to take this opportunity to thank our shareholders, customers, suppliers and local communities for their unwavering trust and we strengthen our commitment to continue with a sound and sustainable management.

23rd February 2011

Board of Directors

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Belmiro de Azevedo

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Álvaro Cuervo García

Paulo Azevedo

Per Knuts

Thomas Nystén

Carlos Bianchi de Aguiar

Rui Correia

Christophe Chambonnet

João Paulo Pinto

CORPORATE GOVERNANCE REPORT

0. Compliance with CMVM Recommendations

Sonae Indústria, SGPS, SA (Sonae Indústria) is subject to the Corporate Governance Code published by CMVM (the Portuguese Securities Market Commission) in January 2010, which is posted at http://www.cmvm.pt.

From all the recommendations in the Corporate Governance Code, Sonae Industria only fails to adopt three recommendations for the reasons explained below. Sonae Industria is aware of the importance of good corporate governance for business and for its shareholders and constantly seeks to adopt best practices in all areas in which operates. Therefore, in addition to fulfilling legal requirements and recommendations of the referred Code, Sonae Indústria has its own code of conduct, which can be found on the company website www.sonaeindustria.com.

RECOMENDAÇÃO		Grau de Cumprimento	Relatório do Governo
I.	SHAREHOLDER'S GENERAL MEETING		
I.1.	BOARD OF THE SHAREHOLDER'S GENERAL MEETING		
I.1.1.	The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.	Comply	**1.1.**
I.1.2.	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual corporate governance report.	Comply	**1.2.**
I.2.	PARTICIPATION AT THE MEETING		
I.2.1.	The requirement of the Board of the Shareholders' General Meeting to receive statements for share deposit or blocking for participation before the General Meeting shall not exceed 5 working days.	Comply	**1.3.**
I.2.2.	Should the General Meeting be suspended, the Company shall not require share blocking during the interim period until the meeting is resumed, and shall then prepare itself in advance as required for the first session.	Comply	**1.3.**
I.3.	VOTING AND EXERCISING VOTING RIGHTS		
I.3.1	Companies should not impose any statutory restriction on postal voting and whenever	Comply	**1.3.**

	adopted or admissible, on electronic voting.		
I.3.2	The statutory advance deadline for receiving voting ballots by post shall not exceed 3 working days.	Comply	**1.3.**
I.3.3	Companies shall ensure the level of voting rights and the shareholder's participation is proportional, ideally through the statutory provision that obliges the one share-one vote principal. The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle.	Comply	**1.3.**
I.4.	RESOLUTION-FIXING QUORUM		
	Companies shall not set a resolution-fixing quorum that outnumbers that which is prescribed by law.	Comply	**1.3.**
I.5.	MINUTES AND INFORMATION ON RESOLUTIONS PASSED		
	Extracts from the minutes of the general meetings or documents with corresponding content must be made available to shareholders on the company's website within a five day period after the General Meeting has been held, irrespective of the fact that such information may not be classified as material information. The information disclosed shall cover the resolutions passed, the represented capital and the voting results. Said information shall be kept on file on the company's website for no less than a 3 year period.	Comply	**1.3.**
I.6.	MEASURES RELATING TO CHANGES IN CONTROL		
I.6.1	Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests. The company's articles of association that by complying with said principal, provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	Comply	**1.3.**
I.6.2	In cases such as change of control or	Comply	**1.3.**

	changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate an immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary performance assessment by the shareholders of the members of the Board of Directors.		
II.	MANAGEMENT AND AUDIT BOARDS		
II.1	GENERAL POINTS		
II.1.1	STRUCTURE AND DUTIES		
II.1.1.1	The Board of Directors shall assess the adopted model in its Annual Report on Corporate Governance and pin-point possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.	Comply	**2.1.**
II.1.1.2	Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components:		
	i) setting of the company's strategic objectives as regards risk assumption;	Comply	**2.2.2.**
	ii) identifying the main risks associated to the company's activity and any events that might generate risks;	Comply	**2.2.2.2.**
	iii) analyse and determine the extent of the impact and the likelihood that each of said potential risks will occur;	Comply	**2.2.2.2.**
	iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption;	Comply	**2.2.2.3.**
	v) control mechanisms for executing measures for adopted risk management and its effectiveness;	Comply	**2.2.2.5.**
	vi) adoption of internal mechanisms for information and communication on several components of the system and of risk-warning ;	Comply	**2.2.2.3.**
	vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary.	Comply	**2.2.2.5.**
II.1.1.3	The Board of Directors shall ensure the establishment and functioning of the internal control and risk management systems. The Supervisory Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment to the company's needs.	Comply	**2.2.3.**
II.1.1.4	The companies shall: i) identify the main economic, financial and legal risk that the company is exposed to during the exercise of its activity; ii) describe the performance	Comply	**2.4.**

	and efficiency of the risk management system, in its Annual Report on Corporate Governance.		
II.1.1.5	The Board of Directors and Supervisory Board shall establish internal regulations, which shall be disclosed on the Company's website.	Comply	**2.3.**
II.1.2.	INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	Comply	**2.1.1. e 2.1.2.**
II.1.2.2	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	Comply	**2.8.**
II.1.2.3	The independency assessment of its non-executive members carried out by the Board of Directors shall take into account the legal and regulatory rules in force concerning the independency requirements and the incompatibility framework applicable to members of other corporate boards, which ensure orderly and sequential coherence in applying independency criteria to all the company. An independent executive member shall not be considered as such, if in another corporate board and by force of applicable rules, may not be an independent executive member.	Comply	**2.8.**
II.1.3.	ELIGIBILITY CRITERIA FOR APPOINTMENT		
II.1.3.1	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	Comply	**2.11.**
II.1.3.2	The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members.	Comply	**2.8.**
II.1.4.	POLICY ON THE REPORTING OF IRREGULARITIES		
II.1.4.1	The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including	Comply	**2.13.**

	confidential treatment, should this be requested by the reporter.		
II.1.4.2	General guidelines from this policy should be disclosed in the Corporate Governance Report	Comply	**2.13.**
II.1.5.	REMUNERATION		
II.1.5.1	The remuneration of the Members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the company. Furthermore, the remuneration shall be based on performance assessment and shall discourage taking on extreme risk. Thus, remunerations shall be structured as follows:		
	i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's activity.	Comply	**2.12.**
	ii) The variable component of the remuneration shall be reasonable overall as regard the fixed component of the remuneration and maximum limits shall be set for all components.	Comply	**2.12.**
	iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the company's steady positive performance during said period.	Comply	**2.12.**
	(iv) Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company.	Comply	**2.12.**
	(v) The Executive Directors shall hold, up to twice the value of the total annual remuneration, the company shares that were allotted by virtue of the variable remuneration schemes, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.	Not Applicable	No shares were allocated to executive directors.
	(vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years;	Not Applicable	
	(vii) The appropriate legal instruments shall be established so that in the event of a	Non comply	Sonae Indústria does not meet this recommendation

	Director's dismissal without due cause, the envisaged compensation shall not be paid out if the dismissal or termination by agreement is due to the Director’s inadequate performance.		because it considers that in the absence of just cause for dismissal, the provisions of paragraph 5 of Article 403 of the Companies Code has to apply which provides that the director, dismissed without just cause, is entitled to compensation for damage suffered, by the way stipulated in the contract concluded with him or under general law.
	(viii) The remuneration of Non-Executive Board Members shall not include any component the value of which is subject to the performance or the value of the company.	Comply	**2.12.**
II.1.5.2	A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on:		
	i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration	Comply	**2.12.**
	ii) the payments for the dismissal or termination by agreement of the Directors' duties.	Non comply	Sonae Indústria does not comply with this recommendation, justifying that the law must be applied.
II.1.5.3	The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the directors, within the meaning of Article 248-B/3 of the Securities Code, whose remunerations contain an important variable component. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.	Comply	**2.12.**
II.1.5.4	A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Board of Directors and Supervisory Board and other managers within the context of Article 248-B/3 of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall	Not Applicable	

	contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the Board of Directors and Supervisory Board and other managers within the context of Article 248-B/3 of the Securities Code, shall also be approved at the General Meeting.		
II.1.5.6	At least one of the Remuneration Committee's representatives shall be present at the Annual General Meeting for Shareholders.	Non comply	Neither of the two Shareholders' Remuneration Committee members was able to attend the 2010 Annual General Meeting.
II.2.	BOARD OF DIRECTORS		
II.2.1	Within the limits established by law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	Comply	**2.1.2.**
II.2.2	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Comply	**2.1.2.**
II.2.3	Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.	Not Applicable	
II.2.4	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	Comply	**2.8.**
II.2.5	The company shall explain its policy of portfolio rotation on the Board of Directors, including the person responsible for the financial portfolio, and report on same in the Annual Corporate Governance Report.	Comply	**2.6.**
II.3.	CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS		

II.3.1	When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	Comply	**2.7.**
II.3.2	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	Comply	**2.7.**
II.3.3	The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.	Not Applicable	
II.4.	GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD		
II.4.1	Besides carrying out its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out an on-going assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) the definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	Not Applicable	
II.4.2	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	Comply	**2.1.3.**
II.4.3	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	Comply	**2.1.3.**
II.4.4	The General and Supervisory Board, the Auditing Committee and the Supervisory Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose	Comply	**2.11.4.**

	the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being the liaison officer between the company and the first recipient of the reports.		
II.4.5	According to the applicable model, the General and Supervisory Board, Auditing Committee and Supervision Board shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present.	Comply	**2.11.4.**
II.4.6	The internal audit services and those that ensure compliance with the rules applicable to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Statutory Audit Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Comply	**2.2.3.**
II.5.	SPECIAL COMMITTEES		
II.5.1	Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary Committees in order to:		
	i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees;	Comply	**2.14.**
	ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements.	Comply	**2.1. e 2.14.**
	iii) in due time identify potential candidates with the high profile required for the performance of director's duties.	Comply	**2.14.3.**
II.5.2	Members of the Remuneration Committee or alike shall be independent from the Members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Comply	**2.12.**
II.5.3	Any natural or legal person which provides or has provided, over the past three years, services to any structure subject to the Board of Directors, to the Board of Directors of the company or that has to do with the current consultant to the company shall not be recruited to assist the Remuneration	Comply	**2.12.**

	committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services.		
II.5.4	All Committees shall draw up minutes of the meetings they hold.	Comply	**2.14.**
III.	INFORMATION AND AUDITING		
III.1.	GENERAL DISCLOSURE REQUIREMENTS		
III.1.1	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	Comply	**3.12.**
III.1.2	The following information disclosed on the Company's Internet website, shall be available in English: a) The Company, its listed company status, the registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office – its functions and contact details; e) Financial Statements; f) Half-Yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings.	Comply	**3.12.**
III.1.3	Companies shall advocate the rotation of auditors after two or three terms in accordance with four or three years respectively. Their continuance beyond this period must be based on a specific opinion for the Supervisory Board to formally consider the conditions of auditor independence and the benefits and costs of replacement.	Comply	**3.13.**
III.1.4	The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Supervisory Board.	Comply	**2.2.3.**
III.1.5	The company shall not recruit the external auditor for services other than audit services, nor any entities with which same takes part or incorporates the same network. Where recruiting such services is called for, said services should not be greater than 30% of the total value of	Comply	**3.13**

	services rendered to the company. The hiring of these services must be approved by the Supervisory Board and must be expounded in the Annual Corporate Governance Report.		
IV.	CONFLICTS OF INTEREST		
IV.1	SHAREHOLDER RELATIONSHIP		
IV.1	Where deals are concluded between the company and shareholders with qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be carried out in normal market conditions.	Comply	**3.11.**
IV.1.2	Where deals of significant importance are undertaken with holders of qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be subject to a preliminary opinion from the Supervisory Board. The procedures and criteria required to define the relevant level of significance of these deals and other conditions shall be established by the Supervisory Board.	Comply	**3.11**

1. Shareholders' General Meeting

1.1. Board of the Shareholders' General Meeting: composition and duration of the mandate

The Board of the Shareholders' General Meeting was elected at the Shareholders' Annual General Meeting of Sonae Indústria held on 28th April 2009, for the mandate (2009-2011) and is composed of:

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

The company provides human resources and logistical support to the Members of the Board of the Shareholders' General Meeting which is appropriate for their requirements through the legal department of the company. This department actively collaborates in the preparation of general meetings, ensuring the publication of the invitations, receiving and controlling all communications from shareholders and intermediaries and works closely to ensure the logistical aspects of the meeting.

1.2. Remuneration of the Chairman of the Board of the Shareholders' General Meeting

The remuneration of members of the company's Board of the Shareholders' General Meeting consists of a fixed fee, determined considering the company situation and market practices.

The remuneration of the Chairman of the Board of the Shareholders' General Meeting in 2010 amounted to 5,000 Euros.

1.3. Voting Rights and Shareholder´s Representations at General Meeting

Under the terms of Sonae Indústria's Articles of Association, the Shareholders' General Meeting is composed only of shareholders with voting rights who, until five business days before the meeting taking place, provide evidence of their ownership, according to the terms established by law. The Chairman of the Board of the Shareholders' General Meeting used to agree the participation in the Shareholders' General Meeting of the shareholders whose ownership evidence was received by the company by fax or e-mail on the last day of that period.

Considering the provision of Article 23º-C of the Securities Code, added by Decree-Law No. 49/2010 of May 19th, establishes that , who is entitled to participate, discuss and vote in the Shareholders' General Meeting, are shareholders who at the record date, which corresponds to 0 hours of the 5th trading day prior to the date of the meeting, hold at least one vote, according to law and the statutes, the Board of Directors of Sonae Indústria will propose at the Shareholders' Annual General Meeting to be held in 2011 to change the Articles of Association so that it is adapted to the new Decree-Law. On the other side and given the new legal provision, these new rules will apply at the next AGM.

In relation to share blocking in the event of suspension of the general meeting, Sonae Indústria's Articles of Association were changed at the 2010 Annual General Meeting to establish that evidence of a shareholder should also be made within 5 working days prior to the new session. Prior to this change, the Chairman of the Shareholders' General Meeting considered that, if the suspension period for the Shareholders' General Meeting would not exceed 5 working days, the share blocking required for the first session would be maintained because it would be impossible to meet before the time required for the first session. In the event of the suspension period exceeding 5 working days, the Chairman of the Shareholders' General Meeting would only require the shares blocking prior to that ordinarily required for the first session. Given the amendment to the Securities Code by Decree-Law 49/2010 also on this issue, it is to apply what is therein established.

Under the terms of Sonae Indústria Articles of Association, Individual shareholders may be represented at Shareholders' General Meetings as long as they have notified the Chairman of the Shareholders' General Meeting in writing, identifying the representative and his or her residence and date of the meeting. Corporate shareholders may be represented by a person duly appointed for that purpose by letter, the authenticity of which is scrutinised by the Chairman of the Shareholders' General Meeting. Given the amendment introduced by Decree-Law No. 49/2010 to the Article 23 of the Securities Code, also on this issue it is going to be applied what is defined therein.

To each share corresponds one vote.

Under Sonae Indústria's Articles of Association, Shareholders' General Meetings can convene at the first session, as long as shareholders representing over fifty percent of the Company's share capital are present or represented.

All decisions at Shareholders' General Meetings are taken by simple majority except in those situations in which a higher percentage is required by law.

While Sonae Indústria is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items on the agenda of the Shareholders' General Meeting, following the rules for the exercise of voting by post.
Sonae Indústria's Articles of Association establish that votes can only be considered when sent to the headquarters of the Company by registered post with notification of receipt addressed to the Chairman of the Shareholders' General Meeting. These votes should be received at least three days before the date of the Meeting and are subject to the normal rules regarding evidence of share ownership. Postal votes are considered negative votes in relation to any proposals presented after the date on which they were issued. A standard form for postal voting is available from Sonae Indústria's corporate website **www.sonaeindustria.com** and its head offices.

Sonae Indústria does not have any process for electronic voting.

Proposals to be submitted by the Board of Directors to the Shareholders' General Meeting were made available to shareholders as required by law (one month or fifteen days notice ahead of the meeting, depending on whether there is a proposal to alter the Company's Articles of Association) at the Company's registered office and at the Company´s website, together with all relevant reports, documents and other legally mandatory information.
Given the provisions of Article 21º-C of the Securities Code introduced by Decree-Law No. 49/2010 of May 19th, the preliminary information for the General Meeting and the proposals submitted by the Board of Directors will be available at the time of disclosure of the notice of meeting.

Following the Annual General Meeting held on 28th April 2010, Sonae Indústria disclosed to the market the content of the proposals presented and deliberations taken at such Shareholders' General Meeting. In addition, Sonae Indústria posted in its website on the 30th of April information regarding represented capital, voting results for each proposal, as well as the content of the proposals presented the General Meeting. This information will be maintained on the company's website for no less than a 3 year period.

At the Shareholders' General Meetings held on the 28th April 2010, none of the Shareholders' Remuneration Committee members could be present due to agenda constrains.

As stated in the Sonae Indústria Articles of Association, the Shareholders' General Meeting is responsible for fixing the remuneration of the members of the governing bodies or electing a committee for this purpose. The Sonae Indústria Shareholders' Annual General Meeting in 2009 elected the Shareholders' Remuneration Committee for the current mandate (described in section 2.12. of this report).

The Shareholders' Remuneration Committee submitted to the shareholders a proposal on the remuneration policy for members of the governing bodies and other managers which was unanimously approved by the shareholders present.

Regarding the performance of members of the Board of Directors, all Annual General meetings include, in the terms of the law, a point on the agenda regarding the general assessment of the administration and supervision of the company where if they so wish, shareholders can discuss the performance of the members of the administration.

The remuneration policy approved at the 2010 Annual General Meeting provides that the Medium Term Variable Bonus of executive directors is paid by delivery of own shares at no cost to those directors, setting out how such an allocation is made, keeping always the choice of delivering, in its place, the cash value. At the same Annual General Meeting it was approved a proposal authorizing giving own shares to

the Executive Board Members and staff of the company and companies directly or indirectly dependent, during the eighteen months following the Annual General Meeting up to 1% of the company´s share capital, settling the form of valuation of the shares, comprising the above limit actions that might reasonably be sold by companies directly or indirectly dependent on the directors and staff.
Sonae Indústria, as well as companies directly or indirectly dependent, did not approve any regulation of assignment and/ or option of own shares to Board Members or staff, apart from what is written in the remunerations policy approved at the Annual General Meeting.

Sonae Indústria has no system of retirement benefits.

The Company has not adopted any measures that would hinder the success of a public tender offer for the purchase of the Company's shares nor the company's Articles of Association limits the number of votes that may be held or exercised by a sole shareholder.

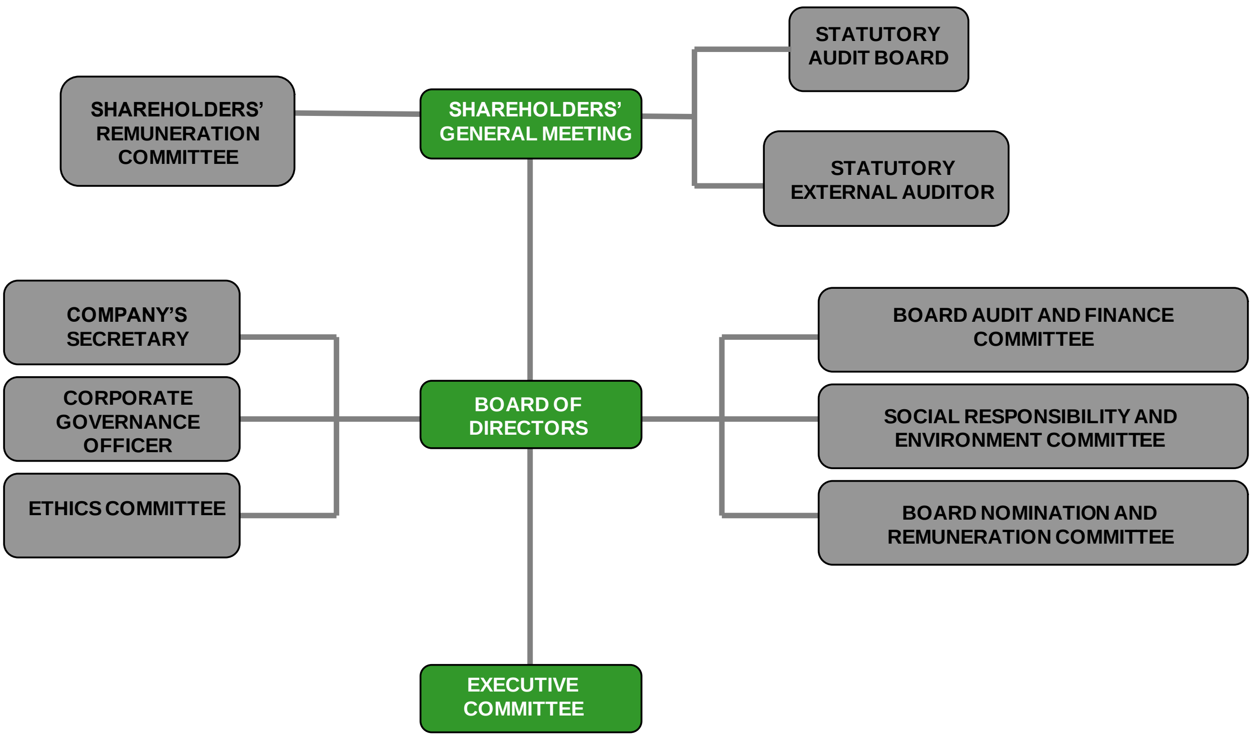
On December 31st, 2010 there were financings in the amount of about 47 million euros, for which the respective creditors have been able to consider the debt as matured in case of shareholder control changes.

Sonae Indústria has not entered into any kind of relevant agreement that would be subject to change or termination in the event of transfer of control of the company. Furthermore, it does not envisage defensive measures that instigate immediate serious asset erosion in the company in the event of transmission of the Company´s control or change in the composition of the Board of Directors.

No agreements exist relating to compensation or payments made to directors or other employees because of contract termination due to a change in company control.

2. Corporate Governing and Auditing Bodies

SECTION I – General Issues



2.1. Corporate Governing Bodies

The Sonae Indústria Articles of Association define a corporate governance model of the company known as the "Reinforced Latin Model", which implies that the company has a Board of Directors, Statutory Audit Board and Statutory External Auditor.

The Corporate Governance Officer examines annually the advantages and possible disadvantages of adopting this model and reports his conclusions to the Board of Directors.

The Board of Directors believes that the model favours the interests of the company and its shareholders, being effective and having not faced any constraints to its operation.

2.1.1 Board of Directors

Based on the Articles of Association, the Board of Directors may be composed of an even or odd number of members, ranging from a minimum of three to maximum of thirteen, elected at a Shareholders' General Meeting.

Sonae Indústria's Board of Directors is currently composed of 9 members, 8 of them were elected at the 2009 Shareholder's Annual General meeting for the mandate 2009-2011, and the ninth element, João Paulo dos Santos Pinto, was elected until the end of the current term, at the 2010 Annual General Meeting.

The Board of Directors of Sonae Indústria is composed of:

- Belmiro Mendes de Azevedo - Chairman (Non Executive)
- Álvaro Cuervo García (Non Executive and Independent)
- Duarte Paulo Teixeira de Azevedo (Non Executive)
- Per Otto Knuts (Non Executive and Independent)
- Knut Thomas Alarik Nystén (Non Executive and Independent)
- Carlos Francisco de Miranda Guedes Bianchi de Aguiar (Executive)
- Rui Manuel Gonçalves Correia (Executive)
- Christophe Chambonnet (Executive)
- João Paulo dos Santos Pinto (Executive)

The Chairman of the Board of Directors, who is elected by the Board, has a casting vote.
As stipulated by the Company's Articles of Association, Sonae Indústria's Board of Directors meets once a quarter and additionally whenever the Chairman or two of its members call a meeting. All decisions taken are recorded in the respective minutes. According to the Articles of Association, when a Board member misses two meetings this will be considered a definitive absence, if the justification has not been accepted by the Board of Directors.

Eight Board meetings were held in 2010. The Board of Directors can only deliberate if the majority of its members are present or represented, and decisions are taken by a majority of the votes of the Board members present or represented and of those who vote by post.

According to Corporate Governance best practices, the Board undertakes periodically a formal self-assessment with the help of an external consultant. The last assessment was in 2008, which was designed to evaluate how the Board and the Board Committees function, to evaluate Corporate Governance at Board level and to propose measures for further improvements. The measures identified to be implemented have already been implemented. Through this process each director has the opportunity to assess his / her colleagues, express his / her views on a number of items related to their performance, having each director the opportunity to comment the analysis performed by his/her colleagues. This entire process is conducted with the assistance of an external consultant.

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors appointed 3 Board Committees with specialized competences, a Corporate Governance Officer and one Ethics Committee. These committees are described under the chapter 2.14 of this report.

2.1.2 Executive Committee

The Executive Committee is appointed by the Board of Directors and is composed of 4 members.

EXECUTIVE COMMITTEE

Carlos Bianchi de Aguiar
President of the Executive Committee and CEO

Rui Correia
CFO

Christophe Chambonnet
CM & SO

João Paulo Pinto
CI & TO

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

a) appointing the Chairman of the Board;
b) co-opting a substitute for a member of the Board;
c) convening Shareholders' General Meetings;
d) approving the Annual Report and Accounts;
e) granting any pledge, guarantee or charge over the Company's assets;
f) deciding to change the Company's headquarters or to approve any share capital increases;
g) deciding on mergers, de-mergers and modifications to the corporate structure of the Company;
h) approving the Company's Business Plan and Annual Budget;
i) deciding key features of personnel policies including stock incentive plans and variable remuneration plans applicable to Executives and Senior Managers (Management Levels G4 and above), in areas that do not require resolutions

from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings, together with decisions on individual compensation for Executives of Management Levels G3 and above, which competence is delegated to the Board Nomination and Remuneration Committee and, when these Executives are Officers of the Company, also require decisions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings;

j) defining or changing major accounting policies of any company included in the consolidation perimeter of Sonae Indústria Group;

k) approving quarterly and half-yearly reports and accounts;

l) selling, acquiring directly or by long-term lease or transacting in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 5,000,000 Euros;

m) purchasing or subscribing new shares in the share capital of any subsidiary company where the accumulated amount exceeds 20,000,000 Euros in any financial year;

n) investing in any other company or in other financial assets when the accumulated value is in excess of 10,000,000 Euros in any financial year;

o) making any other financial investment which exceeds the accumulated amount of 10,000,000 Euros in any financial year, unless in the ordinary course of business, namely in short term investments of available cash

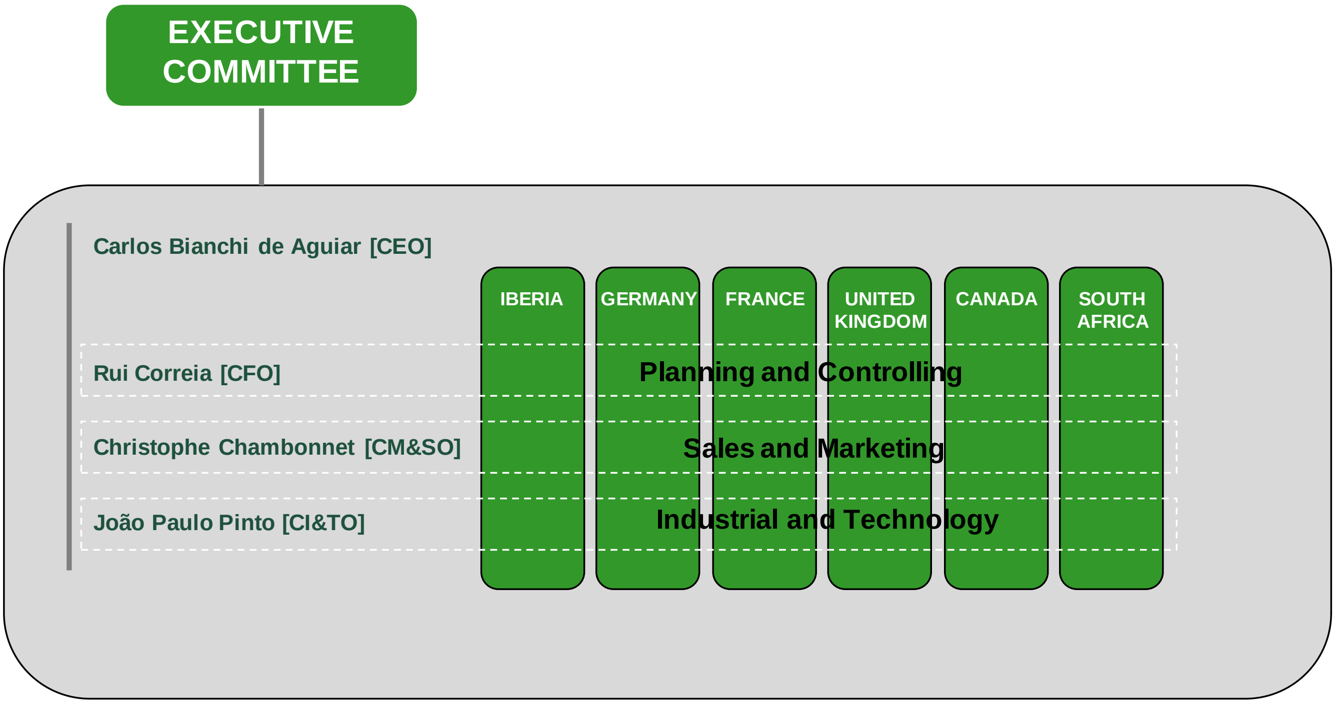
p) disposing of assets or other divestments, if such a transaction has a significant effect on the operating results of the Company (defined as equal or greater than 5%) or affects the jobs of more than 100 employees;

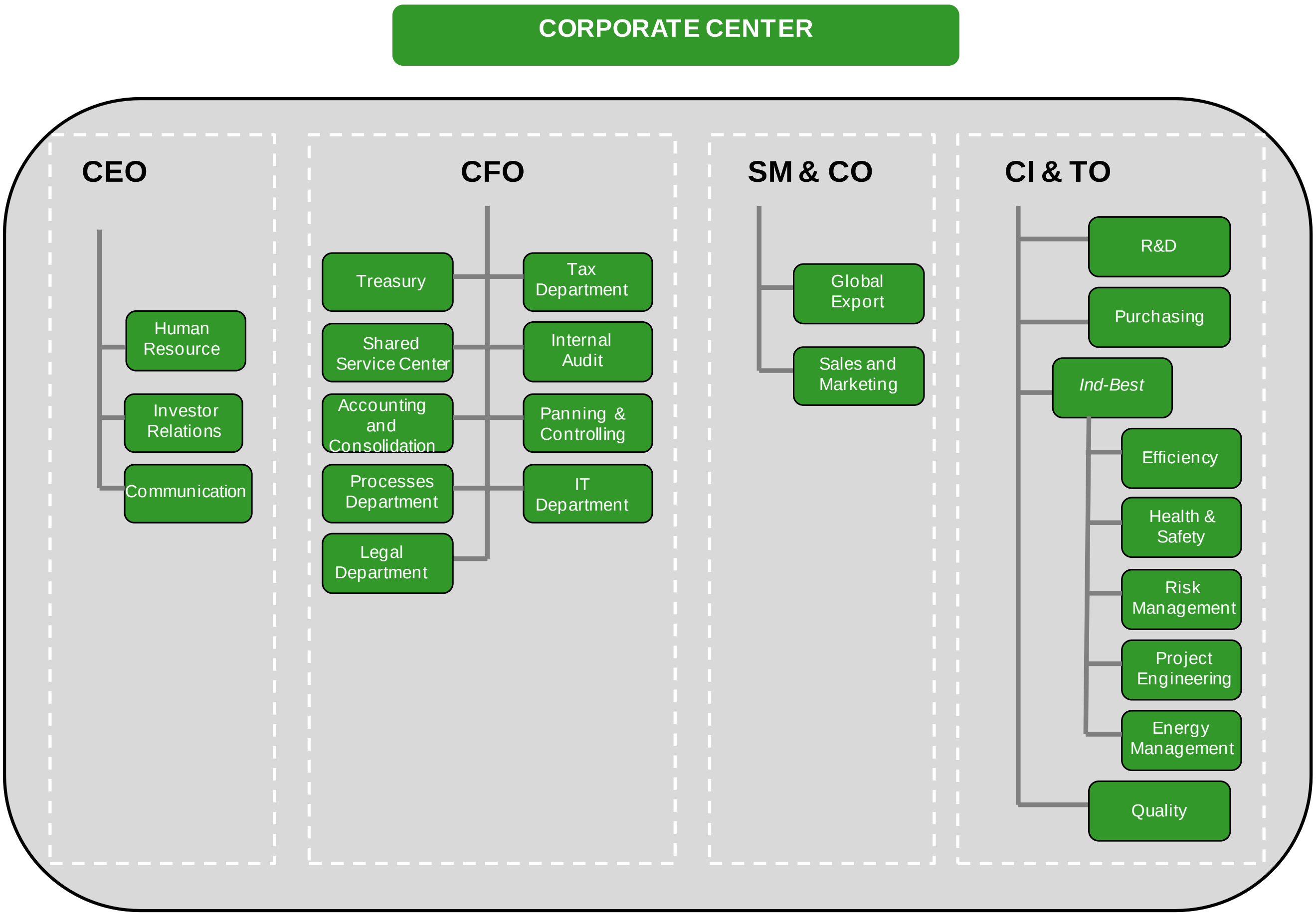
q) defining Sonae Indústria and Sonae Indústria Group strategy and general policies;

r) defining the corporate structure of Sonae Indústria Group.

In 2010 another Member joined the Executive Committee, as a new matrix organization model was adopted, with the creation of two new functions to the Executive Committee, CM & SO - Chief Marketing and Sales Officer and CI & TO - Chief Industrial and Technology Officer.

The areas that report to the Executive Committee are divided as follows:





The Executive Committee normally meets at least once every month and additionally whenever the President of the Executive Committee or a majority of its members call a meeting in writing, at least 3 days before the appointed date. Meetings can only take place if at least three of the members are present (either physically or by videoconference). The President of the Executive Committee presides the meeting.

Decisions made by the Executive Committee are taken by the majority of its members. In the absence of this majority, the Executive Committee must submit the matter under consideration to the Board of Directors for deliberation.

2.1.3 Statutory Audit Board

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

The Statutory Audit Board was elected at the 2009 Shareholders' Annual General Meeting for the current mandate (2009-2011) and has the following composition:

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

The Statutory Audit Board report is available on the company website together with other accountability documents. This report includes a description of the Statutory Audit Board's activity, which did not mention any constraints identified.

2.1.4 Statutory External Auditor

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

2.1.5 Company Secretary

The Company secretary and his/her substitute are appointed by the Board of Directors and have a 3-year mandate in accordance with that practiced at other corporate governing bodies, having been designated in 2009 for the new mandate (2009-2011). The Company secretary shall perform those duties established by law.

The Company secretary and her substitute are:

Permanent: Júlia Maria Moreira da Silva Santos
Substitute: Patrícia Isabel Chemega dos Santos

2.2. Internal Control, Internal Audit and Risk Management

2.2.1 Internal Control

Sonae Indústria is based on integrity and ethical values that emanate from the top down with the example then being set by management.

