



SONAE, SGPS, SA

Sociedade Aberta

Head Office: Lugar do Espido - Via Norte - 4471- 909 MAIA

Share Capital: Euro 2,000,000,000

Maia Commercial Registry Nr. 14 168

Fiscal Nr. 500 273 170

## **REPORT AND ACCOUNTS**

**30 SEPTEMBER 2005**

*(Translation from the Portuguese original)*



**REPORT OF THE BOARD OF DIRECTORS**  
**30 SEPTEMBER 2005**



Sonae, SGPS, SA - Sociedade Aberta  
 Lugar do Espido Via Norte Apartado 1011  
 4471-909 Maia Portugal  
 Share Capital Euro 2 000 000 000.00  
 Maia Commercial Registry (Nr. 14168)  
 Fiscal Nr. 500 273 170

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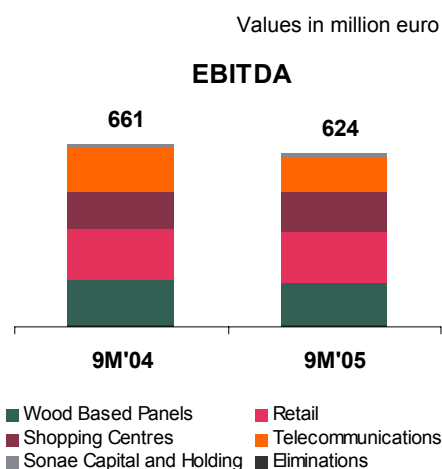
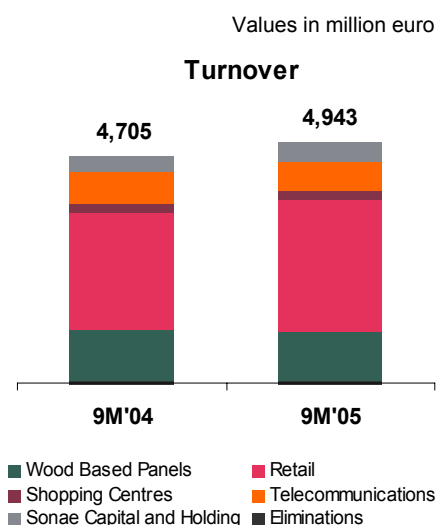
## REPORT OF THE BOARD OF DIRECTORS

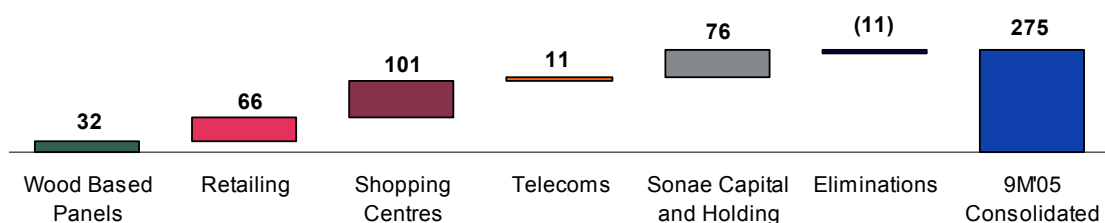
### NINE MONTHS ENDED 30 SEPTEMBER 2005

(Unless otherwise stated, the figures presented in this announcement relate to the first nine months of 2005. The figures shown in brackets are the comparable figures for the same period of the previous year.)

## HIGHLIGHTS

Values in million euro			
Economic Indicators	30.09.2005	30.09.2004	Δ
Turnover	4,942.8	4,704.8	+5.1%
Operating Cash-Flow (EBITDA)	623.9	660.6	-5.6%
EBITDA margin	12.6	14.0%	-1.4 p.p.
Operating Profit (EBIT)	359.1	397.0	-9.5%
Profit for the Period	274.6	260.8	+5.3%
Profit Attributable to Equity Holders of Sonae	193.8	170.8	+13.5%



**Contributions to Profit for the Period**

Values in million euro

Financial Indicators	30.09.2005	31.12.2004	Δ
Total Assets	9,066.1	8,597.6	+5.4%
Total Equity	2,299.4	1,890.4	+21.6%
Net Debt	3,336.5	2,821.7	+18.2%
Annualised Interest Cover	5.7	5.1	+11.8%

**MAIN CORPORATE EVENTS DURING THE FIRST NINE MONTHS OF 2005**

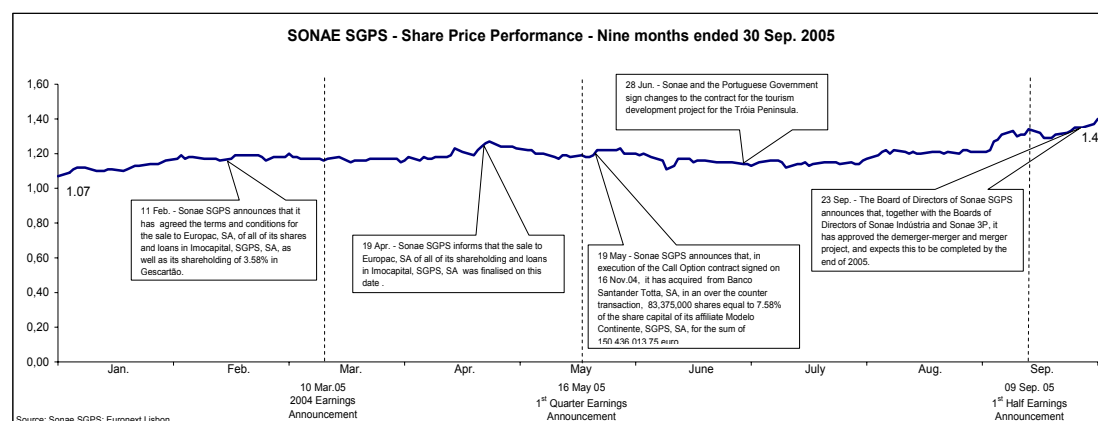
On 11 February 2005, Sonae, SGPS, SA announced that it had agreed the terms and conditions for the sale to Europac SA of all of its shares and loans in Imocapital, SGPS, SA, which holds 65% of the share capital of Gescartão, SGPS, SA, as well as its direct shareholding of 3.58% in Gescartão. The sale of the share capital of Imocapital was subject to the approval of the Competition Authority as required by Portuguese Law, and this was obtained on 6 April 2005. This sale impacted the consolidated net profit attributable to Sonae equity holders by circa 39 million euro. The cash inflow associated with this transaction, of circa 97.9 million euro, was received in the month of April.

Following the announcement made on 22 December 2004, a further 27.8% of ba Vidro was sold, resulting in a capital gain of 37.8 million euro and a cash inflow of 97.4 million euro (including share sales proceeds, reimbursement of shareholders' loans and dividends).

On 19 May 2005, in an over the counter transaction, Sonae, SGPS, SA acquired 83,375,000 shares (7.58% of the share capital) of its affiliate Modelo Continente, SGPS, SA, for 150.4 million euro, under the terms of the Call Option contract signed on 16 November 2004 between Sonae, SGPS, SA and Banco Santander Central Hispano, SA and its affiliated companies. As a result of this acquisition, Sonae owns directly 75.64% of the share capital of Modelo Continente, SGPS, SA, while 98.06% of the share capital and voting rights of the company continue to be attributed to Sonae.

The decision to spin-off Sonae Indústria was announced on 10 March 2005. The Board of Directors announced on 23 September 2005 that, together with the Boards of Directors of the other companies involved (Sonae Indústria and Sonae 3P), it had approved the demerger-merger and merger project. Under the terms of the project, shares held in Sonae Indústria equal to 90.36% of Sonae Indústria's share capital, will be demerged from Sonae and merged into Sonae 3P. Sonae Indústria will then be merged into Sonae 3P which will be renamed Sonae Indústria, SGPS, SA. The new Sonae Indústria will have a share capital of 700 million euro corresponding to 140 million shares, each with a nominal value of 5 euro. Admission to Euronext Lisbon will be requested for these shares. In the demerger-merger, one share in Sonae 3P will be granted for every 14.75 shares in Sonae, SGPS, SA, and in the merger one share in Sonae 3P will be granted for each share in Sonae Indústria. On 4 November 2005, the General Meetings of Shareholders of the companies involved in the operation approved the demerger-merger and merger project. As at the date of this report, the spin-off of Sonae Indústria is progressing as scheduled and is expected to be concluded by the year end.

## SHARE PERFORMANCE



During the first nine months of 2005, Sonae SGPS's share price increased by 32.7%, clearly outperforming the Portuguese Stock Market Index (PSI-20) which rose 6.4%.

On a monthly basis, August and September posted the most significant increases, with the share price rising 9% and 12%, respectively, compared to the previous months. The highest closing price in the period was achieved on 30 September at 1.42 euro per share, and on average, around 5.4 million shares were traded daily.

## **OWN SHARES**

On 4 May 2005, Sonae, SGPS, SA sold on the stock exchange 1,321,949 own shares at 1.20 euro per share. On the same day, Sonaecom, SGPS, SA purchased on the stock exchange 1,321,949 Sonae, SGPS, SA shares at 1.20 euro per share. After executing this transaction, Sonae, SGPS, SA held 134,178,021 own shares, directly or through its affiliated companies.

On 11 May 2005, Sonaecom, SGPS, SA transferred, in an over the counter transaction and in accordance with its Deferred Performance Bonus Plan, 201,875 Sonae, SGPS, SA shares to employees. After this transaction, Sonae, SGPS, SA holds directly or through its affiliated companies 133,976,146 own shares (6.70% of its share capital).

## BUSINESS ANALYSIS <sup>1</sup>



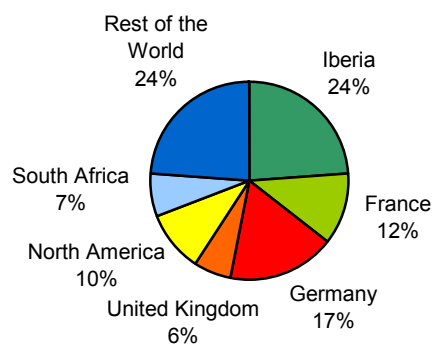
### WOOD BASED PANELS

Values in million euro

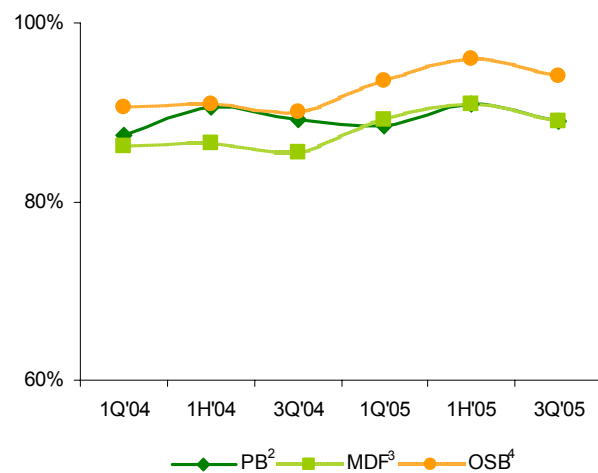
	9M'05	9M'04	Δ
Turnover	1,088	1,113	-2%
Operational Cash-Flow (EBITDA)	164	174	-6%
EBITDA Margin	15.1%	15.6%	-0.5 p.p.
Profit Attributable to Equity Holders of Sonae Indústria	34	31	+10%

	30 Set'05	31 Dec'04	Δ
Net Debt	579	564	+3%

Turnover by market



Capacity Utilisation



<sup>1</sup> The figures included in this section are those from the consolidated financial statements of each business.

<sup>2</sup> PB – Particleboard.

<sup>3</sup> MDF – Medium Density Fibreboard.

<sup>4</sup> OSB – Oriented Stranded Board.

## Main highlights

- Volumes sold in the first nine months of 2005 were similar to those sold in the same period last year and, with the exception of OSB<sup>5</sup>, average prices showed a positive trend.
- Nominal capacity utilisation at a consolidated level increased to 89% in the third quarter of 2005 (88%).
- On a like for like basis, excluding Gescartão, consolidated turnover increased 4% to 1,088 million euro (1,049 million euro), whereas EBITDA went up 2% to 164 million euro (160 million euro). EBITDA for the period included non-recurrent items of around 23 million euro (8 million euro), resulting from the sale of Gescartão and Tafisa shares in the first quarter of 2005 and of some forestry land in Spain, mainly in the third quarter of 2005.
- Consolidated Net Debt as at 30 September 2005 was 579 million euro, up 15 million euro compared to the end of 2004. This performance was impacted by the lower usage of receivables securitisation and factoring, 12 million euro, and by higher working capital requirements resulting from increased levels of activity. Net gearing improved significantly from 171% at the end of 2004 to 109% at 30 September 2005.
- The conditions necessary for the spin-off of Sonae Indústria have been met with the achievement of financial independence from the reference shareholder. As a result of the operation, Sonae Indústria will increase its free-float from less than 3% to around 38%, leading to a greater visibility of Sonae Indústria in equity markets.
- **Iberia:** turnover increased 8.9% and EBITDA increased to 62 million euro (43 million euro). Excluding non recurrent items, EBITDA increased 10% to 39 million euro. Despite excess particleboard production capacity in the Iberian Peninsula, there has been an increase in export activity. EBITDA has been negatively impacted by the effects of higher oil prices in chemical and energy costs, which were offset by a reduction in overhead costs and headcount. Production efficiency continued at levels greater than 90% in all board production lines.
- **France:** turnover decreased 7.3% to 197 million euro (212 million euro), due to lower domestic demand, in particular for particleboard. EBITDA totalled 7.1 million euro (11.3 million euro). Total production volumes for the first nine months of the year were affected by the adverse winter weather conditions, some technical problems, lower market demand in the second and third quarters of the year and stoppages relating to investments made to improve efficiency of production lines. Variable costs were impacted by increased wood costs and high oil prices that affected costs of fuel and chemicals.
- **Germany:** overall market demand for particleboard and MDF<sup>6</sup> in the main retail and industrial segments declined during the period. OSB<sup>5</sup> prices fell significantly from the high levels of the previous year, but MDF<sup>6</sup> and particleboard prices recorded a positive trend. Turnover of 334 million euro (335 million euro) remained in line with the same period of last year, mainly due to a boost in export activity. Capacity utilisation was close to maximum at all plants. Some cost savings were obtained, mainly due to headcount optimisation, although not enough to prevent a decline in the EBITDA margin to 7%.

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<sup>5</sup> OSB – Oriented Stranded Board.

<sup>6</sup> MDF – Medium Density Fibreboard.



- **United Kingdom:** interest rate increases during 2004, resulted in a slowdown of the UK economy. The second half of 2005 has been marked by increased optimism in the construction sector, boosted by the successful London 2012 Olympic bid. However, residential building seems to have been dampened by falling house prices and pressure is being felt on the furniture industry as a result of increased import activity from Asia. Even though volumes sold in the first nine months of 2005 were below those sold in the same period of last year, the general pricing environment improved and Sonae Industria's UK operations reinforced their market position through a broadening of the product portfolio. Turnover increased 1.3% to 56 million pounds sterling (55 million pounds sterling). Capacity utilisation at Knowsley increased to 74% and at Coleraine to 90%, the latter increasing utilisation of recycled wood to 47%. EBITDA margin declined to 4% (5%), reflecting the increases in resin and electricity costs, which more than offset the reductions in the costs of wood.
- **Canada:** demand for particleboard declined in North America as did spot prices for raw board, in particular since the second quarter of 2005. However, demand for melamine faced shipboard has been supported by strong housing starts which remain very high in Canada and the USA. Turnover increased 1.4% to 161 million Canadian dollars (159 million Canadian dollars). Wood costs increased mainly due to higher transportation costs, whereas chemical costs continued to rise on the back of high oil prices. Some cost savings were achieved with the introduction of new machinery in June, enabling increased use of recycled wood at the Lac-Mégantic plant. EBITDA margin in the first nine months of the year was 22%.
- **Brazil:** internal market demand for boards declined due to the combined effect of a recovery in MDF<sup>7</sup> volume and a contraction in the particleboard market, due to reduced demand for low-cost furniture. Additionally, the devaluation of the US Dollar against the Brazilian Real restricted sales to export markets. Despite the poor market environment, turnover increased 16.5% to 239 million Brazilian real (205 million Brazilian real), driven by an increase in sales volumes and a more favourable pricing environment for particleboard. EBITDA margin increased 4 p.p. to circa 18% (14%), reflecting the shift in the commercial policy with a focus on value added products and margin generation.
- **South Africa:** despite higher market demand, increased import activity, mostly from China and Brazil, led to downward pressure on white melamine and MDF<sup>7</sup> prices in the third quarter. However, a favourable economic environment in the first half led to a cumulative 12.8% increase in turnover, up to 706 million South African rand (626 million South African rand). EBITDA margin increased 5 percentage points to 29% as a result of higher sales volumes.

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<sup>7</sup> MDF – Medium Density Fibreboard.



## RETAIL

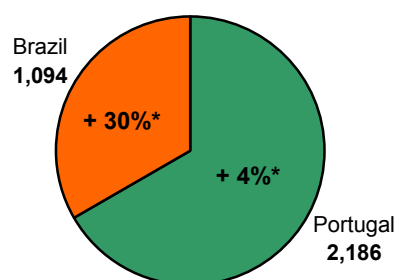
Values in million euro

	9M'05	9M'04	Δ
Gross Sales	3,280	2,941	+12%
Operational Cash-Flow (EBITDA)	191	184	+4%
EBITDA Margin (% of net sales)	6.8%	7.3%	-0.5 p.p.
Profit Attributable to Equity Holders of Modelo Continente	65	64	+2%

	30 Sep'05	30 Sep'04	Δ
Net Debt	702	760	-8%

Values in million euro

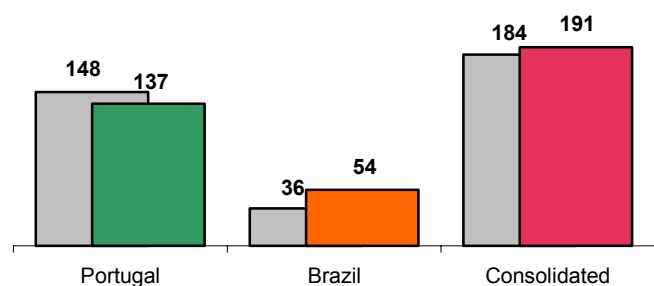
### Gross Sales by market



\* Nine Months on Nine Months change (9M'05 / 9M'04)

Values in million euro

### Contributions to EBITDA



9M'04 figures

## **Main highlights**

- Gross sales totalled 3,280 million euro (2,941 million euro), up 12%, and consolidated cash flow (EBITDA) increased 7 million euro to 191 million euro.
- Consolidated net profit for the period was 65 million euro (64 million euro), and includes around 29 million euro of non-recurring profits (15 million euro), associated with the disposal of ten stores located in the São Paulo metropolitan area.
- The company has been steadily reducing its debt level in the last few months which, coupled with recent financial restructuring that has resulted in significantly extended debt maturities, has contributed towards a further strengthening of its capital structure. As at 30 September 2005, net debt totalled 702 million euro (760 million euro).

### **• Portugal**

- The retail sector has been operating against an economic background of persistently low levels of business and consumer confidence. This environment has clearly impacted consumer behaviour in Portugal, increasing both the demand for lower priced products and the attraction to promotional campaigns. Moreover, the market has been affected by a sharp increase in competition through a growth of more than 7% in the available sales area over the last two years.
- Gross sales grew 4%, to 2,186 million euro (2,102 million euro), including an overall growth of 2% in food retail sales and of more than 10% in non food retail sales.
- Operational cash flow (EBITDA) was 137 million euro (148 million euro), equal to an EBITDA margin of 7.1% of net sales (8.0%). This margin reflects an exceptional growth in the company's promotional activity over recent months in response to a more competitive market and to a less positive economic environment.
- During the first nine months of 2005 Modelo Continente opened a further 40 thousand square metres of sales area, corresponding to 38 new stores (5 food and 33 non-food).

### **• Brazil**

- The retail sector experienced a slowdown in the first nine months of the year, in a market environment characterised by strong political instability and a sharp slowdown in economic growth. Internal demand is being harmed by high interest rates and is clearly below its potential. Unfair competition has also been harmful to the company's performance.
- Modelo Continente has evidenced a good performance in the period compared with the benchmark sector average and its main competitors. Gross sales totalled 3.4 thousand million Brazilian real (3.0 thousand million Brazilian real), an increase of 12% in local currency. Converted to Euro, gross sales were 1,094 million euro (839 million euro), posting a 30% growth.
- Operational Cash Flow (EBITDA) of the Brazilian operation was 54 million euro (35 million euro), an increase of 19 million euro, and was positively impacted by the disposal of the stores in the São Paulo metropolitan area. EBITDA margin was 6% of net sales (5.2%).

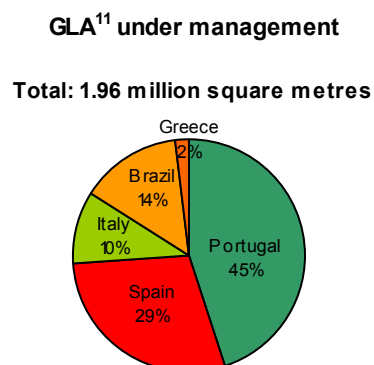
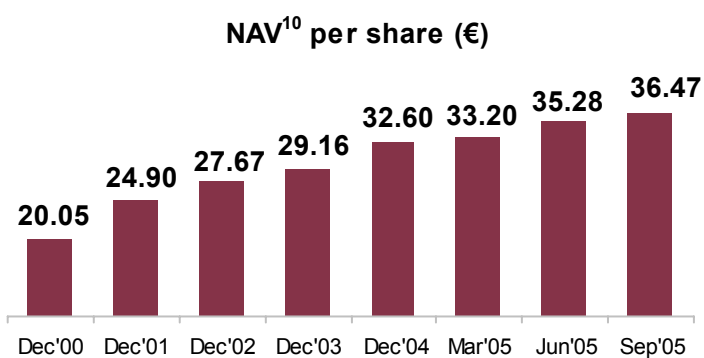


## SHOPPING CENTRES

Values in million euro

	9M'05	9M'04	Δ
Operational Cash-Flow (EBITDA)	89	75	+18%
Direct Profits <sup>8</sup>	46	35	+31%
Profit Attributable to Equity Holders of Sonae Sierra	65	45	+44%

	30 Sep'05	31 Dec'04	Δ
NAV per share	36.5	32.6	+12%
Asset gearing <sup>9</sup>	34.2%	28.8%	+5.4 p.p.



<sup>8</sup> Direct Profits = Net Profit before Minorities + Deferred Tax – Value created on Investments – Income realised on Properties

<sup>9</sup> Asset Gearing = Net Bank Debt / (Total Assets – Cash and Cash Equivalents and Current Investments).

<sup>10</sup> NAV – Net Asset Value.

<sup>11</sup> GLA – Gross Lettable Area.

## Main highlights

- During the first quarter of 2005, Sonae Imobiliária changed its name to Sonae Sierra. The global scale of the operation is part of the company's international expansion strategy building upon a new identity of shared values: Innovative, Modern and Spirited.
- Consolidated turnover amounted to 153.1 million euro (128.8 million euro), up 19%.
- EBITDA increased 18%, to 89.3 million euro (75.4 million euro). This increase was mainly due to the increase in the portfolio of shopping centres under management and the higher number of projects under development. In the first nine months of 2005, the company's performance was positively impacted by (i) the increased profitability in Spain, due to the opening of 3 new shopping centres (Luz de Tajo, in Toledo, Zubiarte, in Bilbao, and Plaza Éboli, in Madrid) and higher occupancy rates, (ii) several key tenant contracts renewals in some of the Portuguese shopping centres, and (iii) the growth of rental income in Brazil, due to higher occupancy rates (mainly in Parque D. Pedro) and contributions from Boavista Shopping and Penha Shopping.
- Consolidated net profit increased 34%, to 102 million euro (76 million euro), mainly due to the value created in investment properties, as a result of an overall decrease in yields in both Portugal and Spain, and to gains on the sale of investments, namely those associated with the sale of Coimbra Retail Park and the sale of Dos Mares and Luz del Tajo to the Sierra Fund.
- In the period, the main changes in the company's asset portfolio included, (i) the opening of Plaza Éboli shopping centre (Madrid, Spain), an investment of 56.1 million euro, (ii) the acquisition of two new shopping centres in Italy (Valecenter, in Venice, and Airone, in Padova), (iii) the acquisition of Eroski's stakes in four shopping centres in Spain (Dos Mares, Luz del Tajo, Plaza Éboli and Avenida M40) totalling 99.3 million euro, (iv) the acquisition of a further 25% of Parque Principado (Oviedo, Spain), (v) the sale of Coimbra Retail Park and (vi) the sale of Dos Mares and Luz del Tajo to the Sierra Fund.
- As at the date of this report Sonae Sierra is the owner or co-owner of 36 operating shopping and leisure centres, totalling 1.524 million square metres of GLA<sup>12</sup>.
- As at 30 September 2005, the company had sixteen new projects under development: in Portugal, Rio Sul (Seixal), SerraShopping (Covilhã), Setúbal Retail Park (Setúbal), Loureshopping (Loures), which opened on 27 October 2005, and São João da Madeira Shopping (São João da Madeira); in Spain, Plaza Mayor Shopping (Malaga) and El Rosal shopping and leisure center (Ponferrada); in Germany, Alexa (Berlin) and 3DO (Dortmund); in Italy, Freccia Rossa (Brescia), Caselle (Turin), shopping and leisure centres in Biella and La Spezia; in Greece, Mediterranean Cosmos (Salonika), which opened on 19 October 2005, and Aegean Park (Athens); and in Brazil, Shopping Campo Lindo (São Paulo).

