Corporate Governance Report

2010

MARTIFER
GROUP

04
ADDITIONAL INFORMATION

05
APPENDICES

00

COMPLIANCE STATEMENT

0.1
Compliance statement

MARTIFER, SGPS, S.A. (Martifer, Company, Group or Society) is an issuer of shares that have been admitted to trading on the Euronext Lisbon's official stock market.

As a company open to public investment, Martifer has been implementing and adopting the best Corporate Governance practices, basing its policy on the highest standards of conduct, ethics and social responsibility, which are intended to be transversal to the Group.

The Board of Directors has as its object the implementation of an integrated and effective management of the Group, enabling the Company to create value by promoting and assuring the legitimate interests of its shareholders, clients, suppliers, employees, the capital market as well as the community itself.

Martifer has been adopting and developing its corporate governance model in consonance with corporate governance good practice, namely those recommended in the Corporate Governance Code, approved by the Portuguese Securities Market Commission (CMVM), and the CMVM Regulation no. 1/2010, both available in CMVM's internet site at www.cmvm.pt.

Martifer is neither subject to nor has it voluntarily adhered to any other corporate governance code.

CMVM's recommendations regarding corporate governance are listed below, with an indication as to whether they have been adopted or not, whenever applicable to Martifer's structure, summary observations as well as references to the text in this report describing, in more detail, the respective form of adoption.

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
I. GENERAL MEETING			
I.1 GENERAL MEETING BOARD			
I.1.1. The chairman of the general meeting board shall have the human resources and logistical help considered adequate for his needs, taking into consideration the economic situation of the company.	Adopted	Martifer provides the Chairman of the General Meeting Board with the human, logistical and technical resources considered adequate to guarantee the organization and smooth running of the meetings.	Chapter 2 Point 2.2
I.1.2. The remuneration of the chairman of the general meeting board shall be disclosed in the Company's annual Governance report.	Adopted	The remuneration of the members of the General Meeting Board is disclosed, individually, in this report.	Chapter 2 Point 2.3
I.2 PARTICIPATION IN THE MEETING			
I.2.1 The advance period set for the reception, by the board, of the share deposit or share blockage statements necessary for participation in the general meeting, shall not exceed five working days.	Adopted	Martifer promotes the active exercise of voting rights. Article 15, no. 2 of the Company's Articles of Association (henceforth By-laws), stipulate a 3 day advance period from the date set for the General Meeting, for the reception of the share deposit or share blockage statements.	Chapter 2 Point 2.5
I.2.2 In the event of a suspension of the general meeting, the company shall not enforce the share blockage throughout the adjournment period, contenting itself with the enforcement of an advance period identical to that laid down for the first session.	Adopted	In the event of a suspension of the general meeting, the Company does not require share blockage throughout the adjournment period, contenting itself with the enforcement of an ordinary advance period identical to that laid down for the first session.	Chapter 2 Point 2.5
I. 3. VOTING AND THE EXERCISING OF VOTING RIGHTS			
I.3.1. Companies shall not foresee any restrictions to correspondence voting and, when adopted and admissible, electronic voting.	Adopted	Martifer permits correspondence voting, without restrictions, in respect of all matters subject to shareholder consideration, in terms of article 17 of the by-laws.	Chapter 2 Point 2.7
I.3.2. The statutory advance period for the reception of correspondence votes shall not exceed three working days.	Adopted	In line with article 17, no. 2 of the by-laws, correspondence votes shall be received the latest three days in advance of the General Meeting.	Chapter 2 Point 2.7
I.3.3. Companies shall guarantee the proportionality between the voting rights and the shareholding, preferably through the statutory determination of one share one vote. Companies are not in compliance with proportionality when, namely: i) they have shares that do not carry voting rights; ii) they determine that voting rights over a certain number will not be counted when held by a single shareholder or by related shareholders.	Adopted	Article 16, no.1 of the by-laws determines that to each share corresponds one vote.	Chapter 2 Point 2.5
I.4 RESOLUTION QUORUM			
Companies shall not set a resolution quorum in excess of that laid down in law.	Adopted	Article 18 of the by-laws lays down the principle of a simple majority of issued votes for the approval of corporate resolutions, except when the Commercial Companies Code (CSC) or the by-laws so stipulate.	Chapter 2 Point 2.1
I.5. MINUTES AND INFORMATION REGARDING RESOLUTIONS ADOPTED			
Extracts of the minutes of general meetings, or documents with the equivalent content, shall be made available to the shareholders in the company's internet site, within five days following the general meeting, even when they do not constitute privileged information. The disclosed information shall cover all resolutions adopted, the share capital represented and the voting results. This information shall remain available in the company's internet site for a period of at least 3 years.	Adopted	Since becoming a company open to public investment, Martifer discloses in its internet site a compendium of the historical documentation of the General Meetings and their respective preparatory documentation, namely the notice convening the general meeting, resolution proposals and minutes of the said general meeting (mentioning the share capital represented, for the purposes of determining the quorum present and the results of the voting for each point on the agenda).	Chapter 2 Point 2.5

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
I.6. MEASURES RELATING TO CONTROL OVER COMPANIES			
I.6.1. Measures adopted to block takeover bids shall respect the interests of the company and of its shareholders. By-laws that, whilst respecting that principle, foresee the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in conjunction with other shareholders, shall equally foresee that at least every five years the alteration or maintenance of this statutory disposition is subject to resolution by the general meeting - without quorum requirements in excess of those laid down in law – and that, for that resolution, all votes are counted and the relevant voting restriction shall not apply.	Adopted	Martifer has not adopted any measure with the object of impeding takeover bids, and the by-laws contain no provisions with that objective or limitations in respect of voting rights held, or exercised, by a sole shareholder, individually or in conjunction with other shareholders.	Chapter 2 Point 2.8
I.6.2. Defensive measures, which will result in a serious automatic erosion of the assets of the company in the event of a change in control over the company or of the board of directors, thereby impeding the free transmission of shares and the free appraisal, by the shareholders, of the performance of the board of directors, shall not be adopted.	Adopted	Martifer has not adopted any defensive measures which objective is the serious erosion of the assets of the Company, in the event of a change of control over the company or of a change in the composition of the management body.	Chapter 2 Point 2.8
II. MANAGEMENT AND SUPERVISORY BODIES			
II.1. GENERAL TOPICS			
II.1.1. STRUCTURE AND COMPETENCE			
II.1.1.1. The management body shall appraise, in its annual Corporate Governance report, the governance model adopted, identifying functional constraints arising and proposing measures that, in its opinion, will overcome these.	Adopted	Chapter 1 of this report includes the Board of Directors' appraisal of the governance model adopted.	Chapter 1 Point 1.3
II.1.1.2. Companies shall set up internal control and risk management systems, to protect their value and for the benefit of their corporate governance transparency, that permit the identification and management of risk. These systems shall include, at least, the following items: i) the setting of the company's strategic objectives regarding risk assumption; ii) the identification of the principal risks associated with the activity carried out and of the events susceptible to posing risks; iii) the analysis and measure of the impact and probability of the occurrence of each of the potential risks; iv) risk management with a view to align risks effectively assumed with the company's strategic options regarding risk assumption; v) control mechanisms over the implementation of the risk management measures adopted and their efficiency; vi) the adoption of internal information and communication mechanisms covering the various aspects of the system and risk alerts; vii) the periodic evaluation of the system implemented and the adoption of any changes deemed necessary.	Adopted	Martifer implemented an internal control and risk management procedure, with the objective of achieving an integrated management of the risks posed by the Group's various Business Areas ("BA"), establishing a strategy for the prevention and management of risk transversal to the Group, so as to minimize the exposure to risk and safeguard the Group's value. Additionally, the Board of Directors approved the creation of Martifer's Risk Commission, which constitution and activities will be implemented during 2011. Risk identification constitutes a responsibility transversal to the various levels of organization, and templates have been developed, suitable for the identification and categorization of the principal risks associated with each BA, as well as of new risks that arise during the conduct of the respective activities, including: (i) economic and business risks, (ii) financial risks, and (iii) legal risks. Risk policy is defined by the Board of Directors based on risk analysis and measurement; the Board also coordinates and develops risk management processes in order to guarantee an integrated risk management in line with the strategy and objectives of the Group.	Chapter 3 Point 3.4 Point 3.9

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
II.1.1.3. The management body shall guarantee the creation and operation of internal control and risk management systems, whilst the supervisory body's responsibility is to evaluate how these systems operate and to propose the adjustments necessary to meet company needs.	Adopted	In parallel to the approval of the creation of the Risk Commission, Martifer's Board of Directors implemented an internal control and risk management procedure that is characterized, summarily, through the identification of the risks of each BA, accompanied, in parallel, by the formalization, by the Company's Board of Directors, of an evaluation, management, prevention and risk mitigation process.	Chapter 3 Point 3.9
II.1.1.4. Companies shall: i) identify the principal economic, financial and legal risks to which they are exposed whilst carrying out their activities; and ii) describe the performance and efficacy of their risk management systems, in their annual Corporate Governance report.	Adopted	The principal economic, business, financial and legal risks are described in this report, together with a brief description of the measures taken to implement an internal control and risk management procedure transversal to the Group.	Chapter 3 Point 3.10
II.1.1.5. The management and supervisory bodies shall have functional regulations which shall be disclosed in the company's internet site.	Adopted	Martifer's internet site discloses the organizational and functional regulations (i) of the Board of Directors; (ii) of the Executive Commission; and (iii) of the Supervisory Board.	Chapter 3
II.1.2 INCOMPATIBILITIES AND INDEPENDENCE			
II.1.2.1. The board of directors shall include a number of non-executive members that assure an effective supervision, inspection and evaluation of the executive members' activities.	Adopted	Martifer's Board of Directors is formed by 7 directors, 5 of which are non-executive, whose functions are to monitor and evaluate the Company's management by the executive directors.	Chapter 3 Point 3.1
II.1.2.2. The non-executive directors must include an adequate number of independent directors, considering the company size and shareholder structure, which number cannot, under any circumstances, be less than a quarter of the total number of directors.	Adopted	Martifer's Board of Directors has 5 non-executive directors, 2 of which are independent. Considering the size of the Company and its shareholder structure, Martifer considers that it has an adequate number of independent directors. This number is also in excess of a quarter of the total number of directors.	Chapter 3 Point 3.1
II.1.2.3. The assessment of the independence of the non-executive directors by the management body shall consider legal rules and regulations in effect regarding the independence requirements and the incompatibility regime applicable to the other corporate bodies, assuring a systematic and temporal coherence in the application of the independence criteria throughout 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.	Adopted	In assessing the independence of and in adopting the incompatibility regime in respect of the non-executive members of the Board of Directors, the Company applies the criteria laid down in articles 414 et seq, of the CSC.	Chapter 3 Point 3.1
II.1.3 ELEGIBILITY AND NOMINATION			
II.1.3.1. Depending on the model adopted, the president of the supervisory board, the audit commission or the financial issues commission shall be independent and possess the competencies deemed appropriate to carry out the respective functions.	Adopted	The chairman of the Supervisory Board fulfils all the legal requirements of independence and hold the adequate capabilities to carrying out the respective functions.	Chapter 3 Point 3.5
II.1.3.2. The non-executive members' selection process shall be conceived to prevent interference by the executive members.	Adopted	The members of the Board of Directors are elected at the Shareholders General Meeting, for a period of 4 years, based on a list submitted by the shareholders of the Company. The By-laws lay down that a minimum number of shareholders, representing at least 10% of the share capital, having voted against the winning proposal of directors elected, may designate a member to the board of directors. Executive directors do not intervene in the non-executive directors' selection process.	Chapter 3 Point 3.1

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
II.1.4 COMMUNICATION OF IRREGULARITIES POLICY			
II.1.4.1. The company shall adopt a policy regarding the communication of irregularities allegedly occurring internally, with the following items: i) listing of the means whereby the communication of irregularities can be made internally, including the individuals who can legitimately receive such communication; ii) listing of the treatment to be afforded to such communication, including confidentiality, if such is the wish of the declarant.	Adopted	Martifer adopted and maintains a policy regarding the communication of irregularities, which essentially aims to assure the existence of conditions that permit any employee to freely communicate his concerns in these matters to the Ethics and Conduct Commission, and to facilitate the early detection of irregular situations that, if continued or carried out, could lead to serious damage to the Group as well as to its stakeholders. The company's policy regarding the communication and denunciation of irregularities is detailed in the company's website, on the Internet, as well as in the company's intranet site.	Chapter 3 Point 3.8
II.1.4.2. The general terms of this policy shall be disclosed in the Corporate Governance report.	Adopted	The general terms of this policy are disclosed in this report.	Chapter 3 Point 3.8
II.1.5. REMUNERATION			
II.1.5.1. The remuneration of the members of management body shall be structured to permit an alignment between the interests of those members with those of the company in the long term, be based on performance and discourage the assumption of excessive risk. To this effect, remuneration shall be structured, namely, as follows: (i) Executive directors' remuneration shall include a variable component, which amount is dependant on the evaluation of performance, carried out by the company's competent bodies in line with predetermined measurable criteria, that considers the company's real growth and the wealth effectively created for the shareholders, its sustainability in the long term and the risks assumed, as well as compliance with the rules applying to the company's activity. (ii) The variable component of the remuneration shall be globally reasonable in relation to the fixed component, and ceilings shall be fixed for all components. (iii) A significant portion of the variable remuneration shall be deferred for a period not under to three years, and its settlement shall be directly dependent on the continued positive performance of the company during that period. (iv) The members of the management body shall not celebrate contracts, either with the company or with third parties, which in effect mitigate the risk inherent to the variable remuneration set for them by the company. (v) Executive directors shall, until their terms of office are up, hold shares they obtained through variable remuneration package schemes, up to an amount equal to twice their total annual remuneration, except to the extent that these shares have to be sold to pay the taxes due arising from this benefit. (vi) When variable remuneration includes the attribution of options, the period during which these can be exercised shall be delayed for a minimum of three years. (vii) Legal instruments shall be developed to ensure that compensation set for any form of dismissal, without just cause, is not paid out when the dismissal or termination by agreement is due to the inadequate performance of the director. (viii) The remuneration of non-executive directors shall not have any component which amount is dependent on performance or the company's value.	Not Adopted	Martifer considers this recommendation partially adopted. The Company's Remuneration Commission promotes the convergence of the directors', the other corporate bodies' and the managers' interests with those of the Company, in the long term. The Commission structured the various components of the remuneration of the management bodies to reward performance, whilst discouraging excessive risk assumption, with the aim of achieving high, sustainable growth. The remuneration policy is streamlined with principles and criteria based on the functions carried out, the degree of complexity and responsibility undertaken, the alignment of the interests of the members of the management bodies with those of the company, the evaluation of performance, the company's economic situation and general market conditions for equivalent situations. Executive directors' remuneration comprises a variable component that is dependent on, amongst others, the evaluation of performance and the real growth of the company, in the long term. Crucial to the evaluation are the Executive Commission's contribution to the results obtained, the profitability of the company from a shareholder perspective, the evolution of the share price and the degree to which integrated projects, measured by the Balanced Scorecard of the Group,. Without prejudicing the alignment of the interests of the members of the board of directors with those of the company, an evaluation policy that reflects the board of directors' long term performance has not yet been formally implemented. During 2010, performance contracts were signed with the holders of executive functions at Group sub-holding levels, which (i) establish predetermined criteria for the setting of the variable remuneration (ii) determine caps for the remuneration components and (iii) foresee deferral mechanisms for part of the variable remuneration, subject to the positive performance of the Company. No contracts were signed either with the company or with third parties, which effect is to mitigate the risk inherent to the variable nature of the remuneration, set by the Company for the members of the management body. On the other hand, no compensation clause is in effect for dismissals, without just cause, of directors as a result of inadequate performance. The remuneration of non-executive members of the Board of Directors does not include any component dependent on performance or the Company's value.	Chapter 3 Point 3.7

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
II.1.5.2. The statement regarding the remuneration policy applying to the management and supervisory bodies referred to in article 2 of Law no. 28/2009, of June 19, shall, over and above the content therein required, contain sufficient information: i) regarding which groups' remuneration policies and practices were used as a comparative element when setting remuneration; ii) about payments in respect of dismissals or terminations by agreement of executive functions.	Not adopted	The remuneration setting policies and practices of other groups in the same business area are under comparative analysis, for subsequent implementation at Martifer. No payments were made in 2010 in respect of dismissals or termination agreements in respect of director functions.	Chapter 3 Point 3.7
II.1.5.3. The statement concerning the remuneration policy referred to in article 2 of Law no. 28/2009 shall also encompass the remuneration of other managers as defined in no. 3 of article 248-B of the Securities Code, when such remuneration contains an important variable component. The statement shall be detailed and the policy presented shall consider, namely, the long term performance of the company, the compliance with norms applying to the company's activity and the restraint in risk taking.	Adopted	Martifer presents the General Meeting with a statement of the policy covering the remuneration of the management and supervisory bodies as well as of other managers falling into the definition of no. 3 of article 248-B of the Securities Code. During 2010, performance contracts were signed with the holders of executive functions at Group sub-holding levels, which (i) establish predetermined criteria for the setting of the variable remuneration, (ii) determine caps for the remuneration components and (iii) foresee deferral mechanisms for part of the variable remuneration, subject to the positive performance of the Company.	Appendix III
II.1.5.4. The proposal to approve share attribution and/or stock options or share price variation schemes, for members of the management and supervisory bodies as well as for other managers as defined in no. 3 of article 248-B of the Securities Code, shall be taken to the general meeting. The proposal shall contain all the elements necessary for a proper evaluation of the scheme. The proposal shall be accompanied by the scheme regulations or, when such regulations have yet to be written, the conditions that the scheme is to abide by. Likewise, the principal characteristics of pension benefit schemes established for members of the management and supervisory bodies as well as for managers as defined in no. 3 of article 248-B of the Securities Code, must be approved at a general meeting.	Not adopted	In 2008, the stock option programme for employees and members of the boards of directors of the Martifer Group companies was submitted to the General Meeting for approval, together with the general terms of the respective regulations, which will remain in effect for a period of 4 years. In 2010, no proposal relating to the approval of share attribution and/or stock options or share price variation schemes was taken to the General Meeting. This recommendation is considered to not have been adopted, as the stock option plan was submitted to the general meeting for appraisal and not specifically for approval.	Chapter 3 Point 3.7 Chapter 4 Point 4.4
II.1.5.6. At least one member of the Remuneration Commission shall be present at the shareholders' general meetings.	Adopted	Martifer has guaranteed the presence of at least one of the members of the Remuneration Setting Commission at the annual General Meetings.	Chapter 2 Point 2.4
II.1.5.7. The annual Corporate Governance report shall disclose the individual and total remuneration received, the remuneration received from other group companies as well as the pension rights acquired during the period in question.	Adopted	Martifer discloses herein the remuneration received, individually, by the members of the management and supervisory bodies, distinguishing between fixed and variable, and, when such exists, the remuneration received from other group companies and pension rights acquired during the period in question.	Chapter 3 Point 3.1 3.5 and 3.6
II.2. BOARD OF DIRECTORS			
II.2.1. Within the limits set by law for each executive and supervisory structure, and except by virtue of the reduced size of the company, the board of directors shall delegate the daily management of the company, and the delegated powers shall be identified in the annual Corporate Governance report.	Adopted	Martifer's Board of Directors delegate, within the limits set by law, the day-to-day management of the Company to an executive commission, and the delegated powers are identified herein.	Chapter 3 Point 3.1 3.5 and 3.6