The different governing bodies have been born from a management philosophy and operating style based on a strong organizational structure with adequate assignment of authority and responsibilities. Sound Human Resource policies and procedures together the existence of the Code of Conduct are enshrined in the framework.

Sonae Indústria faces a variety of risks from external and internal sources which must be assessed and we have instilled in our company a culture of prevention and early detection. As you will see subsequently, an Enterprise-Wide Risk Management Framework was developed and is continually updated.

Policies and procedures have been developed that help ensure management directives are carried out. Sonae Indústria has a dedicated team in **Business Process & Organization** which through working with local operations and central departments, acts as a Centre of Excellence in accomplishing key objectives such as: prioritising, developing and implementing processes (including control activities); maintaining a Process Library (knowledge and documentation); establishing process best practices; and, evaluating process performance. Sonae Indústria has a huge range of activities in place as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Pertinent information is identified, captured and communicated within a form and timeframe which enables people to fulfill their responsibilities. Sonae Indústria has a strong **Planning and Management Control** department which supported by robust information systems, produces reports containing operational, financial and compliance-related information. The **Accounting & Consolidation** department is responsible for the preparation of the consolidated financial information based on reporting packages from the Administrative and Financial responsibles of each country. The centralised accounting back-office (**Shared Service Center**) performs the accounting of all subsidiaries, with the exception of the Canadian, thus helping to guarantee alignment of policies and procedures and strengthening controls.

Internal control systems are monitored. Ongoing monitoring activities exist, namely regular management and supervisory activities. Separate evaluations conducted by the internal audit department, whose scope and frequency depend primarily on an assessment of the risks and effectiveness of ongoing monitoring procedures.

There are procedures for periodic reporting to management and supervisory bodies of major internal control deficiencies

Sonae Indústria has a reasonable level of confidence in the internal control framework which is currently in place. Communication of the Vision, Values and Principles throughout the organisation has reinforced the tone in terms of ethical behaviour. The existence of the Code of Conduct, of the Whistleblower tool and the Éthics Committee, enhance the control culture of the organisation.

2.2.2 Internal Audit

Internal Audit is an independent and objective activity, which aims helping Sonae Industria to achieve their goals by participating in the process of value creation. Uses a systematic and structured approach to evaluate and improve the effectiveness of risk management, internal control procedures and corporate governance.

Internal Audit operates in accordance with International Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors, including its Code of Ethics.

In fulfilling its responsibilities, Internal Audit has access to any persons, records, information systems and assets deemed necessary.

Internal Audit reports functionally to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

The planning of the activity of Internal Audit is essentially developed based on a prior assessment of the systematic business risks of Sonae Indústria. The annual plan of Internal Audit activity is approved in advance by the Executive Board and submitted to the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

Descriptive reports of the activity of Internal Audit are periodically prepared and sent to the Executive Committee, the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board of Sonae Industria, which includes the summary of significant internal control deficiencies and shortcomings in procedures and policies set by society.

The reporting system implemented ensures regular feedback, a proper review of the activities and the possibility to adjust the plan of activities to emerging needs.

Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board are responsible for overseeing the effectiveness of the internal audit function. Accordingly, Internal Audit has developed a quality assurance and quality promotion, which includes ongoing analysis and regular and periodic evaluations of the quality conducted internally and externally.

2.2.3 Risk Management

Risk Management is a key concern within the Sonae Indústria culture and is present in all management processes, forming part of the delegated responsibility of managers and employees at all levels within the Sonae Indústria Group.
Risk Management comprises the process of identifying potential risks, analysing their possible impact on the organisation's strategic goals and seeking ways to minimise the probability of their materialisation, in order to determine the best procedures to manage exposure to them.

A global approach is in place to assure a suitable and balanced coverage of the operational risk through its transfer to our reinsurance panel. Sonae Indústria developed variouss Global programs to place the risk in the insurance locall market, aiming to cover:

- Property damage (including machinery breakdown) and Business Interruption;
- Damage in the transport of material;
- Damage caused to third parties (Liability);
- Environmental damage;
- Customer payments delays and Insolvency.

Sonae Indústria adopts global policies as a support to its processes of risk management and is committed to improving its assets protection and prevention levels to reinforce the partnership with the insurance marktet.

2.2.3.1 Risk Management Organisation

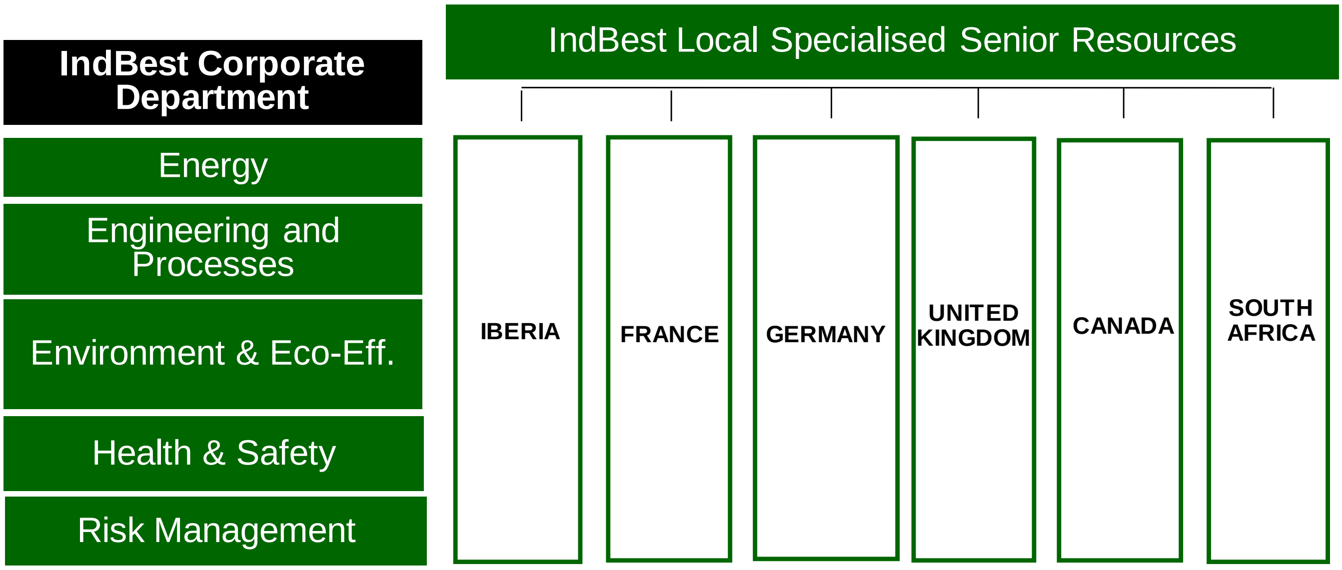
The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.

In recognising this importance and the transversal nature of the function, Risk Management is integrated in the department responsible for the consolidation of best Industrial, Environmental, Energy and Health & Safety practices (Corporate Department IndBest).

The Risk Management department is separated in two functions - Operational Risk Management and Insurance Management - in order to focus on developing and implementing measures to mitigate risks in industrial operations, and in developing skills to be more efficient and effective in using insurance policies underwritten by the Group.

The Risk Management Department consists of a central team of 2 full time members, one of which is responsible for Operational Risk Management and the other for Insurance Management. A formally coordinated network of Country Risk Officers exists in each of the countries where Sonae Indústria operates and at each of the sites there is a dedicated Plant Risk Officer.

The organisation of the IndBest ("Industrial Best Practices") corporate department can be analysed in the chart below:



The Risk Management function is also related to the Corporate Planning and Management Control Department which is composed of 7 people, organised into three teams to better address the challenges and changes the businesses faces. These are the Corporate Reporting Team (which is also responsible for business analysis), the Investment Analysis and big projects Team and the Strategic Planning and Special Projects Team.

2.2.3.2 Process of Integrated Risk Management

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

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

The Risk model, which was built in 2004 and revised in 2006, aggregates the business risks into three categories (Business Division Risk, Business Process Risks and Risk Information for Decision Making) and contains the quantification of the relevance (impact on EBITDA and operating efficiency) as well as probability (frequency of the event or scenario occurring) of the critical risks for Sonae Indústria.

The Risk Model has been undergoing continuous updates and in 2008 a new risk was introduced, entitled *Community Concern*. This risk evaluates the influence – negative or positive - that Sonae Indústria could exert in the local community where its activities are developed.

In 2009 and in the context of the management of the Risk "Community Concern", Sonae Indústria formally launched an environmental communication forum for the White River community in South Africa. This forum was set up under the project to expand production capacity in this industrial unit, which was completed in 2009. Community concerns focused mainly on issues related to dust and noise emissions, derived from the older parts of the industrial process. Consequently, an extensive investment plan to mitigate the problems observed will be implemented.

The management of financial risks, incorporated into the business process risks is carried out and monitored within the ambit of the finance function.

2.2.3.3 Operational Risk Management

Given the risk associated with industrial activity at Sonae Indústria and being a world leader in the wood-based panels sector, it would be unacceptable to fail to recover from a catastrophic event on a "world class" scale. Thus, protection of core assets as well as loss prevention are constant concerns for our Group and these were defined as priorities for 2010.

In 2010 we created a database to systematize, organize and promote the sharing of operational risk among all industrial units Indústria. This database now has over 450 papers in various categories, which are:
• Best practices for risk mitigation at Sonae Industria;
• Fire detection and extinguishing system suited to industrial activity;
• Internal reports of incidents findings and corrective measures to implement;
• Publication of reports of internal and external audits.

In line with the Special Risks identified at the Corporate Standards of Operational Risk (CORS), a detailed action plan was developed in 2010 to deal with the risk associated with thermal oil systems. The defined actions reflect the highest degree of protection and best practices in mitigating this risk. The implementation process will be phased and was previously validated by the main insurer (Fronting Insurance Company) and the external consulting firm.

At the end of the year a Risk Forum was created to promote discussion, sharing and monitoring of various actions to be undertaken. This forum will schedule at least quarterly by performing via video-conference with simultaneous participation of Risk Management Responsible for all industrial units.

2.2.3.4 Corporate Operational Risk Standards (CORS)

This project was developed to ensure standardisation of processes and procedures across all geographies in an effort to improve operational risk management by leaving little or no room for uncertainty.

The CORS were developed with reference to international standards such as NFPA[10] and/or FM[11] data sheets, considering the best practices of the wood industry and good fire protection engineering practices existing at Sonae Indústria.

All procedures were developed by a team with the Corporate Risk Management, Global Insurance Broker, Fronting Insurance Company and external consulting entity recognised by the entire insurance panel who guaranteed validation of the output.

Internal departments were also involved as active partners in the entire process to guarantee a wide scope of the project and to avoid transversal implications.

The Corporate Operational Risk Standards (CORS) are divided into three areas:

1. Management Programs and Procedures:
   - Best Industry Practices in Loss Prevention involving the Human Element;

[10] National Fire Protection Association
[11] Factory Mutual

- Preparation for emergencies;
- Management of Programs (maintenance, equipment inspections, training, contractors, housekeeping).

2. Fire Protection Systems:
   - Reference to international recognised standards, mainly NFPA;
   - General requirements in fire detection and protection of industrial premises, fire water supply specifications and building materials characteristics;
   - Integration of component for Surveillance practices (hardware).

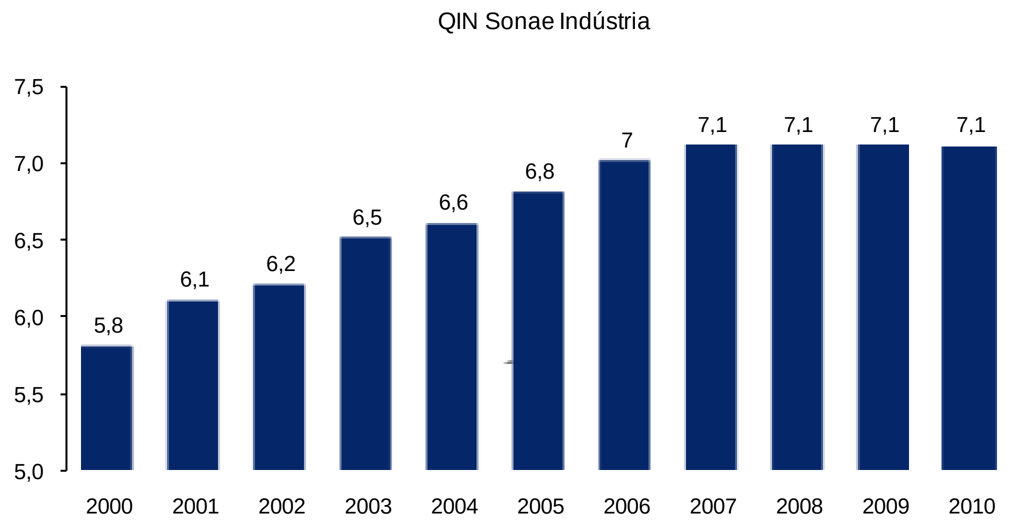
3. Special Hazards:
   - World class developed knowledge in fire detection and protection inherent to the wood based panels industry: wet and dry particle handling and transport, dryers, hot presses;
   - Specific issues such as, thermal and hydraulic oil installations, electrical cabinets, and rooms, or transformers.

In 2010, 28 standards were revised and updated and 2 were created according to a necessary process of improving and updating. All changes were previously subject to approval by Global Insurance Broker, the Main Insurance Company (Fronting Insurance Company) and external consulting firm to ensure the suitability of them.

2.2.3.5 Inspections

External Risk Inspections
Since 2009, the CORS have become the processes and procedures by which the audit risks are oriented to check the exposure of each plant. This permitted greater transparency and harmonisation in the audit process. The format of the external audits remains at all sites every two years. Subsequently, a report is issued with a set of recommendations for each of the plants visited and a rating of the risk quality (QIN – Quality Index Number) is allocated for each plant. Since 2000, the overall QIN of Sonae Indústria has improved from 5.8 in 2000 to 7.1 in 2009 (on a scale from 0 to10).

In 2010 a joint document for preparation of External Inspections was created and released. This paper examines the implementation of all processes listed in CORS homogeneously in all industrial units. Thus the preparation of inspections and understanding of Auditors is guaranteed regardless of geography to be audited.
During the audit program of 2010 were made 10 external audits.



Internal Risk Inspections
An internal visit is made to each plant every 18 months to review the status of the previous internal and external recommendations as well as compliance with Corporate Operational Risk Standards.

In 2010 a new reporting format similar to the internal audits of external audits was created. Thus the content, evaluations and recommendations follow the same instructions given by outside companies which facilitate the understanding and treatment of industrial units.

During 2010 9 internal audits were conducted. The recommendations are followed and treated in the same way that external advice and, where appropriate, integrate the Risk 2004-2013.

2.2.3.6 Self Inspection Form

A Quarterly Control self-assessment procedure using a Self Inspection Form has been carried out by each plant since 2000.

With the implementation of CORS, a new software application including the necessary updates was launched in the first quarter of 2009.

This evaluates 70 items grouped into 5 categories (Assets, Management/Leadership, People, Process and Third Parties).

All non-conformities detected automatically generate a corrective action where the action to be taken to solve the non-conformity, as well as the duration and corresponding responsibilities are registered. An automatic quarterly follow-up of outstanding corrective actions also exists.

2.2.3.7 2004-2013 Risk Plan

Each individual plant plan (which is updated annually) defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards by 2013. The main objectives encompass:

- Improving Sonae Indústria’s Installations Risk Standard with a view to increasing employee and asset safety, and avoiding eventual periods of business interruption;

- Obtaining a payback reflected in the insurance premium (demonstration of real and tangible commitment to loss prevention);

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

The 2004-2013 Risk Plan forms an integral part of the Industrial Master Plan of Sonae Indústria, which consists of the investment planning of each plant for the next 5 years.

2.2.3.8 Insurance Premium Distribution

Sonae Indústria's global insurance premium is charged to each plant with 50% being allocated according to insurance market prices and 50% being based on the plant's measured risk quality allocated (QIN). The former is calculated in line with "stand alone" local market insurance premium levels and the latter according to the QIN of each plant.

2.2.4 Responsibility of the management and auditing bodies in the Internal Control and Risk Management activities

It is the responsibility of the Board of Directors to create the necessary structures and services to ensure that the internal control and risk management system works properly.

For this purpose, specific departments were created, some years ago, composed by specialized teams - Internal Audit and Risk Management.

The main function of the Internal Audit department is to monitor compliance with procedures and policies defined and to report to the Board of Directors on any irregularities found. The Risk Management department must analyse the potential risks of the business and implement the standards as well as the systems that can reduce those risks.

The person responsible for the Internal Audit Department reports functionally to and meets the Statutory Audit Board at least twice a year as well as the Board and Audit Finance Committee, whose chairman is an Independent Director. Both Governing Bodies can request information or clarifications whenever they wish.

Additionally, it is the BAFC's particular duty to manage the risk, internally control the business processes and businesses as well as analyse the results of the Internal and External Audit.

The competences of the Statutory Audit Boards include reviewing the effectiveness of the risk management system as well as that of the internal control and audit systems. This Governance Body has access to all the information whenever it deems necessary and can liaise with the heads of the respective departments.

The External Auditor reviews the implementation of policies and remuneration systems as well at the effectiveness and operation of the internal control mechanisms. In the event of finding any defect or irregularity, this will be reported to the Statutory Audit Board.

2.3. Regulations of the Governing Bodies

The Board of Directors, Executive Committee and Statutory Audit Board have regulations which can be found at the site www.sonaeindustria.com.

No definitive rules have been set for any incompatibilities or cumulative number of positions, being applicable the law provisions.

2.4. Identification of the main economic, financial and legal risks to which the company is exposed in its activity

The main financial risk that Sonae Indústria is exposed to is credit risk over its customers, which is the risk of a customer either paying late or failing to pay the acquired products due to lack of liquidity. To mitigate this risk, Sonae Indústria has credit management procedures and credit approval processes in place together with insurance policies wherever necessary.

The economical risks that Sonae Indústria is exposed to include Interest Rate Risk, Foreign Exchange Risk and Liquidity Risk.

Interest Rate Risk depends on the proportion of floating rate debt on Sonae Indústria's consolidated Statements of Financial Position and the consequent cash flows related to interest payments. As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges" which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria.

Foreign Exchange Risk derives from being a diversified Group with subsidiaries spread throughout three different continents. Consolidated Statements of Financial Position and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries are exposed to foreign exchange risk from both translation and transaction type. Whenever possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency.

Liquidity risk aims to ensure that the company can obtain the financing required to properly carry on its business activities on time, implement its strategy and meet its payment obligations when due, while avoiding the need for having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at Sonae Indústria mainly comprises consistent financial planning, diversification of financing sources and diversification of debt maturities issued.

Regarding Legal Risks, the main risk of the Group's business relates to legislative changes that may occur at the level of the activity (environmental law and labour, among others) that can encumber the activity to such an extent that its profitability may be affected.

2.5. Powers of the Board of Directors

The Board of Directors is empowered to ensure the management of the Company in accordance with the scope established in the Company's Articles of Association and under the law.

Currently, the Board of Directors may deliberate on increases in the Company's share capital of up to one thousand and two hundred million Euros, on one or more occasions, in accordance with the law.

2.6. Policy of functions rotation and appointment and replacement of members of the management and auditing bodies

Sonae Industria did not established any policy of rotation of functions of the Board of Director considering that there is no benefit to the company and to its shareholders, in rotating portfolios of the Board when the nominated Members for each portfolio are competent and successful in its function.

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

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

Members of the Statutory Audit Board are also elected by the Shareholders' General Meeting. Statutory Board members who are temporarily unable to exercise functions or whose functions have ceased are replaced by substitute members, who will subsequently continue functions until the first Shareholders Annual General Meeting. This meeting will then proceed to fill the respective vacancies.

In the absence of the alternate positions, vacancies are filled through a new election.

The Statutory External Auditor is elected by the Shareholders' General Meeting following a proposal from the Statutory Audit Board.

In the absence of the elected Statutory External Auditor, it is the responsibility of the Board of Shareholders' General Meeting to appoint his substitute, subject to ratification by the following Shareholders' General Meeting. In the absence of designation within 30 days, the company governing bodies shall notify the Association of External Auditors who is entitled to appoint the external auditor.

2.7. Board of Directors, Board Committees, Statutory Audit Board and Ethics Committee Meetings attendance

Over the course of 2010, the number of meetings and attendance recorded for the Board of Directors, Board Committees, Statutory Audit Board and Ethics Committee were as follows:

Meetings and Attendance	Number of Meetings	Attendance
Board of Directors	8	84%
Executive Committee	19	97%
Board Audit and finance Committee	5	73%
Social Responsibility and Environment Committee	2	67%
Board Nomination and Remuneration Committee	2	100%
Statutory Audit Board	6	89%
Ethics Committee	2	100%

All Governing Bodies have minutes from all their meetings.

With the objective of maintaining the Board of Directors and the Statutory Audit Board permanently informed on decisions taken by the Executive Committee, minutes arising from the Executive Committee meetings are available to all Board and Statutory Audit Board Members. At the end of each year the Executive Committee prepares the calendar of meetings for the following year, and informs about it Board of Directors and the Statutory Audit Board.

Members of the Executive Committee provide all information required by other members of the governing bodies both on time and in sufficient detail.

2.8. Independence of the members of the Board of Directors

The Board of Directors of Sonae Indústria is currently composed of 9 members, 4 Executive and 5 Non-executive.

Of the Non-Executive Directors, 3 (three) are Independent as they are not associated with any interests group within the company, they do not hold nor do they act on behalf of shareholders with qualified shareholdings of 2% or more of the company's share capital. Additionally, they have not been re-elected for more than two mandates, in accordance with rules in paragraph 5 from article 414 of the Companies Law.

All Independent Board Members comply with the applicable rules of incompatibility determined in art. 414-A paragraph 1 of the Companies Law, with the exception of Per Knuts and Thomas Nystén who do not comply with the rule set forth in paragraph c) of that provision as they perform functions in the Supervisory Board of Glunz, AG, a company subsidiary of Sonae Indústria, which does not imply a loss of independence.

These independent Directors exercise an important influence over the decision-making process and development of company strategy and policy.

The Board of Directors evaluates the independence of the Non-executive Board Members, applying the legal rules established for other Statutory Bodies.

Usually, the members of the Board, executive and non-executives, are appointed by the Shareholders' General Meeting under a proposal from a shareholder. Therefore, there is no interference in this process by the Executive Members. In the event of absence of any Board Member, the Board of Directors may in the terms of the law,

make a co-option. This is the sole responsibility of the Board of Directors, since this is a matter not delegated to the Executive Committee. It is the responsibility of the Board Nomination and Remuneration Committee (which does not have any Executive Board Member) to submit a proposal for this co-option.
The Board of Directors includes a description of the Activities undertaken by the non-executive Board Members in its management Report.

2.9. Professional qualification of the members of the Board of Directors, professional activities in the last 5 years and shares held, date of first appointment and date of term

Belmiro de Azevedo (Chairman): obtained a degree in Chemical Engineering at the University of Oporto, a PMD from Harvard Business School, participated in the Financial Management Programme from Stanford University and has occupied a diverse number of positions in the Efanor/Sonae Group from an early stage. Mr Belmiro de Azevedo is today Chairman of the Board of Sonae, SGPS, SAand Chairman of the Board and CEO of Sonae Capital, SGPS S.A., a member of the European Union Hong Kong Business Cooperation Committee, of the International Advisory Board of Allianz AG and of the Harvard Business School International Advisory Board. He has been awarded on a number of occasions, some of the most prominent being the "Encomienda de Numero de la Ordem del Mérito Civil" from His Majesty D.Juan Carlos, King of Spain, the "Order of the Cruzeiro do Sul" from the President of the Brazilian Federal Republic, the "Grã Cruz da Ordem do Infante D. Henrique" from the President of the Portuguese Republic, nomination as "Honorary Fellow" of the London Business School and member of the "Order of Outstanding Contributors to Sustainable Development" from the World Business Council for Sustainable Development.

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

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

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

Thomas Nystén (Independent): obtained a degree in Political Sciences at the University of St Andrews (Scotland) in 1963 and completed an AMP at the Harvard Business School in 1984. Previously held the positions of Executive Director of the

Myllykoski Corporation in Helsinki and CEO of MD Lang Papier in Germany (1994-2004).

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

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

Christophe Chambonnet (CM&SO): obtained a degree in engineering from ISAB (France), a MS in Applied Economics and an MBA from the University of Purdue, USA. Between 1998 and 2000 he has occupied a number of managerial and directorship roles in the Marketing area, namely in companies based in USA, Canada, France and Belgium. Between 2000 and 2005 he was a Board member of Tafisa Canada, a subsidiary of Sonae Indústria. Between April 2005 and June 2006, he was vice president of Tembec Avebene SAS, a French company. As from July 2006, he was appointed COO of Isoroy SAS. At the end of 2007 he joined the Board of Directors of Sonae Industria, in May 2010 left the post of General Director of Isoroy, assuming exclusively the duties of Executive Board Member of Sonae Indústria with the function of CM & SO - Chief Marketing and Sales Officer.

João Paulo Pinto (CI&TO): holds a degree in Mechanical Engineering from the University of Oporto and a Masters in Internal Combustion Engines (*Ècole Nationale du Petrole et dês Moteurs*), Paris, a MBA - University of Oporto. At Sonae / Efanor since 1995, where he held several positions in marketing and sales, and in 2009 assumed the role of COO of Sonae Industria for the Iberian Peninsula. In 2010 he joined the Board of Directors of Sonae Industria, as executive member and the role of CI & TO "Chief Industrial and Technology Officer".

Sonae Indústria Directors have the following Sonae Indústria Shares:

	Number of Shares		Number of Shares
Belmiro Mendes de Azevedo		(1) Efanor Investimentos, SGPS, SA	
Efanor Investimentos, SGPS, SA (1)	49.999.997	Sonae Indústria, SGPS, SA	44.780.000
(1 share is held by the spouse)		Pareuro, BV (2)	2.000.000
Sonae Indústria, SGPS, SA	1.010		
(held by the spouse)			
Carlos Bianchi de Aguiar		(2) Pareuro, BV	
Sonae Indústria, SGPS, SA	720	Sonae Indústria, SGPS, SA	27.118.645
Rui Manuel Gonçalves Correia		(3) Migracom, SGPS, SA	
Sonae Indústria, SGPS, SA	12.500	Sonae Indústria, SGPS, SA	90.000
		Imparfin, SPS, SA (4)	150.000
Duarte Paulo Teixeira de Azevedo			
Efanor Investimentos, SGPS, SA (1)	1	(4) Imparfin, SPS, SA	
Migracom, SGPS, SA (3)	1.969.996	Sonae Indústria, SGPS, SA	278.324
Sonae Indústria, SGPS, SA	223		
(held by the menor descendent)			
Joâo Paulo dos Santos Pinto			
Sonae Indústria, SGPS, SA	407		

During the past five years, Belmiro de Azevedo, Carlos Bianchi de Aguiar, Rui Correia, Christophe Chambonnet, Paulo Azevedo, and João Paulo Pinto have also been Directors at various other Efanor Group companies.

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

José Álvaro Cuervo García:
- BA Vidrio, S.A.

Per Otto Knuts:
- Stora Feldmühle AG
- FPB Holding AG

Knut Thomas Alarik Nystén:
- MD Lang Papier GmbH
- Myllykoski Corporation

All members of the Board of Directors were appointed with effect from 15th December 2005,registration date for the merger of the "old" Sonae Indústria – SGPS, SA, into Sonae 3P – Panels, Pulp and Paper, SA and the renaming of the latter to Sonae Indústria SGPS, SA, with the exception of Rui Manuel Gonçalves Correia, who was initially appointed to the Board of Sonae 3P on 22nd July 2002 and Christophe Chambonnet, who was co-opted by the Board of Directors in the meeting dated 20th December 2007 having been ratified at theShareholders' Annual General Meeting held in 2008 and Joao Paulo Pinto who was appointed at the Annual General Meeting 2010.

The current mandate of the Board of Director will end in 2011.

2.10. Other positions held by Sonae Indústria Directors as of 31st December 2010

Members of the Board of Directors are currently also members of the Board and Statutory Audit Board of other companies, listed here.

<u>In companies belonging to Efanor Group</u>

<u>Board of Directors Member:</u>

Belmiro Mendes de Azevedo:
- Àguas Furtadas-Sociedade Agrícola, SA (Chairman)
- Alpêssego-Sociedade Agrícola, SA (Chairman)
- BA – Business Angels SGPS, S.A. (Sole Director)
- Casa Agrícola de Ambrães, S.A. (Chairman)
- Efanor Investimentos, SGPS, S.A. (Chairman)
- Prosa-Produtos e Serviços Agrícolas, SA (Chairman)
- SC – SGPS, S.A. (Chairman)
- Selfrio, SGPS, S.A. (Chairman)
- Sonae – SGPS, S.A. (Chairman)
- Sonae Capital, SGPS, S.A. (Chairman)
- Sonae Turismo – SGPS, S.A. (Chairman)
- Spred, SGPS, S.A. (Chairman)

José Alvaro Cuervo Garcia:
- Sonae – SGPS, S.A.

Duarte Paulo Teixeira de Azevedo:
- MDS, SGPS, S.A. (Presidente)
- Sonae - SGPS, S.A. (President of Executive Committee)
- Sonae Investimentos – SGPS, S.A. (Chairman)
- Sonae MC - Modelo Continente, SGPS, S.A.
- Sonae Specialized Retail, SGPS, SA (Presidente)
- Sonae Sierra, SGPS, S.A. (Chairman)
- Sonaecom, SGPS, S.A. (Chairman)
- Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A. (Chairman)
- Sonaerp - Retail Properties, S.A. (Chairman)

Carlos Francisco de Miranda Guedes Bianchi de Aguiar:
- 173509 Canada, Inc. (Chairman)
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Darbo, SAS (Chairman)
- Ecociclo – Energia e Ambiente, S.A.
- Tafisa Canada Inc. (Chairman)
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz Service GmbH
- Glunz UK Holdings, Ltd. (Chairman)
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- LaminatePark GmbH & Co. Kg (Chairman)
- Maiequipa – Gestão Florestal, S.A.
- Movelpartes – Componentes para a Indústria do Mobiliário, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- Rochester Real Estate, Ltd.
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria-Management Services, SA
- Sonae – Indústria de Revestimentos, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria UK (Chairman)
- Sonae Tafibra International, B.V.
- Sonae Tafibra UK, Ltd. (Chairman)
- Spanboard Products, Ltd. (Chairman)
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber – Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd. (Chairman)
- Tafisa France S.A.S (Chairman)
- Tafisa UK, Ltd. (Chairman)
- Taiber – Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS (Chairman)

- Tecnologias del Medio Ambiente, S.A.

Rui Manuel Gonçalves Correia:

- 173509 Canada, Inc.
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Ecociclo – Energia e Ambiente, S.A.
- Tafisa Canada Inc.
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Megantic, B.V.
- Movelpartes – Componentes para a Indústria do Mobiliário, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- SCS, BV
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria-Management Services, SA
- Sonae – Indústria de Revestimentos, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Novobord (PTY) Ltd.
- Tableros de Fibras, S.A.
- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd.
- Tafisa France S.A.S
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS
- Tecnologias del Medio Ambiente, S.A.

Christophe Chambonnet:

- 173509 Canada, Inc.
- Tafisa Canada Inc.
- Isoroy, SAS
- LaminatePark GmbH & Co. Kg
- Plysorol, SAS (Chairman)
- Société des Tranchage Isoroy, SAS (Chairman)
- Tafisa France, SAS
- Tarkett Agepan Laminate Flooring, SCS

João Paulo Pinto

- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.

- Compañía de Industrias y Negocios, S.A.
- Ecociclo – Energia e Ambiente, S.A.
- Glunz AG
- Imoplamac – Gestão de Imóveis, S.A.
- Maiequipa – Gestão Florestal, S.A.
- Racionalización y Manufacturas Forestales, S.A.
- Serradora Boix, SL
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Tableros de Fibras, S.A. (Vice-Presidente)
- Tableros Tradema, SL
- Tafiber – Tableros de Fibras Ibéricos, SL
- Taiber – Tableros Aglomerados Ibéricos, SL
- Tecnologias del Medio Ambiente, S.A. (Vice-Presidente)
- Tecmasa Reciclados de Andalucia, SL (Presidente)

Statutory Audit Board Member:

Per Otto Knuts:
- Glunz AG (Supervisory Board – "Aufsichtsrat")

Knut Thomas Alarik Nystén:
- Glunz AG (Supervisory Board Chairman – "Aufsichtsrat")

In companies not belonging to Efanor Group:

Board of Directors Member:

Belmiro Mendes de Azevedo:
- Praça Foz – Sociedade Imobiliária, S.A. (Chairman)
- Setimanale – SGPS, S.A. (Chairman)

Duarte Paulo Teixeira de Azevedo:
- Imparfin, SGPS, S.A.
- Migracom – SGPS, S.A. (Chairman)

José Álvaro Cuervo Garcia:
- ACS – Actividades de Construccion Y Servicios, S.A.
- Bolsas Y Mercados Españoles (BME)

SECTION III – Statutory Audit Board

2.11. Identification, Independence, mandate, qualifications and professional activities of the Statutory Audit Board members and evaluation of the external auditor

2.11.1. Identification, Independence and mandate of Statutory Audit Board members

The Statutory Audit Board is composed by:

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

All members of the Statutory Audit Board comply with the rules of incompatibilities referred to in paragraph 1 of art. Article 414-A and the criteria of independence set out in paragraph 5 of art. 414, both of the Companies Law.

To ensure at all times the independence of members of the Statutory Audit Board prior to their appointment, such members issued statements attesting not to incur in any of the incompatibilities provided in Article 414º-A of the Companies Law. Additionally, they stated that they are not in any situation that affects their independence in accordance with paragraph 5 of Article 414º of the same law and committed themselves to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate. Furthermore, they were also requested to complete questionnaires designed in the same terms as those used by CMVM.

The current members of the Statutory Audit Board were elected at the Shareholders' Annual General Meeting held in April 2009 for the mandate 2009 – 2011.

2.11.2. Professional qualification of Statutory Audit Board members, professional activities in the last 5 years and shares held

MANUEL HELENO SISMEIRO (Chairman of the Statutory Audit Board):
Degree in Finance, Technical University of Lisbon (Portugal), Accountant, ICL (Portugal). Currently he is a specialist consultant in the areas of internal audit and internal control and is Chairman of the Statutory Audit Board of OCP Portugal Produtos Farmacêuticos SA, Sonae Industria, SGPS, SA and Sonae Capital, SGPS, SA. Prior to this he was a partner at Coopers & Lybrand and Bernardes, Sismeiro & Associados and from 1998 to 2008 at PricewaterwhouseCoopers - auditors and Statutory External Auditor and responsible for the Audit and official review in various activity sectors. He was also responsible for managing the office of those companies at Porto and Director of Audit Division in the period of 1998 – 2002 as well as member of the management board at PricewaterhouseCoopers.

