

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

Sociedade Aberta

Lugar do Espido - Via Norte - 4471- 909 MAIA

Share Capital: Euro 2 000 000 000,00

Maia Commercial Registry (Nr. 14168)

Fiscal Nr. 500 273 170

## **REPORT AND CONSOLIDATED ACCOUNTS**

**2002**

## Chairman's Statement

2002 was a year of widespread unfavourable economic conditions and political instability, further worsened by the extreme volatility of international equity markets and the various financial scandals brought to light in the US and Europe.

Against this backdrop, I am pleased to report that across our five sub-holdings we have made significant progress towards achieving the strategic objectives that I presented in my previous statement.

I must admit, however, that we failed to predict the full scale of the impact that the economic downturn, mainly in Latin America, would have on the performance of our operations in Brazil. As a result, the so called *Brazilian risk* on our financial statements increased during the course of 2002.

The Portuguese equity and bond markets have all but collapsed and bank financing has significantly contracted. Notwithstanding the fact that Sonae possesses a good portfolio of investment projects, to sustain future growth, 2003 will inevitably be a year to consolidate, reducing the level of investment and disinvesting in non-core business assets. In addition, particular emphasis will be placed on improving overall business efficiency and profitability.

As in 2002, our near term targets will focus on increasing cash flow generation and reducing the Group's debt. Sonae Indústria, Modelo Continente, Sonae Imobiliária, SonaeCom and Sonae Capital (the latter increasingly an incubator for new businesses) are all sizeable businesses in their own right, with highly focused strategies and operations, and skilled and experienced management teams. As such, I am confident that Sonae should be viewed as a portfolio of diversified businesses rather than a conglomerate.

Over its 40 years of existence, the Sonae Group has sought to continuously develop its model for corporate governance, attaining the highest standards in terms of transparency for all its stakeholders, sharing the Group's common values and management culture across all the businesses in the portfolio.

The adversities felt in 2002 were a challenge to our resilience, perseverance and creativity. With the exceptional quality, dedication and motivation of Sonae's management team, I am extremely optimistic that the Group will continue to develop the Sonae Project.

So, it is with serene confidence and justified ambition that together with our customers, suppliers and financial partners, we will continue to create value and more and better jobs for our employees who themselves continue to progress in their abilities, creative skills and level of responsibility. It will be up to our employees to ensure a long living Company, and this is ultimately my personal ambition as a businessman. And they will achieve this in an atmosphere of constant change, embracing innovative projects that will attract, retain and enthuse our managers and entrepreneurs, themselves responsible for almost 60 thousand employees worldwide.

Once again I would like to thank all those dedicated and highly competent people who have contributed to build Sonae into the Group it is today. I am confident that together we will continue to create value and employment in a socially and environmentally responsible fashion.

Maia, 12 March 2003

Belmiro de Azevedo

*(Translation from the Portuguese original)*

**Sonae SGPS, SA - Sociedade Aberta**  
**Lugar do Espido Via Norte Apartado 1011**  
**4471-909 Maia Portugal**  
**Share Capital Euro 2 000 000 000,00**  
**Maia Commercial Registry (Nr. 14168)**  
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## **REPORT OF THE BOARD OF DIRECTORS**

### **2002**

#### **THE ECONOMIC ENVIRONMENT**

Throughout 2002 the world economy showed hesitant signs of recovery alongside uneven growth rates among the main trading blocks. During the first months of the year some economic data suggested that a recovery was around the corner, stimulated by continued drops in interest rates, but this trend was offset by a fall in consumer and business confidence. Overall this resulted in a disappointing growth of world trade in 2002 of only 2.6%, substantially below the annual average of the 90's (7.9%).

Performance of world equity markets, swept by a succession of financial scandals, was a clear sign that sustained economic recovery would take longer than initially expected and the mounting risk of armed conflict in the Middle East further increased market volatility with oil prices soaring to almost 30 USD/barrel.

GDP grew 2.4% in the USA (+0.3% in 2001), only 0.9% in the European Union (+1.6% in 2001), while Japan had another recessionary year (-0.7% in 2002, following -0.3% in 2001). This lack of synchronisation has more to do with structural differences caused by difficulties in overcoming budget deficits in rigid environments rather than by prevailing economic conditions.

In spite of the slight upturn in growth, the **United States** economy showed mixed signals. On the one hand, there was an increase in industrial activity, but on the other, consumption and confidence indices weakened. The collapse of the equity markets significantly affected consumption and investment, although this impact was softened by the low level of long-term interest rates and by the weak dollar. As a reflection of insufficient growth the unemployment rate rose by one percentage point, standing at 5.8%. The outlook for a sustained upturn remains elusive and calls for measures to stimulate demand. To this end the US government announced an ambitious programme of tax cuts

in January 2003 aimed at stimulating investment and consumption. In **Canada**, increased growth (3.3% compared to 1.5% in 2001) was mainly due to a favourable trend in consumption and investment.

The **Japanese** economy also showed contradictory trends. Although growth rate forecasts have been revised upwards, analysts consider the trend of internal demand precarious. Another factor is the strength of the Yen caused by the budget surplus. This will tend to slow down export growth, and the impact will be felt more the longer the world economic recovery takes to materialise. At the same time the authorities continue to discuss ways to improve the effectiveness of monetary policy that to date has been incapable of reversing the deflationary trend begun in 1995. A solution must be built on structural reform of the banking system and changes to tax policies.

In the **European Union**, increased difficulties were felt due to budgetary constraints as well as to delays in implementing structural reform. Overall, growth slowed in the European Union, held back by sluggish internal demand (0.7%) and by stagnation of exports (0.2% compared to 2.4% in 2001), further worsened by the appreciation of the Euro. Against this backdrop, unemployment rose to 7.6% in 2002 (7.3% in 2001), inverting the downward trend that began in 1997. The key monetary policy target was met, however, with the Euro Zone inflation at 2%, unaffected by the progressive cuts in interest rates (4.75% to 2.75%) implemented by the European Central Bank.

Throughout the European Union, reform is essential to guarantee sustained growth, especially in terms of labour market flexibility and to minimise the effects of an ageing population. Also reform of the European Union institutions and budget are essential factors to ensure the success of enlargement to Eastern and Central Europe.

In view of the international exposure of its business portfolio, **Sonae's** activity in 2002 was necessarily affected by the economic trends in the main markets where it operates.

In **Portugal**, GDP is estimated to have once again registered slower growth in 2002 of 0.5% (+1.7% in 2001) as a result of weaker exports (+2.0%) and private consumption (+1.0%), less investment for the second year running (-3.3%) and a reduction in public spending. The slowdown in external demand is explained not only by the adverse economic environment but also by the cumulative loss in competitiveness of the Portuguese economy. The social impact of higher unemployment (from 4.1% to 6.2% between the fourth quarters of 2001 and 2002) and the deterioration of consumer confidence (the lowest since 1986) help to explain the reduction in internal demand (-0.5%). As a result of weak demand and moderate salary growth and despite the VAT increase in May, average consumer price inflation reduced to 3.6% (4.4% in 2001). Together, these conditions translated into a significant reduction in the trade deficit (from 12.5% to 10% of GDP) and in the current account deficit, although the latter is still far too high (-7.8% of GDP in 2002).

Under the current circumstances, the scope for using stabilisation policies is very limited due to the irreversible integration into the Euro zone and to the limits set for the public deficit. Thus, in the short term, budgetary consolidation will have to be pursued despite its non expansionist effect requiring courageous measures to contain salaries in the public sector and some social costs. Nonetheless, in the medium term, implementing reforms in the public sector, in the tax system and in terms of market flexibility, will be the only means of achieving sustainable growth.

In the most important European Union markets for Sonae's businesses, 2002 was marked by a clear slowdown in growth. In **Spain** GDP grew by 1.8% (2.7% in 2001) and was helped by a slight increase in private consumption (1.8%) and investment (1.3%) but offset by the stagnation in exports (-0.2%). In **Germany**, GDP grew 0.2% (0.6% in 2001), impacted by a drop in private consumption (-0.5%) and in investment for the second year running (-4.7% compared to -5.3% in 2001), and was only softened by a more positive performance in exports (1.8%). Weak growth was also evident in **France** (1.0% as against 1.8% in 2001) on the back of flat investment and exports in real terms, as well as in the **U.K.** where overall economic growth (1.5%) was, on the one hand, favoured by private consumption growth (3.6%), but on the other, adversely affected by a significant fall in investment (-4.4%).

In **Brazil**, the economy was affected by weaknesses resulting from an external debt denominated mostly in US dollars and the public sector deficit, and was influenced in 2002 by the deterioration of economic conditions across the whole of Latin America with its epicentre in the Argentinean crisis that emerged in the last weeks of 2001. Inevitably, the financial fall-out spread to the Brazilian economy despite efforts made to avoid it. Thus, as from the second quarter, and also as a result of the uncertainties surrounding the outcome of the presidential elections in October, the economy was hit by a sudden drop in confidence by the markets, resulting in a sharp depreciation of the Real (-44% compared to the US dollar in 2001 and 2002) and in an increase in interest rate spreads. In an attempt to stabilise the situation, in September, the Brazilian authorities agreed a new stand-by package with the IMF involving loan facilities of 30 billion US dollars, together with commitments to maintain a public expenditure primary surplus of not less than 0.75% of GDP in 2003 and until 2005, and to follow prudent economic policies. After the elections, the markets became more stable allowing a slight fall in interest rates, which, in the meantime, have risen again to levels that remain high.

GDP grew an estimated 1.5% in 2002 accelerating slowly, reflecting export and consumption recovery in the second half of the year, which compensated for falls in investment and expenditure on consumer durables. Helped by the depreciation of the Real, the current deficit reduced significantly (from 4.6% to 1.7% of GDP), relieving pressure on the capital account. The currency depreciation has, however, increased inflation (+12.5% according to the IPCA), an effect that will only be resolved in 2004 with an inflation target of 5.5%.

## **Wood Based Panels Business**

This business was affected in 2002 by unfavourable economic conditions, in particular by the poor performance in the construction and furniture sectors. This triggered an acceleration of the consolidation process in the industry and a growing focus by companies on their core business.

As in 2001, consumption of particleboard dropped due to the mature phase of the life of the product and its replacement by other products for some usages, while consumption of MDF and OSB increased considerably. The prices of the latter products, however, did not rise with the growth in demand because of increases in production capacity and reductions in stock levels during most of the year.

In **Iberia**, supply pressure increased for particleboard arising from excess production capacity. In Portugal, the poor performance in the construction sector especially in the residential and public works segments, had a considerable impact on demand for wood based panels.

In **Central Europe**, weak demand can be explained by a general fall in business activity in the construction, public works and furniture sectors. In France according to the IPEA (Marketing and Study Institute for the Furniture Business), furniture sales fell by around 6% in 2002. The same happened in Germany with sales falling by 9.8% between January and September compared to the same period in 2001.

In **Canada**, demand for wood based panels increased due to better than forecast economic growth. The trends evidenced in 2001 continued or were even more marked, with production and demand for particleboard increasing, while supply and demand almost balanced each other for MDF. In 2002, the World Trade Organisation stepped in to try to resolve the continuing disputes between the USA and Canada over the Softwood Lumber Trade Agreement with well known consequences on wood raw material prices.

In **Brazil**, demand for particleboard increased and for MDF continued at very high levels. Demand for these products remained strong through the first half of 2002 but was affected by political uncertainty in the second half. After the presidential elections, the market recovered with an increase in business confidence.

Business conditions in **South Africa**, where Sonae Industria's market share is in excess of 40%, remained favourable in 2002. Demand for wood based panels was better than expected because of a better economic performance than that forecasted at the end of 2001.

## **Retailing**

In **Portugal**, the retail business was affected by stagnant economic conditions and strong uncertainty, that resulted in a drop in household available income and a weak level of investment, leading to falls in consumer spending and in business and consumer confidence. These factors together with restrictions on the granting of licenses for opening new stores have resulted in sales of main modern retail operators growing in line with inflation, a clear sign of intense competition.

Also, in **Brazil**, the world economic slowdown and the highly unstable environment created by the presidential elections in October, led to lower market confidence, sharp depreciation of the Brazilian Real and an increase in interest rates. These factors resulted in a slowdown in internal demand as well as in business activity. Economic instability caused a fall in the rate of expansion of sales area in the Brazilian market compared to previous years with most companies focusing on efforts to rationalise existing stores and improving their value proposal.

## **Shopping Centres**

Rents in the retail property market in **Portugal** grew in line with annual average inflation. In light of the fact that Portugal has 145 m<sup>2</sup> of shopping centre area per capita<sup>1</sup>, less than the European average (176 m<sup>2</sup>), demand by Portuguese and international retailers was strong. As opportunities for the development of large centres are scarce, developers are investing in smaller or specialist centres – leisure centres or retail parks. Continued interest from international investors has increased property values and helped to drive down yields in the sector over the years to a value close to the European average.

Despite the economic slowdown, the retail market in **Spain** remained active with numerous domestic and international investors seeking development and investment opportunities, with shopping centre rents remaining stable. The strong competition for the limited supply of good quality investment product led to a strategy of growth by acquisition rather than organic growth. Because of the strong interest in the sector, yields for established prime shopping centres showed a slight drop to 6.25%, leading to higher asset valuations.

**Italy** shows considerable growth potential in the long term since shopping centre area per capita<sup>1</sup> is considerably lower than the European average, and because there is no centre larger than 70,000 m<sup>2</sup> and there are only twelve centres with more than 40,000 m<sup>2</sup>. The attractiveness of the Italian market is reflected in the low prime yield (6%) at the end of 2002 and it is expected that current low levels will be maintained.

**Greece** has the greatest growth potential in Europe with a shopping centre area per capita<sup>1</sup> of only 9.9 m<sup>2</sup>. In view of the obvious attraction of this market, the number of international investors trying to win market share by acquisition or organic growth is very high. Despite the slight fall in 2002, the sector has been one of the strongest in Europe with rents showing an average annual growth rate of 8.1% over the last ten years. The 2004 Olympic Games did not have the expected catalyst effect on the development of

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<sup>1</sup> GLA of shopping centres per 1,000 inhabitants



shopping centres, in large part due to innumerable bureaucratic difficulties. Prime yields have tended to remain steady showing a slight downward trend around 8%.

The weak signs of recovery in **Germany** are reflected in a fall in investment with a continuing climate of uncertainty that dominates international markets. With a shopping centre area per capita<sup>1</sup> of 120 m<sup>2</sup>, the number of shopping centres is relatively low compared to other countries in Western Europe. Shopping centre yields are about 5.75%, a relatively low value.

**Austria** has one of the highest shopping centre area per capita<sup>1</sup> in Europe. Nonetheless, the variety of formats is limited and this explains the interest of international investors in developing new formats. In spite of increasing interest by foreign investors, competition is less fierce than in other countries due to reduced supply, low yields and weakness in rents in recent years.

In **Brazil**, overall rental growth was minimal due to heavy pressure from economic instability. But rents in shopping centres located in prime sites have grown consistently as a result of their growing popularity amongst consumers.

## **Telecommunications**

The number of mobile telecommunications subscribers in Portugal rose to 9.58 million at the end of 2002, 11% higher than at the end of 2001, according to data published by operators. Service penetration reached 92.9% of the Portuguese population. For the Portuguese mobile telecommunications sector, the greater part of 2002 was marked by uncertainties regarding the launch of a fourth GSM/GPRS mobile operator. Towards the end of 2002 the fourth operator decided to hand back licence and spectrum to the Regulator. At the same time the Regulator decided on a second delay of 12 months in UMTS licence obligations. Even within the revised timeframe, the launch is still highly doubtful, as there are many problems that remain unsolved concerning UMTS technology. At present, most of the existing applications and services can easily be handled over GSM/GPRS networks and therefore the incentive in the near term for operators to incur significant investments in UMTS networks is low. During 2002, the Regulator decided on a progressive reduction in the maximum rate that mobile operators are allowed to charge for 100 second calls originating on a fixed network as well as a continued reduction in interconnection tariffs for mobile-to-mobile and fixed-to-mobile calls.

Market penetration of the fixed network at the end of the third quarter of 2002 (latest data available) was 42.1%, a fall of 0.3 percentage points compared to the same period last year, according to data from the Regulator. 2002 was yet another year of incipient regulation in terms of the fixed and Internet markets and as a result the incumbent continued to strengthen its dominant position. In key issues for the sector such as local loop unbundling and competition arbitration, no significant progress was made and some of the decisions taken by the Regulator were actually harmful to the market, making competitive conditions for alternative operators harsher, with few competitors remaining to Portugal Telecom.

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<sup>1</sup> GLA of shopping centres per 1,000 inhabitants

The Internet sector in Portugal continued to grow although at a slower pace than in previous periods. During 2002 there was still some growth in residential narrowband Internet access but the main driver was the introduction of broadband access. According to ANACOM, at the end of 2002, there were 260,000 broadband accesses in Portugal. The incumbent revised its wholesale offer, which enabled alternative operators to offer a broadband solution for their customers, albeit with unattractive economics. Key issues for the sector are the fact that the incumbent operator has control of both local access fixed networks (copper and cable) and the need to implement effective measures to ensure that regulations are adhered to and to combat abusive market behaviour.

## **PORTFOLIO MANAGEMENT**

Since 1999, Sonae manages its portfolio by comparing the value implicit in the strategies of each of its businesses in which it has the role of reference shareholder. Based on this analysis, decisions are taken on the allocation of financial resources and top managers to ensure that each business has the necessary infrastructure to deliver its strategy.

In 2002 Sonae continued its strategy of strengthening the financial structure of its businesses and repositioning its portfolio in the equity markets given the unavailability of those markets as a source of finance.

To this end, a tender offer was launched on 8 February 2002 for the purchase of the whole of the share capital of Modelo Continente, SGPS, SA not held by Sonae. The definitive offer was announced on 28 March 2002 and was open during the month of April. As a result of this offer, Sonae acquired 3.79% of the share capital of Modelo Continente for around 70.7 million euro.