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<sup>12</sup> GLA – Gross Lettable Area.



## TELECOMMUNICATIONS

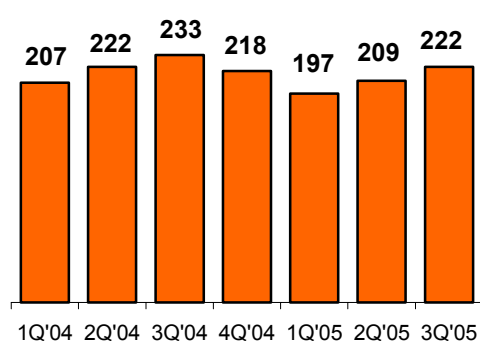
Values in million euro

	9M'05	9M'04	Δ
Turnover	627	662	-5%
Operational Cash-Flow (EBITDA)	125	156	-20%
EBITDA Margin	20%	24%	-4 p.p.
Profit Attributable to Equity Holders of Sonaecom	7	13	-45%

	30 Sep'05	30 Sep'04	Δ
Net Debt	257	267	-4%

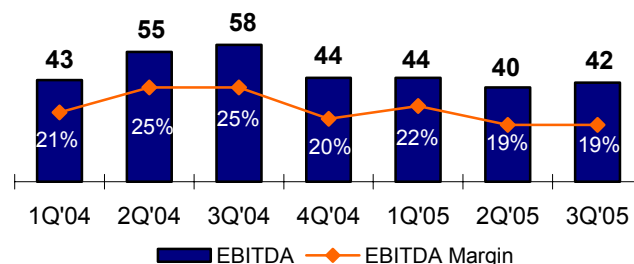
Values in million euro

Turnover trend



Values in million euro

EBITDA



## **Main highlights**

- Consolidated turnover decreased 5% to 627 million euro (662 million euro). The main drivers of this reduction were the 20% decrease in Optimus' operator revenues, due to further cuts in mobile termination rates and the continuing fall in incoming traffic from fixed operators, and the 23% fall in Público's turnover, driven mainly by lower sales of associated products as a result of increased market competition and saturation.
- Consolidated EBITDA fell 20% to 125 million euro (156 million euro), corresponding to an EBITDA margin of 20% (24%). The EBITDA performance is a consequence of lower turnover, mainly explained by the phased reductions in mobile termination rates, and higher operating expenses. The latter was driven primarily by higher number of handsets sold, increased customer service and installer costs and higher marketing and sales costs.
- Consolidated net profits decreased 12 million euro to 18 million euro, mostly driven by the EBITDA performance. Net financial results improved 62% to a 9 million euro charge (15 million euro charge). The tax charge has also contributed positively to the consolidated net profits, falling circa 14 million euro to 3 million euro, mainly due to movements in deferred tax assets.
- Consolidated net debt as at 30 September 2005 was 258 million euro, 2 million euro up on net debt as at 31 December 2004. Consolidated liquidity increased around 147 million euro primarily due to the net proceeds of 146 million euro, from the 150 million euro unsecured privately placed bond issue completed in June, that have been invested in treasury applications.

## **• Telecom businesses**

- Optimus' performance was positively influenced by its increased commercial effort:
  - subscribers rose by 7% to 2.27 million at the end of September 2005 (2.11 million at the end of September 2004). When compared to the end of the second quarter of the year, subscribers increased 91.8 thousand, the highest quarterly net additions in 2005;
  - data revenues represented 10.5% of total service revenues (9.3%), reflecting Optimus' focus on 3G offerings and the up-take of GPRS services.
- In 2005, Optimus maintained its strategy to lead the Mobile Broadband market, increasing the pace of its UMTS network roll-out. By the end of September, Optimus UMTS population coverage was of circa 50%. The company's objective is to obtain 80% population coverage by the end of 2006.
- New product launches include: OptimusHome, in the 1<sup>st</sup> quarter 2005, targeting a market traditionally belonging to fixed operators; rede4, the autonomous low-cost mobile service, in June 2005, and; Kanguru, a portable broadband internet offering alternative to the traditional fixed line connection, in September. All products have performed in line with expectations.

- Mobile service revenues dropped 28 million euro to 428 million euro, mainly due to the 20% decrease in operator revenues, primarily explained by lower mobile termination rates.
- Optimus EBITDA fell 13%, to 131 million euro, due to the drop in mobile service revenues and to the increase in marketing costs. EBITDA margin was 28%, 2 percentage points below that of the first nine months of 2004.
- Sonaecom Fixed's performance was impacted by the combined effect of lower indirect voice and narrowband internet traffic and by investment in the development of its direct access strategy.
- Sonaecom Fixed's turnover increased 4%, to 117 million euro (112 million euro), driven mainly by higher wholesale revenues. Sonaecom Fixed's operating costs grew 14% to 128 million euro, as a result of its strategy focused on the growth of its direct access customer base. As a consequence, EBITDA in the period deteriorated significantly from positive 2 million euro in the first nine months of 2004 to negative 8 million euro in the first nine months of 2005.
- Total traffic managed by Sonaecom Fixed increased 48% to 4,879 million minutes (3,303 million minutes), driven mainly by the increase of ADSL usage. The number of active direct services at the end of September was 49 thousand, a significant growth compared to 4.2 thousand services in September 2004.

#### • Media

- Público's consolidated Turnover decreased 23% to 33 thousand euro. The main driver of this performance was the 47% reduction in associated products sales. The 4% growth in turnover from newspaper sales, mainly helped by a price increase on all its editions as from January 2005, was not enough to compensate the negative trend of the other revenue contributors.
- EBITDA deteriorated from a positive 1.7 million euro in the first nine months of 2004 to a loss of 1.9 million euro.
- To address the poor performance in the period, Público has been focusing on extending its addressable market and in restructuring its commercial activity, with a new sales team focused on pushing revenues.

#### • S&SI <sup>13</sup>

- S&SI companies posted positive performances in their respective key markets.
- Consolidated turnover grew 6% to 65 million euro, and EBITDA improved 22% to 7 million euro. EBITDA margin remained at 12%, up 2 percentage points.

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<sup>13</sup> S&SI – Software and Systems Integration.





## SONAE CAPITAL<sup>14</sup>

Sonae Capital is made up of businesses in Tourism, Construction, Engineering and Residential Development, Transport and Logistics, Insurance Brokerage, Auto Sector and Others.

Sonae Capital's contribution to **consolidated turnover** grew by around 20% to 411 million euro (344 million euro).

The contribution to **consolidated operational cash-flow (EBITDA)** was 13.6 million euro, 1.8 million euro down on the first nine months of 2004.

In the first nine months of 2005, Sonae Capital contributed 67 million euro to the **consolidated net profit for the period**, a significant improvement from the close to zero net profit obtained in the same period of 2004. The 2005 contribution was positively impacted by the capital gain obtained on the sale of a further 27.8% stake in ba Vidro.

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<sup>14</sup> The figures in this section are Sonae Capital's contributes to the consolidated financial statements of Sonae.

## PROFITABILITY

**Consolidated turnover** increased 5% to 4,943 million euro (4,705 million euro). The major contributor to this increase, in absolute terms, was the Retail business (generating an additional 281 million euro). This was fuelled by double digit growth in both Brazilian operations (benefiting from sales growth above market average and a favourable appreciation of the Brazilian Real against the Euro) and non-food formats in Portugal. The growth rate of food formats in Portugal was positive in spite of a more competitive market. On a like for like basis, excluding Gescartão (disposed of in the first quarter of 2005), the Wood Based Panels business contribution grew 4%. As for the Telecommunications business a decrease in Optimus' operator revenues, driven by the lower level of fixed traffic terminating on its network and the continuing phased cuts in mobile termination rates set by the regulator, explains the slight decrease in the contribution to consolidated turnover. At constant exchange rates, turnover was 4,800 million euro, an increase of 2%.

**Consolidated operational cash flow (EBITDA)** was 624 million euro (661 million euro), a 6% decrease. This decrease is explained mainly by the performance of the Telecommunications business, reflecting higher costs associated with both unbundling processes and increased marketing and sales efforts to promote an aggressive migration of mobile customers to 3G. The contribution from the Wood Based Panels business decreased 3%, on a like for like basis, as a consequence of increases in oil prices. The Retail and Shopping Centres businesses posted slight increases in their contributions to consolidated EBITDA. The **consolidated EBITDA margin** was 12.6% (14.0%). At constant exchange rates, operational cash flow (EBITDA) was 613 million euro, a decrease of 7%.

**Consolidated operational profit (EBIT)** decreased 38 million euro to 359 million euro (397 million euro). In spite of the overall decrease, the Shopping Centres business posted a significant increase in contribution to consolidated EBIT.

**Consolidated net financial expenses** fell 24% to 127 million euro (168 million euro). This improvement was mainly due to a reduction in interest expenses, as a result of better financial conditions achieved, and to higher net exchange gains.

**Consolidated net profit for the period** was 275 million euro (261 million euro), up 14 million euro. In addition to the impact of improvements in financial performance, this profit also includes 104 million euro (92 million euro) of investment income, of which around 80 million euro relate to the sale of shareholdings in Imocapital/Gescartão and ba Vidro. In 2004, investment income included 75 million euro arising from the sale of Portucel.

The **consolidated net profit attributable to equity holders of Sonae** was 194 million euro (171 million euro), a growth of 14%, mainly due to higher proportion of investment income being generated in companies that are fully owned by Sonae.

Contributions to the consolidated total of Sonae, SGPS, SA were as follows:

Values in million euro			
	Turnover	EBITDA <sup>15</sup>	Profit for the Period
Wood Based Panels	1,088.4	153.7	31.6
Retail	2,830.8	186.6	65.9
Shopping Centres	197.6	151.7	101.3
Telecommunications	625.9	130.0	11.2
Sonae Capital & Holding	412.9	9.6	76.0
Eliminations	(212.8)	(7.8)	(11.4)
<b>TOTAL</b>	<b>4,942.8</b>	<b>623.9</b>	<b>274.6</b>

## FINANCIAL STRUCTURE

**Consolidated net debt** <sup>16</sup> as at 30 September 2005 was 3,336 million euro, an increase of 276 million euro compared to the end of the same period in 2004. The only significant increase occurred in the Shopping Centres business and reflects new loans associated with the development or acquisition of new shopping centres.

Contributions to the consolidated net debt of Sonae, SGPS, SA were as follows:

Values in million euro			
	30 Sep'05	30 Sep'04	Δ
Wood Based Panels	588.4	526.6	61.8
Retail	715.0	760.3	(45.3)
Shopping Centres	1,028.4	678.5	349.9
Telecommunications	258.7	285.0	(26.3)
Sonae Capital & Holding	560.2	633.8	(73.6)
Eliminations	185.8	175.6	10.2
<b>TOTAL</b>	<b>3,336.5</b>	<b>3,059.8</b>	<b>276.7</b>

The **ratio of net debt to annualised operational cash flow (EBITDA)** was 3.7. **Annualised interest cover** was 5.7, up from 5.1 at the end of 2004. This increase reflects a reduction in interest expenses, resulting from better financial conditions, due to renegotiation of some of the major loan contracts, and from an increase in the proportion of debt issued directly in capital markets.

<sup>15</sup> EBITDA = Operational Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses – Reversal of Impairment Losses (included in Other Operational Income and amounting to 6 M.€ in the first nine months of the year).

<sup>16</sup> Net Debt = Non-Current Borrowings + Current Borrowings – Cash and Cash Equivalents – Current Investments.

## OUTLOOK

Taken into account the impact of seasonal factors, the Wood Based Panels business forecasts levels of turnover and profitability for the last quarter of the year in line with those of the second quarter. Downward pressure on average prices in the main markets is expected for the coming months, with the exception of OSB in the North American market. High levels of oil prices remain a concern and the company will continue to seek further opportunities to reduce costs and improve processes. Further consolidation in the industry continued at the beginning of the fourth quarter of 2005, and the company has been carefully monitoring these movements and will analyse any opportunities that may contribute to the enhancement of its competitive position.

In Portugal, the Retail business will continue to follow its strategic guidelines through an ambitious expansion plan including, amongst others, the opening in 2005 of two new hypermarkets (Loures and Covilhã) and 2 new Modelo shopping galleries. The strategy outlined will also involve a proactive attitude regarding the selection and licensing of new locations, strengthening the existing store portfolio, while also looking for new business concepts that can be anchored onto the core assets and competencies for which the company is recognised in the market. Innovation, increased customer focus and the optimisation of internal processes will form the basis for further developments. The implementation of a new brand image at Continente will be a clear sign of renewal. In Brazil, the outlook remains in line with that stated in the half year report: after an initial stage of strong investment in attaining critical mass, and the subsequent stage of increased knowledge of the market, operational experience and fine tuning of commercial proposals, the company is now able to make decisions concerning the clusters of assets into which capital employed should be increased, maintained or reduced.

The Shopping Centres business will continue to look for new investment opportunities whilst maintaining the pace of development of projects already announced. Since 30 September 2005, the company opened LoureShopping (Loures, Portugal) on 27 October, and Mediterranean Cosmos (Salonica, Greece) on 16 October. Serra Shopping (Covilhã, Portugal) is expected to open in November 2005.

The Telecommunications business will maintain its investment for growth strategy, focusing on growth opportunities in fixed-mobile substitution, 3G services and direct access broadband services. As a result, increased spending on network development, marketing and customer acquisition is expected, and profitability will be negatively affected in the short term. On 12 September, at the Extraordinary General Meeting, Sonaecom's shareholders approved the share capital increase underlying the Strategic Partnership Agreement signed with France Télécom. This will allow the company to take advantage of the operating agreements signed with the French partner, that include roaming and interconnection, handset sourcing, multimedia and preferred network partnership.

The spin-off of Sonae Indústria, with accounting effect from 1 October 2005, is progressing as scheduled and should be completed by year end. As a result, Sonae Indústria will not contribute to the fourth quarter consolidated earnings of Sonae.

We are confident that the earnings trend shown up to 30 September 2005 will be maintained for the full year.

Maia, 22 November 2005

The Board of Directors

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Álvaro Cuervo García

Ângelo Gabriel Ribeirinho dos Santos Paupério

Duarte Paulo Teixeira de Azevedo

Luíz Felipe Palmeira Lampreia

Michel Marie Bon

Nuno Manuel Moniz Trigos Jordão

Nuno Miguel Teixeira de Azevedo



# **CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2005**

SONAE, SGPS, SA

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2005 AND AS AT 31 DECEMBER 2004

(Amounts expressed in euro)

ASSETS		Notas	IFRS		LOCAL GAAP
			30.09.2005	31.12.2004	31.12.2004
NON-CURRENT ASSETS:					
Tangible and intangible assets	9		3,476,839,898	3,452,680,051	4,700,852,146
Investment properties	10		2,538,145,561	2,204,846,415	-
Goodwill	11		587,343,420	453,242,056	-
Investments	12		115,928,857	106,235,352	347,102,653
Deferred Tax Assets	15		226,155,425	216,951,425	-
Other Non-Current Assets	13		114,568,814	111,497,267	89,019,748
Total Non-Current Assets			<u>7,058,981,974</u>	<u>6,545,452,566</u>	<u>5,136,974,547</u>
CURRENT ASSETS:					
Stocks			758,714,608	673,858,951	672,703,272
Trade Debtors and Other Current Assets	14		889,203,218	802,507,030	1,222,534,169
Investments	12		13,209,011	89,558,911	182,274,470
Cash and Cash Equivalents	16		346,043,832	486,213,442	340,808,878
Total Current Assets			<u>2,007,170,669</u>	<u>2,052,138,334</u>	<u>2,418,320,789</u>
TOTAL ASSETS			<u>9,066,152,644</u>	<u>8,597,590,900</u>	<u>7,555,295,336</u>
EQUITY AND LIABILITIES					
EQUITY:					
Share Capital	17		2,000,000,000	2,000,000,000	2,000,000,000
Own Shares	17		(143,630,520)	(144,537,597)	(144,537,597)
Reserves and Retained Earnings			(554,037,801)	(1,034,084,068)	(1,365,429,064)
Profit/(Loss) for the Period Attributable to the Equity Holders of Sonae			193,814,537	283,521,010	192,060,205
Equity Attributable to the Equity Holders of Sonae			<u>1,496,146,216</u>	<u>1,104,899,345</u>	<u>682,093,544</u>
Equity Attributable to Minority Interests	18		<u>803,278,077</u>	<u>785,515,291</u>	<u>527,771,715</u>
TOTAL EQUITY			<u>2,299,424,293</u>	<u>1,890,414,636</u>	<u>1,209,865,259</u>
LIABILITIES:					
NON-CURRENT LIABILITIES:					
Borrowings	19		3,150,750,980	2,447,782,272	2,220,386,496
Other Non-Current Liabilities	21		797,044,092	940,739,879	827,530,423
Deferred Tax Liabilities	15		441,526,788	388,090,849	-
Provisions	25		68,986,558	57,189,153	-
Total Non-Current Liabilities			<u>4,458,308,418</u>	<u>3,833,802,153</u>	<u>3,047,916,919</u>
CURRENT LIABILITIES:					
Borrowings	19		544,887,522	949,660,987	805,324,564
Trade Creditors and Other Current Liabilities	24		1,749,596,209	1,909,775,272	2,344,147,178
Provisions	25		13,936,202	13,937,852	148,041,416
Total Current Liabilities			<u>2,308,419,933</u>	<u>2,873,374,111</u>	<u>3,297,513,158</u>
TOTAL EQUITY AND LIABILITIES			<u>9,066,152,644</u>	<u>8,597,590,900</u>	<u>7,555,295,336</u>

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

(Amounts expressed in euro)

	Notes	<u>IFRS</u>		<u>IFRS</u>		<u>LOCAL GAAP</u>
		3 <sup>rd</sup> Quarter 05	30.09.2005 Cumulative	3 <sup>rd</sup> Quarter 04	30.09.2009 Cumulative	30.09.2004 Cumulative
Operational Income						
Sales		1,421,444,279	4,064,292,965	1,354,980,272	3,825,157,223	3,885,050,849
Services Rendered		316,027,006	878,500,151	315,022,597	879,636,557	927,875,207
Value Created on Investment Properties	10	(870,354)	57,345,972	14,895,192	60,833,473	-
Other Operational Income		130,243,444	404,992,138	97,998,563	295,611,830	227,722,500
Total Operational Income		<u>1,866,844,377</u>	<u>5,405,131,226</u>	<u>1,782,896,625</u>	<u>5,061,239,082</u>	<u>5,040,648,557</u>
Operational Expenses						
Cost of Goods Sold and Materials Consumed		(1,016,183,353)	(2,856,738,189)	(934,137,147)	(2,596,964,698)	(2,608,812,315)
Changes in Stocks of Finished Goods and Work in Progress		(2,129,208)	4,562,118	(1,279,273)	(19,785,232)	(21,196,221)
External Supplies and Services		(424,703,873)	(1,185,829,004)	(378,625,012)	(1,089,639,127)	(1,208,771,627)
Staff Costs		(218,984,633)	(643,398,837)	(190,768,031)	(599,331,897)	(609,765,062)
Depreciation and Amortisation	9	(82,611,414)	(249,178,355)	(80,734,146)	(239,742,513)	(279,931,693)
Provisions and Impairment Losses	9, 11 e 25	(4,676,717)	(21,607,733)	(8,480,673)	(27,748,195)	(27,300,686)
Other Operational Expenses		(26,452,047)	(93,920,433)	(28,306,512)	(91,115,882)	(44,216,387)
Total operational Expenses		<u>(1,775,741,245)</u>	<u>(5,046,110,433)</u>	<u>(1,622,330,795)</u>	<u>(4,664,327,545)</u>	<u>(4,799,993,992)</u>
Operational Profit/(Loss)		91,103,132	359,020,793	160,565,830	396,911,537	240,654,564
Net Financial Expenses		(42,879,360)	(127,322,986)	(54,773,020)	(167,648,118)	(203,015,296)
Share of Results of Associated Undertakings		854,605	2,099,982	(1,209,761)	9,842,314	112,483,831
Investment Income		9,275,065	104,031,597	81,367,448	91,895,264	232,509,132
Profit/(Loss) before Taxation		<u>58,353,442</u>	<u>337,829,385</u>	<u>185,950,497</u>	<u>331,000,996</u>	<u>382,632,231</u>
Taxation	29	<u>(12,095,997)</u>	<u>(63,299,536)</u>	<u>(26,391,551)</u>	<u>(70,303,624)</u>	<u>189,798,522</u>
Profit/(Loss) after Taxation		46,257,445	274,529,849	159,558,945	260,697,372	572,430,753
Profit/(Loss) after Tax from Discontinuing Operations		-	-	-	-	-
Profit/(Loss) for the Period		<u>46,257,445</u>	<u>274,529,849</u>	<u>159,558,945</u>	<u>260,697,372</u>	<u>572,430,753</u>
Attributable to:						
Equity Holders of Sonae		29,157,750	193,814,537	122,146,846	170,768,871	127,769,569
Minority Interests		<u>17,099,691</u>	<u>80,715,311</u>	<u>37,412,100</u>	<u>89,928,504</u>	<u>62,028,953</u>
Profit/(Loss) per share						
Basic		0.015626	0.103870	0.065465	0.091525	0.068479
Diluted		<u>0.015626</u>	<u>0.103870</u>	<u>0.065465</u>	<u>0.091525</u>	<u>0.068479</u>

The accompanying notes are part of these financial statements.

The Board of Directors



SONAE, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

(Amounts expressed in euro)

Notes	Attributable to Equity Holders of Sonae					Minority Interests (3)	Total Equity
	Share Capital	Own Shares	Reserves and Retained Earnings	Net Profit/(Loss)	Total		
Balance as at 1 January 2004 (1)	2,000,000,000	(144,537,597)	(1,054,128,192)	-	801,334,211	921,125,745	1,722,459,956
Dividends distributed	-	-	(27,987,330)	-	(27,987,330)	-	(27,987,330)
Purchase/(Sale) of own shares	-	-	-	-	-	-	-
Changes in conversion reserves	-	-	17,683,295	-	17,683,295	4,308,367	21,991,662
Changes in hedge and fair value reserves	-	-	(1,278,941)	-	(1,278,941)	(385,706)	(1,664,647)
Changes in other reserves	-	-	11,197,217	-	11,197,217	(51,110,838)	(39,913,621)
Consolidated Profit/(Loss) for the nine months ended 30 September 2004	-	-	-	170,768,871	170,768,871	89,928,504	260,697,375
Others	-	-	-	-	-	-	-
Balance as at 30 September 2004	<u>2,000,000,000</u>	<u>(144,537,597)</u>	<u>(1,054,513,951)</u>	<u>170,768,871</u>	<u>971,717,323</u>	<u>963,866,072</u>	<u>1,935,583,395</u>
Balance as at 1 January 2005	2,000,000,000	(144,537,597)	(1,034,084,068)	283,521,010	1,104,899,345	785,515,291	1,890,414,636
Appropriation of profit of 2004:	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings	-	-	283,521,010	(283,521,010)	-	-	-
Dividends distributed	-	-	(37,316,439)	-	(37,316,439)	-	(37,316,439)
Changes in conversion reserves	-	-	231,358,510	-	231,358,510	28,379,895	259,738,405
Changes in hedge and fair value reserves	-	-	26,931,684	-	26,931,684	(1,432,265)	25,499,419
Changes in other reserves (2)	18	-	(24,448,498)	-	(24,448,498)	(89,900,155)	(114,348,653)
Consolidated Profit/(Loss) for the nine months ended 30 September 2005	-	-	-	193,814,537	193,814,537	80,715,311	274,529,848
Others	-	907,077	-	-	907,077	-	907,077
Balance as at 30 September 2005	<u>2,000,000,000</u>	<u>(143,630,520)</u>	<u>(554,037,801)</u>	<u>193,814,537</u>	<u>1,496,146,216</u>	<u>803,278,077</u>	<u>2,299,424,293</u>

The accompanying notes are part of these financial statements.

The Board of Directors

(1) The 2003 consolidated profit for the year is included in "Reserves and Retained Earnings" because 1 January 2004 is the date of transition;

(2) Includes 17,729,243 euro relating to the writte-off of negative goodwill of the Gescartão group, sold in the period;

(3) The line "Changes in other reserves" includes -69.162.307 euro (in 30 September 2004 -46.756.366 euro) related to the acquisition and disposals of affiliated undertakings.

SONAE, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

(Amounts expressed in euro)

<u>OPERATING ACTIVITIES</u>	<u>Notes</u>	<u>30.09.2005</u>	<u>30.09.2004</u>
Net cash flow from operating activities (1)		<u>248,468,808</u>	<u>429,344,372</u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments		225,276,079	163,631,250
Tangible and intangible assets		77,681,610	47,897,250
Dividends		14,540,650	6,996,834
Others		<u>82,866,282</u>	<u>73,759,513</u>
		<u>400,364,621</u>	<u>292,284,847</u>
Cash Payments arising from:			
Investments		(365,513,022)	(82,822,769)
Tangible and intangible assets		(461,233,971)	(382,951,519)
Others		<u>(43,631,452)</u>	<u>(78,114,334)</u>
		<u>(870,378,445)</u>	<u>(543,888,622)</u>
Net cash used in investment activities (2)		<u>(470,013,824)</u>	<u>(251,603,775)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Loans obtained		3,238,070,269	1,476,977,864
Capital increases, additional paid in capital and share premiums		3,505,946	1,077,048
Sale of own shares		1,586,339	-
Others		<u>553,238</u>	<u>2,738,326</u>
		<u>3,243,715,792</u>	<u>1,480,793,238</u>
Cash Payments arising from:			
Loans obtained		(2,927,682,396)	(1,591,831,926)
Interest and similar charges		(154,155,017)	(175,340,166)
Reimbursement of capital and paid in capital		(1,564,636)	-
Dividends		(46,064,311)	(36,433,801)
Purchase of own shares		-	-
Others		<u>(39,934,474)</u>	<u>(281,475)</u>
		<u>(3,169,400,834)</u>	<u>(1,803,887,368)</u>
Net cash used in financing activities (3)		<u>74,314,958</u>	<u>(323,094,130)</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(147,230,058)</u>	<u>(145,353,533)</u>
Effect of foreign exchange rate		<u>(7,336,435)</u>	<u>(843,562)</u>
Cash and cash equivalents at the beginning of the period		<u>461,406,436</u>	<u>398,933,534</u>
Cash and cash equivalents at the end of the period	16	<u>321,512,813</u>	<u>254,423,563</u>

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

(Amounts expressed in euro)

1. INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), whose head-office is at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 4 to 7 ("Sonae Group"). The Group's operations and business segments are described in Note 31.

