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Chairman's Statement



The year 2004 confirmed our expectations, with all businesses showing positive operational performance against a background of a Group that is increasingly more global in terms of geographic markets and more focused in terms of business sectors.

The divestments made, the restructuring process and the strengthening of the balance sheets of the Sub Holdings required us to develop specific skills in financial and equity markets. These will certainly be of great use in the future for a Group that, although very important in Portugal, has to expand outside the country to achieve critical mass in Europe and in the world. Fortunately, there are good reasons behind this aim – increased international know how and competitiveness.

Nonetheless, we have systematically invested more than half of the average value of our annual investment in Portugal over the last four years (around 800 million euro).

Difficulties persist for the growth of the Retail business in Portugal. We were prevented from building a large forestry products group due to absurd constraints imposed by politicians with excessive interventionist tendencies and who clearly abused their personal authority, a situation that was only made possible by the existence of weak governments lacking strategic vision. Thus, all the restrictive conditions that were imposed on us during the Portucel Process – foreign shareholder, restrictions on majority control, increase in free float, and rapid implementation of a major investment – were forgotten when the final decision was taken.

Despite the fact that our strategy was not successful, we obtained a substantial financial gain, with the company being sold to a Portuguese controlled group with a proven track record and we wish them every success for the future.

The Portucel failure resulted in a natural lack of interest by Sonae in the paper and pulp sector, leading to the decision to sell Gescartão.

I am pleased to re-affirm that, as already announced, we decided to sell Barbosa & Almeida through an MBO. This allows the company to continue to be managed by the same management team while adequately safeguarding the interests of our Group.

In our traditional businesses, we can say that all of them had outstanding performances, as has already been reported through various earnings announcement to the financial markets. It is fair to highlight the continued excellent performance of the recently re-branded Sonae Sierra and the notable improvement in profitability at Modelo Continente. But no less important was the return of Sonae Indústria to significant profits, after a long and difficult phase of progressing from a Portuguese company (with the obvious risk of disappearing due to lack of size) to a worldwide company.

This transition involved a high risk strategic decision in which the emotional factor played a major role, but which also entailed a vision and a desire to create a large worldwide group based on Portuguese Capital and Human Resources. This last factor was undoubtedly the great motivating factor that enabled us to overcome the many difficulties with which we were faced. Various managers believed that the final destination was very far away and the path full of difficulties, but we moved forward with increasing pace, resolving problems of renewing productive assets, rejuvenating human resources and increasing productivity, namely by leveraging new information technologies that are essential to accelerate and improve decision making. We can affirm that the significant improvement in profitability and the strengthening of the Balance Sheet of Sonae Indústria have completely changed the risk assessment made by our financial partners, such that today it can be publicly announced that the Board of Directors of Sonae SGPS has taken the decision to immediately prepare the spin off of Sonae Indústria, as expected by our shareholders.

Sonaecom consolidated its position as the second integrated operator in Portugal, creating significant shareholder value and becoming a worthy and unavoidable competitor. This has been possible at the same time as new products and services have been prepared and launched, that confirm our ambition set at the start of the project – to reach our natural market share.

The groundwork continues aiming to resolve the serious structural problems of competition in the Portuguese market created by errors, omissions or delays in the implementation of competition and regulatory sector policies during the last decade. Making Portugal a "normal" country where cable is the main competitor of copper to access the internet, where satellite is the main competitor of cable to provide paid television services, where the providers of critical media contents are not dominated by those who own the related infrastructures, and where abuse of dominant positions is not tolerated, is key to accelerating the pace of innovation, a process that has already begun in the rest of the western world. Not resolving these basic problems will certainly worsen Portugal's relative underdevelopment, and is particularly difficult to understand when Portugal prides itself on having contributed towards identifying and prioritising the objectives set out in the Lisbon Strategy.

Sonae Capital has been organising itself to be able to assume a more important role. We believe that we can take advantage of the Tróia project to study other Resort Development projects, thus enabling Sonae Capital to increase its investment capacity and venture capital capabilities in business sectors that are not part of the Group's core activities – Wood Based Products, Retail, Shopping Centres, and Telecommunications.

Finally, it is important to highlight the value that the Group is creating, a fact that has been recognised by the equity markets. The Sonae share rose in value from 0.70 Euro in January to 1.07 Euro at 31 December 2004, an increase of 62%, with additional growth of 9% in 2005 for the year to date.

Maia, 10 March 2005

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Report of the Board of Directors 2004 Report and consolidated accounts 2004 | SONAE SGPS, S.A.

Economic Environment

In 2004, it would seem that the world economy was still not able to do away with the "stop & go" fluctuations in growth which have occurred year after year since the global slowdown of 2001. International agencies admit that the lack of worldwide business confidence is the most significant cause of this variable progression of the world economy. Businessmen long for an economic background free from external destabilizing factors such as financial instability, sudden changes in oil prices or the successive emergence of new areas of geopolitical tension.

Once again, the main world economic regions showed different trends in 2004. Acceleration of growth in the United States was confirmed, while Japanese and Far Eastern markets continued to be lively, although with a slight slowdown. Continental Europe, on the other hand, showed signs of an upturn which, although visible, is still far from representing a genuinely sustained economic expansion. Nonetheless, world trade recorded the highest rate of growth ever (9.5% compared to 3.6% in 2002 and 5.1% in 2003). World GDP also grew from 3.5% in 2003 to around 5% in 2004, levels that will not be repeated in the next few years, given persistent worldwide uncertainty and hesitant consumer confidence.

The **United States** economy grew 4.4% in 2004 in an environment of fiscal and monetary expansion and against a background of sustained consolidation of productivity indices (3.7%) and a sharp increase in investment (8.9%). However, growth slowed towards the end of the year reflecting, in part, increases in energy costs. Although consumer demand remained vigorous (3.6%), the impact of oil price increases affected domestic incomes, leading inevitably to a deceleration in internal demand, a situation made more probable by a rate of domestic savings that is moving dangerously towards zero (0.8% of disposable income in 2004). In parallel, productivity also decelerated in the second half of 2004, although company profit margins continue to be high and favourable to investment. The trend of inflation, that was high at the beginning of the year, returned to more acceptable levels (2.1%) as the year progressed. Monetary policy thus was maintained, so as to accommodate more intense growth, but tougher financial conditions may be introduced gradually.

In Canada, growth accelerated (3% compared to 2% in 2003) driven more by vigorous internal consumer demand (3.8%) than by net exports (0%), which were affected by the depreciation of the US dollar. This growth occurred against a background of increased inflation together with a gradual increase in interest rates.

The United States economy continues to be the main engine of global economic growth, but once again structural imbalances in the trade balance and government spending worsened. Although tax revenues increased above those forecast, defence and social security spending increased the public deficit, now running at 4.4% of GDP. At the same time, and despite the sharp depreciation of the dollar in 2004, the current account deficit reached a new all time high of 5.7% of GDP.

In the light of such imbalances, the rate of growth in 2004 appears to be unsustainable, thus supporting the forecasts of a slowdown in growth in 2005 (3.3%). The main factors now involved in the slowdown are the risk of new and sustained high level of prices of energy and raw materials, the weakness of the labour market and possible rapid rises in long term interest rates.

In Japan, 2004 was confirmed as the year of the most steady and long lasting expansion boom since the end of the 1980s. The recovery that began in 2003 (2.5%) continued in 2004 (4%), although at a more moderate rate in the second half of the year, due to a slowdown in external demand. The recovery of internal demand also reflected an improvement in profitability in the business sector and in job creation, which led to a fall in the unemployment rate (4.8% compared to 5.3% in 2003).

Nonetheless, the economy recorded its seventh successive year of deflation, a problem which will only be overcome in the medium term through the consolidation of economic expansion. Base interest rates, which are practically zero and under the effect of monetary expansionism, should continue at the same levels in 2005, at least while inflation does not rise to levels that definitively eliminate the menace of deflation. On the other hand, the serious public deficit built up over the last decade has to be corrected over the medium term in order to guarantee growth against a sustainable fiscal framework. In the same way, further reform in the banking sector and in the traditional system of business organization are essential, despite productivity improvements already made in the manufacturing sector.

Turning to the **European Union**, a major highlight is clearly the admission of ten new member states, mainly from Eastern Europe, to form an Union now made up of 25 countries. This fact, together with the consensus reached concerning the approval of the text of the European Constitution, is a promising sign of a new cycle of further European integration.

Confirming the trend that began in the middle of 2003, there was a gradual recovery in economic activity in the European Union and the Euro zone (1.8% compared to 0.6% in 2003), driven by growth in the world economy and increased international trade. Although the impact of rises in oil prices – in particular in oil dependent countries - and of rapid appreciation of the euro against the dollar, in the second half of the year, have not yet been entirely absorbed, the general recovery of the European Union economies benefited from a number of factors: accommodating monetary policies, low inflation, stimulating financial conditions, improved profit margins and continued structural reforms.

However, these factors were not enough to generate higher growth in the European Union economies, in particular in the Euro zone. Unemployment continues at close to 9% of the active population, while the risk exists of renewed inflation after the full impact of oil prices. Thus, in the short term, monetary policy based on low interest rates will only be sustainable while the medium term forecast for inflation remains at levels compatible with the criteria and objectives of the European Central Bank (ECB).

On the other hand, 2004 once again showed up the differing situations relating to fiscal consolidation amongst countries in the Euro zone. In terms of European development, it is important, from now on, to put into practice the ambitious agenda set out at the Lisbon Conference (2000), especially in such crucial areas as budget deficits and the reform of social security systems, which urgently need to be adapted to the reality of ageing populations.

According to international agencies, the consolidation of economic recovery will depend basically on the growth of capital formation and a solid and sustained recovery of consumer confidence. Labour markets will then respond positively, with a gradual fall in unemployment and a slight increase in employment levels (0.9% in 2005).

Given the worldwide exposure of its business portfolio, Sonae's business activity in 2004 reflects the economic situation in those countries where it does business, particularly in Portugal, the main European markets and Brazil.

The **Portuguese economy** emerged from the recession in 2003 (-1.2%) with real growth estimated at between 1 and 1.5%, based on a recovery of exports (7.3%) and increased internal demand (1.8% compared to -2.7% in 2003). However, this did not prevent further divergence to the Euro zone (growth of 1.8%). Although analysts point to signs of a slowdown in the second half of the year (related to the one off impact of the Euro 2004 football competition), the recovery of internal demand was driven mainly by increased private consumption and business investment, indicating a significant turnaround in business and consumer confidence, which had been depressed since 2001.

In the same way, the fall in employment levels was meanwhile brought to an end, reflecting a very slight increase in unemployment (6.5% at the end of the year). The slight recovery of manufacturing activity also meant that the differential in inflation rates with the average of the Euro Zone was reduced. The year 2004 thus closed with an average consumer inflation rate (IPC) of 2.4% (3.3% in 2003).

In any event, one of the most serious structural weaknesses of the economy was once again exposed: the improvement in external demand was not enough to prevent a worsening of the trade balance reflecting the recovery of internal demand, rises in oil prices and deterioration in international terms of trade. This led to a current account deficit in excess of 6% of GDP in 2004. The gradual consolidation of economic recovery over the next few years will no doubt be accompanied by the expansion of private consumption and investment. It is thus highly probable that the trade balance will worsen with net external demand negatively impacting growth.

At the structural level, 2004 was marked by further difficulties concerning the public deficit and adherence to the Growth and Stability Pact. For the third year running, the Government used extraordinary measures to reduce the size of the deficit against a background of evident difficulties to control and cut certain types of state expenditure, and amidst worrying signs as to the financial sustainability of the social security system. Although tax revenues were higher than those budgeted for 2004, state pensions increased significantly above forecasted levels, leading to calls by international agencies to urgently implement reforms in the social security and tax systems, and public administration.

The forecast for the Portuguese recovery is heavily influenced by the growth of the main European economies and by the instability of oil prices. Growth is forecast to recover slowly in 2005 (2.2%) and 2006 (2.8%), but at a level below that consistent with a significant fall in unemployment.

In those **European markets** of greater importance for Sonae's businesses, there was overall a slight recovery in growth rates that was positively influenced by an improvement in external demand, although still impacted by the slow recovery of business confidence. This was the case in France (2.1%), Austria (1.8%) and Italy (1.3%), where weak growth in internal demand was coupled with increased external demand. In Germany, growth (1.2%) was exclusively export led, with internal demand falling 0.8%, as a result of the depressed state of consumer confidence and the containment of public investment, dictated by the strict requirements of budgetary control. On the other hand, and in the same way as in 2003, Greece (3.8%), Spain (2.6%) and the UK (3.2%) had more favourable rates of growth, although against differing backgrounds. In the UK, internal demand (3.7%) was the engine driving growth, impacted by strong growth of private (3%) and public

(3.8%) consumption, and investment (6.5%), while external demand had a negative effect on growth. In Spain, the trend was similar with internal demand growing 3.4%, particularly consumer demand and capital formation. In Greece, growth was achieved at the same time as the public sector deficit (-5.3% of GDP) and the current account balance (-6.0% of GDP) worsened, indicating the urgent need to take measures to contain public spending.

Overcoming the stagnation of 2003 (-0.2%) and continuing the recovery observed in the second half of that year, **Brazil** had rapid growth in 2004 with real GDP growing 4.5%, clearly above the average for industrialized countries. This recovery was much higher than could have been expected and reflects a swift recovery in business and consumer confidence that drove vigorous growth in internal demand, both in private consumption (3.9% compared to -1.5% in 2003) and in private investment (8% compared to -5%). At the same time, the recovery in international trade led to a strong increase in exports (17%). The trade balance, that was once again positive, led to another improvement in the current account balance (1.5% of GDP according to the OECD), despite a sharp increase in imports (15%), due to increase dinternal demand.

The highly favourable performance of GDP was, however, accompanied by continued levels of inflation, above those forecast by the authorities. Thus, the main consumer inflation index (IPCA) grew 7.4%, in 2004, due to the increase in world oil prices and the still significant impact of prices established by Government authorities. Despite a slight improvement over 2003 (9.3%), this level is not considered to be compatible with sustainable growth in the medium term. Moreover, the persistence of such pressures will tend to have a damaging effect, causing business expectations of inflation to harden and making it difficult to achieve the nominal convergence goals of the economy. Bearing in mind, also, the recent sharp increase in production capacity usage, the sustainability of growth will depend on the growth of domestic supply. If this does not occur, there will be an inevitable worsening of the trade balance and financial and exchange rate instability.

In response to the sharp increase in the demand for credit and the urgent need to relieve inflationary pressures and restrain internal demand, the Brazilian Central Bank began in September a gradual process of raising base interest rates. This prevented the long awaited fall in real interest rates, traditionally seen by investors as a barometer of the stresses to which the Brazilian economy is subject. Nonetheless, there was a very positive net inflow of capital, which reinforced the effect of another record positive current account balance, equal to 1.5% of GDP.

In the short term, growth consolidation depends crucially on maintaining strict policies concerning inflation and controlling and consolidating the public deficit. Moreover, the restrictive measures taken in this area appear to have worked efficiently, making a primary surplus of 4.5% of GDP possible. Their success may mean that such measures can also be applied to municipal government and state owned companies. Reforming the tax system, public expenditure and social security continues to be essential to build into the economy greater resilience to exchange rate and financial crises, and thus make long term sustainable growth viable.

Portfolio Management

In 2004, actions continued to be taken to prune and focus the portfolio on the core businesses of the Sonae Group. Main actions taken were:

- In January, Sonae, SGPS, SA acquired 299,000 shares of Sonaecom, SGPS, SA at an average price of 2.94 euro per share. In March and April, Sonae Investments BV sold 1,038,262 shares of Sonaecom, SGPS, SA at an average price of 3.11 euro per share. After these transactions, the shareholding of the Sonae Group in Sonaecom, SGPS, SA was 82.46%;
- In September, Sonae Wood Products BV, an indirectly and fully owned affiliated company, sold the whole of the Sonae Group's 25% stake in Portucel - Empresa Produtora de Pasta e Papel, SA, resulting in a capital gain of approximately 75 million euro;
- In October, the share capital of Sonae Indústria, SPGS, SA was increased from 500 million euro to 700 million euro, involving an investment by Sonae, SGPS, SA of 199.9 million euro, as a result of which the Sonae Group now owns 97.02% of the share capital of Sonae Indústria, SGPS, SA;
- In November, Sonae, SGPS, SA acquired Carrefour's 22.37% shareholding in Modelo Continente, SGPS, SA for 345 million euro. At the same time, 11.35% of the share capital of Modelo Continente, SGPS, SA was sold to Crédito Predial Português for 175 million euro. As the result of the above transactions, Sonae now holds 98.06% of the share capital of Modelo Continente, SGPS, SA made up of 68.06% through direct ownership and a further 30% relating to those shares which it has the right to acquire, under the terms of a contractual agreement with the Banco Santander Group. In the same transaction Sonae acquired the right to use the brand "Continente" in Portugal. This right was valued at 75 million euro and is shown as an intangible asset in these consolidated financial statements;
- In December, Sonae, SGPS, SA acquired Sonae Indústria, SGPS, SA's holding in Imocapital, SGPS, SA;
- Also in December, Sonae, SGPS, SA agreed a phased disposal of its entire indirect shareholding in BA – Fábrica de Vidros Barbosa & Almeida, SA, through its wholly owned affiliated company Sonae Capital, SGPS, SA. The sale proceeds will be received between 2005 and 2008, and will represent a cash inflow of around 164 million euro and yield a capital gain of around 65 million euro.

After the balance sheet date, Sonae, SGPS, SA announced on 11 February 2005 that it has 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 shareholding of 3.58% in Gescartão. The sale of the share capital of Imocapital is subject to approval by the Competition Authority under Portuguese Law. The above sales will only take place after obtaining this approval. If approved, they will result in a cash inflow for Sonae of around 97.9 million euro and a consolidated net profit attributable to Sonae of about 34 million euro.

Allocation of Financial Resources

Gross consolidated investment for the year was 741 million euro, compared to 666 million euro in the previous year, and was made up as follows:

- In Wood Based Panels, investment was around 25 million euro (61 million euro in 2003), mainly on fine tuning equipment in various manufacturing units;
- In Retail, around 161 million euro (128 million euro in 2003) were invested in the opening of 22 new stores, totalling 22,000 square metres of sales area. In Portugal, a new Modelo store was opened in Gulpilhares, Porto, as well as 12 stores in non food retail. In Brazil, expansion led to an increase of 14,000 square metres of sales area, corresponding mainly to the opening of two BIG hypermarkets in the states of Santa Catarina and Rio Grande do Sul;
- Sonae Sierra¹ invested 271 million euro (280 million euro in 2003) on the opening of new shopping and leisure centres in Spain: Dos Mares (Murcia), Avenida M40 (Madrid), Luz del Tajo (Toledo) and Zubiarte (Bilbao); in Brazil, on the opening of Boavista Shopping (São Paulo) and the expansion of Penha Shopping (São Paulo); and on the ongoing building work in shopping and leisure centres under development in Portugal, Spain, Italy, Germany and Greece;
- In Telecommunications, investment was around 115 million euro (130 million euro in 2003), relating mainly to the network and to information systems, and also included the acquisition of KPNQwest Portugal;
- At the Holding level, the investment totalled 103 million euro (9 million euro in 2003), and relates mainly to the fair value attributed to the Continente brand (75 million euro), a component of the transaction in which Carrefour sold its minority shareholding in Modelo Continente, and to investments in the Gescartão Group.

Divestment in the year totalled circa 352 million euro (444 million euro in 2003), relating mainly to the disposal of non-core assets: the sale of the shareholdings in Portucel and ba Vidro, the sale of Sintra Retail Park, and the sale of other non-core fixed assets.

¹ Sonae Imobiliária changed its name to Sonae Sierra on 28 February 2005.

Human Resources Allocation

The average number of Sonae Group staff during 2004 was 52,799 (measured in terms of full time equivalent staff – FTE's), a similar level to last year. At the end of the year, the Sonae Group employed almost 58,000 people, of which most worked in Retail (76%) and Wood Based Panels (11%). Geographically, half of employees worked outside Portugal, in particular in Brazil (41%).

The Sonae Group continues to attach special importance to the training of its human resources. In 2004, the "Sonae Learning Centre" was inaugurated. Located in the head office, in Maia, it is used by all group companies and promotes across the Group learning. Among the various businesses, more than 430,000 hours of training were given during the year.

Risk Management and Internal Audit

The objectives, processes and organisation of Risk Management and Internal Audit activities are laid out in chapter "1.3. Risk Control" of the Corporate Governance Report.

During 2004, the work carried out in accordance with the planned activities of each function, was as follows.

In the **Risk Management** area, management activities continued, relating to security risks for tangible assets and human resources, business process and information systems risks, business and operational interruption risks, risks from change and investment projects, and environmental risks.

Concerning tangible asset security risks, the cycle of technical and operational risk management activities continued and was articulated with the insurance management of the Group by conducting preventive and safety audits in different locations of the business units. In the main business units, tests and simulations were made to emergency and preventive systems and plans, sometimes in the presence of civil protection services, security forces and fire brigades. The development and implementation of security standards, and related monitoring and self-assessment procedures (Control Risk Self Assessment), continued.

Turning to people safety risks (staff, subcontractors, customers and visitors), work continued on the PERSONÆ Project, that commenced in 2003, to develop integrated actions and people attitudes towards safety, with special emphasis on changing behaviour. Thus, following the preparatory and diagnostic phases completed last year, implementation began of Sonae Sierra's project, a partnership with a leading international consulting firm in this field, part of a group recognized as being one of the most safety conscious and socially responsible in the world. The programme combines the implementation of best management practices in Health, Safety and Social Responsibility with the development of internal capabilities through training and knowledge sharing. An essential part of the methodology is to integrate responsible attitudes and behaviour into the culture of the company. The programme involves all operations world wide and all businesses of Sonae Sierra from project development through to the management of shopping and leisure centres, including investment and construction. The project will last for four years, and represents, in consulting and training alone, an investment of 5 million euro. Its progress is being monitored by the other sub-holdings of the Group with a view to taking advantage of synergies and adapting the management model to other Group companies.

In relevant businesses, projects and programmes continued in order to guarantee continuity of operations, through defining, revising and implementing procedures and processes to prepare for crisis and catastrophic scenarios, particularly through developing emergency, contingency and recovery plans.

In the area of environmental risks, audits continued and improvement actions were implemented as part of the Environmental Management Systems of Group companies.

In Retail, and as a result of the project and organisational actions begun last year, a programme of food safety audits was implemented and consolidated in stores, warehouses and production centres, leading to the main conclusions and corrective actions being identified and reported upon. This audit programme has the goal of monitoring in a systematic way, food safety risks, and of complying with legal regulations and the internal control system for food quality. A similar programme was implemented in hotels belonging to the Group.

In those businesses with commercial units close to Euro 2004 football stadiums, specific security measures were implemented for the duration of the event, as a consequence of the risk evaluation process undertaken in 2003. It should be pointed out that the results were highly satisfactory and no significant problems arose.

Risks associated with critical business processes and major change projects, especially new investments and information system changes, were analysed and monitored as part of Risk Management work as well as Internal Audit activity.

In accordance with methodologies defined and implemented in previous periods, risk management procedures were integrated into business management planning and control procedures from the strategic review phase right through to operational planning, so that risk management actions were included in functional and business unit plans and monitored throughout the year.

As far as technical and operational risks are concerned, the objective of rationalising the financial transfer of these types of risk continued, either by searching to establish a sound insurance capital structure for the value at risk, based on the constant changes in the businesses involved, or by reaching greater critical mass to take on more risk internally. Insurance coverage and retention levels have also been optimised in accordance with the needs of each business, ensuring internally effective insurance management worldwide.

Further work was carried out on reviewing, inspecting and documenting risk conditions by independent auditors and their conclusions were shared with the utmost transparency with the risk takers involved.

The Risk Management Consultation Group (internal body for co-ordination and knowledge sharing across the Group) reviewed on a regular basis the work of the risk management function.

In the **Internal Audit** area, internal control compliance audits were carried out in some business units as well as audits of the main business processes and information systems of Group companies, in line with action plans based on the evaluation of business risks.

The Audit Committee (internal body for co-ordination and knowledge sharing across the Group) met regularly during the year and was kept informed of the function's plan of activities and the conclusions of the work completed.

The Board Audit and Finance Committee also reviewed regularly Internal Audit and Risk Management activities.

As far as development of the Risk Management and Internal Audit function is concerned, in 2004, Group companies continued to fund staff training for those who voluntarily put themselves forward for international certification in internal audit by the Institute of Internal Auditors (IIA) - the Certified Internal Auditor. Another member of staff successfully qualified this year, in addition to the two who qualified in 2003. In 2005, Sonae will continue to fund this important training programme, and the international development and qualification of its internal auditors, in line with best international practices.

Environmental Management

Work continued to implement Environmental Management Systems (EMS) in the various sub-holdings. Sonae continues to work actively with the "World Business Council for Sustainable Development" (WBCSD). Among Group companies, we highlight the following accomplishments during the year:

- In the Wood Based Panels business, integrating environmental management (together with quality, safety and hygiene management) into the management systems of Sonae Indústria's affiliated companies has been an important goal over the last few years; of the 23 wood based panel manufacturing units, the status of system certification as at 31 December 2004 was as follows: 19 units certified to the ISO 9001 standard for guality management, 9 units certified to the ISO 14001 standard for environmental management (plus one unit dedicated to forestry management in Spain) and 1 unit certified according to OHSAS 18001 for safety and hygiene management; the implementation of these management structures, especially environmental management systems, allows environmental regulations to be adhered to in a consistent manner, as well as developing awareness in the organisation of the risks and opportunities in the environmental area; besides working to ensure compliance with local regulations, Sonae Indústria implemented in 2004 an internal process for evaluating the local exposure and degree of importance of environmental issues; this involved management teams at all of its European wood based panels manufacturing units and resulted in the identification of the most relevant environmental issues for Sonae Indústria's business and related performance indicators; the indicactors identified will become part of the existing information system and it is planned to gradually include them in reports for external use.
- In Retail, the update of its Environmental Policy, the original version dating from 1998; the preparation and inclusion of an Environmental and Sustainable Development module in the management training for store teams; the use of the environmental management tool "Environmental Control Panel" in Madeira and the Azores; the carrying out of 11 environmental diagnostic studies and related performance improvement programmes, involving Modelo, Worten and Modalfa stores; the implementation of formal environmental systems in the Cascais Continente store and the Azambuja warehouse, and preparation for their ISO 14001:2004 certification in early 2005; and, 9 tons of polystyrene, 572 tons of wood, 2,023 tons of plastic and 18,006 tons of cardboard sent for recycling.

- In the Shopping Centres business, the Environmental Management System (EMS) of Sonae Sierra was reviewed in accordance with ISO 14001 International Standards; a specific EMS for construction work was developed, ensuring the minimisation of negative environmental impacts during the building of shopping centres; ISO 14001:1996 certification of the construction process at Dos Mares (Murcia, Spain), in March, and Luz del Tajo (Toledo, Spain), in September; training for EMS implementation in shopping centre management in Portugal, Spain and Brazil; environmental awareness sessions given to employees, tenants, maintenance and cleaning teams; internal environmental audits in accordance with EMS policy were performed in all shopping centres under development and in operation in Spain and Brazil; in October, participation in an International Environmental Benchmarking Program involving five shopping centres: NorteShopping, CoimbraShopping and GaiaShopping, in Portugal, and Max Centre and Parque Principado, in Spain; participation for the first time in the PEG – Property Environmental Group, a benchmarking programme that compares environmental engagement and performance in companies in the property sector (20 companies took part in 2004); accessibility certification (from AENOR-Spain) awarded to Luz del Tajo (Toledo, Spain), thus distinguishing Sonae Sierra's corporate social responsibility performance; external recognition also achieved in Parque Dom Pedro (Campinas, Brazil), which won two awards for EMS implementation, one from the Getulio Vargas Foundation and the other from the Brazilian association of shopping centres.
- In the Telecommunications business, 2004 was a year in which the Environmental Management System (EMS), certified by APCER to ISO 14001:1999 standards in 2003, was consolidated; redefinition of assessment and management processes for environmental activities, in particular the identification and assessment of environmental impacts, and of environmental laws; development of systems to monitor and control environmental processes, especially to monitor performance indicators and to control non compliance issues; increase awareness and a more conscious and active environmental behaviour by staff, using an e-mail newsletter "Ecoreport", and by suppliers, making available on the website, environmental information relating to their products which may influence Sonaecom's environmental impacts; Optimus signed a contract with Ecopilhas to ensure the correct disposal of mobile phone batteries at the end of their life cycle; Optimus also signed a monitoring agreement with the Portuguese Telecommunications Agency to make relevant information on electromagnetic radiation in mobile communications publicly available; Optimus continued its efforts to encourage the sharing of infrastructures with other mobile phone operators; a highlight in the area of environmental awareness was the Gil Foundation campaign, which was an internal project to collect and sell used printing toners and cartridges, the proceeds of which were donated to the Gil Foundation for their projects involving help to hospitalised children; in 2005, the EMS will be upgraded to the ISO 14001:2004 standard.
- Among the business activities of Sonae Capital:
 - At Sonae Turismo, preparation for the certification of its Environmental Management System in accordance with ISO 14001 standards, scheduled for early 2005; the beginning of the Environmental Impact Study for the expansion and refurbishment of the waste water and sewage treatment plant at Tróia.
 - At Contacto, conclusion of the implementation of an integrated management system in the areas of Environment, Safety and Quality in accordance with the respective standards ISO 14001, OHSAS 18110 and ISO 9001; being one of the first companies in the construction sector to obtain simultaneous certification in these three areas is considered to be a key factor of market differentiation.

- At Lidergraf, the implementation of the Environmental Management System continues, and work began on integrating it into the company's Quality Management System, which will be completed in 2005; ISO 14001 certification is also planned for 2005.
- At TP Sociedade Térmica Portuguesa, the construction of a wind farm at Serra da Capucha that will produce around 24,000 MWh of green energy per annum, is almost complete; TP is managing the construction of another wind farm at Serra do Sicó, for which an Environmental Impact Study was completed and given to Government authorities in 2004; when this farm enters production, planned for 2006, it will produce about 120,000 MWh per annum; TP also continued running 14 Combined Heat and Power stations and construction began on two new high efficiency stations; four of these (equivalent to 150,000 allowances or an equivalent number of tons of CO₂) will be part of the European Carbon Emissions Trading scheme.



Business Activity² WOOD BASED PANELS

The **consolidated turnover** of Sonae Indústria rose to 1,580 million euro in 2004, a 9.6% increase compared to 2003. Gescartão contributed with 181.3 million euro in 2004, an increase of 1.6% over last year.

Consolidated operational cash flow (EBITDA) has increased 77.5 million euro, to 227.1 million euro. The EBITDA margin in this business increased 4 percentage points to 14.4% of Turnover. The operating performance of the panels business improved due to the joint effect of increases in volumes and prices and cost reductions.

Wood based panels sales grew 12.8% in volume, with positive contributions from all geographical regions, except Brazil. All products recorded growth in sales, with a special reference to OSB³'s 33.6% increase. Prices have been recovering steadily since October 2003 and the consolidated average price for 2004 shows an improvement of 3.2% over 2003. The main components of variable costs showed different trends: wood cost posted the most negative contribution, strongly influenced by increases in Brazil and Canada, whereas costs of chemical products did not experience a significant variation in the year, despite increases in the oil price in the second half of 2004. Fixed costs reduced as a result of cost reduction programmes. Personnel costs dropped 6.7% and overheads suffered a 5.4% growth, resulting from the significant 9.6% increase in business activity.

As a result, **operational profit (EBIT)** grew to 93.8 million euro, 90.8 million euro up on 2003 figures. The panels business contribution was 71 million euro (-20.3 million in 2003) and Gescartão contributed with 22.8 million euro (31.3 million euro in 2003).

Consolidated net financial charges decreased 16.8 million euro, totalling 68.3 million euro, as a result of the debt reduction recorded in 2003 and 2004. Net interest charges decreased 14.3 million euro, mostly due to the debt reduction and to a slight decrease in interest rate levels in most of the countries in which Sonae Indústria operates.

Consolidated extraordinary profits were 33.2 million euro, 20.4 million euro higher than in 2003.

The net profit after minority interests amounted to 29.2 million euro, compared to a 78.6 million euro loss in 2003.

² The information shown in this section concerns each sub-holding on a standalone basis, unless otherwise stated.

³ OSB – Oriented Strands Board.

Consolidated net debt reduction, 397 million euro, meeting a very demanding loan repayment schedule, has been critical to the strengthening of the balance sheet, in accordance with the strategic pillars outlined for 2004. In October, a share capital increase of 200 million euro and a Bond issue of 80 million euro were completed, further strengthening the balance sheet.

OPERATIONAL REVIEW

The year 2004 brought a revival of the wood based panels business in Europe. The recovery that began at the end of 2003, continued throughout the whole of 2004. Sonae Indústria's expectations were met and the results have confirmed the validity of the strategy outlined in 2003, based on the development of an autonomous and focused organisation, the improvement of operational performance and financial restructuring.

Current market demand allowed capacity utilisation at a consolidated level to remain at 91%, in spite of the normal slowdown in the month of December. For the year, the most significant improvement was in OSB⁴, which operated at full capacity. Particleboard increased capacity utilisation by 11 percentage points and MDF⁵ by 3 percentage points.

In **Iberia**, the year showed a significant improvement both in turnover and operational cash flow (EBITDA) when compared with 2003. Demand was stronger in both Iberian and export markets, particularly in the Middle and Far East. Average prices for the year remained at 2003 levels. Particleboard production increased 15%, in comparison with 2003, whilst MDF⁵ production remained stable, since capacity utilisation was close to full capacity. Use of recycled wood increased from 36% to 38.5%, reflecting the continuous efforts to optimise the use of wood resources. Operational cash flow (EBITDA) for the fourth quarter remained at the same level as for the same period last year, despite a decrease of 1.5% in absolute EBITDA margins.

In **France**, operational cash flow (EBITDA) increased 9.7 million euro, to 10.8 million euro. Turnover in the fourth quarter of the year was 64.2 million euro, 17% more than in the fourth quarter 2003. Average 2004 prices remained similar to 2003 average prices, in spite of the price recovery experienced during 2004. In the fourth quarter of 2004, the average price was 6.6% above that of the same period last year. Production increased 17.6% in 2004, through improvements in press efficiency and reductions in scheduled shutdowns. In Lure, the increase in production reached 34%. Fixed costs were higher than last year's in absolute terms, due to taxes and personnel costs associated with the increase in production finishing activities, which are labour intensive.

In **Germany**, sales in the main market segments – trade and industry - were significantly stronger than in 2003. Global sales volumes increased 21% year on year. The main drivers for volume growth were higher sales of OSB⁴ and more effective commercial performance for raw particleboard, MDF⁵ and tongue and groove boards. Average prices for particleboard, melamine faced chipboard and in particular OSB⁴ rose, while prices for MDF⁵ remained more or less stable. All raw press lines produced at full capacity and the additional output generated better contribution margins. Cost increases associated with raw materials, in particular wood and energy, were partly offset by increased efficiency. The 22% increase in raw board production output, in comparison with 2003, was accompanied by a 4% fixed cost reduction. The Nettgau

⁴ OSB – Oriented Strands Board.