ARMANDO LUÍS VIEIRA DE MAGALHÃES (Statutory Audit Board Member):
Bachelor of Accounting (former-ICP and current ESCAP), Degree in Economics (University of Porto), Executive-MBA European Management (IESF / IFG). Mr. Magalhães performed various functions in a credit institution (1964-1989) and since 1989 has practiced as an external auditor, first on a stand-alone basis but subsequently as partner of Santos Carvalho & Associados, SROC.

JORGE MANUEL FELIZES MORGADO (Statutory Audit Board Member):
Management Degree (ISEG, Technical University of Lisbon), MBA in Finance-IEDE Madrid, MBA in Management and Information Systems (Catholic University), Official External Auditor. Mr. Morgado held various roles as auditor in Coopers & Lybrand (1980-1989), responsible for Management Control and Internal Audit of the Coelima Group (1989-1991) before becoming a partner of Deloitte (1991-2004). From 2004 he has been an Official Statutory Auditor and Partner of Econotopia-Consultoria e Gestão, SA.

ÓSCAR ALÇADA DA QUINTA (Statutory Audit Board Substitute-Member): Degree in Economics (University of Porto). Mr. Quinta has held various functions in both the administrative and financial departments of different companies (1982-1986) and since 1986 has provided services within the external audit of the Official Statutory Auditors Association. Through this activity in 1990 he was included in the List of Official External Auditors, a function which he works on exclusivity, initially on a stand-alone basis but subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

2.11.3. Other positions held by Sonae Indústria Statutory Audit Board members as of 31st December 2010

In companies belonging to Efanor Group

Manuel Heleno Sismeiro
Sonae Capital, SGPS, SA (Chairman of the Statutory Audit Board)

Armando Luís Vieira de Magalhães
Sonaecom - SGPS, S.A. (Supervisory Audit Board)
Sonae Capital, SGPS, SA (Supervisory Audit Board)

Jorge Manuel Felizes Morgado
Sonae, SGPS, SA (Supervisory Audit Board)
Sonae Capital, SGPS, SA (Supervisory Audit Board)
Sonae Sierra, SGPS, SA (Supervisory Audit Board)

Óscar Alçada da Quinta
Sonaecom - SGPS, S.A. (Statutory Audit Board)
Sonae Investimentos, SGPS, SA (Statutory Audit Board)

In other companies not belonging to Efanor Group

Manuel Heleno Sismeiro
OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)
Segafredo Zanetti (Portugal) SA (Chairman of the Board of the Shareholders' General Meeting)

Óscar Alçada da Quinta
BA GLASS I – Serviços de Gestão e Investimentos, SA. (Statutory Audit Board)
Lisgráfica-Impressão e Artes Gráficas, SA (Statutory Audit Board)
Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Board of Directors)

Armando Luís Vieira de Magalhães
Futebol Clube do Porto - Futebol S.A.D (Supervisory Audit Board)
PortoComercial - Sociedade de Comercialização, Licenciamento e Sponsorização, SA (Statutory Audit Board)

None of the Statutory Audit Board Member holds Sonae Indústria shares.

2.11.4. Election and Evaluation of the External Auditor

The Statutory Audit Board proposed the election of the Statutory External Auditor at the Shareholders' Annual General Meeting held in 2009, who is also the external auditor of the company. The proposed remuneration policy approved at the 2010 Shareholders' Annual General Meeting states that the Statutory External Auditor of the company should be paid according to the normal levels of fees for similar services by reference to market information, as negotiated annually under the supervision of the Statutory Audit Board and of the Board Audit and Finance Committee.

The Statutory Audit Board meets the Statutory External Auditor whenever it deems fit and monitors their activities and conclusions from their work through the final audit reports. This allows them to evaluate the work of the external auditor. The Statutory Audit Board may if there is just cause, propose to the Shareholders' General Meeting the dismissal of the statutory external auditor since he is elected under the proposal of the Statutory Audit Board.

SECTION IV – Remuneration

2.12. Remuneration and Other Compensation of Board of Directors and Statutory Audit Board Members

Sonae Indústria's Shareholders' Remuneration Committee is appointed by the Shareholders' General Meeting for a three-year term and was elected at the Shareholders' Annual General Meeting held in April 2009 for the mandate 2009-2011. Currently this committee is composed of Efanor Investimentos - SGPS, SA, represented by José Manuel Neves Adelino and Imparfin - SGPS, SA, represented by Bruno Walter Lehmann and being therefore independent in relation to the Board of Directors.
Bruno Lehmann has an extensive knowledge and experience in the remuneration policy as a result of the activity that he has been developing in an international executive search firm.

No company was hired to assist the Shareholders' Remuneration Committee. For the benchmark salary level of Board Members, this Committee uses multi-company studies prepared by international consultants present in Portugal.

At the Shareholders' Annual General Meeting held in 2010 a remunerations policy proposed by the Shareholders' Remuneration Committee was approved.

The remuneration and compensation policy of Sonae Indústria is based on the presumption that initiative, competence and commitment are the essential foundation stones for good performance. For these reasons, individual activity, performance and contributions to the company's success should be evaluated annually, which will thereby influence the attribution of the fixed and variable remuneration components of the remuneration plan of each Board Member.

In relation to Directors, the approved policy establishes the following:

<u>Executive Directors</u>
Remuneration and compensation of the Executive Directors (ED) includes:
(i) a fixed component, which includes an Annual Salary paid in reference to one year period (salaries are paid 12 months), an Annual Responsibility Allowance;
(ii) a Short Term Variable Bonus which is paid during the first quarter of the following year, and;

(iii) Medium Term Variable Bonus, attributable on the first quarter of the following year, as a deferred remuneration under the Medium Term Incentive Plan, which vested on the third anniversary of the attribution date.

Individual compensation packages will be defined in function of the level of responsibility of each ED and will be reviewed annually. Each ED is attributed a classification named Functional Group “Grupo Funcional”. Such classification are structured according to Hay’s international model for the classification of corporate functions, thereby facilitating market comparisons, as well as helping to promote internal equity. The compensation packages to be awarded to EDs will be benchmarked using market surveys of the compensation of Portuguese and European top executives, with the aim of setting fixed remuneration close to the median and total compensation close to the third quartile in comparable circumstances;

Short Term Variable Bonus will be aimed at rewarding the achievement of certain predefined annual objectives, which are linked to both “Key Performance Indicators of Business Activity” (Business KPIs) and “Personal Key Performance Indicators” (Personal KPIs).

The target bonus attributed is based on a percentage of the fixed component of the compensation package, which will range between 40% and 60%, depending on the ED’s classification. Business KPIs, which include mainly economic and financial indicators, represents 70% of the Bonus and are objective indicators. The remaining 30% will derive from Personal KPIs, which include both objective and subjective indicators. Actual amounts paid will be based on the real performance (business and individual performances) and can range between 0% and 140% of the target amount attributed;

The Medium Term Variable Bonus will be aimed at enhancing the loyalty of ED’s, aligning their interests with shareholders and increasing their awareness of the importance of their performance on the overall success of our organisation. The amounts of the Medium Term Variable Bonus are established annually and can represent between 50% and 100% of ED’s Short Term Variable Bonus. This amount in euro currency will be divided by the lower of the following values to determine the number of shares each ED is entitled to: the closing quoted share price of the first business day after the Shareholders’ General Meeting or the average of the closing quoted share prices of the last thirty sessions of negotiation prior to the Shareholders’ General Meeting. The amount converted into shares will be adjusted by any share capital change occurred or dividends distributed (Total Share Returns) during the deferment period of 3 years. On the attribution date, the shares will be handed free of cost, retaining the Company an option to pay the equivalent value in cash.

Non-Executive Directors

Remuneration of Non-Executive Directors (NEDs) is based on market comparables respecting the following principles:

(i) A fixed remuneration (of which approx. 15% depends on attendance at meetings of the Board of Directors or any Board Committees);

(ii) An Annual Responsibility Allowance. No other variable remuneration of any kind is payable to NEDs. The Fixed Remuneration is increased by up to 5% for NEDs serving as Chairmanship of any Board Committee.

Moreover, the medium-term incentive referred above for the ED which is payable on the third anniversary date following its attribution, depends on the continuity of functions of the ED at the payment date. In this way, it depends on the sustainability of the company management in the long term.

2010	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total	
	2009	2010	2009 (a)	2010 (b)	2009 (c)	2010 (d)	2009	2010
Belmiro de Azevedo (Chairman)	181.900	182.800					181.900	182.800
Paulo Azevedo	28.000	28.100					28.000	28.100
Álvaro Cuervo	28.567	28.900					28.567	28.900
Per Knuts	40.033	34.660					40.033	34.660
Thomas Nysten	38.100	38.900					38.100	38.900
Carlos Bianchi Aguiar (CEO)	241.900	242.000	110.000	116.300	58.700	116.300	410.600	474.600
Rui Correia	214.900	215.000	111.500	106.700	26.200	53.300	352.600	375.000
Louis Brassard (e)	56.330						56.330	0
Christophe Chambonnet	212.200	212.200	148.100	166.000	23.100	50.000	383.400	428.200
João Paulo Pinto (f)		142.500		72.700		72.700	0	287.900
Total of Board of Directors	**1.041.930**	**1.125.060**	**369.600**	**461.700**	**108.000**	**292.300**	**1.519.530**	**1.879.060**

(a) relative to 2009, value approved in 2010
(b) relative to 2010, constituting a an estimation calculated based on the KPI targets, but this award is subject to resolution of the Shareholder's Remuneration Committee
(c) relative to 2009, approved in 2010 and to be paid in 2013
(d) relative to 2010 to be paid in 2014, constituting a an estimation calculated based on the KPI targets, but this award is subject to resolution of the Shareholder's Remuneration Committee
(e) relative to 4 months in 2009
(f) relative to 8 moths in 2010

The evaluation of the Executive Board Members is jointly carried out by the Shareholders’ Remuneration Committee in connection with the Board Remuneration and Nomination Committee (BNRC), as described in 2.1.4.3..

The pre-determined criteria for evaluation the Board Members are: objective criteria related to the success degree of implementation of initiatives and actions agreed to implement in that year, and subjective criteria are related to the contribution in terms of experience and knowledge to the discussions at the Board, the quality of preparation of meetings and the contribution to discussions at the Board and Board Committees as well as the commitment to the success of the company, among others.

Directors have not concluded any contracts which have the effect of mitigating the risk inherent t the remuneration variability which is determined by society.

Regarding the Statutory Audit Board, the remuneration policy adopted provides that the remuneration consists of a fixed fee, determined taking into account the situation of the company as well as market practices and includes an annual liability allowance. The annual remuneration the Chairman of the Statutory Audit Board in 2010 was 10,000 Euros and that of the remaining 2 members, 8,000 Euros each.

The remuneration policy approved by the Shareholders’ General Meeting provides that the remuneration policy applicable to persons who are considered “*dirigentes*” within the meaning of paragraph 3 of Article 248-B of the Securities Code, is equivalent to that adopted for the remuneration of other directors of the same function level and responsibilities without attributing any additional benefit compared to what is attributed for its functional group.

Sonae Indústria has not established any contractual limitations as regard to the compensations to be paid in the event of director dismissal without just cause without prejudice of the law provisions.

No special agreements exist regarding compensation or payments to be made to the Company Directors in the event of dismissal or early termination of the contract.

The company does not have plans for the allotment of shares and/or options for share purchases, in addition to attribution a variable compensation deferred in time, as explained in 2.12..

2.13. Policy of Communication Irregularities

During 2008 and with the formalisation of the Code of Conduct of Sonae Indústria, the procedure for reporting irregularities was defined. This is available on our website **www.sonaeindustria.com**.

Employees and service providers may, on a confidential basis, report concerns about any behaviour or decision that in its opinion, does not respect the ethics and Code of Conduct.

Any possible case of irregularity should be sent via e-mail or post to one of the following addresses:

E-mail: corporate.governance.officer@sonaeindustria.com
Post: Sonae Industria SGPS, S.A.
Corporate Governance Officer
Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

A meeting to clarify the alleged irregularity can then be arranged with the Corporate Governance Officer, when required

Each irregularity report will be received by the Corporate Governance Officer, who is responsible for initiating and supervising the investigation into all reports.

Once the research is concluded and if the irregularity reported corresponds to wrongful conduct, the Ethics Committee shall notify the situation to the superior of the employee or the Service Provider's Company in order to apply corrective actions and / or initiate disciplinary proceedings.

As the Company wishes to encourage good faith reporting of any alleged irregularity while avoiding damage to the reputation of innocent persons initially indicated as allegedly suspected of wrongful misconduct, anonymous reports are not accepted.

The investigation will be conducted in a confidential manner and the Company ensures that there will be no discriminatory or retaliatory action against any employee or service provider who reports an alleged irregularity in good faith. If any employee or service provider believes that he or she has been retaliated against for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Corporate Governance Officer.

The company provides a means by which to report irregularities on its internet.

The company maintains a record of all complaints and cases investigated as well as their findings which will be available for consultation by the statutory bodies and external auditor.

The **Code of Conduct** of Sonae Indústria contains a set of standards based on our shared values that govern the activities of Sonae Indústria. It applies to everyone employed by the Group, including members of the statutory bodies of Group companies, managing directors, senior executives, employees and people whose status is equivalent to that of employees, such as temporary staff and service providers. The Code sets out guidance on those matters of business ethics to be complied with by all Employees and service providers when carrying out their professional duties.

Sonae Indústria adheres to and actively promotes the highest ethical standards of professional conduct at all levels of the Group. Commitment to standards of conduct must emanate from the top. Therefore, Sonae Indústria's top managers are expected to set an example for the rest of the organisation through their actions, by actively leading the adoption and by monitoring the enforcement of these standards.

It is particularly important that a commitment to these standards of conduct is accepted by all Employees and service providers at all Group companies, wherever they operate. Country operations are also required to adopt appropriate principles and actions to deal with specific ethical issues that may arise in their own countries.

The code of conduct of Sonae Indústria was defined in such a way that clearly explains the conduct to be followed with all stakeholders, as well as to connect it with the company's values. The code of conduct is structured in the following way:

Relations with Employees and service providers

- Knowledge sharing and personal development
- Innovation and initiative
- Respect, accountability and cooperation
- Confidentiality and responsibility
- Sustainability
- Conflict of interest
- Health and safety
- Social Conscience
- Communication
- Compliance

Relations with Shareholders and Other investors

- Creation of value
- Transparency
- Compliance

Relations with Governments and Communities

- Ethical Behaviour
- Social Conscience
- Tax Statement
- Environmental Awareness

Relations with Business Partners

- Integrity
- Ethical behaviour
- Transparency

Relations with Competitors

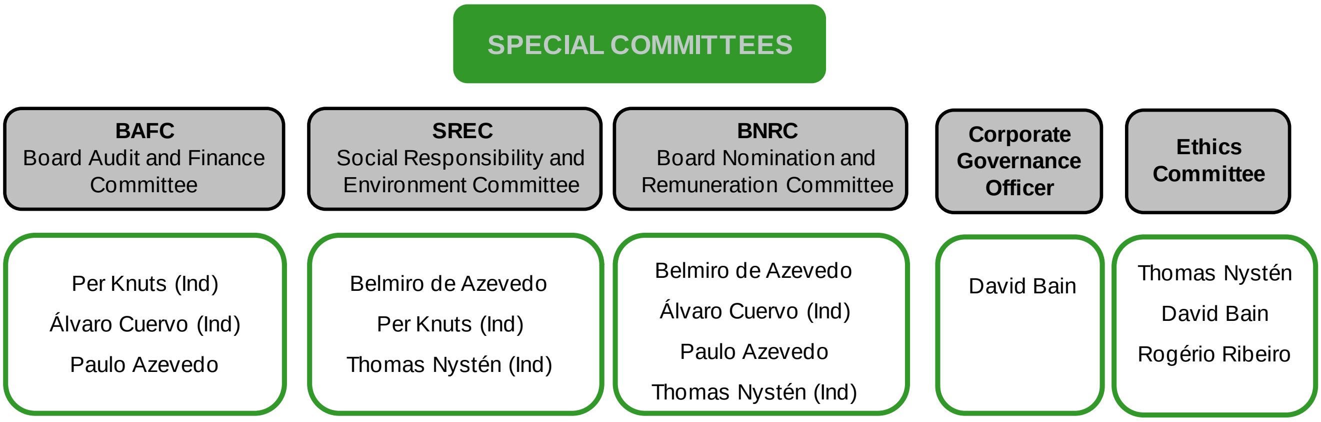
- Ethical behaviour
- Confidentiality

The complete code of conduct can be found at the company site http://www.sonaeindustria.com.

SECÇÃO V – Special Committees

2.14. Committees with special competences

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors appointed 3 Board Committees with special competencies, a Corporate Governance Officer and an Ethics Committee:



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

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

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

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

- reviewing the financial statements and earnings announcements to be disclosed to the market and to report its findings to the Board;
- analysing risk management, internally control, businesses and processes;
- reviewing the results of internal and external audits;
- following the trends in the main financial ratios and changes in formal and informal ratings of the Company, including reports from rating agencies;
- analysing and advising on any changes in accounting policies and practices;
- reviewing compliance with accounting standards;
- verifying compliance with legal and statutory obligations, in particular within the financial domain.

Over the course of 2010, the BAFC held 5 meetings with the respective minutes having been drafted.

Responsibilities attributed to BAFC as a specialised committee of the Board of Directors, are developed in terms of company management and do not override the functions of the Statutory Audit Board, as a supervisory Board. The BAFC is a Committee within the Board of Directors and according to its empowerment is responsible for an in-depth analysis of the financial statements, risk management processes and the performance of the key financial ratios. Among other areas, it issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning.

2.14.2. Social Responsibility and Environment Committee ("SREC")

The SREC is composed of the following Non-executive Members:

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

The SREC met twice in 2010, which have been registered in minutes, with its main function being to analyse corporate governance and the impact of the economic, environmental and social dimensions of sustainability, on the management of the Company's businesses.

2.14.3. Board Nomination and Remuneration Committee ("BNRC")

The BNRC is composed of the following Non-Executive Members:

- Belmiro de Azevedo (Chairman)
- Álvaro Cuervo (Independent)
- Paulo Azevedo
- Thomas Nystén (Independent)

Committee meetings are normally held at least twice a year. The BNRC's main functions are to review and submit proposals and recommendations on behalf of the Board to the Shareholders' Remuneration Committee in relation to the remuneration and other compensations of Board members. Additionally, it analyses and approves proposals and recommendations on behalf of the Board in relation to the remuneration and other compensations for other senior executives of the Sonae Indústria Group, depending on the activity performed by them.

BNRC is also responsible for finding potential candidates with a profile to be a Board Member both for the company itself and for its affiliated companies.

The BNRC liaises with the Sonae Indústria Shareholders' Remuneration Committee since this is the only means through which to guarantee that the Shareholders' Remuneration Committee has the necessary knowledge on the performance of every director throughout the year. This is particularly important in the case of the Executive Directors, given that the Shareholders' Remuneration Committee does not closely shadow the performance of every Director and therefore does not have the necessary knowledge that enables them to perform their functions in the best way.

The BNRC may also be assisted by external entities provided absolute confidentiality is ensured in relation to the information obtained arising from that cooperation.

Over the course of 2010, the BNRC met on two occasions with the respective minutes having been drafted.

2.14.4. Corporate Governance Officer

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

Principal duties of the BCGO encompass:

- supporting the Board in defining its role, objectives and operating procedures in order to optimise Board performance;
- taking a leading role in organising Board evaluations and assessments;
- maintaining under close review all legislative, regulatory and corporate governance developments;
- supporting and challenging the Board to achieve the highest standards in corporate governance;
- supporting the Board in ensuring that the concept of stakeholders and the need to protect minority interests are in the Board’s mind when important business decisions are being taken
- Review annually the advantages and possible disadvantages of adopting the governance model adopted by the company.

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

2.14.5. Ethics Committee

An Ethics Committee was created in 2008 to guarantee that the highest standards of business practices are upheld in the Sonae Indústria Group and to monitor the implementation of the new code of conduct. This Committee is also responsible for updating the Code whenever necessary.

The Ethics Committee is chaired by an Independent Non-Executive Board Member elected by the Board of Directors while the Corporate Governance Officer and Internal Auditor are the other Committee members. The Ethics Committee reports at least once a year to the Board of Directors and when appropriate, also to the Statutory Audit Board of the related country, on issues related to corporate governance and business ethics.

The current members of the Ethics Committee are:

- Thomas Nystén (Chairman)
- David Bain (Corporate Governance Officer)
- Rogério Ribeiro (Internal Auditor)

Over the course of 2010, the Ethics Committee met on two occasions.

A detailed description of the policy of communication irregularities is in the chapter 2.13 of this report.

3. Information

3.1. Capital Structure

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

3.2. Qualified Shareholding under Article 20 of the Portuguese Securities Code

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A			
Directly	44.780.000	31,9857%	31,9857%
By Pareuro, BV (controlled by Efanor)	27.118.645	19,3705%	19,3705%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor)	1.010	0,0007%	0,0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0,0005%	0,0005%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)	223	0,0002%	0,0002%
By Migracom, SGPS, SA (company controlled by Efanor's Director, Paulo Azevedo)	90.000	0,0643%	0,0643%
By Linhacom, SGPS, SA (company controlled by Efanor's Director, Cláudia Azevedo)	23.186	0,0166%	0,0166%
	72.013.775	51,4384%	51,4384%

3.3. Identification of the shareholders that detain special rights

There are no Shareholders with special rights.

3.4. Possible restrictions on share-transfer i.e. consent clauses for their disposal or restrictions on share-ownership

There are no restrictions to the transfer of company shares.

3.5. Shareholder agreements which the company may be aware of and which may restrict the transfer of securities or voting rights

The company is unaware of the existence of a shareholders' agreement which may restrict the transfer of securities or voting rights.

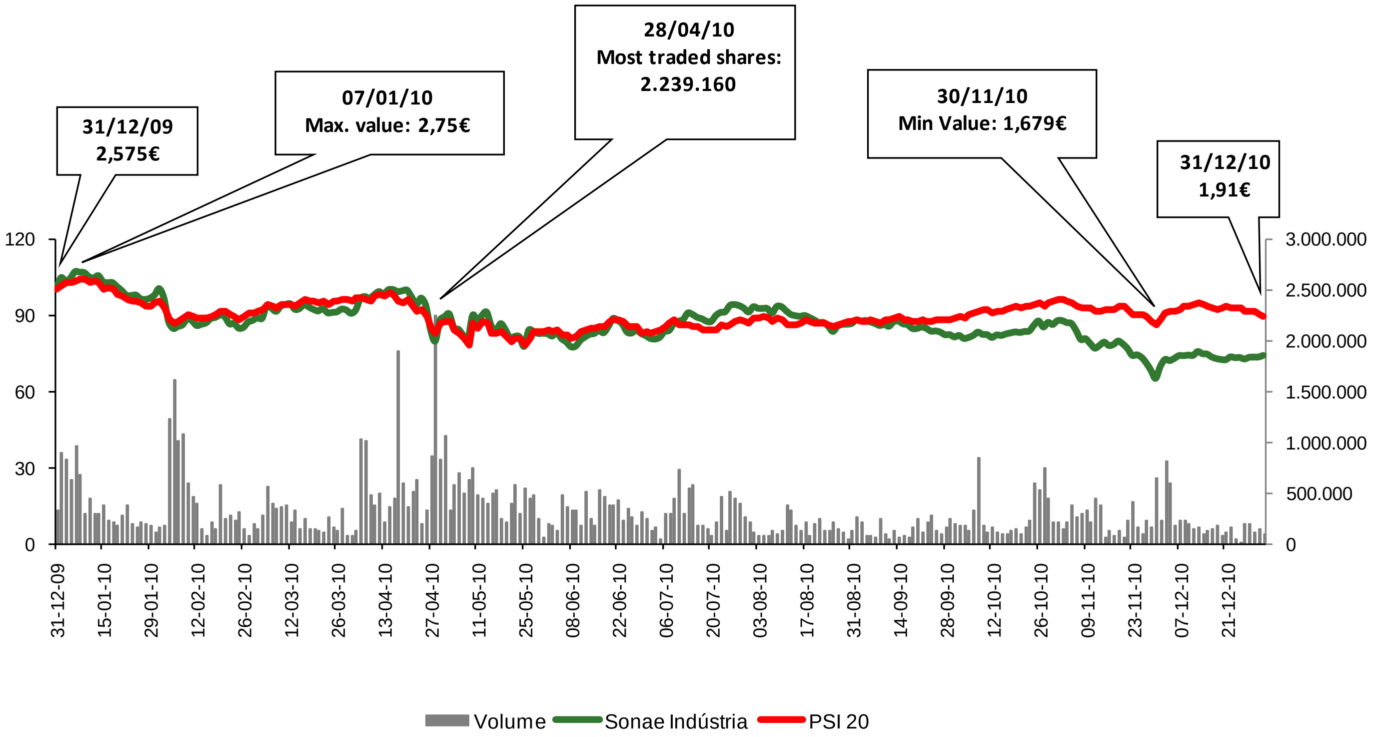
3.6. Rules applicable to the amendment of the Articles of Association

The rules applicable to amendments of the Articles of Association are established by law. It is the task of the Shareholders' General Meeting to decide on the amendment of the Articles of Association. However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the Company's share capital by new cash entries up to one thousand and two hundred million Euros, on one or more occasions.

3.7. Control mechanisms for a possible employee-shareholder system in as much as the voting rights are not directly exercised by them

Control mechanisms for a possible employee-shareholder system, in as much as the voting rights are not directly exercised by them, are not planned.

3.8. Share Price performance in 2010



The share price performance of Sonae Indústria is particularly affected by crises and the recovery in economic activity, as the company operates in a highly cyclical sector, dependent on the construction industry and exposed to those economies most affected by the real estate crisis: Spain and North America.

2008 was marked by a global drop in equity markets resulting from the deepening crisis of confidence prevailing within capital markets due to problems related to subprime mortgages. During this year Sonae Indústria's share price declined from 6.65€ at the end of 2007 to 1.53€ at the end of 2008. In 2009, there was a slight recovery in stock markets, including the Sonae Indústria shares which recovered 69% from 1.53€ to 2.58€.

During 2010, the Portuguese capital market has been severely affected by the crisis in Portugal, namely the Portuguese sovereign debt risk perceived by investors as well as the possible entrance of IMF in Portugal. In this context, Sonae Industria shares devalued 26%, from 2.58€ at the end of 2009 to 1.91€ in the end of 2010. The minimum of the year was reached on 30 November 2010 (1.68€) and maximum on January 7, 2010 (2.75€).

Stock Market Indicators	2007	2008	2009	2010
Share Capital	700.000.000	700.000.000	700.000.000	700.000.000
Total number of shares	140.000.000	140.000.000	140.000.000	140.000.000
Net Results	78.612.713	-108.447.796	-58.782.190	-74.434.786
Nets Results per share	0,56	-0,77	-0,42	-0,53
Dividends per share*	0,28	0	0	0
Maximum Value	10,95	6,65	2,82	2,75
Minimum Value	6,65	1,51	1,20	1,68
Average Value	8,99	3,32	2,16	2,23
Share Price (31/12)	6,65	1,53	2,58	1,91
Market Capitalization (31/12)	931.000.000	213.500.000	360.500.000	267.400.000
Average daily transactions**	552.018	908.119	513.226	317.104

* distributed in the following year

** Average number of shares traded per day

In terms of liquidity, the share had an average turnover of 317,104 shares daily and the highest value of 2,239,160 shares was reached on 28th April 2010.

MAIN EVENTS IN 2010

- 03/02/2010: Information on acquisition offer of Lure plant
- 24/02/2010: FY09 consolidated results announced
- 10/03/2010: Information on notification from German's Federal Competition Authority
- 16/04/2010: Information on the sale of Lure
- 05/05/2010: Bond loans refinancing
- 13/05/2010: Information on change in the Executive Committee
- 13/05/2010: 1Q10 consolidated results announced
- 15/06/2010: Information on appointment of the Bondholders´ Common Representative of "Sonae Indústria 2010/2017" bond issue
- 21/06/2010: Information on the impact of the sale of Lure´s plant
- 29/07/2010: 1H10 consolidated results announced
- 04/11/2010: 9M10 consolidated results announced

3.9. Dividend policy

The Board set the goal to distribute 50% of the company's profits. Each year, the ratio of actual payment to be proposed by the Board will take into account the degree of soundness of capital structure of society, as well as the existing investment plan.

3.10. Share and Share Options Schemes

Sonae Indústria does not currently award any remuneration or other compensation involving or linked to shares or share options, in addition to paying a portion of variable compensation deferred in time, as explained in 2.12..

3.11. Transactions with Related Parties

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

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

Any transaction with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders), greater than 10 million Euros, should be subject to prior opinion of the Statutory Audit Board. The request for an opinion must be accompanied by all the elements required to allow a comparative analysis with the market and how potential conflicts of interest will be managed.

Transactions that have been contracted with reference shareholders shall be a result of a competitive process and lower than 10 million Euros will be exempt from pre-clearance with the Statutory Audit Board but will need to be reported to the Statutory Audit Board under the procedures mentioned below.

The Sonae Indústria CFO is responsible for reporting to the Statutory Audit Board:

1) on a quarterly basis, all transactions with reference shareholders that exceed Euro 1 million and any other transactions that are deemed to be particularly "sensitive" by management
2) on a yearly basis transactions with reference shareholders with accumulated annual values that exceed 5 million Euros.

3.12. Investor Relations

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

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

Sonae Indústria's Investor Relations Department may be contacted by email at **investor.relations@sonaeindustria.com** or by telephone: 00 351 22 010 0638. The Investor Relations director is Patrícia Vieira Pinto.

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

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

The Company's website contains wide-ranging information in English, including the company's name, the quality of publicly traded company, headquarters and other elements mentioned in Article 171 of the Companies Code. Further information relates to the Articles of Association, the identity of the governing bodies and representative relations with the equity market, Investor Relations Department, their duties and ways of access as well as documents of accountability. A corporate events calendar is also provided together with proposals for discussion and vote at the Shareholders' Annual General Meeting and notice to convene the same meeting.

3.13. Remuneration of the Statutory External Auditors

In 2010, the statutory external auditor PriceWaterhouseCoopers invoiced Sonae Indústria and its affiliated companies a total amount of 632,122 Euros, being 91.5% related to the audit and legal certification of the accounts and 8.5% related to other reliability services.

PriceWaterhouseCoopers has been the statutory external auditor of the company since the Shareholders' Annual General Meeting of 2006 and is in its second three year term. As such, Sonae Indústria has not taken any decision as yet regarding its rotation.

Appendices to the Management Report

Qualified Shareholdings

APPENDIX REGARDING ARTICLE 447 OF THE COMPANY LAW

	Date	Acquisitions amount	Acquisitions € average value	Sales amount	Sales € average value	Balance at 31.12.2010 amount
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA **(1)**						49,999,997
(1 share is held by the spouse)						
Sonae Indústria, SGPS, SA						1,010
(held by the spouse)						
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA **(1)**						1
Migracom, SGPS, SA **(2)**						1,969,996
Sonae Indústria, SGPS, SA						223
(held by the menor descendent)						
Carlos Bianchi de Aguiar						
Sonae Indústria, SGPS, SA						720
Rui Manuel Gonçalves Correia						
Sonae Indústria, SGPS, SA						12,500
João Paulo dos Santos Pinto						
Sonae Indústria, SGPS, SA						407
Agostinho Conceição Guedes						
Sonae Indústria, SGPS, SA						2,520

	Date	Acquisitions amount	Acquisitions € average value	Sales amount	Sales € average value	Balance at 31.12.2010 amount
(1) Efanor Investimentos, SGPS, SA						
Sonae Indústria, SGPS, SA						44,780,000
Pareuro, BV **(3)**						2,000,000
(2) Migracom, SGPS, SA						
Sonae Indústria, SGPS, SA						90,000
Imparfim, SGPS, SA **(7)**						150,000
(3) Pareuro, BV						
Sonae Indústria, SGPS, SA						27,118,645
(4) Imparfin, SGPS, SA						
Sonae Indústria, SGPS, SA						278,324

APPENDIX REGARDING ARTICLE 448 OF THE COMPANY LAW

	Number of shares at 31.12.2010
Efanor Investimentos, SGPS, SA	
Sonae Indústria,SGPS, SA	44,780,000
Pareuro, BV	2,000,000
Pareuro, BV	
Sonae Indústria, SGPS, SA	27,118,645

SONAE INDUSTRIA

QUALIFIED SHAREHOLDINGS

Complying with Article 8 No.1 b) of the the CMVM Regulation no. 05/2008

Shareholder		No. of shares	% Share Capital	% Voting rights
Efanor Investimentos, SGPS, SA				
Directly		44,780,000	31.9857%	31.9857%
By Pareuro, BV (controlled by Efanor)		27,118,645	19.3705%	19.3705%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor)		1,010	0.0007%	0.0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)		711	0.0005%	0.0005%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)		223	0.0002%	0.0002%
By Migracom, SGPS,SA (Company controlled by Efanor´s Director, Paulo Azevedo)		90,000	0.0643%	0.0643%
By Linhacom, SGPS,SA (Company controlled by Efanor´s Director, Cláudia Azevedo)		23,186	0.0166%	0.0166%
	Total allocation	72,013,775	51.4384%	51.4384%

Statement issued under the terms and for the purposes of sub-paragraph c), nº. 1, article 245 of the Portuguese Securities Code

(Free translation from the original in Portuguese)

In terms of the order in sub-paragraph c), no. 1, article 245 of the Portuguese Securities Code, the Board members of Sonae Indústria, SGPS, SA hereby declare, to the best of our knowledge, that the:

a) Management Report, the annual financial statements and further related documents requested by law were prepared in accordance with the applicable accounting standards and reflect a true and appropriate view of assets and liabilities, of the financial position and the results of the company and its subsidiaries included in the consolidation perimeter;

b) Management Report dully states the evolution of business, performance and position of the company and its subsidiaries included in the consolidation perimeter and contains a description of the main risks and uncertainties they are confronted with.

