



SONAE CAPITAL, SGPS, SA

Head Office: Lugar do Espido, Via Norte, Maia

Share Capital: 250,000,000 Euro

Maia Commercial Registry and Fiscal Number 508 276 756

Sociedade Aberta

# **REPORT AND ACCOUNTS**

## **31 DECEMBER 2010**

*(Translation from the Portuguese Original)*



# CHAIRMAN'S STATEMENT



Dear Shareholders,


In 2010, the Group was mostly focused in adjusting the Company's strategy to the new macroeconomic conditions, evident in the severe reduction in economic activity which followed the financial crisis and in the liquidity crisis which affected the banking sector in general, and particularly Portuguese banks – also facing financing difficulties -, causing additional constraints to companies. These translated in a sharp fall on demand for tourism real estate – with impact in **troiaresort** -, and in a general slowdown in construction activity, mainly in residential and leisure buildings, as well as in air conditioning and commercial refrigeration facilities in new buildings – both residential and offices – with impact in the Selfrio Group.

The more difficult access to credit facilities did not hamper our ambition to invest, although at a reduced pace, in projects which we regard as important. In the past year, we invested around 10 million euro aiming at, among other, complete landscape works in **troiaresort** and start the construction of an events centre, with a capacity for 630 people, so that **troiaresort** can be presented as a completed project, and within Spred, promoting a new project in the energy business (reconversion of a fuel oil cogeneration facility into a gas facility).

We now have the objective of, through all available means, better communicating to our customers the high quality of investments made in **troiaresort** and also in hospitality - Porto Palácio Hotel and Aqualuz Lagos and Tróia hotel apartments in the Sun and Beach tourism segment – winning their preference for our services.

Following the slowdown in activity, we took the time to rethink our organisation and its size, namely its structures and corporate functions. We have set as objectives to optimise costs but also to improve, through training, the quality of our human resources.

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At the same time, we also improved our information systems, updating their architecture, so as to improve quality and transaction execution and control, of both current and investment transactions.

Simultaneously, we sold assets that had already been assessed as non-core, generating a significant cash inflow of around 50 million euro. We maintain the objective of selling other non strategic assets over the next couple of years.

The Board of Directors which will be proposed to shareholders includes only five directors (down from seven), which we believe is enough to ensure day to day operations and the development of new tourism projects in the future, which correspond to a construction area of circa 305,000 m<sup>2</sup>.

We would like to express our gratitude to those directors who have been with us and are not proposed to continue as board members, Mário Pinto, José Luís Amorim (Executive) and Rafael Cerezo, Pedro Rezende (Non-Executive), for their cooperation during the last 3 years, being certain that we will continue to rely on their advice.

I would like to express my gratitude to employees, in general, for sacrifices made in a particularly difficult period, and convey a word of confidence in the future.

Maia, 31 March 2011

Belmiro de Azevedo

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# REPORT OF THE BOARD OF DIRECTORS

## 31 DECEMBER 2010

## **Report of the Board of Directors 31 December 2010**

(Translation from the Portuguese original)

Disclaimer:

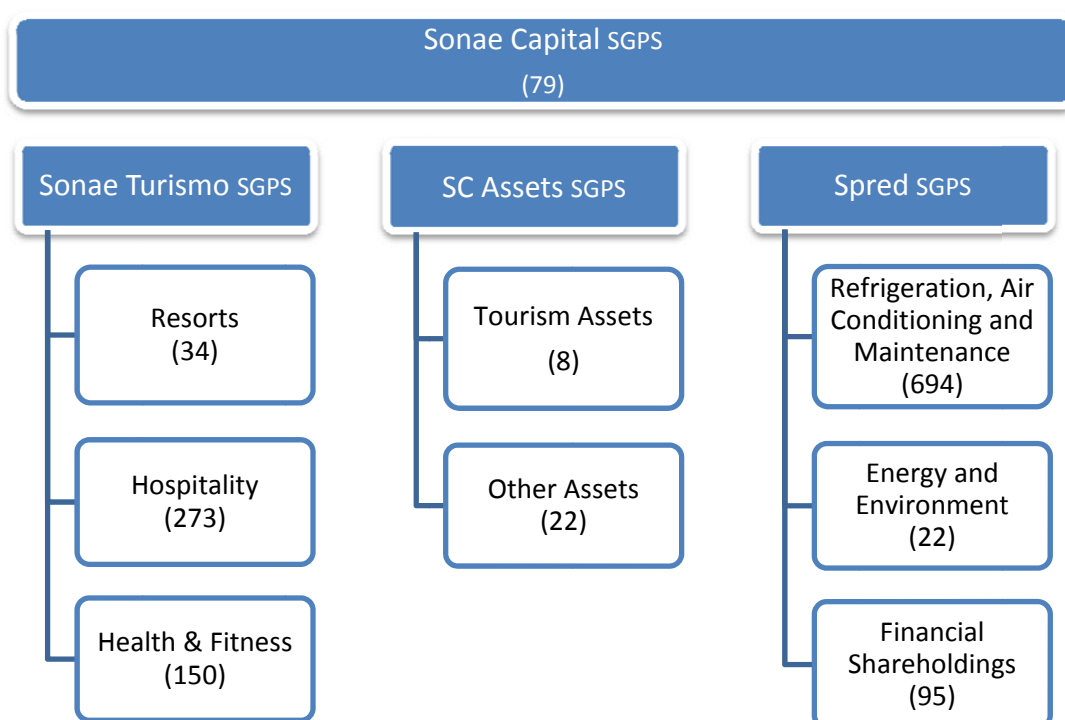
Unless otherwise stated, comparable figures (presented within brackets), percent or absolute changes mentioned in this report refer to the comparable period of the previous year for performance figures and to the year 2009 for financial position figures.

Following the sale of the shareholding in Box Lines, which became effective on 16 September 2010, this business unit's contribution to performance figures is disclosed under discontinued operations in both 2010 and 2009, together with those of the Plysorol Group and Elmo in 2009, and are no longer included in the consolidated financial position of the company as at 31 December 2010. Like for like comparisons throughout the report refer to continued operations, in both 2010 and 2009.

Following the internal reorganization process carried out during 2009, SC Assets, SGPS, SA was made independent from Sonae Turismo, SGPS, SA at the beginning of 2010, and is now responsible for real estate investments and for property management of real estate assets. Comparable figures presented in this report for the year 2009, were restated to reflect the new business portfolio configuration made up of the three current sub-holdings: Sonae Turismo, SGPS, SA, SC Assets, SGPS, SA and Spred, SGPS, SA.

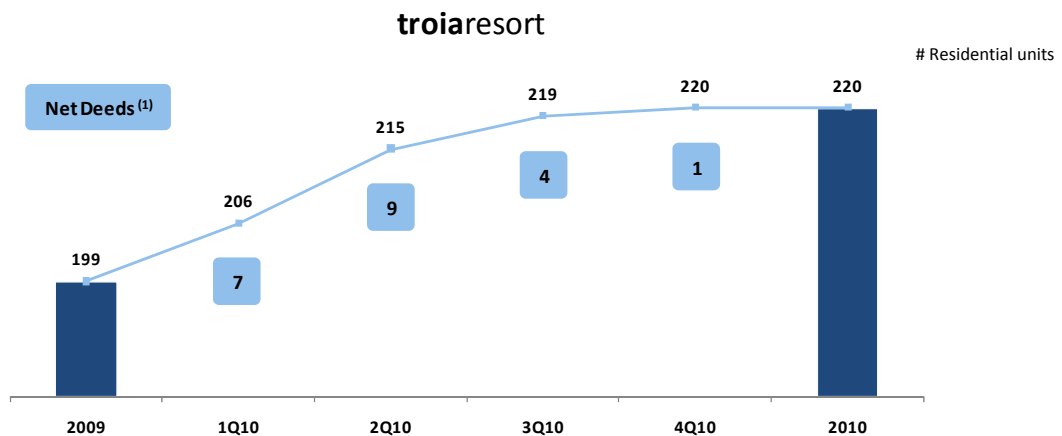
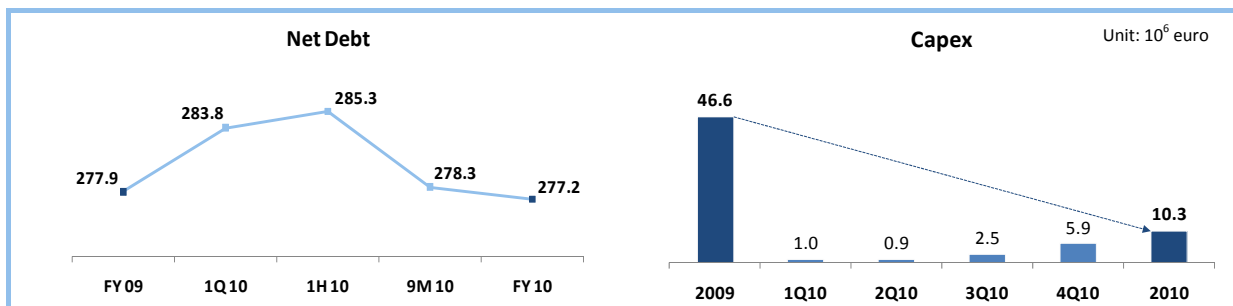
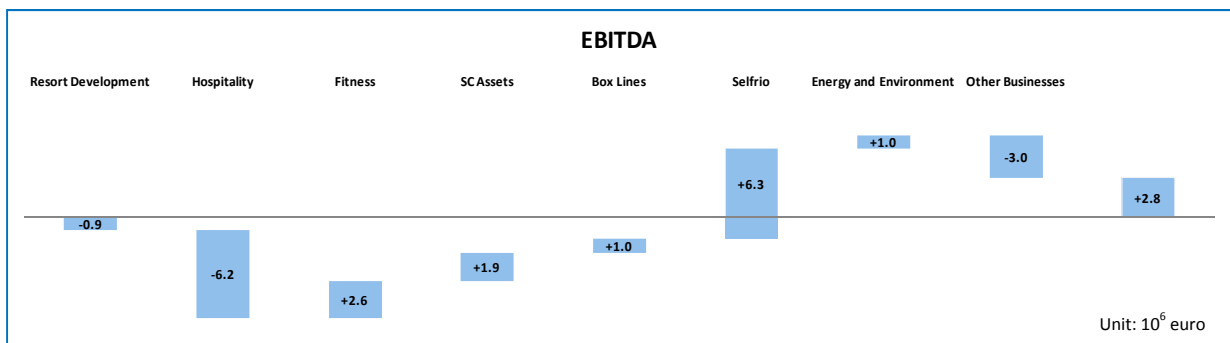
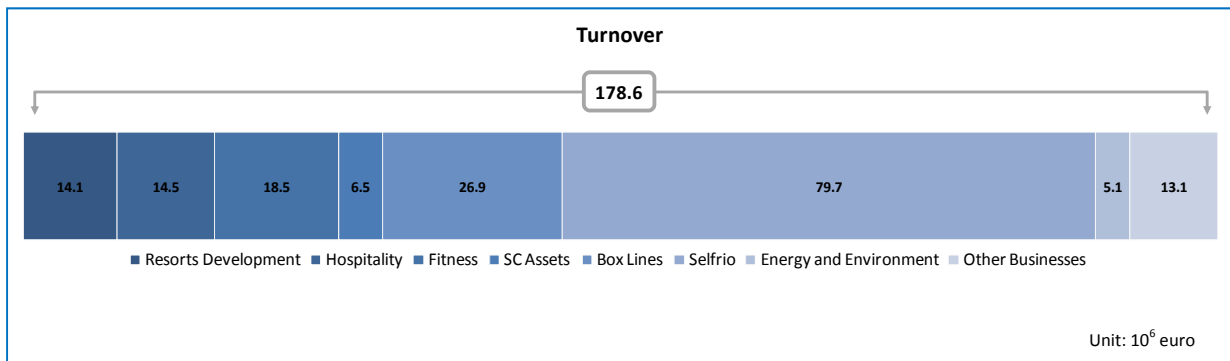
## 1. Sonae Capital's fact sheet

- Incorporated on 14 December 2007, through a spin-off, from Sonae, SGPS, SA.
- Share capital represented by 250,000,000 shares, listed on Euronext Lisbon since 28 January 2008.
- Business portfolio was restructured in 2010, continuing to implement the Group strategy, aimed at maximising value creation at Group level, by focusing on core businesses. Major actions in 2010 included:
  - Creation of SC Assets, grouping together the Ownership and Management of Real Estate Assets;
  - Sale of the whole of the shareholding in Box Lines in the last quarter of the year.
- Around 1,500 people employed...
- ... divided into the following business areas:





## 2. The year in figures



(1) Deeds net of exchanged residential units

### 3. Executive Summary

	FY10	4Q10
▪ Turnover	178.6 M.€ (272.2 M.€)	40.4 M.€ (52.3 M.€)
▪ EBITDA	2.8 M.€ (51.5 M.€)	-0.8 M.€ (1.1 M.€)
▪ Net Income	-3.6 M.€ (24.4 M.€)	-3.6 M.€ (-5.8 M.€)

Turnover for the year amounted to 178.6 million euro, the main contributors being Selfrio (79.7 million euro), Box Lines (26.9 million euro nine months contribution), Fitness (18.5 million euro), Hotels (14.5 million euro) and Resort Development (14.1 million euro).

Operational cash-flow (EBITDA) was positive 2.8 million euro in 2010, with positive operational margins at most Spred businesses, namely Selfrio Group (6.3 million euro), Box Lines (1.0 million euro nine months contribution) and Energy and Environment (1.0 million euro), and at SC Assets (1.9 million euro). Atlantic Ferries contribution was negative 0.3 million euro. In Tourism, Fitness contributed with positive 2.6 million euro to consolidated operational cash-flow (EBITDA), while contributions from remaining businesses remained negative at -6.2 million euro in Hospitality, -1.0 million euro in Resort Management and -0.9 million euro in Resort Development.

The Net loss for the twelve months, amounting to 3.6 million euro, includes 6.9 million euro gains from investment income, of which 6.6 million euro came from the sale of Box Lines and 1.0 million euro from the sale of Sonae Turismo's catering business unit. Profits from associated undertakings contributed with positive 5.6 million euro, mostly from the Imosede Fund, TP and Norscut.

Following the slowdown in economic activity in 2010, and the short term macroeconomic outlook, cash management and cost control have become more critical than ever within the Group and are being addressed to ensure its resilience in the future. Capex has been restricted. Cost reduction measures, begun in previous years, will continue at the operational and corporate levels, so as to offset part of the increase in the cost of debt which is undoubtedly linked to tighter credit and higher financial transaction costs. In addition to operational cost savings the Group remains focused on the sale of non-core assets, which may deliver significant cash inflows.

#### 4. Macroeconomic environment

In the first half of 2010, the **World Economy** entered a clear recovery mood, following the trend of growth already shown in the second half of last year. During this period, world GDP grew 5.2%, driven by the performance of emerging economies, in particular BRIC countries. Most recent public statements by leading international institutions forecast, for the second half of 2010, a slightly greater slowdown than expected in the pace of recovery in the world economy.

In its most recent forecast (*World Economic Outlook* issued in October 2010), the IMF forecasts growth in GDP of 4.8% in 2010 and 4.2% in 2011. The world economic recovery disclosed by international institutions is still incipient and characterised by uncertainty and market volatility, with clear imbalances between the *momenta* currently experienced by the major developed economies and emerging economies. In the former, private consumption and investment are still depressed in the aftermath of the financial crisis, with high and persistent unemployment rates and expected GDP growth of 2.7% in 2010. In the latter, expected GDP growth is 7.1%, driven by growth in internal demand and investment, rather than the more common growth in exports.

The behaviour of financial markets across the world, albeit with different performances, has obviously impacted macroeconomic environment. In North America, uncertainty and economic slowdown have translated into investments being transferred into financial assets with lower underlying risk, in particular German Bunds and Gold. In Europe, peripheral countries have been faced with financing costs close to historical maximums, as a result of investor uncertainty over the success of fiscal and budgetary policies put in place to control excessive government deficits. On the other hand, emerging markets stock indices performed very positively, delivering signs that may anticipate a scenario of economic overheating, in particular in Brazil and China.

The scenario of economic recovery expected for 2010 is extensive to the **Euro Area**, which should grow at a 1.7% rate in 2010, according to the latest projections published by the European Commission (November 2010 *European Economic Forecast*). Internal demand will be the main driver of economic growth, with expected growth of both private and public consumption, together with a slight increase in net exports and a decrease in investment. The trend of GDP in the Euro Area is based on different underlying economic assumptions for each member state, with Germany leading growth while peripheral economies will impact negatively the overall performance of the Euro Area.

In 2010, economic performance in the Euro Area was strongly influenced, and will surely continue to be in the short term, by a strong dependence on the banking sector, since financing constraints will remain, with a consequent impact on consumption and investment, mainly in peripheral economies. Although interest rates are at historic minimum levels, financing costs remain high due to increases in spreads, a result of economic and financial instability and consumer lack of confidence. Inflation should remain at low levels (estimated growth rates of 1.5% in 2010 and of 1.8% in 2011), against a background of falling demand and persistent high unemployment levels (forecast to be 10.1% in 2010 and 10.0% in 2011).

During 2010, raw materials' prices kept the increasing trend already noticeable throughout 2009, a trend supported mostly by growth in demand from emerging economies. In 2010, the average price of crude oil reached 79.6 dollars a barrel, compared to 62.09 dollars in 2009. Most recent forecasts for 2011, point to an average price of 87 dollars per barrel, which, if confirmed, will be

the second highest annual average ever (the historical maximum was 97.7 dollars per barrel in 2008). This trend reflects the expected recovery of world economic activity and the resulting increase in demand for raw materials.

In 2010, the slowdown in growth of the **Portuguese Economy** was reversed. This long negative period lasted since 2008 (GDP growth rates: 0.0% in 2008 and -2.6% in 2009), because exports were severely impacted, due to the effect of the financial crisis on Portugal's major commercial partners, while investment was restricted because of lower internal demand and the need for companies to deleverage their balance sheets.

Most recent forecasts (*European Economic Forecast* of the European Commission, November 2010, and The *Winter Bulletin* of the Bank of Portugal, published in January 2011), show a 1.3% growth in GDP (-2.6% in 2009), driven by growth in private consumption (between 1.6% and 1.8%) and by an increase in exports compared to the previous year (between 9.0% and 9.1%). Inflation should increase to 1.4% in 2010 (-0.8% in 2009) and unemployment should exceed the 10.1% historical maximum recorded in the 4<sup>th</sup> quarter of 2009. The last quarter of the year should show a significant slowdown, compared to the first nine months of the year, that will persist throughout 2011, as a result of a continued and significant decrease in internal demand, in all of its components, which will be partially offset by continued growth in exports. Latest projections already include the impact of budgetary deficit reduction measures presented by the Government on 29 September 2010, which the European Commission estimates will reduce the government deficit to 7.3% of GDP in 2010 (9.3% in 2009).

Forecasts issued during 2010 for the Portuguese Economy have been successively revised downwards, pointing to a contraction of the economic activity in 2011 (forecast of -1.3% by the European Commission and of -1.0% by the Bank of Portugal), assuming a scenario of decrease in internal demand and increase in exports. Continued restrictions on access to credit, the impact of budgetary policy measures and the persistence of high unemployment rates, will have a significant impact on economic performance during the year, leading inevitably to decreases in consumption and investment (both governmental and private).

## 5. Main events

During 2010, the following material events were announced to the market:

### Asset disposals

#### **14 April 2010**

Sonae Capital, SGPS, SA informed about the sale of 100% of the share capital of Société des Essences Fines Isoroy, as well as loans to Essences Fines, for 2 euro, to Essences Fines Holding, SAS, a French company owned by third parties. The positive impact of this transaction on the 2010 consolidated results amounted to 1.5 million euro.

#### **5 August 2010**

Sonae Capital, SGPS, SA informed about the agreement signed with Via Marítima – SGPS, Lda, a company owned by the Sousa Investimentos Group, regarding the terms of the sale of the whole of the share capital of Box Lines – Navegação, SA. This transaction results in a cash inflow of around 10.5 million euro, with a positive impact of 6.6 million euro on the 2010 consolidated results of Sonae Capital.

#### **17 September 2010**

Sonae Capital, SGPS, SA informed about the decision of non opposition by the Competition Authority to the sale of its entire shareholding in Box Lines, on 16 September 2010, with the contractual terms for the sale becoming effective as from that date.

### Investments

#### **25 October 2010**

Sonae Capital, SGPS, SA informed about the development, by its subsidiary Integrum Colombo - Energia, of a reconversion project turning the fuel oil cogeneration facility located in Colombo Shopping Centre, Lisbon, into a gas cogeneration facility, with an estimated investment of around 6 million euro and an installed electric power capacity of 6.6 MW. Once the investment period is over, Integrum Colombo will be responsible for the management of the cogeneration facility for a period of 15 years (with expected start in January 2012).

Other announcements worthy of mention include:

### Qualified shareholdings

#### **17 November 2010**

Sonae Capital, SGPS, SA informed that Sonae - SGPS, SA acquired 16,600,000 shares representing 6.64% of the share capital and corresponding voting rights of Sonae Capital, SGPS, SA.

#### **22 November 2010**

Sonae Capital, SGPS, SA informed that Banco BPI, SA sold 16,600,000 shares representing 6.64% of the share capital and corresponding voting rights of Sonae Capital, SGPS, SA, reducing its qualified shareholding in Sonae Capital, SGPS, SA, to 2.301% of the respective voting rights.

## 6. Consolidated Financial Statements Review

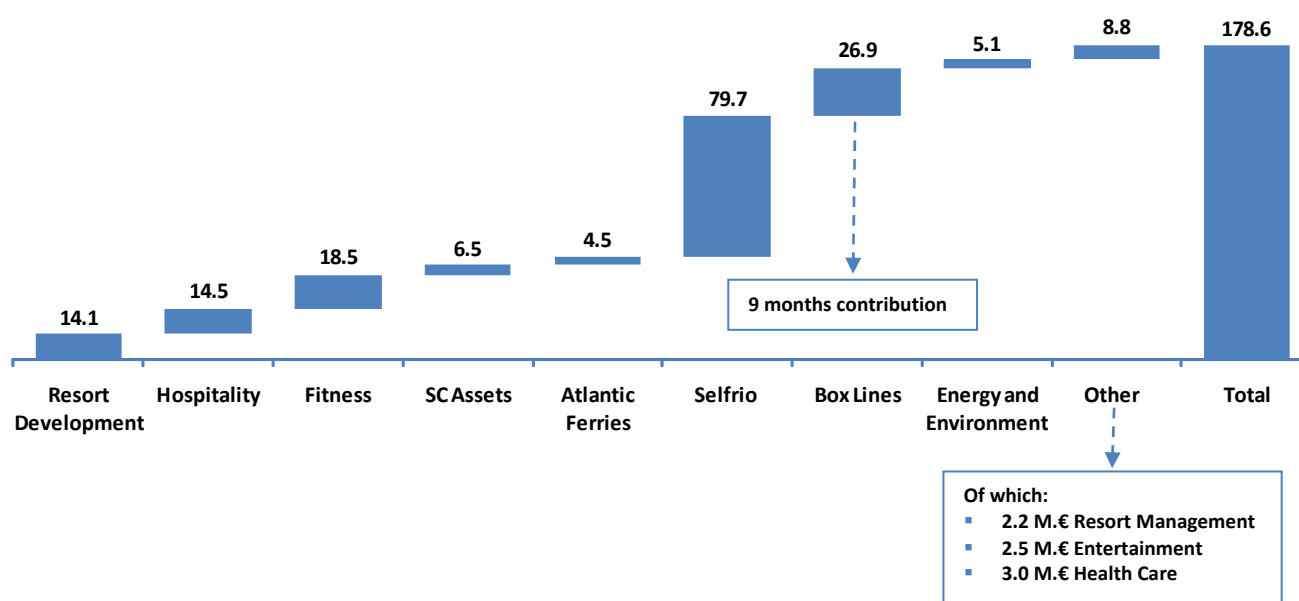
### 6.1. Consolidated Profit and Loss Statement

#### 6.1.1. Consolidated Year to Date Profit and Loss Statement

Values in 10<sup>3</sup> euro

	FY 10 Total Operations	FY 10 Discontinued Operations	FY 10 Continued Operations	FY 09 Total Operations	FY 09 Discontinued Operations	FY 09 Continued Operations
Turnover	178,582.2	26,713.8	151,868.4	272,237.1	38,850.3	233,386.8
Other Operational Income	10,540.1	94.9	10,445.3	21,685.5	269.6	21,415.8
<b>Total Operational Income</b>	<b>189,122.3</b>	<b>26,808.6</b>	<b>162,313.7</b>	<b>293,922.5</b>	<b>39,119.9</b>	<b>254,802.6</b>
Cost of Goods Sold	-40,039.0	0.7	-40,039.7	-49,364.3	13.4	-49,377.7
Change in Stocks of Finished Goods	-10,486.9	0.0	-10,486.9	-9,718.3	0.0	-9,718.3
External Supplies and Services	-82,289.4	-24,513.4	-57,776.0	-129,459.5	-35,917.0	-93,542.4
Staff Costs	-43,525.4	-1,131.4	-42,394.0	-47,952.7	-2,178.1	-45,774.6
Other Operational Expenses	-6,254.9	-141.7	-6,113.2	-4,628.2	-347.7	-4,280.5
<b>Total Operational Expenses</b>	<b>-182,595.7</b>	<b>-25,785.9</b>	<b>-156,809.8</b>	<b>-241,123.0</b>	<b>-38,429.4</b>	<b>-202,693.5</b>
<b>Operational Cash-Flow (EBITDA)</b>	<b>2,812.7</b>	<b>1,022.8</b>	<b>1,790.0</b>	<b>51,533.3</b>	<b>690.5</b>	<b>50,842.8</b>
Amortisation and Depreciation	-15,045.5	-160.5	-14,885.0	-13,268.6	-215.4	-13,053.1
Provisions and Impairment Losses	-5,257.2	-12.2	-5,245.0	-6,898.9	-52.7	-6,846.1
<b>Operational Profit/(Loss) (EBIT)</b>	<b>-13,776.0</b>	<b>850.1</b>	<b>-14,626.1</b>	<b>32,632.1</b>	<b>422.4</b>	<b>32,209.8</b>
Net Financial Expenses	-8,549.0	-9.1	-8,539.9	-9,117.1	-1,692.8	-7,424.4
Share of Results of Associated Undertakings	5,620.4	0.0	5,620.4	2,608.5	0.0	2,608.5
Investment Income	6,936.3	6,640.0	296.3	10,033.1	0.0	10,033.1
<b>Profit before Taxation</b>	<b>-9,768.3</b>	<b>7,481.0</b>	<b>-17,249.4</b>	<b>36,156.6</b>	<b>-1,270.4</b>	<b>37,427.1</b>
Taxation	6,148.1	-54.5	6,202.6	-11,735.0	218.4	-11,953.4
<b>Net Profit/(Loss)</b>	<b>-3,620.2</b>	<b>7,426.6</b>	<b>-11,046.7</b>	<b>24,421.6</b>	<b>-1,052.1</b>	<b>25,473.7</b>
Attributable to Equity Holders of Sonae Capital	-4,420.4	7,426.6	-11,847.0	23,074.3	-1,052.1	24,126.3
Attributable to Non-Controlling Interests	800.3	0.0	800.3	1,347.4	0.0	1,347.4

Consolidated turnover for the year was 178.6 million euro (272.2 million euro), with contributions from each business as follows:





Selfrio was by far the year's largest contributor to consolidated turnover, delivering 79.7 million euro, which represented a 6.9 million euro decrease over last year's figure, mostly due to 14% lower turnover in the Refrigeration business, which amounted to 37.5 million euro, reflecting the general economic slowdown and its impact on investment spending, both in its retail and industrial customers. The HVAC business has also experienced a drop in turnover, although to a less extent (circa 3%), to 35.9 million euro, while the contribution of the Maintenance business grew marginally, remaining almost flat at 6.3 million euro.

Fitness increased its turnover by 3%, to 18.5 million euro, through both an increase in the number of active members and growing demand for value added services (namely, Personal Trainers and Day Spa).

In 2010, the catering activity was discontinued at both the Porto Palácio Hotel and Tróia hotel units, as a result of the sale of that business unit. In 2009, this business had turnover of 2.8 million euro at Porto Palácio Hotel and 0.4 million euro at Tróia. Excluding this impact, turnover increased in all hotel units during 2010:

- Porto Palácio Hotel with a 7.8 million euro turnover, a 5% like for like increase, as a result of improved occupancy rates (+3%) and steady average daily revenues, at around 92.0 euro;
- Aqualuz Lagos turnover amounted to 1.7 million euro, up from 1.5 million euro, driven by a 6% increase in the occupancy rate. Average daily revenue was 75.6 euro, down 8% on last year's figure;
- Turnover at Tróia hotels was 5.0 million euro, a 4% like for like increase, which reflects the success of actions undertaken to attract more visitors to the Peninsula during the holiday season. The trend in occupancy rates and average daily revenues was positive, growing 2% and 3%, respectively. Average daily revenue increased 3% to 99.6 euro.

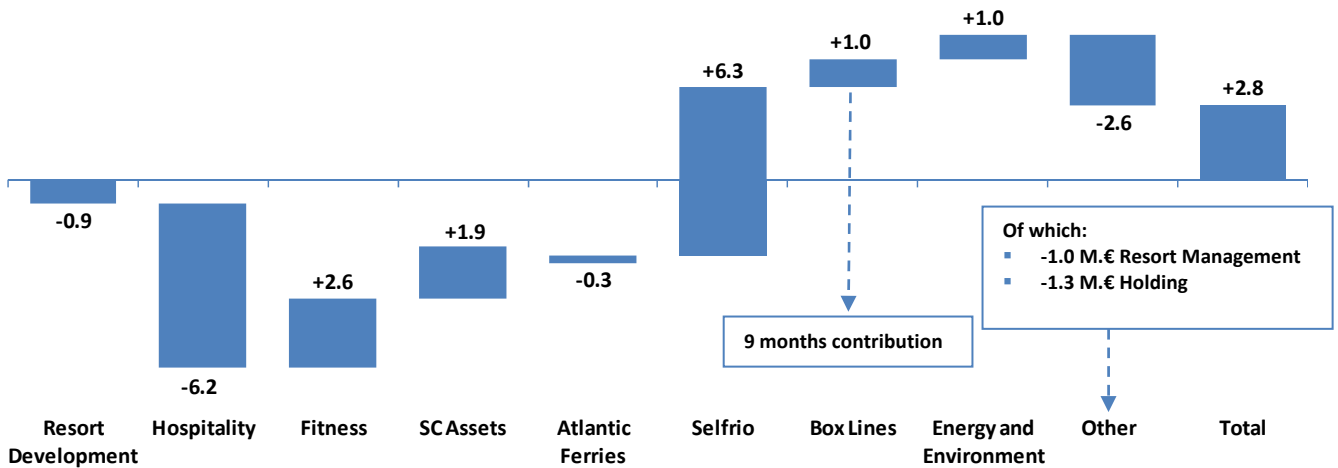
Resort development's 2010 turnover, amounting to 14.1 million euro, includes 25 sales deeds signed in the year for residential units at **troiaresort**, of which 4 refer to Beach apartments that were exchanged during 2010 for **troiaresort** Village units.

Excluding the impact of the Imosede Fund (accounted for using the equity method since June 2009), SC Assets contribution to consolidated turnover increased 2.0 million euro, to 6.5 million euro. Sales of real estate assets amounted to 2.8 million euro, with the remainder 3.7 million euro being income from rents and other services rendered. Sales of City Flats increased year on year (6 deeds signed in 2010 versus 3 in 2009), and one of the apartments was exchanged for an apartment in another SC Assets residential condominium.

Energy and Environment turnover grew 4.6 million euro, to 5.1 million euro, mainly driven by the cogeneration unit acquired in September 2009.

The 7% decrease in Atlantic Ferries turnover, to 4.5 million euro, was a result of lower vehicle traffic volume in 2010 (15% decrease). Passenger traffic grew 10% during the year, and was consistently above last year's figures from June onwards.

Consolidated operational cash-flow for the year was positive 2.8 million euro with contributions from each business as follows:



Spred's core businesses, Selfrio and Energy and Environment, delivered positive contributions to operational cash-flow (EBITDA), although evidencing different trends compared to last year's figures:

- Selfrio's operational cash-flow (EBITDA) decreased 1.5 million euro, to 6.3 million euro, with the Refrigeration and HVAC businesses impacted by a decline in operational margins, adjusting to the less favourable economic and commercial conditions. Contributions from these businesses to operational cash-flow (EBITDA) in the period amounted to 2.1 million euro and 3.4 million euro, respectively. As for turnover, the Maintenance business increased operational cash-flow (EBITDA) by 0.3 million euro, to 0.4 million euro, reflecting cost efficiency measures implemented during the year;
- The Energy and Environment business had operational cash-flow (EBITDA) of 1.0 million euro (0.0 million euro), which represents a significant 18.8% margin for the year, mostly delivered by the cogeneration business.

In Tourism, Fitness posted a positive 2.6 million euro contribution to consolidated operational cash-flow (EBITDA), a slight 0.1 million euro decrease over the same period last year, reflecting internal reorganisation and maintenance costs.

Resort development generated a negative 0.9 million euro operational cash-flow (EBITDA), including the margin generated in the sale of 21 residential units in the year (net of residential units exchanged during the period) and general fixed costs regarding the maintenance and operation of the **troia** resort site (last year's 41.1 million euro contribution includes mainly the margin generated in the 147 sales deeds signed, which largely offset fixed costs).



Hospitality yearly contribution to consolidated operational cash-flow (EBITDA) was negative 6.2 million euro, a 0.6 million euro decrease over last year, despite improvements in operational performance across all hotel units. Non-recurrent costs resulting from internal reorganisation have negatively impacted contributions from each hotel, which were as follows:

- Porto Palácio Hotel: negative 1.9 million euro, down 0.2 million euro ;
- Aqualuz Lagos: negative 1.2 million euro, down 0.1 million euro;
- Aqualuz **troia**resort hotel units: negative 3.0 million euro, down 0.3 million euro

Excluding the impact of the Imosede Fund (accounted for using the equity method since June 2009), SC Assets contribution to consolidated operational cash-flow (EBITDA) decreased 1.2 million euro, to 1.9 million euro for the year.

Atlantic Ferries operational cash-flow (EBITDA) was negative 0.3 million euro, down 0.1 million euro as a result of lower vehicle traffic in 2010.

Operational loss (EBIT) was 13.8 million euro, down 46.4 million euro, due mainly to the weaker operational performance during the year. In addition:

- Amortisation and depreciation increased 1.8 million euro, to 15.0 million euro, as a result of higher depreciation charges at Atlantic Ferries (the two catamarans started operations at the end of July 2009), Energy and Environment (cogeneration unit acquired in September 2009) and Troia Hotels (which started operations in January and March 2009);
- Provisions and impairment losses decreased 1.6 million euro, including costs relating to the overall upgrade of **troia**resort infrastructure built during the development phase of the project and apportioned to real estate projects for sale in the Central and Beach areas (UNOP's 1 and 2), which will be expensed as the revenue from sales of those residential units is recorded. Thus, the amount of provisions and impairment losses recorded in 2010 includes 1.2 million euro relating to assets for which impairment losses had already been recorded in previous quarters (expensed following the sale of 21 residential units in the year 2010) and 1.0 million euro relating to assets for which impairment losses were recorded for the first time (expensed following the sale of 220 residential units up to the end of 2010). Around 0.7 million euro were booked in the period as provisions and impairment losses for other real estate assets.

Net financial expenses amounted to 8.5 million euro, down 0.6 million euro as a result of the lower average cost of debt in 2010, following the fall in market interest rates.

Results from associated undertakings grew 3.0 million euro, to 5.6 million euro, the increase being explained by Imosede Fund, TP and Norscut.

Investment income for the year, totalling 6.9 million euro, was positively impacted by the 6.6 million euro gain on the sale of Box Lines and 1.0 million euro gain on the sale of Sonae Turismo's catering business. Last year's income of 10 million euro included an 8.7 million euro gain on the sale of the whole of the shareholding in Sonae Indústria.

As a result of the above, the net loss for the year was 3.6 million euro, compared to a net profit of 24.4 million euro in 2009, including the impact of lower current tax and higher deferred tax, the latter resulting from impairment losses and tax losses carried forward.

### 6.1.2. Consolidated Quarterly Profit and Loss Statement

Values in 10<sup>3</sup> euro

	4Q 10 Total Operations	4Q 10 Discontinued Operations	4Q 10 Continued Operations	4Q 09 Total Operations	4Q 09 Discontinued Operations	4Q 09 Continued Operations
Turnover	40,439.3	0.0	40,439.3	52,318.9	9,929.7	42,389.2
Other Operational Income	3,059.9	0.9	3,058.9	5,113.5	51.3	5,062.2
<b>Total Operational Income</b>	<b>43,499.2</b>	<b>0.9</b>	<b>43,498.2</b>	<b>57,432.5</b>	<b>9,981.0</b>	<b>47,451.4</b>
Cost of Goods Sold	-12,215.5	-0.9	-12,214.6	-11,941.2	2.9	-11,944.1
Change in Stocks of Finished Goods	-2,396.4	0.0	-2,396.4	-145.3	0.0	-145.3
External Supplies and Services	-16,152.0	0.0	-16,152.0	-28,638.6	-9,066.6	-19,572.0
Staff Costs	-10,953.1	0.0	-10,953.1	-12,076.2	-400.0	-11,676.2
Other Operational Expenses	-1,762.4	0.0	-1,762.4	-1,872.1	-198.3	-1,673.8
<b>Total Operational Expenses</b>	<b>-43,479.5</b>	<b>-0.9</b>	<b>-43,478.6</b>	<b>-54,673.4</b>	<b>-9,662.0</b>	<b>-45,011.4</b>
<b>Operational Cash-Flow (EBITDA)</b>	<b>-759.4</b>	<b>0.0</b>	<b>-759.4</b>	<b>-1,922.7</b>	<b>319.0</b>	<b>-2,241.7</b>
Amortisation and Depreciation	-4,781.9	0.0	-4,781.9	-4,213.9	-57.2	-4,156.6
Provisions and Impairment Losses	-1,709.4	0.0	-1,709.4	-3,079.7	-8.6	-3,071.1
<b>Operational Profit/(Loss) (EBIT)</b>	<b>-6,471.7</b>	<b>0.0</b>	<b>-6,471.7</b>	<b>-4,534.4</b>	<b>253.2</b>	<b>-4,787.7</b>
Net Financial Expenses	-2,661.7	0.0	-2,661.7	-648.3	-369.7	-278.7
Share of Results of Associated Undertakings	3,237.9	0.0	3,237.9	894.8	0.0	894.8
Investment Income	1,193.4	0.0	1,193.4	-148.2	0.0	-148.2
<b>Profit before Taxation</b>	<b>-4,702.1</b>	<b>0.0</b>	<b>-4,702.1</b>	<b>-4,436.2</b>	<b>-116.5</b>	<b>-4,319.8</b>
Taxation	1,092.5	0.0	1,092.5	-1,352.6	63.8	-1,416.4
<b>Net Profit/(Loss)</b>	<b>-3,609.6</b>	<b>0.0</b>	<b>-3,609.6</b>	<b>-5,788.8</b>	<b>-52.6</b>	<b>-5,736.2</b>
Attributable to Equity Holders of Sonae Capital	-4,019.7	0.0	-4,019.7	-5,962.4	-52.6	-5,909.7
Attributable to Non-Controlling Interests	410.1	0.0	410.1	173.5	0.0	173.5

In the fourth quarter of 2010, turnover from continued operations decreased 1.9 million euro, mostly due to the lower number of sales deeds signed for **troiaresort** residential units (4 in 2010 versus 6 in 2009, figures which include, in both years, 2 residential units which were exchanged for other residential units in the resort), which explain around 0.7 million euro of the decrease, and to the sale of Essences Fines in the first quarter of 2010, business which contributed 1.3 million euro to turnover in the fourth quarter of 2009.

Regarding quarterly operational cash-flow (EBITDA) from continued operations, major positive contributors were Selfrio (up 0.4 million euro to 2.7 million euro), Energy and Environment (up 0.1 million euro to 0.4 million euro) and SC Assets (in line with the fourth quarter of 2009 at 0.8 million euro). Selfrio's quarterly performance is explained mainly by investment projects which had been delayed during the year and were only completed in the fourth quarter. Consolidated operational cash-flow (EBITDA) amounted to negative 0.8 million euro, a 2.7 million euro decrease most of which was due to Resort Development (down 1.9 million euro), Hospitality (down 0.8 million euro) and Fitness (down 0.8 million euro). Most of the lower contribution from Hospitality in the quarter was explained by **troiaresort** hotel units, following the internal restructuring of teams carried out in the hotel business. Fitness contribution in the quarter reflects costs related to the delayed opening of the new unit (which was postponed to February 2011), as well as refurbishment works in some of the existing units.

Results from associated undertakings amounted to 3.2 million euro in the quarter (0.9 million euro), and increased due to Norscut (up 1.7 million euro from nil contribution in the same period last year) and TP (up 0.5 million euro to 0.9 million euro).

Investment income of 1.2 million euro (-0.1 million euro) is almost entirely explained by the gain of 1.0 million euro recorded in the period on the sale of Sonae Turismo's catering business.

## 6.2. Consolidated Balance Sheet

Values in 10<sup>3</sup> euro

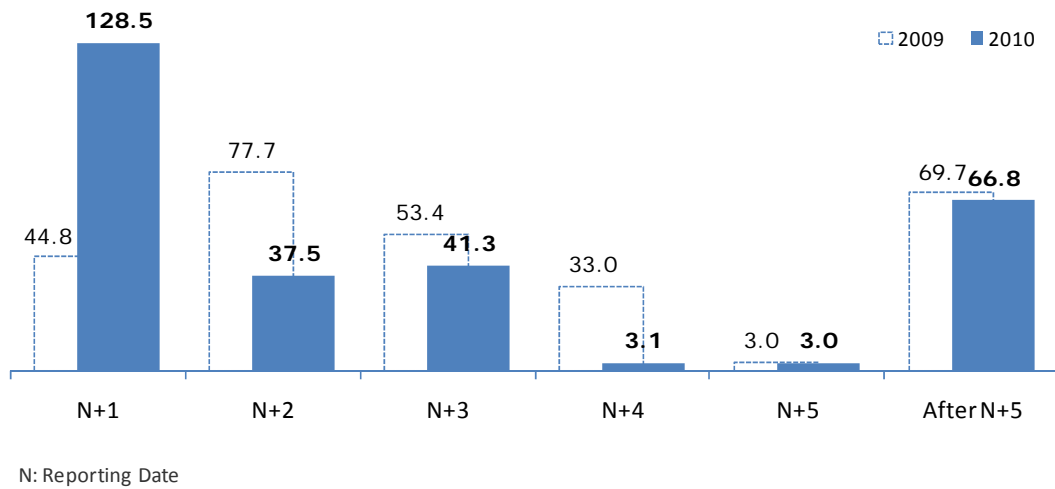
	31.12.2010	31.12.2009 Total Operations	31.12.2009 Continued Operations
Tangible and Intangible Assets	264,939.8	291,421.5	290,905.0
Goodwill	61,133.3	61,350.0	61,133.3
Non Current Investments	73,517.4	71,837.9	71,837.9
Other Non Current Assets	36,897.2	36,243.0	36,236.9
Stocks	229,782.6	227,548.6	227,548.6
Trade Debtors and Other Current Assets	61,697.0	78,560.6	78,518.1
Cash and Cash Equivalents	3,199.3	2,805.3	2,571.7
<b>Total Assets</b>	<b>731,166.7</b>	<b>769,766.7</b>	<b>768,751.5</b>
Total Equity attributable to Equity Holders of Sonae Capital	326,914.8	333,620.1	340,046.7
Total Equity attributable to Non Controlling Interests	12,454.8	11,319.2	11,319.2
<b>Total Equity</b>	<b>339,369.6</b>	<b>344,939.4</b>	<b>351,365.9</b>
Non Current Borrowings	151,893.4	235,922.5	235,922.5
Deferred Tax Liabilities	3,616.0	3,143.0	3,141.1
Other Non Current Liabilities	39,827.7	40,815.6	40,815.6
<b>Non Current Liabilities</b>	<b>195,337.1</b>	<b>279,881.1</b>	<b>279,879.3</b>
Current Borrowings	128,515.5	44,800.6	44,800.6
Trade Creditors and Other Current Liabilities	65,239.5	97,766.6	90,326.8
Provisions	2,704.9	2,379.0	2,379.0
<b>Current Liabilities</b>	<b>196,460.0</b>	<b>144,946.2</b>	<b>137,506.3</b>
<b>Total Liabilities</b>	<b>391,797.1</b>	<b>424,827.3</b>	<b>417,385.6</b>
<b>Total Equity and Liabilities</b>	<b>731,166.7</b>	<b>769,766.7</b>	<b>768,751.5</b>

Capex amounted to 10.3 million euro in the year, and has been restricted to investments defined as critical to businesses performance. **troiaresort** accounted for 5.2 million euro of consolidated capex and, also in Tourism, Fitness accounted for a further 1.1 million euro. Spred's contribution amounted to 2.8 million euro, of which 2.0 million euro was spent in the Energy and Environment business.

Investment, recorded as changes in work in progress for real estate projects under development, amounted to 2.0 million euro (1.6 in **troiaresort** and 0.4 in Efanor). The conclusion of the Ácala building and some minor works on **troiaresort** Village units were the most significant contributors to this caption in the year.

As at 31 December 2010, net debt was 277.2 million euro, 0.7 million euro down on the 31 December 2009 figure and 1.1 million euro down compared to 30 September 2010.

The repayment schedule of the nominal value of borrowings (in million euro), as at 31 December 2010 was as follows:



Gearing remained at 81.7% (80.6% as at 31 December 2009) and interest cover for the year was 0.4 (5.6 in 2009).