On 6 May, still as part of the public tender offer mentioned above, 199,500,000 shares of this sub-holding were sold to a group of banks led by Banco Santander Central Hispano for around 369 million euro. Simultaneously, contracts were signed with that group of banks agreeing purchase and sale options on these shares. As a result of these agreements and in compliance with generally accepted accounting principles, the shares involved were maintained a fixed asset investment in the Balance Sheet with the sales price recorded as a liability.

During the year Sonae purchased, in the equity market, shares in Sonae Industria, SGPS, SA and in Modelo Continente, SGPS, SA thus increasing its shareholding in those subsidiaries to 95.72% and 75.46% (including the 19.95% referred to above), respectively, an investment of about 27 million euro.

After the end of the year, in January 2003, Sonae subscribed an increase of the share capital of Modelo Continente, SGPS, SA from 1,000 to 1,100 million euro that had already been subscribed indirectly by a bank syndicate in 2002, thus increasing its shareholding to 75.54%.

## **INVESTMENT ACTIVITY**

During 2002 Sonae took part in the following share capital increases:

- in June 2002, it subscribed the whole of the share capital increase of Sonae Capital, SGPS, SA from 100 to 150 million euro at nominal value;
- in July 2002, the share capital increase of SonaeCom, SGPS, SA from 181 to 226.25 million euro took place at a price of 2.25 euro per share. Sonae invested around 99 million euro increasing its shareholding to 82.8%.

Gross consolidated investment for the year totalled around 744 million euro, less than half of that in 2001 (1,509 million euro), and was made up as follows:

- In Wood Based Panels, investment was around 106 million euro (408 million euro in 2001). Most of this was spent on completing particle board and OSB production lines in Nettgau (Germany), and on investments to fine tune equipment in various manufacturing units;
- In Retail, investment totalled around 121 million euro (338 million euro in 2001). The main projects were the opening of 25 new stores of various formats, equal to an increase of about 25,000 m<sup>2</sup> over existing space, the refurbishment, conversion and rationalisation of a significant number of stores in Brazil, and a new management information system;
- Sonae Imobiliária invested 304 million euro during the year (216 million euro in 2001). A major item was the acquisition of FILO's shopping centre business in a joint venture with ING Real Estate Bishop BV (co-ownership of the shopping centres Gran Casa in Zaragoza, Max Centre in Bilbao, Valle Real in Santander, and of 50% of La Farga in Barcelona, and of a project to build the Zubiarte Shopping and Leisure Centre in Bilbao). Other investments included the opening of the Parque D. Pedro Shopping Centre (Campinas, Brazil) and of the Plaza Mayor Shopping and Leisure Centre (Malaga, Spain). Construction of the Avenida M40 (Madrid, Spain), Plaza Éboli (Pinto, Madrid, Spain), Dos Mares (S. Javier, Murcia, Spain) shopping and leisure centres and the second expansion of CascaiShopping (Cascais, Portugal) progressed. Development of the shopping centres Luz del Tajo (Toledo, Spain) and Brescia Centre (Brescia, Italy), was launched, and construction work on car parks in Porto, Matosinhos and Lisbon were also part of investment activity;
- Investment in Telecommunications was circa 152 million euro (252 million euro in 2001) mainly spent on mobile and fixed line infrastructures.

Disinvestments in the year totalled around 69 million euro (297 million euro in 2001) with no special item worthy of note.

## **HUMAN RESOURCES MANAGEMENT**

In 2002 the average number of employees in the Sonae Group was 51,591, identical to that at the end of 2001. At the end of the year, the number stood at 58,100, mostly in Retail (70%) and Wood Based Panels (13%). Geographically, almost half of them worked outside Portugal, especially in Brazil (37%).

## **RISK MANAGEMENT AND INTERNAL AUDIT**

Risk Management and Internal Audit are activities that are developed across the entire Group in all businesses through especially dedicated departments, which report directly to the Boards of Directors of the holding and sub-holding companies. At Group level two bodies - the Risk Management Advisory Group and the Audit Committee - exist to coordinate both functions. Their role is to define policies, monitor and coordinate activities, and share knowledge and experience.

Currently the Risk Management and Audit functions employ around 50 full time staff, located in Portugal, Brazil, Spain, and France, and working in all countries where Sonae operates.

During 2002 work was carried out in accordance with the planned activities of each function.

In the **Risk Management** function, 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 at different locations of the various business units. Those audits followed up on and controlled the state of implementation of planned measures, and identified other corrective and preventive measures to be implemented. In main business units, tests were made to emergency procedures, which were attended, where appropriate, by the fire department, civil protection and police services.

As far as building safety is concerned, fire prevention, detection and extinguishing systems and procedures as well as intrusion systems were revised, standardised and improved. Also, safety standards and related monitoring and self assessment procedures were revised and developed.

In major businesses, Crisis Management plans were established in order to avoid business interruption. To this end processes and procedures to prepare for crisis and catastrophic scenarios (Crisis Management Manual) were defined, revised and implemented particularly through developing emergency, contingency and recovery plans.

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

Turning to managing personal safety risks (staff, subcontractors, customers and visitors), the groundwork was laid for an integrated project to develop safety awareness and actions with special emphasis on changing behaviour and attitudes.

Risks associated with critical business processes and major change projects, especially new investments and changes to information systems, were reviewed and monitored both by Risk Management and Internal Audit teams.

Methodologies and procedures to integrate Risk Management into the business Planning Cycle were developed and implemented from the strategic review right through to operational planning.

**Internal Audit**, in line with its action plans, carried out internal control audits in a number of business units as well as audits of the main procedures and information systems of Group companies.

The following is a summary of the main initiatives in 2002:

- In Sonae Indústria: compliance audits of inventories in all manufacturing units and of control of receivables in commercial companies; audits of procedures for purchasing raw materials, sales, control of receivables, human resources management and payments to suppliers;
- In Sonae Distribuição: audits of store internal controls, inventories, sales monitoring, promotions, out of stock items, customer satisfaction commitments; audits of management information systems, security and network access, servers, databases, users and electronic sales over the Internet, change projects for operating and financial systems, computer security standards, and policies and disaster recovery procedures;
- In Sonae Imobiliária: compliance audits at various units and of information systems changes to address the change over to the Euro; audits of procedures to manage tenant contracts, control over investments in car parks and human resources; audits of security, availability and operation of information systems;
- In SonaeCom: risk analysis and system and procedures audit at Publico; audits of payments to suppliers, commissions to agents at Optimus; credit collections, revenue estimates and interconnection costs at Novis; audits of information systems, overall controls, network infrastructure, e-mail system, security management, methods and procedures at Novis;
- In Sonae Capital: compliance audits at various units and information systems and procedures for the change over to the Euro; audits of procedures relating to service billing, revenues, receivables, purchases of goods and services and human resources at various business units; information systems audit of the SAP Implementation (financial and human resources area) at Sonae Turismo and of security, operations and availability of support systems to the main businesses.

## **ENVIRONMENTAL MANAGEMENT**

During 2002 work continued to develop and implement Environmental Management Systems (EMS's) and environmental and eco-efficiency indicators in the different companies of the Group. The theme of the annual Environmental Conference was sustainable development taking maximum advantage of the Johannesburg summit to build awareness of managers for this subject. Sonae supported the Institute for Nature Conservation to save birds polluted by the Prestige oil spill. Sonae continued in 2002 to support various projects of the World Business Council for Sustainable Development (WBCSD) and to participate actively in the BCSD Portugal of which Sonae is the current chairman.

We highlight the following initiatives of Group companies during the year 2002:

- In Sonae Industria, three more manufacturing units were awarded ISO 14001 certification (Nettgau, Germany, George, South Africa, and Lac-Mégantic, Canada – the latter in January 2003) bringing the total to 7 units. ISO 14001 certification was concluded for forestry management at properties at Huelva, Spain, in addition to the Keurhout certificates already awarded for properties managed in Gabon. Another highlight was the Environmentally Preferable Product (EPP) certificate awarded to the Lac Megantic factory in January 2003. Low emissions of formaldehyde in end products and the 100% use of sawmill sub products were key factors in obtaining this result;
- In Sonae Distribuição, environmental impact assessment and related action programmes continued this year at 12 sites, and EMS's were developed at two pilot sites according to ISO 14000 guidelines. Also, work moved ahead to implement a number of measures to reduce the environmental impact of its activities in the areas of energy and waste management, transportation of goods and water quality. Sonae Distribuição sent 16,294 tons of cardboard and 1,731 tons of plastic for recycling;
- In Sonae Imobiliária, EMS operating procedures were revised in line with ISO 14001. Procedures were defined for New Businesses (Due Diligence has already been carried out for all land purchased), for Design and Development (already implemented in most development projects in the Iberian Peninsula) and for construction Environmental Management. EMS implementation continued in Centres operating in Portugal, and implementation and follow up started for Centres where Sonae Imobiliária is either owner or co-owner in Spain and Brazil. In Portugal, energy management performance improved with a reduction of 7,358 MWh (8% of total consumption), and 3,298 tons of waste were reused or recycled, 19% of the 17,434 tons produced;
- In SonaeCom, an EMS in line with the ISO 14001 standard was developed and implemented. A number of internal environmental audits have already been carried out with a view to applying for ISO 14001 certification, which is expected to be done in May 2003. During the year, integrated waste management was implemented in all locations thus ensuring the selective collection and correct final destination for wastes generated – 2,037 tons of paper and board, 15 tons of plastic and 3.8 tons of mobile phones and accessories were sent for reuse and recycling;

- In Sonae Capital companies the following should be highlighted:
  - At Sociedade Térmica Portuguesa - TP, SA, electricity generation projects using renewable resources, in particular the combined cycle co-generation project at Portucel Viana that will use more than 60% of its primary energy requirements from renewable sources (e.g. biomass);
  - At Selfrio, the definition of quantified objectives for recycling used refrigeration fluids and oils used in refrigeration and air conditioning systems;
  - At Contacto, the appointment of a member of staff for environmental matters and the inclusion of the environmental factor in managing construction projects, especially solid wastes;
  - At Lidergraf, the appointment of a member of staff for environmental matters and investments made in “clean” technology;
  - At Sonae Turismo, the start of implementation of an EMS at the TroiaResort according to ISO 14001 guidelines that will cover the construction and operation phases of the development. At the Porto Palacio Hotel, usage of naphtha was replaced by natural gas in the heating boilers thus reducing atmospheric pollution. Also, selective waste recovery was implemented resulting in a reduction in the volume of mixed waste and in an increase in the volume of materials sent for recycling.

## **BUSINESS ACTIVITY**

### **WOOD BASED PANELS**

2002 was a year of consolidation for the manufacturing infrastructure after a period of restructuring (begun in 1999 and completed in 2001) of the industrial assets of Sonae Industria with the goal of optimising production capacity and winning market share.

Consolidated turnover of Sonae Industria in 2002 was 1,480 million euro compared to 1,502 million euro last year. The fall of 1.5% in turnover was due to unfavourable exchange rate movements of the Canadian dollar, Pound Sterling and Brazilian Real against the euro, a worsening of the economic conditions as well as pressure on sales prices overall. Despite these adverse factors, turnover was almost unchanged compared to 2001 as a result of extra sales arising from the start up of new production lines. At constant exchange rates Sonae Industria's turnover was 1,526 million euro, a growth of 1.5% over last year.

Consolidated operational cash-flow (EBITDA) totalled 173 million euro, 13.4% higher than last year. This was possible due to the investments made in 2001 and to improvements in operational efficiency at many levels. The consolidated EBITDA margin was 11.7%, an important increase over 2001 (10.2%). At constant exchange rates, EBITDA was 183 million euro, 19.3% up on 2001.

The consolidated net loss after minority interests was 81.8 million euro, which compares with a loss of 70.7 million euro in 2001.

Consolidated fixed asset investment was 101 million euro compared to 376 million euro in 2001. Consolidated net debt at the end of 2002 was 631 million euro (806 million euro at the end of 2001).

## **Operational review**

### **Iberian Peninsula**

Competition was fierce in this market resulting in significant pressure on sales prices.

Turnover in Portugal was approximately the same as last year. Despite a fall in sales of MDF, this was offset by an increase in the sales volume of melamine coated particleboard. Profitability levels were higher than in 2001 due to the development of a more competitive variable cost structure achieved through reduction of raw material costs and unit consumption of chemicals and wood.

In Spain, despite growth in turnover, operational profitability was lower than in the previous year as a result of the highly competitive environment with strong pressure on prices. In addition to this, the current slowdown in the wood based panels market was a key factor in explaining the difficulty in winning market share. In spite of this aggressive competition, it was possible at least partially to offset the impact by improvements in manufacturing efficiency. This was the result of lower wood and chemical consumption and unit costs, due particularly to a higher percentage of use of recycled wood and related products at the Linares factory.

### **Central Europe**

In Central Europe, demand for Wood Based Panels fell because of lower activity in the civil construction, public works and furniture sectors.

In France, 2002 was a year of weak internal demand resulting in significant pressure on selling prices. The plywood and particleboard markets were particularly affected. The adverse effect on prices was limited by growth in sales volumes and a wider product range made possible by the start up of new production lines in 2001. The EBITDA margin improved compared to 2001 due to the implementation of a more competitive cost structure, made possible by the start up of new manufacturing units, and of measures to reduce fixed costs.

In Germany, despite a highly competitive market and low demand levels, due to the difficult economic conditions in 2002, sales volumes increased. The main reasons for this were buoyant demand for MDF and a decisive contribution from the new Nettgau manufacturing unit, both in terms of productivity increases and the introduction of a new



product, OSB, that has high growth potential. EBITDA margin increased slightly based on improvements in the variable cost structure despite the fact that fixed costs increased. The closure in March of the unit in Gottingen, as a result of the start up of the new plant in Nettgau, should be noted. This allowed installed production capacity in Gottingen to be eliminated and led to a more competitive cost structure.

In the UK, turnover increased over 2001 in spite of a contraction of the market in 2002. However, an accident that occurred in June 2002 jeopardized the profitability of the business and the productivity gains that the operation had achieved since the beginning of 2001.

### **The Americas**

Turnover from the Canadian factory was adversely impacted by a lock out situation as well as price pressure. Turnover remained flat in local currency compared to 2001. However, turnover expressed in euro actually fell due to the depreciation of the Canadian dollar. EBITDA margin increased due to a reduction in the level of fixed costs and a more efficient variable cost structure.

In Brazil, the sharp depreciation of the Brazilian Real reversed the trend of increasing sales seen in 2001 and, as a result, turnover in euro was at about the same level. In local currency turnover grew significantly due to MDF demand and exports. Operating profitability continued at high levels although adversely affected by a significant increase in energy costs and by a strong increase in foreign currency denominated purchase prices of raw materials.

### **South Africa**

Turnover from operations in South Africa showed a positive trend with significant increases in sales volumes, both in local currency and euro, due to a demand level that allowed an almost full use of production capacity. EBITDA margin increased mainly because of a fall in unit consumption and fixed costs, and also the dilution effect on costs of the full use of the production capacity.

### **Other Activities**

Consolidated sales of the Gescartão Group in 2002 were 191.5 million euro, a fall of 1.7% over 2001. Consolidated EBITDA margins increased both in value and percentage terms over the prior year.

Despite the economic slowdown, the cardboard sector maintained similar activity levels to 2001, both in terms of volume and value, with demand for paper relatively steady in most markets. The paper and cardboard sector was marked by continued concentration and globalisation. Multinational manufacturers have shown increasing interest in the Iberian market, both as a market to sell paper and as a region to install or modernise cardboard

factories. It is worth noting the special positive positioning of the Iberian market, where, as opposed to the rest of Europe, prices have not been subject to fluctuations, because of its agricultural base and the dominant position of the main supplier of recycled paper.

### **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
Turnover	1,464.0
Operational Cash-Flow (EBITDA)	174.1
Profit/(Loss) before Minority Interests	(73.0)
Total Net Investment	92.5
Net Interest bearing Debt	630.9
Shareholders' Funds plus Minority Interests	929.6

### **RETAILING**

2002 was a year of stagnant economic conditions and strong political uncertainty, which determined activity in the retail market to the extent that it affected the available income of consumers, resulting in a fall in confidence and a drop in consumer demand. Over and above the difficult market conditions in Portugal, the granting of licences for opening new stores was put on hold and in Brazil the Real depreciated significantly and interest rates increased. Against this backdrop Modelo Continente decided that its strategic priority, for all its formats and markets where the company operates, would be to focus on improving the value proposal, and to rationalise and make more efficient its business processes.

Consolidated net sales of Modelo Continente in 2002 were 3,537 million euro, a fall of 6% compared to 2001, strongly impacted by the depreciation of the Brazilian Real. At constant exchange rates, net consolidated sales totalled 3,829 million euro, an increase of 1.5% over the previous year.

Consolidated operational cash flow (EBITDA) was 296 million euro, lower than last year and once again reflecting the impact of the contribution from Brazilian operations. Overall, profitability, as measured by the ratio of operational cash flow (EBITDA) to net sales, was 8.4%.

Consolidated operational profits were 185 million euro (5.2% of net sales) and Profits from Ordinary Activities were 107 million euro after deduction of net financial charges of 78 million euro.

Consolidated net profits after minority interests were 100 million euro, a fall of 30 million euro. Given the particularly difficult conditions faced by the Brazilian business throughout the year, the result is considered to be positive.

Consolidated investment in fixed assets was around 120 million euro. This covered the opening of 25 new stores in Portugal and Brazil, equal to an increase of about 25,000 m<sup>2</sup> in extra sales area. The company ended the year with a total portfolio of 434 stores equivalent to a sales area of over 860,000 m<sup>2</sup>.

Consolidated net debt at the end of 2002 was around 690 million euro, lower than that at the end of 2001, and reflects the cash inflow from the share capital increase at the end of the year.

The depreciation of the Brazilian Real throughout the year 2002 had a significant accounting impact on the level of equity of Modelo Continente putting it close to the minimum threshold desirable for the company to face the challenges and conditions of the markets where it operates. As a result, Modelo Continente increased its share capital by 100 million euro to 1,100 million euro.

## **Operational Review**

### **Portugal**

Business in Portugal contributed 2,457 million euro to net sales, a 4% improvement over the year 2001. This result was influenced by the fact that Expedis, a micro logistics company sold to the GCT Group, was not included for the period.