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
II.2.2. The board of directors shall ensure that the company acts in a manner consistent with its objectives; hence, it shall not delegate its powers, in particular, to: i) define the strategy and general policies of the company; ii) define the corporate structure of the group; iii) make decisions that should be considered strategic due to the amounts involved, the risk or the specific characteristics.	Adopted	The Board of Directors of Martifer reserves for itself the deliberative powers over matters of relevance, such as, amongst others, the definition of the strategy, the Company's general policies and the Group's business structure, as well as for decisions that should be considered strategic due to the amounts involved, risk or specific characteristics. Despite the delegation of certain powers to the Executive Commission, the Board of Directors reserves the right to deliberate on the matters delegated.	Chapter 3 Point 3.2
II.2.3. If the president of the board of directors exercises executive functions, the Board of Directors shall find efficient mechanisms to coordinate the work of the non-executive members, that will, in particular, ensure that these members can take decisions in an independent, informed manner, and these mechanisms shall be explained in the Corporate Governance report.	Not applicable	The President of the Board of Directors of Martifer does not perform executive functions in the Company.	Chapter 3 Point 3.1
II.2.4. The annual management report shall include a description of the activities carried out by the non-executive directors making reference to, namely, any constraints felt.	Adopted	The 2010 annual management report includes a description of the activities carried out by the non-executive directors.	Chapter 3 Point 3.1
II.2.5. The company shall explain its rotation of duties within the Board of Directors, particularly with regard to the financial director, and expound on this in the annual Corporate Governance report.	Adopted	Martifer has been increasing the rotation of the financial function within the Board of Directors. An alteration to the Executive Commission Regulations was adopted, with the express provison that Martifer's financial function may only be exercised by the same member for no more than 3 terms of office, with each term having a maximum duration of 3 years.	Chapter 3 Point 3.1
II.3. MANAGING DIRECTOR, EXECUTIVE COMMISSION AND EXECUTIVE BOARD OF DIRECTORS			
II.3.1. Directors that carry out executive functions, when requested by the other members of the corporate bodies, shall provide, on a timely basis and in an appropriate form, the information requested.	Adopted	Information requested from executive directors by the other members of the corporate bodies, is provided on a timely basis and in an appropriate form.	Chapter 3 Point 3.2
II.3.2. The president of the executive commission shall submit, respectively, to the president of the board of directors and, as applicable, to the president of the supervisory board or of the audit commission, the meeting convening notices and minutes of the respective meetings.	Adopted	The meeting convening notices and copies of the minutes of the meetings of the executive commission are communicated to the President of the Board of Directors as well as to the members of the supervisory board.	Chapter 3 Point 3.2
II.3.3. The president of the executive board of directors shall submit to the president of the general and supervisory council and to the president of the financial commission, the meeting convening notices and minutes of the respective meetings.	Not applicable	Martifer's governance model does not include a general and supervisory council.	Chapter 1 Point 1.1
II.4. GENERAL AND SUPERVISORY COUNCIL, FINANCIAL COMMISSION, AUDIT COMMISSION AND SUPERVISORY BOARD			
II.4.1. The general and supervisory council, over and above the supervisory competencies endowed on it, shall also carry out a continuous advisory, monitoring and evaluative function vis-à-vis the company's management by the executive board of directors. Amongst the matters to be addressed by the general and supervisory council are: i) the definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) the decisions that should be considered strategic due to the amounts involved, the risk or the specific characteristics.	Not applicable	Martifer's governance model does not include a general and supervisory council.	Chapter 1 Point 1.1

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
II.4.2. The annual reports covering the activities carried out by the general and supervisory council, the financial commission, the audit commission and the supervisory board shall be disclosed in the company's internet site, together with the annual management report and financial statements.	Adopted	The annual Report and the Supervisory Board's Opinion are disclosed, together with the consolidated accounts,	Chapter 4 Point 4.2
II.4.3. The annual reports prepared by the general and supervisory council, financial commission, audit commission and supervisory board shall include a description of the supervisory activity carried out, making reference to, namely, any constraints felt.	Adopted	The Supervisory Board's annual Report includes a description of the supervisory activities carried out.	Chapter 3 Point 3.5
II.4.4. The general and supervisory council, the audit commission and the supervisory board, depending on the model applicable, shall represent the company, to all extents and purposes, vis-à-vis the external auditor, and it is their responsibility to, in particular, propose a supplier of such services, the respective remuneration, and ensure that, within the company, appropriate conditions exist for the rendering of these services, as well as to act as the company's middleman and the first recipient of the respective reports.	Adopted	The Supervisory Board represents Martifer vis-à-vis the External Auditor and it is its responsibility to, in terms of article 6 no. 4 of the respective by-laws, propose to the Board of Directors a supplier of the external audit services, the respective remuneration, to ensure that, within the company, appropriate conditions exist for the rendering of these services, and to evaluate its services annually, as well as to act as both the company's middleman and addressee of the respective reports, simultaneously with the Board of Directors.	Chapter 3 Point 3.5
II.4.5. The general and supervisory council, the audit commission and the supervisory board, depending on the model applicable, shall evaluate the eternal auditor annually, and propose to the general meeting its dismissal whenever there is just cause to the effect.	Adopted	The Supervisory Board evaluates the external auditor annually and, in the event of just cause to the effect, may propose its dismissal.	Chapter 3 Point 3.5 Chapter 4 Point 4.1
II.4.6. The internal audit services and those that ensure compliance with the norms applying to the company (compliance services) shall report functionally to the Audit Commission, the General and Supervisory Council or, in the case of companies that adopt the Latin model, to an independent director or to the Supervisory Board, independently of the hierarchical relationship that these services have vis-à-vis the executive management of the company.	Adopted	The internal audit services of Martifer report functionally to an independent director of the Board of Directors.	Chapter 3 Point 3.9
II.5. SPECIALIZED COMMISSIONS			
II.5.1. Except by virtue of the reduced size of the company, the board of directors and the general and supervisory council, depending on the model adopted, shall create the commissions that reveal themselves necessary to: i) ensure a competent and independent evaluation of the executive directors' performance as well as of their own overall performance, as well as of that of the various other commissions in existence; ii) reflect on the governance system adopted, verifying its efficacy and proposing, to the competent bodies, the measures necessary for its improvement; iii) identify rapidly potential candidates with the high calibre profile necessary to carry out the functions of director.	Adopted	Martifer has the following specialized Commissions: (i) Ethics and Conduct Commission and (ii) Corporate Governance Committee. The Corporate Governance Committee, formed by independent members of the Company's Board of Directors that fulfil all the independence and compatibility requirements laid down in article 414 et seq of the CSC, has, amongst others, the following competencies: *(i) to evaluate and develop the corporate governance model; ii) to reflect on the governance system adopted; (iii) to verify its efficacy; and (iv) to advise and propose, to the company's competent bodies, measures to improve Corporate Governance.* In line with its attributions and good corporate governance, new competencies were attributed to the Corporate Governance Committee during 2010, namely: *"to guarantee the evaluation of the executive directors' performance, the global performance of the Board of Directors as well as that of the various other commissions in existence"*. Given the reduced size of the company, there has been no justification, to date, to create a Commission to nominate potential candidates with the calibre profile necessary to carry out the functions of director. This competency has been carried out by the Board of Directors.	Chapter 3 Point 3.4

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
II.5.2. The members of the Remuneration Commission, or equivalent, shall be independent of the members of the management body and include at least one member with knowledge and experience of remuneration policy matters.	Adopted	The members of Martifer's Remuneration Commission are independent of the members of the management and supervisory bodies and at least one of the members has knowledge and experience of remuneration policy matters in other companies. Ms Maria Manuela Queirós Vasconcelos Mota dos Santos is President of the Human Resources Development Commission at Mota-Engil group.	Chapter 3 Point 3.7
II.5.3. No person, natural or legal, shall be contracted to support the Remuneration Commission in its functions, if he carries out or has carried out, during the last three years, services on behalf of any structure dependant on the Board of Directors, is on the Board of Directors of the company or has a current relationship with a consulting firm that acts in an advisory capacity to the company. This recommendation is equally applicable to any person, natural or legal, that is related to those by way of an employment or service contract.	Adopted	The Remuneration Setting Commission is supported, whenever requested, by Martifer's internal services.	Chapter 3 Point 3.7
II.5.4. All the Commissions shall prepare minutes of the meetings held.	Adopted	All Commissions existing at Martifer prepare minutes of all the meetings held.	Chapter 3 Point 3.4
III. INFORMATION AND AUDIT			
III.1 GENERAL DUTIES GOVERNING INFORMATION DISCLOSURE			
III.1.1. Companies shall ensure the existence of a permanent contact with the market, respecting the principle of shareholder equality and avoiding asymmetries in the access to information by investors. To that end, the company should have an investor support office.	Adopted	The Investor Support Office at Martifer has, as its main responsibility, to ensure the communication and disclosure of information to the capital market and to all the investors in Martifer, in a continuous, timely and balanced, manner, to ensure symmetry in the access to information.	Chapter 4 Point 4.2
III.1.2. The following information, available in the company's internet site, shall be disclosed in the English language: a) Name, its quality as a company open to public investment, registered office and the other elements mentioned in article 171 of the Commercial Companies Code; b) By-laws; c) Identity of the holders of office in the various corporate bodies and of the market relations officer; d) Investor Support Office, respective functions and communication channels; e) Management and other statutory reports and financial statements; f) Calendar of the semester's corporate events; g) Proposals presented for discussion and voting at general meetings; h) Notices to convene general meetings.	Adopted	The information required by Recommendation III.1.2. is available in Martifer's internet site, in both the English and Portuguese languages.	Chapter 4 Point 4.2
III.1.3. Companies shall promote the rotation of the auditor at the end of two or three terms of office, depending on whether the terms are of four or three years, respectively. Maintaining the same auditors beyond this period shall be justified by the supervisory body in a specific opinion paper, which must expressly address the independence of the auditor and the advantages and costs of their substitution.	Adopted	Martifer promotes the rotation of its external auditor. Under its policy of rotation and based on a proposal made by the Supervisory Board, Martifer appointed a new external auditor during 2010.	Chapter 4 Point 4.1
III.1.4. The external auditor shall, within the scope of its duties, verify the application of the remuneration policies and systems, the efficacy and operation of the internal control mechanisms and report any deficiencies to the company's supervisory body.	Adopted	Notwithstanding the other competencies and functions of the external auditor, the risks relating to the reliability and integrity of the accounting and financial information are evaluated and reported upon within the scope of the activities carried out by the Chartered Accountant and the External Auditor.	Chapter 3 Point 3.9

CMVM RECOMMENDATIONS	ADOPTION	OBSERVATIONS	REFERENCE
III.1.5. The company shall not contract from the external auditor, or from any entity related to it or belonging to the same network, any services other than those of auditing. If there are strong reasons to contract such services – that shall be approved by the supervisory body and explained in its annual Corporate Governance report – these cannot exceed 30% of the total value of the services rendered to the company.	Adopted	Martifer, as a rule, uses its own departments and internal services to carry out the activities and render the services it requires. The services of the external auditor are only sporadically contracted and the value of such services is minute.	Chapter 4 Point 4.1
IV. CONFLICT OF INTERESTS			
IV.1. RELATIONS WITH SHAREHOLDERS			
IV.1.1. Transactions between companies and their shareholders with qualified shareholdings, or with entities that have any kind of relationship with them, in terms of article 20 of the Securities Code, shall be carried out under normal market conditions.	Adopted	The company's business was conducted at normal market conditions.	Chapter 4 Point 4.7
IV.1.2. Business transactions of significant relevance with shareholders with qualified shareholdings, or with entities that have any kind of relationship with them, in terms of article 20 of the Securities Code, shall be the subject of the supervisory body's prior approval. This body shall establish the procedures and criteria defining the level of significant relevance of these transactions and of their other terms of intervention.	Adopted	Transactions of relevance were submitted to the Supervisory Board for prior approval.	Chapter 4 Point 4.7

Regarding the recommendations not adopted by the Company, and without prejudice to the specific observations to such recommendations made in the table above, this Report discloses, in more detail, in the specific chapters referenced to throughout the said table, the respective justifications as well as other relevant comments.

0.2
Appraisal of independence and incompatibilities by the Board of Directors

Throughout the period to which this report relates, Martifer's Board of Directors did not detect, in terms and for the purposes foreseen in articles 414 et seq of the CSC, any fact or circumstance that has determined the loss of independence or led to the existence of possible incompatibilities, of any of the independent non-executive members of the Board of Directors.

Compliance with the compatibility requirements laid down in article 414-A, no. 1 of the CSC is equally fulfilled by the non-executive members of the Board of Directors, with the exception of the President of the Board of Directors, who carries out executive functions in an affiliated company of Martifer, situation which could possibly be considered a deviation from the incompatibility requirements foreseen in article 414-A, no. 1, line c) of the CSC, if such requirement were applicable to the members of the Board of Directors.

01

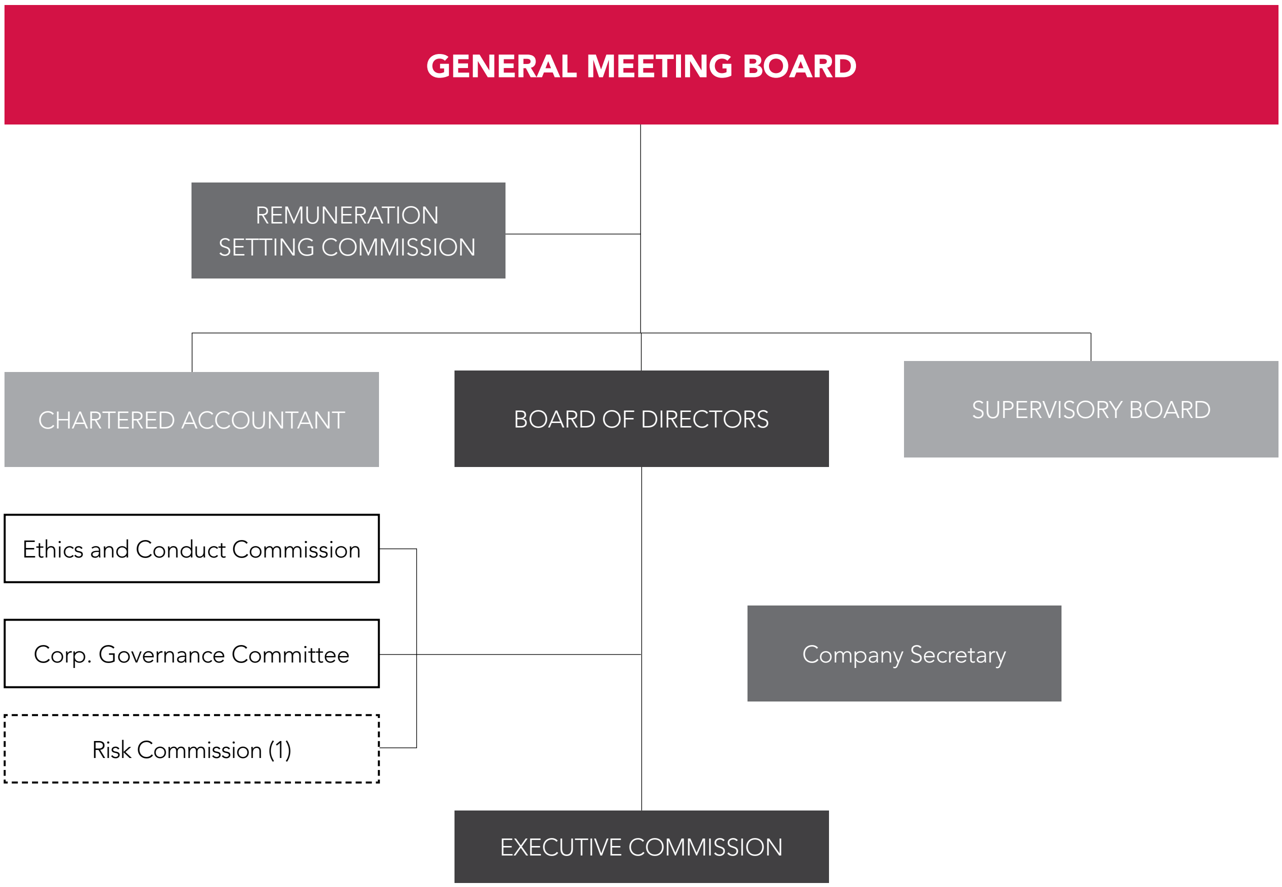
MARTIFER'S GOVERNANCE MODEL

1.1
Governance model

Martifer's corporate governance structure corresponds to that of the Classic Model or Latin Reinforced, comprising a Board of Directors, Supervisory Board and Chartered Accountant, all elected at Shareholders General Meetings. Management powers governing current day-to-day affairs were delegated by the Board of Directors to an Executive Commission, in terms of and within the limits defined in Chapter 3.

The members comprising the corporate bodies, the General Meeting Board and the Remuneration Setting Commission were elected for a quadrennial term of office (2008 - 2011).

The Remuneration Setting Commission, elected in a General Meeting, has is responsible to set the remunerations of the members of the company's corporate bodies as well to define the general guidelines that need to be observed in the actual setting of the amounts.



(1) During 2010, the Board of Directors approved the creation of a Risk Commission, which is in the process of being constituted.

1.2
Management and supervisory structures

The current management and supervisory structure of the Company aims to guarantee the separation of powers between the diverse corporate bodies, namely the Board of Directors in matters concerning supervision, control, monitoring of strategic issues and relationships with the shareholders; the Executive Commission with delegated responsibilities covering the day-to-day operational management of the Company, the business areas and corporate services; and the Supervisory Board and Chartered Accountant, with the supervisory and external audit responsibilities.

The organic structure of the Company is based on the Group's Business Areas and on a corporate services unit, under the leadership of and acting within the guidelines laid down by the executive directors, according to the functions attributed by the Board of Directors (see Chapter 3).

Martifer defines the guidelines for the Business Areas and the tasks carried out to support them, establishes and defines the rules and Group Policies and the monitoring of their activities, through the verification of compliance with the rules and the evaluation of performance, taking into consideration the business plans drawn, the budgets approved and the annual results presented, as well as the performance contracts in place.

Notwithstanding, the Group's Business Areas are recognized and endowed with both independence and the power to take decisions, which enables Martifer to position itself as a Company Managing Financial Shareholdings (SGPS).

1.3 Evaluation of the governance model

The governance model adopted by the Company, based on the separation of powers between the management and supervisory bodies, with the delegation of operational nature powers to the Executive Commission, namely those associated with the day-to-day running of the Company, the business areas and corporative services, has assured an effective and integrated management of the Group, no functionality constraints having been detected, **which success can be attributed to, amongst others, the core values of accuracy, honesty and trust.**

The Board of Directors, supported by the Corporate Governance Committee and by the Ethics and Conduct Commission, has implemented the best practices and carried out analyses and other reflective initiatives, with the intention of promoting the adoption of all improvement opportunities in the Corporate Governance of the company, creating a closer approximation to new market, investor and stakeholder demands, promoting social responsibility and ethics, as well as the creation of value in a sustainable manner.

Presently, the Board of Directors of Martifer considers that the governance model in place is adequate for Martifer's size.

02

GENERAL MEETING

2.1
Shareholders General Meeting

THE SHAREHOLDERS GENERAL MEETING IS RUN BY THE CHAIRMAN OF THAT BODY AND CONVENE AT LEAST ANNUALLY IN TERMS OF ARTICLE 375 OF THE COMMERCIAL COMPANIES CODE.

The Shareholders General Meeting is responsible for:

- Electing and dismissing the President, Vice President and Secretary, members of the management and supervisory bodies, the Chartered Accountant and the members of the Remuneration Setting Commission;
- Appraising and supervising the board of directors;
- Deliberating over the management report, balance sheet and remaining financial statements of the economic period, as well as appraising the Company's Governance Report;
- Deliberating over the proposed application of the economic period's results;
- Deliberating over alterations to the by-laws;
- Authorizing the Board of Directors to acquire and sell own shares.

Insofar as the constitutive quorum is concerned, the General Meeting may pass resolutions in a meeting convened for the first time, in terms of article 383 of the CSC, irrespective of the number of shareholders present or represented, except in respect of resolutions for which the law requires a qualified majority, in which case shareholders holding at least one third of the share capital must be present or represented.

In a reconvened meeting, the General Meeting may meet and pass resolutions irrespective of the number of shareholders present or represented, except when deliberating over the dismissal without just cause, of the Board of Directors or of its respective members, which requires the approval of a two third qualified majority of the votes present at the general meeting.

Insofar as a deliberative quorum is concerned, the rules applying are those laid down in article 18 of the by-laws and article 386, no. 2 of the CSC, namely, corporate resolutions at a General Meeting regarding proposed changes to the by-laws, whether in a first meeting or a reconvened meeting, require a two third majority of the votes issued.

On April 7, 2010, an ordinary Shareholders General Meeting convened, at which were present or represented shareholders that, in total, represented 78.96% of the share capital, demonstrating Martifer's efforts to promote voting rights.

The seven points on the Agenda of the Meeting were:

- Resolve on the management report, balance sheet and remaining financial statements of the 2009 economic period;
- Resolve on the management report, balance sheet and remaining consolidated financial statements of the 2009 economic period and appraise the Company's Governance Report relating to 2009;
- Resolve on the proposed application of the results;
- Appraise the management and supervision of the Company;
- Resolve on the ratification of the co-option of a new member to the Board of Directors to complete the current term of office (quadrennial 2008-2011);
- Resolve on the statement presented by the Remuneration Setting Commission and the Board of Directors regarding the remuneration policies applying to the management and supervisory bodies and remaining managers, as defined in no. 3, of article 248-B of the Securities Code;
- Resolve on the acquisition and sale of own shares.

All the points were approved by more than two thirds of the votes issued.

2.2
General Meeting Board

The Shareholders General Meeting Board is responsible for convening and conducting the Shareholders General Meeting and preparing the respective minutes.

The Shareholders General Meeting Board comprises a chairman, a vice-chairman and a secretary; the present holders of these positions were elected at the May 28, 2008 General Meeting, for a four year term of office ending on December 31, 2011.