Belmiro Mendes de Azevedo

Álvaro Cuervo Garcia

Duarte Paulo Teixeira de Azevedo

Per Otto Knuts

Knut Thomas Alarik Nysten

Carlos Francisco de Miranda Guedes Bianchi de Aguiar

Rui Manuel Gonçalves Correia

Christophe Chambonnet

João Paulo dos Santos Pinto

Separate Financial Statements

Sonae Indústria-SGPS,SA

STATEMENT OF FINANCIAL POSITION

(Values in EUR)

ASSETS	Notes	31.12.10	31.12.09
NON CURRENT ASSETS:			
Tangible assets	3	5.268	8.181
Intangible assets	4	228	412
Investment properties		-	-
Goodwill arising on consolidation		-	-
Investment in jointly controlled companies		-	-
Investment in associates	18,6	926.283.898	926.283.898
Available-for-sale investments	5,6	117.922	117.922
Deferred tax assets	7	10.607.168	13.320.625
Other non current assets	5,8	583.020.801	638.109.145
Total Non Current Assets		1.520.035.284	1.577.840.182
CURRENT ASSETS			
Inventories		-	-
Trade debtors	5,9	324.034	78.594
Other debtors	5,9	2.044.068	3.436.891
Taxes and other contributions receivable	9	887.897	2.150.785
Other current assets	5,10	124.562	23.899
Cash and cash equivalents	5,11	5.620.080	13.504.355
Total Current Assets		9.000.643	19.194.523
Non current assets held for sale		-	-
Total Assets		1.529.035.927	1.597.034.705

SHAREHOLDER'S FUNDS AND LIABILITIES	Notes	31.12.10	31.12.09
SHAREHOLDER'S FUNDS:			
Share Capital		700.000.000	700.000.000
Legal reserve		3.131.757	2.737.181
Other reserves and retained earnings		264.522.948	266.460.956
Accumulated other comprehensive income		(0)	(1.413.512)
Total Shareholder's Funds		967.654.705	967.784.625
NON CURRENT LIABILITIES			
Bank loans - long term - net of current portion	5,13	86.818.182	153.579.546
Debentures - long term - net of current portion	5,13	301.063.535	301.912.691
Finance lease creditors - long term - net of current portion		-	-
Derivatives		-	-
Other loans		-	-
Responsabilities for post-retirement benefits	14	269.678	269.678
Obligations arising from share based payments		-	-
Other non current creditors		-	-
Deferred tax liabilities		-	-
Provisions		-	-
Total Non Current Liabilities		388.151.395	455.761.915
CURRENT LIABILITIES			
Current portion of long term bank loans	5,13	89.261.364	84.886.364
Bank loans - short term		-	-
Current portion of long term debentures		-	-
Current portion of long term finance lease creditors		-	-
Finance lease creditors		-	-
Derivatives	20	-	1.904.353
Other loans		-	-
Trade Creditors	5,15	1.006.270	625.245
Other creditors	5,16	79.297.062	81.774.455
Taxes and other contributions payable	16	674.000	394.469
Other current liabilities	5,17	2.991.132	3.903.280
Obligations arising from share based payments		-	-
Responsabilities for post-retirement benefits		-	-
Provisions		-	-
Total Current Liabilities		173.229.827	173.488.165
Liabilities related to non current assets held for sale		-	-
Total Shareholder's Funds and Liabilities		1.529.035.927	1.597.034.705

Sonae Indústria-SGPS,SA

PROFIT OR LOSS STATEMENT

(Values in EUR)

	Notes	31.12.10	31.12.09
Operating Income:			
Sales		-	-
Services rendered	23	2.804.016	2.904.476
Change in fair value of investment properties		-	-
Other Operating Income	24	201.683	248.989
Total operating income		3.005.699	3.153.465
Operating Costs:			
Cost of sales		-	-
Changes in stock and work in progress		-	-
External supplies and services		(2.836.661)	(1.847.552)
Staff costs		(2.822.637)	(2.480.221)
Amortisation and Depreciation	4	(3.097)	(10.280)
Provisions and impairment losses	18	-	(11.532.758)
Other operating costs	24	(327.392)	(260.109)
Total operating costs		(5.989.786)	(16.130.920)
Operating profit/(loss)		(2.984.087)	(12.977.455)
Financial profi/(loss)	25	2.039.193	2.261.147
Profit/(loss) on associates		-	-
Profit/(loss) on other investments	26	1.031.539	12.964.655
Profit/(Loss) before tax		86.645	2.248.347
Corporate income tax - current tax	27	1.083.379	1.718.594
Corporate income tax - deferred tax	27	(2.713.457)	3.924.583
Net Profit/(loss) on continuing operations		(1.543.432)	7.891.525
Profit/(loss) on discontinued operations			
Profit/(loss) for the period		(1.543.432)	7.891.525

	31.12.10	31.12.09
Profit (loss) per Share		
Excluding Descontinued operations		
Basic	-0,01	0,06
Diluted	-0,01	0,06

Sonae Indústria-SGPS,SA

STATEMENT OF COMPREHENSIVE INCOME

(Values in EUR)

	31.12.09	31.12.08
Profit/(loss) for the period	- 1 543 432	7 891 525
Other comprehensive income for the period		
Change in fair value of available-for-sale financial assets		
Change in fair value of cash flow hedge derivatives	1 413 512	- 348 442
Gains on property revaluation		
Actuarial gains / (losses) on benefit pension plans		
Share of other comprehensive income of associates		
Income tax relating to components of other comprehensive income		
Other comprehensive income for the period, net of tax	1 413 512	- 348 442
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	- 129 920	7 543 083

Sonae Indústria-SGPS,SA
STATEMENT OF CHANGES IN SHAREHOLDERS` FUNDS

(Values in EUR)

				Accumulated other comprehensive income						
	Share capital	Legal reserve	Other Reserves and Retained earnings	Available-for-sale financial assets	Cash flow hedge derivatives	Property revaluation	Actuarial gains / (losses) on benefit pension plans	Share of other comprehensive income of associates	**Subtotal**	**Total shareholders` funds**
Balance at 01.01.10	700 000 000	2 737 181	266 460 956		-1 413 512				-1 413 512	967 784 625
Increase / (Decrease) in share capital										
Transfers										
Distributed dividends										
(Acquisition) / Disposal of own shares										
Funding of accumulated losses										
Total comprehensive income			-1 543 432		1 413 512				1 413 512	- 129 920
Others		394 576	- 394 576							
Balance at 31.12.10	700 000 000	3 131 757	264 522 948							967 654 705
Balance at 01.01.09	700 000 000	2 399 639	258 906 974		-1 065 070				-1 065 070	960 241 543
Increase / (Decrease) in share capital										
Transfers										
Distributed dividends										
(Acquisition) / Disposal of own shares										
Funding of accumulated losses										
Appropriation of previous year's net profit / (loss)										
Total comprehensive income			7 891 525		- 348 442				- 348 442	7 543 083
Others		337 542	- 337 543							- 1
Balance at 31.12.09	700 000 000	2 737 181	266 460 956		-1 413 512				-1 413 512	967 784 625

SONAE INDÚSTRIA,SGPS,S.A.
CASH FLOW STATEMENT
(Values in EUR)

OPERATING ACTIVITIES	31.12.2010		31.12.2009	
Cash receipts from trade debtors	2.547.565		3.293.732	
Cash paid to trade creditors	2.597.176		1.502.479	
Cash paid to employees	2.974.946		2.515.380	
Operational Cash Flow	**-3.024.557**		**-724.127**	
Corporate income tax paid / received	-1.884.435		-141.812	
Other cash receipts and payments relating to operating activities	262.806		-1.683.030	
Net cash flow from operating activities [1]		**-877.316**		**-2.265.345**
INVESTMENTS ACTIVITIES:				
Cash receipts arising from:				
Financial investments			11.157.740	
Tangible assets			91	
Intangible assets				
Interest assets and similar income				
Dividends	1.031.539	1.031.539	12.964.655	24.122.486
Cash payments owing to:				
Financial investments			21.664.600	
Tangible assets			1.711	
Intangible assets		0	550	21.666.861
Increase / decrease in granted loans		-50.064.883		-38.530.786
Net cash flow from investing activities [2]		**51.096.422**		**40.986.411**
FINANCIAL ACTIVITIES				
Cash receipts arising from:				
Interest and similar income	24.360.478		38.476.739	
Loans	5.940.000.000	5.964.360.478	2.367.000.000	2.405.476.739
Cash payments owing from:				
Interest and similar costs	17.053.858		27.053.245	
Dividends				
Loans	6.002.386.364		2.429.159.091	
Others	2.130.637	6.021.570.859		2.456.212.336
Increase / decrease in loans		-893.000		2.112.535
Net cash flow from financing activities [3]		**-58.103.381**		**-48.623.061**
Net increase / decrease in cash and cash equivalents		-7.884.274		-9.901.994
Cash and cash equivalents - opening balance		13.504.355		23.406.351
Cash and cash equivalents - close balance		5.620.080		13.504.355
Net increase / decrease in cash and cash equivalents		-7.884.274		-9.901.994

SONAE INDÚSTRIA, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts expressed in Euros)

1. Introduction

SONAE INDÚSTRIA, SGPS, S.A. is based at Lugar do Espido, Via Norte, Apartado 1096, 4470-177 Maia, Portugal.

2. Main Accounting Policies

The main accounting policies adopted in preparing the accompanying financial statements are as follows:

2.1. Basis of Preparation

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC), applicable to the period beginning on 1 January 2010 and endorsed by the European Union.

In the year ended 31 December 2010 the following standards and interpretations became effective:

> IFRS 3 – Business Combinations (amended 2008), IAS 27 – Consolidated and Separate Financial Statements (amended 2008), IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (improved 2008), IFRS 1 – First Time Adoption of International Financial Reporting Standards (amended 2008), IFRS 2 – Share-based Payments (amended 2009), IAS 39 – Financial Instruments: Recognition and Measurement (amended 2008), IFRIC 12 – Service Concession Arrangements, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, IFRIC 17 – Distribution of Non-Cash Asset to Owners, IFRIC 18 – Transfers of Assets from Customers.

At 31 December 2010 the following standards and interpretations had been issued but not applied as they only become effective on coming periods:

IAS 32 – Financial Instruments: Presentations (amendment), IAS 24 – Related Party Disclosures (revised), IFRS 7 – Financial Instruments: Disclosures (amendment), IAS 12 – Income Taxes (amendment); IFRS 9 – Financial Instruments (issued 2009); IFRIC 14 IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and IFRIC 19 – Extinguishing Financial Instruments with Equity Instruments.

It is not possible to estimate the effect of the application of these standards and interpretations on future consolidated financial statements.

International Financial Reporting Standard (IFRS7), effective for annual periods beginning on or after 1 January 2007, was applied for the first time on these financial statements.

The accompanying financial statements have been prepared from the books and accounting records of the company on a going concern basis, except for financial instruments that they are recorded at their fair value (Note 2.9).

2.2 Investments in Group and associated companies

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition adjusted for acquisition related expenses. Financial investments in Group and Associated Companies are tested for imparity when appropriate. If an impairment loss exists, it is recorded as a cost.

Revenues from financial investments (dividends received) are recorded on the Profit and Loss statement of the period in which distribution is decided and announced.

2.3 Tangible Assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at their deemed cost, which corresponds to their acquisition cost or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal at that date, net of depreciation and accumulated impairment losses.

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

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

Depreciation rates used correspond to the following expected useful lives of the underlying assets:

	Years
Buildings	20-40
Machinery and equipment	15 < x < 25
Other Machinery	5 < x < 20
Tools and utensils	15 < x < 20
Office equipment	4
Other tangible Assets	5

Maintenance and repair costs related to tangible assets are recorded directly as expenses in the year they are incurred.

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or start being used.

Gains or losses arising from the sale or write-off of tangible assets are determined as the difference between the sale price and the accounting net value at the sale/write-off date and are registered as Other Operational Income/ Other Operational Losses.

2.4 Intangible Assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is likely that they will generate future economic benefits, if they are controlled by the company and if their cost can be reliably measured.
Development expenses are recognized as an intangible asset if the company demonstrates technical feasibility and intention to complete the asset, ability to sell or use it and the probability that the asset will generate future economic benefits. Development expenses which do not fulfil these conditions are recorded as an expense in the period in which they are incurred.

Internal costs associated with maintenance and software development are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

Amortization is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which is normally 5 years.

2.5 Accounting for leases

When accounting for leases in which the company is the lessee, the lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

A lease is classified as a financial or an operating lease dependent on the substance of the transaction rather than the form of the contract.

Lease payments within operating lease contracts are recognized as expenses on a straight line basis over the lease term.

2.6. Impairment of non-current assets, except for goodwill

Assets are assessed for impairment at the end of each year, 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 recorded on the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset’s fair value net of costs incurred on sale and its value in use. Fair value less sale related costs is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded on the income statement as Other Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2.7. Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.8. Provisions

Provisions are recognized when, and only when, the company has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

2.9. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Investments measured at fair value through profit or loss
- Available-for-sale investments

Investments measured at fair value through profit or loss include the investments held for trading by de company to be sold within a short period of time. They are classified as current assets in the balance sheet.

Available-for-sale investments are stated as non current assets except if they are intended to be sold within the next 12 months as from the balance sheet date.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost, less impairment losses.

Changes in the fair value of investments measured at fair value through profit or loss are included in the income statement for the period.

Gains or losses arising from a change in fair value of available-for-sale investments are recognized directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is transferred to net profit or loss for the period.

b) Accounts receivable

Receivables are stated at net realizable value corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable).The impairment losses are recognized in “Impairment loss in costumers”

The impairment losses are recorded when the company know that never go to receive the trade receivables.

The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows. Discounted at the financial assets original effective interest rate,

The receivables are recorded as currents assets, except when its maturity is greater than twelve months from the balance sheet date, situation when they are classified as non-current assets.

c) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.13. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

The company uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the company for trading purposes.

Derivatives classified as cash flow hedge instruments (Swaps) are used by the company mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the Profit and Loss statement.

The company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the company are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, included in Reserves and retained earnings on the balance sheet, and then recognized in the income statement over the same period in which the hedged instrument affects income statement.

The fair value of these financial instruments is calculated with resource to derivative valuation software and was based on the present value, at balance sheet date, of future cash flows of both the fixed and variable legs of the derivative instrument.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

These derivative instruments over which no hedge accounting was applied are initially stated at cost, if any, and then adjusted to their fair value. Changes in fair value, calculated with resource to specific software, are accounted for as financial items on the profit and loss statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value. Gains and losses are taken through the profit and loss statement.

Additionally, the company also negotiates, in specific situations, interest derivatives in order to hedge fair values. In these cases, derivatives are stated at fair value through profit or loss. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through profit or loss.

Derivative instruments are stated on the Statement of Financial Position under Other non current assets, Other current assets, Other non current liabilities and Other current liabilities.

g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and for which the risk of change in value is insignificant.

In the statement of cash flows, cash and equivalents also include bank overdrafts, which are included in the balance sheet item Borrowings.

2.10. Retirement benefit plans

As referred in Note 14, the company has an insurance policy for employees hired prior to 31/12/94, according to which they shall be entitled to receive a pension in the amount of 20% of their salary at that date.

It is a Defined Benefits Plan in the form of an insurance policy.

2.11. Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

2.12. Income tax

Income tax for the year is determined based on the taxable income of the Company, considering the interim period profit and using the estimated effective average annual income tax rate.

The Special Group Tax Regime includes the following companies: Euroresinas–Indústrias Quimicas,S.A., Sonae Indústria de Revestimentos,S.A., Ecociclo– Energia e Ambiente,S.A., Maiequipa–Gestão Florestal,S.A., Movelpartes–componentes para a Industria de Mobiliário, S.A.,Sonae Industria- Management Services SA, Agloma–sociedade Industrial de Madeira Aglomerada, S.A, Agloma Investimentos SGPS SA, Siaf Energia SA , Sonae Industria PCDM SA, Somit Imobiliaria SA and Imoplamac –Gestão Imoveis SA.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually reviewed using the tax rates in place or announced and thereby expected to apply at the time the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer likely.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

2.13. Revenue recognition and accrual basis

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognised as income in the year they are attributed to shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other Current Liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they are to be recognised in the income statement.

2.14. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the profit and loss statement as the difference between the sale price and the net book value at date of sale or write-off, under the caption Other Operating Profits and Losses.

2.15. Balances and transactions expressed in foreign currencies

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

2.16. Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.17. Risk management

a) Market Risk Management Policy

i) Interest Rate Risk

As a result of the relevant portion of floating rate debt on Sonae Industria Balance Sheet and the consequent cash flows related to interest payments, the company is exposed to interest rate risk, and it is particularly exposed to the risk of variation of Euro interest rates, as most of its floating rate debt is denominated in Euro.

As a general rule, Sonae Industria, SGPS does not hedge its exposure to floating interest rates.
As an exception to its general rule, Sonae Industria may engage into interest rates derivatives. If this is the case, the following is observed:

- Derivatives are not used for trading, profit making, or speculative purposes;

- The Company only engage in derivative transactions with Investment Grade Financial Institutions;

- Derivatives match exact periods, settlement dates and base interest rate of the underlying exposures;

- Maximum financial charges on the aggregate of the derivative and the underlying exposures are always known and limited on the inception of the hedging period;

- Quotes from at least two Financial Institutions are considered before closing any interest rate hedging deal.

ii) Other Price Risks

As at 31st December 2010, Sonae Indústria did not hold material investments classified as “available-for-sale”.

b) Liquidity Risk Management Policy

Liquidity risk management in Sonae Industria aims to ensure that the company is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavorable terms.

For this purpose, Liquidity management at the Group comprises:

- consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);

- diversification of financing sources;

- diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;

- arrangement of committed (and uncommitted) credit facilities, commercial paper programs, and other facilities (such as a Securitization of Receivables program) with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees;

3. Tangible Assets

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

TANGIBLE ASSETS

31.12.10	Land and buildings	Machinery and equipment	Transport equipment	Office equipment	Tools and utensils	Reusable containers	Other Tangible assets	Tangible assts in progress	Advances on account of tangible assets	Total
Gross asset:										
Opening balance	-	38.099	-	131.827	-	-	-	0	-	169.926
Disposals	-		-	-	-	-	-	-		
Closing Balance	-	38.099		131.827	-	-	-	0	-	169.926
Accumulated amortizations,depreciations and impairment losses										
Opening balance	-	35.575		126.170	-	-	-	-	-	161.745
Depreciations for the period	-	1.760		1.153	-	-	-			2.913
Disposals	-				-	-	-			
Closing Balance	-	37.335	-	127.323	-	-	-	-	-	164.658
Carrying amount	-	764	-	4.504	-	-	-		-	5.268

31.12.09	Land and buildings	Machinery and equipment	Transport equipment	Office equipment	Tools and utensils	Reusable containers	Other Tangible assets	Tangible assts in progress	Advances on account of tangible assets	Total
Gross asset:										
Opening balance	-	40.945	-	131.827	-	-	-		-	172.772
Disposals		(2.846)								(2.846)
Others	-	-	-	-	-	-	-		-	
Closing Balance	-	38.099		131.827	-	-	-		-	169.926
Accumulated amortizations,depreciations and impairment losses										
Opening balance	-	33.582	-	124.942	-					158.524
Depreciations for the period	-	4.771	-	1.228						5.999
Disposals		(2.778)								(2.778)
Closing Balance	-	35.575		126.170						161.745
Carrying amount	-	2.524		5.657						8.181

4. Intangible Assets

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

INTANGIBLE ASSETS

31.12.10

	Development costs		Development costs	Software		Software	Premiums paid for property occupation rights	Intangible assets in progress		Intangible assets in progress	Total
	GI	NGI	Total	GI	NGI	Total		GI	NGI	Total	GI+NGI
Gross asset:											
Opening balance	-			-	550	550	-	-	-	-	550
Acquisitions	-	-	-	-	-	-	-	-			
Transfers	-	-	-	-			-	-			
Others	-			-	-	-	-	-	-	-	
Closing Balance	-	-	-	-	550	550	-	-	-	-	550
Accumulated amortizations,depreciations and impairment losses											
Opening balance	-			-	138	138	-	-	-	-	138
Depreciations for the period	-			-	184	184	-			-	184
Others	-			-	-	-	-	-	-	-	
Closing Balance	-	-	-	-	322	322	-	-	-	-	322
Carrying amount	-	-	-	-	228	228	-	-	-	-	228

31.12.09

	Development costs		Development costs	Software		Software	Premiums paid for property occupation rights	Intangible assets in progress		Intangible assets in progress	Total
	GI	NGI	Total	GI	NGI	Total		GI	NGI	Total	GI+NGI
Gross asset:											
Opening balance	-	62.187	62.187	-	550	550	-	-			62.737
Acquisitions									550	550	550
Transfers									(550)	(550)	(550)
Others	-	(62.187)	(62.187)	-	-	-	-	-			(62.187)
Closing Balance	-	-	-	-	550	550	-	-	-	-	550
Accumulated amortizations,depreciations and impairment losses											
Opening balance	-	58.044	58.044	-	-	-	-	-	-	-	58.044
Depreciations for the period	-	4.143	4.143	-	138	138	-			-	4.281
Others		(62.187)	(62.187)								(62.187)
Closing Balance	-	-	-	-	138	138	-	-	-	-	138
Carrying amount	-			-	412	412	-	-	-	-	412

5. Financial Instruments

In the Statement of Financial position at 31 December 2010 and 31 December 2009, the following financial Instruments are included:

FINANCIAL INVESTMENTS

	notas	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
31.12.10								
Non current assets								
Available for sale investments					117 922	117 922		117 922
Other non current assets		583.020.801				583.020.801		583.020.801
Current assets								
Customers		324.034				324.034		324.034
Other current debtors		2.044.013				2.044.013	55	2.044.068
Other current assets							124.562	124.562
Investments								
Cash and cash equivalents		5.620.080				5.620.080		5.620.080
Total		591.008.928			117.922	591.126.850	124.617	591.251.467
31.12.09								
Non current assets								
Available for sale investments					117 922	117 922		117 922
Other non current assets		638.109.145				638.109.145		638.109.145
Current assets								
Customers		78.594				78.594		78.594
Other current debtors		3.436.891				3.436.891		3.436.891
Other current assets							23.899	23.899
Cash and cash equivalents		13.504.355				13.504.355		13.504.355
Total		655.128.985			117.922	655.246.907	23.899	655.270.806

	Liabilities at fair value through profit or loss	Hedge derivatives	Other financial Liabilities	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.10						
Non current liabilities						
Bank loans - net of short term portion			86.818.182	86.818.182		86.818.182
Debentures - net of short term portion			301.063.535	301.063.535		301.063.535
Current assets						
Bank loans			89.261.364	89.261.364		89.261.364
Trade creditors			1.006.270	1.006.270		1.006.270
Other current liabilities			79.293.776	79.293.776	2.994.417	82.288.193
Total			557 443 127	557 443 127	2 994 417	560 437 544
31.12.09						
Non current liabilities						
Bank loans - net of short term portion			153.579.546	153.579.546		153.579.546
Debentures - net of short term portion			301.912.691	301.912.691		301.912.691
Current assets						
Bank loans			84.886.364	84.886.364		84.886.364
Trade creditors			625.245	625.245		625.245
Other current liabilities	1.904.353		81.774.429	83.678.782	3.903.305	87.582.087
Total	1.904.353		622.778.275	624.682.628	3.903.305	628.585.933

6. Investments

At 31 December 2010 and 31 December 2009, details of investments were as follows:

INVESTMENTS

	31.12.10		31.12.09	
	Non current	Current	Non current	Current
Investment in group companies				
Opening balance at 1 January	948.826.873		938.320.012	
Aquisitions over the period			21.664.601	
Disposals over the period			(11.157.740)	
Other			0	
Closing balance for the period	948.826.873		948.826.873	
Accumulated impairment losses	(22.542.975)		(22.542.975)	
	926.283.898		926.283.898	
Investments held for sale				
Fair value at 1 January	117.922		117.922	
Aquisitions over the period	-		-	
Disposals over the period	-		-	
Increase/(decrease) in fair value	-		-	
Other	-		-	
Fair value at the end of the period	117.922		117.922	
Derivative instruments - current				
Fair value at 1 January				216.108
Aquisitions over the period		-		-
Disposals over the period		-		216.108
Increase/(decrease) in fair value				(432.217)
Other				
Fair value at the end of the period		-		-
	926.401.819	-	926.401.819	-

At 31 December 2010, Sonae Industria, SGPS had the following holdings in Group and Associated Companies:

Company	% Share	Acquisition Value	Shareholder´s Funds	Net Profit	
Euroresinas - Industrias Quimicas, S.A.	100,00%	15.838.525	15.581.646	1.002.488	b)
Maiequipa - Gestão Florestal,S.A.	100,00%	3.438.885	821.272	34.154	a), b)
Movelpartes - Componentes para Industria do Mobiliário,S.A.	100,00%	8.180.114	7.538.159	1.263.122	b)
Sonae Industria de Revestimentos,S.A.	100,00%	21.729.193	11.026.782	15.814	b),c)
Imoplamac - Gestão de Imóveis,S.A.	100,00%	6.000.000	6.526.899	793.624	b)
Sonae Industria-Management services	100,00%	2.000.000	3.598.553	73.486	b)
Sonaegest	20,00%	159.615	1.349.578	417.760	b)
Taiber	0,02%	25.142	8.900.980	-7.698.784	b)
Tafisa - Tableros de Fibras,S.A.	98,78%	861.581.325	227.452.220	13.657.199	b),c)
Ecociclo - Gestão Ambiental,S.A.	100,00%	631.267	597.003	10.299	b)
Sonae Industria - Produção e Comercialização de Derivados de Ma	0,02%	3.497.787	80.344.707	1.785.606	b)
Siaf Energia, S.A.	0,20%	5.000	7.050.090	1.553.983	b)
Somit Imobiliaria	0,02%	10	5.568.624	2.772.152	b)
Agloma - Soc.Ind.Madeira Aglomerada,S.A.	100,00%	20.738.810	178.947	-12.432	a), b)
Agloma Investimentos,S.A.	6,54%	5.000.000	84.117.234	552.613	b)
Sonae RE, Societé Anonyme	0,04%	1.200	3.000.000	0	

a) The values recorded for the holdings in Agloma-Sociedade Industrial de Madeira Aglomerada SA and Maiequipa-Gestão Florestal SA were estimated to be higher than their recoverable value, therefore the company recognized impairment charges on prior year's balance sheet under the heading Investments in associated companies (note 18).

b) The amounts stated as shareholders' funds and net profit of companies were prepared in accordance with IFRS/IAS.

c) Impairment tests carried out at 31 December 2010 consisted in determining the recoverable amount using the discounted cash flow method. Operating cash flows were projected over an eight-year period, thereafter extrapolated using a perpetuity and discounted to 31 December 2010. Weighted Average Cost of Capital, before tax, calculated through CAPM (Capital Asset Pricing Model) methodology for each reportable segment, was used as discount rates. These rates include specific market features and include different risk factors as well as risk-free interest rates of ten year bonds of each segment.

An eight-year period was used for projecting cash flows on the grounds of the extension and intensity of the economic cycles affecting the Group's activity.

Projected cash flows are based on the Group's business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.

The Board of Directors believes that a reasonably possible change on the basic assumptions used to determine the recoverable amount would not cause the Goodwill to be impaired.

	Tableros de Fibras			**SIR**
	Iberian Peninsula	Germany	France	
Discount rate (pre-tax)	11,34%	9,05%	9,38%	11,8%
Growth rate on Perpetuity	1,00%	1,00%	1,00%	1,00%
Period	8 anos	8 anos	8 anos	8 anos
Test Conclusions	Sem imparidade	Sem imparidade	Sem imparidade	Sem imparidade

No impairment losses were recognized as a result of the tests carried out on the carrying amount of Goodwill as at 31 December 2010

7. Deferred tax

Details of deferred tax asset at 31 December 2010 and 31 December 2009 were as follows:

DEFERRED TAXES - BALANCES

	31.12.10		31.12.09	
	Assets	Liabilities	Assets	Liabilities
Impairment of assets	5.077.625	-	5.077.625	-
Net losses carry-forw ard	5.529.543	-	8.243.000	-
	10.607.168	-	13.320.625	-

DEFERRED TAXES - FLOWS

	31.12.10		31.12.09	
	Assets	Liabilities	Assets	Liabilities
Opening Balance	13.320.625	0	9.396.042	0
Recognition in Profit or Loss:				
Impairment of assets		-	2.751.523	-
Net losses carry-forw ard	(2.713.457)	-	1.173.060	-
Sub-total	(2.713.457)	-	3.924.583	-
Closing Balance	10.607.168		13.320.625	-

8. Other Non Current Assets

Details of Other Non Current Assets at 31 December 2010 and 31 December 2009 were as follows:

	31.12.10	31.12.09
Loans Granted To Group Companies (Nota 2.2 e 22)	583 020 801	638 109 145
Other Loans Granted	0	0
Tax Recoverable	0	0
Other Non- Current Assets	0	0
	583 020 801	638 109 145
Accumulated Imparment Losses (Nota 18)		
	583 020 801	638 109 145

Loans granted to Group companies have a medium and long term maturity and they yield interest at an average rate of 3.056%.This item includes he amount of interests on 18.882.822 euro.

9. Trade and Other Current Debtors and State and Others Public Entities

At 31 December 2010 and 31 December 2009, details of Current Trade Debtors were as follows:

	31.12.10	31.12.09
Current Accounts	324 034	78 594
Bills Receivable	0	0
	324 034	78 594
Accumulated Imparment Losses	0	0
	324 034	78 594

At 31 December 2010 and 31 December 2009, detail of trade debtors maturities were as follows:

AGEING OF TRADE DEBTORS

	31.12.10	31.12.09
Not due	296.008	251.515
Due and not impaired		
< 30 days	24.227	-174.541
30 - 90 days		1.620
> 90 days	3.800	0
	28.027	-172.921
	324.035	78.594

At 31 December 2010 and 31 December 2009, details of Other Current Trade Debtors and State and other public entities were as follows:

	31.12.10	31.12.09
Other debtors	2 036 831	2 869 763
Assets out of scope of IFRS 7	2 036 831	2 869 763
Other debtors	7.237	567.128
	2.044.068	3.436.891

The amount of others debtors – out of scope of IFRS 7 refers to current special group tax regime

	31.12.10	31.12.09
State & Other Public Entities		
Income Tax	476 854	1 705 941
Value Added Tax	411 043	444 844
	887 897	2 150 785

At 31 December 2010 and 31 December 2009, detail of Others Debtors maturities were as follows:

AGEING OF OTHER TRADE DEBTORS

	AGEING OF TRADE CREDITORS (ASSET BALANCES)		AGEING OF OTHER DEBTORS	
	31.12.10	31.12.09	31.12.10	31.12.09
Not due	-	-	-	-
Due and not impaired				
< 30 days	27	82.395	-	264.898
30 - 90 days	-	-	-	151.124
> 90 days	-	-	7.156	68.711
	27	82.395	7.156	484.733

10. Other Current Assets

Details of Other Current Assets at 31 December 2010 and 31 December 2009 were the following:

	31.12.10	31.12.09
Accrued Revenue	20 007	15 891
Deferred Costs	104 555	8 008
	124 562	23 899

Accrued Revenue relates mainly to the interest receivable - Application Cash Reserve

11. Cash and Cash equivalents

At 31 December 2010 and 31 December 2009 detail of Cash and cash equivalents was the following:

	31.12.10	31.12.09
Cash at Hand	2 478	660
Deposits	30 894	404 916
Treasury Apllications	5 586 707	13 098 780
Cash & Cash Equivalents - Balance Sheet	5 620 079	13 504 355
Bank Overdrafts		
Cash & Cash Equivalents - Cash Flows Statement	5 620 079	13 504 355

Cash & equivalents comprise cash at hand, deposits, treasury applications and term deposits with less than three months maturity, and for which the risk of value change is insignificant.

The item Treasury applications is composed by a Cash Reserve of 5.586.707 euro related to the Group Securitization program.

12. Share Capital

On December 31, 2010 the share capital, fully underwritten and paid, is represented by 140.000.000 common shares, not entitled to fixed income, with a face value of 5 Euros per share

The following entity had more than 20% of the subscribed capital on 31 December 2010:

Entity	%
Efanor Investimentos, SGPS, S. A.	31,9

Shareholder's Funds Detail:

	2010	2009
Share Capital	700.000.000	700.000.000
Legal Reserve	3.131.757	2.737.181
Free Reserve	20.145.630	12.648.681
Other Reserves	245.920.750	245.920.751
Total comprehensive Income	-1.543.432	7.891.524
Cash flow hedge derivatives		-1.413.512
	967.654.705	967.784.625

13. Loans

At 31 December 2010 and 31 December 2009 Sonae Industria SGPS, S.A had the following outstanding loans:

	31.12.10				31.12.09			
	Amortised cost		Nominal Value		Amortised cost		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank Loans	16 761 364	31 818 182	16 761 364	31 818 182	9 886 364	38 579 546	9 886 364	38 579 546
Debentures		301 063 535		305 000 000		301 912 691		305 000 000
Obligations Under Finance Leases								
Other Loans	72 500 000	55 000 000	72 500 000	55 000 000	75 000 000	115 000 000	75 000 000	115 000 000
Bank Overdrafts								
Hedge Derivatives								
Gross Debt	89 261 364	387 881 716	89 261 364	391 818 182	84 886 364	455 492 237	84 886 364	458 579 546
Investments								
Cash & Cash Equivalents - Balance Sheet	5 620 080		5 620 080		13 504 355		13 504 355	
Net Debt	83 641 284	387 881 716	83 641 284	391 818 182	71 382 009	455 492 237	71 382 009	458 579 546
Total Net Debt	471 523 000		475 459 466		526 874 245		529 961 555	

The average interest rates of each class of debt stated in the previous table were as follows:

	2010	2009
Bank Loans	3,356%	3,253%
Debentures	2,497%	3,248%
Other Loans	1,999%	2,039%

The loans have the following repayment schedule:

	31.12.10	31.12.09
2010		84 886 364
2011	89 261 364	66 761 364
2012	64 469 697	108 636 364
2013	111 969 697	178 636 364
2014	136 969 697	103 636 364
2015	33 409 091	909 091
2016	30 000 000	
>2016	15 000 000	
	481 079 546	543 465 911

At December 31, 2010 the contracted loans are summarized as follows:

a) During the first half of 2005, a loan contracted in 2001 by Sonae SGPS SA with the European Investment Bank, of 50.000.000 Euros, was transferred to Sonae Industria SGPS, SA. The loan pays interest quarterly, at market rates, and will be redeemed in 16 consecutive semi-annual instalments. At 31 December 2010, the principal outstanding was 3.125.000 Euros;

b)) On 19 February 2009 Sonae Industria contracted a loan with a financial institution in the total amount of 20.000.000 Euros, Interests is calculated at market rate. The loan will be paid between 2009 and 2015. At 31 December 2010, outstanding principal amounted to 15.454.545 Euros;

c) On 27 October 2009 Sonae Industria contracted a loan with a financial institution in the total amount of 20.000.000 Euros, Interests is calculated at market rate. The loan will be paid between 2011 and 2012.

d) On 05 August 2010 Sonae Industria contracted a loan with a financial institution in the total amount of 10.000.000 Euros, Interests is calculated at market rate. The loan will be paid between 2012 and 2015.

e) Sonae Industria 2005/2013 bonds, issued on 31 March 2005, with a principal amount of 55.000.000 Euros, and a bullet repayment 8 years after issue date. Interest is paid semi-annually in arrears on 31 March and 30 September;

f) Sonae Indústria 2006/2014 bonds, issued on 28 March 2006, with a principal amount of 50 000.000 Euros and a bullet repayment 8 years after issue date. Interest is paid semi-annually in arrears on 28 March and 28 September

g) Sonae Industria 2006/2014 bonds, issued on 2 August 2006, with a principal amount of 50.000.000 Euros and a bullet repayment 8 years after issue date, Interest is paid semi- annually in arrears on 2 February and 2 August

h) On 5 May 2010 Sonae Indústria, SGPS, S. A. acquired and repaid in anticipation “Sonae Indústria – 2006/2013”, “Sonae Indústria – 2008/2012” and “Sonae Indústria – 2008/2012” debentures for a total amount of 150 000 000 euro. On the same date, Sonae Indústria, SGPS, S. A. issued new debentures through private subscription with a principal amount of 150 000 euro and a 7-year period. Payment will be done through reduction of nominal value, in 10 equal and successive semi-annual instalments, beginning on the 5th coupon payment date. Interest is paid semi-annually on 5 May and 5 November.

i) On 25 January 2006, Sonae Industria signed and subsequently added a Commercial Paper agreement of up to 160.000.000 Euros, with several financial institutions. The programme matures on 27 January 2016. At 31 December 2010, the balance was keep at 125.000.000 Euros. Interest is calculated at the EURIBOR rate that matches the maturity of the issue.

j) On 30 September 2009 Sonae Indústria SGPS, S. A. contracted a commercial paper programme with a maximum nominal amount of 40 000 000 Euros. The programme will mature between 2011 and 2013. At 31 December 2010, commercial paper had been issued for the programme’s full amount;

k) On 28 September 2010, Sonae Industria signed contracted a Commercial Paper programme with a maximum nominal amount of 2.500.000 Euros. The programme will mature in 2011. At 31 December 2010, commercial paper had been issued for the programme’s maximum amount .