Operational Cash-flow (EBITDA) in Portugal totalled 242 million euro equal to a ratio of 9.8% on net sales, 0.3 percentage points higher than in the previous year.

### **Food Formats**

For food formats, net sales were 2,041 million euro, a growth of 2% over 2001 after exclusion of Expedis.

Modelo Continente consolidated its leadership position in the food sector with the total of its food formats made up of Continente, Modelo and Modelo Bonjour showing growth of 4% in 2002.

The contribution towards the consolidated operational cash flow (EBITDA) of Modelo Continente was 202 million euro, an increase in profitability of 0.2 percentage points over 2001 and equal to a ratio of 9.9% on net sales.

## Non Food Formats

This business segment contributed 416 million euro to net sales, a growth of 15% over 2001.

Operational cash flow (EBITDA) totalled 40 million euro, 26% higher than in 2001, while profitability, as measured by EBITDA on net sales, was 9.6%, up 0.8 p.p. over 2001. These results are due to new stores of this format being opened in Portugal and their growing popularity among customers.

## Brazil

In Brazil, net sales were 2,855 million Brazilian Real, approximately the same as last year. Against a market backdrop arising from strong political and economic uncertainty and high interest rates that resulted in the depreciation of the Real, this business contributed 1,080 million euro to Modelo Continente's consolidated net sales, a drop of 23% over 2001.

The depreciation of the Real during 2002 coupled with strong competitive pressure, especially in the São Paulo area, and the temporary slowdown of the expansion programme, explain the fall in sales profitability in Brazil. Operational cash flow was 54 million euro, equal to 5% on net sales, and 2.7 p.p. below that of 2001.

## 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
Turnover	3,532.7
Operational Cash-Flow (EBITDA)	296.7
Profit/(Loss) before Minority Interests	98.4
Total Net Investment	107.4
Net Interest bearing Debt	686.7
Shareholders' Funds plus Minority Interests	405.6

## **SHOPPING CENTRES<sup>2</sup>**

In 2002, Sonae Imobiliária's total income was 384 million euro compared to 321 million euro in 2001<sup>3</sup>, an increase of 19.6%. Of this total in 2002, 217 million euro represent operational income and 167 million euro arise from the valuation of property assets in 2002. The market value of property assets held by the company, as valued by an independent valuer, grew by 430 million euro compared to 2001 to a total of 2,560.9 million euro.

The increase in operational income was due in large part to growth of 16.1% in rents and other income generated by Shopping Centres and Galleries managed in Portugal, totalling 143.8 million euro. Fixed and variable rents earned in shopping centres in Portugal alone grew by 9.2% to 135 million euro.

Operational cash flow (EBITDA) totalled 96 million euro compared to 74 million euro in the previous year, equal to an increase of 30%.

Net profits after minority interests in 2002 were 144 million euro compared to 121 million euro in 2001, an increase of 19%.

Net investment in fixed assets of Sonae Imobiliária in 2002 was 96 million euro, less than 2001 (160 million euro), the main item being the opening in 2002 of the Parque D. Pedro in Brazil.

The NAV (Net Asset Value) of land and buildings attributable to Sonae Imobiliária as at 31 December 2002 grew by 11% to 1,037 million euro as opposed to 933 million euro at the end of 2001.

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<sup>2</sup> Sonae Imobiliária presents its consolidated financial statements in accordance with International Accounting Standards (IAS). The financial data contained in this section of the report, relating to 2002 and 2001, 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 Imobiliária.

<sup>3</sup> Sonae Imobiliária recalculated total income and costs for 2001, eliminating sums relating to rents paid by property management companies to property investment companies (about 104 million euro). As a result, the value of total income changed in 2001 to a total of 425 million euro.

## **Operational Review**

### **Portugal**

Sonae Imobiliária owns or co-owns 603,353 m<sup>2</sup> of GLA (Gross Lettable Area) in operation in Portugal. The portfolio of shopping centres and galleries generated rents of 135 million euro, a growth of 16.1%. At the end of 2002 the occupancy rate of this portfolio was 97%. The market value of Shopping Centres and Galleries owned or co-owned by Sonae Imobiliária in operation increased 9% on 2001 to a total of 1,114 million euro. Sonae Imobiliária has a market share in Portugal of 51%, as measured by GLA under management.

The highlights of 2002 were the development of two more shopping centres, two new retail parks and the expansion of CascaiShopping. In 2002 construction started on two new shopping Centres, Parque Atlântico (Ponta Delgada, Azores, with a GLA of 22,000 m<sup>2</sup>) and Estação Viana (Viana do Castelo, with a GLA of 18,000 m<sup>2</sup>), both developed in partnership with local companies, which are scheduled to open in the autumn of 2003. Coimbra Retail Park (Eiras, Coimbra, with a GLA of 12,800 m<sup>2</sup>) is planned to open in the autumn of 2003. Setubal Retail Park (Setubal, 20,000 m<sup>2</sup> of GLA) is still awaiting a building licence with the beginning of construction expected in 2003. The second extension of CascaiShopping is under construction to increase GLA by 7,000 m<sup>2</sup>. The total planned investment for the above projects is 147 million euro.

In Portugal, at the end of 2002, Sonae Imobiliária had under management 3,059 contracts for shop and storage space, representing a total GLA of 864,594 m<sup>2</sup>. For the entire twelve shopping centres and one Retail Park, the number of visitors stayed relatively stable (-0.1%) while total sales rose by 7.7% compared to 2001. On a like for like basis, excluding shopping centres opened during 2002, as well as months in 2002 during which centres were not open in 2001, visitor numbers fell 2.1%, while sales increased 5.5%.

### **Spain**

Sonae Imobiliária owns or co-owns 313,454 m<sup>2</sup> of GLA in operation in Spain. Its portfolio of shopping centres generated rents of 36 million euro and were 88% occupied at the end of 2002. The market value of shopping centres in operation, owned or co-owned by Sonae Imobiliária, rose to a total of 262 million euro, a strong increase over 2001. This was the result of the opening of Plaza Mayor Shopping and Leisure Centre, Malaga, and the acquisition from FILO, in a joint venture with ING Real Estate Bishop B.V., of the shopping centres: Gran Casa (Zaragoza), Max Centre (Bilbao) and Valle Real (Santander) Centres and of 50% of the La Farga Centre (Barcelona).

During 2002 the first Sonae Imobiliária greenfield project opened in the country: Plaza Mayor, in Malaga, with 33,034 m<sup>2</sup> of GLA and an investment of 47 million euro. As for new projects, construction and marketing of the Avenida M40 shopping and leisure centre in Madrid (47,600 m<sup>2</sup>) proceed at a brisk pace with the opening planned for the spring of 2004. It is a joint venture with the Eroski Group involving an investment of 111 million euro. Development of a new shopping and leisure centre, the Plaza Eboli, in Pinto in the Madrid

area, was also announced. This is another joint venture with the Eroski Group, with a GLA of 30,000 m<sup>2</sup>, a total investment of 45 million euro and opening planned for the autumn of 2004. Again with the Eroski Group, construction began on the shopping and leisure centre Dos Mares, in S. Javier, Murcia, with a GLA of 24,000 m<sup>2</sup>, an investment of 35 million euro and opening planned for the spring of 2004. Meanwhile, development continued at Luz del Tajo, in Toledo, with a GLA of 41,400 m<sup>2</sup>, opening planned for the autumn of 2004 and a total investment of 77 million euro. Sonae Imobiliaria, in a joint venture with ING Developments, is developing the shopping and leisure centre Zubiarte in Bilbao. The opening is planned for the autumn of 2004 with an investment of 75 million euro and a GLA of 21,700 m<sup>2</sup>. Finally, the Malaga Factory Outlet in Malaga is planned to open in the spring of 2005 with a GLA of 16,700 m<sup>2</sup> and an investment of 31 million euro.

In 2002, Sonae Imobiliaria expanded its portfolio of shopping centres and galleries under management to 14, compared to 7 at the end of 2001, corresponding to 915 contracts and a GLA of 428,502 m<sup>2</sup>. Overall performance was very satisfactory with 14.5% growth in traffic and 19.2% increase in total sales compared to 2001. On a like for like basis, excluding shopping centres opened in 2002, traffic and sales rose 1.1% and 9.5%, respectively.

### **Other European Markets**

Sonae Imobiliaria's strategy for international expansion continues to be focused on the search for new opportunities for growth, and consolidation of its experience in shopping and leisure centres.

Thus, Sonae Imobiliaria has currently under development seven more new projects: 3 DO, in Dortmund, Germany (with a GLA of 55,000 m<sup>2</sup>, an investment of 250 million euro and planned opening for the spring of 2006); Alexander Platz, in Berlin, Germany (GLA of 53,200 m<sup>2</sup>, investment of 266 million euro, planned opening for the spring 2006); Vienna Mitte, in Vienna, Austria (GLA of 24,600 m<sup>2</sup>, investment of 170 million euro, planned opening for the autumn of 2006); Aegean Park, in Athens, Greece (GLA of 60,000 m<sup>2</sup>, investment of 152 million euro, planned opening for the autumn of 2005); the Brescia Centre, in Brescia, Italy (GLA of 29,000 m<sup>2</sup>, investment of 109 million euro, planned opening for the autumn of 2005); the Pavia Centre, in Pavia, Italy (with GLA of 47,500 m<sup>2</sup>, investment of 129 million euro, planned opening for the autumn of 2005); and the Mediterranean Cosmos, in Salonika, Greece (GLA of 47,000 m<sup>2</sup>, investment of 104 million euro and planned opening for the autumn of 2004).

### **Brazil**

In Brazil, Sonae Imobiliaria owns or co-owns 223,725 m<sup>2</sup> of GLA in operation. Its portfolio of shopping centres generated total rents of 15 million euro. Total rents generated by shopping centres owned or co-owned by Sonae Imobiliaria, in Brazil, showed growth of 55.8% in Brazilian Real. However, given the economic situation in Brazil affected by the strong depreciation of the Real, the figure when expressed in euro actually fell by 11.8% compared to 2001. The occupancy rate of these assets, as at the end of the year, was 85%. The open market value of the shopping centres and galleries owned or co-owned by Sonae Imobiliaria in operation increased strongly compared to last year to 96 million euro,

due to the opening of the shopping and leisure centre Parque D. Pedro, Campinas, São Paulo. This is the biggest shopping and leisure centre in Latin America with 360 shops and 109,638 m<sup>2</sup> of GLA.

In São Paulo, the Boavista Shopping Centre is currently being developed. The opening is planned for April 2004 with a total investment of 18 million euro and a GLA of 24,000 m<sup>2</sup>. Also in the state of S. Paulo, an extension of the Shopping Penha was approved, an increase of 12,300 m<sup>2</sup> and an investment of 12 million euro.

Sonae Imobiliária, through its subsidiary Unishopping, manages six shopping centres in Brazil, of which five are in S. Paulo state and one in Brazilia. Overall performance was heavily impacted by the opening of Parque D. Pedro and showed a favourable trend of 20.8% increase in traffic and 25.3% in sales, in euro (more than doubling in Brazilian Real) compared to 2001.

### **Other Activities**

SPEL, a car park operator, is held jointly by Sonae Imobiliária and Saba Aparcamientos, SA. It strengthened its leadership in the Portuguese car park market with a total of 16,034 car parking spaces.

Turnover for the period was 6.2 million euro, an increase of 27% over 2001.

During the year SPEL invested significantly to meet its strategy in increasing and consolidating its market share. The management portfolio was increased with the addition of an underground car park (Praça Carlos Alberto, Porto), 2 silo parks (Marisqueiras and Mercado, in Matosinhos), one surface park (Estádio Universitário, in Lisbon) and a parking metre zone (in Portimão), totalling 1,795 car parking spaces.

To continue its expansion plan, 1,299 spaces are planned for construction and subsequent operation over the next three years.

At the end of the first quarter of 2002, Sonae Imobiliária sold Praedium (construction and sale of quality residential property) to Sonae Capital in order to concentrate on its core business of Shopping and Leisure centres.



## **Contribution to Sonae's Consolidated Financial Statements**

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

	Euro Million
Turnover	236.6
Operational Cash-Flow (EBITDA)	81.9
Profit/(Loss) before Minority Interests	29.6
Total Net Investment	289.0
Net Interest bearing Debt	517.3
Shareholders' Funds plus Minority Interests	214.0

## **TELECOMMUNICATIONS**

During 2002, SonaeCom's consolidated turnover grew 8% to 793 million euro. The main contributors to this growth were Novis (+53%), Clix (+106%), Publico (+17%) and the new Software and Systems Integration Division (+39%), while growth in Optimus' turnover contribution was marginally negative (-1%). The latter was to due lower sales of equipment and a reduction in interconnection rates imposed by the Regulator.

Consolidated operational cash-flow (adjusted EBITDA<sup>4</sup>) was 123 million euro, a significant improvement over the 22 million euro in 2001. This was mainly the result of a positive contribution from Optimus of 143 million euro and a reduction in the cash outflow of Novis from 45 million euro to 15 million euro.

In 2002, SonaeCom increased provisions by around 26 million euro to cover risks associated with doubtful debts, inventory write off and other risks and charges. In addition, the provision for the investment made to date in Altitude Software was increased by 11 million euro and an extraordinary provision of 4 million euro was set up for investments in the Internet sector. Notwithstanding these provisions, the strong improvement in operational profitability in 2002 enabled SonaeCom to improve its net loss after minority interests by 2 million euro from losses of 76.4 million euro in 2001 to 74.5 million euro.

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<sup>4</sup> Adjusted EBITDA equals Operational Profits + Amortizations + Provisions eliminating the effect of deferral of subscriber acquisition costs.

Consolidated investment in fixed assets (CAPEX) of SonaeCom totalled 125 million euro in 2002, a fall of 37% compared to 2001. This investment was made essentially in Optimus (72%) and Novis (22%).

SonaeCom's consolidated net debt at the end of 2002 decreased by 136 million euro to 378 million euro. This was the result of a reduction in cash requirements due to a slowdown in investment and improvements in operating results, and the increase in the share capital of SonaeCom. SonaeCom ended the year 2002 with a cash balance of 131 million euro.

## **Operating Review**

### **Mobile Communications**

Optimus' subscribers grew by 204 thousand to over 2.1 million subscribers at the end of 2002.

The turnover of Optimus in 2002 was 612 million euro, a fall of 1% over 2001. Service revenues grew 3.5% to 570 million euro, whilst sales of equipment fell 37% to 42 million euro as a result of a lower pace of subscriber acquisitions in 2002. Revenues generated by customers increased 9.6% to 340 million euro. Operator revenues, from fixed-mobile and mobile-mobile calls terminated on the Optimus network, fell 7.3% due to changes made by the Regulator to interconnection rates. It should be noted that data revenues (43 million euro) accounted for 10% of Optimus' revenues generated by customers.

The decline of 15% in average revenues per user (ARPU) to 24.1 euro is explained by the cut in interconnection rates, by a change in overall traffic mix with an increase in the proportion of on-net calls (within the Optimus network), and by the fall in customer revenues from roaming services (roaming of Optimus customers abroad).

Operational cash-flow (adjusted EBITDA<sup>4</sup>) increased 65 million euro in the period to 143 million euro. A net loss of 17 million euro was recorded compared to a 24 million euro loss in 2001.

Investment in fixed assets (CAPEX) in 2002 at Optimus reached 89 million euro, a reduction of 34% compared to 2001.

At the end of 2002, Optimus' net debt fell 98 million euro to 419 million euro, as a result of a reduction in cash requirements and a share capital increase of 100 million euro.

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<sup>4</sup> Adjusted EBITDA equals Operational Profits + Amortizations + Provisions eliminating the effect of deferral of subscriber acquisition costs.

## **Fixed Communications**

Volume of traffic over the Novis network rose to 2.5 billion minutes from 2.2 billion last year.

In 2002, Novis' turnover was 157 million euro compared to 104 million euro in 2001.

2002 was a year in which market conditions worsened for alternative operators given incipient regulation. In view of this situation, Novis has chosen to focus its business on market segments where it feels it can sustain reasonable levels of profitability.

The direct access customer base rose in 2002 by 92% to 1,187. The number of accesses installed at the end of the year was 2,054, almost double that of last year. In its strategic market segment, that of small and medium sized companies, Novis strengthened its leadership amongst alternative operators with an 8.3% market share.

The indirect access customer base fell by about 12 thousand to around 112 thousand customers. This was due to the implementation of a more rigorous "dunning" policy, the fact that pre-selection was made mandatory for new customers with voice products and to an aggressive win-back policy put in place by the incumbent.

The implementation of a deep restructuring plan resulted in operational cash flow (adjusted EBITDA<sup>4</sup>) improving from 46 million to 17 million cash outflow in 2002. A net loss of 78 million euro was recorded compared to a 92 million loss in 2001, an improvement of around 15%.

In 2002, investment in fixed assets (CAPEX) by Novis was 27 million euro, a 27% drop over 2001 levels. It should be pointed out that the largest part of this was spent on direct access links that are able to generate revenues immediately.

At the end of 2002, Novis' net debt fell by 36 million euro to 29 million euro.

Novis also strengthened its capital structure in 2002 by converting 83 million euro of shareholders loans into share capital.

## **Internet and Media**

In 2002, Clix generated 1.8 billion minutes of traffic and ended the year with 226 thousand active subscribers (last 30 days).

Clix's turnover in 2002 amounted to 36 million euro, an increase of 103% over 2001. Operational cash flow (adjusted EBITDA<sup>4</sup>) improved from an outflow of 11 to 5 million euro, as a result of process efficiency improvements and cost reduction measures.

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<sup>4</sup> Adjusted EBITDA equals Operational Profits + Amortizations + Provisions eliminating the effect of deferral of subscriber acquisition costs.

Clix is the clear leader in the residential Internet market with a market share of 21.6%. The decline in market share of around 3% was due to a rapid migration of heavier Internet users from narrowband to broadband offers. In September, Clix launched its own broadband ADSL offer, Clix Turbo, based on the wholesale offer of the incumbent. The need for Regulatory (ANACOM) intervention is clear, to make this market more competitive, since the incumbent wholesale offer is extremely negative for alternative ISP's.