⁵ MDF – Medium Density Fibreboard.

plant, on its own, produced more than 1 million cubic metres of Particleboard and OSB⁶. Overall profitability in 2004 has improved in comparison to 2003, due to better sales volumes and prices, higher production output and reduced fixed costs. Total operational cash flow (EBITDA) reached 49 million euro, an improvement of 41 million euro against 2003.

In the **UK**, furniture retailers and DIY⁷ stores have performed particularly well in 2004 and are forecasted to continue to post growth in sales. Year on year comparison shows a 5% growth in the sector's sales volumes. Purchase input prices for timber continue to fall, with an annual reduction of 21%, although raw material availability will temper this downward trend. This, combined with a recovery in the PRN⁸ market, resulted in a 5.7% EBITDA margin in 2004, a significant recovery from negative levels in 2003.

In **Canada**, turnover, cash generation and profitability were significantly higher. Turnover grew 13% and production output 3%, compared with 2003. Melamine products have driven this performance, posting a 20% production output increase in 2004. As a result of this increase, market penetration, in the home market, has risen to the highest figures ever. Fibre supply has been a key issue in the sector and continues to cast a shadow in the future of many plants located in Canada. The main concern continues to be the fate of countervailing and antidumping duties on soft wood lumber exports from Canada into the United States. Recent decisions by WTO and NAFTA panels have been favourable to Canada's position, however, litigation processes are lengthy and could easily stretch into late 2005.

The **Brazilian** wood based panels' market grew 16.2% and prices increased 13.5% in 2004. Sales grew 10.8%, year on year, whilst volume decreased 2.3%. A special effort is being made to sell more value added products: sales of melamine faced products increased 41% and prices increased 22% during the year. Variable costs per cubic metre increased significantly, mainly due to the high increase in wood costs and despite a small decrease in the costs of resin. EBITDA margins increased significantly during the second half of 2004, reaching 18.7% for the full year 2004.

In **South Africa**, demand was strong in 2004, as a result of favourable market conditions. These favourable conditions resulted in an increase of 26% in sales volume, year on year. Increased demand was visible across the entire building sector, which experienced a similar trend. It is anticipated that the market conditions for 2005 should continue to remain buoyant. Sales prices, which were negatively affected by the import activity in the first three quarters of 2004, recovered in the last quarter of the year, as the negative impact was offset by the containment of operating costs. This came as a result of favourable exchange rates on raw material purchases and of increases in sales volumes. From a manufacturing perspective, the most significant improvement was achieved at the Panbult plant, which is now operating at levels above the original design capacity. Total output increased 13%, with the major increase occurring in the latter half of 2004, mainly as a result of a focused effort to reduce downtime. Turnover increased 26% and operational cash flow (EBITDA) 41%, compared to 2003 figures.

- Consolidated sales of **Gescartão**⁹ were 175.7 million euro in 2004, a 2% increase over the previous year. This performance was achieved in spite of the negative economic environment and the increase of competitiveness of American kraft paper in European markets, due to the depreciation of the dollar and the excess capacity in the American market. Consolidated EBITDA margin was 22%, compared to 27% last year, reflecting lower average kraft paper prices, despite a similar cost base and flat unitary "cash-costs" in real terms. The trend in the last quarter of 2004 changed, with operational cash flow (EBITDA) growing 19%, compared to the same period last year, to 11.4 million euro. Consolidated net profits of Gescartão were 10.6 million euro (17.9 million euro in 2003).
- ⁶ OSB Oriented Strands Board.
- 7 DIY Do It Yourself.
- ⁸ PRN Packaging waste Recovery Notes.
- In December, Sonae Indústria, SGPS, SA sold Imocapital, SGPS, SA (which holds 65% of the share capital of Gescartão) to Sonae, SGPS, SA. The consolidated profit and loss account of Sonae Indústria, SGPS, SA includes the contribution of Imocapital up to the end of December.



CONTRIBUTION TO SONAE'S CONSOLIDATED FINANCIAL STATEMENTS

In terms of the consolidated financial statements of Sonae, SGPS, SA, Sonae Indústria contributed the following:

		Euro Million
	2004	2003
Turnover	1,537.2	1,422.4
Operational Cash Flow (EBITDA)	227.0	150.5
Profit / (Loss) before Minority Interests	23.4	(73.4)
Total Net Investment	20.2	49.3
Net Debt	423.2	663.0
Shareholders' Funds plus Minority Interests	595.7	765.8



Business Activity RETAILING

Consolidated gross sales of Modelo Continente, for the year 2004, totalled 4,159 million euro, an increase of 4% over the same period of 2003. This growth was favourably impacted by significant growth of turnover in Brazil that increased 16% in local currency. In euro, this growth was 11%, impacted by a 5% depreciation of the Brazilian Real to the euro during the year.

Consolidated operational cash flow (EBITDA) was 284 million euro, equal to 7.9% on net sales and at a level similar to that of 2003. This result reflects a fall of 4% in Portugal, due to the impact of the company's investment in strengthening its commercial competitiveness in the Portuguese market, partially offset by an increase of 14% in the contribution from operations in Brazil.

Consolidated profits on ordinary activities totalled 128 million euro, an increase of 23%, resulting from a fall in financial charges. This fall was due to a sustained reduction in debt, a fall in the company's cost of debt and a capital gain from the sale of financial investments.

Consolidated net profits after minority interests of Modelo Continente were 114 million euro, an increase of 53% over 2003. This improvement reflects a positive contribution from operations in Brazil, compared to the losses of last year.

In 2004, Modelo Continente's **net investment** amounted to 100 million euro, a level that reflects the legal constraints on store openings in Portugal and the high level of interest rates in Brazil.

In view of the high level of cash flow generated, the consolidated net bank debt of Modelo Continente has steadily fallen and stood at 506 million euro at the end of 2004. This corresponds to a Net Debt/EBITDA ratio of 1.8x, reflecting a solid financial structure that allows Modelo Continente to face future growth challenges with confidence.



OPERATIONAL REVIEW

PORTUGAL

In Portugal, the modern food retail market showed little growth in 2004, only slightly above 3%. This trend was due mainly to an increase of 43,000 square metres in sales area. Although this increase is less than in previous years, due to the freeze on new licences for commercial properties, it still represents an increase of 3% over the period. Against a background of weak demand and continued strong supply, competition in the market increased sharply with a generalized increase in promotional activity, low priced products and low price formats.

In 2004, operations in Portugal contributed with 2,957 million euro to gross consolidated sales, an increase of 2% compared to 2003. Growth picked up as the year progressed due to the investment made by the company in a more aggressive commercial posture.

The contribution of Portuguese operations to consolidated operational cash flow (EBITDA) was 242 million euro, equal to 9.3% on net sales, a fall of 4% compared to 2003, once again reflecting the company's more aggressive commercial policy.

BRAZIL

In Brazil, turnover of the operators that are part of ABRAS, the national retailers' association, grew by around 9%. This is the biggest growth in the sector for the last four years, and has been driven by the country's good economic performance. Due to two major merger and acquisitions transactions during 2004, concentration of the country's retail structure gathered pace, but still remains, however, at a lower level than in more developed countries.

The market also saw an increase of around 125,000 square metres in new sales area following a significant period of low investment activity. This was particularly strong in the latter part of the year, and confirms greater confidence in the strength of the underlying economic situation of the country. Nonetheless, 55,000 square metres of sales area were also shut down, as part of efforts to rationalise existing stores.

Gross sales of Modelo Continente totalled 4,367 million Brazilian Real, an increase of 16% compared to 2003. This performance has been the result of actions taken to consolidate core competencies, to extensively refurbish stores and to improve knowledge about local customers, in each regional market. However, due to the depreciation of the Real to the Euro, the contribution of Brazilian operations to consolidated gross sales was 1,202 million euro, an increase of 11% compared to 2003.

The Modelo Continente operation in Brazil has seen a steady increase in profitability with the contribution to consolidated operational cash flow (EBITDA) in 2004 reaching 41 million euro or 4.2% of net sales. This is equal to an increase of 14%, or 5 million euro compared to 2003, and of 0.2 percentage points in the EBITDA margin.

EXPANSION PROGRAMME

During the year 2004, Modelo Continente opened 22 new stores, equal to 22,000 square meters of sales area.



In Portugal, a new Modelo store was opened in Gulpilhares, in the Porto metropolitan area, as well as 12 stores in non food retail. This format included a pilot store – Zippy Kidstore - for a new concept in the children's apparel segment.

In Brazil, expansion led to an increase of 14,000 square metres of sales area, corresponding mainly to the opening of 2 BIG hypermarkets in the states of Santa Catarina and Rio Grande do Sul.

Future expansion is based on the development of ongoing projects among which are Continente hypermarkets in Antas and Loures, in Portugal, with opening planned in the first and second halves of 2005, respectively. Also included, is the new BIG hypermarket at Protássio Alves in the Brazilian state of Rio Grande do Sul.

CONTRIBUTION TO SONAE'S CONSOLIDATED FINANCIAL STATEMENTS

In terms of the consolidated financial statements of Sonae, SGPS, SA, Modelo Continente contributed the following:

		Euro Million
	2004	2003
Turnover	3,564.7	3,458.9
Operational Cash Flow (EBITDA)	284.3	290.2
Profit / (Loss) before Minority Interests	117.6	84.3
Total Net Investment	127.4	115.6
Net Debt	506.4	600.5
Shareholders' Funds plus Minority Interests	428.8	341.6



Business Activity SHOPPING CENTRES¹⁰

2004 was a significant year for the company. Operating under the former name of Sonae Imobiliária, the company achieved a high level of growth. Now, with a new name and a new image, Sonae Sierra, the company aims to maintain its progress as an innovative leader in its sector.

Sonae Sierra ended the year 2004 with **direct income from investments** of 185 million euro, an increase of 11% compared to that of 2003. All business areas contributed to this growth.

Consolidated operational cash flow (EBITDA) increased almost 10%, to 108 million euro, showing operational improvements.

Consolidated indirect profits for the year 2004 were 76 million euro. Indirect profits in 2003 (207 million euro) are not comparable, since they include 110 million euro of realised gains, whereas 2004 include circa 2 million euro. The value created on investment properties, which contributed also to this profit, was of 113.4 million euro, a 32% increase on 2003 value creation (86.1 million euro).

Consolidated net profits after minority interests of Sonae Sierra totalled 82 million euro in 2004.

By the end of 2004, the **consolidated net debt** of Sonae Sierra grew from 475 million euro to 689 million euro, increasing the net asset gearing from 24% to a still conservative 28.8%. The increase in debt results from the financing of shopping centres opened in 2004 and the refinancing of Vasco da Gama and NorteShopping operations.

The **NAV** ("**Net Asset Value**") of the properties attributable to Sonae Sierra, as at 31 December 2004, amounted to 1,060 million euro, compared to 948 million euro at the end of 2003. The NAV per share attributable to the company was 32.6 euro as against 29.16 euro as at 31 December 2003, an increase of 11.8%. In 2004, yields fell considerably in Portugal and Spain, which led to a sharp increase in the value of properties.

¹⁰ Sonae Sierra has presented its consolidated financial statements in accordance with International Financial Reporting Standards (IAS/IFRS) since 2001. The financial data contained in this section of the report, relating to 2004 and 2003, are in agreement with these standards. In the Sonae, SGPS, SA consolidated financial statements, the business continues to be reported using Portuguese accounting standards (POC). As a result the figures shown at the end of this section differ from those shown by Sonae Sierra.



OPERATIONAL REVIEW

SIERRA INVESTMENTS

Sierra Investments is responsible for the investment business in Europe. Its objective is to actively manage all the company's operating shopping and leisure centres and to increase their asset value.

The division contributes to the Sonae Sierra results through a combination of rental income and rising market values attributable to its shopping centres under management. It also provides asset management services to Sonae Sierra's co-investors.

Sierra Investments holds 50.1% of the SIERRA Fund, thus maintaining its position as co-owner and manager of the Fund's underlying assets.

In 2004, Sierra Investments acquired from Sierra Developments four new shopping centres – Dos Mares, in Murcia, Avenida M40, in Madrid, Luz del Tajo, in Toledo, and Zubiarte, in Bilbao – which opened, in Spain, during 2004, as well as 25% of Parque Principado, in Oviedo, which was acquired from the Whitehall Fund and increases Sierra Investments' shareholding in this asset to 50%. After achieving a certain number of operating criteria, these new Spanish assets will be transferred into the SIERRA Fund and, together with Estação Viana, Viana do Castelo, Portugal, still to be transferred as well, will considerably enhance the Fund's portfolio value.

Having taken the view that retail parks are a less attractive long-term investment in Portugal than shopping centres, Sintra Retail Park, in Lisbon, was disposed of.

Operating income for the year 2004 increased 15% to 133 million euro. This includes rental income (up 16% on 2003) as well as income from asset management services (up 29% on 2003). Tenant sales grew almost 7% in Portugal and 26% in Spain (like for like growth was 3.6% and 10.6%, respectively).

The value created on investment properties totaled 65 million euro in 2004 (9% up on 60 million euro in 2003), of which 51 million euro relate to properties in Portugal and 14 million euro to Spanish properties.

During 2004, the SIERRA Fund disposed of its asset in the Sintra Retail Park, in Sintra, Portugal, acquired interests in Parque Atlântico, in Ponta Delgada, Portugal, and committed to acquire a 25% interest in Parque Principado, in Oviedo, Spain. The assets of the Dos Mares, Avenida M40, Luz del Tajo and Zubiarte shopping centres, in Spain – all of which opened during 2004 – and Estação Viana, in Portugal, are scheduled to be acquired by the SIERRA Fund during 2005.

SIERRA DEVELOPMENTS

Sierra Developments is responsible for the development of the new shopping and leisure centres in Europe. Its work encompasses land procurement as well as concept creation and construction management. These activities contribute significantly to Sonae Sierra's consolidated income, through project management services supplied by this division to development partners during the course of the concept creation and construction process. Each project's full asset value is realised on its completion, when the entire property is sold to Sierra Investments.

Sierra Developments' year was marked by the completion and opening of four new shopping centres, in Spain, and the transfer of these properties to Sierra Investments. During 2004, Sierra Developments also commenced work on the construction of new centres in Portugal, Germany and Italy.



By the end of 2004, the two component parts of Sierra Developments' profits – direct profits, derived from project management fees, and indirect profits, arising from value creation during a project's development phase – had contributed to Sonae Sierra's overall business in varying ways, according to the countries where it operates. Direct profits were lower than expected in Germany, Italy and Greece, mainly due to delays in the start of developments in those countries. By contrast, indirect profits were higher in Spain and Portugal, mainly as a result of lower yields, the skills of project managers and the successful letting of space within various projects, while they were still under development, which led to higher Open Market Value (OMV) on completion. The lowering of yields in Spain and Portugal also had a positive impact on the open market value of all projects completed and those still under development.

In **Portugal**, Sierra Developments began work on two major developments: Rio Sul (Seixal), and Covilhã Shopping (Covilhã). Together these two projects represent a total investment of 92 million euro on 57,500 square meters of gross lettable area (GLA) and the openings are expected to happen in the spring 2006. During the coming year Sierra Developments expects to open the LoureShopping centre (Loures), a total investment of 111 million euro, which will have 38,700 square meters of GLA. Setúbal Retail Park (Setúbal) a total investment estimated around 23 million euro is awaiting a construction license, which should be issued shortly.

In **Spain**, Sierra Developments opened four shopping centres in nine months. Dos Mares, a 36.5 million euro investment, located in S. Javier, Murcia, was the first to open (31 March). Avenida M40, in Madrid, a 117 million euro joint venture between Sonae Sierra and Eroski Group, opened on 20 April. Luz Del Tajo, in Toledo (a 77 million euro investment), also a joint venture between Sonae Sierra and Eroski Group, opened in September, and Zubiarte, in Bilbao (a 75 million euro joint investment in conjunction with ING Real Estate Developments), was the last to open, in November. Plaza Éboli, in the Pinto district, Madrid, a 56 million euro investment in partnership with the Eroski group, with 32,000 square meters of GLA, is on schedule to open in March 2005. In Malaga, construction of the Plaza Mayor Shopping, a 45 million euro investment in joint venture with Castle Management, with 18,800 square meters of GLA, is expected to begin during the second half of 2005, immediately after obtaining the construction license.

In **Italy**, the development of the shopping centre Freccia Rossa, in Brescia, a 114 million euro joint investment between Sierra Developments, AIG and Coimpredil, started. With a total GLA of 29,000 square metres, it is due to open early 2007. The development of a 86,000 square meters of GLA regional shopping centre in Torino is subject to getting the necessary licenses.

In **Germany**, in October 2004 Sierra Developments announced the first groundbreaking moves in the development of the Alexa shopping centre, in Berlin. This 266 million euro project is a joint venture between Sierra Developments and France's Foncière Euris. Due for completion in the autumn of 2006, Alexa – named in honour of Berlin's famous Alexanderplatz – has been designed as one of the major focal points in a larger development area featuring offices, hotels and housing. The development of a 68,000 square meters of GLA shopping centre in Dortmund is subject to getting the necessary licenses.

In **Greece**, 2005 will mark the culmination of the development work in Thessaloniki, when Mediterranean Cosmos – the first modern shopping centre ever built in Greece – opens to the public. It is a 110 million euro project developed by Sierra Charagionis and Lamda Developments group. The success of this shopping centre will pave the way for Aegean Park (Athens), the second development in Greece, for which planning consents are still awaited.



SIERRA MANAGEMENT

Sierra Management is responsible for both letting and managing a wide range of shopping and leisure centres, either owned by Sonae Sierra or by third parties, in Portugal, Spain and Italy. The division also has letting activities in Greece and Germany, where it will start management activities during the next couple of years.

As a result of expansion in Spain and Italy, Sierra Management finished 2004 with an operational portfolio composed of 19 shopping centres, two retail parks and 59 smaller galleries in Portugal, 13 centres and one retail park in Spain and three centres in Italy. Including the seven centres managed in Brazil, the portfolio exceeds 1.85 million square metres of Gross Lettable Area (GLA). This makes Sierra Management one of the leading European companies in the shopping centre management business.

Following the opening of Parque Atlântico (Ponta Delgada), Coimbra Retail Park (Coimbra) and Estação Viana (Viana do Castelo), during the latter part of 2003, the portfolio of shopping centres under management in **Portugal** was unchanged during 2004. However, the company has started the letting programmes for a further three centres – LoureShopping (Loures), Rio Sul (Seixal) and Covilhã Shopping (Covilhã) – all of which are currently under construction. Visits and tenant sales have increased 4% and 8.3%, respectively (like for like growth was 0.8% and 4%).

During the year, the portfolio of properties under management in **Spain** rose from 8 shopping centres to 13 shopping centres and 1 retail park which, by any standards, represents significant growth. In general terms, these properties performed very positively, with the exception of La Farga (Hospitalet) where the performance was affected by the ongoing refurbishment works, La Morea (Pamplona) which faced strong competition from new opposition during the last quarter of 2004, and Avenida M40, which is facing strong competition in the south of Madrid. Visits and tenant sales increased 18.5% and 25.3%, respectively (like for like growth was 1.7% and 10.2%).

The OrioCentre (Bergamo) expansion was inaugurated, as fully let, on 25 November, making it the largest shopping centre in **Italy**. Performance during the year was quite good, taking into consideration the expansion works which temporarily affected the centre's car parking capacity. Sierra Management also signed property management contracts for two new centres – Biccoca (Milan) and Moncalieri (Turin) – which have been developed by Pirelli Real Estate and which will be opening in phases until their completion during the first half of 2005.

In **Greece**, Sierra Management has begun hiring and training the staff who will manage the Mediterranean Cosmos centre, which is due to open, in Thessaloniki, in the autumn of 2005.

In **Germany**, the major focus during 2004 was on the letting of the anchor stores for the Alexa project, in Berlin, and the 3DO project, in Dortmund. The market reaction has been positive in both cases and Sierra Management expects to sign deals with the most important tenants by the end of the first quarter of 2005. Sierra Management has also decided to launch the future property management company, which will begin trading as a separate entity in early 2005.

SONAE SIERRA BRAZIL

Sonae Sierra Brazil is an independent business operation set up by Sonae Sierra to fulfill the strategic aim of having a significant presence in the Brazilian shopping centre market, albeit with a self imposed exposure limit of no more than 20% of its net asset value. Its professional skills cover all aspects of the investment in, and development and management of shopping centres. The principal objective is to create a strong business in a market with high potential, either by improving the performance of the shopping centres owned,

or through the development of new projects. The establishment of partnerships with local or foreign investors is a key part of this expansion programme.

The highlight of 2004 for Sonae Sierra Brazil was the opening, in April, of the new Boavista shopping centre in São Paulo. This development – the result of a 20 million euro investment by Sonae Sierra and Sierra Enplanta – offers 23,800 square meters of GLA.

During the year, the expansion of the Penha shopping centre (now, this shopping has a GLA of 29,800 square metres) was also completed.

The completion of these projects against a background of only a slight recovery of consumer confidence demonstrates Sonae Sierra Brazil's commitment to a long term perspective. They also bring the total of shopping centres to seven. In addition to Boavista and Penha, the company owns and manages Parque D. Pedro, in Campinas, São Paulo, Pátio Brazil, in Brazilia, Shopping Metrópole, in São Paulo's São Bernardo do Campo district, Tivoli Shopping, in the city's Santa Bárbara D'Oeste district and Franca Shopping which is also in São Paulo. Together, these developments offer a total GLA of circa 250,000 square metres. Visits and tenant sales in euro, grew 13.6% and 16.9%, respectively (like for like growth was 7.2% and 10.4%), which led to an increase in fixed rents of 28%.



CONTRIBUTION TO SONAE'S CONSOLIDATED FINANCIAL STATEMENTS

In terms of the consolidated financial statements of Sonae, SGPS, SA, Sonae Sierra contributed the following:

		Euro Million
	2004	2003
Turnover	298.9	265.3
Operational Cash Flow (EBITDA)	81.4	69.5
Profit / (Loss) before Minority Interests	38.1	380.6
Total Net Investment	225.0	5.6
Net Debt	545.8	265.2
Shareholders' Funds plus Minority Interests	324.5	268.2



Business Activity TELECOMMUNICATIONS¹¹

In 2004, the **consolidated turnover** of Sonaecom was 880 million euro, an increase of 5% compared to that of 2003. The primary drivers of growth were: increases of 5% in customer revenues and of 14% in roaming revenues at Optimus, growth in Novis's wholesale business and the contribution from KPNQwest Portugal acquired in April, and an increase of 8% in SSI¹² that was driven mostly by new contracts won at international subsidiaries, in particular at Enabler.

The significant improvement in **consolidated operational cash flow (EBITDA)** from 146 million euro to 201 million euro (up 38% against 2003), was the result of increased service margin, continued focus on cost containment and a significantly lower level of bad debts. The consolidated EBITDA margin was 23%, up from 17% in 2003. The continuous focus on working capital management has led to a significant reduction of bad debt risk and thus lower provisions.

Sonaecom's **consolidated EBIT** grew almost five-fold to 75 million euro in 2004, compared to 16 million euro in 2003. Depreciation and amortisation recorded a slight decline in 2004 to 125 million euro, down from 129 million euro in 2003 (this included the impact of the new IFRS rules that require goodwill to be booked as an asset but without the need for amortisation – although subject to annual impairment tests). In addition this reflects the impact of full amortisation of certain technological assets.

Consolidated net financial charges improved in 2004 due to a combination of not having set up provisions for financial investments in 2004, lower average gross debt and a significant reduction in interest spread achieved since August 2004, when Optimus refinanced its term debt.

Driven by the improved operating performance and by lower depreciation and financial costs and notwithstanding the increase in the tax charge, for the first time in 2004, consolidated net results were positive for the full year. Sonaecom's **consolidated net profits before minority interests** improved to 39 million euro, from net losses of 20 million euro in 2003.

During 2004, Sonaecom's **consolidated investment** totalled 122 million euro, in line with the levels invested in 2003, representing 14% of turnover. The majority of investments made in 2004 related to the network (82 million euro) and to information systems (27 million euro). Optimus invested 104 million euro, mainly directed at improving the overall quality and capacity of the network. In addition Optimus accelerated roll-out of the UMTS network. Novis invested circa 21 million euro, directed at network development and 11.2 million euro paid for the acquisition of KPNQwest Portugal, in April 2004.

¹¹ For the first time, in 2003, Sonaecom presented its consolidated financial statements in accordance with International Financial Reporting Standards (IAS/IFRS). The financial data contained in this section of the report, relating to 2004 and 2003, are in agreement with these standards. In the Sonae, SGPS, SA consolidated financial statements, the business continues to be reported using Portuguese accounting standards (POC). As a result, the figures shown at the end of this section differ from those shown by Sonaecom.

¹² SSI - Software and Systems Integration.

¹³ At 31 December 2004, Sonaecom adopted IAS 39, thus reporting Gross Debt net of the aggregate up-front fees associated with the refinancing of Optimus Debt.

¹⁴ Excluding the impact of IAS 39.

At the end of 2004, Sonaecom's **consolidated net debt** was 256 million euro compared to 316 million euro at the end of 2003. Gross debt (excluding the impact of IAS 39¹³) throughout the year was reduced by 151 million euro due to good performance in terms of operational cash flow and the continued policy to minimise net financial expenses at Sonaecom. Liquidity available at Sonaecom was used to reduce Novis' external bank debt in the third quarter of 2004 (23 million euro) and available liquidity and free cash flow generated at Optimus were used to repay short-term bank debt. The improvement in indebtedness and the increase in operating profitability led to a significant improvement in capital structure ratios with the ratio Net Debt¹⁴/ EBITDA improving from 2.3 x to 1.4 x.



OPERATIONAL REVIEW

TELECOMS

Due to the decision taken in the beginning of 2004 to review registered customer policy, eliminating all those that were not considered to be economically viable, **Optimus**' subscriber numbers decreased 8% to 2.13 million, reflecting negative net adds of 177 thousand in the year. Average Revenue per Customer (ARPU) increased 9% from 22.4 euros, in 2003, to 24.3, in 2004. Active customers at the end of 2004 amounted to 1.6 million. At the end of third quarter of 2004, Optimus market share of reported subscribers was circa 20%.

Optimus' turnover in 2004 was 660 million euro, 4% up on that of 2003. Additional growth in mobile revenues was challenging during 2004, given the already highly penetrated market and the industry-wide delay in development of mobile data. Fixed to mobile substitution continued throughout 2004, leading to a reduction in revenues from fixed operators terminating on Optimus' network, which represented 9% of service revenues in 2004, compared with 10% in 2003. Customer revenues grew 5%, benefiting from growth in total traffic of circa 2% and from a 2% market wide increase in prices in February. Roaming-in revenues increased by 14% helped by the incremental revenues associated with the Euro 2004 football championship and the Rock in Rio music festival, both held in Portugal.

Optimus generated an operational cash flow (EBITDA) of 190 million euro and delivered an increase of 6 p.p. in EBITDA margin to 29%, from 23% in 2003.

During 2004, **Novis** recorded a significant increase in its direct access customer base, up 109% compared with 2003. Total active voice customers reduced 13%, to 183 thousand, as a result of the lower commercial focus on indirect access voice customers. The total number of circuits supplied increased, in 2004, to 4,104 from 1,303, in 2003. By the end of 2004, Novis had 4 thousand direct access ADSL¹⁵ customers. Novis market share at the end of the fourth quarter of 2004 was 5.5% of the residential segment, 9.9% of the business segment and 13.3% of the SoHo¹⁶ segment.

Novis' turnover for 2004 was 183 million euro, an increase of 20% compared with 2003. Growth in fixed line revenues was driven mainly by the increase in Novis' wholesale business and the acquisition of KPNQwest Portugal, at the end of April 2004. Indirect access voice revenues declined significantly as a result of management's decision, in early 2004, to refocus Novis' business strategy towards the attractive direct access solutions in detriment of indirect access. Although growth in direct accesses was good in 2004, it was not enough to compensate for the loss of indirect access traffic.

¹⁵ ADSL - Asymmetric Digital Subscriber Line.

¹⁶ SoHo – Small and Home Offices.

For the first time, Novis was operational cash flow (EBITDA) positive for the full year, with 7 million euro. KPNQwest Portugal contributed 2 million euro to full year EBITDA.

During 2004, residential internet revenues declined significantly driven by the continued migration of dial-up narrowband customers to broadband solutions. Due to the uneconomic terms offered by PT in its wholesale ADSL¹⁷ offer, **Clix** suspended its ADSL¹⁷ offer to new customers in February 2004. In November, Clix launched the most competitive broadband offer in the market over unbundled ADSL¹⁷: a 2, 4 and 8 MEGA ADSL¹⁷ offer including the monthly rental fee, priced at less than half the incumbent's best offer and offering up to 8 times the speed with the 8 MEGA offer.

Clix's turnover decreased 29%, to 24 million euro and operational cash flow (EBITDA) deteriorated from negative 1.9 million euro in 2003 to negative 3.1 million euro in 2004, as a result of its withdrawal from the broadband market until the end of the year, and of the loss of narrowband customers to competing broadband solutions.

¹⁷ ADSL - Asymmetric Digital Subscriber Line. Total traffic managed by Sonaecom reached 7.2 billion minutes, in 2004, up from 5.4 billion minutes in 2003, driven primarily by the increase in wholesale traffic and ADSL usage.



MEDIA

The Público newspaper had a positive year in 2004 with some recovery in advertising and continued success of associated products. Circulation fell in 2004 compared with the previous year mainly as a result of the success of "tabloid" newspapers and the lower impact on circulation of associated products that sold less on average per collection versus 2003. Advertising revenues were still below the peak reached in 2001.

Público group turnover grew 6%, in 2004, to 55 million euro and generated operational cash flow (EBITDA) of 2.1 million euro. The EBITDA margin increased to 4% compared with 1% in 2003. Público had net profits of 32 thousand euro in 2004.

SOFTWARE AND SYSTEMS INTEGRATION

Overall 2004 was a good year for SSI. The Portuguese and German markets were the key drivers for Enabler's performance in 2004, along with particularly good consultant occupancy rate (circa 85%). WeDo won a number of new key telecom accounts (ERA, in Poland, Auna, in Spain, Vimpelcom, in Russia, and Vodafone Egypt).

SSI turnover grew 8%, in 2004, to 67 million euro, and operational cash flow (EBITDA) increased 26% to 8 million euro.



CONTRIBUTION TO SONAE'S CONSOLIDATED FINANCIAL STATEMENTS

In terms of the consolidated financial statements of Sonae, SGPS, SA, Sonaecom contributed the following:

		Euro Million
	2004	2003
Turnover	854.3	810.8
Operational Cash Flow (EBITDA)	179.5	131.2
Profit / (Loss) before Minority Interests	18.0	(49.1)
Total Net Investment	100.1	121.8
Net Debt	308.3	411.7
Shareholders' Funds plus Minority Interests	619.9	558.2



Business Activity SONAE CAPITAL

Consolidated turnover of Sonae Capital was 449 million euro, in 2004, an increase of 22% compared with 367 million euro in 2003. The Plywood business impacts the whole year of 2004, as it has been acquired in June last year. Adjusting for this effect, and on a like for like basis, turnover increased 5%.

Consolidated operational cash flow (EBITDA) was 16.8 million euro (7.1 million euro in 2003). Adjusting for the Plywood effect, consolidated operational cash flow (EBITDA) would have been 15.6 million euro, doubling last year's figure, mainly due to improvements in the Tourism, Construction and Logistics businesses.

Consolidated net profit after minority interests was 89.7 million euro compared to losses of 50 million euro in 2003. The latter included extraordinary charges of 33 million euro and 2004 profits include extraordinary gains of 99 million euro, most of which relate to the sale of Portucel (75 million euro) and to the sale of ba Vidro (18).



TOURISM

The consolidated turnover of Sonae Turismo totalled 126 million euro, an increase of 9% compared to that of 2003.

As far as progress on the Tróia project is concerned, the Government ratified the Detailed Plan for UNOP1 and also passed the bill that will allow execution of the agreement between Sonae Turismo and Amorim Turismo for the gambling business at Tróia. Detailed Planning for UNOP2 was concluded, for which public consultation is currently in progress. It should be noted that UNOP1 and UNOP2 correspond to more than 80% of the tourist and residential accommodation to be installed on land that belongs to Torralta and companies owned by it.

The turnover of the travel business was 100 million euro, an increase of 14% and above the average in the market (source: BSP). A highlight was the acquisition of 33.34% of the share capital of the travel operator Mundo VIP.

Consolidated operational cash flow (EBITDA) was positive at 508 thousand euro, compared to a negative flow of 6 million euro in 2003.

The consolidated net loss was 14.1 million euro compared to a 15.5 million euro loss in 2003, and is largely made up of provisions set up in 2004.

RESIDENTIAL DEVELOPMENT

Prædium is the Sonae Group company focused on quality residential developments. Apartments in Edifícios Seda and Seda II, in Matosinhos, continued to be delivered to customers. All apartments in Edifício Seda and 70% in Seda II have now been sold. Meanwhile the project for the third building of Quinta das Sedas was given a construction licence by the City Council and it was decided to sell the land to a credible property developer who has already begun construction.

As far as other projects are concerned, Praedium awaits a Council permit for residential building plots for the EFANOR project. This project was approved by the local Council after a lengthy evaluation period. This will now allow urban and environmental infrastructure work to begin in 2005. Plans were also submitted for approval by the Matosinhos City Council concerning a project for 200 studio apartments called "city-flats", planned for construction in 2005 and 2006.

In July, following the refusal of the Lisbon City Council to grant a licence for the construction of the D. João V building, in Campolide, an appeal was filed against this decision which is currently in the Administrative Court of Justice.

In 2004, Praedium rendered management services to Sonae Turismo for the Tróia Resort projects.

Turnover in 2004 was 12.9 million euro, while operational cash flow (EBITDA) and net profits were 2.3 million euro and 490 thousand euro, respectively.



CONSTRUCTION AND ENGINEERING

Contacto, a civil and public works construction company, had a turnover of 64.5 million euro, operational cash flow (EBITDA) of 0.9 million euro and a net profit of 2 million euro.

Contacto has shareholdings in two companies, **Norscut** and **Operscut**, that are working on a concessionary "SCUT" project for the construction and running of a motorway (SCUT is an abbreviation in Portuguese for "without cost for the user"). At the end of 2004, 68 km were in operation, running from Vila Real to Carvalhal (Castro d'Aire Sul), out of a total of 155 km which will be the final length of the motorway. The last section is due to enter into service at the end of the first half of 2007.

Cinclus, a company in project management and control, had a turnover of 11.8 million euro, generated an operational cash flow (EBITDA) of 1.3 million euro and net profits of 609 thousand euro.



TRANSPORT AND LOGISTICS

Consolidated turnover of Box Lines, Invicta and Sontrade Lines, which make up the Transport and Logistics sector, was 43.6 million euro, 15% up on 2003. Non Sonae Group customers already make up more than 70% of turnover. Box Lines turnover totalled 37.7 million euro, up 19% on 2003.

Consolidated operational cash flow (EBITDA) was 2.1 million euro and consolidated net profits were 1.9 million euro.