14. Pension Fund Liabilities

Sonae Industria – Produção e Comercialização de Derivados de Madeira, S.A, has an insurance policy for employees hired prior to 31/12/94, according to which they shall be entitled to receive a pension in the amount of 20% of their salary at that date. Sonae Industria, SGPS, S.A. employees are also covered by this plan.

This is a Defined Benefits Plan in the form of an insurance contract.

According to actuarial studies carried out by the fund manager, total liabilities for services provided, taking into account salary growth, amounted to 395.244 Euros and the market value of the fund is 126.059 Euros. The company had a provision of 269.678 Euros.

The actuarial assumptions were as follows:

Pension Growth Rate: 0%
Forecasted Income Rate: 5%
Expected Salary Growth Rate: 3%
Technical Actuarial Rate: 5%
Mortality Rate: TV 88/90

15. Trade Creditors

At 31 December 2010 and 31 December 2009 all amounts recorded under this item resulted from normal operations. Trade creditors maturities were as follows:

MATURITY OF TRADE CREDITORS

	31.12.10	31.12.09
To be paid		
< 90 days	1.006.270	625.245
90 - 180 days	-	-
> 180 days	-	-
	1.006.270	625.245

16. Other Creditors and State & Other Public Entities

At 31 December 2010 and 31 December 2009 details of this item were as follows:

	31.12.10	31.12.09
State & Other Public Entities		
Income Tax	631 955	319 018
Tax retention	37 761	46 649
Social Security Contributions	4 284	27 538
Others		1 263
Liabilities out of scope of IFRS7	674 000	394 469
Other Creditors		
Loans From Group Companies (Nota22)	78 802 000	79 695 000
Financial Instrumets	78.802.000	79.695.000
Others Creditors	495.062	2.079.455
	79.297.062	81.774.455

17. Other Current Liabilities

At 31 December 2010 and 31 December 2009 this item had the following detail:

	31.12.10	31.12.09
Accrued Costs		
Holidays	610 774	735 828
Interests	2 308 370	2 854 000
External Supllies & Services	71 989	313 452
Liabilities out of scope of IFRS7	2 991 133	3 903 280

18. Provisions & Accumulated Impairment Losses

Changes in provisions and accumulated impairment losses during the period ended December, 31 2010 were the following:

Description	Opening Balance	Increases	Utilisation	Reductions	Closing Balance
Accumulated Imparment Losses on Investments (Nota 6)	22 542 975				22 542 975
	22 542 975				22 542 975

Impairment losses are offset against the corresponding asset.

19. Operational Leases

In 2010, charges for operational lease payments in the amount of 162.685 Euros were recorded on the profit and loss statement.

In addition, at the balance sheet date, the company had irrevocable operational lease contracts with the following payment maturities:

	31.12.10	31.12.09
2010	162.685	145.404
2011	136.086	101.657
2012	74.768	43.706
2013	57.330	18.584
2014	16.219	-
	447.088	309.351

20. Financial Derivatives

The fair value of derivative instruments is stated as follows:

	2010	2009
Derivates at fair value through reserve		
-Assets		
-Liabilitie		1.904.353

Determining the fair value of interest rate swaps that are fair value hedges follows the same process as interest rate swaps that are cash flow hedges.

Derivatives at fair value through reserves

	Maturity derivative	
	2011	2010
Derivates at fair value through reserve		-1.413.512
	0	**-1.413.512**

At 31 December 2009 they consisted of interest rate derivatives that are cash flow hedges.

These interest rate hedging derivatives are valued at fair value, at balance sheet date, which is determined by the Group using derivative valuation software and external appraisals when software do not allow some derivatives to be valued. The fair value of these financial instruments is determined using the discounted cash flow method: zero coupon yield curves for the relevant periods are used for determining the respective variable forward rates and the discounting factors, which allow fixed leg cash flows and floating leg cash flows to be discounted. The sum of both permits the calculation of present fair value.

At 31 December 2010, derivative financial instruments recognized at fair value through reserves had matured.

21. Financial Risks

The liquidity risk described on note 2.17., b), related to gross debt referred to on note 13, can be analysed as follows:

Liquidity Risk

	Maturity of Gross Debt	Interests	Total
2011	89.261.364	12.597.252	101.858.616
2012	64.469.697	11.723.172	76.192.869
2013	111.969.697	9.174.332	121.144.029
2014	136.969.697	5.809.059	142.778.756
2015	33.409.091	2.809.574	36.218.665
2016	30.000.000	1.531.712	31.531.712
>2016	15.000.000	303.326	15.303.326
	481.079.546	**43.948.427**	**525.027.973**

The calculation of interest in the previous table was based on interest rates at 31 December 2010 applicable to each item of debt. Gross debt maturing in 2011 includes scheduled repayment of debt along with the repayment of debt as at end 2010 maturing within less than one year (although some credit limits might be rolled over).

Sensitivity Analysis

	2010			2009		
	"Notional"	Effect in Profit and Loss (Euros)		"Notional"	Effect in Profit and Loss (Euros)	
		0,75%	-0,75%		0,75%	-0,75%
Gross Debt						
Group	-78.802.000	-595.536	595.536	-79.695.000	-824.645	824.645
External	-477.143.081	-3.555.507	3.555.507	-540.378.600	-3.990.134	3.990.134
	-555.945.081	-4.151.043	4.151.043	-620.073.600	-4.814.779	4.814.779
Financial Instruments						
Derivates	0	401.458	-401.458	105.000.000	949.583	-949.583
	0	401.458	-401.458	105.000.000	949.583	-949.583
Loans to group companies	564.131.979	4.679.307	-4.679.307	614.196.863	5.453.719	-5.453.719
Treasury Aplications	5.586.707	84.474	-84.474	13.098.780	114.749	-114.749
	569.718.686	4.763.781	-4.763.781	627.295.642	5.568.467	-5.568.467
		1.014.196	**-1.014.196**		**1.703.272**	**-1.703.272**

22. Related Parties

Balances and transactions with related parties may be summarized as follows:

Transactions	Sales & Services Rendered		Purchases & Acquired Services		Interest Income		Interest Expenses	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Parent Company & Group Companies	**2 804 016**	**2 904 476**	**1 278 296**	**904 831**	**19 279 701**	**24 617 651**	**954 622**	**2 501 610**
- Agloma		1.588				108	1.062	291.215
- Agloma Investimentos							823.891	1.663.852
- Ecociclo	9.000	8.168			25.739	42.461	156	
- Ecociclo II						179.353		
- Euroresinas	81.472	25.597			336.559	823.984		
- Glunz	671.509	722.989						
- Implamac					153.177	144.023		1.980
- SInd-pcdm	395.025	370.880	182.599	181.703	2.563.653	3.340.894		427.221
- Isoroy	442.000	489.716						
- Maiequipa		3.139			34.608	38.555		
- Movelpartes	12.489	24.937	14.809	19.314			24.697	40.618
- Siaf Imobiliária		3.441			40.284	44.158	525	22
- Siaf Energia		2.042				1.189	22.194	20.677
- Sonae Industria Revestimentos	20.204	26.322	9.263	12.423		220.609	47.192	110
- Sonaecenter			236.041	382.349				
- Sonae ,sgps			53.327	50.000				
- Sonae Uk	160.927	171.032						
- Sind - Share Services Center	4.491	4.560	583.173	40.208			19.990	42.787
- Tafisa Benelux	4.401	7.901						
- Tafisa Canadá	296.552	303.951						
- Tafisa Espanha	388.544	404.693						
- Tafisa South Africa	292.705	313.991						
- Tavapan	19.564	18.879						
- Taiber					16.125.681	19.782.317		
- Imosede			14.265	10.530				
- Novis			15.694	16.710				
- Praedium III			8.628	8.366				
- Efanor				49.500				
- Equador			160.497	133.728				
- Efanor ,Sgps							14.915	13.128
- Agepan	5.133	650						

Balance	Accounts Receivable		Accounts Payable		Loans			
					Obtained		Granted	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Parent Company & Group Companies	**319 361**	**76 324**	**652 363**	**230 408**	**78 802 000**	**79 695 000**	**583 020 801**	**614 196 862**
- Agloma		8						
- Agloma Investimentos					78.802.000	79.695.000		
- Ecociclo	1.377	43					205.941	753.000
- Euroresinas	11.165	3.378					7.564.670	9.376.000
- Glunz	67.404	4.093						
- Implamac							5.770.484	4.562.020
- SInd-pcdm	49.139	21.354	13.778	38.633			72.081.538	84.070.866
- Isoroy	45.417							
- Maiequipa		17					1.123.894	1.133.000
- Movelpartes	1.716	2.586		18.699				
- Somit Imobiliária		18					1.587.000	
- Siaf Energia		11						
- Sonae Industria Revestimentos	2.785	3.420	1.607	4.725				
- Sonae ,sgps			64.526	230				
- Sonae Uk	17.187		1.306					
- Sind - Share Services Center	992	936	540.895	4.021				
- Tafisa Benelux	812	936						
- Tafisa Canadá	52.373	26.377						
- Tafisa Espanha	37.815	12.844						
- Tafisa South Africa	28.569							
- Taiber				434			494.687.274	514.301.976
- Imosede			1.470	1.404				
- Tavapan	2.610	303						
- Novis			2.666	3.027				
- Sonaecenter				137.422				
- Praedium III			1.758	935				
- Equador			24.357	20.878				
- Agepan	873	650						

Remuneration of the Board of Directors of the Company is detailed as follows:

Total Fixed salaries	890.060
Total Bonus	538.000
	1.428.060

Fees Paid to the Audit company PricewatherhouseCoopers is detailed as follows:

Total Fees related to audit and legal certification of the accounts	39.353
Total Fees related to Other reliability services	8.508
	47.861

23. Services Rendered

Details of Services Rendered are presented below:

Services Rendered	31.12.10	31.12.09
Internal Cmmunication	205.407	247.559
Legal	156.660	231.296
Health & security	45.533	117.651
Administration	1.905.763	1.406.017
Engineering	197.285	562.991
Others	293.368	338.964
TOTAL	**2.804.016**	**2.904.476**

24. Other Operational Gains and Losses

Other Operation Gains	31.12.10	31.12.09
Gains on disposal of tangible assets		42
Others	201.683	248.947
	201.683	248.989

Other Operation Losses	31.12.10	31.12.09
Taxes	237.757	138.899
Disposals of tangible assets		26
Donations	12.040	6.780
Others	77.595	114.404
	327.392	260.109

25. Financial Results

	31.12.10	31.12.09
Financial Expenses:		
Interest Expenses	14 898 062	20 456 382
Exchange Losses	1 484	4 873
Others	2 435 216	2 465 395
Financial Results	2 039 193	2 261 147
	19 373 955	25 187 797
Financial Revenues		
Interest Income	19 339 216	24 827 263
Exchange Gains	328	4 531
Others	34.411	356.003
	19.373.955	25.187.797

26. Gains on Investments

The company received dividends of 1.031.539 Euros from the following companies:

	31.12.10	31.12.09
Agloma - Soc.Ind.Madeira Aglomerada,S.A.	199.613	11.647.880
Imoplamac - Gestão de Imóveis,S.A.	599.883	212.751
Siaf Energia,S.A.	4.945	3.957
Somit Imobiliaria SA	1.018	115
Sonaegest	226.080	-
Sonae Industria Revestimentos	-	161.867
Ecociclo	-	938.085
	1.031.539	12.964.655

27. Income Taxation

The income and deferred taxation recorded at 31 December 2010 and 31 December 2009 were:

	31.12.10	31.12.09
Income taxation	1.562.495	2.204.879
Deferred taxation	(2.713.457)	3.924.583
	(1.150.962)	6.129.462
Current Tax -Prior Year adjustment	(479.115)	(486.285)
	(1.630.077)	5.643.177

The Income taxation referring to the tax in Sonae Industria SGPS SA and local taxes items and Income taxation in the Special Group Tax Regime

Was recognised a deferred tax related to tax losses amounting to 2.713.457 Euros and a deferred tax

Reconciliation of Earnings before taxes with taxes for the year may be detailed as follows:

DETAILS	2010	2009
Net income/(loss) before tax	86.645	2.248.347
Current Taxes	20.099	560.524
Non-deductible depreciation and amortisation	242	1.553
Non deductible assets adjustments		2.751.523
Other adjustments	26.333	3.594
Others	3.976	3.833
Tax Benefits	-2.755	-6.957
Dividends	-257.930	-3.241.164
Current tax at special rate	474.501	299.128
Current tax From Special Group Tax regime	1.680.287	2.809.759
Deferred tax	-2.713.457	1.173.060
Adjustments Fiscal tax Group	-382.257	1.774.608
	-1.150.961	6.129.461

28. Earnings Per Share

Earnings per share, excluding the effect of discontinued operations, were calculated as follows:

	31.12.10	31.12.09
Net Profit		
Net Profit Considered for Basic EPS Calculation (Periodic Net Profit)	- 1 543 432	7 891 525
Net Profit Considered for Diluted EPS Calculation	- 1 543 432	7 891 525
Number of Shares		
Weighted Average Number of Shares for Basic EPS Calculation	140 000 000	140 000 000
Weighted Average Number of Shares for Diluted EPS Calculation	140 000 000	140 000 000
Net Profit Per Share	-0,01	0,06

During 2010, no effect from discontinued operations was recorded.

29. Contingencies

In October 2010 Sonae Indústria, SGPS, S. A. received a notice of assessment from tax authorities according to which the loss resulting from the dissolution of its subsidiary Socelpac, SGPS, S.A. in 2006, amounting to 74 million Euro, should be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation. According to the information available on this date, the Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was done to current tax and deferred tax asset recognized in these financial statements.

30. Financial Statements Approval

These financial statements were approved by the Board of Directors and authorised for issuance on 23 February 2010.

Consolidated Financial Statements

SONAE INDÚSTRIA, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Euros)

ASSETS	Notes	31.12.2010	31.12.2009
NON CURRENT ASSETS:			
Tangible assets	8,11	983 531 105	1 083 367 412
Goodwill	14	93 999 204	92 175 949
Intangible assets	12	10 119 422	12 446 257
Investment properties	13	1 401 731	6 665 733
Associated undertakings and non consolidated undertakings	10	2 683 341	3 011 096
Investment available for sale	10	1 031 189	300 702
Deferred tax asset	15	40 182 950	33 229 430
Other non current assets	16	919 720	1 357 948
Total non current assets		1 133 868 662	1 232 554 527
CURRENT ASSETS:			
Inventories	8,18	129 459 556	133 939 030
Trade debtors	8,19	159 041 460	163 348 206
Other current debtors	20	14 049 685	12 488 146
State and other public entities	22	9 504 284	14 240 208
Other current assets	21	11 663 953	11 487 023
Cash and cash equivalents	8, 23	26 915 003	34 328 941
Total current assets		350 633 941	369 831 554
Non-current assets held for sale	17	1 092 209	
TOTAL ASSETS		1 485 594 812	1 602 386 081
SHAREHOLDERS`FUNDS AND LIABILITIES			
SHAREHOLDERS`FUNDS:			
Share capital	24	700 000 000	700 000 000
Legal reserve	24	3 131 757	2 737 181
Other reserves and accumulated earnings	24	- 402 853 822	- 326 976 317
Accumulated other comprehensive income	24	- 2 609 633	- 22 778 753
Total		297 668 302	352 982 111
Non-controlling interests	25	1 105 065	1 703 556
TOTAL SHAREHOLDERS`FUNDS		298 773 367	354 685 667
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term bank loans - net of short-term portion	8, 26	132 402 184	215 964 021
Non convertible debentures	8, 26	301 063 535	301 912 691
Long term Finance Lease Creditors - net of short-term portion	26	43 539 714	43 725 783
Other loans	26	93 307 071	91 940 590
Post-retirement liabilities	30	25 583 340	25 334 414
Other non current liabilities	29	62 358 212	65 790 251
Deferred tax liabilities	15	70 589 486	57 367 250
Provisions	8, 34	9 257 411	22 316 496
Total non current liabilities		738 100 953	824 351 496
CURRENT LIABILITIES:			
Short term portion of long term bank loans	8, 26	144 443 713	103 996 868
Short term bank loans	8, 26	25 583 321	29 679 489
Short term portion of Finance Lease Creditors	26	4 468 308	3 919 801
Other loans	26	79 615	303 667
Trade creditors	8, 31	152 135 488	154 737 066
Taxes and Other Contributions Payable	32	12 983 549	13 302 885
Other current liabilities	33	102 650 824	101 703 507
Provisions	8, 34	6 375 674	15 705 635
Total current liabilities		448 720 492	423 348 918
TOTAL EQUITY AND LIABILITIES		1 485 594 812	1 602 386 081

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 AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Euros)

	Notes	31.12.2010	2nd. half 2010	1st. half 2010	31.12.2009
Operating revenues					
Sales	43	1 287 002 692	630 923 175	656 079 517	1 277 806 148
Services rendered	43	5 554 084	2 559 060	2 995 024	5 077 086
Other operating revenues	37	65 983 460	21 046 410	44 937 050	161 786 116
Total operating revenues		1 358 540 236	654 528 645	704 011 591	1 444 669 350
Operating costs					
Cost of sales		643 759 219	311 250 556	332 508 663	613 183 007
(Increase) / decrease in production		1 357 597	9 253 150	- 7 895 553	24 670 071
External supplies and services		367 660 351	174 031 995	193 628 356	373 147 083
Staff expenses		242 669 402	107 003 599	135 665 803	269 995 432
Depreciation and amortisation	11, 12, 13, 43	95 349 205	43 819 535	51 529 670	121 312 007
Provisions and impairment losses	11, 12, 13, 34,43	18 765 069	11 049 748	7 715 321	30 540 776
Other operating costs	38	14 878 919	7 418 937	7 459 982	13 710 153
Total operating costs		1 384 439 762	663 827 520	720 612 242	1 446 558 529
Operational profit / (loss)	43	- 25 899 526	- 9 298 875	- 16 600 651	- 1 889 179
Financial profits	40	51 593 962	22 825 995	28 767 967	68 873 743
Financial costs	40	98 653 963	47 581 721	51 072 242	122 976 540
Gains and losses in associated companies		- 101 683	39 034	- 140 717	- 64 597
Gains and losses in investments		57 810	57 810		98 700
Current profit / (loss)		- 73 003 400	- 33 957 757	- 39 045 643	- 55 957 873
Taxation	15, 41	2 414 926	- 12 707	2 427 633	3 692 143
Consolidated net profit / (loss) afer taxation		- 75 418 326	- 33 945 050	- 41 473 276	- 59 650 016
Profit / (loss) after taxation from descontinued operations		-	-	-	-
Consolidated net profit / (loss) for the period		- 75 418 326	- 33 945 050	- 41 473 276	- 59 650 016
Attributable to:					
Equity Holders of Sonae Industria		- 74 434 785	- 33 516 752	- 40 918 033	- 58 782 190
Minority Interests		- 983 541	- 428 298	- 555 243	- 867 826
Profit/(Loss) per share					
Excluding discontinued operations:					
Basic	42	- 0.5317	- 0.2394	- 0.2923	- 0.4199
Diluted	42	- 0.5317	- 0.2394	- 0.2923	- 0.4199
From discontinued operations:					
Basic	42	-	-		-
Diluted	42	-	-		-

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 31 DECEMEBER 2010 AND 2009

(Amounts expressed in Euros)

	31.12.2010		1st. half 2010	1st. half 2010	31.12.2009
		Reclassified amounts			
Net profit / (loss) for the period (a)	**- 75 418 326**	**- 1 124 475**	**- 33 945 050**	**- 41 473 276**	**- 59 650 016**
Other comprehensive income					
Change in currency translation reserve	18 898 677	- 289 038	- 2 332 264	21 230 941	17 584 220
Change in fair value of available-for-sale financial assets	90 487		90 487		
Change in fair value of cash flow hedge derivatives	1 413 513	1 413 513	617 107	796 406	- 348 443
Income tax relating to components of other comprehensive income					
Other comprehensive income for the period, net of tax (b)	**20 402 677**	**1 124 475**	**- 1 624 670**	**22 027 347**	**17 235 777**
Total comprehensive income for the period (a) + (b)	**- 55 015 649**	**-**	**- 35 569 720**	**- 19 445 929**	**- 42 414 239**
Total comprehensive income attributable to:					
Equity holders of Sonae Industria	- 54 356 152		- 35 203 533	- 19 152 619	- 42 662 562
Non-controlling interests	- 749 984		- 456 674	- 293 310	248 323
	- 55 106 136	**-**	**- 35 660 207**	**- 19 445 929**	**- 42 414 239**

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 31 DECEMBER 2010 AND 2009

(Amounts expressed in Euros)

	Notes	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income: Currency translation	Accumulated other comprehensive income: Available-for-sale financial assets	Accumulated other comprehensive income: Cash flow hedge derivatives	Accumulated other comprehensive income: Subtotal	Total shareholders` funds attributable to the equity holders of Sonae Indústria	Non controlling interests	Total shareholders ' funds
	Notes	22	22	22				22		23	
Balance as at 1 January 20098		700 000 000	2 399 639	- 265 876 515	-37 753 766		-1 065 070	-38 818 836	397 704 288	3 079 903	400 784 191
Loss of control in subsidiaries				- 311 418					- 311 418	- 1 689 082	- 2 000 500
Appropriation of net profit / (loss) of previous year			337 542	- 337 542							
Total comprehensive income											
Net profit/(loss) for the period				-58 782 190					- 58 782 190	- 867 826	- 59 650 016
Other comprehensive income					16 468 071		- 348 443	16 119 628	16 119 628	1 116 150	17 235 778
Total				-58 782 190	16 468 071		- 348 443	16 119 628	-42 662 562	248 324	-42 414 238
Others				-1 668 652	- 79 545			- 79 545	- 1 748 197	64 411	- 1 683 786
Balance as at 31 December 2009		700 000 000	2 737 181	-326 976 317	-21 365 240		-1 413 513	-22 778 753	352 982 111	1 703 556	354 685 667

	Notes	Share capital	Legal reserve	Other Reserves and accumulated earnings	Accumulated other comprehensive income: Currency translation	Accumulated other comprehensive income: Available-for-sale financial assets	Accumulated other comprehensive income: Cash flow hedge derivatives	Accumulated other comprehensive income: Subtotal	Total shareholders` funds attributable to the equity holders of Sonae Indústria	Non controlling interests	Total shareholders ' funds
	Notes	24	24	24				24		25	
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	1 703 556	354 685 667
Appropriation of previous year's net profit / (loss)			394 576	- 394 576							
Total comprehensive income											
Net profit/(loss) for the period				-74 434 785					- 74 434 785	- 983 541	- 75 418 326
Other comprehensive income					18 665 120	90 487	1 413 513	20 169 120	20 169 120	233 557	20 402 677
Total				-74 434 785	18 665 120	90 487	1 413 513	20 169 120	- 54 265 665	- 749 984	- 55 015 649
Others				-1 048 144					- 1 048 144	151 494	- 896 650
Balance as at 31 December 2010		700 000 000	3 131 757	-402 853 822	-2 700 120	90 487		-2 609 633	297 668 302	1 105 065	298 773 367

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 AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Euros)

OPERATING ACTIVITIES	Notes	31.12.2010	31.12.2009
Receipts from trade debtors		1 248 642 478	1 234 083 462
Payments to trade creditors		991 377 681	956 343 731
Payments to staff		246 486 040	268 501 077
Net cash flow from operations		10 778 757	9 238 654
Payment / (receipt) of corporate income tax		- 1 100 968	- 3 631 516
Other receipts / payments relating to operating activities		27 723 141	58 377 057
Net cash flow from operating activities (1)		39 602 866	71 247 227
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments		69 403 526	114 186 792
Tangible and intangible assets		13 344 483	5 015 837
Investment subventions		1 300 533	85 972
Dividends		283 890	98 700
Others			1 419
		84 332 432	119 388 720
Cash Payments arising from:			
Investments			510 814
Tangible and intangible assets		20 251 110	33 134 246
		20 251 110	33 645 060
Net cash used in investment activities (2)		64 081 322	85 743 660
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans granted		32 945	
Loans obtained		6 114 871 368	2 507 434 626
Interest and similar charges		199 015	1 441 185
		6 115 103 328	2 508 875 811
Cash Payments arising from:			
Loans granted		18 133	3 771
Loans obtained		6 163 431 270	2 631 733 485
Interest and similar charges		31 138 309	40 590 471
Finance leases - repayment of principal		4 301 988	2 882 938
Others		23 688 237	3 179 613
		6 222 577 937	2 678 390 278
Net cash used in financing activities (3)		- 107 474 609	- 169 514 467
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		- 3 790 421	- 12 523 580
Effect of foreign exchange rate		- 470 334	- 1 789 611
Cash and cash equivalents at the beginning of the period	23	6 654 807	17 388 776
Cash and cash equivalents at the end of the period	23	3 334 720	6 654 807

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 YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in euros)

1. INTRODUCTION

SONAE INDÚSTRIA, SGPS, SA, whose head-office is at Lugar do Espido, Via Norte, Apartado 1096, 4470-909 Maia, Portugal, is the parent company of a group of companies as detailed in notes 5 to 7 ("Group"). The Group's operations and business segments are described in Note 41.

The shares of the company are listed on NYSE Euronext Lisbon.

2. MAIN ACCOUNTING POLICIES

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

2.1. Basis of Preparation

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC), applicable to the period beginning on 1 January 2010 and endorsed by the European Union.

In the year ended 31 December 2010 the following standards and interpretations became effective:

IFRS 3 – Business Combinations (amended 2008), IAS 27 – Consolidated and Separate Financial Statements (amended 2008), IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (improved 2008), IFRS 1 – First Time Adoption of International Financial Reporting Standards (amended 2008), IFRS 2 – Share-based Payments (amended 2009), IAS 39 – Financial Instruments: Recognition and Measurement (amended 2008), IFRIC 12 – Service Concession Arrangements, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, IFRIC 17 – Distribution of Non-Cash Asset to Owners, IFRIC 18 – Transfers of Assets from Customers.

The main changes on the accounting policies of the Group resulting from the application of these standards and interpretations are related to goodwill calculation as set out in notes 2.2. a) and d).

At 31 December 2010 the following standards and interpretations had been issued but not applied as they only become effective on coming periods:

IAS 32 – Financial Instruments: Presentations (amendment), IAS 24 – Related Party Disclosures (revised), IFRS 7 – Financial Instruments: Disclosures (amendment), IAS 12 – Income Taxes (amendment); IFRS 9 – Financial Instruments (issued 2009); IFRIC 14 IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and IFRIC 19 – Extinguishing Financial Instruments with Equity Instruments.

It is not possible to estimate the effect of the application of these standards and interpretations on future consolidated financial statements.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Note 5) on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Note 2.12).

2.2. Consolidation Principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings and is able to establish financial and operational policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and comprehensible income attributable to minority shareholders are shown separately, under the caption Non Controlling Interests, in the Consolidated Statement of Financial Position and in the Consolidated Income Statement, respectively. Companies included in the consolidated financial statements are listed on Note 6.

Comprehensive income and the remaining items of net shareholders' funds are attributed to the holders of non-controlling interests, according to their interest, even if this caption turns negative.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.d and 14). If the difference between the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, and the fair value of the identifiable net assets acquired is negative, this difference is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Non-controlling interests include their proportion of the fair value of net identifiable assets and liabilities, or alternatively, the fair value of their investment in the subsidiary acquired.

The results of Group companies acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on consolidation.

b) Financial Investments in jointly owned companies

Financial investments in joint ventures (companies that the Group holds together with third parties and in which joint control is established in a shareholders' agreement) are accounted for through the proportionate consolidation method, as from the date the joint control is acquired or established. Under this method, the assets, liabilities, profits and losses of these companies are incorporated proportionately to the control attributable and line by line, in the Group's financial statements in appendix.

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the joint-venture at the time of acquisition is recorded as goodwill (Note 2.2.d). If the difference between the acquisition cost and the fair value of the assets at the time of acquisition is negative, it is recognized as income in the period.

Transactions, balances and dividends between the companies are eliminated proportionately to the control attributable to the Group.

Joint-venture companies are detailed in note 5.

c) Investments in associated companies

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of associated companies and are offset against losses or profits in the period and against dividends received.

Any excess of the acquisition cost over the Group's share in the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.d). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognized as income in the profit or loss for the period of acquisition, in results related to associated companies.

An assessment of investments in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss is disclosed in the income statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment.

The Group's share in unrealized gains arising from transactions with associated companies is eliminated. Unrealized losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated companies are disclosed in Note 6.

d) Goodwill

The excess of the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, over the Group's interest in the fair value of the identifiable net assets acquired is recognized as goodwill (Note 14).

The excess value resulting from the difference between the acquisition cost and the fair value of the assets and liabilities of the joint-venture or associate company at the time of acquisition is recorded as goodwill (Note 14).

Goodwill arising on the consolidation of subsidiaries located in foreign countries is accounted for on the functional currency of these subsidiaries and is then translated into the Group's reporting currency (Euro) at the exchange rate of balance sheet date. Exchange rate differences arising from this translation are disclosed in Other Accumulated Comprehensive Income.

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

If the difference between the acquisition cost plus the non-controlling holders' share in the fair value of acquired assets and liabilities, or alternatively, plus the fair value of non-controlling holders' investment in the acquired subsidiary, and the fair value of the identifiable net assets acquired over cost is negative, this difference is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value.

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

e) Translation of financial statements of foreign companies

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

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

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

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

	31.12.2010		31.12.2009	
	Closing rate	Average rate	Closing rate	Average rate
Great Britain Pound	0.8607	0.8571	0.8881	0.8903
South African Rand	8.8629	9.6759	10.6655	11.6212
Canadian Dollar	1.3322	1.3625	1.5128	1.5841
American Dollar	1.3362	1.3230	1.4406	1.3909
Swiss Franc	1.2504	1.3774	1.4836	1.5099
Polish Zloty	3.9750	3.9931	4.1044	4.3191

Source: Bloomberg

2.3. Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

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

The Group separately recognizes and depreciates the components of Property Plant and Equipment whose useful lives are significantly different from the related main assets' ones and the components that can only be used in connection with a specific asset. These components are depreciated separately on the basis of their useful lives.

Repair and maintenance expenses are recognized in profit or loss in the period they occur. Depreciation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life for each class of assets.

Depreciation rates used correspond to the following estimated useful lives of underlying assets:

	Years
Buildings	20 - 40
Plant & Machinery	2-25
Vehicles	5
Tools	4
Fixtures and Fittings	4-10
Other Tangible Assets	5

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or start being used.

Residual values, useful lives and the depreciation method are assessed annually.

2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognized as an expense recorded in the Income Statement when it is incurred (note 39).

Expenditure on development is recognized as an intangible asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development, which does not fulfil these conditions, is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

Amortisation is calculated on a straight line basis as from the date the asset is first used, over the expected useful life, which ranges from 3 to 6 years.

2.5. Accounting for leases

Accounting for leases where the Group is the lessee

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as finance or operating lease depends on the substance of the transaction rather than the form of the contract.

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Lease payments under operating lease contracts are recognized as an expense on a straight line basis over the lease term.

2.6. Investment Properties

Investment properties are recorded at acquisition cost net of depreciation and of accumulated impairment losses. These are registered as a result of land and buildings used in discontinued operations and that the Group had established lease contracts with third parties.

Useful lives and the depreciation method are the ones set out in note 2.3. for tangible assets.

2.7. Government grants

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognized as income in the same period as the relevant expense.
Grants related to depreciable assets are disclosed as Other non-current liabilities and are recognized as income on a straight line basis over the expected useful lives of those assets.

2.8. Impairment of non-current assets, except for goodwill and deferred taxes

Assets are assessed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is only recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded in the income statement as Other Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2.9. Borrowing costs

Borrowing costs are normally recognized as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of tangible and intangible assets are capitalized as part of the cost of the qualifying asset. Borrowing costs are capitalized from the time of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalisation.

2.10. Inventories

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress.

2.11. Provisions

Provisions are recognized when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

Increase and utilization of provisions are recognized on specific accounts of profit or loss, respectively included under Provisions and Impairment losses and Other Operating Revenues on the Consolidated Income Statement.

2.12. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Investments measured at fair value through profit or loss;
- Available-for-sale investments;
- Held-to-maturity investments.

Investments measured at fair value through profit or loss include the investments held for trading acquired by the Group to be sold within a short period of time. They are classified as current assets on the consolidated balance sheet.

The Group classifies as available-for-sale the investments which cannot be regarded as investments measured at fair value through profit or loss or as held-to-maturity investments.

Available-for-sale investments are stated as non current assets except if they are intended to be sold within the next 12 months as from the balance sheet date.

Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period.
Gains or losses arising from a change in fair value of available-for-sale investments are recognized directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is transferred to net profit or loss for the period.

b) <u>Accounts receivable</u>

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses, recorded under the caption Impairment losses in accounts receivable, and thereby reflect their net realisable value.

Impairment losses are recognized following objective evidence that part or the whole amount receivable will not be paid as long as the loss can be reliably estimated. For that, each group company takes into consideration market information showing that the customer is insolvent along with historical data of overdue and not paid amounts receivable.

Recognized impairment losses correspond to the difference between the carrying amount and the present value of the estimated cash flows, discounted at the original effective interest rate, which is nil whenever payment is expected to occur within less than twelve months.

Accounts receivable are stated in the consolidated balance sheet as current assets unless they mature after twelve months as from the balance sheet date, in which case they will be stated as non current assets.

c) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.9. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value as no interest is paid and financial discount is deemed to be not relevant.

f) Derivatives

The Group uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments (Swaps) are used by the Group mainly to hedge interest risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may arise are recorded on the Profit and Loss statement.

The Group’s criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the Group are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, included in Other Accumulated Comprehensive Income on the Consolidated Statement of Financial Position, and then reclassified to financial results on the Consolidated Income Statement over the same period in which the hedged instrument affects Income Statement.

The fair value of these financial instruments is calculated with resource to derivative valuation software as described in note 27.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve, which is included in Other Accumulated Comprehensive Income, are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the Consolidated Income Statement.

In some cases derivative instruments were negotiated to hedge cash flows mainly related to exchange rate hedges (forwards) of loans and trade transactions which do not consist in perfect hedging relations therefore not qualifying for hedge accounting. Notwithstanding, they significantly mitigate the effect on loans and accounts receivable denominated in foreign currencies of changes in exchange rates which the Group intends to hedge.