## 7. Business Data

### 7.1. Contributions Per Business Area

Values in 10<sup>3</sup> euro

Turnover	4Q 10	4Q 09	Δ	FY 10	FY 09	Δ
Tourism Operations	11,297.9	12,163.3	-7.1%	51,829.4	121,515.5	-57.3%
Resort Development	2,724.8	3,396.5	-19.8%	14,112.0	82,055.4	-82.8%
Resort Management (Golf, Marina and Market)	228.4	269.8	-15.3%	2,158.6	2,134.3	+1.1%
Hospitality	3,140.5	3,424.5	-8.3%	14,541.1	16,888.3	-13.9%
Fitness	4,591.1	4,483.7	+2.4%	18,526.3	18,011.3	+2.9%
Entertainment	613.2	588.8	+4.2%	2,491.4	2,426.2	+2.7%
Other	-1.4	0.3	-	0.2	8.0	-97.4%
<b>Turismo's contribution</b>	<b>11,296.5</b>	<b>12,163.6</b>	<b>-7.1%</b>	<b>51,829.6</b>	<b>121,523.5</b>	<b>-57.4%</b>
Residential Property Development	136.6	243.1	-43.8%	1,777.5	902.3	+97.0%
Efanor	0.0	40.0	-	106.7	145.4	-26.6%
City Flats	57.6	42.0	+37.2%	957.2	413.6	>100%
Other	79.0	161.1	-51.0%	713.6	343.3	>100%
Other Real Estate Assets	889.5	819.5	+8.5%	4,763.7	3,612.7	+31.9%
Other	0.0	0.0	-	0.0	2,736.5	-
<b>SC Assets's contribution</b>	<b>1,026.1</b>	<b>1,062.6</b>	<b>-3.4%</b>	<b>6,541.2</b>	<b>7,251.5</b>	<b>-9.8%</b>
Atlantic Ferries	605.3	654.8	-7.6%	4,466.5	4,781.3	-6.6%
Box Lines	0.0	10,021.1	N.C.	26,864.6	39,159.5	N.C.
Selfrio	25,435.6	25,263.1	+0.7%	79,739.5	86,674.6	-8.0%
Energy and Environment	1,354.8	252.4	>100%	5,127.9	545.6	>100%
Other	697.3	2,823.7	N.C.	3,894.2	12,057.8	N.C.
<b>Spred's contribution</b>	<b>28,092.9</b>	<b>39,015.0</b>	<b>-28.0%</b>	<b>120,092.6</b>	<b>143,218.7</b>	<b>-16.1%</b>

N.C.- Not Comparable

Values in 10<sup>3</sup> euro

Operational Cash-Flow (EBITDA)	4Q 10	4Q 09	Δ	FY 10	FY 09	Δ
Tourism Operations	-3,385.7	318.2	-	-5,399.1	37,321.9	-
Resort Development	-540.7	1,363.8	-	-889.2	41,126.5	-
Resort Management (Golf, Marina and Market)	-420.6	-357.0	-17.8%	-993.3	-1,058.1	+6.1%
Hospitality	-2,382.7	-1,547.6	-54.0%	-6,203.8	-5,557.7	-11.6%
Fitness	18.7	820.2	-97.7%	2,621.1	2,763.9	-5.2%
Entertainment	-60.5	38.7	-	66.1	47.3	+39.8%
Other	-512.0	292.0	-	-606.3	265.2	-
<b>Turismo's contribution</b>	<b>-3,897.8</b>	<b>610.2</b>	<b>-</b>	<b>-6,005.4</b>	<b>37,587.1</b>	<b>-</b>
Residential Property Development	-466.0	-195.0	<-100%	-1,211.3	-1,047.1	-15.7%
Efanor	-177.2	64.1	-	-629.9	-116.0	<-100%
City Flats	12.0	-4.8	-	230.4	7.0	>100%
Other	-300.8	-254.3	-18.3%	-811.8	-938.0	+13.5%
Other Real Estate Assets	1,298.8	1,052.5	+23.4%	4,044.2	7,841.0	-48.4%
Other	-12.4	-9.4	-31.5%	-886.6	2,385.5	-
<b>SC Assets's contribution</b>	<b>820.4</b>	<b>848.1</b>	<b>-3.3%</b>	<b>1,946.2</b>	<b>9,179.4</b>	<b>-78.8%</b>
Atlantic Ferries	-657.4	-407.8	-61.2%	-306.9	-242.4	-26.6%
Box Lines	0.0	321.0	N.C.	1,022.8	696.9	N.C.
Selfrio	2,663.3	2,258.8	+17.9%	6,332.8	7,835.6	-19.2%
Energy and Environment	360.6	222.2	+62.2%	964.0	-1.5	-
Other	284.0	-760.2	N.C.	133.9	-1,502.3	N.C.
<b>Spred's contribution</b>	<b>2,650.5</b>	<b>1,634.0</b>	<b>+62.2%</b>	<b>8,146.6</b>	<b>6,786.4</b>	<b>+20.0%</b>

N.C.- Not Comparable

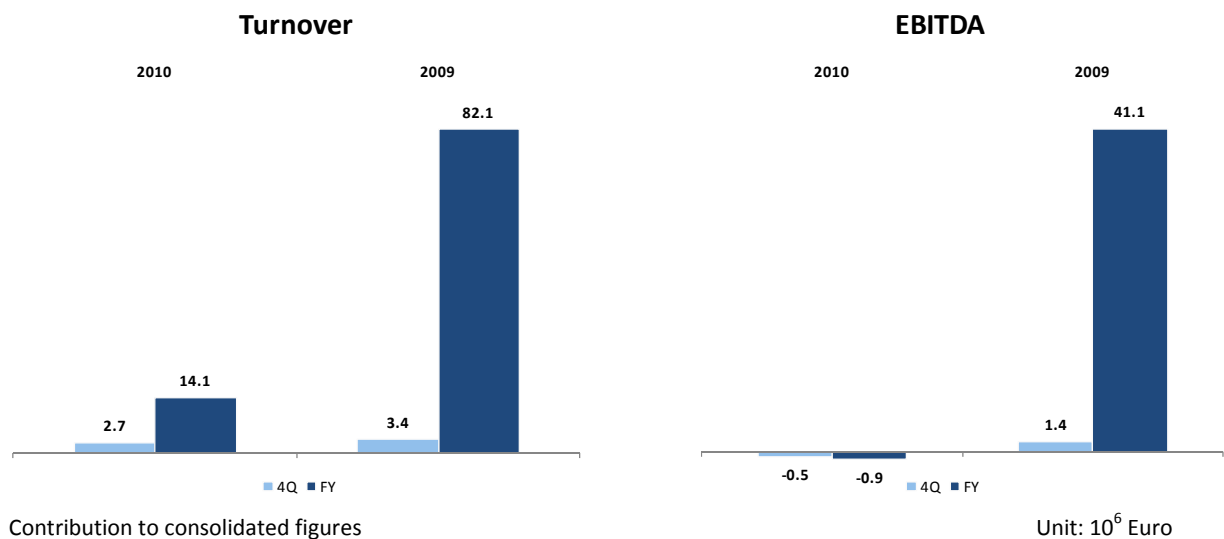
## 7.2. Selected Operational and Financial Data

### 7.2.1. Resort Development



**troiaresort** is Sonae Turismo's flagship project in the development and management of tourism resorts.

The site, located on the Troia Peninsula, 45 minutes from Lisbon international airport, was officially opened on 18 September 2008, offering major tourism facilities and residential units for sale, as part of the first investment stage. By the end of 2009, these facilities were fully operational and construction of residential units had been completed.



In 2010, troiaresort's new institutional and commercial websites ([www.troiaresort.net](http://www.troiaresort.net) and [www.estates.troiaresort.pt](http://www.estates.troiaresort.pt)) were launched, including the new institutional movie.



Up to 31 December 2010, total investment in **troiaresort** amounted to 263.9 million euro (including VAT), split as follows:

	Values in 10 <sup>6</sup> euro
	Amount already invested
Real Estate units currently for sale	129.4
Real Estate projects available for sale or co-development	6.7
Other projects (works in aparthotels, marina and car parks)	76.9
Infrastructures (general and specific infrastructures of the different UNOPs and cost of licenses related with Detailed Plans)	50.9
<b>Total</b>	<b>263.9</b>

Real estate projects available for sale or co-development at **troiaresort** include:

- The Lagoa apartments, within the Central area of the resort, comprising 275 apartments and a gross construction area of 47,000 m<sup>2</sup>, with plan and design already concluded;
- The Eco-Resort, within UNOP 4, comprising 125 small residential units built above ground level. The environmental impact has already been assessed positively and public discussion of the detailed plan for UNOP 4 has been concluded;
- The Hotel Resort, within UNOP 3, a 5 star hotel with 600 beds and 34,400 m<sup>2</sup> of gross construction area above ground.

Investment in the Lagoa apartments is currently on hold, since focus at present is on selling residential units on the peninsula that are already available and completed, before starting a new phase of investment. The Eco-Resort and the Hotel Resort are currently regarded as projects available for sale to or for joint development with third party investors.

The sales status of projects already concluded and available for sale, as at the date of this report is as follows:

**Sales data**

troiaresort sales information as at 1 March 2011

	Promissory Purchase Agreements			# Deeds			Total # Units (Sold + Pre Sold)	% of Total
	# <sup>1</sup>	Area <sup>2</sup>	Price <sup>3</sup>	#	Area <sup>2</sup>	Price <sup>3</sup>		
Beach Apartments [211 units]	1	119.9	4,337	136	125.6	4,078	137	65%
Marina Apartments [78 units]	0	0.0	0	46	82.1	3,955	46	59%
Beach, Lake and Golf Land Plots <sup>4</sup> [96 units]	1	343.8	2,164	31	343.8	3,227	32	33%
Aqualuz troiamar [35 units]	0	0.0	0	1	87.7	4,002	1	3%
Aqualuz troialagoa [40 units]	0	0.0	0	1	171.0	4,678	1	3%
troiaresort Village [90 units]	0	0.0	0	6	158.8	3,794	6	15%
Ácala Building [71 units]	1	116.9	2,823	0	0.0	0	1	3%

<sup>1</sup> Number of pre sold units (Promissory Purchase Agreement) net of units with deeds already signed.

<sup>2</sup> Average areas (m<sup>2</sup>), including indoor areas as well as balcony and terrace areas.

<sup>3</sup> Average sales price (€/m<sup>2</sup>).

<sup>4</sup> Average sales price of the plot of land, since the buyer is responsible for construction. All plots have an approved GCA of 343.8 m<sup>2</sup>.

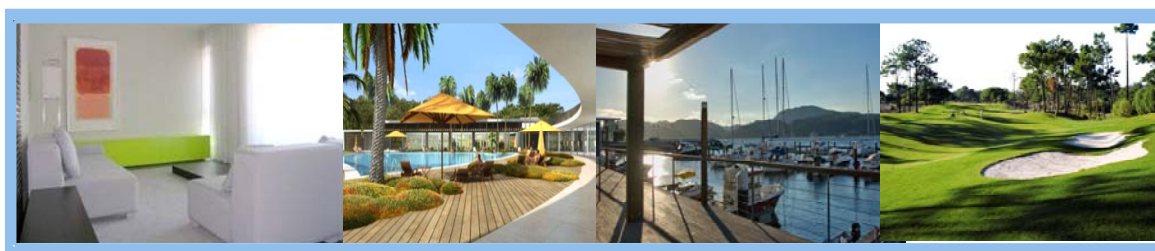
Since the last reporting date (16 November 2010), up to 1 March 2011, the number of net units sold increased by three. Four Beach Apartments already sold were exchanged for four troiaresort Village units, one sales deed was signed for a troiaresort Village unit and another one for a Marina apartment and one promissory purchase agreement for an unit in Ácala building was signed.

As at 1 March 2011, there were 2 outstanding reservations for one residential unit in Ácala building and one unit in troiaresort Village.

The outlook for 2011 remains cautious, in view of perspectives of slowdown in demand and continuing difficulties in access to bank credit.

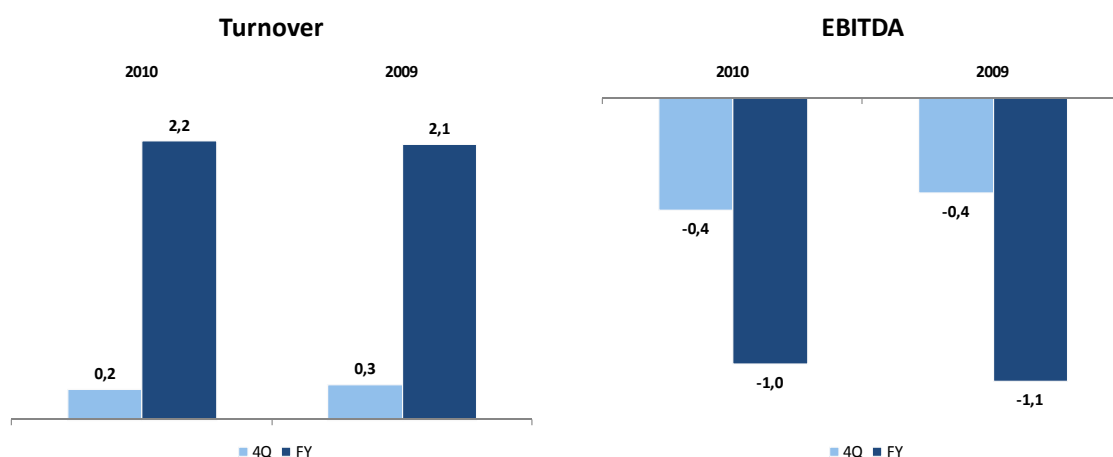


## 7.2.2. Resort Management



Resort management comprises a set of ancillary services in the Group's only resort platform in operation, **troiaresort**, among which:

- **troiamarina**, comprising a 2.7 hectares area, with 184 berths for leisure boats;
- **troiagolf**, an 18 hole golf course, designed by Robert Trent Jones Senior, which is placed 20<sup>th</sup> in the list of top European Golf courses (*Golf World, 2009*);
- **troiamarket**, a convenience supermarket located in the Central Area of the Resort;
- **troiashopping**, consists of several shops, restaurants and terraces in the heart of the resort.



Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

Both turnover and operational cash-flow (EBITDA) improved in 2010 compared to the previous year, mostly driven by **troiamarina** (with improved occupancy rates) and **troiamarket** (higher average purchase per visitor).

In 2011, marketing initiatives will be launched to increase **troiaresort's** visibility in foreign markets, namely in Germany, United Kingdom, Spain, Netherlands and Scandinavia. The decision on the location of the 2018 edition of the Ryder Cup may also improve awareness of Litoral Alentejo, where **troiaresort** is located.

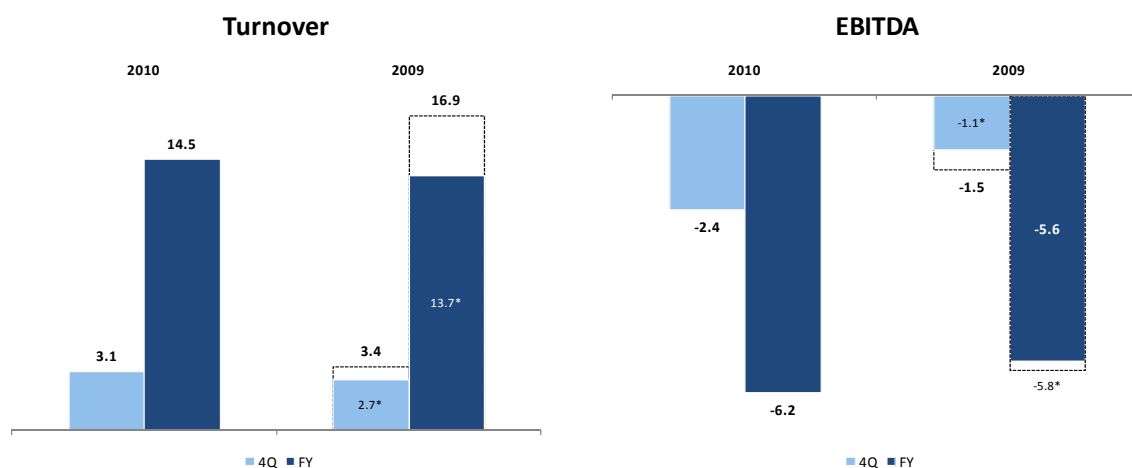
### 7.2.3. Hospitality



Sonae Turismo manages 5 hotel units, with an integrated offer of services (SPA, Congress Centre and food court), namely:

- Porto Palácio Hotel, a 5 star hotel with 251 room, located in Porto and focused on business and leisure tourism. Member of “The Leading Hotels of the World”;
- Aqualuz Lagos Suite Hotel Apartaments, a 4 star unit with 163 apartments, located in Lagos (Algarve);
- Aqualuz **troi**amar, **troi**ario and **troi**alagoa Suite Hotel Apartaments, three 4 star hotels, with a total of 301 apartments and suites, located in the Central area of the **troi**aresort.

After extensive refurbishment works over the past years, 2010 was the first full year of operation of Sonae Turismo’s five hotel units, translating into the following financial data:



Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

\*Contribution excluding the impact of the catering activity

Excluding the impact of the catering business, which was discontinued in 2010, the performance of each hotel unit can be summarised as follows:

- Porto Palácio Hotel increased its turnover by 6%, to 7.8 million euro and improved its operational cash-flow (EBITDA) by 0.9 million euro. RevPar increased 8% compared to last year to 36.8 euro, as a result of higher occupancy rates. Average daily revenue was 91.8 euro, down from 94.0 euro in 2009;

- Aqualuz Lagos increased turnover by 12%, to 1.7 million euro, while deteriorating its operational cash-flow (EBITDA) by 0.1 million euro. RevPar grew 12% to 24.4 euro, and average daily revenue went down 6.2 euro to 75.6 euro;
- Aqualuz **troiaresort** units grew their turnover by 5%, to 5.0 million euro, and experienced a 0.3 million euro decrease in operational cash-flow (EBITDA). RevPar increased 10% to 30.6 euro and average daily revenue increased around 3% to 99.6 euro.

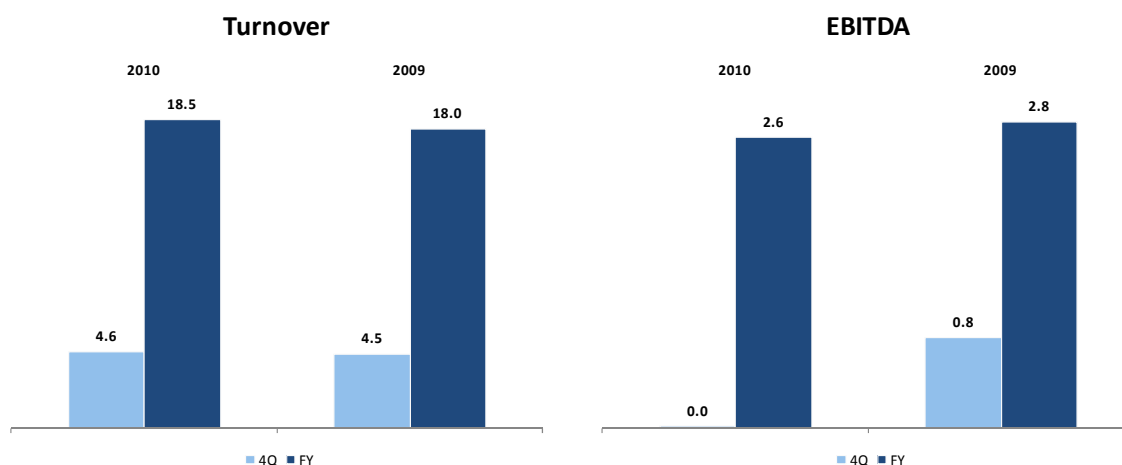
Marketing efforts will be made in 2011 to reduce seasonality by capturing events which may very well be organised in Tróia. The opening of the Casino should also contribute to increased visibility of the **troiaresort**.

#### 7.2.4. Fitness



In 2010, Solinca Health & Fitness continued its expansion plan, which has resulted in the opening of a new unit with around 2,300 m<sup>2</sup>, in Vila Nova de Gaia, in early 2011.

Turnover grew 3% in 2010 to 18.5 million euro, due to an increase in the average number of active members (28,518 in 2010 vs 28,146 in 2009) and in revenues from value added services (personal trainer, Day Spa, among others).



Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

The overall macroeconomic scenario for 2011 will impact negatively the performance of the fitness business, due to reductions in consumer spending and the increase in VAT, which is still under discussion as far as applicability to the use of fitness facilities.

### 7.2.5. SC Assets

#### ▪ Residential Development



The first stage of construction of the Efanor Residential Condominium, involving the structure and exterior walls of the first building, *Delfim Pereira da Costa*, was completed in 2009. This building has 40 apartments with a gross construction area of around 12,600 m<sup>2</sup>.

The showcase apartment was inaugurated on 26 November 2009, thus enabling the company to promote the differentiating features of the project to specialist media and potential buyers.

Due to the current adverse macroeconomic environment, which has resulted in investment decisions by potential buyers to be postponed, increased difficulties of access to bank credit and excess supply in this segment in the Greater Porto area, the company is currently assessing alternatives to proceed to the second stage of construction work (finishing), since the number of pre-reservations set to fulfil the investment needs was not achieved during 2010.



City Flats is a residential complex (212 apartments) located in Quinta das Sedas, Matosinhos which was completed in the 4<sup>th</sup> Quarter 2007, comprising:

- City Flats - 1 floor apartments, with a small traffic area and kitchen space included in a single room.
- City Lofts - 2 floor apartments with high walls and the bedroom in the mezzanine over the main room.

This project is currently under commercialization.



As at the date of this report, the sales status is the following:

**Sales data** Residential Development sales information as at 1 March 2011

	Apartments Sold <sup>1</sup>	Average Area (m <sup>2</sup> ) <sup>2</sup>	Average sales price (€/m <sup>2</sup> )	Rentals <sup>3</sup>
City Flats / Lofts [212 units]	101	51.0	2,000	34
Efanor - <i>Delfim Pereira da Costa Building</i> [40 units]	0	0	0	n.a.

<sup>1</sup> 99 sales deeds already signed.

<sup>2</sup> Includes indoor area as well as balcony and terrace areas.

<sup>3</sup> 9 of these rental contracts have an embedded purchase option.

n.a. - not applicable.

Since the last reporting date (16 November 2010), up to 1 March 2011, the number of units sold remained unchanged, and rented apartments grew by five.

▪ **Real Estate Asset Management**



The real estate asset management area is responsible for property ownership and management, procurement services, sales, building technical management and condominium management of real estate assets owned by Sonae Capital.

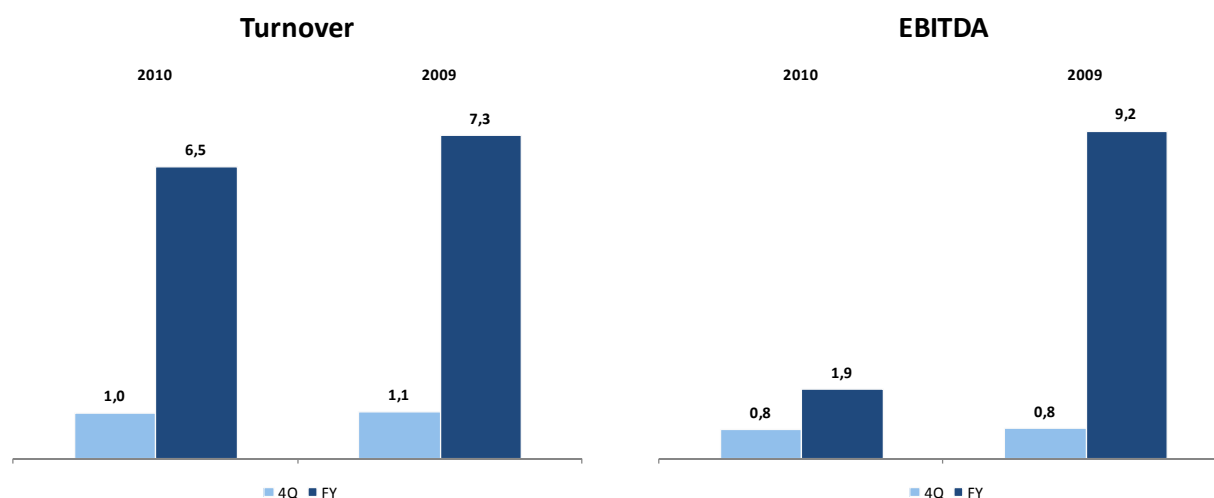
As at 31 December 2010, Real Estate Asset Management portfolio included a set of assets, which can be grouped into the following categories:

Assets in Operation	Sonae Business Park	Projects under development and for sale	Land with no construction viability	Other Rented and For Sale Assets
<p>▪ <b>Boavista Complex:</b> Hotel Porto Palácio and Congress Centre with GCA of 23,266 m<sup>2</sup> and 2 Buildings for trade and services, <i>Health Club</i>, SPA, Restaurants and Car park with GCA of 23,157 m<sup>2</sup>;</p> <p>▪ <b>Lagos Complex:</b> Aqualuz Lagos Suite Hotel Apartments, <i>Health Club</i> and adjacent land with GCA of 30,567 m<sup>2</sup>;</p> <p>▪ <b>troiaresort Aqualuz Aparthotels:</b> Tróia Mar, Tróia Rio, and Tróia Lagoa and common support structure with reception, bar, lounge, indoor pool and SPA with GCA of 33,739m<sup>2</sup>;</p> <p>▪ <b>Troia Shopping:</b> 33 shops at Marina and Ácala buildings with GCA of 4,114 m<sup>2</sup>.</p>	<p>▪ The Sonae Business Centre (Imosede Real Estate Fund) comprises offices and services areas, industry and retail logistics. In total, the complex is located in a 326 thousand m<sup>2</sup> plot of land, with GCA of 193 thousand m<sup>2</sup>, of which 126 thousand m<sup>2</sup> are already built.</p>	<p><b>Projects in the design and licensing stage:</b></p> <ul style="list-style-type: none"> <li>▪ Residential project D. João V, in Lisbon (GCA of 34,300 m<sup>2</sup>);</li> <li>▪ Project for infrastructured land plot of the former Fábrica do Cobre, in Porto (GCA of 44,613 m<sup>2</sup>);</li> <li>▪ Quarteirão Duque de Loulé, in Lisbon (GCA of 9,398 m<sup>2</sup>);</li> <li>▪ Project for Residential and Retail premises, in Lagos (GCA of 3,815 m<sup>2</sup>).</li> </ul> <p><b>Projects for sale:</b></p> <ul style="list-style-type: none"> <li>▪ Infrastructured land plots for residential purposes in Marco de Canaveses (GCA of 47,448 m<sup>2</sup>);</li> <li>▪ 16 land plots in Santarém (GCA of 26,010 m<sup>2</sup>);</li> <li>▪ 9 land plots in São João da Madeira (GCA of 30,840 m<sup>2</sup>);</li> <li>▪ 3 plots of land in Matosinhos (GCA of 33,717 m<sup>2</sup>) for future construction of an office building and hotels.</li> </ul>	<p>▪ <b>Monsanto S. João:</b> Rural plot of land in Beja with 529 hectares, presently with no construction viability;</p> <p>▪ <b>Rural plot of land in Mourão:</b> Rural plot of land in the Alqueva region with 195.2 hectares, for future development of real estate projects.</p>	<p>▪ Housing, offices, retail premises, industrial buildings and car parks.</p>

Rental yields	31 December 2010	Capital employed in Other Real Estate Assets (M.€)	31 December 2010
	Yield		Capital employed
Warehouses	5.5%	Assets for sale	29.3
Offices	12.5%	Assets under operation	196.7
Retail	6.0%	Real estate projects	125.0
Parking	0.6%	Other assets	32.5
Residential*	7.0%		
Hotels	5.2%	Total	383.5

\* Excluding the Duque de Loulé project, where rental activity is being discontinued.

■ **Financial data**



Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

SC Assets turnover increased 2.0 million euro, to 6.5 million euro, and operational cash-flow (EBITDA) decreased 1.2 million euro (excluding the contribution of the Imosede Fund, accounted for using the equity method from June 2009 onwards). Turnover for the year may be analysed as follows:

Turnover by Type	2010		2009		Δ
	Value	Weight	Value	Weight	
Sale of Real Estate Assets	2,804,512	43%	1,114,150	15%	+152%
Rents <sup>(1)</sup>	2,259,561	35%	4,883,237	67%	-54%
Car Parks	299,426	5%	324,507	4%	-8%
Condominium Management	915,466	14%	811,195	11%	+13%
Management Services	262,206	4%	118,383	2%	>100%
<b>Total</b>	<b>6,541,170</b>	<b>100%</b>	<b>7,251,472</b>	<b>100%</b>	<b>-10%</b>

(1) In 2009 rents of Imosede Fund totalled 2.7 M.€. Since Imosede Fund is accounted for by the Equity method since June 2009, rents in 2010 do not include rents charged by the Fund. Without those rents the total in 2009 would have been 2.2 M.€, a similar level to that of 2010.

During 2010, SC Assets remained focused on selling non-core real estate assets, sponsoring promotional activities to test the market and set the grounds for future asset sales.

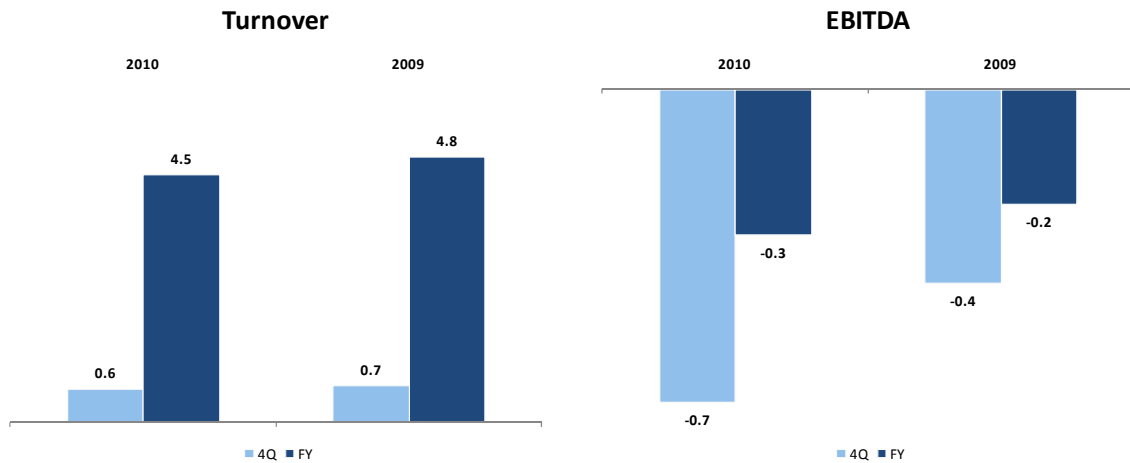
In 2010, no independent valuation of assets was made, since management believes that the valuation made in 2009, which includes the entire portfolio of the Group's real estate assets, already reflects the impact of the adverse macroeconomic scenario.

During 2011, further marketing initiatives will be launched to sell non-strategic assets and we will continue the process of obtaining building licenses, another way of increasing the value of properties for development or sale.

### 7.2.6. Atlantic Ferries



On 14 February 2005, Atlantic Ferries was granted the concession for river public transport of passengers, light and heavy vehicles, between Setúbal and the Tróia Peninsula, following a public tender offer launched, for that purpose, by APSS – *Administração dos Portos de Setúbal e Sesimbra, SA (Port Authority)*. The concession contract runs for 15 years and is renewable for two successive periods of 5 years. The transport service began on 8 October 2007, with four chartered ferries owned by APSS. Currently, transport is provided by 2 ferries, in operation since 14 July 2008, with a capacity for 60 light vehicles and 500 passengers each, and 2 catamarans, in operation since 28 July 2009, each with a capacity for 350 passengers.



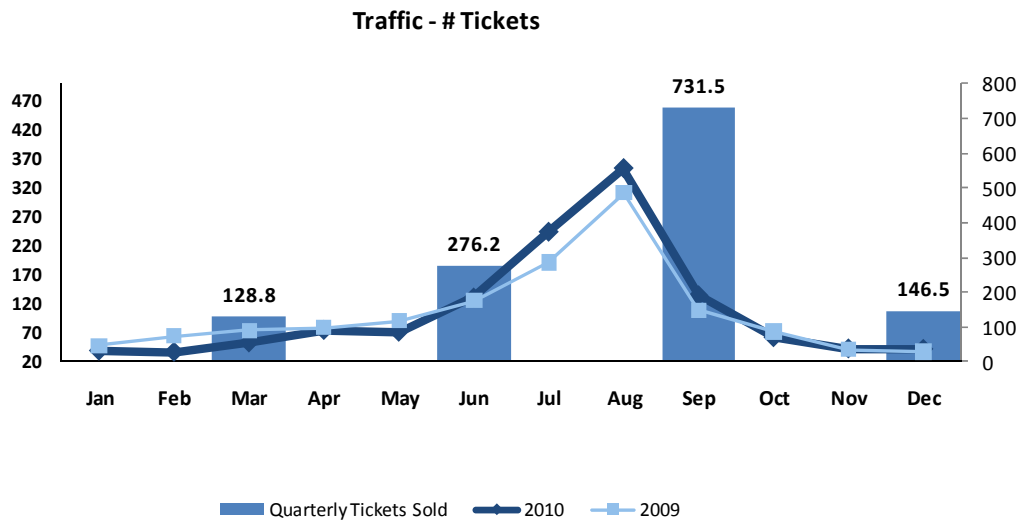
Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

In 2010, total traffic, measured by the number of tickets sold, increased by 3% compared to the same period last year.



In 2010, 1,283,000 tickets were sold. The graph below shows quarterly tickets sales:



Operational performance in 2010 reflects the first full year of operations for the two catamarans. However, occupancy rates were below those expected, and operational cash-flow (EBITDA) continued to be negative at 0.3 million euro. Continuous increases in fuel prices during 2010 was one of the main reasons for the poor performance, despite an increase of 3% in the number of tickets sold.

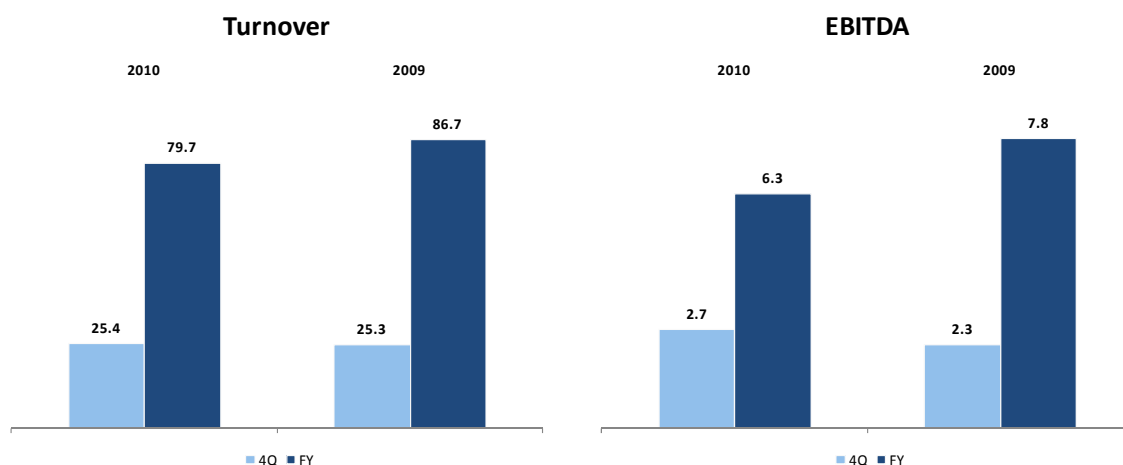
In 2011, Atlantic Ferries will continue to implement measures, such as a more suitable transport timetable, in order to adapt operations to effective demand for services, while at the same time ensuring that this public service is financially sustainable. The opening of the Casino should also impact positively the performance of Atlantic Ferries.

### 7.2.7. Selfrio



The activity of the Selfrio Group (70% owned by Sonae Capital) is made up of four major areas:

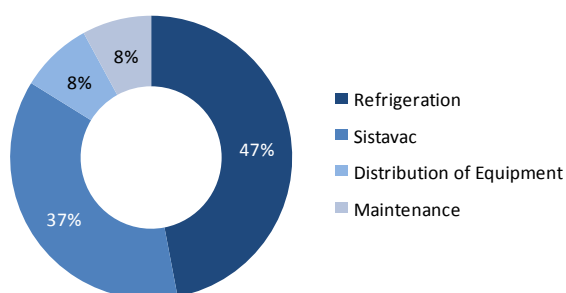
- **Selfrio** - Refrigeration Engineering projects and solutions for commercial and industrial facilities and hotels;
- **Sistavac** - Design, coordination and execution of air conditioning, ventilation and management and control systems of electrical installations;
- **SMP** - Maintenance and technical services;
- **SKK** - Distribution of refrigeration, air conditioning and heating equipment.



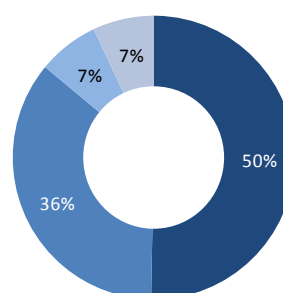
Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

### Turnover 2010



### Turnover 2009



The Selfrio Group was the single largest contributor to 2010 consolidated turnover, with 79.7 million euro, 8% less than in the same period last year. This decrease occurred mainly in the Refrigeration business, whose turnover decreased by 6.1 million euro to 37.5 million euro. Meanwhile, turnover of HVAC was 35.9 million euro, a 3% decrease, while that of General Maintenance services increased 4% to 6.3 million euro.

The general economic slowdown, in particular its impact on investment spending and increased competitive pressure in both the retail and industrial sectors, explain Selfrio businesses evolution in the period. These factors led to a decrease of 1.5 million euro in operational cash-flow (EBITDA), to 6.3 million euro, in both Refrigeration and HVAC businesses.

The maintenance and technical assistance area, SMP, improved profitability in 2010, due in particular to the reorganization and consolidation of the Technical Call Centre, improved processes and systems, and by focusing exclusively on the maintenance business.

After opening its first store in Spain (Vigo) in 2009, SKK began providing coverage of adjacent sales territories, further taking advantage of economies of scale based on its network of 4 stores located in Portugal, although facing adverse market conditions in Spain. In 2010, turnover increased 12% to 5.9 million euro (5.3 million euro).

International operations increased their contribution to consolidated turnover. In Spain, turnover of Sopair increased 46% to 5.8 million euro (4.0 million euro) based on Air Conditioning activity, and in Brazil, Friengineering's turnover increased 60% to 2.3 million euro (1.4 million euro), following a reassessment of the market made in 2009 which led to growth in the Air Conditioning business in order to compensate the lower expansion pace of Refrigeration. Expansion of international operations is underway and more attractive EBITDA margins should be achieved in 2011.

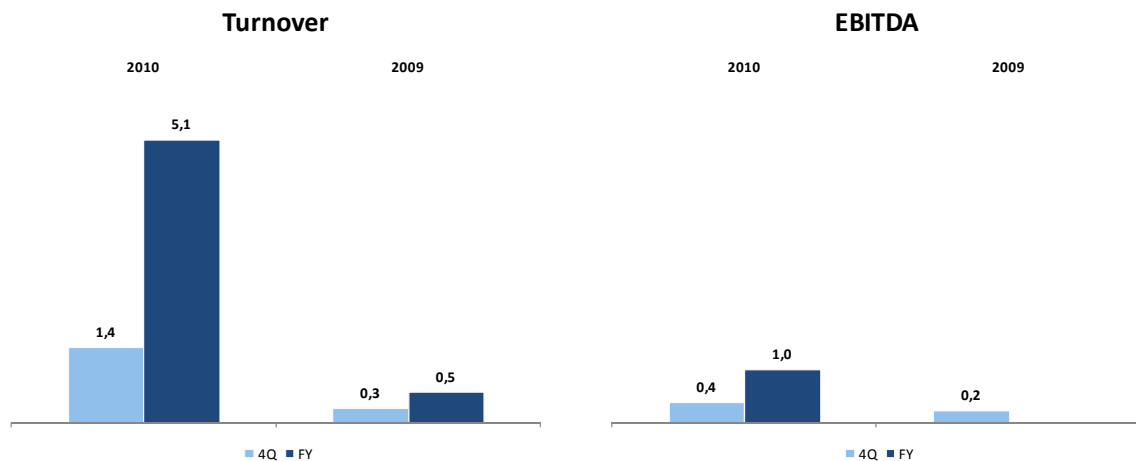
### 7.2.8. Energy and Environment



The Energy and Environment business area is made up of:

- energy production, ownership and management of cogeneration plants, having acquired one plant in 2009 and having signed an agreement in 2010 to convert the existing Colombo Shopping Centre fuel oil cogeneration plant into a gas cogeneration facility;
- design of sustainable buildings, focusing on activities using environmental merit tools, energy certification and Project Management.

2010 was the first full year that the Energy and Environment business contributed to the Group's results. Consolidated turnover totalled 5.1 million euro, and consolidated operational cash-flow (EBITDA) was 1.0 million euro.



Contribution to consolidated figures

Unit: 10<sup>6</sup> Euro

Ecociclo II, the cogeneration unit acquired in September 2009, contributed 4.2 million euro to consolidated turnover and 1.0 million euro to consolidated operational cash-flow EBITDA.

During 2010, the Energy and Environment business signed an agreement with Sonae Sierra, to convert the fuel oil cogeneration facility located in Colombo Shopping Centre, in Lisbon, into an Otto cycle gas cogeneration facility, with an estimated investment of around 6 million euro. Once the investment period is over, Sonae Capital's subsidiary Integrum Colombo will be responsible for the management of the cogeneration facility for a period of 15 years, expected to start in January 2012.

#### **7.2.9. Financial Shareholdings** (accounted for using the equity method)



#### ▪ **TP**

Sonae Capital owns 50% of TP – Sociedade Térmica Portuguesa, a company which promotes projects to build decentralised electrical energy production plants, focusing mainly on energy production through cogeneration and wind power.

Currently, TP manages directly 13 cogeneration plants and 2 wind farms, with an energy production capacity of 92 MW, of which 62 MW through cogeneration and 30 MW through wind power.

The cogeneration business is developed through partnerships with industrial companies, on whose premises the power plants are located.

In wind power, TP's interests include:

- 50% stake in a 10 MW wind farm in Serra da Capucha (Torres Vedras region), in operation since 2005;
- 52% stake in a 20 MW wind farm in Serra do Sicó (Pombal region), in operation since 2008;
- 20% stake in Eólicas de Portugal Consortium (ENEOP), which has been authorized by the Portuguese government to inject 1,200 MW of energy into the Portuguese Electrical System and to set up 49 wind farms.

Values in 10<sup>3</sup> euro

	2010	2009
Turnover	34,841.2	29,239.9
Operational Cash-Flow (EBITDA)	10,138.7	8,503.7
Operational Profit (EBIT)	5,857.0	5,168.3
Net Profit	4,701.2	3,480.9

TP's operational performance during 2010 has been positive, with turnover increasing 19% to 34.8 million euro and operational cash-flow (EBITDA) growing 19% to 10.1 million euro. The operational profit of the Group does not include the results of three cogeneration plants (around 14 MW) and of the wind farm in Serra da Capucha, both of which are accounted for using the equity method.

- **Norscut**

Sonae Capital owns a 36% shareholding in Norscut, which in 2000 won the DFBOT shadow toll concession for the A24 motorway for a 30 year period. A24 connects the towns of Viseu and Chaves, with a total extension of 156.4 km.

The full extension of the motorway entered into service in September 2007 and, according to the current concession contract, from that moment on until the end of the concession period, concessionary revenues will depend on actual vehicle traffic on the various stretches of the motorway under concession.

Values in 10<sup>3</sup> euro

	2010	2009
Turnover	90,562.7	93,128.2
Operational Cash-Flow (EBITDA)	83,158.3	84,700.8
Depreciation	33,746.8	35,229.9
Net Financial Expenses	42,833.1	47,433.6
Net Profit	4,796.2	1,526.6

During 2010, traffic in A24 increased 18% when compared to 2009. This increase was felt across all categories of vehicles and results from the wider awareness of the existence of the motorway, the opening in 2010 of the link to the Spanish motorway system and the opening of the service areas. Turnover, however, has not mirrored the increase in traffic because tolls have decreased in accordance with the schedule agreed with the Portuguese government when the concession was granted.

The concession contract may be subject to changes as a result of ongoing negotiations proposed by the Portuguese government. The government wishes to change the concession model, with revenues depending on the availability of the infra-structure rather than on actual vehicle traffic. These contractual changes have still not been agreed upon and may significantly change the activity of Norscut.

## 8. Own Shares

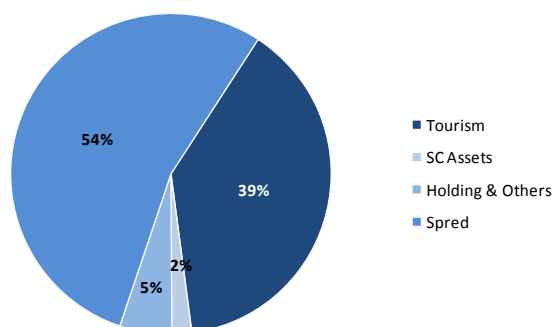
As at 31 December 2010, Sonae Capital, SGPS, SA had no treasury stock nor had it bought or sold own shares during the period.

## 9. Share Price Performance

For information on Sonae Capital's share price performance during the year 2010, please refer to paragraph III.4 of the Company's 2010 Corporate Governance Report.

## 10. Human Resources

As at 31 December 2010, Sonae Capital had 1,502 employees, split as follows:



Within Tourism, Hospitality employs around 47% of the sub-holding's staff and Fitness around 26%. Selfrio employs 86% of total Spred staff.

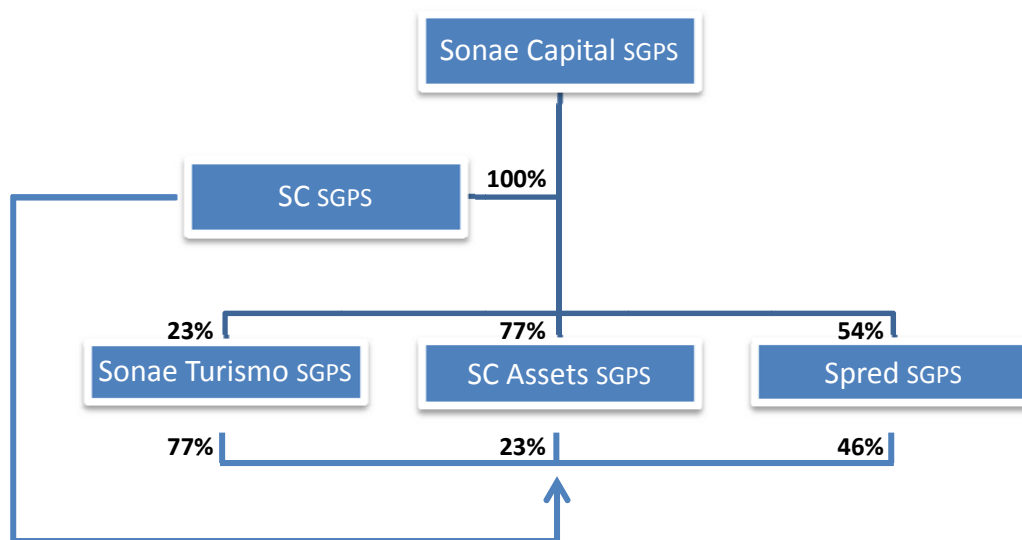
Staff costs amounted to 43.5 million euro in 2010, 24.4% of the Group's consolidated turnover for the year.

During 2010, 436 training courses were given, involving 1,484 employees and 25,647 hours.



## 11. Individual Financial Statements

Sonae Capital, SGPS, SA, the holding company of the Group, was incorporated on 14 December 2007 and is focused on the management of its shareholdings in its affiliated companies, which, as at 31 December 2010, can be summarised as follows:



As at 31 December 2009, Sonae Capital, SGPS, SA held 100% of SC, SGPS, SA (which, back then, held 100% of the Group's sub-holdings). During the first quarter of 2010, Sonae Capital, SGPS, SA has fully subscribed the share capital increases of the Group's three sub-holdings, which led to direct shareholdings in each one of them.

Net profit for the year was 2,324,988 euro (163,822,537 euro), including 2.9 million euro of investment income made up of dividends from Spred, SGPS, SGPS, SA, in accordance with the resolution of the Shareholders General Meeting held on 29 March 2010. Personnel costs (amounting to 1.1 million euro) were the main contributor to operational costs, followed by services acquired from third parties (0.3 million euro). Net financial income amounted to 0.9 million euro in the year.

Non-current loans include two Commercial Paper Programmes, with guaranteed subscription, one of which was launched on 14 March 2008, with a maximum amount of 30,000,000 euro and valid for a period of 5 years and another one of 12,500,000 euro launched on 30 December 2010 with maximum amount of 16,250,000 euro and valid for a period of 3 years.

Current loans include five Commercial Paper Programmes. One, has a maximum limit of 60,000,000 euro, without subscription guarantee, was launched on 28 March 2008, and is valid for a 10 year period, which can be extended at Sonae Capital's request, three other, have a maximum amount of 36,600,000 euro each, with guaranteed subscription, were launched on 26 and 28 August 2009 and are valid for a period of 2 years, and 4,000,000 euro regarding the short term portion of the 16,250,000 euro loan mentioned in the previous paragraph.