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1. Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2005.

International Financial Reporting Standards ("IFRS") were adopted for the first time in 2005. As a result, the transition date from Portuguese generally accepted accounting principles to the standards referred to above is 1 January 2004, as established by IFRS 1 – "First Time Adoption of International Financial Reporting Standards".

According to that standard, adjustments as at the date of transition to IFRS (1 January 2004) are recorded in Equity and described in Note 34. This note also includes the description of adjustments made to the last annual consolidated financial statements presented (31 December 2004).

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

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Notes 4 to 6) on a going concern basis and under the historical cost convention, except for investment properties and financial instruments which are stated at fair value (Notes 2.4 and 2.14).

## 2.2. Consolidation principles

The consolidation methods adopted by the Group are as follows:

### a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings and is able to establish financial and operational policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 4.

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

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

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

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

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

Whenever the Group has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. Such entities, when applicable, are disclosed in Note 4.

### b) Investments in jointly controlled companies

Investments in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportionate consolidation method as from the date joint control is acquired. In accordance with this method the Group includes in the accompanying consolidated financial statements its share of assets, liabilities, income and expenses of these companies, on a line-by-line basis.

Any excess of the cost of acquisition over the Group's interest in the fair value of identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any excess of the Group's share in the fair value of net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition after reassessment of the estimated fair value of the net assets acquired.

The Group's share of inter-company balances, transactions and dividends distributed are eliminated.

Investments in jointly controlled companies are classified as such based on shareholders' agreements that establish joint control.

Companies included in the accompanying consolidated financial statements in accordance with the proportionate method are listed in Note 5.

c) Investments in associated companies

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

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

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

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

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

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

Investments in associated companies are disclosed in Note 6.

d) Goodwill

The excess of the cost of acquisition of investments in group, jointly controlled and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 11) or as Investments in associated companies (Note 12). The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Reserves and retained earnings.

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

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

### Goodwill recognised prior to the transition date

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts, net of accumulated amortisation, calculated in accordance with generally accepted accounting principals in Portugal, adjusted for intangible assets which do not meet IFRS criteria, and is subject to impairment tests. Impacts of these adjustments were recorded in Retained earnings, in accordance with IFRS 1. Goodwill arising from foreign companies was recalculated retrospectively using the functional currency of each such company. Exchange rate differences generated in the translation are also disclosed as Retained earnings (IFRS 1).

### e) Translation of financial statements of foreign companies

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

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

Whenever a foreign company is sold, accumulated exchange rate differences are recorded in the income statement as a gain or loss on the disposal, in the caption Investment income.

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

	30.09.05		31.12.04	30.09.04	
	End of period	Average of period	End of period	End of period	Average of period
Pound Sterling	1.46638	1.45992	1.41824	1.45603	1.48606
Brazilian Real	0.37441	0.31947	0.27665	0.28281	0.27475
South African Rand	0.13027	0.12559	0.13004	0.12533	0.12429
Canadian Dollar	0.71109	0.64821	0.60916	0.63532	0.61455
Swiss Franc	0.64263	0.64573	0.64813	0.64416	0.64641

Source: Bloomberg

### 2.3. Tangible assets

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

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

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

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

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

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

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

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

#### 2.4. Investment properties

Investment properties consist of shopping centre buildings and other constructions that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

Investment properties are initially recorded at cost and then adjusted to their fair value based on half-yearly valuations performed by an independent valuer. Changes in fair values of investment properties are accounted for in the period in which they occur, in the income statement under the caption Value created on Investment Properties.

Assets built and developed, which qualify as investment properties, are recognised as such only when they start being used. During the construction or development period of assets, which will qualify as investment properties, such assets are accounted for at cost in the caption Investment properties under development. At the end of the construction and development period, the difference between cost and the fair value at that date is accounted for in the income statement under the caption Value created on Investment Properties.

Costs incurred with investment properties in use, such as maintenance, repairs, insurance and property taxes, are recognised in the income statement for the period to which they refer.

#### 2.5. Intangible assets

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

Expenditure on research associated with new technical know-how is recognised as an expense recorded in the income statement when it is incurred.

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

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

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which normally is 5 years, except for property occupation rights which are amortised over the duration of the contract which establishes these rights.

Brands and patents with indefinite useful lives are not amortised, but are subject to impairment tests on an annual basis.

## 2.6. Accounting for leases

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

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

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

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

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

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

Most of the cases where the Group is the lessor arise from contracts with shopping centre tenants. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent - invoiced in advance -, a variable rent, invoiced if the monthly sales of the tenant are higher than the limit established in the contract and the payment of the tenant's share in the shopping centre operational expenses. The contract with the tenant may also establish the payment of an entrance fee to the shopping centre (key money). These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is made by the tenant it must pay a cancellation fee which is established in the contract.

These contracts are classified as operating leases. Rents (fixed and variable) and common charges are recognised as income in the period to which they refer. Costs as well as entrance fees (key money) and cancellation fees arising from operating leases are recorded as expenses or income in the period in which they are incurred or earned.

## 2.7. Government grants

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

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

Grants related to depreciable assets are disclosed as Other non-current liabilities and are recognised as income on a straight line basis over the expected useful lives of those assets.



## 2.8. Impairment of non-current assets, except for goodwill

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

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

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

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

## 2.9. Borrowing costs

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

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

## 2.10. Non-current assets held for sale

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

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

## 2.11. Stocks

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

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

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

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

#### 2.12. Construction contracts

Income and costs associated with construction contracts are recorded using the stage of completion method. Under this method, at the end of each period, income and expenses are recognised by reference to the stage of completion of the contract activity. The stage of completion is determined by the ratio between costs incurred until the closing balance sheet date and total estimated contract costs. The difference between income determined by this ratio and total amounts invoiced is recorded in Other current assets or Other current liabilities.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recorded only to the extent of the amount of contract costs incurred that will probably be recoverable. Contract costs are recorded as expenses in the period in which they are incurred.

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

#### 2.13. Provisions

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

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

#### 2.14. Financial instruments

##### a) Investments

Investments are classified into the following categories:

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

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non-current assets.

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

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

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

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

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

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

b) Accounts receivable

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

c) Classification as equity or liability

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

d) Loans

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

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

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

Derivatives classified as cash flow hedge instruments are used by the Group mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

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

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

Cash flow hedge instruments used by the Group to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognised in the income statement over the same period in which the hedged instrument affects income statement.

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

In those cases in which derivatives, in spite of having been negotiated to hedge financial risks inherent to the business (essentially, currency “forwards” to cover future imports), no longer meet the criteria for hedge accounting under IAS 39, changes in the fair value are recorded directly in the income statement.

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

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

g) Equity instruments

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

h) Own shares

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

i) Cash and cash equivalents

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

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

## 2.15. Retirement benefit plans

As referred to in Note 22, some of the Group companies are committed to provide pension complements to their employees. These commitments are considered as defined benefit plans.

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

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

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

## 2.16. Share-based payments

Share based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae share price and/or that of its publicly listed affiliated companies (Sonae Sierra uses the “Net Asset Value” as a reference) and vest within a period of 3 years after being granted.

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date. The fair value of share options is estimated based on the “Black-Scholes” model. These obligations are stated as Personnel costs and Other liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, when the Group has the choice to settle the transaction in cash. In the case of equity-settled share-based payment transactions, these obligations are stated as Personnel expenses and Reserves and are recorded on a straight line basis between the date the shares are granted and their vesting date.

## 2.17. Contingent assets and liabilities

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

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

## 2.18. Income tax

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

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

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

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

## 2.19. Revenue recognition and accrual basis

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

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

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

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

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

#### 2.20. Balances and transactions expressed in foreign currencies

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

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

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

When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.14.f)).

#### 2.21. Subsequent events

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

#### 2.22. Segment information

All business and geographic segments of the Group are identified annually.

Information regarding business and geographic segments identified is included in Note 31.

### 3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period there were no changes in accounting policies or prior period errors.

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

Group companies included in the consolidated financial statements, their head offices and percentage of capital held by the Group as at 30 September 2005 and 31 December 2004 are as follows:

COMPANY	Head Office	Percentage of capital held			
		30.09.2005		31.12.2004	
		Direct	Total	Direct	Total
<b>Sonae - SGPS, S.A.</b>	Maia	HOLDING	HOLDING	HOLDING	HOLDING
<b>Sonae Indústria</b>					
Aglom-Soc.Ind.Madeiras e Aglom., SA	a) Oliveira do Hospital	100.00%	97.01%	100.00%	89.90%
Cia.de Industrias e Negócios, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Ecociclo - Energia e Ambiente, SA	a) Maia	100.00%	97.02%	100.00%	97.02%
Euro Decorative Boards, Ltd	a) Knowsley (U.K.)	100.00%	88.45%	100.00%	89.90%
Euromegantic, Lteé	a) Lac Megantic (Canada)	100.00%	88.45%	100.00%	89.90%
Euroresinas-Indústrias Químicas, SA	a) Maia	100.00%	97.02%	100.00%	97.02%
Explotaciones Com.Ind. e Servicios, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Explotaciones Madereras Catalanas, SA	a) Barcelona (Spain)	100.00%	88.45%	100.00%	89.90%
Florestal y Maderera, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Glunz AG	a) Meppen (Germany)	99.12%	87.67%	99.12%	89.11%
Glunz Service, GmbH	a) Hamm (Germany)	100.00%	87.67%	100.00%	89.11%
Glunz UK Holdings, Ltd	a) London (U.K.)	100.00%	87.67%	100.00%	89.11%
Glunz Uka, GmbH	a) Hamm (Germany)	100.00%	87.67%	100.00%	89.11%
1) Gollin, GmbH	a) Bad Oeynhausen (Germany)	90.00%	78.90%	90.00%	80.20%
Isoroy SAS	a) Boulogne (France)	99.94%	88.45%	100.00%	89.90%
Isoroy Transformation	a) St. Dizier (France)	100.00%	88.45%	100.00%	89.90%
Maiequipa-Gestão Florestal, SA	a) Maia	100.00%	97.02%	100.00%	97.02%
2) Manipulaciones Forestales, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Megantic, BV	a) Amsterdam (Netherlands)	100.00%	88.45%	100.00%	89.90%
Movelpartes-Comp.para Ind.Mobiliária, SA	a) Paredes	100.00%	97.02%	100.00%	97.02%
Novobord (PTY), Ltd	a) Woodhead (South Africa)	100.00%	88.45%	100.00%	89.90%
Orpin, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
OSB Deustchland, GmbH	a) Hamm (Germany)	100.00%	88.45%	100.00%	89.90%
Poliface Brasil, Ltda	a) Sao Paulo (Brazil)	100.00%	97.02%	100.00%	97.02%
Poliface North America	a) Baltimore (E.U.A.)	100.00%	88.45%	100.00%	89.90%
Racionaliz. y Manufact.Florestales, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Resoflex-Mob.e Equipamentos Gestão, SA	a) Vila de Conde	100.00%	97.02%	100.00%	97.02%
SCS Beheer, BV	a) Amsterdam (Netherlands)	100.00%	88.45%	100.00%	89.90%
Siaf-Soc.Iniciat.Aprov.Florestais, SA	a) Mangualde	100.00%	88.45%	100.00%	89.90%
Soc.Inic.Aproveit.Florest.-Energias, SA	a) Mangualde	100.00%	88.47%	100.00%	89.91%
Socelpac SGPS, SA	a) Maia	100.00%	97.02%	100.00%	97.02%
Société Industrielle et Financière Isoroy	a) Rungis (France)	100.00%	88.45%	100.00%	89.90%
Somit Imobiliária, SA	a) Oliveira do Hospital	100.00%	88.45%	100.00%	89.90%
Sonae 4P, SA	a) Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Sonae Spain, SA	a) Madrid (Spain)	99.94%	96.96%	99.94%	96.96%
Sonae Ind., Prod. e Com.Deriv.Madeira, SA	a) Mangualde	100.00%	88.69%	100.00%	97.02%
Sonae Indústria Brazil, Ltda	a) Sao Paulo (Brazil)	100.00%	97.02%	100.00%	97.02%
Sonae Industria de Revestimentos, SA	a) Maia	100.00%	97.02%	100.00%	97.02%
Sonae Indústria-SGPS, SA	a) Maia	97.02%	97.02%	97.02%	97.02%

Tafibra South Africa, Ltd	a)	Woodnead (South Africa)	100.00%	88.45%	100.00%	89.90%
Sonae Serviços de Gestão, SA	a)	Maia	100.00%	97.02%	100.00%	97.02%
Sonae Tafibra (UK), Ltd	a)	Knowsley (U.K.)	100.00%	88.45%	100.00%	89.90%
Sonae Tafibra Benelux, BV	a)	Woerden (Netherlands)	100.00%	88.45%	100.00%	89.90%
Sonae UK, Ltd	a)	Knowsley (U.K.)	100.00%	88.45%	100.00%	89.90%
Spanboard Products, Ltd	a)	Belfast (U.K.)	100.00%	88.45%	100.00%	89.90%
Tableros Tradema, SL	a)	Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Tafiber, Tableros de Fibras Ibéricas, SL	a)	Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Sonae Novoboard (PTY), Ltd	a)	Woodnead (South Africa)	100.00%	88.45%	100.00%	89.90%
Tafibras Participações, SA	a)	Curitiba (Brazil)	54.32%	48.07%	54.32%	48.53%
Tafibra-Tableros Aglomerados Fibras, AIE	a)	Madrid (Spain)	100.00%	88.47%	100.00%	90.80%
Tafisa Brazil, SA	a)	Curitiba (Brazil)	100.00%	55.74%	100.00%	56.39%
Tafisa Canada Societé en Commandite	a)	Lac Megantic (Canada)	100.00%	88.45%	100.00%	89.90%
Tafisa France, SAS	a)	Paris (France)	100.00%	88.45%	99.99%	89.90%
Tafisa UK, Ltd	a)	Knowsley (U.K.)	100.00%	88.45%	100.00%	89.90%
Tableros de Fibras, SA	a)	Madrid (Spain)	91.16%	88.45%	92.66%	89.90%
Taiber, Tableros Aglomerados Ibéricos, SL	a)	Madrid (Spain)	100.00%	88.45%	100.00%	89.90%
Tavapan, SA	a)	Tavannes (Suisse)	100.00%	87.67%	100.00%	89.11%
Teconologias del Medio Ambiente, SA	a)	Barcelona (Spain)	100.00%	88.45%	100.00%	89.90%
Tool, GmbH	a)	Meppen (Germany)	100.00%	87.67%	100.00%	89.11%
<b>Modelo Continente</b>						
Best Offer-Prest. Inf. p/Internet, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Bikini, Portal de Mulheres, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Cacetinho-Com. Retalhista e Expl.Centros Com., SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
3) Canasta – Empreendimentos Imobiliários, SA	a)	Maia	100.00%	98.06%	-	-
Carnes do Continente-Ind.Distr.Carnes, SA	a)	Santarém	100.00%	98.06%	100.00%	98.06%
Chão Verde-Soc.Gestora Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Citorres-Sociedade Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Contibomba-Comérc.Distr.Combustiveis, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Contifin, SGPS, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Contimobe-Imobil.Castelo Paiva, SA	a)	Castelo de Paiva	100.00%	98.06%	100.00%	98.06%
3) Cumulativa - Sociedade Imobiliária, SA	a)	Marinha Grande	100.00%	98.06%	-	-
Difusão-Sociedade Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Distrifin-Comercio y Prest.Servicios, SA	a)	Madrid (Spain)	100.00%	98.06%	100.00%	98.06%
Efanor-Design e Serviços, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Efanor-Indústria de Fios, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Estêvão Neves-Hipermercados Madeira, SA	a)	Madeira	100.00%	98.06%	100.00%	98.06%
Fozimo-Sociedade Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Fozmassimo-Com.Indust.Prod.Alim., SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Global S-Hipermercado, Lda	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
IGI-Investimento Imobiliário, SA	a)	Porto	100.00%	98.06%	100.00%	98.06%
Igimo-Sociedade Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Imoconti- Soc.Imobiliária, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Imoestrutura-Soc.Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Imomuro-Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
Imoponte-Soc.Imobiliaria, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Imoresultado-Soc.Imobiliaria, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Imosistema-Sociedade Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Infocfield-Informática, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
Informeios-Projectos e Representações, SA	a)	Lisbon	100.00%	98.06%	100.00%	98.06%
Inventory-Acessórios de Casa, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%



	Max Office Artigos Serviços p/escrit., SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
3)	MJLF – Empreendimentos Imobiliários, SA	a)	Maia	100.00%	98.06%	-	-
	Modalfa-Comércio e Serviços, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Modelo - Dist.de Mat. de Construção, SA	a)	Maia	50.00%	49.03%	50.00%	49.03%
	Modelo Continente Hipermercados,SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	Modelo Continente, SGPS, SA	a)	Matosinhos	98.06%	98.06%	98.06%	98.06%
	Modelo Continente-Oper.Retalho SGPS, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	Modelo Hiper Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Modelo Investimentos (Brazil), Ltda	a)	Sao Paulo (Brazil)	100.00%	98.06%	100.00%	98.06%
3)	Modelo Investimentos Financeiros, Ltda	a)	Porto Alegre (Brazil)	100.00%	98.06%	-	-
	Modelo,SGPS, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Modelo.com-Vendas p/Correspond., SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Modis Distribuição Centralizada, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	Modis Internacional Trading, SA	a)	Madrid (Spain)	100.00%	98.06%	100.00%	98.06%
	Modis-SGPS, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	OK Bazar-Comércio Geral, SA	a)	Ermesinde	100.00%	98.06%	100.00%	98.06%
3)	Pinto Ribeiro - Supermercados, SA	a)	Viana do Castelo	90.00%	88.25%	-	-
	Predicomercial-Promoção Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
3)	Selifa – Empreendimentos Imobiliários, SA	a)	Maia	100.00%	98.06%	-	-
	Sempre à Mão - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	Sesagest-Proj.Gestão Imobiliária, SA	a)	Porto	100.00%	98.06%	100.00%	98.06%
	Socijofra-Sociedade Imobiliária, SA	a)	Gondomar	100.00%	98.06%	100.00%	98.06%
	Sociloures-Soc.Imobiliária, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	Soflorin, BV	a)	Amsterdam (Netherlands)	100.00%	98.06%	100.00%	98.06%
	Sonae Distribuição Brazil, SA	a)	Porto Alegre (Brazil)	97.67%	95.77%	96.56%	94.68%
3)	Sonae Promotora de Vendas, Ltda	a)	Porto Alegre (Brazil)	100.00%	98.06%	-	-
	Sonae Retalho Espana-Servicios Gen., SA	a)	Madrid (Spain)	100.00%	98.06%	100.00%	98.06%
	Sondis Imobiliária, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Sondis, BV	a)	Amsterdam (Netherlands)	100.00%	98.06%	100.00%	98.06%
	Sontária-Empreend.Imobiliários, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Sonvecap, BV	a)	Amsterdam (Netherlands)	100.00%	98.06%	100.00%	98.06%
	Sport Zone-Comércio Art.Desporto, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	SRE-Projectos e Consultadoria, SA	a)	Maia	100.00%	98.06%	100.00%	98.06%
	Tlantic Sistemas de Informação, Ltda	a)	Porto Alegre (Brazil)	100.00%	98.06%	100.00%	98.06%
	Todos os Dias-Com.Ret.Expl.C.Comerc., SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
	Worten-Equipamento para o Lar, SA	a)	Matosinhos	100.00%	98.06%	100.00%	98.06%
<b>Sonae Sierra</b>							
	3DO Holding GmbH	a)	Dusseldorf (Germany)	100.00%	67.04%	100.00%	67.04%
	3DO Shopping Centre GmbH	a)	Dusseldorf (Germany)	100.00%	67.04%	100.00%	67.04%
	3shoppings - Holding,SGPS, SA	a)	Maia	100.00%	33.59%	100.00%	33.59%
4)	ALEXA Shopping Centre GmbH	a)	Dusseldorf (Germany)	100.00%	33.52%	100.00%	34.19%
	Algarveshopping- Centro Comercial, SA	a)	Maia	100.00%	33.59%	100.00%	33.59%
	Avenida M-40, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Avenida M-40, SA	a)	Madrid (Spain)	100.00%	67.04%	60.00%	40.22%
	Boavista Shopping Centre, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Cascaishopping Holding I, SGPS, SA	a)	Lisbon	100.00%	33.59%	100.00%	33.59%
	Clérigoshopping- Gestão do C.Comerc., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Coimbrashopping- Centro Comercial, SA	a)	Porto	100.00%	33.59%	100.00%	33.59%
	Dos Mares - Shopping Centre, BV	a)	Amsterdam (Netherlands)	100.00%	33.59%	100.00%	67.04%

	Dos Mares-Shopping Centre, SA	a)	Madrid (Spain)	100.00%	33.59%	65.00%	43.58%
3)	Project Sierra Holding Portugal IV, SGPS, SA	a)	Matosinhos	100.00%	67.04%	-	-
	Estação Oriente-Gest.de Galerias Com., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Estação Viana- Centro Comercial, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
3)	Fundo Investimento Imob. Shopping Parque D. Pedro	a)	Sao Paulo (Brazil)	100.00%	65.63%	-	-
	Guimarãeshopping- Centro Comercial, SA	a)	Maia	100.00%	33.59%	100.00%	33.59%
	Inparsa-Gestão de Centros Comerc., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Loureshopping- Centro Comercial, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Luz del Tajo - Centro Comercial, SA	a)	Madrid (Spain)	100.00%	67.04%	65.00%	43.58%
	Luz del Tajo, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	MaiaShopping- Centro Comercial, SA	a)	Maia	100.00%	33.59%	100.00%	33.59%
3)	Monselice Center, Srl	a)	Venice (Italy)	100.00%	33.59%	-	-
	Norteshopping 2-Gestão C. Comercial, SA	a)	Porto	100.00%	67.04%	100.00%	67.04%
	Parque D. Pedro 1, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Parque D. Pedro 2, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Parque de Famalicão - Empr. Imob., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Parque Dom Pedro Shopping, SA	a)	Sao Paulo (Brazil)	100.00%	65.63%	100.00%	65.63%
	Pátio Boavista Shopping, Ltda	a)	Sao Paulo (Brazil)	100.00%	65.50%	100.00%	65.40%
	Pátio Penha Shopping, Ltda	a)	Brazil	99.99%	67.03%	100.00%	67.04%
	Plaza Eboli - Centro Comercial, SA	a)	Madrid (Spain)	100.00%	67.04%	65.00%	43.58%
	Plaza Eboli, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Plaza Mayor Holding, SGPS, SA	a)	Maia	100.00%	33.59%	100.00%	33.59%
	Plaza Mayor Parque de Ócio, BV	a)	Amsterdam (Netherlands)	100.00%	33.59%	100.00%	33.59%
	Plaza Mayor Parque de Ocio, SA	a)	Madrid (Spain)	100.00%	33.59%	100.00%	33.59%
	Plaza Mayor Shopping, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Plaza Mayor Shopping, SA	a)	Maia	75.00%	50.28%	75.00%	50.28%
	Pridelease Investments, Ltd	b)	Cascais	100.00%	67.04%	100.00%	67.04%
	Project Sierra – Shopping Centre, GmbH	a)	Áustria	100.00%	67.04%	100.00%	67.04%
	Project Sierra 1, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Project Sierra 2, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Project Sierra Brazil 1, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Project Sierra Holding Portugal I,SGPS, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Holding Portugal II, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Holding Portugal III, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
3)	Project Sierra Germany 1, GmbH	a)	Germany	100.00%	67.04%	-	-
3)	Project Sierra Italy 1, Srl	a)	Italy	100.00%	67.04%	-	-
3)	Project Sierra Italy 2-Shop.Centre, Srl	a)	Milan (Italy)	100.00%	67.04%	-	-
	Project Sierra Portugal I- C.Comerc., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Portugal II-C.Comerc., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Portugal III-C.Comerc., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Portugal IV-C.Comerc., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Portugal V-C.Comercial, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Project Sierra Spain 1, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Project Sierra Spain 1-C.Comercial, SA	a)	Madrid (Spain)	70.00%	46.93%	100.00%	67.04%
	Project Sierra Spain 2, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Project Sierra Spain 2-Centro Comer., SA	a)	Madrid (Spain)	75.00%	50.28%	75.00%	50.28%
	Project Sierra Spain 3, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Project Sierra Spain 3-Centro Comer., SA	a)	Madrid (Spain)	100.00%	67.04%	100.00%	67.04%
	Rio Sul - Centro Comercial, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%