Box Lines achieved an operational cash flow (EBITDA) of 2 million euro, with an EBITDA margin of 5.5%. Net profit was 1.9 million euro, which compares to 0.5 million euro last year.
INSURANCE BROKERAGE

mds¹⁸, insurance broker, continued to strengthen its position in the Portuguese market, with revenues for the year of around 6 million euro, an increase of 30% compared to 2003. This represents a volume of brokered premiums of about 40 million euro, generating profits of 0.5 million euro. In 2004, mds acquired the broker MSE, with offices in Lisbon and Coimbra, and at the end of the year also acquired the Portuguese subsidiary of its associated Spanish company, ARTAI.

In France, the holding, Développement et Partenariat Assurances¹⁸, in which mds has a shareholding and which controls directly or indirectly the French insurance brokers Pérouse Assurances¹⁸ and Firstassur¹⁸, had net profits of around 0.2 million euro. During 2004, Développement et Partenariat Assurances increased its shareholding in Firstassur and in Pérouse Assurances.

Sonae Re¹⁸, the captive reinsurer of the Sonae Group, with its head office in Luxembourg, reached a volume of re-insurance premiums of 18 million euro, approximately the same as in 2003, generating an equalisation reserve of about 2.9 million euro, compared to 0.8 million euro in 2003.

In Brazil, Lazam/mds¹⁸, a partnership between Sonae and the Feffer Group, had revenues of 12 million Brazilian Real, and a corresponding net profit of 3 million Real, 38% up on that of the same period of last year. During 2004, Lazam-mds strengthened its position in the Brazilian market through the acquisition of the broker Integridade¹⁸.

mds launched in 2004 a new international network of insurance brokers, *Brokers Link*, covering Spain, France, Germany, the UK and Brazil, in addition to Portugal.

CAR HIRE & RETAILING¹⁸

Choice Car – SGPS, SA, was set up in 2000 to concentrate investments that the Sonae Group held at that time in businesses in the auto sector. It is a 50/50 partnership with the Salvador Caetano Group.

Despite the unfavourable environment, in which units sold in the used car sector fell by 11.5% in 2004, **Carplus** grew both in volume (1,211 units sold in 2004 compared to 1,172 in 2003) and turnover (15 million euro in 2004 compared to 14.4 in 2003). Gross margin grew 13.2% and net losses were 0.46 million euro compared to a loss of 0.89 million euro in 2003. In 2004, three small stores were opened close to retail operations of the Sonae Group.

Guerin continued to suffer the effects of a negative background in the sector, with a stagnant internal market and declining incoming tourism market, despite the exceptional contribution of Euro 2004 during June. Rental days fell back to 710,000 amounting to 16 million euro. The average return per day rose 6.2% due to a policy of steadier prices and careful selection of customers. The company again recorded a loss in the year of 1.4 million euro, half the loss of 2003.

In 2004, **AutoCenter** reached a turnover close to 20 million euro in products and services through its service network made up of 44 stores whose brand name is Império AutoCenter, a clear market leader in Portugal and the only operator covering the entire country. During the year, operational cash flow reached 0.5 million euro, a turn around from the negative cash flow of 2003 which was the first year of the partnership that brought together Choice Car SGPS and the Império Pneus Group in this business segment.

In 2004, **Finlog**'s fleet under management fell to 6,527 cars. This fall led to a slight fall in turnover to 30.8 million euro, while net profits grew by about 10% to 0.64 million euro.

¹⁸ Companies excluded from consolidation. mil



Turnover and profits of **Choice Car, SA**, although positive, have been modest. The activity of this company consists of buying and selling motor vehicles and is complementary to the other companies in this sector.

Luso Assistência also made a small profit, as a result of a recently opened business managing accident claims in the auto sector.

OTHER BUSINESSES

			Euro Million
	Shareholding	Turnover	Net Profit / (Loss)
ba Vidro ¹⁹	39.55%	192	16.2
Selfrio Group	70.0%	42.5	1.3
Plysorol France	100%	99.8	0.2
Leroy Gabon	99.99%	11.5	-3.8
Pogab	99.88%	9.2	-3.1
Casteljaloux	100%	14.1	0.9
Essences Fines	100%	9.1	-2.2
Tranchage	100%	3.2	-5.2
Sodesa ¹⁹	50%	3.7	0.7
TP ¹⁹	50%	28.6	1.2

¹⁹ This company was accounted for using the equity method.

Sonae Capital signed agreements for the phased disposal of its entire shareholding in the company that controls 100% of **BA – Fábrica de Vidros Barbosa & Almeida, SA (ba Vidro).** At the end of 2004 Sonae Capital held 39.55% of ba Vidro.

ba Vidro¹⁹ had consolidated turnover of 192 million euro, an increase of 5.5% compared to 2003. Consolidated operational cash flow (EBITDA) was 56 million euro, 12.7% up on 2003. Consolidated net profits were 16.2 million euro, 4% above those of 2003.

Consolidated turnover of the **Selfrio Group** was 42.5 million euro, an increase of 8.4% over the 39.2 million euro in 2003. Consolidated net profits were 1.3 million euro.

Selfrio has a customer order book that reflects the trend begun last year, and will allow a sustained growth in turnover and profits in 2005.

The **Plysorol** group conducts its business through 4 companies, producing and selling plywood in France, and exploring tropical hardwood forest and unrolling timber in Gabon.

The consolidated turnover of **Plysorol France** was 99.8 million euro, an increase of 10% compared to 2003, based on a growth in volumes sold of 7% and an average price increase of 3%. The increase in turnover, together with tight cost control and operating improvements, enabled operational cash flow (EBITDA) to improve from negative 2.9 million euro in 2003 to 3.8 million euro positive in 2004. Net profits were 0.2 million euro in 2004 compared to 8.3 million euro losses in 2003.

The business in Gabon is still high risk, reflecting the difficulties of persistent deterioration of the Gabon economy due to political mismanagement. Thus, turnover of **Leroy Gabon**, impacted by the harmful intervention of SNBG, a Government entity that controls the export market for logs from Gabon, and serious logistic problems in the country, in particular rail transport, fell 21% to 11.5 million euro, and net losses



increased from 2.6 million euro to 3.8 million euro in 2004. The turnover of **Placage d'Okoumé du Gabon** (Pogab) was 9.2 million euro, 4% less than in 2003. The net loss improved by 1 million euro to 3.1 million euro in 2004. Restructuring of this unit is currently in progress in close liaison with the production business in France. Improvements are expected in 2005.

The company **Isoroy Casteljaloux** that produces softboard for thermal and acoustic insulation, increased its turnover 3% to 14.1 million euro, due to a recovery in selling prices. Improvement in variable cost levels allowed the contribution margin to increase from 51% to 56%, which, combined with lower unit fixed costs due to an increase of 4.5% in production, raised the EBITDA margin from 5.5% to 9.3% in 2004 (corresponding to an operational cash flow of 1.3 million euro). Net profits were 0.9 million euro in 2004 compared to 0.2 million euro in 2003.

The Honfleur site that includes the company **Essences Fines Isoroy**, producing veneer, and the company **Tranchage Isoroy** that used to produce sliced and jointed veneer, underwent profound changes during 2004. A social plan was put in place, with a view to shutting down Tranchage and reducing the number of employees at Essences Fines. It is worth mentioning that the social plan was considered exemplary by the French authorities for the transparent and balanced way in which it was implemented, and shows how, even in delicate situations such as this, responsible action means that the inevitable social impacts can be minimised.

The reorganisation carried out at **Essences Fines**, together with the labour instability caused by the social plan, resulted in a 20.1% fall in turnover to 9.1 million euro and an increase in net losses from 1.2 million euro in 2003 to 2.2 million euro in 2004. The latter figure includes around 0.6 million euro of costs of the social plan. Improvements in activity levels and profitability are expected in the next few years with the implementation of the new production strategy.

Tranchage Isoroy is inactive at the moment. Net losses in 2004, were 5.2 million euro compared to 2.4 million euro in 2003, and reflect poor industrial performance and also costs of the social plan totalling 2.2 million euro.

TP²⁰, in the cogeneration and renewable energy business, had a consolidated turnover of 28.6 million euro, operational cash flow (EBITDA) of 7.9 million euro and net profits of 1.2 million euro.

Sodesa²⁰, which sells energy in open market segments, now has customers consuming an estimated 1,950 GWH per annum, and had an operational cash flow (EBITDA) of 1.1 million euro and net profits of 738 thousand euro.

²⁰ This company was accounted for using the equity method.

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CONTRIBUTION TO SONAE'S CONSOLIDATED FINANCIAL STATEMENTS

In terms of the consolidated financial statements of Sonae, SGPS, SA, Sonae Capital contributed the following:

		Euro Million
	2004	2003
Turnover	378.7	287.7
Operational Cash Flow (EBITDA)	13.5	2.7
Profit / (Loss) before Minority Interests	83.8	(72.4)
Total Net Investment	21.5	26.4
Net Debt	72.9	107.0
Shareholders' Funds plus Minority Interests	106.8	218.1

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Financial Structure

Consolidated gross investment for the year was 741 million euro, compared to 666 million euro in 2003. The main contributions came from the Shopping Centres (37%), Sonae Capital and Holding (23%), Retail (22%) and Telecommunications (16%) businesses. The 271 million euro contribution from the Shopping Centres business results from the opening of four new shopping centres, in Spain, and a new shopping centre and an expansion, in Brazil, as well as the ongoing building work in shopping and leisure centres under development in Portugal, Spain, Italy, Germany and Greece. Included in the Sonae Capital and Holding contribution is the fair value attributed to the Continente brand (75 million euro), a component of the transaction in which Carrefour sold their minority shareholding in Modelo Continente, and investments made by the Gescartão Group. During 2004, the Retail business opened 22 new stores, totaling 22,000 square metres of sales area, of which 14,000 square metres are located in Brazil. The majority of investments made by the Telecommunications business during 2004 related to the network and to information systems, and also included the acquisition of KPNQwest Portugal.

During 2004, the Group disposed of non-core assets, in particular the sale of the shareholdings in Portucel and ba Vidro, which were the major divestments in the year. As announced in September 2004, Sonae has sold the whole of its shareholdings in Portucel for 298 million euro, after a long re-privatisation process from which Sonae was excluded, in spite of having built up a significant position over time, aimed at controlling the company. The phased disposal of ba Vidro to a company controlled by its directors, for 164 million euro, was announced in December 2004, which recognises that this business was not a core business for Sonae. As a result, **net investment** amounted to 389 million euro, compared to 223 million euro in 2003. Last year's figure was net of the sale of 49.9% of the SIERRA Fund.

Consolidated net debt at the end of year was 2,503 million euro, a fall of 71 million euro compared to the end of 2003 and of 213 million euro compared to the end of the third quarter. Efforts made across all businesses to improve operational efficiency and profits, along with portfolio management measures implemented, were the drivers of the debt reduction pattern over recent years. At the same time, debt maturity was extended, with medium and long term debt over short term debt moving from 1.8x to 2.7x this year, and the proportion of debt issued directly in the capital markets by the Group increasing from 15% to 24% year on year.

²¹ Ratio of operational cash flow (EBITDA) to interest charges.

Interest cover²¹ was 5 for 2004, up from 3.1 in 2003. This improvement results from the good performance in operational cash flow and the reduction in interest charges, driven by the drop in debt in the last two years

and by better financial conditions achieved, due to the renegotiation of some of the major loan contracts, and by an increase in the proportion of debt issued directly in the capital markets. These factors also impacted the **ratio of net debt to operational cash flow (EBITDA)**, which has improved from 4 to 3.2.



This improvement can be seen more clearly in the following graph:

Since 2001, goodwill has been written off against reserves. If this write off had not taken place, intangible assets and shareholders' funds, at the end of the year, would have been higher by 780 million euro and amortisation for the year would have been higher by 66 million euro.



Profitability

Consolidated turnover for the year was 6,634 million euro, compared to 6,260 million euro last year, an increase of 6%. All businesses improved their contribution to turnover. In absolute terms the Wood Based Panels and Retail businesses posted the most significant increases. The Wood Based Panels business benefited from the general increase in demand and from improved average selling prices, whilst the Retail business benefited from a significantly higher contribution from the Brazilian operation.

Consolidated operational cash flow (EBITDA) was 779 million euro in 2004, a strong increase of 22.3%, from 637 million euro last year. Almost all businesses increased their contribution to EBITDA. Growth was particularly noticeable in the Wood Based Panels and Telecommunications businesses. Wood Based Panels' operating performance has clearly improved due to the combined impact of higher volumes, better prices and cost optimisation measures. In Telecommunications, the significant EBITDA improvement was a result of increased service margin and continued focus on cost containment.

The **consolidated EBITDA margin** was 11.7% this year, equal to an increase of 1.57 percentage points over 2003. This improvement was the result of significantly increased contributions from Wood Based Panels and Telecommunications. Margins in the Wood Based Panels business improved in almost all markets. The Telecommunications business continued to show sustained improvement in profitability and mobile telecommunications experienced the highest EBITDA margin growth (around 6 percentage points).

Consolidated operational profit improved by 152 million euro, from 203 million euro last year to 355 million euro this year. The Wood Based Panels and Telecommunications businesses explain almost 90% of the improvement in operational profits, while the other businesses also achieved positive changes.

Consolidated net financial charges fell 27%, from 229 million euro in 2003 to 167 million euro this year. This improvement was due to the sustained reduction in debt levels achieved over the last two years, to better financial conditions achieved with the renegotiation of some of the major loan contracts and to an increase in the proportion of debt issued directly in the capital markets.

As a result **consolidated profits on ordinary activities** improved by 214 million euro, from a loss of 26 million euro last year to profits of 188 million euro this year.

Consolidated extraordinary profits for 2004 totalled 122 million euro compared to 331 million euro in 2003. The main items this year were 105 million euro of capital gains on the sale of shareholdings in

Portucel (75 million euro) and ba Vidro (18 million euro). Last year's extraordinary profits included capital gains totalling 404 million euro, of which the sale of 49.9% of the SIERRA Fund (281 million euro) was the most significant.

Consolidated profit before tax was 326 million euro, compared to 314 million euro in 2003. This year's profits include a higher contribution from operations and a lower level of extraordinary gains, which were an important part of profits last year.

The **consolidated net profit before minority interests** for the year was 270 million euro (265 million euro in 2003), while the **consolidated net profit after minority interests** was 192 million euro, compared to 114 million euro in 2003. The increase in profits after minorities is the result of the better operational performance in those businesses where Sonae's share is higher, as well as of the higher proportion of capital gains obtained in companies which are fully owned by Sonae.

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Share Performance²²

Equity markets in 2004 were less buoyant than in 2003. Geopolitical uncertainty, rising oil prices and hesitant economic recovery in Europe appear to have been enough to make investors more cautious in their valuation of equity stories, despite the generalised increase in company profits in the USA and Europe. In spite of the slow recovery of the Portuguese economy, the Lisbon Stock Exchange performed well when compared with other European markets, ending the year with a 12.6% gain.

The Sonae share continued its upward trend in the first and last quarters of 2004, extended into the first two months of 2005. During the year several relevant facts stressed our commitment to simplify the Group structure and capture value from non-core assets. The sale of Portucel, ba Vidro and Gescartão (already in 2005) were important steps in confirming our ability to reduce capital employed and at the same time generate important capital gains. Another relevant transaction has been the acquisition of Carrefour's position in Modelo Continente, a long awaited strategic clarification. But above all, share price movements reflected the constant and consistent improvements in business fundamentals such as operational profitability – a result of management perseverance in cost cutting and margin improvement programmes, which were more evident in businesses like Wood Based Panels and Telecommunications that turned around from loss making to profitable ventures, as well as of continuous delivery of strong profit or value generation in all other businesses – and reductions in the cost of debt, made possible by increasing confidence in our ability to deliver those improvements.

The Sonae share was quoted at 1.07 euro as at 31 December 2004, equivalent to a nominal gain in value during the year of 62.1%, compared to a general stock market gain of around 12.6%, as measured by the PSI 20.

²² In the appendix to this report on Corporate Governance, statistical data are given on the Sonae share price performance during 2004.

As can be seen from the graph below, after the year end the upward trend continued and the Sonae share price reached 1.20 euro on 1 March 2005, an additional increase of 12%, higher than the rise in the PSI 20 (+ 4%).



Source: Sonae SGPS; Euronext Lisbon



Own Shares

During the year, the company did not acquire or sell any own shares. As at 31 December, the company held, directly or indirectly, 134,178,021 own shares (6.71% of the share capital) at an average purchase cost of 1.07 euro. The share price as at 31 December 2004 was 1.07 euro.

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Profit Appropriation Proposal

Sonae, SGPS, SA, as the holding company of the Group, had net profits of 12,151,572.42 euro. The Board of Directors proposed to the Shareholders' General Meeting that this profit has the following appropriation:

Legal Reserves	607,579.00 euro
Dividends	11,543,993.42 euro

In view of the fact that the Board of Directors intends to maintain the number of own shares held until dividend is paid, a gross dividend of 0.02 euro per share has been proposed, using Free Reserves in the amount of 25,772,446.16 euro to complement the appropriation of the net profit for the year stated above. This is equal to a dividend yield of 2.2% on the average share price in 2004 of 0.91 euro.

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International Financial Reporting Standards (IAS/IFRS)

By the end of 2004 the Sonae Group had already completed the review of the necessary changes to accounting policies to comply with IAS/IFRS, including new standards published in December 2003 and March 2004 and endorsed by the European Commission.

This process was directly supervised by the Sonae Board of Directors and by the Group auditors, Deloitte. A lot of work was put into identifying the qualitative impacts and calculating the quantitative impacts. Most of the change process is now complete, including changes to accounting and management information systems.

The opening balance sheet as at 1 January 2004 in compliance with IAS/IFRS is now being finalised. Thus, in April, not only the figures will be disclosed but also the reconciliations to Portuguese accounting principles, with the objective of contributing to a better understanding of the impact of the new standards.

The first IAS/IFRS compliant financial information will be disclosed for the first quarter 2005 interim financial statements, which will be presented in accordance with IAS 34. The recommendations of the Committee of European Security Regulators (CESR) to include relevant reconciliations of changes from Portuguese accounting principles to IAS/IFRS will be followed.

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Outlook for 2005

In 2005, according to the OECD, growth of GDP of around 3.3% is forecast for the United States, 2.1% in Japan and 1.9% in the Euro zone. Nonetheless, a number of risks persist that should be borne in mind. Gradually, as economic recovery becomes more generalized and reduces excess installed production capacity, the risk of renewed inflationary pressures will arise and make the introduction of tougher monetary conditions more likely. On the other hand, the continued worsening of the "twin deficits" of the US economy as well as geopolitical uncertainty will continue to be the greatest threat to a generalized and sustainable economic recovery.

In summary, the background against which Sonae will conduct its business over the short term will certainly be dependent on the level of overall business confidence and on the way in which the major macro-economic imbalances develop. However, the internal dynamics of each of the main markets in which Sonae does business will continue to be a determining factor, particularly for businesses in the service sector.

In Wood Based Panels, the key to maintaining stable business conditions in 2005 is the stability of demand. In 2004, a recovery in the prices of the different products has been observed, driven by an increase in demand in both national and export markets.

This stability is expected to be a reality during 2005, as, in the short term, no significant change is forecast in the availability of product or in the business environment. After the increases in the second half of 2004, prices of raw materials will not post significant changes, unless something unexpected happens.

The year 2005 will mark the beginning of a new era for modern Retail distribution in Portugal. With the new law concerning commercial property licensing coming into effect, a four year freeze on the issue of licences for new commercial premises comes to an end. A period of strong growth in the number of stores operating in the country is now expected. Given that the market is already close to maturity, this means a significant increase in competitive pressures, which has already been apparent over the last few years.

Against this background, Modelo Continente reaffirms its strategic goal of consolidating its market position and maximizing value to the final customer. To that end, in 2005 it will develop a series of expansion projects that will make its strategic growth plan viable and involve an investment forecast at 200 million euro in Portugal alone. The expansion programme will be accompanied by an important number of operational development projects that will enable the company to remain sharply focused on the consumer, optimise its internal business processes and strengthen links with its suppliers. This plan will enable the company to move forward in a sustainable fashion to reach high levels of operating profitability.

In Brazil, over the coming months, the development of the business will be focused on maintaining growth, especially in the southern states of the country, and on fine tuning business processes and the value proposal offered to customers.

In general terms and bearing in mind the points highlighted above, the outlook for the coming year is positive. This opinion is based on:

- recent progress that the portfolio of brands has made in Portugal as a result of the promotional activity undertaken;
- the full investment programme, in Portugal, including in particular two Continente units and an important number of Modelo mini-hypermarkets and non food retail stores;
- the improvement in the economic background and the increase in the competitiveness of the Brazilian operation that allows facing the specific challenges of this market with confidence.

At Sonae Sierra, the year 2005 will be one of sustained growth in all its key business indicators based on a continued policy of management excellence of those assets in operation and owned by third parties, investment in the development of new shopping centres and investment in acquisitions in markets where it is present. The strategic growth and internationalisation plan mapped out up to 2008 will continue in 2005 in a coherent way and with sustained actions that promise good results despite possible fluctuations in economic activity.

Sonaecom's 2005 will be more challenging in terms of top-line and margin growth, particularly given the impact of the gradual cuts in mobile termination rates and the transition period that the fixed business is going through, shifting more and more to direct access solutions and away from indirect access solutions which are less attractive from a net present value perspective.

During 2005, Sonaecom will increase the pace of investment in brands and expenditure on marketing and sales, in order to promote fixed-mobile substitution and to maximize the benefits presented by the anticipated pick-up in broadband related activity. Work will continue to optimise the Sonaecom network and to deploy UMTS coverage to support the Telecom businesses and to reduce reliance on the incumbent's network. The move towards a more integrated management and organisational structure for our Telecom businesses will also continue.

The pace of future growth will be dependent on take-up of fixed to mobile convergent solutions and of mobile data, which to date has been slow, the evolution of the broadband business and on possible interest in rolling out a triple play offer.

Sonae Capital will continue to reshape its portfolio by allocating businesses to the right owners, either in the Group or outside the Group, at the same time as it looks for new business opportunities.

2005 will be a year in which the Group expects to continue to deliver operational improvements in all businesses. In the Portuguese market and in all businesses where the Sonae Group is leader, the focus will be on consolidating this position, driven by a significant increase in planned investment.

Growth in international markets will continue to be a priority, with special emphasis on investment in the Shopping Centres business in those European markets where Sonae Sierra operates.

Once the conditions already announced to the market have been met, the spin-off of Sonae Indústria will proceed to its final stage, thereby accomplishing one of the steps in the process of repositioning the Group in the equity markets.

Maia, 8 March 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 Trigoso Jordão

Nuno Miguel Teixeira de Azevedo

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Report on Corporate Governance Sonae SGPS, SA 31 December 2004

This document gives a brief description of the Corporate Governance practices of Sonae SGPS, SA, and was prepared to comply with Regulation 7/2001 of 20 December 2001 of the CMVM (Portuguese Stock Exchange Commission) together with those changes made in Regulation 11/2003 of 19 November 2003.

Given that this is an appendix to the Report of the Board of Directors, it should be read together with and as a complement to that document. Certain aspects in this appendix are cross referenced to the main body of the report as it was felt that it was more appropriate to deal with them in the main body of the report to avoid duplication.

0 - STATEMENT OF COMPLIANCE

The adoption of the recommendations of the CMVM on Corporate Governance is explicit in this report and in each of the chapters into which it is divided.

1 - INFORMATION DISCLOSURE

1.1. DECISION MAKING PROCESS

Strategic management decisions are taken in meetings of the Board of Directors of the company and decisions related to the execution of that strategy are taken in meetings of the Executive Committee.

The Board of Directors functions as a body composed of a Chairman and eight other voting members. The Board has as its main responsibilities to approve the Annual Report and Accounts, to approve the annual portfolio configuration strategy and to approve the annual business plan and any significant changes to it.

The Executive Committee functions as a body, composed of a Chief Executive Officer and four other executive members, and is responsible for managing and executing day-to-day operations, with particular emphasis on management of the portfolio of businesses, financial co-ordination and career development for top managers.

The company is organised around the following functions:



Ângelo Paupério co-ordinates operationally the functional departments shown above, meeting weekly with the respective managers. Decisions taken by the functional managers are validated by powers delegated by the Executive Committee and are co-ordinated in the above-mentioned meetings of this Committee.

1.2. INTERNAL COMMITTEES

The *Audit Committee* is chaired by Belmiro de Azevedo and is made up of Internal Audit managers and by directors responsible for this function for each of the sub-holdings. It meets quarterly to review internal and external audit work plans and results.

The *Finance Committee* is chaired by Ângelo Paupério and meets monthly, made up of directors responsible for finance in each sub-holding and functional managers of Sonae, SGPS, SA who are relevant to the subjects on the meeting's agenda. The committee's functions cover the review and co-ordination of financial risk management policies of the Sonae Group.

The composition and responsibilities of the Shareholders' *Remuneration Committee* are described in paragraph 1.9 below.

The Board Committees are described in paragraph 4.1. below.

1.3. RISK CONTROL

The system of risk management implemented in the company covers the following:

OBJECTIVES OF RISK MANAGEMENT

The Sonae values and principles (see 3.1 below) refer to the concepts that provide the framework for the policies, organisation and management of risk, in particular:

- Loyalty and rigour: day to day work to be based on managing risk and adopting management practices that detect and correct adverse situations promptly;
- Transparency: adopt practices that enable a systematic evaluation to be made of the true performance of the businesses and the level of compliance with the values and principles of Sonae;
- Safety: provide a work environment that guards against professional risks and that does not threaten the health and safety of staff, suppliers and other third parties;
- Ethics: base relationships with external entities on the principles of honesty, integrity and transparency.

Risk management is one of the components of the Sonae culture and a pillar of Corporate Governance, is present in all management processes and is a responsibility of all management and employees of the Sonae Group, at all levels of the organisation.

The objective of risk management is the creation of value by managing and controlling uncertainties and threats that can affect Sonae Group companies on a going concern basis with the aim of taking advantage of business opportunities.

RISK MANAGEMENT PROCESSES

Risk management is integrated into the entire planning process as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge with the goal of identifying, evaluating and

managing the uncertainties and threats that Sonae Group companies face in the pursuit of their business objectives and value creation.

As part of strategic planning, the risks of the existing business portfolio as well as new businesses and relevant projects, are identified and evaluated, while strategies to manage those risks are also defined.

At the operational level, business risks and planned actions to manage those risks, are identified and evaluated, and are included and monitored in business unit and functional unit plans.

For risks that cross business unit boundaries, such as large scale organisational changes, contingency and business recovery plans, structural risk management programmes are developed with the involvement of those responsible for the units and functions involved.

As far as tangible asset and people safety risks are concerned (technical-operational risks), audits are carried out at the main units, and when risks are identified preventive and corrective actions are implemented. On a regular basis, the financial cover of insurable risks is reassessed.

Financial risk management is carried out and monitored as part of the activity of holding and sub-holding companies' financial departments, whose work is reported to, co-ordinated and reviewed by the Group Finance Committee and the Board Audit and Finance Committee.

The risk management process is supported by an uniform and systematic methodology, based on the international standard "Enterprise Risk Management – Integrated Framework" issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission), that includes the following:

- Identifying systematically the risks that affect the organisation (common language); defining and grouping risks (dictionary and matrix of risks);
- Evaluating and attributing the level of criticality and management priority of risks as a function of their impact on the objectives of the business and the probability of the risks occurring;
- · Identifying the causes of the most important risks;
- Evaluating strategic risk management options;
- Developing a risk management action plan and integrating it into the management and planning procedures of the units and functions of Sonae Group companies;
- · Monitoring and reporting on progress made to implement the action plans.

RISK MANAGEMENT ORGANISATION

Risk Management is the responsibility of all managers and staff of Sonae Group companies at all levels of the organisation, and is supported by the Audit and Risk Management and Management Planning and Control Departments.

The Audit and Risk Management function's mission is to help companies reach their objectives via a systematic and structural approach to developing and evaluating the effectiveness of management and control of business processes and information systems risks.

The Risk Management function promotes, co-ordinates, facilitates and supports the development of risk management processes.

The Internal Audit function identifies and evaluates the effectiveness and efficiency of management and control of business processes and information systems risks, as well as risks arising from non compliance

with legislation, contracts and company policies and procedures. The Internal Audit annual plan includes critical business process audits, compliance audits, financial audits and information systems audits.

Financial and accounting information reliability and integrity risks are also evaluated and reported upon by the External Audit function.

The Management Planning and Control function promotes and supports the integration of risk management into the management and planning control process of companies.

Risk Management, Internal Audit and Management Planning and Control are activities carried out in all businesses of the Group, through specially dedicated functions, which report directly to their respective Boards of Directors both of the holding and each of the sub-holdings.

At present, the Internal Audit and Risk Management functions have around 60 full time staff, located in Portugal, Brazil, Spain, France and Germany, carrying out its work in all countries where the Sonae Group operates.

At Group level, there are bodies – the Audit Committee and the Risk Management Consultation Group (GCGR) – that assist the Executive Committee and the Board Audit and Finance Committee to define policies, review and co-ordinate the activities of Risk Management, Internal and External Audit, and to review internal control processes and systems. These entities are also platforms for sharing knowledge and experience of these functions. They meet quarterly and are made up of directors responsible for the respective functions in each sub-holding, of Risk Management and Audit Managers of the holding and sub-holdings, of the Group Controller, and, in the case of the GCGR, of the Group Insurance Manager. These entities are chaired by a director appointed by the Executive Committee, which reports directly to both the Executive Committee and the Board Audit and Finance Committee. The Audit Committee is chaired by the Chairman of the Board of Directors of Sonae, SGPS, SA.

As mentioned in 4.1. below, the Board of Directors has appointed a Board Audit and Finance Committee, made up of four non-executive Directors, three of which are independent, which monitors Audit and Risk Management activities.

Sonae Group companies promote the development of human resources, Internal Audit and Risk Management methodologies and seek to follow best international practices. As far as human resources are concerned, Group companies sponsor a program of training and updating of skills that includes the international Internal Audit professional certification promoted by the IIA – The Institute of Internal Auditors – the Certified Internal Auditor. This training programme was launched in Portugal for the first time in 2003, and currently, there are three Certified Internal Auditors in the Sonae Group, out of a total in Portugal of eighteen. A group of voluntary candidates for certification in 2005 is preparing to take on the exams.

In the relevant chapter of the Report of the Board of Directors, Internal Audit and Risk Management activities, for the year 2004, are described.

1.4. SHARE PRICE PERFORMANCE

To complement information on the performance of the Sonae share price given in the Report of the Board of Directors, further data is shown below highlighting the most relevant facts and the most significant price movements during the year.

Sonae SGPS's shares are quoted on the main Portuguese securities (Euronext Lisbon) market and weight around 5% in the PSI-20 Index.

SONAE SGPS'S SHARES TECHNICAL FILE:

Name: Sonae-SGPS Security's issuer: Sonae SGPS, SA Listing date: 15 September 1989 Share Capital: 2,000,000,000 € Listed amount: 2,000,000,000 Treasury stock: 6.7% ^(a) ISIN Code: PTSON0AE0001 Symbol: SON Reuters: SONP.IN Bloomberg: SON PL

^(a) An affiliated company, Modelo Continente, also held 50,000 shares of Sonae, SGPS, S.A., at 31 December 2004.

In 2004, Sonae SGPS's share price increased 62.1%, closing the year at 1.07 euro per share, clearly outperforming the Portuguese Stock Market Index (PSI-20), which rose around 12.6%.

The last quarter of the year was fertile in transactions aimed at restructuring Sonae's business portfolio through divestments of non-core assets. The market responded positively to such transactions, and the share price recovered, setting the year's maximum at 1.08 euros on 23 December 2004. The following graph highlights the evolution of the share price during 2004.



Source: Sonae SGPS; Euronext Lisbon

SONAE SGPS'S SHARES STATISTICS:						
	2002	2003	2004			
Generics						
Share Capital (€)	2,000,000,000	2,000,000,000	2,000,000,000			
Shares outstanding	2,000,000,000	2,000,000,000	2,000,000,000			
Nominal value per share (€)	1.0	1.0	1.0			
Consolidated Net Profit / (Loss) for the year (M.€)	(56.0)	114.5	192.1			
EPS (€)	(0.04)	0.09	0.14			
Dividend per share (€)	-	0.015	0.02 ^(c)			
Quotes						
Opening price	0.82	0.41	0.70			
Maximum price	0.92	0.71	1.08			
Minimum price	0.37	0.35	0.70			
Average price ^(a)	0.64	0.48	0.91			
Closing price	0.40	0.66	1.07			
Variation	(51%)	65%	62%			
Transactions (daily quantity)						
Maximum quantity	24,752,839	36,047,956	28,481,901			
Minimum quantity	394,886	211,263	315,142			
Average quantity	4,082,000	3,851,495	5,210,367			
Market capitalisation ^(b)						
Year end (€)	800,000,000	1,320,000,000	2,140,000,000			
Variation	-	65%	62%			

^(a)Weighted average of daily closing prices.

^(b) Market capitalisation was calculated using the total number of shares.

^(c) Proposal of the Board of Directors to the Annual Shareholders' General Meeting.

In the year, material events and other communications included:

- 16 March: Sonae, SGPS, SA announced the 2003 results and payment of dividends;
- 30 April: Sonae, SGPS, SA announced results for the 1st Quarter 2004;
- 10 September: Sonae, SGPS, SA announced results for the 1st Half 2004;
- 28 September: Sonae, SGPS, SA announced the sale of shareholdings in Portucel Empresa Produtora de Pasta e Papel, SA;
- 2 November: Sonae, SGPS, SA announced results for the first nine months of 2004;
- 16 November: Sonae, SGPS, SA announced the signing of the purchase and sale agreement with Carrefour regarding the acquisition of Modelo Continente shares;
- 22 December: Sonae, SGPS, SA announced the disposal of its interests in Barbosa & Almeida.

1.5. DIVIDEND DISTRIBUTION

The dividends distributed in recent years were as follows:

	1995	1996	1997	1998	1999	2000 ¹	2001	2002	2003
Dividend per share (euro)	0.75	0.75	0.75	0.87	0.50	0.024 ²	0	0	0.015
Dividends distributed (thousand euro)	29,705	29,180	29,180	34,305	36,447	45,098	0	0	27,987
Dividend Yield	4.7%	2.9%	2.0%	2.1%	1.0%	2.0%	0%	0%	1.5%
Pay out ratio ³	46.3%	28.3%	48.0%	48.4%	54.5%	17.6%	0%	0%	24.5%

¹ In 2000, the share capital was increased from 473 million euro to 2,000 million euro.

² Weighted average dividend of Sonae and Sonae 2000 shares

³ Calculated using consolidated net profits after minority interests.