The present members of the Shareholders General Meeting Board are:

CHAIRMAN
José Carreto Lages

VICE-PRESIDENT
Francisco Artur dos Prazeres Ferreira da Silva

SECRETARY
Ana Maria Tavares Mendes

The Chairman of the General Meeting Board has human resources and logistical support considered adequate for his needs, considering the economic situation of the Company, relying, for this purpose, on the support of the Company Secretary, a legal advisor from Martifer's Legal Department and from an external legal firm, as well as the technical advisory services.

2.3
Remuneration of the Chairman of the General Meeting Board

The remuneration of the members of the General Meeting Board consists of a predetermined fixed amount per meeting, paid annually, set by the Company's Remuneration Setting Commission.

During 2010, the Remuneration Setting Commission attributed to the Chairman of the General Meeting Board a remuneration amounting to Euro 1,200.00.

2.4
Delegation of powers over remuneration matters

The definition of the remuneration policy regarding Martifer's corporate bodies was delegated to the Remuneration Setting Commission, elected by the Shareholders in a General Meeting, which formation and duties are detailed in Chapter 3 – Point 3.7 of this report.

Without prejudice to the annual evaluation by the Shareholders in terms of article 376, no. 1, line c) of the CSC, the Remuneration Setting Commission is also required to evaluate the conduct and performance of the executive and non-executive directors.

At the Company's 2010 General Meeting, a member of the Remuneration Setting Commission, Mr. Júlio Manuel Santos Martins, in representation of the said Commission, was present and the statement presented by the Remuneration Setting Commission and the Board of Directors, regarding the remuneration policies applying to the management and supervisory bodies and to the other managers as defined in no. 3 of article 248-B of the Securities Code, was appraised, from an advisory perspective.

Summarily, the remuneration of the executive members comprises a fixed and a variable component, the variable component reflecting the performance of the executive members, and the parameters used in its calculation shall be based on the following: functions carried out, the degree of complexity and responsibility undertaken, the aligning of the interests of the members of the management body with those of the company, the real growth of the company, the contribution of the Executive Commission to the results obtained, the profitability of the business from a shareholder perspective, the evolution of the share price and the degree to which integrated projects are realised, as measured by the Group's Balanced Scorecard.

The variable component of the remuneration will be attributed to the extent, and to the degree, the objectives set for each of the parameters indicated are fulfilled. Martifer's non-executive directors' remuneration, with the exception of that of the director carrying out management functions at an affiliated company of Martifer, comprises, exclusively, a fixed component.

2.5
Shareholder participation and the exercising of voting rights

The General Meeting is formed by shareholders holding Martifer shares, each share carrying one vote.

Shareholders can participate provided they hold shares up to five days, at least, prior to the date set for the Meeting, and provided these shares are registered in their name in securities accounts (when dealing with registered shares) or in the Company's records, or deposited with the Company or at an entity legally authorized to the effect, if bearer shares.

A certificate, issued by the relevant entity, to prove ownership of the shares must be presented to the Company, up to three days prior to the date of the meeting.

In the event the General Meeting is suspended, the Company does not require the blockage of the shares for the full suspension period; instead, compliance with the ordinary advance period for the original meeting suffices.

Ever since the first General Meeting took place after Martifer's shares were admitted to trading on the stock exchange (since 2008), all the General Meeting documentation is made public, with the intention of maintaining a historical filing of all shareholder attendance listings, meeting agendas and resolutions approved at each meeting, and can be found in the company's internet site at .

The minutes of the General Meetings are also made available to the Shareholders in the said electronic site of the Company, within five days after the said meetings.

Proposals to be submitted for approval by the General Meeting, as well as all the information necessary to prepare the meeting, are made available to the shareholders at the latest 21 days prior to the General Meeting, at Martifer's registered office and in its internet site.

Martifer has been applying and implementing measures to promote and encourage shareholder participation in the general meetings:

- Conducting Meetings using telematic means, when the communication security and declarations' authenticity can be verified and guaranteed;
- Correspondence voting;
- Availability of proxy letters and voting ballots in the company's electronic site www.martifer.pt;
- In line with the Company's by-laws, to each share corresponds one vote;
- Disclosure in the electronic site, in the Portuguese and English languages, of the general meeting convening notices, the different forms of voting and the procedures to adopt when voting by correspondence or through a proxy;
- Disclosure in the electronic site, in the Portuguese and English languages, of the preparatory information relating to the various points on the Agenda;
- The creation of an internet email address, publicized in the convening notice, exclusively dedicated to the general meeting in order to facilitate the clarification of any doubts.

2.6
Procedures relating to shareholder representation (proxies)

Proxy documents shall be submitted to the Company at least three days in advance of the date of the General Meeting, and shall specify the meeting in respect of which they were issued, indicating the date, time and venue of the said meeting as well as the meeting's Agenda, unequivocally mandating the proxy, and providing adequate identification of the latter.

Shareholders that are legal persons may be represented by a person designated by the management or executive board of directors of the said legal person. The Company makes available to the Shareholders, in the respective internet site http://www.martifer.pt, a draft power of attorney/proxy form that can be used for purposes of representation at the General Meeting.

2.7
Procedures relating to correspondence voting

All Shareholders of Martifer can exercise their vote by correspondence, and this form of voting is accepted in respect of all matters subject to resolution by Shareholders; there are no statutory restrictions to correspondence voting.

In line with the Company's by-laws, shareholders have to mail their votes to the Company's registered office, by registered mail with mail notice of reception, addressed to the Chairman of the General Meeting Board and with a reception date not under three days prior to the date of the General Meeting.

To assure and simplify the use of correspondence voting, the company has provided, in its internet site http://www.martifer.pt, a draft of the voting ballot, which can be used for that purpose, and which also indicates all the formalities that have to be complied with, the completion instructions and indications on how to mail it in a manner that assures the confidentiality of the vote.

Mailing the vote does not exempt the Shareholders of their obligation to present proof of their shareholder status to the Company, at the minimum five days in advance of the general meeting

A shareholder that mails a voting intention in respect of a certain proposal may also indicate that he votes against all the other proposals that may be presented in respect of the same point in the Agenda. In terms of article 17, no. 8 of the by-laws, correspondence votes count as negative votes in respect of proposals submitted after their mailing. It is also considered that shareholders are abstaining in respect of proposals existing at the time of mailing but in respect of which no voting indication is presented in the ballot.

The rules regulating correspondence voting are explained in the General Meeting convening notice, as are the procedures to be followed in voting.

It is the Chairman of the General Meeting Board's responsibility to verify the conformity of the correspondence ballots; ballots not accepted are considered non existent.

The Company does not foresee the possibility of electronic voting in its by-laws. To date, the Company has had no such request, nor have any of the Shareholders or investors manifested any interest to the effect, leading the Company to conclude that the correspondence vote, as foreseen in the by-laws, fully safeguards the ability of all the shareholders to participate in the decisions submitted for resolution.

2.8
Changes in control over the company

Martifer has not celebrated nor is it part of any significant agreement that will come into force, be altered or cease in the event of changes in control over the Company.

During the 2010 economic period, no defensive measures were adopted which object is to cause serious erosion of the Company's assets in the event of changes in control over the Company or in the composition of its management body.

The Company has also not adopted, through the approval of any statutory dispositions or any other measures taken by the Company, any measures or norms which intention is to block any takeover bids.

There is also no statutory provision that foresees the limitation of the number of votes that can be held or exercised by a single shareholder, individually or in conjunction with other shareholders.

Furthermore, the Company is not a part to any agreement with any of the members of the management body or managers, as per no. 3 of article 248-B of the Securities Code, that foresees indemnities in the event of dismissal, without just cause, or the termination of any employment relationship as a result of a change in control over the Company.

03

MANAGEMENT AND SUPERVISORY BODIES

3.1
Board of Directors

The Board of Directors' responsibility it to manage the Company's business, to carry out all the management acts relating to the company's object, to define the Company's strategy and to proceed with the designation and general supervision of the actions of the Executive Commission as well as of the remaining specialized Commissions.

The Board of Directors' Regulations can be consulted in the Company's Internet site, at http://www.martifer.pt (Tab Investors, section Corporate Governance/By-laws).

STRUCTURE

In accordance with the Company's by-laws, Martifer's Board of Directors is formed by 5 to 9 members, elected in a General Meeting.

The term of office of the members nominated to the Board of Directors is 4 calendar years and there are no restrictions regarding their re-election. The members of the Board of Directors are vested as soon as they are elected and remain in office until replaced by the newly elected alternates.

The Board of Directors is presently formed by 7 members, elected in the Company's General Meeting, for a term of office of four calendar years, which will terminate on December 31, 2011. Of the 7 directors on the Board, 5 are non-executive directors, whose functions are to monitor and evaluate the Company's management by the executive directors, and 2 of these 5 non-executive directors are independent directors.

Given the Company's size and shareholder structure, the number of independent directors is considered adequate for the purposes foreseen in Recommendation 2.1.2.2. of the CMVM. The criteria used to verify the independence of the members of the Board of Directors are those foreseen in article 414, no. 5 of the CSC.

All the non-executive directors comply with the incompatibility rules foreseen in no. 1 of article 414-A of the CSC, other than the President of the Board of Directors, who is also an executive director on the Board of Directors of the affiliate Prio Energy, S.A., which situation could possibly be considered a deviation from the incompatibility requisite contained in line c) of no. 1 of article 414-A of the CSC, were this legal proviso applicable to the members of the Board of Directors.

At December 31, 2010, the composition of the Board of Directors was as follows:

	EXECUTIVE COMMIS-SION	NON-EXECUTIVE, INDEPENDENT DIRECTORS	NON-EXECUTIVE, NON-INDEPENDENT DIRECTORS	START OF TERM OF OFFICE	END OF TERM OF OFFICE
Carlos Manuel Marques Martins (Chairman)	-	-	Yes	2008	2011
Jorge Alberto Marques Martins (Vice-chairman and CEO)	Yes	-	-	2008	2011
Mário Jorge Henriques Couto (CFO) (1)	Yes	-	-	2009	2011
Arnaldo José Nunes da Costa Figueiredo (2)	-	-	Yes	2010	2011
Luis Filipe Cardoso da Silva (2)	-	-	Yes	2010	2011
Luis António de Castro de Valadares Tavares	-	Yes	-	2008	2011
Jorge Bento Ribeiro Barbosa Farinha	-	Yes	-	2008	2011

(1) On May 19, 2009, the Board of Directors deliberated to co-opt the director Mário Jorge Henriques Couto, for the quadrennial 2008-2011, to occupy the position left vacant following the resignation of the director Pedro Álvaro de Brito Gomes Doutel, which co-option was ratified in the Shareholders General Meeting of April 7, 2010.

(2) On April 30, 2010, the Board of Directors deliberated to co-opt the directors Arnaldo José Nunes da Costa Figueiredo and Luis Filipe Cardoso da Silva, to occupy the positions left vacant following the resignation of the directors Eduardo Jorge Almeida Rocha and Jorge Paulo Sacadura Almeida Coelho.

DESIGNATION AND SUBSTITUTION

The members of the Board of Directors are proposed and elected by the Shareholders in a General Meeting or co-opted by the Board of Directors, subject to ratification by the General Meeting. In accordance with the by-laws, a minimum number of Shareholders, holding at least 10% of the share capital, having voted against the winning proposal to elect the directors, may designate a director to that management body.

The Board of Directors appoints, amongst its members, the Chairman and Vice-chairman, as well as the Executive Commission.

Martifer has been promoting the rotation of the financial function in the Board of Directors.

During 2010 an amendment to Martifer's Executive Commission Regulations was implemented, which expressly foresees that the company's financial function cannot be exercised by the same member for more than three consecutive terms of office, with each term of office not exceeding 3 years.

The substitution of directors is carried out as set forth in article 393 of the CSC. In accordance with the by-laws, for purposes of substituting directors in terms of no. 1 of the said article of the CSC, absence is qualified as definitive when, without a justification acceptable to the management body, a director is absent from more than five meetings, consecutive or not.

Insofar as the Board of Directors' power to exercise its right of co-option is concerned, the candidates' selection process is carried out by the non-executive members of the Board of Directors, whose responsibility it is to identify and select potential candidates to the position of director, as well as to propose the nomination of new members. The selection process is articulated in cooperation with the Company's human resources department. Executive directors do not intervene in the directors' selection process.

Considering the small size of the Company, the creation of a nomination Commission to identify potential candidates with the necessary profile to carry out the functions of director, has, to date, not been justified.

No indemnities have been established or set for current directors who opt to resign from their positions during their term of office.

COMPETENCIES

The Board of Directors is responsible for the definition of the strategy and policies of the Company, the organizational and corporate structure, to set value creation objectives and to execute the company's will, bearing the duty of diligence over all the acts and operations carried out in pursuit of the company object, and safeguarding the interests of the company, Shareholders and employees (article 64 of the CSC).

The Chairman of the Board of Directors is chosen among the other members, according with the by-laws and the Board of Director's Regulations.

Except for the powers exclusively reserved for the General Meeting, the Board of Directors is endowed with the broadest powers to manage and represent the Company and, in general, to perform all legal acts and transactions, including:

- To approve all the company's business plans and budgets;
- To rent or lease out, take on rent or lease, enter into financial leases, acquire, sell and encumber any assets, real estate or otherwise, including shares, company quota capital or debentures;
- To resolve on rendering of technical and financial support by the Company to the companies in which the Company holds shares, quota capital or bonds;
- To resolve on the association of the Company with other persons or entities as set forth in the third article of the by-laws;
- To acquire or to sell any enterprises through conveyance;
- To contract loans and to obtain guarantees in the national and international financial markets;
- To finance or to provide guarantees on behalf of affiliated or associated companies, in which the company has interests that justify such operations;
- To appoint any person, natural or legal, to exercise corporate positions in other companies;
- To apply available funds in line with the company's interests and convenience;
- To appoint proxies to conduct specific acts, defining the extent of the granted powers;
- To incorporate or to acquire shareholdings in any companies and incorporated joint ventures or any other forms of association.

To maximize the directors' performance in line with the company's interests, the powers in respect of Martifer's "day-to-day management" were delegated to an Executive Commission.

The effective supervision, inspection and evaluation of the Company's "day-to-day management" is carried out by the non-executive directors.

The Board is also responsible to represent the company in court and, actively or passively, propose and start legal proceedings, to confess, appeal, settle, or stop proceedings, as well as to submit to arbitrations; and may also appoint a proxy for this purpose.

The Board of Directors is authorized, by the by-laws, to increase the company's share capital in money, once or more times, up to a maximum of one hundred and twenty five million Euros, provided it subject to prior approval of the Supervisory Board, and to the compliance with all the other provisions included in the said by-laws. The Board of Directors will set forth the terms and conditions of each share capital increase, as well as the form and subscription and settlement periods.

OPERATIONS

The Board of Directors meets regularly, on a quarterly basis and, as according to the by-laws and in the respective Regulations, whenever the Chairman or two board members call a meeting; valid resolutions may be taken with the attendance or representation of a majority of its members.

The quorum required to hold a meeting of the Board of Directors is considered verified when a majority of the members attend or are duly represented; resolutions are approved by a simple majority of the issued votes and the Chairman has casting vote.

The convening of meetings must be made in writing a minimum of 7 working days in advance of the date set, and the support documentation must be made available at least 2 days in advance of the meeting, unless the meeting is considered urgent.

> In 2010, the Board of Directors met eight times. The resolutions are drafted and signed by the Directors and the Company Secretary, recorded in the minute book, and a copy is sent to the President of the Supervisory Board.

Apart from the rules foreseen in the Board of Directors and Executive Commission Regulations and the other rules relating to conflict of interests and incompatibilities foreseen in the CSC, Martifer has no defined internal rules relating to incompatibilities or to the maximum number of positions that can be accumulated by the members of the Board of Directors. However, the members of the Board of Directors, within the scope of their duties, ensure compliance with all rules relating to conflict of interests and incompatibilities to avoid any such situations.

Martifer's annual management report includes a description of the activities carried out by the non-executive directors. During 2010 no constraints were detected regarding the management and operations of the Company.

MARTIFER SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to article 447 of the CSC, the members of the Board of Directors were holders of the following Martifer shares at December 31, 2010:

CARLOS MANUEL MARQUES MARTINS

(CHAIRMAN)

70,030 shares

JORGE ALBERTO MARQUES MARTINS

(VICE-PRESIDENT AND CEO)

131,760 shares

MÁRIO JORGE HENRIQUES COUTO

(CFO)

0 shares

ARNALDO JOSÉ NUNES DA COSTA FIGUEIREDO

3,000 shares

LUIS FILIPE CARDOSO DA SILVA

2.000 shares

LUIS ANTÓNIO DE CASTRO DE VALADARES TAVARES

0 shares

JORGE BENTO RIBEIRO BARBOSA FARINHA

0 shares

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

In compliance with Law 28/2009 of June 16, we report that the remuneration of the members of the Board of Directors, in 2010, was the following:

DIRECTOR	EXECUTIVE COMMISSION	FIXED REMUNERATION	VARIABLE REMUNERATION	STOCK OPTIONS	ATTEND-ANCE FEES	TOTAL (€)
Carlos Marques Martins (Chairman) (i)	no	€365,400.00 (ii)	0	0	0	€365,400.00
Jorge Alberto Marques Martins (CEO)	yes	€365,400.00	0	0	0	€365,400.00
Mário Jorge Henriques Couto (CFO)	yes	€160,350.00 (iii)	0	0	0	€160,350.00
Arnaldo Nunes da Costa Figueiredo (iv)	no	0	0	0	0	0
Luis Filipe Cardoso da Silva (iv)	no	0	0	0	0	0
Eduardo Jorge de Almeida Rocha (v)	no	0	0	0	0	0
Jorge Sacadura Almeida Coelho (vi)	no	0	0	0	0	0
Luis António de Valadares Tavares	no	0	0	0	€20,000.00	€20,000.00
Jorge Bento Barbosa Farinha	no	0	0	0	€20,000.00	€20,000.00

(i) Mr Carlos Manuel Marques Martins stopped to exercise executive functions in the Company since 22/10/2009. As per resolution of the Remuneration Setting Commission dated March 15, 2010, due to the reduction in the responsibility over the day-to-day management of the Company, Mr Carlos Manuel Marques Martins stopped receiving any remuneration in respect of his position as director of the Company, with effect from April 2010, inclusive;

(ii) This amount includes the remuneration earned, from April 2010 onwards, from the affiliated Prio Energy, S.A., in the amount of €274,050.00;

(iii) As per resolution of the Remuneration Setting Commission dated March 15, 2010, and following an increase in the responsibility over the day-to-day management of the Company assumed by Mr Mário Jorge Henriques Couto, the respective remuneration was increased, with effect from April 2010, inclusive;

(iv) On April 30, 2010, the Board of Directors of the company resolved to co-opt the directors Arnaldo José Nunes da Costa Figueiredo and Luis Filipe Cardoso da Silva, to fill the posts vacated following the resignation of the directors Eduardo Jorge Almeida Rocha and Jorge Paulo Sacadura Almeida Coelho;

(v) The Director Eduardo Jorge de Almeida Rocha resigned from his post on April 30, 2010;

(vi) The Director Jorge Paulo Sacadura Almeida Coelho resigned from his post on April 30, 2010.

The amounts stated in the table above represent the individual remuneration attributed by the Remuneration Setting Commission for the 2010 economic period, to the members of the Board of Directors in office, as well as the full amount paid as remuneration.

During the 2010 economic period, the remuneration set for and earned by the non-executive independent executives, in attendance fees, was Euro 40,000.00; no variable remuneration exists.

Following a reduction in the responsibility over the day-to-day management of the Company, Mr Carlos Manuel Marques Martins stopped receiving any remuneration in respect of his position as director of the Company, with effect from April 2010, inclusive, date from which he started receiving a remuneration from the affiliated company Prio Energy, S.A., in the amount of €274,050.00, for exercising executive functions there.

As per resolution of the Remuneration Setting Commission dated December 22, 2009, the remaining non-executive directors of Martifer do not earn any remuneration.

In 2010, the total amount set by the Remuneration Setting Commission as fixed remuneration for directors holding executive posts was Euro 525,750.00. During 2010 no variable remuneration was earned by the directors with executive posts, nor were any stock options exercised by them in respect of share attributed to them in previous years.

BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

The biographies of the members of the Board of Directors, including their professional qualifications, their main activities over the last five years and the posts held in Martifer Group companies or in other companies at the 2010 year end, are detailed in Appendix I to this Report.

3.2
Executive Commission

The Executive Commission is the corporate body responsible for the day-to-day management of Martifer, in line with the strategic direction defined by the Board of Directors and within the powers delegated to it.

The Executive Commission directs the performance of the various business areas, leads the corporate services, monitor the combined business areas, promotes synergies between these, employs the resources as necessary, manages the human and financial resources, defines the strategies of each business area and supervises the meeting of the objectives of each business area, establishing policies transversal throughout the Company.