## **12. Activity carried out by Non Executive Board Members**

In addition to being members of Sonae Capital's Board of Directors, each Non-Executive Director holds a position in one of the Company's Board Committees (Board Audit and Finance Committee and Board Nomination and Remunerations Committee), whose functions and activities carried out in 2010 are described in detail in chapter II of the Company's Corporate Governance Report. During the year, Non-Executive Board Members have given important insights regarding specific business areas and strategic guidelines, in the light of the businesses performance during the year and outlook for the future, and have maintained close contact with corporate managers and communicating directly with business managers whenever necessary.

## **13. Profit Appropriation Proposal**

Sonae Capital, SGPS, SA, as the holding company of the Group, posted a net profit of 2,324,988.08 euro for the year 2010. The Board of Directors proposes to the Shareholders' General Meeting that this amount should be transferred to Legal Reserve (116,249.40 euro) and to Free Reserves (2,208,738.68 euro).

## **14. Acknowledgments**

The Board of Directors would like to thank all Company stakeholders for their support and trust during a year that has been particularly demanding in view of the economic and financial challenges affecting business operations. We thank the Fiscal Board and the Statutory Auditor for their cooperation and work, and express our gratitude and recognition to our employees for their continued dedication and efforts during the year.

Maia, 02 March 2011

The Board of Directors,



## Glossary

- Average Daily Revenue = Lodging Revenues / Number of rooms sold.
- Capex = Investment in Tangible and Intangible Assets.
- DFBOT = Design, Finance, Build, Operate and Transfer.
- GCA (Gross Construction Area) = Area measured by the exterior perimeter of the exterior walls.
- Gearing = Net Debt / Equity.
- HVAC = Heating, Ventilation and Air Conditioning.
- Interest Cover Ratio = EBITDA (last 12 months) / Financial Charges.
- Net Debt = Non Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments.
- Operational Cash-Flow (EBITDA) = Operational Profit (EBIT) + Amortisation and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in Stocks (included in Cost of Goods Sold) – Reversal of Impairment Losses and Provisions (included in Other Operating Income).
- PPA = Promissory Purchase Agreement.
- UNOP (Operational Planning Unit) = Planning and management operational units as specified in the Tróia Urbanisation Plan approved by the Portuguese Government Cabinet Resolution nr. 23/2000.
- Yield = Annual Rents / Capital Employed.

# **APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS**

## **31 DECEMBER 2010**

**Statement**  
**Under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code**

(Translation of a Statement originally issued in Portuguese)

The signatories individually declare that, to their knowledge, the Report of the Board of Directors, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared in accordance with applicable International Financial Reporting Standards, and give a true and fair view, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of Sonae Capital, SGPS, SA, and of the companies included in the consolidation perimeter, where appropriate, and that the Report of the Board of Directors faithfully describes major events that occurred during the year 2010 and their impacts, if any, in the business performance and financial position of Sonae Capital, SGPS, SA and of the companies included in the consolidation perimeter, and contains an appropriate description of the major risks and uncertainties that they face.

Maia, 2 March 2011

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Belmiro Mendes de Azevedo  
Chairman of the Board of Directors

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Rafael Cerezo Laporta  
Member of the Board of Directors

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José Luís dos Santos Lima Amorim  
Member of the Board of Directors

---

Paulo José Jubilado Soares de Pinho  
Member of the Board of Directors

---

Mário Pereira Pinto  
Member of the Board of Directors

---

Pedro Manuel Bastos Mendes Rezende  
Member of the Board of Directors

---

Francisco de La Fuente Sánchez  
Member of the Board of Directors

APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2009 REQUIRED BY ARTICLE 447 OF THE PORTUGUESE COMPANIES ACT

Disclosure of shares and other securities held by Members of the Board of Directors and Fiscal Board and of transactions during the year involving shares and other securities:

	Date	Purchases		Sales		Balance as at
		Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2010 Quantity
<b>Belmiro Mendes de Azevedo</b>						
Efanor Investimentos, SGPS, SA (1)						49,999,997
Sonae Capital, SGPS, SA <sup>(a)</sup>						838,862
<b>José Luís dos Santos Lima Amorim <sup>(b)</sup></b>						
Sonae Capital, SGPS, SA						8,125
<b>Mário Pereira Pinto <sup>(c)</sup></b>						
Sonae Capital, SGPS, SA						8,125
<b>Paulo José Jubilado Soares de Pinho</b>						
Sonae Capital, SGPS, SA						20,775

	Date	Purchases		Sales		Balance as at
		Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2010 Quantity
<b>(1) Efanor Investimentos, SGPS, SA</b>						
Sonae Capital, SGPS, SA						88,859,200
Pareuro, BV (2)						2,000,000
Sonae, SGPS, SA (3)						659,650,000
<b>(2) Pareuro, BV</b>						
Sonae Capital, SGPS, SA						50,000,000
<b>(3) Sonae, SGPS, SA</b>						
Sonae Capital, SGPS, SA	17-Nov-10	16,600,000	0.42			16,600,000

<sup>(a)</sup> Includes 1,862 shares owned by the spouse.

<sup>(b)</sup> Shares owned by Change Partners, SCR, S.A., company of which he is a Member of the Board of Directors.

<sup>(c)</sup> Shares owned by Change Partners, SCR, S.A., company of which he is the Chairman of the Board of Directors.

<sup>(d)</sup> Includes 8,125 shares owned by Change Partners, SCR, S.A., company of which he is a Member of the Board of Directors.

**APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2010 REQUIRED BY ARTICLE 448 OF THE PORTUGUESE COMPANIES ACT**

Number of shares held by shareholders owning more than 10%, 33% or 50% of the company's share capital:

	<u>Number of shares as at 31.12.2010</u>
<b>Efanor Investimentos, SGPS, SA</b>	
Sonae Capital, SGPS, SA	88,859,200
Pareuro, BV	2,000,000
Sonae, SGPS, SA	659,650,000
<b>Pareuro, BV</b>	
Sonae Capital, SGPS, SA	50,000,000
<b>Sonae, SGPS, SA</b>	
Sonae Capital, SGPS, SA	16,600,000

#### QUALIFIED SHAREHOLDINGS

As required by number 1, b) of article 8 of CMVM Regulation Nr. 05/2008, the following shareholders held more than 2% of the company's share capital, as at 31 December 2010:

Shareholder	Nr. of Shares	% of Share Capital	% of Voting Rights
<b>Efanor Investimentos, SGPS, S.A.</b>			
Directly Owned	88,859,200	35.544%	35.544%
Through Pareuro, BV (controlled by Efanor)	50,000,000	20.000%	20.000%
Through Sonae, SGPS, SA (controlled by Efanor)	16,600,000	6.640%	6.640%
Through Belmiro Mendes de Azevedo (Chairman of the Board of Directors of Efanor)	837,000	0.335%	0.335%
Through Maria Margarida Carvalhais Teixeira de Azevedo (Member of the Board of Directors of Efanor)	1,862	0.001%	0.001%
Through Linhacom, SGPS, S.A. (controlled by the Member of the Board of Directors of Efanor Maria Cláudia Teixeira de Azevedo)	43,912	0.018%	0.018%
Through Migracom, SGPS, S.A. (controlled by the Member of the Board of Directors of Efanor Duarte Paulo Teixeira de Azevedo)	161,250	0.065%	0.065%
Through descendents of Duarte Paulo Teixeira de Azevedo (Member of the Board of Directors of Efanor)	411	0.000%	0.000%
Through descendents of Nuno Miguel Teixeira de Azevedo (Member of the Board of Directors of Efanor)	1,312	0.001%	0.001%
Total attributable	<u>156,504,947</u>	<u>62.602%</u>	<u>62.602%</u>
 <b>Banco BPI, S.A.</b>			
Through Fundos de Pensões do Banco BPI (controlled by Banco BPI)	5,000,000	2.000%	2.000%
Through BPI Vida - Companhia de Seguros de Vida, S.A. (controlled by Banco BPI)	<u>753,727</u>	<u>0.301%</u>	<u>0.301%</u>
Total attributable	<u>5,753,727</u>	<u>2.301%</u>	<u>2.301%</u>
 <b>Mohnish Pabrai</b>			
Through Pabrai Investment Fund II, L.P. (controlled by Mohnish Pabrai)	3,957,000	1.583%	1.583%
Through Pabrai Investment Fund 3, L.P. (controlled by Mohnish Pabrai)	5,624,000	2.250%	2.250%
Through Pabrai Investment Fund IV, L.P. (controlled by Mohnish Pabrai)	7,422,315	2.969%	2.969%
Through Dalal Street, L.L.C. (controlled by Mohnish Pabrai)	28,000	0.011%	0.011%
Through Dakshana Foundation (controlled by Mohnish Pabrai)	132,625	0.053%	0.053%
Through Harina Kapoor (spouse of Mohnish Pabrai)	<u>2,500</u>	<u>0.001%</u>	<u>0.001%</u>
Total attributable	<u>17,166,440</u>	<u>6.867%</u>	<u>6.867%</u>





**TRANSACTIONS OF SECURITIES MADE BY PERSONS DISCHARGING MANAGERIAL RESPONSABILITIES AND  
THEIR CONNECTED PERSONS DURING THE 2<sup>ND</sup> HALF OF 2010**

As required by number 6 article 14 of CMVM Regulation Nr. 5/2008, we inform that no person discharging managerial responsibilities and their connected persons have carried out transactions of Sonae Capital's securities during the 2<sup>nd</sup> Half of 2010.



# CORPORATE GOVERNANCE REPORT

## 31 DECEMBER 2010

## Corporate Governance Report

*(Translation from the Portuguese Original)*

### 0. Statement of Compliance

The corporate governance policy of Sonae Capital SGPS S.A. (hereinafter Sonae Capital or Company) aims, among other objectives, to implement transparency procedures in its relationship with both investors and markets. The corporate governance structure of Sonae Capital is built upon the maximization of shareholders' interests and the satisfaction of their legal and regulatory rights.

#### 0.1 Corporate Governance Guidelines

Sonae Capital, as a public listed company, is regulated by Regulation 1/2010 of the Portuguese Securities Market Commission (*Comissão de Mercado de Valores Mobiliários* and hereinafter CMVM) issued on 7 January 2010.

Furthermore, Sonae Capital bases its corporate governance practices on the Corporate Governance Code of CMVM, the latest version of which was issued on 8 January 2010, available at [www.cmvm.pt](http://www.cmvm.pt).

#### 0.2 Compliance with the Corporate Governance Code

Recommendation		Compliance	Reference in this report
I.	<b>General Meeting</b>		
I.1	<b>General Meeting Board</b>		
I.1.1	The Presiding Board of the General Meeting shall be equipped with the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration	Yes	I.1
I.1.2	The remuneration of the Presiding Board of the General Meeting shall be disclosed in the Annual Report on Corporate Governance	Yes	I.1
I.2	<b>Participation at the Meeting</b>		
I.2.1	The requirement for the Board to receive statements for share deposit or blocking for participation at the general meeting shall not exceed 5 working days	Yes	I.2
I.2.2	Should the general meeting be suspended, the company shall not compel share blocking during the interim period until the meeting is resumed and shall then prepare itself in advance as required for the first session	Yes	I.2
I.3	<b>Voting and Exercising Voting Rights</b>		
I.3.1	Companies shall not impose any statutory restriction on postal voting and whenever adopted or admissible, on electronic voting	Yes	I.3
I.3.2	The statutory deadline for receiving early voting ballots by mail may not exceed three working days	Yes	I.3

Recommendation		Compliance	Reference in this report
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	Yes	I.3
I.4	<b>Resolution-Fixing Quorum</b>		
I.4.1	Companies shall not set a resolution-fixing quorum that outnumbers that which is prescribed by law	Yes	I.4
I.5	<b>Minutes and Information on Resolutions Passed</b>		
I.5.1	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	Yes	I.5
I.6	<b>Measures on Corporate Control</b>		
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	Yes	I.6
I.6.2	In cases such as change of control or 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	Yes	I.6
II.	<b>Board of Directors and Fiscal Board</b>		
II.1	<b>General Points</b>		
II.1.1	<b>Structure and Duties</b>		
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	Yes	II.0
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; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyse and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption; v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several components of the system and of risk-warning ; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary	Yes	II.8
II.1.1.3	The Board of Directors shall ensure the establishment and functioning of the internal control and risk management systems. The Fiscal Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment to the company's needs	Yes	II.8
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 and efficiency of the risk management system, in its Annual Report on Corporate Governance	Yes	II.11
II.1.1.5	The Board of Directors and the Fiscal Board shall establish internal regulations and shall have these disclosed on the company's website	Yes	II.2; II.5

Recommendation		Compliance	Reference in this report
<b>II.1.2</b>	<b>Governance Incompatibility and Independence</b>		
II.1.2.1	The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity	Yes	II.2
II.1.2.2	Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account when devising this number and may never be less than a fourth of the total number of Board Directors	Yes	II.2
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	Yes	II.2
<b>II.1.3</b>	<b>Eligibility and Appointment Criteria</b>		
II.1.3.1	Depending on the applicable model, the Chair of the Fiscal Board and of the Auditing and Financial Matters Committees, shall be independent and adequately competent to carry out his/her duties	Yes	II.5
II.1.3.2	The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members	Yes	II.2
<b>II.1.4</b>	<b>Policy on the Reporting of Irregularities</b>		
II.1.4.1	The company shall adopt a policy whereby irregularities occurring within the company are reported. Such reports shall contain the following information: i) the means be 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 confidential treatment, should it be required by the reporter	Yes	II.9
II.1.4.2	The general guidelines on this policy shall be disclosed in the Annual Report of Corporate Governance	Yes	II.9
<b>II.1.5</b>	<b>Remuneration</b>		
II.1.5.1	<p>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:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>(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.</p> <p>(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.</p> <p>(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;</p> <p>(vii) The appropriate legal instruments shall be established so that in the event of a 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.</p> <p>(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</p>	Yes	II.2; II.10; III.6

Recommendation		Compliance	Reference in this report
II.1.5.2	A statement on the remuneration policy of the Board of Directors and Fiscal 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 ii) the payments for the dismissal or termination by agreement of the Directors' duties	Yes	II.10
II.1.5.3	The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the directors' remunerations which contain an important variable component, within the meaning of Article 248-B/3 of the Securities Code. 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	Yes	II.10
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 Fiscal Board and other managers within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall 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 Fiscal Board and other managers within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting	Yes	I.7; II.10; III.6
II.1.5.6 <sup>2</sup>	At least one of the Remuneration Committee's representatives shall be present at the Annual General Meeting for Shareholders <sup>2</sup> The CMVM Corporate Governance Code does not include any recommendation with number II.1.5.5	Yes	I.7
II.2	<b>Board of Directors</b>		
II.2.1	Within the limits established by law for each management and supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties shall be identified in the Annual Corporate Governance Report	Yes	II.2; II.3
II.2.2	The Board of Directors must ensure that the company acts in accordance with its goals, and shall not delegate its duties, namely in what concerns: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved	Yes	II.2; II.3
II.2.3	Should the Chair of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the corporate governance report	Yes	II.2; II.3
II.2.4	The annual management report shall include a description of the activity carried out by the Non-Executive Board Members and shall mention any restraints encountered	Yes	II.2; II.4
II.2.5	The company shall expound 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	Yes	II.2
II.3	<b>Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors</b>		
II.3.1	When Managing Directors that carry out executive duties are requested by other Board Members to supply information, the former must do so in a timely manner and the information supplied must adequately suffice the request made	Yes	II.3
II.3.2	The Chair of the Executive Committee shall send the convening notices and minutes of the meetings to the Chair of the Board of the Directors and, as applicable, to the Chair of the Fiscal Board or the Auditing Committee, respectively	Yes	II.3



Recommendation		Compliance	Reference in this report
II.3.3	The Chair of the Board of Directors shall send the convening notices and minutes of the meetings to the Chair of the General and Supervisory Board and the Chair of the Financial Matters Committee	Not Applicable	0.3 (1)
II.4	<b>General and Supervisory Board, Financial Matters Committee, Audit Committee and Fiscal Board</b>		
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	0.3 (2)
II.4.2	The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Audit Committee and Fiscal Board <sup>1</sup> must be disclosed on the company's website	Yes	II.5
II.4.3	The annual reports on the activity carried out by the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Fiscal Board must include a description on the supervisory activity and shall mention any restraints that they may have come up against	Yes	II.5
II.4.4	The General and Supervisory Board, the Auditing Committee and the Fiscal Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose 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	Yes	II.5
II.4.5	According to the applicable model, the General and Supervisory Board, Auditing Committee and Fiscal 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	Yes	II.5
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 Fiscal Board, regardless of the hierarchical relationship that these services have with the executive management of the company	Yes	II.8
II.5	<b>Special Committees</b>		
II.5.1	Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing committees; ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvements; iii) in due time identify potential candidates with the high profile required for the performance of director's duties	Yes	II.4
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	Yes	II.4
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 committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services	Yes	
II.5.4	All the Committees shall draw up minutes of the meetings held	Yes	II.4

<sup>1</sup> Original text does not mention the Fiscal Board

Recommendation		Compliance	Reference in this report
III.	<b>Information and Auditing</b>		
III.1	<b>General Disclosure Duties</b>		
III.1.1	Companies shall maintain permanent contact with the market thus upholding the principle of equality for shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company shall create an Investor Assistance Unit	Yes	III.8
III.1.2	The following information that is made available on the company's Internet website shall be disclosed in the English language: a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Commercial Companies Code; b) Articles of Association; c) Credentials of the Members of the Board of Directors and the Market Liaison Officer; d) Investor Assistance Unit – its functions and access means; e) Accounts Reporting documents; f) Half-Yearly Calendar on Company Events; g) Proposals sent through for discussion and voting during the General Meeting; h) Notices convening meetings	Yes	III.8
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 Fiscal Board to formally consider the conditions of auditor independence and the benefits and costs of replacement	Yes	II.6
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 Fiscal Board	Yes	II.6
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 services rendered to the company. The hiring of these services must be approved by the Fiscal Board and must be expounded in the Annual Corporate Governance Report	Yes	II.6
IV.	<b>Conflicts of Interest</b>		
IV.1	<b>Shareholder Relationship</b>		
IV.1.1	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	Yes	III.7
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 Fiscal Board. The procedures and criteria required to define the relevant level of significance of these deals and other conditions shall be established by the Fiscal Board	Yes	III.7

### **0.3 Reasons for non compliance or non applicability of the Corporate Governance Code**

This section lays out the reasons for the non compliance or non applicability for each individual recommendation and should be read in conjunction with the table in the previous section.

The following recommendations were not applicable to Sonae Capital in 2010:

- (1) Recommendation II.3.3 - This recommendation relates to a corporate governance model not adopted by Sonae Capital, and for this reason is not considered to be applicable. Under the terms and conditions of article 278 of the Portuguese Companies Code, Sonae Capital structured its corporate governance model with a Board of Directors, a Fiscal Board and a Statutory Auditor.
- (2) Recommendation II.4.1 - This recommendation related to a corporate governance model not adopted by Sonae Capital, and for this reason is not considered to be applicable. Under the terms and conditions of article 278 of the Portuguese Companies Code, Sonae Capital structured its corporate governance model with a Board of Directors, a Fiscal Board and a Statutory Auditor.

#### **I. Shareholders' General Meeting**

##### **I.1 Board of the Shareholders' General Meeting**

As at 31 December 2010, the Board of the Shareholders' General Meeting had the following members, mandated for the four year period 2007-2010:

- António Agostinho Cardoso da Conceição Guedes (Chairman);
- Maria Daniela Farto Baptista Passos (Secretary).

In addition to the support provided by the Company Secretary, during the preparatory stages of the Shareholders' General Meeting, its Board members are given assistance by the Corporate Legal department, namely to prepare support documents and files.

The remuneration of the Chairman of the Board of the General Shareholders' Meeting is made up of a fixed amount, based on the Company's situation and market practices, and amounted to a total of 3,000 euro for the year 2010.

## **I.2 Presence at the Shareholders' General Meeting**

According to the Company's Articles of Association only those shareholders with voting rights, who own shares, can attend the Shareholders' General Meeting, provided that they can prove to the Company, ownership of such shares under the terms of the law, up to five business days prior to the Shareholders' General Meeting. This proof of title must be issued by a financial institution in which records of title are kept by the shareholders.

The proof of title can be made, within the period mentioned above, by letter, fax or e-mail, and in relation to the last two the original document must be received at the Company's registered office up to the business day prior to the Shareholders' General Meeting.

The Articles of Association of the Company do not provide for the eventuality of suspension and this situation has never occurred in the past. However, the Company's Articles of Association do not impose the blocking of shares during the suspension period and thus, to be present at the continuation of the Shareholders' General Meeting, the shareholder has to comply with the five business days prior notice as required for the first meeting. Furthermore, the Chairman of the Board of the Shareholders' General Meeting considers that if the suspension period does not exceed five working days, the blocking of shares should be maintained until the meeting is resumed, as it is not possible to require that shareholders comply with a new five working day blocking period. If the suspension period exceeds five working days, only a five work day-period of share-blocking will be required.

The Decree-Law nr. 49/2010 of 19 May has introduced changes regarding this matter, with effects from May 2010 onwards. The Board of Directors will present a proposal to the next Shareholders' General Meeting with changes to the articles of association needed to align the Articles of Association with the terms of the law.

The Company has not issued non-voting preference shares. In any event, the Articles of Association contemplate the presence at a Shareholders' General Meeting of shareholders holding non-voting preference shares, and their presence at the discussion of the points on the agenda for the Shareholders' General Meeting will depend on the authorisation of the Shareholders' General Meeting.

An individual shareholder may be represented at the Meeting by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meeting, indicating the name and address of the representative nominated, as well as the date of the meeting. Corporate shareholders may be represented at the meeting by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meeting, the authenticity of which will be considered by the Chairman of the Board of the Shareholders' General Meeting.

## **I.3 Voting and Exercising Voting Rights**

Under the terms of the Company's Articles of Association, each share is entitled to one vote. Additionally, no limit is established to the number of votes that can be held or exercised by a sole shareholder or group of shareholders.

The extension of written voting papers to all matters was approved at the Shareholders' General Meeting of 28 April 2010. Written voting papers shall only be considered valid if they are received at the Company's registered office at least three days before the date of the

Shareholders' General Meeting, and must be sent by registered post with signature confirmation on delivery addressed to the Chairman of the Board of the Shareholders' General Meeting. This does not dispense with the need to comply with the procedures set out in the Articles of Association, to be registered as a valid shareholder for the Shareholders' General Meeting. Written voting papers must be signed by shareholders or by their legal representatives. Individual shareholders must attach a certified copy of their identity card and, for corporate shareholders, the signature must be authenticated confirming that the signatory is duly authorised and mandated for the purpose.

The Board of Directors will also propose changes regarding this matter, so that the Articles of Association comply with Decree-Law nr. 49/2010 of 19 May.

In addition to the above mentioned, to be considered valid, written voting papers also have to set out clearly, in an unambiguous manner: (i) the agenda item or items to which they refer; (ii) the specific proposal to which they relate, indicating the respective proposer or proposers, and; (iii) the precise and unconditional voting intention on each proposal. Notwithstanding the content of (ii), a shareholder is permitted to include in a written voting paper, in relation to an identified proposal, the intention to vote against all alternative proposals, in relation to the same item on the agenda, without further specification. It is assumed that shareholders have abstained from any proposals that are not specifically included in their written voting papers. Written voting papers shall be deemed as votes against any proposals presented after the issuance of such written voting papers. The Chairman of the Board of the Shareholders' General Meeting, or his or her substitute, is responsible for verifying that written voting papers comply with all the above requirements and, those that are not accepted, will be considered as null and void.

The Company makes available to shareholders minutes of written voting papers and representation letters on the Company's website ([www.sonaecapital.pt](http://www.sonaecapital.pt)), after notice has been given of the Shareholders' General Meeting.

Electronic voting is not contemplated under the Company's Articles of Association.

#### **I.4 Quorum and resolutions**

The Shareholders' General Meeting shall meet ordinarily, within the timing established by law for the Shareholders' Annual General Meeting, or extraordinarily, whenever the Board of Directors or the Fiscal Board or shareholders representing more than 2% of the voting share capital (minimum required for this purpose by law), request one.

The Shareholders General Meeting can meet, in the first instance, as long as shareholders holding over fifty percent of the share capital are present or represented.

Under the terms of the Company's Articles of Association, resolutions at the Shareholders' General Meeting shall be taken by simple majority, unless otherwise determined by law.

### **I.5 Minutes and information on the resolutions of the Shareholders' General Meeting**

The notice of the Shareholders' General Meeting and the proposals and respective appendices required by law, addressed to the Board of the Shareholders' General Meeting, are made publicly available to all shareholders, for consultation, at the registered office during office hours, on the Company's website ([www.sonaecapital.pt](http://www.sonaecapital.pt)) and on the Information Disclosure System of the Portuguese Securities Market Commission ([www.cmvm.pt](http://www.cmvm.pt)), at least 21 days prior to the Shareholders' General Meeting (15 days until May 2010).

The Company intends to keep a record, on its website ([www.sonaecapital.pt](http://www.sonaecapital.pt)), of the attendance lists, agenda and decisions of the Shareholders' General Meetings of the previous three years. At present, this information is only available for the two Shareholders' General Meeting that have taken place since the Company was incorporated in December 2007. Information on the decisions of the Shareholders' General Meetings has been disclosed on the same date of the meeting.

Besides access to information on the above mentioned disclosure systems, shareholders can request specific information or explanations on any matter related to the Shareholders' General Meeting through the Investor Relations Office.

### **I.6 Measures regarding Control of the Company**

The Company has not taken measures of any kind that would hinder the success of a public tender offer for the purchase of its shares, nor has the Board of Directors knowledge of any special rights or shareholders agreements in which the Company or its shareholders are involved.

The Company's Articles of Association do not foresee any defensive practices that automatically and significantly erode the Company's assets in the event of a change in control or change in the composition of the management body.

Additionally, there are no agreements between the Company and its board members or other senior managers that foresee indemnities or penalty payments in any case of termination of their existing contracts as a result of a change in control of the Company.

### **I.7 Remuneration policy and performance assessment**

The remuneration of members of the statutory bodies of the Company is fixed by the Shareholders' General Meeting, which has appointed a Shareholders' Remuneration Committee to set and propose the compensation and performance assessment policies and respective guidelines.

In accordance with Law nr. 28/2009 the Remuneration Committee or the Board of Directors must submit, annually, the remuneration policy of the statutory bodies to the Shareholders' General Meeting. The remuneration policy and the required disclosures are laid out in section II.10 of this report.

The Shareholders' Remuneration Committee has two members, Belmiro Mendes de Azevedo (Chairman) and Bruno Walter Lehmann. Belmiro Mendes de Azevedo is also Chairman and CEO of Sonae Capital and does not vote on the decision regarding his remuneration.



The Shareholders' Remuneration Committee is always represented at the Shareholders' General Meeting at least by one of its members.

The table below summarizes the attendance of members of the Shareholders' Remuneration Committee at the Shareholders' General Meetings since the incorporation of Sonae Capital.

Governing Body	Shareholders' General Meetings		
	09 April 2008	28 April 2009	28 April 2010
Remuneration Committee	Belmiro Mendes de Azevedo	Belmiro Mendes de Azevedo	Belmiro Mendes de Azevedo

## II. Governing Bodies

### II.0 Assessment of the Corporate Governance Model

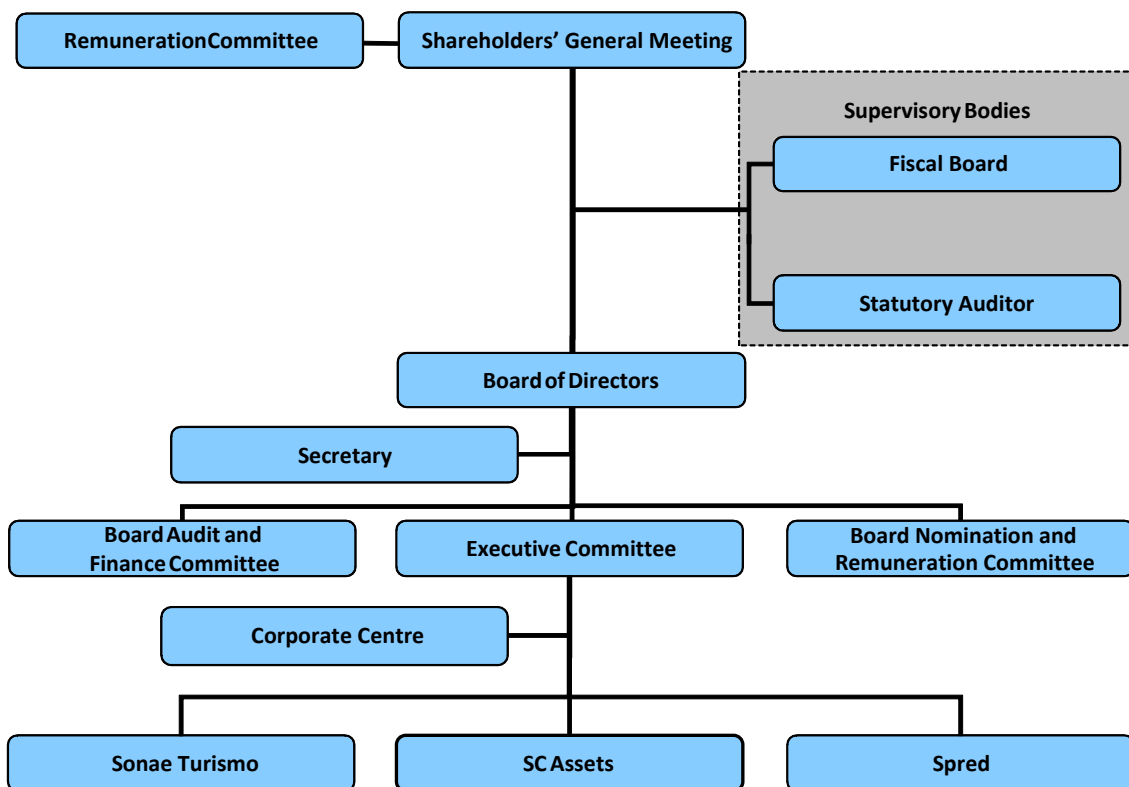
Sonae Capital was incorporated in December 2007. During 2008, significant changes were made to the corporate governance structure of Sonae Capital to respond to the strategic and management needs of the Company's business portfolio. The new governance structure proposed by the Board of Directors and approved at the Shareholders' General Meeting of 9 April 2008 envisaged strengthening strategy formulation of the Company and the independent appraisal of the execution of strategy by Executive Directors, based on best practices in corporate governance.

At the date of its incorporation, Sonae Capital adopted a model based on a Board of Directors, a Fiscal Board and a Statutory Auditor. The Board of Directors has the responsibility of management while the remaining two bodies have supervisory responsibility.

The significant changes introduced just months after its incorporation strengthened and enlarged the supervision of the Company mainly through the creation of an Executive Committee to which the day-to-day management was delegated and the creation of two boards, made up only of independent non executive directors, with the responsibility of supervising and appraising the Company's and management's activities and performance. Details of the new structure, its different bodies, roles and responsibilities are presented in the following sections.

For the time being the Board of Directors believes the existing model is the most suitable for Sonae Capital. In order to strengthen its commitment to evaluate the existing governance model, the Board of Directors initiated a formal annual self assessment process in 2009. The Board of Directors will use the conclusions from the self assessment, during the current year to reflect on the existing structure and operations and, if deemed necessary, fine tune procedures and policies.

## II.1 Governing bodies and functional structure



Under the current governance structure, the Board of Directors is responsible for business portfolio strategic decisions and respective implementation. The Board of Directors delegates to the Executive Committee the management of day-to-day operations, with the exception of matters highlighted in section II.3 of the current report. In addition to the Executive Committee, the Board has also appointed specialised advisory committees, namely the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee, aimed at strengthening the decision making process at Board level.

The supervision of the Company is carried out by the Fiscal Board and by the Statutory Auditor, both elected at the Shareholders' General Meeting. For more information on these statutory bodies, please refer to sections II.5 and II.6, respectively.

The Corporate Centre comprises six functional departments, which provide support and advice to the governing bodies and business segments and, in some cases ensure co-ordination of policies and procedures within the Company.

Functional departments are the following:

<b>Functional department</b>	<b>Reports to</b>
Human Resources	Executive Committee
Internal Audit & Risk Management	Executive Committee
Portfolio Management	Executive Committee
Administrative Services	Chief Financial Officer
Finance & Treasury	Chief Financial Officer
Reporting & Investor Relations	Chief Financial Officer

The Human Resources department is responsible for proposing and implementing the Group's human resources policy and for managing senior managers' careers.

The Internal Audit & Risk Management department main responsibilities include definition and execution of internal audits and risk management activities in Group companies.

The Portfolio Management competencies comprise the following: portfolio configuration and capital allocation between existing businesses and new business opportunities, mergers and acquisitions, legal support, corporate internal and external communication. It also has the responsibility for the coordination of sustainability best practices.

Administrative Services comprise a number of different services, namely consolidation, shared service centre, information systems and tax support. The shared service centre provides accounting, administrative, treasury and payroll services to Group companies.

The Finance and Treasury department has a leading role concerning internal and external financing operations, treasury management and liaison with financial institutions. This department is also responsible for financial risk management at Group level and for the preparation and follow-up of the Group's financial plan.

The Reporting and Investor Relations department plays a role in: corporate planning and reporting activities; consolidated reporting both internally and externally; and ensures a permanent contact with institutional investors, shareholders and analysts through the Investor Relations Office.

The Chief Financial Officer is responsible for the operational co-ordination of all functional departments within the Corporate Centre, meeting regularly with their respective managers.

## II.2 Board of Directors

Under the Company's Articles of Association, the Board of Directors can be made up of an odd or even number of members, with a minimum of three members and a maximum of eleven members, elected at the Shareholders' General Meeting.

The election of one member of the Board of Directors takes place independently from the remaining elections, under the terms of the law, among persons listed in proposals subscribed by groups of shareholders, provided that such groups of shareholders hold shares that represent more than ten and less than twenty percent of the share capital. The same shareholder cannot subscribe to more than one proposal, and each proposal must contain the identification of at least two persons eligible for each of the positions to be filled. If proposals are presented by more than one group of shareholders, voting will be based on all of these proposals.

The Board of Directors appoints a substitute in case of death, resignation or temporary or permanent incapacity or unavailability of any member. If a Director fails to be present at any two meetings without providing a justification for such absence which is accepted by the Board of Directors, such a Director will be deemed permanently unavailable. A substitute is elected to the Board of Directors in the case of permanent unavailability of the member of the Board elected under the provisions set in the previous paragraph.

As at 31 December 2010, the Board of Directors is made up of three executive members and four non executive independent Directors:

Name	Position	First appointment on
Belmiro Mendes de Azevedo	Chairman and CEO	December 2007
José Luís dos Santos Lima Amorim	Executive	December 2007
Mário Pereira Pinto	Executive	December 2007
Francisco de La Fuente Sánchez	Non Executive	April 2008
Rafael Cerezo Laporta	Non Executive	April 2008
Paulo José Jubilado Soares de Pinho	Non Executive	April 2008
Pedro Manuel Bastos Mendes Rezende	Non Executive	April 2008

Non executive members were appointed based on their reputation in business, finance, academia and consultancy areas, to strengthen the skills of the Board of Directors, namely in relation to the approval of the portfolio configuration strategy and of the annual business plan and any significant changes to it.

All of the non executive members of the Board of Directors are considered independent under the terms of number 5 article 414 of the Portuguese Company Law, and comply with incompatibility rules under the terms of number 1 (except paragraph b, which is not applicable to members of the Board) of Article 414 of the Portuguese Company Law.

Independent Non Executive Directors have to disclose immediately to the Company any event that, in the course of their mandate, might lead to conflicts of interest or loss of independence under the terms of legal requirements.

In ascertaining conflict of interest rules applicable to the members of the Board of Directors, the Company relies solely on criteria established in paragraph 1 of Article 414-A of the Portuguese Company Law, and has not defined, internally, any other assessment criteria.

The current composition of the Board of Directors, especially the number of Non Executive and independent members (4 from a total of 7 members), ensure the necessary supervision of the activities performed by Executive Directors. The Report of the Board of Directors contains a section with a description of the activities carried out by Non Executive board members.

In view of Sonae Capital's size, the Company believes there is no need for a formal candidate selection process regarding Non Executive Directors. The interference of Executive Directors in that selection process is inevitable considering that, under the model adopted by the Company, the Board of Directors appoints, with the intervention of all its members, an Executive Committee. Thus, under the terms of the law, there is an effective participation of all Board members in the selection of its Executive and Non Executive members.


Under the Company's Articles of Association and the Board of Directors' Terms of Reference, there are no restrictions as to the maximum number of positions that Board members can hold simultaneously.

The Board of Directors is responsible for the management of the business and for carrying out all operations related to fulfilling the Company's objectives, and for that purpose, the Board is given the widest powers, including:

- To approve the Company's annual budget;
- To decide to associate the Company with any other person or entity under the terms of Article five of the Company's Articles of Association;
- To appoint third parties, individuals or corporate entities, to exercise office in other companies;
- To decide to issue bonds and to contract loans in national and/or international financial markets;
- To decide on the technical and financial assistance that the Company may give to affiliated or associated companies;
- To represent the Company, in or outside court, proposing or contesting any legal procedures, deciding to continue and abandon legal actions, and deciding on their settlement through arbitration proceedings. To that end, the Board of Directors can delegate its powers to a sole mandated person.

Under the terms of the Company's Articles of Association, the Board of Directors may also deliberate on share capital increases, through new entries in cash, up to one thousand million euro, in one or more stages. The Board of Directors determines, in accordance with the law, the conditions of subscription and the categories of shares to be issued, based on the existing ones at the time.

No specific responsibilities are assigned to each member of the Board, within the Company's business segments. With the exception of the responsibility of financial matters assigned to the Chief Financial Officer, no specific functional responsibilities are assigned to each member of the Board. Therefore the Board of Directors has not considered necessary the definition of a rotation policy of responsibilities in addition to the fact that a limitation of mandates may not be in the best interests of the Company. The Board of Directors has the powers to replace any



of its members if at a particular time it judges it to be in the best interests of the Company to do so.

The Company's Articles of Association establish that the Board of Directors appoints, if it so decides, one or more Managing Directors or an Executive Committee from amongst its members, to which it shall delegate the powers to manage the businesses that the Board may determine. The Board of Directors appointed an Executive Committee in 2008. Information on the Executive Committee can be found in section II.3 of this report.

The Board of Directors may also create specialised committees to ensure the effectiveness of the Non Executive Directors and of the main Board Meetings. Those currently created are the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee. The creation and activity of such specialised committees, composed solely of Non-Executive Directors, and the access to all available information under the terms of section II.3 allow, in the opinion of the Board of Directors, independent and well-informed decisions by Non-Executive Directors. Please refer to section II.4 for information on these committees.

According to the Company's Articles of Association, the Board of Directors meets at least once every quarter and, in addition, whenever the Chairman or two Board Directors convene a meeting. During 2010, the Board of Directors held five meetings, with a 97% attendance rate.

The Board of Directors may only deliberate if a majority of their members is present or represented, and decisions will be taken by a majority of votes cast by members present, represented or voting in writing.

The functioning and other logistic issues are dealt with by the Board's Secretary, which also ensures that records of decisions taken are kept in minutes of meetings and provides Board members with support information for the proposed agenda at least five days in advance and always leaving a weekend between distribution and the respective meeting.

The Board of Directors approved and enacted its Terms of Reference, which are available for consultation on the Company's website ([www.sonaecapital.pt](http://www.sonaecapital.pt)).



During 2010, members of the Board of Directors of Sonae Capital, SGPS, SA were paid the following remuneration and other compensation, exclusively at Sonae Capital, SGPS, SA level (Directors are not paid in any other Group company):

Values in Euro

Name	Fixed Remuneration	Performance Bonus Paid	Deferred Performance Bonus Paid	Total
Belmiro Mendes de Azevedo <sup>1</sup>	254,000	96,600	-	350,600
José Luis dos Santos Lima Amorim	184,000	57,200	15,660	256,860
Mário Pereira Pinto	121,340	-	-	121,340
<b>Sub-total Executive Directors</b>	<b>559,340</b>	<b>153,800</b>	<b>15,660</b>	<b>728,800</b>
Francisco de La Fuente Sánchez	22,500	-	-	22,500
Rafael Cerezo Laporta	15,000	-	-	15,000
Paulo José Jubilado Soares de Pinho	22,500	-	-	22,500
Pedro Manuel Bastos Mendes Rezende	15,000	-	-	15,000
<b>Sub-total Non executive Directors</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>75,000</b>
<b>Total</b>	<b>634,340</b>	<b>153,800</b>	<b>15,660</b>	<b>803,800</b>

<sup>1</sup> Previous year deferred performance bonuses were attributed to the Chairman and CEO of Sonae Capital, SGPS, SA. These bonuses were paid in cash at year end 2007 by Sonae, SGPS, SA and the net proceeds were used to buy shares in Sonae Capital, SGPS, SA, thus exposing the Chairman and CEO to fluctuations in the value of the Company to best align his interests with the interests of the Company and of its shareholders.

During 2010, no compensation to former Executive Directors was paid in relation to early contract termination. The Company has no supplementary pension retirement scheme set up for its Directors.

Executive Directors are included in the deferred performance bonuses plans based on shares, which are described in section III.6 of this report.

The Company has not defined any rules regarding compensation payments in the case of termination of duties during the respective mandate. In 2010, no such instances occurred and as a result no such payments were made. Any compensation occurring in the future will be that which results from applicable law.

Information on other offices held by the Company's Directors, qualifications and experience can be found in the curricula vitae included as an appendix to this report.

### II.3 Executive Committee

The Board of Directors delegates to the Executive Committee the powers to manage the day-to-day operations of the Company and, regulates how the Executive Committee operates and how the delegated powers can be exercised. The Board of Directors does not delegate the following powers:

- To appoint the Chairman of the Board;
- To co-opt a member to the Board;
- To convene Shareholders' General Meetings;
- To approve the Annual Report and Accounts;
- To grant any pledges, guarantees or charges over the assets of the Company;
- To decide to change the Company's registered office or to approve any share capital increases;
- To decide on mergers, de-mergers, modifications to the corporate structure of the Company;
- To approve the portfolio management strategy;
- To approve the financial plan and any significant changes thereto.

The existing Executive Committee was appointed on 9 April 2008, and its term of office ceases with that of the Board, and has the following members:

Name	Position
Belmiro Mendes de Azevedo	Chief Executive Officer
José Luís dos Santos Lima Amorim	Chief Financial Officer
Mário Pereira Pinto	Director

The Company's Executive Committee meets once a month and whenever the Chief Executive Officer or the majority of its members convenes it, in writing, at least 3 days before the meeting is held. There were fourteen meetings during the year 2010 with an 88% attendance rate.

The Executive Committee may only deliberate if a majority of its members is present or represented, and decisions are taken by a majority of votes cast by members present, represented or voting in writing.

The Executive Committee meetings may also be attended by members of the corporate team, at a Director's request, for assistance and advice on specific issues.

The functioning of the Committee and other logistic issues are ensured by the Executive Committee's Secretary (who is also the Board of Directors' Secretary), who also ensures records of decisions taken are kept in minutes of the meetings and provides Committee members with support information for the proposed agenda at least five days in advance and always leaving a weekend between distribution and the respective meeting. The existence of a common Secretary to both governing bodies, ensuring information flows between them, contributes to the timely supply of information and reduces misinterpretation of information requests, thus leading to more efficiency and effectiveness in the process.

During the year 2010, the approved minutes of the Executive Committee meetings were made available to Non Executive Board members and Fiscal Board members. Members of the Executive Committee provide timely and adequate information whenever requested by members of other statutory bodies.

#### **II.4 Internal Committees**

On 9 April 2008, the Board of Directors decided to appoint a Board Audit and Finance Committee (BAFC) and a Board Nomination and Remuneration Committee (BNRC), with their office ceasing with the Board's term of office.

As at 31 December 2010, the BAFC is composed of two Non Executive independent Directors, Francisco de La Fuente Sánchez (Chairman) and Paulo José Jubilado Soares de Pinho.

The BAFC reviews Company's reports, financial information and financial statements, before they are approved by the Board, advises the Board on reports to shareholders and financial markets, on the adequacy and appropriateness of internal information provided by the Executive Committee, including internal business controls, and on compliance with best practices in corporate governance, and evaluates risks associated with the Company's activities on behalf of the Board. The BAFC meets directly with the Statutory External Auditors and the Internal Audit team.

The BAFC shall meet at least six times a year before the disclosure of the annual and interim results, once before the approval of the annual consolidated budget, once to evaluate the effectiveness of corporate governance policies and practices of the Company and whenever it is convened by its Chairman, or the Board's Chairman or the Chief Executive Officer. During 2010, the BAFC held eight meetings, with 94% attendance by its members.

The Secretary of the BAFC circulates required agendas and support documents to the members of the BAFC at least five days in advance and always leaving a weekend between distribution and the respective meeting, also ensuring records of decisions taken are kept in minutes of the meetings.

As at 31 December 2010 the Board Nomination and Remuneration Committee (BNRC) is composed of two Non Executive independent Directors, Rafael Cerezo Laporta (Chairman) and Pedro Manuel Bastos Mendes Rezende.

The BNRC reports and proposes to the Board of Directors on nomination processes and remuneration systems of Executive and Non Executive Directors. To that end, it may take advice from external experts. This Committee also liaises with the Shareholders' Remuneration Committee, mentioned in section I.7 of this report.

The BNRC meets at least once a year, before the annual meeting of the Shareholders' Remuneration Committee. During the year of 2010, the BNRC held one meeting, with all members present.

The Chairman of the BNRC has considerable experience in matters relating to remuneration, having in the past been a member of worldwide committees responsible for remuneration and career management in a prominent company.

As already mentioned in section II.2, members of the abovementioned committees are considered independent.

Specialised committees may only deliberate if a majority of their members is present or represented, and decisions will be taken by a majority of votes cast by members present, represented or voting in writing. The deliberations of the specialised committees are taken into consideration on an advisory basis in support of decisions by the Board of Directors.

### **II.5 Fiscal Board**

In accordance with the Company's Articles of Association, the Fiscal Board shall be made of an odd or even number of members, with a minimum number of three members and a maximum number of five members, being the number of members decided upon by the Shareholders' General Meeting of the Company. One or two substitutes shall be appointed if the Fiscal Board is made up of three or more members, respectively.

The Fiscal Board appoints its Chairman if the Shareholders' General Meeting has not made such an appointment. If the Chairman ceases his/her functions before the end of his/her mandate, the remaining members shall choose amongst themselves who will perform those duties until the end of the mandate. Substitute member(s) shall replace effective member(s) who are unable or have ceased to exercise their functions, and shall remain member(s) until the next Shareholders' General Meeting which will appoint new members to fill any vacancy(ies). If there are no substitute members available, the Shareholders' General Meeting shall appoint new members.

As at 31 December 2010, the Fiscal Board had the following members:

<b>Name</b>	<b>Position</b>	<b>First Appointment on</b>
Manuel Heleno Sismeiro	Chairman	April 2009
Armando Luís Vieira de Magalhães	Member	December 2007
Jorge Manuel Felizes Morgado	Member	December 2007

The members of the Fiscal Board are of the opinion that they can all be considered independent under the terms of number five article 414 of the Portuguese Company Law and that they comply with all incompatibility rules mentioned in number 1 article 414-A of the Portuguese Company Law.