1.6. SHARE PLANS AND STOCK OPTION PLANS

The Shareholders' Remuneration Committee (see 1.9. below) has approved a Deferred Performance Bonus Plan Policy. The Deferred Performance Bonus Plan is a discretionary deferred compensation plan, which is equity based, and has a three year deferral period between the award date and vesting date. The decision to award Deferred Performance Bonus Plan for any year is taken by the Board Nomination and Remuneration Committee and the Shareholders' Remuneration Committee for the Executive Committee members and by the Executive Committee for remaining participants. The values awarded are derived from the Annual Performance Bonuses actually paid for the same "performance year". The Sonae Deferred Performance Bonus Plan is a discretionary third component of Sonae's remuneration and other compensation policy. The Deferred Performance Bonus Plan is aimed at enhancing loyalty and increasing employees' awareness of the importance of their performance to the overall success of Sonae, as reflected by the Company's share price.

All Sonae senior employees are eligible to participate in the Sonae Deferred Performance Bonus Plan, provided that their entry date is before 31 December of the previous year. Deferred Performance Bonus Plans are awarded in March each year, in respect of performance during the previous financial year. The number of shares to be awarded is calculated by dividing the value of the Deferred Performance Bonus awarded by the average share price in the month prior to the award date. Participants are given the choice between acquiring the number of shares awarded, on the third anniversary of the award date, at zero cost, or acquiring a number of shares calculated using the "Black-Scholes option pricing model" and the value of the Deferred Performance Bonus awarded, on the third anniversary of the award date, at the share price on the award date. In both alternatives the acquisition may be made on any date between the third anniversary of the award date and the end of that year. The company retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares. The right to any deferred compensation plans not yet vested are maintained until they actually vest. In the case of death or permanent injury of the participant, deferred compensation plans are marked to market and paid to the rightful heirs or to the participant.

Through a subsidiary company, Sonae, SGPS, SA signed an agreement with Sonaecom, SGPS, SA under which it accepts to deliver Sonaecom shares to those employees of Sonaecom and its affiliates who are beneficiaries of share acquisition and stock option plans, when these plans fall due. This was implemented to minimise the risk that would arise from Sonaecom simply purchasing its shares on the market, and also because Sonaecom does not meet the relevant conditions set out in Company Law. However, these share and stock option plans continue to be the exclusive responsibility of Sonaecom, SGPS, SA, and are described in detail in that company's report.

1.7. RELATED PARTY TRANSACTIONS

The company did not have business dealings with any member of the Board of Directors.

The only transactions with the Statutory Auditor were those related to his official duties and his fees were paid as described in paragraph 1.10 below.

Transactions with companies controlled by Sonae, SGPS, SA were made at arms length, were part of the normal business activity of the company, and as such do not need further disclosure.

1.8. INVESTOR RELATIONS

In strict compliance with law and regulations, the company informs expeditiously its shareholders and the capital markets in general of all relevant facts about its activities, avoiding delays between their occurrence and disclosure. The company has kept this commitment to the market over the years.

Information is made publicly available on the Internet at the Portuguese Stock Exchange Commission site (www.cmvm.pt) and on the company's own website (www.sonae.pt).

On the latter site, all press releases issued since 1999 are available on the Public Relations page. The most recent versions of the institutional presentation, Report of the Board of Directors and Financial Statements, earnings announcements and Environmental Report are available on the Home Page. Reports of the Board of Directors and Financial Statements, as well as the institutional presentation, are updated every six months.

As a means of creating greater interaction with shareholders and investors, the site also includes a section for Investors which contains:

- · The names of managers responsible for investor relations as well as contact addresses;
- The Sonae share performance trend on the Portuguese Stock Exchange.
- Report of the Board of Directors and Consolidated Financial Statements, for the full year, half year and quarters, for the last two years;
- · Presentations to investors;
- Notice of Shareholders' Annual General Meeting
- Proposals to the Shareholders' Annual General Meeting.

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

The Investor Relations Office can be contacted at: Telephone: +351 22 940 47 76; Fax: +351 22 940 46 34; E-mail: investor.relations@sonae.pt; Address: Lugar do Espido, Via Norte, Apartado 1011, 4471-909 Maia. The Investor Relations Manager is José Luís dos Santos Lima Amorim, who can be contacted using the above numbers and address.

The legal representative for Capital Market Relations is Luzia Leonor Borges e Gomes Ferreira (Telephone: +351 22 948 75 22; Fax: + 351 22 948 77 22; E-mail: investor.relations@sonae.pt).

Annual, half yearly and quarterly financial statements as well as quarterly updates of institutional presentations, are sent by E-mail to all bona fide shareholders, analysts, investors, banks and journalists who request them.

The company believes the procedures described above ensure permanent contact with the market and respect for the principles of equal treatment of shareholders and equal access to information by investors.

1.9. REMUNERATION COMMITTEE

In publicly quoted companies, the Shareholders' General Meeting may appoint a Remuneration Committee with the same term of office as the other statutory bodies. Its mission is to approve the remuneration of members of management bodies. In the company, the current Shareholders' Remuneration Committee is made up of two shareholders, Efanor Investimentos, SGPS, SA and Imparfin – Investimentos e Participações Financeiras, SGPS, SA, elected at the Shareholders' General Meeting in accordance with paragraph 2 of Article twenty five of the company's articles of association. These shareholders are represented by Professor José Neves Adelino and Bruno Walter Lehman, respectively, who are not members of the Board of Directors.

1.10. AUDITOR'S FEES

The company's auditors are Deloitte, who, in 2004, billed the company and its affiliated and associated companies a total of 3,186 thousand euro - 3,998 thousand euro in 2003 - (of which 1.122 thousand euro - 1,555 thousand euro in 2003 – were billed to foreign affiliated companies). Of this total, 64.1% (43.3% in 2003) were statutory audit fees, 2.1% (0.3%) other assurance fees, 14.3% (19.1%) tax consultancy fees and 19.5% (37.3%) other services fees. In other services' fees are included consultancy fees for one-off projects related to obligations arising from the UMTS licence award (5.4% of total fees), for advise on human resources (3.6%), and consultancy fees relating to the change to International Financial Reporting Standards (3.1% of total fees).

Tax consultancy services and other services are provided by different specialists from those who are involved in audit, thus contributing to the independence of the auditor. Consultancy work relating to the

change to International Financial Reporting Standards has been carried out by the audit team because of the advantages associated with the knowledge that the team has of both the subject matter and of the financial statements.

2 - SHAREHOLDER REPRESENTATION AND VOTING RIGHTS

The articles of association of the company only allow participation in the Shareholder's General Meeting to shareholders who provide proof of their title as shareholders at least 8 days in advance of each meeting. This title must be issued by a financial institution where records of title are kept by the shareholders.

One vote corresponds to each group of one thousand shares, and each shareholder has as many votes as results from dividing the total number of shares he/she owns by one thousand, rounded down to the nearest whole number.

Shareholders who are private individuals can be represented at Shareholders' General Meetings by their spouse or direct family, a director or other shareholder, by sending a letter to the Chairman of the Board of the Shareholders' Meeting, stating the name and address of the representative and the date of the meeting. Corporate entities will be represented by a person nominated by them by written letter whose authenticity will be verified by the Chairman of the Board of the Shareholders' General Meeting.

For as long as the company is listed on the Stock Exchange, shareholders can vote by correspondence but only in relation to changes to the articles of association and election of statutory bodies. Correspondence votes will only be taken into account when received at the company's headquarters by registered mail addressed to the Chairman of the Board of the Shareholders' General Meeting, and received at least three days before the meeting, subject to proof of title of the related shares. The voting declaration should be signed by the holder of the shares or by his legal representative and, in the case of a private individual should be accompanied by an authenticated copy of his identity card, and in the case of a corporate entity, the signature should be authenticated by a public notary certifying his/her status and powers. It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person substituting him, to verify correspondence voting declarations, eliminating any votes relating to declarations that are not accepted. Up to now, shareholders have never used this facility. No specific form exists for correspondence votes.

The right to vote electronically is not contemplated in the company's articles of association.

Proposals to be considered at the Shareholders' General Meeting are made available to shareholders at the head office within the timescales required by law, together with reports, documents and other information that should legally accompany them. These documents are also made available in the company's website.

3 - COMPANY RULES

3.1. CODES OF CONDUCT AND INTERNAL REGULATIONS

Sonae's values and principles are widely spread and deeply rooted in the company culture. The key aspects are a business culture (leadership, openness to change, loyalty and rigour, transparency), responsibility towards employees (equal treatment, professional development, safety), social responsibility (social and environmental awareness, openness to society, trust and ethics) and political independence. As a publicly listed company Sonae is particularly aware of its duties of diligence and confidentiality in its dealings with third parties, protecting its position in situations of conflict of interest.

The Sonae values and principles can be consulted on the company's website.

3.2. RISK MANAGEMENT

As mentioned in paragraph 1.1 above, one of the functional departments of Sonae, SGPS, SA is the Internal Audit and Risk Management Department. This function also exists in the main Sonae businesses.

As referred to in the paragraph on Internal Audit and Risk Management in the Report of the Board of Directors, this department accompanied and promoted the development of structured and systematic management of business process risks, appropriately integrated into the operational and strategic planning cycles of Group Companies.

In the day to day and strategic management of the company and its affiliated and associated companies, active risk management policies are pursued in the different aspects of its businesses. To this end Internal Audit and Risk Management Departments support and promote (in a structured and systematic way) relevant operational and risk management practices.

3.3. LIMITS TO EXERCISING VOTING RIGHTS OR TO THE TRANSFER OF SHARES, SHAREHOLDERS' AGREEMENTS AND SPECIAL SHAREHOLDERS' RIGHTS

Over and above the number of shares that correspond to a vote and the representation rules mentioned in paragraph 2 above, there are no other limitations on voting rights.

The Board of Directors has no knowledge of any special rights or shareholders agreements in which shareholders of the company are involved.

The company has not taken any measures that would hinder the success of a public tender offer for the purchase of shares.

4 - MANAGEMENT BODIES

4.1. DESCRIPTION

Significant changes were introduced to Corporate Governance at the Shareholders General Meeting held on 31 March 2004. The number of members of the Board of Directors was increased from 5 to 9 and 4 non executive directors were elected, 3 of which are independent directors. The Board of Directors currently acting was elected at the Shareholders' General Meetings on 31 March 2003 and 31 March 2004. The mandate of this Board of Directors is four years. The directors were elected from a single list. No alternative list was presented by any shareholder.

The current members of the Board of Directors are:

- Belmiro Mendes de Azevedo (Chairman and Chief Executive Officer)
- Álvaro Carmona e Costa Portela (executive)
- Álvaro Cuervo Garcia⁴ (non-executive)
- Ângelo Gabriel Ribeirinho dos Santos Paupério (executive)
- Duarte Paulo Teixeira de Azevedo (executive)
- Luíz Felipe Palmeira Lampreia⁴ (non-executive)
- Michel Marie Bon⁴ (non-executive)
- Nuno Manuel Moniz Trigoso Jordão (executive)
- Nuno Miguel Teixeira de Azevedo (non-executive)

A list of the main companies in which they have duties, is shown in paragraph 4.3 of this report.

The non-executive members of the Board of Directors bring together wide experience in the world of business, finance, academia and politics, and exercise an important influence in the decision making process and in the development of company strategy.

The Board normally meets at least four times a year. The quorum for any Board meeting requires that the majority of members are present. Each member has equal voting rights and decisions are taken by a majority of votes cast. The duties of the Board of Directors are as defined by Portuguese law. In 2004, the Board elected on 31 March 2004 met 6 times with all of the directors present in all but one meeting, in which four members could not be present and were duly represented by the Chairman. Minutes are recorded in the respective minute book. The Board of Directors receives information on subjects on the agenda of the meeting at least 48 hours before the date of the meeting.

The new Board of Directors appointed Belmiro Mendes de Azevedo as Chairman of the Board of Directors and appointed an Executive Committee with the following members:

- Belmiro Mendes de Azevedo (simultaneously Chairman of the Board of Directors and Chief Executive Officer)
- Álvaro Carmona e Costa Portela
- Ângelo Gabriel Ribeirinho dos Santos Paupério
- Duarte Paulo Teixeira de Azevedo
- Nuno Manuel Moniz Trigoso Jordão

⁴ Independent member as defined by Regulation nr. 11/2003 of the CMVM. The Executive Committee has been delegated the powers and responsibilities to manage and execute the day-to-day operations of the Company except:

- a) to appoint the Chairman of the Board;
- b) to co-opt a substitute for a member of the Board;
- c) to convene Shareholders' General Meetings;
- d) to approve the Annual Report and Accounts;
- e) to grant any pledges, guarantees or charges over the assets of the Company;
- f) to decide to change the Company's registered office or to approve any share capital increases;
- g) to decide on mergers, de-mergers or modifications to the corporate format of the Company;
- h) to approve the annual portfolio configuration strategy;
- i) to approve the annual financial plan and significant changes to it.

Resolutions are taken by majority in the Executive Committee. The Executive Committee currently meets at least once every month. In 2004, the Executive Committee met 13 times with all of its members present. Minutes are recorded in the respective minute book. The Executive Committee receives information on subjects on the agenda of the meeting at least 48 hours before the date of the meeting.

To ensure that the Board of Directors is kept well informed by the Executive Committee, all significant decisions taken by the Executive Committee are systematically extracted from the minutes of meetings and reported, in writing, to the Board of Directors.

The Board of Directors appointed a Board Audit and Finance Committee (BAFC) composed of the following non-executive directors:

- Michel Marie Bon (Chairman) (independent)
- Álvaro Cuervo Garcia (independent)
- Luíz Felipe Palmeira Lampreia (independent)
- Nuno Miguel Teixeira de Azevedo

The BAFC meets at least 5 times a year. Amongst its tasks and powers, the BAFC is responsible for monitoring and reviewing the company's financial reporting processes and accounting policies, for evaluating risk associated with the company's activities on behalf of the Board, and overseeing Corporate Governance. The BAFC meets directly with the external auditors and the internal audit team.

A Board Nomination and Remuneration Committee (BNRC) was also appointed, consisting of the following directors:

- Belmiro Mendes de Azevedo (Chairman)
- Luíz Felipe Palmeira Lampreia (independent)
- Michel Marie Bon (independent)

The BNRC meets at least once a year. It is responsible for supervising the preparation of proposals on remuneration of executive and non executive directors and liaises with the Shareholders' Remuneration Committee ("Comissão de Vencimentos").

No list of incompatibilities was defined nor the maximum number of cumulative duties of directors in the management bodies of other companies. This was because directors of the company generally exercise management duties in companies belonging to the same holding company that make up a homogeneous business portfolio.

4.2. REMUNERATION

In 2004, members of the Board of Directors remunerated by the company or by affiliated or associated companies, were attributed the following remuneration:

Amounts in euros	Fixed Remuneration	Performance Bonus	Total	
Individual Breakdown				
Chairman and CEO	570,258	680,000	1,250,258	
Average of the remaining 4 Executive Directors	366,551	440,750	807,301	
Average of the 4 Non-Executive Directors	27,986	-	27,986	
Aggregate				
Executive Directors (5)	2,036,461	2,443,000	4,479,461	
Non-Executive Directors (4)	111,942	-	111,942	
	2,148,403	2,443,300	4,591,403	

The performance bonus is indexed to a group of financial indicators that best align the interests of Directors with those of the company and its shareholders. Half of this bonus is deferred (see 1.6. above) and will only be paid in 2007, and may increase or decrease depending on share price performance.

It should be noted that a part of the above-mentioned remunerations is also mentioned in the reports on Corporate Governance of affiliated companies when directors also exercise duties on the Board of Directors of those companies.

Non-Executive members were only paid as from 1 April 2004, the date on which they were elected.

The Board of Directors believes that the information given above concerning remunerations is sufficient and that to give details for all directors on an individual basis, as recommended by the CMVM, goes beyond the general principles governing the duty to inform and is of marginal benefit to shareholders.

4.3. OFFICES HELD IN OTHER COMPANIES

The members of the Board of Directors held offices in many Sonae, SGPS, SA's affiliated companies. The following were the main companies:

BELMIRO MENDES DE AZEVEDO

Chairman of the Board of Directors of:

- ¬ Sonae Indústria, SGPS, SA
- ¬ Modelo Continente, SGPS, SA
- ¬ Sonae Sierra, SGPS, SA
- ¬ Sonaecom, SGPS, SA
- ¬ Sonae Capital, SGPS, SA
- ¬ Efanor Investimentos, SGPS, SA
- ¬ Imocapital, SGPS, SA
- ¬ Tableros de Fibras, SA

ÁLVARO CARMONA E COSTA PORTELA

Member of the Board of Directors of:

- ¬ Sonae Sierra, SGPS, SA
- ¬ Sonae Capital, SGPS, SA

Chairman of the Board of Directors of most companies controlled by or with a majority shareholding by Sonae Sierra, SGPS, SA (these companies are listed in notes 1 to 4 in the Notes to the Consolidated Financial Statements).

ÁLVARO CUERVO GARCIA

Member of the Board of Directors of:

- ¬ Sonae Indústria, SGPS, SA
- ¬ Tableros de Fibras, SA
- ¬ ACS, SA
- ¬ BA Fábrica de Vidrio, SA
- ¬ Thyssen Krupp, SA

ÂNGELO GABRIEL RIBEIRINHO DOS SANTOS PAUPÉRIO

Member of the Board of Directors of:

¬ Modelo Continente, SGPS, SA

- ¬ Sonae Sierra, SGPS, SA
- ¬ Sonae Capital, SGPS, SA
- ¬ Sonae Turismo, SGPS, SA
- ¬ Sonae Investments BV
- ¬ Imocapital, SGPS, SA
- ¬ BA Fábrica de Vidros Barbosa & Almeida, SA

Member of the Board of Directors of most companies controlled by or with a majority shareholding by Modelo Continente, SGPS, SA, Sonae Capital, SGPS, SA and Sonae Turismo, SGPS, SA (these companies listed in notes 1 to 4 in the Notes to the Consolidated Financial Statements).

DUARTE PAULO TEIXEIRA DE AZEVEDO

Member of the Board of Directors of:

- ¬ Sonae Indústria, SGPS, SA
- ¬ Modelo Continente, SGPS, SA
- ¬ Sonaecom, SGPS, SA
- ¬ Sonae Capital, SGPS, SA
- ¬ Efanor Investimentos, SGPS, SA
- ¬ Imparfin Investimentos e Participações Financeiras, SGPS, SA

Chairman of the Board of Directors of most companies controlled by or with a majority shareholding by Sonaecom, SGPS, SA (these companies are listed in notes 1 to 4 in the Notes to the Consolidated Financial Statements).

LUÍZ FELIPE PALMEIRA LAMPREIA

Member of the Board of Directors of Sousa Cruz S.A (BAT Brazilian affiliate)

Member of the Advisory Board of:

- ¬ Unilever PLC
- ¬ The Coca-Cola Company
- ¬ Toyota Motor Company
- ¬ Kissinger McLarty Associates
- ¬ Calyon Investment Bank
- ¬ Novartis do Brasil

Director of Partex do Brasil

Consultant to Petrobrás Bolívia

Deputy Chairman of the Board of Directors of CEBRI

MICHEL MARIE BON

Managing Director of Bon Conseil

Senior Advisor of Dôme Close Brothers

Senior Advisor of Permira

Chairman of the Supervisory Board of Les Editions du Cerf

Member of the Board of Directors of:

- ¬ Esmertec
- ¬ Banque Transatlantique
- ¬ Lafarge
- ¬ Sonepar
- ¬ Devoteam (non voting director)

Member of the Advisory Board of:

- ¬ Coca Cola Europe
- ¬ Korn Ferry International Europe
- ¬ Stratorg

NUNO MANUEL MONIZ TRIGOSO JORDÃO

Member of the Board of Directors of:

- ¬ Modelo Continente, SGPS, SA
- ¬ Sonae Capital, SGPS, SA
- ¬ Sonae Turismo, SGPS, SA

Chairman of the Board of Directors of most companies controlled by or with a majority shareholding by Modelo Continente, SGPS, SA and Sonae Turismo SGPS, SA (these companies are listed in notes 1 to 4 in the Notes to the Consolidated Financial Statements).

NUNO MIGUEL TEIXEIRA DE AZEVEDO

Member of the Board of Directors of:

- ¬ Efanor Investimentos, SGPS, SA
- ¬ Efanor Serviços de Gestão, SA
- ¬ Imparfin Investimentos e Participações Financeiras, SGPS, SA
- ¬ Praça Foz Sociedade Imobiliária, SA
- ¬ Total Share, SGPS, SA

¬ Fundação de Serralves

¬ Fundação Portugal-África

Maia, 8 March 2005

THE BOARD OF DIRECTORS

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Álvaro Cuervo Garcia

Ângelo Gabriel Ribeirinho dos Santos Paupério

Duarte Paulo Teixeira de Azevedo

Luíz Felipe Palmeira Lampreia

Michel Marie Bon

Nuno Manuel Moniz Trigoso Jordão

Nuno Miguel Teixeira de Azevedo
Consolidated Financial Statements 2004 | SONAE SGPS, S.A.

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ASSETS	ASSETS		NET ASSETS	03.12.31 NET ASSETS
FIXED ASSETS	ASSETS	DEPRECIATION AND PROVISIONS	NELASSEIS	NET ASSETS
Intangible assets:				
Start-up costs	232,962,860	190,001,178	42,961,682	75,505,3
Research and development costs	77,774,722	63,446,961	14,327,761	23,935,1
Patents and other similar rights	246,286,496	18,989,160	227,297,336	14,542,2
Premiums paid for property occupation rights	24,218,616	12,179,401	12,039,215	14,186,5
Others	8,488	12, 17 5, 40 1	8,488	14,100,0
Projects in course	11,527,516		11,527,516	170,147,6
Projects in course	592,778,698	284,616,700	308,161,998	298,316,8
Fangible assets:			,,	
Land	487,410,841	2,500,676	484,910,165	426,576,7
Buildings	1,970,044,576	375,545,461	1,594,499,115	1,508,911,9
Plant and machinery	3,242,259,508	1,550,571,532	1,691,687,976	1,707,682,
Vehicles	45,581,267	38,531,680	7,049,587	6,850,
Tools	14,737,860	11,348,148	3,389,712	3,957,
Fixtures and fittings	503,318,543	202,570,826	300,747,717	272,828,2
Containers	283,502	276,441	7,061	2, 2, 020,
Others				15,592,5
	51,107,095	39,469,047	11,638,048	
In construction	265,247,845		265,247,845	255,781,8
Advances	33,512,922 6,613,503,959	2,220,813,811	33,512,922 4,392,690,148	32,579,; 4,230,771,
nvestments:	0,010,000,959	2,220,013,011	4,552,650,146	4,230,771,
Shares in related undertakings	211,924,453	64,086,835	147,837,618	147,925,
Loans to related undertakings	203,154,303	15,129,562	188,024,741	134,255,
Shares in other undertakings	1,710,100	,	1,710,100	210,160,
Other investments other than loans	1,892,287	648,443	1,243,844	11,383,
Loans to other undertakings	355,101	113,966	241,135	273,
In constructions	1,913,114		1,913,114	1,513,
Advances	6,132,101	70.070.000	6,132,101	3,274,: 508,785,-
CURRENT ASSETS:	427,081,459	79,978,806	347,102,653	506,765,
Stocks:				
Raw materials and consumables	123,471,725	2,495,427	120,976,298	114,363,
Work in progress	39,140,116	2,100,121	39,140,116	51,632,
	31,875		31,875	786,
By-products		1 170 100		
Finished goods	79,290,494	1,470,100	77,820,394	83,478,
Goods for resale	448,493,806	15,175,900	433,317,906	429,817,
Payments on account	1,416,683	19,141,427	1,416,683	
Debtors: amounts falling due after more than one year:	691,844,699	13,141,427	672,703,272	660,092,
Trade debtors	1,105,899		1,105,899	1,457,3
Doubtful debtors	373,849	373,849	1,100,000	1,401,
	575,045	575,045		795,:
Related undertakings	75.040		75.040	795,
Other undertakings	75,346		75,346	
Other shareholders				35,
Taxes recoverable	5,175,261		5,175,261	7,166,9
Other debtors	82,725,947	62,705	82,663,242 89,019,748	50,064,3
Debtors: amounts falling due within one year:	89,456,302	436,554	69,019,746	59,521,
Trade debtors	367.418.914	13.484.927	353.933.987	424,825
Bills receivable	16,785,881	10,101,021	16,785,881	43,811,
		100 105 100		
Doubtful debtors	107,881,706	106,435,193	1,446,513	4,027,
Associated undertakings	11,567,988		11,567,988	35,883,
Related undertakings	45,342,703		45,342,703	
-	181		181	
Other shareholders			6,101,812	5,545,
Other shareholders Advances to trade creditors	6,101,812			
Other shareholders Advances to trade creditors Advances to fixed asset suppliers	6,101,812 33,683		33,683	
Other shareholders Advances to trade creditors	6,101,812 33,683 117,766,514		33,683 117,766,514	87,272,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers	6,101,812 33,683	24,051,900	33,683	87,272,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable	6,101,812 33,683 117,766,514 211,600,419 2,767		33,683 117,766,514 187,548,519 2,767	87,272, 122,083,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital	6,101,812 33,683 117,766,514 211,600,419	24,051,900 143,972,020	33,683 117,766,514 187,548,519	87,272, 122,083,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568	143,972,020	33,683 117,766,514 187,548,519 2,767 740,530,548	87,272, 122,083, 723,501,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Short term investments: Other negotiable instruments	6,101,812 33,683 117,766,514 21,600,419 2,767 884,502,568 29,661,583		33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134	87,272, 122,083, 723,501, 142,355,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336	87,272, 122,083, 723,501, 142,355, 237,623,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Short term investments: Other negotiable instruments Others	6,101,812 33,683 117,766,514 21,600,419 2,767 884,502,568 29,661,583	143,972,020	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134	51, 87,272, 122,083, 723,501, 142,355, 237,623, 379,979,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Short term investments: Other negotiable instruments Others Cash at bank:	6,101,812 33,663 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470	87,272, 122,083, 723,501, 142,355, 237,623, 379,979,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Short term investments: Other negotiable instruments Others Cash at bank: Bank	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638	87,272, 122,083, 723,501, 142,355, 237,623, 379,979, 267,345,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Advances to fixed asset suppliers Subscribers of capital Advances to fixed asset suppliers Su	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638 3,307,240	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470 3337,501,638 3,307,240	87,272, 122,083, 723,501, 142,355, 237,623, 379,979, 267,345, 4,309,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Short term investments: Other negotiable instruments Others Eash at bank: Bank Cash	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638	87,272, 122,083, 723,501, 142,355, 237,623, 379,979,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Cother negotiable instruments Other negotiable instruments Cothers Bank Cash CCRUED INCOME AND PREPAYMENTS	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638 3,307,240 340,808,878	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638 3,307,240 340,808,878	87,272, 122,083, 723,501, 142,355, 237,623, 379,979, 267,345, 4,309, 271,654,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Short term investments: Other negotiable instruments Others Cher and the supplements Others Cash at bank: Bank Cash Cash Cash at bank: Bank Cash	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638 3,307,240 340,808,878 242,251,724	143,972,020 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638 3,307,240 340,808,878 242,251,724	87,272, 122,083, 723,501, 142,355, 237,623, 379,979, 267,345, 4,309, 271,654, 255,722,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Cother negotiable instruments Other negotiable instruments Cothers Bank Cash CCRUED INCOME AND PREPAYMENTS	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638 3,307,240 340,808,878 242,251,724 239,751,896	143,972,020 58,449	33,683 117,766,514 117,766,514 117,766,514 117,766,514 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638 3,307,240 340,808,878 242,251,724 239,751,896	87,272, 122,083, 723,501, 142,355, 237,623, 379,979, 267,345, 4,309, 271,654, 255,722, 266,336,
Other shareholders Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital Contern investments: Other negotiable instruments Others Contern suppliers	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638 3,307,240 340,808,878 242,251,724	143,972,020 58,449 58,449	33,683 117,766,514 187,548,519 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638 3,307,240 340,808,878 242,251,724	87,272, 122,083, 723,501, 142,355, 237,623, 379,979, 267,345, 4,309, 271,654, 255,722,
Other shareholders Advances to trade creditors Advances to trade creditors Advances to fixed asset suppliers Taxes recoverable Other debtors Subscribers of capital hort term investments: Other negotiable instruments Others ash at bank: Bank Cash CCRUED INCOME AND PREPAYMENTS Accrued income	6,101,812 33,683 117,766,514 211,600,419 2,767 884,502,568 29,661,583 152,671,336 182,332,919 337,501,638 3,307,240 340,808,878 242,251,724 239,751,896	143,972,020 58,449	33,683 117,766,514 117,766,514 117,766,514 117,766,514 2,767 740,530,548 29,603,134 152,671,336 182,274,470 337,501,638 3,307,240 340,808,878 242,251,724 239,751,896	87,272 122,083 723,501 142,355 237,623 379,979 267,345 4,309 271,654 255,722 266,336

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HAREHOLDERS' FUNDS AND LIABILITIES	04.12.31	03.12.31
HAREHOLDERS' FUNDS		
Called up share capital	2,000,000,000	2,000,000,0
Own shares - nominal value	-134,178,021	-134,178,0
Own shares - premium	-10,359,577	-10,388,6
ost acquisition share of accumulated reserves of associated undertakings	14,495,764	12,964,1
levaluation reserve	64,353,847	64,353,8
ther reserves:		
Legal reserve	152,113,582	150,629,3
Other reserves	-1,596,392,257	-1,615,347,9
	490,033,338	468,032,8
Profit for the financial year	192,060,205	114,458,9
otal Shareholders' Funds	682,093,543	582,491,7
INORITY INTERESTS	527,771,715	749,664,2
IABILITIES	02.,,	1 10,00 1,2
rovisions for liabilities and charges:		
Pension Provisions	22,693,782	24,164,6
Tax Provision	345,773	664,9
Other provisions	125,001,861	124,196,3
	148,041,416	149,026,0
reditors: amounts falling due after more than one year:		
Bonds		
Non convertible	441,639,370	263,112,2
Bank loans	1,637,272,448	1,620,841,6
Trade creditors	22,432	2,2
Related undertakings	96,870,773	99,879,0
Other shareholders	1,609,173	1,343,2
Other loans	141,474,678	1,545,2
Fixed asset creditors	56,136,002	74,997,6
Taxes and contributions payable	14,056,100	10,313,1
Other creditors	658,835,943	
	3,047,916,919	602,743,8 2,864,042,0
	5,047,910,919	2,004,042,0
Creditors: amounts falling due within one year:		
Bonds	04 504 045	115 007 0
Non convertible	31,501,345	115,697,6
Bank loans and overdrafts	767,636,227	1,033,678,4
Advances on account of sales Trade creditors	865,616 898,206,106	1,048,7
		873,152,7
Accruals - invoices	164,063,849	99,035,8
Bills payable	34,093,435	31,886,9
Fixed asset suppliers - bills payable	9,959,849	8,225,6
Related undertakings	25,548,211	74,849,6
Other shareholders	361,414	31,6
Advances from trade debtors	3,436,167	4,138,8
Other loans	6,186,993	1,690,5
Fixed asset suppliers	141,032,601	83,629,7
Taxes and contributions payable (including income taxation)	101,679,672	103,528,7
Other creditors	162,169,112	141,021,7
	2,346,740,597	2,571,617,1
CCRUALS AND DEFERRED INCOME		
Accruals	445,480,206	394,490,2
Deferred income	357,250,941	363,350,9
	802,731,147	757,841,1
otal liabilities	6,345,430,079	6,342,526,3

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CHARGES				
Cost of goods sold and materials consumed:				
Goods	2,916,055,103		2,889,986,651	
Materials	742,167,802	3,658,222,905	671,463,718	3,561,450,36
External supplies and services		1,646,506,633		1,585,311,5
Staff costs:				
Wages and salaries	629,118,470		607,232,848	
Social costs:				
Pensions	2,889,761		1,788,354	
Others	194,473,138	826,481,369	184,778,034	793,799,2
Depreciation of tangible and intangible fixed assets	382,592,797		381,968,760	
Provisions	40,959,050	423,551,847	51,300,864	433,269,6
Taxes, excluding income taxes	47,988,498		42,966,385	,,.
Other operating charges	11,595,071	59,583,569	9,701,002	52,667,3
(A)	11,000,011	6,614,346,325	0,101,002	6,426,498,1
Depreciation and provisions for investments	116,233	.,,,	4,617,655	
Interest payable and similar charges:	110,200		-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Related undertakings	1,103,819		2,006,005	
Others	265,958,713	267,178,765	315,162,102	321,785,7
(C)	205,850,715	6,881,525,090	515,102,102	6,748,283,9
			_	3,792,4
Losses relating to associated undertakings		557,211 101,573,502		180,288,1
Extraordinary charges	_		_	
(E)		6,983,655,803		6,932,364,4
Income taxation:	44.050.440		10.011.015	
Current tax	41,259,116	50 544 000	42,644,345	40.000.0
Deferred tax	15,285,574	56,544,690	5,956,322	48,600,6
(G)	_	7,040,200,493	_	6,980,965,1
Profit attributable to minority interests		77,797,721		150,516,24
Profit for the financial year		192,060,205	_	114,458,9
		7,310,058,417		7,245,940,30
INCOME				
Sales:				
Goods	3,766,956,483		3,672,821,447	
Products	1,631,992,758		1,408,318,443	
Services rendered	1,235,043,902	6,633,993,143	1,178,575,825	6,259,715,7
Change in stocks of finished goods and in work in progress		-8,851,856		6,331,0
Own work capitalised		95,377,963		76,230,4
Supplementary income	228,490,062		263,746,835	
Trading subsidies	863,667		1,168,228	
Other operating income	19,613,885	248,967,614	22,547,060	287,462,12
(B)		6,969,486,864		6,629,739,3
Dividend income:				
Others	11,802,400		10,159,677	
Investment income:				
Related undertakings	356,165		5,561,533	
Others	8,432,045		13,383,555	
Other interest received and similar income:	0,102,010		. 1, 300,000	
Related undertakings	9,385,350		10,292,069	
Others	70,153,152	100,129,112	53,589,048	92,985,8
(D)	10,100,102	7,069,615,976	00,000,040	6,722,725,2
Share of profits of associated undertakings		16,312,274		12,157,5
		224,130,167		511,057,5
Extraordinary income				511,057,5
(F)		7,310,058,417		7,245,940,3
SUMMARY:		055 440 541		000.04
Operating profit: (B) - (A) = $(B) + (B) $		355,140,541		203,241,1
Net financial charges: [(D) - (B)] - [(C) - (A)] =		-167,049,653		-228,799,8
Profit on ordinary activities: (D) - (C) =		188,090,888		-25,558,7
Profit before taxation: (F) - (E) =		326,402,616		313,575,8
Profit for the financial year before minority interests: (F) - (G) =		269,857,926		264,975,1

CONSOLIDATED PROFIT AND LOSS STATEMEN FOR THE YEAR ENDED 31 DECEMBER 2004	IT BY FUNCTIONS	
		euro
	04.12.31	03.12.31
Sales and services rendered	6,633,993,143	6,259,715,715
Cost of goods sold and services rendered	-5,231,489,767	-5,069,217,208
GROSS MARGIN	1,402,503,376	1,190,498,507
Other operating income	338,430,498	353,411,422
Distribution charges	-879,716,736	-870,086,963
Administrative charges	-334,532,967	-290,338,141
Other operating charges	-200,950,720	-207,859,814
OPERATING PROFIT	325,733,451	175,625,011
Net financial charges	-144,973,813	-201,296,362
Gains/(losses) relating to related undertakings	121,901,869	413,718,484
Gains/(losses) relating to other undertakings	6,591,347	-314,643
Exceptional items	17,149,762	-74,156,669
PROFIT BEFORE INCOME TAX AND EXTRAORDINARY ITEMS	326,402,616	313,575,821
Income tax (excluding tax on extraordinary items)	-56,544,690	-48,600,667
PROFIT AFTER INCOME TAX BUT BEFORE EXTRAORDINARY ITEMS	269,857,926	264,975,154
Profit attributable to minority interests	77,797,721	150,516,240
Results of operations in downsizing		
Income tax on extraordinary items		
PROFIT FOR THE FINANCIAL YEAR	192,060,205	114,458,914
EARNINGS PER SHARE	0.10	0.06

CONSOLIDATED PROFIT AND LOSS STATEMENT BY FUNCTIONS

Notes to the Consolidated Financial Statements 2004 REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A.