Average paid circulation at Publico increased in 2002 to 56.3 thousand copies a day, 5% up on last year. This is particularly noteworthy given the fall in total average daily circulation. The "Mil Folhas" book collection contributed greatly to this performance. Publico increased its share of audience in 2002 from 3.9% to 4.9%, being the third most widely read newspaper in Portugal and the first amongst the daily papers with national distribution.

Publico's turnover increased 19% in 2002 to 41 million euro compared to 35 million euro in 2001. Operational cash flow (EBITDA) increased to 1.7 million euro compared to 1.3 million euro in 2001.

### **Software & Systems Integration**

The Software and Systems Integration unit (S&SI) of SonaeCom was set up in 2002, made up of Enabler, WeDo, NovisIT (only from a management viewpoint) and Bizdirect, and shows high growth potential. The SS&I unit, excluding Novis IT, employed 501 people at the end of 2002 and in aggregate terms had a turnover of 46.3 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
Turnover	762.4
Operational Cash-Flow (EBITDA)	91.7
Profit/(Loss) before Minority Interests	(83.9)
Total Net Investment	141.4
Net Interest bearing Debt	462.7
Shareholders' Funds plus Minority Interests	591.8

## **SONAE CAPITAL**

The consolidated turnover of Sonae Capital (including Sonae Turismo and Praedium) was 345 million euro in 2002, an increase of 41% compared to 244<sup>5</sup> million euro in 2001. This was achieved through purchase of control of the Residential Development business, through organic growth (acquisitions in the travel agency business) and the inclusion of the Selfrio Group, despite the fall in turnover from the construction business.

Operational cash flow (EBITDA) in 2002 was 17.4 million euro (3.2 million euro in 2001), the increase being due mainly to sales of residential properties.

The consolidated net loss after minority interests was 26 million euro compared to the 16<sup>6</sup> million euro net profit in 2001. It should be noted that the 2001 figure includes extraordinary profits arising from the sale of financial investments of 39 million euro, while in 2002, the result was strongly affected by losses on sales of investments (of around 20 million euro).

### **Tourism**

As announced in the financial statements presentation in 2001, the Tourism business is now part of Sonae Capital.

Sonae Turismo's activity was severely hit by successive delays in planning approvals, by the public authorities, involving detailed planning for UNOP's 1 and 2 in the Troia Touristic Development Area and the overall plan for Meia Praia, in Lagos. This situation has reduced the profitability of investments in progress in these areas.

The restructuring of the travel sector has started with the end of the partnership with Marsans and its replacement with a strategic partnership with Modelo Continente. In 2003, the merger process of the three existing travel companies into a single one should be completed within the scope of this partnership.

Turnover, in aggregate terms, including businesses not consolidated (absence of control or immaterial), was 120 million euro compared to 86 million euro in 2001, a 39% increase, a particularly important part of which was the growth in the travel distribution business.

The net loss of the period was 23.6 million euro, to which major contributions stem from restructuring costs and provisions.

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<sup>5</sup> The turnover shown in the 2001 report was 191 million euro. This did not include the contribution of Sonae Turismo (52.8 million euro) that was reported separately.

<sup>6</sup> The net profit shown in the 2001 report was 25 million euro. This did not include Sonae Turismo's loss of 7.7 million euro.

## Residential Development

Praedium, a residential development company, became a company fully owned by Sonae Capital in 2002 (previously it was owned 44% by Sonae Capital and 56% by Sonae Imobiliária).

The company focused its activity on delivering apartments to property owners at the Torre São Gabriel building, in Lisbon, and Edifício Seda, in Matosinhos, on the construction of a second residential building in Matosinhos (Edifício Seda II) and on obtaining building approvals for new projects in Lisbon (Torre São Rafael, Edifício D. João V), Matosinhos (property project for the land formally belonging to Efanor) and Maia.

In September, land for the construction of Torre S. Rafael was sold with a resulting capital gain of 10.5 million euro.

Turnover for 2002 was 35 million euro, with operational cash flow (EBITDA) and net profits of 10.5 million and 4.3 million euro, respectively.

## Venture Capital Partnerships

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit/</u> <u>(Loss)</u>
ba Vidro	49.9%	173 <sup>7</sup>	6.4
Selfrio Group	70.0%	32.8	0.9

**ba Vidro** had a consolidated turnover of 173<sup>7</sup> million euro, an increase of 10%, accompanying the good performance of the glass and packaging sector (market growth in Portugal of 4% and in Spain of 1%) and powered by growth of 20% in sales outside the Iberian market, especially in African and American markets.

Consolidated operational cash flow (EBITDA) was 43.5<sup>7</sup> million euro, 18% higher than in the previous year. This was due to productivity increases arising from operational improvements over the last few years that allowed consolidated net profits to be trebled to 6.4 million euro.

The combination of operational improvements and the absence of significant investments allowed debt to be reduced by 18 million euro, despite the investment of 13 million euro in own shares.

The decision to modernise the Marinha Grande plant and the renegotiation of the labour agreement at the Leon factory, that allowed a 20% reduction in manpower, should be noted.

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<sup>7</sup> These figures are not included on consolidation since the companies involved were accounted for using the equity method

During 2002, the **Selfrio Group** companies focused their strategy on two areas: cost reduction, particularly fixed costs, and consolidating and broadening the scope of engineering services to its customers.

The consolidated turnover of the Selfrio Group was 32.8 million euro in 2002, a fall of 22% compared to 2001.

This fall in turnover in 2002 was not reflected in the consolidated net profit for the year that totalled circa 0.9 million euro.

### Construction, Energy and Engineering

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit/</u> <u>(Loss)</u>
Contacto	100%	86.3	1.7
Cinclus	100%	12.7	0.8
Sodesa <sup>8</sup>	50%	0.2	-0.3
TP <sup>8</sup>	50%	27.1	+0.04

At **Contacto**, 2002 was a year of deep restructuring of the company with the goal of downsizing its resources to the realities of a civil construction and public works market in sharp contraction. Thus, staff numbers were reduced from 452 in December 2001 to 204 in December 2002. Overall performance of companies in the sector during 2002 was poorer than that of the prior year and this was confirmed by most of the available quantitative indicators showing a marked drop in total production in the sector.

In line with this lower level of activity, the company had a turnover of 86.3 million euro, a fall of 32% compared to 2001. In spite of this and because the goal of restructuring of the company was to increase profitability, operational cash flow (EBITDA) was 2.7 million euro and net profits were 1.7 million euro.

Contacto Construções together with French partners with know how in the building (Eiffage) and operation (Egis) of motorways, won in 2000 a contract to build and operate for 30 years the Viseu – Chaves (Spanish border) motorway, over 156 Km, as part of the IP3 main road and involving an investment of around 725 million euro.

This partnership between Eiffage, Caisse de Dépôts et Consignations (CDC), Egis Projects and Sonae was formalised at the end of 2000 with the establishment of **Norscut**<sup>8</sup>, responsible for managing the concession under the SCUT scheme (anagram in Portuguese meaning “no cost for the user”), and **Operscut**<sup>8</sup>, responsible for operating the motorway.

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<sup>8</sup> A company excluded from consolidation

At the end of the year, sections of the motorway were open to traffic between Castro Daire and Régua covering 33.4 kms while construction of the remaining route is proceeding satisfactorily to meet the goal of completion by the end of the first half of 2005.

In December 2002 and after meeting all the necessary conditions for bank finance (among which should be highlighted the environmental approval), the first portions of the bank loans were received from the European Investment Bank and a syndicate of commercial banks. This enabled shareholders' loans to be reimbursed (Sonae's share of this, held by Contacto, totalled 22.4 million euro).

**Cinclus** is a company in the construction project management and control sector. In spite of difficult conditions, it performed well in 2002 with a turnover of 12.7 million euro, about 23% higher than in 2001.

Highlights of the year were the involvement of the company in the Porto Metro project, Porto 2001, new construction and re-building as a result of the earthquakes on the island of Pico (Azores) and various projects of Refer (railways infrastructure operator).

Operational cash-flow (EBITDA) was 1.3 million euro and net profits were 770 thousand euro.

**Sodesa**<sup>8</sup>, a 50/50 partnership established between Sonae and Endesa to sell electrical energy, started business in 2002 fostered by the de-regulation process currently underway in this sector. After setting up the commercial structure of the company, business activities started towards the end of the first half of the year.

Against a background of aggressive competition in the Non Controlled Electrical System (SENV) and due to bureaucratic delays in the de-regulation process of the Controlled Electrical System (SEV) for contracted customers, Sodesa managed in 2002 to win contracts to supply energy to customers that have electricity consumption in excess of 900 GW/annum (60% of which are companies outside the Sonae Group), of which around 600 GW/annum were already being supplied in the last month of the year.

In its start up year and with still a relatively insignificant activity level, Sodesa had a net loss of around 300 thousand euro.

**Sociedade Térmica Portuguesa – TP**<sup>8</sup> – a 50/50 partnership between Sonae and Endesa in the co-generation and renewable energy business, increased its installed production capacity in 2002 to 65 MW, with the start up of a new co-generation plant. Thus, total energy production grew by 15% (electrical plus thermal energy), exceeding 500 GWh. This growth in energy production led to an increase in turnover (consolidated total of co-generation plants) of around 20%, to 27 million euro.

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<sup>8</sup> A company excluded from consolidation



2002 was also a year of improvement in the operational performance of the company. This improvement was all the more significant given both the delay, for bureaucratic reasons, in applying the regulations for co-generation as specified in Decree-Law n° 313/01 (that will allow companies to sell electrical energy production to the network under more advantageous conditions), and the trend of fuel prices during the second half of the year. As a result of improved performance, net profits reached over 40 thousand euro, compared to a loss of 1.6 million euro in 2001.

Finally, work on winning new project business throughout the year should allow 2003 to start with investments equivalent to additional production capacity of around 90 MW – 30 MW in co-generation projects and 60 MW in wind power projects (to be developed in partnership with other entities).

### Auto Sector<sup>9</sup>

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit /</u> <u>(Loss)</u>
Carplus	50%	12.3	-0.8
Finlog	50%	32	0.6
Guérin	50%	21	0.2
Spel Auto	50%	6.7	-1.7

**Choice Car** is a 50/50 partnership with the Salvador Caetano Group and brings together businesses in the automotive sector. These include the sale of used vehicles (just-new), short and long term rentals, the sale of parts and accessories, and the supply of rapid car maintenance services.

**Carplus** sold 1,002 cars compared to 969 in 2001. 2002 saw the beginning of an expansion programme with the opening in October of a store in Alcabideche with a showroom area for 90 cars, and in December of small stores next to the shopping centres in Amadora and Maia. Profitability improved significantly due to increases in sales gross margins and a reduction in fixed costs of 43% due to a successfully executed cost reduction plan. The net loss decreased 2.1 million euro in 2001 to 0.8 million euro in 2002.

The year 2002 was another year of growth for the car fleet under **Finlog's** management moving from 6,456 to 7,135 vehicles. 2002 turnover was 32 million euro, a growth of 11% compared to 2001. Net profits remained stable at 0.6 million euro.

At **Guérin**, 2002 turnover increased marginally - around 21 million euro compared to 20 million euro in 2001. The number of rental days was slightly lower than in 2001 – 1,006 thousand days as opposed to 1,009.

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<sup>9</sup> These figures are not included on consolidation since the companies involved were accounted for using the equity method.

**Spel Auto** reached a 2002 turnover of around 6.7 million euro, 8% up on 2001. Operationally, Spel has still not reached expected profitability levels since it has not yet achieved the necessary critical mass.

## Logistics and Services

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit /</u> <u>(Loss)</u>
Logistics	100%	38	0.06
mds <sup>10</sup>	100%	3.5	0.8

Consolidated turnover of the **Logistics** business, that includes Box Lines, Invicta, Star Transportes, Sontrade Lines and Interport Logistics, the last two with headquarters in Bristol, U.K., was around 38 million euro, 1% higher than in 2001. 73% of this business comes from outside the Sonae Group.

Operational cash flow (EBITDA) was 642 thousand euro, of which 436 thousand euro was from Box Lines, and net profits were 63 thousand euro.

Box Lines' share of total turnover was 62.6%, equal to 23.8 million euro, an increase of 8.1% over 2001. For the first time and as forecast in the business plan, at the end of its third year, it earned net profits and had a positive cash flow.

A key point for 2002 was the decision to merge the freight forwarding business of Star Transportes Internacionais into Box Lines Navegação. From an accounting viewpoint, as from 1 January 2003, this business operation was included in Box Lines

Ongoing trends in international trade make international transport and related activities essential factors for companies to obtain high levels of efficiency, competitiveness and profitability. Thus, it becomes increasingly important, on the one hand, to ensure better skills and specialisation in all parts of the logistic value chain to eliminate unnecessary costs and increase the level of service quality, and, on the other, limit fixed costs to levels that are strictly necessary for a quality service but as low as possible given the current competitive and increasingly open market.

**mds**<sup>10</sup>, the insurance broker for the Sonae Group, continued to grow during 2002 both in terms of turnover and profits. The year ended with revenues of 3.5 million euro, 32% up on 2001 and net profits of 840 thousand euro as against 706 thousand in 2001.

**Sonae Re**<sup>10</sup>, the captive re-insurer of the Sonae Group, recorded premium income of 15 million euro, a growth of around 64% and had profits of 1.25 million euro compared to 1.12 million in 2001.

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<sup>10</sup> A company excluded from consolidation

## **Contribution to Sonae's Consolidated Financial Statements**

In terms of the consolidated financial statements of Sonae, SGPS, SA, Sonae Capital (including Sonae Turismo and Praedium) contributed the following:

	Euro million
Turnover	264.7
Operational Cash-Flow (EBITDA)	13.8
Profit/(Loss) before Minority Interests	(9.8)
Total Net Investment	34.5
Net Interest bearing Debt	83.9
Shareholders' Funds plus Minority Interests	275.4

## **FINANCIAL STRUCTURE**

Net investment for the year was 675 million euro (1,213 million euro in 2001) of which the most significant part was investments in Shopping Centres both through construction of new units as well as by acquisition of units in Spain.

Consolidated net debt at the end of the year was 3,294 million euro, circa 203 million less than that at the end of 2001 (3,497 million euro). Factors contributing to this reduction were lower investment levels and funds generated internally by operations.

In spite of growth in operational cash flow (EBITDA), the increase in interest charges led to a fall in the interest cover ratio from 3.1 in 2001 to 2.8 in 2002.

An analysis of the contribution made by each of the Sonae portfolio businesses to consolidated debt shows different situations, as the following table demonstrates:

	Net Debt	EBITDA	Net Debt / EBITDA
Sonae Indústria	631	174	3.6
<b>Modelo Continente</b>	<b>687</b>	<b>297</b>	<b>2.3</b>
Sonae Imobiliária	517	82	6.3
<b>SonaeCom</b>	<b>462</b>	<b>92</b>	<b>5.0</b>
Consolidated Total	3,294	649	5.1

Overall there was an increase in cash flow generation and a reduction in debt levels. The exception was Sonae Imobiliária due to its ambitious investment programme. In this business, the debt level is traditionally compared to open market asset values. In the case of Sonae Imobiliária this corresponds to a ratio of 37%, which is normally considered conservative.

Leverage at Sonae Industria and SonaeCom reflect the heavy investments recently made. These are now beginning to bear fruit in terms of cash generation which, as this continues to grow, as is hoped, will lead to more appropriate gearing levels.

The situation of Modelo Continente is in line with best practice in its business sector.

## **PROFITABILITY**

Operational cash flow (EBITDA) totalled 648.6 million euro, an increase of 7.3% compared to 2001 (604.2 million euro). This increase was of particular significance since it was achieved in adverse economic conditions. The most relevant contributions came from Retail (297 million euro, a fall of 11%), and Wood Based Panels (174 million euro, an increase of 13%). Although the Shopping Centre business does not normally generate significant amounts of EBITDA, it showed growth of 15% from 82 million euro in 2001 to 92 million euro in 2002. Telecommunications nearly doubled its positive contribution, increasing 49 million euro to 92 million euro in 2002. It should be noted that these increases were achieved despite the deterioration in contributions from businesses located in countries whose currencies depreciated significantly (Brazil and South Africa) and which impacted this growth by around 4.2%. In fact, at constant exchange rates, operational cash flow (EBITDA) was 677.4 million euro.

Net financial charges were 253 million euro (191 million euro in 2001). The increase was due in part to an increase in the average debt, to finance investment made in prior years, but also to the impact of negative net exchange rate differences.

The extraordinary losses of around 26 million euro were principally the result of reorganisation costs. In contrast to what happened in prior years, capital gains on the sale of investments were negligible (in 2001 these amounted to around 100 million euro and in 2000 to 258 million euro).

The net loss after minority interests was 56 million euro (net profit of 55 million euro in 2001). Net profits from the Retail and Shopping Centre businesses were more than offset by losses from Wood Based Panels and Telecommunications. It is expected, however, that these businesses will improve their operational profitability significantly in the short term and this will obviously impact Group results.

As in 2001, goodwill was written off against reserves. If this write off had not taken place, fixed assets and shareholder's funds as at 31 December 2002 would have been higher by 836 million euro and depreciation for the year by 72 million euro.

## **SHARE PRICE PERFORMANCE<sup>11</sup>**

In 2002 world equity markets continued a widespread downslide, reflecting reduced investor confidence caused by a slowdown in economic growth and by a succession of financials scandals, especially in the USA, the driving force of the world's equity markets.

Euronext Lisbon was no exception as shown by the fall of around 16% in the PSI 120 index and the decrease of almost 29% in the annual volume of transactions.

The Sonae share began 2002 in a positive way as a result of actions taken to reposition the business portfolio, but from the second quarter onwards there was a significant fall in the share price, which may have been caused by lower expectations of speculative short term gains and by general deterioration of the situation in the equity markets.

The Sonae share price closed at 0.40 euro on 31 December 2002 equivalent to a loss in value during the year of 51%. The share capitalisation of Sonae represents a discount of around 70% on the market value of its assets, despite the fact that only a part of these assets are listed and that the value of unlisted assets is significant.

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<sup>11</sup> In the appendix to this report on corporate governance, statistical data are given on the Sonae share price performance during 2002.