The Executive Commission Regulations may be consulted in the company's internet site, at http://www.martifer.pt/ (tab Investors, section Corporate Governance/ By-laws).

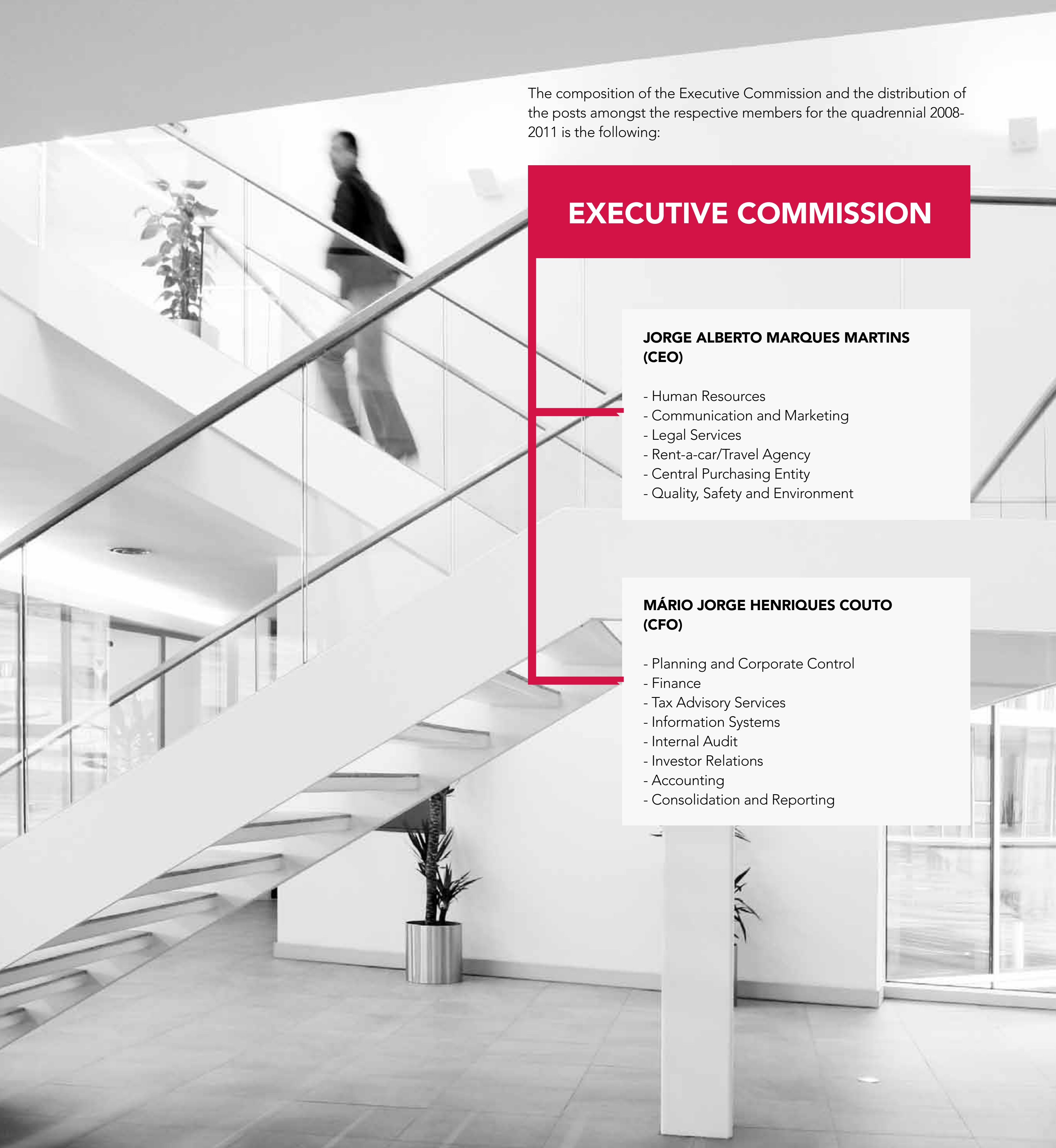
STRUCTURE

In line with the By-laws and the Executive Commission Regulations, the said Commission can be formed by 2 to 5 directors chosen by the Board of Directors from amongst its members.

Martifer's Executive Commission was constituted by the Board of Directors' resolution dated April 17, 2008, which also nominated the members of the Executive Commission, approved the level of powers delegated in respect of "day-to-day management" of the Company and distributed the posts.

The members of the Executive Commission have an active role in Martifer's day-to-day management, the Board of Directors having distributed the posts and responsibilities amongst the members of the Executive Commission taking into consideration their respective profiles and individual specializations.

The substitution of an executive director occurs in the manner laid down in the Executive Commission Regulations, with new members of the Executive Commission being nominated by the Board of Directors.



The composition of the Executive Commission and the distribution of the posts amongst the respective members for the quadrennial 2008-2011 is the following:

EXECUTIVE COMMISSION

JORGE ALBERTO MARQUES MARTINS (CEO)

- Human Resources
- Communication and Marketing
- Legal Services
- Rent-a-car/Travel Agency
- Central Purchasing Entity
- Quality, Safety and Environment

MÁRIO JORGE HENRIQUES COUTO (CFO)

- Planning and Corporate Control
- Finance
- Tax Advisory Services
- Information Systems
- Internal Audit
- Investor Relations
- Accounting
- Consolidation and Reporting

COMPETENCIES DELEGATED

It is the Executive Commission's duty to exercise the powers that, at any given moment in time, have been delegated to it by resolution of the Board of Directors, save those over matters which power delegation is forbidden by law.

According with the Board of Directors' resolution dated October 22, 2009, the following powers and respective limits were delegated:

- Subscription, acquisition and sale of shareholdings in any companies;
- Acquisition and sale of real estate and other assets;
- Investment or commitments to invest, excluding those involving new business areas;
- Acquisition and sale of own shares within the limits deliberated by the company's General Meeting;
- Investment and disinvestment foreseen in the annual budgets or, if not foreseen, which amount is lower than five million Euros;
- Contract services;
- Hire employees; define levels, categories, remuneration conditions and other benefits or complements;
- Exercise disciplinary powers and apply sanctions;
- Issue binding instructions to wholly dominated Martifer – SGPS, S.A. group companies, as defined in the Commercial Companies Code;
- Participate in incorporated joint ventures and in European Economic Interests Groups and, additionally, celebrate consortium and associative contracts, incorporate or participate in any other forms of temporary or permanent association amongst companies and/or private or public entities, except when the said associations have as their objective projects implying business volumes in excess of one hundred million Euros;
- Appoint representatives to the General Meetings of the companies in which Martifer – SGPS, SA, company open to public investment, has shareholdings and determine the voting intentions at said meetings;
- Represent the company in court or outside it, actively or passively, including the submission, opposing and appealing of any legal or arbitration proceedings and including the confession, withdraw or conciliation of any actions and the acceptance of arbitration commitments; and
- Appoint proxies to carry out specific acts or categories of acts, and define the extension of the granted powers.

Save for the matters that cannot be delegated by law pursuant to article 407, no. 4 and 8 of the CSC, the Board of Directors has expressly ensured that certain matters are excluded from the powers delegated to the Executive Commission, namely:

i) Definition of the strategy and general policies of the Company;
ii) Definition of the Group corporate structure; and
iii) Taking decisions that should be considered strategic given their amounts, risk or special characteristics; the exclusion, in respect of the latter, deriving from the Board of Directors and Executive Commission Regulations.

The delegation of powers will cease by deliberation of the Board of Directors or, automatically, with the end of the term of office of the Board of Directors that delegated the said powers; the Executive Commission may sub-delegate, on one or more of its members, some of the powers delegated to it.

OPERATIONS

The Executive Commission meets when convened by its Chairman, on its own initiative or by request of any two of its members, whenever necessary due to the Company's interests and, at least, once a month.

The Executive Commission can constitute a meeting provided a majority of its members is present, and the representation of one member by another is permitted. The Executive Commission resolutions are taken with a simple majority vote, the Chairman is endowed with a casting vote to solve tie situations, and correspondence voting is also permitted.

Pursuant to the Executive Commission Regulations, at each Board of Directors meeting or whenever necessary, the Commission shall summarily inform the other members of the Board of Directors of the most relevant issues relating to the execution of the delegated powers . The members of the Board of Directors can be present at the meetings of the Executive Commission that precede the ordinary meetings of the Board of Directors, with the purpose of both monitoring those meetings as well as increasing the articulation efficiency of its own agenda.

In 2010, the Executive Commission met fifteen times and the related minutes were recorded and signed for each of these meetings.

Whenever requested by the members of the other Corporate Bodies, information was always made available on a timely and adequate basis.

The Chairman of the Executive Commission, through the company secretary, conveys to all non-executive members of the company the Agendas and copies of the resolutions of the Executive Commission meetings as soon as approved and signed by the executive directors. The Chairman of the Board of Directors is informed in advance of all meetings and the matters to be covered, and has the right to attend in the meetings of the Executive Commission, but does not have a right to vote.

3.3
Company secretary

The Company Secretary and his alternate are nominated by the Board of Directors, and cease their functions at the end of the term of office of the board of directors that elected them.

Amongst other duties foreseen in the CSC, the Secretary is responsible for documenting and supporting the meetings of the Corporate Bodies, certifying the acts these carry out and the powers of the respective members, satisfying shareholder requests insofar as their right to information is concerned and certifying copies of the minutes and other company documents.

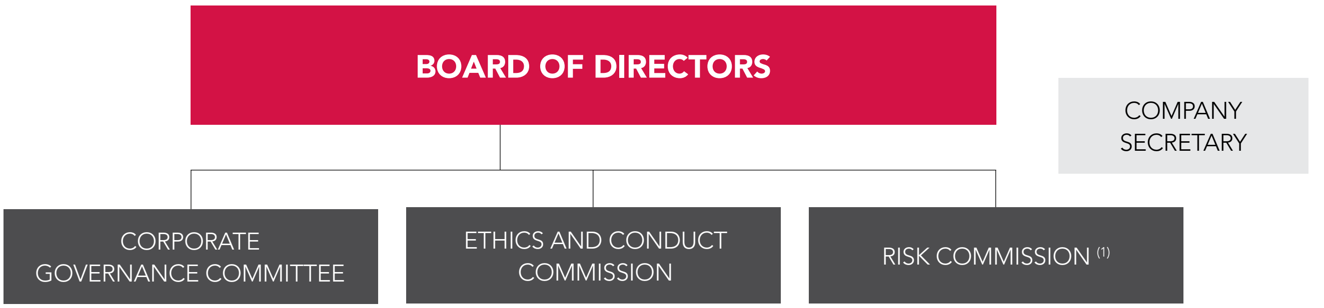
During the present term of office of 2008-2011, the Secretary and respective alternate are:

SECRETARY
Dr. Tiago Norton dos Reis de Andrade e Sousa

ALTERNATE
Dr. Miguel de Almeida Matos Pinto

Both the Company Secretary and the Alternate Secretary have law degrees, are members of the Portuguese Bar Association and practice Law. The Company Secretary was appointed by the Board of Directors on July 27, 2010, following the resignation, from the post, of the previous Company Secretary, Mr Pedro Barbas de Albuquerque Elias Claro, on July 26, 2010. The Alternate Secretary was re-elected to the post by the current Board of Directors.

3.4
Specialized commissions



(1) In 2010, the Board of Directors approved the creation of a Risk Commission, which is in the process of being constituted.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee shall be formed, as per the respective Regulations, by 2 to 6 members that are also members of the Supervisory Board and/or the Board of Directors, but cannot have executive functions. Presently, the Corporate Governance Committee has the following composition:

PRESIDENT

Dr. Jorge Bento Farinha
(independent, non-executive Director)

MEMBERS

Eng. Luis Valadares Tavares
(independent, non-executive Director)

Dr. Luís Cardoso da Silva
(non-independent and non-executive Director)

The Corporate Governance Committee is responsible to issue improvement suggestions for the Martifer's Corporate Governance Model, with the purpose of promoting compliance with rigorous ethical and deontological principles and the observance of practices that ensure and sustain a diligent, effective, balanced, and ethical conduct and responsibility management, from the perspective of the interests of the shareholders and other stakeholders.

During 2010, in pursuit of the best Corporate Governance practices, in compliance with the applicable legal or regulatory requirements, and with the intention of continually improving Corporate Governance, the powers of the Corporate Governance Committee were extended, namely: *"to ensure the evaluation of the performance of the executive directors and the overall performance of the Board of Directors, as well as that of other existing Commissions".*

The Corporate Governance Committee has as the following principal responsibilities and functions:

- To evaluate and develop the corporate governance model;
- To reflect on the adopted governance system and check its effectiveness;
- To advise and propose to the Company's relevant corporate bodies the promotion of corporate Governance' improvement measures ;
- To ensure the performance evaluation of the executive directors and of the Board of Director, as well as of the other existing Commissions.

Other than the informal meetings and the presence of its members in work groups, the Corporate Governance Committee met formally twice in 2010. This Committee records the minutes of its meetings.

The Corporate Governance Committee has its own regulations that lay down the rules regarding it formation, operations and powers, which can be consulted in the company's internet site http://www.martifer.pt (tab Investors; section Corporate Governance/ By-laws).

ETHICS AND CONDUCT COMMISSION

The Ethics and Conduct Commission is formed by three to seven members, appointed by the Board of Directors, which also elects the President. Presently, the Ethics and Conduct Commission has the following composition:

PRESIDENT

Dr. Jorge Bento Farinha
(independent, non-executive Director)

MEMBERS

Dr. Rui Correia
(Group Human Resources Manager)

Dr. Tiago Norton dos Reis de Andrade e Sousa
(Company Secretary and Martifer's Legal Manager)

Dr.ª Paula Cristina Moreira Gandra
(Internal Audit Department Manager)

The Ethics and Conduct Commission has its own Regulations, which lay down the rules relating to its formation, operations and powers regarding the preparation, implementation, monitoring and control of ethics and conduct rules at Martifer Group. The Ethics and Conduct Commission Regulations can be consulted in the company's internet site http://www.martifer.pt (tab Investors; section Corporate Governance/By-laws).

The Ethics and Conduct Commission is also responsible for constituting and assuring the compliance with the denunciation policy regarding irregularities occurring inside Martifer Group, under which the employees can communicate, in an adequate, immediate, confidential (if requested) manner, whilst safeguarding their professional integrity, information regarding the denunciation of irregularities occurring within Martifer, establishing and publicizing the most adequate and effective communication channels.

The Ethics and Conduct Commission coordinates its activity with the Company's Supervisory Board, given the powers specifically held by that corporate body, namely those laid down in the CSC.

The Commission meets periodically or whenever it is convened by the President, by notice sent by the latter to its members, with a minimum advance period of seven working days, which must also indicate the respective agenda. During 2009, this Commission met 3 times. The Ethics and Conduct Commission record minutes of all its meetings.

The term of office of the Ethics and Conduct Commission coincides with the term of office of the Board of Directors that nominates it, and is exercised under conditions which are exempt, autonomous, independent and not subject to any hierarchical dependence.

RISK COMMISSION

In the pursuit and improvement of the demanding standards required in corporate governance, Martifer's Board of Directors approved, during 2010, the creation of a Risk Commission.

This Commission, in the process of being constituted and implemented, will be composed of, amongst others, members of the Company's Board of Directors.

The mission o fthe Risk Commission is to propose and monitor the implementation of Martifer Group's risk management policy, which aims to establish a strategy for the prevention and management of risk transversal to Martifer Group, in order to reduce the exposure to risk, to safeguard the Groups' worth and to assure the creation of value for its stakeholders, as better explained in Chapter 3 – Point 3.9 of this Report.

3.5
Supervisory Board

The supervisory model at Martifer is based on a supervisory board and a chartered accountant. The functional separation between the Supervisory Board and the Chartered Accountant basically follows a division of the functions into two: the political supervision being exercised by the Supervisory Board, with the review and certification of the financial statements resting with the Chartered Accountant.

STRUTURE

The Supervisory Board is formed by three effective members and an alternate member, elected at the March 28, 2008 General Meeting for the quadrennial 2008-2011, re-electable as laid down in law.

Presently, Martifer's Supervisory Board has the following composition:

PRESIDENT

Dr. Manuel Simões de Carvalho e Silva

MEMBERS

Dr. Carlos Alberto da Silva e Cunha
Dr. Carlos Alberto de Oliveira e Sousa

ALTERNATE

Dr. João Carlos Tavares Ferreira de Carreto Lages

The members of the Supervisory Board may only be elected, as a general rule, by the General Meeting and, in the event of a vacancy in the Supervisory Board, that vacancy will be filled by the alternate member. In the event another vacancy occurs, such vacancy can only be filled with the election of a new member at a General Meeting.

INDEPENDENCE AND INCOMPATIBILITIES

The Company's Supervisory Board is formed by a majority of independent members, who are subject to the existing legal and regulatory requisites regarding incompatibility, independence, and specialization, namely those foreseen in article 414-A of the CSC, as well as the independence criteria referred to in no. 5 of article 414 of the CSC.

At least one of the members of the Supervisory Board shall have a university degree adequate to the functions carried out, as well as knowledge of auditing or accounting; the majority of the members shall be independent, in the sense that they are not associated with specific interests groups at the Company, nor shall they be in any situation that can affect their analytical or decision making freedom, namely:

(i) holding or acting on behalf of or on account of shareholders with a qualified shareholding equal to or in excess of 2% of the company's share capital;

(ii) having been re-elected for more than two terms of offices, consecutively or not.

The three members comprising the company's Supervisory Board comply with the incompatibility and independence rules identified above.

On the other hand, all the members have adequate skills to carry out their functions, namely, the member Mr Carlos Alberto da Silva e Cunha, who is a Chartered Accountant, the member Mr Carlos Alberto de Oliveira e Sousa, who has a degree in Accounting Audit, and the President of the Supervisory Board, Mr Manuel Simões Carvalho e Silva, who has a Legal degree and is exercising a Legal activity, with a special emphasis on Commercial and Company Law, bringing to this body important operational knowledge of the company's business areas. The President is adequately supported by the remaining members of the Supervisory Board.

COMPETENCIES

The Supervisory Board is responsible, together with the Chartered Accountant, for the supervision of the Company, holding the powers and accepting the duties laid down in the applicable legal and statutory dispositions.

The Supervisory Board has the powers set forth by law and in the by-laws, amongst others, those relating to the monitoring of the Company's operations, the compliance with the applicable legislation, the by-laws and the regulations, as well as to issue opinions regarding the budget, the balance sheet, inventory and the annual financial statements.

Over and above those, the Supervisory Board has the powers specifically listed in the Supervisory Board's Operational Regulations that can be consulted in the company's internet site http://www.martifer.pt (tab Investors; section Corporate Governance/ By-laws).

In exercising its powers and fulfilling its duties, the Supervisory Board proposes to the General Meeting:
- the nomination of the Company's effective and alternate Chartered Accountants;
- the inspection of the Chartered Accountant's independence, namely in respect of the rendering of additional services and the scope of these, and in respect of the audit of the company's financial statements.

The Supervisory Board is also responsible for representing the Company vis-à-vis the External Auditor, and for:
- proposing the supplier of these services and the respective remuneration;
- ensuring that the adequate conditions for the rendering of these services are made available in the company;
- evaluating, annually, the services rendered as well as acting as the company's middleman, and receiving, simultaneously with the Board of Directors, the respective reports; and
- proposing the dismissal of the External Auditor with just cause.

OPERATIONS

The Supervisory Board meets, at least, once a quarter, whenever its President decides or any of the members request him to convene a meeting. The President is responsible for convening and running the meetings. Resolutions are passed when the majority of the members are present and by a simple majority of votes expressed.

In 2010, the Supervisory Board met five times, and minutes were prepared of all the meetings.

The Supervisory Board is, simultaneously with the Board of Directors, the first addressee of the reports issued by the external auditing firm.

Whenever necessary and pursuant to its attributions, the Supervisory Board meets with the External Auditor in its own name or on behalf of the Company. The external audit services are independently and permanently analyzed by the Supervisory Board, which issues an annual opinion on the activity carried out by the External Auditor throughout the year, mentioning the facts that could obstruct its continuation as a service supplier, with just cause.

The annual reports covering the activity developed by the Supervisory Board are disclosed in the company's internet site, together with the annual accounts.

REMUNERATION

The Supervisory Board's remuneration is a fixed amount, set by Martifer's Remuneration Setting Commission. The total amount paid to each member of the Supervisory Board, identical for all of the effective members comprising it, was Euro 4,800.00, with the three members of this board earning, in total, Euro 14,400.00, in 2010.