In ascertaining incompatibility rules applicable to the members of the Fiscal Board, the Company relies solely on criteria established in number one Article 414-A of the Portuguese Company Law, and has not defined, internally, any other assessment criteria.

Under the Company's Articles of Association and the Fiscal Board's Terms of Reference, there are no restrictions as to the maximum number of positions that Fiscal Board members can hold simultaneously. The limitation specified in Portuguese Company Law that limits the number of positions that Fiscal Board members can hold simultaneously to five, is not applicable to law firms, statutory audit firms and individual statutory auditors. All the members of the Fiscal Board of the Company are individual statutory auditors.

The duties of the Fiscal Board are those determined by law, which include amongst others:

- Overseeing the Company's Board of Directors;
- Overseeing compliance with legal and regulatory requirements and the Company's Articles of Association;
- Overseeing the preparation and disclosure of financial information;
- Convening the Shareholders' General Meeting, whenever the Chairman of the General Meeting fails to do so;
- Proposing the appointment of the Statutory Auditor to the Shareholders' General Meeting and overseeing the work performed by the Statutory Auditor on the Company's financial statements;
- Considering and overseeing the independence of the Statutory Auditor, namely in relation to additional services provided.

The Fiscal Board establishes, in the first meeting of each year, a work plan and timetable for the year, comprising among other subjects, the coordination of tasks with the Statutory Auditor including:

- Approval of the annual work plan of the Statutory Auditor;
- Follow-up of work performed and review of conclusions of the audit work and of interim and annual statutory audits;
- Overseeing the independence of the Statutory Auditor, and;
- Joint meeting with the Board Audit and Finance Committee (BAFC) for the review of matters regarding Internal and External Audit.

To carry out its duties, the Fiscal Board:

- Obtains from the Board of Directors, namely through the Board Audit and Finance Committee, all the necessary information to carry out its duties, namely relating to the operational and financial performance of the Company, changes to its business portfolio, the terms of any transactions that have occurred and the details of decisions taken;
- Reviews and monitors, during the year, the work of the internal and external auditors, and informs the Board of Directors of its recommendations;
- Monitors the risk management system, and, if there are any material issues, prepares an annual report of its assessment and recommendations to the Board of Directors;
- Receives from the Board of Directors, at least two days before the date of the meeting, the annual consolidated and individual financial statements and the Report of the Board of Directors and reviews in particular the main changes, relevant transactions and the corresponding accounting treatment applied;
- Receives from the Statutory Auditor, the statutory audit report on the financial statements, and reports its opinions and decisions taken;
- Records in writing communications of alleged irregularities that have been addressed to it, requesting information and clarification through the Board of Directors, and internal and/or external auditors, and prepares a report on its conclusions;
- Informs the Board of Directors about the procedures and checks carried out and the results thereof;
- Attends Shareholders' General Meetings;
- Carries out any other supervisory duties required by law.

To support the Fiscal Board's activity, the Company provides human and technical resources needed for scheduling meetings, preparing agendas, minutes and support documents and ensuring their timely distribution. Additionally, internal staff deemed relevant for matters in the agenda, is also present in the meetings, to present and explain the main questions raised by the Fiscal Board. Items in the agenda regarding External Audit issues are discussed, at the request of the Fiscal Board, without the presence of other department's staff. Lastly, reports prepared by the Statutory Auditor are simultaneously sent to the Board of Directors and to the Fiscal Board, since the latter holds meetings before the meetings of the Board of Directors.

The Fiscal Board issues an annual report on the supervisory work performed including the annual assessment of the Statutory External Auditor, as well as an opinion on the report of the Board of Directors, consolidated and individual financial statements and corporate governance report presented by the Board of Directors, in order to meet the legal deadlines for presentation of those documents to the annual Shareholders' General Meeting. The Fiscal Board's report on annual activity is included in the annual reports made available on the Company's website ([www.sonaecapital.pt](http://www.sonaecapital.pt)).

The Fiscal Board's Terms of Reference are available for consultation on the Company's website ([www.sonaecapital.pt](http://www.sonaecapital.pt)).

During 2010, members of the Fiscal Board of Sonae Capital, SGPS, SA were paid the following fixed remuneration (no other remuneration was paid):

Values in Euro

	<b>Fixed Remuneration</b>
Manuel Heleno Sismeiro	7,800
Armando Luís Vieira de Magalhães	6,300
Jorge Manuel Felizes Morgado	6,300
<b>Total</b>	<b>20,400</b>

Information on other offices held by members of the Fiscal Board, their qualifications and experience can be found in the curricula vitae included in an appendix to this report. For the number of company's shares held by Fiscal Board members, see section III.3.

## **II.6 Statutory External Auditor**

The Company's Statutory External Auditor for the period 2007 to 2010 is Deloitte & Associados, SROC, represented by António Marques Dias or by António Manuel Martins Amaral, serving its first mandate. The Statutory External Auditor was elected by the Shareholders' General Meeting, following approval of a proposal put forward by the Fiscal Board.



During 2010, the total remuneration paid to the Company's external auditors was 203,871 euro, corresponding to the following services provided:

Values in Euro

	2010	%	2009	%	2008	%
Statutory Audit <sup>1</sup>	140,171	68.8	158,542	78.4	154,387	74.3
Other Assurance <sup>2</sup>	-	0.0	-	0.0	8,500	4.1
Tax Consultancy <sup>2</sup>	21,450	10.5	10,000	4.9	45,000	21.6
Other Services <sup>2</sup>	42,250	20.7	33,750	16.7	-	0.0
<b>Total</b>	<b>203,871</b>	<b>100.0</b>	<b>202,292</b>	<b>100.0</b>	<b>207,887</b>	<b>100.0</b>

<sup>1</sup> Fees agreed for the year.

<sup>2</sup> Amounts invoiced.

In order to ensure External Auditor independence, tax consultancy services and other services (mostly related with management consulting) are provided by different teams than those involved in audit services. The Board Audit and Finance Committee and the Fiscal Board reviewed the scope of other services and concluded they did not affect the independence of Auditors.

In 2010, the Board of Directors approved a policy regarding audit and other related services rendered by the External Auditor. The implementation of this policy aims to ensure the independence of the External Auditor, defining other excluded services and establishing a threshold for other related services which can be rendered by the External Auditor to Sonae Capital Group companies, aligning the Company with best practices and complying with applicable laws and regulations. Within this policy, any services not comprised in the list of excluded services and that do not fulfil the criteria set for allowed services, have to be approved by the Board Audit and Finance Committee and by the Fiscal Board before they are committed, following a proposal of the related Administrative Department. The Board Audit and Finance Committee and the Fiscal Board shall be informed of fees invoiced regarding authorized services as they are being rendered. Every half year a summary of such fees must always be produced by the secretary of each of these bodies and reported to the Board Audit and Finance Committee and the Fiscal Board.

As part of its work plan, the external auditor confirmed the application of policies and remuneration systems, as well as the effectiveness and performance of internal control mechanisms, and has not identified any material issues that should be reported to the Company's Fiscal Board.

The Company has not defined and implemented a rotation policy for the Statutory External Auditor. It is the Board of Directors judgment that the replacement of the auditor or partner responsible for auditing services every seven years, currently imposed by law, is more than adequate to ensure the independence of the Statutory External Auditor together with the powers given to the Fiscal Board to oversee the independence of the Statutory External Auditor.

## II.7 Company Secretary

The Board of Directors appointed Anabela Nogueira Matos and André Pinto Rocha as Company's Secretary and respective substitute, whose offices cease with the term of office of the members of the Board of Directors. The Company's Secretary's duties are those determined by law, among which are:

- Providing support to the Shareholders' General Meeting and meetings of the Board of Directors;
- Keeping the formal minute books, the attendance lists and the share registration book;
- Forwarding legal notices for all statutory bodies meetings;
- Certifying signatures made by members of the statutory bodies in Company's documents;
- Certifying the total or partial content of the Company's Articles of Association, as well as the identity of the members of the various statutory bodies and respective competences;
- Requesting legal registration of any act of the statutory bodies in the Commercial Registry.

## II.8 Internal Control and Risk Management

One of the most important objectives of Sonae Capital is to ensure the implementation of internal control and risk management principles, that are appropriate to the Group's activities. Market visibility, exposure and diversification of the businesses' risks and the increasing speed of information transmission, makes the implementation of these principles crucial to value creation and compliance with ethical and social responsibility values. These objectives are pursued through coordinated plans and systems aimed at controlling uncertainties, preventing errors and irregularities from occurring, minimizing their consequences and maximizing the organisation's performance and the reliability of its information. It is made up of the following activities:

- Internal control policies and procedures;
- Risk management and internal audit;
- External audit.

Internal control policies and procedures are set at both corporate and business levels, with the goal of ensuring:

- Adequate segregation of functions and duties;
- Definition of authority and responsibility limits;
- Safeguarding the Group's assets;
- Control, legal compliance and appropriateness of operations;
- Execution of corporate plans and policies;
- Integrity and accuracy of accounting records;
- Effectiveness of management and quality of information produced.

Risk management, as a support to Sonae Capital's corporate culture and objectives, is inherent in all management processes and is a permanent concern of all Group managers and

employees. Risk management aims to create value and is one of the main components of the sustainable development of companies through the identification, understanding, management and mitigation of uncertainties and threats that may affect their different businesses, in order to increase the probability of their success and reduce the likelihood of failure.

Internal Audit assists the Group in accomplishing its objectives, through a systematic and structured approach to evaluate and improve effectiveness of risk management, controls and governance processes.

The Risk Management and Internal Audit functions are coordinated by a single manager at Sonae Capital's corporate centre level, and its activities are coordinated, reported and followed up by the Board Audit and Finance Committee. Additionally, the internal audit and risk management annual programme as well as biannual activity reports are submitted to the Fiscal Board. The implemented reporting system ensures regular feedback, adequate review of activities carried out and the possibility to adjust the plan of activities to emerging needs.

The Internal Audit function promoted activities according to an annual plan previously approved and based on an evaluation of business risks. During 2010, the plan included work on business processes, compliance and information systems, especially in Sonae Turismo's businesses, including the following:

#### **Processes**

SC Assets' businesses: Sales processes, assets management and after-sale services;  
Sonae Turismo's businesses: Invoicing, collection and cash management;  
Selfrio Group: Credit risk and control of bank guarantees given;  
Ecociclo II: Invoicing and insurances contracts.

#### **Compliance**

Health & Fitness: Health & Safety guide implementation.

#### **Information systems**

Sonae Turismo's businesses: Software licensing, wireless networks, front office and workflow systems.  
Sonae Capital: Software licensing, network security and web banking certificates.

Sonae Capital encourages continuous education and the adoption of best international methodologies and practices in Risk Management and Internal Audit. To that end, the Group supports attendance at training and knowledge update programmes, which include the international professional certification in Internal Audit promoted by the IIA – The Institute of Internal Auditors – the Certified Internal Auditor (CIA). The Internal Audit team members are Certified Internal Auditors.

The risk management function promotes, coordinates, facilitates and supports the development of risk management processes. In 2008, the Group launched a process relying on an uniform and systematic methodology based on the international model of Enterprise Risk Management – Integrated Framework of COSO (The Committee of Sponsoring Organisations of the Treadway Commission), which includes, amongst others, the following:

- Identification and classification of risks that affect the organization (common language);
- Definition and grouping of risks (dictionary and risk matrix);
- Evaluation and attribution of the significance and priority of risks, according to the impact on businesses objectives and probability of occurrence:
- Identification of the causes of the most important risks (critical);
- Evaluation of risk management's strategies (options);
- Development of risk management's plan of actions and integration into the planning and management processes of each business unit and functions;
- Monitoring and reporting of progress on the implementation of the plan of actions.

In view of the wide range of businesses and risks, this approach was firstly applied, in 2008, to the Fitness business, and was followed by the implementation, in 2009, of the resulting plan of actions, with particular focus on Health & Safety, Cleanliness and availability of Information Systems risks. This approach, initially expected to be applied in 2009 to the entire Troiaresort project (including the implementation of a plan of actions, which will be followed by the implementation of this framework to all Sonae Turismo's affiliates) was rescheduled to 2010 due to the need to develop and implement Influenza Type A (H1N1) contingency plans across the organization. The coordination and writing up of the contingency manuals required the identification of critical businesses, scenario development and definition of action and contingency plans. The main objective was to minimize impacts of the pandemic threat and to assure minimum services during the various crisis scenarios. Action plans were developed across four different areas: communication with most important stakeholders, treatment of suspect cases either among employees or customers, reducing the impact of absenteeism and supply chain management.

At Sonae Capital, the integrity and reliability of financial information is achieved by the existence of a clear distinction between producers and users of such information and also by performing several validation procedures throughout the process of its production and disclosure.

At the business level (individual companies), accounting processes and financial statement preparation are assured by the administrative services of Sonae Capital. These statements are also reviewed by the Chief Financial Officer of each business area.

Sonae Capital's consolidated financial statements are prepared on a quarterly basis by the consolidation department, within the administrative services of the Company's corporate centre. This represents an additional validation level of the integrity and reliability of the financial information, namely by ensuring the uniform application of accounting principles and standards across the individual companies.

The Statutory Auditors perform an annual audit and half year limited review of individual and consolidated financial statements. In performing their examination, in accordance with the Auditing Standards issued by the Portuguese Institute of Statutory Auditors, they are required to obtain a reasonable assurance, in the annual audit, and a moderate assurance, in the half year limited review, that financial statements are free from material misstatement. Such examination includes verifying, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Significant estimates and judgements made by management in their preparation are also assessed. Verification is also made of whether the accounting policies are appropriate, are consistently applied and adequately disclosed.

The Reporting and Investor Relations department is responsible for preparing the Report of the Board of Directors. The Statutory Auditors also review the content of this report (annual and semi-annual versions) and its conformity with supporting financial information.

In addition, in relation to the preparation of consolidated financial information and the Report of the Board of Directors, the whole process is overseen by the Fiscal Board and the Board Audit and Finance Committee. On a quarterly basis, these Bodies meet and review the consolidated financial statements and Report of the Board of Directors. Supporting information for the discussion of these issues is distributed in advance of the meetings. The Chief Financial Officer and supporting staff also attend these meetings, on request, to provide any clarification required.

The Statutory Auditors also present to the Fiscal Board and the Board Audit and Finance Committee, a summary of the main findings resulting from their examination of the Company's financial information.

Sonae Capital is exposed to a variety of financial risks namely interest rates, transaction and translation foreign currency exchange rates, liquidity, counterpart and credit risk, commodity and raw material prices, and debt and equity financial market fluctuations. Sonae Capital's financial risk management policy seeks to minimize potential adverse effects of the volatility of financial markets.

The current situation of financial markets places liquidity risk management at the forefront of companies' concerns. To that end, a comprehensive set of systems implemented in Sonae Capital ensures compliance with its payment obligations and the funding of its businesses and strategy.

The abovementioned systems, centralised in the Company's corporate headquarters, ensure liquidity management, financial planning based on cash flow forecasts, treasury and cash management control instruments, a variety of sources of and counterparts to funding, the adjustment of debt maturity profiles to cash flow generation and an adequate level of liquidity through contractual arrangements with relationship banks.

Sonae Capital's attitude towards financial market risk management is conservative and cautious, sometimes using derivative instruments to hedge certain exposures related to its operating businesses. The Company does not therefore enter into derivatives or other financial instruments that are unrelated to its operating businesses.

Management of financial risks is performed and monitored by the corporate finance function. The activity of the finance function is also reported to, coordinated and followed up by the Board Audit and Finance Committee.



## II.9 Whistle Blowing Policy

The main features of the whistle blowing policy currently in place are:

- The definition of irregularities, which for the purpose of the Company's Policies and Procedures for the Communication of Irregularities are facts that infringe or severely damage:
  - Compliance with legal, regulatory or ethical principles by members of the Company's statutory bodies and staff or of its affiliated companies, in the course of their professional activity;
  - Assets of the Company and of its affiliated companies, as well as assets of clients, shareholders, suppliers and commercial partners of the Company or any of its affiliated companies;
  - Good management practices and the image or reputation of the Company or of any of its affiliated companies;
- The procedures for communicating irregularities, namely the envisaged means to address the Chairman of the Fiscal Board, the procedures to ensure that communication reaches the recipient without being breached or read in advance and the need for the explicit and clear identification of the whistle blower (even if his/her identity is to be kept confidential and only known to the Chairman of the Fiscal Board);
- To ensure a thorough, rigorous and impartial review process, means the access of the Fiscal Board to all the relevant documentation that can be provided by the Company to fully investigate the reported irregularities and the prevention from access to the review process of any individual who, even indirectly, may have a conflict of interest with the disclosure of the review process;
- The handling of irregularities, particularly the fast and effective treatment of such communications, the implementation of corrective measures when necessary and the need to inform the whistle blower of such facts;
- The proposal of the Fiscal Board to the statutory bodies of the Company or to the statutory bodies of any affiliated company, when deemed necessary, for the adoption of measures considered necessary to solve the irregularities investigated;
- Prevent the potential occurrence of reprisals as a consequence of the whistle blowing activity as long as the whistle blower has not shown bad faith or participated in any irregularity.

The Company's Policy and Procedures, the main features of which are summarized above, are available for consultation on the Company's website ([www.sonaecapital.pt](http://www.sonaecapital.pt)).

During 2010, the Fiscal Board received several communications. After careful review those communications have been considered as customer complaints, related to service levels, and were forwarded to the respective businesses for appropriate treatment. All complaints were addressed promptly and followed-up until their conclusion.



## **II.10 Remuneration and Other Compensation**

The compensation policy of the members of the Statutory Governing Bodies of Sonae Capital, SGPS, SA was approved at the Shareholder's General Meeting held on 28 April 2010.

The approved policy is based on the understanding that initiative, effort and commitment are essential foundations for delivering good performance. It also aims at aligning individual contributions with the Company's strategic objectives, focussing primarily on performance compensation. Therefore, the contribution of individual actions, performance and efforts towards the company's overall performance should be annually evaluated and should impact the fixed and variable compensation to be attributed.

Under these guidelines, fixed remuneration is primarily linked to personal skills and the responsibility level inherent to each function, while variable remuneration is linked to the level of success achieved by the Company as well as by the companies managed by each individual.

The Company's remuneration policy does not foresee any compensation for ending the mandate of any Board member before its completion. In these cases, compensation will be made in accordance with applicable law.

The compensation policy approved by the Shareholders' General Meeting follows these guiding principles:

### **Executive Directors**

a) the compensation policy for Executive Directors includes three components: (i) a Fixed Remuneration, established on an annual basis, (ii) a Short Term Variable Bonus, established during the first quarter of the year following that to which it relates, and (iii) a Medium/Long Term Variable Bonus, with the aim of aligning Executive Directors interests with those of all shareholders, attributed annually, and which is discretionary and subject to deferred payment;

b) individual compensation takes into consideration that (i) the definition of each Executive Director's fixed remuneration is based on personal skills and the responsibility level inherent in each function. This remuneration will be based on the Company's situation and market practices; (ii) the Short Term Variable Bonus is based on the achievement of predefined objectives, based on performance indicators of the business and of the teams under their responsibility, as well as to individual performance indicators; (iii) the Medium/Long Term Variable Bonus is based on the responsibility inherent in each function and on individual skills, and on the achievement of predefined objectives, which are linked to performance indicators, and may be converted into Sonae Capital shares or its equivalent in cash on the date of payment, calculated using the share market price on the due date.

For additional information on the share based payments of Sonae Capital please refer to section III.6 of this report.

### **Non Executive Directors**

The remuneration of Non Executive Directors is made up of a fixed amount which is based on the Company's situation and market practices.

## **Fiscal Board**

The remuneration of members of the Fiscal Board is made up of a fixed amount which is based on the Company's situation and market practices.

## **Board of the Shareholders' General Meeting**

The remuneration of the members of the Board of the General Shareholders Meeting, if it exists, shall be made up of a fixed amount based on the Company's situation and market practices.

For the consideration paid as remuneration to each of the statutory bodies, please refer to the corresponding sections in this report.

For details of deferred performance bonuses please refer to section III.6 of this report.

### **II.11 Main Risks to which the Company and its affiliates are exposed**

In carrying out its activity Sonae Capital and its affiliates are exposed to several risks, of which the most relevant can be identified as follows:

- Sonae Capital's main assets, in its capacity as an investment holding company, are shareholdings. Sonae Capital is therefore dependent upon the possible distribution of dividends by its affiliated companies, the payment of interest, the repayment of loans granted and other cash flows distributed by those companies. The ability of affiliated companies to make funds available to Sonae Capital will depend in part on their capacity to generate positive cash flows. The ability of those companies to, on the one hand, distribute dividends, and on the other, pay interest and repay loans granted by Sonae Capital, is subject to, in particular, statutory and tax restrictions, their financial results, available reserves, financial structure and compliance with any contractual obligations duly undertaken.
- Some of the Sonae Capital Group's business areas have been recording losses and some businesses managed by companies held by Sonae Capital may require additional investment to expand their business operations through organic growth or future acquisitions. The additional investment by Sonae Capital may be raised through shareholders' equity or external debt. Sonae Capital cannot guarantee whether these funds, if necessary, will be obtained or that they will be obtained under the desired conditions. If Sonae Capital or its affiliated companies involved in those investments, do not obtain the necessary funds, the operating objectives or plans for business expansion may have to be altered or postponed.
- In carrying out its business activities, Sonae Capital and its affiliated companies are exposed to financial market risks, especially variations in market interest rates. If the latter increase, and given that part of the external debt of Sonae Capital and of its affiliated companies bears interest at variable rates indexed to market rates, future cash flows and the results of their operations may be adversely affected. In order to reduce the risk of interest rate increases, Sonae Capital may contract certain derivative instruments, but Sonae Capital cannot guarantee that these instruments will fully cover such risks.

- Sonae Capital's ability to successfully implement its strategy depends on the ability to recruit and retain the most qualified and competent employees for each function. Despite Sonae Capital's human resources policy being oriented towards attaining those goals, it is not possible to guarantee that there will be no limitations in this area in the future.

Sonae Capital has a diversified business portfolio, hence major risks to which its affiliates are exposed may be sector specific.

Most relevant risks are identified below:

- Sonae Turismo's businesses are subject to economic cycles and dependent on the growth of tourism activity and real estate in Portugal. Its tourism operations are dependent on tourist demand which, in turn, is linked to economic trends, both nationally and internationally. Any negative developments in the Portuguese economy or in the main countries feeding tourist visitors to the Portuguese market can have an adverse impact on its business performance. Similarly, leisure activity (health clubs and recreational facilities) can be affected by the economy's behaviour, notably, through a drop in consumer confidence, higher interest rates and the consequent impact on household disposable income.
- The successful marketing of high-quality tourism and residential property developments depends on the state of the real estate sector in Portugal and in major European countries (in view of the fact that a significant part of the tourism property developments is targeted at foreign investors) at the time that a group of property units is put on the market. A less favourable economic environment than expected can put at risk current business expectations, namely in relation to selling prices and marketing periods, with a potentially negative impact on the company's financial position.
- The business carried on by Sonae Turismo as a tourism and hotel operator is subject to supervision by the Directorate-General for Tourism and compliance with specific legislation for this activity. Any breach, or any alteration to the broad ranging legal framework applicable to the sector, could entail major risks for the business and for its operating performance.
- The activity carried out by Atlantic Ferries and by the Tróia Marina is subject to the terms and periods referred to in the concessionary contracts signed, as follows: (i) Atlantic Ferries entered into, with APSS (Associação dos Portos de Setúbal e Sesimbra), in 2005, a concessionary contract for the river crossing public transport service of passenger, light and heavy vehicles between Setúbal and the Tróia Peninsula. The concession was granted for a period of 15 years extendable for successive periods of 5 years, if both parties agree; (ii) the Tróia Marina entered into, with the APSS, in 2001, a concessionary contract for the operation of the Tróia Marina for a period of 50 years. Any breach of the contractual obligations could entail major risks for the activity and have an impact on the companies' earnings.

- The level of Sonae Turismo's business can depend on the intensity of competition – both regional and global – from the tourism destinations in which they operate. As a consequence of growth in demand, massive use of air transport and the emergence of new destinations, competition between tourism destinations is becoming increasingly more aggressive. However, over and above the convenience of the location, the brand's widespread awareness and the quality of the property development, in particular the offer of complementary facilities (restaurants, Golf, SPA and other leisure activities), are important competitive advantages in this sector. As far as the Tróia Peninsula is concerned, tourism real estate developments may also be affected by competition from other developments, in particular, on the Alentejo coast, the Algarve and southern Spain. However, it is important to point out that the **troia**resort project is being developed in an area where the existing biodiversity and cultural heritage are considered to be the factors which differentiate the project, and can be capitalised on with new tourism services and products with a positive impact on the project.
- In the leisure sector, namely in the health & fitness segment where Sonae Turismo operates through Solinca Health & Fitness (health clubs), competition is based on the price and quality of the services provided. The response to increased competition both as a result of the entry of new operators into the market, from their increased size due to mergers and acquisitions, and the decision to try to increase the number of customers/members, could force a reduction in prices charged or the application of promotional discounts.
- Some of the businesses carried out by Sonae Turismo are seasonal, with the result that abnormally adverse conditions during these periods could negatively affect the level of activity and operating results. These activities are subject to fluctuations in demand associated with natural disasters, as well as to factors of a social or political nature which could have an impact on the inflow of tourists and consequently on occupancy rates.
- The possibility of the occurrence of risks to public health in the restaurant and health club activities and of accidents that may put at risk the safety and health of customers at the respective premises, may result in Sonae Turismo being held liable for damages, which could have an adverse effect on the company's earnings and financial position. However, any possible risks for the restaurant and other businesses, arising from situations that could lead to public health risks are minimised by the implementation of a rigorous quality control and food safety system for processes and products, which is regularly audited by external companies with a view to continuous improvement. In this respect, Sonae Turismo uses tools such as HACCP (Hazard Analysis and Critical Control Points) defined in the "Codex Alimentarius" – Annex to CAC/RCP 1-1969, Rev. 4 (2003), undertaking to comply with the requirements specified therein, as well as with prevailing legislation, namely with Regulation (EC) nr. 853/2004 of the European Parliament and Council of 29 April 2004, relating to food hygiene.

The value of the activity of asset management and of the plots of land owned by SC Assets is largely dependent on the real estate market environment.

- Praedium is responsible for the development of high quality residential property developments, with its portfolio including the City Flats building and the Efanor Project, in Matosinhos. The profitability of the real estate activity of Praedium is very dependent on the signing of purchase and final sale contracts, given that the associated revenues and costs are only recognized at this point in the development process. Consequently, the business is strongly dependent on the speed with which housing permits are issued, without which it is not possible to sign purchase and sale contracts. The success of the marketing and sale of Praedium's assets is strongly dependent on macroeconomic performance to the extent that there is an immediate and direct correlation between it and the demand for new housing.
- The real estate sector in Portugal is marked by the very high number of parties involved, especially developers, resulting in extremely aggressive competition. Praedium believes in the sustainable development of its assets environmentally, and thus has sought environmental certification for the management of the Efanor Project. In addition to a number of obligations in the construction stage, this involves the use of renewable energy sources within the complex. These practices aim to anticipate and deal with the associated environmental risks.

Activities related to refrigeration, air conditioning and related maintenance services (Selfrio Group) have specific risks, the majority of which are related to competition from other companies operating in the same markets and to the economic situation. The following major risks have been identified:

- SKK's (retail of equipment) growth may be limited by pressure from Spanish rivals which are beginning to start up business in Portugal;
- Engineering services in the refrigeration area (Selfrio SA, Sistavac and Sopair) may suffer a slowdown in their growth and profitability rates due to cuts in capital expenditure by the large food retailers and in the property sector, although new opportunities exist in alternative energies which could compensate for this reduction;
- Maintenance, technical assistance and planning services in the electricity, electromechanical and air conditioning and ventilation areas (SMP) are dependent on a limited number of customers, as a result of which cancellation of a contract may lead to excess capacity which must be managed, not only by increasing the customer base, but also by diversifying the range of services provided, allowing staff to be relocated if one of these contracts is lost.

TP - Sociedade Térmica Portuguesa, S.A. (TP) carries out its activity in partnership with other companies in the wind-power and cogeneration business. Although this form of electric power production is a more efficient alternative and "environmental friendly", it nonetheless entails certain risks that could have an impact on the earnings of the companies concerned.



- In Portugal, the development of wind power in the next few years will be closely linked to the “Eólicas de Portugal” consortium that won a concession to produce wind power of up to 1,200 MW for installation by 2013, through a public tender offer by the Portuguese Government. Sonae Capital, via TP, forms part of this consortium which includes other wind power developers, such as Enernova (EDP Group), Finerge, held by Endesa, and Generg. Another partner is the German manufacturer and world leader in aero generators, Enercon, which has developed an industrial project aimed at creating a wind farm manufacturing cluster in Portugal. The risks associated with the production of wind power are related to obtaining environmental approval, which is essential for the licensing of wind farms.
- Cogeneration is a form of rationalising the consumption of energy, given that the production of electric energy based on the energy released at the moment of combustion, is synonymous with the most efficient use of fuel (natural gas or fuel oil in the case of TP). A cogeneration power plant uses less fuel compared to that used in separate production of the same quantities of thermal and electric power. Related risks concern the award of CO2 emission licences. Up to 2012, licences for the emission of CO2 were issued free of charge, but after that date nothing has yet been defined regarding new licences to be attributed. However, it is important that the limits on greenhouse gas emissions that Portugal has committed to under the Kyoto Protocol are not exceeded.
- Both businesses – wind power generation and cogeneration – have predefined tariffs set by the State, which thus encourages the production of this alternative form of electric power generation, since it is more efficient and less polluting. Thus, the risks relating to the selling price of energy are substantially reduced. In cogeneration projects, thermal energy is sold for industrial use, with the relevant price indexed to the price of fuel. Electric power is sold at the price set by the State for a protracted period of time (12 years). In the case of wind power projects, tariffs are also set by the State for a period of 15 years. Since the average duration of a wind farm is roughly 20 years, this risk is thus minimal.
- The wind power business carried out by TP is subject to weather conditions, i.e. the wind, which could have a negative effect on activity and the company’s operating results. In any event, this risk is mitigated, given that before the construction of a wind farm, a wind study is conducted over a minimum period of 2 years (study period which is consensually accepted as sufficient for correctly assessing the availability of wind resources at a specific location).
- TP’s business as a company operating in the wind power and cogeneration sector, is subject to supervision by the Directorate-General for Geology and Energy (DGGE) and by the Energy Services Regulator (ERSE) - the entities responsible for regulating the electricity sector in Portugal -, and to compliance with specific legislation dealing with this sector. Any non-compliance, as well as any alteration to this wide ranging legal regime applicable to the sector could imply major risks for the activity and for its operating performance.



Norscut holds the concession for the operation and maintenance under the shadow toll regime (*portagem sem cobrança aos utilizadores - SCUT*) of the A24 motorway and associated roads (motorway which links Viseu to the Chaves border). The concession is operated under a contract signed with the State on 30 December 2000 for a period of 30 years. Any breach of the contract's conditions could entail major risks for Norscut's activity and its operating performance. This contract may be changed as a result of ongoing negotiations endorsed by the Portuguese government, which intends to change the operating model, paying the concessionary for the availability of the infrastructure and not for its use. These contractual changes have not yet been agreed and may have a significant impact in the company's activity.

### **III. Information disclosure**

#### **III.1 Share Capital structure**

Sonae Capital was incorporated on 14 December 2007 with a fully subscribed and paid up share capital of 250,000,000 euro, made up of 250,000,000 ordinary shares, bearer and non-titled, each with a nominal value of 1 euro.

All shares of Sonae Capital were admitted to trading on Euronext Lisbon regulated market on 28 January 2008.

According to the Company's Articles of Association, shares can be titled or non-titled shares, nominal or bearer, freely interchangeable, according to the terms of the law. Preferential shares without voting rights may be issued, which can be redeemable, at nominal value, with or without the addition of a premium, if the Shareholders' General Meeting so decides. If this is the case, the meeting shall determine the method of calculation of any redemption premium. The Company may issue autonomous warrants, under the terms of the law, and with conditions that are determined by resolution of the shareholders or of the Board of Directors, under the terms specified in the Articles of Association.

Sonae Capital's shareholders have, under the terms of the law, the right to share in profits, the right to attend the Shareholders' Annual General Meeting and exercise their right to vote, the right to a share of the net assets of the Company in case of liquidation, the right to convert shares, the right to information and preference rights in offers for subscribing shares of the same category.

As far as the Company is aware, there are no shareholders with special voting rights, nor are there limitations, restrictions or shareholders' agreements in place regarding the transfer, control or sale of shares or voting rights.

Resolutions at the Shareholders' General Meeting regarding changes to the Articles of Association can only be taken, at the first instance, as long as shareholders representing over 50% percent of the share capital are present or represented (the law establishes a threshold of one third of the share capital). The resolution must be approved by two thirds of the votes cast, whether the meeting is held at first or second instance. The Articles of Association of the Company allow votes in writing in respect to all matters.

Sonae Capital does not have an employee shareholder system in place, hence there are no control mechanisms for such systems in which the voting rights are not directly exercised by them.

### III.2. Qualifying Shareholdings

As at 31 December 2010, those shareholders, who in accordance with article 20 of the Securities Code, held qualifying shareholdings representing at least 2% of the share capital of Sonae Capital, were the following:

Shareholder	Nr. Shares Held	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A.	156,504,947	62.602%	62.602%
Mohnish Pabrai	17,166,440	6.867%	6.867%
Banco BPI, S.A.	5,753,727	2.301%	2.301%

On 17 November 2010, the following announcements were made regarding changes in qualified shareholdings:

- Sonae, SGPS, SA informed about the acquisition of 16,600,000 shares, corresponding to 6.640% of the voting rights of Sonae Capital SGPS, SA. This shareholding is attributable to Efanor Investimentos, SGPS, SA and is included in the percentage disclosed in the table above (62.602%);
- Banco BPI, SA informed about the sale of 16,600,000 shares, corresponding to 6.640% of the voting rights of Sonae Capital SGPS, SA.

### III.3 Shares held by members of Governing Bodies

In accordance with and for the purposes of article 447 of the Portuguese Company Law, the number of shares held by members of the Governing Bodies as at 31 December 2010 was as follows:

Governing Bodies	Nr. Shares Held
<b>Board of Directors</b>	
Belmiro Mendes de Azevedo	838,862
José Luís dos Santos Lima Amorim	8,125 <sup>1</sup>
Mário Pereira Pinto	8,125 <sup>1</sup>
Francisco de La Fuente Sánchez	-
Rafael Cerezo Laporta	-
Paulo José Soares Jubilado de Pinho	20,775 <sup>2</sup>
Pedro Manuel Bastos Mendes Rezende	-

## Fiscal Board

Manuel Heleno Sismeiro	-
Armando Luís Vieira de Magalhães	-
Jorge Manuel Felizes Morgado	-

<sup>1</sup> Shares held indirectly by companies in which the Director is a member of the governing bodies.

<sup>2</sup> Includes 8,125 shares held indirectly by companies in which the Director is a member of the governing bodies.

During 2010, no transactions of Sonae Capital's shares, attributable to members of the Governing Bodies, occurred.

### III.4 Sonae Capital Shares

#### Sonae Capital's share information:

<b>Name:</b> Sonae Capital, SGPS, SA	<b>ISIN code:</b> PTSNPOAE0008
<b>Security's issuer:</b> Sonae Capital, SGPS, SA	<b>NYSE Euronext:</b> SONC
<b>Listing date:</b> 28 January 2008	<b>Reuters:</b> SONAC LS
<b>Share capital:</b> 250,000,000 €	<b>Bloomberg:</b> SONC.PL
<b>Listed amount:</b> 250,000,000 shares	
<b>Treasury stock:</b> The Company does not own treasury stock	

During 2010, Sonae Capital's share price decreased 50.6%. In the same period, the Portuguese Stock Market reference index (PSI20) decreased 10.3%.

The following table and chart summarizes the most relevant information on the Sonae Capital shares traded in Euronext Lisbon.

Euronext Lisbon	2010	2009
<b>Closing prices</b>		
31 Dezembro N-1	0.83 €	0.44 €
Maximum price	0.83 € (05 Jan.10)	0.97 € (21 Aug.09)
Minimum price	0.39 € (30 Nov. 10)	0.42 € (06 Mar.09)
31 Dezembro N	0.41 €	0.83 €
<b>Transactions</b>		
Average daily quantity	353,094	453,992
Total shares traded	91,098,154	116,221,841

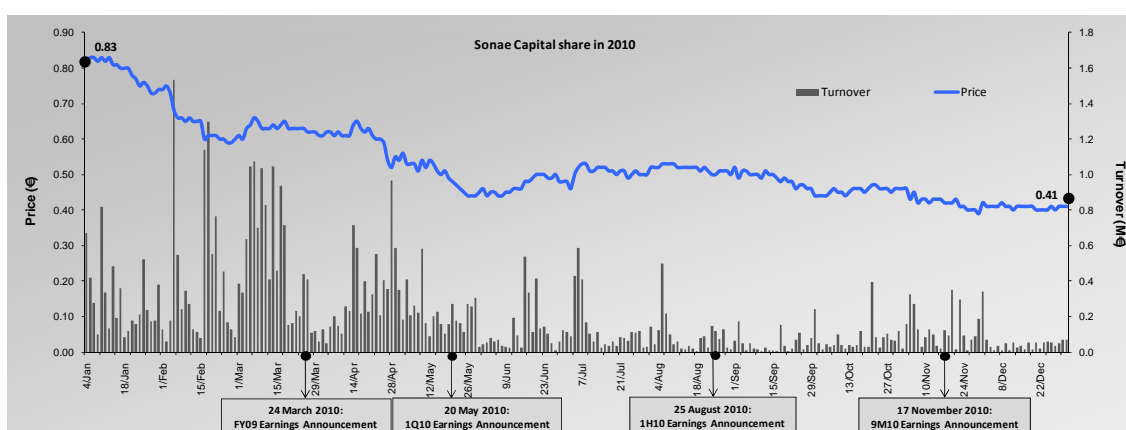
## Turnover

Total (million euro)	52.0	82.1
Average daily turnover (million euro)	0.20	0.32

## Market Capitalisation (a)

Year end (31 December N)	102,500,000 €	207,500,000 €
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<sup>(a)</sup> Market capitalisation was calculated using the total number of shares.



During 2010, and further to the earnings disclosure highlighted in the previous graph, the following corporate events were announced to the market:

- **14 April 2010**  
Inparvi, SGPS, SA sold the whole of the shareholding in Société des Essences Fines Isoroy, as well as shareholder loans which had been granted;
- **5 August 2010**  
Spred, SGPS, SA sets the terms for the sale of the whole of the share capital of Box Lines – Navegação, SA.
- **17 September 2010**  
Sonae Capital, SGPS, SA informs about effects of the agreement for the sale of the whole of the share capital of Box Lines – Navegação, SA, following the non opposition from the Competition Authority.

### III.5 Dividend Distribution

The Company was incorporated in December 2007 and has no history of dividend distribution.

The Board of Directors will not propose a dividend distribution in the next Shareholders' General Meeting.

In the future, the Board of Directors may submit proposed dividend distributions for approval by the Shareholders' Annual General Meeting, after taking into consideration the Company's performance, its investment plans and business environment.

### III.6 Share Plans and Stock Option Plans

During the 2010 financial year, the Company did not adopt any share allotment plans or stock option plans.

In 2007 and previous years, the Sonae Capital Group granted deferred performance bonuses, based on shares of Sonae Capital, SGPS, SA to be acquired at nil cost, three years after they were attributed. The acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The Company has the choice to settle in cash instead of shares, and the option can only be exercised if the employee still works for the Sonae Capital Group on the vesting date. On 28 January 2008, existing liabilities based on Sonae SGPS, SA's shares have been recalculated to reflect liabilities based on Sonae Capital, SGPS, SA's shares. Closing share prices as at that date were used in the recalculation.

In 2008, 2009 and 2010, the Group has granted deferred performance bonuses based on shares of Sonae Capital, SGPS, SA, under terms similar to those described in the previous paragraph. The Group believes that exposing Directors to share price fluctuations is the most appropriate form of aligning Directors with shareholders interests.

As at 31 December 2010, 2009 and 2008, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarized as follows:

Year of grant	Vesting year	Number of participants	Fair value		
			31. Dec.10	31 Dec.09	31 Dec.08
2006	2009	-	-	-	73,981
2007	2010	-	-	75,080	49,081
2008	2011	3	34,015	207,760	120,607
2009	2012	4	141,664	420,165	-
2010	2013	4	145,478	-	-
<b>Total</b>			<b>321,157</b>	<b>703,005</b>	<b>243,669</b>

### III.7 Related Party Transactions

Business dealings or transactions with members of the Board of Directors or holders of qualified shareholdings, are part of the day to day activity of Sonae Capital affiliated companies and made on an arm's length basis. The amounts involved, essentially from rents charged, are not material.

There were no business dealings with Fiscal Board members.

Transactions with the Statutory Auditor were solely those related to his official duties, and the fees paid are described in section II.6 of the current report.

Transactions with holding companies, affiliates or group companies were not material and were made on an arm's length basis as part of the normal business activity of the Company and, as such, do not require further disclosure.

In 2010, the Fiscal Board approved a regulation regarding transactions of the Company with shareholders owning qualified shareholdings (under the terms of articles 16 and 20 of the Securities Code) and their related parties (according to definition of nr. 1 of article 20 of the Securities Code), which defines the threshold above which transactions must be communicated by the Executive Committee to the Board Audit and Finance Committee and the Fiscal Board. According to this regulation, together with the notification of the transaction, the Executive Committee should describe to the Board Audit and Finance Committee and the Fiscal Board the procedures adopted to ensure that the transaction is made under normal market conditions and that it is safeguarded from any potential conflicts of interest. After obtaining all the relevant information, the Fiscal Board will issue its opinion on the transactions which were submitted. In 2010, the Fiscal Board issued favourable opinions regarding all transactions which were communicated.

### **III.8 Investor Relations Office**

Sonae Capital, SGPS, SA, via its Investor Relations Office maintains constant contact with investors and analysts by providing up to date information. In addition, on request, it provides clarification of relevant facts about the Company's activities, as already disclosed under the terms of law.

The objective of the Investor Relations Office of Sonae Capital, SGPS, SA is to ensure adequate relations with shareholders, investors, analysts, as well as with financial markets, particularly, with Euronext Lisbon and with the Portuguese Securities Market Commission (CMVM).

In addition to the information about the Company available on the Company's official website ([www.sonaecapital.pt](http://www.sonaecapital.pt)), the Investor Relations Office of Sonae Capital, SGPS, SA, supplies, whenever necessary, all relevant information related to material events and answers queries from shareholders, investors, analysts and general public about financial indicators and different business areas' information available to the public

In strict compliance with law and regulations, the Company informs expeditiously its shareholders and the capital markets in general of all relevant facts concerning its activities, avoiding delays between their occurrence and disclosure.

Information is made publicly available through the Information Disclosure System of the Portuguese Securities Market Commission ([www.cmvm.pt](http://www.cmvm.pt)) and on the Company's own website ([www.sonaecapital.pt](http://www.sonaecapital.pt)).

The Investor Relations Office can be contacted at: Telephone: +351 22 010 79 03; Fax: +351 22 010 79 35; E-mail: [ir@sonaecapital.pt](mailto:ir@sonaecapital.pt); Address: Lugar do Espido, Via Norte, Apartado 3053, 4471-909 Maia. The Investor Relations Manager is Bárbara Almeida, who can be contacted using the above numbers and address.

The Legal Representative for Capital Market Relations is José Luís dos Santos Lima Amorim (Telephone: +351 22 010 79 03; Fax: + 351 22 010 79 35; E-mail: [jamorim@sonaecapital.pt](mailto:jamorim@sonaecapital.pt)).

Sonae Capital makes available a website for disclosing corporate information about the Company. The website address is: <http://www.sonaecapital.pt>.



In order to create greater interaction with shareholders and investors, the website contains a section entirely devoted to Investor Relations and information available includes:

- **Corporate Details** – General information about the Company;
- **Articles of Association**;
- **Corporate Governance** – Members of the Corporate Bodies, Terms of Reference of the Board of Directors and of the Fiscal Board, Corporate Governance Reports and Whistle Blowing Policy;
- **Capital Market Relations** – Contacts of the Representative for Capital Market Relations;
- **Investor Relations Office** – Contacts of the Office;
- **Investor Calendar** – Key dates for earnings announcements;
- **General Meetings** – Describes all procedures and includes all related documents (notices, proposals, participation and voting conditions and decisions);
- **Market Information** – Sonae Capital share price, tracked against PSI20 and downloadable historical data;
- **Announcements** – All press-releases disclosed to the market (CMVM site);
- **Report & Accounts** – Annual Report & Accounts since the Company's incorporation;
- **Other Reports & Presentations** – Institutional Presentation (updated every 6 months), Cushman & Wakefield Property Valuation Report and the Prospectus for the Listing;
- **Analysts** – List of equity analysts covering Sonae Capital.

The Company believes that through these procedures it ensures permanent contact with the market and respect for the principles of equal treatment of shareholders and equal access to information by investors.