## **OWN SHARES**

During the year the company acquired, for 5.4 million euro, 13,012,267 own shares corresponding to 0.65% of the share capital. It did not dispose of any own shares.

As at 31 December, the company held, directly or indirectly, 134,178,021 own shares (6.7% of the share capital), at an average purchase cost of 1.077 euro.

## **PROFIT APPROPRIATION PROPOSAL**

Sonae, SGPS, SA as the holding company of the Group, reorganised some of its financial investments transferring them to other subsidiaries for values lower than their acquisition cost. This resulted in a net loss of 399,381,278.19 euro. These losses on the sale of financial investments were eliminated fully on consolidation and thus did not affect the consolidated profit and loss.

In compliance with the appropriate legislation and statutes, the Board of Directors of Sonae, SGPS, SA proposed to the Shareholders' General Meeting that these losses be written off against free reserves.

## **OUTLOOK FOR 2003**

In 2003, the **Portuguese** economy may see a gradual recovery driven by external demand. The Bank of Portugal estimates that GDP may grow between 0.25 and 1.25% depending on world economic conditions, the degree to which salary increases are moderated and public finance control. As for internal demand, growth of private consumption is forecast to be slow (between 0.25 and 1.25%) and further reductions in investment (on average -2.4%) are expected. It is possible that inflation will reduce further in 2003 and 2004 but will remain at levels above the European Union average. A further increase in unemployment is also to be expected. The economy will continue to fail to meet the European Union convergence targets at least until 2004.

In the **European Union**, the economic outlook continues to be affected by great uncertainty and is dependent on the momentum of a consistent recovery of the world economy especially of North America and of its own internal market. Nonetheless a return to growth, albeit slow, can be expected in 2003.

In the short term, the **Brazilian** economy will continue to be under pressure to service debt. In the medium term, however, economic policy will focus on reducing public debt. This should be achieved with the use of primary surpluses, the adoption of tax reforms and the increasing exposure of the economy to free trade – essential measures to achieve financial stability and sustained growth. Under these conditions, GDP is forecast to grow 2.8% in 2003 and may exceed 3% in subsequent years.

Overall, in the short term, the progress of Sonae's businesses remains strongly dependent on two factors. One is the uncertainty as to the momentum and pace of the long awaited world economic upturn. The other is the renewal of consumer confidence especially in the services sector.

In terms of the business sectors where we operate, the outlook is seen as moderately optimistic subject to economic conditions given that these will strongly influence progress, especially since exposure to consumer confidence is high and economic recovery uncertain.

In Wood Based Panels, affected by the adverse international economic background, the market will continue subdued especially during the first half of 2003. In this situation, Sonae Industria will continue to follow its strategy of consolidation of the production base, improvement in sales mix with higher value added products by winning market share in its markets, greater efficiency in managing available resources and the best use of installed production capacity. This will mean a greater focus on the key variables of the business along the entire value chain with expected improvements in operational profitability.

In Retailing, the intention is to continue with the expansion plan with the ultimate goal of consolidating its leadership position in Portugal and in the Southern region of Brazil. In Portugal, the expansion plan will be highly dependent on improved definition of the new legal framework for awarding licenses to open new stores. Notwithstanding, 15,000 m<sup>2</sup> of store area will be added using available licenses particularly in non-food formats. In Brazil, indications that an economic recovery is underway are still weak, so a return to expansion plans for food based formats will probably not yet happen in 2003. At the same time one of the key strategic priorities of Modelo Continente will continue to be to strengthen the company's customer orientation, with measures in the areas of service levels and quality of customer care through continuous training and improving staff skills.

Sonae Imobiliária will continue to develop its position as a Shopping and Leisure Centre specialist with an integrated view of the business, and to be one of the leading European players. Its activity will be focused on current markets through both developing new projects and the upgrade of existing ones with the goal of offering innovative and quality products. At the same time, however, the company will keep abreast of the process of consolidation currently underway in Europe.

SonaeCom will carry on its search for improvements in operational profitability through rationalisation and innovation in business operating systems. New business initiatives to generate revenues will be implemented including new data services. However, the upturn in growth of mobile revenues will only be triggered by a recovery of the economy and in consumer confidence. In the Internet and fixed telecommunications sectors, there is an urgent need to implement an efficient regulatory environment that promotes the real liberalisation of the market and resolves current sector imbalances that penalise alternative operators and strongly influences their future growth and profitability.

The end of the privatisation process of Portucel will clarify our stance in this business. Under current conditions, the Group's investment in this company does not contribute to consolidated operating profitability. Further improvements in operational profitability are to be expected but will be dependent on an improved political and economic environment. At the same time investment levels will be appropriately contained to help strengthen the financial structure of the Group.

Maia, 12 March 2003

The Board of Directors

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Nuno Manuel Moniz Trigos Jordão

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério



## **APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS OF SONAE SGPS, SA FOR THE YEAR ENDED 31 DECEMBER 2002**

This appendix gives a brief description of the Corporate Governance practices of Sonae, SGPS, SA and was prepared in order to comply with Regulation nr. 7/2001 dated 20 December 2001 of the Portuguese Stock Exchange Commission.

Since it is an appendix to the Report of the Board of Directors, it should be read as a complement to and in conjunction with that document. Certain aspects in the 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 repetition.

### **CORPORATE GOVERNANCE**

#### **1. Availability of information**

##### **1.1. 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](http://www.cmvm.pt)) and on the company's own website ([www.sonae.pt](http://www.sonae.pt)).

On the latter site, all press releases issued since 1999 are available on the Public Relations page. 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 on a quarterly basis.

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;
- Calling of Annual Shareholders' 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 it provides on request 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](mailto:investor.relations@sonae.pt); Address: Lugar do Espido, Via Norte, Apartado 1011,4471-909 Maia. The Investor Relations Manager is Dr. José Luís dos Santos Lima Amorim, who can be contacted using the above numbers and address.

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

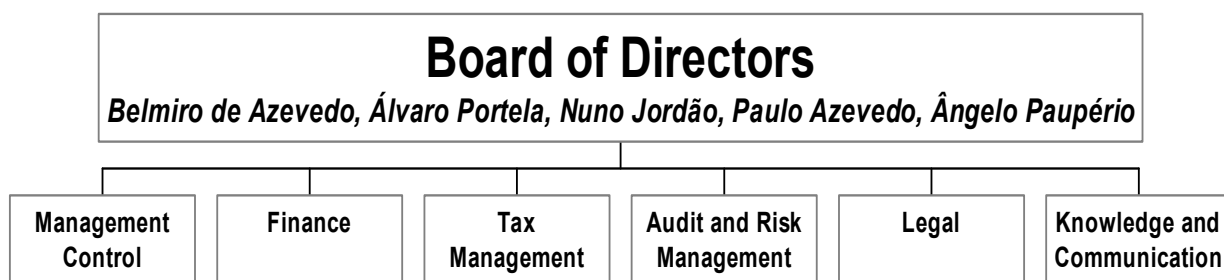
Annual, half yearly and quarterly financial statements as well as quarterly updates of institutional presentations, are sent by E-mail to all bona fide shareholders, analysts, investors, banks and journalists who request them.

## 1.2. Decision making process

Management decisions are taken at Board Meetings of the company.

The Board of Directors functions as a body composed of a Chairman and four other voting members. The Board has as its main responsibility the management of the portfolio of businesses and the selection of high quality top managers.

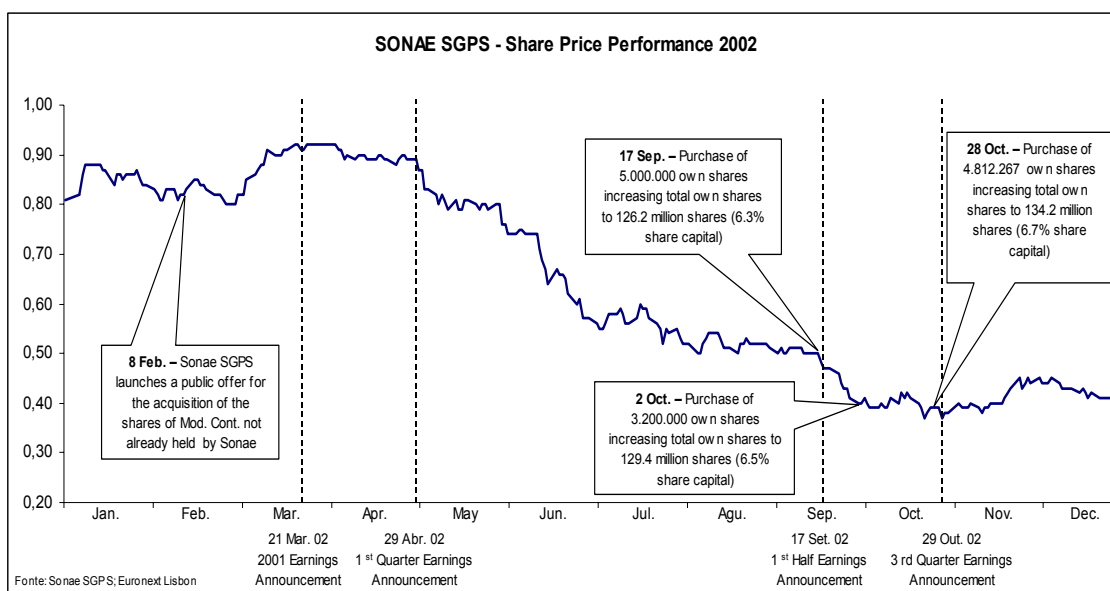
The company is organised around the following functions:



Mr. Ângelo Paupério co-ordinates operationally the functional departments shown above, meeting with the managers involved on a weekly basis. Decisions taken by functional managers are validated by powers delegated by the Board and co-ordinated in the above-mentioned meetings.

### 1.3. 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.



<b>Statistics about Sonae SGPS Shares - 2002:</b>			
(Values in EUR)			
Total Number of Shares	2,000,000,000	Minimum price	0.37
Free Float <sup>(a)</sup>	1,865,821,979	Maximum price	0.92
Own Shares <sup>(b)</sup>	134,178,021 (6.71%)	Average price <sup>(d)</sup>	0.64
Market Capitalisation (year end 02) <sup>(c)</sup>	800,000,000	Opening price (2 Jan.02)	0.82
Average number of shares traded daily	4,082,000	Closing price (31 Dec.02)	0.40
		Loss in value	50.6%

<sup>(a)</sup> Excludes 13,012,267 own shares acquired in 2002.

<sup>(b)</sup> The subsidiary company Modelo Continente held 50,000 Sonae SGPS shares at the end of 2002.

<sup>(c)</sup> The calculation of market capitalisation has been made using the total number of shares.

<sup>(d)</sup> Weighted average of daily closing prices.

## 1.4. Dividend Distribution

Dividend distributed over the last few years can be summarised as follows:

	1995	1996	1997	1998	1999	2000 <sup>1</sup>	2001
<b>Dividend per share (euro)</b>	0.75	0.75	0.75	0.87	0.50	0.024 <sup>2</sup>	0
<b>Dividends distributed (thousand euro)</b>	29,705	29,180	29,180	34,305	36,447	45,098	0
<b>Dividend per share (escudo)</b>	150	150	150	175	100.241	4.783 <sup>2</sup>	0
<b>Dividends distributed (thousand escudos)</b>	5,955	5,850	5,850	6,877	7,307	9,041	0
<b>Dividend Yield</b>	4.7%	2.9%	2.0%	2.1%	1.0%	2.0%	0%
<b>Pay out ratio<sup>3</sup></b>	46.3%	28.3%	48.0%	48.4%	54.5%	17.6%	0%

## 1.5. Share Plans and Share Purchase Option Plans

There are no such plans at Sonae.

## 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 President 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 President.

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<sup>1</sup> In 2000, the share capital was increased from 473 million euro to 2,000 million euro

<sup>2</sup> Average weighted dividend of Sonae and Sonae 2000 shares

<sup>3</sup> Calculated using consolidated net profit after minority interests

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 President of the Shareholders' 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 notary public testifying to his/her status and powers. It is the responsibility of the President of the Shareholders' 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.

### **3. Company Rules**

#### **3.1. Codes of Conduct and Internal Procedures**

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 it 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.

In the day to day and strategic management of the company and its subsidiaries, 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 practises.

#### **3.2. Risk Control**

As mentioned in paragraph 1.2 above, one of the functional department of Sonae, SGPS, SA is the Internal Audit and Risk Management Department. The function also exists in the main 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.

### **3.3. Shareholders Agreements and Special Shareholder 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 tender offer for the purchase of shares.

## **4. Board of Directors**

### **4.1. Description**

The Board of Directors is made up of five executive members. There are no non-executive members. The Board currently acting was first elected in the Shareholders' General Meeting of 5 January 1999 (three members) and increased in size on 31 March 2000 (two additional members). The mandate of this Board of Directors is for four years and ends in 2002. In both cases the directors were elected from a single list. No alternative list was proposed by any shareholder. The Annual General Meeting, which will occur on 31 March 2003, will elect a new Board of Directors.

The board normally meets monthly, with all Directors present in almost all the meetings. During 2002 the Board met 27 times with the minutes of each meeting recorded in the minute book.

### **4.2. Mode of operation**

The Board receives information on subjects to be discussed at least 48 hours before the date of the meeting. There is no Executive Committee, so that all matters relating to operational management are deliberated upon by the Board.

### **4.3. Committees**

There are no internal committees within the Board of Directors. However, there are committees elected by the Board, chaired by members of the Board and reporting to it, whose goal is to support the Board in defining policies and in co-ordinating Audit and Finance activities. The first of these committees meets quarterly to review the results of internal and external audit work and is made up of Internal Audit managers and by directors of each sub-holding who have responsibility for this area. The second meets monthly and is made up of directors responsible for finance in each sub-holding and functional managers of Sonae, SGPS, SA deemed to be important for the subjects to be discussed.

#### **4.4. Remuneration**

In publicly listed companies, the shareholders in their Annual General Meeting appoint a Remuneration Committee with the same term of office as the statutory bodies. Its mission is to approve the remuneration of members of management bodies. In the company the Remuneration Committee is made up of EFANOR Investimentos, SGPS, SA and Mr. Bruno Walter Lehmann.

In 2002, Board members paid by the company, received remuneration to a total of 736,009 euro of which 280,000 euro was variable remuneration. This latter part is indexed to a number of performance indicators among which are the consolidated financial results and the stock market price of the company.

#### **4.5. Offices Held in other Companies**

The members of the Board of Directors held office in many of the subsidiaries of Sonae, SGPS, SA. The following were the main subsidiaries:

##### **Mr. Belmiro Mendes de Azevedo**

Chairman of the Board of Directors:

Sonae Indústria, SGPS, SA  
Modelo Continente, SGPS, SA  
Sonae Imobiliária, SGPS, SA  
Sonae.com, SGPS, SA  
Sonae Capital, SGPS, SA  
Efanor Investimentos, SGPS, SA  
Imocapital, SGPS, SA  
Spred, SGPS, SA  
Tableros de Fibra, SA

##### **Mr. Álvaro Carmona e Costa Portela**

Board member of:

Sonae Imobiliária, SGPS, SA  
Sonae Capital, SGPS, SA  
Spred, SGPS, SA

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

**Mr. Nuno Manuel Moniz Trigos Jordão**

Board member of:

Modelo Continente, SGPS, SA  
Sonae Capital, SGPS, SA  
Sonae Turismo, SGPS, SA  
Praedium – Desenvolvimento Imobiliário, SA

Chairman of the Board 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) and Praedium – Desenvolvimento Imobiliário, SA.