These derivative instruments over which no hedge accounting was applied are initially stated at cost, if any, and then adjusted to their fair value. Changes in fair value, calculated with resource to specific software, are accounted for as financial items on the Consolidated Income Statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value. Gains and losses are taken through the Consolidated Income Statement.

Additionally, the Group also negotiates, in specific situations, interest derivatives in order to hedge fair values. In these cases, derivatives are stated at fair value through profit or loss. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through profit or loss.

Derivative instruments are stated on the Consolidated Statement of Financial Position under Other non current assets, Other current assets, Other non current liabilities and Other current liabilities.

g) Equity instruments

Equity instruments are those that represent a residual interest on the Group's net assets and are recorded at the amount received, net of costs incurred with their issuance.

h) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Other Reserves, under Other Reserves and Accumulated Earnings.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are included in Bank Loans on the Consolidated Statement of Financial Position.

2.13. Post-employment benefits

As referred to in Note 30, some of the Group companies are committed to provide benefits to their employees when they get retired. These commitments are considered as defined benefit plans, and autonomous pension funds have been established to this effect:

In order to estimate its obligations, the Group obtains, annually, actuarial valuations according to the "Projected Unit Credit Method". When unrecognized cumulative actuarial gains and losses exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets, these are recorded as income or expense on a straight line basis over the average remaining service period of the participants.

Past service costs are recorded immediately when benefits are being paid. Otherwise, these are recorded on a straight line basis over the average remaining service period until they vest (generally, the date of retirement if they still work for the Group).

Obligations recorded at the closing balance sheet date reflect the present value of obligations for defined benefits adjusted for actuarial gains or losses and/or past service costs not recorded, net of the fair value of net assets of the pension fund.

2.14. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

2.15. Income tax

Income tax for the period is calculated based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation and includes deferred taxation, in accordance with the tax rules in force in the respective country of incorporation, considering the period profit and using the estimated effective average annual income tax rate.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognized, which are reduced whenever their future use is no longer probable

Deferred tax assets and liabilities are recorded in the Consolidated Income Statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

2.16. Revenue recognition and accrual basis

Revenue from the sale of goods is recognized in the Consolidated Income Statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognized net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recognized in the Consolidated Income Statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognized as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognized in the Consolidated Income Statement.

2.17. Capital gains and losses

Capital gains and losses that result from the sale or write-off of tangible and intangible assets and of investments are presented on the Consolidated Income Statement as the difference between the sale price and the net book value at date of sale or write-off, under the caption Other Operating Profits and Losses.

2.18. Balances and transactions expressed in foreign currencies

Transactions in currencies other than the Euro, are translated to Euro using the exchange rate as at the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.
When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.12.f)).

2.19. Liability for medium and long term incentives plan

The Company and its subsidiaries each year grant their employees that belong to a functional group classified as Executive or above a compensation which is related to the value added in the period for the shareholders. This compensation will be paid after a three-year period if the employee is still in the Group.
This liability is stated on the Consolidated Statement of Financial Position under Other non current liabilities and Other current liabilities and is stated on the Consolidated Income Statement under Personnel costs. If the employee ceases functions during the period over which payment of previously recognized liabilities is deferred, liabilities will be derecognized from the balance sheet against Personnel costs on the profit and loss statement.

2.20. Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.21. Segment information

At the reporting date reportable segments are assessed on the basis of the internal reporting system of financial information (note 43).

2.22. Judgments and estimations

The most significant estimations included in these consolidated financial statements refer to:

a) Useful lives of tangible and intangible assets;
b) Impairment tests on goodwill and other tangible and intangible assets;
c) Adjustments to assets, namely fair value adjustments;
d) Calculation of provisions and pensions liabilities.

These estimations were based on the best available information at the date these consolidated financial statements were prepared and were based on the knowledge and experience of present and past events. Notwithstanding, some situations may occur in future periods which were not included in present estimations as they were not foreseeable. Changes to estimations after these financial statements date will be prospectively corrected through profit or loss in accordance with IAS 8.

Main estimations and assumptions relating to future events included in these consolidated financial statements are described in the correspondent notes.

2.23. Emission rights of carbon dioxide

The Group has industrial facilities located in several European countries, which are within the scope of the European Emission Trading Scheme.
The scheme consists of an allowance granted by the State where the facility is located, which is recognized in Other Intangible Assets and Deferred Gains, at the market value of the date it was granted. Deferred gains are transferred to Other Operating Revenues on a straight line basis over the period.

At 31 December 2010 an estimation of emissions produced in the period is recognized in Cost Accruals and Other Operating Costs. In case the amount recorded is lower than market value, an impairment loss is accounted for.

On the following period, when emissions produced are definitely calculated, the amount previously recorded in Other Intangible Assets is written off against Cost Accruals for the rights delivered back to the State. When allowances are excessive and the remainder is sold, a gain or loss corresponding to the difference between cost and market value is recorded in Other Operating Revenues or Other Operating Costs.

2.24. Risk management

a) Credit Risk Management Policy

i) Receivables (Customers)

Sonae Indústria Credit Risk derives mainly from its account receivables items related with its operating activity.

The main objective of Sonae Indústria Credit Risk Management is to guarantee the effective collection of its operating receivables according to the negotiated payment terms.

In order to mitigate Credit Risk related with potential Customers default on payment of outstanding receivables, Group companies exposed to this type of risk:
- have in place proactive, active and reactive credit management processes and procedures, backed by advanced information systems;
- have teams exclusively dedicated to credit risk and collection of payments from customers;
- establish and review credit limits for their Customers, monitoring effective exposure to their Customers;
- have protection tools in place, such as insurance policies, where viable;
- make use of credit rating agencies;
- make use of legal proceedings in order to recover bad debt, if applicable

ii) Other financial assets, other than receivables

In addition to its operating activities, Group companies have financial assets, related mainly with its activities involving Financial Institutions, such as cash deposits, financial investments and derivatives with positive market value. As a result, Credit Risk arises from the potential counterparty default from these Financial Institutions.

As a rule, Group companies only engage in financial operations with Investment Grade Financial Institutions. On the other hand, generally speaking, exposure related with this type of financial assets is widely spread and short lived.

b) Market Risk Management Policy

i) Interest Rate Risk

As a result of the relevant portion of floating rate debt on Sonae Indústria consolidated Balance Sheet and the consequent cash flows related to interest payments, the company is exposed to interest rate risk, and it is particularly exposed to the risk of variation of Euro interest rates, as most of its floating rate debt is denominated in Euro.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates.

This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the “operating cash flow before net interest charges”, which creates a natural hedge on the “operating cash flow after net interest charges” for Sonae Indústria. The rationale behind this principle is as follows:

- Sonae Indústria is mainly exposed to the Euro area on its operating activity and, as referred before, it is also mainly exposed to the Euro currency in what concerns to its floating rate debt.

- Sonae Indústria operating activity is cyclical in the sense it is tied to business cycles of the overall economy and particularly of the construction sector (and also of the furniture sector on its own). This is mostly due to the nature of our products, and to the fact that they are commodity-like and durable goods, performing better when there are good economic conditions.

- Under regular economic circumstances, when there is a strong level of economic activity and demand, inflation tends to increase. Since nominal interest rates are a function of inflation and also because the European Central Bank (ECB) has as its main mission keeping price stability, it normally acts in order to relieve inflationary tensions by increasing interest rates. Opposite effects occur when there is a weak level of activity and demand, with low pressure on prices.

- When activity and demand are strong in the Euro Area, Sonae Indústria tends to have superior economic performance and operating cash flow generation. On the other hand, when economic conditions are strong, ECB tends to increase interest rates in order to refrain demand and avoid price increases, which is reflected on higher net interest charges for Sonae Indústria, creating a natural hedge on "operating cash flow after net interest charges". The same principle (with opposite signs) applies on economic downturn situations.

- It is our understanding that, apart from the Euro interest rate, the same rationale applies to other interest rates to which Sonae Indústria is exposed such as the Pound Sterling and the Canadian Dollar, or to the South African Rand and Brazilian Real (while acknowledging that in emerging markets, interest rate behaviour is influenced by other effects not directly related with domestic economic conditions).

As an exception to its general rule, Sonae Indústria may engage into interest rates derivatives. If this is the case, the following is observed:

- Derivatives are not used for trading, profit making, or speculative purposes;

- Group companies only engage in derivative transactions with Investment Grade Financial Institutions;

- Derivatives match exact periods, settlement dates and base interest rate of the underlying exposures;

- Maximum financial charges on the aggregate of the derivative and the underlying exposures are always known and limited on the inception of the hedging period;

- Quotes from at least two Financial Institutions are considered before closing any interest rate hedging deal.

ii) Foreign Exchange Risk

As a geographically diversified Group with subsidiaries located in four different continents, Sonae Indústria is exposed to foreign exchange risk. Consolidated Balance Sheet and Profit and Loss are is exposed to foreign exchange translation risk and Sonae Indústria subsidiaries' are exposed to foreign exchange risk of both translation and transaction type.

Foreign exchange risk relates to the possibility of registering gains or losses resulting from the change in exchange rates.

Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. Sonae Indústria subsidiaries cash flows are largely denominated in the subsidiary local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural currency hedging, reducing the Group's transaction risk. In line this rationale, as a principle, Sonae Indústria's subsidiaries financial debt is denominated in their local currency.

As a Group rule, whenever possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency.

Also as a rule, in situations where relevant exchange risk arises from trade in other than the subsidiary local currency, exchange risk should be mitigated through the use of short term forward exchange agreements performed by the subsidiary exposed to that risk. Sonae Indústria subsidiaries do not engage in forward exchange rate agreements with trading, speculative or profit making purposes.

Translation risk arises from the fact that for each accounting period, the Financial Statements of the subsidiaries denominated in other than Euro local currencies, must be translated or converted into Euro in order to prepare the Consolidated Financial Statements of the Group. As exchange rates vary between periodical financial statements and the referred subsidiaries assets' do not match their liabilities, volatility in the consolidated accounts arises as a result of conversion at different exchange rates.

As a policy, translation risk in connection with the conversion of the Equity investments on foreign non Euro subsidiaries is not hedged as these are considered long-term investments and it is assumed that hedging will not add value in the long term. Gains and losses related to the translation at different exchange rates of Equity investments in foreign non Euro subsidiaries are accounted under the Conversion Reserve, included in Other Reserves and Accumulated Earnings, on the Consolidated Balance Sheet.

Some Sonae Indústria subsidiaries concede or receive intercompany funding on currencies other than their local currency. Whenever this happens, intercompany funding is always denominated in the currency of the other Group counterparty. It is Sonae Indústria policy to hedge systematically the outstanding amount of this intercompany funding in order to reduce volatility on subsidiaries (and consolidated) financial statements. This volatility arises from the fact that, there is no offset of the Exchange Rate gain or loss registered in the profit and loss of the Group counterparty with the intercompany asset or liability denominated in other than its local currency (gain or loss registered as a result of the change in value of its foreign currency intercompany asset or liability), on the side of the other Group counterparty (and as a result, on the Consolidated accounts).

These intercompany loans hedges are done through forward exchange rate agreements, performed by the subsidiary exposed to the exchange rate risk and rolled over consistently on a semi-annual basis. Quotes from at least two Financial Institutions are considered before closing any of these foreign exchange hedging deals. These foreign exchange rate derivatives are also not used for trading, profit making, or speculative purposes.

iii) Other Price Risks

As at 31st December 2010, Sonae Indústria did not hold material investments classified as “available-for-sale”.

c) Liquidity Risk Management Policy

Group Liquidity risk management aims to ensure that the Group is able to timely obtain the financing required to properly carry on its business activities, implement its strategy, and meet its payment obligations when due, while avoiding the need of having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at the Group comprises:

- Consistent financial planning and cash flow forecasting at country and consolidated levels with different time horizons (weekly, monthly, annual and business plan);
- Diversification of financing sources;
- Diversification of the maturities of the debt issued in order to avoid excessive concentration of debt repayments in short periods of time;
- Arrangement of committed (and uncommitted) credit facilities, commercial paper programs, and other facilities (such as a Securitization of Receivables program) with relationship banks, ensuring the right balance between satisfactory liquidity and adequate commitment fees;
- Still aiming to mitigate the liquidity risk, it is Sonae Indústria's policy not to accept in its financing contacts clauses related to fault in financial ratios that might lead to early repayment of funds. This policy takes into consideration the cyclical nature of the wood based panel industry, which directly impacts financial ratios across the economic cycle.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period no correction of errors from previous years was made.

4. 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 31 December 2010. Amortization and Depreciation, which are stated on the Consolidated Income Statement for 95 349 204 eur, would be increased by 13 779 231 eur if the aforesaid change would have not been made.

5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 31 December 2010 and 31 December 2009 are as follows:

	COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD				TERMS FOR INCLUSION
			31.12.2010		31.12.2009		
			Direct	Total	Direct	Total	
	Agepan Eiweiler Management, GmbH	Eiweiler (Germany)	100,00%	98,78%	100,00%	98,78%	a)
	Agepan Flooring Products, SARL	Luxemburg	100,00%	98,78%	100,00%	98,78%	a)
	Agloma Investimentos, SGPS, S. A.	Maia (Portugal)	100,00%	98,90%	100,00%	98,90%	a)
	Agloma - Sociedade Industrial de Madeira Aglomerada, S.A.	Oliveira do Hospital (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Aserraderos de Cuellar, S.A.	Madrid (Spain)	100,00%	98,90%	100,00%	98,90%	a)
	BHW Beeskow Holzwerkstoffe GmbH	Meppen (Germany)	100,00%	98,78%			a)
	Cia. de Industrias y Negocios, S.A.	Madrid (Spain)	100,00%	98,78%	100,00%	98,78%	a)
	Darbo, SAS	Linxe (France)	100,00%	98,78%	100,00%	98,78%	a)
	Ecociclo, Energia e Ambiente, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Euroresinas - Indústrias Quimicas, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	GHP Glunz Holzwerkstoffproduktions, GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	98,78%	a)
	Glunz AG	Meppen (Germany)	100,00%	98,78%	100,00%	98,78%	a)
	Glunz Service GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	98,78%	a)
	Glunz UK Holdings, Ltd.	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	98,78%	a)
	Glunz UkA GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	98,78%	a)
	Impaper Europe GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	98,78%	a)
	Imoplamac – Gestão de Imóveis, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Isoroy, SAS	Rungis (France)	100,00%	98,78%	100,00%	98,78%	a)
	Maiequipa - Gestão Florestal, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Megantic B.V.	Amsterdam (The Netherlands)	100,00%	98,78%	100,00%	98,78%	a)
	Movelpartes – Comp. para a Indústria do Mobiliário, S.A.	Paredes (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	OSB Deustchland	Germany	100,00%	98,78%	100,00%	98,78%	a)
	Poliface North America	Baltimore (USA)	100,00%	98,78%	100,00%	98,78%	a)
	Racionalización y Manufacturas Florestales, S.A.	Madrid (Spain)	100,00%	98,78%	100,00%	98,78%	a)
	SCS Beheer, BV	The Netherlands	100,00%	98,78%	100,00%	98,78%	a)
	Sociedade de Iniciativa e Aproveit. Florestais - Energias, S.A.	Mangualde (Portugal)	100,00%	98,78%	100,00%	98,78%	a)
1)	Société Industrielle et Financière Isoroy	Rungis (France)	100,00%	98,78%	100,00%	98,78%	a)
	Somit – Imobiliária, S.A.	Oliveira do Hospital (Portugal)	100,00%	98,79%	100,00%	98,79%	a)
2)	Sonae Indústria – Management services, S. A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae Indústria – Prod. e Comerc. Derivados Madeira, S. A.	Mangualde (Portugal)	100,00%	98,82%	100,00%	98,82%	a)
	Sonae Indústria – Soc. Gestora de Participações Sociais, S.A.	Maia (Portugal)	PARENT	PARENT	PARENT	PARENT	PARENT
	Sonae Indústria de Revestimentos, S.A.	Maia (Portugal)	100,00%	100,00%	100,00%	100,00%	a)
	Sonae Novobord (Pty) Ltd	Woodmead (South Africa)	100,00%	98,78%	100,00%	98,78%	a)
3)	Sonae Tafibra (UK) Ltd	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	98,78%	a)
	Sonae Tafibra International, B. V.	Woerden (The Netherlands)	100,00%	98,78%	100,00%	98,78%	a)
	Sonae Industria (UK), Limited	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	98,78%	a)
	Spanboard Products Ltd	Belfast (United Kingdom)	100,00%	98,78%	100,00%	98,78%	a)
	Tableros de Fibras, S.A.	Madrid (Spain)	98,42%	98,78%	98,42%	98,78%	a)
	Tableros Tradema, S.L.	Madrid (Spain)	100,00%	98,78%	100,00%	98,78%	a)
	Tafiber, Tableros de Fibras Ibéricas, S.L.	Madrid (Spain)	100,00%	98,78%	100,00%	98,78%	a)
	Tafibra Polska Sp. z o. o. i. L	Poznan (Poland)	100,00%	98,78%	100,00%	98,78%	a)
	Tafibra South Africa, Limited	Woodmead (South Africa)	100,00%	98,78%	100,00%	98,78%	a)
4)	Tafisa Canadá Societé Inc	Lac Mégantic (Canada)	100,00%	98,78%	100,00%	98,78%	a)
	Tafisa Canadá Societé en Commandite	Lac Mégantic (Canada)	99,99%	98,78%	99,99%	98,78%	a)
	Tafisa France S.A.S.	Rungis (France)	100,00%	98,78%	100,00%	98,78%	a)
	Tafisa U.K.Ltd.	Knowsley (United Kingdom)	100,00%	98,78%	100,00%	98,78%	a)
	Taiber, Tableros Aglomerados Ibéricos, S.L.	Madrid (Spain)	100,00%	98,78%	100,00%	98,78%	a)

5)	Tafibra Suisses, SA	Tavannes (Switzerland)	100,00%	98,78%	100,00%	98,78%	a)
	Tecnologias del Medio Ambiente, S.A.	Barcelona (Spain)	100,00%	98,78%	100,00%	98,78%	a)
	Tool, GmbH	Meppen (Germany)	100,00%	98,78%	100,00%	98,78%	a)

a) Majority of voting rights.

1) Company sold 16 April 2010;
2) Former SIND – Shared Service Centre, S. A.;
3) Company liquidated 8 June 2010;
4) Former Euromégantic Ltée;
5) Former Tavapan, SA;

These group companies are consolidated using the full consolidation method as described in Note 2.2.a).

6. JOINT VENTURES

The joint ventures, their head offices, percentage of share capital held and balance sheet on 31 December 2010 and 31 December 2009 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2010		31.12.2009	
		Direct	Total	Direct	Total
Laminate Park GmbH & Co. KG	Eiweiler (Germany)	50,00%	49,39%	50,00%	49,39%
Tarkett Agepan Laminate Flooring SCS	Luxembourg	50,00%	49,39%	50,00%	49,39%
Tecmasa, Reciclados de Andalucia, S. L.	Alcalá de Guadaira (Spain)	50,00%	49,39%	50,00%	49,39%

Joint venture companies have been consolidated using the proportionate consolidation method, as explained in note 2.2.b).

Assets, liabilities, revenues and costs included proportionately in the consolidation, after elimination of intragroup balances and flows, are as follows:

Euros	31.12.2010	31.12.2009
Non current assets	32 949 835	36 270 248
Current assets	9 198 631	9 622 895
Non current liabilities	3 391 457	2 267 500
Current liabilities	7 184 024	8 307 838
Operating revenues	30 487 009	35 253 586
Operating costs	40 706 147	43 494 819

7. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 31 December 2010 and 31 December 2009 are as follows:

COMPANY	HEAD OFFICE	PERCENTAGE OF CAPITAL HELD			
		31.12.2010		31.12.2009	
		Direct	Total	Direct	Total
Serradora Boix	Barcelona (Spain)	31,25%	30,87%	31,25%	30,87%
Sonaegest	Maia (Portugal)	20,00%	20,00%	20,00%	20,00%

Associated companies are recognized in the consolidated financial statements using the equity method, as referred in Note 2.2.c).

The aggregated assets, liabilities, operating revenues and net profit or loss of the associated companies accounted for through the equity method in these consolidated financial statements, are as follows:

Euros	31.12.2010	31.12.2009
Assets	21 142 208	25 003 477
Liabilities	11 657 529	14 099 811
Operating revenues	21 151 131	30 263 025
Net Profit or loss	- 182 293	- 197 624

8. CHANGES TO THE CONSOLIDATION PERIMETER

In 2010 the following changes occurred in the consolidation perimeter:

Companies excluded in 2010:

	COMPANY	HEAD OFFICE	% OF CAPITAL HELD AT LIQUIDATION/DISPOSAL DATE	
			Direct	Total
1)	Société Industrielle et Financière Isoroy	Rungis (França)	100,00%	98,78%
2)	Sonae Tafibra (UK) Ltd	Knowsley (Reino Unido)	100,00%	98,78%

1) Company sold 16 April 2010;

2) Company liquidated 8 June 2010;

Information related to the subsidiaries that ceased being controlled by the Group during the period, at the date control was lost, 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	62 720 210	-	62 720 210
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	8 421 508	-	8 421 508
Total assets	71 141 718	-	71 141 718

	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	58 415 841	-	58 415 841
Current liabilities			
Trade creditors	7 585 933	-	7 585 933
Others	1 529 579	-	1 529 579
Total	9 115 512	-	9 115 512
Total liabilities	67 531 353	-	67 531 353
Total consideration received	69 403 526	-	69 403 526
Of which Cash and cash equivalents	69 403 526	-	69 403 526

The total consideration received in cash and cash equivalents for the sale of the subsidiary referred to herein was included under cash receipts arising from investments, in the investment activities of the Consolidated Statement of Cash Flows.

9. FINANCIAL INSTRUMENTS

In the Consolidated Statements of Financial Position at 31 December 2010 and 31 December 2009, the following financial instruments are included:

	Loans and receivables	Assets at fair value through profit or loss	Hedge derivatives	Available-for-sale assets	Sub-total	Assets out of scope of IFRS 7	Total
31.12.2010							
Non current assets							
Available for sale investments				1 031 189	1 031 189		1 031 189
Other non current assets	915 139				915 139	4 581	919 720
Current assets							
Customers	159 041 460				159 041 460		159 041 460
Other current debtors	13 617 058				13 617 058	432 627	14 049 685
Other current assets		3 909 976			3 909 976	7 753 977	11 663 953
Cash and cash equivalents	26 915 003				26 915 003		26 915 003
Total	200 488 660	3 909 976		1 031 189	205 429 825	8 191 185	213 621 010
31.12.2009							
Non current assets							
Available for sale investments				300 702	300 702		300 702
Other non current assets	1 352 646				1 352 646	5 302	1 357 948
Current assets							
Customers	163 348 206				163 348 206		163 348 206
Other current debtors	11 978 298				11 978 298	509 848	12 488 146
Other current assets		3 715 287			3 715 287	7 771 736	11 487 023
Cash and cash equivalents	34 328 941				34 328 941		34 328 941
Total	211 008 091	3 715 287		300 702	215 024 080	8 286 886	223 310 966

	Liabilities at fair value through profit or loss	Hedge derivatives	Liabilities at amortized cost	Sub-total	Liabilities out of scope of IFRS 7	Total
31.12.2010						
Non current liabilities						
Bank loans - net of short term portion			142 402 184	142 402 184		142 402 184
Debentures - net of short term portion			301 063 535	301 063 535		301 063 535
Finance lease creditors - net of short term portion			43 539 714	43 539 714		43 539 714
Other loans			93 307 071	93 307 071		93 307 071
Other non current liabilities			499 491	499 491	61 858 721	62 358 212
Current assets						
Bank loans			160 027 034	160 027 034		160 027 034
Finance lease creditors			4 468 308	4 468 308		4 468 308
Other loans			79 615	79 615		79 615
Trade creditors			152 135 488	152 135 488		152 135 488
Other current liabilities	4 755 438		7 390 875	12 146 312	90 504 512	102 650 824
Total	4 755 438		904 913 315	909 668 753	152 363 232	1 062 031 985
31.12.2009						
Non current liabilities						
Bank loans - net of short term portion			215 964 021	215 964 021		215 964 021
Debentures - net of short term portion			301 912 691	301 912 691		301 912 691
Finance lease creditors - net of short term portion			43 725 783	43 725 783		43 725 783
Other loans			91 940 590	91 940 590		91 940 590
Other non current liabilities			499 492	499 492	65 290 759	65 790 251
Current assets						
Bank loans			133 676 357	133 676 357		133 676 357
Finance lease creditors			3 919 801	3 919 801		3 919 801
Other loans			303 667	303 667		303 667
Trade creditors			154 737 066	154 737 066		154 737 066
Other current liabilities	9 273 881	1 904 353	10 872 577	22 050 811	79 652 696	101 703 507
Total	9 273 881	1 904 353	957 552 045	968 730 279	144 943 455	1 113 673 734

Assets and liabilities out of the scope of IFRS 7 consist essentially of accounts receivable from and payable to the State and the Group's employees and items of accruals and deferrals.

10. INVESTMENTS

At 31 December 2010 and 31 December 2009, details of Investments are as follows:

	31.12.2010		31.12.2009	
	Current	Non current	Current	Non current
Investment in group companies excluded from consolidation				
Opening balance		37 054 870		37 054 870
Acquisition				
Disposal				
Liquidation				
Effect of equity method application				
Currency translation effect				
Closing balance		37 054 870		37 054 870
Accumulated impairment losses (Note 34)		36 990 037		36 990 037
Net investment in group companies excluded from consolidation		64 833		64 833
Investment in associated companies				
Opening balance		2 946 263		3 010 855
Increase in share capital				
Disposal				
Effect of equity method application		- 327 755		- 64 592
Changes in consolidation perimeter				
Transfer				
Currency translation effect				
Closing balance		2 618 508		2 946 263
Accumulated impairment losses (Note 34)				
Net investment in associated companies		2 618 508		2 946 263
Associated undertakings and non consolidated undertakings		2 683 341		3 011 096

	31.12.2010		31.12.2009	
	Current	Non current	Current	Non current
Available-for-sale investment				
Opening balance		316 663		405 724
Acquisition				10 939
Disposal				100 000
Change in fair value		90 487		
Transfer		640 000		
Currency translation effect				
Closing balance		1 047 150		316 663
Accumulated impairment losses (Note 32)		15 961		15 961
Net available-for-sale investment		1 031 189		300 702

Available-for-sale investment consists of financial undertakings which do not fulfil the criteria to be stated as subsidiaries excluded from consolidation or as associates. They are recognized at cost as no relevant difference to their fair value is estimated. In addition, it includes an application in an investment fund, which is recognized for its market fair value.

11. TANGIBLE ASSETS

During 2010 and 2009, movements in tangible assets, accumulated depreciation and impairment losses were as follows:

	31.12.2010							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction	Total tangible assets
Gross cost:								
Opening balance	484 371 308	1 883 274 945	15 486 750	18 331 484	44 788 162	15 912 097	21 989 441	2 484 154 187
Changes in consolidation perimeter	- 25 542 804	- 84 775 360	- 72 890	- 895 080	- 498 000	- 468 027	- 1 326 199	- 113 578 360
Capital expenditure	243 530	871 025	894 419	43 584	20 033		21 433 530	23 506 121
Disposals	201 658	40 776 915	721 203	175 142	1 603 444	100 271	1 458 783	45 037 416
Transfers and reclassifications	1 843 042	19 106 588	125 903	123 517	725 708	256 427	- 22 913 814	- 732 629
Exchange rate effect	13 635 675	49 608 819	164 824	199 675	1 055 250	7 626	291 666	64 963 535
Closing balance	474 349 093	1 827 309 102	15 877 803	17 628 038	44 487 709	15 607 852	18 015 841	2 413 275 438
Accumulated depreciation and impairment losses								
Opening balance	146 210 883	1 176 605 248	12 986 944	14 070 970	37 718 424	13 194 306		1 400 786 775
Changes in consolidation perimeter	- 4 596 070	- 44 607 982	- 62 033	- 840 985	- 449 614	- 307 205		- 50 863 889
Depreciations for the period	14 519 019	71 764 503	1 034 763	1 286 718	2 819 669	757 912		92 182 584
Impairment losses for the period		5 207 081						5 207 081
Disposals	64 299	38 369 722	616 715	175 142	1 588 306	99 534		40 913 718
Reversion of impairment losses for the period		255 271						255 271
Transfers and reclassifications	- 2 289 734	1 474 833		- 227	- 23 383			- 838 511
Exchange rate effect	2 058 829	21 234 170	111 781	152 732	879 983	1 787		24 439 282
Closing balance	155 838 628	1 193 052 860	13 454 740	14 494 066	39 356 773	13 547 266		1 429 744 333
Carrying amount	318 510 465	634 256 242	2 423 063	3 133 972	5 130 936	2 060 586	18 015 841	983 531 105

	31.12.2009							
	Land and Buildings	Plant and Machinery	Vehicles	Tools	Fixtures and Fittings	Other Tangible Fixed Assets	Fixed Assets under construction	Total tangible assets
Gross cost:								
Opening balance	510 091 054	1 967 649 522	17 485 141	18 197 906	47 819 463	17 392 643	46 228 957	2 624 864 686
Changes in consolidation perimeter	- 44 800 452	- 135 066 406	- 1 168 081	- 258 527	- 3 376 901		- 9 555 074	- 194 225 441
Capital expenditure	4 205	1 287 582	25 185		111 758		24 667 409	26 096 139
Disposals	6 229 467	59 617 348	1 841 442	581 844	2 461 033	489 927	520 671	71 741 732
Transfers and reclassifications	4 081 754	39 098 847	575 715	705 085	1 155 728	- 1 006 804	- 39 715 503	4 894 822
Exchange rate effect	21 224 214	69 922 748	410 232	268 864	1 539 147	16 185	884 323	94 265 713
Closing balance	484 371 308	1 883 274 945	15 486 750	18 331 484	44 788 162	15 912 097	21 989 441	2 484 154 187
Accumulated depreciation and impairment losses								
Opening balance	144 443 508	1 199 771 388	13 623 321	12 921 866	37 480 913	13 037 022	1 081 990	1 422 360 008
Changes in consolidation perimeter	- 7 511 963	- 74 487 472	- 640 569	- 253 768	- 1 836 334			- 84 730 106
Depreciations for the period	10 985 903	99 884 973	1 466 385	1 760 401	3 430 529	761 744		118 289 935
Impairment losses for the period	5 026	902 863						907 889
Disposals	5 620 222	59 614 434	1 662 093	560 385	2 420 770	489 927	378 282	70 746 113
Reversion of impairment losses for the period	58 977	4 294 401	15 785		17 382		705 982	5 092 527
Transfers and reclassifications	786 994	- 16 766 461	- 41 734	- 43	225	- 116 752		- 16 137 771
Exchange rate effect	3 180 614	31 208 792	257 419	202 899	1 081 243	2 219	2 274	35 935 460
Closing balance	146 210 883	1 176 605 248	12 986 944	14 070 970	37 718 424	13 194 306		1 400 786 775
Carrying amount	338 160 425	706 669 697	2 499 806	4 260 514	7 069 738	2 717 791	21 989 441	1 083 367 412

During 2010 and 2009 no interest paid or any other financial charges were capitalized, in accordance with conditions defined in note 2.9.

At 31 December 2010, mortgaged Land and buildings amounted to 88 576 298 eur (23 440 000 eur at 31 December 2009) as a guarantee for bank loans. On the same date, there were no significant commitments for the acquisition of tangible assets.

At 31 December 2010 and 2009, details of assets bought through financial leases were as follows:

	31.12.2010					31.12.2009
	Opening balance	Changes to consolidation perimeter	Increase	Other changes	Closing balance	Closing balance
Gross cost:						
Land and Buildings	33 318 594		216 850	3 401 696	36 937 140	33 318 594
Plant and Machinery	44 798 580				44 798 579	44 798 580
Vehicles	3 913 319		886 736	- 591 326	4 208 729	3 913 319
Tools						
Fixtures and Fittings	41 414			312 887	354 301	41 414
Other tangible assets						
	82 071 907		1 103 586	3 123 257	86 298 750	82 071 907
Accumulated depreciation and impairment losses:						
Land and Buildings	8 962 765		672 191	7 430	9 642 386	8 962 765
Plant and Machinery	12 506 698		2 988 146		15 494 844	12 506 698
Vehicles	3 022 246		374 917	- 554 946	2 842 217	3 022 246
Tools						
Fixtures and Fittings	9 652		42 323	1 441	53 416	9 652
Other tangible assets						
	24 501 361		4 077 577	- 546 075	28 032 863	24 501 361
Carrying amount	57 570 546		- 2 973 991	3 669 332	58 265 887	57 570 546

The amount shown as Other changes under Land and Buildings refers to a sale and leaseback transaction.