Maia, 2 March 2011

The Board of Directors



## **Appendix to the Corporate Governance Report**

### Curricula Vitae of the Members of the Governing Bodies

## Belmiro Mendes de Azevedo

Chairman and CEO of Sonae Capital, SGPS, SA



**Age: 73**

**Nationality: Portuguese**

### Education:

- Graduation in Chemical Engineering - Porto University (1963)
- PMD (Programme for Management Development) - Harvard Business School (1973)
- Financial Management Programme - Stanford University (1985)
- Strategic Management - Wharton University (1987)

### Positions held in Group Companies:

Chairman of the Board of Directors of the following companies:

- SC, SGPS, SA
- Sonae Turismo, SGPS, SA
- Spred, SGPS, SA
- Selfrio, SGPS, SA

### Positions held in Other Companies:

- Member of the EGP-UPBS (University of Porto Business School) General Board
- Founding Member of Manufature Portugal Forum
- Member of the European Advisory Board of Harvard Business School
- Member of WBCSD - Order of Outstanding Contributors to Sustainable Development
- Member of the International Advisory Board of Allianz AG
- Member of the European Union Hong-Kong Business Cooperation Committee

### Main Professional activities in the last five years:

- 1999-2007 - Chairman and CEO of Sonae, SGPS, SA
- Since 2003 - Chairman of the Board of Directors of Sonae Indústria, SGPS, SA
- Since 2007 - Chairman of the Board of Directors of Sonae, SGPS, SA  
Chairman and CEO of Sonae Capital, SGPS, SA

## José Luís dos Santos Lima Amorim

Executive Director of Sonae Capital, SGPS, SA



**Age: 54**

**Nationality: Portuguese**

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Education:	<ul style="list-style-type: none"><li>▪ Graduation in Economics - Faculdade de Economia, Porto University (1978)</li><li>▪ Member of the Statutory Auditors Institute (since 1982)</li></ul>
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Positions held in Group Companies:	Chairman of the Board of Directors of the following companies:
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- Bloco Q - Sociedade Imobiliária, SA
- Bloco W - Sociedade Imobiliária, SA
- Casa da Ribeira - Hotelaria e Turismo, SA
- Centro Residencial da Maia, Urbanismo, SA
- Country Club da Maia - Imobiliária, SA
- Empreendimentos Imobiliários Quinta da Azenha, SA
- Golf Time - Golfe e Investimentos Turísticos, SA
- Imoarea - Investimentos Turísticos, SGPS, SA
- Imoclub - Serviços Imobiliários, SA
- Imoferro - Sociedade Imobiliária, SA
- Imohotel - Empreendimentos Turísticos Imobiliários, SA
- Imopenínsula - Sociedade Imobiliária, SA
- Imoresort - Sociedade Imobiliária, SA
- Imosedas - Imobiliárias e Serviços, SA
- Marimo - Exploração Hoteleira e Imobiliária, SA
- Marmagno - Exploração Hoteleira e Imobiliária, SA
- Marvero - Exploração Hoteleira e Imobiliária, SA
- Modus Faciendi - Gestão e Serviços, SA
- Praedium - SGPS, SA
- Praedium II - Imobiliária, SA
- Praedium - Serviços, SA
- Prédios Privados - Imobiliária, SA
- Predisedas - Predial das Sedas, SA
- S.I.I - Soberana - Investimentos Imobiliários, SA
- SC, Assets, SA
- SC - Engenharia e Promoção Imobiliária, SGPS, SA
- Sodesa - Comercialização de Energia, SA
- Solinca - Investimentos Turísticos, SA
- Soltróia - Sociedade Imobiliária de Urbanização e Turismo de Tróia, SA
- Torre São Gabriel, Imobiliária, SA
- Tróia Market - Supermercados, SA
- Troiaresort - Investimentos Turísticos, SA
- Troiaverde - Exploração Hoteleira e Imobiliária, SA
- Tulipamar - Exploração Hoteleira e Imobiliária, SA

- Urbisedas - Imobiliária das Sedas, SA
- Venda Aluga - Sociedade Imobiliária, SA
- World Trade Center Porto, SA

Member of the Board of Directors of the following companies:

- Contacto Concessões, SGPS, SA
- Imoponte - Sociedade Imobiliária, SA
- Inparvi, SGPS, SA
- Investalentejo, SGPS, SA
- Norscut - Concessionária de Auto Estradas, SA
- Promessa - Sociedade Imobiliária, SA
- SC - Sociedade de Consultadoria, SA
- SC, SGPS, SA
- Sete e Meio - Investimentos e Consultadoria, SA
- Sete e Meio Herdades - Investimentos Agrícolas e Turismo, SA
- Solinfitness Club Málaga, SL
- SC Finance, BV
- Sonae Turismo - SGPS, SA
- Sontur, BV
- Sopair, SA
- Spred - SGPS, SA
- TP - Sociedade Térmica Portuguesa, SA
- Vistas do Freixo - Empreendimentos Turísticos e Imobiliários, SA

Member of the Management Board of the following companies:

- Aqualuz - Turismo e Lazer, Lda
- Marinamagic - Exploração de Centros Lúdicos e Marítimos, Lda

Positions held in Other Companies:	Member of the Board of Directors of Change Partners, SCR, SA
Main Professional activities in the last five years:	<ul style="list-style-type: none"> <li>▪ 1999-2007 - Planning and Control Management of Sonae, SGPS, SA</li> <li>▪ 1999-2007 – Secretary of the Board of Directors and Executive Committe of Sonae, SGPS, SA</li> <li>▪ 2001-2007 - Investor Relations Director at Sonae, SGPS, SA</li> <li>▪ Since 2007 - Executive Member of the Board of Directors of Sonae Capital, SGPS, SA</li> </ul>

## Mário Pereira Pinto

Executive Director of Sonae Capital, SGPS, SA



**Age: 59**

**Nationality: Portuguese**

Education:	<ul style="list-style-type: none"><li>▪ Graduation in Economics - Faculdade de Economia, Porto University (1975)</li><li>▪ Advanced Management Programme - INSEAD, Fontainebleau (1989)</li></ul>
Positions held in Group Companies:	<p>Member of the Board of Directors of the following companies:</p> <ul style="list-style-type: none"><li>▪ Lidergraf - Artes Gráficas, SA</li><li>▪ SC, SGPS, SA</li><li>▪ SC - Sociedade de Consultadoria, SA</li><li>▪ Sociedade Europeia de Arroz - SEAR, SA</li><li>▪ Sodesa - Comercialização de Energia, SA</li><li>▪ Sopair, SA</li><li>▪ Spred, SGPS, SA</li><li>▪ TP - Sociedade Térmica Portuguesa, SA</li><li>▪ Norscut - Concessionária de Auto Estradas, SA</li></ul>
Positions held in Other Companies:	<p>Chairman of the Board of Directors of the following companies:</p> <ul style="list-style-type: none"><li>▪ Change, SGPS, SA</li><li>▪ Change Partners, SCR, SA</li><li>▪ Change Partners I, SGPS, SA</li><li>▪ Glomack - SGPS, SA</li><li>▪ Hottrade, Representações e Serviços, SA</li><li>▪ Bicaveiro, Vending, SA</li></ul> <p>Member of the Board of Directors of the following companies:</p> <ul style="list-style-type: none"><li>▪ BA - Glass, SA</li><li>▪ Consumo em Verde - Biotecnologia de Plantas, SA</li></ul> <p>Member of the Management Board of the following companies:</p> <ul style="list-style-type: none"><li>▪ PSISA - Consultores, Lda</li></ul> <p>Chairman of the Fiscal Board of Estoril-Sol, SGPS, SA</p>
Main Professional activities in the last five years:	<ul style="list-style-type: none"><li>▪ Since 2002 - Chairman of Change Partners, SCR, SA</li><li>▪ Since 2007 - Executive Member of the Board of Directors of Sonae Capital, SGPS, SA</li></ul>



## Francisco de La Fuente Sánchez

Non Executive Director of Sonae Capital, SGPS, SA



**Age: 69**

**Nationality: Portuguese**

Education:	<ul style="list-style-type: none"><li>Graduation in Electro technical Engineering – Instituto Superior Técnico (1965)</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies:	<ul style="list-style-type: none"><li>Chairman of the Board of the Shareholders' General Meeting of Iberwind – Desenvolvimento e Projectos, SA</li><li>Co-option member of Instituto Superior Técnico School Council</li><li>Non Executive Chairman of the Board of Directors of EFACEC Capital</li><li>Member of Conselho Nacional da Água</li><li>Chairman of the General Council of PROFORUM</li><li>Member of the Consultative Council of the Department of Electro technical and Computer Engineering of Instituto Superior Técnico</li><li>Chairman of the National Council of the Electro technical Engineering Board of the Engineers Institute</li><li>Member of the Patronage of Hidroeléctrica del Cantábrico Foundation</li><li>Member of the Consulting Council of the Competitiveness Forum</li><li>Honorary Chairman of Hidroeléctrica del Cantábrico, SA</li><li>Member of the Curators Council of the Luso-Brazilian Foundation</li><li>Member of the Ibero American Forum</li><li>Member of the Curators Council of the Luso-Spanish Foundation</li></ul>
Main Professional activities in the last five years:	<p>In the EDP Group and Electrical Sector in Portugal:</p> <ul style="list-style-type: none"><li>2005 - 2009 – Chairman of EDP Foundation</li><li>2006 - 2007 – Advisor to the Board of Directors of EDP – Electricidade de Portugal, SA</li><li>2004 - 2006 – Chairman of ELECPOR - Associação Portuguesa das Empresas do Sector Eléctrico</li><li>2003 - 2006 – Chairman of the Board of Directors of EDP - Energias de Portugal, SA</li></ul> <p>In the Electrical Sector outside Portugal:</p> <ul style="list-style-type: none"><li>Since 2005 - Honorary Chairman of Hidroeléctrica del Cantábrico, SA</li><li>2002 - 2005 – Board Member of Hidroeléctrica del Cantábrico, SA</li></ul> <p>In Other Sectors:</p> <ul style="list-style-type: none"><li>Since 2010 – Chairman of the Board of the Shareholders' General Meeting of Iberwind – Desenvolvimento e Projectos, SA</li><li>Since 2009 - Co-option member of Instituto Superior Técnico School Council</li><li>Since 2007 - Non Executive Chairman of the Board of Directors of EFACEC Capital - Member of Conselho Nacional da Água</li></ul>

- Chairman of the General Council of PROFORUM
- Member of the Consultative Council of the Department of Electro technical and Computer Engineering of Instituto Superior Técnico
- Chairman of the National Council of the Electro technical Engineering Board of the Engineers Institute
- Since 2005 - Member of the Patronage of Hidroeléctrica del Cantábrico Foundation
  - Member of the Consulting Council of the Competitiveness Forum
- Since 2004 - Member of the Curators Council of the Luso-Brazilian Foundation
- Since 2003 - Member of the Ibero American Forum
- Since 2002 - Member of the Curators Council of the Luso-Spanish Foundation
- 2007 - 2009 - Chairman of the Corporate Governance Committee of the Supervisory Board of Millennium BCP –Banco Comercial Português
- 2006 - 2009 - Membro do Conselho Geral e de Supervisão do Millennium BCP – Banco Comercial Português
- 2006 - 2007 - Non Executive Vice-Chairman of the Board of Directors of Efacec
- 2004 - 2010 - Member of the Consultative Council of the Portuguese Institute of Corporate Governance
- 2004 - 2007 - Chairman of BCSD Portugal – Business Council for Sustainable Development
  - Chairman of PROFORUM – Associação para o Desenvolvimento da Engenharia
- 2003 - 2005 - Director of the Competitiveness Forum
- 2001 - 2006 – Member of the Consulting Council of APDC – Associação Portuguesa para o Desenvolvimento das Comunicações
- 2000 -2010 – Non Executive Director of Portugal-África Foundation
- 2000 - 2006 – Member of the Superior Council of BCP – Banco Comercial Português
  - Non Executive Chairman of the Board of Directors of ONI
  - Member of the General Council of AIP – Associação Industrial Portuguesa

## Rafael Cerezo Laporta

Non Executive Director of Sonae Capital, SGPS, SA



**Age: 60**

**Nationality: Spanish**

Education:	<ul style="list-style-type: none"><li>▪ Graduation in Economics - London School of Economics (1970 - 1974)</li><li>▪ Master in Business Administration - Columbia University (1975 - 1977)</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies:	<ul style="list-style-type: none"><li>▪ Member of the Consulting Board of the Exea Group (Family Corporation of the Puig Family)</li><li>▪ Member of the Board of Directors and Chairman of the Audit Committee of Puig, SA</li><li>▪ Member of the Board of Directors of Flamagas, SA</li><li>▪ Member of the Board of Directors of ISDIN, SA and Chairman of the Audit Committee and BNRC of ISDIN, SA</li></ul>
Main Professional activities in the last five years:	<ul style="list-style-type: none"><li>▪ 2002-2008 - At the Boston Consulting Group: leaves the European Chief Executive Officer to be fully dedicated to clients in Spain and Portugal, (together with Russia and Eastern European Countries during 2002-2003). Mostly focused in the retail and financial services industries</li><li>▪ Since 2007 - Member of the Consulting Board of the Exea Group (Family Corporation of the Puig Family)</li><li>▪ Since 2007 – Member of the Board of Directors and Chairman of the Audit Committee of Puig, SA</li><li>▪ Since 2007 – Member of the Board of Directors of Flamagas, SA</li><li>▪ Since 2007 – Member of the Board of Directors of ISDIN, SA and Chairman of the Audit Committee and BNRC of ISDIN, SA</li><li>▪ Since 2007 – Non Executive Member of the Board of Directors of Sonae Capital, SGPS, SA</li></ul>

## Paulo José Jubilado Soares de Pinho

Non Executive Director of Sonae Capital, SGPS, SA



**Age: 48**

**Nationality: Portuguese**

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Education:	<ul style="list-style-type: none"><li>▪ Graduation in Economics - Faculdade de Economia da Universidade Nova de Lisboa (1985)</li><li>▪ MBA - Master in Business Administration - Faculdade de Economia da Universidade Nova de Lisboa (1989)</li><li>▪ PhD in Banking and Finance - City University Business School, London (1994)</li><li>▪ Negotiation Analysis - Amsterdam Institute of Finance (2005)</li><li>▪ Advanced Course - European Venture Capital and Private Equity Association (2006)</li><li>▪ Valuation Guidelines Masterclass - European Venture Capital and Private Equity Association (2007)</li><li>▪ Private Equity and Venture Capital Programme - Harvard Business School (2007)</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies:	<ul style="list-style-type: none"><li>▪ Member of the Board of Directors of Change Partners, SCR, SA</li><li>▪ Member of the Advisory and Strategic Board of Fundo Fast Change Venture Capital</li><li>▪ Senior Advisor for Iberia of Profit Technologies, USA</li><li>▪ Senior Advisor of New Next Moves Consultants, Portugal</li><li>▪ Director of Venture Valuation, Switzerland (Representative for Portugal)</li><li>▪ Non Executive Member of the Board of Directors of Sonae Capital, SGPS, SA</li></ul>
Main Professional activities in the last five years:	<ul style="list-style-type: none"><li>▪ 2004-2007 - Executive Director and Member of the Board of Directors of REN - Redes Energéticas Nacionais, SA</li><li>▪ Since 2005 - Member of the Advisory and Strategic Board of Fundo Fast Change Venture Capital</li><li>▪ 2007-2008 - Member of the Board of Directors of Xis Vending - Serviços de Vending, SA</li><li>▪ Since 2007 - Senior Advisor for Iberia of Profit Technologies, USA</li><li>▪ Since 2007 - Senior Advisor of New Next Moves Consultants, Portugal</li><li>▪ Since 2007 - Director of Venture Valuation, Switzerland (Representative for Portugal)</li><li>▪ Since 2007 - Non Executive Member of the Board of Directors of Sonae Capital, SGPS, SA</li><li>▪ Since 2008 - Visiting Professor at Cass Business School, London</li><li>▪ Since 2010 - Member of the Board of Directors of Change Partners, SCR, SA</li></ul>

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**Pedro Manuel Bastos Mendes Rezende**  
Non Executive Director of Sonae Capital, SGPS, SA



**Age: 49**

**Nationality: Portuguese and Spanish**

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Education:	<ul style="list-style-type: none"><li>▪ ICAI - Industrial Mechanical Engineer, Madrid (1979 - 1985)</li><li>▪ Master in Business Administration - INSEAD, Fontainebleau (1989 - 1990)</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies:	<ul style="list-style-type: none"><li>▪ Hyperion Energy Investments - Founding Partner and CEO</li><li>▪ A.T. Kearney – Consultadoria de Gestão, Lda. – Partner and Chairman for Portugal</li></ul>
Main Professional activities in the last five years:	<p>2003-2006 - EDP, Energias de Portugal, SA</p> <ul style="list-style-type: none"><li>▪ Member of the Board of Directors and of the Executive Committee</li><li>▪ CEO of EDP Produção and of Companhia Portuguesa de Produção de Electricidade (CPPE)</li><li>▪ Member of the Board of Directors and Executive Director of Hidroeléctrica del Cantábrico (HC Energia)</li><li>▪ Chairman of the Board of Directors of EDP Engenharia e Manutenção, EDP Energia Ibérica and Tergen</li><li>▪ Member of the Board of Directors of other group companies</li><li>▪ Responsible for Corporate areas and Strategic Planning, Trading, Regulation, Sustainability and Environment, Community Interconnects and Systems</li></ul> <p>Since 2006 - Hyperion Energy Investments</p> <ul style="list-style-type: none"><li>▪ Founding Partner and CEO</li></ul> <p>Since 2007 – Non Executive Member of the Board of Directors of Sonae Capital, SGPS, SA</p> <p>Since 2010 – A.T. Kearney – Consultadoria de Gestao, Lda.</p> <ul style="list-style-type: none"><li>▪ Partner of A.T. Kearney and Chairman for Portugal</li></ul>

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## Manuel Heleno Sismeiro

Chairman of the Fiscal Board of Sonae Capital, SGPS, SA

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Education:	<ul style="list-style-type: none"><li>▪ Bachelor degree in Accounting - ICL, Lisbon (1964)</li><li>▪ Graduation in Finance - ISCEF, Lisbon (1971)</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies:	Chairman of the Fiscal Board of the following companies: <ul style="list-style-type: none"><li>▪ OCP Portugal Produtos Farmacêuticos, SA</li><li>▪ Sonae Indústria, SGPS, SA</li></ul> Chairman of the Board of the Shareholders' General Meeting of Segafredo Zanetti (Portugal), SA
Main Professional activities in the last five years:	<ul style="list-style-type: none"><li>▪ 1980 - 2008 - Partner of Coopers &amp; Lybrand and of Bernardes, Sismeiro &amp; Associados</li><li>▪ Since 2008 - Advisor, namely on matters of internal audit and internal control</li><li>▪ Since 2009 - Chairman of the Fiscal Board of Sonae Capital, SGPS, SA</li></ul>

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## Armando Luís Vieira de Magalhães

Member of the Fiscal Board of Sonae Capital, SGPS, SA

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Education:	<ul style="list-style-type: none"><li>▪ Bachelor degree in Accounting, ISCAP (1972)</li><li>▪ Graduation in Economics - Faculdade de Economia, Porto University (1978)</li><li>▪ Executive MBA - European Management, IESF/IFG (1996)</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies:	Member of the Fiscal Board of the following companies: <ul style="list-style-type: none"><li>▪ Sonaecom, SGPS, SA</li><li>▪ Sonae Indústria, SGPS, SA</li><li>▪ Futebol Clube do Porto - Futebol SAD</li><li>▪ Fundação Eça de Queiroz</li><li>▪ PortoComercial – Sociedade de Comercialização, Licenciamento e Sponsorização, SA</li></ul>
Main Professional activities in the last five years:	<ul style="list-style-type: none"><li>▪ 1989 - 2010 - Statutory Auditor and Managing Partner of Santos Carvalho &amp; Associados, SROC, SA</li><li>▪ Since 2007 - Member of the Fiscal Board of Sonae Capital, SGPS, SA</li><li>▪ Since 2010 – Statutory Auditor and Partner of Armando Magalhães, Carlos Silva &amp; Associados, SROC, SA</li></ul>

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## Jorge Manuel Felizes Morgado

Member of the Fiscal Board of Sonae Capital, SGPS, SA

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Education:	<ul style="list-style-type: none"><li>▪ Graduation in Management - ISEG, Universidade Técnica de Lisboa</li><li>▪ MBA in Finance - IEDE, Madrid</li><li>▪ MBA in Management and Information Systems - Faculdade de Economia e Gestão, Universidade Católica</li></ul>
Positions held in Group Companies:	-
Positions held in Other Companies	Member of the Fiscal Board of the following companies: <ul style="list-style-type: none"><li>▪ Sonae, SGPS, SA</li><li>▪ Sonae Indústria, SGPS, SA</li><li>▪ Sonae Distribuição, SGPS, SA</li><li>▪ Sonae Sierra, SGPS, SA</li></ul>
Main Professional activities in the last five years:	<ul style="list-style-type: none"><li>▪ Since 2004 - Statutory Auditor Partner of Horwath Parsus - Consultoria e Gestão, Lda</li><li>▪ Since 2007 - Member of the Fiscal Board of Sonae Capital, SGPS, SA</li><li>▪ Since 2008 – Member of the Fiscal Board of Sonae Sierra, SGPS, SA</li></ul>

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# CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2010

SONAE CAPITAL, SGPS, SA

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Amounts expressed in euro)

ASSETS	Notes	31 December 2010		31 December 2009	
		Total Operations	Continued Operations	Total Operations	Continued Operations
<b>NON CURRENT ASSETS:</b>					
Tangible assets	10	257,689,745	257,689,745	283,922,679	283,431,775
Intangible assets	11	7,250,028	7,250,028	7,498,780	7,473,266
Goodwill	12	61,133,327	61,133,327	61,349,970	61,133,321
Investments in associated companies	6	72,378,266	72,378,266	69,233,729	69,233,729
Other investments	7, 9 and 13	1,139,122	1,139,122	2,604,144	2,604,145
Deferred tax assets	20	19,655,868	19,655,868	10,643,346	10,637,262
Other non current assets	9 e 14	17,241,368	17,241,368	25,599,607	25,599,607
<b>Total Non-Current Assets</b>		<b>436,487,724</b>	<b>436,487,724</b>	<b>460,852,255</b>	<b>460,113,105</b>
<b>CURRENT ASSETS:</b>					
Stocks	15	229,782,596	229,782,596	227,548,617	227,548,617
Trade account receivables	9 and 16	36,019,835	36,019,835	42,856,703	33,336,552
Other debtors	9 and 17	10,892,396	10,892,396	18,930,328	29,176,249
Taxes recoverable	18	12,781,799	12,781,799	13,276,150	13,111,524
Other current assets	19	2,003,005	2,003,005	3,497,395	2,893,736
Investments held for trading	9	-	-	-	-
Cash and cash equivalents	9 and 21	3,199,298	3,199,298	2,805,280	2,571,748
<b>Total Current Assets</b>		<b>294,678,929</b>	<b>294,678,929</b>	<b>308,914,473</b>	<b>308,638,426</b>
<b>TOTAL ASSETS</b>		<b>731,166,653</b>	<b>731,166,653</b>	<b>769,766,728</b>	<b>768,751,531</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY:</b>					
Share capital	22	250,000,000	250,000,000	250,000,000	250,000,000
Reserves and retained earnings		81,335,203	88,761,758	60,545,880	67,664,472
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital		(4,420,429)	(11,846,984)	23,074,268	22,382,235
Equity attributable to the equity holders of Sonae Capital		326,914,774	326,914,774	333,620,148	340,046,707
Equity attributable to non controlling interests	23	12,454,796	12,454,796	11,319,241	11,319,231
<b>TOTAL EQUITY</b>		<b>339,369,570</b>	<b>339,369,570</b>	<b>344,939,389</b>	<b>351,365,938</b>
<b>LIABILITIES:</b>					
<b>NON CURRENT LIABILITIES:</b>					
Bank Loans	9 and 24	42,915,789	42,915,789	104,850,107	104,850,107
Bonds	9 and 24	79,406,319	79,406,319	99,243,255	99,243,255
Obligation under finance leases	9, 24 and 25	25,507,742	25,507,742	28,842,697	28,842,697
Other loans	9 and 24	4,063,556	4,063,556	2,986,459	2,986,459
Other non current liabilities	9 and 27	36,641,690	36,641,690	36,820,270	36,820,270
Deferred tax liabilities	20	3,616,046	3,616,046	3,142,990	3,141,123
Provisions	32	3,185,974	3,185,974	3,995,369	3,995,370
<b>Total Non-Current Liabilities</b>		<b>195,337,116</b>	<b>195,337,116</b>	<b>279,881,147</b>	<b>279,879,281</b>
<b>CURRENT LIABILITIES:</b>					
Bank Loans	9 and 24	124,034,932	124,034,932	41,362,257	41,362,257
Obligation under finance leases	9, 24 and 25	3,479,253	3,479,253	3,306,770	3,306,770
Other loans	9 and 24	1,001,327	1,001,327	131,532	131,532
Trade creditors	9 and 29	26,672,579	26,672,579	50,444,177	43,331,554
Other creditors	9 and 30	4,861,940	4,861,940	11,416,285	12,198,470
Taxes and contributions payable	18	5,975,560	5,975,560	10,622,710	10,569,239
Other current liabilities	31	27,729,467	27,729,467	25,283,459	24,227,488
Provisions	32	2,704,909	2,704,909	2,379,002	2,379,002
<b>Total Current Liabilities</b>		<b>196,459,967</b>	<b>196,459,967</b>	<b>144,946,192</b>	<b>137,506,312</b>
<b>TOTAL LIABILITIES</b>		<b>391,797,083</b>	<b>391,797,083</b>	<b>424,827,339</b>	<b>417,385,593</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>731,166,653</b>	<b>731,166,653</b>	<b>769,766,728</b>	<b>768,751,531</b>

The accompanying notes are part of these financial statements.

The Board of Directors

## SONAE CAPITAL, SGPS, SA

## CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in euro)

Notes	31 December 2010			31 December 2009			
	Total Operations	Discontinued Operations	Continued Operations	Total Operations	Discontinued Operations	Continued Operations	
Operational income							
Sales	35	88,038,449	-	88,038,449	166,984,457	-	166,984,457
Services rendered	35	90,543,744	26,713,773	63,829,971	105,252,609	38,850,291	66,402,318
Other operational income	36	10,540,104	94,852	10,445,252	21,685,455	269,637	21,415,818
Total operational income		189,122,297	26,808,625	162,313,672	293,922,521	39,119,928	254,802,593
Operational expenses							
Cost of goods sold and materials consumed	15	(40,038,998)	685	(40,039,683)	(49,364,278)	13,389	(49,377,667)
Changes in stocks of finished goods and work in progress	37	(10,486,938)	-	(10,486,938)	(9,718,300)	-	(9,718,300)
External supplies and services	38	(82,289,391)	(24,513,409)	(57,775,982)	(129,459,459)	(35,917,022)	(93,542,437)
Staff costs	39	(43,525,403)	(1,131,418)	(42,393,985)	(47,952,695)	(2,178,102)	(45,774,593)
Depreciation and amortisation	10 and 11	(15,045,481)	(160,454)	(14,885,027)	(13,268,575)	(215,433)	(13,053,142)
Provisions and impairment losses	32	(5,257,167)	(12,194)	(5,244,973)	(6,898,852)	(52,725)	(6,846,127)
Other operational expenses	40	(6,254,936)	(141,732)	(6,113,204)	(4,628,227)	(347,685)	(4,280,542)
Total operational expenses		(202,898,314)	(25,958,522)	(176,939,792)	(261,290,386)	(38,697,578)	(222,592,808)
Operational profit/(loss)		(13,776,017)	850,103	(14,626,120)	32,632,135	422,350	32,209,785
Financial Expenses	41	(10,053,031)	(12,409)	(10,040,622)	(11,757,054)	(1,697,850)	(10,059,204)
Financial Income	41	1,504,035	3,351	1,500,684	2,639,905	5,067	2,634,838
Net financial expenses		(8,548,996)	(9,058)	(8,539,938)	(9,117,149)	(1,692,783)	(7,424,366)
Share of results of associated undertakings	6	5,620,378	-	5,620,378	2,608,502	-	2,608,502
Investment income	42	6,936,327	6,639,998	296,329	10,033,137	-	10,033,137
Profit/(Loss) before taxation		(9,768,308)	7,481,043	(17,249,351)	36,156,625	(1,270,433)	37,427,058
Taxation	43	6,148,147	(54,488)	6,202,635	(11,734,985)	218,370	(11,953,355)
Profit/(Loss) for the year	44	(3,620,161)	7,426,555	(11,046,716)	24,421,640	(1,052,063)	25,473,703
Attributable to:							
Equity holders of Sonae Capital		(4,420,429)	7,426,555	(11,846,984)	23,074,268	(1,052,063)	24,126,331
Non controlling interests	23	800,268	-	800,268	1,347,372	-	1,347,372
Profit/(Loss) per share							
Basic	46	(0.017682)	0.029706	(0.047388)	0.092297	(0.004208)	0.096505
Diluted	46	(0.017682)	0.029706	(0.047388)	0.092297	(0.004208)	0.096505

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE THREE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in euro)

Notes	Total Operations		Continued Operations	
	4 <sup>th</sup> Quarter 10 <sup>1</sup> (Unaudited)	4 <sup>th</sup> Quarter 09 <sup>1</sup> (Unaudited)	4 <sup>th</sup> Quarter 10 <sup>1</sup> (Unaudited)	4 <sup>th</sup> Quarter 09 <sup>1</sup> (Unaudited)
Operational income:				
Sales	25,090,512	27,961,878	25,090,512	27,961,878
Services rendered	15,348,753	24,357,057	15,348,753	14,427,313
Other operational income	3,059,892	5,113,525	3,058,949	5,062,244
Total operational income	43,499,157	57,432,460	43,498,214	47,451,435
Operational expenses				
Cost of goods sold and materials consumed	(12,215,503)	(11,941,215)	(12,214,561)	(11,944,088)
Changes in stocks of finished goods and work in progress	(2,396,430)	(145,328)	(2,396,430)	(145,328)
External supplies and services	(16,152,027)	(28,638,559)	(16,152,027)	(19,571,953)
Staff costs	(10,953,134)	(12,076,176)	(10,953,134)	(11,676,224)
Depreciation and amortisation	(4,781,927)	(4,213,851)	(4,781,926)	(4,156,628)
Provisions and impairment losses	(1,709,400)	(3,079,657)	(1,709,400)	(3,071,104)
Other operational expenses	(1,762,446)	(1,872,118)	(1,762,446)	(1,673,793)
Total operational expenses	(49,970,867)	(61,966,904)	(49,969,924)	(52,239,118)
Operational profit/(loss)	(6,471,710)	(4,534,444)	(6,471,710)	(4,787,683)
Financial Expenses	(2,981,552)	(1,176,056)	(2,981,552)	(802,469)
Financial Income	319,882	527,709	319,883	523,818
Net financial expenses	(2,661,670)	(648,347)	(2,661,669)	(278,651)
Share of results of associated undertakings	3,237,909	894,751	3,237,909	894,751
Investment income	1,193,406	(148,182)	1,193,406	(148,183)
Profit/(Loss) before taxation	(4,702,065)	(4,436,222)	(4,702,064)	(4,319,766)
Taxation	1,092,494	(1,352,619)	1,092,494	(1,416,449)
Profit/(Loss) for the period	(3,609,571)	(5,788,841)	(3,609,570)	(5,736,215)
Attributable to:				
Equity holders of Sonae Capital	(4,019,710)	(5,962,364)	(4,019,709)	(5,909,738)
Non controlling interests	410,139	173,523	410,138	173,523
Profit/(Loss) per share				
Basic	(0.016079)	(0.023849)	(0.016079)	(0.023639)
Diluted	(0.016079)	(0.023849)	(0.016079)	(0.023639)

The accompanying notes are part of these financial statements.

<sup>1</sup> Prepared in accordance with IAS 34 - Interim Financial Reporting. Not subject to limited review.

The Board of Directors

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in euro)

	31 December 2010			31 December 2009		
	Total Operations	Discontinued Operations	Continued Operations	Total Operations	Discontinued Operations	Continued Operations
Consolidated net profit/(loss) for the period	(3,620,161)	7,426,555	(11,046,716)	24,421,640	(1,052,063)	25,473,703
Exchange differences on translating foreign operations	156,656	-	156,656	664,983	-	664,983
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 6)	(1,826,803)	-	(1,826,803)	-	-	-
Changes in the fair value of assets available for sale	-	-	-	(1,952,931)	-	(1,952,931)
Changes in the fair value of cash flow hedging derivatives	(863,913)	-	(863,913)	304,749	-	304,749
Other comprehensive income for the period	(2,534,060)	-	(2,534,060)	(983,199)	-	(983,199)
<b>Total comprehensive income for the period</b>	<b>(6,154,221)</b>	<b>7,426,555</b>	<b>(13,580,776)</b>	<b>23,438,441</b>	<b>(1,052,063)</b>	<b>24,490,504</b>
Attributable to:						
Equity holders of Sonae Capital	(6,992,453)	7,426,555	(14,419,008)	21,988,968	(1,052,063)	23,041,031
Non controlling interests	838,232	-	838,232	1,449,473	-	1,449,473

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in euro)

	4 <sup>th</sup> Quarter 2010 (Unaudited)			4 <sup>th</sup> Quarter 2009 (Unaudited)		
	Total Operations	Discontinued Operations	Continued Operations	Total Operations	Discontinued Operations	Continued Operations
Consolidated net profit/(loss) for the period	(3,609,571)	(1)	(3,609,570)	(5,788,841)	(52,626)	(5,736,215)
Exchange differences on translating foreign operations	50,542	-	50,542	48,013	-	48,013
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 6)	(1,844,575)	-	(1,844,575)	-	-	-
Changes in the fair value of assets available for sale	-	-	-	-	-	-
Changes in the fair value of cash flow hedging derivatives	695,935	-	695,935	-	-	-
Other comprehensive income for the period	(1,098,098)	-	(1,098,098)	48,013	-	48,013
Total comprehensive income for the period	<u>(4,707,669)</u>	<u>(1)</u>	<u>(4,707,668)</u>	<u>(5,740,828)</u>	<u>(52,626)</u>	<u>(5,688,202)</u>
Attributable to:						
Equity holders of Sonae Capital	(5,143,972)	(1)	(5,143,971)	(5,928,919)	(52,626)	(5,876,293)
Non controlling interests	436,303	-	436,303	188,091	-	188,091

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in Euro)

Notes	Attributable to Equity Holders of Sonae Capital							Net Profit/(Loss)	Total	Non Controlling Interests	Total Equity
	Share Capital	Demerger Reserve (Note 16)	Translation Reserves	Fair Value Reserves	Hedging Reserves	Other Reserves and Retained Earnings	Sub total				
Balance as at 1 January 2009	250,000,000	132,638,253	(1,801,935)	1,952,931	(304,749)	(97,032,344)	35,452,156	21,393,605	306,845,761	49,319,413	356,165,174
Total consolidated comprehensive income for the period	-	-	562,882	(1,952,931)	304,749	-	(1,085,300)	23,074,268	21,988,968	1,449,473	23,438,441
Appropriation of profit of 2008:											
Transfer to legal reserves and retained earnings	-	-	-	-	-	21,393,605	21,393,605	(21,393,605)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Sale of jointly controlled and associated undertakings	-	-	-	-	-	4,657,697	4,657,697	-	4,657,697	(39,681,632)	(35,023,935)
Other changes	-	-	-	-	-	127,722	127,722	-	127,722	231,987	359,709
Balance as at 31 December 2009	<u>250,000,000</u>	<u>132,638,253</u>	<u>(1,239,053)</u>	<u>-</u>	<u>-</u>	<u>(70,853,320)</u>	<u>60,545,880</u>	<u>23,074,268</u>	<u>333,620,148</u>	<u>11,319,241</u>	<u>344,939,389</u>
Balance as at 1 January 2010	250,000,000	132,638,253	(1,239,053)	-	-	(70,853,320)	60,545,880	23,074,268	333,620,148	11,319,241	344,939,389
Total consolidated comprehensive income for the period	-	-	109,659	-	(854,880)	(1,826,803)	(2,572,024)	(4,420,429)	(6,992,453)	838,232	(6,154,221)
Appropriation of profit of 2009											
Transfer to legal reserves and retained earnings	-	-	-	-	-	23,074,268	23,074,268	(23,074,268)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	287,079	287,079	-	287,079	297,323	584,402
Balance as at 31 December 2010	<u>250,000,000</u>	<u>132,638,253</u>	<u>(1,129,394)</u>	<u>-</u>	<u>(854,880)</u>	<u>(49,318,776)</u>	<u>81,335,203</u>	<u>(4,420,429)</u>	<u>326,914,774</u>	<u>12,454,796</u>	<u>339,369,570</u>

The accompanying notes are part of these consolidated financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in Euro)

	Notes	31.12.2010	31.12.2009	4 <sup>th</sup> quarter 10 <sup>1</sup>	4 <sup>th</sup> quarter 09 <sup>1</sup>
<b>OPERATING ACTIVITIES:</b>					
Cash receipts from trade debtors		175,808,967	253,483,681	35,217,048	49,254,775
Cash paid to trade creditors		(142,114,393)	(175,954,872)	(28,385,707)	(47,608,493)
Cash paid to employees		(44,162,736)	(47,397,969)	(11,705,637)	(12,646,156)
Cash flow generated by operations		(10,468,162)	30,130,840	(4,874,296)	(10,999,874)
Income taxes (paid) / received		(9,469,722)	(4,049,777)	(2,610,393)	(1,363,174)
Other cash receipts and (payments) relating to operating activities		8,246,258	(3,626,814)	2,966,775	1,747,767
Net cash flow from operating activities (1)		(11,691,626)	22,454,249	(4,517,914)	(10,615,281)
<b>INVESTMENT ACTIVITIES:</b>					
Cash receipts arising from:					
Investments	47	11,389,515	27,887,514	6,922,872	4,349,452
Tangible assets		6,622,126	1,253,067	1,424,443	519,301
Intangible assets		-	277	-	160
Grants		-	1,254,610	-	(1,094,748)
Interest and similar income		1,224,783	603,462	952,761	(519,953)
Loans granted		12,819,258	250,000	1,393,889	236,641
Dividends		574,640	233,223	346,407	-
Others		-	536,622	-	536,574
		32,630,322	32,018,775	11,040,372	4,027,427
Cash Payments arising from:					
Investments	47	(1,206,985)	(8,002,255)	(133,509)	(354,720)
Tangible assets		(7,366,318)	(35,790,976)	(2,259,832)	(3,911,694)
Intangible assets		(74,439)	(170,351)	(27,635)	(8,089)
Loans granted		(96,856)	(4,109,500)	12,000	(2,099,751)
Others		-	(625,454)	-	(52)
		(8,744,598)	(48,698,536)	(2,408,976)	(6,374,306)
Net cash used in investment activities (2)		23,885,724	(16,679,761)	8,631,396	(2,346,879)
<b>FINANCING ACTIVITIES:</b>					
Cash receipts arising from:					
Loans obtained		3,186,238	108,805,940	565,739	12,176,530
Capital increases, additional paid in capital and share premiums		310,000	132,531	310,000	-
		3,496,238	108,938,471	875,739	12,176,530
Cash Payments arising from:					
Loans obtained		(5,408,195)	(116,435,403)	(1,696,188)	(700,000)
Interest and similar charges		(9,759,883)	(10,846,206)	(3,043,447)	1,124,732
Others		-	(2,573,080)	-	(683,243)
		(15,168,078)	(129,854,689)	(4,739,635)	(258,511)
Net cash used in financing activities (3)		(11,671,840)	(20,916,218)	(3,863,896)	11,918,019
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		522,258	(15,141,730)	249,586	(1,044,141)
Effect of foreign exchange rate		(31,929)	(124,190)	(1,537)	(12,770)
Cash and cash equivalents at the beginning of the period	21	1,943,023	16,960,563	2,246,087	2,974,394
Cash and cash equivalents at the end of the period	21	2,497,210	1,943,023	2,497,210	1,943,023

The accompanying notes are part of these financial statements.

<sup>1</sup> Prepared in accordance with IAS 34 - Interim Financial Reporting. Not subject to limited review.

The Board of Directors

## SONAE CAPITAL, SGPS, SA

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Translation of the individual financial statements originally issued in Portuguese)

*(Amounts express in Euro)*

#### **1. INTRODUCTION**

SONAE CAPITAL, SGPS, SA ("Company", "Goup" or "Sonae Capital") whose head-office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 5 to 7 ("Sonae Capital Group") and was set up on 14 December 2007 as a result of the demerger of the shareholding in SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) from Sonae, SGPS, SA, which was approved by the Board of Directors on 8 November 2007 and by the Shareholder's General Meeting held on 14 December 2007.

Sonae Capital's business portfolio was restructured/reorganized according to its strategic objectives, set out on the development of three distinct and autonomous business areas:

- The first business area, headed by Sonae Turismo, SGPS, SA, includes businesses in tourism, through the development and management of tourism resorts, in hotels, through management of hotels with an integrated offer of services (SPA, congress centre and food court), and in health and fitness through management of health clubs;
- The second business area, headed by SC Assets, SGPS, SA, which became autonomous from Sonae Turismo, SGPS, SA in the beginning of 2010, is focused on investment in and management of real estate properties, comprising the ownership and management of real estate assets for the development of both resorts and residential properties, and services regarding land and buildings, among which management of leased buildings, technical management of buildings and condominium management;
- The third business area, headed by Spred, SGPS, SA, includes businesses in three segments: mature businesses with generation of steady cash-flows in refrigeration, air conditioning and maintenance; energy and environment businesses (cogeneration, energy efficiency and sustainable buildings); identifying new business opportunities in emerging sectors or sectors undergoing restructuring and management of a financial portfolio.

To ensure comparability between 2010 and 2009, the consolidated financial statements as at 31 December 2009 include impacts of the sales of Box Lines Navegação, SA and of Elmo, SGPS, SA and its affiliates.

#### **2. MAIN ACCOUNTING POLICIES**

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

##### **2.1 Basis of preparation**

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the "International Financial Reporting Interpretations Committee" ("IFRIC"), previously named "Standing Interpretations Committee" ("SIC"), beginning on 1 January 2009.

Interim financial statements were presented quarterly, in accordance with IAS 34 – "Interim Financial Reporting".

The accompanying consolidated financial statements have been prepared from the books and accounting records of the Company and of its affiliated undertakings, on a going concern basis and under the historical cost convention, except for derivative financial instruments which are stated at fair value.

As at the date of approval of these consolidated financial statements, the following standards have been endorsed by the European Union, and some of them are already effective for 2010:

	Date of endorsement by the EU	Effective Date (Started on or after)
Improvements to International Financial Reporting Standards (2008)	23-01-2009	01-07-2009
IFRIC 12 – Service Concession Arrangements	25-03-2009	01-01-2010
IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements (revised 2008)	03-06-2009	01-07-2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	04-06-2009	01-07-2009
IFRIC 15 – Agreements for the Construction of Real Estate	22-07-2009	01-01-2010
IAS 39 – Amendments (Reclassification of Financial Assets)	15-09-2009	01-07-2009
IFRS 1 (revised) – First-time adoption of International Financial Reporting Standards	25-11-2009	01-01-2010
IFRIC 17 – Distributions of Non-Cash Assets to Owners	26-11-2009	01-01-2010
IFRIC 18 – Transfer of Assets from Customers	27-11-2009	01-01-2010
IAS 32 – Amendments (Financial Instruments presentation)	23-12-2009	01-01-2011
Improvements to International Financial Reporting Standards (2009)	23-03-2010	01-01-2010
IFRS 2 – Amendments (share-based payments)	23-03-2010	01-01-2010
IFRS 1 – Amendments (exemptions to first-time adopters)	23-06-2010	01-01-2010
IFRS 1 – Amendments (limited exemption from comparative IFRS7 disclosures for first time adopters)	30-06-2010	01-07-2010
Revision of IAS 24 (related party disclosures)	19-07-2010	01-01-2011
IFRIC 14 – Amendments (prepayments of a minimum funding requirement)	19-07-2010	01-01-2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	23-07-2010	01-07-2010

The most significant impacts on the financial statements of Sonae Capital in 2010, following the adoption of the standards mentioned above are related to changes to IFRS 3 – Business combinations and IAS 27 – Consolidated and separated financial statements (revised in 2008).

These amendments introduced changes regarding the accounting of business combinations, namely: (a) goodwill calculation; (b) measurement of non-controlling interests (formerly known as minority interests); (c) recognition and subsequent measurement of contingent consideration; (d) treatment of acquisition-related costs; (e) accounting for acquisitions in entities already controlled and for changes in a parent's ownership interests that result in the loss of control and (f) calculation of the result of changes in a parent's ownership interests that result in loss of control and lead to remeasuring remaining controlling interests; these amendments had no significant impact in the financial statements for the twelve months of 2010.

IFRS 9 - Financial Instruments, was issued by the IASB in November 2009 but has not yet been endorsed by the European Union, and it will be effective for periods started on or after 1/1/2013. It is not expected that future adoption of this standard will involve significant adjustments to the financial statements.

## 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 or 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 net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 5.

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

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition and this measurement may be adjusted within 12 months from the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.c)). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value of net assets acquired. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

The results of affiliated companies acquired/sold during the period are included in the income statement since the date of acquisition or until the date of sale.

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.

Financial investments in companies excluded from consolidation are recorded at acquisition cost net of impairment losses (Note 7).

Whenever the Group has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. Such entities, when applicable, are disclosed in Note 5.

### b) Investments in associated and in jointly controlled 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) and in jointly controlled companies 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 and jointly controlled companies and by dividends received.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.c)), which is included in the caption Investment in associated and jointly controlled companies. Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired.

An assessment of investments in associated and jointly controlled 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, this 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 and jointly controlled 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 and jointly controlled companies are disclosed in Note 6.

c) Goodwill

The excess of the cost of acquisition of investments in group, jointly controlled and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 12) or as Investments in associated and jointly controlled companies (Note 6).

The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Currency Translation Reserves.

Goodwill is not amortised, but is subject to impairment tests on an annual basis. The recoverable amount is determined based on the business plans used in the management of the Group or on valuation reports prepared by independent entities.

Impairment losses identified in the period are disclosed in the income statement under Provisions and impairment losses, and may not be reversed.

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

d) 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 Currency Translation Reserves. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Retained 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 (in whole or in part), the share of the corresponding accumulated exchange rate differences is recorded in the income statement as a gain or loss on the disposal, in the caption Investment income.

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

	31.12.2010		31.12.2009	
	End of Period	Average of Period	End of Period	Average of Period
Pound Sterling	1,161780	1,166680	1,12600	1,12324
Brazilian Real	0,450920	0,429820	0,39820	0,36282

Source: Bloomberg

### 2.3 Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revalued 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 is 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 and disclosed in Amortisation and depreciation in the consolidated profit and loss account.

Impairment losses in tangible assets are accounted for in the year when they are estimated, and are disclosed in Impairment losses in the consolidated profit and loss account, except for those relating to stocks whose impairment is recorded in Cost of goods sold and materials consumed.

Depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	10 to 50
Plant and machinery	10 to 20
Vehicles	4 to 5
Tools	4 to 8
Fixture and fittings	3 to 10
Other tangible assets	4 to 8

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 on sale or disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement under either Other operational income or Other operational expenses.

#### **2.4 Intangible assets**

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised 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 recognised as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognised 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 is 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.

The Group adopted IFRIC 12 – Service Concession Arrangements from 2009 onwards whenever an affiliated undertaking enters into a service concession arrangement with a public sector entity to provide services to the public. The Troia Marina is the sole service concession arrangement to which this interpretation is applicable. In this case, costs incurred with building the infrastructure for the marina were recorded as an intangible asset which is amortised, on a straight line, over the period of the arrangement, because the affiliated undertaking was given rights to charge users of the public service but has no unconditional contractual right to receive cash from the grantor.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which normally is between 3 and 6 years, and are disclosed in Amortisation and Depreciation in the consolidated profit and loss account, except for Troia Marina assets, recorded as Intangible assets under IFRIC 12 - Service Concession Arrangements, which are amortised over the period of the arrangement (50 years).

## 2.5 Accounting for leases

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 an operating lease depends on the substance of the transaction rather than the form of the contract.

### Accounting for leases where the Group is the lessee

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, at the lower of fair value and present value of minimum lease payments up to the end of the lease. 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 recognised as an expense on a straight line basis over the lease term.

### Accounting for leases where the Group is lessor

Where the Group acts as a lessor in operating leases, the value of assets leased is maintained in the Group's balance sheet and related rents are taken to the profit and loss account on a straight line basis over the period of the lease.

## 2.6 Government grants

Government grants are recognised 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.

Investment subsidies related to the acquisition of fixed assets are recognised as Deferred income under Other current liabilities that are taken to the income statement, under Other operating profit, on a systematic basis over the estimated useful life of the asset.

## 2.7 Impairment of non-current assets, except goodwill

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

## 2.8 Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of tangible and real estate projects included under stocks are capitalised as part of the cost of the qualifying asset. Borrowing costs are capitalised 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.

## 2.9 Non current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These assets are not depreciated since the date they were classified as available for sale.

## 2.10 Stocks

Goods for sale and raw materials are stated at the lower of cost, net of discounts obtained or estimated, and net realisable value. Cost is determined on a weighted average basis. Goods for sale include mostly land for real estate developments.

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). Work in progress includes mostly resorts and real estate developments for sale in the normal course of business.

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 goods for sale and raw materials or finished goods and work in progress.

## 2.11 Provisions

Provisions are recognised 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.

## 2.12 Financial instruments

Financial instruments were classified in the categories presented in the consolidated balance sheet as detailed in Note 9.

### a) Investments

Investments are classified into the following categories:

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

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.

Investments measured at fair value through profit or loss includes investments held for negotiation, which the Group acquires with a view to their disposal within a short time period. They are shown in the consolidated balance sheet as Current Investments.