Serra Shopping - Centro Comercial, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
Shopping Centre Parque Principado, BV	a)	Amsterdam (Netherlands)	100.00%	33.59%	100.00%	67.04%
Shopping Penha, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Asset Management-Gest. Activos, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sierra Brazil 1, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Corporate Services- Ap.Gestão, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sierra Corporate Services Holland, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Develop.Iberia 1, Prom.Imob., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sierra Developments Germany AG	a)	Germany	100.00%	67.04%	100.00%	67.04%
Sierra Developments Germany Holding, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Developments Holding, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Developments Italy, Srl	a)	Milan (Italy)	100.00%	67.04%	100.00%	67.04%
Sierra Developments Spain-Prom.C.Com., SL	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Developments, SGPS, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sierra Developments-Serv. Prom.Imob., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sierra European R.R.E. Assets Hold., BV	a)	Amsterdam (Netherlands)	50.10%	33.59%	50.10%	33.59%
Sierra GP, Ltd	a)	Guernsey (U.K.)	100.00%	67.04%	100.00%	67.04%
Sierra Investments (Holland) 1, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Investments (Holland) 2, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Investments Holding, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Investments SGPS, SA	a)	Porto	100.00%	67.04%	100.00%	67.04%
Sierra Italy Holding, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sierra Man.New Tech.Bus.-Serv.Comu.CC, SA	a)	Matosinhos	100.00%	67.04%	100.00%	67.04%
Sierra Management Germany, GmbH	a)	Dusseldorf (Germany)	100.00%	67.04%	100.00%	67.04%
Sierra Management Italy, Srl	a)	Milan (Italy)	100.00%	67.04%	100.00%	67.04%
Sierra Management Portugal-Gest. CC, SA	a)	Lisbon	100.00%	67.04%	100.00%	67.04%
Sierra Management Spain-Gestión C.Com., SA	a)	Madrid (Spain)	100.00%	67.04%	100.00%	67.04%
Sierra Management, SGPS, SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sierra Mangement II-Gestão de C.C., SA	a)	Maia	100.00%	67.04%	100.00%	67.04%
Sonae Sierra Brazil, Ltda	a)	Brazil	100.00%	67.04%	100.00%	67.04%
5) Project Sierra Holding Portugal IV, SGPS, SA	a)	Matosinhos	100.00%	67.04%	100.00%	99.05%
Sonae Sierra Brazil, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Sonae Sierra, SGPS, SA	a)	Maia	67.04%	67.04%	67.04%	67.04%
3) Templo, Srl	a)	Venice (Italy)	100.00%	33.59%	-	-
Valecenter Sierra Srl	a)	Venice (Italy)	100.00%	33.59%	100.00%	67.04%
3) Valecenter, Spa	a)	Milan (Italy)	100.00%	33.59%	-	-
<b>Sonaecom</b>						
Clixgest-Internet e Contéudos, SA	a)	Maia	56.67%	46.51%	56.67%	46.73%
Digitmarket-Sistemas de Informação, SA	a)	Maia	75.10%	61.63%	75.10%	61.93%
Enabler & Retail Consult, GmbH	a)	Germany	85.00%	51.89%	85.00%	46.44%
Enabler Brazil, Ltda	a)	Curitiba (Brazil)	99.99%	61.04%	99.99%	54.62%
Enabler UK, Ltd	a)	U.K.	100.00%	61.05%	100.00%	54.63%
Enabler-Informática, SA	a)	Maia	98.50%	61.05%	97.30%	54.63%
Exit Travel, SA	a)	Maia	100.00%	82.06%	100.00%	86.32%
10) JAUJA, SGPS, SA	a)	Lisbon	100.00%	46.50%	100.00%	46.73%
10) KPNQwest Portugal Telecomunicações, Lda	a)	Lisbon	100.00%	46.50%	100.00%	46.73%
M3G-Edições Digitais, SA	a)	Lisbon	100.00%	82.06%	100.00%	82.46%
Mainroad – Serviços Tecnologias de Informação, SA	a)	Maia	100.00%	46.50%	100.00%	46.73%

	Miauger-Org. Gestão Leilões El., SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
10)	Noriema, SGPS, SA	a)	Lisbon	100.00%	46.50%	100.00%	46.73%
	Novis Telecom, SA	a)	Maia	56.67%	46.50%	56.67%	46.73%
	Optimus Telecomunicações, SA	b)	Maia	49.06%	40.26%	46.29%	38.17%
	Optimus Towering-Explor. Torres Telecom, SA	a)	Maia	100.00%	40.26%	100.00%	38.17%
	Per-Mar-Sociedade de Construções, SA	a)	Maia	100.00%	40.26%	100.00%	38.17%
	Publico.pt-Serv.Digitais Multimedia, SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
	Público-Comunicação Social, SA	a)	Porto	99.99%	82.06%	99.99%	82.46%
	Retailbox, BV	a)	Amsterdam (Netherlands)	77.00%	61.98%	70.00%	56.15%
	Sonae Matrix Multimédia, SGPS, SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
	Sonae Telecom SGPS, SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
	Sonae Telecom, BV	a)	Amsterdam (Netherlands)	100.00%	82.06%	100.00%	82.46%
	Sonae.com,SGPS, SA	a)	Maia	82.06%	82.06%	82.46%	82.46%
	Sonae.com-Sistemas de Informação, SGPS, SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
	We Do Brazil-Soluções Informáticas, Ltda	a)	Rio de Janeiro (Brazil)	99.99%	81.97%	99.89%	82.37%
	We Do Consulting-SI, SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
	XS-Comunicação, Inf. e Lazer, SA	a)	Maia	100.00%	82.06%	100.00%	82.46%
<b>Sonae Capital</b>							
	Águas Furtadas - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Aqualuz - Turismo e Lazer, Lda	a)	Lagos	100.00%	100.00%	100.00%	99.98%
	Aquapraia, SGPS, SA	a)	Lisbon	100.00%	100.00%	100.00%	99.98%
	Aquapraia-Investimentos Turísticos, SA	a)	Grândola	100.00%	100.00%	100.00%	99.98%
	Aserraderos de Cuellar, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Atlantic Ferries, SA	a)	Grândola	100.00%	100.00%	100.00%	99.98%
	Azulino Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Bertimóvel - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Bloco Q-Sociedade Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
	Bloco W-Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	99.98%
	Box Lines Navegação, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Campimeios - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	99.98%
	Casa da Ribeira - Hotelaria e Turismo, SA	a)	Marco de Canaveses	100.00%	100.00%	100.00%	99.98%
	Casino Hotel Troia, SA	a)	Grândola	100.00%	100.00%	100.00%	99.98%
	Centro Residencial da Maia,Urbán., SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
6)	Cequip-Equipamentos de Construção, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Cinclus Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Cinclus-Plan. e Gestão de Projectos, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
6)	CMO-Construções, Lda	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto Concessões, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Contacto-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto-Sociedade de Construções, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Country Club da Maia-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
11)	Cronosaúde – Gestão Hospitalar, SA	a)	Porto	100.00%	50.00%	-	-
	Elmo SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Empreend.Imob.Quinta da Azenha, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Equador & Burnay, Lda	a)	Lisbon	100.00%	97.87%	75.00%	73.41%
	Equador & Mendes, Lda	a)	Lisbon	75.00%	73.41%	75.00%	73.41%
	Espimaia -Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Gestholdings-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
	Golfe time Inv.Turísticos, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
	Grano Salis, Lda	a)	Grândola	100.00%	100.00%	100.00%	99.98%
	Imoarea, SGPS, SA	a)	Matosinhos	100.00%	100.00%	100.00%	99.98%

Imobiliária da Cacela, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoclub-Serviços Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imodivor - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Imoferro-Soc.Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	99.98%
Imohotel-Emp.Turist.Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imopenínsula - Sociedade Imobiliária, SA	a)	Grândola	100.00%	88.46%	100.00%	88.69%
Imoplamac Gestão de Imóveis, SA	a)	Santarém	100.00%	100.00%	100.00%	100.00%
Imoresort - Sociedade Imobiliária, SA	a)	Grândola	100.00%	88.46%	100.00%	88.69%
Imosedas-Imobiliária e Serviços, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Implantação - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Inparvi SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Insulatroia - Sociedade Imobiliária, SA	a)	Grândola	100.00%	88.46%	100.00%	88.69%
7) Integrum-Serviços Partilhados, SA	a)	Maia	100.00%	35.07%	100.00%	100.00%
Interlog-SGPS, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
Invicta - Comércio Internacional, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
INVSAUDE - Gestão Hospitalar, SA	a)	Maia	100.00%	50.00%	100.00%	50.00%
ISF - Imobiliário, Serviços e Participações	a)	Porto	100.00%	100.00%	100.00%	100.00%
Isoroy Casteljalous	a)	Casteljalous (France)	100.00%	100.00%	100.00%	89.90%
Leroy Gabon, SA	a)	Libreville (Gabon)	99.99%	99.99%	99.99%	99.99%
Libra Serviços, Lda	a)	Funchal	100.00%	100.00%	100.00%	100.00%
Marimo -Exploração Hoteleira Imobiliária	a)	Grândola	100.00%	88.46%	100.00%	88.69%
Marina Magic - Exploração de Centros Lúd	a)	Lisbon	100.00%	100.00%	100.00%	99.98%
Marmagno-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	88.46%	100.00%	88.64%
Martimope - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Marvero-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	88.46%	100.00%	88.64%
MDS-Soc.Mediadora de Seguros, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
NAB, Sociedade Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Nova Equador Internacional,Ag.Viag.T, Lda	a)	Lisbon	75.00%	73.41%	75.00%	73.41%
Parcomarco, Gest Parq Est Centros Comer	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Partnergiro-Part.Neg.Ren.G.Int.Rec, SA	a)	Maia	100.00%	100.00%	100.00%	99.98%
PJP - Equipamento de Refrigeração, Lda	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
Placage d'Okoumé du Gabon	a)	Libreville (Gabon)	99.88%	99.88%	99.88%	99.88%
Plysol SAS	a)	Niort (France)	100.00%	100.00%	100.00%	100.00%
Plysol SNC	a)	Lisieux (France)	98.00%	98.00%	98.00%	98.00%
Porturbe-Edifícios e Urbanizações, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Praedium II-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Praedium III-Serviços Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Praedium, SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Prédios Privados Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Predisedas-Predial das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Promessa Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Promosedas-Prom.Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Publimeios-Soc.Gestora Part. Finan., SA	a)	Maia	50.10%	50.10%	50.10%	50.10%
Quinta da Covilhã-Empr.Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Rochester Real Estate, Ltd	a)	Kent (U.K.)	100.00%	100.00%	100.00%	100.00%
Safira Services-Limpeza Espaços Verd., SA	a)	Porto	51.00%	25.55%	51.00%	25.55%
Santos Taborda & Carvalho,SU, Lda	a)	Lisbon	100.00%	97.87%	100.00%	97.88%
Saúde Atlântica - Gestão Hospitalar, SA	a)	Maia	50.00%	50.00%	50.00%	50.00%
SC Insurance Risks Services, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
SC-Consultadoria,SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Selfrio,SGPS, SA	a)	Matosinhos	70.00%	35.07%	70.00%	35.07%
Selfrio-Engenharia do Frio, SA	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%

Sistavac-Sist.Aquecimento,V.Ar C., SA	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
SKK-Central de Distr., SA	a)	Porto	100.00%	35.07%	100.00%	35.07%
SKKFOR - Ser. For. e Desen. de Recursos	a)	Maia	96.00%	33.67%	96.00%	33.67%
SMP-Serv. de Manutenção Planeamento	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
Soberana-Investimentos Imobiliários, SA	a)	Grândola	100.00%	88.46%	100.00%	88.64%
Société de Tranchage Isoroy SAS	a)	France	100.00%	100.00%	100.00%	89.90%
Société des Essences Fines Isoroy	a)	Honfleur (France)	100.00%	100.00%	100.00%	89.90%
Soconstrução, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
Soira-Soc.Imobiliária de Ramalde, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Solinca III-Desporto e Saúde, SA	a)	Lisbon	100.00%	100.00%	100.00%	99.98%
Solinca Lazer,SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
Solinca-Investimentos Turísticos, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
Solinfitness - Club Malaga, SL	a)	Malaga (Spain)	100.00%	100.00%	100.00%	99.98%
Soltroia-Investimentos Turísticos, SA	a)	Lisbon	58.93%	58.93%	58.93%	58.92%
Somit-Soc.Mad.Ind.Transformadas, SA	a)	Oliveira do Hospital	100.00%	100.00%	100.00%	100.00%
Sonae 3P, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Sonae Capital,SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Sonae International, Ltd	a)	London (U.K.)	100.00%	100.00%	100.00%	100.00%
Sonae Turismo Gestão e Serviços, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
Sonae Turismo-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	99.98%
Sonae Wood Products, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
Sontrade Lines, Ltd	a)	Hants (U.K.)	63.75%	63.75%	63.75%	63.75%
Sontur, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	99.98%
Sopair, SA	a)	Madrid (Spain)	60.00%	30.06%	60.00%	30.06%
Sótaqua - Soc. de Empreendimentos Turist	a)	Maia	100.00%	100.00%	100.00%	100.00%
Spinarg, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Spinveste - Promoção Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Spinveste-Gestão Imobiliária SGII, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Star-Viagens e Turismo, SA	a)	Lisbon	100.00%	97.87%	100.00%	97.88%
Terceiro Frente - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Textil do Marco, SA	a)	Marco de Canaveses	90.37%	90.37%	90.37%	90.37%
Torraltta-Clube Internacional Férias, SA	a)	Grândola	88.46%	88.46%	88.69%	88.64%
Torre São Gabriel-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Troiaverde-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	88.46%	100.00%	88.64%
Tulipamar-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	88.46%	100.00%	88.64%
Urbisedas-Imobiliária das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Venda Aluga-Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	99.98%
World Trade Center Porto, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
<b>Outras</b>						
3) Casa Agrícola João e António Pombo, SA	a)	Portel	66.67%	32.67%	-	-
8) Iginha-Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	49.00%	100.00%	98.06%
Investalentejo, SGPS, SA	b)	Vila de Conde	100.00%	49.00%	100.00%	35.97%
9) Ipaper-Industria Papeis Impregnados, SA	a)	Maia	100.00%	72.53%	100.00%	65.89%
3) Sete e Meio - Investimentos e Consultadoria, SA	a)	Grândola	100.00%	49.00%	-	-
Sonae Investments, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
Sonaegest-Soc.Gest.Fundos Investimentos	a)	Maia	100.00%	92.04%	100.00%	92.04%

- 1) Company sold in the period;
- 2) Company merged into Tecnologias del Medio Ambiente, SA;
- 3) Company acquired or incorporated in the period;

- 4) Company partially sold, consolidated in the period by the proportionate method;
- 5) Company shown under Sonae Capital in the previous year;
- 6) Company merged into Contacto - Sociedade de Construções, SA;
- 7) Company shown under Others in the previous year;
- 8) Company shown under Modelo Continente in the previous year;
- 9) Company shown under Sonae Indústria in the previous year;
- 10) Company merged into Novis Telecom, SA;
- 11) Company excluded from consolidation in the previous year.

- a) Majority of voting rights;
- b) Management control.

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

## 5. JOINTLY CONTROLLED COMPANIES

Jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 30 September 2005 and 31 December 2004 are as follows:

COMPANY	Head Office	Percentage of capital held			
		30.09.2005		31.12.2004	
		Direct	Total	Direct	Total
Sonae Sierra					
Aegean Park, SA	Athens (Greece)	100.00%	33.52%	100.00%	33.52%
ALEXA Holding GmbH	Dusseldorf (Germany)	50.00%	33.52%	51.00%	34.19%
Arrábidashopping- Centro Comercial, SA	Vila Nova de Gaia	50.00%	16.79%	50.00%	16.79%
Berlin Alexanderstraße G. mbH & Co. KG	Dusseldorf (Germany)	99.00%	33.18%	50.00%	17.10%
Berlin Alexanderstraße Verwaltung. MbH	Dusseldorf (Germany)	99.00%	33.18%	50.00%	17.10%
Cascaishopping- Centro Comercial, SA	Lisbon	100.00%	16.79%	100.00%	16.79%
Cascaishopping Holding II, SGPS, SA	Maia	50.00%	16.79%	50.00%	16.79%
Centro Colombo- Centro Comercial, SA	Lisbon	50.00%	16.79%	50.00%	16.79%
Centro Vasco da Gama-Centro Comercial, SA	Maia	50.00%	16.79%	50.00%	16.79%
2) Corso Magenta 85, Sarl	Milan (Italy)	50.00%	33.52%	-	-
1) CRP-Parque Comercial de Coimbra, SA	Porto	50.00%	33.52%	50.00%	33.52%
Freccia Rossa- Shopping Centre, Srl	Sondrio (Italy)	50.00%	33.52%	50.00%	33.52%
Gaiashopping I- Centro Comercial, SA	Maia	50.00%	16.79%	50.00%	16.79%
Gaiashopping II- Centro Comercial, SA	Maia	100.00%	16.79%	100.00%	16.79%
Hospitalet Center, SL	Barcelona (Spain)	50.10%	8.38%	50.10%	8.38%
Iberian Assets	Barcelona (Spain)	49.78%	16.72%	49.78%	16.72%
Madeirashopping- Centro Comercial, SA	Funchal	50.00%	16.79%	50.00%	16.79%
MediterraneanCosmos Property Management, SA	Athens (Greece)	75.00%	25.14%	75.00%	25.14%
NorteShop. Retail and Leisure Centre, BV	Amsterdam (Netherlands)	50.00%	16.79%	50.00%	16.79%
Norteshopping-Centro Comercial, SA	Porto	100.00%	16.79%	100.00%	16.79%
Oriogest, Srl	Milan (Italy)	80.00%	26.82%	80.00%	26.82%
Parque Atlântico - Centro Comercial SA	Ponta Delgada	50.00%	16.79%	50.00%	16.79%
Parque Principado, SL	Madrid (Spain)	50.00%	16.79%	50.00%	33.52%
Proj.Sierra Charagionis -Dev.Sh.C., SA	Athens (Grécia)	100.00%	33.52%	100.00%	33.52%
Project SC, BV	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52%
SC Aegean, BV	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52%
SC Mediterraneo Cosmos, BV	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52%

Segest -Sonae Espansione Gestione, Srl	Milan (Italy)	50.00%	33.52%	50.00%	33.52%
Sierra Charagionis Propert.Management, SA	Athens (Greece)	50.00%	33.52%	50.00%	33.52%
Sierra Enplanta, SA	Sao Paulo (Brazil)	50.00%	33.52%	50.00%	33.52%
Sierra Charagionis Develop. of Shop, Centers, SA	Athens (Greece)	50.00%	33.52%	50.00%	33.52%
SRP-Parque Comercial de Setúbal, SA	Maia	50.00%	33.52%	50.00%	33.52%
Torre Colombo Ocidente-Imobiliária, SA	Porto	100.00%	16.79%	100.00%	16.79%
Torre Colombo Oriente-Imobiliária, SA	Porto	100.00%	16.79%	100.00%	16.79%
Unishopping Administradora, Ltda	Sao Paulo (Brazil)	99.99%	33.52%	99.99%	33.52%
Unishopping Consultoria Imob., Ltda	Sao Paulo (Brazil)	99.98%	33.51%	99.98%	33.51%
Via Catarina- Centro Comercial, SA	Maia	50.00%	16.79%	50.00%	16.79%
Zubiarte Inversiones Inmob, SA	Barcelona (Spain)	49.83%	33.40%	49.83%	33.40%

#### Outras

1) Celnave-Agência de Navegação, Lda	Viana do Castelo	100.00%	34.17%	100.00%	34.17%
1) Celpap-Terminal de Cel. Papel Por, Lda	Viana do Castelo	100.00%	34.17%	100.00%	34.17%
1) Emprobal-Emp.Prod. e Com.Emb., Lda	Funchal	60.00%	21.58%	60.00%	21.58%
1) Gescartão,SGPS, SA	Lisbon	68.58%	35.97%	68.58%	35.97%
1) Imocapital,SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%
1) Lepe-Empresa Portuguesa Embalagens, SA	Marinha Grande	100.00%	35.97%	100.00%	35.97%
1) Papelnova Recolha Recup.Desperdícios, SA	Mourão	100.00%	35.97%	100.00%	35.97%
1) Portucel Embalagem-Emp.Prod.E.Cartão, SA	Cascais	100.00%	35.97%	100.00%	35.97%
1) Portucel Espana, SA	Madrid (Spain)	100.00%	35.97%	100.00%	35.97%
1) Portucel Recicla-Indústria Papel R., SA	Mourão	100.00%	35.97%	100.00%	35.97%
1) Portucel Viana-Emp.Prod.P.Ind., SA	Viana do Castelo	100.00%	35.97%	100.00%	35.97%
1) Portucel Viana Energia - Empresa de Cogeração Energética, SA	Viana do Castelo	100.00%	35.97%	100.00%	35.97%
1) Sulpac, Emp. Prod. Emb. Cartão, SGPS, SA	Mourão	100.00%	35.97%	100.00%	35.97%

- 1) Company sold in the period;  
2) Company acquired in the period.

These entities are consolidated using the proportionate consolidation method, as referred to in Note 2.2.b).

Aggregated amounts corresponding to the percentage of capital held in these jointly controlled companies included in the financial statements for the period, using the proportionate consolidation method, can be summarised as follows:

	30.09.2005	31.12.2004	30.09.2004
Non-current assets	1,692,002,259	1,713,712,764	1,580,989,518
Current assets	75,067,698	130,456,929	152,743,167
Non-current liabilities	1,177,830,777	1,153,956,212	1,038,519,162
Current liabilities	119,203,191	136,684,618	101,585,229
	Nine month period ended on 30.09.2005	2004	Nine month period ended on 30.09.2004
Income	124,298,921	285,399,683	180,482,691
Expenses	78,727,979	208,169,915	142,597,358



## 6. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 30 September 2005 and 31 December 2004 are as follows:

COMPANY	Head Office	Percentage of capital held			
		30.06.2005		31.12.2004	
		Direct	Total	Direct	Total
<b>Sonae Indústria</b>					
Promodeco - Projecto Imobiliário Decoração e Construção, Lda	Maia	27.60%	24.48%	27.60%	26.46%
Serradora Boix	Barcelona (Spain)	31.25%	27.64%	31.25%	28.29%
Stinnes Holz GmbH	Hamm (Germany)	35.25%	30.90%	35.25%	31.33%
Comfloresta - Companhia Catarinense de Emp. Florestais, SA	Brazil	4.55%	2.54%	4.55%	2.52%
<b>Modelo Continente</b>					
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	24.51%	25.00%	18.92%
<b>Sonaecom</b>					
Global S - Centro Comercial Lda	Matosinhos	99.89%	13.65%	99.89%	13.34%
Global S - Tecnologias de Informação Lda	Matosinhos	75.00%	20.02%	75.00%	20.02%
Global S 24, SGPS, SA	Matosinhos	50.00%	13.34%	50.00%	13.65%
Global S, SGPS, SA	Matosinhos	64.73%	26.56%	64.73%	26.69%
Net Mall SGPS, SA	Maia	50.00%	41.03%	50.00%	41.23%
SIRS – Sociedade Independente de Radiodifusão Sonora, SA	Porto	45.00%	36.93%	45.00%	37.11%
Unipress - Centro Gráfico, Lda	Vila Nova de Gaia	40.00%	32.82%	40.00%	32.98%
<b>Sonae Capital</b>					
Andar - Sociedade Imobiliária, SA	Maia	50.00%	50.00%	50.00%	50.00%
Autocenter - Serviços, Acessórios e Peças para Viaturas, SA	Maia	50.00%	25.00%	50.00%	25.00%
CarPlus – Comércio de Automóveis, SA	Vila Nova de Gaia	100.00%	50.00%	100.00%	50.00%
Change, SGPS, SA	Porto	25.00%	25.00%	25.00%	25.00%
Choice Car - Comércio de Automóveis, SA	Porto	100.00%	50.00%	100.00%	50.00%
Choice Car SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%
Finlog - Aluguer e Comércio de Automóveis, SA	Matosinhos	100.00%	50.00%	100.00%	50.00%
Guerin – Rent a Car (Dois), Lda	Lisbon	100.00%	50.00%	100.00%	50.00%
Holdingpar, SGPS, SA	Porto	40.00%	40.00%	40.00%	40.00%
Interclean, SA	Brazil	49.99%	12.77%	49.99%	12.77%
Lazam Corretora, Ltda	Brazil	45.00%	45.00%	45.00%	45.00%
Lidergraf - Artes Gráficas, Lda	Vila de Conde	25.50%	25.50%	25.50%	25.50%
Luso Assistência - Gestão de Acidentes, SA	Porto	100.00%	50.00%	100.00%	50.00%
Mundo Vip – Operadores Turísticos, SA	Lisbon	33.34%	33.34%	-	-
Norscut - Concessionária de Scut Interior Norte, SA	Lisbon	25.00%	25.00%	25.00%	25.00%
Pargeste SGPS, SA	Maia	40.00%	40.00%	40.00%	40.00%
Sociedade de Construções do Chile, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sociedade Imobiliária Troia - B3, SA	Grândola	20.00%	17.73%	20.00%	17.74%
Vastgoed One - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%
Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%
Opscut - Operação e Manutenção de Auto-estradas, SA	Lisbon	15.00%	15.00%	15.00%	15.00%
1) ba - Fábrica de Vidros Barbosa & Almeida, SA	Porto	11.64%	11.74%	45.00%	40.09%
1) Bar-Bar-Idade Glass - Serviços de Gestão e Investimentos, SA	Porto	11.75%	11.75%	39.55%	39.55%
Sodesa, SA	Lisbon	50.00%	50.00%	50.00%	50.00%
TP - Sociedade Térmica, SA	Porto	50.00%	50.00%	50.00%	50.00%

1) Sale of 27.80% of the share capital of the associated company in the period.