COMPANY SHARES HELD BY THE MEMBERS

At December 31, 2010, the members of the Supervisory Board did not hold any Martifer shares, in accordance with article 447 of the CSC.

BIOGRAPHIES OF THE MEMBERS OF THE SUPERVISORY BOARD

The biographies of the members of the Supervisory Board, including their professional qualifications, the main activities they carried out over the last five years and the functions carried out at Martifer Group companies or in other companies at the end of 2010, are detailed in Appendix I to this Report.

3.6
Chartered Accountant

COMPOSITION

The Statutory Auditors, effective and alternate, were elected for the quadrennial 2008-2011 in the March 28, 2008 General Meeting, having been designated:

PRESIDENT

Dr. Américo Agostinho Martins Pereira
as Chartered Accountant (effective)

ALTERNATE

Dr. Joselito Pedro Quaresma Almeida
as Chartered Accountant (alternate)

The Chartered Accountant can only be elected in a General Meeting. If a vacancy occurs in this body it must be filled by the alternate member, and, if he does not remain in that function, it can only be filled through the election of a new member at a General Meeting.

COMPETENCIES

When appointing the Chartered Accountant to examine the Company's accounts, the General Meeting considers that the following functions are to be carried by the appointee:

- Verification of the regularity of the books, accounting records and supporting documentation;
- Verification, when considered convenient and through the form considered most appropriate, of the petty cash and of the existence of any type of assets or amounts belonging to the company or received by it in guarantee or on deposit or under any other title;
- Verification of the accuracy of the annual accounts;
- Verification as to whether the accounting polices and valuation criteria adopted by the company allow a correct valuation of its assets and results.

The functions described are identical to those attributed to the Supervisory Board, justifying the division of functions referred to above, namely the financial supervision conducted by the Chartered Accountant and the political evaluation conducted by the Supervisory Board.

The Chartered Accountant also has a duty to supervise management's activities, and, as part of this duty of vigilance, has special duties regarding the communication to the Chairman of the Board of Directors of any detected irregularities and difficulties in the pursuit of the Company object, and requiring the convening of a meeting of the Board of Directors or of the General Meeting in the event there is no response to the communication to the first or when the measures adopted are not considered adequate to protect the interests of the Company.

REMUNERATION

During the 2010 economic period, the Chartered Accountant was remunerated in accordance with practices and remuneration conditions considered normal for similar services, in the total amount of Euro 336,680.00.

3.7
Remuneration policy

REMUNERATION SETTING COMMISSION

The remuneration policy and the remuneration of the Company's Corporate Bodies are set by a Remuneration Setting Commission, elected in the Shareholders General Meeting. This policy is reviewed annually and submitted for approval at the Company's Annual Shareholders General Meeting, where, at least one representative of the said Commission is present.

The Remuneration Setting Commission predates Martifer becoming a quoted company, and its activity has been improving and becoming more specialized, with a particular vocation to the elaboration of master guidelines and the determination of the remuneration policy of the Company's Corporate Bodies, in monitoring the execution of this policy and in guaranteeing the alignment of the actions of these bodies with the interests of the Company.

The composition of the current Remuneration Setting Commission, elected in a General Meeting with a four year term of office (2008-2011), is as follows:

PRESIDENT

António Manuel Queirós Vasconcelos da Mota

MEMBERS

Maria Manuela Queirós Vasconcelos Mota dos Santos
Júlio Manuel Santos Martins

The members of this Commission are independent from the members of the management and supervisory bodies and do not form part of such bodies, nor do any of their spouses, relatives and kin in straight line to the 3rd degree, inclusive.

Ms Maria Manuela Queirós Vasconcelos Mota dos Santos is President of the Human Resources Development Commission of the Mota-Engil group.

We consider that all the persons comprising this Commission are, whether from a professional training perspective or from the positions previously held, totally apt to perform their functions with excellence.

It is a practice of the Remuneration Setting Commission's to be represented at the Annual General Meeting and, in 2010, Mr Júlio Manuel Santos Martins attended the said meeting as representative of the Commission.

The Remuneration Setting Commission is supported, whenever requested, by Martifer's internal services, amongst others, by the Human Resources, Planning and Management Control and Legal departments.

The Remuneration Setting Commission has as its main functions:

- Defining the remuneration policy of the Corporate Bodies of the Company, particularly the executive members of the Board of Directors, fixing the criteria to determine the variable component of the remuneration;
- Determining the various components of the fixed and variable remuneration, possible benefits and complements, as well as the annual remuneration amount payable to the members of Martifer's Corporate Bodies;
- Monitoring the performance of the executive members of the Board of Directors, for the purposes of determining the variable remuneration;
- Monitoring the performance of the non-executive members of the Board of Directors;
- Submitting, from a consultative perspective, an informative exposition on the company's remuneration policy to the annual General Meeting.

REMUNERATION POLICY

The remuneration of the members of the Board of Directors, of the Executive Commission and of the Supervisory Board is determined, in terms of the by-laws, by the Remuneration Setting Commission, which submits a document, for appraisal by the General Meeting, containing the general guidelines to be followed in setting the actual amounts to attribute to the members of the various Corporate Bodies.

In the Company's General Meeting of April 2010, the remuneration policy of the management and supervisory bodies, prepared by the Remuneration Setting Commission, in compliance with article 2 of Law no. 28/2009, of June 19, and included as **Appendix IV** to this report, was discussed and submitted for approval.

In general terms, the remuneration policy applying to the management and supervisory bodies aims to closely follow the CSC and Corporate Governance Code issued by the Portuguese Securities Market Commission (CMVM) dispositions applicable.

In defining the remuneration policy, the legal dispositions foreseen in (i) the CSC, namely in article 399; (ii) Law 28/2009, of June 19; (iii) the Corporate Governance Code issued by the CMVM; and (iv) the special regime laid down in the company's by-laws, were considered.

In line with the Company By-laws, the Board of Directors' remuneration can comprise a fixed and a variable component, with the latter not exceeding five per cent of the results of the period, as laid down in law.

Martifer's remuneration policy aims to promote the convergence of the interests of the directors, those of the other corporate bodies and those of the managers with the Company's interests, namely those regarding the creation of value for the shareholder and real growth for the company, privileging a long term perspective. Hence, the Commission structured the components underlying the remuneration of the management bodies so as to reward their performance in achieving high, sustained growth, discouraging however excessive risk assumption.. Additionally, determining factors include the company's economic situation and the general conditions practiced by the market for equivalent functions.

The informative principles observed by the Commission in setting the remuneration are:

a) FUNCTIONS CARRIED OUT, degree of complexity inherent to the functions, responsibilities attributed, time spent and the added value afforded to the company by the work produced. Other functions carried out at Martifer group companies are also relevant, in virtue of the increased responsibilities attributed and of their constituting additional sources of income.

b) ALIGNMENT OF THE INTERESTS OF THE MEMBERS OF THE MANAGEMENT BODY WITH THOSE OF THE COMPANY, evaluation of the performance of the members of the management body and the creation of value for the shareholders.

c) ECONOMIC SITUATION OF THE COMPANY, present and future, privileging the interests of the company, from a long term perspective, in achieving real company growth and in creating value for its shareholders, based on criteria defining the economic situation of the company, amongst which, financial criteria.

d) GENERAL MARKET CONDITIONS FOR EQUIVALENT SITUATIONS, considering that the remuneration shall be aligned with market practice, permitting it to serve as a means to achieve a high individual and collective performance, assuring the interests of the member but essentially those of the company and of the shareholders.

Hence, and without prejudicing that which may be defined at the 2011 Annual General Meeting, the current general guidelines observed by the Remuneration Setting Commission are the following:

1
The remuneration of the executive members of the Board of Directors shall comprise a fixed and a variable component, and the latter shall not exceed five per cent of the results of the economic period, as laid down by law and in article 20, no. 3 of the By-laws.

2
The remuneration of the non-executive members of the Board of Directors, of the members of the Supervisory Board and of the members of the General Meeting Board shall be composed solely of a fixed component.

3
The fixed component of the remuneration of the members of the Board of Directors with executive functions shall consist of a monthly amount payable fourteen times a year.

4
The setting of the predetermined amount for attendance at each meeting of the Board of Directors shall be made for those members that have functions which are essentially non-executive.

5
The fixed remuneration of the members of the Supervisory Board shall consist of a fixed amount, payable twelve times a year.

6
The fixed remuneration of the members of the General Meeting Board shall consist of a fixed amount per meeting.

7
The process of attributing variable remuneration to the members of the Board of Directors shall follow the criteria laid down by the Remuneration Setting Commission, which is attentive to the performance achieved, the position in the hierarchy and to the value of the stock options based on the company's performance criteria over the long term, its real growth and the performance variables chosen, and shall not exceed the global amount of five per cent of the consolidated net income in IFRS format, nor the global amount of 5% of the net income of the period, as laid down in law.

8
when setting all remuneration, including in distributing the global amount of the Board of Directors' variable payments, the general principles referred to above shall be abided by, namely the functions carried out, the company situation and market criteria.

9
The management submitted the proposal "Remuneration in Martifer Stock Option Plan (PROA)" for appraisal by the Shareholders, at the General Meeting held on March 28, 2008.
PROA has, amongst others, as objectives, to increase the loyalty of key employees in the various Group companies, as well as that of their corporate bodies; to stimulate their creative and productive capacity, to increase, in this manner, the business results; to create favourable conditions to attract and recruit managers and other employees of high strategic value and to align the interests of the employees and of the members of the corporate bodies with the interests of the Shareholders and other stakeholders of Martifer, rewarding their performance in function of their creation of value for the Shareholders, reflected in the increase of the Share price on the Stock Exchange.
PROA operates through the attribution of part of the beneficiary's variable remuneration in options to buy or subscribe Martifer shares. Hence, PROA is subject to the performance evaluation system in effect at the Group. The number of options that each beneficiary receives, in a given year, will depend on the amount of his VR, which depends on his performance evaluation, his hierarchical position and the value of the options. The value of the options shall be calculated by independent entities (Investment banks).
Each option will give the beneficiary the right to acquire or subscribe one Martifer share at a future moment at the exercise price. Options attributed can be exercised at 4 moments, annually differentiated.
The shares to deliver to the beneficiaries when the options are exercised shall derive from a share capital increase. The number of shares resulting from options attributed but not exercised cannot exceed 2% of Martifer's share capital, at any moment. The beneficiary will lose his rights over the options not exercised in the event he ceases being a Group employee, without there having been a mutual agreement.

The Commission, seeking to adopt the best governance practices in the matter of corporate body remuneration, and in strict articulation with other Commissions at Martifer, plans to conduct, during 2011, a study and comparative analysis with the remuneration policies and practices at other groups of companies in the same business area in the matter of setting of remuneration, for future implementation and adoption at Martifer.

PERFORMANCE CONTRACTS

With the Group's current Governance Model more autonomy is attributed to the Business Areas, which brings a consequent decentralization and a higher accountability of the latter.

Martifer considers that the distribution of the variable remuneration amongst the Business Areas must be subject to the principles and rules of transparency, clarity, justice and equity.

Martifer aims to reinforce and reward the commitment of the management of the Business Areas, as well as its alignment with the strategy of the Group, with the purpose of defining the principles subjacent to the attribution of the variable remuneration, distributable amongst the various Business Areas comprising the Group.

Hence, during 2010, performance contracts were celebrated with the holders of management positions at the various Group sub-holding levels, which:

(i) fix criteria for the attribution and setting of the respective variable remuneration;

(ii) fix the maximum amounts for the remuneration components;

(iii) fix the procedures for the approval of the setting of the remuneration; and

(iv) foresee deferment mechanisms regarding part of the variable remuneration, subject to the positive performance of the Company.

COMPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES

The Company has no complementary pension or early retirement schemes in benefit of the members of the management and supervisory bodies and other managers, as defined under no. 3 of article 248-B of the Securities Code.

However, the Group contracted a specific insurance policy with 'Companhia de Seguros Global', in effect a capitalization fund, aimed at providing a post–employment benefit for the employees of the Group. This fund covers all employees with a permanent labour contract. Subject to a favourable decision by the Board of Directors, a cash contribution equivalent to one month's salary per employee is paid, on an annual basis, into that insurance policy in the name of that employee. The right to receive such benefit occurs at the retirement date. At that date, each employee can either convert the benefit into a monthly pension or receive 50% of the benefit amount and convert the remaining amount into a monthly pension.

STOCK OPTION PLANS

In 2010, no proposal was submitted to the General Meeting regarding the approval of share attribution and/or stock option plans or based on share price variations. It should be mentioned that, in 2008, the General Meeting was asked to "appraise the programme attributing stock options to the employees and members of the boards of directors of the Martifer Group companies and the general conditions of the respective regulation".

The Martifer Group stock option programme, the operating mechanisms and the respective beneficiaries are better detailed in Chapter 4 – Point 4.4 of this report.

3.8

Communication of irregularities policy

Pursuant to the policy of communication of irregularities, the Ethics and Conduct Commission is the entity responsible for the reception and management of denunciations or communications of irregularities , without prejudice to the Supervisory Board's own competencies in this matter.

Complementary to the Supervisory Board, the Commission performs, applies and follows up on the procedures underlying the denunciation of internal irregularities, affording the appropriate internal treatment to the denunciations and communications of irregularities, ensuring resolution quick solution to the denounced facts.

In this manner, Martifer Group aims to guarantee conditions that will permit any employee to freely communicate his concerns in these matters to the Ethics and Conduct Commission and facilitate the early detection of irregular situations that, being practiced, could damage the Group, as well as its shareholders.

Any notification, communication or denunciation of irregularities occurring internally in the Group is received directly at an email box, which can be accessed exclusively by the President of the Ethics and Conduct Commission. The anonymity and confidentiality of the same are assured whenever requested in the communication or denunciation. This channel was considered the most appropriate and independent for the reception of denunciations, without prejudice to the same being received through the post.

The communication of irregularities addressed to the Supervisory Board, and all those that are the exclusive competence of the Supervisory Board, are immediately communicated to that body's President by the President of the Ethics and Conduct Commission.

During 2010, no irregularities were communicated to Martifer's Ethics and Conduct Commission.

The communication and denunciation of irregularities policy of the company is disclosed in the company's internet site http://www.martifer.pt, as well as in the company's intranet site.

Martifer's communication of irregularities policy applies to all Martifer Group companies.

3.9
Internal control systems

One of the Group's main concerns is to guarantee the implementation of Internal Control and Risk Management Systems adequate to the activities of the companies it controls. The Board of Directors, as corporate body responsible for the definition of the general strategic policies of the Group, considers to be adequately supported to maintain an effective risk control.

INTERNAL CONTROL SYSTEMS

In parallel to the procedure and the identification, prevention and risk management mechanisms described below, Martifer has in its organizational structure an Internal Audit department that performs its activity in order to evaluate the efficacy and efficiency of the internal control system and of the business processes throughout the Group, in an independent and systematic manner, that verifies whether the assets at Group level are duly recorded and sufficiently protected against risks and losses, examines and evaluates the accuracy, the quality and the application of operational, accounting and financial controls, promoting an effective control at a reasonable cost and proposing measures that show themselves to be necessary to overcome potential weaknesses detected in the internal control systems.

Martifer's internal audit department reports functionally to Mr Jorge Bento Ribeiro Barbosa Farinha, who is a non-executive, independent director sitting on the Company's Board of Directors.

The Internal Audit Department prepares an annual plan that defines the scope of the audits to be conducted in order to evaluate the quality of the control processes that ensure the compliance with the objectives of the Internal Control System, namely those that guarantee the efficiency of the operations, the reliability of the financial and operational reports and the respect for the law and regulations. Internal control deficiencies are reported up the hierarchy, the gravest matters being reported directly to the Board of Directors.

Martifer also has a Planning and Management Control department that, supported by the company's information systems, produces management information and raises questions at the unit level.

The consolidated financial statements are prepared by Martifer's Consolidation and Reporting department, ensuring consistency in the application of the accounting polices adopted. It should be highlighted that the reliability and integrity of the accounting and financial information is also evaluated and reported upon by the Chartered Accountant and the External Auditor.

Martifer has a reasonable level of confidence regarding the internal control system in place. Other developments, resulting from the implementation of the Ethics and Conduct Code and the communication of irregularities system, also permit an increase in the control culture of the Group.

RISK MANAGEMENT SYSTEM

Risk Management is one of the components of Martifer's culture, being present in all management processes and representing a responsibility attributed to all managers and employees at the various levels of organization.

Risk policy is defined by the Board of Directors based on the analysis and measurement of risk, which also coordinates and develops risk management processes in order to guarantee integrated risk management streamlined with the strategy and objectives of the Group.

The Board of Directors approved the creation of Martifer's Risk Commission, which constitution and activities will be implemented during 2011.

In parallel, Martifer implemented a procedure of internal control and risk management with the objective of reinforcing the integrated risk management, establishing a strategy for the prevention and management of risk transversal to the Group, so as to reduce exposure to risk and safeguard the value of the Group. The procedure is characterized, summarily, by the identification of the risks of each BA, accompanied, in parallel, by the formalization of an evaluation, management, prevention and mitigation of risk process, to be prepared by the Company's Board of Directors.

Risk Management comprises the processes of identification of current and potential risks, analyzing their possible impact on the strategic objectives of the organization and estimating the probability of their occurrence, in order to determine the best way to manage exposure to these.

All these risks are duly identified, evaluated and monitored, and it is the responsibility of the different structures in the company to manage and/or mitigate them.

Risk Management at Martifer Group starts at the operational company level, with the identification, measure and analysis of the different risks to which they are subject, with a particular emphasis on the risks of an operational and market nature, estimating the probability of the occurrence of the various factors that determine the said risks and their potential impact on the business of the company or the activity in question.

Without prejudice to the definition of the risk strategy by Martifer's Board of Directors, the persons responsible for the operations are equally responsible for the implementation of the risk control mechanisms, which are subject to scrutiny by the competent financial, fiscal and legal departments, using specific templates for the evaluation of the operations.

The identification of the risks is a transversal responsibility at the different levels of the organization, specific templates having been created to identify and categorize the main risks in each Business Area, as well as of new risks that may arise as the respective activities develop, including:

(i) economic and business risks,
(ii) financial risks, and
(iii) legal risks.

The efficiency of these mechanisms is periodically evaluated by the holding company, through the Internal Audit department, during the roll-out of the roll-out of the financial and information systems audit plans, covering processes and conformity with the procedures approved. This audit plan is prepared and developed annually, based on a prior evaluation of the business risks.

The function of Planning and Management Control also promotes and supports the integration of risk management in the companies' planning and management control processes.

It is the Holding Company's objective to obtain an integrated vision of the risks which the Group runs in each of its different activities or business areas, and to guarantee the consistency of the risk profile arising therefrom with the Group's global strategy and, in particular, with that which it considers, given its capital structure, an acceptable risk level.

To this effect, the operations with the highest relevance and impact on the group, as well as those of a more financial nature are directly evaluated and validated by the financial, fiscal and legal departments at the holding level, in line with the policies and risk strategies set by management.

Regarding the disclosure of financial information, Martifer Group promotes the close cooperation between all those intervening in the process, such that the financial information is prepared in accordance with legal precepts in effect and complies with best practices in terms of transparency, relevance and reliability, its verification is effective, whether through internal analysis, or through analyses conducted by the supervisory bodies and the external auditor, it is approved by the competent corporate body and its public disclosure complies with all the legal and recommendatory requirements, namely those of the CMVM.

A summary of the risks the Group is subject to is presented below, facilitating the understanding of the risk control system in place.

3.10
Principal risk factors

FINANCIAL RISKS

A) PRICE RISK

The volatility of raw material prices constitutes a risk for the Group. The changes in the price of steel and aluminium impact the operational activity of the metallic construction and energy systems business areas. The Group has sought to mitigate this risk by including clauses in its contracts with customers that allow it to pass on raw material price fluctuations and by negotiating fixed prices for large scale projects with its suppliers.

B) CURRENCY RISK

Currency risk reflects the possibility of registering gains or losses resulting from changes in the foreign exchange rates between different currencies. The Group's exposure to currency risk results from the existence of foreign based subsidiaries in countries with a currency other than the Euro, from transactions between these subsidiaries and other Group companies and from the existence of transactions with external parties made by the operational companies in a currency other than the reporting currency of the Group.

The Group's currency risk management policy aims to reduce the sensitivity of its results to exchange rate variations.

Subsidiaries, in their day-to-day operational activities, seek to use their local currency. Likewise, loans contracted by foreign subsidiaries are preferably denominated in their local currency.

Certain operational activities of the Group are exposed to changes in foreign exchange rates vis-à-vis their local currency.
The prices of some raw-materials, namely steel and aluminium, are generally expressed or indexed to the US Dollar which can have an impact on the Group's results. It is possible, to a large extent, to include these variations in the sales prices. Where this is not possible, the Group hedges this exposure by contracting foreign exchange derivative contracts in the subsidiary exposed to the said risk.