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REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A. | 79

Notes to the Consolidated Financial Statements

NOTE 0 - PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Portuguese accounting principles, consolidation methods and rules, as required by the Official Chart of Accounts and taking into account changes introduced by Decree-Law nr. 238/91, of 2 July 1991.

A summary of the more important group accounting policies, used in the preparation of these consolidated financial statements, is set out below:

(A) BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of tangible fixed assets, which include successive legal revaluations as well as market revaluations, as explained in note 41.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the company and all its affiliated undertakings. The results of affiliated undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Consolidation adjustments are made, where necessary, to conform to the Group's accounting policies. Inter-group balances, transactions and profits are eliminated.

(C) FIXED ASSETS INVESTMENTS

Investments in affiliated undertakings not consolidated in accordance with art. 4 of Decree- Law nr. 238/91 and in other undertakings are stated at cost.

Undertakings in which the Group has holdings between 20% and 50% and is able to exercise significant influence are accounted for as associated undertakings using the equity method. The group's share of

profits and losses for the year of associated undertakings is included in the consolidated profit and loss account in the captions "share of profits and losses in associated undertakings". The group's share of their net assets is included in the consolidated balance sheet in the caption "Investments - shares in related (including associated) undertakings". Where the amounts involved are significant, consolidation adjustments are made to conform to the group's accounting policies. Balances, transactions and profits with associated undertakings are eliminated proportionally on consolidation.

(D) SHORT TERM INVESTMENTS

Short-term investments are stated at cost including related purchase expenses. If the market value of the short term investments is lower than acquisition cost and the difference is estimated to be permanent, a provision is set up.

(E) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase cost (including costs of acquisition) or valuation. Valuations are either calculated using general purchasing indices allowed by Portuguese fiscal legislation or are based on independent market valuations, as explained in note 41.

Investment grants received or receivable that relate to specific assets are treated as deferred income, which is then credited to the profit and loss account over the useful life of the related asset. Non-specific grants are credited to the profit and loss account when received.

(F) DEPRECIATION

Depreciation is calculated on a straight-line monthly basis over the expected useful lives of the related assets. The principal annual rates used are:

	%
Buildings	2
Plant and machinery	6.6 - 10
Vehicles	20
Fixtures and fittings	10
Intangible assets	20

(G) PATENTS AND OTHER SIMILAR RIGHTS

Patents and other similar rights with definite useful life are stated at cost and amortised over the lower of the useful life and the duration of the contract of related assets. Brands acquired with undefinite useful life are not amortised, but their net realisable value is periodically assessed.

(H) PREMIUMS PAID FOR PROPERTY OCCUPATION RIGHTS

Premiums paid for property occupation rights represent the excess of the fair value of the consideration given over the fair value of the net assets acquired and are amortised between five and twelve years.

(I) GOODWILL ARISING ON CONSOLIDATION

Goodwill on consolidation is calculated at the date of acquisition of investments in related and associated undertakings, as the difference between the consideration paid and the value attributable to the net assets acquired. Goodwill is then written-off against "Other Reserves".

(J) CAPITALISATION OF INTEREST EXPENSE

Interest expense directly related to specific assets is capitalised until the respective assets become operational and amortised according to rates defined in paragraph F) above.

(K) START-UP, RESEARCH AND DEVELOPMENT COSTS

Start-up, research and development costs directly related to specific commercial projects are capitalised provided that estimated future income exceeds costs already incurred including future production, distribution and administrative costs. The costs capitalised are written off over a period of 5 years.

Costs incurred before the opening of each new store are disclosed under the caption Start-up Costs, provided that they exceed related income.

(L) STOCKS

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis using the following methods:

RAW MATERIALS AND GOODS FOR RESALE

· Average purchase cost including transport and handling;

WORK IN PROGRESS AND FINISHED GOODS

- All costs relating to work in progress;
- · All direct expenditures and an allocation of production overheads based on normal levels of activity;

CONSUMER GOODS

· Average purchase cost.

(M) ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign affiliated undertakings are translated to the functional currency of the affiliated undertakings using year end market rates.

Where foreign currency balances at the year end are covered by forward exchange contracts the contract rate is used for currency conversion.

Assets and liabilities of foreign affiliated undertakings are translated at year end market rates. The statements of profit and loss of foreign affiliated undertakings are translated at the average exchange rate for the year. Exchange differences arising on the translation of opening net investments in foreign affiliated undertakings are taken to "Other reserves".

The exchange rates used to translate the financial statements of foreign affiliated undertakings to Euro are set out in note 24.

(N) MINORITY INTERESTS

The proportion of shareholders' funds held by third parties in affiliated undertakings included on consolidation is shown as minority interests in the consolidated balance sheet.

The share of the results for the year that relate to third party participation are shown as profit attributable to minority interests and are deducted from the Group's results.

(O) INCOME TAX

Income tax for the period is based on the taxable income of each individual company calculated in accordance with Portuguese Tax Regulations. Deferred taxes are accounted for when material.

Deferred taxes, when material, are calculated using the balance sheet method based on temporary differences, being differences between the carrying value of an asset or liability and the amount attributed to it for tax purposes.

Deferred tax assets and liabilities are calculated and annually revalued using tax rates that have been enacted or substantively enacted and therefore expected to apply in the periods when the temporary differences are expected to revert.

Deferred tax assets arising from tax losses carried forward are only recorded if there is a reasonable expectation that taxable profits will be generated in the future that are sufficient to use existing tax losses.

(P) LEASING

Leased assets and their corresponding liabilities are included in the balance sheet in accordance with Portuguese accounting standard nr 25.

(Q) PROVISIONS

Provisions are made whenever an estimated loss is expected to arise.

The Portuguese Official Chart of Accounts requires the inclusion of a standardised set of notes to the accounts with a predefined numbering system. In these consolidated financial statements only the notes that are applicable are included, although the standard numbering has been retained. As a result the following numbers are not used:

- Note 5. Companies accounted for by the proportional method
- Note 8. Circumstances in which consolidated accounting principles are not appropriate
- Note 9. Exceptions to normal accounting principles applied to the consolidation financial statements
- Note 12. Consolidation adjustments not made as considered insignificant
- Note 13. Events occurring after the date of the financial statements
- Note 15. Use of accounting policies or valuation methods different from those defined for consolidation
- Note 16. Exceptional adjustments made exclusively for tax purposes
- Note 17. Goodwill on consolidation being depreciated over more than five years
- Note 19. Significant differences between accounting and market values of current assets
- Note 20. Use of accounting policies and valuation methods by associated undertakings different from those used on consolidation
- Note 21. Financial commitments not included in the consolidated balance sheet
- Note 25. Start-up, Research and Development costs
- Note 26. Depreciation over more than five years of premiums paid for property occupation rights
- Note 29. Extraordinary depreciation and provisions made exclusively for tax purposes
- Note 30. Differences between cost of current assets and related market values
- Note 31. Current asset values below the lower of cost and market value
- Note 32. Extraordinary provisions in relation to current assets
- Note 35. Differences between amounts owing and corresponding amounts received
- Note 37. Effect on results for the year of the use of valuation methods in order to obtain fiscal advantages
- Note 40. Advances and loans guaranteed to members of the boards of the holding company
- Note 43. Comments on contents of the accounts which are not comparable with previous years
- Note 48. Bills receivable or payable not shown as such in the consolidated balance sheet
- Note 49. Other information required by law

I - INFORMATION IN RESPECT OF COMPANIES INCLUDED IN OR EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	% Capital Held									
COMPAN	IY	Legal Reason for		04.1	04.12.31 03		2.31			
		Inclusion	Registered Office	Direct	Total	Direct	Total			
SONAE	SGPS, S.A.	HOLDING	MAIA	HOLDING	HOLDING	HOLDING	HOLDING			
Sonae Ir	dústria									
Agloma - S Aglomera	Sociedade Industrial de Madeira da, S.A.	a)	Oliveira do Hospital	100.00%	89.90%	100.00%	90.53%			
Agloma Fi	nancial Investments, S.A.	a)	Cayman Islands	100.00%	89.90%	100.00%	90.53%			
Cia. De In	dustrias y Negocios, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%			
Ecociclo -	Energia e Ambiente, S.A.	a)	Matosinhos	100.00%	97.02%	100.00%	95.87%			
Euro Deco	rative Boards Ltd.	a)	Peterlee (U.K.)	100.00%	89.90%	100.00%	90.53%			
Euromega	ntic Lteé.	a)	Quebec (Canada)	100.00%	89.90%	100.00%	90.53%			
Euroresina	as - Indústrias Químicas, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87%			
Explotacio Servicios,	nes Comerciales, Industriales y de S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%			
Explotacio	nes Madereras Catalanas, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%			
Glunz AG		a)	Hamm (Germany)	99.12%	89.11%	98.17%	88.87%			
Gollin Gm	Н	a)	Bad Oeynhausen (Germany)	90.00%	80.20%	90.00%	79.98%			
14) IPAPER -	Indústria de Papéis Impregnados, S.A.	a)	Maia	100.00%	65.89%	100.00%	95.87			
13) Isoroy Cha	atellerault, S.A.	a)	Labruguière (France)	100.00%	89.90%	100.00%	90.53			
13) Isoroy Diff	usion SNC	a)	Alfortville (France)	100.00%	89.90%	100.00%	90.53			
13) Isoroy Le	Creusot, SAS	a)	Torcy (France)	100.00%	89.90%	99.99%	90.53			
13) Isoroy Par	ineaux de Fibres S.A.	a)	St. Dizier (France)	100.00%	89.90%	99.99%	90.539			
Isoroy SAS	3	a)	Boulogne (France)	100.00%	89.90%	100.00%	90.539			
13) Isoroy Tra	nsformation S.A.	a)	St. Dizier (France)	100.00%	89.90%	99.99%	90.529			
Maiequipa	- Gestão Florestal, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.879			
Manipulac	iones Florestales, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.539			
Megantic I	3V	a)	Amsterdam (Netherlands)	100.00%	89.90%	100.00%	90.539			
Movelparte Mobiliário,	es - Componentes para a Indústria do S.A.	a)	Paredes	100.00%	97.02%	100.00%	95.879			
Novobord	(Pty) Ltd.	a)	Rosebank (South Africa)	100.00%	89.90%	100.00%	90.53			
15) Poliface - Construçã	Componentes e Sist. para Mob. e o, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87			
Racionaliz	ación y Manufacturas Florestales, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53			
Resoflex -	Mobiliário e Equipamentos de Gestão, S.A.	a)	Vila de Conde	100.00%	97.02%	100.00%	95.87			
SCS Behe	er, BV	a)	Amsterdam (Netherlands)	100.00%	89.90%	100.00%	90.539			
Siaf - Soci Florestais,	edade de Iniciativa e Aproveitamentos S.A.	a)	Mangualde	100.00%	89.90%	100.00%	90.53			
Soc. de In Energias,	iciativa e Aproveitamentos Florestais - S.A.	a)	Mangualde	100.00%	89.91%	100.00%	90.54			
Socelpac -	SGPS, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87			
13) Sociétè Ci	vile Bois de la Duchesse	a)	Auxerre (France)	100.00%	89.90%	100.00%	90.539			

				% Capital Held				
	COMPANY	Legal Reason for		04.12	.31	03.12	.31	
		Inclusion	Registered Office	Direct	Total	Direct	Total	
13)	Sociétè Civile de Chamouilley	a)	St. Dizier (France)	100.00%	89.90%	100.00%	90.53%	
13)	Sociétè Civile de la Route de Caen	a)	Saint-Pierre (France)	100.00%	89.90%	100.00%	90.53%	
13)	Societe des Panneaux Isoroy S.A.	a)	Ussel (France)	100.00%	89.90%	100.00%	90.53%	
	Somit - Imobiliária, S.A.	a)	Oliveira do Hospital	100.00%	89.90%	100.00%	90.53%	
	Sonae 4P, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%	
12)	Sonae Indústria - Produção e Comercialização de Derivados de Madeira, S.A.	a)	Águeda	100.00%	90.10%	100.00%	90.53%	
	Sonae Indústria - SGPS, S.A.	a)	Maia	97.02%	97.02%	95.87%	95.87%	
16)	Sonae Indústria Consultadoria e Gestão, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87%	
	Sonae Indústria de Revestimentos, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87%	
	Sonae Novobord (Pty) Ltda.	a)	Woodnead (South Africa)	100.00%	89.90%	100.00%	90.53%	
	Sonae Serviços de Gestão, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87%	
16)	Sonae Tafibra - Gestão Comercial, S.A.	a)	Maia	100.00%	97.02%	100.00%	95.87%	
	Sonae Tafibra (UK) Ltd.	a)	Hants (U.K.)	100.00%	89.90%	100.00%	90.53%	
	Sonae Tafibra Benelux, BV	a)	Woerden (Netherlands)	100.00%	89.90%	100.00%	88.87%	
	Sonae UK, Limited	a)	London (U.K.)	100.00%	89.90%	100.00%	90.53%	
	Spanboard Products Ltd	a)	Belfast (U.K.)	100.00%	89.90%	100.00%	90.53%	
	Tableros de Fibras, S.A.	a)	Madrid (Spain)	92.66%	89.90%	94.42%	90.53%	
	Tableros Tradema, S.L.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%	
	Tafiber, Tableros de Fibras Ibéricas, S.L.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%	
	Tafibra - Tableros Aglomerados y de Fibras, A.I.E.	a)	Madrid (Spain)	100.00%	89.91%	100.00%	90.53%	
	Tafibra South Africa (Pty), Limited	a)	África do Sul	100.00%	89.90%	100.00%	90.53%	
	Tafibras Participações, S.A.	a)	Curitiba (Brazil)	53.99%	48.53%	53.99%	48.87%	
	Tafisa Brasil, S.A.	a)	Curitiba (Brazil)	100.00%	56.39%	100.00%	56.79%	
	Tafisa Canadá Societé en Commandite	a)	Quebec (Canada)	100.00%	89.90%	67.23%	60.86%	
	Tafisa France, S.A.	a)	Paris (France)	99.99%	89.90%	99.99%	90.53%	
	Tafisa U.K.Ltd.	a)	Petrelee (U.K.)	100.00%	89.90%	100.00%	90.539	
	Taiber, Tableros Aglomerados Ibéricos, S.L.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53%	
	Tavapan, S.A.	a)	Tavannes (Suiça)	100.00%	89.11%	100.00%	88.87%	
	Tecnologias del Medio Ambiente, S.A.	a)	Barcelona (Spain)	100.00%	89.90%	100.00%	90.53%	
	Tool, GMBH	a)	Germany	100.00%	89.11%	100.00%	88.87%	
	Modelo Continente							
	Best Offer - Prestações de Informações pela Internet, S.A.	a)	Maia	100.00%	98.06%	100.00%	75.68%	
	Bikini, Portal de Mulheres, S.A.	a)	Maia	100.00%	98.06%	100.00%	75.68%	
	Cacetinho - Grandes Armazéns, S.A.	a)	Matosinhos	100.00%	98.06%	100.00%	75.689	
	Carnes do Continente - Ind. e Distribuição de Carnes, S.A.	a)	Matosinhos	100.00%	98.06%	100.00%	75.68%	
2)	CESS - Informática, Ltda.	a)	São Leopoldo (Brazil)	100.00%	98.06%	-		
	Chão Verde - Sociedade Gestora Imobiliária, S.A.	a)	Maia	100.00%	98.06%	100.00%	75.68%	
	Citorres - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	98.06%	100.00%	75.68%	
	Contibomba - Comércio e Distribuição de Combustíveis, S.A.	a)	Matosinhos	100.00%	98.06%	100.00%	75.689	
	Contifin., S.G.P.S., S.A.	a)	Matosinhos	100.00%	98.06%	100.00%	75.68%	
	Contimobe - Imobiliária de Castelo de Paiva, S.A.	a)	Castelo de Paiva	100.00%	98.06%	100.00%	75.68%	
	Difusão - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	98.06%	100.00%	75.68%	
	Distrifin - Comercio e Prestacion de Servicios, S.A.	a)	Madrid (Spain)	100.00%	98.06%	100.00%	75.68%	

% Capital Held							
COMPANY Reason for 04.12.31	03.12	2.31					
Inclusion Registered Office Direct Total	Direct	Total					
Efanor - Indústria de Fios, S.A. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
Efanor Design e Serviços, S.A. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
Estevão Neves - Hipermercados da Madeira. S.A. a) Madeira 100.00% 98.06		38.60%					
Fozimo - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		75.68%					
Fozmassimo - Com. e Ind. de Produtos Alimentares, S.A. a) Matosinhos 100.00% 98.06		75.68%					
Global S - Hipermercado, Lda. a) Matosinhos 100.00% 98.06		75.68%					
IGI - Investimento Imobiliário, S.A. a) Porto 100.00% 98.06		75.68%					
Igimo - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		75.68%					
Iginha - Sociedade Imobiliária, S.A. a) Matosinhos 100.00% 98.06		75.68%					
Imoconti - Sociedade Imobiliária, S.A. a) Matosinhos 100.00% 98.06		75.68%					
Imoestrutura - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		75.68%					
Imomuro - Sociedade Imobiliária, S.A. a) Matosinhos 100.00% 98.06		75.68%					
Imoponte - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		75.68%					
Imoresultado - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		75.68%					
Imosistema - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		75.68%					
Infofield - Informática, S.A. a) Maia 100.00% 98.06		75.68%					
Informeios - Projectos e Representações, S.A. a) Lisboa 100.00% 98.06		75.68%					
Inventory - Acessórios de Casa, S.A. a) Maia 100.00% 98.06		75.68%					
Max Office - Artigos e Serviços para Escritórios, S.A. a) Maia 100.00% 98.06		75.68%					
Modalfa - Comércio e Serviços, S.A. a) Maia 100.00% 98.06		75.68%					
Modelo - Distribuição de Materiais de Construção, S.A. b) Maia 50.00% 49.03		37.84%					
Modelo - Sociedade Gestora de Participações Sociais, S.A.a)Maia100.00%98.06		75.68%					
Modelo Continente - Operações de Retalho, SGPS, S.A. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
Modelo Continente Hipermercados, S.A. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
3) Modelo Continente, S.G.P.S, S.A. a) Matosinhos 98.06% 98.06	6 75.68%	75.68%					
Modelo Hiper Imobiliária, S.A. a) Maia 100.00% 98.06	6 100.00%	75.68%					
Modelo Investimentos (Brasil), Ltda. a) São Paulo (Brazil) 100.00% 98.06	6 100.00%	75.68%					
Modelo.Com - Vendas por Correspondência, S.A. a) Maia 100.00% 98.06	6 100.00%	75.68%					
Modis Distribuição Centralizada, S.A. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
Modis International Trading, S.A. a) Madrid (Spain) 100.00% 98.06	6 100.00%	75.68%					
Modis, S.G.P.S., Lda. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
OK Bazar - Comércio Geral, S.A. a) Ermesinde 100.00% 98.06	% 100.00%	75.68%					
Predicomercial - Promoção Imobiliária, S.A. a) Maia 100.00% 98.06	6 100.00%	75.68%					
1) Sempre à Mão - Sociedade Imobiliária, S.A. a) Maia 100.00% 98.06		-					
Sesagest - Projectos e Gestão Imobiliária, S.A. a) Porto 100.00% 98.06	% 100.00%	75.68%					
Socijofra - Sociedade Imobiliária, S.A. a) Gondomar 100.00% 98.06	% 100.00%	75.68%					
Sociloures - Sociedade Imobiliária, S.A. a) Matosinhos 100.00% 98.06	6 100.00%	75.68%					
Soflorin BV a) Amsterdam (Netherlands) 100.00% 98.06	6 100.00%	75.68%					
Sonae Distribuição Brasil, S.A. a) Porto Alegre (Brazil) 96.56% 94.68	6 94.78%	71.73%					
Sonae Retalho Espana - Servicios Generales, S.A. a) Madrid (Spain) 100.00% 98.06	6 100.00%	75.68%					
Sondis BV a) Linne (Netherlands) 100.00% 98.06	% 100.00%	75.68%					
Sondis Imobiliária, S.A. a) Maia 100.00% 98.06	6 100.00%	75.68%					
Sontária - Empreendimentos Imobiliários, S.A. a) Maia 100.00% 98.06	6 100.00%	75.68%					
Sonvecap, BV a) Amsterdam (Netherlands) 100.00% 98.06	6 100.00%	75.68%					
Sport Zone - Comércio de Artigos de Desporto, S.A. a) Vila Nova Famalicão 100.00% 98.06	6 100.00%	75.68%					

COMPANY Legal bit						% Capita	al Held	
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Connectails, S.A. Number of a second se		SRE - Projectos e Consultoria, S.A.	a)	Maia	100.00%	98.06%	100.00%	75.68%
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Sonae Induitiona Naia 100.00% 33.69% Algarveshoping - Empreendimentos imobiliários, S.A. a) Maira (Spain) 60.00% 40.22% 60.00% 40.22% Calsigere, S.G. P.S., S.A. a) Lisboa 100.00% 33.59% 100.00% 33.59% Centerstation - Inobiliária, S.A. a) Maira 100.00% 67.04% 100.00% 43.58% Connercial S.J. Auvier Shopping, S.A. a) Madrid (Spain) 65.00% 43.58% 65.00% 43.58% Consultion de Centros Comercials, S.A. a) Madrid (Spain) 100.00% 67.04% 100.00% 67.04% D. Pedro I, S.A.R.L. a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% D. Pedro I, S.A.R.L. a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Galarastestopping - Empreendimentos Imobiliários, S.A. a) Mala 100.00% 67.04% 100.00% 67.04% Galarastestopping - Empreendimentos Imobiliários, S.A. a) Mala 100.00% <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>								
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Centro Retail Park - Parques Comerciais, S.A. a) Maia 50.00% 33.52% 50.00% 33.52% Comercial de Pinto Shopping, S.A. a) Madrid (Spain) 66.00% 43.58% 65.00% 43.58% Consultoria de Centros Comerciales, S.A. a) Madrid (Spain) 100.00% 67.04% 100.00% 67.04% D. Pedro II, S.A.R.L. a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Dateronia - Sestão de Centros Comerciais, S.A. a) Mala 100.00% 67.04% 100.00% 67.04% Call Park S.A. a) Mala 100.00% 67.04% 100.00% 67.04% Call Park S.A. a) Malai 100.00% 67.04% 100.00% 67.04% Centros Conn, S.A. a) Matosinhos 100.00% 67.04% 100.00% 67.04% Imobrail I.BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imobrail I.BV a) Amsterdam (Netherlands) 100.00% 67.04% </td <td></td> <td>Caisgere, S.G.P.S., S.A.</td> <td>a)</td> <td>Lisboa</td> <td>100.00%</td> <td>33.59%</td> <td>100.00%</td> <td>33.59%</td>		Caisgere, S.G.P.S., S.A.	a)	Lisboa	100.00%	33.59%	100.00%	33.59%
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Have Fun - Prest. Serv. de Com., Marketing e Pub. a centros Com., S.A. a) Matosinhos 100.00% 67.04% 100.00% 67.04% Imo R - Companhia Imobiliária, S.A. b) Porto 100.00% 67.04% 100.00% 67.04% Imobrasil I, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imobrazil II BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imobrazil II BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imocomstruction, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imocontrol, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imogermany, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imotrail II BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imotrail II BV a) Amsterdam (Netherlands) <td></td> <td>Gal Park S.A.</td> <td>a)</td> <td>Maia</td> <td>75.00%</td> <td>50.28%</td> <td>75.00%</td> <td>50.28%</td>		Gal Park S.A.	a)	Maia	75.00%	50.28%	75.00%	50.28%
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Imobrazil III BV a) Amsterdam (Netherlands) 100.00% 67.04% Imocolombo Investments, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imocolombo Investments, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imocontrol, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imocontrol, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imogermany, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imograedium, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imospain III, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imospain IX, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% 67.04% Imospain IV, BV a) Amsterdam (Netherlands) 100.00% 67.04% 100.00% </td <td></td> <td>Imobrasil I, BV</td> <td>a)</td> <td>Amsterdam (Netherlands)</td> <td>100.00%</td> <td>67.04%</td> <td>100.00%</td> <td>67.04%</td>		Imobrasil I, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
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Imospain VIII, BVa)Amsterdam (Netherlands)100.00%67.04%100.00%67.04%Imospain, BVa)Amsterdam (Netherlands)100.00%67.04%100.00%67.04%Imovalue, BVa)Amsterdam (Netherlands)100.00%67.04%100.00%67.04%LouresShopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%67.04%100.00%67.04%Madeirashopping - Sociedade de Centros Comerciais, S.A.a)Funchal50.00%16.79%50.00%16.79%Maiashopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%67.04%100.00%33.59%Norteshopping - Gestão de Centro Comercial, S.A.a)Porto100.00%67.04%100.00%67.04%Omala - Imobiliária e Gestão, S.A.a)Porto100.00%33.59%100.00%33.59%OMNE - Sociedade Gestora de Participações a)Maia50.00%16.79%50.00%16.79%		Imospain V, BV	a)	Amsterdam (Netherlands)	100.00%	33.59%	100.00%	33.59%
Imospain, BVa)Amsterdam (Netherlands)100.00%67.04%100.00%67.04%Imovalue, BVa)Amsterdam (Netherlands)100.00%67.04%100.00%67.04%LouresShopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%67.04%100.00%67.04%Madeirashopping - Sociedade de Centros Comerciais, S.A.a)Funchal50.00%16.79%50.00%16.79%Maiashopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%33.59%100.00%33.59%Norteshopping - Gestão de Centro Comercial, S.A.a)Porto100.00%67.04%100.00%67.04%Omala - Imobiliária e Gestão, S.A.a)Porto100.00%33.59%100.00%33.59%OMNE - Sociedade Gestora de Participações a)Maia50.00%16.79%50.00%16.79%		Imospain VII, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Imovalue, BVa)Amsterdam (Netherlands)100.00%67.04%100.00%67.04%LouresShopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%67.04%100.00%67.04%Madeirashopping - Sociedade de Centros Comerciais, S.A.a)Funchal50.00%16.79%50.00%16.79%Maiashopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%33.59%100.00%33.59%Norteshopping - Gestão de Centro Comercial, S.A.a)Porto100.00%67.04%100.00%67.04%Omala - Imobiliária e Gestão, S.A.a)Porto100.00%33.59%100.00%33.59%OMNE - Sociedade Gestora de Participações a)Maia50.00%16.79%50.00%16.79%		Imospain VIII, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
LouresShopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%67.04%100.00%67.04%Madeirashopping - Sociedade de Centros Comerciais, S.A.a)Funchal50.00%16.79%50.00%16.79%Maiashopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%33.59%100.00%33.59%Norteshopping - Gestão de Centro Comercial, S.A.a)Porto100.00%67.04%100.00%67.04%Omala - Imobiliária e Gestão, S.A.a)Porto100.00%33.59%100.00%33.59%OMNE - Sociedade Gestora de Participações a)Maia50.00%16.79%50.00%16.79%		Imospain, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Madeirashopping - Sociedade de Centros Comerciais, S.A.a)Funchal50.00%16.79%50.00%16.79%Maiashopping - Empreendimentos Imobiliários, S.A.a)Maia100.00%33.59%100.00%33.59%Norteshopping - Gestão de Centro Comercial, S.A.a)Porto100.00%67.04%100.00%67.04%Omala - Imobiliária e Gestão, S.A.a)Porto100.00%33.59%100.00%33.59%OMNE - Sociedade Gestora de Participações a)Aaia50.00%16.79%50.00%16.79%		Imovalue, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
Comerciais, S.A. a) Functiai 50.00% 16.79% 50.00% 18.79% Maiashopping - Empreendimentos Imobiliários, S.A. a) Maia 100.00% 33.59% 100.00% 33.59% Norteshopping - Gestão de Centro Comercial, S.A. a) Porto 100.00% 67.04% 100.00% 67.04% Omala - Imobiliária e Gestão, S.A. a) Porto 100.00% 33.59% 100.00% 33.59% OMNE - Sociedade Gestora de Participações a) Maia 50.00% 16.79% 50.00% 16.79%		LouresShopping - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
Norteshopping - Gestão de Centro Comercial, S.A.a)Porto100.00%67.04%100.00%67.04%Omala - Imobiliária e Gestão, S.A.a)Porto100.00%33.59%100.00%33.59%OMNE - Sociedade Gestora de Participaçõesa)Maia50.00%16.79%50.00%16.79%			a)	Funchal	50.00%	16.79%	50.00%	16.79%
Omala - Imobiliária e Gestão, S.A. a) Porto 100.00% 33.59% 100.00% 33.59% OMNE - Sociedade Gestora de Participações a) Maia 50.00% 16.79% 50.00% 16.79%		Maiashopping - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	33.59%	100.00%	33.59%
OMNE - Sociedade Gestora de Participações a) Maia 50.00% 16.79% 50.00% 16.79%		Norteshopping - Gestão de Centro Comercial, S.A.	a)	Porto	100.00%	67.04%	100.00%	67.04%
		Omala - Imobiliária e Gestão, S.A.	a)	Porto	100.00%	33.59%	100.00%	33.59%
			a)	Maia	50.00%	16.79%	50.00%	16.79%

					% Capit	al Held	
	COMPANY	Legal Reason for		04.12	.31	03.12	.31
		Inclusion	Registered Office	Direct	Total	Direct	Total
	Pa Zehnte Beteilisungsverwaltungs, GmbH	a)	Austria	100.00%	67.04%	100.00%	67.04%
	Paracentro - Plan. Com. e Gestão de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Parque Dom Pedro Shopping, S.A.	a)	São Paulo (Brazil)	95.80%	65.63%	95.80%	64.22%
17)	Parque Jóquei - Empreendimentos Comerciais, Ltda.	a)	São Paulo (Brazil)	100.00%	67.03%	99.99%	67.03%
([']	Parque Seixal - Empreeendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
, í	Pátio Boavista Shopping, Ltda.	a)	São Paulo (Brazil)	95.10%	65.40%	99.99%	67.03%
	Patio Penha Shopping, Ltda.	a)	Brazil	100.00%	67.04%	100.00%	67.04%
	Plaza Mayor - Parque de Ocio, S.A.	a)	Madrid (Spain)	100.00%	33.59%	100.00%	33.59%
	Prediguarda - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Pridelease Investments, Ltd.	b)	Cascais	100.00%	67.04%	100.00%	67.04%
	Proyecto Shopping 2001, S.A.	a)	Madrid (Spain)	65.00%	43.58%	65.00%	43.58%
	RPU, SGPS, S.A.	a)	Maia	100.00%	33.59%	100.00%	33.59%
	Rule, S.G.P.S., S.A.	a)	Maia	100.00%	33.59%	100.00%	33.59%
	SM - Empreendimentos Imobiliários, S.A.	a)	Lisboa	50.00%	16.79%	50.00%	16.79%
	Sonae Germany, Gmbh	a)	Dusseldorf (Germany)	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária - Asset Management, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária - Gestão, S.A.	a)	Lisboa	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Assets, SGPS, S.A.	a)	Porto	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Brasil S.A.R.L.	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Brasil, Ltda.	a)	Brasil	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Desarrollo, S.L.	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Development II, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Development, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliaria European Real Estate Assets	,					
	Holdings BV	a)	Amsterdam (Netherlands)	50.10%	33.59%	50.10%	33.59%
	Sonae Imobiliária III - Serviços de Apoio a Empresas, S.A.	,	Maia	100.00%	67.04%	100.00%	67.04%
	Sonae Imobiliária Property & Management, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
21)	Sonae Sierra, S.G.P.S, S.A.	a)	Maia	67.04%	67.04%	67.04%	67.04%
	Sonae Projekt Berlin, GmbH	a)	Dusseldorf (Germany)	51.00%	34.19%	100.00%	67.04%
	Sonae West Shopping, AG	a)	Germany	100.00%	67.04%	95.00%	63.69%
	Sonaeimo, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Transalproject 2000, S.R.L.	b)	Sondrio (Italy)	50.00%	33.52%	50.00%	33.52%
	Vilalambert - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	SonaeCom						
	Clixgest - Internet e Conteúdos, S.A.	a)	Matosinhos	56.67%	46.73%	56.67%	46.92%
	Digitmarket - Sistemas de Informação, S.A.	a)	Maia	75.10%	61.93%	75.10%	62.18%
7)	Douro - Centro de Produções Artísticas, Lda.	a)	Matosinhos	100.00%	82.46%	100.00%	82.79%
	Enabler - Informática, S.A.	a)	Maia	100.00%	54.63%	100.00%	54.64%
6)	Enabler & Retail Consult, Gmbh	a)	Germany	99.00%	54.08%	-	-
	Enabler Brasil, Ltda.	a)	Curitiba (Brazil)	99.00%	54.08%	99.99%	54.64%
	Enabler UK, Ltd.	a)	U.K.	82.50%	45.07%	80.00%	43.71%
	Exit Travel - Agência de Viagens, Turismo e Lazer Online, S.A.	a)	Maia	100.00%	86.32%	100.00%	83.74%
2)	Jaua, S.G.P.S., S.A.	a)	Lisboa	100.00%	46.73%	-	_
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					% Capit	al Held	
	COMPANY	Legal Reason for		04.12		03.12	
		Inclusion	Registered Office	Direct	Total	Direct	Total
2)	KPNQwest Portugal - Telecomunicações, Lda.	a)	Lisboa	100.00%	46.73%	-	
	M3G - Edições Digitais, S.A.	a)	Lisboa	100.00%	82.46%	100.00%	82.79%
	Mainroad - Serviços em Tecnologias de Informação, S.A.	a)	Maia	100.00%	46.73%	100.00%	46.92%
	Miauger - Organização e Gestão de Leilões Electrónicos, S.A.	a)	Maia	100.00%	82.46%	100.00%	82.79%
2)	Noriema, S.G.P.S., S.A.	a)	Lisboa	100.00%	46.73%	-	
	Novis Telecom, S.A.	a)	Maia	56.67%	46.73%	56.67%	46.92%
	Optimus Telecomunicações, S.A.	b)	Maia	46.29%	38.17%	46.29%	38.33%
8)	Optimus Towering - Gestão de Torres de Telecomunicações, S.A.	a)	Matosinhos	100.00%	38.17%	100.00%	38.32%
	Per - Mar - Sociedade de Construções, S.A.	a)	Loures	100.00%	38.17%	100.00%	38.33%
7)	Portais Verticais.com, S.G.P.S.,S.A.	a)	Lisboa	100.00%	82.46%	100.00%	82.79%
	Público - Comunicação Social, S.A.	a)	Matosinhos	99.99%	82.46%	99.99%	82.79%
	Publico.pt - Serviços Digitais Multimedia, S.A.	a)	Porto	100.00%	82.46%	100.00%	82.79%
	Retailbox BV	a)	Amsterdam (Netherlands)	70.00%	56.15%	66.00%	54.64%
	Sonae Matrix Multimédia, S.G.P.S., S.A.	a)	Matosinhos	100.00%	82.46%	100.00%	82.79%
	Sonae Telecom, SGPS, S.A.	a)	Porto	100.00%	82.46%	100.00%	82.79%
	Sonae.com - Sistemas de Informação, SGPS, S.A.	a)	Maia	100.00%	82.46%	100.00%	82.79%
	Sonaecom, SGPS, S.A.	a)	Maia	82.46%	82.46%	82.79%	82.79%
	Sonaetelecom, BV	a)	Amsterdam (Netherlands)	100.00%	82.46%	100.00%	82.79%
	We Do Brasil - Soluções Informáticas, Ltda.	a)	Brazil	100.00%	82.46%	99.89%	82.79%
	We Do Consulting - Sistemas de Informação, S.A.	a)	Maia	100.00%	82.46%	100.00%	82.79%
	XS - Comunicação, Informação e Lazer, S.A.	a)	Maia	100.00%	82.46%	100.00%	82.79%
	Sonae Capital						
	Aquapraia - Investimentos Turísticos, S.A.	a)	Grândola	100.00%	99.98%	100.00%	99.75%
	Aquapraia, S.G.P.S., S.A.	a)	Lisboa	100.00%	99.98%	100.00%	99.75%
20)	Aserraderos de Cuellar, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
9)	Aveiria - Sociedade Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
1)	Bertimóvel - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	-	
	Bloco Q - Sociedade Imobiliária, S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75%
	Bloco W - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	99.98%	100.00%	99.75%
	Box Lines - Navegação, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Casino Hotel Troia, S.A.	a)	Grândola	100.00%	99.98%	100.00%	99.75%
	Centro Residencial da Maia - Urbanismo, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Cequip - Equipamentos de Construção, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Cinclus - Planeamento e Gestão de Projectos, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Cinclus Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	CMO - Construções, Lda.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto - S.G.P.S.,S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto - Sociedade de Construções, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Country Club da Maia - Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Elmo, SGPS, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Empreendimentos Imobiliários Quinta da Azenha, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Equador & Burnay, Lda.	a)	Lisboa	75.00%	73.41%	75.00%	64.94%