The Group classifies as investments available for sale, those which are not considered as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as noncurrent assets, unless there is an intention to dispose of them in a period of less than 12 months from the balance sheet date.

All purchases and sales of investments are recognised 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.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised 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 recognised in equity is transferred to net profit or loss for the period.

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.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

b) Non current loans and accounts receivable

Loans and accounts receivable are booked at amortised cost using the effective interest method less any impairment losses.

Financial income is calculated using the effective interest rate, except for amounts receivable within a very short time period, for which the income receivable is immaterial.

These financial investments arise when the Group supplies money, goods or services directly to a debtor without the intention to negotiate the debt involved.

Loans and accounts receivable are classified as current assets, except in cases where the maturity date is more than 12 months from the date of the balance sheet, when they are classified as non current assets. These financial investments are included in the classes identified in Note 9.

c) Customers and other third party debts

Amounts owing from Customers and other third party debts are booked at their nominal value and shown in the consolidated balance sheet less any impairment losses, recognised in the caption Losses due to impairment in receivables in order to reflect their net realisable value. These captions, when current, do not include interest, since the discount impact is considered immaterial.

Impairment losses are booked following the events that have taken place, which indicate objectively and in a quantifiable manner that the whole or a part of the debt will not be received. For this, each Group company takes into consideration market information which demonstrates that:

- the entity involved has significant financial difficulties;
- significant delays have taken place in payments by the entity involved;
- there is a probability that the debtor will go into liquidation or financial restructuring.

Recognised impairment losses equal the difference between the amount receivable in the accounts and the related present value of future estimated cash flows, discounted at the initial effective interest rate, which is considered to be zero, since the discount impact is considered immaterial, in those cases where a receipt is expected within less than a year.

d) 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.

e) 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 2.16. 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.

f) Trade accounts payable

Accounts payable are stated at their nominal value, since they do not bear interest and the discount impact is considered immaterial.

g) Derivatives

The Group uses derivatives in the management of its financial risks, only to hedge such risks and/or to optimise funding costs.

Derivatives classified as cash flow hedge instruments are used by the Group mainly to hedge interest rate 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 exist are shown in the caption Net Financial Income/Expenses in the consolidated income 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 to hedge the exposure to changes in interest rate of its loans 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, and then recognised in net financial income/expenses in the income statement over the same period in which the hedged instrument affects income statement.

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.

In those cases in which derivative instruments, in spite of having been negotiated with the abovementioned objectives (essentially derivatives in the form of interest rate options), in relation to which the company did not apply hedge accounting, are initially recorded at cost, if any, and subsequently measured at fair value. The changes in value resulting from the measurement at fair value, calculated using especially designed software tools are included in Net financial charges in 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, and unrealised gains or losses recorded in the consolidated income statement.

In specific situations, the Group may use interest rate derivatives with the goal of obtaining fair value cover. In these situations, derivatives are booked at their fair value in the consolidated financial statements. In situations in which the derivative involved is not measured at fair value (in particular borrowings that are measured at amortised cost), the effective share of cover will be adjusted to the accounting value of the derivative covered through the profit and loss account.

h) 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.

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 the balance sheet caption current bank loans.



### **2.13 Share-based payments**

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae Capital, SGPS, SA share price and vest within a period of 3 years after being granted.

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date. These obligations are stated as Staff costs and Other liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, when the Group has the choice to settle the transaction in cash.

### **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**

The tax charge for the year is determined 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 or of groups of companies included in tax consolidations, in accordance with the tax rules in force in the respective country of incorporation.

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 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 probable.

Deferred taxes 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.

### **2.16 Revenue recognition and accrual basis**

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

Revenue associated with work in progress is recognized at the end of each year as follows: when total amounts invoiced are higher than corresponding costs, the excess is recorded in Other current liabilities; and when costs are higher than corresponding amounts invoiced the excess is recorded in Work in progress.

Revenue arising from contract variations, claims and completion premiums is recorded when these are agreed with the customer, or when negotiations are at an advanced stage and it is probable that these will be favourable to the Group.

Dividends are recognised 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 recognised in the income statement.

## **2.17 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.

## **2.18 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.

## **2.19 Judgements and estimates**

The most significant accounting estimates reflected in the financial statements are as follows:

- a) Useful lives of tangible and intangible assets;
- b) Analysis of the impairment of goodwill and other tangible and intangible assets;
- c) Adjustments to the values of assets and provisions;
- d) Estimates of future income tax;
- e) Calculation of the fair value of derivatives.

Estimates were based on the best information available at the date of the preparation of the financial statements and on the best knowledge and experience of past and/or current events. These estimates may, however, be affected by subsequent events which are not foreseeable at the present date. Changes to these estimates, which take place after the date of the financial statements, will be recognised prospectively in the income statement, in accordance with IAS 8.

The main estimates and assumptions used relating to future events included in the consolidated financial statements are described in the corresponding notes attached.

## **2.20 Segment information**

Financial information regarding business segments is included in Note 48.

# **3. FINANCIAL RISK MANAGEMENT**

## **3.1 Market risks**

### **a) Interest rate risk - POLICY**

As a result of maintaining its debt in the consolidated balance sheet at variable rates, and the resulting cash flows from interest payments, the Group is exposed to a Euro interest rate risk.

In view of the fact that:

- the volatility of Group results does not depend only on the volatility of its financial results linked to the volatility of interest rates;

- under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;

- the setting up of any form of risk cover structure has an implicit opportunity cost associated with it,

the Group policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives), but rather has opted for a dynamic approach to monitoring exposure, which aligns market conditions to the real exposure of the Group, in order to avoid the possibility of exposure that could have a real impact on the consolidated results of the Group.

In view of the above, the Group policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

- derivatives are not used for trading or speculation;

- derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt;

- the maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;

- derivative contracts are only agreed with authorised entities, specifically Financial Institutions with a minimum Investment Grade rating, giving preference to Banking Relationship Institutions of the Group;

- all transactions must be the object of competitive bids, involving at least two financial institutions;

- all transactions are entered into by using market standard contracts (ISDA - International Swaps and Derivatives Association), with schedules negotiated with each one of the Institutions;

- to determine the fair value of the hedging transactions, the Group uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;

- any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

#### b) Interest rate risk – SENSITIVITY ANALYSIS

Interest rate sensitivity is based on the following assumptions:

- Changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;

- Changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;

- In the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risks;

- Changes in market interest rates of financial instruments which were designated as cash flow hedging instruments to cover fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);

- Changes in market interest rates of interest rate derivatives, which are specified as being part of hedging relationships as defined in IAS 39, affect the results of the company (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;

- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;

- The sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above mentioned assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the consolidated net profit before tax of the Group as at 31 December 2010 would have been higher/lower by 1,012,471 euro (as at 31 December 2009 they would have been higher/lower by 1,347,677 euro) . The impact in equity (excluding the impact on net profit) of the interest rate sensitivity analysis as at 31 December 2010 would have been lower/higher by around 0 euro (as at 31 December 2009 the impact would have been lower/higher by around 0 euro).

c) Exchange rate risk

The Sonae Capital Group, as a Group mainly operating in the Iberian peninsula, has an immaterial exposure to exchange rate risk.

In relation to translation risks, given that almost all of shareholders' funds and loans to affiliates are denominated in euro, there is no significant exposure to this risk.

In relation to transaction a risk, whenever exposure arises in this area, the risk is mainly managed through forward exchange rate contracts, in order to eliminate the volatility of forward exchange rate fluctuations, and thus increase cash flow certainty. From time to time, and if the amounts involved and degree of uncertainty are relevant, the Company, with approval from the Board of Directors, may use other options.

In view of the low volume of balances in foreign currency, no exchange rate sensitivity analysis was carried out.

d) Other price risks

The Group is exposed to risks arising from the value of investments made in financial shareholdings. However, these investments are in general made with strategic objectives in mind and not for current trading.

### 3.2 Credit Risk

Credit risks at Sonae Capital arise mainly from (i) debts from customers relating to operational activity, (ii) its relationships with financial institutions in the course of its day to day business activity, and (iii) the risk of non compliance by business counterparts in portfolio transactions.

Customer Credit: The management of credit risk at Sonae Capital is structured to the specific needs of the businesses of the Group, always taking into consideration:

- the specific profiles of customers of each business;
- the careful determination of appropriate credit limits, based on the one hand on the customer's profile and on the other on the nature of business, avoiding excessive concentration of credit, and thus minimising its exposure to this risk;
- regular follow up of customers' accounts;
- the setting up of devolved processes of granting credit, and the segregation of administrative procedures from decision making processes;
- the use of legal means necessary to recover debts.

Financial Institutions: The credit risk is linked to possible non compliance by Financial Institutions, to which the Group is contractually bound, in its normal operational activity, term deposits, cash balances and derivatives.

To mitigate this risk, the Group:

- Only executes transactions with counterparts with an Investment Grade minimum grading;
- Diversifies its counterparts, in order to avoid an excessive concentration of credit risk;
- Defines a restricted range of chosen instruments (aimed at not contracting complex instruments, the structure of which is not entirely known);

- Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

**Shareholding Buy/Sale transactions:** In the course of its business, the Group is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the variability of the means used, there exists always the possibility of using normal market methods, namely carrying out due diligences, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed, requesting bank guarantees, setting up escrow accounts, obtaining collateral, among others.

### **3.3 Liquidity Risk**

The objective of liquidity risk management is to ensure at any given moment that the Group has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Group aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Group includes the following key aspects:

- Centralised liquidity management (cash surpluses and needs) at the holding company level, seeking to optimise the finance function in the Group;
- Financial planning based on cash flow forecasts, both at an individual company and consolidated levels, and for different time periods (weekly, monthly, annual and multiyear);
- Short and long term financial control systems (based on Treasury and Cash Management systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;
- Diversification of sources of financing and counterparts;
- Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;
- Contracts with relationship Banks, of committed credit lines (of at least six months) and Commercial Paper Programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable.

## **4. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS**

As mentioned in Note 2 changes to international financial reporting standards did not result in material changes to accounting policies. There were no corrections of material errors from previous periods.

## 5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by the Group as at 31 December 2010 and 2009 are as follows:

Company	Head Office	Percentage of capital held			
		31 December 2010		31 December 2009	
		Direct	Total	Direct	Total
<b>Sonae Capital SGPS, SA</b>	Maia	Holding	Holding	Holding	Holding
<b>Tourism</b>					
Aqualuz - Turismo e Lazer, Lda	a) Lagos	100.00%	100.00%	100.00%	100.00%
Casa da Ribeira - Hotelaria e Turismo, SA	a) Marco de Canaveses	100.00%	100.00%	100.00%	100.00%
Golf Time - Golfe e Inv.Turísticos, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
Imoareia Investimentos Turísticos, SGPS, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Imopenínsula - Sociedade Imobiliária, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Imoresort - Sociedade Imobiliária, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Investalentejo, SGPS, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Marimo -Exploração Hoteleira Imobiliária, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Marina de Tróia, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Marina Magic - Exploração de Centros Lúd, SA	a) Lisbon	100.00%	100.00%	100.00%	100.00%
Marmagno-Expl.Hoteleira Imob., SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Martimope - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	100.00%
Marvero-Expl.Hoteleira Imob., SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Modus Faciendi – Gestão e Serviços, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
SII - Soberana Investimentos Imobiliários, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Sete e Meio - Investimentos e Consultadoria, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Solinca - Health & Fitness, SA	a) Lisbon	100.00%	100.00%	100.00%	100.00%
Solinca-Investimentos Turísticos, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
Solinfitness - Club Málaga, SL	a) Málaga (Spain)	100.00%	100.00%	100.00%	100.00%
Soltroia-Imob.de Urb.Turismo de Tróia, SA	a) Lisbon	100.00%	100.00%	100.00%	100.00%
Sonae Turismo - SGPS, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
Sontur, BV	a) Amesterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
Tróia Market, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Tróia Natura, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Troiareort - Investimentos Turísticos, SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Troiaverde-Expl.Hoteleira Imob., SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
Tulipamar-Expl.Hoteleira Imob., SA	a) Grândola	100.00%	100.00%	100.00%	100.00%
<b>SC Assets</b>					
1) Bloco Q-Sociedade Imobiliária, SA	a) Porto	100.00%	100.00%	100.00%	100.00%
1) Bloco W-Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%



1)	Empreend.Imob.Quinta da Azenha, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Centro Residencial da Maia,Urban., SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
1)	Cinclus Imobiliária, SA	a)	Porto	100.00%	87.74%	100.00%	87.74%
1)	Country Club da Maia-Imobiliaria, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Imobiliária da Cacela, SA	a)	Matosinhos	100.00%	87.74%	100.00%	87.74%
1)	Imoclub-Serviços Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	Imodivor - Sociedade Imobiliária, SA	a)	Maia	100.00%	87.74%	100.00%	87.74%
1)	Imoferro-Soc.Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Imohotel-Emp.Turist.Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	Imoponte-Soc.Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Imosedas-Imobiliária e Serviços, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	Implantação – Imobiliária, SA	a)	Matosinhos	100.00%	87.74%	100.00%	87.74%
1)	Porturbe-Edifícios e Urbanizações, SA	a)	Maia	100.00%	87.74%	100.00%	87.74%
1)	Praedium II-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Praedium – Serviços, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Praedium-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
1)	Prédios Privados Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	Predisedas-Predial das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	Promessa Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	SC Assets, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Sete e Meio Herdades - Investimentos Agrícolas e Turismo, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
1)	Soconstrução, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
1)	Soira-Soc.Imobiliária de Ramalde, SA	a)	Porto	100.00%	87.74%	100.00%	87.74%
1)	Sótaqua - Soc. de Empreendimentos Turísticos, SA	a)	Maia	100.00%	87.74%	100.00%	87.74%
1)	Spinveste - Promoção Imobiliária, SA	a)	Porto	87.74%	87.74%	87.74%	87.74%
1)	Spinveste-Gestão Imobiliária SGII, SA	a)	Porto	87.74%	87.74%	87.74%	87.74%
1)	Torre São Gabriel-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Urbisedas-Imobiliária das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	Venda Aluga-Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Vistas do Freixo-Emp.Tur.imobiliários,SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
1)	World Trade Center Porto, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
<b>Spred</b>							
	Atlantic Ferries - Traf.Loc.Flu.e Marit., SA	a)	Grândola	80.00%	80.00%	80.00%	80.00%
2)	Box Lines Navegação, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto Concessões, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Cronosaúde – Gestão Hospitalar, SA	a)	Porto	100.00%	50.00%	100.00%	50.00%
	Ecociclo II – Energias, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Edifícios Saudáveis Consultores Ambiente e Energia em Edifícios, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Friengineering, SA	a)	São Paulo (Brazil)	100.00%	70.00%	100.00%	70.00%
	Inparvi SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
3)	Integrum Colombo – Energia, SA	a)	Maia	100.00%	100.00%	-	-
	Integrum-Energia, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Integrum-Serviços Partilhados, SA	a)	Maia	100.00%	70.00%	100.00%	70.00%

Invsau�de – Gest�o Hospitalar, SA	a)	Maia	100.00%	50.00%	100.00%	50.00%
PJP - Equipamento de Refrigera�o, Lda	a)	Matosinhos	100.00%	70.00%	100.00%	70.00%
Sa�de Atl�ntica - Gest�o Hospitalar, SA	a)	Maia	50.00%	50.00%	50.00%	50.00%
SC – Eng. e Promo Imobili�ria,SGPS,SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Selfrio, SGPS, SA	a)	Matosinhos	70.00%	70.00%	70.00%	70.00%
Selfrio-Engenharia do Frio, SA	a)	Matosinhos	100.00%	70.00%	100.00%	70.00%
Sistavac-Sist.Aquecimento,V.Ar C., SA	a)	Matosinhos	100.00%	70.00%	100.00%	70.00%
SKK Distribucion de Refrigeraci�n, S.R.L.	a)	Spain	100.00%	70.00%	100.00%	70.00%
SKK-Central de Distr., SA	a)	Porto	100.00%	70.00%	100.00%	70.00%
SKKFOR - Ser. For. e Desen. de Recursos, SA	a)	Maia	100.00%	70.00%	100.00%	70.00%
SMP-Serv. de Manuten�o Planeamento, SA	a)	Matosinhos	100.00%	70.00%	100.00%	70.00%
Soci�t� de Tranchage Isoroy SAS	a)	Honfleur (France)	100.00%	100.00%	100.00%	100.00%
2) Soci�t� des Essences Fines Isoroy	a)	Honfleur (France)	100.00%	100.00%	100.00%	100.00%
Sopair, SA	a)	Madrid (Spain)	100.00%	70.00%	100.00%	70.00%
Spred SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
<b>Others</b>						
Interlog-SGPS, SA	a)	Lisbon	98.98%	98.98%	98.98%	98.98%
Rochester Real Estate, Ltd	a)	Kent (U.K.)	100.00%	100.00%	100.00%	100.00%
SC – Sociedade de Consultadoria, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
SC-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
SC Finance, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%

a) Majority of voting rights.

- 1) Company included in the Tourism segment in 2009
- 2) Company sold in the period;
- 3) Company incorporated in the period

These group companies are consolidated using the full consolidation method as described in Note 2.2.a).

## 6. INVESTMENTS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Associated and jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 31 December 2010 and 2009 are as follows:

Company	Head Office	Percentage of capital held				Book Value	
		31 December 2010		31 December 2009		31 December 2010	31 December 2009
		Direct	Total	Direct	Total		
<b>Tourism</b>							
Andar - Sociedade Imobili�ria, SA	Maia	50.00%	50.00%	50.00%	50.00%	942,174	1,023,043
Sociedade de Constru�es do Chile, SA	Lisbon	100.00%	50.00%	100.00%	50.00%	-	-
Fundo de Investimento Imobili�rio Fechado Imosede	Maia	45.45%	45.45%	45.45%	45.45%	55,156,588	52,802,751

	Sociedade Imobiliária Tróia - B3, SA	Grândola	20.00%	20.00%	20.00%	20.00%	438,004	440,476
	Vastgoed One - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%	-	-
	Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%	-	-
	<b>Spred</b>							
	Cinclus-Plan. e Gestão de Projectos, SA	Porto	25.00%	25.00%	25.00%	25.00%	606,678	662,209
1)	Change, SGPS, SA	Porto	-	-	50.00%	50.00%	-	1,186,964
	Lidergraf - Artes Gráficas, Lda	Vila do Conde	24.50%	24.50%	24.50%	24.50%	489,822	597,067
	Norscut - Concessionária de Scut Interior Norte, SA	Lisbon	36.00%	36.00%	36.00%	36.00%	742,338	-
	Operscut - Operação e Manutenção de Auto-estradas, SA	Lisbon	15.00%	15.00%	15.00%	15.00%	24,000	24,000
	Sodesa, SA	Lisbon	50.00%	50.00%	50.00%	50.00%	10,548	24,890
	TP - Sociedade Térmica, SA	Porto	50.00%	50.00%	50.00%	50.00%	13,968,114	12,472,327
	<b>Total</b>						<b>72,378,266</b>	<b>69,233,729</b>

1) Company sold in the period

Nil balances shown result from the reduction to acquisition cost of amounts determined by the equity method, discontinuing the recognition of its part of additional losses under the terms of IAS 28.

Associated and jointly controlled companies are consolidated using the equity method.

As at 31 December 2010 and 2009, aggregate values of main financial indicators of associated and jointly controlled companies can be analysed as follows:

	31 December 2010	31 December 2009
Total Assets	987,199,563	1,650,136,557
Total Liabilities	784,329,964	1,468,288,692
Income	178,412,566	182,413,148
Expenses	161,303,622	190,184,798

During the periods ended 31 December 2010 and 2009, movements in investments in associated companies may be summarised as follows:

	31 December 2010	31 December 2009
Opening balance as at 1 January	69,233,729	14,882,648
Acquisitions in the period	150,736	381,120
Disposals in the period	(625,697)	-
Changes in the consolidation method during the period (Notes 5 and 8)	-	51,468,593
Equity method	3,793,574	2,608,501
Dividends received	(174,078)	(107,133)
Transfers	2	-
Closing balance as at 31 December	72,378,266	69,233,729
Consolidation differences transferred to investments	-	-
	<b>72,378,266</b>	<b>69,233,729</b>

The use of the equity method had the following impacts: 5,620,377 euro recorded in Share of results of associated undertakings (2,608,502 euro at 31 December 2009) and -1,826,803 euro in changes in reserves (there were no changes in reserves at 31 December 2009).

## 7. GROUP COMPANIES, JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES EXCLUDED FROM CONSOLIDATION AND INVESTMENTS HELD FOR SALE

Group companies, jointly controlled companies and associated companies excluded from consolidation, their head offices, percentage of share capital held and book value as at 31 December 2010 and 2009 are made up as follows:

Company	Reason for exclusion	Head Office	Percentage of capital held				31 December 2010	31 December 2009
			31 December 2010		31 December 2009			
			Direct	Total	Direct	Total		
<b>Tourism</b>								
1) Delphinus – Soc. de Tur. e Div. de Tróia, SA	a)	Grândola	79.00%	79.00%	79.00%	79.00%	-	-
Infratroia – Emp. De Infraest. De Troia, E.N.	a)	Grândola	25.90%	25.90%	25.90%	25.90%	64,747	64,747
Spidouro S.P.E.I. Douro e Trás-os-Montes, SA		Vila Real	8.30%	8.30%	8.30%	8.30%	-	-
<b>Spred</b>								
Net, SA		Lisbon	2.80%	2.80%	2.80%	2.80%	11,132	11,132
Sear - Sociedade Europeia de Arroz, SA		Santiago do Cacém	15.00%	15.00%	15.00%	15.00%	150,031	150,031
2) Real Change FCR - Fundo		Porto	-	-	13.33%	13.33%	-	1,706,667
Fundo de Capital de Risco F-HITEC		Lisbon	7.14%	7.14%	7.14%	7.14%	250,000	250,000
3) Spinarq – Engenharia, Energia e Ambiente, SA	a)	Luanda	99.90%	99.90%	-	-	191,507	-
Other investments							471,705	421,567
Total (Note 13)							1,139,122	2,604,144

1) Inactive subsidiary

2) Subsidiary sold in the period

3) Subsidiary incorporated in the period for which, at the date of these financial statements, there is not sufficient financial information regarding the current period

Nil balances shown above result from deduction of impairment losses from related investments.

## 8. CHANGES TO THE CONSOLIDATION PERIMETER

Main changes to the consolidation perimeter over the twelve months period ended 31 December 2010 are as follows:

Company	Head Office	Percentage of capital held	
		At the date of disposal of	
		Direct	Total
Box Lines Navegação, SA	Porto	100.00%	100.00%
Société des Essences Fines Isoroy	Honfleur (France)	100.00%	100.00%

The main disposals of companies over the year ended at 31 December **2010** were as follows:

	Date of disposal of shareholding	31 December 2009
Net assets excluded		
Tangible and intangible assets (Notes 10 and 11)	368,536	516,419
Stocks	1,246,393	1,316,823
Other assets	10,889,652	8,667,031
Cash and cash equivalents	960,222	245,380
Other liabilities	(14,959,396)	(10,344,306)
	(1,494,593)	401,347
Impairment of assets	3,560,012	3,560,012
Goodwill (Note 12)	216,643	-
	2,282,062	3,961,359
Gain/(Loss) on exclusion	8,167,940	-
	10,450,002	3,961,359

Impacts in the consolidated profit and loss at the exclusion date were as follows:

	Date of disposal of shareholding	31 December 2009
Sales and services rendered	27,757,763	44,650,721
Other operational income	-	170,411
Other operational expenses	(27,180,306)	(45,507,362)
Net financial expenses	(38,884)	(87,356)
Profit/(Loss) before taxation	538,573	(773,586)
Taxation	(54,488)	221,726
Profit/(Loss) for the period	484,085	(551,860)

## 9. FINANCIAL INSTRUMENTS

Financial Instruments, in accordance with the policies described in Note 2.1, were classified as follows:

Financial Assets	Note	Financial Instruments					Total
		Borrowings and accounts receivable	Available for sale	Investments held to maturity	Sub-total	Assets not covered by IFRS 7	
<b>As at 31 de December 2010</b>							
Non Current Assets							
Other Investments	13	-	1,139,122	-	1,139,122	-	1,139,122
Other non current assets	14	17,241,368	-	-	17,241,368	-	17,241,368
		<u>17,241,368</u>	<u>1,139,122</u>	<u>-</u>	<u>18,380,490</u>	<u>-</u>	<u>18,380,490</u>
Current Assets							
Trade account receivables	16	36,019,835	-	-	36,019,835	-	36,019,835
Other debtors	17	10,892,397	-	-	10,892,397	-	10,892,397
Cash and cash equivalents	21	3,199,298	-	-	3,199,298	-	3,199,298
		<u>50,111,530</u>	<u>-</u>	<u>-</u>	<u>50,111,530</u>	<u>-</u>	<u>50,111,530</u>
		<u>67,352,898</u>	<u>1,139,122</u>	<u>-</u>	<u>68,492,020</u>	<u>-</u>	<u>68,492,020</u>
<b>As at 31 de December 2009</b>							
Non Current Assets							
Other Investments	13	-	2,604,144	-	2,604,144	-	2,604,144
Other non current assets	14	25,599,607	-	-	25,599,607	-	25,599,607
		<u>25,599,607</u>	<u>2,604,144</u>	<u>-</u>	<u>28,203,751</u>	<u>-</u>	<u>28,203,751</u>
Current Assets							
Trade account receivables	16	42,856,703	-	-	42,856,703	-	42,856,703
Other debtors	17	18,930,328	-	-	18,930,328	-	18,930,328
Cash and cash equivalents	21	2,805,280	-	-	2,805,280	-	2,805,280
		<u>64,592,311</u>	<u>-</u>	<u>-</u>	<u>64,592,311</u>	<u>-</u>	<u>64,592,311</u>
		<u>90,191,918</u>	<u>2,604,144</u>	<u>-</u>	<u>92,796,062</u>	<u>-</u>	<u>92,796,062</u>



<b>Financial Liabilities</b>	Note	Financial liabilities recorded at amortised cost	Liabilities not covered by IFRS 7	Total
<b>As at 31 de December 2010</b>				
Non Current Liabilities				
Bank Loans	24	42,915,789	-	42,915,789
Bonds	24	79,406,319	-	79,406,319
Other loans	24	29,571,298	-	29,571,298
Other non current liabilities	27	33,495,713	3,145,977	36,641,690
		<u>185,389,119</u>	<u>3,145,977</u>	<u>188,535,096</u>
Current Liabilities				
Bank Loans	21 and 24	124,034,932	-	124,034,932
Other loans	24	4,480,580	-	4,480,580
Trade Creditors	29	26,672,579	-	26,672,579
Other current liabilities	30	2,492,984	2,368,956	4,861,940
		<u>157,681,075</u>	<u>2,368,956</u>	<u>160,050,031</u>
		<u>343,070,194</u>	<u>5,514,933</u>	<u>348,585,127</u>

<b>Financial Liabilities</b>	Note	Financial liabilities recorded at amortised cost	Liabilities not covered by IFRS 7	Total
<b>As at 31 de December 2009</b>				
Non Current Liabilities				
Bank Loans	24	104,850,107	-	104,850,107
Bonds	24	99,243,255	-	99,243,255
Other loans	24	31,829,156	-	31,829,156
Other non current liabilities	27	33,402,463	3,417,807	36,820,270
		<u>269,324,981</u>	<u>3,417,807</u>	<u>272,742,788</u>
Current Liabilities				
Bank Loans	21 and 24	41,362,257	-	41,362,257
Other loans	24	3,438,302	-	3,438,302
Trade Creditors	29	50,444,177	-	50,444,177
Other current liabilities	30	6,125,577	5,290,708	11,416,285
		<u>101,370,313</u>	<u>5,290,708</u>	<u>106,661,021</u>
		<u>370,695,294</u>	<u>8,708,515</u>	<u>379,403,809</u>

## 10. TANGIBLE ASSETS

During the periods ended 31 December 2010 and 2009, movements in Tangible assets as well as in depreciation and accumulated impairment losses, are made up as follows:

	Tangible Assets						Total Tangible Assets
	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others	Tangible Assets in progress	
<b>Cost:</b>							
<b>Opening balance as at 1 January 2009</b>	290,418,081	130,349,655	6,360,682	9,488,484	8,338,147	101,708,729	546,663,778
Changes in consolidation perimeter (companies in)	-	732,719	-	-	-	6,629,228	7,361,947
Changes in consolidation perimeter (companies out)	(86,234,851)	(52,066,229)	(4,594,693)	(3,129,937)	(4,688,629)	(52,696,009)	(203,410,348)
Capital expenditure	1,334,102	370,298	93,989	97,400	46,649	44,485,714	46,428,152
Disposals	(286,640)	(435,134)	(215,109)	(71,114)	(66,229)	(842,097)	(1,916,323)
Exchange rate effect	74,105	3,459	-	7,266	12,206	-	97,036
Transfers	817,462	38,528,765	134,361	434,315	122,182	(68,760,408)	(28,723,323)
<b>Opening balance as at 1 January 2010</b>	206,122,259	117,483,533	1,779,230	6,826,414	3,764,326	30,525,157	366,500,919
Changes in consolidation perimeter (companies in)	-	-	-	-	-	-	-
Changes in consolidation perimeter (companies out) - Note 8	(4,459,919)	(4,538,451)	(384,064)	(516,890)	(113,317)	-	(10,012,641)
Capital expenditure	144,257	321,105	136,636	41,216	6,195	9,528,000	10,177,409
Disposals	(5,907,236)	(1,239,927)	(173,950)	(89,987)	(7,862)	(127,223)	(7,546,185)
Exchange rate effect	34,981	2,499	-	4,724	7,385	-	49,589
Transfers	4,584,802	6,977,778	46,701	284,491	(193,203)	(26,151,731)	(14,451,162)
<b>Closing balance as at 31 December 2010</b>	200,519,144	119,006,537	1,404,553	6,549,968	3,463,524	13,774,203	344,717,929
<b>Accumulated depreciation and impairment losses</b>							
<b>Opening balance as at 1 January 2009</b>	59,555,185	54,461,442	5,743,223	6,794,968	6,417,927	-	132,972,745
Changes in consolidation perimeter (companies in)	-	77,071	-	-	-	-	77,071
Changes in consolidation perimeter (companies out)	(21,056,326)	(33,937,862)	(4,398,984)	(2,290,734)	(3,932,966)	-	(65,616,872)
Charges for the period 1)	7,784,489	8,188,051	205,870	544,915	271,804	-	16,995,129
Disposals 2)	(19,139)	(337,708)	(187,030)	(37,488)	(56,652)	-	(638,017)
Exchange rate effect	14,598	1,775	-	6,138	7,211	-	29,722
Transfers	(734,311)	(449,939)	(46,353)	(10,403)	(532)	-	(1,241,538)
<b>Opening balance as at 1 January 2010</b>	45,544,496	28,002,830	1,316,726	5,007,396	2,706,792	-	82,578,240
Changes in consolidation perimeter (companies in)	-	-	-	-	-	-	-
Changes in consolidation perimeter (companies out) - Note 8	(4,459,919)	(4,298,428)	(300,733)	(490,208)	(105,607)	-	(9,654,895)
Charges for the period 1)	5,055,194	10,825,620	186,819	498,552	213,078	-	16,779,263
Disposals 2)	(1,739,566)	(483,908)	(112,071)	(85,515)	(7,378)	-	(2,428,438)
Exchange rate effect	8,129	1,256	-	3,987	4,816	-	18,188
Transfers	(74,131)	(13,423)	(1,262)	(6,944)	(168,414)	-	(264,174)
<b>Closing balance as at 31 December 2010</b>	44,334,203	34,033,947	1,089,479	4,927,268	2,643,287	-	87,028,184
<b>Carrying amount</b>							
As at 31 December 2009	160,577,763	89,480,703	462,504	1,819,018	1,057,534	30,525,157	283,922,679
As at 31 December 2010	156,184,941	84,972,590	315,074	1,622,700	820,237	13,774,203	257,689,745

1) Includes impairment losses amounting to 2,127,967 euro (4,078,521 euro at December 2009).

2) Includes reversal of impairment losses amounting to 1,209,793 euro.

Transfers from Tangible assets in progress include transfers to stocks of amounts related with real estate projects in commercialization at Troia, in the amount of 12,864,587 euro (Note 37).

The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted to 39,063,398 euro and 39,380,487 euro as at 31 December 2010 and 2009, respectively, and their net book value as of those dates amounted to 33,774,414 euro and 36,285,242 euro, respectively (Note 25).

Major amounts included in the caption Tangible assets in progress, refer to the following projects:

	31 December 2010	31 December 2009
Tróia	6,311,454	22,177,355
Ecoresort Project (Tróia)	2,138,318	1,452,000
Troia Hotels refurbishment	117,392	2,493,078
Boavista Complex refurbishment	1,393,937	3,106,765
Cogeneration Project Integrum Colombo	1,913,071	-
Infrastructure in Setúbal piers and other related with the ferry crossing to Tróia	259,902	400,968
Others	1,640,129	894,991
	<u>13,774,203</u>	<u>30,525,157</u>

## 11. INTANGIBLE ASSETS

During the periods ended 31 December 2010 and 2009, movements in Intangible assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Intangible Assets				
	Patents and other similar rights	Software	Others	Intangible Assets in progress	Total Intangible Assets
<b>Cost:</b>					
<b>Opening balance as at 1 January 2009</b>	3,402,935	2,382,056	37,263	83,727	5,905,981
Changes in consolidation perimeter (companies in)	-	-	-	-	-
Changes in consolidation perimeter (companies out)	(2,527,760)	-	-	-	(2,527,760)
Capital expenditure	2,250	40,085	-	96,049	138,384
Disposals	(22,370)	(131)	-	-	(22,501)
Exchange rate effect	-	4,296	-	-	4,296
Transfers	6,591,788	290,463	(1)	(78,861)	6,803,389
<b>Opening balance as at 1 January 2010</b>	<b>7,446,843</b>	<b>2,716,769</b>	<b>37,262</b>	<b>100,915</b>	<b>10,301,789</b>
Changes in consolidation perimeter (companies in)	-	-	-	-	-
Changes in consolidation perimeter (companies out) - Note 8	(2,138)	(455,508)	(956)	-	(458,602)
Capital expenditure	-	17,613	-	68,692	86,305
Disposals	(17,316)	-	(28,104)	-	(45,420)
Exchange rate effect	-	2,519	-	-	2,519
Transfers	14,367	368,069	-	(132,819)	249,617
<b>Closing balance as at 31 December 2010</b>	<b>7,441,756</b>	<b>2,649,462</b>	<b>8,202</b>	<b>36,788</b>	<b>10,136,208</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Opening balance as at 1 January 2009</b>	2,474,467	1,904,039	36,810	-	4,415,316
Changes in consolidation perimeter (companies in)	-	-	-	-	-
Changes in consolidation perimeter (companies out)	(2,156,769)	-	(1)	-	(2,156,770)
Charges for the period	181,721	170,019	227	-	351,967
Disposals	(6,249)	(9)	-	-	(6,258)
Exchange rate effect	-	2,349	-	-	2,349
Transfers	199,429	(3,022)	(2)	-	196,405
<b>Opening balance as at 1 January 2010</b>	<b>692,599</b>	<b>2,073,376</b>	<b>37,034</b>	<b>-</b>	<b>2,803,009</b>
Changes in consolidation perimeter (companies in)	-	-	-	-	-
Changes in consolidation perimeter (companies out) - Note 8	(2,138)	(444,719)	(956)	-	(447,813)
Charges for the period	163,195	230,763	228	-	394,186
Disposals	(17,311)	-	(28,104)	-	(45,415)
Exchange rate effect	-	1,457	-	-	1,457
Transfers	(220)	180,976	-	-	180,756
<b>Closing balance as at 31 December 2010</b>	<b>836,125</b>	<b>2,041,853</b>	<b>8,202</b>	<b>-</b>	<b>2,886,180</b>
<b>Carrying amount</b>					
As at 31 December 2009	<u>6,754,244</u>	<u>643,393</u>	<u>228</u>	<u>100,915</u>	<u>7,498,780</u>
As at 31 December 2010	<u>6,605,631</u>	<u>607,609</u>	<u>-</u>	<u>36,788</u>	<u>7,250,028</u>

As at December 2010 net assets of Marina de Troia amount to 6,555,408 euro.

APSS – Administração dos Portos de Setúbal e Sesimbra, SA (APSS) signed in 2007 with an affiliated company a service concession arrangement to build and operate, in the public interest, a marina and support services in Troia, during a period of 50 years from the date of entry into operation. This period may be extended a maximum of 10 years if agreed between the parties. At the end of the service concession arrangement the concession will revert to APSS at no consideration, with some exceptions in the arrangement.

The Group has the right to charge fees for services to be provided under the concession. Maximum fee limits must be approved by the grantor based on a proposal submitted by the Group.

During the concession period the Group has a contractual obligation to maintain the infrastructure in a specific level of serviceability and pays the grantor a fixed fee and a variable fee, the latter based on revenues charged for the service provided.

The grantor may cancel the service concession arrangement whenever public interest is affected, provided that at least the contractual period is over and with at least 1 year notice, in which case the Group is entitled to compensation equal to the net book value of the infrastructure plus lost revenue calculated in accordance with the terms of the contract.

## 12. GOODWILL

During the periods ended 31 December 2010 and 2009, movements in goodwill, as well as in corresponding impairment losses, are as follows:

	31 December 2010	31 December 2009
<b>Gross amount:</b>		
Opening balance	62,651,566	63,068,217
Acquisitions with increase in percentage ownership	-	301,506
Increases - acquisition of affiliated companies	-	614,798
Decreases - disposals of affiliated companies (Note 8)	(216,643)	(1,332,955)
Closing balance	62,434,923	62,651,566
<b>Accumulated impairment losses:</b>		
Opening balance	1,301,596	1,301,596
Increases	-	-
Decreases	-	-
Closing balance	1,301,596	1,301,596
	-	-
<b>Total Operations</b>	<b>61,133,327</b>	<b>61,349,970</b>
Discontinued Operations	-	216,643
Continued Operations	61,133,327	61,133,327
	<b>61,133,327</b>	<b>61,349,970</b>

As at 31 December 2010 and 2009, Goodwill may be split as follows:

	31 December 2010	31 December 2009
SC Assets	11,489,366	11,489,366
Tourism	24,384,960	24,384,960
Spred	25,235,730	25,443,563
Holding and Others	23,271	32,081
	61,133,327	61,349,970

A significant part of goodwill in Tourism and SC Assets relates to real estate assets, which have been valued by an external independent valuer in 2009.

### 13. INVESTMENTS

During the periods ended 31 December 2010 and 2009, movements in investments, were as follows:

	31 December 2010		31 December 2009	
	Non current	Current	Non current	Current
<b><u>Investments in group companies, jointly controlled companies or associated companies excluded from consolidation</u></b>				
Opening balance as at 1 January	8,229,277	-	8,217,052	-
Acquisitions in the period	734,652	-	70,863	-
Disposals in the period	(639,680)	-	(106,098)	-
Transfers	-	-	1	-
Changes in consolidation perimeter	-	-	47,460	-
Closing balance as at 31 December	8,324,249	-	8,229,277	-
Accumulated impairment losses (Note 32)	(7,707,935)	-	(7,785,395)	-
	616,314	-	443,883	-
<b><u>Investments held for sale</u></b>				
Fair value as at 1 January	2,289,261	-	29,369,294	-
Acquisitions in the period	119,215	-	50,700	-
Disposals in the period	(1,756,669)	-	(33,809,947)	-
Increase/(Decrease) in fair value	-	-	6,679,214	-
Transfers	-	-	-	-
Fair value as at 31 December	651,807	-	2,289,261	-
Accumulated impairment losses (Note 32)	(128,999)	-	(128,999)	-
Fair value (net of impairment losses) as at 31 December	522,808	-	2,160,262	-
<b><u>Other Investments (Note 7)</u></b>	1,139,122	-	2,604,144	-

Investments in group companies, jointly controlled companies or associated companies excluded from consolidation are recorded at acquisition cost less impairment losses. The Group considers that it is not reasonable to estimate a fair value for these investments as there is no visible market data. The amount of Investments held for sale is related to investments recorded at cost net of impairment losses for the reason mentioned above.



## 14. OTHER NON CURRENT ASSETS

As at 31 December 2010 and 2009, Other non current assets are detailed as follows:

	31 December 2010	31 December 2009
<b>Loans granted to related parties</b>		
Norscut - Concessionária de Scut Interior Norte, SA	15,222,745	23,837,775
Others	89,916	238,225
	<u>15,277,745</u>	<u>24,041,084</u>
Impairment losses (Note 32)	(34,916)	(34,916)
	<u>15,277,745</u>	<u>24,041,084</u>
<b>Trade accounts receivable and other debtors</b>	1,963,623	1,558,523
Impairment losses (Note 32)	-	-
	<u>1,963,623</u>	<u>1,558,523</u>
<b>Total financial instruments (Note 9)</b>	<u>17,241,368</u>	<u>25,599,607</u>
<b>Continued Operations</b>	<u>17,241,368</u>	<u>25,599,607</u>
<b>Discontinued Operations</b>	-	-
<b>Total Operations</b>	<u>17,241,368</u>	<u>25,599,607</u>

Generally, values included in Other non current assets bear interest at market rates, and it is estimated that their fair value does not significantly differ from amounts in the balance sheet.

As at 31 December 2010 and 2009, the ageing of Trade accounts receivable and other debtors can be detailed as follows:

	Trade accounts receivable and other debtors	
	31 December 2010	31 December 2009
Not due	680,427	170,097
Due but not impaired		
< 6 months	-	409,053
6 - 12 months	-	-
> 1 year	1,283,196	979,373
	<u>1,283,196</u>	<u>1,388,426</u>
Due and impaired		
> 1 year	-	-
	<u>1,963,623</u>	<u>1,558,523</u>

Loans granted to related parties do not have a defined maturity, and therefore are not due.

## 15. STOCKS

Stocks as at 31 December 2010 and 2009 can be detailed as follows, highlighting the value attributable to real estate developments:

	31 December 2010		31 December 2009	
	Total	of which Real Estate Developments	Total	of which Real Estate Developments
Raw materials, by-products and consumables	970,130	-	2,371,412	-
Goods for sale	46,410,044	44,141,062	45,133,939	42,966,231
Finished goods	118,169,443	118,169,444	104,620,642	104,502,986
Work in progress	71,891,012	68,202,152	83,212,538	76,428,112
Payments on account	68,459	-	68,459	-
	<u>237,509,088</u>	<u>230,512,658</u>	<u>235,406,990</u>	<u>223,897,329</u>
Accumulated impairment losses on stocks (Note 23)	<u>(7,726,492)</u>	<u>(7,658,033)</u>	<u>(7,858,372)</u>	<u>(7,674,640)</u>
	<u>229,782,596</u>	<u>222,854,625</u>	<u>227,548,618</u>	<u>216,222,689</u>

Cost of goods sold as at 31 December 2010 and 2009 amounted to 40,038,998 euro and 49,364,278 euro, respectively, and may be detailed as follows:

	31 December 2010	31 December 2009
Opening Stocks	47,505,351	48,345,151
Exchange rate effect	18,636	27,135
Changes in consolidation perimeter	(1,227,900)	(478,165)
Purchases	41,123,526	49,839,557
Adjustments	244	(1,005)
Closing Stocks	47,380,174	47,505,351
	<u>40,039,683</u>	<u>50,227,322</u>
Impairment losses (Note 32)	-	100,413
Reversion of impairment losses	-	(950,068)
<b>Continued Operations</b>	<u>40,039,683</u>	<u>49,377,667</u>
<b>Discontinued Operations</b>	<u>(685)</u>	<u>(13,389)</u>
<b>Total Operations</b>	<u>40,038,998</u>	<u>49,364,278</u>

## 16. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2010 and 2009, Trade accounts receivable are detailed as follows:

	31 December 2010	31 December 2009
Trade accounts receivable		
SC Assets	681,821	632,487
Tourism	3,004,338	3,597,808
Spred	30,949,008	26,698,197
Holding and Others	384,151	624,065
	<u>35,019,318</u>	<u>31,552,557</u>
Trade Debtors, bills receivable	1,646,969	2,262,346
Doubtful debtors	3,720,802	4,065,709
	<u>40,387,089</u>	<u>37,880,612</u>
Accumulated impairment losses on Trade Debtors (Note 32)	(4,367,254)	(4,544,060)
<b>Continued Operations</b>	<u><u>36,019,835</u></u>	<u><u>33,336,552</u></u>
Trade accounts receivable	-	10,049,218
Accumulated impairment losses on Trade Debtors (Note 32)	-	(529,067)
<b>Discontinued Operations</b>	<u>-</u>	<u>9,520,151</u>
<b>Total Operations</b>	<u><u>36,019,835</u></u>	<u><u>42,856,703</u></u>

In the normal course of activity collection risk may arise in Trade debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade debtors reflect their fair value.

As at 31 December 2010 we do not have any reason to believe that normal collection times regarding trade accounts receivable not due for which there are no impairment losses will not be met.

As at 31 December 2010 and 2009, the ageing of Trade Accounts Receivables can be detailed as follows:

31 December 2010	SC Assets	Tourism	Spred	Holding and Others	Total
Not Due	185,310	611,109	21,037,481	38,414	21,872,313
Due but not impaired					
0 - 30 days	163,298	150,296	3,440,843	3,149	3,757,586
30 - 90 days	42,913	558,753	6,325,910	24,693	6,952,269
+ 90 days	264,288	644,835	1,810,884	317,896	3,037,902
Total	<u>470,499</u>	<u>1,353,884</u>	<u>11,577,637</u>	<u>345,738</u>	<u>13,747,757</u>
Due and impaired					
0 - 90 days	3,364	212,953	14,395	-	230,712
90 - 180 days	31,307	53,493	14,546	-	99,345
180 - 360 days	9,920	182,480	14,980	-	207,380
+ 360 days	253,057	2,234,041	1,168,976	573,508	4,229,582
Total	<u>297,648</u>	<u>2,682,967</u>	<u>1,212,897</u>	<u>573,508</u>	<u>4,767,020</u>
<b>Continued Operations before impairments</b>	<u><u>953,457</u></u>	<u><u>4,647,959</u></u>	<u><u>33,828,015</u></u>	<u><u>957,659</u></u>	<u><u>40,387,090</u></u>

31 December 2009	SC Assets	Tourism	Spred	Holding and Others	Total
Not Due	209,049	1,105,995	17,138,684	232,593	18,686,321
Due but not impaired					
0 - 30 days	175,294	370,021	7,661,020	83,668	8,290,003
30 - 90 days	89,641	930,500	2,407,296	106,297	3,533,734
+ 90 days	154,164	577,695	1,893,130	201,505	2,826,494
Total	419,099	1,878,216	11,961,446	391,470	14,650,231
Due and impaired					
0 - 90 days	-	95,005	54,135	-	149,140
90 - 180 days	-	119,670	74,002	-	193,672
180 - 360 days	13,891	90,036	-	-	103,927
+ 360 days	221,258	1,977,773	1,264,782	633,508	4,097,321
Total	235,149	2,282,484	1,392,919	633,508	4,544,060
<b>Continued Operations before impairments</b>	<b>863,297</b>	<b>5,266,695</b>	<b>30,493,049</b>	<b>1,257,571</b>	<b>37,880,612</b>

To determine the recoverability of Trade accounts receivable, the Group reviews all changes to the credit quality of its counterparties since the date of the credit to the date of reporting consolidated financial statements. Credit risk is not concentrated because of the significant number of trade debtors. The Group thus believes that credit risk does not exceed recorded impairment losses for trade accounts receivable doubtful accounts.