12. INTANGIBLE ASSETS

During 2010 and 2009, movements in intangible assets, accumulated depreciation and impairment losses were as follows:

31.12.2010

	Development Costs	Patents, Royalties And Other Rights	Software		Other Intangible Assets		Assets Under Development		Total intangible assets		
	Non internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Total
Gross cost:											
Opening balance	43 749	2 896 547	15 033 515	2 156 347		1 649 067	27 106	948 971	15 060 621	7 694 681	22 755 302
Changes in consolidation perimeter			- 1 313						- 1 313		- 1 313
Capital expenditure			4 785			1 821 921		468 745	4 785	2 290 666	2 295 451
Disposals						1 019 853				1 019 853	1 019 853
Transfers and reclassifications	7 834	165 536	1 285 979	- 329 000	63 454	- 577 726	- 27 106	- 1 261 572	1 322 327	- 1 994 928	- 672 601
Exchange rate effect	1 099	1 965	373 149						373 149	3 064	376 213
Closing balance	52 682	3 064 048	16 696 115	1 827 347	63 454	1 873 409		156 144	16 759 569	6 973 630	23 733 199
Accumulated amortisation and impairment losses											
Opening balance	18 530	2 836 537	5 974 710	646 583		832 685			5 974 710	4 334 335	10 309 045
Changes in consolidation perimeter			- 252						- 252		- 252
Depreciations for the period	6 542	21 164	2 702 812	383 330		1 435			2 702 812	412 471	3 115 283
Impairment losses for the period											
Disposals						6 073				6 073	6 073
Reversion of impairment losses for the period					11 421	7 566			11 421	7 566	18 987
Transfers and reclassifications	- 2 719		- 13 310	- 47 424	74 875	- 3 602			61 565	- 53 745	7 820
Exchange rate effect	1 099	738	205 104						205 104	1 837	206 941
Closing balance	23 452	2 858 439	8 869 064	982 489	63 454	816 879			8 932 518	4 681 259	13 613 777
Carrying amount	29 230	205 609	7 827 051	844 858		1 056 530		156 144	7 827 051	2 292 371	10 119 422

2009

	Development Costs	Patents, Royalties And Other Rights	Software		Other Intangible Assets	Assets Under Development		Total intangible assets		
	Non internally generated	Non internally generated	Internally generated	Non internally generated	Non internally generated	Internally generated	Non internally generated	Internally generated	Non internally generated	Total
Gross cost:										
Opening balance	457 421	2 959 529	10 785 974	1 279 382	5 903 020	1 821 460	2 293 253	12 607 434	12 892 605	25 500 039
Changes in consolidation perimeter										
Capital expenditure				7 792	1 660 484	39 145	800 639	39 145	2 468 915	2 508 060
Disposals	368 227	68 615	15 922	223 951	1 796 045			15 922	2 456 838	2 472 760
Transfers and reclassifications	- 46 438		3 888 222	1 093 124	- 4 118 392	- 1 833 499	- 2 144 921	2 054 723	- 5 216 627	- 3 161 904
Exchange rate effect	993	5 633	375 241					375 241	6 626	381 867
Closing balance	43 749	2 896 547	15 033 515	2 156 347	1 649 067	27 106	948 971	15 060 621	7 694 681	22 755 302
Accumulated amortisation and impairment losses										
Opening balance	453 206	2 883 967	3 066 336	815 331	2 887 870			3 066 336	7 040 374	10 106 710
Changes in consolidation perimeter										
Depreciations for the period	31 234	15 751	2 523 559	310 870				2 523 559	357 855	2 881 414
Impairment losses for the period					15 806				15 806	15 806
Disposals	398 071	68 614	2 764	223 951	339 623			2 764	1 030 259	1 033 023
Reversion of impairment losses for th										
Transfers and reclassifications	- 68 832		258 359	- 255 637	- 1 731 368			258 359	- 2 055 837	- 1 797 478
Exchange rate effect	993	5 433	129 220	- 30				129 220	6 396	135 616
Closing balance	18 530	2 836 537	5 974 710	646 583	832 685			5 974 710	4 334 335	10 309 045
Carrying amount	25 219	60 010	9 058 805	1 509 764	816 382	27 106	948 971	9 085 911	3 360 346	12 446 257

13. INVESTMENT PROPERTIES

During 2010 and 2009, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	31.12.2010			31.12.2009		
	Cost	Under constrution	Total	Cost	Under constrution	Total
Gross cost:						
Opening balance	7 465 412		7 465 412	8 773 998		8 773 998
Changes to consolidation perimeter						
Increase						
Disposals	5 798 131		5 798 131	1 308 586		1 308 586
Transfers						
Exchange rate effect						
Closing balance	1 667 281		1 667 281	7 465 412		7 465 412
Accumulated depreciations and impairment losses:						
Opening balance	799 679		799 679	659 023		659 023
Changes to consolidation perimeter						
Charge for the period	52 291		52 291	140 656		140 656
Disposals	586 420		586 420			
Transfers						
Exchange rate effect						
Closing balance	265 550		265 550	799 679		799 679
Carrying amount	1 401 731		1 401 731	6 665 733		6 665 733

The estimated fair value of assets classified as investment properties amounted to 1 500 000 euros at 31 December 2010, on the basis of market information.

	2010	2009
Rents from investment properties	257 295	94 582
Direct operating costs	335 595	71 473

14. GOODWILL ARISING ON CONSOLIDATION

During 2010 and 2009, movements in goodwill arising on consolidation, accumulated depreciation and impairment losses were as follows:

	Goodwill	
	31.12.2010	31.12.2009
Gross value:		
Opening balance	92 175 949	103 811 638
Increases		522 109
Decreases	1 621	15 742 474
Currency translation	1 824 876	3 584 676
Closing balance	93 999 204	92 175 949

Impairment tests carried out at 31 December 2010 consisted in determining the recoverable amount using the discounted cash flow method. Operating cash flows were projected over an eight-year period, thereafter extrapolated using a perpetuity and discounted to 31 December 2010. Weighted Average Cost of Capital, before tax, calculated through CAPM (Capital Asset Pricing Model) methodology for each reportable segment, was used as discount rates. These rates include specific market features and include different risk factors as well as risk-free interest rates of ten year bonds of each segment.
An eight-year period was used for projecting cash flows on the grounds of the extension and intensity of the economic cycles affecting the Group's activity.
Projected cash flows are based on the Group's business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.
Goodwill was allocated to the cash generating units, which correspond to the reportable segments.

The Board of Directors believes that a reasonably possible change on the basic assumptions used to determine the recoverable amount would not cause the Goodwill to be impaired.

	Iberian Peninsula	Germany	France	South Africa
Goodwill	73 205 660	3 522 555	6 027 749	11 243 240
Discount rate (pre-tax)	11.40%	9.05%	9.38%	16.56%
Growth Rate on Perpetuity	1.00%	1.00%	1.00%	1.00%
Period	8 years	8 years	8 years	8 years
Test Conclusions	No impairment	No impairment	No impairment	No impairment

No impairment losses were recognized as a result of the tests carried out on the carrying amount of Goodwill as at 31 December 2010.

15. DEFERRED TAXES

At 31 December 2010 and 31 December 2009 deferred tax assets and liabilities were detailed according to underlying temporary differences as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Harmonisation adjusments			69 416 213	56 222 609
Provisions not allowed for tax purposes	3 468 740	1 806 804		
Impairment of Assets	1 917 159	1 918 164		
Derecognized tangible assets	55 941	127 146		
Derecognized deferred costs	102 651	116 750		
Valuation of hedging derivatives				
Revaluation of tangible assets			974 305	942 810
Tax losses carried forward	30 718 893	29 255 664		
Others	3 919 566	4 902	198 968	201 831
	40 182 950	33 229 430	70 589 486	57 367 250

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
Opening balance	33 229 430	53 985 797	57 367 250	69 902 362
Impact on results:				
Harmonisation adjusments			- 5 004 251	- 1 217 284
Changes in provisions not allowed for tax purposes	1 205 426	992 692		
Impairment of Assets	- 1 005	- 753 261		
Derecognized intangible assets		- 600		
Derecognized tangible assets	- 71 204	- 59 028		
Derecognized deferred costs	- 14 100	- 60 897		
Valuation of hedging derivatives		- 65 919		
Revaluation of tangible assets			- 30 657	- 2 101 988
Tax losses carried forward	- 7 909 330	- 5 875 671		
Others	1 621 000	4 681	- 28 588	- 615
	- 5 169 214	- 5 818 004	- 5 063 496	- 3 319 887
Impact on reserves:				
Currency translation effect	1 545 733	4 845 786	7 708 732	9 845 991
Impact of changes in the consolidation perimeter:				
Disposals		- 19 784 150		- 19 061 216
Previously offset deferred tax	10 577 000		10 577 000	
Closing balance	40 182 950	33 229 430	70 589 486	57 367 250

In accordance with International Financial Reporting Standards / International Accounting Standards, on a yearly basis the Group performs an evaluation of the deferred tax asset relating to tax losses carried forward that was accounted for in previous years.

According to the estimation of taxable profit for the fiscal year 2010 and according to the tax return for the fiscal year 2009, tax losses carried forward and the corresponding deferred tax asset are detailed as follows:

	31.12.2010		31.12.2009	
Limit date to be used	Tax loss carried forward	Deferred tax asset	Tax loss carried forward	Deferred tax asset
2010			1 306 772	168 293
2011			151 166	36 132
2012	22 118 172	5 529 543	32 972 000	8 243 000
2014	9 053 785	1 525 000	7 319 301	1 829 825
2017	5 740 083	1 722 025	5 740 083	1 722 025
2018	710 820	213 246	3 740 985	1 122 296
2019			53 271	15 981
2021			13 906 977	4 172 093
2029			5 060 380	602 185
	37 622 860	8 989 814	70 250 935	17 911 831
Without time limit	68 999 143	21 729 079	35 812 734	11 343 835
Total	106 622 003	30 718 893	106 063 669	29 255 665

Furthermore, at 31 December 2010 and 31 December 2009, tax losses for which no deferred tax assets were recognized, are detailed as follows:

	31.12.2010		31.12.2009	
Limit date to be used	Tax loss carried forward	Tax credit	Tax loss carried forward	Tax credit
2010			56 492	14 123
2011	296	74	296	74
2012			1 120 736	280 184
2014	12 235 492	3 670 648	2 903 931	871 180
2015	36 775	11 033	36 775	11 033
2016	90 183 965	27 055 189	90 183 965	27 055 189
2017	58 961 872	17 688 562	58 961 872	17 688 562
2018	100 928 741	30 278 623	97 898 576	29 369 573
2019	8 057 841	2 417 352	8 004 570	2 401 371
2020	1 082 928	324 878	1 082 928	324 878
2021	19 416 189	5 824 857	5 509 212	1 652 764
2022	746 825	224 047	746 825	224 047
2023	47 733 485	14 315 733	47 719 111	14 315 733
2024	1 573 065	471 920	1 586 811	476 043
2025	529 824	158 947		
	341 487 298	102 441 863	315 812 100	94 684 754
Without time limit	1 056 505 841	333 391 824	1 068 171 764	322 745 391
Total	1 397 993 139	435 833 687	1 383 983 864	417 430 145

Deferred tax assets are offset against deferred tax liabilities in situations where the company generating the related temporary differences is legally entitled to offset the recognized amounts and intends to settle on a net basis or else to realise the assets and settle the liability simultaneously.

16. OTHER NON CURRENT ASSETS

At 31 December 2010 and 31 December 2009 details of Other non current assets on the Consolidated Statements of Financial Position were as follows:

	31.12.2010			31.12.2009		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Loans granted to associated companies	10 931 182	10 931 182		10 931 182	10 931 182	
Other loans granted						
Trade accounts receivable and other debtoı	915 139		915 139	1 352 647		1 352 647
Financial Instruments	11 846 321	10 931 182	915 139	12 283 828	10 931 182	1 352 647
Tax recoverable						
Others	4 581		4 581	5 302		5 302
Assets out of scope of IFRS 7	4 581		4 581	5 302		5 302
Total	11 850 902	10 931 182	919 720	12 289 130	10 931 182	1 357 948

		AGEING OF NON CURRENT TRADE DEBTORS AND OTHER DEBTORS	
		31.12.2010	31.12.2009
Not due		827 583	1 230 604
Due and not impaired			
	< 6 months	1 428	273
	6 - 12 months		- 21 656
	> 1 year	86 128	143 425
		87 556	122 042
Due and impaired			
	< 6 months		
	6 - 12 months		
	> 1 year		
Total		915 139	1 352 646

17. NON CURRENT ASSETS HELD FOR SALE

At 31 December 2010 the Group reclassified as non-current assets held for sale some of the tangible assets of George industrial unit, in South Africa, which had closed down in 2009, on the basis of the existing intention to sell these assets and of the existing expectation to conclude a sale transaction during 2011.

18. INVENTORIES

At 31 December 2010 and 31 December 2009, details of Inventories on the Consolidated Statements of Financial Position were as follows:

	31.12.2010	31.12.2009
Merchandise	5 603 702	4 076 821
Finished and intermediate products	48 828 043	52 183 067
Products and working in progress	1 616 056	1 831 021
Raw Materials and Consumables	84 819 616	88 892 375
	140 867 417	146 983 284
Accumulated impairment losses on inventories (Note 34	11 407 861	13 044 254
	129 459 556	133 939 030

19. TRADE DEBTORS

At 31 December 2010 and 31 December 2009, details of Trade Debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2010			31.12.2009		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Trade Debtors	179 674 204	20 632 744	159 041 460	181 148 836	17 800 630	163 348 206

		31.12.2010	31.12.2009
Not due		124 008 643	128 632 515
Due and not impaired			
	0 - 30 days	19 407 105	17 778 645
	30 - 90 days	8 067 156	7 952 168
	' + 90 days	2 980 841	5 035 020
		30 455 102	30 765 833
Due and impaired			
	0 - 90 days	4 661 667	930 057
	90 - 180 days	2 232 352	1 879 784
	180 - 360 days	2 438 691	4 163 341
	+ 360 days	15 877 749	14 777 306
		25 210 459	21 750 488
	Total	179 674 204	181 148 836

20. OTHER CURRENT DEBTORS

At 31 December 2010 and 31 December 2009, details of Other current debtors on the Consolidated Statements of Financial Position were as follows:

	31.12.2010			31.12.2009		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Other debtors	12 738 812	19 628	12 719 184	11 806 811	19 628	11 787 183
Advances to trade creditors	876 700		876 700	181 882		181 882
Goup companies	21 174		21 174	9 233		9 233
Financial Instruments	13 636 686	19 628	13 617 058	11 997 926	19 628	11 978 298
Outros Devedores	432 627		432 627	509 848		509 848
Assets out of scope of IFRS 7	432 627		432 627	509 848		509 848
Total	14 069 313	19 628	14 049 685	12 507 774	19 628	12 488 146

	AGEING OF OTHER DEBTORS		AGEING OF ADVANCES TO TRADE CREDITORS		AGEING OF GROUP COMPANIES	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Not due		456 575	138 603		17 993	563
Due and not impaired						
0 - 30 days	12 621 491	10 945 612	687 830	158 533	2 181	4 570
30 - 90 days	12 111	154 957	47 202	7 374		
+ 90 days	105 210	230 039	3 065	15 975	1 000	4 100
	12 738 812	11 330 608	738 097	181 881	3 181	8 670
Due and impaired						
0 - 90 days						
90 - 180 days						
180 - 360 days						
+ 360 days		19 628				
		19 628				
Total	12 738 812	11 806 811	876 700	181 881	21 174	9 233

21. OTHER CURRENT ASSETS

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

	31.12.2010			31.12.2009		
	Gross Value	Impairment	Net Value	Gross Value	Impairment	Net Value
Derivatives instruments	3 909 977		3 909 977	3 715 287		3 715 287
Financial Instruments	3 909 977		3 909 977	3 715 287		3 715 287
Accrued revenue	2 867 985		2 867 985	2 182 992		2 182 992
Deferred Costs	4 879 655		4 879 655	5 582 183		5 582 183
Others	6 336		6 336	6 561		6 561
Assets out of scope of IFRS 7	7 753 976		7 753 976	7 771 736		7 771 736
Total	11 663 953		11 663 953	11 487 023		11 487 023

At the closing date of these consolidated financial statements, all cash flow hedge derivatives had matured. Figures included in the previous table relate to derivative financial instruments at fair value through profit or loss (note 27).

22. STATE AND OTHER PUBLIC ENTITIES (CURRENT ASSETS)

At 31 December 2010 and 31 December 2009, details of State and Other Public Entities on the Consolidated Statements of Financial Position were as follows:

	31.12.2010	31.12.2009
State and other public entities:		
Income Tax	3 202 983	4 647 220
Value Added Tax	3 569 122	4 862 940
Social Security Contribution	65 927	53 702
Others	2 666 252	4 676 346
	9 504 284	14 240 208

23. CASH AND CASH EQUIVALENTS

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

	31.12.2010	31.12.2009
Cash at hand	67 601	75 522
Bank deposits	9 490 694	9 304 640
Treasury applications	17 356 708	24 948 779
Cash and cash equivalents on the balance sheet	26 915 003	34 328 941
Bank overdrafts	23 580 283	27 674 134
Cash and cash equivalents on the statement of cash flows	3 334 720	6 654 807

Bank overdrafts include credit balances on current accounts, and are included as Bank loans under current liabilities on the Consolidated Statement of Financial Position (note 26).

At 31 December 2010, the item Treasury applications included the amount of 5 586 707 eur (13 098 780 eur at 31 December 2009) which related to the securitization facility described on note 26.3. The item's remaining amount was composed of several very short term treasury applications at banks, with low risk (bank risk) and returns aligned with existing market applications with similar maturity and risk profiles.

24. SHAREHOLDERS' FUNDS

24.1. SHARE CAPITAL

At 31 December 2010 and 2009, Sonae Indústria's Share Capital was fully underwritten and paid and was comprised of 140 000 000 common shares, not entitled to fixed income, with a face value of 5 euros per share. At this date, neither the company nor any of its affiliates held any shares in the company.

24.2. LEGAL RESERVE

The caption Legal reserve includes the parent company's reserve set up in accordance with articles 295 and 296 of the Company Law.

24.3. OTHER RESERVES AND ACCUMULATED EARNINGS

This caption includes:

- Reserves set up by the parent company and the Group's share of reserves set up by subsidiaries included in consolidation in accordance with statutory rules or by proposition of the respective Board of Directors, approved in the General Shareholders' Meeting.
- Net profits or losses of previous years whose application was not done and net profit or loss of current year;
- Consolidation adjustments to any of the aforementioned components.

24.4. OTHER ACCUMULATED COMPREHENSIVE INCOME

This caption includes:

- Currency translation reserves resulting from the conversion to Euros of subsidiaries' financial statements which are expressed in a different functional currency;
- Change in fair value of available-for-sale assets (note 10);
- Hedging derivative instruments (note 27);
- Consolidation adjustments to any of the aforementioned components.

Sonae Indústria, SGPS, SA is included in the consolidation perimeter of its ultimate parent company, Efanor Investimentos, SGPS, SA.

25. NON-CONTROLLING INTERESTS

Changes to this item during 2010 and 2009 were as follows:

	31.12.2010	31.12.2009
Opening balance	1 703 556	3 079 903
Lost of control in subsidiaries	- 43 924	- 1 689 082
Change resulting from currency translation	233 557	1 116 150
Net profit for the period attributed to minority interests	- 983 541	- 867 826
Others	195 417	64 411
Closing balance	1 105 065	1 703 556

26. LOANS

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

	31.12.2010				
	Amortised cost		Nominal value		Fair value adjustment
	Current	Non current	Current	Non current	
Bank loans (note 26.1)	170 027 034	132 402 184	170 027 034	132 402 184	868 866
Debentures (note 26.2)		301 063 535		305 000 000	
Obligations under finance leases (note 26.4)	4 468 308	43 539 714	4 468 308	43 539 714	-1 928 758
Other loans (note 26.3)	79 615	93 307 071	79 615	93 307 071	
Gross debt	174 574 957	570 312 504	174 574 957	574 248 969	-1 059 892
Investment					
Cash and cash equivalent in balance sheet	26 915 003		26 915 003		
Net debt	147 659 954	570 312 504	147 659 954	574 248 969	- 1 059 892
Total net debt	717 972 458		721 908 923		

	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 average interest rates of each class of debt stated in the previous table were as follows:

	2010	2009
Bank loans	3.0790%	3.0930%
Debentures	2.4970%	3.2480%
Finance leases	9.9540%	10.0140%
Others	3.0250%	2.8030%

Bank overdrafts were not taken into consideration for the calculation of these average interest rates as the amounts were immaterially irrelevant.

The column "Fair value adjustment" includes the adjustments which would have to be made if the corresponding items were to be stated at fair value.

The aforementioned loans do not include loans from related parties.

26.1. Bank Loans

Bank loans presented in the table in note 26. include "Long Term Bank Loans – net of the Short Term portion", "Short Term portion of Long Term Bank Loans", and "Short Term Bank Loans" on the Consolidated Statement of Financial Position and their composition as at 31 December 2010 are detailed in the following table:

	31.12.2010				
	Bank loans				
	Non current	**Current**			Total
Company		Short term portion	Short term	Bank overdrafts	
Sonae Indústria-SGPS,SA	86 818 182	89 261 364			176 079 546
Tafisa-Tableros de Fibras, SA		33 000 000	2 000 000	5 182 695	40 182 695
Glunz AG	16 826 600	16 231 600		3 220 164	36 278 364
Sonae Novobord (Pty) Ltd	26 975 396	4 996 677		1 889	31 973 962
Sonae Ind., Prod. e Com.Deriv.Madeira,SA				4 994 313	4 994 313
Taiber,Tableros Aglomerados Ibéricos,SL				3 429 847	3 429 847
Tableros Tradema,S.L.	1 229 847	492 446		160 413	1 882 706
Isoroy SAS				986 149	986 149
Sonae Industria (UK), Ltd.				315 257	315 257
Others	552 159	461 626	3 038	5 289 556	6 306 379
	132 402 184	144 443 713	2 003 038	23 580 283	302 429 218

Non-current bank loans and the related short term portion are detailed as follows:

a) During 2002 and 2003, Glunz AG., contracted a loan with the European Investment Bank for 119 000 000 Euros (made up by two components). The loan pays interest semi-annually, indexed to a fixed rate of 3.64%, and will be redeemed in 16 consecutive and variable semi-annual instalments, the first of which was made in June 2005. At 31 December 2010, outstanding principal was 33 058 200 eur.

b) During the first half of 2005, a loan contracted in 2001 by Sonae SGPS SA with the European Investment Bank, of 50 000 000 Euros, was transferred to Sonae Indústria SGPS, SA. The loan pays interest quarterly, at market rates, and will be redeemed in 16 consecutive semi-annual instalments. At 31 December 2010, the principal outstanding was 3 125 000 eur;

c) In January 2006 Sonae Indústria SGPS, S. A. contracted commercial paper with several financial institutions, subsequently amended on 19 March 2008 and on 30 September 2010. This programme has a maximum nominal amount of 160 000 000 eur and will mature on 27 January 2016. At 31 December 2010, commercial paper issued amounted to 125 000 000 eur;

d) In September 2009 Sonae Indústria, SGPS, S. A. contracted a new commercial paper programme with a maximum nominal amount of 40 000 000 eur, which will be reduced from 2011 to 2013. At 31 December 2010, commercial paper had been issued for the programme’s full amount;

e) In February 2009 Sonae Indústria, SGPS, S. A. contracted a loan with a Portuguese financial institution for 20 000 000 eur. This loan pays interest at market rate and will be redeemed from 2009 to 2015. At 31 December 2010, outstanding principal amounted to 15 454 546 euros.

f) In October 2009 Sonae Indústria, SGPS, S. A. contracted a loan with a Portuguese financial institution for 20 000 000 eur. This loan pays interest at market rate and will be redeemed in 2011 and 2012.

g) During the first half of 2007, Sonae Novobord together with Sonae Indústria, SGPS, S. A. contracted a loan with the European Investment Bank, denominated in ZAR, for 247 170 000 ZAR. The loan pays interest at a market rate and will be redeemed in 14 consecutive and equal semi-annual instalments, the first of which will be made in September 2010. At 31 December 2010, outstanding principal was 25 897 320 eur.

h) During first half 2007 Sonae Novobord together with Sonae Indústria, SGPS, S. A. contracted a loan with International Finance Corporation (IFC) of 71 800 000 ZAR. The loan pays interest at a market rate and will be redeemed in 16 consecutive and equal semi-annual instalments, the first of which will be made in June 2009. At 31 December 2010, outstanding principal was 6 076 164 eur.

i) In July 2010 Tableros de Fibras, S. A. celebrated a contract to issue commercial paper. The programme has maximum nominal value of 33 000 000 eur and matures in 2011. At 31 December 2010 commercial paper had been issued for the programme's maximum amount.

j) On 5 August 2010 Sonae Indústria, SGPS, S. A. contracted a loan with a Portuguese financial institution for 10 000 000 eur. This loan pays interest at variable rate and will be redeemed from 2012 to 2015;

k) On September 2010 Sonae Indústria, SGPS, S. A. celebrated a contract with a Portuguese financial institution to issue commercial paper. The programme has a maximum nominal value of 2 500 000 eur and matures in 2011. At 31 December 2010 commercial paper had been issued for the programme's maximum amount.

26.2. Bond Issues

a) Sonae Indústria 2005/2013 bonds, issued on 31 March 2005, with a principal amount of 55 000 000 euros, and a bullet repayment 8 years after issue date. Interest is paid semi-annually in arrears on 31 March and 30 September;

b) Sonae Indústria 2006/2014 bonds, issued on 28 March 2006, with a principal amount of 50 000 000 euros and a bullet repayment 8 years after issue date. Interest is paid semi annually in arrears on 28 March and 28 September;

c) Sonae Indústria 2006/2014 bonds, issued on 2 August 2006, with a principal amount of 50 000 000 euros and a bullet repayment 8 years after issue date. Interest is paid semi annually in arrears on 2 February and 2 August;

d) On 5 May 2010 Sonae Indústria, SGPS, S. A. acquired and repaid in anticipation "Sonae Indústria – 2006/2013", "Sonae Indústria – 2008/2012" and "Sonae Indústria – 2008/2012" debentures for a total amount of 150 000 000 eur. On the same date, Sonae Indústria, SGPS, S. A. issued new debentures through private subscription with a principal amount of 150 000 000 eur and a 7-year period. Payment will be done through reduction of nominal value, in 10 equal and successive semi-annual instalments, beginning on the 5th coupon payment date. Interest is paid semi-annually on 5 May and 5 November.

The aforementioned debenture loans pay interest at variable rate composed of 6 month Euribor plus a spread.

26.3. Other Loans

Other loans, as detailed in the table in note 26, are included in the Consolidated Statement of Financial Position, in "Other Loans" in Current Liabilities and Non-Current Liabilities, and had the following composition on 31 December 2010:

Company	31.12.2010		
	Non current		Current
	Securitization	Others	Others
Glunz AG	22 107 542		78 310
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	19 201 076	3 366 670	
Isoroy SAS	14 974 188		
Tableros Tradema,S.L.	14 367 998	5 040	
Sonae Tafibra International, BV	10 319 607		
Sonae Industria (UK), Ltd.	7 500 833		
Spanboard Products,Ltd	1 464 117		1 305
Others			
	89 935 361	3 371 710	79 615

During 2004, Sonae Indústra SGPS SA together with its subsidiaries Soane Indústria – Produção e Comercialização de Madeira, S.A (then Sonae Tafibra – Gestão Comercial S.A), Tableros Tradema S.L (then Tafibra, Tableros Aglomerados e de Fibras, A.I.E), Isoroy S.A.S (then Isoroy Diffusion S.N.C.), Glunz AG, Sonae Tafibra International, B.V. (then Sonae Tafibra Benelux, B. V.), Sonae Industria (UK), Limited (then Sonae (UK), Limited) and Spanboard Products Limited, signed a Securitization facility of up to 120 000 000 eur with ABN Amro Bank, NV and TAPCO – Tulip Asset Purchase Company BV. Presently, this facility matures in March 2012 and its maximum amount is 125 00 000 eur. At 31 December 2010 principal outstanding was 89 935 361 eur (89 637 758 eur at 31 December 2009).

Trade debtors securitized for the amount of 109 913 691 eur (117 656 697 eur at 31 December 2009) were kept on the consolidated balance sheet as the criteria set out in IAS 39 for their derecognition were not fully met, namely the whole risks related to the securitized assets were not completely transferred.

This securitization programme has a cash reserve application, which amounted to 5 586 707 eur at 31 December 2010 (note 23).

26.4. Financial lease creditors

Details of finance leases creditors at 31 December 2010 and at 31 December 2009 are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
2010		8 238 361		3 919 801
2011	8 778 843	8 028 139	4 468 308	3 989 740
2012	8 724 379	7 983 881	4 749 517	4 250 459
2013	8 646 697	7 907 096	5 038 125	4 508 070
2014	8 646 626	8 018 212	5 435 702	4 963 661
2015	8 522 361		5 752 037	
after 2015 (2014)	22 355 254	28 083 259	22 564 333	26 013 853
	65 674 160	68 258 948	48 008 022	47 645 584
Lease creditors - current			4 468 308	3 919 801
Lease creditors - non current			43 539 714	43 725 783

27. FINANCIAL DERIVATIVES

The fair value of derivative instruments is stated as follows:

	Other current assets (note 21)		Other current liabilities (note 33)	
	31.12.10	31.12.09	31.12.10	31.12.09
Derivatives at fair value through profit or loss:				
Exchange rate forwards	3 909 977	3 715 287	4 755 438	9 273 881
Interest rate swaps (fair value hedge)				
Derivatives at fair value through reserves:				
Interest rate swaps (cash flow hedge)				1 904 353
	3 909 977	3 715 287	4 755 438	11 178 234

Derivatives at fair value through profit or loss

They consist of exchange rate derivatives (forwards) over which no hedge accounting was applied.

The fair value of exchange rate forwards was determined using derivative valuation software and external appraisals when software do not allow some derivatives to be valued, and consisted in updating the receivable/payable amount at maturity date to the balance sheet date. Receivable/payable amount, which was used for valuing, corresponds to the amount denominated in foreign currency multiplied by the difference between the contracted exchange rate and the market exchange rate at the maturity date that was determined at valuation date (forward exchange rate determined between valuation and maturity date, using market information).

Gains and losses resulting from changes in fair value are stated under the item Adjustments to fair value of financial instruments at fair value through profit or loss (note 40), which corresponds to a net loss of 17 376 474 eur.

Derivative instruments recognized at fair value through profit or loss held by the Group at 31 December 2010 fully mature in 2011.

Derivatives at fair value through reserves

Derivative financial instruments recognized at fair value through reserves during the period consisted of interest rate swaps that are cash flow hedges.

These interest rate hedging derivatives are valued at fair value, at balance sheet date, which is determined by the Group using derivative valuation software and external appraisals when software do not allow some derivatives to be valued. The fair value of these financial instruments is determined using the discounted cash flow method: zero coupon yield curves for the relevant periods are used for determining the respective variable forward rates and the discounting factors, which allow fixed leg cash flows and floating leg cash flows to be discounted. The sum of both permits the calculation of present fair value.

During the period, changes in the fair value of these financial instruments were recorded under Hedging Reserves, included in the caption Accumulated Other Comprehensive Income on the Consolidated Statement of Financial Position, until the moment the hedged item was recognized through profit or loss, on which the amounts of 1 674 207 eur and 34 410 eur were reclassified from Other Comprehensive Income to Losses on valuation of hedging derivative instruments and Gains on valuation of hedging derivative instruments (note 40), respectively.

At 31 December 2010, all derivative financial instruments recognized at fair value through reserves had matured.

28. FINANCIAL RISKS

The liquidity risk described on note 2.24., c), related to gross debt referred to in note 24, can be analysed as follows:

	31.12.2010		
	Maturity of gross debt (note 26)	Interest	Total
2011	174 574 957	20 491 727	195 066 684
2012	186 014 092	18 323 026	204 337 118
2013	123 261 480	13 883 049	137 144 528
2014	148 596 031	9 824 382	158 420 413
2015	44 502 677	6 162 283	50 664 960
2016	41 249 382	2 598 140	43 847 522
After 2016	26 688 843	3 465 545	30 154 388
	744 887 461	74 748 151	819 635 612

	31.12.2009		
	Maturity of gross debt (note 26)	Interest	Total
2010	137 899 825	15 381 688	153 281 513
2011	92 236 736	14 716 840	106 953 576
2012	224 899 244	18 207 275	243 106 519
2013	188 688 236	10 433 176	199 121 412
2014	113 711 479	5 298 192	119 009 671
2015	10 430 123	3 115 473	13 545 596
After 2015	26 664 576	4 782 545	31 447 121
	794 530 219	71 935 189	866 465 408

The calculation of interest in the previous table was based on interest rates at 31 December 2010 applicable to each item of debt. Gross debt maturing in 2011 includes scheduled repayment of debt along with the repayment of debt as at end 2010 maturing within less than one.

The analysis of interest rate risk, described on note 2.24., b), i), consisted in calculating the way net profit before tax would have been impacted if there would have been a change of +0.75 or -0.75 percentage points in actual interest rates of the corresponding period, although derivative instruments considered in this analysis (cash flow hedge derivatives) were fully matured at 31 December 2010.

Considering Euribor 6 months as a reference indicator for interest rates of Euro, a change of 0.75 percentage points corresponds to 6.3 times the standard deviation of that variable in 2010.

		Sensitivity Analysis					
		2010			**2009**		
		"Notional" (Euros)	Effect in Profit and Loss (Euros)		"Notional" (Euros)	Effect in Profit and Loss (Euros)	
			0.75%	-0.75%		0.75%	-0.75%
Gross Debt excluding banks overdrafts							
	EUR	-680 368 764	-4 352 780	4 352 780	-728 622 159	-4 770 581	4 770 581
	GBP	-8 964 930	- 68 998	68 998	-9 170 078	- 80 183	80 183
	ZAR	-31 973 484	- 185 235	185 235	-29 063 848	- 175 730	175 730
		-721 307 178	-4 607 014	4 607 014	-766 856 085	-5 085 930	5 085 930
Financial Derivatives							
	EUR		401 458	- 401 458	105 000 000	949 583	- 949 583
	ZAR					- 11 981	11 981
			401 458	- 401 458	105 000 000	937 602	- 937 602
Treasury applications							
	EUR	18 285 291	98 489	- 98 489	26 375 021	121 440	- 121 440
		18 285 291	98 489	- 98 489	26 375 021	121 440	- 121 440
			-4 107 066	4 107 066		-4 026 888	4 026 888

With respect to exchange rate risk, described in note 2.24., b), ii), the following calculations were performed:

1. Sensitivity analysis of amounts denominated in a currency other than the functional currency of each company included in the consolidation, by considering a change of +1% and -1% in actual 2010 and 2009 exchange rates.

1.1. Loans net of treasury applications

	Amount denominated in foreign currency		Eur equivalent		Sensitivity analysis			
					2010		2009	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	-1%	1%	-1%	1%
CAD	67 851 268	91 027 091	50 931 876	60 171 638	- 509 319	509 319	- 601 716	601 716
GBP	25 544 402	24 915 326	29 676 976	28 054 657	- 296 770	296 770	- 280 547	280 547
ZAR	204 909 477	325 075 547	23 119 936	30 479 083	- 231 199	231 199	- 304 791	304 791

The remaining financial assets and liabilities do not include any amounts denominated in currencies other than the functional currency of the respective subsidiary which may represent any relevant exchange rate risks.

2. Sensitivity analysis of existing derivatives to hedge the exchange rate risk set out in the previous point:

	Amount denominated in foreign currency		Eur equivalent		Sensitivity analysis			
					2010		2009	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	-1%	1%	-1%	1%
CAD	63 573 596	91 462 632	47 720 884	60 459 543	477 209	- 477 209	604 595	- 604 595
GBP	23 437 650	23 601 331	27 229 393	26 575 099	272 294	- 272 294	265 751	- 265 751
ZAR	241 350 132	376 943 492	27 231 535	35 342 222	272 315	- 272 315	353 422	- 353 422

The credit risk described in note 2.24, a) is mostly reflected through the amount stated in Trade Debtors (nota 19). No relevant differences between the amounts recognized and the corresponding fair value were identified.

29. OTHER NON CURRENT LIABILITIES

At 31 December 2010 and 31 December 2009, details of Other non current liabilities were as follows:

	31.12.2010	31.12.2009
Goup companies	72 604	72 604
Other creditors	426 888	426 888
Financial instruments	499 492	499 492
Other creditors	61 858 720	65 290 759
Liabilities out of scope of IFRS 7	61 858 720	65 290 759
Total	62 358 212	65 790 251

31.12.2010	2010	2011	2012	2013	2014	After 2014	Total
Maturity of Group Companies						72 604	72 604
Maturity of Other non current creditors						426 888	426 888
						499 492	499 492

31.12.2009	2009	2010	2011	2012	2013	After 2013	Total
Maturity of Group Companies						72 604	72 604
Maturity of Other non current creditors						426 888	426 888
						499 492	499 492

Other creditors include 60 530 700 eur (65 290 759 euros at 31 December 2009) relating to deferred income-investment subventions.

30. POST RETIREMENT LIABILITIES

Various Group companies assumed the liability of giving their employees cash contributions to pension plans for old age, incapacity, early retirement, survival and post retirement medical care. These contributions are determined as a percentage that increases as a result of the number of years that the employee has worked at the company, and which is applied to a salary table that is negotiated on a yearly basis and correspond to defined benefits plans.