Associated companies are consolidated using the equity method, as referred to in Note 2.2.c).

## 7. GROUP COMPANIES, JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES EXCLUDED FROM CONSOLIDATION AND OTHER SHAREHOLDINGS

Group companies, jointly controlled companies and associated companies excluded from consolidation, their head offices, percentage of share capital held and book value as at 30 September 2005 and 31 December 2004 are made up as follows:

COMPANY	Head Office	Reason for exclusion	Percentage of capital held				Book Value	
			30.09.2005		31.12.2004		30.09.2005	31.12.2004
			Direct	Total	Direct	Total		
<b>Sonae Indústria</b>								
OKO Zentrum NRW	Germany	a)	25.00%	21.92%	25.00%	22.22%	-	-
Plysolor BV	Soest (Netherlands)	a)	100.00%	88.39%	100.00%	90.53%	72,574	72.574
Tarnaise des Panneaux, SA	Labruguière (France)	a)	99.99%	88.44%	99.99%	89.89%	-	-
Construction Modulaire de l'Ouest SARL	Lisieux (France)		15.00%	13.26%	15.00%	13.27%	20,489	20.489
<b>Modelo Continente</b>								
Dispar – Distrib. de Participações, SGPS, SA	Lisbon		7.14%	7.00%	7.14%	7.00%	4,988	4.988
Insco – Insular de Hipermercados, SA	Ponta Delgada		10.00%	9.81%	10.00%	9.81%	748,197	748.197
<b>Sonae Sierra</b>								
Lamda Pylea, SA	Athens (Greece)	a)	39.90%	13.37%	39.90%	13.37%	2,787,769	2.787.769
SIC Indoor – Gest. Suportes Publicitários, SA	Oeiras	a)	35.00%	23.46%	35.00%	23.46%	17,500	17.500
<b>Sonaecom</b>								
Altitude, SGPS, SA	Lisbon		11.50%	9.44%	11.50%	9.48%	1,000,000	1.000.000
Despegar.com	Porto		5.90%	4.84%	5.90%	4.87%	2	2
Lusa - Agência de Noticias de Portugal, SA	Lisbon		1.38%	1.13%	1.38%	1.14%	197,344	197.344
Minhodigital.com - Inv. na Área Tecnológ., SA	Porto		4.76%	3.91%	4.76%	3.93%	-	-
Outsystems, Software de Rede, SA	Oeiras		1.50%	1.23%	2.03%	1.67%	-	-
SESI - Soc. de Ens. Sup. e Investigação, SA	Porto		9.75%	3.93%	9.75%	3.94%	1	1
<b>Sonae Capital</b>								
Delphinus – Soc. de Tur. e Div. de Tróia, SA	Grândola	a)	79.00%	79.00%	79.00%	99.98%	-	-
Friengineering, SA	Matosinhos	a)	100.00%	50.10%	100.00%	50.10%	69,438	69.438
Plysolor Contreplaques, SAS	France	a)	100.00%	100.00%	100.00%	100.00%	37,000	2.775
Sonae Capital Brasil, Lda	Sao Paulo (Brazil)	a)	100.00%	100.00%	100.00%	100.00%	5,312	5.312
Sonae RE, SA	Luxemburg	a)	100.00%	100.00%	100.00%	100.00%	1,250,000	1.250.000
Developpement & Partenariat Assurances, SA	Paris (France)	a)	35.00%	35.00%	35.00%	35.00%	238,000	372.428
Fun International Entertainment, SA	Porto	a)	50.00%	50.00%	50.00%	49.99%	361,000	361.000
Infratroia – Emp. de Infraest. de Troia, E.N.	Grândola	a)	25.90%	25.90%	25.90%	25.89%	55,659	55.659
Net, SA	Lisbon		2.80%	2.80%	2.80%	2.80%	11,132	11.132
Sear - Sociedade Europeia de Arroz, SA	Santiago do Cacém		15.00%	15.00%	15.00%	15.00%	150,031	150.031
Société Naturel de Bois Gabonais	Gabon		4.24%	4.24%	4.24%	4.24%	-	-
Spidouro S.P.E.I. Douro e Trás-os-Montes, SA	Vila Real		8.30%	8.30%	8.30%	8.30%	-	-
Vebego Services – Serviços Limpeza, SA	Porto	a)	100.00%	25.55%	100.00%	25.55%	818,400	818.400
<b>Others</b>								
Sonae Investimentos América Latina, Lda	Sao Paulo (Brazil)	a)	99.99%	99.99%	99.99%	99.99%	25,687	25.687
1) Enercicla. Lda	Mourão	a)	100.00%	35.97%	100.00%	35.97%	-	-
First Assur. SA	France		10.80%	10.80%	10.80%	10.80%	837,244	837.244

1) Company sold in the period;

a) Group company, jointly controlled company or associated company for which, at the date of the issuance of these financial statements, complete financial information was not available.

## 8. CHANGES TO THE CONSOLIDATION PERIMETER

Main acquisitions and disposals of companies over the six month period ended 30 September 2005 are as follows:

### Acquisitions

COMPANY	Head Office	Percentage of capital held	
		30.09.2005	
		Direct	Total
<b>Modelo Continente</b>			
Canasta – Sociedade Imobiliária, SA	Maia	100.00%	98.06%
Cumulativa – Sociedade Imobiliária, SA	Marinha Grande	100.00%	98.06%
MJLF – Empreendimentos Imobiliários, SA	Maia	100.00%	98.06%
Pinto Ribeiro – Supermercados, SA	Viana do Castelo	90.00%	88.25%
Selifa – Empreendimentos Imobiliários, SA	Maia	100.00%	98.06%
<b>Sonae Sierra</b>			
Corso Magenta 85, Sarl	Milan (Italy)	50.00%	33.52%
Project Sierra Holding Portugal IV, SGPS, SA	Matosinhos	100.00%	67.04%
Monselice Center, Srl	Venice (Italy)	100.00%	33.59%
Project Sierra Italy 2-Shop.Centre Srl	Milan (Italy)	100.00%	67.04%
Templo, Srl	Venice (Italy)	100.00%	33.59%
Valecenter, Spa	Milan (Italy)	100.00%	33.59%
<b>Others</b>			
Casa Agrícola João e António Pombo, SA	Portel	100.00%	49.00%
Sete e Meio - Investimentos e Consultadoria, SA	Grândola	66.67%	32.67%

### Disposals

COMPANY	Head Office	Percentage of capital held	
		30.06.2005	
		Direct	Total
<b>Sonae Indústria</b>			
Gollin,Gmbh	Bad Oeynhausen (Germany)	90.00%	78.90%
<b>Sonae Sierra</b>			
CRP-Parque Comercial de Coimbra, SA	Porto	50.00%	33.52%
<b>Others</b>			
Celnave-Agência de Navegação, Lda	Viana do Castelo	100.00%	34.17%
Celpap-Terminal de Cel. Papel Por, Lda	Viana do Castelo	100.00%	34.17%
Emprobal-Emp.Prod. e Com.Emb., Lda	Funchal	60.00%	21.58%
Gescartão,SGPS, SA	Lisbon	68.58%	35.97%
Imocapital,SGPS, SA	Maia	50.00%	50.00%
Lepe-Empresa Portuguesa Embalagens, SA	Marinha Grande	100.00%	35.97%
Papelnova Recolha Recup.Desperdícios, SA	Mourão	100.00%	35.97%
Portucel Embalagem-Emp.Prod.E.Cartão, SA	Cascais	100.00%	35.97%

Portucel Espana, SA	Madrid (Spain)	100.00%	35.97%
Portucel Recicla-Indústria Papel R., SA	Mourão	100.00%	35.97%
Portucel Viana-Emp.Prod.P.Ind., SA	Viana do Castelo	100.00%	35.97%
Portucel Viana Energia - Empresa de Cogeração Energética, SA	Viana do Castelo	100.00%	35.97%
Sulpac, Emp. Prod. Emb. Cartão, SGPS, SA	Mourão	100.00%	35.97%
Enercicla. Lda	Mourão	100.00%	35.97%

Acquisitions above mentioned had the following impact on the financial statements of 30 September 2005:

	Acquisition Date	30.09.2005
Net assets acquired		
Investment Properties	110,149,000	110,535,612
Tangible and intangible assets	13,502,176	16,573,939
Stocks	2,901,028	4,850,676
Other current assets	3,279,258	2,663,743
Cash and cash equivalents	3,016,641	4,514,113
Other assets	1,243,268	46,851
Deferred taxes	(27,564,383)	(27,746,700)
Borrowings	(30,715,797)	(30,605,099)
Other liabilities	(15,349,724)	(8,666,172)
	<u>60,461,467</u>	<u>72,166,963</u>
Goodwill	13,548,932	
Minority interests	18,093,928	
Total consideration paid	<u>92,104,327</u>	
Cash consideration paid	92,104,327	
Amounts payable	<u>-</u>	
	<u>92,104,327</u>	
Net cash outflow arising from acquisitions		
Cash consideration paid	92,104,327	
Cash and cash equivalents acquired	<u>(3,016,641)</u>	
	<u>89,087,686</u>	

The impact of these acquisitions on the income statement is not materially relevant.

Net assets of the group companies sold and the corresponding carrying amounts as at 31 December 2004 are as follows:

	Date of disposal	31.12.2004
Net assets disposed of		
Investment Properties	9,650,000	8,277,500
Tangible and intangible assets	72,041,239	72,041,239
Investments	760,422	760,422
Stocks	10,802,781	10,802,781
Other current assets	7,372,081	7,329,392
Cash and cash equivalents	6,640,241	6,579,808
Other assets	9,677,011	8,816,257
Deferred taxes	(3,710,258)	(3,341,438)
Borrowings	(9,445,159)	(9,691,772)
Other liabilities	(23,563,888)	(21,648,697)
Provisions	(113,595)	(113,595)
	80,110,875	79,811,897
Goodwill	(15,679,249)	(15,679,249)
Minority interests	7,025,948	7,025,948
	71,457,574	71,158,596
Gain on sale	29,809,942	
Total consideration	101,267,516	
Cash received	101,267,516	
Amounts receivable	-	
	101,267,516	
Net cash inflow arising from disposals		
Cash consideration received	101,267,516	
Cash and cash equivalents disposed of	(6,640,241)	
	94,627,275	

The impact of these disposals on the income statement is as follows:

	Date of disposal	31.12.2004
Operational income	1,567,820	92,888,229
Operational expenses	(41,384)	(81,081,123)
Net financial expenses	(105,292)	(235,466)
Investment income	-	12,361
Profit before taxation	1,421,144	11,584,001
Taxation	(368,821)	(2,115,377)
Profit for the period	1,052,323	9,468,624

## 9. TANGIBLE AND INTANGIBLE ASSETS

During the six month period ended 30 September 2005, movements in Tangible and intangible assets as well as depreciation and accumulated impairment losses, are made up as follows:

	30.09.2005									
	Tangible assets					Intangible assets				
	Land and buildings	Plant and Machinery	Other tangible assets	Tangible assets in progress	Total tangible	Patents and other similar rights	Other intangible assets	Intangible assets in progress	Total intangible	Total fixed assets
<b>Gross cost:</b>										
Opening balance	1,727,616,246	2,958,818,634	388,224,825	111,637,032	5,186,296,737	236,158,799	272,055,450	13,183,616	521,397,865	5,707,694,602
Changes in consolidation perimeter	(31,647,035)	(106,383,706)	(15,687,674)	(1,555,550)	(155,273,965)	(9,617)	(2,675,310)	(2,017,088)	(4,702,015)	(159,975,980)
Capital expenditure	18,864,486	17,656,820	6,664,311	190,032,619	233,218,236	10,743,304	2,511,180	24,030,547	37,285,031	270,503,287
Disposals	(54,786,399)	(33,841,063)	(10,554,467)	(2,587,999)	(101,769,928)	(216,724)	(531,569)	(197,474)	(945,767)	(102,715,695)
Exchange rate effect	54,076,133	126,721,070	13,880,554	2,439,321	197,117,078	2,366,410	2,609,317	-	4,975,727	202,092,805
Transfers	54,472,495	74,038,785	18,759,563	(147,551,844)	(281,001)	703,304	8,912,253	(13,229,972)	(3,614,415)	(3,895,416)
Closing balance	1,768,595,926	3,037,010,540	401,287,112	152,413,579	5,359,307,157	249,745,476	282,881,321	21,769,629	554,396,426	5,913,703,583
<b>Accumulated depreciation, amortisation and impairment losses</b>										
Opening balance	344,754,929	1,483,094,824	240,382,179	713,997	2,068,945,929	14,448,820	171,619,802	-	186,068,622	2,255,014,551
Changes in consolidation perimeter	(12,387,643)	(68,327,368)	(13,596,221)	-	(94,311,232)	(8,325)	(2,418,890)	-	(2,427,215)	(96,738,447)
Charge for the period	31,760,898	153,768,800	29,721,187	2,347,637	217,598,522	11,069,865	20,584,267	-	31,654,132	249,252,654
Disposals	(9,728,958)	(13,365,809)	(7,948,236)	-	(31,043,003)	(47,650)	(215,144)	-	(262,794)	(31,305,797)
Exchange rate effect	6,679,807	48,624,969	7,457,594	-	62,762,370	183,486	1,626,965	-	1,810,451	64,572,821
Transfers	81,080	(18,841,730)	19,384,665	(741,113)	(117,098)	815,851	(4,697,898)	67,048	(3,814,999)	(3,932,097)
Closing balance	361,160,113	1,584,953,686	275,401,168	2,320,521	2,223,835,488	26,462,047	186,499,102	67,048	213,028,197	2,436,863,685
<b>Carrying amount</b>	1,407,435,813	1,452,056,854	125,885,944	150,093,058	3,135,471,669	223,283,429	96,382,219	21,702,581	341,368,229	3,476,839,898

The amount under Changes in consolidation perimeter refers mainly to assets of companies disposed of, as stated in Note 8.

As at 30 September 2005, the amount under the caption Patents and other similar rights includes net assets related with UMTS technology, 130,968,575 euro, and the fair value attributed to a group of brands with indefinite useful lives, among which the "Continente" brand, 75,000,000 euro.

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

Refurbishment and expansion of stores located in Portugal	9.708.116
New projects in Portugal of the Retail business segment	43.029.073
Troia project	15.813.855
	<u>68.551.044</u>

## 10. INVESTMENT PROPERTIES

As referred to in Note 2.4, investment properties are recorded at fair value.

As at 30 September 2005, Investment properties in operation correspond to the fair value of the Group's share of shopping centres, which can be detailed as follows:

	30.09.2005		31.12.2004	
	Amount	Yield	Amount	Yield
Portugal	1,276,699,500	6.35% to 7.75%	1,225,424,500	6.50% to 8.25%
Spain	656,321,958	6.25% to 7.50%	604,979,752	6.60% to 7.75%
Italy	110,149,000	7.00% to 7.75%	-	-
Brazil	199,136,910	11.00% to 13.00%	153,527,129	11.00% to 13.00%
	<u>2,242,307,368</u>		<u>1,983,931,381</u>	

The fair value of each investment property was determined by a valuation as at 30 June 2005, performed by an independent entity, based on valuation criteria generally accepted in the real estate business.

Value created on investment properties over the nine month periods ended 30 September 2005 and 2004 can be detailed as follows:

	3rd Quarter 2005	9 Months 2005	3rd Quarter 2004	9 Months 2004
Properties which were under development and were concluded during the three month period	19,681	9,654,936	15,334,652	30,918,978
Changes in fair value of investment properties in operation	(4,290,226)	51,481,784	160,345	36,842,133
Adjustments to construction cost estimates of properties under development which were transferred to investment properties	3,400,191	(3,790,747)	(599,805)	(6,927,638)
	(870,354)	57,345,972	14,895,192	60,833,473

As at 30 September 2005 and 31 December 2004, investment properties in progress are made up as follows:

	30.09.2005	31.12.2004
Portugal:		
Parque de Famalicão	2,914,259	2,902,631
Setubal Retail Park	1,441,014	1,349,363
Louresshopping	62,665,080	27,697,819
Torres Colombo	8,342,479	8,541,831
Cacém Shopping	1,721,771	1,641,090
Serra Shopping	19,910,330	3,989,183
Rio Sul	42,977,957	20,605,857
Expansão Algarveshopping	2,745,598	-
Others	239,116	627,898
Germany:		
Berlin Alexanderplatz	68,983,483	58,645,410
3DO	14,521,100	10,241,710
Brazil:		
Others	27,440	-
Spain:		
Plaza Mayor Shopping	11,402,107	9,651,675
Plaza Éboli	-	29,403,151
Dos Mares - expansão	3,305,289	2,805,289
Ponferrada	1,343,432	-
Others	4,690	101,942
Greece:		
Aegean Park	18,745,361	18,496,605
Others	20,077	-
Italy:		
Brescia Centre	26,427,367	24,213,580
Biella	7,713,631	-
Others	386,612	-
	295,838,193	220,915,034

As at 30 September 2005, the following investment properties were mortgaged:

· Centro Colombo	· Centro Vasco da Gama
· Norteshopping	· Cascaishopping
· Gaiashopping	· Viacatarina
· Maiashopping	· Coimbrashopping
· Guimarãesshopping	· Parque Atlântico
· Arrabidashopping	· Algarveshopping
· Madeirashopping	· Parque Principado
· Plaza Mayor	· Grancasa
· Kareaga	· Valle Real
· La Farga	· Dos Mares
· Avenida M40	· Coimbra Retail Park
· Zubiarte	· Luz del Tajo
· Plaza Éboli	

## 11. GOODWILL

During the nine month period ended 30 September 2005, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

	Goodwill
<b>Gross value:</b>	
Opening balance	453,242,056
New companies	-
Increases	144,964,020
Decreases	(7,553,176)
Closing balance	<u>590,652,900</u>
<b>Accumulated impairment losses:</b>	
Opening balance	-
Increases	3,309,480
Decreases	-
Closing balance	<u>3,309,480</u>
<b>Carrying amount:</b>	<u><u>587,343,420</u></u>

Goodwill is not depreciated. Impairment tests are performed on an annual basis.

During the period, increases in shareholdings generated goodwill amounting to 27,998,788 euro.

Goodwill increases include 103,416,300 euro of exchange rate differences, recorded in the Exchange conversion reserve disclosed under Reserves and retained earnings.



## 12. INVESTMENTS

As at 30 September 2005, this caption is made up as follows:

	Investments	
	Non current	Current
<b><u>Investments in group companies, jointly controlled companies or associated companies excluded from consolidation</u></b>		
Opening balance as at 1 January 2005	74,125,286	-
Acquisitions in the nine month period	23,430,268	-
Disposals in the nine month period	(8,576,831)	-
Closing balance as at 30 September 2005	88,978,723	-
Accumulated impairment losses (Note 25)	(50,604,111)	-
	<u>38,374,612</u>	<u>-</u>
<b><u>Investment in associated companies</u></b>		
Opening balance as at 1 January 2005	29,392,647	-
Acquisitions in the nine month period	4,086,651	-
Disposals in the nine month period	(33,940,406)	-
Equity method effect	23,386,069	-
Closing balance as at 30 September 2005	22,924,961	-
Accumulated impairment losses (Note 25)	-	-
	<u>22,924,961</u>	<u>-</u>
<b><u>Investments held for sale</u></b>		
Fair value as at 1 January 2005	33,073,103	-
Acquisitions in the nine month period	68,468	-
Disposals in the nine month period	(52,395)	-
Increase/(Decrease) in fair value	21,540,108	-
Fair value as at 30 September 2005	<u>54,629,284</u>	<u>-</u>
<b><u>Investments measured at fair value through profit and loss</u></b>		
Fair value as at 1 January 2005	-	2,233,266
Acquisitions in the nine month period	-	5,337,094
Disposals in the nine month period	-	(5,512,141)
Increase/(Decrease) in fair value	-	39,801
Fair value as at 30 September 2005	<u>-</u>	<u>2,098,020</u>
<b><u>Derivative financial instruments (Note 20)</u></b>		
Fair value as at 1 January 2005	-	87,325,644
Acquisitions in the nine month period	-	301,901
Disposals in the nine month period	-	-
Increase/(Decrease) in fair value	-	(76,516,554)
Fair value as at 30 September 2005	<u>-</u>	<u>11,110,991</u>
	<u>115,928,857</u>	<u>13,209,011</u>

Investments in associated companies include goodwill amounting to 5,027,305 euro (20,524,891 euro as at 31 December 2004). During the period part of a shareholding in an associated company was disposed of, with the remaining shareholding recorded at fair value under the caption Investments held for sale.

Investments in group companies, jointly controlled companies and associated companies excluded from consolidation include 6,610,629 euro relating to advances made for the acquisition of investments.

Investments held for sale are disclosed above net of accumulated impairment losses (Note 25) amounting to 2,776,035 euro (2,813,383 euro as at 31 December 2004).

### 13. OTHER NON-CURRENT ASSETS

As at 30 September 2005 and 31 December 2004, Other non-current assets are detailed as follows:

	30.09.2005	31.12.2004
Loans granted to associated companies	21,809,685	1,928,849
Other loans granted	20,486,196	25,096,753
Trade accounts receivable and other debtors	87,800,447	95,310,775
Taxes recoverable	3,954,390	5,175,261
Other non-current assets	2,772,493	6,046,820
	136,823,211	133,558,458
Accumulated impairment losses (Note 25)	(22,254,397)	(22,061,191)
	114,568,814	111,497,267

Trade accounts receivable and other debtors include legal deposits made by an affiliated company in Brazil totalling 38,991,378 euro (29,543,621 euro) related with claims mentioned in Note 21.

### 14. TRADE DEBTORS AND OTHER CURRENT ASSETS

As at 30 September 2005 and 31 December 2004, Other current assets are made up as follows:

	30.09.2005	31.12.2004
Trade accounts receivable	473,015,601	471,035,636
Taxes recoverable	128,971,348	116,962,237
Securitisation of trade receivables	55,003,980	23,239,989
Credit sales to third parties	80,722,003	48,224,563
Trade suppliers - debit balances	46,333,959	32,873,600
Other debtors	79,703,522	86,441,612
Accounts receivable from the sale of investments	11,665,764	12,986,746
Accounts receivable from the sale of tangible assets	23,414,037	22,500,900
Loans granted to associated companies	31,430,536	53,789,657
Invoices to be issued	41,941,311	39,094,202
Other current assets	61,509,590	36,114,802
	1,033,711,651	943,263,944
Accumulated impairment losses (Note 25)	(144,508,433)	(140,756,914)
	889,203,218	802,507,030

### 15. DEFERRED TAX

Deferred tax assets and liabilities as at 30 September 2005 and 31 December 2004 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Difference between fair value and acquisition cost	-	-	355,600,400	315,370,711
Harmonisation adjustments	1,669,343	1,280,059	69,682,122	53,638,912
Provisions and impairment losses not accepted for tax purposes	12,495,306	9,281,199	34,689	(1,141,273)
Write off of tangible and intangible assets	12,160,102	11,619,107	-	(101,621)
Write off of deferred costs	17,581,403	211,763	3,937,657	1,547,494
Valuation of hedging derivatives	4,223,867	4,852,097	2,398,046	3,542,519
Revaluation of tangible fixed assets	-	-	3,762,145	3,875,316
Tax losses carried forward	178,332,257	189,801,921	-	-
Reinvested capital gains/losses	-	-	5,369,102	5,455,564
Others	(306,854)	(94,721)	742,627	5,903,227
	226,155,425	216,951,425	441,526,788	388,090,849

## 16. CASH AND CASH EQUIVALENTS

As at 30 June 2005 and 31 December 2004 Cash and cash equivalents can be detailed as follows:

	30.09.2005	31.12.2004
Cash at hand	4,407,942	3,839,186
Bank deposits	218,940,783	337,966,921
Treasury applications	122,695,107	144,407,335
Cash and cash equivalents on the balance sheet	346,043,832	486,213,442
Bank overdrafts	(24,531,020)	(24,735,790)
Cash and cash equivalents on the statement of cash flows	321,512,813	461,477,652

Bank overdrafts are recorded in the balance sheet under Current borrowings.

## 17. SHARE CAPITAL

As at 30 September 2005, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each. As at that date, the company and group companies held 133,976,146 own shares, recorded at 143,630,520 euro.

As at 30 September 2005, the following entities held more than 20% of the subscribed share capital:

Entity	%
Efanor Investimentos, SGPS, SA and associated companies	52.94

## 18. MINORITY INTERESTS

Movements in minority interests in the three month period ended 30 September 2005 are as follows:

	30.09.2005
Opening balance as at 1 January	785,515,291
Increased shareholding by acquisitions	(41,655,729)
Changes resulting from currency translation	28,379,895
Acquisition of group companies	(15,786,421)
Sale of group companies	(7,025,948)
Changes in financial instruments hedges	(1,432,265)
Others	(25,432,057)
Profit for the period attributable to minority interests	80,715,311
Closing balance as at 30 September	803,278,077

## 19. BORROWINGS

As at 30 September 2005 and 31 December 2004, Borrowings are made up as follows:

	30.09.2005				31.12.2004			
	Amount in the Balance Sheet <sup>1</sup>		Nominal value		Amount in the Balance Sheet <sup>1</sup>		Nominal value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank loans	457,917,672	1,558,697,887	459,111,255	1,582,314,668	774,487,573	1,825,940,672	775,922,177	1,868,172,461
Bonds	-	1,396,073,715	-	1,411,642,087	35,078,955	431,782,099	35,080,762	436,116,630
Obligations under finance leases	13,486,390	45,054,158	13,486,390	45,054,158	11,439,067	40,779,698	11,439,067	40,779,698
Other loans	3,377,102	144,223,141	3,377,102	140,858,104	5,381,527	145,646,891	5,381,527	140,758,506
Bank overdrafts	24,531,020	-	24,531,020	-	24,735,790	-	24,735,790	-
Hedging derivatives (Note 20)	45,575,338	6,702,079	-	-	98,538,076	3,632,912	-	-
	<u>544,887,522</u>	<u>3,150,750,980</u>	<u>500,505,767</u>	<u>3,179,869,017</u>	<u>949,660,987</u>	<u>2,447,782,272</u>	<u>852,559,323</u>	<u>2,485,827,295</u>

Derivatives are recorded at fair value (Note 20).