	% Capital Held						
	COMPANY	Legal Reason for		04.12	2.31	03.12	31
		Inclusion	Registered Office	Direct	Total	Direct	Total
	Espimaia - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Gestholding - Sociedade Gestora de Participações Socais, S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75%
	Grano Salis, Lda.	a)	Grândola	100.00%	99.98%	100.00%	99.75%
	Imoareia, SGPS, S.A.	a)	Matosinhos	100.00%	99.98%	100.00%	99.75%
	Imoclub - Serviços Imobiliários, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imoferro - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	99.98%	100.00%	99.75%
	Imohotel - Empreendimentos Turísticos Imobiliários, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
20)	Imoplamac - Gestão de Imóveis, S.A.	a)	Santarém	100.00%	100.00%	100.00%	100.00%
	Imosedas - Imobiliária e Serviços, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Interlog - Sociedade Gestora de Participações Sociais, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
18)	Isoroy Casteljaloux SAS	a)	Casteljaloux (France)	100.00%	89.90%	100.00%	90.53%
	Leroy Gabon S.A.	a)	Libreville (Gabon)	99.99%	99.99%	99.99%	99.99%
	Libra Serviços, Lda.	a)	Funchal	100.00%	100.00%	100.00%	100.00%
	Marmagno - Exploração Hoteleira Imobiliária, S.A.	a)	Grândola	100.00%	88.66%	100.00%	88.44%
	Marvero - Exploração Hoteleira Imobiliária, S.A.	a)	Grândola	100.00%	88.66%	100.00%	88.44%
	NAB, Sociedade Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Nova Equador Internacional, Agência de Viagens e Turismo, Lda.	a)	Lisboa	75.00%	73.41%	75.00%	64.94%
	Partnergiro - Empreendimentos Turísticos, Lda.	a)	Maia	100.00%	99.98%	100.00%	99.75%
	Placage d'Okoumé du Gabon S.A.	a)	Libreville (Gabon)	99.88%	99.88%	99.88%	99.88%
	Plysorol SAS	a)	Niort (France)	100.00%	100.00%	100.00%	100.00%
	Plysorol SNC	a)	Lisieux (France)	98.00%	98.00%	98.01%	98.01%
	Porturbe - Edifícios e Urbanizações, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Praedium II - Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Praedium III - Serviços Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Praedium, SGPS, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Prédios Privados Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Predisedas - Predial das Sedas, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Promosedas - Promoção Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
19)	Prosa - Programação Informática, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
	Publimeios, SGPS, S.A.	a)	Maia	50.10%	50.10%	50.10%	50.10%
	Quinta da Covilhã - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
7)	Rhodes Investments Ltd.	a)	Hants (U.K.)	100.00%	100.00%	100.00%	100.00%
	Rochester Real Estate, Limited	a)	Kent (U.K.)	100.00%	100.00%	100.00%	100.00%
11)	Roteiro - Prestação de Serviços de Turismo, S.A.	a)	Lisboa	100.00%	97.88%	100.00%	86.58%
	Safira Services - Limpeza e Espaços Verdes, S.A.	a)	Porto	51.00%	25.55%	51.00%	25.55%
	Santos Taborda & Carvalho, Sociedade Unipessoal, Lda.	a)	Lisboa	100.00%	97.88%	100.00%	86.58%
1)	SC - Sociedade de Consultoria, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Selfrio - Engenharia de Frio, S.A.	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
	Selfrio, Sociedade Gestora de Participações Sociais, S.A.	a)	Matosinhos	70.00%	35.07%	70.00%	35.07%
	Sistavac - Sist. de Aquec. Ventilação e Ar Condicionado, S.A.	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
	SKK - Central de Dist. para a Refrigeração e Climatização, S.A.	a)	Porto	100.00%	35.07%	100.00%	35.07%
	SMP - Serviços de Manutenção e Planeamento, S.A.	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%

		Lauri			% Capit		
	COMPANY	Legal Reason for		04.12		03.12	
		Inclusion	Registered Office	Direct	Total	Direct	Total
	Soberana - Investimentos Imobiliários, S.A.	a)	Grândola	100.00%	88.66%	100.00%	88.44%
18)	Société de Tranchage Isoroy SAS	a)	France	100.00%	89.90%	99.82%	90.36%
18)	Sociétè Essences Fines Isoroy SAS	a)	Honfleur (France)	100.00%	89.90%	100.00%	90.53%
	Soconstrução, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.009
	Soira - Sociedade Imobiliária de Ramalde, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.009
	Solinca - Investimentos Turísticos, S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75
	Solinca III - Desporto e Saúde, S.A.	a)	Lisboa	100.00%	99.98%	100.00%	99.75
	Solinca Lazer, S.G.P.S., S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75
	Soltroia - Investimentos Turísticos, S.A.	a)	Lisboa	58.93%	58.92%	52.08%	51.95
	Somit - Soc. Madeiras Industrializadas e Transformadas, S.A	a)	Oliveira do Hospital	100.00%	100.00%	100.00%	100.009
	Sonae Capital, SGPS, S.A.	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
20)	Sonae Produtos e Derivados Florestais, SGPS, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00
	Sonae Retalho Especializado - SGPS, S.A.	a)	Matosinhos	100.00%	99.05%	100.00%	88.08
	Sonae Turismo Gestão e Serviços, S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75
	Sonae Turismo, SGPS, S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75
20)	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%	99.98%	100.00%	99.75
	Spinarq, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00
	Spinveste - Gestão Imobiliária SGII, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00
	Spinveste - Promoção Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00
19)	Spred - SGPS, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00
10)	Star Viagens e Turismo, S.A.	a)	Lisboa	100.00%	97.88%	100.00%	86.58
	Têxtil do Marco, S.A.	a)	Marco de Canaveses	90.37%	90.37%	90.37%	90.37
	Torralta - Clube Internacional de Férias, S.A.	a)	Grândola	88.71%	88.66%	88.66%	88.44
	Torre São Gabriel - Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00
	Troiaverde - Exploração Hoteleira Imobiliária, S.A.	a)	Grândola	100.00%	88.66%	100.00%	88.44
	Tulipamar - Exploração Hoteleira Imobiliária, S.A.	a)	Grândola	100.00%	88.66%	100.00%	88.44
	Urbisedas - Imobiliária das Sedas, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00
	Venda Aluga - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	99.98%	100.00%	99.75
	Outras						
	Celnave - Agência de Navegação, Lda.	b)	Viana do Castelo	100.00%	34.17%	100.00%	33.63
	Celpap - Terminal de Celulose e Papel de Portugal, Lda.		Viana do Castelo	100.00%	34.17%	100.00%	33.63
	Emprobal - Emp. Prod. e Comercialização de Embalagens, Lda.	b)	Funchal	60.00%	21.58%	60.00%	20.18
	Gescartão, SGPS, S.A.	b)	Lisboa	68.58%	35.97%	67.58%	33.63
18)	Imocapital - Sociedade Gestora de Participações Sociais, S.A.	b)	Maia	50.00%	50.00%	50.00%	47.94
	Integrum - Serviços Partilhados, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00
18)	Investalentejo, SGPS, S.A.	b)	Vila de Conde	100.00%	35.97%	100.00%	33.63
18)	Lepe - Empresa Portuguesa de Embalagens, S.A.	b)	Marinha Grande	100.00%	35.97%	100.00%	33.63
	Papelnova - Recolha e Recuperação de Desperdícios, S.A.	b)	Mourão	100.00%	35.97%	-	
	Portucel Embalagem - Emp. Prod. de Embalagens de Cartão, S.A.	b)	Cascais	100.00%	35.97%	100.00%	33.63

				% Capit	al Held	
COMPANY	Legal		04.12.31		03.12.31	
COMPANY	Reason for Inclusion	Registered Office	Direct	Total	Direct	Total
18) Portucel España	b)	Madrid (Spain)	100.00%	35.97%	100.00%	33.63%
18) Portucel Recicla - Indústria de Papel Reciclado, S.A.	b)	Mourão	100.00%	35.97%	100.00%	33.63%
18) Portucel Viana - Empresa Produtora de Papeis Industriais, S.A.	b)	Viana do Castelo	100.00%	35.97%	100.00%	33.63%
 Portucel Viana Energia - Empresa de Cogeração Energética, S.A. 	b)	Viana do Castelo	100.00%	35.97%	-	
Sonae Investments, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
18) Sulpac - Empresa Produtora de Embalagens de Cartão, S.A.	b)	Mourão	100.00%	35.97%	100.00%	33.63%

a) Paragraph a), nº1, art.1 of Decree-Law nr. 238/91 - majority holding and majority voting rights;

b) Paragraph b), nº 1, art.1 of Decree-Law nr. 238/91 - management control exercised.

- 1) Company excluded from the prior year due to immateriality;
- 2) Company incorporated or acquired in the year;
- 3) Includes shares sold to the Santander Group for which purchase options were entered into as explained in Note 61 below;
- 4) Formerly Fimaia Serviços na Área Económica e Gestão de Investimentos, S.A.;
- 5) Formerly Grama Grandes Armazéns, S.A.;
- 6) Full consolidation method applied as from the date of acquisition of a further 35% of the share capital;
- 7) Company dissolved in the year;
- 8) Formerly Situs Exploração de Torres de Telecomunicações e Sites, S.A.;
- 9) Company merged into Spinveste Promoção Imobiliária, S.A.;
- 10) Formerly Equador Agência de Viagens e Turismo, S.A.;
- 11) Company merged into Star Viagens e Turismo, S.A. (Formerly Equador Agência de Viagens e Turismo, S.A.);
- 12) Formerly Casca Sociedade de Revestimentos, S.A.;
- 13) Company merged into Isoroy SAS;
- 14) Formerly Maichave Consultadoria e Gestão, S.A.;
- 15) Company merged into Sonae Indústria de Revestimentos, S.A.;
- 16) Company merged into Sonae Indústria Produção e Comercialização de Derivados de Madeira, S.A.;
- 17) Company merged into Pátio Boavista Shopping, Ltda.;
- 18) Companies shown under Sonae Indústria in the previous year;
- 19) Company merged into Sonae Capital, SGPS, S.A.;
- 20) Companies shown under Others in the previous year;
- 21) Formerly Sonae Imobiliária, SGPS, S.A.

NOTE 2 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

				% Capi	al Held	
COMPANY	Legal Reason for	Registered Office	04.12	2.31	03.12	2.31
-	Exclusion	0	Direct	Total	Direct	Total
Sonae Indústria						
4) Eiweiler Sperrholz Gmbh	a)	Germany	100.00%	89.11%	100.00%	88.77
Florestal y Maderera, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.53
Glunz Service GmbH	a)	Hamm (Germany)	100.00%	89.11%	100.00%	89.8
Glunz UK Holdings Ltd.	a)	Londres (U.K.)	100.00%	89.11%	100.00%	89.8
Glunz Uka Gmbh	a)	Hamm (Germany)	100.00%	89.11%	100.00%	89.8
4) Novobord Gmbh	a)	Hamm (Germany)	100.00%	89.11%	100.00%	88.8
Orpin, S.A.	a)	Madrid (Spain)	100.00%	89.90%	100.00%	90.5
OSB Deustchland Gmbh	a)	Germany	100.00%	89.90%	100.00%	90.5
Plysorol BV	a)	Soest (Netherlands)	100.00%	89.90%	100.00%	90.5
Poliface Brazil, Ltda.	a)	Brazil	100.00%	97.02%	100.00%	95.8
Poliface North America	a)	Quebec (Canada)	100.00%	89.90%	100.00%	90.5
Sociéte Industrielle et Financére Isoroy, SAS	a)	France	100.00%	89.90%	100.00%	90.5
Sonae Spain, S.A.	a)	Madrid (Spain)	99.94%	96.96%	99.94%	95.8
Sonae Indústria Brazil, Ltda.	a)	São Paulo (Brazil)	100.00%	97.02%	100.00%	95.8
2) Sonae North America Inc.	a)	Quebec (Canada)	100.00%	89.90%	100.00%	95.8
Tarnaise des Panneaux, S.A.	a)	Labruguière (France)	99.99%	89.89%	99.99%	90.6
Sonae Imobiliária				_		
5) 3DO Holdings GmbH	a)	Dusseldorf (Germany)	100.00%	67.04%	-	
6) 3DO Shopping GmbH	a)	Dusseldorf (Germany)	100.00%	67.04%	-	
Alfange - Imobiliária e Gestão, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.0
Ameia, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.0
9) Arquiflecha - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.0
7) Castelo do Queijo - Empreendimentos Imobiliários, S.A	,	Maia	100.00%	67.04%	100.00%	67.0
Circe, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.0
Conquista, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.0
Imoground BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.0
Imospain X, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.0
Imospain XII, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.0
Imostructure, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.0
INMO Development & Investment S.A.	a)	Madrid (Spain)	75.00%	50.28%	75.00%	50.2
10) Mosquete - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.0
Naviglio 2003, S.R.L.	a) a)	Italy	100.00%	67.04%	100.00%	67.0
 Nó Górdio - Empreendimentos Imobiliários, S.A. 	a) a)	Maia	100.00%	67.04%	100.00%	67.0
Oriogest, S.R.L.	a) a)	Milan (Italy)	80.00%	26.82%	80.00%	26.8
Procoginm, S.A.		Madrid (Spain)	100.00%	67.04%	100.00%	67.0
0,	a)	× 1 /				
Proyecto Park S.A. 200 Sonae Imobiliária - Property Management II - Consul. e	a)	Madrid (Spain)	100.00%	67.04%	100.00%	67.0
Gestão Imobiliaria - Property Management II - Consul. e	a)	Maia	100.00%	67.04%	100.00%	67.0

Lessent for Excatable Perturbed Othe Direct Total 00:02:1 (Total 00:02:1 (Total 00:02:1 (Total 00:02:1 (Total s) Sonae introbilitarie Lawae fraction Assets Gri Lub. a) Maia 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 67.04:1 100:00:0 57.04:1 100:00:0 57.04:1 100:00:0 57.04:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 50.00:1 100:00:0 100						% Capit	tal Held	
Direct Total Direct Total (a) Scheel mobilities Development, N - Consultors e a) Main 100.00% 67.04% 100.00% 67.04% Sobele mobilities Existe Assets a) Germeey (U.K.) 100.00% 67.04% 100.00% 67.04% Some incollities Italia Property Management, S.R.L. a) Milan (Italy) 100.00% 67.04% 100.00% 67.04% Some incollities Italia Property Management, S.R.L. a) Main (Italy) 100.00% 67.04% 100.00% 38.37% Some incollities Italia Property Management, S.R.L. a) Main 100.00% 67.04% 100.00% 38.37% Some incollities Italia Some incollities Italia Allastich a) Lagos 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00% 90.00% 100.00		COMPANY		Registered Office	04.1	2.31	03.1	2.31
b) Prote: Prot: Prot: Prot:		COMPANY		Registered Office	Direct	Total	Direct	Total
GP Lut. a) Cutemery (O.K.) 100.00% 67.04% 100.00% 67.04% Sonae Inabiliána Itália Property Management, S.R.L. a) Mian (Italy) 100.00% 67.04% 100.00% 67.04% Sonae Inabiliána Itália, S.R.L. a) Sonado (Italy) 100.00% 67.04% 100.00% 67.04% Sonae Capital a) Maia 100.00% 80.04% 100.00% 99.75% Aquata Furtadas - Imobilián, S.A. a) Matosinhos 100.00% 99.75% Adusta Furtadas - Imobilián, S.A. a) Matosinhos 100.00% 99.75% Asculino - Imobilián, S.A. a) Matosinhos 100.00% 99.95% Cambrida - Sociedade Imobilián, S.A. a) Matosinhos 100.00% 99.95% Casinacho Cancessões, SGPS, S.A. a) Maia 100.00% 99.95% Cantacto Cancessões, SGPS, S.A. a) Matosinhos 100.00% 99.95% Casinada de Turismo, S.A. a) Matosinhos 100.00% 99.95% Casinada de Turismo, S.A.	8)		a)	Maia	100.00%	67.04%	100.00%	67.04%
Sonae Imobiliária Itália, S.R.L. a) Sondro (flaly) 100.00% 87.04% 100.00% 67.04% 2) Contacto UII - Serviços de Gestão de Alendimento a Clientes, S.A. a) Maia 100.00% 88.17% 100.00% 38.32% Sonao Capital - - - - 100.00% 99.98% 100.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 99.75% Azuino - Imobiliária, S.A. a) Grándola 100.00% 99.98% 100.00% 99.75% Casa da Ribeira - Indelaira & Turismo e Lazer, Lda. a) Maia 100.00% 99.98% 100.00% 99.75% Casa da Ribeira - Indelaira & Turismo e Diversão de Troia, S.A. a) Maia 100.00% 99.98% 100.00% 99.75% Contacto Concessões, S.G.P. S.A a) Maia 100.00% 99.98% 100.00% 99.00% 99.00% 99.00% 90.00% 99.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00%		•	a)	Guernsey (U.K.)	100.00%	67.04%	100.00%	67.04%
SonaeCom SonaeCom 2) Citentes UB - Serviçes de Gestão de Atendimento a Citentes, SA. a) Maia 100.00% 38.17% 100.00% 38.17% Aguas Furtadas - Imobiliária, SA. a) Matosinhos 100.00% 99.98% 100.00% 99.75% Altantic Ferries, SA. a) Grandola 100.00% 99.98% 100.00% 99.75% Autoric Ferries, SA. a) Matosinhos 100.00% 99.98% 100.00% 99.75% Casa da Ribeiria - Notaria A. a) Matosinhos 100.00% 99.98% 100.00% 99.75% Casa da Ribeiria - Notaria a) Matos 100.00% 99.88% 100.00% 99.75% Casa da Ribeiria - Notaria - Storedade Imobiliária, SA. a) Matos 100.00% 99.88% 100.00% 99.75% Casa da Ribeiria - Notaria - Storedade Imobiliária, SA. a) Matos de Canavesea 100.00% 99.98% 100.00% 99.75% Cantacto Concessões, SGPS, SA. a) Matosinhos 100.00% 99.98% 100.00% 99.75% Contacto Concessões, SGPS, SA. a) Matosinhos 100.00% 90.98% 100.00% 90.99% Friengineering, SA. a) Matosinhos 100.00% 90.98%		Sonae Imobiliária Itália Property Management, S.R.L.	a)	Milan (Italy)	100.00%	67.04%	100.00%	67.04%
2) Contacto Dill - Serviços de Gestião de Atendimento a 2) a) Maia 100.00% 38.17% 100.00% 38.27% Sonae Capital Aguas Furtades - Innobiliária, S.A. aquatuz - Turismo e Lazer, Lda. a) Matosinhos 100.00% 100.00% 100.00% 99.98% 100.00% 99.75% Aduato - Innobiliária, S.A. Bloco V - Sociedade Innobiliária, S.A. aculino - Inobiliária, S.A. Bloco V - Sociedade Innobiliária, S.A. a) a) Matosinhos 100.00% 99.98% 100.00% 99.75% Caragometica - Sociedade Innobiliária, S.A. al Marco de Canaveses 100.00% 99.88% 100.00% 99.75% Contacto Concessões, GSPS, S.A. al Marco de Canaveses 100.00% 99.88% 100.00% 99.00% 69.75% Gori Hone - Gorde a Investimentos Turísticos, S.A. a) Matosinhos 100.00% 99.88% 100.00% 90.00% 99.75% Gori Time - Gorde a Investimentos Turísticos, S.A. a) a) Matosinhos 100.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00%		Sonae Imobiliária Itália, S.R.L.	a)	Sondrio (Italy)	100.00%	67.04%	100.00%	67.04%
2) Contacto Dill - Serviços de Gestião de Atendimento a 2) a) Maia 100.00% 38.17% 100.00% 38.27% Sonae Capital Aguas Furtades - Innobiliária, S.A. aquatuz - Turismo e Lazer, Lda. a) Matosinhos 100.00% 100.00% 100.00% 99.98% 100.00% 99.75% Aduato - Innobiliária, S.A. Bloco V - Sociedade Innobiliária, S.A. aculino - Inobiliária, S.A. Bloco V - Sociedade Innobiliária, S.A. a) a) Matosinhos 100.00% 99.98% 100.00% 99.75% Caragometica - Sociedade Innobiliária, S.A. al Marco de Canaveses 100.00% 99.88% 100.00% 99.75% Contacto Concessões, GSPS, S.A. al Marco de Canaveses 100.00% 99.88% 100.00% 99.00% 69.75% Gori Hone - Gorde a Investimentos Turísticos, S.A. a) Matosinhos 100.00% 99.88% 100.00% 90.00% 99.75% Gori Time - Gorde a Investimentos Turísticos, S.A. a) a) Matosinhos 100.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00% 90.00%		SonaeCom						
Águas Furtadas - Imobiliária, S.A. a) Matosinhos 100.00% 00.00% 100.00% 99.98% 100.00% 99.98% Aqualuz - Turísmo e Lazer, Lda. a) Lagos 100.00% 99.98% 100.00% 99.75% Atalinic Ferries, S.A. a) Grándola 100.00% 99.98% 100.00% 99.75% Campineios - Sociedade Imobiliária, S.A. a) Matosinhos 100.00% 99.88% 100.00% 99.75% Cansa da Ribeira - Hotelaria e Turismo, S.A. a) Maia 100.00% 99.88% 100.00% 99.87% Delphinus - Sociedade Imobiliária, S.A. a) Maia 100.00% 99.88% 100.00% 99.88% 100.00% 99.89% 100.00% 99.87% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 99.87% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00%	2)	Contacto Útil - Serviços de Gestão de Atendimento a	a)	Maia	100.00%	38.17%	100.00%	38.32%
Aqualuz - Turismo e Lazer, Lda. a) Lagos 100.00% 99.98% 100.00% 99.75% Atlantic Ferries, S.A. a) Grandola 100.00% 99.89% 100.00% 99.75% Azulino - Imobiliária, S.A. a) Matosinhos 100.00% 99.89% 100.00% 99.75% Campirneios - Sociedade Imobiliária, S.A. a) Mata 100.00% 99.89% 100.00% 99.75% Casa da Ribeira - Hotelaria e Turismo, S.A. a) Mata 100.00% 99.89% 100.00% 99.75% Contacto Concessões, SGPS, S.A. a) Mata 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 99.89% 100.00% 90.89% 100.00% 80.49% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% <td></td> <td>Sonae Capital</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>		Sonae Capital						
Atlantic Ferries, S.A. a) Grandola 100.00% 99.98% 100.00% 99.75% Azulino - Imobiliária, S.A. a) Matosinhos 100.00% 99.88% 100.00% 99.75% Campimeios - Sociedade Imobilária, S.A. a) Maia 100.00% 99.89% 100.00% 99.75% Casa da Riberia - Hoteliana Turismo, S.A. a) Marco de Canaveses 100.00% 99.89% 100.00% 99.75% Contacto Concessões, SGPS, S.A. a) Marco de Canaveses 100.00% 99.89% 100.00% 99.75% Contacto Concessões, SGPS, S.A. a) Matosinhos 100.00% 99.89% 100.00% 99.89% 100.00% 99.75% Golf Time - Golfe Investimentos Turísticos, S.A. a) Matosinhos 100.00%		Águas Furtadas - Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Azulino - Imobiliária, S.A. a) Matosinhos 100.00% 100.00% 100.00% 100.00% 99.98% 100.00% 99.75% Campimelos - Sociedade Imobiliária, S.A. a) Maia 100.00% 99.98% 100.00% 99.75% Canada Ribeira - Hotelaria e Turismo, S.A. a) Maia 100.00% 99.98% 100.00% 99.75% Contacto Concessões, SGPS, S.A. a) Maia 100.00% 99.98% 100.00% 99.75% Contacto Concessões, SGPS, S.A. a) Matosinhos 100.00% 99.98% 100.00% 69.83% Friengineering, S.A. a) Matosinhos 100.00% 50.10% 100.00% 69.75% Goff Time - Golfe e Investimentos Turisticos, S.A. a) Matosinhos 100.00% <td></td> <td>Aqualuz - Turismo e Lazer, Lda.</td> <td>a)</td> <td>Lagos</td> <td>100.00%</td> <td>99.98%</td> <td>100.00%</td> <td>99.75%</td>		Aqualuz - Turismo e Lazer, Lda.	a)	Lagos	100.00%	99.98%	100.00%	99.75%
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Casa da Ribeira - Hotelaria e Turismo, S.A. a) Marco de Canaveses 100.0% 99.98% 100.00% 99.78% Contacto Concessões, SGPS, S.A. a) Maia 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 69.83% Prinegineering, S.A. a) Matosinhos 100.00% 50.10% 100.00% 50.10% 69.83% Golf Time - Golfe e Investimentos Turísticos, S.A. a) Porto 100.00%		Bloco Y - Sociedade Imobiliária, S.A.	a)	Porto	100.00%	99.98%	100.00%	99.75%
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Troia, S.A. a) Grandola 79.00% 99.8% 79.00% 698.8% Friengineering, S.A. a) Matesinhos 100.00% 50.10% 100.00% 50.10% Golf Time - Golfe e Investimentos Turísticos, S.A. a) Porto 100.00% 100.00% 100.00% 99.75% Imobiliária da Cacela, S.A. a) Matosinhos 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 88.44% Imoresort - Sociedade Imobiliária, S.A. a) Grándola 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 88.44% Imparvi, S.G.P.S., S.A. a) Mata 100.00% 100.00% 100.00% 88.44% Interport Logistics, Ltd. a) Bristol (U.K.) 65.00% 65.00% 65.00% 65.00% 65.00% 65.00% 65.00% 65.00% 65.00% 65.00% 65.00% <td></td> <td>Contacto Concessões, SGPS, S.A.</td> <td>a)</td> <td>Maia</td> <td>100.00%</td> <td>100.00%</td> <td>100.00%</td> <td>100.00%</td>		Contacto Concessões, SGPS, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Golf Time - Golfe e Investimentos Turísticos, S.A. a) Porto 100.00% 99.85% 100.00% 99.75% Imobiliária da Cacela, S.A. a) Matosinhos 100.00% 88.44% Imopenínsula - Sociedade Imobiliária, S.A. a) Grândola 100.00% 88.69% 100.00% 88.44% Implantação - Imobiliária, S.A. a) Matosinhos 100.00% 88.69% 100.00% 88.44% Insulatroia - Sociedade Imobiliária, S.A. a) Grândola 100.00% 88.69% 100.00% 88.44% Interport Logistics, Ltd. a) Bristol (U.K.) 65.00% 65.00% 65.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00%<		•	a)	Grândola	79.00%	99.98%	79.00%	69.83%
Imobiliária da Cacela, S.A.a)Matosinhos100.00%100.00%100.00%100.00%Imodivor - Sociedade Imobiliária, S.A.a)Grândola100.00%88.69%100.00%88.44%Imoresort - Sociedade Imobiliária, S.A.a)Grândola100.00%88.69%100.00%88.44%Imoresort - Sociedade Imobiliária, S.A.a)Grândola100.00%88.69%100.00%88.44%Implantação - Imobiliária, S.A.a)Matosinhos100.00%100.00%100.00%100.00%1) Inparvi, S.G.P.S., S.A.a)Mala100.00%100.00%100.00%88.44%Interport Logistics, Ltd.a)Bristol (U.K.)65.00%65.00%65.00%Invicta - Comércio Internacional, S.A.a)Maia100.00%100.00%100.00%100.00%Insulatroia - Sociedade Imobiliária, S.A.a)Porto100.00%100.00%100.00%100.00%Invicta - Comércio Internacional, S.A.a)Porto100.00%100.00%100.00%100.00%100.00%Marina Magic - Exploração de Centros Lúdicos e Marina Magic - Exploração de Centros Lúdicos e Centros Comerciais, S.A.a)Maia100.00%100.00%100.00%100.00%MArtimope - Sociedade Imobiliária, S.A.a)Matosinhos100.00%100.00%100.00%100.00%100.00%Martimos, Lda.a)Mata100.00%100.00%100.00%100.00%100.00%100.00%Martimos, Lda.a)Mata100.		Friengineering, S.A.	a)	Matosinhos	100.00%	50.10%	100.00%	50.10%
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1) Inparvi, S.G.P.S., S.A. a) Maia 100.00% 100.00% - - Insulatroia - Sociedade Imobiliária, S.A. a) Grândola 100.00% 88.69% 100.00% 88.44% Interport Logistics, Ltd. a) Bristol (U.K.) 65.00% 65.00% 65.00% 65.00% 65.00% 100.00% 88.44% Marim or, Exploração Hoteleira e Imobiliária, S.A. a) Grândola 100.00% 100.00% 88.69% 100.00% 99.75% Martimope - Sociedade Imobiliária, S.A. a) Maia 100.00% <		Imoresort - Sociedade Imobiliária, S.A.	a)	Grândola	100.00%	88.69%	100.00%	88.44%
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ISF - Imobiliário, Serviços e Participações, S.A.a)Porto100.00%100.00%100.00%100.00%100.00%100.00%100.00%100.00%100.00%88.44%Marino - Exploração Hoteleira e Imobiliária, S.A.a)Grândola100.00%88.69%100.00%88.44%Marina Magic - Exploração de Centros Lúdicos e Maritimos, Lda.a)Lisboa100.00%99.98%100.00%99.75%Martimope - Sociedade Imobiliária, S.A.a)Maia100.00%100.00%100.00%100.00%100.00%MDS - Sociedade Mediadora de Seguros, S.A.a)Porto100.00%100.00%100.00%100.00%100.00%Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais, S.A.a)Matosinhos100.00%100.00%35.07%100.00%35.07%PJP - Equipamento de Refrigeração, Lda.a)Matosinhos100.00%100.00%100.00%35.07%35.07%Plysorol Contreplaques, SASa)France100.00%100.00%100.00%100.00%100.00%100.00%1) SC - Insurance & Risk Services , SGPS, S.A.a)Maia100.00%33.67%96.00%33.67%SKKFOR - Ser. For. e Desen. de Recursos Humans, Lda.a)Malaga (Spain)100.00%99.98%100.00%99.75%Solinfitness - Club Malaga, S.L.a)São Paulo (Brazil)100.00%100.00%100.00%100.00%100.00%Solan Capital Brasil, Lda.a)São Paulo (Brazil)100.00%100.00%		Interport Logistics, Ltd.	a)	Bristol (U.K.)	65.00%	65.00%	65.00%	65.00%
Marimo - Exploração Hoteleira e Imobiliária, S.A.a)Grândola100.00%88.69%100.00%88.44%Marimo - Exploração de Centros Lúdicos e Maritimos, Lda.a)Lisboa100.00%99.98%100.00%99.75%Martimope - Sociedade Imobiliária, S.A.a)Maia100.00%100.00%100.00%100.00%100.00%MDS - Sociedade Mediadora de Seguros, S.A.a)Porto100.00%100.00%100.00%100.00%100.00%Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais, S.A.a)Matosinhos100.00%100.00%100.00%100.00%PJP - Equipamento de Refrigeração, Lda.a)Matosinhos100.00%100.00%100.00%35.07%Plysorol Contreplaques, SASa)France100.00%100.00%100.00%100.00%1) SC - Insurance & Risk Services , SGPS, S.A.a)Maia100.00%100.00%100.00%1) SC - Insurance & Risk Services , SGPS, S.A.a)Maia96.00%33.67%96.00%33.67%Humanos, Lda.a)Malaga (Spain)100.00%100.00%100.00%99.75%Solinfitness - Club Malaga, S.L.a)São Paulo (Brazil)100.00%100.00%100.00%100.00%		Invicta - Comércio Internacional, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Marina Magic - Exploração de Centros Lúdicos e Maritimos, Lda.a)Lisboa100.00%99.98%100.00%99.75%Martimope - Sociedade Imobiliária, S.A.a)Maia100.00%100.00%100.00%100.00%MDS - Sociedade Mediadora de Seguros, S.A.a)Porto100.00%100.00%100.00%100.00%Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais, S.A.a)Matosinhos100.00%100.00%100.00%PJP - Equipamento de Refrigeração, Lda.a)Matosinhos100.00%35.07%100.00%35.07%Plysorol Contreplaques, SASa)France100.00%100.00%100.00%100.00%Promessa - Sociedade Imobiliária, S.A.a)Maia100.00%100.00%100.00%1) SC - Insurance & Risk Services, SGPS, S.A.a)Maia96.00%33.67%96.00%33.67%SKKFOR - Ser. For. e Desen. de Recursos Humanos, Lda.a)Malaga (Spain)100.00%100.00%100.00%99.75%Solinfitness - Club Malaga, S.L.a)São Paulo (Brazil)100.00%100.00%100.00%100.00%100.00%		ISF - Imobiliário, Serviços e Participações, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
Maritimos, I.da. a) Lisboa 100.00% 99.98% 100.00% 99.75% Martimope - Sociedade Imobiliária, S.A. a) Maia 100.00% 100.00% 100.00% 100.00% MDS - Sociedade Mediadora de Seguros, S.A. a) Porto 100.00% 100.00% 100.00% 100.00% Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais, S.A. a) Matosinhos 100.00% 100.00% 100.00% 100.00% 100.00% PJP - Equipamento de Refrigeração, Lda. a) Matosinhos 100.00% 100.00% 100.00% 99.84% Promessa - Sociedade Imobiliária, S.A. a) Maia 100.00% 100.00% 100.00% 90.84% Promessa - Sociedade Imobiliária, S.A. a) Maia 100.00% 33.67% 100.00% 100.00%<		Marimo - Exploração Hoteleira e Imobiliária, S.A.	a)	Grândola	100.00%	88.69%	100.00%	88.44%
MDS - Sociedade Mediadora de Seguros, S.A.a)Porto100.00%100.00%100.00%100.00%100.00%Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais, S.A.a)Matosinhos100.00%100.00%100.00%100.00%PJP - Equipamento de Refrigeração, Lda.a)Matosinhos100.00%35.07%100.00%35.07%Plysorol Contreplaques, SASa)France100.00%100.00%100.00%90.84%Promessa - Sociedade Imobiliária, S.A.a)Maia100.00%100.00%100.00%100.00%1) SC - Insurance & Risk Services , SGPS, S.A.a)Maia100.00%33.67%96.00%33.67%SKKFOR - Ser. For. e Desen. de Recursos Humanos, Lda.a)Malaga (Spain)100.00%99.98%100.00%99.75%Sonae Capital Brasil, Lda.a)São Paulo (Brazil)100.00%100.00%100.00%100.00%			a)	Lisboa	100.00%	99.98%	100.00%	99.75%
Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais, S.A.a)Matosinhos100.00%100.00%100.00%100.00%PJP - Equipamento de Refrigeração, Lda.a)Matosinhos100.00%35.07%100.00%35.07%Plysorol Contreplaques, SASa)France100.00%100.00%100.00%90.84%Promessa - Sociedade Imobiliária, S.A.a)Maia100.00%100.00%100.00%100.00%1) SC - Insurance & Risk Services , SGPS, S.A.a)Maia100.00%100.00%100.00%100.00%1) SC - Insurance & Risk Services , SGPS, S.A.a)Maia96.00%33.67%96.00%33.67%SKKFOR - Ser. For. e Desen. de Recursos Humanos, Lda.a)Malaga (Spain)100.00%99.98%100.00%99.75%Sonae Capital Brasil, Lda.a)São Paulo (Brazil)100.00%100.00%100.00%100.00%		Martimope - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Centros Comerciais, S.A. a) Matosinhos 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 35.07% 100.00% 35.07% 100.00% 35.07% 100.00% 35.07% 100.00% 35.07% 100.00% 90.84% 100.00% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 33.67% 30.00% 33.67% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00% 30.00%		MDS - Sociedade Mediadora de Seguros, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
Plysorol Contreplaques, SAS a) France 100.00% 100.00% 100.00% 90.84% Promessa - Sociedade Imobiliária, S.A. a) Maia 100.00% 33.67% Solita State Solita State a) Maia 96.00% 33.67% 96.00% 33.67% 99.75% Solita State a) Malaga (Spain) 100.00% 10		•	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Promessa - Sociedade Imobiliária, S.A. a) Maia 100.00% 100.00% 100.00% 100.00% 100.00% 1) SC - Insurance & Risk Services , SGPS, S.A. a) Maia 100.00% 100.00% - - SKKFOR - Ser. For. e Desen. de Recursos Humanos, Lda. a) Maia 96.00% 33.67% 96.00% 33.67% Solinfitness - Club Malaga, S.L. a) Malaga (Spain) 100.00% 100.00% 100.00% 99.75% Sonae Capital Brasil, Lda. a) São Paulo (Brazil) 100.00% 100.00% 100.00% 100.00%		PJP - Equipamento de Refrigeração, Lda.	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
1) SC - Insurance & Risk Services , SGPS, S.A. a) Maia 100.00% 100.00% - - SKKFOR - Ser. For. e Desen. de Recursos a) Maia 96.00% 33.67% 96.00% 33.67% Solinfitness - Club Malaga, S.L. a) Malaga (Spain) 100.00% 99.98% 100.00% 99.75% Sonae Capital Brasil, Lda. a) São Paulo (Brazil) 100.00% 100.00% 100.00%		Plysorol Contreplaques, SAS	a)	France	100.00%	100.00%	100.00%	90.84%
SKKFOR - Ser. For. e Desen. de Recursos a) Maia 96.00% 33.67% 96.00% 33.67% Solinfitness - Club Malaga, S.L. a) Malaga (Spain) 100.00% 99.98% 100.00% 99.75% Sonae Capital Brasil, Lda. a) São Paulo (Brazil) 100.00% 100.00% 100.00% 100.00%		Promessa - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Humanos, Lda. a) Mala 90.00% 33.67% 90.00% 33.67% Solinfitness - Club Malaga, S.L. a) Malaga (Spain) 100.00% 99.98% 100.00% 99.75% Sonae Capital Brasil, Lda. a) São Paulo (Brazil) 100.00% 100.00% 100.00% 100.00%	1)	SC - Insurance & Risk Services , SGPS, S.A.	a)	Maia	100.00%	100.00%	-	-
Sonae Capital Brasil, Lda. a) São Paulo (Brazil) 100.00% 100.00% 100.00%			a)	Maia	96.00%	33.67%	96.00%	33.67%
		Solinfitness - Club Malaga, S.L.	a)	Malaga (Spain)	100.00%	99.98%	100.00%	99.75%
Sonae RE, S.A. a) Luxemburg 100.00% 100.00% 100.00% 100.00%		Sonae Capital Brasil, Lda.	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
		Sonae RE, S.A.	a)	Luxemburg	100.00%	100.00%	100.00%	100.00%