Insofar as the currency risk arising from the translation of Group investments in foreign subsidiaries that report in a currency other than the Euro is concerned, the Group seeks to manage it through natural hedging, using the companies' balance sheets, namely seeking finance in their local currency. In parallel, the Group seeks to mitigate this currency impact through the diversification of the countries it is present in.

C) INTEREST RATE RISK

Interest rate risk reflects the possibility of changes in future interest charges on loans contracted due to the evolution of market interest rate levels.

The Group relies on external financing to fund its activity and it is exposed to interest rate risk as a significant part of its borrowings are indexed to market interest rates.

In the more significant long term loans, the Group relies on fixed interest rate loans or uses interest rate derivates to hedge exposure to interest rate risk on the said loans. The amounts, interest due dates and repayment schedules of the loans underlying the interest rate derivates are identical to those of the loans they hedge, and, as such, are considered perfect hedges.

D) LIQUIDITY RISK

Liquidity risk reflects the Group's ability to satisfy its financial responsibilities with the available financial resources.

The Group manages its liquidity risk in two main ways:

- On the one hand, it seeks to ensure that its financing structure adequately reflects the nature of its obligations. Investments in fixed assets, including financial investments, are funded through long term facilities (equity and long term loans) whilst short term obligations are funded through short term loans. Long term loans are generally contracted for periods of 5 to 7 years, generally with a grace period of the principal of 1 to 2 years.
- On the other hand, subsidiaries have contracted, with financial institutions, short term facilities for amounts that assure their liquidity. Subsidiaries also have adequate amounts of cash to cover their short term commitments.

E) CREDIT RISK

The worsening of the worldwide economic conditions and the escalation of the adversities facing local, national and international economies can influence the Group's client default rate, with possible negative impacts on the Group's results.

Aware of this reality, the Group seeks to evaluate all its clients' credit risks in order to establish credit limits, with the ultimate purpose of ensuring the collection of the amounts due within the periods negotiated.

With this objective in mind, the Group uses credit rating agencies, regularly analyzes risk and credit control, and collects from and manages cases in litigation, procedures which are all considered essential to manage the credit given and to minimize the risk of credit default.

OPERATIONAL RISKS

A) METALLIC CONSTRUCTION

In the Metallic Construction area, the deteriorating macroeconomic situation may have a negative impact on the activity of this sector. However, the dispersion of business throughout the various geographies, namely in markets registering the highest growth rates, such as the Angolan market, will mitigate the effects of this economic slowdown.

Martifer's operational results depend, in part, on the launch of calls for tender of public infrastructures (ex. bridges, airports, stations). These tenders involve complex regulations, which differ from country to country, namely in matters concerning the submission of the proposals and the preparation of complete administrative files regarding the specifications defined by the contracting entity, which can represent additional costs for the Martifer Group.

There is always an additional risk associated with construction, namely that of delays in the completion of the work, with the inherent contractual penalties.

B) SOLAR AND ENERGY EQUIPMENT

In the turn-key farm installation activity, client delays in obtaining the necessary licences or unanticipated delays in the delivery of equipment may disrupt the calendars initially foreseen for the completion of the respective projects. Despite the fact that this type of delay usually carries no contractual penalties, in some cases these situations can constitute a risk for the Group due to the planning difficulties they can generate.

Additionally, the financial market crisis has been hampering the promoters' access to funding, resulting in the postponement of some projects. The diversification of the business throughout the value chain and of the client portfolio, inside and outside the Group, should reduce the possible impact of these postponements.

The photovoltaic solar modules produced by the company are sold with a 5 year warranty and a 35 year performance warranty, as a result of which this sector is exposed to the risk of warranty claims years after the sale of the equipment. Quality or performance problems can result in high costs. The performance of solar systems is also guaranteed in respect of the modules acquired for the construction of solar parks; however, the group's responsibility , in this case, is diminished in that there is a right of return vis-à-vis the suppliers.

On the other hand, most of the equipment used in the production of photovoltaic solar modules is customized for specific raw-materials, with a resulting dependency risk on key raw-material suppliers. The Group has sought to mitigate this risk by establishing long term contracts for some raw-materials, carrying out a judicious selection of suppliers and finding various suppliers for each of the raw-materials of relevance for the production process.

C) RE DEVELOPER

The renewable energy business depends on the volume of energy produced by the wind farms and its profitability, factors that depend on the location of the wind farms and on the seasons of the year (seasonality). Given that the wind turbines are only driven when the wind velocity is within specific parameters, which parameters depend on the supplier and the type of turbine, if the wind velocity is not within the parameters or if it is at the lower end of the limits, the energy production of the wind farms will suffer a reduction.

The availability and power curve of each turbine is contractually guaranteed, with indemnities payable by the suppliers being set for situations where their availability is not satisfied or the power curve is not attained.

This risk is also mitigated through the geographical distribution of the wind farms, allowing for the set-off of the wind velocity variations at each farm and ensuring the relative stability of the volume of total energy produced.

D) EQUIPMENT SUPPLY

Despite the fact that the farm construction contracts contain warranty and penalty clauses for suppliers of equipment and/or turn-key projects, delays in the delivery of the parks can result in less attractive tariffs and, consequently, in projects with lower profitability rates.

Reliance on internationally renowned suppliers, the most important of which Repower and Suzlon, reduces the dependence on suppliers risk and guarantees the quality of the equipment. This also permits, simultaneously, the mitigation of the risk associated with turbine performance, given that operational and maintenance contracts are signed with turbine suppliers for, typically, 5 year periods. Finally, the risk associated with wind turbine performance is also reduced through an adequate preventive maintenance programme.

E) LICENCING

Wind and solar farms are subject to rigorous regulations in matters such as the development, construction, licensing and operation of power plants. If the relevant authorities in the jurisdictions in which the Group operates stop or reduce their support of the development of wind and solar farms, such actions may have a significant impact on the activity.

LEGAL RISKS

Martifer is subject to national and local laws and regulations in the various geographies and markets where the company operates in, which aim to assure, amongst others, workers' rights, protection of the environment and spatial planning and the maintenance of an open and competitive market. Thus, the legal and regulatory changes that affect the conditions conducive to the development of the Groups' activities and, consequently, prejudice or impede meeting the strategic objectives require that the Company adapt to the new regulatory realities.

The management of legal risk is carried out by the legal department of the holding company and of each of the Group's Business Areas and is monitored within the scope of reviews by internal legal and fiscal service providers dedicated to the respective activities, which operate in the dependence of the Board of Directors and management, complying with their competencies in articulation with the other fiscal and financial departments, so as to assure the protection of the Company's interests and, in the last resort, the stakeholders', in strict compliance with their legal duties.

The members of the legal departments and internal legal service providers have specialized formal qualifications and undergo regular formal training and updating.

Legal and fiscal services are also assured, nationally and internationally, by external professionals, selected amongst reputable firms and in accordance with the highest standards of competence, ethics and experience.

04

ADDITIONAL INFORMATION

4.1
External audit

The company's External Auditor is PricewaterhouseCoopers & Associados, SROC, SA (PwC), which has undertaken this function since the 2010 economic period, inclusive. The change of External Auditor took place following a market consultation, object of analysis and consideration by the Supervisory Board.

During the 2010 economic period, the amount of annual remuneration paid to the auditors and other persons, natural or legal, belonging to the same network, supported by the company and/or legal persons in a dominant or group relationship, amounted to €463,229.00 (including expenses and remuneration paid by foreign subsidiaries). The breakdown of this remuneration is as follows:

	2010	%	2009	%
Statutory and external audit services	437,600	94.5%	527,288	69.9%
Other reliability verification services	-	0.0%	2,400	0.3%
Fiscal advisory services	25,629	5.5%	124,516	16.5%
Other services outside the statutory audit scope	-	0.0%	100,383	13.3%
TOTAL	**463,229**	**100.0%**	**754,587**	**100.0%**

Services outside the statutory audit scope and fiscal advisory services conducted in 2010, relate, essentially, to regular assistance with fiscal matters. All of these services are completely marginal to the work of the auditors and were rendered by professionals not involved in the Group's auditing process.

Additionally, any new services to be rendered by PwC and its companies (national or international) to Martifer Group are subject to prior approval, by Martifer's Management, as well as that of the PwC Partner responsible for the work at Martifer Group, within the scope of its quality control system.

Martifer's Supervisory Board, within the scope of its supervisory functions of the activities of the company, has analytical and appraisal responsibilities over the more significant aspects of the relationship with the External Auditor, namely in aspects relating to the independence of their work. During 2010, the Supervisory Board carried out an evaluation of the work conducted by the External Auditor, concluding that it was conducted in a manner consistent with applicable regulations and norms, and that it had acted with technical rigor, transparency and elegance.

One of the fundamental duties and concerns of the Board and of management, in the sense of permitting the creation of value and, essentially, of protecting the investors' investments, hinges on the implementation of internal control principles, adequate to the activities carried out, relying, for that purpose, on the auditing areas, both at statutory audit and/or the internal audit level which is focused on evaluating operational processes, in particular those with preponderant negative risks.

4.2
Martifer and the capital market

CAPITAL STRUCTURE

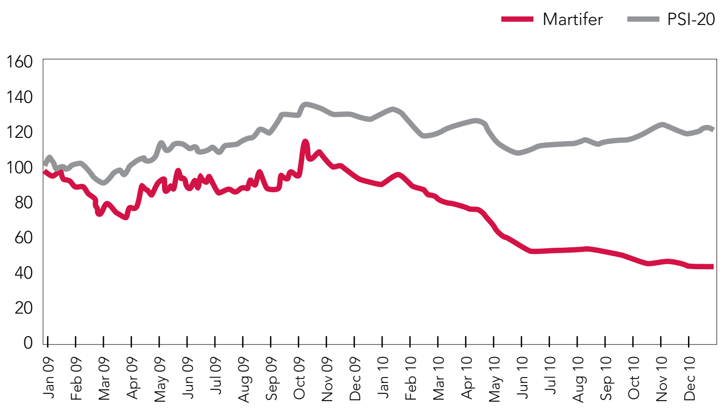
The company's share capital amounts to € 50,000,000.00 (fifty million Euros), is fully paid up and is represented by 100,000,000 (one hundred million) nominative, scriptural shares, with a par value of € 0.50 (fifty cents) each. There are no limitations to their transmissibility given that, under the Securities Code, all shares admitted to trading on the stock exchange are freely transmissible. No shareholders hold special rights.

At December 31, 2010, all the shares issued were admitted to trading on the regulated market of Eurolist by Euronext Lisbon, corresponding to ISIN Code PTMFR0AM0003, trading under the Mnemo Code MAR.

In accordance with the present By-laws, the Board of Directors is authorized to, having obtained a positive opinion from the Supervisory Board, and in compliance with the remaining dispositions laid down in the company memorandum and by-laws, increase the company's share capital in cash, once or more than once, up to a maximum limit of one hundred and twenty five millions Euros (no. 8 of article 4 of the Company By-laws).

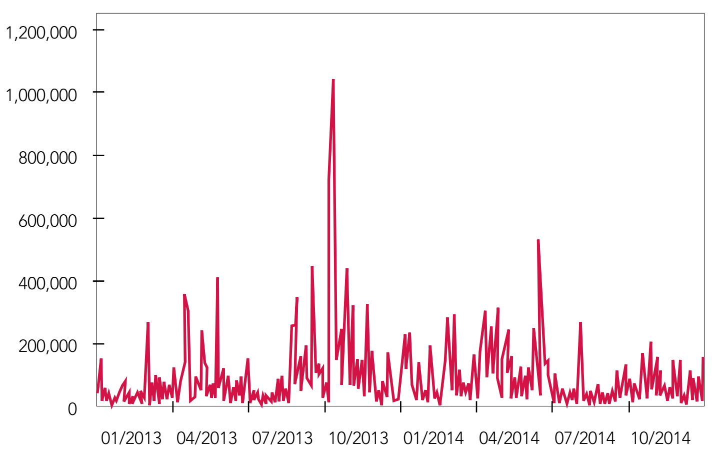
The Company has no mechanism regarding employee participation in its share capital.

EVOLUTION OF MARTIFER'S SHARE PRICE



Source: Reuters

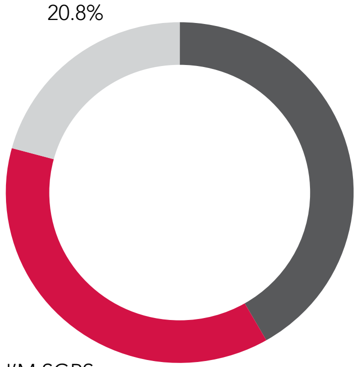
MARTIFER'S SHARE VOLUME TRADED



Martifer's shares closed 2010 with a quoted price of €1.49, representing a decrease of 55.52% during 2010. The Euronext Lisbon market fell by 10.73%. The highest and lowest closing quoted share price was €3.01 and €1.32, respectively.

Daily trading volume averaged around 81 thousand shares. At the end of 2010, Martifer's market capitalization amounted to 149 million Euros.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2010



At December 31, 2010, the principal shareholders holding qualified shareholdings continue to be the companies I'M SGPS, SA and Mota-Engil SGPS, SA.

Martifer' directors, Mr Carlos Manuel Marques Martins and Mr Jorge Alberto Marques Martins, are the sole shareholders of the company I´M SGPS, SA, holding, each, shares representing 50% of its share capital.

Mota-Engil's voting rights are held, in terms of article 20 of the Securities Code, by the company FM – Sociedade de Controlo, SGPS, SA, with whom the shareholders have a Group relationship.

To both these shareholders is imputed, at December 31, 2010, 79.312% of the voting rights of the company, in terms of the shareholder agreement in force.

At December 31, 2010, based on the information made available to the company, the following entities were qualified shareholders of the company's share capital:

SHAREHOLDERS	no. shares	% share capital	% voting rights
I'M – SGPS, SA	41,757,331	41.76%	41.76%
Carlos Manuel Marques Martins*	70,030	0.07%	0.07%
Jorge Alberto Marques Martins*	131,760	0.13%	0.13%
Total imputable to I'M – SGPS, SA	**41,959,212**	**1.96%**	**41.96%**
Mota-Engil – SGPS, SA	37,500,000	37.50%	37.50%
Arnaldo José Nunes da Costa Figueiredo **	3,000	0.0%	0.0%
Luís Filipe Cardoso da Silva **	2,000	0.0%	0.0%
Total imputable to FM – Sociedade de Controlo, SGPS, SA	**37,505,000**	**37.50%**	**37.50%**

* Member of a corporate body of I'M SGPS, SA;

** Member of a corporate body of Mota-Engil SGPS, SA;

FACTS COMMUNICATED AND ANNOUNCEMENT OF RESULTS

COMMUNICATIONS AND ANNOUNCEMENT OF RESULTS

		SESSION VARIATION		VARIATION IN THE 5 FOLLOWING SESSIONS	
DATE	EVENT	MARTIFER SHARE	PSI-20	MARTIFER SHARE	PSI-20
Feb-03-10	Martifer Renewables sells to Galp Energia 15% of Ventinveste	-0.6%	0.6%	-4.1%	-7.3%
Feb-25-10	Martifer - SGPS, SA announces its Consolidated 2010 Results	-0.1%	-0.6%	-3.2%	2.5%
Feb-25-10	Martifer sells 11% in Prio and Prio Advanced Fuels	-0.1%	-0.6%	-3.2%	2.5%
Apr-07-10	Martifer - SGPS, SA announces resolution taken at the Annual Shareholders General Meeting	-0.5%	-0.0%	-1.1%	+0.7%
Apr-07-10	Martifer announces the ratification of the co-option of the executive Director	-0.5%	-0.0%	-1.1%	+0.7%
Apr-20-10	Martifer announces a Dividend Payment	-0.5%	-0.4%	-3.7%	-2.6%
Apr-29-10	Martifer announces the share capital increase at Martifer Solar	-1.1%	-3.2%	-8.2%	-2.0%
May-20-10	Martifer announces 1st quarter 2010 consolidated results	-1.2%	0.1%	-6.2%	-2.8%
Aug-02-10	Martifer sells Tavira Gran Plaza	0.3%	-1.0%	0.8%	1.5%
Aug-05-10	Martifer announces 1st semester 2010 consolidated results	0.1%	1.9%	0.2%	0.0%
Nov-11-10	Martifer announces 3rd quarter 2010 consolidated results	0.0%	-1.4%	-1.1%	2.3%
Dec-23-10	Martifer announces sale of wind farms in Germany	-0.5%	-2.2%	-2.8%	-3.9%

To calculate the variations, the session of the announcement date was considered when the announcement occurred before the start or during the session and the day after when this occurred after the session closed.

COMMUNICATION WITH THE CAPITAL MARKET

Martifer privileges a permanent contact with the capital market, seeking to permit permanent access to information about the Group in a continued and consistent manner, either through the announcement of periodic financial information or through contacts with institutional investors, through the participation in road-shows and conferences as well as permanent contact with the financial analysts.

When announcing periodic annual, semester or quarterly results Martifer organizes conference calls, with the participation of the Executive Commission, aimed at institutional investors and financial analysts.

Shareholders and investors can generally obtain all the relevant Group information from Martifer's internet site http://www.martifer.pt, in particular from the Investor Relations page, where they can find, over and above the obligatory information of a corporate and financial nature, information about the evolution of its quoted share price. Shareholders and Investors can also contact the Investor Support Office that assures a permanent contact with the market.

During 2010 Martifer participation in road-shows and seminars, one-to-one meetings and conferences aimed at institutional investors, with special emphasis on London, Paris, Madrid and Frankfurt.

At the end of 2010 was covered by 7 research analysts (BES Investimento, Caixa BI, BPI, Millenium BCP, Santander, Goldman Sachs e Banif).

INVESTOR RELATIONS AND EXTERNAL COMMUNICATIONS OFFICE

The Investor Relations and Communications Office seek to assure the market, investors, analysts and journalists with the disclosure of information about Martifer in a continued, opportune and balanced manner.
The main functions of the Investor Support Office are, amongst others:

- Assuring, vis-à-vis the authorities and the market, compliance with the legal and regulatory reporting obligations applicable to Martifer SGPS, SA. The disclosure of information falling within the scope of " announcement of privileged information", the announcement of quarterly information about the activities and results of the Group and the preparation of the annual, semester and quarterly reports and financial statements, are to be highlighted;
- Complying with investor (institutional and private), financial analyst and other agents' requests for information;
- Supporting and advising Martifer's Executive Commission in all aspects relating to the company's status as a company open to public investment, an example being the close study of the evolution of Martifer's quoted share price, supporting the Executive Commission with the direct contacts it makes regularly with financial analysts and institutional investors (national and international), by way of conferences, meetings and road-shows. At an organic level, the Investor Support Office reports directly to the Executive Commission of the Board of Directors of Martifer.

The Investor Support Office can be contacted at any of the following contacts:

SÓNIA BALDEIRA
investor.relations@martifer.pt
Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades Portugal
Telephone: +351 232 767 702
Fax: +351 232 767 750

For purposes of the Securities Code, the Market Relations Officer is Mr Mário Jorge Henriques Couto.

MR. MÁRIO JORGE HENRIQUES COUTO

Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades Portugal
Telephone: +351 232 767 702
Fax: +351 232 767 750

COMPANY INFORMATION IN THE INTERNET SITE

Martifer has a site on the internet http://www.martifer.pt with a wide range of information about the Group. The objective is to enable interested parties to obtain a generalized knowledge of the Group, its business areas, and information of an institutional and financial nature. This site is also a privileged contact channel with the media and for recruiting.

In the page dedicated to Investor Relations, it is possible to consult the announcement of periodic results, the annual reports and financial statements, information about the Shareholders General Meetings, including convening notices and supporting documentation, and information of an institutional nature, namely the by-laws and the identification of the Corporate Bodies. It is also possible to consult all the privileged information and other communication issued by the company.

4.3
Dividend policy

The dividend distribution proposal is the competence of the company's Board of Directors, subject to the legislation in place and the company's by-laws. It is up to the General Meeting to deliberate, relying on a simple majority of the votes issued, as to the amount of dividends to distribute, when there is a proposal by the Board of Directors to the effect.

Between 2006 and 2009 no dividends were distributed. In 2010, extraordinary dividends amounting to 10 million Euros were distributed.

Despite Martifer's announcement of its intention to adopt a dividend distribution policy, effective from 2010, considering a Payout ratio of 40% of net results adjusted for non recurring events, there will be no dividend distribution due to the level of the results reported in 2010.