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

	30.09.2005	31.12.2004
2005	320,317,781	852,630,539
2006	460,499,106	757,798,417
2007	201,371,626	160,912,179
2008	283,993,592	179,019,440
2009	479,362,848	478,382,160
2010	546,764,655	112,039,422
After 2010	<u>1,388,065,175</u>	<u>797,604,461</u>
	<u>3,680,374,784</u>	<u>3,338,386,618</u>

Major loans can be summarised as follows:

- A bank loan in the amount of 41,604,632 brazilian real (15,577,190 euro), repayable in 2010, bearing interest payable monthly at market rates, obtained by an affiliated company of Modelo Continente in Brazil;
- Bank loans of 119,000,000 euro, obtained by an affiliated company of Sonae Indústria, in 2002. These loans bear interest at market rates and are repayable in sixteen half-yearly instalments beginning in June 2005. As at 30 September 2005, the outstanding amount is 112.526.400 euros. As a consequence of the strategic objective of making Sonae Indústria financially independent from Sonae SGPS, Sonae SGPS no longer guarantees this loan;
- In 1999 several Sonae Indústria's affiliated companies negotiated a revolving syndicated loan up to 400,000,000 euro. The loan reduced to 300,000,000 euro on 20 December 2002, to 100,000,000 euro on 20 December 2004, and was repayable in full on 20 December 2006. In June, Sonae Indústria repaid the amount outstanding;
- Tafisa Canada signed in prior years a financing arrangement in the amount of 101,200,000 canadian dollars. This loan bears interest at market rates and 45% of notional were repaid in 9 half-yearly instalments, started in June 2000, and 55% of notional were repaid in a bullet payment made on June 2005;
- Sonae UK obtained a loan in the amount of 35,000,000 pounds sterling. This loan bears interest at market rates and is repayable in 15 equal half-yearly instalments, started June 2002. As at 30 September 2005, the outstanding amount is 27,372,427 euro;
- A bank loan of 50,000,000 euro, originally contracted by Sonae SGPS, was transferred to Sonae Indústria in the second quarter of 2005. This loan bears interest at market rates and is repayable in 16 equal instalments. As at 30 September 2005, the outstanding amount is 37,500,000 euros;

<sup>1</sup> Amount in the Balance Sheet is defined as amortised cost for bank loans and bonds and as fair value for derivatives.

- Optimus signed a 5 year guarantee and revolving credit facilities on 6 August 2004, with an international bank syndicate, in the amount of 450,000,000 euro. This facility has been used to refinance all of Optimus' existing debt facilities obtained under the previous project finance agreement (dated July 2003) and will be used to fully fund its business plan. Interest rate equals Euribor plus a spread linked to Optimus' financial performance, measured amongst others by the ratio of Net Debt to EBITDA. The guarantee facility used to secure loans made by the European Investment Bank (EIB) will be repaid in 2 instalments (30% in June 2008 and 70% in June 2009). The revolving credit facility will be repaid in June 2009. As at 30 September 2005 the outstanding amount is of 324,458,200 euro, which is disclosed as Non-current borrowings;
- Bank loans of 869,870,424 euro, obtained by affiliated companies of Sonae Sierra from several financial institutions, bearing interest at market rates, repayable from August 2005 to May 2027. As at 30 September 2005 outstanding amount is 691,759,162 euro, of which 672,286,152 euro are disclosed as Non-current borrowings and 18,473,010 euro as Current borrowings. These loans are guaranteed by mortgages of investment properties held by these affiliated companies and are non-recourse;
- Bank loans of 452,091,609 euro, obtained by affiliated companies of Sonae Sierra from several financial institutions, bearing interest at market rates, repayable from September 2005 to March 2017. As at 30 September 2005, the outstanding amount is 271,311,872 euro, of which 248,210,664 euro are disclosed as Non-current borrowings and 23,101,208 euro as Current borrowings. These loans are guaranteed by mortgages of investment properties held by these affiliated companies and by a pledge of shares held in those affiliated companies, and are non-recourse;
- Bank loans of 32,154,000 euro, obtained by an affiliated company of Sonae SGPS from a syndicate of banks in 2001. The loan bears interest at market rates and is repayable in twenty quarterly instalments with a two year grace period. As at 30 September 2005 the amount disclosed in the caption Non-current borrowings amounted to 12,301,880 euro and in the caption Current borrowings to 6,150,940 euro;
- Bonds MODELO CONTINENTE / 2003 amounting to 82,000,000 euro, repayable in full after 8 years, in one instalment, on 15 October 2011. Interest rate equal to Euribor 6 months plus 0.75%;
- Bonds MODELO CONTINENTE / 2004 amounting to 100,000,000 euro, repayable after 5 years, in one instalment, on 18 March 2009. Interest rate equal to Euribor 6 months plus 1.15%;
- Bonds MODELO CONTINENTE / 2005 / 2010 amounting to 265,000,000 euro, repayable after 5 years, in one instalment, on 3 August 2010, except if advanced reimbursement occurs. Advanced reimbursement, total or partial, is available if required by the issuer. In this case the nominal value of the Bonds, on the 2<sup>th</sup>, 3<sup>rd</sup> or 4<sup>th</sup> year, can be reduced upon a premium of 0.125% of the reimbursed amount. Interest rate equal to Euribor 6 months plus 0.70%;
- Bonds MODELO CONTINENTE / 2005 / 2012 amounting to 150,000,000 euro, repayable at par on the fourteen coupon, on 2 August 2012, except if advanced reimbursement occurs. Advanced reimbursement, total or partial, is available if required by the issuer without any premium. In this case the nominal value of the Bonds, on the 10th, 11th, 12th and 13th coupons, will be reduced. Interest rate equal to Euribor 6 months plus 0.85%;
- Bonds SONAE / 97 amounting to 149,639,369 euro repayable, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate equal to Lisbor<sup>2</sup> plus 0.17% from the 1st to the 13th coupon, plus 1.17% in the 14th coupon and plus 1.22% from the 15th to the 20th coupons;
- Bonds SONAE / 05 amounting to 100,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013. Interest rate equal to Euribor 6 months plus 0.875%, with interest paid half-yearly;
- Bonds SONAE IMOBILIÁRIA / 99 amounting to 50,000,000 euro repayable in full in December 2006. Earning interest at a rate equal to Euribor 6 months plus 0.5% from the 1st to the 10th coupon and Euribor 6 months plus 0.55% from the 11th to the 14th coupon. This loan had a put option exercisable on the 10th coupon by its bondholders. The bondholders exercised this put option in December 2004 and therefore a reimbursement of 20,000,000 euro was made;
- Bonds TAFISA / 98 amounting to 23,138,966 euro repaid in May 2005;
- Bonds SONAE INDÚSTRIA / 2004 amounting to 80,000,000 euro, repayable after 5 years, in one instalment, on 15 October 2009, and earning interest at a rate equal to Euribor 6 months plus 0.875%. Interests are paid on the 15 April and 15 October of each year;

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<sup>2</sup> Subsequently changed to Euribor.

- Bonds SONAE INDÚSTRIA / 2005 / 2013 amounting to 55,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013, and earning interest at a rate equal to Euribor 6 months plus 0.875%. Interests are paid on the 31 March and 30 September of each year;
- Bonds SONAE INDÚSTRIA / 2005 / 2008 amounting to 100,000,000 euro, repayable after 3 years, in one instalment, on 27 April 2008, and earning interest at a rate equal to Euribor 6 months plus 1.000%. Interests are paid on the 27 April and 27 October of each year;
- Bonds SONAE INDÚSTRIA / 2005 / 2010 amounting to 150,000,000 euro, repayable after 5 years, in one instalment, on 27 April 2010, and earning interest at a rate equal to Euribor 6 months plus 1.100%. Interests are paid on the 27 April and 27 October of each year;
- Bonds SONAE COM / 2005 amounting to 150,000,000 euro, repayable after 8 years, in one instalment, in June 2013, and earning interest at a rate equal to Euribor 6 months plus 0.875%;
- Sonae SGPS launched on 23 August 2004 a commercial paper programme up to 350,000,000 euro, with 10 years duration. As at September 2005, amounts outstanding totalled 154,800,000 euro;
- The caption Other non-current loans includes a loan granted by a third party, bearing interest at market rates, repayable in 2006. For disclosure purposes, this loan is offset against a risk free treasury application amounting to 27,500,000 euro, with the same maturity. The net amount is 157,499,755 euro. Additionally, the book value of the loan includes 3,365,037 euro (4.888.385 euro as at 31 December 2004) of fair value hedges in the form of interest rate swaps (Note 20), net of deferred interest and up-front fees.

## 20. DERIVATIVES

### Exchange rate derivatives

The Group uses exchange rate derivatives, essentially to hedge future cash flows.

The Group contracted several exchange rate forwards and options in order to manage its exchange rate exposure.

As at 30 September 2005, the fair value of exchange rate derivatives, calculated based on present market value of equivalent financial instruments, is of 263,195 euro (307,485 euro as at 31 December 2004) on the caption Current investments and 4,587,191 euro (573 euro as at 30 December 2004) on the caption Current borrowings.

Losses for the nine month period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment, amounting to 4,587,191 euro, were recorded directly in the income statement in the caption Net financial expenses. In that caption are recorded the corresponding exchange rates gains arising from the borrowings that the Group is hedging.

Additionally, the Group sold currency call options in order to hedge the fair value of currency put options embedded in non-current loans obtained. The fair value of these options, which is identical to the fair value of the hedged options, amounts to 4,702,733 euro (5,494,113 euro as at 31 December 2004).

### Interest rate derivatives

As at 30 September 2005, derivatives used by the Group essentially refer to “swaps” and interest rate options (“cash flow hedges”). These were negotiated to hedge the interest rate risk of loans amounting to 608,779,961 euro (984,264,932 euro as at 31 December 2004). The fair value of these derivatives amounts to -8,106,896 euro (-8,444,082 euro as at 31 December 2004).

These interest rate derivatives are valued at fair value, at the balance sheet date, based on valuations performed by the Group using specific software and on external valuations when this software does not deal with specific instruments. The fair value of swaps was calculated, as at the balance sheet date, based on the discounted cash flow of the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg. The calculation of the fair value of options was based on the “Black-Scholes” model and similar models.

The hedging principles used by the Group when negotiating these financial derivatives are as follows:

- Perfect “matching” between cash in-flows and out-flows, i.e., rate setting dates of bank loans coincide with those of the interest rate derivative;
- Perfect “matching” of indices used: the index of the hedging derivative and that of the related loan are the same;
- In a scenario of an extreme increase in interest rates, the maximum financing cost is limited.

Counterparts issuing derivative financial instruments are selected based on financial strength and credit risk established by internationally recognised rating agencies. These counterparts are nationally and internationally recognised first class financial institutions.

Additionally, the Group negotiated interest rate derivatives (interest rate swaps) with the objective of hedging the fair value of specific fixed interest rate loans. The fair value of these derivatives was recorded in the income statement. The portion of the hedge which is effective has adjusted related loans, which are measured at amortised cost. The fair value of these derivatives amounts to 6,145,064 euro (8,823,291 euro as at 31 December 2004).

#### Interest rate and exchange rate derivatives

As at 30 September 2005 the Group maintained derivatives to manage its interest rate risk and foreign exchange rate risk exposure. The purpose of such derivatives is to reduce the volatility, which is caused by fluctuation in exchange rates, of the hedged asset or liability and of related interest. These derivatives incorporate swapping the interest rate of the hedged instrument with the market interest rate for assets or liabilities denominated in the local currency of the affiliated company which is the counterpart to such hedged instruments.

In order to comply with hedging objectives main variables (notional, payment dates and interest periods) of the derivative instrument match the ones of the hedged instrument.

These hedging instruments are measured at fair value using the same valuation criteria as for other derivatives used by the Group.

As at 30 September 2005 the fair value of these hedging instruments was -32,659,239 euro and were set up to hedge the fair value of hedged instrument.

	30.09.2005	31.12.2004
Assets	-	72,700,757
Liabilities	(32,659,239)	(85,787,551)
	<u>(32,659,239)</u>	<u>(13,086,794)</u>

#### Fair value of derivatives

The fair value of derivatives is detailed as follows:

	Investments (Note 12)		Borrowings (Note 19)	
	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Derivatives not qualified as hedging	0	-	4,587,191	573
Hedging derivatives				
Exchange rate	4,965,927	5,801,597	4,702,733	5,494,113
Interest rate	6,145,064	8,823,290	8,106,896	8,444,082
Interest and exchange rate	-	72,700,757	32,659,239	85,787,551
Other derivatives	-	-	2,221,358	2,444,669
	<u>11,110,991</u>	<u>87,325,644</u>	<u>52,277,417</u>	<u>102,170,988</u>

## 21. OTHER NON-CURRENT LIABILITIES

As at 30 September 2005 and 31 December 2004 Other non-current liabilities were made up as follows:

	30.09.2005	31.12.2004
Shareholder loans	100.912.552	106.324.498
Investments grants	77.358.439	84.845.088
Fixed assets suppliers	29.856.111	38.657.095
Other non-current liabilities	524.735.585	652.750.726
Taxes and contributions payable	22.693.338	14.056.100
Retirement benefits (Note 22)	21.971.345	23.758.519
Share based payments (Note 23)	19.516.722	20.347.853
	<u>797.044.092</u>	<u>940.739.879</u>

The caption Other non-current liabilities includes 456,179,908 euro (593,463,454 euro as at 31 December 2004) which correspond to the present value of the consideration paid by Santander Group for Modelo Continente, SGPS, SA shares, currently amounting to 22.42% of the share capital, under the terms of the call option agreement.

On 9 May 2002, the company sold shares representing 19.95% of the share capital of its affiliated company Modelo Continente, SGPS, S.A. to Banco Santander Central Hispano and related companies (the Santander Group). This sale was part of agreements entered into with the Santander Group on 8 February 2002 to launch a tender offer for the whole of the share capital of that affiliated company not yet owned by Sonae, and the sales price per share was the offer price (1.85 euro).

At the same time, agreements with the Santander Group were signed, giving Sonae an option to repurchase the shares mentioned in the previous paragraph (open to be exercised during 4 years by an affiliated company appointed on 16 December 2002 for that purpose) and the Santander Group an option to sell them (open between the end of the 3rd year up to the end of the 4<sup>th</sup> year to be exercised by an affiliated company appointed on 16 December 2002 for that purpose). The share prices for these options are specified in the agreements and are indexed to the sales price and to financial variables.

In January 2003 the Santander Group subscribed shares representing 5.7% of the capital increase of Modelo Continente, SGPS, SA, under the same contractual arrangement. Consequently, the Santander Group changed its shareholding to 18.65% of the share capital of this company.

On 16 November 2004, the agreements mentioned above were renegotiated including a portion of the Modelo Continente, SGPS, S.A. shares acquired during the year. Consequently, as at 31 December 2004, the Santander Group held 30% of the share capital of that affiliated company.

The terms of the renegotiation maintained the share call option held by Sonae over the shares owned by the Santander Group which can be exercised at any moment, as well as the put option held by the Santander Group which can only be exercised after 30 November 2008. The share prices for these options are specified in the agreements and are indexed to the sales price and to financial variables.

On 19 May 2005, in an over the counter transaction, Sonae, SGPS, SA acquired 83,375,000 shares (7.58% of the share capital) of its affiliate Modelo Continente, SGPS, SA, for 150.4 million euro, under the terms of the Call Option contract signed on 16 November 2004.

Under the contract terms, generally accepted accounting principles establish that those shares must be maintained in Sonae, SGPS, S.A.'s assets, because of the existence of the share repurchase option which determines that Sonae maintains control over those shares, in spite of all rights and obligations having been legally transferred to the acquirer (the Santander Group). To exercise this repurchase option, one affiliated company included in the consolidation was appointed. A liability has been recognised corresponding to the amount payable to the Santander Group if and when the share repurchase option is actioned.



Other non-current liabilities include also 35,732,416 euro (26,865,801 euro as at 31 December 2004) of contingent liabilities arising from legal and tax claims still open in an affiliated company in Brazil. These contingent liabilities are guaranteed by legal deposits disclosed in Non-current trade accounts receivable and other debtors (Note 13).

## 22. RETIREMENT BENEFIT PLANS

Some Group companies provide defined benefit plans for its employees, under which they are entitled to complementary retirement pensions.

These complementary retirement pensions are calculated based on the employee's years of service and on an increased percentage of annual salaries.

The group company Glunz AG has an unfunded defined benefit plan. Corresponding obligations are calculated in accordance with IAS 19 based on an actuarial valuation made by an independent entity. The company has recorded a 20,432,590 euro provision, under the caption Non-current Provisions, to cover the present value of the obligations calculated according to the actuarial valuation as at 31 December 2004.

The group company Tafibra South Africa Ltd has a funded defined benefit plan, managed by an external entity. Corresponding obligations are calculated in accordance with IAS 19 based on an actuarial valuation made by an independent entity. Based on the actuarial valuation made on 31 December 2004, these obligations amount to 29,033,000 rands, 3,782,129 euros, the fund has a market value of 25,080,000 rands, 3,267,172 euro, and a provision, included under the caption Non-current Provisions, has been set up in the amount of 3,953,000 rands, 514,957 euro.

Some group companies have a funded defined benefit plan, managed by an external entity. Corresponding obligations are calculated in accordance with IAS 19 based on an actuarial valuation made by an independent entity. This plan applies to all employees recruited until 31 December 1994 that, after retirement and for the rest of their lives, will receive a monthly pension corresponding to 20% of their salary at retirement date. Obligations for past service as at 30 September 2005, according to an actuarial valuation reported to 31 December 2004, amount to 1,934,556 euro, guaranteed by the fund and by a provision recorded under the caption Non-current provisions, of 1,187,196 euro and 1,023,798 euro, respectively.

	30.09.2005	31.12.2004
Present value of obligations	26,149,275	24,669,277
Fair value of plan assets	4,454,368	1,187,196
Excess provision	276,438	276,438
Non-current liabilities	<u>21,971,345</u>	<u>23,758,519</u>

## 23. SHARE-BASED PAYMENTS

In 2005 and in previous years, the Sonae Group granted deferred performance bonuses to its directors and eligible employees. These are either based on shares to be acquired at nil cost, three years after they were attributed to the employee, or based on share options with the exercise price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle in cash instead of shares. The option can only be exercised if the employee still works for the Group on the vesting date.

Liabilities arising from deferred performance bonuses are valued in accordance with Note 2.16.. As at 30 September 2005 and 31 December 2004, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

	Year of grant	Vesting year	Number of participants	Fair value	
				30.09.2005	31.12.2004
<b><u>Shares</u></b>					
	2002	2005	-	-	6,701,663
	2003	2006	288	12,195,232	10,564,485
	2004	2007	453	8,794,085	8,187,276
	2005	2008	474	7,894,725	
				<u>28,884,042</u>	<u>25,453,424</u>
<b><u>Options</u></b>					
	2001	2004	54	-	654,041
	2002	2005	115	4,073,802	4,830,099
	2003	2006	-	-	-
	2004	2007	-	-	-
	2005	2008	-	-	-
				<u>4,073,802</u>	<u>5,484,140</u>
<b>Total</b>				<u>32,957,844</u>	<u>30,937,564</u>

As at 30 September 2005 and 31 December 2004 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

	30.09.2005	31.12.2004
Personnel costs	7,842,737	10,033,207
Retained earnings	11,673,985	10,314,646
	<u>19,516,722</u>	<u>20,347,853</u>
Other current liabilities	-	-
Other non-current liabilities	19,516,722	20,347,853
	<u>19,516,722</u>	<u>20,347,853</u>

The movement in the number of options open for the six month period is as follows:

	30.09.2005
Opening balance	3,086,290
Granted in the period	-
Expired in the period	(97,990)
Expired and not exercised in the period	(432,140)
Closing balance	<u>2,556,160</u>

Options are only granted on Sonaecom shares, and may be summarised as follows:

Vesting date	2004	2005	2006	2007	2008	Total
Exercisable until:	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	
Exercise price (defined at date of grant)	3.014 €	1.694 €	-	-	-	
Total liability	-	4,073,802	-	-	-	4,073,802
Recorded liability	-	3,423,126	-	-	-	3,423,126
Number of options open	426,072	2,130,088	-	-	-	2,556,160
Number of options exercised in the nine month period	(97,990 )	-	-	-	-	(97,990 )
Number of options expired but not exercised in the nine month period	(208,443 )	(157,757 )	-	-	-	(366,200 )
Average market-price of options exercised in the nine month period	3.689 €					

During the six month period, the Group recorded Personnel costs arising from Sonaecom options amounting to 1,018,450 euro (1,142,743 euro for the same period in 2004).

## 24. OTHER CURRENT LIABILITIES

As at 30 September 2005 and 31 December 2004, Other current liabilities were made up as follows:

	30.09.2005	31.12.2004
Trade creditors	977,885,630	1,098,881,938
Shareholders	4,582,751	12,256,999
Fixed asset suppliers	65,595,723	122,228,489
Other accounts payable	119,651,687	177,734,675
Factoring	42,369,674	33,184,749
Taxes and contributions payable	100,953,101	100,032,108
Holiday Pay and Bonuses	126,976,579	116,463,773
Accrued expenses	258,399,480	196,895,534
Deferred income	53,181,584	52,097,007
	<u>1,749,596,209</u>	<u>1,909,775,272</u>

## 25. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in Provisions and impairment losses over the nine month period ended 30 September 2005 are as follows:

	Opening balance	Increase	Decrease	Closing balance
Accumulated impairment losses on investments (Note 12)	53,682,219		(302,073)	53,380,146
Accumulated impairment losses on other non-current assets (Note 13)	22,061,192	710,166	(516,961)	22,254,397
Accumulated impairment losses on current assets (Note 14)	140,756,914	13,323,020	(9,571,501)	144,508,433
Provisions	<u>71,127,005</u>	<u>24,153,205</u>	<u>(12,357,448)</u>	<u>82,922,760</u>
	<u>287,627,330</u>	<u>38,186,391</u>	<u>(22,747,983)</u>	<u>303,065,738</u>

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

## 26. CONTINGENT ASSETS AND LIABILITIES

	30.09.2005	31.12.2004
Guarantees given:		
on tax claims	59,347,804	43,461,384
on judicial claims	2,109,624	586,599
others	134,750,945	142,830,019

## 27. RELATED PARTIES

Balances as at 30 September 2005 and 31 December 2004 and transactions during the nine month periods ended 30 September 2005 and 2004 with related parties are detailed as follows:

<b>Transactions</b>	<b>Sales and services rendered</b>		<b>Purchases and services obtained</b>		<b>Interest income</b>		<b>Interest expenses</b>	
	30.09.2005	30.09.2004	30.09.2005	30.09.2004	30.09.2005	30.09.2004	30.09.2005	30.09.2004
Parent company and group companies excluded from consolidation	20,457,052	385,825	10,293,040	1,237,990	409,794	48,233	37,932	27,324
Jointly controlled companies	11,086,598	15,508,974	830,183	6,833,787	173,989	2,474,538	41,358	409,966
Associated companies	1,632,404	765,435	5,796,184	5,094,796	48,031	804,329	-	769
Other partners in Group companies	-	-	1,716,667	1,674,781	368,376	13,867	3,167,250	2,791,228
	<b>33,176,054</b>	<b>16,660,234</b>	<b>18,635,974</b>	<b>14,841,354</b>	<b>1,000,190</b>	<b>3,340,967</b>	<b>3,246,540</b>	<b>3,229,287</b>

<b>Balance</b>	<b>Accounts receivable</b>		<b>Accounts payable</b>		<b>Obtained</b>		<b>Granted</b>	
	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Parent company and group companies excluded from consolidation	12,042,724	22,661,281	1,376,065	148,801	1,750,000	1,750,000	261,301	14,132,899
Jointly controlled companies	2,204,694	2,444,300	2,129,361	3,441,742	-	-	5,063,650	7,141,832
Associated companies	361,084	838,034	86,532	387,313	1,500,000	-	23,759,723	8,416,670
Other partners in Group companies	-	-	14,516	-	85,304,089	110,983,248	-	42,848,656
	<b>14,608,502</b>	<b>25,943,615</b>	<b>3,606,474</b>	<b>3,977,856</b>	<b>88,554,089</b>	<b>112,733,248</b>	<b>29,084,674</b>	<b>72,540,057</b>

## 28. INCOME TAX

Income tax for the nine month period ended 30 September 2005 and 2004 is made up as follows:

	3th Quarter 2005	9 Month 2005	3th Quarter 2004	9 Month 2004
Current tax	9,511,149	31,546,829	9,476,493	26,683,254
Deferred tax	2,584,848	31,752,707	16,915,058	43,620,370
	<b>12,095,997</b>	<b>63,299,536</b>	<b>26,391,551</b>	<b>70,303,624</b>

## 29. EARNINGS PER SHARE

Earnings per share for the period, excluding the effect of discontinuing operations, were calculated taking into consideration the following amounts:

	3th Quarter 2005	9 Month 2005	3th Quarter 2004	9 Month 2004
<b>Net profit</b>				
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period attributable to equity holders of Sonae)	29,157,750	193,814,537	122,146,846	170,768,871
Effect of dilutive potential shares				
Interest related to convertible bonds (net of tax)	-	-	-	-
Net profit taken into consideration to calculate diluted earnings per share:	<b>29,157,750</b>	<b>193,814,537</b>	<b>122,146,846</b>	<b>170,768,871</b>
<b>Number of shares</b>				
Weighted average number of shares used to calculated basic earnings per share	1,866,023,854	1,865,928,829	1,865,821,979	1,865,821,979
Effect of dilutive potential ordinary shares from convertible bonds	-	-	-	-
Weighted average number of shares used to calculated diluted earnings per share	<b>1,866,023,854</b>	<b>1,865,928,829</b>	<b>1,865,821,979</b>	<b>1,865,821,979</b>

There are no discontinuing operations, therefore the respective basic earnings per share was not calculated. There are no convertible instruments included in Sonae, SGPS shares thereby, hence is no dilutive effect.