Current liabilities associated with past years of service are evaluated every year through actuarial studies and based on the “Projected Unit Credit” methodology. Actuarial assumptions employed on the last study prepared at 31 December 2010 were:

	Germany							
	Glunz AG		GHP GmbH		Tool GmbH		Impaper	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Mortality table	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G	Richttafeln 2005 G
Salary growth rate	2,0%	2,0%	0,0%	0,0%	2,0%	2,0%	2,0%	2,0%
Return on fund	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%	4,1%
Actuarial tecnical rate	5,4%	6,0%	5,4%	6,0%	5,4%	6,0%	5,4%	6,0%
Pension growth rate	1,75%	2,0%	1,75%	2,0%	1,75%	2,0%	1,75%	2,0%

	South Africa		France		Portugal	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Mortality table	PA(90)	PA(90)	INSEE 2004-2006	INSEE 2004-2006	TV 88/90	TV 88/90
Salary growth rate	7,1%	7,2%	2,0%	2,0%	3,0%	3,0%
Return on fund	8,8%	9,4%	-	-	2,7%	2,4%
Actuarial tecnical rate	8,8%	9,4%	4,5%	5,0%	5,0%	5,0%
Pension growth rate	4,6%	6,2%	2,0%	2,0%	0,0%	0,0%
Medical cost trend rate	1,2%	1,6%				

In previous periods, pension funds and provisions for pension liabilities were created by various companies within the Group in the following countries:

South Africa:

The employees of Sonae Novobord (PTY) have the following benefit scheme:

Defined contribution plan composed of a number of assets that are managed by a third party. The Company is obliged to deliver the defined contributions. The amount of 710 285 eur was included in the item Staff expenses, on the Consolidated Income Statement, during the period. At 31 December 2010, no contributions were outstanding or unpaid.

Defined Benefit plan with a fund managed by a third party and calculated in accordance with International Accounting Standard 19 and based on actuarial studies performed by an independent party.

Post-Retirement Health Benefit scheme under which the Company will provide for 50% of eligible health expenses incurred after the employee’s retirement.

In an actuarial study carried out on 31 December 2010, the defined benefit liability amounted to 2 293 608 eur.

Germany:

Glunz AG has a defined benefit plan and it has constituted a fund. The plan is calculated according to International Accounting Standard 19, and based on actuarial studies carried out by an independent party.

GHP GmbH has a defined benefit plan and it has constituted a fund. The plan is calculated according to International Accounting Standard 19.

Tool GmbH has a defined benefit plan and it has constituted a fund. The plan is calculated according to International Accounting Standard 19.

Impaper Europe GmbH & Co. KG has a defined benefit plan and it has constituted a fund. The plan is calculated according to International Accounting Standard 19.

In accordance with the actuarial studies carried out at 31 December 2010, these companies' defined benefit liabilities amounted to 19 171 347 eur.

France:

Upon retirement of their employees, Isoroy SAS and Darbo SAS are obliged to pay a sum defined under the terms of the sector's collective labour agreement. An actuarial study calculated the liabilities of the two companies on 31 December 2010 to be 1 125 520 eur.

Portugal:

Various Group companies have a defined benefit plan and funds managed by third parties, calculated in accordance with International Accounting Standard 19 and based on actuarial studies carried out by independent parties. Employees of eight companies hired until 31 December 1994 are covered by this plan under which they will receive as from retirement, a life long monthly payment equivalent to 20% of their salary at their retirement date. The liability for services provided as at 31 December 2010, based on an actuarial study on the same date, was calculated to be 2 992 866 eur.

The main changes, during the periods ending 31 December 2010 and 31 December 2009, to the present value of the defined benefit obligations are presented below:

	31.12.2010			31.12.2009		
	Plano sem fundo constituído	Plano com fundo constituído	Total	Plano sem fundo constituído	Plano com fundo constituído	Total
Opening balance of defined benefit obligations' present value	1 995 720	27 850 085	29 845 805	2 105 233	27 545 959	29 651 192
Interest cost	123 750	1 708 614	1 832 364	139 711	1 771 303	1 911 014
Current service cost	63 016	552 669	615 686	70 216	617 362	687 578
Actuarial (Gains)/Losses	110 168	2 687 377	2 797 545	- 21 471	- 882 202	- 903 673
Paid pensions	196 373	1 875 738	2 072 111	100 398	2 295 804	2 396 202
Curtailments	265 724		265 724	304 155		304 155
Exchange rate effect	127 875	1 168 361	1 296 236	106 585	1 093 467	1 200 052
Changes in consolidation perimeter						
Closing balance of defined benefit obligations' present value	1 958 432	32 091 370	34 049 802	1 995 721	27 850 085	29 845 806

During 2010 and 2009 the fair value of the plan assets changed as follows:

	31.12.2010	31.12.2009
Opening balance of plan assets	5 379 542	4 689 776
Contribution to plan assets	220 921	478 697
Expected return on plan assets	376 097	276 491
Paid pensions	534 402	1 003 589
Effect of asset transfer		722
Actuarial gains/(losses)	222 602	349 386
Exchange rate effect	640 955	588 059
Closing balance of plan assets	6 305 715	5 379 542

At 31 December 2010 and 31 December 2009, the amount of liabilities for defined benefits recognized in the Consolidated Statements of Financial Position is detailed as follows:

	31.12.2010	31.12.2009
Present value of defined benefit obligations	34 049 802	29 845 806
Actuarial Losses/(Gains) not recognised	2 161 240	- 596 593
Fair value of plan assets	6 305 715	5 379 542
Excess of provision	493	271 559
Defined benefit liability	25 583 340	25 334 414

The impact of these liabilities on the 2010 and 2009 Consolidated Income Statements is detailed as follows:

	31.12.2010	31.12.2009
Interest cost	1 832 364	1 860 078
Current service cost	615 686	621 287
Employee contributions	- 44 647	
(Increase) / Decrease in fair value of plan assets	- 376 097	- 277 047
Recognized actuarial (Gains)/Losses	37 815	- 618 786
	2 065 121	1 585 532

The sensitivity of the Health Benefit scheme's obligations can be analysed as follows:

	2010			2009		
	- 1 pp	Valuation base	+ 1 pp	- 1 pp	Valuation base	+ 1 pp
	0,2%	1,2%	2,2%	0,6%	1,6%	2,6%
Current service cost (projection for following year)	12 298	10 042	8 237	8 813	7 126	5 907
Interest cost (projection for following year)	82 479	72 098	63 523	63 569	55 787	49 130
Defined benefit obligation (current year)	949 916	832 911	735 652	678 635	597 439	528 056

31. TRADE CREDITORS

At 31 December 2010 and 31 December 2009, Trade creditors stated on the Consolidated Statements of Financial Position showed the following maturities:

MATURITY OF TRADE CREDITORS

	31.12.2010	31.12.2009
To be paid		
< 90 days	151 766 034	153 119 071
90 - 180 days	230 229	1 514 478
> 180 days	139 225	103 517
	152 135 488	154 737 066

32. STATE AND OTHER PUBLIC ENTITIES (CURRENT LIABILITIES)

At 31 December 2010 and 31 December 2009, State and other public entities had the following composition:

	31.12.2010	31.12.2009
State and other public entities		
Income Tax	4 227 831	2 487 579
Value Added Tax	2 743 732	3 037 640
Social Security Contribution	5 873 647	7 279 984
Others	138 339	497 682
	12 983 549	13 302 885

33. OTHER CURRENT LIABILITIES

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

	31.12.2010	31.12.2009
Group companies	25 628	34 939
Derivatives	4 755 438	11 178 233
Trade debtors advances	22 820	
Fixed assets suppliers	2 406 602	2 107 235
Other creditors	4 935 824	3 640 580
Financial instruments	12 146 312	16 960 987
Other creditors	4 552 847	5 089 835
Accrued expenses:		
Insurances	129 030	73 634
Personnel costs	28 474 717	28 945 220
Accrued financial expenses	3 016 520	3 387 049
Rappel discounts (annual quantity discounts)	20 395 295	18 199 370
External supplies and services	17 826 640	11 641 462
Other accrued expenses	9 880 528	11 570 343
Deferred income:		
Investment subventions	5 990 294	5 835 336
Other deferred income	238 639	271
Liabilities out of scope of IFRS 7	90 504 512	84 742 520
Total	102 650 824	101 703 507

31.12.2010	< 90 days	90 - 180 days	> 180 days	Total
Maturity of current fixed assets' suppliers	2 376 182	30 421		2 406 602
Maturity of Other current creditors	3 942 635	528 423	464 765	4 935 824
	6 318 817	558 844	464 765	7 342 426

31.12.2009	< 90 dias	90 - 180 dias	> 180 dias	Total
Maturity of current fixed assets' suppliers	2 060 238	27 970	19 027	2 107 235
Maturity of Other current creditors	2 729 030	442 948	468 602	3 640 580
	4 789 268	470 918	487 629	5 747 815

34. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements occurred in provisions and accumulated impairment losses during the periods ended 31 December 2010 and 31 December 2009 were as follows:

	2010						
Description	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes	Closing balance
Accumulated impairment losses on tangible assets (Note 11)	28 103 072	337 398		5 207 081	255 271		33 392 280
Accumulated impairment losses on intangible assets (Note 12)	35 048				18 986	3 180	19 242
Accumulated impairment losses on other non-current assets (Note 16)	10 931 182						10 931 182
Accumulated impairment losses on trade debtors (Note 19)	17 800 630	826 166		4 789 696	1 715 518	- 1 068 230	20 632 744
Accumulated impairment losses on other debtors (Note 20)	19 628						19 628
Subtotal impairment losses	56 889 560	1 163 564		9 996 777	1 989 775	- 1 065 050	64 995 076
Provisions for litigations in course	8 918 473			309 319	2 273 804	2 935	6 956 923
Provisions for guaranties to customers	850 170	3 542		116 777	221 555		748 934
Provisions for restructuring	22 582 844			7 453 098	25 447 667		4 588 275
Other provisions	5 670 644	679	- 612 783	889 100	2 608 687		3 338 953
Subtotal provisions	38 022 131	4 221	- 612 783	8 768 294	30 551 713	2 935	15 633 085
Subtotal impairment losses and provisions	94 911 691	1 167 785	- 612 783	18 765 071	32 541 488	- 1 062 115	80 628 161
Accumulated impairment losses on investments (Note 10)	37 005 998						37 005 998
Accumulated impairment losses on inventories (Note 18)	13 044 254	182 926	- 348 728	7 199 147	8 320 067	- 349 671	11 407 861
Total	144 961 943	1 350 711	- 961 511	25 964 218	40 861 555	- 1 411 786	129 042 020

	2009						
Description	Opening balance	Exchange rate effect	Changes to perimeter	Increase	Utilizations	Other changes	Closing balance
Accumulated impairment losses on tangible assets (Note 11)	57 587 280	479 295		907 889	5 092 527	- 25 778 865	28 103 072
Accumulated impairment losses on intangible assets (Note 12)	358 865			15 806		- 339 623	35 048
Accumulated impairment losses on other non-current assets (Note 16)	10 931 182						10 931 182
Accumulated impairment losses on trade debtors (Note 19)	16 742 196	505 810	- 168 842	8 524 055	4 344 368	- 3 458 221	17 800 630
Accumulated impairment losses on other debtors (Note 20)	19 629					- 1	19 628
Subtotal impairment losses	85 639 152	985 105	- 168 842	9 447 750	9 436 895	- 29 576 710	56 889 560
Provisions for litigations in course	23 767 165	3 914 380	- 22 041 008	3 433 579	1 979 338	1 823 695	8 918 473
Provisions for guaranties to customers	940 138	- 111		150 170	240 027		850 170
Provisions for restructuring	19 417 434	88 044		16 025 094	29 059 007	16 111 279	22 582 844
Other provisions	4 983 668	- 465		1 484 182	785 214	- 11 527	5 670 644
Subtotal provisions	49 108 405	4 001 848	- 21 394 013	21 093 025	32 063 586	17 276 452	38 022 131
Subtotal impairment losses and provisions	134 747 557	4 986 953	- 21 562 855	30 540 775	41 500 481	- 12 300 258	94 911 691
Accumulated impairment losses on investments (Note 10)	37 005 998						37 005 998
Accumulated impairment losses on inventories (Note 18)	17 098 955	470 163	- 1 677 647	9 437 331	11 096 351	- 1 188 197	13 044 254
Total	188 852 510	5 457 116	- 23 240 502	39 978 106	52 596 832	- 13 488 455	144 961 943

Impairment losses are offset against the corresponding asset on the Consolidated Statement of Financial Position.

Increase and utilization of provisions and impairment losses are stated on the Consolidated Income Statement as follows:

	2010		2009	
	Losses	Gains	Losses	Gains
Cost of sales	2 658 667	2 708 004	4 521 322	5 690 138
Other operating revenues		32 541 488		41 500 481
(Increase) / decrease in production	4 540 480	5 612 063	4 916 008	5 406 213
Provisions and impairment losses	18 765 071		30 540 776	
Total	25 964 218	40 861 555	39 978 106	52 596 832

Impairment losses

The amount recognized as increase in impairment losses of tangible assets refers mainly to assets of production lines that were closed down and for which there are no prospects of being used in the Group's production lines under operation or otherwise being sold to third parties.

Column "Utilization" includes reversion of impairment losses.

Column "Other changes" also includes changes in impairment losses related to sale or write-off of assets.

Provisions

At 31 December 2010 the amount of provisions is detailed as follows:

- Provision for restructuring: the amount of 4.6 million eur relates mostly to the estimated costs with ongoing restructuring processes in France, namely staff expenses, disassembling of industrial facilities and environmental and landscape recovery of these sites.
- Provision for litigations: it includes estimation for investment subventions to be returned to governmental entities for the amount of 5.5 million eur and estimation for compensation of former employees related to older restructuring processes for the amount of 1.8 million euros.
- Other provisions: it includes the estimated amount of 2 million eur for environmental liabilities.

35. <u>OPERATING LEASES</u>

At 31 December 2010 and 31 December 2009, the Group held irrevocable operating leases with the following lease payments:

	Minimun operating lease payments	
	31.12.2010	31.12.2009
2010		5 118 340
2011	4 653 812	3 139 146
2012	2 367 657	1 390 801
2013	1 178 420	366 286
2014	503 047	148 439
2015	176 944	
After 2015 (2014)		448 593
	8 879 880	10 611 605

During the period the Group recognized in External suppliers and services, on the Consolidated Income Statement, rents related to operating leases for the amount of 8 663 035 eur, which included leases with no defined term amounting to 1 612 135 eur.

36. RELATED PARTIES

Balances and transactions with related parties may be summarized as follows:

Balances	Accounts receivable		Accounts payable		Loans			
					Obtained		Granted	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Parent company								
Other subsidiaries of the parent company	1 035 043	965 600	2 133 642	2 299 086	5 008	5 008		
Joint ventures	198 584	394 833	1 243 486	1 253 370		9 092	19 611	7 670

Transactions	services rendered		services obtained		Interest income		Interest expenses	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Parent company					14 245	12 464	14 915	13 128
Other subsidiaries of the parent company	1 640 378	2 399 954	7 162 221	14 075 738				6 035
Joint ventures	2 880 667	1 450 631	11 273 117	5 660 464				

Remuneration of the Board of Directors of the Company is detailed as follows:

	31.12.2010	31.12.2009
Short term benefits	1 586 760	1 371 729
Long term benefits	292 300	115 583
	1 879 060	1 487 312

During the period ended 31 December 2010 the Group recognized on these consolidated financial statements the following fees paid to the audit company PricewaterhouseCoopers & Associados, Lda:

	31.12.2010
Total fees related to audit of end year accounts	578 980
Total fees related to other realiability assurance services	53 142
	632 122

37. OTHER OPERATING REVENUES

Details of Other operating revenues on the Consolidated Income Statement for the periods ended 31 December 2010 and 31 December 2009 are as follows:

	31.12.2010	31.12.2009
Gains on disposals of non current investments	8 476 008	85 902 002
Gains on disposals of tangible and intangible assets	3 109 981	3 495 407
Supplementary Revenue	4 637 814	7 745 093
Investment subventions	6 684 633	6 838 423
Tax received	3 504 176	5 444 273
Reversion of impairment losses	1 989 777	9 436 895
Gains on provisions	30 551 712	32 063 586
Others	7 029 359	10 860 437
	65 983 460	161 786 116

The item Gains on disposal of non current investments includes 8 million euros related to the sale of Société Industrielle et Financière Isoroy (SIFI).

The amount recognized in Gains on provisions is mainly related to the utilization of provisions for the ongoing restructuring processes in France and Germany.

38. OTHER OPERATING COSTS

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

	31.12.2010	31.12.2009
Taxes	8 567 357	7 255 087
Losses on disposal of tangible and intangible assets	1 633 858	1 042 746
Others	4 677 704	5 412 320
	14 878 919	13 710 153

39. RESEARCH AND DEVELOPMENT EXPENSES

During the period the Group recognized in several items of the Consolidated Income Statement research and development expenses amounting to 1 172 243 eur (1 711 222 eur in 2009).

40. FINANCIAL RESULTS

Financial results for the periods ended 31 December 2010 and 31 December 2009 were as follows:

	31.12.2010	31.12.2009
Financial expenses:		
Interest expenses		
related to bank loans and overdrafts	4 994 833	6 898 006
related to non convertible debentures	7 773 980	8 670 764
related to finance leases	4 805 863	4 968 611
related to hedged loans (hedge derivatives)	1 489 525	4 437 291
others	5 301 383	5 870 079
	24 365 584	30 844 751
Losses in currency translation		
related to customers	404 467	1 036 153
related to suppliers	1 018 706	1 571 806
related to loans	12 519 283	16 736 154
others	368 191	616 123
	14 310 647	19 960 236
Cash discounts granted	15 185 395	15 140 727
Adjustment to fair value of financial instruments at fair value through profit or loss	37 306 658	46 909 360
Losses on valuation of hedging derivative instruments	1 674 207	1 726 176
Fair value of inefficient component of hedge derivatives		
Other finance losses	5 811 472	8 395 290
	98 653 963	122 976 540

	31.12.2010	31.12.2009
Financial revenues:		
Interest income		
related to bank loans	12 404	36 662
related to loans to related parties	14 245	306 175
Others	188 849	514 465
	215 498	857 301
Gains in currency translation		
related to customers	781 289	824 229
related to suppliers	1 597 558	875 601
related to loans	26 342 780	33 991 313
others	361 509	1 119 589
	29 083 136	36 810 732
Cash discounts obtained	2 117 869	2 013 221
Adjustment to fair value of financial instruments at fair value through profit or loss	19 930 184	28 475 785
Gains in valuation of hedging derivative instruments	34 410	356 004
Fair value of inefficient component of hedge derivatives		
Other finance gains	212 865	360 700
	51 593 962	68 873 743
Finance profit / (loss)	**- 47 060 001**	**- 54 102 797**

41. TAXES

Corporate income tax accounted for in 2010 and 2009 is detailed as follows:

	31.12.2010	31.12.2009
Current tax	2 309 209	1 194 025
Deferred tax	105 717	2 498 118
	2 414 926	3 692 143

Reconciliation of consolidated Earnings before taxes with taxes for the year may be detailed as follows:

		31.12.2010	31.12.2009
Consolidated net profit before tax		-73 003 400	-55 957 873
Tax rate		25.00%	25.00%
Expectable tax at rate 25.0%		-18 250 850	-13 989 468
Differences to foreign tax rates	(+)	-5 067 717	-2 754 836
Effect of provincial taxes	(+)	- 199 813	171 781
Consolidation adjustments	(-)	773 661	30 373 110
Permanent differences			
Non deductible costs	(+)	8 954 978	3 794 052
Non taxed profits	(-)	2 319 817	19 886 085
Tax losses carried forward			
Deferred tax asset recognized on tax losses of previous years	(+)	-3 849 500	-1 273 815
Deferred tax asset not recognized in complience with IAS 12	(-)	-20 507 456	-59 187 810
Utilization of tax losses carried forward whose deferred tax was not recognized in prior periods	(+)	- 207 573	-2 538 069
Reverted deferred tax asset	(+)	5 606 865	8 525 853
Effect of offsetting deferred tax liabilities related to depreciation	(+)	- 150 686	-1 087 647
Other deferred tax assets and liabilities not recognized	(+)	30 730	4 390 866
Tax Credit for International Double Taxation	(-)		215 525
Others	(+)	-1 865 486	- 259 664
Consolidated corporate income tax		2 414 926	3 692 143

42. EARNINGS PER SHARE

Earnings per share, excluding the effect of discontinued operations, were calculated as follows:

	31.12.2010	31.12.2009
Net loss		
Net loss considered to calculate base earnings per share (Net loss attributable to equity holders of Sonae Indústria)	- 74 434 785	- 58 782 190
Effect of potential shares		
Interest related to convertible bonds (net of tax)		
Net loss considered to calculate diluted earnings per share	- 74 434 785	- 58 782 190
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	140 000 000	140 000 000
Effect of potential ordinary shares from convertible bonds		
Weighted average number of shares used to calculate diluted earnings per share	140 000 000	140 000 000

During 2010 no significant profit or loss occurred relating to discontinued operations.

43. 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, Canadal and South Africa

Reportable segments identified for 2010, on the basis of the internal reporting system of financial information to the chief operating decision maker and for which there is a segment manager, are as follows:

- Iberian Peninsula;
- Central Europe
  - France;
  - Germany;
  - United Kingdom;

- Rest of the World
    - Canada;
    - South Africa
- Other segments

Non-reportable segments are now included in the item Other segments.

Each reportable segment's revenue results mostly from the production and sale of wood based panels and derivative products.

Segmental information related to the Consolidated Income Statement is as follows:

	Turnover							
	Intragroup				External			
Segments	31.12.2010		31.12.2009		31.12.2010		31.12.2009	
Iberian Peninsula		7 795 206		7 046 773		329 551 315		311 981 859
Central Europe								
France	43 933 354		43 347 106		87 302 868		109 796 081	
Germany	145 039 251		119 857 612		356 202 545		356 667 395	
United Kingdom		188 972 605		163 204 718	62 677 929	506 183 342	62 586 926	529 050 403
Rest of the world								
Canada					142 738 382		112 619 841	
Brazil							69 457 202	
South Africa					108 760 796	251 499 178	80 838 049	262 915 091
All other segments		86 533 219		69 660 812		179 131 814		154 510 933
Total segments		283 301 030		239 912 303		1 266 365 649		1 258 458 287
Differences in classification						13 891 094		16 276 642
Adjustment to intragoup eliminations								2 628 660
Adjustments to the proportionate consolidation method						1 439 184		1 096 357
Others						10 860 848		4 423 287
Total segments after adjustments						1 292 556 776		1 282 883 234
Turnover (Consolidated Income Statement)						1 292 556 776		1 282 883 234

	Depreciations			
Segments	31.12.2010		31.12.2009	
Iberian Peninsula		22 806 053		28 699 838
Central Europe				
France	9 300 694		18 187 801	
Germany	29 318 558		35 040 777	
United Kingdom	4 902 750	43 522 002	5 998 905	59 227 483
Rest of the world				
Canada	15 186 201		14 127 048	
Brazil			5 628 780	
South Africa	5 516 694	20 702 895	5 986 598	25 742 426
All other segments		10 550 898		10 401 811
Total segments		97 581 848		124 071 558
Adjustment to depreciation		- 2 404 722		- 2 388 778
Others		172 079		- 370 773
Total segments after adjustments		95 349 205		121 312 007
Depreciations (Consolidated Income Statement)		95 349 205		121 312 007

Provisions and impairment losses

Segments	31.12.2010		31.12.2009	
Iberian Peninsula		2 793 044		4 258 281
Central Europe				
France	5 471 409		2 945 453	
Germany	5 676 787		18 858 249	
United Kingdom	73 107	11 221 303	502 698	22 306 401
Rest of the world				
Canada	91 744		41 512	
Brazil			1 367 503	
South Africa	4 254 375	4 346 119	1 583 372	2 992 387
All other segments		404 603		983 707
Total segments		18 765 069		30 540 776
Provisions and impairment losses (Consolidated Income Statement)		18 765 069		30 540 776

Utilization of provisions

Segments	31.12.2010		31.12.2009	
Iberian Peninsula		631 628		1 649 595
Central Europe				
France	7 914 184		9 408 323	
Germany	22 002 698		19 114 512	
United Kingdom		29 916 882	1 347 888	29 870 724
Rest of the world				
Canada				
Brazil			504 859	
South Africa				504 859
All other segments		3 203		38 408
Total segments		30 551 713		32 063 586
Other operating profits (Consolidated Income Statement)		30 551 713		32 063 586

Revertion of impairment losses

Segments	31.12.2010		31.12.2009	
Iberian Peninsula		792 025		2 242 757
Central Europe				
France	302 443		1 392 640	
Germany	308 829		2 372 636	
United Kingdom		611 272	135 282	3 900 559
Rest of the world				
Canada				
Brazil			23 679	
South Africa	256 974	256 974	2 339 321	2 362 999
All other segments		329 504		930 579
Total segments		1 989 775		9 436 895
Other operating profits (Consolidated Income Statement)		1 989 775		9 436 895

Segments	Operating profit or loss 31.12.2010		31.12.2009	
Iberian Peninsula		2 830 835		1 743 256
Central Europe				
France	- 31 512 084		- 68 179 099	
Germany	- 15 374 827		- 52 724 347	
United Kingdom	- 2 905 353	- 49 792 264	- 6 802 477	- 127 705 924
Rest of the world				
Canada	4 860 549		- 776 003	
Brazil			6 782 436	
South Africa	14 452 798	19 313 347	5 944 661	11 951 094
All other segments		- 4 984 997		- 7 987 531
Total segments		- 32 633 079		- 121 999 105
Companies excluded of management consolidation perimeter		1 543 420		1 871 062
Reversal of impairment losses				27 376 043
Adjustment to depreciations		3 472 036		4 281 693
Non-recognized gains on sale of subsidiaries		5 877 895		84 975 346
Others		- 4 159 798		1 605 781
Total segments after adjustments		- 25 899 526		- 1 889 179
Consolidated Income Statement (Consolidated income statement)		- 25 899 526		- 1 889 179

Sales and Services Rendered in 2010 and 2009, based on geographic location of the external customers, were the following:

Customers' country	2 010 '000 Euros	
Germany	374 751	29%
North America	171 067	13%
Spain	158 595	12%
Portugal	117 982	9%
South Africa	108 894	8%
France	89 135	7%
United Kingdom	59 274	5%
Others	212 859	16%
Total	**1 292 557**	

The internal reporting system of financial information does not include information on segmental assets and liabilities. Segmental non current assets, included under Tangible Assets, Intangible Assets, Goodwill, Investment Properties and Other Non Current Assets, in the Consolidated Statement of Financial Position, are as follows:

Segments	Non current assets 31.12.2010		31.12.2009	
Iberian Peninsula				
Portugal	78 832 521		94 241 806	
Spain	196 525 829	275 358 350	206 039 867	300 281 673
Central Europe				
France	85 176 094		157 787 388	
Germany	298 121 081		336 757 387	
United Kingdom	62 136 001	445 433 176	63 890 232	558 435 007
Rest of the world				
Canada	186 310 379		175 021 017	
South Africa	96 745 277	283 055 656	87 838 893	262 859 910
All other segments		86 123 999		74 436 709
Total segments		1 089 971 181		1 196 013 299
Non current assets (Consolidated Statement of Financial Position)		1 089 971 181		1 196 013 299

Inter-segment transactions were executed at market prices and under identical conditions to those applied to third parties.

44. 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 reliably estimate the outcome of the ongoing process and the amount of any hypothetical fine, thus no adjustment was recognized in these consolidated financial statements.

In October 2010 Sonae Indústria, SGPS, S. A. received a notice of assessment from tax authorities according to which the loss resulting from the dissolution of its subsidiary Socelpac, SGPS, S.A. in 2006, amounting to 74 million eur, should be considered at 50% for tax calculation purposes. The company filed a lawsuit challenging this interpretation. According to the information available on this date, the Board of Directors considers that the probability of a negative outcome is low, thus no adjustment was done to current tax and deferred tax asset recognized in these consolidated financial statements.

Following the close-down of Châtellerault and Saint Dizier factories in France, 116 workers filed lawsuits aiming to obtain additional indemnities. According to the information available at this date, the Board of Directors considers that the economic justification for closing down these factories, the social measures implemented and the legal proceedings carried out were in accord with all local requirements, thus no increase was done on the provision that had been recognized after the close-down decision.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on 23 February 2011.

Statutory External Auditor’s Report

Statutory Audit Board’s Report

Audit Report for Stock Exchange Regulatory Purposes in respect of the Consolidated and Individual Financial Information

(Free translation from the original version in Portuguese)

Introduction

1 As required by the Portuguese Securities Market Code, we present the Audit Report in respect of the Consolidated and Individual Financial Information included in the Board of Directors' Report and in the Consolidated and Individual Financial Statements of **Sonae Indústria, SGPS, SA**, comprising the consolidated and individual statement of financial position as at 31 December 2010, (which shows total assets of Euros 1,485,594,812 and Euros 1,529,035,927, respectively, a total consolidated equity of Euros 298,773,367 including total minority interests of Euros 1,105,065 and other negative components of equity of Euros 2,609,633, an individual equity of Euros 967,654,705), the consolidated and individual statement of income by nature, the consolidated and individual Comprehensive Income, the consolidated and individual statements of changes in equity and the consolidated and individual cash flow statements for the year then ended and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and Consolidated and Individual Financial Statements that present fairly, in all material respects, the financial position of the company and its subsidiaries, the consolidated and individual changes in equity, the consolidated and individual result of their operations, the consolidated and individual comprehensive income and their consolidated and individual cash flows; (ii) to prepare historical financial information in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU that is complete, true, timeliness, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) to adopt adequate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any relevant facts that have influenced the activity, the financial position or results of the company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the above mentioned documents, namely if it is complete, true, timeliness, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our audit.

Scope

4 We conducted our examination in accordance with the Standards and Technical Recommendations approved by the Institute of Statutory Auditors which require that we plan and perform the examination to obtain reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Accordingly, our examination included: (i) verification that the subsidiaries' financial statements have been properly examined and for the cases where such an examination was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of Management used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated and individual financial statements; and (vi) assessing whether the consolidated and individual financial information is complete, true, timely, clear, objective and licit.

5 Our examination also covered the verification that the financial information included in the Board of Director's report is in agreement with the remaining documents referred to above, as well as the verifications in accordance with the numbers 4 and 5 of the article 451 of the Portuguese Commercial Code.

6 We believe that our examination provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated and individual financial statements referred to above, present fairly in all material respects, the consolidated and individual financial position of **Sonae Indústria, SGPS, SA** as at 31 December 2010, the consolidated and individual results of their operations, the consolidated and individual comprehensive income, the consolidated and individual statements of changes in equity and their consolidated and individual cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the information included is complete, true, timely, clear, objective and licit.

Report on Other Legal Requirements

8 It is also our opinion that the financial information included in the Board of Director's report is in agreement with the Consolidated Financial Statements as at 31 December 2010 and that the Corporate Governance report includes all the information required by the article 245-A of the Portuguese Securities Market Code.

Porto, 24 February 2011

PricewaterhouseCoopers & Associados, S.R.O.C., Lda.
Represented by:

António Joaquim Brochado Correia, R.O.C.

Report and Opinion of the Statutory Audit Board
(Free translation from the original in Portuguese)

To the Shareholders of Sonae Indústria, SGPS, S.A.

In accordance with current law, statutory norms and the mandate we have been conferred, the Statutory Audit Board presents this report and opinion regarding the management report of Sonae Indústria, S. G. P.S, .S. A. as at 31 December 2010 and further related separate and consolidated financial statements, which are the Board of Directors' responsibility.

Supervision

During the period the Statutory Audit Board has accompanied the Company's management, the evolution of its activities together with the subsidiaries within the consolidation perimeter and convened meetings with the frequency and extent deemed appropriate. These meetings were attended by the financial area's operational managers, especially the CFO, the internal audit manager and the risk management manager. We kept a close connection with the Statutory External Auditor that kept us informed about the nature and conclusions of performed audit work. The Statutory Audit Board was given by the Board of Directors, the company's services, the subsidiaries included in the consolidation perimeter and the Statutory External Auditor all information and clarifications requested for gaining a greater insight into understanding and assessing the evolution of businesses, performance and financial position as well as the risk management and internal control systems.

The Statutory Audit Board has monitored the process of preparing and disclosing financial information as well as the audit of separate and consolidated financial statements, for which it received from the Statutory External Auditor all requested information and clarifications. Furthermore, within the scope of its competence the Statutory Audit Board has verified the separate and consolidated statements of financial position as at 31 December 2010, the separate and consolidated income statements, the separate and consolidated statements of comprehensive income, the separate and consolidated statements of change in net shareholders' funds and the separate and consolidated statements of cash flows and corresponding appendices for the period ended on the aforementioned date. It has also verified the management report for the fiscal year ended 31 December 2010 issued by the Board of Directors, and the Statutory External Auditor's Report on the financial statements issued by the Statutory External Auditor, with which the Statutory Audit Board agrees.

In light of the above, the Statutory Audit Board is of the opinion that the information relating to the financial statements in question has been prepared in accordance with the accounting, legal and statutory norms, reflecting a true and appropriate image of the assets and liabilities, the financial position and results of Sonae Indústria, S.G.P.S., S. A. and the subsidiaries included in the consolidation perimeter. The management report duly states the evolution of the businesses, performance and financial position of the company and subsidiaries included in its consolidation perimeter and contains a description of the main risks and uncertainties they are confronted with. Furthermore, the Statutory Audit Board informs that the corporate governance report complies with the provisions of article 245-A of the Portuguese Securities Code.

The Statutory Audit Board expresses its appreciation to the Board of Directors and other departments for their cooperation.

Opinion

Arising from the above, the Statutory Audit Board is of the opinion that the Shareholders' General Meeting approves the:

a) Management Report, Separate and Consolidated Statements of Financial Position for the fiscal year ended 31 December 2010, Separate and Consolidated Income Statements, Separate and Consolidated Statements of Comprehensive Income, Separate and Consolidated Statements of Changes in Net Shareholders' Funds and Separate and Consolidated Statements of Cash Flows and corresponding Appendices for the period ended on the aforementioned date;

b) Proposal for Appropriation of Results submitted by the Board of Directors.

Statement of responsibility

In accordance with the provisions of article 245, c), nr. 1 of the Securities Code ("Código dos Valores Mobiliários"), the Statutory Audit Board's members state to the best of their knowledge that the information included in the management report and the other financial statements was prepared in compliance with the applicable accounting standards and provides a true and appropriate image of the assets, liabilities, financial position and results of the company and subsidiaries included in its consolidation perimeter.
Furthermore, the Statutory Audit Board is of the opinion that the management report duly states the evolution of businesses, performance and position of the company and subsidiaries included in its consolidation perimeter, and contains a description of the main risks and uncertainties they are confronted with.

Maia, 24 February 2011

Statutory Audit Board,

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Manuel Heleno Sismeiro

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Armando Luís Vieira de Magalhães

Jorge Manuel Felizes Morgado