In addition, the Group considers that maximum exposure to credit risk corresponds to the total of trade accounts receivable disclosed in the consolidated balance sheet.

## 17. OTHER DEBTORS

As at 31 December 2010 and 2009, Other debtors are made up as follows:

	31 December 2010	31 December 2009
<b>Loans granted to and other amounts to be received from related parties</b>		
Sit B3	2,559,886	2,559,886
TP	-	2,000,000
Change	-	2,052,000
Others	152,997	230,381
	<u>2,712,883</u>	<u>6,842,267</u>
<b>Other Debtors</b>		
Suppliers with a debtor balance	817,490	1,137,398
Sale of assets	17,824	124,232
Sale of financial investments	25,546,339	27,041,349
Others	9,704,647	12,746,812
	<u>36,086,300</u>	<u>41,049,791</u>
<b>Other Debtors</b>	38,799,183	47,892,058
Accumulated impairment losses on Other Debtors (Note 32)	(27,906,786)	(28,961,730)
<b>Total financial instruments (Note 9)</b>	<u>10,892,397</u>	<u>18,930,328</u>
<b>Total Operations</b>	<u>10,892,397</u>	<u>18,930,328</u>

Loans granted to related parties bear interest at market rates and do not have a defined maturity.

As at 31 December 2010 and 2009, ageing of Other debtors can be summarised as follows:

	Other Debtors	
	31 December 2010	31 December 2009
Not Due	4,489,666	6,890,742
Due but not impaired		
0 - 30 days	181,749	387,555
30 - 90 days	98,545	1,422,764
+ 90 days	3,407,219	3,295,910
Total	3,687,513	5,106,229
Due and impaired		
0 - 90 days	662	2,599
90 - 180 days	1,336	36,396
180 - 360 days	29,958	62,141
+ 360 days	27,877,166	28,951,684
Total	27,909,122	29,052,820
<b>Continued Operations before impairments</b>	<b>36,086,301</b>	<b>41,049,791</b>

As at 31 December 2010 we do not have any reason to believe that normal collection times regarding other debtors not due, and for which there are no impairment losses, will not be met.

Values included in Other debtors are close to their fair value.

## 18. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2010 and 2009, Taxes recoverable and taxes and contributions payable are made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>Tax recoverable</b>		
Income taxation - payments on account and amounts withheld	6,734,540	4,500,635
VAT	5,566,413	8,093,646
Other taxes	480,846	517,243
<b>Continued Operations</b>	<u>12,781,799</u>	<u>13,111,524</u>
<b>Discontinued Operations</b>	<u>-</u>	<u>164,626</u>
<b>Total Operations</b>	<u>12,781,799</u>	<u>13,276,150</u>
<b>Taxes and contributions payable</b>		
Income taxation	2,468,247	6,976,104
VAT	1,193,714	2,153,701
Staff income tax withheld	477,505	302,630
Social security contributions	661,789	899,309
Other taxes	1,174,305	237,495
<b>Continued Operations</b>	<u>5,975,560</u>	<u>10,569,239</u>
<b>Discontinued Operations</b>	<u>-</u>	<u>53,471</u>
<b>Total Operations</b>	<u>5,975,560</u>	<u>10,622,710</u>

## 19. OTHER CURRENT ASSETS

As at 31 December 2010 and 2009, Other current assets are made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Interest receivable	506,646	18,716
Deferred costs - External supplies and services	698,899	1,231,752
Deferred costs - Rents	141,923	176,588
Other current assets	655,537	1,466,681
<b>Continued Operations</b>	<u>2,003,005</u>	<u>2,893,737</u>
<b>Discontinued Operations</b>	<u>-</u>	<u>603,658</u>
<b>Total Operations</b>	<u>2,003,005</u>	<u>3,497,395</u>



## 20. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2010 and 2009 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Amortisation and Depreciation harmonisation adjustments	1,498,863	1,249,564	1,469,476	1,031,460
Non-tax deductible provisions and impairment losses	2,965,355	-	-	-
Write off of tangible and intangible assets	1,219,269	1,446,714	-	-
Write off of accruals	547,186	636,463	-	-
Revaluation of tangible assets	-	-	558,354	741,120
Tax losses carried forward	13,413,700	7,305,682	-	-
Write off of stocks	-	-	1,128,591	1,138,330
Others	11,495	4,923	459,625	232,080
	<u>19,655,868</u>	<u>10,643,346</u>	<u>3,616,046</u>	<u>3,142,990</u>

During the periods ended 31 December 2010 and 2009, movements in Deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
<b>Opening balance</b>	10,643,346	15,757,915	3,142,990	3,164,170
<b>Effect in results (Note 43):</b>	-	-	-	-
Amortisation and Depreciation harmonisation adjustments	253,983	(106,527)	438,017	168,092
Non-tax deductible provisions and impairment losses	2,965,355	-	-	-
Write off of tangible and intangible assets	(227,445)	76,074	-	-
Write off of accruals	(89,276)	(292,916)	-	-
Revaluation of tangible assets	-	-	(27,272)	(36,196)
Tax losses carried forward	6,108,018	(4,687,200)	-	-
Write off of stocks	-	-	227,545	-
Others	6,572	4,497	(9,740)	(150,289)
	<u>9,017,207</u>	<u>(5,006,072)</u>	<u>628,550</u>	<u>(18,393)</u>
<b>Effect in reserves:</b>				
<b>Changes in consolidation perimeter</b>	(4,684)	(108,497)	-	-
	<u>19,655,869</u>	<u>10,643,346</u>	<u>3,616,046</u>	<u>3,142,990</u>

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2010 and 2009, and using exchange rates effective at that time, tax losses carried forward can be summarised as follows:

	31 December 2010			31 December 2009		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
<b>With limited time use</b>						
Generated in 2004	-	-	2010	317,411	79,353	2010
Generated in 2005	3,809,015	952,254	2011	4,289,549	1,072,387	2011
Generated in 2006	6,879,972	1,719,993	2012	7,098,052	1,774,513	2012
Generated in 2007	2,832,608	708,152	2013	2,851,068	712,767	2013
Generated in 2008	7,747,724	1,936,931	2014	6,940,535	1,735,134	2014
Generated in 2009	11,338,921	2,834,730	2015	7,770,683	1,906,161	2015
Generated in 2010	20,705,765	5,176,440	2014	-	-	2014
	<u>53,314,005</u>	<u>13,328,501</u>		<u>29,267,298</u>	<u>7,280,315</u>	
With a time limit different from the above mentioned	340,859	85,199		101,535	25,367	
	<u>53,654,864</u>	<u>13,413,700</u>		<u>29,368,833</u>	<u>7,305,682</u>	

As at 31 December 2010 and 2009, Deferred tax assets resulting from tax losses carried forward were re-assessed against each company's business plans, which are regularly updated, and available tax planning opportunities. Deferred tax assets have only been recorded to the extent that future profits will arise which may be offset against available tax losses or against deductible temporary differences.

As at 31 December 2010, tax losses carried forward amounting to 158,693,020 euro (150,762,305 euro as at 31 December 2009), have not originated deferred tax assets for prudential reasons.

	31 December 2010			31 December 2009		
	Tax losses carried forward	Tax Credit	Time limit	Tax losses carried forward	Tax Credit	Time limit
<b>With limited time use</b>						
Generated in 2004	-	-	2010	2,905,101	712,395	2010
Generated in 2005	5,238,537	1,309,633	2011	5,733,190	1,370,204	2011
Generated in 2006	10,739,887	2,684,974	2012	11,126,174	2,605,166	2012
Generated in 2007	18,591,477	4,647,869	2013	21,669,751	5,305,437	2013
Generated in 2008	31,452,195	7,863,050	2014	31,452,496	7,630,728	2014
Generated in 2009	52,127,358	13,031,839	2015	53,480,303	13,256,163	2015
Generated in 2010	18,374,162	4,593,540	2014	-	-	2014
	<u>136,523,615</u>	<u>34,130,906</u>		<u>126,367,015</u>	<u>30,880,093</u>	
Without limited time use	1,186,715	395,532		5,607,982	1,869,140	
With a time limit different from the above mentioned	20,982,690	5,802,011		18,787,308	5,418,039	
	<u>22,169,405</u>	<u>6,197,543</u>		<u>24,395,290</u>	<u>7,287,179</u>	
	<u>158,693,020</u>	<u>40,328,449</u>		<u>150,762,305</u>	<u>38,167,272</u>	

## 21. CASH AND CASH EQUIVALENTS

As at 31 December 2010 and 2009, Cash and cash equivalents can be detailed as follows:

	31 December 2010	31 December 2009
Cash at hand	236,316	202,538
Bank deposits	2,962,982	2,196,282
Treasury applications	-	406,460
Cash and cash equivalents in the balance sheet	3,199,298	2,805,280
Bank overdrafts - Continued Operations	(202,088)	(362,257)
Guarantee deposit	(500,000)	(500,000)
<b>Cash and cash equivalents in the statement of cash-flows</b>	<b>2,497,210</b>	<b>1,943,023</b>

### Cash and cash equivalents in the balance sheet:

<b>Continued Operations</b>	3,199,298	2,571,748
<b>Discontinued Operations</b>	-	233,532
<b>Total Operations</b>	<b>3,199,298</b>	<b>2,805,280</b>

Bank overdrafts include creditor balances of current accounts in financial institutions, and are disclosed in the balance sheet under Current bank loans (Note 24).

## 22. SHARE CAPITAL

The share capital of Sonae Capital SGPS, SA is represented by 250.000.000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

The demerger originated a reserve in the amount of 132.638.253 euro, which has a treatment similar to that of a Legal Reserve. According to Company Law, it cannot be distributed to shareholders, unless the company is liquidated, but can be used to make good prior year losses, once other reserves have been used fully, or for capital increases.

## 23. NON CONTROLLING INTERESTS

Movements in non controlling interests in the periods ended 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Opening balance as at 1 January	11,319,241	49,319,413
Changes in consolidation method	-	(47,911,935)
Changes in percentage by acquisition / capital increase	310,000	14,006
Changes in hedging reserves	(9,033)	-
Changes by disposals	-	7,135,202
Changes in percentage by sale of shares	-	1,115,855
Changes resulting from currency translation	46,997	102,101
Others	(12,677)	197,227
Profit for the period attributable to non controlling interests	800,268	1,347,372
<b>Closing balance as at 31 December</b>	<b>12,454,796</b>	<b>11,319,241</b>

## 24. BORROWINGS

As at 31 December 2010 and 2009, Borrowings are made up as follows:

	31 December 2010		31 December 2009		Repayable on
	Outstanding amount		Outstanding amount		
	Current	Non Current	Current	Non Current	
Bank loans					
Sonae Capital SGPS - commercial paper <sup>a)</sup>	-	30,000,000	-	30,000,000	Mar/2013
Sonae Capital SGPS - commercial paper <sup>b)</sup>	22,000,000	-	27,850,000	-	Mar/2018
Sonae Capital SGPS - commercial paper <sup>e)</sup>	4,000,000	12,250,000	11,250,000	-	Dec/2013
Sonae Capital SGPS - commercial paper <sup>c) d)</sup>	59,700,000	-	-	48,550,000	Aug/2011
Sonae Capital SGPS - commercial paper <sup>d)</sup>	36,600,000	-	-	24,250,000	Aug/2011
Invesaúde	-	-	500,000	-	Aug/2010
Selfrio Engenharia - commercial paper	1,400,000	700,000	1,400,000	2,100,000	May/2012
Up-front fees	-	(34,211)	-	(49,893)	
Others	132,844	-	-	-	
	123,832,844	42,915,789	41,000,000	104,850,107	
Bank overdrafts (Note 21)	202,088	-	362,257	-	
Bank loans	124,034,932	42,915,789	41,362,257	104,850,107	
Bond Loans					
Sonae Capital 2007/2012 Bonds	-	-	-	20,000,000	Dec/2012
Sonae Capital 2007/2012 Bonds	-	30,000,000	-	30,000,000	Dec/2012
SC, SGPS, S.A. 2008/2018 Bonds	-	50,000,000	-	50,000,000	Mar/2018
Up-front fees	-	(593,681)	-	(756,745)	
Bond Loans	-	79,406,319	-	99,243,255	
Other loans	1,001,327	2,986,459	131,532	2,986,459	
Derivatives (Note 26)	-	1,077,097	-	-	
Obligations under finance leases (Note 25)	3,479,253	25,636,993	3,306,770	28,987,580	
Up-front fees on finance leases	-	(129,251)	-	(144,883)	
	128,515,512	151,893,406	44,800,559	235,922,518	

- a) Commercial paper programme, with subscription guarantee, issued on 14 March 2008 and valid for a 5 year period.  
b) Short term commercial paper programme, issued on 28 March 2008 and valid for a 10 year period.  
c) Sonae Turismo, SGPS, SA is a co-guarantor in this loan.  
d) Commercial paper programme, issued on 29 August 2009 and valid up to 29 August 2011.  
e) Commercial paper programme, with subscription guarantee, issued on 30 December 2010, with annual renewals up to a maximum of 3 years.

As at 31 December 2010, Borrowings of the Group was as follows:

- Sonae Capital SGPS - 2007/2012 Bond loan 2nd emission in the amount of 30,000,000 euro, with a 5 year maturity, and a sole reimbursement on 31 December 2012.
- SC, SGPS, SA, 2008/2018 Bond loan in the amount of 50,000,000 euro, with a 10 year maturity, and a sole reimbursement on 3 March 2018, except if the reimbursement is anticipated, fully or partially, which can happen on 3 March 2016.

These bond loans bear interest every six months at 6 months Euribor interest rates plus spread that range between 0.60% and 0.95%.

Other non current loans, include reimbursable grants to affiliated undertakings, which do not bear interest.

Other current loans, include promissory notes not yet due.

The repayment schedule of the nominal value of borrowings may be summarised as follows:

	31 December 2010		31 December 2009	
	Nominal value	Interest	Nominal value	Interest
N+1 <sup>a)</sup>	128,515,511	5,703,005	44,800,560	6,395,144
N+2	37,457,919	3,234,236	77,707,365	4,052,843
N+3	41,255,250	2,020,753	53,447,792	3,133,980
N+4	3,051,392	1,538,673	32,986,141	1,869,353
N+5	3,025,754	1,480,122	3,034,952	1,373,606
After N+5	66,783,138	2,503,818	69,697,789	4,944,349
	<u>280,088,964</u>	<u>16,480,607</u>	<u>281,674,599</u>	<u>21,769,275</u>

a) Includes amounts drawn under commercial paper programmes.

As at 31 December 2010 and 2009, available credit lines may be summarised as follows:

	31 December 2010		31 December 2009	
	Commitments < 1 year	Commitments > 1 year	Commitments < 1 year	Commitments > 1 year
Value of available lines				
Spred	6,824,705	-	3,679,571	-
Tourism	-	-	967,859	-
Holding and Others	33,849,398	-	28,600,000	37,000,000
	<u>40,674,103</u>	<u>-</u>	<u>33,247,430</u>	<u>37,000,000</u>
Value of lines drawn				
Spred	8,400,000	700,000	4,000,000	3,500,000
Tourism	-	-	1,000,000	-
Holding and Others	152,399,398	42,250,000	84,600,000	109,800,000
	<u>160,799,398</u>	<u>42,950,000</u>	<u>89,600,000</u>	<u>113,300,000</u>

## 25. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2010 and 2009, Obligations under finance leases are made up as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Amounts under finances leases:				
N+1	4,144,529	3,970,072	3,479,253	3,306,770
N+2	2,858,662	4,047,469	2,261,734	3,497,493
N+3	2,858,662	2,762,267	2,318,278	2,248,022
N+4	2,846,618	2,762,267	2,364,420	2,296,850
N+5	2,762,436	2,762,267	2,338,786	2,346,980
After N+5	17,792,438	20,181,962	16,353,775	18,589,312
	33,263,345	36,486,304	29,116,246	32,285,427
Future Interest	(4,147,099)	(4,200,877)		
	29,116,246	32,285,427		
Up-front fees			(129,251)	(135,960)
Current obligations under finance leases			3,479,253	3,306,770
Obligations under finance leases - net of current obligations			25,507,742	28,842,697

Finance leases are contracted at market interest rates, have defined useful lives and include an option for the acquisition of the related assets at the end of the period of the contract.

As at 31 December 2010 and 2009, the fair value of finance leases is close to their book value.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2010 and 2009, the book value of assets acquired under finance leases can be detailed as follows:

	31 December 2010	31 December 2009
<b>Assets acquired under finance leases</b>		
Land and Buildings	3,950,101	3,950,101
Plant and machinery	29,721,345	32,182,175
Vehicles	921	921
Tools	6,596	17,649
Fixtures and Fittings	95,450	134,396
Total tangible assets (Note 10)	33,774,414	36,285,242

## 26. DERIVATIVES

### Interest rate derivatives

Hedging instruments used by the Group as at 31 December 2010 were mainly interest rate options (cash-flow hedges) contracted with the goal of hedging interest rate risks on loans in the amount of 55,000,000 euro, whose fair value of 1,077,097 euro (Note 24) is recorded as liabilities. As at 31 December 2010, all derivatives are hedging derivatives.

These interest rate hedging instruments are valued at fair value as at the balance sheet date, determined by valuations made by the Group using derivative valuation calculation schedules and external valuations when these schedules do not permit the valuation of certain instruments. For options, fair value is determined using the Black-Scholes model and its variants.



Risk coverage guidelines generally used by the Group in contractually arranged hedging instruments are as follows:

- Matching between cash-flows received and paid, i.e., there is a perfect match between the dates of the re-fixing of interest rates on financing contracted with the bank and the dates of the re-fixing of interest rates on the derivative;
- Perfect matching between indices: the reference index for the hedging instrument and that for the financing to which the underlying derivative relates are the same;
- In the case of extreme rises in interest rates, the maximum cost of financing is limited.

Counterparts for derivatives are selected based on their financial strength and credit risk profile, with this profile being generally measured by a rating note attributed by rating agencies of recognized merit. Counterparts for derivatives are top level, highly prestigious financial institutions which are recognized nationally and internationally.

#### **Fair value of derivatives**

The fair value of derivatives is as follows:

	Assets		Liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Non-Hedging accounting derivatives				
Interest rate	-	-	-	-
Hedging accounting derivatives				
Interest rate (Note 24)	-	-	1,077,097	-
Other derivatives				
	-	-	1,077,097	-

## **27. OTHER NON CURRENT LIABILITIES**

As at 31 December 2010 and 2009 Other current liabilities can be detailed as follows:

	31 December 2010	31 December 2009
<b>Loans and other amounts payable to related parties</b>		
Plaza Mayor Parque de Ocio, SA	2,252,251	2,288,446
Others	1,098,000	960,000
	<u>3,350,251</u>	<u>3,248,448</u>
<b>Other creditors</b>		
Creditors in the restructuring process of Torralta	30,141,463	30,141,462
Fixed assets suppliers	-	-
Others	3,999	12,553
	<u>30,145,462</u>	<u>30,154,015</u>
<b>Deferred income</b>		
Deferred Gains	3,003,042	3,003,042
Share-based payments obligations (Note 28)	142,935	278,562
	<u>3,145,977</u>	<u>3,281,604</u>
<b>Pension fund liabilities</b>		
	-	136,203
<b>Continued Operations</b>	<u>36,641,690</u>	<u>36,820,270</u>
<b>Discontinued Operations</b>	-	-
<b>Total Operations</b>	<u>36,641,690</u>	<u>36,820,270</u>

Other creditors include 30,141,462 euro payable to creditors of an affiliated undertaking under the terms of a judicial restructuring process. The court decision dated 27 November 1997 (which confirms the terms approved in the creditors meeting of 23 September 1997) states that these credits will be payable 50 years from the date that the decision was confirmed (30 January 2003).

As at 31 December 2010 and 2009, Other creditors balances maturity can be detailed as follows:

31 December 2010	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other non current creditors	-	-	-	-	30,145,462	30,145,462
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,145,462</b>	<b>30,145,462</b>

31 December 2009	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other non current creditors	-	-	-	-	30,154,015	30,154,015
Continued Operations	-	-	-	-	30,154,015	30,154,015

## 28. SHARE-BASED PAYMENTS

In 2010 and in previous years, the Sonae Capital Group granted deferred performance bonuses to employees, based on shares of Sonae Capital SGPS, SA to be acquired at nil cost, three years after they were attributed to the employee. In any case, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle in cash instead of shares. The option can only be exercised if the employee still works for the Sonae Capital Group on the vesting date. On 28 January 2008 existing liabilities based on Sonae, SGPS, SA's shares have been recalculated to reflect liabilities based on Sonae Capital, SGPS, SA's shares. Closing share prices as at that date were used in this recalculation.

As at 31 December 2010 and 2009, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

	Year of grant	Vesting year	Number of	Fair Value	
				31 December 2010	31 December 2009
<b>Shares</b>					
	2007	2010	-	-	75,080
	2008	2011	3	34,015	207,760
	2009	2012	4	141,664	420,165
	2010	2013	4	145,478	-
<b>Total</b>				<b>321,157</b>	<b>703,005</b>

As at 31 December 2010 and 2009, the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which have not yet vested:

	31 December 2010	31 December 2009
Other non current liabilities (Note 27)	142,935	278,562
Other current liabilities	34,015	75,080
Reserves	293,939	37,509
Staff Costs	(116,989)	316,133

## 29. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at 31 December 2010 and 2009 Trade accounts payable can be detailed as follows:

	31 December 2010	Payable		
		Less than 90 days	90 to 180 days	More than 180 days
Trade creditors current account				
SC Assets	812,326	624,758	136,922	50,646
Tourism	6,484,508	4,253,086	658,458	1,572,964
Spred	18,430,304	16,940,539	1,200,913	288,852
Holding and others	861,042	793,492	10,690	56,860
	26,588,180	22,611,875	2,006,983	1,969,323
Trade creditors - Invoices Accruals	84,398	47,399	613	36,386
<b>Continued Operations</b>	<b>26,672,579</b>	<b>22,659,274</b>	<b>2,007,596</b>	<b>2,005,709</b>
<b>Discontinued Operations</b>	<b>-</b>			
<b>Total Operations</b>	<b>26,672,579</b>			

	31 December 2009	Payable		
		Less than 90 days	90 to 180 days	More than 180 days
Trade creditors current account				
SC Assets	541,769	486,382	-	55,387
Tourism	26,074,737	8,524,986	7,946,013	9,603,737
Spred	15,969,892	15,140,069	371,804	458,019
Holding and others	500,200	409,857	48,492	41,851
	43,086,598	24,561,294	8,366,309	10,158,994
Trade creditors - Invoices Accruals	244,956	194,700	1,682	48,574
<b>Continued Operations</b>	<b>43,331,554</b>	<b>24,755,994</b>	<b>8,367,991</b>	<b>10,207,568</b>
<b>Discontinued Operations</b>	<b>7,112,623</b>			
<b>Total Operations</b>	<b>50,444,177</b>			

As at 31 December 2010 and 2009, this caption relates only to trade payables due in the normal course of Group companies activities. The Board of Directors believes that the fair market value of these payables is approximately their book value, and that the effect of discounting these balances is immaterial.

### 30. OTHER CREDITORS

As at 31 December 2010 and 2009 Other creditors can be detailed as follows:

	31 December 2010	Payable		
		Less than 90 days	90 to 180 days	More than 180 days
<b>Other creditors</b>				
Fixed assets suppliers	1,299,229	1,058,125	45,071	196,033
Others	1,193,755	608,625	83,747	501,383
	2,492,984	1,666,750	128,818	697,416
Advances from customers and down payments	2,166,714			
	4,659,698			
<b>Related parties</b>	202,241			
<b>Total</b>	4,861,940			

	31 December 2009	Payable		
		Less than 90 days	90 to 180 days	More than 180 days
<b>Other creditors</b>				
Fixed assets suppliers	2,553,533	1,423,774	397,507	732,252
Others	3,572,044	2,997,223	14,593	560,230
	6,125,577	4,420,997	412,100	1,292,482
Advances from customers and down payments	5,081,527			
	11,207,104			
<b>Related parties</b>	209,181			
<b>Total</b>	11,416,285			

As at 31 December 2010 and 2009, this caption includes balances payable to other creditors and fixed assets suppliers that do not include interest. The caption includes also advances from customers on promissory sales of stocks and tangible assets and down payments from financial institutions regarding the discount of letters of credit over customers. The Board of Directors believes that the fair market value of these payables is approximately their book value, and that effects of discounting these balances are immaterial.

### 31. OTHER CURRENT LIABILITIES

As at 31 December 2010 and 2009 Other current liabilities can be detailed as follows:

	31 December 2010	31 December 2009
Staff Costs	6,271,783	6,715,353
Amounts invoiced for works not yet completed	8,078,357	6,821,540
Other external supplies and services	4,838,872	1,067,652
Interest payable	608,832	1,329,667
Expenses with construction contracts	970,584	1,534,444
Investment grants	1,757,658	3,686,149
Others	5,203,381	3,072,683
<b>Continued Operations</b>	<b>27,729,467</b>	<b>24,227,488</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>1,055,971</b>
<b>Total Operations</b>	<b>27,729,467</b>	<b>25,283,459</b>

### 32. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses over the period ended 31 December 2010 and 2009 were as follows:

Captions	Balance as at 1 January 2010	Increases	Decreases	Balance as at 31 December 2010
<b>Accumulated impairment losses on:</b>				
Other Investments (Note 13)	7,946,337	2,073,183	(2,150,643)	7,868,877
Other non current assets (Note 14)	34,916	64,596	(64,596)	34,916
Trade accounts receivable (Note 16)	5,073,127	396,815	(1,102,688)	4,367,254
Other current debtors (Note 17)	28,961,730	1,085,693	(2,140,637)	27,906,786
Stocks (Note 15)	7,858,373	-	(131,881)	7,726,492
<b>Non current provisions</b>	<b>3,995,369</b>	<b>1,280,000</b>	<b>(2,089,394)</b>	<b>3,185,975</b>
<b>Current provisions</b>	<b>2,379,002</b>	<b>1,584,307</b>	<b>(1,258,400)</b>	<b>2,704,909</b>
	<b>56,248,854</b>	<b>6,484,594</b>	<b>(8,938,239)</b>	<b>53,795,209</b>

Captions	Balance as at 1 January 2009	Increases	Decreases	Balance as at 31 December 2009
<b>Accumulated impairment losses on:</b>				
Other Investments (Note 13)	8,270,356	234,699	(558,718)	7,946,337
Other non current assets (Note 14)	323,988	-	(289,072)	34,916
Trade accounts receivable (Note 16)	5,715,588	530,477	(1,172,938)	5,073,127
Other current debtors (Note 17)	29,386,321	88,953	(513,544)	28,961,730
Stocks (Note 15)	9,876,851	115,274	(2,133,752)	7,858,373
<b>Non current provisions</b>	<b>23,456,843</b>	<b>902,387</b>	<b>(20,363,861)</b>	<b>3,995,369</b>
<b>Current provisions</b>	<b>1,298,200</b>	<b>1,300,000</b>	<b>(219,198)</b>	<b>2,379,002</b>
	<b>78,328,147</b>	<b>3,171,790</b>	<b>(25,251,083)</b>	<b>56,248,854</b>

As at 31 December 2010 and 2009 increases in provisions and impairment losses can be detailed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provisions and impairment losses	5,257,167	6,898,852
Impairment losses not included in this note		
Tangible assets (Note 10)	(2,127,967)	(4,078,521)
Investments	-	-
Provisions and impairment losses recorded in cost of goods sold (Note 15)	-	100,413
Impairment losses on financial Investments	2,073,183	-
Others	1,282,211	251,046
	<u>6,484,594</u>	<u>3,171,790</u>

As at 31 December 2010 and 2009 detail of other provisions was as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Judicial claims	2,887,019	2,709,600
Others	3,003,864	3,664,771
	<u>5,890,883</u>	<u>6,374,371</u>

Impairment losses are deducted from the book value of the corresponding asset.

### 33. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2010 and 2009 the most important contingent liabilities referred to guarantees given and were made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>Guarantees given:</b>		
on VAT reimbursements	1,295,000	691,424
on tax claims	2,702,720	2,547,537
on judicial claims	1,897,406	1,897,406
on municipal claims	3,175,168	3,175,167
Others	17,976,743	46,176,125

Others include the following guarantees:

- 7,766,329 euro (7,019,255 euro as at 31 December 2009) of guarantees on construction works given to clients;
- 8,643,933 euro (37,406,741 euro as at 31 December 2009) of guarantees given concerning building permits in the Tourism business.



The Group has not registered provisions for the events/disagreements for which these guarantees were given since the Group believes that the above mentioned events will not result in a loss for the group.

### 34. OPERATIONAL LEASES

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognized as income during the period ended 31 December 2010 and 2009 amounted to 2,598,897 euro and 5,549,533 euro, respectively.

Additionally, as at 31 December 2010 and 2009, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Due in:		
N+1 automatically renewed	2,287,115	2,210,683
N+1	507,429	311,312
N+2	497,550	305,552
N+3	493,011	313,129
N+4	482,352	320,958
N+5	87,448	328,982
After N+5	49,168	-
	<u>4,404,072</u>	<u>3,790,616</u>

Lease payments arising from operational leases, in which the Group acts as a lessee, recognized as an expense during the period ended 31 December 2010 and 2009 amounted to 5,447,969 euro and 6,366,163 euro, respectively.

Additionally, as at 31 December 2010 and 2009, the Group had operational lease contracts, as a lessee, whose minimum lease payments (fixed income) had the following payment schedule:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Due in:		
N+1 automatically renewed	1,659,434	2,241,642
N+1	1,749,871	3,834,219
N+2	1,277,166	1,253,668
N+3	1,132,138	1,140,263
N+4	1,062,716	1,034,472
N+5	1,018,988	955,233
After N+5	5,677,236	4,468,031
	<u>13,577,549</u>	<u>14,927,528</u>

### 35. TURNOVER

Turnover for the year ended 31 December 2010 and 2009 was as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Sale of goods	18,705,549	11,806,199
Sale of products	69,332,900	155,178,258
	88,038,449	166,984,457
Services Rendered	63,829,971	66,402,318
<b>Continued Operations</b>	<u>151,868,420</u>	<u>233,386,775</u>
<b>Discontinued Operations</b>	<u>26,713,773</u>	<u>38,850,291</u>
<b>Total Operations</b>	<u>178,582,193</u>	<u>272,237,066</u>

### 36. OTHER OPERATIONAL INCOME

Other operational income for the year ended 31 December 2010 and 2009 was as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Own work capitalised	521,602	1,544,183
Gains on sales of assets	930,187	3,900,565
Reversal of impairment losses	3,697,322	1,266,270
Supplementary income	1,783,465	3,183,964
Others	3,512,676	11,520,836
<b>Continued Operations</b>	<u>10,445,252</u>	<u>21,415,818</u>
<b>Discontinued Operations</b>	<u>94,852</u>	<u>269,637</u>
<b>Total Operations</b>	<u>10,540,104</u>	<u>21,685,455</u>

As at 31 December 2009 Others include 7,500,000 euro regarding advance payments which were retained as a result of the termination of the promissory purchase agreement for the parcel of land where the Hotel Resort will be built.

### 37. CHANGES IN STOCKS

Changes in stocks for the years ended 31 December 2010 and 2009 was as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Finished goods	(8,024,168)	15,832,235
Work in progress	(2,479,378)	(25,559,897)
Impairment Gains / (Losses) on goods and work in progress	16,607	9,362
<b>Continued Operations</b>	<u>(10,486,938)</u>	<u>(9,718,300)</u>
<b>Discontinued Operations</b>	<u>-</u>	<u>-</u>
<b>Total Operations</b>	<u>(10,486,938)</u>	<u>(9,718,300)</u>

Changes in stocks were calculated as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Opening stocks	187,833,180	183,030,695
Changes in perimeter	(133,767)	(349,109)
Stock adjustments (Note 10)	12,864,587	14,879,257
Closing stocks (Note 15)	190,060,455	187,833,180
	<u>(10,503,545)</u>	<u>(9,727,663)</u>
Impairment losses	-	(14,861)
Reversion of impairment losses	16,607	24,224
<b>Continued Operations</b>	<u>(10,486,938)</u>	<u>(9,718,300)</u>
<b>Discontinued Operations</b>	<u>-</u>	<u>-</u>
<b>Total Operations</b>	<u>(10,486,938)</u>	<u>(9,718,300)</u>

Stock adjustments are mostly related to the transfer from tangible assets of amounts regarding real estate projects in Troia (Note 10).

### 38. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2010 and 2009, external supplies and services were made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Subcontracts	19,034,858	49,549,418
Services	5,669,928	6,352,797
Rents	7,359,226	8,170,190
Fees	3,121,848	2,944,283
Maintenance	3,180,525	3,198,373
Cleaning, health and safety	3,393,499	3,663,391
Electricity	2,859,555	3,219,071
Travelling expenses	1,144,141	1,198,610
Publicity	807,051	935,725
Fuel	1,179,362	1,728,140
Security	790,391	1,022,493
Communication	1,147,581	1,135,547
Comissions	1,410,497	3,696,283
Other fluids	1,782,444	1,714,782
Insurance	1,012,664	1,129,132
Others	3,882,412	3,884,202
<b>Continued Operations</b>	<u>57,775,982</u>	<u>93,542,437</u>
<b>Discontinued Operations</b>	<u>24,513,409</u>	<u>35,917,022</u>
<b>Total Operations</b>	<u>82,289,391</u>	<u>129,459,459</u>

### 39. STAFF COSTS

As at 31 December 2010 and 2009, staff costs were made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Salaries	33,101,655	36,208,883
Social security contributions	6,179,627	6,965,967
Insurance	706,935	661,974
Welfare	114,341	144,945
Other staff costs	2,291,427	1,792,824
<b>Continued Operations</b>	<u>42,393,985</u>	<u>45,774,593</u>
<b>Discontinued Operations</b>	<u>1,131,418</u>	<u>2,178,102</u>
<b>Total Operations</b>	<u>43,525,403</u>	<u>47,952,695</u>

### 40. OTHER OPERATIONAL EXPENSES

As at 31 December 2010 and 2009, Other operational expenses were made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Losses on sales of assets	572,843	70,211
Other taxes	939,083	1,224,183
Property tax	1,060,031	597,011
Doubtful debts written off	3,574	685,917
Others	3,537,673	1,703,220
<b>Continued Operations</b>	<u>6,113,204</u>	<u>4,280,542</u>
<b>Discontinued Operations</b>	<u>141,732</u>	<u>347,685</u>
<b>Total Operations</b>	<u>6,254,936</u>	<u>4,628,227</u>

#### 41. NET FINANCIAL EXPENSES

As at 31 December 2010 and 2009, Net financial expenses were made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>Expenses:</b>		
Interest payable		
Related with bank loans and overdrafts	3,822,467	3,908,363
Related with non convertible bonds	1,805,376	2,966,614
Related with finance leases	645,567	534,584
Related with hedge derivatives	629,457	-
Others	356,611	34,747
	<u>7,259,478</u>	<u>7,444,308</u>
Exchange Losses	12,918	1,133,843
Payment discounts given	11,905	3,446
Reductions in the fair value of hedge derivatives	-	-
Up front fees	2,301,428	-
Other financial expenses	454,893	1,477,606
	<u>10,040,622</u>	<u>10,059,203</u>
<b>Income:</b>		
Interest receivable	1,425,151	2,004,482
Exchange gains	11,850	380,229
Payment discounts received	20,144	43,591
Increased in the fair value of hedge derivatives	-	-
Other financial income	43,539	206,536
	<u>1,500,684</u>	<u>2,634,838</u>
Net financial expenses		
<b>Continued Operations</b>	<u>(8,539,938)</u>	<u>(7,424,365)</u>
<b>Discontinued Operations</b>	<u>(9,058)</u>	<u>(1,692,784)</u>
<b>Total Operations</b>	<u>(8,548,996)</u>	<u>(9,117,149)</u>



## 42. INVESTMENT INCOME

As at 31 December 2010 and 2009, Investment income was made up as follows:

	31 December 2010		31 December 2009	
<b>Dividends</b>	-	<b>400,561</b>	-	<b>126,090</b>
Sale of Essences Fines Isoroy	1,417,505	-	-	-
Sale of Sonae Indústria's shares	-	-	8,690,139	-
Sale of Textil do Marco	(443,145)	-	(843,081)	-
Partial sale (20%) of Atlantic Ferries	-	-	687,145	-
Increase in the share capital and reduction in the shareholding in the Imosede Fund	-	-	1,365,089	-
Others	-	-	7,755	-
<b>Gains on disposal of investments in group companies</b>	-	<b>974,360</b>	-	<b>9,907,047</b>
Sale of Change, SGPS, SA	(620,707)	-	-	-
Price adjustment of Cinclus Plan. Gest. Projectos, SA	269,736	-	-	-
<b>Gains on disposal in associated and in jointly controlled companies</b>	-	<b>(350,971)</b>	-	-
Sale of Real Change FCR Fund	(1,701,666)	-	-	-
Sale of Solinca Eventos e Catering	974,045	-	-	-
<b>Gains/(Losses) on sale of investments in assets available for sale</b>	-	<b>(727,621)</b>	-	-
<b>Investment Income</b>	-	-	-	-
<b>Continued Operations</b>	-	<b>296,329</b>	-	<b>10,033,137</b>
Sale of Box Lines Navegação	-	6,639,998	-	-
<b>Discontinued Operations</b>	-	<b>6,639,998</b>	-	-
<b>Total Operations</b>	-	<b>6,936,327</b>	-	<b>10,033,137</b>

### 43. TAXATION

As at 31 December 2010 and 2009, Taxation was made up as follows:

	31 December 2010	31 December 2009
Current tax	2,185,553	6,965,900
Deferred tax (Note 20)	(8,388,188)	4,990,811
<b>Taxation</b>		
<b>Continued Operations</b>	<u>(6,202,635)</u>	<u>11,956,711</u>
<b>Discontinued Operations</b>	<u>54,488</u>	<u>(221,726)</u>
<b>Total Operations</b>	<u><u>(6,148,147)</u></u>	<u><u>11,734,985</u></u>

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2010 and 2009 may be summarised as follows:

	31 December 2010	31 December 2009
Profit before income tax	(9,768,308)	36,156,625
Difference between accounting and tax treatment of capital gains/(losses)	(12,500,587)	(49,829,824)
Share of gains/(losses) of associated undertakings	(5,620,377)	(2,608,502)
Provisions and impairment losses not accepted for tax purposes	(161,048)	2,997,697
Other permanent differences	1,932,653	(3,959,938)
Taxable Profit	<u>(26,117,667)</u>	<u>(17,243,942)</u>
Use of tax losses carried forward	(7,286,348)	(2,633,920)
Recognition of tax losses that have not originated deferred tax assets	21,009,937	58,780,267
	<u>(12,394,078)</u>	<u>38,902,405</u>
Income tax rate in Portugal	25.00%	25.00%
	<u>(3,098,520)</u>	<u>9,725,601</u>
Effect of different income tax rates in other countries	(28,106)	(132,120)
Effect of increases or decreases in deferred taxes	(2,687,435)	1,093,507
Municipality tax	259,345	820,131
Under / (over) taxation estimates	(751,240)	57,518
Autonomous taxes and tax benefits	157,809	170,348
Taxation	<u><u>(6,148,147)</u></u>	<u><u>11,734,985</u></u>

#### 44. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 31 December 2010 and 2009, the reconciliation of consolidated net profit can be analysed as follows:

	31 December 2010	31 December 2009
Aggregate net profit	2,242,231	69,749,416
Harmonisation adjustments	1,461,757	11,357,029
Elimination of intragroup dividends	(53,891,478)	(179,009,882)
Share of gains/(losses) of associated undertakings	5,446,300	2,501,370
Elimination of intragroup capital gains/(losses)	27,251,640	512,581
Elimination of intragroup impairment losses	(9,385,044)	21,319,636
Reversal of impairment losses	3,457,708	-
Adjustments of gains/(losses) on assets disposals	-	3,604,311
Adjustments of gains/(losses) on financial shareholdings disposals	12,330,950	95,423,494
Others	39,220	15,748
<b>Consolidated net profit for the year</b>		
<b>Continued Operations</b>	<u>(11,046,716)</u>	<u>25,473,703</u>
<b>Discontinued Operations</b>	<u>7,426,555</u>	<u>(1,052,063)</u>
<b>Total Operations</b>	<u>(3,620,161)</u>	<u>24,421,640</u>

## 45. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2010 and 2009 with related parties are detailed as follows:

<b>Transactions</b>	<u>Sales and services rendered</u>		<u>Purchases and services obtained</u>	
	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Parent company and group companies excluded from consolidation (a)	-	-	-	-
Associated companies	1,072,721	-	534,169	109,750
Other partners in Group companies	55,837,809	74,505,387	7,018,995	9,778,336
	<u>56,910,530</u>	<u>74,505,387</u>	<u>7,553,164</u>	<u>9,888,086</u>

<b>Transactions</b>	<u>Interest income</u>		<u>Interest expenses</u>	
	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Parent company and group companies excluded from consolidation (a)	-	-	-	-
Associated companies	1,211,161	1,802,034	-	-
Other partners in Group companies	1,645	-	153,351	155,542
	<u>1,212,806</u>	<u>1,802,034</u>	<u>153,351</u>	<u>155,542</u>

<b>Balances</b>	<u>Accounts receivable</u>		<u>Accounts payable</u>	
	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Parent company and group companies excluded from consolidation (a)	-	-	115	115
Associated companies	562,039	954,616	24,598	39,774
Other partners in Group companies	15,874,001	14,076,242	5,346,467	4,391,160
	<u>16,436,040</u>	<u>15,030,858</u>	<u>5,371,180</u>	<u>4,431,049</u>

<b>Balances</b>	<u>Loans obtained</u>		<u>Loans granted</u>	
	<u>31 December 2010</u>	<u>31 December 2009</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Parent company and group companies excluded from consolidation (a)	-	-	-	-
Associated companies	-	-	15,569,601	28,262,784
Other partners in Group companies	2,252,251	2,288,445	-	1
	<u>2,252,251</u>	<u>2,288,445</u>	<u>15,569,601</u>	<u>28,262,785</u>

a) The parent company is Efanor Investimentos, SGPS, SA; balances and transactions with Sonae, SGPS, SA and Sonae Indústria, SGPS, SA are included under Other partners in Group companies.

Remunerations attributed in 2010 to key management staff of main companies of the Sonae Capital Group (excluding members of the Board of Directors of Sonae Capital, SGPS, SA) amounted to 1,271,274 euro (1,324,347 euro in 2009), of which 976,500 euro (976,500 euro in 2009) are fixed remunerations and 294,774 euro (347,847 euro in 2009) are performance bonuses.

## 46. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2010 and 2009 were calculated taking into consideration the following amounts:

	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>Net profit continued operations</b>		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(11,846,984)	24,126,331
Effect of dilutive potential shares	-	-
Interest related to convertible bonds (net of tax)	-	-
Net profit taken into consideration to calculate diluted earnings per share	<u>(11,846,984)</u>	<u>24,126,331</u>
<b>Number of shares</b>		
Weighted average number of shares used to calculated basic earnings per share	250,000,000	250,000,000
Effect of dilutive potential ordinary shares from convertible bonds	-	-
Weighted average number of shares used to calculated diluted earnings per share	<u>250,000,000</u>	<u>250,000,000</u>
<b>Earnings per share (basic and diluted)</b>		
<b>Continued Operations</b>	<u>(0.047388)</u>	<u>0.096505</u>
<b>Discontinued Operations</b>	<u>0.029706</u>	<u>(0.004208)</u>
<b>Total Operations</b>	<u>(0.017682)</u>	<u>0.092297</u>

There are no convertible instruments included in Sonae Capital, SGPS, SA's shares, hence there is no dilutive effect.