4.4
Attribution of share or stock option plans

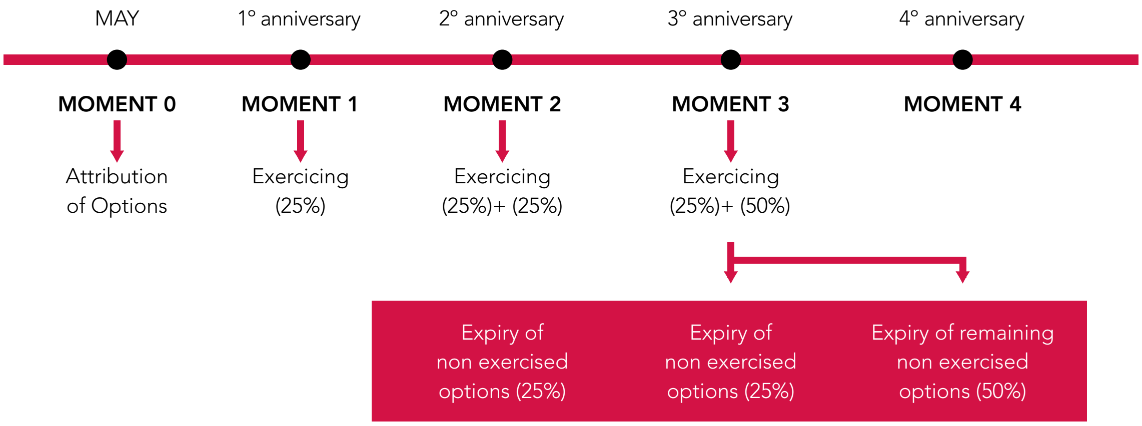
A Stock Options Plan is in effect at Martifer since 2008 and is denominated, in abbreviated form, PROA.

PROA has as its main OBJECTIVES:

- Increasing the loyalty of the key employees in the various Group companies;
- Stimulating the creative capacity and productivity of the said employees, improving, in that manner, the company results;
- Creating favourable conditions to attract and recruit managers and other employees with a high strategic value;
- Aligning the interests of the employees with those of the Shareholders of Martifer and other stakeholders, rewarding their performance in function of their creation of value for the Shareholders, reflected in the valuation of its Shares on the Stock Exchange.

OPERATING MECHANISM

- PROA functions through the attribution of part of the variable remuneration (VR) of the beneficiary in options to buy or subscribe Martifer shares. Consequently, PROA depends on the system of performance evaluation in effect at the Group.
- The number of options each beneficiary receives, in a specific year, will depend on the amount of his VR, which depends on his performance evaluation, his position in the hierarchy and the value of the options.
- The valuation of the options shall be calculated by independent entities (investment banks).
- The price the options are to be exercised at shall be set at the average share price quoted weighted over the volumes negotiated (VWAP) in the 3 months prior to the attribution date.
- Each option shall give the beneficiary the right to acquire or subscribe one Martifer share at a future moment (scheme presented below) at the exercise price.
- Options attributed can be exercised at 4 moments, as explained in the example presented in the scheme below:



Options exercisable at any one of the moments 1, 2 and 3, not exercised in the period specified for exercising, corresponding to a year from the moment they become exercisable or in the period specified for exercising in the following year, will expire due to their caducity.

BENEFICIARIES

- The company's Board of Directors defines the universe of the PROA beneficiaries, which will be determined by the Management at each Group company, monitored by Martifer Group's Human Resources Department, within the retribution policies in effect at that moment.
- The amount to be received in stock options by each beneficiary will depend on the value of his VR, which depends on his performance evaluation, his position in the hierarchy and the value of the options.
- The higher the beneficiary's position in the hierarchy, the greater the options component in the VR, by levels:

HIERARCHICAL LEVELS	PERCENTAGE OF VARIABLE REMUNERATION (VR)
SGPS Directors	Up to 100% of VR *(decided annually by RSC*)*
Subsidiary Directors	60% of VR
General Managers / Business Managers / Other Managers	40% of VR
Other employees	25% of VR

* RSC – Remuneration Setting Commission

OTHER CONSIDERATIONS

Beneficiaries cannot opt to receive the value of the VR (part paid in options) in cash.

However, the Board of Directors has the power to substitute the value of the VR normally paid in options by its equivalent in cash, at the moment of its attribution; in other words, it may not resort to this mechanism in a specific year.

The shares deliverable to the beneficiaries at the moment they exercise the options shall come from a Share Capital Increase. The Board of Directors has the power to substitute the Share Capital Increase by the delivery of own shares, especially acquired for that purpose or held by the Company.

The Board of Directors, at the moment the options are exercised, also has the power to deliver an amount equal to the effective award (difference between the exercise price and the market value) in cash or in own shares (financial or physical liquidation). The market value will correspond to the higher of the average share price weighted by Martifer's share value negotiated during the two weeks annual exercise period and the share price quoted on the close of the last day of that period.

The number of shares resulting from the options attributed but not exercised, at any moment, cannot exceed 2% of Martifer's share capital. The beneficiary will lose the rights over the options not exercised in the event he leaves the Group without a mutual agreement.

By deliberation of the Board of Directors dated November 19, 2009, the attribution of variable remuneration in stock options, to the Company's employees, took place for the first time. 47 beneficiaries were considered, to whom a total of 404,770 stock options were attributed, with an exercise price of €3.84, each option being worth €0.7714, corresponding to a global award of €312,251.89.

The option value was calculated by an independent entity - Banco BIG – and the first exercise period will commence on November 19, 2010.

4.5
Shareholders agreement

A Shareholders Agreement signed between Martifer's two principal shareholders, I'M - SGPS, S.A. (ex "MTO-SGPS, S.A.") and FM – Sociedade de Controlo, SGPS, SA (a Mota-Engil Group company) (hereafter both referred to as "Parties"), which summary is public in CMVM's internet site, regulates some of the principal aspects of the Company's corporate life.

The Shareholders Agreement will remain in force for an undetermined period of time, but any of the intervening Parties can freely terminate it by renouncing it with a minimum notice period of 30 days from the date the termination is to occur.

OBJECT

The Shareholders Agreement regulates the rights and obligations of the Parties whilst shareholders of Martifer, namely in respect of the exercising of their voting rights in the General Meeting, in respect of the constitutive and deliberative quorums required for management decisions and in respect of the election of corporate bodies.

BETTER EFFORTS/ PREVALENCE OF INTERESTS

The Parties undertake to take all the measures considered appropriate and necessary to rigorously comply with the present Shareholder Agreement and the commitments therein assumed; hence, they undertake to develop, together and in a concerted manner, all the efforts and factual measures, including the exercising of the respective voting rights, to realise their common objective, abstaining from any action that can place it at risk, without prejudice to the legitimate rights of the Parties to this Shareholders Agreement.

BOARD OF DIRECTORS

- Whenever it becomes necessary to elect members to the Board of Directors of the COMPANY, the Parties undertake to, together, prepare and present to the General Meeting a list of members, three being indicated by I'M, one of which will be the Chairman, and two being indicated by FM.
- Martifer's day-to-day management may be delegated to an Executive Commission.
- The current Executive Commission is to continue composed of the members already indicated and in function, with the Parties deciding on the composition of the members for the 2008-2011 term of office.
- The Parties undertake to vote favourably, when the General Meeting is duly convened and constituted to the effect, the dismissal and/or substitution of any director when such request is made by the shareholder that indicated the said director.
- All the expenses resulting from the substitution of any director shall be borne by the shareholder that so requests.

RELEVANT MATTERS

All resolutions made by the Board of Directors regarding the matters indicated below will be voted favourably by the directors indicated by the Parties and it is required that all the members of that Board indicated by the Parties shall be present, or duly represented, at the said meetings:

a) Approval of the activity plans and budgets of the Group's companies;
b) Investments or commitments to invest in New Business Areas;
c) Investments or disinvestments not foreseen in the annual budgets of the Group's companies, if the amounts involved are equal to or higher than five million Euros;
d) Creation of any encumbrances or liens of the shares of the Group's companies;
e) Participation in Joint Ventures and in European Economic Interest Groupings and, also, the celebration of consortium and participative association contracts, the incorporation or participation in any other forms of association, temporary or permanent, between companies and/or private or public entities, when these have as their object the participation in projects that imply Business Volumes in excess of one hundred million Euros.
f) A designação de quaisquer pessoas, individuais ou colectivas, para o exercício de cargos sociais noutras empresas;
g) A constituição da Comissão Executiva, e, bem assim, a definição das matérias a delegar nesta.

IMPUTATION OF VOTING RIGHTS

The Parties agree to exercise their voting rights at the General Meeting in a concerted manner and, namely:

h) Undertake to take all proposals, in unity, to Martifer's General Meetings;
i) Whenever a proposal, not endorsed by the Parties, is taken to the General Meeting, the Parties undertake to vote against the proposal unless the said proposal merits the agreement of both Parties.

OTHER PROVISIONS

By request of any of the Parties, these undertake to resolve over all the changes to Martifer's Memorandum and by-laws considered necessary to guarantee, in the widest terms permitted by law, the proper implementation of all the provisions contained in the Shareholder Agreement.

4.6
Changes to the by-laws

Martifer's By-laws do not contain special rules regulating changes to the said by-laws, which comply with the rules laid down in the CSC.

Hence:

- Constitutive quorum, the provisons laid down in article no. 383 of the CSC apply. In a first meeting, for a General Meeting to deliberate, over changes to the company's memorandum and by-laws, the presence, or representation, of shareholders holding at least one third of the company's share capital is required;
- Deliberative quorum, the provisons laid down in article 18 of the By-laws and article 386, no. 3 of the CSC apply, namely, corporate resolutions in a General Meeting are taken, whether in a first meeting or in a second meeting, by two thirds of issued votes.

4.7

Business and transactions between the company and members of the corporate bodies and related parties

During the 2010 economic period, the following authorizations were granted, by the Board of Directors, in respect of transactions between the company and companies that are in a relationship of dominium with Group directors, and which had the Supervisory Boards' prior approval, as required by the CSC:

- The company Severis, SGPS, SA, of which Mr Carlos Marques Martins and Mr Jorge Marques Martins are shareholders through the company Expertoption SGPS, SA, acquired 11% of the share capital in each of the companies Prio Foods SGPS, SA and Prio Energy, SGPS, from Martifer SGPS SA, as well as the respective supplementary share capital, in a total amount of 13,750,000 Euros.
- Sale of the company Tavira Gran Plaza, SA, and the subsequent sale of the investment property "Tavira Gran Plaza" (Shopping Center) to Sociedade Estia SGPS, SA, 50% owned by the company I'm SGPS, SA (holding company, of which Mr Carlos Martins and Mr Jorge Martins are shareholders).

Both the transactions were favourably passed by a majority of the votes, with the abstention of the interested directors.
In respect of companies in a relationship of dominium or Group, transactions with Martifer occurred within the scope of its present activities and under normal market conditions.

A detailed description of the transactions with related parties is presented in the Notes to the Consolidated Financial Statements of the Company.

Oliveira de Frades, March 15, 2011

The Board of Directors,

Carlos Manuel Marques Martins
(Chairman)

Jorge Alberto Marques Martins
(Vice-Chairman)

Luís Filipe Cardoso da Silva
(Member of the Board of Directors)

Arnaldo José Nunes da Costa Figueiredo
(Member of the Board of Directors)

Mário Jorge Henriques Couto
(Member of the Board of Directors)

Luís Valadares Tavares
(Member of the Board of Directors)

Jorge Bento Ribeiro Barbosa Farinha
(Member of the Board of Directors)

05

APPENDICES

APPENDIX I
CHARACTERIZATION

MANAGEMENT BODY

CARLOS MANUEL MARQUES MARTINS is President of the Board of Directors of Martifer since its incorporation in 2004 and one of the founding shareholders of Martifer Group in 1990, having started his professional activities in 1987 at the company Carvalho & Nogueira, Lda., as Production Manager of the iron sector. He has an honours degree in Mechanical Engineering from FEUP (Faculdade de Engenharia da Universidade do Porto).

JORGE ALBERTO MARQUES MARTINS is a member of the Board of Directors of Martifer (Vice-President and CEO) since its incorporation in 2004, CEO of the Group since October 2009, and one of the founding shareholders of Martifer Group in 1990, having started his professional activities in 1987 at SOCARPOR – Sociedade de Cargas Portuárias (Douro e Leixões), Lda., as assistant Financial Manager. He has an honours degree in Economics from FEP (Faculdade de Economia do Porto) and an MBA from UCP (Universidade Católica Portuguesa).

MÁRIO JORGE HENRIQUES COUTO is, since May 2009, CFO of Martifer SGPS SA, and holds the office of Director in other Martifer Group companies. He has an honours degree in Economics from Faculdade de Economia do Porto (1992). He has an MBA from Warwick Business School (2007-2008).
He carried out the functions of CFO at MONTEADRIANO in Portugal. From 1998-2002 he was General Manager of HERSO, in Argentina, and Manager of ICIL-ICAFAL, in Chile, affiliates of the Mota-Engil Group. Between 1993 and 1998 he was Finance Managerr at ENGIL and between 1992-1993, Advisor to the Board of EURONORTE.

ARNALDO JOSÉ NUNES DA COSTA FIGUEIREDO is a member of the Board of Directors of Martifer (non-executive non-independent director) since April, 30 2010. He has an honours degree in Civil Engineering from Faculdade de Engenharia da Universidade do Porto (1977). He has carried out functions as President of the Board of Directors of Mota-Engil, Engenharia e Construção, SA and of the Board of Directors of MEITS - Mota-Engil, Imobiliária e Turismo, SA; as Manager of Mota Internacional, LDA.; as President of the General Meeting Board of Maprel-Nelas, Indústria de Pré-Fabricados em Betão, SA; as Member of the General Meeting Board of Paviterra, SARL; as President of the Remuneration Setting Commission (representing Mota-Engil, Engenharia e Construção, SA) of Ferrovias e Construções, SA; of Aurimove – Sociedade Imobiliária, SA; of Nortedomus – Sociedade Imobiliária, SA; and of Planinova – Sociedade Imobiliária, SA.

LUÍS FILIPE CARDOSO DA SILVA is a member of the Board of Directors of Martifer (non-executive non-independent director) since April 30, 2010. He has an honours degree in Economics from Faculdade de Economia da Universidade do Porto. He has carried out the functions of Director at: MESP, Mota-Engil Serviços Partilhados Administrativos e de Gestão SA; MESP Central Europe Sp. z.o.o.; and Mota-Engil Brand Management B.V.. He was a member of the General and Supervisory Board of Vortal - Comércio Electrónico, Consultadoria e Multimédia, SA and member of the Board of Governors of Ascendi Group, SGPS, SA, having also been a member of the Supervisory Board of various Ascendi Group companies.

JORGE BENTO RIBEIRO BARBOSA FARINHA is a member of the Board of Directors of Martifer (non-executive independent director) since 2008. In his academic activity, starting in 1987, he has been a lecturer, with the category of auxiliary professor since 1989, at Faculdade de Economia da Universidade do Porto and, since 1991, has held various posts at Escola de Gestão do Porto/University of Porto Business School (EGP-UPBS). He was also a lecturer at Instituto de Estudos Superiores Empresariais (ISEE) da Universidade do Porto (1999-2001) and Vice-President of the Pedagogical Council at FEP (2002-2006). In his extra-academic activities he was a Capital Market Financial Analyst at Cisf-Companhia de Investimentos e Serviços Financeiros, S.A. (1987-1989), Senior Analyst of the Merger and Acquisitions Department at Banco Português de Investimento, S.A. (1990-1992), Deputy-Director of the Merger and Acquisitions Department at Banco Português de Investimento, S.A. (1992-1993), partner of Cf&a Associados - Consultores de Gestão, Lda. (1993-1994), partner of Futop – Consultores de Gestão, S.A. (1994-1995) and non-executive Director at Enotum.com (Telecommunications' sector company incubator) (2000-2002). He has an honours degree in Economics from Faculdade de Economia da Universidade do Porto, an MBA - Master of Business Administration from INSEAD- Institut Européen d´Administration des Affaires, Fontainebleau, France and a PhD in Accounting and Finance from University of Lancaster (Management School), United Kingdom.

LUIS ANTÓNIO DE CASTRO DE VALADARES TAVARES is a member of the Board of Directors of Martifer (non-executive independent director) since 2008. He has been a Guest Lecturer at Faculdade de Ciências Económicas e Empresariais da Universidade Católica Portuguesa since 1975 and, since 1980 he has been a Professor at Instituto Superior Técnico de Sistemas e Gestão and is President of Observatório de Prospectiva – OPET, since 2002. Previously, he was President of Instituto Nacional de Administração (2003-2007), First Coordinator of the Masters Degree in Operational Investigation and Systems Engineering (IST), Director and Founder of the Masters Degree in Health Engineering at UCP, Director of the Programa de ensino à Distância em Gestão (Dislogo) at UCP, First Coordinator of the MBA at Instituto Inter-Universitário de Macau, Director General of Gabinete de Estudos e Planeamento do Ministério da Educação, Manager of Programa de Desenvolvimento da Educação in Portugal (PRODEP), Manager of Programa de Financiamento pelo Banco Mundial do Sistema Educativo, Manager of Programa Minerva (Informática nas Escolas), Vice-President of Comité de Educação (OCDE), President of Comité de Educação (OCDE), President of Comité de Educação do Conselho das Comunidades Europeias (1st Portuguese Presidency), First President of Associação Portuguesa de Investigação Operacional (APDIO), Vice-President of Federação das Sociedades de Investigação Operacional (IFORS), Guest Professor at the following Universities: North Carolina (Raleigh, USA); Colorado (Denver, USA); Columbia (NY, USA); Princeton (NY, USA); UCLA (Los Angeles, USA); University of Newcastle Business School (Newcastle, UK); Paris-Dauphine (Paris); Mohammed (Rabat, Morocco); Middle East Technical University (Ankara, Turkey); Poznan Technical (Poznan, Poland); Helsinki Technical (Helsinki, Finland); PUC of Rio de Janeiro (Brazil); Federal de Santa Catarina (Florianópolis). He has an honours degree in Civil Engineering from IST, a Masters Degree in Operational Investigation from University of Lancaster (United Kingdom), a Doctorate in Engineering Sciences from IST and an Aggregation in Operational Investigation from IST.

CARLOS MANUEL MARQUES MARTINS

a) Positions held in Martifer Group subsidiaries:

Chairman of the Board of Directors:
Martifer - SGPS, S.A.

Manager:
Parque Éolico da Penha da Gardunha, Lda

b) Positions held in Martifer Group associated companies:

Chairman of the Board of Directors:
Prio Foods SGPS, S.A.
Prio Energy, SGPS, S.A.
Prio Foods, S.A.
Prio Energy, S.A.
Prio Biocombustíveis, S.A.
Mondefin Combustíveis, S.A.

c) Positions held in companies external to the Group:

Chairman of the Board of Directors:
I'M - SGPS, S.A.
I´M Mining, SGPS, S.A.
Severis, SGPS S.A.
ESTIA – SGPS, S.A.
ESTIALIVING, S.A.
Tavira Gran Plaza, SA

Member of the Board of Directors:
Exclusipolis, SGPS, Lda.

Sole Director:
Black and Blue Investimentos, S.A.
Expertoption, SGPS, SA

JORGE ALBERTO MARQUES MARTINS

a) Positions held in Martifer Group subsidiaries:

Chairman of the Board of Directors:
Martifer Solar, S.A.
Martifer Solar - SGPS, S.A.
Martifer Renewables, SGPS, S.A.
Martifer Renewables, S.A.
Martifer Energy Systems, SGPS, S.A.
SPEE 2 – Parque Eólico de Vila Franca de Xira, S.A.
Martifer – Inovação e Gestão, S.A.
Martifer Metallic Constructions - SGPS, S.A.
WPT – Wind Power Transmission, S.A.

Member of the Board of Directors:
Martifer - SGPS, S.A. (vice-presidente e CEO)
SPEE 3 - Parque Eólico do Baião, S.A.
Ventipower, S.A.
Prio Agriculture B.V.
B.R. Wind B.V.

b) Positions held in companies external to the Group:

Member of the Board of Directors:
I´M– SGPS, S.A.
I´M Mining, SGPS, S.A.
ESTIA SGPS, S.A.

Manager:
A Púcara, Lda.

MÁRIO JORGE HENRIQUES COUTO

a) Positions held in Martifer Group subsidiaries:

Member of the Board of Directors:
Martifer - SGPS, S.A.(CFO)
Martifer Solar - SGPS, S.A.
Martifer - Solar, S.A.
Martifer Renewables SGPS, S.A.
Martifer Renewables, S.A.
Martifer Energy Systems SGPS, SA.
Martifer Inovação e Gestão, S.A.
Martifer Metallic Constructions - SGPS, S.A.

Does not hold posts in any other company in or outside Martifer Group.

ARNALDO JOSÉ NUNES DA COSTA FIGUEIREDO

a) Positions held in Martifer Group subsidiaries:

Member of the Board of Directors:
Martifer - SGPS, S.A.

b) Positions held in companies external to the Group:

Chairman of the Board of Directors:
Mota-Engil, Indústria e Inovação, SA

Vice- Chairman of the Board of Directors:
Mota-Engil, SGPS, SA

Member of the Board of Governors:
Ascendi, SGPS, SA.