## 30. DIVIDENDS

In the Annual General Meeting held on 6 April 2005, payment of a gross dividend of 0.02 euro per share (0.015 euro per share in 2003) was approved. This was paid on 6 May 2005, the total amount paid being 37,316,439.58 euro (27,987,329.69 euro in 2003).

### 31. SEGMENT INFORMATION

In 2005 and 2004, the following were identified as business segments:

- Wood Based Panels
- Retailing
- Shopping Centres
- Telecommunications
- Others

The geographic segments identified in 2005 and 2004 are listed as follows:

- Portugal
- Spain
- France
- United Kingdom
- Germany
- Other European countries
- Brazil
- Canada
- South Africa

The contribution of the business segments to the income statement for the six month periods ended on 30 September 2005 and 2004 can be detailed as follows:

euro							
30 September 2005	Wood Based Panels	Retailing	Shopping Centres	Telecommunications	Others	Consolidation adjustments	Consolidated
<b>Operational income</b>							
Sales	1,078,793,647	2,813,606,069	-	64,194,050	107,699,199	-	4,064,292,965
Services rendered	1,811,847	5,879,318	186,039,372	543,340,958	141,428,656	-	878,500,151
Other operational income	10,833,393	201,507,681	77,699,027	22,831,387	161,476,639	(12,010,017)	462,338,110
	1,091,438,887	3,020,993,068	263,738,399	630,366,395	410,604,494	(12,010,017)	5,405,131,226
Inter-segment income	29,255,262	52,953,288	5,857,883	8,394,655	18,953,992	(115,415,080)	-
	1,120,694,149	3,073,946,356	269,596,282	638,761,050	429,558,486	(127,425,097)	5,405,131,226
Operational cash-flow (EBITDA)	153,651,073	186,637,510	151,720,558	129,996,089	9,643,697	(7,798,233)	623,850,694
Operational profit/(loss)	75,812,955	113,111,600	139,406,512	28,442,169	4,796,903	(2,549,346)	359,020,793
Net profit/(loss)	31,598,184	65,895,692	101,251,159	11,173,984	76,032,678	(11,421,849)	274,529,848
- attributable to Equity holders of Sonae							193,814,537
- attributable to Minority interests							80,715,311

euros							
30 September 2004	Wood Based Panels	Retailing	Shopping Centres	Telecommunications	Others	Consolidation adjustments	Consolidated
<b>Operational income</b>							
Sales	1,100,590,742	2,533,577,526	-	74,042,981	116,945,974	-	3,825,157,223
Services rendered	3,689,231	4,668,911	163,900,476	565,612,218	141,765,721	-	879,636,557
Other operational income	(5,714,902)	150,859,147	81,120,586	14,993,687	115,186,786	-	356,445,303
	1,098,565,071	2,689,105,584	245,021,062	654,648,886	373,898,481	-	5,061,239,083
Inter-segment income	50,638,850	51,024,358	17,109,019	8,857,523	4,595,125	(132,224,875)	-
	1,149,203,921	2,740,129,942	262,130,081	663,506,409	378,493,606	(132,224,875)	5,061,239,083
Operational cash-flow (EBITDA)	171,583,492	182,947,019	136,364,999	163,528,950	8,005,795	(1,813,322)	660,616,933
Operational profit/(loss)	92,707,732	118,979,294	123,680,123	57,115,711	3,612,814	815,866	396,911,539
Net profit/(loss)	30,387,687	64,243,215	66,007,560	29,675,264	62,825,925	7,557,724	260,697,375
- attributable to Equity holders of Sonae							170,768,871
- attributable to Minority interests							89,928,504

### 32. SUBSEQUENT EVENTS

The decision to spin-off Sonae Indústria was announced on 10 March 2005. The Board of Directors announced on 23 September 2005 that, together with the Boards of Directors of the other companies involved (Sonae Indústria and Sonae 3P) it has approved the demerger-merger and merger project and expects this to be completed by the end of 2005. Under the terms of the project, shares held in Sonae Indústria corresponding to 90.36% of Sonae Indústria's share capital will be demerged from Sonae and

merged into Sonae 3P. Sonae Indústria will then be merged into Sonae 3P which will be renamed Sonae Indústria, SGPS, SA. The new Sonae Indústria will have a share capital of 700 million euro corresponding to 140 million shares each with a nominal value of 5 euro. Admission to Euronext Lisbon will be requested for these shares. In the demerger-merger, one share in Sonae 3P will be granted for every 14.75 shares in Sonae, SGPS, SA, and in the merger one share in Sonae 3P will be granted for each share in Sonae Indústria. On 4 November 2005 the General Extraordinary Meeting of shareholders approved by majority the demerger-merger and merger project.

### 33. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 22 November 2005.

### 34. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted International Financial Reporting Standards ("IFRS") in 2005, having taken into consideration "IFRS 1 – First-Time Adoption of International Financial Reporting Standards". In terms of presentation of the financial statements, the transition date was set at 1 January 2004.

The effect on the balance sheets as at 1 January 2004 and 31 December 2004 of converting financial statements prepared under Portuguese GAAP ("POC") to financial statements re-expressed under International Financial Reporting Standards ("IFRS"), applicable to financial years beginning on 1 January 2005, can be detailed as follows:

	01.01.2004			31.12.2004		
	POC	Transition adjustments to IFRS	IFRS	POC	Transition adjustments to IFRS	IFRS
<b>NON CURRENT ASSETS</b>						
Tangible and intangible assets	4,529,088,468	(1,097,920,835)	3,431,167,633	4,700,852,146	(1,248,172,096)	3,452,680,051
Investment properties	-	1,798,066,946	1,798,066,946	-	2,204,846,415	2,204,846,415
Goodwill	-	346,346,597	346,346,597	-	453,242,056	453,242,056
Investments	508,785,437	(238,129,851)	270,655,585	347,102,653	(240,867,301)	106,235,352
Deferred Tax Assets	-	237,832,317	237,832,317	-	216,951,425	216,951,425
Other Non-Current Assets	59,521,228	71,466,338	130,987,566	89,019,748	22,477,519	111,497,267
<b>Total Non-Current Assets</b>	<b>5,097,395,133</b>	<b>1,117,661,512</b>	<b>6,215,056,645</b>	<b>5,136,974,547</b>	<b>1,408,478,018</b>	<b>6,545,452,566</b>
<b>CURRENT ASSETS</b>						
Stocks	680,092,444	(1,174,104)	678,918,340	672,703,272	1,155,679	673,858,951
Trade Debtors and Other Current Assets	1,245,560,174	(461,815,067)	783,745,107	1,222,534,169	(420,027,137)	802,507,030
Investments	379,979,627	(130,544,552)	249,435,074	182,274,470	(92,715,559)	89,558,911
Cash and Cash Equivalents	271,654,983	216,787,242	488,442,226	340,808,878	145,404,564	486,213,442
<b>Total Current Assets</b>	<b>2,577,287,228</b>	<b>(376,746,481)</b>	<b>2,200,540,747</b>	<b>2,418,320,789</b>	<b>(366,182,454)</b>	<b>2,052,138,334</b>
<b>TOTAL ASSETS</b>	<b>7,674,682,361</b>	<b>740,915,031</b>	<b>8,415,597,392</b>	<b>7,555,295,336</b>	<b>1,042,295,564</b>	<b>8,597,590,900</b>
<b>EQUITY</b>						
Share Capital	2,000,000,000	0	2,000,000,000	2,000,000,000	0	2,000,000,000
Own Shares	(144,537,597)	0	(144,537,597)	(144,537,597)	0	(144,537,597)
Reserves and Retained Earnings	(1,272,970,680)	218,842,489	(1,054,128,191)	(1,365,429,064)	331,345,141	(1,034,084,068)
Profit/(Loss) for the Period Attributable to the Equity Holders of Sonae				192,060,205	91,460,805	283,521,010
<b>Equity Attributable to the Equity Holders of Sonae</b>	<b>582,491,722</b>	<b>218,842,489</b>	<b>801,334,212</b>	<b>682,093,544</b>	<b>422,805,946</b>	<b>1,104,899,345</b>
Minority Interests	749,664,275	171,461,470	921,125,745	527,771,715	257,743,576	785,515,291
<b>TOTAL EQUITY</b>	<b>1,332,155,997</b>	<b>390,303,959</b>	<b>1,722,459,957</b>	<b>1,209,865,259</b>	<b>680,549,523</b>	<b>1,890,414,636</b>
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Borrowings	2,074,762,849	322,118,429	2,396,881,277	2,220,386,496	227,395,776	2,447,782,272
Other Non-Current Liabilities	789,279,202	87,895,506	877,174,708	827,530,423	113,209,456	940,739,879
Deferred Tax Liabilities	-	328,125,407	328,125,407	-	388,090,849	388,090,849
Provisions	-	53,696,014	53,696,014	-	57,189,153	57,189,153
<b>Total Non-Current Liabilities</b>	<b>2,864,042,051</b>	<b>791,835,356</b>	<b>3,655,877,407</b>	<b>3,047,916,919</b>	<b>785,885,234</b>	<b>3,833,802,153</b>
<b>CURRENT LIABILITIES</b>						
Borrowings	1,151,066,667	106,777,505	1,257,844,172	805,324,564	144,336,423	949,660,987
Trade Creditors and Other Current Liabilities	2,178,391,620	(416,548,674)	1,761,842,946	2,344,147,178	(434,372,051)	1,909,775,272
Provisions	149,026,026	(131,453,115)	17,572,911	148,041,416	(134,103,565)	13,937,852
<b>Total Current Liabilities</b>	<b>3,478,484,313</b>	<b>(441,224,284)</b>	<b>3,037,260,029</b>	<b>3,297,513,158</b>	<b>(424,139,193)</b>	<b>2,873,374,111</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,674,682,361</b>	<b>740,915,031</b>	<b>8,415,597,392</b>	<b>7,555,295,336</b>	<b>1,042,295,564</b>	<b>8,597,590,900</b>

As at 1 January 2004 and 31 December 2004, main impacts of the transition to IFRS in equity can be detailed as follows:

	Transition adjustments to IFRS	
	01.01.2004	31.12.2004
Adjustments to Portuguese GAAP financial statements		
Investment Properties	327,922,054	419,434,124
Goodwill	357,968,891	452,690,551
Tangible and Intangible Assets	(252,550,020)	(239,764,253)
Deferrals and Accruals	(134,593,148)	(106,183,565)
Proportionate Consolidation	168,658,896	214,233,933
Inclusion of previously excluded companies	(7,752,415)	(4,213,889)
Derivative instruments	(51,343,220)	(42,150,698)
Others	(18,007,079)	(13,496,680)
Total adjustments from conversion to IFRS	390,303,959	680,549,523

In POC, **investment properties** were shown as tangible assets and were measured at acquisition or construction cost (01.01.04: 1,313,346,387 euro; 31.12.04: 1,475,670,137 euro). Buildings were depreciated over 50 years and land was not depreciated. In IFRS, investment properties are shown on a separate line on the balance sheet and are measured at fair value based on independent valuations performed every six months (01.01.04: 1,798,165,533 euro; 31.12.04: 2,098,849,495 euro). Changes in fair value are recorded in the profit and loss account and shown on a separate line (31.12.04: 111,451,062 euro). Investment properties under development are maintained at construction cost until the properties are used. At that moment, properties are valued and the difference between fair value and construction cost is recorded in the profit and loss account.

The Sonae Group, in accordance with IFRS, presents **goodwill** as an asset that is not depreciated but is subject to annual impairment tests. Goodwill resulting from the acquisition of affiliated, jointly controlled and associated companies is allocated to each company, and as such is expressed in their functional currency and translated into the reporting currency of the Group at the closing exchange rate. Exchange rate differences arising from this translation are disclosed as Currency translation reserves.

This accounting treatment differs from that adopted by the Sonae Group since 2001 which consisted of writing off goodwill against reserves. This is a different approach to that recommended by POC as mentioned in previously reported financial statements.

Goodwill arising from acquisitions prior to the date of transition to IFRS (1 January 2004) was maintained at the carrying amount calculated under POC, adjusted for intangible assets that do not meet the criteria of IFRS and subject to impairment tests (01.01.04: 538,678,125 euro; 31.12.04: 628,760,403 euro). The impact of these adjustments is shown in retained earnings, as specified in IFRS 1. In the case of foreign affiliated companies, goodwill was reexpressed in the functional currency of each company, retrospectively. Exchange differences arising from the translation process are shown in Retained earnings (IFRS 1) (01.01.04: -206,029,653 euro; 31.12.04: -160,729,564 euro).

**Tangible and intangible assets** are valued at their acquisition cost, less accumulated depreciation and impairment losses. On the transition date, all tangible and intangible assets that did not meet IFRS requirements were written off against retained earnings (01.01.04: 146,566,180 euro; 31.12.04: 122,706,443 euro). Any such tangible and intangible assets recorded under POC after that date were written-back to expenses in the profit and loss account (31.12.04: 6,378,829 euro). Useful lives, previously used on consolidation under POC, were reviewed to take in account the difference in the nature of assets used in each business (with the following impact on Equity, 01.01.04: -125,007,688 euro; 31.12.04: -134,006,998 euro).

**Deferred costs** that did not meet the requirements of IFRS were written back to Retained earnings (with the following impact on Equity, 01.01.04: -134,593,148 euro; 31.12.04: -106,183,565 euro), thus no longer being treated as deferred costs during the deferral period.

Interests in jointly controlled companies were consolidated for the first time using the **proportionate method**, as from the date on which joint control is acquired. In accordance with this method, the Group's share of assets, liabilities, income and expenses has been included in each accounting line in the consolidated financial statements. The excess of the acquisition cost over the fair value of identifiable assets and liabilities of jointly controlled companies, is recognised as goodwill (01.01.04: 11,420,982 euro; 31.12.04: 20,890,568 euro). The Group's share of transactions, balances and dividends distributed between these companies and Group companies is eliminated. The accounting classification of interests in jointly controlled companies is based on shareholders agreements that define the terms of joint control.

According to IFRS all companies must be included on consolidation, therefore the adjustment **inclusion of previously excluded companies** reflects the inclusion of companies that were not included under POC, mostly because they were immaterial or engaged in dissimilar activities.

Most **derivatives** used by the Sonae Group are cash flow hedges associated with loans. Current Investments and Current Borrowings include derivatives, mostly interest rate and currency swaps (Note 20).

Additionally, the effect of the conversion to IFRS on the balance sheet as at 30 September 2004 can be detailed as follows:

		30.09.2004	
	POC	Transition adjustments to IFRS	IFRS
<b>NON CURRENT ASSETS</b>			
Tangible and intangible assets	4,627,662,199	(1,230,761,154)	3,396,901,044
Investment properties	-	2,004,478,435	2,004,478,435
Goodwill	-	346,526,190	346,526,190
Investments	318,026,970	(240,615,336)	77,411,634
Deferred Tax Assets	-	222,071,535	222,071,535
Other Non-Current Assets	80,572,729	46,590,936	127,163,665
<b>Total Non-Current Assets</b>	<b>5,026,261,898</b>	<b>1,148,290,605</b>	<b>6,174,552,503</b>
<b>CURRENT ASSETS</b>			
Stocks	661,332,177	999,878	662,332,055
Trade Debtors and Other Current Assets	1,526,648,530	(408,001,213)	1,118,647,317
Investments	130,828,109	(16,582,230)	114,245,879
Cash and Cash Equivalents	221,777,180	90,787,664	312,564,844
<b>Total Current Assets</b>	<b>2,540,585,996</b>	<b>(332,795,901)</b>	<b>2,207,790,095</b>
<b>TOTAL ASSETS</b>	<b>7,566,847,894</b>	<b>815,494,704</b>	<b>8,382,342,598</b>
<b>EQUITY</b>			
Share Capital	2,000,000,000	-	2,000,000,000
Own Shares	(144,537,597)	-	(144,537,597)
Reserves and Retained Earnings	(1,285,101,018)	230,587,067	(1,054,513,951)
Profit/(Loss) for the Period Attributable to the Equity Holders of Sonae	127,769,569	42,999,302	170,768,871
<b>Equity Attributable to the Equity Holders of Sonae</b>	<b>698,130,954</b>	<b>273,586,369</b>	<b>971,717,323</b>
Minority Interests	766,124,870	197,741,202	963,866,072
<b>TOTAL EQUITY</b>	<b>1,464,255,824</b>	<b>471,327,571</b>	<b>1,935,583,395</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	2,107,012,304	329,262,550	2,436,274,854
Other Non-Current Liabilities	651,384,822	178,946,594	830,331,416
Deferred Tax Liabilities	-	353,366,787	353,366,787
<b>Total Non-Current Liabilities</b>	<b>2,758,397,126</b>	<b>861,575,931</b>	<b>3,619,973,057</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	961,116,383	89,180,812	1,050,297,195
Trade Creditors and Other Current Liabilities	2,231,703,980	(472,879,146)	1,758,824,834
Provisions	151,374,581	(133,710,464)	17,664,117
<b>Total Current Liabilities</b>	<b>3,344,194,944</b>	<b>(517,408,798)</b>	<b>2,826,786,146</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,566,847,894</b>	<b>815,494,704</b>	<b>8,382,342,598</b>



As at 30 September 2004, main impacts of the transition to IFRS in equity can be detailed as follows:

Adjustments to Portuguese GAAP financial statements	
Investment Properties	386,139,711
Goodwill	346,508,082
Tangible and Intangible Assets	(245,794,020)
Deferrals and Accruals	(113,440,401)
Proportionate Consolidation	145,410,776
Inclusion of previously excluded companies	(23,969,994)
Derivative instruments	(46,257,386)
Others	22,730,803
Total adjustments from conversion to IFRS	<u>471,327,571</u>

The nature of these adjustments is the same as the adjustments described for the transition date (1 January 2004) and 31 December 2004.

Main impacts on the income statements for the year ended 31 December 2004 and for the nine month period ended 30 September 2004 can be detailed as follows:

	31.12.2004			30.09.2004		
	POC	Transition Adjustments to IFRS	IFRS	POC	Transition Adjustments to IFRS	IFRS
Operational Income						
Sales	5,398,949,241	(84,742,122)	5,314,207,119	3,885,050,849	(59,893,626)	3,825,157,223
Services Rendered	1,235,043,902	(84,960,457)	1,150,083,445	927,875,207	(48,238,650)	879,636,557
Value Created on Investment Properties	-	111,451,062	111,451,062	-	60,833,473	60,833,473
Other Operational Income	344,345,577	100,313,398	444,658,975	227,722,500	67,889,330	295,611,830
Total Operational Income	<u>6,978,338,720</u>	<u>42,061,881</u>	<u>7,020,400,601</u>	<u>5,040,648,556</u>	<u>20,590,527</u>	<u>5,061,239,083</u>
Operational Expenses						
Cost of Goods Sold and Materials Consumed	(3,658,222,905)	14,144,201	(3,644,078,704)	(2,608,812,315)	11,847,617	(2,596,964,698)
Changes in Stock of Finished Goods and Work in Progress	(8,851,856)	660,199	(8,191,657)	(21,196,221)	1,410,989	(19,785,232)
External Supplies and Services	(1,646,506,633)	175,505,975	(1,471,000,658)	(1,208,771,627)	119,132,500	(1,089,639,127)
Staff Costs	(826,481,369)	7,809,106	(818,672,263)	(609,765,062)	10,433,165	(599,331,897)
Depreciation and Amortisation	(382,592,797)	56,004,704	(326,588,093)	(279,931,693)	40,189,180	(239,742,513)
Provisions and Impairment Losses	(40,959,050)	22,623,769	(18,335,281)	(27,300,686)	(447,509)	(27,748,195)
Other Operational Expenses	(59,583,569)	(80,539,909)	(140,123,478)	(44,216,387)	(46,899,495)	(91,115,882)
Total operational Expenses	<u>(6,623,198,179)</u>	<u>196,208,045</u>	<u>(6,426,990,134)</u>	<u>(4,799,993,991)</u>	<u>135,666,447</u>	<u>(4,664,327,544)</u>
Operational Profit/(Loss)	<u>355,140,541</u>	<u>238,269,926</u>	<u>593,410,467</u>	<u>240,654,565</u>	<u>156,256,974</u>	<u>396,911,539</u>
Net Financial Expenses	(167,049,653)	(33,505,902)	(200,555,555)	(131,003,588)	(36,644,530)	(167,648,118)
Share of Results of Associated Undertakings	15,755,063	3,025,200	18,780,263	10,374,324	(532,010)	9,842,314
Investment Income	122,556,665	(9,578,018)	112,978,647	112,483,831	(20,588,567)	91,895,264
Profit/(Loss) before Taxation	<u>326,402,616</u>	<u>198,211,206</u>	<u>524,613,822</u>	<u>232,509,132</u>	<u>98,491,867</u>	<u>331,000,998</u>
Taxation	(56,544,690)	(52,186,547)	(108,731,237)	(42,710,610)	(27,593,014)	(70,303,624)
Profit/(Loss) after Taxation	<u>269,857,926</u>	<u>146,024,659</u>	<u>415,882,585</u>	<u>189,798,522</u>	<u>70,898,853</u>	<u>260,697,374</u>
Profit/(Loss) after Tax from Discontinuing Operations	-	-	-	-	-	-
Profit/(Loss) for the Period	<u>269,857,926</u>	<u>146,024,659</u>	<u>415,882,585</u>	<u>189,798,522</u>	<u>70,898,853</u>	<u>260,697,374</u>
Attributable to:						
Equity Holders of Sonae	192,060,205	91,460,805	283,521,010	127,769,569	42,999,302	170,768,871
Minority Interests	<u>77,797,721</u>	<u>54,563,854</u>	<u>132,361,575</u>	<u>62,028,953</u>	<u>27,899,552</u>	<u>89,928,504</u>

Main impacts of transition adjustments to International Financial Reporting Standards, on the net profit for the year ended 31 December 2004 and for the three and nine month periods ended 30 September 2004, can be detailed as follows:

	31.12.2004 YTD	3th Quarter 2004	30.09.2004 YTD
Investment Properties	94,435,515	13,632,914	51,547,683
Tangible and Intangible Assets	19,183,958	5,691,427	9,723,118
Deferrals and Accruals	28,732,394	7,837,828	20,381,914
Proportionate Consolidation	(13,880,996)	(10,750,984)	(16,764,620)
Inclusion of previously excluded companies	9,482,645	(1,540,779)	(749,325)
Derivative Instruments	(354,887)	275,673	(6,274,001)
Others	8,426,030	10,196,647	13,034,084
Total adjustments from conversion to IFRS	<u>146,024,659</u>	<u>25,342,726</u>	<u>70,898,853</u>

Main impacts on the statements of cash flows refer to the restatement of payments related with intangible assets, from investment activities, which, under IFRS, are not considered as such and are reclassified to operational expenses. Therefore no adjustments were made.