#### 47. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

As at 31 December 2010 and 2009, cash receipts and cash payments related to investments can be analysed as follows:

	31 December 2010		31 December 2009	
	Amount received	Amount paid	Amount received	Amount paid
Sale of Box Lines Navegação	6,650,000	-	-	-
Sale of Arbiworld BV	5,000,000	-	-	-
Price adjustment of Cinclus Plan. Gest. Projectos, SA	269,736	-	-	-
Sale of Textil do Marco	395,011	543,145	-	-
Partial sale (20%) of Atlantic Ferries	-	-	1,803,000	-
Sale of Previciclo	-	-	800,000	-
Sale of Sonae Indústria's shares	-	-	23,488,062	-
Purchase of Ecociclo II	-	-	-	7,247,935
Others	(925,232)	663,840	1,796,452	754,320
<b>Continued Operations</b>	<b>11,389,515</b>	<b>1,206,985</b>	<b>27,887,514</b>	<b>8,002,255</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operations</b>	<b>11,389,515</b>	<b>1,206,985</b>	<b>27,887,514</b>	<b>8,002,255</b>

#### 48. SEGMENT INFORMATION

In 31 December 2010 and 2009, the following were identified as segments:

- Sonae Tourism:
  - Tourism Operations
  - Other
- SC Assets:
  - Residential Developments
  - Other Real Estate Assets
  - Other
- Spred:
  - Atlantic Ferries
  - Box Lines
  - Selfrio Group
  - Other
- Holding and Others



The contribution of the business segments to the income statement of the periods ended 31 December 2010 and 2009 can be detailed as follows:

31 December 2010

Profit & Loss Account	Tourism Operations	Other	Intersegment Income	Total Tourism	Residential Developments	Other Real Estate Assets	Other	Intersegment Income	Total SC Assets	Atlantic Ferries	Box Lines	Selfrio Group	Other	Intersegment Income	Total Spred	Holding & Others	Intersegment Income	Consolidated
Operational Income																		
Sales	14,988,944	-	-	<b>14,988,944</b>	1,200,650	1,603,862	-	-	<b>2,804,512</b>	-	-	65,413,203	5,133,335	-	<b>70,546,538</b>	-	(301,545)	<b>88,038,449</b>
Services rendered	36,917,236	2,923,461	(2,533,723)	<b>37,306,974</b>	1,184,090	7,040,813	-	(322,454)	<b>7,902,449</b>	4,466,669	26,897,082	15,316,359	4,049,600	(60,416)	<b>50,669,294</b>	4,587,225	(9,922,198)	<b>90,543,744</b>
Other operational income	4,809,466	2,005,953	(216,397)	<b>6,599,022</b>	264,477	1,778,620	794	-146,415	<b>1,897,476</b>	105,812	116,613	952,359	1,128,877	(422)	<b>2,303,239</b>	493,095	(752,728)	<b>10,540,104</b>
	56,715,646	4,929,414	(2,750,120)	<b>58,894,940</b>	2,649,217	10,423,295	794	(468,869)	<b>12,604,437</b>	4,572,481	27,013,695	81,681,921	10,311,812	(60,838)	<b>123,519,071</b>	5,080,320	(10,976,471)	<b>189,122,297</b>
Operational cash-flow (EBITDA)	(5,572,189)	(429,507)	4,791	<b>(5,996,905)</b>	(1,233,037)	3,184,185	(26,647)	21,725	<b>1,946,226</b>	(306,857)	1,022,752	6,329,721	1,097,848	739	<b>8,144,203</b>	(1,274,678)	(6,144)	<b>2,812,702</b>

31 December 2009

Profit and Loss Account	Tourism Operations	Other	Intersegment Income	Total Tourism	Residential Developments	Other Real Estate Assets	Other	Intersegment Income	Total SC Assets	Atlantic Ferries	Box Lines	Selfrio Group	Other	Intersegment Income	Total Spred	Holding & Others	Intersegment Income	Consolidated
Operational Income																		
Sales	83,494,189	-	-	<b>83,494,189</b>	512,500	601,650	-	-	<b>1,114,150</b>	-	-	75,612,830	7,931,429	(2,234)	<b>83,542,025</b>	-	(1,165,907)	<b>166,984,457</b>
Services rendered	38,112,475	3,011,091	(2,788,922)	<b>38,334,644</b>	1,036,436	6,746,458	2,872,694	(626,924)	<b>10,028,664</b>	4,781,253	39,248,893	13,360,059	4,743,806	(119,051)	<b>62,014,960</b>	4,823,795	(9,949,454)	<b>105,252,609</b>
Other operational income	12,006,736	332,876	(305,084)	<b>12,034,528</b>	22,819	4,851,658	39,462	(1,148,788)	<b>3,765,151</b>	67,527	300,617	1,195,889	1,651,373	-	<b>3,215,406</b>	1,074,555	1,595,815	<b>21,685,455</b>
	133,613,400	3,343,967	(3,094,006)	<b>133,863,361</b>	1,571,755	12,199,766	2,912,156	(1,775,712)	<b>14,907,965</b>	4,848,780	39,549,510	90,168,778	14,326,608	(121,285)	<b>148,772,391</b>	5,898,350	(9,519,546)	<b>293,922,521</b>
Operational cash-flow (EBITDA)	37,065,043	452,048	1,012	<b>37,518,103</b>	(1,054,190)	7,840,981	2,385,485	(1,023,581)	<b>8,148,695</b>	(242,364)	696,949	7,837,621	(1,650,707)	839	<b>6,642,338</b>	(2,018,247)	1,242,403	<b>51,533,292</b>

The contribution of the business segments to the balance sheets as at 31 December 2010 and 2009 can be detailed as follows:

31 December 2010																	
Balance Sheet	Tourism Operations	Other	Intersegment Adjustments	Total Tourism	Residential Developments	Other Real Estate Assets	Other	Intersegment Adjustments	Total SC Assets	Atlantic Ferries	Selfrio Group	Other	Intersegment Adjustments	Total Spred	Holding & Others	Intersegment Adjustments	Consolidated
Tangible and Intangible Fixed Assets	148,925,265	395,538	-	149,320,804	25,415	78,619,454	-	-	78,644,869	26,052,929	595,759	10,177,503	-	36,826,191	147,910	(0)	264,939,773
Investments	647,321	271,608	-	918,929	-	942,174	54,524,812	-	55,466,986	-	0	1,923,660	-	1,923,660	15,207,814	-	73,517,388
Other Assets	189,733,674	169,435,917	(169,943,457)	189,226,134	46,407,978	114,537,864	153,694,828	(190,744,145)	123,896,525	1,931,534	65,422,804	45,479,950	(24,101,549)	88,732,739	391,086,006	(400,231,912)	392,709,492
<b>Total Assets</b>	<b>339,306,260</b>	<b>170,103,063</b>	<b>(169,943,457)</b>	<b>339,465,866</b>	<b>46,433,392</b>	<b>194,099,492</b>	<b>208,219,640</b>	<b>(190,744,145)</b>	<b>258,008,379</b>	<b>27,984,462</b>	<b>66,018,563</b>	<b>57,581,113</b>	<b>(24,101,549)</b>	<b>127,482,590</b>	<b>406,441,730</b>	<b>(400,231,912)</b>	<b>731,166,653</b>
<b>Total Liabilities</b>	<b>251,025,819</b>	<b>201,845,568</b>	<b>(169,942,995)</b>	<b>282,928,392</b>	<b>46,733,559</b>	<b>148,301,219</b>	<b>175,585,925</b>	<b>(190,744,356)</b>	<b>179,876,347</b>	<b>23,577,160</b>	<b>33,626,126</b>	<b>27,087,144</b>	<b>(20,881,416)</b>	<b>63,409,014</b>	<b>269,276,207</b>	<b>(403,692,878)</b>	<b>391,797,082</b>
Technical investment (CAPEX)	6,697,646	312,873	-	7,010,519	57,990	268,987	-	-	326,977	334,932	267,800	2,209,777	-	2,812,509	92,824	20,884	10,263,714
Gross Debt	3,358,544	25,095	-	3,383,640	-	718,081	-	-	718,081	21,670,957	3,234,171	6,452,714	-	31,357,842	244,949,354	-	280,408,918
Net Debt	3,091,256	(261,565)	-	2,829,691	(512,754)	517,864	(40,727)	-	(35,616)	21,404,648	1,749,199	6,370,428	-	29,524,275	244,891,269	-	277,209,619

31 December 2009																		
Balance Sheet	Tourism Operations	Other	Intersegment Adjustments	Total Tourism	Residential Developments	Other Real Estate Assets	Other	Intersegment Adjustments	Total SC Assets	Atlantic Ferries	Box Lines	Selfrio Group	Other	Intersegment Adjustments	Total Spred	Holding & Others	Intersegment Adjustments	Consolidated
Tangible and Intangible Fixed Assets	166,749,384	822,600	-	167,571,984	4,027,789	81,533,767	-	-	85,561,556	27,412,937	516,419	716,407	9,511,895	-	38,157,658	130,262	-	291,421,459
Investments	635,044	217,143	-	852,187	-	-	53,825,793	-	53,825,793	-	-	-	2,837,146	-	2,837,146	14,322,747	-	71,837,873
Other Assets	188,538,286	357,554,871	(184,115,649)	361,977,507	46,747,290	63,254,270	84,439,422	(81,847,246)	112,593,736	3,303,969	11,900,824	73,196,661	33,311,247	(7,008,388)	114,704,313	564,154,191	(746,922,353)	406,507,395
<b>Total Assets</b>	<b>355,922,713</b>	<b>358,594,614</b>	<b>(184,115,649)</b>	<b>530,401,678</b>	<b>50,775,079</b>	<b>144,788,037</b>	<b>138,265,215</b>	<b>(81,847,246)</b>	<b>251,981,085</b>	<b>30,716,906</b>	<b>12,417,243</b>	<b>73,913,068</b>	<b>45,660,289</b>	<b>(7,008,388)</b>	<b>155,699,117</b>	<b>578,607,200</b>	<b>(746,922,353)</b>	<b>769,766,727</b>
<b>Total Liabilities</b>	<b>261,844,584</b>	<b>549,141,750</b>	<b>(184,116,684)</b>	<b>626,869,650</b>	<b>56,670,663</b>	<b>92,144,089</b>	<b>130,004,022</b>	<b>(81,847,010)</b>	<b>196,971,764</b>	<b>25,137,627</b>	<b>8,393,798</b>	<b>31,290,672</b>	<b>62,428,983</b>	<b>(7,009,061)</b>	<b>120,242,019</b>	<b>248,508,586</b>	<b>(767,764,680)</b>	<b>424,827,339</b>
Technical investment (CAPEX)	17,480,127	73,688	-	17,553,814	37,346	1,287,813	25,172,631	-	26,497,790	1,280,047	292,710	132,270	674,605	-	2,379,633	135,300	-	46,566,537
Gross Debt	3,923,482	23,642	-	3,947,124	-	1,357,560	-	-	1,357,560	23,107,644	-	3,503,360	7,704,367	-	34,315,371	241,103,022	-	280,723,077
Net Debt	3,534,303	13,621	-	3,547,924	(505,501)	1,316,834	(2,684)	-	808,648	23,054,952	(233,532)	2,409,031	7,646,250	-	32,876,701	240,684,524	-	277,917,797

The contribution of the main business segments to the cash-flow statement for the periods ended 31 December 2010 and 2009 can be detailed as follows:

31 December 2010					
	SC Assets	Tourism	Spred	Holding and Others	Consolidated
Operating activities	2,898,342	(17,724,131)	7,988,280	(4,854,121)	(11,691,630)
Investment activities	4,938,608	(3,628,408)	12,968,396	9,607,128	23,885,724
Financing activities	(690,932)	(892,521)	(4,427,525)	(5,660,858)	(11,671,836)
<b>Change in cash and cash equivalents</b>	-	-	-	-	-
<b>Total Operations</b>	<b>7,146,018</b>	<b>(22,245,060)</b>	<b>16,529,151</b>	<b>(907,851)</b>	<b>522,258</b>

31 December 2009					
	SC Assets	Tourism	Spred	Holding and Others	Consolidated
Operating activities	(4,995,809)	22,933,715	9,768,621	(5,252,278)	22,454,249
Investment activities	(846,976)	(26,872,199)	(8,831,697)	19,871,111	(16,679,761)
Financing activities	(719,222)	1,449,914	202,544	(21,849,454)	(20,916,218)
<b>Change in cash and cash equivalents</b>	-	-	-	-	-
<b>Total Operations</b>	<b>(6,562,007)</b>	<b>(2,488,570)</b>	<b>1,139,468</b>	<b>(7,230,621)</b>	<b>(15,141,730)</b>

Net debt of the Holding can be analysed as follows:

<b>Inflows</b>	
Gross bank debt	244,949,354
Cash and cash equivalents	58,085
<b>Net bank debt</b>	<b>244,891,269</b>
Sonae Turismo	-
SC Assets	100,000
Spred	18,294,200
<b>Intercompany ST Loans Obtained</b>	<b>18,394,200</b>
<b>Total Inflows</b>	<b>263,285,469</b>
<b>Outflows</b>	
Sonae Turismo	196,712,362
SC Assets	168,341,250
Spred	1,129,000
<b>Intercompany Loans Granted</b>	<b>366,182,612</b>

Sonae Capital's headcount can be detailed as follows:

	31 December 2010	31 December 2009
SC Assets	30	33
Tourism	582	641
Spred	811	846
Holding and Others	79	80
<b>Continued Operations</b>	<b>1,502</b>	<b>1,600</b>
<b>Discontinued Operations</b>	<b>99</b>	<b>52</b>
<b>Total Operations</b>	<b>1,601</b>	<b>1,652</b>

#### 49. COMPLIANCE WITH LEGAL REQUIREMENTS

##### Decree Law Nr. 185/09 article 11

During the years ended 31 December 2010 and 31 December 2009, the following amounts have been paid to the company's external auditor:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Audit and Statutory Audit <sup>1</sup>	140,171	158,542
Other Assurance <sup>2</sup>	-	-
Tax Consultancy <sup>2</sup>	21,450	10,000
Other Services <sup>2</sup>	42,250	33,750
<b>Total</b>	<u>203,871</u>	<u>202,292</u>

<sup>1</sup> Fees agreed for the year.

<sup>2</sup> Amounts already paid.

#### 50. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 31 December 2010.

#### 51. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 2 March 2011 and are still subject to approval by the Shareholders General Meeting.

The Board of Directors



# INDIVIDUAL FINANCIAL STATEMENTS

## 31 DECEMBER 2010

SONAE CAPITAL, SGPS, SA

INDIVIDUAL BALANCE SHEETS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

ASSETS	Notes	31 December 2010	31 December 2009
<b>NON CURRENT ASSETS:</b>			
Tangible assets		-	2,643
Investments	4	542,139,453	382,639,453
Deferred tax assets		157,965	-
Other non current assets	5	220,718,043	343,547,500
Total Non Current Assets		<u>763,015,461</u>	<u>726,189,596</u>
<b>CURRENT ASSETS</b>			
Other current assets	6	20,151,723	12,860,560
Cash and cash equivalents	7	27,355	55,597
Total Current Assets		<u>20,179,078</u>	<u>12,916,157</u>
<b>TOTAL ASSETS</b>		<u><b>783,194,539</b></u>	<u><b>739,105,753</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	8	250,000,000	250,000,000
Legal reserve		8,191,127	-
Other reserves	9	287,419,883	132,638,253
Retained earnings		-	(849,780)
Profit / (Loss) for the period		2,324,988	163,822,537
<b>TOTAL EQUITY</b>		<u>547,935,998</u>	<u>545,611,010</u>
<b>LIABILITIES:</b>			
<b>NON CURRENT LIABILITIES</b>			
Bank loans	10	42,215,789	102,750,107
Bonds	10	29,943,901	49,884,766
Other non current liabilities		97,003	140,821
Deferred tax liabilities		22,586	41,282
Total Non Current Liabilities		<u>72,279,279</u>	<u>152,816,976</u>
<b>CURRENT LIABILITIES</b>			
Suppliers		75,521	54,384
Bank loans	10	122,300,000	39,100,000
Other creditors	12	39,693,292	2,350
Other current liabilities	13	910,449	1,521,033
Total Current Liabilities		<u>162,979,262</u>	<u>40,677,767</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>783,194,539</b></u>	<u><b>739,105,753</b></u>

The accompanying notes are part of these financial statements

The Board of Directors



SONAE CAPITAL, SGPS, SA

INDIVIDUAL INCOME STATEMENTS BY NATURE

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	Notes	31 December 2010	31 December 2009
Operational income:			
Other operational income		64,209	12,918
Total operational income		<u>64,209</u>	<u>12,918</u>
Operational expenses:			
External supplies and services	15	(349,514)	(543,426)
Staff costs	16	(1,139,283)	(1,154,294)
Depreciation and amortisation		(2,642)	(2,642)
Other operational expenses		(219,847)	(56,999)
Total operational expenses		<u>(1,711,286)</u>	<u>(1,757,361)</u>
Operational profit/(loss)		<u>(1,647,077)</u>	<u>(1,744,443)</u>
Financial income	17	8,513,838	10,604,607
Financial expenses	17	(7,582,128)	(7,055,350)
Net financial income/(expenses)		<u>931,710</u>	<u>3,549,257</u>
Investment income	18	2,871,845	162,500,000
Profit/(loss) before taxation		<u>2,156,478</u>	<u>164,304,814</u>
Taxation	19	168,510	(482,277)
Profit/(loss) for the period		<u>2,324,988</u>	<u>163,822,537</u>
Profit/(loss) per share			
Basic	20	0.009300	0.655290

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL, SGPS, SA

INDIVIDUAL INCOME STATEMENTS BY NATURE

FOR THE THREE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	<u>4<sup>th</sup> Quarter 2010</u> <u>(Unaudited)</u>	<u>4<sup>th</sup> Quarter 2009</u> <u>(Unaudited)</u>
Operational income:		
Other operational income	8,371	4,987
Total operational income	<u>8,371</u>	<u>4,987</u>
Operational expenses:		
External supplies and services	(120,743)	(178,937)
Staff costs	(303,993)	(295,383)
Depreciation and amortisation	(660)	(661)
Other operational expenses	(41,246)	(5,747)
Total operational expenses	<u>(466,642)</u>	<u>(480,728)</u>
Operational profit/(loss)	<u>(458,271)</u>	<u>(475,741)</u>
Financial income	1,710,174	3,529,262
Financial expenses	(957,806)	(749,600)
Net financial income/(expenses)	<u>752,368</u>	<u>2,779,662</u>
Investment income	-	-
Profit/(loss) before taxation	<u>294,097</u>	<u>2,303,921</u>
Taxation	(77,035)	(536,121)
Profit/(loss) for the period	<u>217,062</u>	<u>1,767,800</u>
Profit/(loss) per share		
Basic	0.000868	0.007071

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL, SGPS, SA

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	<u>31 December 2010</u>	<u>31 December 2009</u>
Net profit for the period	2,324,988	163,822,537
Exchange differences on translating foreign operations	-	-
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-	-
Changes in the fair value of assets available for sale	-	-
Changes in the fair value of cash flow hedging derivatives	-	304,749
Gains on property revaluation	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the period	-	304,749
Total comprehensive income for the period	<u>2,324,988</u>	<u>164,127,286</u>

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL, SGPS, SA

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	<u>4<sup>th</sup> Quarter 2010</u> <u>(Unaudited)</u>	<u>4<sup>th</sup> Quarter 2009</u> <u>(Unaudited)</u>
Net profit for the period	217,062	1,767,800
Exchange differences on translating foreign operations	-	-
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-	-
Changes in the fair value of assets available for sale	-	-
Changes in the fair value of cash flow hedging derivatives	-	-
Gains on property revaluation	-	-
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the period	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>217,062</u>	<u>1,767,800</u>

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL, SGPS, SA  
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	Share Capital	Own Shares	Legal Reserve	Conversion Reserve	Reserves Fair Value Reserve	Hedging Reserve	Other Reserves	Retained Earnings	Net profit / (loss)	Total Equity
Balance as at 1 January 2009	250,000,000	-	-	-	(304,749)	-	132,638,253	(1,509)	(848,271)	381,483,724
Total comprehensive income for the period	-	-	-	-	304,749	-	-	-	163,822,537	164,127,286
Appropriation of profits:										
Transfer to legal reserve and retained earnings	-	-	-	-	-	-	-	(848,271)	848,271	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-
Acquisition/(disposal) of own shares	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2009	<u>250,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,638,253</u>	<u>(849,780)</u>	<u>163,822,537</u>	<u>545,611,010</u>
Balance as at 1 January 2010	250,000,000	-	-	-	-	-	132,638,253	(849,780)	163,822,537	545,611,010
Total comprehensive income for the period	-	-	-	-	-	-	-	-	2,324,988	2,324,988
Appropriation of profits:										
Transfer to legal reserve and retained earnings	-	-	8,191,127	-	-	-	154,781,630	849,780	(163,822,537)	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-
Acquisition/(disposal) of own shares	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2010	<u>250,000,000</u>	<u>-</u>	<u>8,191,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,419,883</u>	<u>-</u>	<u>2,324,988</u>	<u>547,935,998</u>

The accompanying notes are an integral part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

INDIVIDUAL STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	31 December 2010	31 December 2009
<u>OPERATING ACTIVITIES</u>		
Cash paid to trade creditors	345,339	533,438
Cash paid to employees	980,229	974,713
Cash flow generated by operations	(1,325,568)	(1,508,151)
Income taxes (paid)/received	135,169	(26,338)
Other cash receipts/(payments) relating to operating activities	(91,601)	(968,249)
Net cash flow from operating activities [1]	(1,552,338)	(2,450,062)
<u>INVESTMENT ACTIVITIES</u>		
Cash receipts arising from:		
Interest and similar income	11,445,994	7,774,409
Dividends	2,871,845	162,500,000
Loans granted	194,968,257	-
	209,286,096	170,274,409
Cash payments arising from:		
Investments	159,500,000	700
Tangible assets	-	-
Loans granted	83,077,300	191,940,200
	242,577,300	191,940,900
Net cash flow from investment activities [2]	(33,291,204)	(21,666,491)
<u>FINANCING ACTIVITIES</u>		
Cash receipts arising from:		
Loans obtained	62,343,200	90,050,000
	62,343,200	90,050,000
Cash Payments arising from:		
Interest and similar costs	7,527,901	6,771,966
Loans obtained	20,000,000	59,131,400
	27,527,901	65,903,366
Net cash flow from financing activities [3]	34,815,299	24,146,634
Net increase/(decrease) in cash and cash equivalents [4] = [1]+[2]+[3]	(28,243)	30,081
Cash and cash equivalents at the beginning of the period	55,597	25,516
Cash and cash equivalents at the end of the period	7 27,355	55,597

The accompanying notes are part of these financial statements

The Board of Directors



SONAE CAPITAL, SGPS, SA

INDIVIDUAL STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

	<u>4<sup>th</sup> Quarter 2010</u> (Unaudited)	<u>4<sup>th</sup> Quarter 2009</u> (Unaudited)
<u>OPERATING ACTIVITIES</u>		
Cash paid to trade creditors	77,970	100,173
Cash paid to employees	228,962	229,413
Cash flow generated by operations	<u>(306,932)</u>	<u>(329,586)</u>
Income taxes (paid)/received	134,361	500
Other cash receipts/(payments) relating to operating activities	<u>62,538</u>	<u>(815,844)</u>
Net cash flow from operating activities [1]	<u>(378,755)</u>	<u>(1,145,930)</u>
 <u>INVESTMENT ACTIVITIES</u>		
Cash receipts arising from:		
Interest and similar income	811,094	325,979
Dividends	-	-
Loans granted	<u>3,872,000</u>	<u>-</u>
	<u>4,683,094</u>	<u>325,979</u>
Cash payments arising from:		
Investments	-	700
Tangible assets	-	-
Loans granted	<u>18,261,402</u>	<u>(55,636,000)</u>
	<u>18,261,402</u>	<u>(55,635,300)</u>
Net cash flow from investment activities [2]	<u>(13,578,308)</u>	<u>55,961,279</u>
 <u>FINANCING ACTIVITIES</u>		
Cash receipts arising from:		
Loans obtained	<u>34,306,793</u>	<u>6,600,000</u>
	<u>34,306,793</u>	<u>6,600,000</u>
Cash Payments arising from:		
Interest and similar costs	2,677,710	2,561,886
Loans obtained	<u>20,000,000</u>	<u>58,823,200</u>
	<u>22,677,710</u>	<u>61,385,086</u>
Net cash flow from financing activities [3]	<u>11,629,083</u>	<u>(54,785,086)</u>
Net increase/(decrease) in cash and cash equivalents [4] = [1]+[2]+[3]	<u>(2,327,980)</u>	<u>30,262</u>
Cash and cash equivalents at the beginning of the period	<u>2,355,334</u>	<u>25,334</u>
Cash and cash equivalents at the end of the period	<u>27,355</u>	<u>25,334</u>

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL, SGPS, SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 AND 2009

(Translation of the individual financial statements originally issued in Portuguese)

(Amounts expressed in euro)

1. INTRODUCTION

Sonae Capital, SGPS, SA (“the Company” or “Sonae Capital”) whose registered office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, was set up on 14 December 2007 by public deed, following the demerger from Sonae, SGPS, SA of the whole of the shareholding in the company formerly named Sonae Capital, SGPS, SA, now named SC, SGPS, SA, in compliance with paragraph a) of article 118 of the Commercial Companies Code.

The Company’s financial statements are presented as required by the Commercial Companies Code. According to Decree-Law 35/2005 of 17 February 2007, the Company’s financial statements have been prepared in accordance with International Financial Reporting Standards.

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), applicable to financial years beginning on 1 January 2009.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Note 2.3).

2.2 Borrowing costs

Financial charges connected with loans contracted are generally recognised as a cost in accordance with the accruals principle, using for this purpose the effective interest rate method.

## 2.3 Financial instruments

### a) Investments

Investments are classified into the following categories:

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

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 Company has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current investments. Available-for-sale investments are classified as non-current assets.

Investments measured at fair value through profit and loss include investments held for negotiation which the company acquires with a view to disposal within a reasonable period of time and are classified in the balance sheet as current investments.

The Company classifies as available for sale investments those which are not classified as investments measured at fair value through profit and loss nor as investments held to maturity. These investments are classified as non current assets, unless there is an intention to dispose of them within 12 months of the balance sheet date.

All purchases and sales of investments are recognised 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, in the case of available for sale investments.

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.

Gains and losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, until the investment is sold or otherwise disposed of, or until its fair value is lower than its carrying amount and that corresponds to an impairment loss, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

Gains and losses resulting from changes to the fair value of derivatives valued at fair value are shown in the financial statements in the caption net financial charges/income.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

In accordance with IAS 27, investments in affiliated and associated undertakings are stated at acquisition cost, less impairment losses.

b) 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.

c) 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 2.4. 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.

d) Trade accounts payable

Trade accounts payable are stated at their nominal value.

e) Derivatives

The Company uses derivatives in the management of its financial risks only to hedge such risks, and/or to optimize funding costs, in accordance with the interest rate risk policy stated in Note 3.1.

The derivatives used by the Company defined as cash-flow hedge instruments relate mainly to interest rate hedge instruments on loans contracted. The indices, calculation methods, dates for re-fixing interest rates and the reimbursement plans for the interest rate hedge instruments are all identical to the conditions established for the underlying contracted loans, and thus qualify as perfect hedges. Inefficiencies that may exist are shown in the caption Net financial income/expenses in the income 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 forecast transaction that is being hedged is highly probable.

Cash-flow hedge instruments used by the Company to hedge the exposure to changes in interest rates of its loans are initially accounted for at cost, if any, 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, and then recognised in the income statement over the same period in which the hedged instrument affects profit or loss.

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 reserves, 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.

In cases in which derivative instruments, in spite of having been negotiated in accordance with the interest rate risk policy stated in Note 3.1, in relation to which the Company did not apply hedge accounting, are initially recorded at cost, if any, and subsequently measured at fair value. Changes in value resulting from the measurement at fair value, calculated using especially designed software tools, are included in Net financial charges in the income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value, and unrealized gains or losses arising from these derivatives recorded in the income statement.

In specific situations, the Company may use interest rate derivatives with the goal of obtaining fair value hedging. In these situations, derivatives are booked at their fair value in the profit and loss account. In situations in which the derivative involved is not measured at fair value (in particular borrowings measured at amortised cost), the effective share of hedging will be adjusted to the accounting value of the derivative hedged through the profit and loss account.

#### f) 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 cash-flow statement, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption current bank loans.

### 2.4 Revenue recognition and accrual basis

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 recognised in the income statement.

### 2.5 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.

### 2.6 Judgements and estimates

The most significant accounting estimates reflected in the financial statements are as follows:

- a) Useful lives of tangible and intangible assets;
- b) Adjustments to the values of assets and provisions;
- c) Analysis of the impairment of loans and investments;
- d) Calculation of the fair value of derivatives.

Estimates were based on the best information available at the date of the preparation of the financial statements and on the best knowledge and experience of past and/or current events. These estimates may, however, be affected by subsequent events which are not foreseeable at the present day. Changes to these estimates, which take place after the date of the financial statements, will be recognized prospectively in the income statement, in accordance with IAS 8.

The main estimates and assumptions concerning future events included in the financial statements are described in the corresponding notes to the accounts, when applicable.

## 2.7 Income tax

Current income tax is determined in accordance with tax rules in force in Portugal, considering the profit for the period.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax assets are recognised only when their use is probable.

## 3. Financial risk management

### 3.1 Market risks

#### a) Interest Rate risk - POLICY

As a result of maintaining its variable rate debt in the balance sheet, and the resulting cash flows from interest payments, the Company is exposed to the Euro interest rate risk.

In view of the fact that:

- the volatility of Company's results does not depend only on the volatility of its financial results linked to the volatility of interest rates;
- under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;
- the setting up of any form of risk hedging structure has an implicit opportunity cost associated with it,

the Company policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives),



but rather has opted for a dynamic approach to monitoring exposure, which aligns market conditions to the real exposure of the Company, in order to avoid the possibility of exposure that could have a real impact on the Company's results.

In view of the above, the Company policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

- derivatives are not used for trading, profit making or speculation;
- derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt;
- the maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;
- derivative contracts are only agreed with authorised entities, specifically Financial Institutions with a minimum Investment Grade rating, giving preference to Banking Relationship Institutions of the Company;
- all transactions must be the object of competitive bids, involving at least two financial institutions;
- all transactions are entered into by using market standard contracts (ISDA), with schedules negotiated with each of the Institutions;
- to determine the fair value of hedging transactions, the Company uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;
- any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

#### b) Interest Rate Risk - SENSITIVITY ANALYSIS

Interest rate sensitivity is based on the following assumptions:

- changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash-flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;
- changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial



instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;

- in the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risk;
- changes in market interest rates of financial instruments which were designated as cash-flow hedging instruments to hedge fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);
- changes in market interest rates of interest rate derivatives, which are not specified as being part of hedging relationships as defined in IAS 39, affect the results of the company (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;
- changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;
- the sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the net profit before tax of the Company as at 31 December 2010 would have been lower or higher by 598,820.22 euro, respectively. As at 31 December 2009 they would have been lower or higher by 1,396,667.13 euro.

#### c) Exchange Rate Risk

The Company has no exposure to exchange rate risk.

#### d) Other Price Risks

The Company is exposed to risks arising from the value of investments made in financial shareholdings. However, these investments are in general made with strategic objectives in mind and not for current trading.

### 3.2 Credit Risk

Credit risks at Sonae Capital arises mainly from (i) its relationships with financial institutions in the course of its day to day business activity, and (ii) the risk of non compliance by business counterparts in portfolio transactions.

- Financial Institutions: The credit risk is linked to possible non compliance by Financial Institutions, from which the Company, in its normal operational activity, contracted term deposits, cash balances and derivatives.

To mitigate this risk, the Company:

- a) Only executes transactions with counterparts with an Investment Grade minimum rating;
- b) Diversifies its counterparts, in order to avoid an excessive concentration of credit risk;
- c) Defines a limited range of eligible instruments (aimed at not contracting complex instruments, the structure of which is not entirely known);
- d) Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

- Shareholding Buy/Sale transactions: In the course of its business, the Company is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the wide range of means used, there exists always the possibility of using normal market methods, namely carrying out due diligence, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed.

### 3.3 Liquidity Risks

The objective of liquidity risk management is to ensure at any given moment that the Company has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Company aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Company includes the following key aspects:

- Financial planning based on cash flow forecasts and for different time periods (weekly, monthly, annual and multi year);
- Short and long term financial control systems (based on Treasury and Cash Management systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;
- Diversification of sources of financing and counterparts;
- Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;
- Contracts with relationship Banks, of committed credit lines (of at least one year) and Commercial Paper Programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable.

#### 4. INVESTMENTS

As at 31 December 2010 and 31 December 2009 investments are detailed as follows:

	31 December 2010	31 December 2009
Investments in affiliated and associated undertakings	542,138,253	382,638,253
Investments in other companies (Sonae RE - 0.04%)	1,200	1,200
	<u>542,139,453</u>	<u>382,639,453</u>

##### 4.1 Investments in affiliated and associated undertakings

As at 31 December 2010 and 31 December 2009, the detail of investments in affiliated and associated companies, is as shown in the table below.

Company	31 December 2010				31 December 2009			
	% Held	Fair Value	Book Value	Fair Value Reserve	% Held	Fair Value	Book Value	Fair Value Reserve
SC, SGPS, SA	100.00%	-	382,638,253	-	100.00%	-	382,638,253	-
Spred, SGPS SA	54.05%	-	40,000,000	-	-	-	-	-
SC Assets, SGPS, SA	76.64%	-	82,000,000	-	-	-	-	-
Sonae Turismo, SGPS SA	23.08%	-	37,500,000	-	-	-	-	-
Total		-	542,138,253	-		-	382,638,253	-

Investments carried at cost correspond to those in unlisted companies and for which a fair value cannot be reliably estimated.

#### 5. OTHER NON CURRENT ASSETS

As at 31 December 2010 and 31 December 2009 other non current assets can be detailed as follows:

	31 December 2010	31 December 2009
Loans granted to group companies:		
SC, SGPS, SA	171,414,243	343,547,500
SC Assets, SGPS, SA	49,303,800	-
	<u>220,718,043</u>	<u>343,547,500</u>

This asset was not due or impaired as at 31 December 2010. The fair value of loans granted to group companies is basically the same as their book value.

## 6. OTHER CURRENT ASSETS

As at 31 December 2010 and 31 December 2009 other current assets can be detailed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Group companies - Short term loans:		
Change, SGPS, SA	-	2,052,000
SC, SGPS, SA	16,852,500	3,862,000
Group companies - Interest:		
SC, SGPS, SA	-	5,945,846
Suppliers	21,505	-
Income tax withheld	189,164	212,237
Other Debtors	3,877	2,632
Accrued income	3,022,754	9,063
Deferred costs	61,923	776,782
	<u>20,151,723</u>	<u>12,860,560</u>

Amounts included under Accrued income relate to interest chargeable to group companies

## 7. CASH AND CASH EQUIVALENTS

As at 31 December 2010 and 31 December 2009 cash and cash equivalents can be detailed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash	1,004	1,003
Bank deposits	26,351	54,594
Cash and cash equivalents in the balance sheet	<u>27,355</u>	<u>55,597</u>
Bank overdrafts	-	-
Cash and cash equivalents in the cash flow statement	<u>27,355</u>	<u>55,597</u>

## 8. SHARE CAPITAL

As at 31 December 2010 share capital consisted of 250,000,000 ordinary shares of 1 euro each.

## 9. OTHER RESERVES

As at 31 December 2010 and 31 December 2009 other reserves can be detailed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Free reserves	154,781,631	-
Demerger reserve	132,638,252	132,638,252
	<u>287,419,883</u>	<u>132,638,252</u>

## 10. LOANS

As at 31 December 2010 and 31 December 2009 this caption included the following loans:

	31 December 2010	31 December 2009
Bank loans - Commercial paper	42,250,000	102,800,000
Up-front fees not yet charged to income statement	(34,211)	(49,893)
Bank loans - non current	42,215,789	102,750,107
Nominal value of bonds	30,000,000	50,000,000
Up-front fees not yet charged to income statement	(56,099)	(115,234)
Bonds	29,943,901	49,884,766
Non-current loans	72,159,690	152,634,873
Bank loans - Commercial paper	122,300,000	39,100,000
Current bank loans	122,300,000	39,100,000

Bonds Sonae Capital 2007/2012 2<sup>nd</sup> Bond issue, amounting to 30,000,000 euro, repayable after 5 years, in one instalment, on 31 December 2012.

This bond issue pays interest every six months at Euribor six month interest rates plus a 0.60% spread.

The caption Non Current Bank Loans, relates to amounts issued under two Commercial Paper Programmes with guaranteed subscription, one of which launched on 14 March 2008 with the maximum amount of 30,000,000 euro and valid for a period of 5 years, and another of 12,500,000 euro regarding another programme launched on 30 December 2010 with the maximum amount of 16,250,000 euro each and valid for a period of 3 years.

The caption Current Bank Loans includes five issues of commercial paper programmes. One, with a maximum limit of 60,000,000 euro, without subscription guarantee, launched on 28 March 2008, valid for a ten year period, which may be extended at the option of the Company, three other launched on 26 and 28 August 2009 with the maximum amount of 36,600,000 euro each and valid for a period of 2 years and 4,000,000 euro regarding the short-term portion of the programme of 16,250,000 euro, with guaranteed subscription, mentioned in the previous paragraph.

The above loans are not guaranteed, and their fair value is considered to be close to their book value, in view of the fact that interest payable on them is at variable market rates.

There are no Derivatives

The nominal value of loans and the estimated nominal values of interest to be paid on them have the following maturity dates:

	31 December 2010		31 December 2009	
	Capital	Interest	Capital	Interest
N+1	122,300,000	(3,945,936)	59,100,000	(4,854,041)
N+2	34,000,000	(1,580,073)	72,800,000	(2,050,303)
N+3	38,250,000	(423,889)	30,000,000	(1,186,319)
N+4	-	-	30,000,000	-
N+5	-	-	-	-
After N+5	-	-	-	-
	194,550,000	(5,949,898)	191,900,000	(8,090,663)

As at 31 December 2010 and 31 December 2009, available credit lines may be summarised as follows:

	31 December 2010		31 December 2009	
	Commitments		Commitments	
	less than 1Y	over 1 Y	less than 1Y	over 1 Y
Amounts of credit lines available	33,849,398	-	28,600,000	48,150,000
Amounts of credit lines contracted	152,399,398	42,250,000	43,350,000	120,950,000

## 11. DERIVATIVES

There are no Derivatives as at 31 December 2010.

## 12. OTHER CREDITORS

As at 31 December 2010 and 31 December 2009, these captions were made up as follows:

	31 December 2010	31 December 2009
<u>Other creditors</u>		
Group companies - Short term loans:		
Interlog , SGPS, SA	20,999,000	-
Spred , SGPS, SA	17,597,200	-
SC Finance BV	300,000	-
Inparvi , SGPS, SA	697,000	-
SC Assets, SGPS, SA	100,000	-
Other creditors	92	2,350
	<u>39,693,292</u>	<u>2,350</u>

Loans obtained from group companies bear interest at market rates and are repayable within one year.

## 13. OTHER CURRENT LIABILITIES

As at 31 December 2010 and 31 December 2009, these captions were made up as follows:

	31 December 2010	31 December 2009
<u>Other current liabilities</u>		
Taxes payable	130,981	185,865
Accruals:		
Staff costs	519,335	344,130
Interest payable	246,980	977,733
Other accruals	6,795	6,947
Deferred income	6,358	6,358
	<u>910,449</u>	<u>1,521,033</u>

#### 14. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2010 and 31 December 2009, External Supplies and Services can be detailed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Operational rents	66,091	19,195
Insurance costs	56,419	66,366
Travelling expenses	39,428	53,731
Services obtained	160,245	391,013
Other services	27,331	13,120
	<u>349,514</u>	<u>543,426</u>

#### 15. OPERATIONAL LEASES

As at 31 December 2010 and 31 December 2009, the Company had Operational Lease contracts, as a lessee, whose minimum lease payments (fixed income) had the following payment schedule:

	<u>31 December 2010</u>	<u>31 December 2009</u>
N+1	54,061	28,191
N+2	54,061	28,191
N+3	40,227	28,191
N+4	27,066	14,357
N+5	-	1,196
	<u>175,415</u>	<u>100,126</u>

#### 16. STAFF COSTS

As at 31 December 2010 and 31 December 2009, Staff Costs are made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Governing bodies' remunerations	1,027,522	1,042,937
Social security contributions	77,899	65,919
Other staff costs	33,862	45,438
	<u>1,139,283</u>	<u>1,154,294</u>



## 17. NET FINANCIAL EXPENSES

As at 31 December 2010 and 31 December 2009, Net Financial Expenses can be detailed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(3,773,251)	(2,443,027)
Bonds	(798,018)	(1,388,268)
Other	(619,297)	(2,267,705)
Other financial expenses	<u>(2,391,562)</u>	<u>(956,350)</u>
	<u>(7,582,128)</u>	<u>(7,055,350)</u>
Interest receivable and similar income		
Interest income	<u>8,513,838</u>	<u>10,604,607</u>
	<u>8,513,838</u>	<u>10,604,607</u>
Net financial expenses	<u><u>931,710</u></u>	<u><u>3,549,257</u></u>

## 18. INVESTMENT INCOME

As at 31 December 2010, the caption Investment Income refers to dividends attributed by Spred, SGPS, SA, in accordance with the resolution of the Shareholders General Meeting held on 29 March 2010.

## 19. TAXATION

As at 31 December 2010 and 31 December 2009, Taxation is made up as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Current tax	(8,150)	(158,241)
Deferred tax	<u>176,660</u>	<u>(324,036)</u>
	<u><u>168,510</u></u>	<u><u>(482,277)</u></u>

### 19.1 Reconciliation of effective tax charge

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2010 and 2009 is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Profit before income tax	2,156,478	164,304,814
Difference between accounting and tax of capital gains/(losses)	(2,788,342)	(162,419,613)
Taxable Profit	(631,864)	1,885,201
Recognition/(Use) of tax losses originating deferred taxes	631,864	(1,369,255)
Taxable Income	-	515,946
Tax Charge (24.70%)	-	(127,423)
Municipal surcharge	(8,150)	(28,278)
Autonomous taxes	-	(2,540)
Effect of increases or decreases in deferred taxes	176,660	(324,036)
Taxation	168,510	(482,277)
Effective tax rate	26.67%	25.58%

### 19.2 Tax losses carried forward

	<u>31 December 2010</u>		<u>31 December 2009</u>	
	<u>Tax losses</u>	<u>To be used until</u>	<u>Tax losses</u>	<u>To be used until</u>
Generated in 2010	631,864	2014	-	-

## 20. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2010 and 2009 were calculated taking into consideration the following amounts:

	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>Net profit</b>		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period )	2,324,988	163,822,537
Effect of dilutive potential shares	-	-
Net profit taken into consideration to calculate diluted earnings per share	<u>2,324,988</u>	<u>163,822,537</u>
<b>Number of shares</b>		
Weighted average number of shares used to calculate basic earnings per share	250,000,000	250,000,000
Weighted average number of shares used to calculate diluted earnings per share	<u>250,000,000</u>	<u>250,000,000</u>
<b>Earnings per share (basic and diluted)</b>	<u>0.009300</u>	<u>0.655290</u>

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorized for issue on 2 March 2011.

## 22. INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

In the period ended 31 December 2010 shareholders' loan contracts were entered into with the following companies:

- SC, SGPS, SA
- SC Assets, SGPS, SA

In the period ended 31 December 2010 short-term loan contracts were entered into with the following companies:

- SC Assets, SGPS, SA
- SC, SGPS, SA
- SC Sociedade de Consultadoria, SA
- Sete e Meio Herdades, SA
- Spinveste SGII, SA
- Spred, SGPS
- SC Finance BV
- Interlog SGPS
- Inparvi SGPS

As at 31 December 2010 amounts owed by affiliated undertakings can be summarized as follows:

Loans granted

Companies	Closing Balance
SC, SGPS, SA	188,266,743
SC Assets, SGPS, SA	49,303,800
	<u>237,570,543</u>

As at 31 December 2010 amounts owed to affiliated companies can be summarized as follows:

Loans obtained

Companies	Closing Balance
Spred , SGPS, SA	17,597,200
Interlog , SGPS, SA	20,999,000
SC Finance BV	300,000
Inparvi , SGPS, SA	697,000
SC Assets, SGPS, SA	100,000
	<u>39,693,200</u>

Decree-Law nr 185/09 art 11

In the 12 months ended 31 December 2010 and 31 December 2009, the following remunerations were paid to the external auditor of the company:

	31 December 2010	31 December 2009
Audit and Statutory Audit <sup>1</sup>	27,540	27,786
Other Assurance	-	-
Tax Consultancy	-	-
	<u>27,540</u>	<u>27,786</u>

<sup>1</sup> Annual fees agreed.

The Board of Directors

# **REPORT AND OPINION OF THE FISCAL BOARD**

**31 DECEMBER 2010**



## **Report and Opinion of the Fiscal Board**

*(Translation of a report originally issued in Portuguese)*

To the Shareholders of  
Sonae Capital, S.G.P.S., S.A.


In accordance with applicable legislation and the mandate given to the Fiscal Board, we hereby submit our Report and Opinion which covers the report of the Board of Directors and the consolidated and individual financial statements of Sonae Capital, S.G.P.S., SA for the year ended 31 December 2010, which are the responsibility of the Company's Board of Directors.

### **Supervisory activities**

During the year, we have monitored the management of the Company, reviewed the development of the operations of the Company and of its main affiliates, and held meetings whenever considered necessary and with the appropriate scope. In face of the subject under review, these meetings were attended by key staff of the finance department, namely the Chief Financial Officer, of the planning and control department and of internal audit and risk management. We have also followed up closely the work of the statutory auditor and external auditor of the Company who kept us informed of the scope and conclusions of the audit work performed. In performing these tasks, the Fiscal Board has obtained from the Board of Directors, Company staff and affiliated companies' staff and from the statutory auditor all the necessary information and explanations, for a proper understanding and assessment of business developments, financial performance and position, as well as of risk management and internal control systems.

We have also reviewed the preparation and disclosure of financial information, as well as the statutory audit performed on the individual and consolidated accounts of the Company, having obtained from the statutory auditor all information and explanations requested. Additionally, within the scope of the mandate given to the Fiscal Board, we examined the individual and consolidated balance sheets as at 31 December 2010, the individual and consolidated statements of profit and loss by nature, statements of cash flows, statements of comprehensive income and statements of changes in equity for the year ended on that date and related notes.

We have also reviewed the report of the Board of Directors and the Corporate Governance Report for the year 2010, issued by the Board of Directors, and the Statutory Auditor's Report issued by the External Auditor of the Company, whose content we agree with.



Considering the above, we are of the opinion that the consolidated and individual financial statements referred to above were prepared in accordance with applicable accounting, legal and statutory standards and give a true and fair view of the assets and liabilities, financial position and results of Sonae Capital, S.G.P.S., SA and of its main affiliates, and that the report of the Board of Directors faithfully describes business developments, performance and financial position of the Company and of its affiliates and the main risks and uncertainties they face. We hereby inform that the Corporate Governance report issued complies with article 245-A of the Portuguese Securities Code.

The Fiscal Board would like to express its gratitude to the Company's Board of Directors and staff for their cooperation.

### **Opinion**

In face of the above mentioned, we are of the opinion that the Shareholders' General Meeting can approve:

- a) The report of the Board of Directors, the individual and consolidated balance sheets as at 31 December 2010, the individual and consolidated financial statements of profit and loss by nature, of cash flows, of comprehensive income and of changes in equity for the year ended on that date and related notes;
- b) The profit appropriation proposal of the Board of Directors.

### **Statement under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code**

Under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code, the members of the Fiscal Board hereby declare that, to their knowledge, the information disclosed in the Report of the Board of Directors and other accounting documents, was prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and results of the Company and of its affiliates.

Moreover, members of the Fiscal Board consider that the Report of the Board of Directors faithfully describes business developments, the performance and the position of the Company and of its affiliates and the main risks and uncertainties they face.

Maia, 2 March 2011

The Fiscal Board,

Manuel Heleno Sismeiro

Armando Luís Vieira de Magalhães

Jorge Manuel Felizes Morgado



# **STATUTORY AUDIT AND AUDITORS' REPORT**

**31 DECEMBER 2010**

## STATUTORY AUDIT AND AUDITORS' REPORT

*(Translation of a report originally issued in Portuguese.  
In the event of discrepancies, the Portuguese language version prevails)*

### **Introduction**

1. In compliance with the applicable legislation, we hereby present our Statutory Audit and Auditors' Report on the consolidated and individual financial information contained in the Report of the Board of Directors, and the consolidated and individual financial statements for the year ended 31 December 2010 of Sonae Capital, S.G.P.S., S.A. ("the Company"), which comprise the consolidated and individual Balance Sheets (that present a total of 731,166,653 Euro and 783,194,539 Euro, respectively, and consolidated and individual equity of 339,369,570 Euro and 547,935,998 Euro, respectively, including a consolidated net loss attributable to the Company's Equity Holders of 4,420,429 Euro and an individual net profit of 2,324,988 Euro), the Consolidated and Individual Statements of Profit and Loss by natures, Comprehensive Income, Changes in Equity, and Cash Flows for the year then ended and the corresponding Notes.

### **Responsibilities**

2. The Company's Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and the companies included in the consolidation, the consolidated and individual results of their operations, comprehensive income, changes in equity and cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant facts that have influenced the operations of the Company and companies included in the consolidation, their financial position, results of operations and comprehensive income.
3. Our responsibility is to examine the individual and consolidated financial information contained in the documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

### **Scope**

4. Our examination was performed in accordance with the Auditing Standards issued by the Portuguese Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing significant estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated and individual financial information included in the Report of the Board of Directors is consistent with the consolidated and individual financial statements, as well as the examinations required under the terms of paragraphs 4 and 5 of Article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

**Opinion**

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Sonae Capital, S.G.P.S., S.A. as at 31 December 2010, the consolidated and individual results of its operations, the consolidated and individual comprehensive income, changes in consolidated and individual equity and its consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

**Report on other legal requirements**

6. It is also our opinion that the financial information included in the Report of Board of Directors is consistent with the financial statements for the year and the Corporate Governance Report includes the required information under the terms of Article 245-A of the Securities Market Code.

Porto, 2 March 2011

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Deloitte & Associados, SROC S.A.  
Represented by António Manuel Martins Amaral



# EXTRACT FROM THE MINUTES OF THE ANNUAL GENERAL SHAREHOLDERS' MEETING



**SONAE CAPITAL, SGPS, S. A.**  
Sede: Lugar do Espido, Via Norte, Maia  
Share Capital: € 250,000,000.00  
Maia Commercial Registry and Fiscal Number 508276756  
Sociedade Aberta

I hereby certify that, under the terms of Minute number four of the Shareholders' General Meeting held on 31 March 2011, the following proposals were approved:

One - "We propose that the Report of the Board of Directors, the individual and the consolidated Financial Statements for 2010, including appendices thereto, are approved as presented."

Two - "Under the terms of the law and of the Articles of Association, the Board of Directors proposes to the Shareholders General Meeting that the 2010 Net Profit of 2,324,988.08 euro, has the following appropriation:

Legal Reserve	116,249.40
Free Reserve	2,208,738.68".

Maia, 31 March 2011

The Company's Secretary