				% Capi	al Held	
COMPANY	Legal Reason for	Registered Office	04.1	2.31	03.1	2.31
COMPANY	Exclusion	Registered Onice	Direct	Total	Direct	Total
Sopair, S.A.	a)	Madrid (Spain)	60.00%	30.06%	60.00%	30.10%
Sótaqua - Soc. de Empreendimentos Turísticos da Quarteira, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Terceiro Frente - Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
World Trade Center Porto, S.A.	a)	Porto	100.00%	100.00%	100.00%	99.75%
Others						
3) Enercicla. Lda.	a)	Mourão	100.00%	35.97%	100.00%	33.63%
Sonae 3P, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Sonae Investimentos América Latina, Lda.	a)	São Paulo (Brazil)	99.99%	99.99%	99.99%	99.99%
Sonaegest - Sociedade Gestora de Fundos de Investimentos, S.A.	a)	Maia	100.00%	92.04%	100.00%	82.85%

a) Nº 1 of art. 4 of Decree-Law nr. 238/91 (not significant).

- 1) Company incorporated or acquired in the year;
- 2) Company dissolved in the year;
- 3) Companies shown under Sonae Indústria in the previous year;
- 4) Company merged into Glunz AG;
- 5) Formerly R&W E Merkur Ypsilon GmbH;
- 6) Formerly R&W E Pluto Alpha GmbH;
- 7) Formerly Castelo do Queijo, SGPS, S.A.;
- 8) Formerly Ciclop Gestão de Centros Comerciais, S.A.;
- 9) Formerly Esteiros, SGPS, S.A.;
- 10) Formerly Mosquete, SGPS, S.A.;
- 11) Formerly Nó Górdio, SGPS, S.A.;
- 12) Formerly Querubim Gestão de Centos Comerciais, S.A..

NOTA 3 - COMPANIES ACCOUNTED FOR AS ASSOCIATED UNDERTAKINGS (USING THE EQUITY METHOD)

			% Capit	al Held	
COMPANY	Deviatored Office	04.12.31		03.12.31	
COMPANY	Registered Office	Direct	Total	Direct	Total
Sonae Imobiliária					
Aegean Park Constructions, Real Estate and Development, S.A.	Athens (Greece)	100.00%	33.52%	50.00%	33.52%
Capital Plus - Investimentos e Participações, S.A.	Vila Nova de Gaia	50.00%	16.79%	25.05%	16.79%
3) CCG - Centros Comerciais de Gaia, S.A.	Vila Nova de Gaia	25.05%	16.79%	25.05%	16.79%
Empreendimentos Imobiliários Colombo, S.A.	Lisboa	50.00%	16.79%	25.05%	16.79%
Hospitalet Center, S.L.	Barcelona (Spain)	50.10%	8.38%	12.49%	8.38%
Iberian Assets, S.A.	Barcelona (Spain)	49.78%	16.72%	24.94%	16.72%
2) Inmolor, S.A.	Barcelona (Spain)	24.94%	16.72%	24.94%	16.72%
4) Inparsa - Industrias e Participações, SGPS, S.A.	Maia	50.00%	16.79%	25.05%	16.79%
Lisedi – Urbanização e Edificios, S.A.	Maia	100.00%	16.79%	25.05%	16.79%
3) LL Port Retail SGPS, S.A.	Vila Nova de Gaia	25.05%	16.79%	25.05%	16.79%
1) Sintra Retail Park - Parques Comerciais, S.A.	Maia	25.05%	16.79%	25.05%	16.79%
Sonae Enplanta, S.A.	São Paulo (Brazil)	50.00%	33.52%	50.00%	33.52%
Teleporto – Empreendimentos Imobiliários, S.A.	Maia	50.00%	16.79%	25.05%	16.79%
Unishopping Administradora, Lda.	São Paulo (Brazil)	99.99%	33.52%	50.00%	33.52%
Vasco da Gama - Promoção de Centros Comerciais, S.A.	Maia	50.00%	16.79%	25.05%	16.79%
Viacatarina - Empreendimentos Imobiliários, S.A.	Maia	50.00%	16.79%	25.05%	16.79%
WXI - Grupo Lar Parque Principado, S.L.	Madrid (Spain)	50.00%	33.52%	25.00%	16.76%
Zubiarte Inversiones Inmobiliarias, S.A.	Barcelona (Spain)	49.83%	33.40%	49.80%	33.39%
SonaeCom					
Global S - Centro Comercial Lda.	Matosinhos	50.00%	13.34%	16.18%	13.40%
Global S - Tecnologias de Informação Lda.	Matosinhos	99.89%	13.65%	24.28%	20.10%
Global S 24, SGPS, S.A.	Matosinhos	75.00%	20.02%	16.55%	13.70%
Global S, SGPS, S.A.	Matosinhos	64.73%	26.69%	32.37%	26.80%
1) Investimento Directo - Sociedade Financeira de Corretagem, S.A.	Lisboa	50.00%	41.23%	55.00%	45.53%
Net Mall SGPS, S.A.	Maia	50.00%	41.23%	50.00%	41.40%
Sonae Capital					
5) ba - Fábrica de Vidros Barbosa & Almeida, S.A.	Porto	45.00%	40.09%	49.97%	49.97%
5) Bar-Bar-Idade Glass - Serviços de Gestão e Investimentos, S.A.	Porto	39.55%	39.55%	49.97%	49.97%
Sodesa, S.A.	Lisboa	50.00%	50.00%	50.00%	50.00%
TP - Sociedade Térmica, S.A.	Porto	50.00%	50.00%	50.00%	50.00%

1) Company sold in the year;

2) Company merged into Iberian Assets, S.A.;

3) Company merged into Capital Plus - Investimentos e Participações, S.A.;

4) Company merged into Teleporto - Empreendimentos Imobiliários, S.A.;

5) 10.42% of the share capital of Bar-Bar-Idade Glass (which holds the investment in ba - Fábrica de Vidros Barbosa & Almeida, S.A.) was sold during the year.

NOTE 4 - COMPANIES NOT ACCOUNTED FOR AS ASSOCIATED UNDERTAKINGS USING THE EQUITY METHOD

			% Capital Held				
COMPANY	Legal Reason for		04.12	2.31	03.12	.31	
	Exclusion	Registered Office	Direct	Total	Direct	Total	
Sonae Indústria							
OKO Zentrum NRW	a)	Germany	25.00%	22.28%	25.00%	22.22	
Promodeco - Projecto Imobiliário Decoração e Construção, Lda.	a)	Maia	27.60%	24.87%	27.60%	26.46	
Serradora Boix	a)	Barcelona (Spain)	31.25%	28.09%	31.25%	28.29	
Stinnes Holz Gmbh	a)	Germany	35.25%	31.41%	35.25%	31.33	
Modelo Continente							
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	a)	Lisboa	25.00%	24.51%	25.00%	18.92	
Sonae Imobiliária							
Imogreece II, BV	a)	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52	
Imogreece III, BV	a)	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52	
Imogreece IV, BV	a)	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52	
Lamda Pylea, S.A.	a)	Athens (Greece)	39.90%	13.37%	19.95%	13.37	
) MC Property Management, S.A.	a)	Athens (Greece)	75.00%	25.14%	-		
Micaelense Shopping - Empreedimentos Imobiliários, S.A.	a)	Ponta Delgada	50.00%	16.79%	50.00%	33.52	
Segest - Sonae Espansion Gestione, S.R.L.	a)	Milan (Italy)	50.00%	33.52%	50.00%	33.52	
SIC Indoor - Gestão de Suportes Publicitários, S.A.	a)	Oeiras	35.00%	23.46%	35.00%	23.46	
Sóguia - Sociedade Imobiliária, S.A.	a)	Porto	50.00%	33.52%	50.00%	33.52	
Sonae - Charagionis Services, S.A.	a)	Athens (Greece)	50.00%	33.52%	50.00%	33.52	
Sonae Charagionis Property Management, S.A.	a)	Athens (Greece)	50.00%	33.52%	50.00%	33.52	
Torre Colombo Ocidente - Imobiliária, S.A.	a)	Porto	100.00%	16.79%	25.05%	16.79	
Torre Colombo Oriente - Imobiliária, S.A.	a)	Porto	100.00%	16.79%	25.05%	16.79	
Unishopping Consultadoria, Lda.	a)	São Paulo (Brazil)	99.98%	33.51%	50.00%	33.52	
Victoria Park Constructions, Real Estate and Development, S.A.	a)	Athens (Greece)	100.00%	33.52%	50.00%	33.52	
SonaeCom							
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.	a)	Porto	45.00%	37.11%	45.00%	37.25	
Unipress - Centro Gráfico, Lda.	a)	Vila Nova de Gaia	40.00%	32.98%	40.00%	33.12	
Sonae Capital							
Andar - Sociedade Imobiliária, S.A.	a)	Maia	50.00%	50.00%	50.00%	50.00	

					% Capita	al Held	
	COMPANY	Legal Reason for		04.12	.31	03.12.	31
		Exclusion	Registered Office	Direct	Total	Direct	Total
2)	Autocenter - Serviços, Acessórios e Peças para Viaturas, S.A.	a)	Maia	50.00%	25.00%	50.00%	25.00%
	CarPlus - Comércio de Automóveis, S.A.	a)	Vila Nova de Gaia	100.00%	50.00%	50.00%	50.00%
	Change, SGPS, S.A.	a)	Porto	25.00%	25.00%	25.00%	25.00%
	Choice Car - Comércio de Automóveis, S.A.	a)	Porto	100.00%	50.00%	50.00%	50.00%
	Choice Car SGPS, S.A.	a)	Maia	50.00%	50.00%	50.00%	50.00%
	Developpement & Partenariat Assurances, S.A.	a)	Paris (France)	35.00%	35.00%	35.00%	35.00%
	Finlog - Aluguer e Comércio de Automóveis, S.A.	a)	Matosinhos	100.00%	50.00%	50.00%	50.00%
	Fun International Entertainement, S.A.	a)	Porto	50.00%	49.99%	50.00%	49.87%
	Guerin - Rent a Car (Dois), Lda.	a)	Lisboa	100.00%	50.00%	50.00%	50.00%
	Holdingpar, SGPS, S.A.	a)	Porto	40.00%	40.00%	40.00%	40.00%
	Infratroia - Empresa de Infraestruturas de Troia, E.N	. a)	Grândola	25.90%	25.89%	25.90%	22.84%
	Interclean, S.A.	a)	Brazil	49.99%	12.77%	49.99%	12.77%
	Invesaúde - Gestão Hospitalar, S.A.	a)	Maia	100.00%	50.00%	50.00%	50.00%
	Lazam Corretora, Ltda.	a)	Porto	45.00%	45.00%	45.00%	45.00%
	Lidergraf - Artes Gráficas, Lda.	a)	Vila de Conde	25.50%	25.50%	25.50%	25.50%
	Luso Assistência - Gestão de Acidentes, S.A.	a)	Porto	100.00%	50.00%	50.00%	50.00%
	Norscut - Concessionária de Scut Interior Norte, S.A	A. a)	Lisboa	25.00%	25.00%	25.00%	25.00%
	Pargeste SGPS, S.A.	a)	Maia	40.00%	40.00%	40.00%	40.00%
4)	Perjovim - Imobiliária e Construções, S.A.	a)	Matosinhos	49.96%	49.96%	49.96%	49.96%
	Portuguese Paradise INC	a)	Panama	42.50%	42.49%	42.50%	42.39%
	Saúde Atlântica - Gestão Hospitalar, S.A.	a)	Maia	50.00%	50.00%	50.00%	50.00%
	Sociedade de Construções do Chile, S.A.	a)	Lisboa	100.00%	50.00%	50.00%	50.00%
	Sociedade Imobiliária Troia - B3, S.A.	a)	Grândola	20.00%	17.74%	20.00%	17.64%
	Vastgoed One - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	50.00%	50.00%	50.00%
	Vastgoed Sun - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	50.00%	50.00%	50.00%
	Others						
3)	Portucel Industrial - Empresa Produtora de Pasta e Papel, S.A.	b)	Lisboa	-	-	25.00%	25.00%

a) Nr. 1 of art. 4 of Decree-Law nr. 238/91(not significant);

b) This undertaking, sold during year, has always been accounted for at acquisition cost, due to the re-privatisation process in progress that was concluded during the year.

1) Company incorporated or acquired in the year;

2) Formerly - Spel Serviços Auto, S.A.;

3) Company sold in the year;

4) Company dissolved in the year.

NOTE 6 - OTHER RELATED UNDERTAKINGS

	%	Capital Held	
COMPANY	Registered Office	04.12.31	03.12.31
1) Altitude Software BV	Netherlands	6.31%	6.31%
Altitude, SGPS, S.A.	Lisboa	11.50%	11.50%
Comfloresta - Companhia Catarinense de Empreendimentos Florestais, S.A.	Brazil	4.55%	4.50%
Construction Modulaire de l'Ouest S.A.R.L	Lisieux (France)	15.00%	15.00%
Despegar.com	Porto	5.90%	5.90%
Dispar - Distribuição de Participações, SGPS, S.A.	Lisboa	7.14%	7.14%
First Assur, S.A.	France	10.80%	10.80%
Insco - Insular de Hipermercados, S.A.	Ponta Delgada	10.00%	10.00%
Lusa - Agência de Noticias de Portugal, S.A.	Lisboa	1.38%	1.38%
Minhodigital.com - Investimentos na Área Tecnológica, S.A.	Porto	4.76%	-
Net, S.A.	Lisboa	2.80%	2.80%
Operscut - Operação e Manutenção de Auto-estradas, S.A.	Lisboa	15.00%	15.00%
Outsystems, Software de Rede, S.A.	Oeiras	2.03%	2.03%
Sear - Sociedade Europeia de Arroz, S.A.	Santiago do Cacém	15.00%	15.00%
SESI - Sociedade de Ensino Superior e Investigação, S.A.	Porto	9.75%	9.75%
Societé Naturel de Bois Gabonais	Gabon	4.24%	4.24%
Spidouro - Soc. Prom. de Empresas e Inv. do Douro e Trás-os-Montes, S.A.	Vila Real	8.30%	8.30%

1) Company dissolved in the year.

NOTE 7 - EMPLOYEE INFORMATION

The average number of employees of the companies included in the consolidated financial statements was:

By Activity:		By Grade:		
Wood based panels	6,614	Directors and managers	4,960	
Retailing	38,281	Technical	4,774	
Real Estate	501	Administrative	4,361	
Telecom	2,425	Operational	38,704	
Other activities	4,978			
Total	52,799	Total	52,799	

III - INFORMATION ON CONSOLIDATION PROCEDURES ADOPTED

NOTE 10 - GOODWILL ARISING ON CONSOLIDATION

As mentioned in note 0.i) goodwill arising on consolidation was written-off against "Other Reserves". The net variance during the year can be shown as follows:

		euro	
	04.12.31	03.12.31	Net variance
Initial positive goodwill	-26,785,715	-26,880,868	95,153
Positive goodwill	1,136,511,416	1,053,267,640	83,243,776
Negative goodwill	106,226,722	97,185,108	9,041,614

The net variance in positive goodwill includes:

- 86,911,206 euro relating to the aquisition of 22.4% of the share capital of Modelo Continente SGPS, S.A.; and
- 14,376,734 euro negative relating to the sale of Portucel Industrial.

NOTE 11 - EXCEPTIONS TO CONSISTENCY OF ACCOUNTING PRINCIPLES

The accounting principle used as from 1 January 2001 for recording goodwill arising on consolidation (Note 0.i) above) is not in accordance with generally accepted accounting principles in Portugal which state that such goodwill must be shown as an intangible asset and be amortised on a straight line basis over the period estimated to recover related investments. Had the company applied this principle of the Portuguese Official Chart Of Accounts and maintained the amortisation rates used until 31 December 2000, intangible assets and shareholder's funds would be higher by 780,033,725 euro and amortisation for the year would increase by 65,699,752 euro.

NOTE 14 - COMPARABILITY OF FINANCIAL STATEMENTS

CHANGES TO THE CONSOLIDATION PERIMETER

The following companies were included on consolidation during the financial year:

FULL CONSOLIDATION METHOD

Modelo Continente

- b) CESS Informática, Ltda
- a) Sempre à Mão Sociedade Imobiliária, S.A.

Sonae Imobiliária

b) Imonorth BV

SonaeCom

- d) Enabler & Retail Consult, Gmbh
- c) Jaua, S.G.P.S., S.A.
- c) KPNQwest Portugal Telecomunicações, Lda.
- c) Noriema, S.G.P.S., S.A.
- a) Optimus Towering Gestão de Torres de Telecomunicações, S.A.

Sonae Capital

- a) Bertimóvel Sociedade Imobiliária, S.A.
- a) SC Sociedade de Consultoria, S.A.

Others

- b) Papelnova Recolha e Recuperação de Desperdícios, S.A.
- c) Portucel Viana Energia Empresa de Cogeração Energética, S.A.
- a) Company excluded in 2003;
- b) Company incorporated during the year;
- c) Company acquired during the year;

d) In 2003 this company has been accounted for as an associated undertaking. In 2004 the percentage held by Sonae in the share capital of this company increased. As a result of which this company was accounted for as an affiliated undertaking.

During the year ended at 31 December 2004 the following companies were excluded from consolidation:

FULL CONSOLIDATION METHOD

Sonaecom

a) Douro - Centro de Produções Artísticas, Lda

a) Portais Verticais.com, S.G.P.S.,S.A.

Sonae Capital

a) Rhodes Investments Ltd.

a) Company dissolved in the period.

EQUITY METHOD

Sonae Imobiliária

a) Sintra Retail Park - Parques Comerciais, S.A.

Sonaecom

a) Investimento Directo - Sociedade Financeira de Corretagem, S.A.

a) Company sold in the period.

NOTE 18 - ACCOUNTING FOR ASSOCIATED UNDERTAKINGS

The companies included in the consolidated financial statements have accounted for their holdings in associated undertakings in accordance with paragraph a), item 5.4.3.1. of Appendix 2 to the Portuguese Chart of Accounts (at purchase cost). However, in the cases set out in Note 3., consolidation adjustments were made to account for these undertakings as associated companies (by the equity method), in accordance with nr. 13.6.1 of the rules for consolidation.

IV - INFORMATION IN RELATION TO FINANCIAL COMMITMENTS

NOTE 22 - RESPONSIBILITIES FOR GUARANTEES GIVEN

At 31 December 2004, the responsibilities for guarantees given by the companies included in the consolidation can be analysed as follows:

	euro
Guarantees (1)	891,906,211
Securities deposited	18,637,708
Mortgages and charges	602,290,332
Pledges and floating charges	3,990,840
Others	75,407,282

Includes 19,274,151 euro due to a legal process contesting the additional payment of Income Taxation.
 No provision was made because no estimated loss is expected to arise.

In addition, shares representing 31.83% of the share capital of Modelo Continente, SGPS, S.A. were pledged to the Santander Group as part of the transaction described in Note 61 below.

V - INFORMATION REGARDING ACCOUNTING POLICIES

NOTE 23 - VALUATION METHODS

See Note 0 - Principal Accounting Policies.

NOTE 24 - EXCHANGE RATES USED TO CONVERT TO EURO

The exchange rates used to convert the consolidated financial statements of foreign related undertakings to Euro were:

	Rate at 04.12.31	Average rate
Swiss Franc	0.64813	0.64780
Pound Sterling	1.41824	1.47459
Brazilian Real	0.27665	0.27526
South African Rand	0.13004	0.12509
Canadian Dollar	0.60916	0.61877

VI - OTHER INFORMATION ON SPECIFIC ITEMS

NOTE 27 - DETAILS OF FIXED ASSETS

Movements in consolidated fixed assets and in depreciation and provisions during the year ended in 31 December 2004 can be summarised as follows:

	Gross Cost or Valuation						euro
	Items	At 1 January 2004	Expenditure	Disposals	Changes in Consolidation Perimeter	Transfers and Adjustments	At 31 December 2004
					d)	c)	
	INTANGIBLE ASSETS:						
	Start-up costs	259,119,509	1,068,612	20,285	32,064	-27,237,040	232,962,860
	Research and development costs	77,076,212	175,516	149,222	21,500	650,716	77,774,722
e) f)	Patents and other similar rights	28,369,514	75,616,651	40,177	-12,669	142,353,177	246,286,496
	Premiums paid for property occupation rights	24,145,896	75,214			-2,494	24,218,616
	Other intangible assets	470 447 000	11 007 010			8,488	8,488
b)	In progress	170,147,622	11,097,310	000.004	40.005	-169,717,416	11,527,516
		558,858,753	88,033,303	209,684	40,895	-53,944,569	592,778,698
	TANGIBLE ASSETS:	100 040 004	10 740 754	0.405.750	4 007 040	10.010.001	107 110 011
	Land	429,346,831	16,718,754	9,425,756	1,927,948	48,843,064	487,410,841
	Buildings	1,847,166,144	17,744,374	26,708,739	24,814	131,817,983	1,970,044,576
	Plant and machinery	3,093,377,401	35,523,523	27,117,999	-254,740	140,731,323	3,242,259,508
	Vehicles	45,644,482	1,986,921	2,759,789	2,836	706,817	45,581,267
	Tools	13,841,889	119,739	122,091	-6,833	905,156	14,737,860
	Fixtures and fittings	442,372,235	13,138,090	8,885,491	5,952,444	50,741,265	503,318,543
	Containers	283,502					283,502
	Others	50,926,731	519,413	296,924	649,741	-691,866	51,107,095
b)	In construction	255,781,832	410,433,130	16,281,274	5,712,729	-390,398,572	265,247,845
	Advances	32,579,356	24,598,112	5,926,322	3,927,927	-21,666,151	33,512,922
		6,211,320,403	520,782,056	97,524,385	17,936,866	-39,010,981	6,613,503,959
	INVESTMENTS:						
a)	Shares in related (including associated) undertakings Loans to related (included	205,890,380	12,031,463	34,785,683	-37,454	28,825,747	211,924,453
	associated) undertakings	160,363,841	106,552,509	42,686,753	-50,000	-21,025,294	203,154,303
g)	Shares in other undertakings	210,160,218		208,300,092		-150,026	1,710,100
	Other investments other than loans	11,778,206	100,495	2,903		-9,983,511	1,892,287
	Loans to other undertakings	355,101					355,101
	In progress	1,513,114	400,000				1,913,114
	Advances	3,274,350	6,109,938	1,519,253		-1,732,934	6,132,101
		593,335,210	125,194,405	287,294,684	-87,454	-4,066,018	427,081,459

a) Shares in related (including associated) undertakings include 24,173,219 euro as a result of accounting for associated undertakings using the equity method;

b) The more significant amounts included in fixed assets in construction are as follows:

Intangible and tangible assets - in construction	euro
Freccia Rossa project	48,427,160
Malaga Outlet project	9,651,674
Loureshopping project	27,280,989
3DO Dortmund project	10,238,512
Seixal project	20,090,992
Continente, Modelo e Worten stores	31,327,002
Deployment of mobile network	11,687,067
Troia project	16,056,793
	174,760,189

c) Includes 10,864,487 euro relating to exchange differences arising from the translation of financial statements of foreign affiliated undertakings;

d) Includes 11,320,911 euro relating to fixed assets of affiliated undertakings acquired during the year;

e) Transfers in the caption "Patents and other similar rights" refer mainly to the transfer of UMTS assets from "Intangible assets in progress" to "Patents and Other Similar Rights", due to the launch of activity based on that technology;

f) The increase in "Patents and other similar rights" refers to the fair value attributable to a group of brands, including the brand "Continente";

g) Refers mainly to the sale of Portucel Industrial, S.A.

Accumulated Depreciation and Provisions euro						
Items	At 1 January 2004	Charge for the Year	Disposals	Changes in Consolidation Perimeter	Transfers and Adjustments	At 31 December 2004
				b)	a)	
INTANGIBLE ASSETS:						
Start-up costs	183,614,209	35,233,074	6,805	18,771	-28,858,071	190,001,178
Research and development costs	53,141,100	10,936,213	24,873		-605,479	63,446,961
Patents and other similar rights	13,827,292	5,485,043	24,465	-11,664	-287,046	18,989,160
Premiums paid for property occupation rights	9,959,346	2,220,552			-497	12,179,401
	260,541,947	53,874,882	56,143	7,107	-29,751,093	284,616,700
TANGIBLE ASSETS:						
Land	2,770,129	27,764			-297,217	2,500,676
Buildings	338,254,169	56,339,212	2,453,954	-20,062	-16,573,904	375,545,461
Plant and machinery	1,385,694,882	215,865,126	20,543,664	-232,913	-30,211,899	1,550,571,532
Vehicles	38,793,586	3,534,577	2,187,607	945	-1,609,821	38,531,680
Tools	9,884,081	1,910,647	99,360	-3,608	-343,612	11,348,148
Fixtures and fittings	169,544,030	47,232,828	7,281,855	4,467,094	-11,391,271	202,570,826
Containers	273,724	2,717				276,441
Others	35,334,140	4,620,173	259,805	279,924	-505,385	39,469,047
	1,980,548,741	329,533,044	32,826,245	4,491,380	-60,933,109	2,220,813,811
INVESTMENTS:						
Shares in related (including associated) undertakings	57,964,647	8,392,971	2,270,783			64,086,835
Loans to related (including associated) undertakings	26,108,516	2,400,767	13,379,721			15,129,562
Other financial assets	394,790	253,653				648,443
Other loans	81,820	32,146				113,966
	84,549,773	11,079,537	15,650,504			79,978,806

a) Includes 1,747,295 euro relating to exchange differences arising from the translation of financial statements of foreign affiliated undertakings;

b) Includes 4,782,796 euro relating to depreciation of affiliated undertakings acquired during the year.

NOTE 28 - INTEREST PAYABLE CAPITALISED DURING THE PERIOD

Interest payable relating to financing of fixed assets in construction capitalised during the year totalled 4,837,048 euro.

NOTE 33 - AMOUNTS OWING REPAYABLE AFTER MORE THAN FIVE YEARS

The consolidated balance sheet includes 891,969,309 euro of amounts owing repayable after more than five years.

NOTE 34 - AMOUNTS OWING TO THIRD PARTIES COVERED BY GUARANTEES

At 31 December 2004 the amounts covered by guarantees given by companies included on consolidation were as follows:

	euro
Pledges	593,562,491
Mortgages and charges	553,602,142

NOTE 36 - TURNOVER ANALYSIS BY ACTIVITY AND MARKET

The turnover analysis by activity and market can be summarised as follows:

		euro
	04.12.31	03.12.31
a) By activity:		
Wood based panels	1,537,214,891	1,422,448,266
Retailing	3,564,664,841	3,458,870,049
Shopping Centres	298,912,766	265,341,829
Telecom	854,261,215	810,844,920
Sonae Capital	378,686,863	287,699,144
Others	252,567	14,511,507
Total	6,633,993,143	6,259,715,715

		euro
	04.12.31	03.12.31
b) By market:		
Portugal	3,984,798,537	3,931,930,370
Spain	320,210,544	273,825,000
France	305,092,936	243,654,629
Germany	303,358,890	251,860,328
United Kingdom	119,190,371	123,102,092
South America	1,082,852,715	986,507,303
Canada	72,248,498	64,754,639
Others	446,240,652	384,081,354
Total	6,633,993,143	6,259,715,715

NOTE 38 - DEFERRED TAXATION

At 31 December 2004 and 2003, details of deferred tax assets and liabilities may be shown as follows, split between the different types of temporary differences:

				euro
	Deferred Tax Assets		Deferred Tax Liabilities	
	04.12.31	03.12.31	04.12.31	03.12.31
Fixed assets revaluations			21,748,957	22,151,077
Reinvested gains on disposals of fixed assets			4,816,744	4,912,978
Losses carried forward	159,381,631	169,536,955		
Depreciation and provisions disallowed for tax purposes	7,638,294	1,414,834	850,005	287,332
Harmonisation adjustments	2,824,925		96,971,399	77,550,485
Others	22,185	402,582	-1,899,193	3,843,322
	169,867,035	171,354,371	122,487,912	108,745,194
				eur
---	-------------	-------------	-------------	---------------
	Deferred 1			x Liabilities
	04.12.31	03.12.31	04.12.31	03.12.31
Balance as at 1 January	171,354,371	175,744,259	108,745,194	109,131,97
Credits / (charges) to the profit and loss account:				
Depreciation arising on fixed assets revaluations			-566,444	-668,87
Depreciation arising on reinvested gains on disposals of fixed assets			-96,233	-130,31
Losses carried forward	-10,288,072	8,439,019		
Provisions not deductible for tax purposes	6,314,837	1,292,500		
Harmonisation adjustments	1,836,092		11,832,598	8,698,50
Tax rate change effects	-15,867	-12,177,757		-6,676,56
Other	-1,560,154	-2,841,461	402,489	-554,13
	-3,713,164	-5,287,699	11,572,410	668,62
Credits / (charges) to retained earnings:				
Reinvested gains on disposals of fixed assets				-205,76
Fixed assets revaluations			380,797	-1,672,92
Exchange differences	491,890	489,231	13,916	-13,07
Losses carried forward		-672,046		-473,24
Other	1,733,938	1,080,626	1,775,595	1,309,60
	2,225,828	897,811	2,170,308	-1,055,40
Balance as at 31 December	169,867,035	171,354,371	122,487,912	108,745,19

Movements in deferred taxes during the year ended 31 December 2004 and 2003 were as follows:

NOTE 39 - REMUNERATION OF THE MEMBERS OF THE STATUTORY BODIES OF THE HOLDING COMPANY

	euro
Board of Directors	4,591,403
Auditor's annual remuneration	2,041,310

NOTE 41 - REVALUATIONS OF TANGIBLE FIXED ASSETS

Tangible fixed assets held by the various companies included on consolidation were revalued in previous years as allowed by Decree Laws nrs 430/78, of 27 December, 219/82, of 2 June, 278/85, of 17 July, 118/86, of 27 May, 111/88, of 2 April, 49/91, of 25 January, 264/92, of 24 November and 31/98, of 11 February.