**Mr. Duarte Paulo Teixeira de Azevedo**

Board member of:

Sonae Indústria, SGPS, SA  
Modelo Continente, SGPS, SA  
Sonae.com, SGPS, SA  
Sonae Capital, SGPS, SA  
Efanor Investimentos, SGPS, SA  
Imparfin – Investimentos e Participações Financeiras, SGPS, SA

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

**Mr. Ângelo Gabriel Ribeirinho dos Santos Paupério**

Board member of:

Sonae Indústria, SGPS, SA  
Modelo Continente, SGPS, SA  
Sonae Imobiliária, SGPS, SA  
Sonae Capital, SGPS, SA  
Sonae Turismo, SGPS, SA  
Sonae Investments BV

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



**SONAE, SGPS, SA**
**Consolidated Balance Sheet 31 December 2002**

euro				
Assets	02.12.31			01.12.31
	Assets	Depreciation & Provisions	Net Assets	Net Assets
<b>Fixed Assets</b>				
Intangible assets:				
Start-up costs.....	328,511,399	179,482,004	149,029,395	210,084,546
Research and development costs.....	75,681,810	42,173,330	33,508,480	38,153,630
Patents and other similar rights.....	20,704,936	11,927,099	8,777,837	8,343,049
Premiums paid for property occupation rights.....	24,034,407	7,613,683	16,420,724	6,681,978
In progress.....	133,966,530		133,966,530	146,737,202
	582,899,082	241,196,116	341,702,966	410,000,405
Tangible assets:				
Land.....	432,037,470	2,709,177	429,328,293	418,790,129
Buildings.....	1,832,683,969	294,381,775	1,538,302,194	1,416,155,560
Plant and machinery.....	2,946,082,569	1,195,594,248	1,750,488,321	1,615,235,741
Vehicles.....	44,068,369	37,234,298	6,834,071	11,000,091
Tools.....	11,194,169	8,458,737	2,735,432	2,879,273
Fixtures and fittings.....	389,050,322	136,483,566	252,566,756	215,087,251
Containers.....	273,720	270,134	3,586	13,551
Others.....	46,352,410	32,471,955	13,880,455	23,898,139
In construction.....	228,691,288		228,691,288	718,012,320
Advances.....	30,449,379		30,449,379	46,113,290
	5,960,883,665	1,707,603,890	4,253,279,775	4,467,185,345
Investments:				
Shares in related (including associated) undertakings.....	282,661,132	55,754,686	226,906,446	140,441,812
Loans to related (including associated) undertakings.....	135,923,647	15,852,165	120,071,482	88,614,061
Shares in other undertakings.....	244,189,280		244,189,280	253,258,187
Other investments other than loans.....	78,287,350	10,648,790	67,638,560	90,611,507
Loans to other undertakings.....	355,119	81,820	273,299	762,170
In progress.....	598,799		598,799	17,556
Advances.....	1,802,426		1,802,426	13,303,161
	743,817,753	82,337,461	661,480,292	587,008,454
<b>Current Assets</b>				
Stocks:				
Raw materials and consumables.....	123,168,422	4,502,314	118,666,108	121,942,792
Work in progress.....	42,380,088		42,380,088	57,832,941
By-products.....	730,010		730,010	5,638,452
Finished goods.....	90,699,446	2,962,766	87,736,680	100,442,691
Goods for resale.....	435,616,929	8,594,076	427,022,853	488,553,102
Payments on account.....	39,333		39,333	279,703
	692,634,228	16,059,156	676,575,072	774,689,681
Debtors: Amounts falling due after more than one year:				
Trade debtors.....	871,817		871,817	
Doubtful debtors.....	378,000	376,296		100,277
Related undertakings.....	177,283		177,283	
Advances to trade creditors.....				133,088
Taxes recoverable.....	15,333,365		15,333,365	34,713,271
Other debtors.....	40,619,608	124,972	40,494,636	69,714,038
	57,380,073	501,268	56,878,805	104,660,674
Debtors: Amounts falling due within one year:				
Trade debtors.....	437,590,371	8,702,647	428,887,724	433,232,444
Bills receivable.....	44,421,526	1,331	44,420,195	44,456,674
Doubtful debtors.....	108,450,176	103,745,025	4,705,151	4,336,228
Related undertakings.....	37,565,340		37,565,340	45,611,904
Other related undertakings.....				16,800
Other shareholders.....	181		181	181
Advances to trade creditors.....	3,205,262		3,205,262	5,733,085
Advances to fixed assets suppliers.....	418,380		418,380	178,925
Taxes recoverable.....	102,666,782		102,666,782	157,285,434
Other debtors.....	169,640,254	16,512,024	153,128,230	264,849,897
	903,958,272	128,961,027	774,997,245	955,701,572
Short term investments:				
Other negotiable instruments.....	134,452,249	63,721	134,388,528	98,948,548
Other.....	69,976,148		69,976,148	32,770,614
	204,428,397	63,721	204,364,676	131,719,162
Banks and cash				
Banks.....	430,923,156		430,923,156	270,186,114
Cash.....	3,465,180		3,465,180	13,671,535
	434,388,336		434,388,336	283,857,649
<b>Accrued Income and Prepayments</b>				
Accrued income.....	269,410,643		269,410,643	259,108,730
Prepayments.....	294,752,370		294,752,370	307,076,768
	564,163,013		564,163,013	566,185,498
<b>Total depreciation</b>		1,948,800,006		
<b>Total provisions</b>		227,922,633		
<b>Total Assets</b>	10,144,552,819		7,967,830,180	8,281,008,440

The Board of directors

**SONAE, SGPS, SA**
**Consolidated Balance Sheet 31 December 2002**
**euro**

Shareholders' funds, minority interests and liabilities	02.12.31	01.12.31
<b>Shareholders' funds</b>		
Called up share capital.....	2,000,000,000	2,000,000,000
Own shares - nominal value.....	-134,178,021	-121,165,754
Own shares - premium.....	-10,388,623	-17,948,289
Post acquisition share of accumulated reserves of associated undertakings.....	6,813,333	16,467,589
Revaluation reserve.....	64,353,847	64,353,847
Other reserves:		
Legal reserve.....	150,629,362	150,629,362
Other reserves and retained earnings.....	-1,479,520,228	-1,214,834,962
	597,709,670	877,501,793
Loss for the financial year	-56,026,746	55,029,659
<b>Total Shareholders' funds</b>	<b>541,682,924</b>	<b>932,531,452</b>
<b>Minority interests</b>	<b>854,121,993</b>	<b>932,012,874</b>
<b>Liabilities</b>		
Provisions for liabilities and charges:		
Pension provisions.....	24,295,376	22,508,797
Tax provisions.....	658,439	587,303
Other provisions.....	76,360,685	82,680,930
	101,314,500	105,777,030
Creditors: amounts falling due after more than one year:		
Bonds:		
Non convertible.....	307,299,173	399,216,326
Bank Loans.....	2,219,386,164	2,003,336,586
Trade creditors.....	1,479,809	4,024
Related (including associated) undertakings.....	39,079,272	56,525,633
Other loans.....	162,084,537	122,808,878
Fixed assets suppliers.....	40,839,685	34,178,164
Taxes and contributions payable.....	9,478,611	22,479,088
Other creditors.....	449,926,293	79,289,378
	3,229,573,544	2,717,838,077
Creditors: amounts falling due within one year:		
Bonds:		
Non convertible.....	82,706,573	41,195,529
Participating bonds debit.....	56,920	
Bank loans and overdrafts.....	1,160,143,104	1,333,393,658
Advances on account of sales.....	5,919,390	13,016,608
Trade creditors.....	806,975,812	900,920,006
Accruals - invoices.....	61,827,284	74,710,984
Bills payable.....	28,329,652	27,359,966
Fixed assets suppliers - Bills payable.....	1,040,169	2,728,477
Related (including associated) undertakings.....	105,486,984	22,561,205
Other related undertakings.....	2,903,994	78,642,659
Advances from trade debtors.....	5,086,827	5,521,338
Other loans.....	991,519	12,689,616
Fixed assets suppliers.....	82,041,546	218,250,321
Taxes and contributions payable (including income tax).....	115,747,229	108,856,863
Other creditors.....	187,814,348	177,853,151
	2,647,071,351	3,017,700,380
Accruals and Deferred Income		
Accruals.....	372,737,290	387,172,149
Deferred income.....	221,328,578	187,976,478
	594,065,868	575,148,627
<b>Total Liabilities</b>	<b>6,572,025,263</b>	<b>6,416,464,114</b>
<b>Total Shareholders' funds, minority interests and liabilities</b>	<b>7,967,830,180</b>	<b>8,281,008,440</b>

**The Board of directors**

**SONAE, SGPS, SA**
**Consolidated profit and loss statement by natures for the year ended 31 December 2002**

euro

Charges	02.12.31		01.12.31	
Cost of goods sold and materials consumed:				
Goods.....	2,920,800,014		3,165,064,344	
Materials.....	641,566,018	3,562,366,032	700,005,741	3,865,070,085
External supplies and services.....		1,566,205,337		1,514,966,154
Staff costs				
Wages and salaries.....	611,150,804		598,783,015	
Social costs:				
Pensions.....	5,503,437		4,663,313	
Others.....	186,509,320	803,163,561	182,085,756	785,532,084
Depreciation and amortisation of tangible and intangible fixed assets.....	376,520,959		332,004,725	
Provisions.....	53,162,072	429,683,031	45,634,874	377,639,599
Taxes, excluding income taxes.....	44,237,719		43,639,101	
Other operating charges.....	14,992,657	59,230,376	9,290,985	52,930,086
(A)		6,420,648,337		6,596,138,008
Depreciation and provision for investments.....	13,806,655		921,540	
Interest and similar charges:				
Related undertakings.....	2,616,710		678,784	
Others.....	337,916,289	354,339,654	284,641,038	286,241,362
(C)		6,774,987,991		6,882,379,370
Share of losses in associated undertakings.....		4,261,695		3,940,810
Extraordinary charges.....		156,808,465		156,013,803
(E)		6,936,058,151		7,042,333,983
Income taxation:				
Current tax.....	43,359,788		51,396,621	
Deferred tax.....	-47,752,021	-4,392,233	-33,315,617	18,081,004
(G)		6,931,665,918		7,060,414,987
Profit attributable to minority interests.....		6,593,160		14,499,227
Profit for the financial year.....		-56,026,746		55,029,659
		6,882,232,332		7,129,943,873
Income				
Sales:				
Goods.....	3,672,285,048		3,940,108,686	
Products.....	1,471,605,070		1,456,489,677	
Services rendered.....	1,131,773,287	6,275,663,405	989,285,425	6,385,883,788
Change in stocks of finished goods and work in progress.....		-8,875,067		28,256,417
Own work capitalised.....		84,051,872		119,955,854
Supplementary income.....	255,574,472		252,911,059	
Trading subsidies.....	1,557,482		976,141	
Other operating income.....	31,559,483	288,691,437	34,701,912	288,589,112
(B)		6,639,531,647		6,822,685,171
Dividend Income:				
Other undertakings.....	12,197,813		10,749,794	
Investment income:				
Related undertakings.....	1,295,468		3,773,014	
Others.....	9,781,786		3,508,246	
Other interest and similar income:				
Related undertakings.....	9,832,060		9,108,270	
Others.....	67,877,910	100,985,037	68,648,465	95,787,789
(D)		6,740,516,684		6,918,472,960
Share of profits in associated undertakings.....		11,285,452		5,523,359
Extraordinary income.....		130,430,196		205,947,554
(F)		6,882,232,332		7,129,943,873
Summary				
Operating profit: (B) - (A) =		218,883,310		226,547,163
Net financial charges: [(D) - (B)] - [(C) - (A)] =		-253,354,617		-190,453,573
Profit on ordinary activities: (D) - (C) =		-34,471,307		36,093,590
Profit before taxation: (F) - (E) =		-53,825,819		87,609,890
Profit for the financial year before minority interests: (F) - (G) =		-49,433,586		69,528,886

The Board of directors

**SONAE, SGPS, SA**
**Consolidated profit and loss statement by functions for the year ended 31 December 2002**

euro

	02.12.31	01.12.31
Sales and services rendered	6,275,663,405	6,385,883,788
Cost of goods sold and services rendered	-5,019,127,431	-5,011,243,557
<b>GROSS MARGIN</b>	<b>1,256,535,974</b>	<b>1,374,640,231</b>
Other operating income	363,385,250	398,962,796
Distribution charges	-891,421,770	-935,313,754
Administrative charges	-303,990,396	-292,383,914
Other operating charges	-234,984,959	-347,162,580
<b>OPERATING PROFIT</b>	<b>189,524,099</b>	<b>198,742,779</b>
Net financial charges	-218,433,374	-175,949,310
Gains/(losses) relating to related undertakings	-3,173,130	96,858,073
Gains/(losses) relating to other undertakings	6,443,993	17,024,238
Exceptional items	-15,267,542	-17,580,556
<b>PROFIT BEFORE INCOME TAX AND EXTRAORDINARY ITEMS</b>	<b>-40,905,954</b>	<b>119,095,224</b>
Income tax (excluding tax on extraordinary items)	4,392,233	-18,069,526
<b>PROFIT AFTER INCOME TAX BUT BEFORE EXTRAORDINARY ITEMS</b>	<b>-36,513,721</b>	<b>101,025,698</b>
Profit attributable to minority interests	6,593,160	14,499,227
Results of operations in downsizing (a)	-12,919,865	-31,496,812
Income tax on extraordinary items		
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>-56,026,746</b>	<b>55,029,659</b>
<b>EARNINGS PER SHARE</b>	<b>-0.03</b>	<b>0.03</b>

(a) Costs incurred with the downsizing of production lines of Sonae Indústria

The Board of directors

SONAE - SGPS, S.A.

## 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 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 are stated at cost and amortised over the lower of the useful and legal life of the related assets.

(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 amortized over a period 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 moving average basis using the following methods:

Raw materials and goods for resale

- 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;

Goods for resale

- Average purchase cost.

(m) Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange at each balance sheet date.

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

The 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 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 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 10.

(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 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 47. Leased assets and their related accounting values  
 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

COMPANY	Legal Reason for Inclusion	Registered Office	% Capital Held			
			02.12.31		01.12.31	
			Direct	Total	Direct	Total
<b>Sonae - SGPS, S.A.</b>	Holding	Maia	Holding	Holding	Holding	Holding
<b>Sonae Indústria</b>						
Aglom - Sociedade Industrial de Madeira Aglomerada, S.A.	a)	Oliveira do Hospital	100.00%	90.68%	100.00%	89.27%
Aglom Financial Investments, S.A.	a)	Cayman Islands	100.00%	90.68%	100.00%	89.27%
Casca - Sociedade de Revestimento, S.A.	a)	Águeda	100.00%	90.68%	100.00%	89.27%
Celnave - Agência de Navegação, Lda	b)	Viana do Castelo	100.00%	31.11%	100.00%	30.68%
Celpap - Terminal de Celulose e Papel de Portugal, Lda	b)	Viana do Castelo	100.00%	31.11%	100.00%	30.68%
Cia. De Indústrias y Negocios, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Emprobal - Emp. Prod. e Comercialização de Embalagens, Lda	b)	Funchal	60.00%	18.67%	60.00%	18.41%
Euro Decorative Boards Ltd.	a)	Peterlee (U.K.)	100.00%	90.68%	100.00%	89.27%
Euromegantic Ltée	a)	Quebec (Canada)	100.00%	90.68%	100.00%	89.27%
Euroresinas - Indústrias Químicas, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.39%
Explotaciones Comerciales, Industriales y de Servicios, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Explotaciones Madereras Catalanas, S.A.	a)	Madrid	100.00%	90.68%	100.00%	89.27%
Gescartão, SGPS, S.A.	b)	Lisboa	65.00%	31.11%	65.00%	30.68%
Glunz AG	a)	Hamm (Germany)	98.17%	89.02%	98.16%	87.64%
Gollin GmbH	a)	Bad Oeynhausen	90.00%	80.12%	90.00%	78.87%
Imocapital - Sociedade Gestora de Participações Sociais, S.A.	b)	Maia	50.00%	47.86%	50.00%	47.20%
Industrias Químicas del Carbono, S.A.	a)	Valencia (Spain)	100.00%	90.68%	100.00%	89.27%
Isoroy Casteljalous	a)	Casteljalous (France)	100.00%	90.68%	100.00%	89.27%
Isoroy Chatelleraut, S.A.	a)	Labruguière (France)	100.00%	90.67%	100.00%	89.27%
Isoroy Diffusion SNC	a)	Alfortville (France)	100.00%	90.68%	100.00%	89.27%
Isoroy Le Creusot, SAS	a)	Torcy (France)	99.99%	90.68%	99.99%	89.27%
Isoroy Panneaux de Fibras S.A.	a)	St.Dizier (France)	99.99%	90.68%	99.99%	89.27%
Isoroy SAS	a)	Boulogne (France)	100.00%	90.68%	100.00%	89.27%
1) Isoroy Transformation S.A.	a)	St. Dizier (France)	99.99%	90.65%	99.99%	89.27%
Lepe - Empresa Portuguesa de Embalagens, S.A.	b)	Marinha Grande	100.00%	31.11%	100.00%	30.68%
Leroy Gabon S.A.	a)	Libreville (Gabon)	99.99%	90.67%	99.99%	89.26%
Maichave - Consultadoria e Gestão, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.40%
Maiequipa - Gestão Florestal, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.40%
Manipulaciones Forestales, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Megantic B.V.	a)	Amsterdam (Netherlands)	100.00%	90.68%	100.00%	89.27%
Movelpartes - Componentes para a Indústria do Mobiliário, S.A.	a)	Paredes	100.00%	95.72%	100.00%	94.40%
NAB, Sociedade Imobiliária, SA	a)	Porto	100.00%	95.72%	100.00%	94.40%
Novobord (Pty) Ltd	a)	Rosebank (South Africa)	100.00%	90.68%	100.00%	89.27%
1) Placage d'Okoumé du Gabon S.A.	a)	Libreville (Gabon)	99.87%	90.56%	89.76%	80.13%
Plysol SAS	a)	Niort (France)	99.99%	90.68%	99.99%	89.27%
Plysol SNC	a)	Lisieux (France)	100.00%	90.68%	100.00%	89.27%
Polfice - Componentes e Sist. para Mob. e Construção, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.39%
Polfice Componentes y Sist. para Mobiliário y Construcción, S.L.	a)	Madrid (Spain)	100.00%	95.72%	100.00%	94.39%
Portucel Embalagem - Emp. Prod. de Embalagens de Cartão, S.A.	b)	Cascais	100.00%	31.11%	100.00%	30.68%
Portucel Recicla - Indústria de Papel Reciclado, S.A.	b)	Mourão	100.00%	31.11%	100.00%	30.68%
Portucel Viana - Empresa Produtora de Papeis Industriais, S.A.	b)	Viana do Castelo	100.00%	31.11%	100.00%	30.68%
6) Portucel Viana Energia - Empresa de Cogeração Energética, S.A.	b)	Viana do Castelo	100.00%	30.75%	100.00%	30.68%
R.G.R. - Reciclagem e Gestão de Resíduos, S.A.	a)	Mangualde	100.00%	95.72%	100.00%	94.40%
Racionalización y Manufacturas Forestales, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Resoflex - Mobiliário e Equipamentos de Gestão, S.A.	a)	Vila de Conde	100.00%	95.72%	100.00%	94.40%
SCS Beheer, BV	a)	Amsterdam (Netherlands)	100.00%	90.68%	100.00%	89.27%
Selvicola del Norte, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Siaf - Sociedade de Iniciativa e Aproveitamentos Florestais, S.A.	a)	Mangualde	100.00%	90.68%	100.00%	89.27%
Soc. de Iniciativa e Aproveitamentos Florestais - Energias, S.A.	a)	Mangualde	100.00%	90.69%	100.00%	89.27%