Member of the Board of Governors:
Asterion ACE
AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado

LUÍS FILIPE CARDOSO DA SILVA

a) Positions held in Martifer Group subsidiaries:

Member of the Board of Directors:
Martifer - SGPS, S.A.

b) Positions held in companies external to the Group:

Director of the Board of Directors:
Mota-Engil, SGPS, SA(Vogal e administrador executivo)
Mota-Engil Serviços Partilhados Administrativos e de Gestão SA
MESP Central Europe Sp. z.o.o.
Mota-Engil Brand Management B.V.
Vallis, SGPS, SA

Member of the Board of Governors:
Ascendi Group, SGPS, SA.

Member of the General and Supervisory Council:
Vortal - Comércio Electrónico, Consultadoria e Multimédia, SA

LUIS ANTÓNIO DE CASTRO DE VALADARES TAVARES

a) Positions held in Martifer Group subsidiaries:

Member of the Board of Directors:
Martifer, SGPS, S.A.

Does not hold posts in any other company in or outside Martifer Group.

JORGE BENTO RIBEIRO BARBOSA FARINHA

a) Positions held in Martifer Group subsidiaries:

Member of the Board of Directors:
Martifer, SGPS, S.A.

Does not hold posts in any other company in or outside Martifer Group.

General Meeting Board

CHAIRMAN OF THE GENERAL MEETING BOARD
José Carreto Lages has an honours degree in Law from Universidade de Coimbra, and has practiced law from 1971 to 1996 and, subsequently, from 2002 to date (partner at Carreto Lages & Associados, Sociedade de Advogados, RL), primarily in the areas civil law, including property and estate law, contract law, family and succession law, corporate law and criminal law. He is presently lecturing the subject Direito na Associação (Association Law) at Academia de Saberes de Aveiro, in Aveiro. He was a delegate of the Attorney General of the Republic in the Counties of Castelo de Vide and Arganil from 07.1968 to 08.1971. He participated in conferences and has provided training in notarial law, having been a Notary at the Oliveira de Frades Notarial Office from 1971 to 1996 and in the 2nd Notarial Office in Aveiro (01.1996 to 06.2002). From 1996 through 1999 he carried out the functions of Inspector of the Notarial Services. He was Alderman of the Oliveira de Frades City Council for part of two terms of office.

VICE- CHAIRMAN OF THE GENERAL MEETING BOARD
Francisco Artur dos Prazeres Ferreira da Silva has an honours degree in Law from Universidade de Coimbra, practicing law in the County of Oliveira de Frades. He was always active in his community, having been Vice-President of the Oliveira de Frades County from1998 through 2001, and had other posts at Associação Cultural e Recreativa, Banda de Música and Grupo Desportivo, all in Oliveira de Frades.

SECRETARY OF THE GENERAL MEETING BOARD
Ana Maria Tavares Mendes has an honours degree in Law and post graduation in Medical Law from Faculdade de Direito da Universidade de Coimbra. She is presently an attorney at Carreto Lages & Associados, Sociedade de Advogados, RL, where she had already carried out functions from 06.2005 to 12.2007. From 10.2007 through 01.2008 she was an Attorney at Instituto Politécnico de Leiria and, from 07.2006 through 07.2007, at Centro Distrital da Segurança Social de Aveiro.

Supervisory Board

Manuel Simões de Carvalho e Silva has an honours degree in Law from Universidade de Coimbra. Registered in the Bar Association, he practices law in the County of Aveiro and surrounding area since October 1980, focusing on civil, labour, commercial and company law as well as penal law. He is President of the Supervisory Board of Martifer - SGPS, S.A..

Carlos Alberto da Silva e Cunha holds a Diploma in Advanced Studies (PhD Curricular Programme in Business Sciences) from Vigo University, Spain. He has a Masters degree in Accounting and Management from Universidade do Minho and a Post-Graduate course titled "O Impacto do Euro nas Empresas" from Instituto de Estudos Superiores Financeiros e Fiscais. He has an honours degree in Auditing and a Higher Diploma in Auditing from Instituto Superior de Contabilidade e Administração do Porto, and also has a Diploma in Accountancy from Instituto Comercial do Porto. He is a Chartered Accountant listed on the Official List since March 1990. He is also an Assistant Lecturer, invited to lecture the subject Auditoria (Auditing) at Escola de Economia e Gestão (Universidade do Minho) as well as at Universidade Lusíada (Porto). In 2008 and 2009 he was invited to lecture for the Post-Graduate course titled "Gestão de Fraude" (Fraud Management), promoted by Faculdade de Economia da Universidade do Porto. He is Vice-President of Articles Commission and Member of the Governors Board of the Institute of Chartered Accountants, where he also performs the function of Controller-Rapporteur of the Quality Control Commission. He is a Member of the Governors Board of APECA and a member of the Technical Board of the Portuguese Association of Expert Accountants. He is also a company consultant, working in the areas of organization and management, finance, tax and accounting.

Carlos Alberto de Oliveira e Sousa has an honours degree in Accounting Audit, a Bachelors degree in Accounting and Management and has completed a Higher Diploma in Auditing. He is registered with the Chamber of Official Accountants with the number 1858. From early on he carried out administrative functions, focusing mainly on accounting, having also carried out the function of head of administrative services at a commercial distribution company. From 1989 he freelanced as an accountant and consultant, having been the finance manager at various companies, whilst accumulating management posts. From 1990 to 2000 he lectured various subjects related to his academic training, in various teaching establishments.

João Carlos Tavares Ferreira de Carreto Lages has an honours degree in Law from Universidade Católica do Centro Regional do Porto. From 1995, he practices as an attorney in the Oliveira de Frades County, managing legal proceedings domiciled in various points of the country. He was a Member of the Board of Directors of APA, S.A., Administração do Porto de Aveiro, being responsible for the following functions: Marketing and Public Relations, Safety and Environment, Human Resources and Pilots. In July 2002, he set up the legal practice "Carreto Lages e Associados", with offices in Aveiro and Oliveira de Frades, carrying out the function of directing partner.

Chartered Accountant

Américo Agostinho Martins Pereira, member of the Portuguese Institute of Chartered Accountants with the number 877 and is registered with the CMVM with the number 9153, has an honours degree in Accounting Audit, with a higher Diploma in Auditing. From 1994 he has carried out his activities, exclusively as a Chartered Accountant, on a freelance basis. He holds no shares in the company Martifer SGPS, S.A..

Joselito Pedro Quaresma Almeida has an honours degree in Company Organization and Management. He is registered with the Portuguese Institute of Chartered Accountants with number 1248. He holds no shares in the company Martifer SGPS, S.A..

Remuneration Setting Commission

António Manuel Queirós Vasconcelos da Mota has an honours degree in Civil Engineering (Roads) from Faculdade de Engenharia Civil da Universidade do Porto. He presently performs the functions of President of the Board of Directors of Mota-Engil, SGPS, S.A., office he holds since 2000. He held the office of President of the Board of Directors in other companies, namely, at Mota-Engil, Engenharia e Construção, S.A. (2003-2006), at Mota-Engil Internacional, S.A. (2000-2003), at Engil – Sociedade de Construção Civil, S.A. (2000-2003) and at Mota & Companhia, S.A. (1995-2003), where he also held office as Vice-President (1987-1995). He started his professional activity in 1977 as an intern at Mota & Companhia, Lda, having between 1979 and 1981 interacted with various Directorates of the company, coming to exercise the function of Production Director-General (1981-1987).

Maria Manuela Queirós Vasconcelos Mota dos Santos has an honours degree in Economics from Faculdade de Economia do Porto. She has held the post of Director in various companies of the Mota-Engil Group, being presently President of the Human Resources Development Commission of the group. She is presently a Member of the Board of Directors of Mota-Engil, SGPS, S.A..

Júlio Manuel Santos Martins has a doctorate in Accounting and Finance from Manchester Business School, a Masters degree in Industrial Economics and an honours degree in Economics from Faculdade de Economia do Porto. He is presently a Member of the Board of Directors of I'M SGPS, S.A. and holds other functions at various I'M group companies. He was Chief Operating Officer and Director of Fundação Ilídio Pinho and Ilídio Pinho Group (2006-2008), having also exercised functions as Director at IP Holding, SGPS, S.A. (1994-2000), as Member of the Executive Commission and Administrative and Finance Manager at Colep – Companhia Portuguesa de Embalagens, S.A. (1993-1994), as Finance Managerr at Neorelva – Embalagens Metálicas, S.A. (1989-1993) and as Financial Analyst at Banco Português do Atlântico (1989). He is Auxiliary Lecturer at Faculdade de Economia do Porto since July 2006, Guest Lecturer since November 2007 lecturing subjects for the Masters degree in Accounting and Commercial Management. He was also a lecturer and trainer at other teaching establishments, namely Universidade Fernando Pessoa and Instituto Superior de Administração e Gestão, both in Porto. He has held various conferences, was member of the Jury evaluating doctoral and master theses. He published, together with F. Chittenden, in 2003, "Valuing intangible assets", in The Royal Institute of Chartered Surveyors. He is a member of EAA – European Accounting Association and of GRUDIS – Rede Portuguesa de Investigação em Contabilidade.

APPENDIX II
SHAREHOLDINGS HELD BY MEMBERS OF THE CORPORATE BODIES

	CORPORATE BODY	No. SHARES AT 31/12/2010
Carlos Manuel Marques Martins	Board of Directors	*70,030*
Jorge Alberto Marques Martins	Board of Directors	131,760
I'M – SGPS, S.A. *	Board of Directors	41,959,212
Mário Jorge Henriques Couto	Board of Directors	0
Arnaldo José Nunes da Costa Figueiredo	Board of Directors	3,000
Luís Filipe Cardoso da Silva	Board of Directors	2,000
MOTA-ENGIL, SGPS, S.A. **	Board of Directors	37,505,000
Luís Valadares Tavares	Board of Directors	0
Jorge Bento Ribeiro Barbosa Farinha	Board of Directors	0
Manuel Simões de Carvalho e Silva	Supervisory Board	0
Carlos Alberto da Silva e Cunha	Supervisory Board	0
Carlos Alberto de Oliveira e Sousa	Supervisory Board	0
Américo Agostinho Martins Pereira	Chartered Accountant	0
José Carreto Lages	President of the General Meeting Board	0

* The Directors Carlos Manuel Marques Martins and Jorge Alberto Marques Martins hold the totality of the share capital of I'M – SGPS, S.A., of which Board of Directors they are equally President and Member, respectively.

** The Directors Arnaldo José Nunes da Costa Figueiredo and Luís Filipe Cardoso da Silva are, respectively, members of the Board of Directors of Mota-Engil, SGPS, S.A. and of Mota-Engil Group subsidiaries.

APPENDIX III

STATEMENT ON THE REMUNERATION POLICY COVERING MANAGERS (AS DEFINED IN ARTICLE 248-B, NO.3 OF THE SECURITIES CODE) THAT ARE NOT PART OF THE MANAGEMENT AND SUPERVISORY BODIES, IN TERMS OF RECOMMENDATION 2.I.5.3 OF THE CORPORATE GOVERNANCE CODE ISSUED BY THE CMVM

1. Given that the Remuneration Setting Commission's competencies are limited exclusively to the definition of the remuneration policy for corporate bodies, it is the Board of Directors' responsibility to define the retribution and incentive policy for Managers and other technical and administrative employees of the Company.
2. With the intention of legitimizing and clarifying the remuneration setting policy of the Managers (as defined in no. 3 of article 248-B of the Securities Code), who are not members of the Management and Supervisory Bodies of the Company, the Board of Directors submits for the appraisal of the annual General Meeting, a document containing the guidelines it follows in setting the said remunerations.
3. On these terms the Board of Directors makes the following announcement regarding the policy adopted in respect of the remuneration of the Managers of the Company:

a) The policy adopted in setting the remuneration of Managers at Martifer coincides with that defined for the generality of the Company's employees;
b) Hence, the Managers remuneration and that of technical and administrative employees of the Company, comprises a fixed remuneration with a, possible, performance award where applicable;
c) The quality/quantification of the performance is established in accordance with the criteria previously defined for the Board of Directors.

Consequently, the definition of a possible performance award to managers will take into account the degree of responsibility borne, the capacity to adapt to the company and to its procedures, but also the technical and/or economic and financial performance of the business area to which the Manager belongs as well as the company's economic and financial performance.

The Board of Directors,

Carlos Manuel Marques Martins
(Chairman of the Board of Directors)

Jorge Alberto Marques Martins
(Vice- Chairman of the Board of Directors)

APPENDIX IV

STATEMENT REGARDING THE MANAGEMENT AND SUPERVISORY BODIES' REMUNERATION POLICY SUBMITTED FOR APPROVAL AT THE GENERAL MEETING OF APRIL 7, 2010

Statement from the Remuneration Setting Commission regarding the management and supervisory bodies' remuneration policy
(article 2 of Law no. 28/2009, of June 19)

I - INTRODUCTION

Using the right conferred by article 399 of the Commercial Companies Act, the By-laws of MARTIFER SGPS, S.A., in article 20, delegate on a Remuneration Commission the powers to set the remuneration of the Management and Supervisory Bodies of that company.
This Commission, in compliance with that laid down in article 2 of Law no. 28/2009, of June 19, submits, for the approval of the Shareholders General Meeting of Martifer SGPS, S.A., on April 7, 2010, this statement regarding the remuneration policy applicable to the management and supervisory bodies of the Company.
This statement aims to follow closely the applicable provisos of the Commercial Companies Code and the Corporate Governance Code of the Portuguese Securities Market Commission.
It is to be pointed out that the present statement, apart from being required by Law, is intended to become an efficient instrument of good corporate governance, aiming to inform the shareholders, protect their interests and to achieve greater transparency of corporate governance in the matter of the remuneration policy applicable to the corporate bodies.

II – LEGAL REGIME

In defining the remuneration policy to be set by the Remuneration Commission were considered, in a first instance, the legal provisions foreseen in the Commercial Companies Code, namely in its article 399, Law 28/2009, of June 19, in respect of the approval and disclosure regime regarding the remuneration policy of the management and supervisory bodies of companies admitted to trading in a regulated market, as well as the Corporate Governance Code issued by the Portuguese Securities Market Commission. In a second instance, the special regime laid down in the by-laws of the company was also considered in defining the remuneration policy.

III – GENERAL PRINCIPLES

The Remuneration Commission has sought, in its remuneration policy, to promote the convergence of the interests of the directors and other corporate bodies and managers with those of the Company, namely the creation of value for the shareholder and the real growth of the company, privileging a long term perspective.
In pursuit of this aspiration, and following the policies adopted in the last few years, the Commission structures the components integrating the remuneration of the Management Bodies so as to reward their performance, discouraging, however, excessive risk assumption by them. The intention is, in this manner, to attain high and, simultaneously, sustained growth.
Finally, it is to be referred that the company's economic situation and the general conditions practiced by the market for equivalent functions are also determinant to the mission of this Commission
Formalizing the general policies enunciated above, the guiding principles considered by this Commission in setting the remuneration are presented below:

a) Functions carried out

In determining the remuneration of each member of the Management body, the degree of complexity inherent to the function, the responsibilities attributed, the time spent and the value added that the product of the work brings to the company, is to be considered.
Consequently, it is necessary to differentiate between the remuneration set for company's executive and non-executive Directors, as well as the remuneration of the Directors of each category cited, considering the above-mentioned evaluation elements.

Of relevance are other functions carried out in affiliated companies that cannot be excluded from this evaluation in terms of, on the one hand, the increased responsibilities attributed and, on the other hand, the additional source of revenue.

b) Alignment of the interests of the members of the management body with the interests of the company – Performance evaluation

To ensure an effective alignment of the interests of the members of the management body with the interests of the company, this Commission will pursue a policy that rewards the Directors for the company's performance over the long term and the creation of value for the shareholders.

c) The economic situation of the company

This criterium must be understood and interpreted cautiously. The size of the company and the inevitable complexity of the associated management is clearly one of the relevant aspects in determining the economic situation of the company, in a broad sense. To a greater level of complexity corresponds, of necessity, a higher remuneration, but the remuneration must be adjusted to take into consideration other factors characterizing the economic situation of the company (financial, human resources, etc.).

The Commission takes into consideration the economic situation of the company, present and future, privileging the interests of the company over the long term, the real growth of the company and the creation of value for the shareholders.

d) General market conditions for equivalent situations

The definition of any remuneration cannot escape the law of supply and demand, and the situation of the members of the Corporate Bodies is no exception. Only respect for market practices permits retaining professionals with a level of performance appropriate to the complexity of the functions and responsibilities. It is important that the remuneration be aligned to the market and be stimulating, serving as a means to achieve a high individual and collective performance level, assuring not only the interests of the professional but essentially those of the company and the shareholders.

IV – CONCRETE OPTIONS

Based on the principles identified above, the Commission presents below information regarding the concrete options of the remuneration policy, which are submitted for the appraisal of the shareholders of the company:

1 The remuneration of the executive members, as well as of the non-executive non-independent members, of the Board of Directors shall be composed of a fixed and a variable component.

2 The remuneration of the non-executive independent members of the Board of Directors, of the members of the Supervisory Board and of the members of the General Meeting Board shall be composed solely of a fixed component.

3 The fixed component of the remuneration of the members of the Board of Directors with executive functions, as well as that of the non-executive non-independent members, shall consist of a monthly amount, payable fourteen times per annum.

4 The setting of the monthly amount for the fixed component of the remuneration of the members of the Board of Directors shall be made for all those that are members of the Executive Commission and for those that, even though not belonging to that commission, are not considered independent.

5 The setting of the predetermined amount for attendance at each meeting of the Board of Directors shall be made for all those considered independent and that have functions which are essentially non-executive.

6 The fixed remunerations of the members of the Supervisory Board will all consist of a fixed amount, payable twelve times per annum.

7 In setting all remunerations, including in distributing the global amount of the variable pay of the members of the Board of Directors, the general principles referred to above will be observed: functions carried out, alignment with the interests of the company, privileging the long term, the company situation and market criteria.

8 The process of attributing the variable remuneration (VR) to the executive members of the Board of Directors shall follow the criteria proposed by the Remuneration Setting Commission, namely, the hierarchical position, the performance evaluation carried out, the real growth of the company, herewith looking to increase the convergence of the interests of the Management bodies with those of the company, privileging the long term perspective, which is the one considered in the Management performance criteria. Hence, the factors determinant in the evaluation and measurement of VR:

- the Contribution of the Executive Commission to the results obtained;
- the profitability of the business from a shareholder perspective;
- the evolution of the share price;
- the degree to which projects integrated and measured by the Group's Balanced Scorecard are realised.

9 Management submitted the proposal "Remuneration in Martifer Stock Option Plan (PROA)" for appraisal by the Shareholders, at the General Meeting held on March 28, 2008.

PROA has, amongst others, as objectives, to increase the loyalty of key employees in the various Group companies; to stimulate their creative and productive capacity, to increase, in this manner, the business results; to create favourable conditions to attract and recruit managers and other employees of high strategic value and to align the interests of the employees with the interests of the Shareholders of Martifer, reflected in the increase of the Share price on the Stock Exchange.

PROA functions through the attribution of part of the beneficiary's variable remuneration in options to buy or subscribe Martifer shares. Hence, PROA is dependent on the performance evaluation system in effect at the Group. The number of options that each beneficiary receives, in a given year, will depend on the amount of his VR, which depends on his performance evaluation, his hierarchical position and the value of the options. The value of the options shall be calculated by independent entities (Investment banks).

Each option will give the beneficiary the right to acquire or subscribe one Martifer share at a future moment at the exercise price. Options attributed can be exercised at 4 moments, annually differentiated.

The shares to deliver to the beneficiaries when the options are exercised shall derive from a share capital increase. The number of shares resulting from options attributed but not exercised cannot exceed 2% of Martifer's share capital, at any moment. The beneficiary will lose his rights over the options not exercised in the event he ceases being a Group employee, without there having been a mutual agreement.
10 Even though the policies referred to above protect the shareholders and the interests of the company in the long term, the Commission, seeking to adopt the best governance practices in the matter of corporate body remuneration, is presently studying the possibility of adopting policies that, if they prove to be feasible and balanced for all participants, foresee the possibility of the payment of the variable component occurring, totally or partially, solely after the financial statements of all the periods of the term of office are closed and, on the other hand, permit limitations to the variable remuneration if the results evidence a relevant deterioration in the company's performance in the last economic period closed or when this is expected in the economic period underway.

In light of that stated, and in particular of that referred to in number 10 above, we consider that these options should be maintained until the next Shareholder General Meeting.

The Remuneration Setting Commission

www.
martifer.
com