In prior years, market valuations of real estate assets in two affiliated and two associated companies were recorded, which were based on reports of independent valuers, due to the materiality of differences between cost of acquisition and related market value at the time of approval of respective real estate development projects (Note 42).

NOTE 42 - REVALUATIONS

			Euro
Items	Historical Cost	Revaluations	Accounts Value
	a)	a) b) c)	a)
TANGIBLE ASSETS:			
Land	390,292,951	94,617,214	484,910,165
Buildings	1,482,671,330	111,827,785	1,594,499,115
Plant and machinery	1,689,244,380	2,443,596	1,691,687,976
Vehicles	6,793,473	256,114	7,049,587
Tools	3,387,625	2,087	3,389,712
Fixtures and fittings	300,740,523	7,194	300,747,717
Containers	7,061		7,061
Others	11,634,216	3,832	11,638,048
	3,884,771,559	209,157,822	4,093,929,381

The effect of the revaluations of tangible fixed assets can be summarised as follows:

a) Net of depreciation;

b) Includes all revaluations to date;

c) Includes the effect of market valuations referred to in Note 41 in the amount of 140,031,290 euro.

NOTE 44 - ANALYSIS OF NET FINANCIAL CHARGES

		Euro
Charges	04.12.31	03.12.31
Interest expense	156,397,192	205,930,364
Provisions for short term investments	116,233	4,617,655
Exchange losses	13,973,592	20,040,073
Payment discounts given	17,425,867	16,992,109
Loss on disposal of short term investments		4,772
a) Other financial charges	79,265,881	74,200,789
Net financial charges	-167,049,653	-228,799,880
	100,129,112	92,985,882
Income	04.12.31	03.12.31
Interest income	36,569,577	42,288,167
Dividends received	11,802,399	10,159,677
Exchange gains	12,103,034	9,697,403
Payment discounts received	27,219,396	25,763,316
Gain on disposal of short term investments	6,665,699	124,270
Other financial income	5,769,007	4,953,049
	100,129,112	92,985,882

a) Includes mainly costs incurred with automatic payment systems.

NOTE 45 - ANALYSIS OF EXTRAORDINARY ITEMS

			euro
	Charges	04.12.31	03.12.31
	Donations	5,582,465	964,692
	Doubtful debts written off	4,237,389	11,923,697
	Abnormal stock losses	1,315,770	3,778,757
	Loss on the sale of fixed assets	33,896,319	38,217,527
	Fines and penalties paid	2,636,770	1,517,808
	Exceptional depreciation and provisions	20,988,439	79,362,404
	Charges relating to prior years	11,923,273	18,279,287
	Others	20,993,077	26,243,948
	Net extraordinary gains	122,556,665	330,769,423
		224,130,167	511,057,543
	Income	224,130,167 04.12.31	511,057,543 03.12.31
	Income Taxes refunded		
		04.12.31	03.12.31
	Taxes refunded	04.12.31 6,385,891	03.12.31 5,054,092
a)	Taxes refunded Collection of doubtful debts written off	04.12.31 6,385,891 1,213,938	03.12.31 5,054,092 396,331
a)	Taxes refunded Collection of doubtful debts written off Abnormal stock gains	04.12.31 6,385,891 1,213,938 393,780	03.12.31 5,054,092 396,331 329,907
a)	Taxes refunded Collection of doubtful debts written off Abnormal stock gains Gain on the sale of fixed assets	04.12.31 6,385,891 1,213,938 393,780 125,642,818	03.12.31 5,054,092 396,331 329,907 414,589,500
a)	Taxes refunded Collection of doubtful debts written off Abnormal stock gains Gain on the sale of fixed assets Contractual penalties received	04.12.31 6,385,891 1,213,938 393,780 125,642,818 799,400	03.12.31 5,054,092 396,331 329,907 414,589,500 832,755
a)	Taxes refunded Collection of doubtful debts written off Abnormal stock gains Gain on the sale of fixed assets Contractual penalties received Write back of provisions and depreciation	04.12.31 6,385,891 1,213,938 393,780 125,642,818 799,400 29,158,112	03.12.31 5,054,092 396,331 329,907 414,589,500 832,755 48,925,017

a) Includes gains on sales of investments in the amount of 106,406,045 euro.

NOTE 46 - ANALYSIS OF PROVISIONS AS OF 31 DECEMBER 2004 AND MOVEMENT DURING THE YEAR

The accumulated provisions at 31 December 2004 and movements during the year are as follows:

				euro
Provisions	At 1 January 2004	Provisions created	Provisions Written Back	At 31 December 2004
Provisions for short term investments	75,587		17,139	58,448
Provisions for doubtful debts	137,201,816	26,885,518	19,678,760	144,408,574
Provisions for other risks and charges	149,026,026	22,191,198	23,175,808	148,041,416
Provisions for stock obsolescence	16,156,574	9,343,423	6,358,570	19,141,427
Provisions for fixed asset investments	84,549,773	13,618,485	18,189,452	79,978,806
	387,009,776	72,038,624	67,419,729	391,628,671

NOTE 47 - FINANCIAL LEASING AND LONG TERM RENTAL CONTRACTS

Cost of tangible fixed assets acquired under financial leases may be split as follows:

	euro
TANGIBLE ASSETS:	
Land	14,440,817
Buildings	37,585,324
Plant and machinery	32,876,592
Vehicles	1,020,815
Tools	11,908
Fixtures and fittings	12,019,278
Others	841,568
	98,796,302

NOTA 50 - SEGMENT REPORTING

The contributions of the main segments to the profit and loss account are as follows:

							euro
	Wood Based Panels	Retailing	Shopping Centres	Telecom	Sonae Capital	Others	Consolidated
Sales and Services rendered	1,537,214,891	3,564,664,841	298,912,766	854,261,215	378,686,863	252,567	6,633,993,143
Depreciation of fixed assets	125,843,156	94,035,791	26,004,399	118,359,492	17,434,499	915,460	382,592,797
Provisions	7,212,559	8,601,039	3,307,613	17,583,093	3,477,147	777,599	40,959,050
Operating profit	93,967,016	181,693,065	52,104,937	43,564,614	-7,403,373	-8,785,718	355,140,541
Net Financial charges	-68,815,320	-54,263,084	-10,465,453	-23,320,865	-7,632,092	-2,552,839	-167,049,653
Profit/(Loss) on ordinary activities	25,151,696	127,429,981	41,639,484	20,243,749	-15,035,465	-11,338,557	188,090,888
Net Extraordinary gains/ (losses)	18,384,452	6,823,021	2,572,927	3,061,229	91,445,174	269,860	122,556,665
Gains/(Losses) in associated undertakings			4,185,126	142,898	11,427,039		15,755,063
Profit before income tax	43,536,148	134,253,002	48,397,537	23,447,876	87,836,748	-11,068,695	326,402,616
Profit before minority interests	23,369,767	117,595,915	38,140,743	18,033,415	83,805,745	-11,087,659	269,857,926
Operating Cash-Flow (EBITDA)	227,022,731	284,329,895	81,416,949	179,507,199	13,508,273	-7,092,659	778,692,388

							euro
	Wood Based Panels	Retailing	Shopping Centres	Telecom	Sonae Capital	Others a)	Consolidated
Fixed Assets							
Intangible	19,681,064	26,728,129	14,737,348	155,474,954	10,858,068	80,682,435	308,161,998
Tangible	1,148,912,385	1,211,058,505	889,095,921	683,294,067	303,998,111	156,331,159	4,392,690,148
Investments	9,073,700	9,086,915	251,487,632	1,769,238	74,526,277	1,158,891	347,102,653
Stocks	159,577,294	387,517,766		12,827,547	90,602,226	22,178,439	672,703,272
Others	279,778,766	532,105,933	308,267,574	429,839,805	173,933,663	110,711,524	1,834,637,265
Total Assets	1,617,023,209	2,166,497,248	1,463,588,475	1,283,205,611	653,918,345	371,062,448	7,555,295,336
Liabilities							
Long-term	451,621,320	664,809,678	681,478,819	331,836,569	253,675,803	664,494,730	3,047,916,919
Short-term	344,335,207	940,491,596	161,541,160	171,990,128	185,732,201	542,650,305	2,346,740,597
Other liabilities	225,326,702	132,442,283	296,061,169	159,470,527	107,693,730	29,778,152	950,772,563
Total Liabilities	1,021,283,229	1,737,743,557	1,139,081,148	663,297,224	547,101,734	1,236,923,187	6,345,430,079
Net Investment	20,166,245	127,352,591	225,026,600	100,143,819	21,535,186	-105,664,172	388,560,269
Investments - equity method			74,165,944		18,567,854		92,733,798
Total Debt	500,092,276	766,453,766	656,494,831	326,169,061	88,317,065	688,184,062	3,025,711,062
Net Debt	423,151,610	506,446,369	545,780,924	308,318,021	72,929,450	646,001,338	2,502,627,712

The contributions of the main segments to the consolidated Balance Sheet are as follows:

a) Net Debt in "Others" is made up as follows:

Others	euro
SOURCES	
Bank debt	688,184,062
Cash and equivalents	-42,182,724
Net Bank Debt	646,001,338
Sonae Imobiliária	87,151,344
SonaeCom	35,350,000
Sonae Capital	63,522,292
Intercompany Short Term Loans Obtained	186,023,636
Total Inflows	832,024,974
OUTFLOWS	
Sonae Indústria	148,346,093
Intercompany Loans Granted	148,346,093

"Others" include mainly Sonae SGPS, Sonae Investments BV and Imocapital, SGPS, S.A.

NOTE 51 - RECONCILIATION OF CONSOLIDATED NET PROFIT

		euro
	04.12.31	03.12.31
Aggregate net profit	662,867,756	302,231,067
Harmonisation adjustments (a)	144,989,764	165,536,592
Elimination of intragroup dividends	-251,787,256	-226,560,572
Elimination of intragroup capital gains and losses	-314,696,173	-293,993,390
Elimination of intragroup provisions	32,656,865	-11,431,117
Consolidation adjustments to gains/(losses) on sales of investments	-14,391,798	320,340,520
Others	10,218,768	8,852,054
Consolidated net profit for the year before minority interests	269,857,926	264,975,154

(a) Includes 62,802,876 euro relating to harmonisation of depreciation policies referred to in note 0.f).

NOTA 52 - ACCRUALS AND DEFERRALS

1) ACCRUED INCOME

Includes:

		euro
	04.12.31	03.12.31
Deferred tax assets	169,867,035	171,354,371
Discounts receivable from suppliers	4,409,743	7,982,834
Invoices to be issued (a)	46,432,987	45,157,382
Other revenues	21,541,959	31,227,551
	242,251,724	255,722,138

(a) Main amounts result from invoices issued by the Telecommunications business.

2) DEFERRED CHARGES

Includes:

		euro
	04.12.31	03.12.31
Customer acquisition costs (a)		
Handsets	38,196,987	56,952,858
Publicity	88,893,272	106,353,219
Financial charges	34,601,017	22,622,378
'Fit out' contracts	8,274,796	4,871,012
Others	69,785,824	75,537,136
	239,751,896	266,336,603

(a) Customer acquisition costs of the Telecommunications business are written back to the profit and loss account using the declining balance method according to estimated customers retention rates.

3) ACCRUALS

Includes:

		euro
	04.12.31	03.12.31
Holiday pay and bonuses	116,463,773	102,130,346
Deferred tax liabilities	122,487,912	108,745,194
Discounts payable to trade debtors	25,338,275	13,188,335
Interest payable	15,867,701	19,407,105
Commissions	9,011,992	11,234,461
Invoices to be issued (a)	28,251,622	27,796,322
Others	128,058,931	111,988,471
	445,480,206	394,490,234

(a) Main amounts correspond to invoices to be issued by the Telecommunications business.

4) DEFERRED INCOME

Includes:

		euro
		eulo
	04.12.31	03.12.31
Investment subsidies	95,787,620	96,701,001
Key money received from tenants	28,193,276	34,104,379
Deferred clients revenues	30,140,775	25,011,094
Others	203,129,270	207,534,447
	357,250,941	363,350,921

NOTE 53 - OTHER DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes the following:

		euro
	04.12.31	03.12.31
Suppliers - debit balances	32,264,254	31,968,556
Credit sales to third parties	48,224,563	13,347,378
Accounts receivable from the sale of investments	12,804,159	6,014,345
Accounts receivable from the sale of fixed tangible assets	22,500,900	
Securitisation of receivables (Note 63)	23,239,989	
Investment grants	2,120,655	5,561,553

NOTE 54 - OTHER CREDITORS

1) AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes:

		euro
	04.12.31	03.12.31
Amounts payable for the acquisition of fixed assets	39,666,678	
Current accounts - Factoring	33,184,749	54,176,533

2) AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

a) Includes 26,865,801 euro of tax credits relating to an increase in the taxes of an affiliated company in Brazil which has been contested in a legal process. This process was subject to a legal deposit which amounts to 29,543,621 euro recorded under "Other debtors – amounts falling due after more than one year".

b) Includes the net present value of the price paid by the Santander Group for shares aquired in Modelo Continente, SGPS, S.A., representing 30% of the share capital of that affiliated company, in accordance with the terms of the purchase option agreement mentioned in Note 61. below.

NOTE 55 - Bonds

Bonds outstanding can be summarised as:

MODELO CONTINENTE / 99 with warrants amounting to 25,000,000 euro, repayable in full after 5 years, on the due date (30 June 2004). The warrants subscription rights occurred in the year 2000 between 15 November and 15 December. As a result warrant holders subscribed 6,425 shares owned by the Company. The ones that were not exercised expired; On 30 June 2004 the balance outstanding amounting to 15,628,225 was fully repaid;

MODELO CONTINENTE / 2003 amounting to 82,000,000 euro, repayable in full after 8 years, in one instalment, on 15 October 2011. Interest rate equals to Euribor 6 months plus 0.75%;

MODELO CONTINENTE / 2004 amounting to 100,000,000 euro, repayable after 5 years, in one instalment, on 18 March 2009. Interest rate equals to Euribor 6 months plus 1.15%;

SONAE / 97 amounting to 149,639,369 euro repayable after 10 years, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate equal to Lisbor¹ plus 0.17% from the 1st to the 13th coupon, Lisbor¹ plus 1.17% in the 14th coupon and Lisbor¹ plus 1.22% from the 15th to the 20th coupons;

SONAE IMOBILIÁRIA / 98 amounting to 39,903,832 euro repayable in full after 7 years, at par value, on the date of maturity of the last coupon (January 2005). Earning interest at an annual interest rate equal to Lisbor¹ plus 0.25%. The amount outstanding at 31 December 2004 is of 11,939,990 euro;

SONAE IMOBILIÁRIA / 99 amounting to 50,000,000 euro repayable in full in December 2006. Earning interest at an interest 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 20,000,000 euro were reimbursed;

TAFISA / 98 amounting to 30,050,605 euro repayable in full in 2005. Earning interest at an annual interest rate equal to Mibor¹ plus 0.75%. The amount outstanding at 31 December 2004 is of 19,532,893 euro;

SONAE INDÚSTRIA / 2004 amounting to 80.000.000 euros, repayable in full in 5 years, on 15 October 2009. Earning interest at an interest rate equal to Euribor 6 months plus 0.875%.

¹ Subsequently changed to Euribor.

NOTE 56 - BANK LOANS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

This caption includes:

A bank loan of 340,000,000 euro, repayable in 2006, bearing interest payable at normal market rates obtained by an affiliated undertaking of Modelo Continente from a syndicate of banks. As at 31 December 2004, 270,000,000 euro are disclosed in the caption "Bank Loans - amounts falling due after more than one year" and 70,000,000 euro are disclosed in the caption "Bank Loans - amounts falling due within one year";

A bank loan in the amount of 88,109,708 brazilian real (24,375,551 euro), including exchange rate hedging financial instruments, repayable in 2009, bearing interest payable monthly at normal market rates, obtained by an affiliated undertaking of Modelo Continente in Brazil;

A bank loan of 64,843,727 euro repayable in twenty five years in 23 instalments, starting in 2004, obtained by an affiliated undertaking of Sonae Sierra. As at 31 December 2004, 972,656 euro are disclosed in the caption "Bank Loans - amounts falling due within one year", and 62,898,415 euro in medium and long term;

Loans (in the form of credit facility contracts) obtained by an affiliated undertaking of Sonae Sierra in the total amount of 207,992,006 euro, repayable as from 2014; As at 31 December 2004, 195,117,216 euro are disclosed in the caption "Bank Loans - amounts falling due after more than one year" and 4,882,784 euro are disclosed in the caption "Bank Loans - amounts falling due within one year";

A bank loan of 122,856,000 euro, obtained by an affiliated undertaking of Sonae Sierra. This loan will be repaid in consecutive annual instalments, the first in 2005 and the last in 2028; As at 31 December 2004, 120,398,880 euro are disclosed in the caption "Bank Loans - amounts falling due after more than one year" and 2,457,120 are disclosed in the caption "Bank Loans - amounts falling due within one year";

Loans (in the form of credit facility contracts) obtained by an affiliated undertaking of Sonae Sierra in the total amount of 68,250,000 euro, repayable as from 2014. As at 31 December 2004, 58,074,455 euro are disclosed in the caption "Bank Loans - amounts falling due after more than one year";

In 1999 several Sonae Indústria's affiliated undertakings negotiated a revolving syndicated loan amounting up to 400,000 thousand euro. The loan has been reduced to 300,000 thousand euro on 20 December 2002, 100,000 thousand euro on 20 December 2004, and is repayable in full on 20 December 2006; In December 2004 the amount of 200,000,000 euro was repaid;

Bank loans of 119,000,000 euro, obtained by an affiliated of Sonae Indústria SGPS, in 2002. These loans bears interest at normal market rates and are repayable in sixteen half yearly instalments beginning on June 2005;

On 30 July 1999 Optimus negotiated, with a syndicate of banks, a financing agreement amounting to 400,000 thousand euro, repayable in 9.5 years. In July 2003 a new financing agreement with another syndicate of banks, amounting to 575,000,000 euro and repayable between the third and eighth years, replaced the previous one. On 6 August 2004 a new financing agreement replaced the previous one for an amount of up to 450,000,000 euro, repayable in June 2008 (30%) and June 2009 (70%). As at 31 December 2004, 324,458,200 euro are outstanding and disclosed in the caption "Banks - amounts falling due after more than one year";

A bank loan of 50,000,000 euro, obtained by Sonae SGPS, repayable in half year instalments from 15 December 2003 (two instalments disclosed as short-term) to 15 June 2011, bearing interest at normal market rates (34,375,000 disclosed in medium and long term debt);

Bank loans of 64,308,000 euro, obtained by an affiliated undertaking of Sonae SGPS from a syndicate of banks in 2001. The loan bears interest at normal market rates and is repayable in twenty quarterly instalments with a two year grace period. As at 31 December 2004 the amount disclosed in the caption "Banks - amounts falling due after more than one year" amounted to 39,992,086 euro.

NOTE 57 - OTHER BANK LOANS

This caption includes a financing agreement with an external entity which bears interest at market rates and is repayable in 2007.

NOTE 58 - TAXES RECOVERABLE

1) AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes 26,154,742 euro relating to VAT paid on purchases of land and buildings, which will be recoverable if the company renounces VAT exemption and this is accepted.

2) AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

This caption includes credits to be recovered in the future from the Brazilian Tax Authorities.

NOTE 59 - TAX CONTINGENCIES

A Brazilian affiliated undertaking has tax contingencies amounting to approximately 20,000,000 euro; a mortgage has been set up in order to guarantee those contingencies.

NOTE 60 - PENSIONS

Glunz AG and Gescartão have defined benefit pension plans. The pensions liability is calculated in accordance with International Accounting Standard 19, based on actuarial studies made by independent entities. In the case of Glunz AG, provisions have been set up in previous years which are adjusted annually to cover the full amount of the liability. Gescartão has set up a pension fund to which contributions have been made annually, which covers most of the liability.

NOTE 61 - SHARE REPURCHASE OPTION

On 9 May 2002, the company sold shares representing 19.95% of the share capital of its affiliated undertaking 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 undertaking not yet owned by the company, 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 the company 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 4th year, to be exercised by an affiliated company appointed on 16 December 2002 for that purpose).

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, at 31 December 2004, the Santander Group holds 30% of the share capital of that affiliated company.

The negotiation kept 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 in these options are determined in the agreements and are indexed to the sales price and to financial variables.

Under these terms, generally accepted accounting principles establish that those shares must be maintained in Sonae, SGPS, S.A.'s assets, as a result of the existence of the share repurchase option which determines that control over those shares was maintained, in spite of all right and responsibilities having been legally transferred to the acquirer (the Santander Group). For the exercise of that repurchase option one affiliated included on 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.

NOTE 62 - FINANCIAL DERIVATIVE

On 30 April 2003, the Company signed a financial derivative agreement, under which it has an option to acquire 116,625,111 shares of Portucel – Empresa Produtora de Pasta de Papel, S.A. at the same share price they were acquired by the financial institution to an affiliated undertaking under a sale agreement with suspensive condition clauses. This contract was unwound in October 2004.

NOTE 63 - SECURITISATION OF RECEIVABLES

In April 2004 several affiliated undertakings of Sonae Indústria signed, with a third party, a 5 year securitisation agreement of accounts receivable.

Under this agreement, invoices amounting up to 150,000,000 euro may be securitised. As at 31 December 2004 receivables totalling close to the maximum amount agreed had been securitised. These receivables were eliminated from the caption "Trade debtors". The total amount of invoices sold and retained by that third party is disclosed as "Other debtors".

The Board of Directors

Consolidated Cash Flow Statement 2004 REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A.

				eur
	04.12	2.31	03.12	2.31
OPERATING ACTIVITIES:				
Cash receipts from trade debtors	6,719,902,787		6,236,139,204	
Cash paid to trade creditors	-4,842,097,833		-4,647,367,529	
Cash paid to employees	-817,602,856		-786,817,876	
Cash flow generated by operations	1,060,202,098		801,953,799	
Income taxes (paid) / received	-54,065,631		-28,723,859	
Other cash receipts and (payments) relating to operating activities	1,070,129		21,370,068	
Cash flow generated before extraordinary items	1,007,206,596		794,600,008	
Cash receipts relating to extraordinary items	26,096,687		25,214,994	
Cash payments relating to extraordinary items	-41,572,621		-56,118,251	
Net cash flow from operating activities [1]		991,730,662		763,696,75
INVESTMENT ACTIVITIES:				
Cash receipts arising from:				
Investments	591,533,752		820,439,741	
Tangible fixed assets	55,433,163		64,699,808	
Intangible fixed assets	287,808		2,418,640	
Investment subsidies	10,751,204		10,039,723	
Interest and similar income	88,636,782		75,090,088	
Dividends	23,003,585		11,938,653	
Loans granted			3,680,452	
Others	447,793	770,094,087		988,307,10
Cash payments arising from:				
Investments	590,836,021		486,318,511	
Tangible fixed assets	482,290,278		440,713,574	
Intangible fixed assets	14,105,148		23,522,572	
Loans granted	40,088,665			
Others	140,399,010	1,267,719,122	519,626	951,074,28
Net cash used in investment activities [2]		-497,625,035		37,232,82
FINANCING ACTIVITIES:				
Cash receipts arising from:				
Loans obtained	2,072,598,348		4,163,069,375	
Capital increases, additional paid in capital and share premiums	18,386,230		29,210,927	
Losses paid in by shareholders			6,250	
Others	21,703	2,091,006,281	244,055	4,192,530,60
Cash payments arising from:				
Loans obtained	2,322,316,458		4,716,326,115	
Capital amortisation of leasing contracts	1,138,114		458,847	
Interest and similar charges	279,770,849		318,424,859	
Dividends	41,710,462		6,466,539	
Reimbursement of capital and additional paid in capital	138,762		49,449,473	
Purchase of own shares				
Others	302,362	2,645,377,007	533,489	5,091,659,32
Net cash used in financing activities [3]		-554,370,726		-899,128,71
Net increase in cash and cash equivalents [4]=[1]+[2]+[3]		-60,265,099		-98,199,14
Effect of foreign exchange rates		802,380		207,38

(a) Note 2 includes a reconciliation with amounts stated previously.

The Board of Directors

Notes to the Consolidated Cash Flow Statement 2004 REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A.

REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A. | 126

Notes to the Consolidated Cash Flow Statement for the Year 2004

1 - PURCHASE OR SALE OF AFFILIATED COMPANIES AND OTHER COMPANY ACTIVITIES

Paragraphs a), b), c) and d) Not applicable.

		euro
	2004	2003
Cash	3,307,240	4,309,049
Bank deposits	337,501,638	265,328,252
Cash equivalents	122,313,125	252,947,421
Cash and cash equivalents	463,122,003	522,584,722
Bank overdrafts	60,019,794	127,107,793
Cash and cash equivalents at the beginning of the year arising from changes in consolidation methods		2,017,682
Banks and cash in the balance sheet	523,141,797	651,710,197

2 - DESCRIPTION OF COMPONENTS OF CASH AND CASH EQUIVALENTS:

3 - INFORMATION REGARDING NON-CASH FINANCIAL TRANSACTIONS

- a) Bank credits granted and not drawn Not applicable.
- b) Purchase of companies in exchange for shares issued Not applicable.
- c) Conversion of debt into capital Not applicable.

4 - CASH FLOW BY LINE OF BUSINESS

			euro
Business	Operating Flow	Investment Flow	Financing Flow
WOOD BASED PANELS	420,176,316	-18,627,701	-264,162,241
RETAILING	347,696,423	-106,078,503	-254,392,502
SHOPPING CENTRES	59,837,631	-307,801,894	91,565,722
TELECOMMUNICATIONS	212,496,538	-74,831,646	-175,306,161
SONAE CAPITAL	-38,260,629	-1,715,085	-36,964,821
OTHER COMPANIES	-10,215,617	11,429,794	84,889,277
TOTAL	991,730,662	-497,625,035	-554,370,726

5 - OTHER INFORMATION NECESSARY FOR THE UNDERSTANDING OF THE CONSOLIDATED CASH FLOW STATEMENT

a) Purchases/sales/incorporations of affiliated companies

			euro
	Total Price	Paid	Received
Sale of shares in Portucel	295,602,598		295,602,598
Sale of shares in Bar-Bar-Idade-Glass	21,954,159		9,099,681
Sale of shares in MCH SGPS	174,720,000		174,720,000
Purchase of shares in MCH SGPS	346,071,181	346,071,181	
Purchase of shares in IMO-R	63,689,905	63,689,905	
Purchase of shares in Tafisa Canada	31,927,263	18,444,700	

b) Cash receipts from loans obtained include 317,954,467 euro relating to very short-term financing.
Payments of loans obtained include 403,085,217 euro relating to very short-term financing.

The Board of Directors

Statutory Auditors' Report Consolidated Financial Statements 2004 REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A.

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Statutory Auditor's Report Consolidated Financial Statements

(Translation of a report originally issued in Portuguese)

INTRODUCTION

 We have examined the accompanying consolidated financial statements of Sonae S.G.P.S., S.A., which comprise the consolidated Balance Sheet as of 31 December 2004 that reflects a total of 7,555,295,337 Euro and shareholder's equity of 682,093,543 Euro, including a net profit of 192,060,205 Euro and the consolidated Statements of Profit and Loss by nature and by function for the year then ended and the related notes.

RESPONSABILITIES

2. The preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation and the consolidated results of their operations, as well the adoption of adequate accounting principles and criteria and the maintenance of appropriate systems of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our examination.

SCOPE

3. Our examination was performed in accordance with the Auditing Standards issued by the Portuguese Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Such an examination includes verifying, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes the verification of the consolidation procedures used and application of the equity method, as well as verifying that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

4. The accompanying consolidated financial statements were prepared for approval by the Shareholders' General Meeting in accordance with the provisions of article 376° of the Commercial Companies Code, and do not include a consolidated Statement of Cash Flows and related notes. These will be prepared and presented for the purposes of article 245° of the Securities Market Code.

QUALIFICATION

5. Up to 31 December 2000 Sonae recorded goodwill arising on the acquisition of investments in group and associated companies under the caption Intangible Assets, and amortised it over the period estimated to recover the investments. In the beginning of 2001, Sonae decided to change this accounting policy and write off goodwill against Other Reserves, including the net book value of goodwill at 31 December 2000. The accounting policy adopted since 31 December 2000, is not in accordance with generally accepted accounting principles in Portugal, and had Sonae maintained the accounting policy and amortisation periods adopted until 31 December 2000 and without considering adjustments, if any, on the transition to International Financial Reporting Standards, assets and shareholders' equity as of 31 December 2004 would increase by 671,563,279 Euro and the consolidated net profit for the year then ended would decrease by 58,339,399 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2004.

OPINION

6. In our opinion, except for the effect of the matter referred to in paragraph 5 above, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Sonae S.G.P.S., S.A. as of 31 December 2004 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles in Portugal.

EMPHASIS

7. Subsidiaries of Sonae Industria, S.G.P.S., S.A., located in Germany, France and the United Kingdom, have recorded in prior years deferred tax assets related with tax losses, amounting to 51,925,000 Euro as of 31 December 2004 (52,440,000 Euro as of 31 December 2003). Those subsidiaries, except for the one located in Germany, have not recorded net profits in 2004, consequently the recoverability of those assets is uncertain and depends upon the existence of future net profits and the maintenance of the current conditions for carrying tax losses forward.

Porto, 8 March 2005

DELOITTE & ASSOCIADOS, SROC. S.A. Represented by Jorge Manuel Araújo de Beja Neves

Report and Opinion of the Statutory Auditor Consolidated Financial Statements 2004 REPORT AND CONSOLIDATED ACCOUNTS 2004 | SONAE SGPS, S.A.

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Report and Opinion of the Statutory Auditor Consolidated Financial Statements

(Translation of a report originally issued in Portuguese)

TO THE SHAREHOLDERS OF SONAE, S.G.P.S., S.A.

In compliance with the applicable legislation and our mandate we hereby submit our Report and Opinion which covers our work and the consolidated documents of account of Sonae, S.G.P.S., S.A. for the year ended 31 December 2004, which are the responsibility of the Company's Board of Directors.

We accompanied the operations of the Company and its principal affiliated companies, the timely writing up of their accounting records and their compliance with statutory and legal requirements, having obtained from the Boards of Directors and personnel of the Company and its principal affiliated companies all the information and explanations required.

In performing our work, we examined the consolidated balance sheet as of 31 December 2004, the consolidated statements of profit and loss by nature and by functions and the related notes. Additionally, we examined the consolidated Report of the Board of Directors for the year 2004. As consequence of our legal examination we have issued the Statutory Auditors Report which in paragraph 5 contains one qualification and in paragraph 7 contains one emphasis.

Considering the above, in our opinion, except for the effects of the matter referred to in paragraph 5 and considering the matter mentioned in paragraph 7 of the Statutory Auditors Report, the consolidated financial statements referred to above and the consolidated Report of the Board of Directors, are in accordance with the accounting, legal and statutory requirements and so can be approved by the Shareholders' General Meeting.

We wish to thank the Company's Board of Directors and personnel, as well as the statutory boards and personnel of the Group companies for the assistance provided to us.

Porto, 8 March 2005 DELOITTE & ASSOCIADOS, SROC. S.A. Represented by Jorge Manuel Araújo de Beja Neves

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Audit Report 2004 Consolidated Financial Statements

(Translation of a report originally issued in Portuguese)

INTRODUCTION

 Pursuant to article 245 of the Securities Market Code we hereby present our Audit Report on the consolidated financial information contained in the Report of the Board of Directors and the consolidated financial statements for the year 2004 of Sonae, S.G.P.S., S.A. which comprise the consolidated Balance sheet as of 31 December 2004, that reflects a total of 7,555,295,337 Euro and shareholders' equity of 682,093,543 Euro, including a net profit of 192,060,205 Euro, the consolidated Statements of Profit and Loss by natures and by functions and the consolidated Cash Flow Statements for the year then ended and the related notes.

RESPONSIBILITIES

- 2. The Board of Directors is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the consolidated financial position of the companies included in consolidation, the consolidated results of their operations and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate internal control systems; and (iv) informing any significant facts that have influenced the operations of the companies included in the consolidation, their financial position or results of operations.
- 3. Our responsibility is to examine the financial information contained in the consolidated financial statements referred to above, including verification that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our examination.

SCOPE

4. Our examination was performed in accordance with the Technical Standards issued by the Portuguese Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Such an examination included verifying, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Such an examination also included the verification of the consolidation procedures used and application of the equity method, as well as verifying that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used, and their uniform application and disclosure, taking into consideration the circumstances; verifying the applicability of the going concern basis; assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing that, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Report of the Board of Directors is consistent with the other consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

QUALIFICATION

5. Up to 31 December 2000 Sonae recorded goodwill arising on the acquisition of investments in group and associated companies under the caption Intangible Assets, and amortised it over the period estimated to recover the investments. In the beginning of 2001, Sonae decided to change this accounting policy and write off goodwill against Other Reserves, including the net book value of goodwill at 31 December 2000. The accounting policy adopted since 31 December 2000, is not in accordance with generally accepted accounting principles in Portugal, and had Sonae maintained the accounting policy and amortisation periods adopted until 31 December 2000 and without considering adjustments, if any, on the transition to International Financial Reporting Standards, assets and shareholders' equity as of 31 December 2004 would increase by 671,563,279 Euro and the consolidated net profit for the year then ended would decrease by 58,339,399 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2004.

OPINION

6. In our opinion, except for the effect of the matter referred to in paragraph 5 above, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Sonae S.G.P.S., S.A. as of 31 December 2004, the consolidated results of its operations and the consolidated cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal and the information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

EMPHASIS

7. Subsidiaries of Sonae Industria, S.G.P.S., S.A., located in Germany, France and the United Kingdom, have recorded in prior years deferred tax assets related with tax losses, amounting to 51,925,000 Euro as of 31 December 2004 (52,440,000 Euro as of 31 December 2003). Those subsidiaries, except for the one located in Germany, have not recorded net profits in 2004, consequently the recoverability of those assets is uncertain and depends upon the existence of future net profits and the maintenance of the current conditions for carrying tax losses forward.

Porto, 8 March 2005 (except for the issue of the consolidated Cash Flow Statements and related notes, dated 11 April 2005)

DELOITTE & ASSOCIADOS, SROC. S.A. Represented by Jorge Manuel Araújo de Beja Neves



Public Quoted Company Sonae SPGS, S.A.

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