# **INDIVIDUAL FINANCIAL STATEMENTS**

**30 SEPTEMBER 2005**

SONAE, SGPS, SA

BALANCE SHEET AS AT 30 SEPTEMBER 2005 AND AS AT 31 DECEMBER 2004

(Amounts expressed in euro)

ASSETS		IFRS		LOCAL GAAP
	Notes	30.09.2005	31.12.2004	31.12.2004
NON-CURRENT ASSETS:				
Tangible and intangible assets		400,466	573,614	573,615
Investments	4	3,736,617,350	3,046,689,003	4,249,761,501
Other Non-Current Assets	5	533,738,763	807,328,131	13,897
Total Non-Current Assets		4,270,756,579	3,854,590,748	4,250,349,013
CURRENT ASSETS:				
Trade Debtors and Other Current Assets		21,432,108	21,741,073	22,473,892
Cash and Cash Equivalents	6	50,333	415,418	30,732,998
Total Current Assets		21,482,441	22,156,491	53,206,890
TOTAL ASSETS		4,292,239,020	3,876,747,239	4,303,555,903
EQUITY AND LIABILITIES				
EQUITY:				
Share Capital	7	2,000,000,000	2,000,000,000	2,000,000,000
Own Shares	7	(138,044,363)	(143,984,221)	(143,984,221)
Reserves and Retained Earnings		1,506,889,562	1,131,494,011	1,558,101,937
Profit/(Loss) for the Period		23,001,693	12,724,783	12,151,572
TOTAL EQUITY		3,391,846,892	3,000,234,573	3,426,269,288
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Borrowings	8	247,021,307	183,691,632	184,014,369
Total Non-Current Liabilities		247,021,307	183,691,632	184,014,369
CURRENT LIABILITIES:				
Borrowings	8	178,765,124	402,131,441	401,729,790
Trade Creditors and Other Current Liabilities	9	474,605,697	290,689,593	291,542,456
Total Current Liabilities		653,370,821	692,821,034	693,272,246
TOTAL EQUITY AND LIABILITIES		4,292,239,020	3,876,747,239	4,303,555,903

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

INCOME STATEMENTS BY NATURE

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

(Amounts expressed in euro)

	Notes	<u>IFRS</u>		<u>IFRS</u>		<u>LOCAL GAAP</u>
		<u>3<sup>rd</sup> Quarter 05</u>	<u>30.09.2005 Cumulative</u>	<u>3<sup>rd</sup> Quarter 04</u>	<u>30.09.2004 Cumulative</u>	<u>30.09.2004 Cumulative</u>
Operational Income						
Services Rendered		429,030	1,117,895	383,168	1,091,413	1,091,413
Other Operational Income		300,970	1,333,118	51,055	143,652	110,198
Total Operational Income		<u>730,000</u>	<u>2,451,013</u>	<u>434,223</u>	<u>1,235,065</u>	<u>1,201,611</u>
Operational Expenses						
External Supplies and Services		(1,135,469)	(3,039,826)	(669,972)	(1,791,197)	(1,791,197)
Staff Costs		(1,375,530)	(3,838,124)	(977,435)	(3,720,419)	(4,402,703)
Depreciation and Amortisation		(64,253)	(190,935)	(36,872)	(99,205)	(99,205)
Other Operational Expenses		<u>(56,993)</u>	<u>(297,125)</u>	<u>(73,439)</u>	<u>(818,438)</u>	<u>(1,501,745)</u>
Total operational Expenses		<u>(2,632,245)</u>	<u>(7,366,010)</u>	<u>(1,757,718)</u>	<u>(6,429,259)</u>	<u>(7,794,850)</u>
Operational Profit/(Loss)		<u>(1,902,245)</u>	<u>(4,914,997)</u>	<u>(1,323,495)</u>	<u>(5,194,194)</u>	<u>(6,593,239)</u>
Net Financial Expenses		(1,256,342)	(1,398,343)	2,861,738	13,702,526	15,501,700
Investment Income	11	2,270,275	29,315,033	-	1,017,521	16,628
Profit/(Loss) before Taxation		<u>(888,312)</u>	<u>23,001,693</u>	<u>1,538,243</u>	<u>9,525,853</u>	<u>8,925,089</u>
Taxation		-	-	(137)	(137)	-
Profit/(Loss) after Taxation		<u>(888,312)</u>	<u>23,001,693</u>	<u>1,538,106</u>	<u>9,525,716</u>	<u>8,925,089</u>
Profit/(Loss) per share	12					
Basic		(0.000476)	0.012327	0.000824	0.005105	0.004783
Diluted		(0.000476)	0.012327	0.000824	0.005105	0.004783

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

(Amounts expressed in euro)

Notes	Share Capital	Own Shares	Reserves and Retained Earnings	Net Profit/(Loss)	Total
Balance as at 1 January 2004	2,000,000,000	(143,984,221)	743,775,282	29,684,383	2,629,475,444
Appropriation of profit of 2003:					
Transfer to legal reserves	-	-	1,484,220	(1,484,220)	-
Dividends distributed	-	-	-	(27,987,330)	(27,987,330)
Transfer retained earnings	-	-	212,833	(212,833)	-
Purchase/(Sale) of own shares	-	-	-	-	-
Changes in reserves	13	-	232,460,377	-	232,460,377
Profit/(Loss) for the quarter ended 30 September 2004	-	-	-	9,525,716	9,525,716
Balance as at 30 September 2004	<u>2,000,000,000</u>	<u>(143,984,221)</u>	<u>977,932,712</u>	<u>9,525,716</u>	<u>2,843,474,207</u>
Balance as at 1 January 2005	2,000,000,000	(143,984,221)	1,131,494,011	12,724,783	3,000,234,573
Appropriation of profit of 2004:	-	-	-	-	-
Transfer to legal reserves	-	-	607,579	(607,579)	-
Dividends distributed	-	-	(25,772,446)	(11,543,993)	(37,316,439)
Transfer retained earnings	-	-	573,211	(573,211)	-
Purchase/(Sale) of own shares	-	5,939,858	-	-	5,939,858
Changes in reserves	13	-	399,987,207	-	399,987,207
Profit/(Loss) for the quarter ended 30 September 2005	-	-	-	23,001,693	23,001,693
Balance as at 30 September 2005	<u>2,000,000,000</u>	<u>(138,044,363)</u>	<u>1,506,889,562</u>	<u>23,001,693</u>	<u>3,391,846,892</u>

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

CASH FLOW STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

(Amounts expressed in euro)

<u>OPERATING ACTIVITIES</u>	<u>Notes</u>	<u>30.09.2005</u>	<u>30.09.2004</u>
Net cash flow from operating activities (1)		<u>(4,452,302)</u>	<u>(4,259,113)</u>
<u>INVESTMENT ACTIVITIES</u>			
Cash receipts arising from:			
Investments		75,596,272	13,050
Tangible and intangible assets		100	856
Dividends		8,718,968	1,019,471
Interest and similar income		22,895,354	27,645,779
Loans granted		<u>512,303,936</u>	<u>900,706,073</u>
		<u>619,514,630</u>	<u>929,385,229</u>
Cash Payments arising from:			
Investments		(340,915,676)	(471,520,283)
Tangible and intangible assets		(14,331)	(11,110)
Loans granted		<u>(244,060,108)</u>	<u>(532,223,487)</u>
		<u>(584,990,115)</u>	<u>(1,003,754,880)</u>
Net cash used in investment activities (2)		<u>34,524,515</u>	<u>(74,369,651)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts arising from:			
Loans obtained		2,736,180,499	1,274,181,714
Sale of own shares		1,586,339	-
Others		-	-
		<u>2,737,766,838</u>	<u>1,274,181,714</u>
Cash Payments arising from:			
Loans obtained		(2,676,373,804)	(1,151,265,231)
Interest and similar charges		(14,856,281)	(17,858,794)
Dividends		(37,307,385)	(27,993,401)
Others		<u>(39,666,666)</u>	<u>-</u>
		<u>(2,768,204,136)</u>	<u>(1,197,117,426)</u>
Net cash used in financing activities (3)		<u>(30,437,298)</u>	<u>77,064,288</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(365,085)</u>	<u>(1,564,476)</u>
Cash and cash equivalents at the beginning of the period	6	<u>415,418</u>	<u>(7,973,007)</u>
Cash and cash equivalents at the end of the period	6	<u>50,333</u>	<u>(9,537,483)</u>

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE SGPS, S.A.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

(Amounts expressed in euro)

1. INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), whose head-office is at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1. Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2005.

International Financial Reporting Standards ("IFRS") were adopted for the first time in 2005. As a result, the transition date from Portuguese generally accepted accounting principles to the standards referred to above is 1 January 2004, as established by IFRS 1 – "First Time Adoption of International Financial Reporting Standards".

According to that standard, adjustments as at the date of transition to IFRS (1 January 2004) are recorded in Equity and described in Note 16. This note also includes the description of adjustments made to the last annual financial statements presented (31 December 2004).

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

The accompanying consolidated financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Notes 2.6).

2.2. Tangible assets

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

2.3. Intangible assets

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

Brands and patents with indefinite useful lives are not amortised, but are subject to impairment tests on an annual basis.

2.4. Borrowing costs

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

2.5. Non-current assets held for sale

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

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



## 2.6 Financial instruments

### a) Investments

Investments are classified into the following categories:

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

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non-current assets. Investments in affiliated and associated companies are classified as available-for-sale investments.

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

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

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

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

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

### b) Accounts receivable

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

### c) Classification as Equity or Liability

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

### d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.8. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

### e) Trade accounts payable

Accounts payable are stated at their nominal value.

### f) Derivatives

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

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

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

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- there is adequate documentation of the hedging relationships at the inception of the hedge;

Cash flow hedge instruments used by the Company to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, included in Reserves and retained earnings, and then recognised in the income statement over the same period in which the hedged instrument affects profit and loss.

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

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

g) Own shares

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

h) Cash and cash equivalents

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

In the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption Borrowings.

2.7 Contingent assets and liabilities

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

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

2.8 Revenue recognition and accrual basis

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

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

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

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

2.9 Subsequent events

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

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period there were no changes in accounting policies or prior period errors.

4. INVESTMENTS

As at 30 September 2005 and 31 December 2004 the Company held investments in the following affiliated and associated undertakings:

Companies	30.September.2005				31.December.2004			
	% Held	Fair Value	Book Value	Fair Value Reserve	% Held	Fair Value	Book Value	Fair Value Reserve
Modelo Continente, SGPS, SA	75.64%	1,514,224,346	1,456,491,762	57,732,584	68.06%	1,092,979,944	1,306,055,748	(213,075,804)
Sonae Sierra SGPS, SA	67.04%	794,951,871	650,121,066	144,830,805	50.00%	530,992,017	469,503,439	61,488,578
Sonae Industria, SGPS, SA	97.02%	714,478,666	802,792,348	(88,313,682)	97.02%	658,787,363	802,792,348	(144,004,985)
Sonaeocom, SGPS, SA	17.40%	140,525,903	280,146,314	(139,620,411)	17.40%	149,579,393	280,146,314	(130,566,921)
Outras	-	572,436,564	568,817,463	3,619,101	-	614,350,286	614,266,999	83,287
Total		3,736,617,350	3,758,368,953	(21,751,603)		3,046,689,003	3,472,764,848	(426,075,845)

## 5. OTHER NON-CURRENT ASSETS

As at 30 September 2005 and 31 December 2004 other non-current assets are detailed as follows:

	30.September.2005	31.December.2004
Loans granted to group companies	533,480,704	807,314,234
Guarantee deposits	14,168	13,897
Other	243,891	-
	<u>533,738,763</u>	<u>807,328,131</u>

## 6. CASH AND CASH EQUIVALENTS

As at 30 September 2005 and 31 December 2004 cash and cash equivalents can be detailed as follows:

	30.September.2005	31.December.2004
Cash at hand	2,500	2,498
Bank deposits	47,833	412,920
Cash and cash equivalents on the balance sheet	<u>50,333</u>	<u>415,418</u>
Bank overdrafts	-	-
Cash and cash equivalents on the cash flow statement	<u>50,333</u>	<u>415,418</u>

## 7. SHARE CAPITAL

As at 30 September 2005 and 31 December and 30 September 2004 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

During the nine months ended 30 de September 2005 the company sold 1,321,949 own shares to an affiliated company. As at 30 September 2005 the company held directly 132,806,072 own shares.

## 8. LOANS

As at 30 September 2005 and 31 December 2004 this caption included the following loans:

	30.September.2005	31.December.2004
Nominal value of bonds	249,639,369	149,639,369
Up-front fees not yet charged to income statement	2,618,062	293,184
Bonds	<u>247,021,307</u>	<u>149,346,185</u>
Nominal value of other loans	-	34,375,000
Up-front fees not yet charged to income statement	-	29,553
Non-current loans	<u>247,021,307</u>	<u>183,691,632</u>
Commercial paper	178,500,000	395,479,790
Current portion of other loans	-	6,250,000
Derivative instruments	265,124	401,651
Current loans	<u>178,765,124</u>	<u>402,131,441</u>

Bonds SONAE / 97 amounting to 149,639,369 euro repayable, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate equal to Lisbor (subsequently changed to Euribor) plus 0.17% from the 1st to the 13th coupon, plus 1.17% in the 14th coupon and plus 1.22% from the 15th to the 20th coupons;

Bonds SONAE / 05 amounting to 100,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013. Interest rate equal to Euribor 6 months plus 0.875%, with interest paid half-yearly;

In the nine months ended 30 September 2005 the company transferred to its affiliated company Sonae Indústria, SGPS, SA a loan obtained from the European Investment Bank, which initially has been granted to both companies with joint responsibility.

## 9. OTHER CURRENT LIABILITIES

As at 30 September 2005 and 31 December 2004, other current liabilities were made up as follows:

	30.September.2005	31.December.2004
Trade creditors	730,931	209,160
Group companies	428,037,150	243,303,520
Taxes and contributions payable	83,295	560,139
Accrued expenses	10,500,826	6,172,494
Others	35,253,495	40,444,280
	<u>474,605,697</u>	<u>290,689,593</u>

# 10. CONTINGENT ASSETS AND LIABILITIES

	30.September.2005	31.December.2004
Guarantees given:		
on tax claims	1,668,260	1,668,260
on judicial claims	355,199	355,199
Others	-	159,625,000 (a)

(a) Includes 119,000,000 euro relating to guarantees given together with the affiliated undertakings Sonae Indústria, SGPS, SA and Glunz, AG.

# 11. INVESTMENT INCOME

As at 30 September 2005 and 30 September 2004 and in each of the quarters ended on those dates, investment income can be detailed as follows:

	2005		2004	
	3 <sup>rd</sup> Quarter	Cumulative	3 <sup>rd</sup> Quarter	Cumulative
Dividend received	-	8,718,968	-	1,019,471
Profit/(Loss) on sale of investments	2,270,275	20,596,065	-	(1,950)
	<u>2,270,275</u>	<u>29,315,033</u>	<u>0</u>	<u>1,017,521</u>

# 12. EARNINGS PER SHARE

Earnings per share for the period were calculated taking into consideration the following amounts:

	2005		2004	
	3 <sup>rd</sup> Quarter	Cumulative	3 <sup>rd</sup> Quarter	Cumulative
<b>Net profit</b>				
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(888,312)	23,001,693	1,538,106	9,525,716
Effect of dilutive potential shares				
Interest related to convertible bonds (net of tax)	-	-	-	-
Net profit taken into consideration to calculate diluted earnings per share:	<u>(888,312)</u>	<u>23,001,693</u>	<u>1,538,106</u>	<u>9,525,716</u>
<b>Number of shares</b>				
Weighted average number of shares used to calculated basic earnings per share	1,866,023,854	1,865,928,829	1,865,821,979	1,865,821,979
Effect of dilutive potential ordinary shares from convertible bonds	-	-	-	-
Weighted average number of shares used to calculated diluted earnings per share	<u>1,866,023,854</u>	<u>1,865,928,829</u>	<u>1,865,821,979</u>	<u>1,865,821,979</u>

# 13. CHANGES IN RESERVES

Details of changes in reserves in the nine months ended on 30 September 2005 and 30 September 2004 may be summarised as follows:

	30.September.2005	30.September.2004
Fair value reserve	404,059,118	228,196,903
Sale of own shares	(4,353,519)	-
Hedging reserve	281,608	4,263,474
	<u>399,987,207</u>	<u>232,460,377</u>

# 14. SUBSEQUENT EVENTS

The decision to spin-off Sonae Indústria was announced on 10 March 2005. The Board of Directors announced on 23 September 2005 that, together with the Boards of Directors of the other companies involved (Sonae Indústria and Sonae 3P) it has approved the demerger-merger and merger project and expects this to be completed by the end of 2005. Under the terms of the project, shares held in Sonae Indústria corresponding to 90.36% of Sonae Indústria's share capital will be demerged from Sonae and merged into Sonae 3P. Sonae Indústria will then be merged into Sonae 3P which will be renamed Sonae Indústria, SGPS, SA. The new Sonae Indústria will have a share capital of 700 million euro corresponding to 140 million shares each with a nominal value of 5 euro. Admission to Euronext Lisbon will be requested for these shares. In the demerger-merger, one share in Sonae 3P will be granted for every 14.75 shares in Sonae, SGPS, SA, and in the merger one share in Sonae 3P will be granted for each share in Sonae Indústria. On 4 November 2005 the general meeting of shareholders approved the demerger-merger and merger project.

# 15. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorized for issue on 22 November 2005.

# 16. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted International Financial Reporting Standards ("IFRS") in 2005, having taken into consideration "IFRS 1 – First-Time Adoption of International Financial Reporting Standards". In terms of presentation of the financial statements, the transition date was set at 1 January 2004.

The effect on the balance sheets as at 1 January 2004 and 31 December 2004 of converting financial statements prepared under Portuguese GAAP ("POC") to financial statements re-expressed under International Financial Reporting Standards ("IFRS"), applicable to financial years beginning on 1 January 2005, can be detailed as follows:

	1.January.2004			31.December.2004		
	POC	Transition adjustments to IFRS	IFRS	POC	Transition adjustments to IFRS	IFRS
<b>NON-CURRENT ASSETS</b>						
Tangible and intangible assets	28,331	-	28,331	573,615	(1)	573,614
Investments	4,009,392,205	(2,262,689,423)	1,746,702,782	4,249,761,501	(1,203,072,498)	3,046,689,003
Other Non-Current Assets	20,369	1,455,391,482	1,455,411,851	13,897	807,314,234	807,328,131
Total non-current assets	4,009,440,905	(807,297,941)	3,202,142,964	4,250,349,013	(395,758,265)	3,854,590,748
<b>CURRENT ASSETS</b>						
Trade Debtors and Other Current Assets	25,768,680	-	25,768,680	22,473,892	(732,819)	21,741,073
Cash and Cash Equivalents	132,821	-	132,821	30,732,998	(30,317,580)	415,418
Total current assets	25,901,501	-	25,901,501	53,206,890	(31,050,399)	22,156,491
<b>TOTAL ASSETS</b>	<b>4,035,342,406</b>	<b>(807,297,941)</b>	<b>3,228,044,465</b>	<b>4,303,555,903</b>	<b>(426,808,664)</b>	<b>3,876,747,239</b>
<b>EQUITY</b>						
Share Capital	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
Own Shares	(143,984,221)	-	(143,984,221)	(143,984,221)	-	(143,984,221)
Reserves and Retained Earnings	1,586,089,267	(812,629,605)	773,459,662	1,558,101,937	(426,607,926)	1,131,494,011
Profit/(Loss) for the Period		-	-	12,151,572	573,211	12,724,783
<b>TOTAL EQUITY</b>	<b>3,442,105,046</b>	<b>(812,629,605)</b>	<b>2,629,475,441</b>	<b>3,426,269,288</b>	<b>(426,034,715)</b>	<b>3,000,234,573</b>
<b>LIABILITIES</b>						
<b>NON-CURRENT LIABILITIES</b>						
Borrowings	190,264,369	(431,810)	189,832,559	184,014,369	(322,737)	183,691,632
Total non-current liabilities	190,264,369	(431,810)	189,832,559	184,014,369	(322,737)	183,691,632
<b>CURRENT LIABILITIES</b>						
Borrowings	224,246,158	-	224,246,158	401,729,790	401,651	402,131,441
Trade Creditors and Other Current Liabilities	178,726,833	5,763,474	184,490,307	291,542,456	(852,863)	290,689,593
Total current liabilities	402,972,991	5,763,474	408,736,465	693,272,246	(451,212)	692,821,034
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,035,342,406</b>	<b>(807,297,941)</b>	<b>3,228,044,465</b>	<b>4,303,555,903</b>	<b>(426,808,664)</b>	<b>3,876,747,239</b>

As at 1 January 2004 and 31 December 2004 main impacts in equity of the transition to IFRS can be detailed as follows:

	Transition adjustments to IFRS	
	1.January.2004	31.December.2004
Investments	(807,297,941)	(426,075,847)
Derivative instruments	(5,081,189)	(281,608)
Others	(250,475)	322,740
Total adjustments on conversion to IFRS	<b>(812,629,605)</b>	<b>(426,034,715)</b>

Investments were valued at the lower of cost and net realisable value under POC. Under IFRS Investments are classified as available-for-sale and are disclosed at fair value whenever this can be reliably measured. The effect of this change amounted to 807,297,941 euro (Note 2.6.a)).

Additionally, the effect of the conversion to IFRS on the balance sheet as at 30 September 2004 can be detailed as follows:

	30.September.2004		
	POC	Transition adjustments to IFRS	IFRS
<b>NON-CURRENT ASSETS</b>			
Tangible and intangible assets	733,652	-	733,652
Investments	4,127,738,051	(1,681,368,080)	2,446,369,971
Other Non-Current Assets	13,919	1,102,267,045	1,102,280,964
Total non-current assets	4,128,485,622	(579,101,035)	3,549,384,587
<b>CURRENT ASSETS</b>			
Trade Debtors and Other Current Assets	18,442,680	(756,798)	17,685,882
Cash and Cash Equivalents	198,861	-	198,861
Total current assets	18,641,541	(756,798)	17,884,743
<b>TOTAL ASSETS</b>	<b>4,147,127,163</b>	<b>(579,857,833)</b>	<b>3,567,269,330</b>
<b>EQUITY</b>			
Share Capital	2,000,000,000	-	2,000,000,000
Own Shares	(143,984,221)	-	(143,984,221)
Reserves and Retained Earnings	1,558,101,937	(580,169,225)	977,932,712
Profit/(Loss) for the Period	8,925,089	600,627	9,525,716
<b>TOTAL EQUITY</b>	<b>3,423,042,805</b>	<b>(579,568,598)</b>	<b>2,843,474,207</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	187,139,369	(350,154)	186,789,215
Total non-current liabilities	187,139,369	(350,154)	186,789,215
<b>CURRENT LIABILITIES</b>			
Borrowings	320,201,135	-	320,201,135
Trade Creditors and Other Current Liabilities	216,743,854	60,919	216,804,773
Total current liabilities	536,944,989	60,919	537,005,908
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,147,127,163</b>	<b>(579,857,833)</b>	<b>3,567,269,330</b>

As at 30 September 2004 main impacts of the transition to IFRS in equity can be detailed as follows:

Investments	(579,101,038)
Derivative instruments	(817,713)
Others	350,153
Total adjustments on conversion to IFRS	(579,568,598)

Main impacts on the income statements for the year ended 31 December 2004 and for the nine month period ended 30 September 2004 can be detailed as follows:

	31.December.2004			30.September.2004		
	POC	Transition adjustments to IFRS	IFRS	POC	Transition adjustments to IFRS	IFRS
<b>Operational Income</b>						
Services Rendered	2,181,217	-	2,181,217	1,091,413	-	1,091,413
Other Operational Income	184,078	64,615	248,693	110,198	33,454	143,652
Total Operational Income	2,365,295	64,615	2,429,910	1,201,611	33,454	1,235,065
<b>Operational Expenses</b>						
External Supplies and Services	(2,397,560)	-	(2,397,560)	(1,791,197)	-	(1,791,197)
Staff Costs	(5,723,093)	682,283	(5,040,810)	(4,402,703)	682,284	(3,720,419)
Depreciation and Amortisation	(1,046,223)	777,600	(268,623)	(99,205)	-	(99,205)
Other Operational Expenses	(1,682,243)	(808,241)	(2,490,484)	(1,501,745)	683,307	(818,438)
Total operational Expenses	(10,849,119)	651,642	(10,197,477)	(7,794,850)	1,365,591	(6,429,259)
Operational Profit/(Loss)	(8,483,824)	716,257	(7,767,567)	(6,593,239)	1,399,045	(5,194,194)
<b>Net Financial Expenses</b>						
Investment Income	20,619,700	(1,128,596)	19,491,104	15,501,700	(1,799,174)	13,702,526
Profit/(Loss) before Taxation	31,834	985,687	1,017,521	16,628	1,000,893	1,017,521
Taxation	12,167,710	573,348	12,741,058	8,925,089	600,764	9,525,853
	(16,138)	(137)	(16,275)	-	(137)	(137)
Profit/(Loss) after Taxation	12,151,572	(573,211)	12,724,783	8,925,089	600,627	9,525,716

Main impacts of transition adjustments to International Financial Reporting Standards, on the net profit for the year ended 31 December 2004 and for the three and nine month periods ended 30 September 2004, can be detailed as follows:

	31.December.2004	3 <sup>rd</sup> Quarter 2004	30.September.2004
Staff Costs	682,284	303,081	682,284
Up-front fees	(109,073)	(27,418)	(81,657)
Total adjustments on conversion to IFRS	<u>573,211</u>	<u>275,663</u>	<u>600,627</u>

There were no significant adjustments to the cash flow statement.

#### 17. INFORMATION REQUIRED BY LAW

##### Decree-Law nr 318/94 art 5 nr 4

In the nine months ended 30 September 2005 shareholders' loan contracts were entered into with the following companies:

Sonae Investments, BV

In the nine months ended 30 September 2005 short-term loan contracts were entered into with the following companies:

Elmo, SGPS, SA  
Investalentejo, SGPS, SA  
MDS- Sociedade Mediadora de Seguros, SA  
Modelo Continente, SGPS, SA  
Project Sierra Holding Portugal V, SGPs, SA  
Somit- Sociedade de Madeiras Industrializadas e Transformadas, SA  
Sonae Capital, SGPS, SA  
Sonae Indústria de Revestimentos, SA  
Sonae Investments, BV  
Sonae Sierra, SGPS, SA  
Sonae Turismo, SGPS, SA  
Sonaecom, SGPS, SA

As at 30 September 2005 the amounts owed by affiliated undertakings can be summarized as follows:

##### Loans granted

Companies	Closing Balance
Investalentejo, SGPS, SA	50,000
MDS- Sociedade Mediadora de Seguros, SA	12,600,000
Somit- Sociedade de Madeiras Industrializadas e Transformadas, SA	3,532,636
Sonae Capital, SGPS, SA	38,374,000
Sonae Investments, BV	<u>495,106,704</u>
	<u>549,663,340</u>

As at 30 September 2005 the amounts owed to affiliated undertakings can be summarized as follows:

##### Loans obtained

Companies	Closing Balance
Cinclus - Planeamento e Gestão de Projectos, SA	2,950,000
Interlog, SGPS, SA	18,298,000
Modelo Continente, SGPS, SA	15,000,000
Sonae Capital, SGPS, SA	180,247,150
Sonae Sierra, SGPS, SA	30,442,000
Sonaecom, SGPS, SA	<u>181,100,000</u>
	<u>428,037,150</u>