	Socelpac – SGPS, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.40%
	Société Civile Bois de la Duchesse	a)	Auxerre (France)	100.00%	90.68%	100.00%	89.27%
	Société Civile de Chamouille	a)	St.Dizier (France)	100.00%	90.68%	100.00%	89.27%
	Société Civile de la Route de Caen	a)	Saint-Pierre(France)	100.00%	90.68%	100.00%	89.27%
1)	Société de Tranchage Isoroy S.A.S.	a)	France	99.99%	90.67%	-	-
	Societe des Panneaux Isoroy S.A.	a)	Ussel (France)	100.00%	90.68%	100.00%	89.27%
	Société Essences Fines Isoroy	a)	Honfleur (France)	100.00%	90.68%	100.00%	89.27%
	Somit – Imobiliária, S.A.	a)	Oliveira do Hospital	100.00%	90.68%	100.00%	89.27%
	Sonae Indústria - SGPS, S.A.	a)	Maia	95.72%	95.72%	94.40%	94.40%
	Sonae Industria Consultadoria e Gestão, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.40%
	Sonae Indústria de Revestimentos, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.39%
	Sonae Novobord (Pty) Ltda	a)	Woodnead (South Africa)	100.00%	90.68%	100.00%	89.27%
	Sonae Serviços de Gestão, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.40%
	Sonae Taffibra - Gestão Comercial, S.A.	a)	Maia	100.00%	95.72%	100.00%	94.40%
	Sonae Taffibra (UK) Ltd	a)	Hants (U.K.)	100.00%	90.68%	100.00%	94.40%
	Sonae Taffibra Benelux, BV	a)	Woerden (Netherlands)	100.00%	89.02%	100.00%	87.64%
	Sonae UK, Limited	a)	London (U.K.)	100.00%	90.68%	100.00%	89.27%
	Spanboard Products Ltd	a)	Belfast (U.K.)	100.00%	90.68%	100.00%	89.27%
	Tableros de Fibras, S.A.	a)	Madrid (Spain)	94.73%	90.68%	94.57%	89.27%
	Tableros Tradema, S.L.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
	Tafiber, Tableros de Fibras Ibéricas, S.L.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
	Taffibra - Tableros Aglomerados y de Fibras, A.I.E.	a)	Madrid (Spain)	100.00%	90.69%	96.54%	86.19%
	Taffibra South Africa (Pty), Limited	a)	South Africa	100.00%	90.68%	100.00%	89.27%
	Tafibras Participações, S.A.	a)	Curitiba (Brazil)	53.99%	48.95%	53.99%	48.20%
	Tafisa Brazil, S.A.	a)	Curitiba (Brazil)	100.00%	56.88%	100.00%	56.00%
	Tafisa Canada Société en Commandite	a)	Quebec (Canada)	67.23%	60.96%	60.36%	53.89%
	Tafisa France, S.A.	a)	Paris (France)	99.99%	90.68%	99.99%	89.27%
	Tafisa U.K.Ltd.	a)	Petreele (U.K.)	100.00%	90.68%	100.00%	89.27%
	Talber, Tableros Aglomerados Ibéricos, S.L.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
	Tavapan, S.A.	a)	Tavannes (Switzerland)	100.00%	89.02%	100.00%	87.64%
	Tecnologias del Medio Ambiente, S.A.	a)	Barcelona (Spain)	100.00%	90.68%	100.00%	89.27%
	Tool, GMBH	a)	Germany	100.00%	89.02%	100.00%	87.64%
<b>Modelo Continente</b>							
5)	Best Offer - Prestações de Informações pela Internet, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Cacettino – Grandes Armazéns, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Chão Verde - Sociedade Gestora Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Citorres - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Contifin., S.G.P.S., S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Contimobe - Imobiliária de Castelo de Paiva, S.A.	a)	Castelo de Paiva	100.00%	75.54%	100.00%	70.48%
11)	Continente Investimentos Brazil, S.A.	a)	Porto Alegre (Brazil)	100.00%	75.54%	100.00%	70.48%
	Difusão - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Estevão Neves – Hipermercados da Madeira, S.A.	a)	Madeira	51.00%	38.53%	51.00%	35.95%
3)	Expedis - Logística Integrada, S.A.	a)	Matosinhos	100.00%	74.97%	100.00%	70.48%
	Fozimo - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Fozmassimo –Com. e Ind. de Produtos Alimentares, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
5)	Global S - Hipermercado, Lda	a)	Matosinhos	100.00%	75.54%	100.00%	18.76%
	IGI - Investimento Imobiliário, S.A.	a)	Porto	100.00%	75.54%	100.00%	70.48%
	Igimo - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Iginha - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Imoconti - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Imoestrutura - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Imomuro - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Imosistema - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Infofield - Informática, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Informoels – Projectos e Representações, S.A.	a)	Lisboa	100.00%	75.54%	100.00%	70.48%
	Max Office - Artigos e Serviços para Escritórios, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Modalfa - Comércio e Serviços, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Modelo - Sociedade Gestora de Participações Sociais, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Modelo Continente - Operações de Retalho, SGPS, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Modelo Continente Hipermercados, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
9)	Modelo Continente, S.G.P.S., S.A.	a)	Matosinhos	75.54%	75.54%	70.48%	70.48%
	Modelo Hiper Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Modelo Investimentos (Brazil), Ltda	a)	São Paulo (Brazil)	100.00%	75.54%	100.00%	70.48%
	Modelo.Com – Vendas por Correspondência, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Modis Distribuição Centralizada, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Modis International Trading, S.A.	a)	Madrid (Spain)	100.00%	75.54%	100.00%	70.48%
	Modis, S.G.P.S., Lda	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	OK Bazar - Comércio Geral, S.A.	a)	Ermesinde	100.00%	75.54%	100.00%	70.48%
	Predicomercial - Promoção Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Sesagest - Projectos e Gestão Imobiliária, S.A.	a)	Porto	100.00%	75.54%	100.00%	70.48%
	Socijofra – Sociedade Imobiliária, S.A.	a)	Gondomar	100.00%	75.54%	100.00%	70.48%
	Socioures - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
	Sonae Distribuição Brazil, S.A.	a)	Porto Alegre (Brazil)	92.27%	70.10%	88.15%	62.13%
	Sonae Retalho Espana – Servicios Generales, S.A.	a)	Madrid (Spain)	100.00%	75.54%	100.00%	70.48%
	Sondis B.V.	a)	Linne (Netherlands)	100.00%	75.54%	100.00%	70.48%
	Sondis Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Sorvecap, B.V.	a)	Amsterdam (Netherlands)	100.00%	75.54%	100.00%	70.48%
	Sport Zone - Comércio de Artigos de Desporto, S.A.	a)	Vila Nova Famalicão	100.00%	75.54%	100.00%	70.48%
	Sport Zone España - Comercio Artigos de Desporto, S.A.	a)	Madrid (Spain)	100.00%	75.54%	100.00%	70.48%
1)	SRE - Projectos e Consultoria, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
	Worten – Equipamentos para o Lar, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
<b>Sonae Imobiliária</b>							
	Algarveshopping – Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
2)	Amarras, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
4)	Andar - Sociedade Imobiliária, S.A.	b)	Maia	50.00%	40.81%	50.00%	40.81%
12)	Ascendente, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
16)	Avenida M-40, S.A.	a)	Madrid (Spain)	60.00%	40.22%	60.00%	40.22%



	Caisgere, S.G.P.S., S.A.	a)	Lisboa	100.00%	67.04%	100.00%	67.04%
	Colombogest - Gestão de Centros Comerciais, S.A.	a)	Lisboa	100.00%	67.04%	100.00%	67.04%
5)	Comercial de Pinto Shopping, S.A.	a)	Madrid (Spain)	65.00%	43.58%	-	-
5)	Comercial San Javier Shopping, S.A.	a)	Madrid (Spain)	65.00%	43.58%	-	-
	Consultoria de Centros Comerciais, S.A.	a)	Madrid (Spain)	100.00%	67.04%	60.00%	40.22%
	D. Pedro I, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	D. Pedro II, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Datavenia - Gestão de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Fimaia - Serv. na Área Económica e Gestão de Investimentos, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
1)	Gal Park S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Gram - Grandes Armazéns, S.A.	a)	Matosinhos	100.00%	67.04%	100.00%	33.60%
	Guimarãesshopping - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
1)	ImmoProject, GmbH	a)	Dusseldorf (Germany)	100.00%	67.04%	100.00%	67.04%
	Imo R - Companhia Imobiliária, S.A.	b)	Porto	50.00%	33.52%	50.00%	33.60%
1)	ImoBrasil I, B.V.	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
1)	ImocoIombo Investments, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
2)	Imoconstruction, B.V.	a)	Amsterdam (Netherlands)	100.00%	67.04%	-	-
2)	Imocontrol, B.V.	a)	Amsterdam (Netherlands)	100.00%	67.04%	-	-
1) 13)	Imodevelopment, B.V.	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Imogermany, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
1)	Imoitallie II BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Imopraedium, 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%
1)	Imospain IX, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Imospain V, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
1)	Imospain VII, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
1)	Imospain VIII, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Imospain, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	Imovalue, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	LouresShopping - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Madeirashopping - Sociedade de Centros Comerciais, S.A.	a)	Funchal	50.00%	33.52%	50.00%	33.52%
	Maishopping - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	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%	67.04%	100.00%	67.04%
	OMNE - Sociedade Gestora de Participações Sociais, S.A.	a)	Maia	50.00%	33.52%	50.00%	33.60%
5)	Pa Zehnte Betetisungsverwaltungs, GmbH	a)	Austria	100.00%	67.04%	-	-
	Paracentro - Plan.Com.e Gestão de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
1) 19)	Pátio Boavista, Ltda	a)	São Paulo (Brazil)	99.82%	66.92%	90.00%	60.34%
	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)	97.52%	64.99%	95.03%	65.52%
	Plaza Mayor - Parque de Ocio, S.A.	a)	Madrid (Spain)	75.00%	50.28%	75.00%	50.39%
	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%
1)	Proyecto Shopping 2001, S.A.	a)	Madrid (Spain)	65.00%	43.58%	100.00%	67.04%
	RPV, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Rule, S.G.P.S., S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	SM - Empreendimentos Imobiliários, S.A.	a)	Lisboa	100.00%	33.52%	100.00%	33.52%
	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 Brazil BV	a)	Amsterdam (Netherlands)	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 Imobiliária III - Serviços de Apoio a Empresas, S.A.	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%
	Sonae Imobiliária, S.G.P.S., S.A.	a)	Maia	67.04%	67.04%	67.04%	67.04%
	Sonae West Shopping, AG	a)	Germany	95.00%	63.69%	75.10%	50.46%
	Sonaeimo - Empreendimentos Comerciais, Ltda	a)	São Paulo (Brazil)	100.00%	67.04%	100.00%	67.04%
	Sonaeimo, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
	SPEL - Sociedade de Parques de Estacionamento, S.A.	b)	Porto	50.00%	33.52%	50.00%	33.52%
1)	Transalproject 2000, SRL	a)	Sondrio (Italy)	100.00%	67.04%	100.00%	67.04%
	Vasco da Gama - Promoção de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Vasco da Gama Dois Gest - Gestão de Cent. Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Viacatarina Gest - Gestão de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Vialambert - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
<b>SonaeCom</b>							
1)	Bikini, Portal de Mulheres, S.A.	a)	Maia	100.00%	75.54%	100.00%	79.17%
	Clixgest - Internet e Conteúdos, S.A.	a)	Matosinhos	56.67%	46.92%	56.67%	44.86%
14)	Digitmarket - Sistemas de Informação, S.A.	a)	Maia	75.10%	62.18%	45.00%	35.63%
1)	Douro - Centro de Produções Artísticas, Ltda	a)	Matosinhos	100.00%	82.79%	100.00%	79.17%
	Enabler - Informática, S.A.	a)	Maia	100.00%	56.64%	100.00%	79.17%
1)	Enabler Brazil, Ltda	a)	Curitiba (Brazil)	99.00%	54.10%	100.00%	79.17%
1)	Enabler UK, Ltd	a)	U.K.	65.00%	35.52%	70.00%	55.42%
1)	Fun Online - Actividades Lúdicas, S.A.	a)	Maia	100.00%	82.79%	100.00%	79.17%
	Harpa, Beheer, BV	a)	Amsterdam (Netherlands)	100.00%	82.79%	100.00%	79.17%
1)	Miauger - Organização e Gestão de Leilões Electrónicos, S.A.	a)	Maia	100.00%	82.79%	70.00%	55.42%
1)	Move On SGPS, S.A.	a)	Maia	100.00%	82.79%	100.00%	79.17%
	Novis Telecom, S.A.	a)	Maia	56.67%	46.92%	56.67%	44.86%
	Optimus Telecomunicações, S.A.	b)	Maia	46.29%	38.33%	45.89%	36.26%
	Per - Mar - Sociedade de Construções, S.A.	a)	Loures	100.00%	38.33%	100.00%	36.26%
	Público - Comunicação Social, S.A.	a)	Matosinhos	99.99%	82.79%	99.99%	79.17%
	Publico.pt - Serviços Digitais Multimedia, S.A.	a)	Porto	100.00%	82.79%	100.00%	79.17%
1)	Retailbox BV	a)	Amsterdam (Netherlands)	66.00%	54.64%	100.00%	79.17%
1)	Santo Bosque - Espaço de Entretenimento Ltda	a)	Matosinhos	100.00%	82.79%	100.00%	79.17%
	SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.	a)	Porto	90.00%	74.51%	90.00%	71.24%
	Sonae Matrix Multimédia, S.G.P.S., S.A.	a)	Matosinhos	100.00%	82.79%	100.00%	79.17%

	Sonae Telecom, SGPS, S.A.	a)	Porto	100.00%	82.79%	100.00%	79.17%
17)	Sonae.com - Sistemas de Informação, SGPS, S.A.	a)	Maia	100.00%	82.79%	100.00%	79.17%
	Sonae.Com, SGPS, S.A.	a)	Maia	82.79%	82.79%	79.17%	79.17%
	Sonaetelecom, B.V.	a)	Amsterdam (Netherlands)	100.00%	82.79%	100.00%	79.17%
2)	We Do Brazil - Soluções Informáticas, Ltda	a)	Brazil	99.89%	82.79%	-	-
	We Do Consulting - Sistemas de Informação, S.A.	a)	Maia	100.00%	82.79%	100.00%	79.17%
1)	XS - Comunicação, Informação e Lazer, S.A.	a)	Maia	100.00%	82.79%	100.00%	79.17%
<b>Sonae Capital</b>							
	Aquapraia – Investimentos Turísticos, S.A.	a)	Grandola	100.00%	100.00%	100.00%	100.00%
	Aquapraia, S.G.P.S., S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
	Aveiria - Sociedade Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Bloco Q – Sociedade Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Bloco W - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Box Lines – Navegação, S.A.	a)	Porto	100.00%	100.00%	95.00%	95.00%
15)	Capitais Privados - SGPS, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Casino Hotel Trolia, S.A.	a)	Grandola	100.00%	100.00%	100.00%	100.00%
7)	Centro Residencial da Maia - Urbanismo, S.A.	a)	Porto	100.00%	100.00%	100.00%	81.63%
	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%
5)	Consolimar - Urbanizadora Internacional, S.A.	a)	Lisboa	100.00%	100.00%	49.00%	49.00%
	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%
7)	Country Club da Maia - Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
	Efanor - Indústria de Fios, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	100.00%
	Efanor Design e Serviços, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	100.00%
	Empreendimentos Imobiliários Contacto II, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
7)	Empreendimentos Imobiliários Quinta da Azenha, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
1)	Equador - Agência de Viagens e Turismo, S.A.	a)	Lisboa	65.91%	65.91%	66.00%	66.00%
1)	Equador & Burnay, Lda	a)	Lisboa	75.00%	49.43%	75.00%	49.50%
1)	Equador & Mendes, Lda	a)	Lisboa	75.00%	49.43%	75.00%	49.50%
7)	Espimaia - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	67.04%
	Gestholding - Sociedade Gestora de Participações Sociais, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Grano Salis, Lda	a)	Grandola	100.00%	100.00%	100.00%	100.00%
15)	Iginveste - Serv. Área Económica e Gestão de Investimentos, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Imoareia, SGPS, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
7)	Imoclub - Serviços Imobiliários, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
	Imoferro – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
7)	Imohora - Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
7)	Imohotel - Empreendimentos Turísticos Imobiliários, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
7)	Imosedas - Imobiliária e Serviços, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
15)	Inparvi, Sociedade Gestora de Participações Sociais, S.A.	a)	Porto	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%
	Inventory - Acessórios de Casa, S.A.	a)	Maia	100.00%	75.54%	100.00%	100.00%
15)	Invicta, S.G.P.S., S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Libra Serviços, Lda	a)	Funchal	100.00%	100.00%	100.00%	100.00%
	Marmagno – Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100.00%	88.39%	100.00%	86.80%
	Marvero - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100.00%	88.39%	100.00%	86.80%
1)	Nova Equador Internacional, Agência de Viagens e Turismo, Lda	a)	Lisboa	75.00%	49.43%	75.00%	49.50%
5)	Palmares - Companhia de Empreendimentos Turísticos de Lagos, S.A.	a)	Lisboa	100.00%	100.00%	25.00%	25.00%
	Palmares Investimentos e Urbanizações, S.A.	a)	Lisboa	100.00%	100.00%	51.12%	51.12%
	Partnergiro – Empreendimentos Turísticos, Lda	a)	Maia	100.00%	100.00%	100.00%	100.00%
15)	Polo Norte, SGPS, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Porturbe – Edifícios e Urbanizações, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
7)	Prædium - Desenvolvimento Imobiliário, S.A.	a)	Porto	100.00%	100.00%	100.00%	81.63%
7)	Prædium II – Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
7)	Prædium III – Serviços Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
7)	Prædios Privados Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
7)	Predisedas - Predial das Sedas, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
7)	Promosedas - Promoção Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
	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%
	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%
5)	Roteiro - Prestação de Serviços de Turismo, S.A.	a)	Lisboa	100.00%	86.61%	50.00%	50.00%
	Safira Services – Limpeza e Espaços Verdes, S.A.	a)	Porto	51.00%	25.55%	51.00%	25.55%
1)	Santos Taborda & Carvalho, Sociedade Unipessoal, Lda	a)	Lisboa	100.00%	65.91%	100.00%	66.00%
	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%
	Soberana – Investimentos Imobiliários, S.A.	a)	Grandola	100.00%	88.39%	100.00%	86.80%
	Soconstrução, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Solfarin BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Soira - Sociedade Imobiliária de Ramalde, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Solinca – Investimentos Turísticos, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Solinca III - Desporto e Saúde, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
	Solinca Lazer, S.G.P.S., S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Soltroia – Investimentos Turísticos, S.A.	a)	Lisboa	52.08%	52.08%	52.08%	52.08%
	Solução - Apoio à Gestão, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	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%
	Sonae Retalho Especializado – SGPS, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	100.00%
1)	Sonae Turismo Gestão e Serviços, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Sonae Turismo, SGPS, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%

	Sontária - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Sontrade Lines Ltd	a)	Hants (U.K.)	63.75%	63.75%	63.75%	63.75%
	Sontur, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Spinarq, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
7) 10)	Spinveste - Gestão Imobiliária SGII, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
15)	Spinveste, SGPS, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Spred - SGPS, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Star Transportes Internacionais, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
	Star Viagens e Turismo, S.A.	a)	Lisboa	100.00%	98.84%	100.00%	98.68%
18)	Stayfair Ltd	a)	Liverpool (U.K.)	100.00%	100.00%	100.00%	100.00%
	Textil do Marco, S.A.	a)	Marco de Canaveses	90.37%	90.37%	90.37%	90.37%
	Torrailta – Clube Internacional de Férias, S.A.	a)	Grandola	88.39%	88.39%	86.80%	86.80%
7)	Torre São Gabriel - Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
7)	Torre São Rafael - Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
	Troiaverde - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100.00%	88.39%	100.00%	86.80%
	Tulipamar - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100.00%	88.39%	100.00%	86.80%
7)	Urbisedas – Imobiliária das Sedas, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	81.63%
	Venda Aluga – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
<b>Outras</b>							
	Aserraderos de Cuellar, S.A	a)	Madrid (Spain)	100.00%	50.01%	100.00%	50.01%
8)	Eurofone - Telecomunicações Móveis, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Integrum - Serviços Partilhados, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Somit – Soc. Madeiras Industrializadas e Transformadas, S.A	a)	Oliveira do Hospital	100.00%	50.01%	100.00%	50.01%
	Sonae Investments, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sonae Produtos e Derivados Florestais, SGPS, S.A.	a)	Porto	50.01%	50.01%	50.01%	50.01%
	Sonae Wood Products, B.V.	a)	Amsterdam (Netherlands)	100.00%	50.01%	100.00%	50.01%

a) paragraph a), nº1, art.1 of Decree-Law nr. 238/91 - majority holding;

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 in 2002;

3) Company sold in January 2002;

4) 50% of the share capital of the company was sold, and as from that date, the equity method was used;

5) Company acquired in 2002;

6) Company sold in May 2002;

7) Company shown under Sonae Imobiliária in the previous period;

8) Company shown under Sonae Capital in the previous period and dissolved in the period;

9) Includes the shares acquired in January 2003, as a result of the indirect subscription of the capital increase. Also includes shares sold to the Santander Group for which purchases options were entered into as explained in Note 61 below;

10) Formerly - Praedium, Sociedade Gestora de Investimentos Imobiliários, S.A.;

11) Company merged into Modelo Investimentos Brazil, Ltd since 31 December 2002;

12) Formerly - Ascendente - Imobiliária, Serviços de Gestão de Activos, S.A.;

13) Formerly - Imospain II, BV;

14) Company included by the equity method until September 2002, when 30,1% of the shares were acquired changing the ownership position;

15) Company merged into Sonae Capital, SGPS, S.A. since 1 January 2002;

16) Formerly - Fortuna Del Piero, S.A.;

17) Formerly - Sonae.com Ventures, S.G.P.S., S.A.;

18) Company dissolved in the period;

19) Formerly - Parque Alegre - Empreendimentos Comerciais, Ltda.

## NOTE 2. COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY	Legal Reason for Exclusion	Registered Office	% Capital Held			
			02.12.31		01.12.31	
			Direct	Total	Direct	Total
<b>Sonae Indústria</b>						
Ecociclo - Energia e Ambiente, S.A.	a)	Matosinhos	100.00%	95.72%	100.00%	94.40%
Elweiler Sperrholz GmbH	a)	Germany	100.00%	89.02%	100.00%	89.27%
Enercicia, Lda	a)	Mourão	100.00%	31.11%	100.00%	30.68%
Florestal y Maderera, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Glunz Service GmbH	a)	Hamm (Germany)	100.00%	89.02%	100.00%	87.64%
Glunz UK Holdings Ltd	a)	London (UK)	100.00%	89.02%	100.00%	87.64%
Glunz Uka GmbH	a)	Hamm (Germany)	100.00%	89.02%	100.00%	87.64%
Imoplamac – Gestão de Imóveis, S.A.	a)	Santarém	100.00%	95.72%	100.00%	94.40%
Orpin, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
OSB Deuschland GmbH	a)	Germany	100.00%	90.68%	100.00%	89.27%
Plysorol BV	a)	Soest (Netherlands)	100.00%	90.68%	100.00%	89.27%
4) Plysorol Contreplaques, SAS	a)	France	100.00%	90.68%	-	-
4) Poliface Brazil, Ltda	a)	Brazil	100.00%	95.72%	-	-
Poliface North America	a)	Quebec (Canada)	100.00%	90.68%	100.00%	94.40%
Resoflex I - Racionalização de Espaços, Lda	a)	Braga	100.00%	95.72%	100.00%	94.40%
Novobord GmbH	a)	Hamm (Germany)	100.00%	89.02%	100.00%	87.64%
4) Société Industrielle et Financière Isoroy, SAS	a)	France	100.00%	90.68%	-	-
Sonae Spain, S.A.	a)	Madrid (Spain)	99.94%	95.66%	99.94%	94.34%
Sonae Indústria Brazil, Ltda	a)	São Paulo (Brazil)	100.00%	95.72%	100.00%	94.40%
Sonae North America Inc.	a)	Quebec (Canada)	100.00%	95.72%	100.00%	100.00%
Tafisa Trading, S.A.	a)	Madrid (Spain)	100.00%	90.68%	100.00%	89.27%
Tarnaise des Panneaux, S.A.	a)	Labruguière (France)	99.99%	90.68%	99.99%	89.27%
<b>Modelo Continente</b>						
Bertimóvel - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	75.54%	100.00%	70.48%
1) Bianpar - Comércio de Alimentos e Auto Serviço, Ltda	a)	São Paulo (Brazil)	100.00%	75.54%	100.00%	70.48%
4) Carnes do Continente - Ind.e Distribuição de Carnes, S.A.	a)	Matosinhos	100.00%	75.54%	-	-
4) Contibomba - Comércio e Distribuição de Combustíveis, S.A.	a)	Matosinhos	100.00%	75.54%	-	-
Imoponte - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
Imoresultado - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%

	Sempre à Mão - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	75.54%	100.00%	70.48%
4)	Todos os Dias - Com. Ret. e Exploração de Centros Comerciais, S.A.	a)	Matosinhos	100.00%	75.54%	-	-
<b>Sonae Imobiliária</b>							
	5ª Coluna - Gestão e Promoção de Emp. Imobiliários, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Alfange - Imobiliária e Gestão, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
4)	Ameia, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
4)	Castelo do Queijo, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
	Centro Retail Park - Parques Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
	Ciclop - Gestão de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
4)	Circe, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
4)	Conquista, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
4)	Elmo, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
4)	Esteiros, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
	Imobrazil II BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
4)	Imoground BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	-	-
4)	Imoretail BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	-	-
	Imospain X, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
3)	Imospain XII, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	100.00%	67.04%
4)	Imostructure, BV	a)	Amsterdam (Netherlands)	100.00%	67.04%	-	-
	INMO Development & Investment S.A.	a)	Madrid (Spain)	100.00%	67.04%	100.00%	67.04%
4)	Mosquete, SGPS, S.A.	a)	Maia	100.00%	67.04%	-	-
	Nó Górdio, SGPS, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
4)	Oriogest S.R.L.	a)	Milan (Italy)	100.00%	67.04%	-	-
	Parque Jôquei - Empreendimentos Comerciais, Ltda	a)	São Paulo (Brazil)	90.00%	60.34%	90.00%	60.34%
	Proccogim, S.A.	a)	Madrid (Spain)	100.00%	67.04%	100.00%	67.04%
	Proyecto Park S.A.	a)	Madrid (Spain)	100.00%	67.04%	100.00%	67.04%
	Querubim - Gestão de Centros Comerciais, S.A.	a)	Maia	100.00%	67.04%	100.00%	67.04%
4)	Segest - Sonae Expansion Gestion, S.R.L.	a)	Milan (Italy)	100.00%	67.04%	-	-
4)	Sonae Imobiliária Italy Property Management, S.R.L.	a)	Milan (Italy)	100.00%	67.04%	-	-
	Sonae Imobiliária Italy, S.R.L.	a)	Sondrio (Italy)	100.00%	67.04%	100.00%	67.04%
<b>SonaeCom</b>							
	Contacto Útil - Serviços de Gestão de Atendimento a Clientes, S.A.	a)	Maia	100.00%	38.32%	100.00%	36.33%
	M3G - Edições Digitais, S.A.	a)	Lisboa	100.00%	82.78%	100.00%	79.16%
	Sonae Telecom, S.A.	a)	Madrid (Spain)	100.00%	82.79%	100.00%	79.17%
<b>Sonae Capital</b>							
	Águas Furtadas - Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Aqualuz – Turismo e Lazer, Lda	a)	Lagos	100.00%	100.00%	100.00%	100.00%
	Aquapraia Gestão e Serviços, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Atlantic Ferries, S.A.	a)	Grandola	100.00%	100.00%	100.00%	100.00%
	Azuilno – Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Bloco Y – Sociedade Imobiliária, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Campimeios - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Casa da Ribeira – Hotelaria e Turismo, S.A.	a)	Marco de Canaveses	100.00%	100.00%	100.00%	100.00%
4)	Contacto Concessões, SGPS, S.A.	a)	Maia	100.00%	100.00%	-	-
	Delphinus – Sociedade de Turismo e Diversão de Tróia, S.A.	a)	Grandola	79.00%	69.83%	79.00%	79.00%
	Friendengineering, S.A.	a)	Matosinhos	100.00%	50.10%	75.45%	75.45%
2)	Gaiaproject – Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
	Imobiliária da Caceia, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imodivor - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
4)	Imopeninsula - Sociedade Imobiliária, S.A.	a)	Grandola	100.00%	100.00%	-	-
4)	Imoresort - Sociedade Imobiliária, S.A.	a)	Grandola	100.00%	100.00%	-	-
	Implantação - Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
4)	Insulatroia - Sociedade Imobiliária, S.A.	a)	Grandola	100.00%	100.00%	-	-
	Interport Logistics, Ltd	a)	Bristol (U.K.)	65.00%	65.00%	65.00%	65.00%
	Invicta - Comércio Internacional, S.A.	a)	Maia	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%
	Marimo – Exploração Hoteleira e Imobiliária, S.A.	a)	Grandola	100.00%	88.39%	100.00%	100.00%
	Marina Magic - Exploração de Centros Lúdicos e Marítimos, Lda	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
2)	Martimope - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	81.63%
	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	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
4)	PJP - Equipamento de Refrigeração, Lda	a)	Matosinhos	100.00%	35.07%	-	-
	Promessa – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	SC - Sociedade de Consultoria, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	SKKFOR - Ser. For. e Desen. de Recursos Humanos, Ltda	a)	Maia	96.00%	33.67%	96.00%	96.00%
	Solasa - Sociedade de Lavandaria, Lda	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Solinca - Catering e Eventos, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
	Solinca II - Gestão e Serviços de Hotelaria, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
4)	Solifitness - Club Malaga, S.L.	a)	Malaga (Spain)	100.00%	100.00%	-	-
	Sonae Capital Brazil, 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%
5)	Sopair, S.A.	a)	Madrid (Spain)	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%	100.00%
<b>Outras</b>							
	Barmins - Serviços e Gestão Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
4)	Sonae 3P, S.A.	a)	Maia	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%	82.77%	100.00%	100.00%
	Sonaudit – Gestão e Consultoria Financeira, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%

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

- 1) Merged into Sonae Distribuição Brasil, SA on 1 February 2002;  
2) Company shown under Sonae Imobiliária in the previous period;  
3) Formerly - Imofrance, BV.;  
4) Company incorporated in 2002;  
5) Company acquired in 2002.

### NOTE 3. COMPANIES ACCOUNTED FOR AS ASSOCIATED UNDERTAKINGS (USING THE EQUITY METHOD)

COMPANY	Registered Office	% Capital Held			
		02.12.31		01.12.31	
		Direct	Total	Direct	Total
<b>Sonae Indústria</b>					
Comforesta - Companhia Catarinense de Empreendimentos Florestais, S.A.	Brazil	36.00%	20.48%	36.00%	20.16%
<b>Modelo Continente</b>					
Crediuniverso - Serviços de Marketing, S.A.	Maia	50.00%	37.77%	50.00%	35.24%
2) Max Mat España, Distribucion de Materiales de Construcion, S.A.	Madrid	50.00%	37.77%	50.00%	35.24%
Modelo - Distribuição de Materiais de Construção, S.A.	Maia	50.00%	37.77%	50.00%	35.24%
<b>Sonae Imobiliária</b>					
Aegean Park Constructions, Real Estate and Development, S.A.	Atenas ( Greece)	50.00%	33.52%	50.00%	33.52%
Capital Plus - Investimentos e Participações, S.A.	Vila Nova de Gaia	50.00%	33.52%	50.00%	33.52%
CCG - Centros Comerciais de Gaia, S.A.	Vila Nova de Gaia	50.00%	33.52%	50.00%	33.52%
Empreendimentos Imobiliários Colombo, S.A.	Lisboa	50.00%	33.52%	50.00%	33.52%
1) Hospitalet Center, S.L.	Barcelona (Spain)	50.00%	33.52%	-	-
1) Iberia Assets, S.A.	Barcelona (Spain)	50.00%	33.52%	-	-
3) Imogreece, BV	Amsterdam (Netherlands)	50.00%	33.52%	50.00%	33.52%
1) ING RPFi Porto Investment - Gest. e Prom. de Centros Comerciais, SGPS, Lda	Lisboa	50.00%	33.52%	-	-
1) Innolor, S.A.	Barcelona (Spain)	50.00%	33.52%	-	-
Inparsa - Industrias e Participações, SGPS, S.A.	Maia	50.00%	33.52%	50.00%	33.52%
Lisedi - Urbanização e Edifícios, S.A.	Maia	50.00%	33.52%	50.00%	33.52%
LL Port Retail SGPS, S.A.	Vila Nova de Gaia	50.00%	33.52%	50.00%	33.52%
Sintra Retail Park - Parques Comerciais, S.A.	Maia	50.00%	33.52%	50.00%	33.52%
Sonae Enplanta, S.A.	São Paulo (Brazil)	50.00%	33.52%	50.00%	33.52%
Teleporto - Empreendimentos Imobiliários, S.A.	Maia	50.00%	33.52%	50.00%	33.52%
Unishopping Administradora, Lda	São Paulo (Brazil)	50.00%	33.52%	50.00%	33.52%
Viacatarina - Empreendimentos Imobiliários, S.A.	Maia	50.00%	33.52%	50.00%	33.52%
2) WXI - Grupo Lar Parque Principado, SL	Madrid (Spain)	25.00%	16.76%	25.00%	16.76%
1) Zubiarte Inversiones Inmobiliarias, S.A.	Barcelona (Spain)	50.00%	33.52%	-	-
<b>SonaeCom</b>					
4) Digitmarket - Sistemas de Informação, S.A.	Maia	45.00%	37.26%	45.00%	35.63%
Exit Travel - Agência de Viagens, Turismo e Lazer Online, S.A.	Maia	75.00%	27.94%	75.00%	29.68%
2) Global S - Centro Comercial Lda	Matosinhos	16.66%	13.79%	24.97%	19.79%
2) Global S - Distribuição e Logística, Lda	Matosinhos	16.71%	13.83%	33.40%	18.76%
2) Global S - Marketing e Serviços, Lda	Matosinhos	12.53%	10.37%	25.05%	15.04%
2) Global S - Tecnologias de Informação Lda	Matosinhos	11.14%	9.23%	22.28%	13.50%
2) Global S, SGPS, S.A.	Matosinhos	16.71%	13.83%	33.40%	19.87%
2) Global S - Consultadoria Empresarial, Lda	Matosinhos	16.71%	13.83%	33.40%	18.76%
Investimento Directo - Sociedade Financeira de Corretagem, S.A.	Lisboa	55.00%	45.53%	55.00%	43.54%
Myplace - Conteúdos Imobiliários na Internet S.A.	Maia	33.35%	13.81%	66.67%	26.38%
2) Net Mall SGPS, S.A.	Maia	50.00%	41.40%	50.00%	39.59%
Portais Verticais.com, S.G.P.S.,S.A.	Lisboa	50.00%	41.40%	50.00%	39.57%
<b>Sonae Capital</b>					
ba - Fábrica de Vidros Barbosa & Almeida, S.A.	Porto	49.97%	49.97%	49.97%	49.97%

- 1) Company acquired in the period;  
2) Company excluded from the previous period due to immateriality;  
3) Company sold in the period;  
4) Company included by the equity method until September 2002, when 50% of the shares were acquired changing the ownership position.

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

COMPANY	Legal Reason for Exclusion	Registered Office	% Capital Held			
			02.12.31		01.12.31	
			Direct	Total	Direct	Total
<b>Sonae Indústria</b>						
OKO Zentrum NRW	a)	Germany	25.00%	22.67%	25.00%	25.00%
Promodeco - Projecto Imobiliário Decoração e Construção, Lda	a)	Maia	27.60%	26.42%	27.60%	26.05%
Serradora Boix	a)	Barcelona	31.25%	28.33%	31.25%	27.90%
Stinnes Holz GmbH	a)	Germany	35.25%	31.38%	35.25%	35.25%

Modelo Continente							
	Sempre a Postos - Produtos Alimentares e Utilidades, Lda	a)	Lisboa	25.00%	18.89%	25.00%	17.62%
Sonae Imobiliária							
	Centerstation - Imobiliária, S.A.	a)	Maia	50.00%	33.52%	50.00%	33.52%
	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%
2)	Imogreece IV, BV	a)	Amsterdam (Netherlands)	50.00%	33.52%	-	-
2)	Lamda Pylea, S.A.	a)	Atenas ( Greece)	19.95%	13.37%	-	-
	Micaelense Shopping - Empreendimentos Imobiliários, S.A.	a)	Ponta Delgada	50.00%	33.52%	50.00%	33.52%
	Sóguia – Sociedade Imobiliária, S.A.	a)	Porto	50.00%	33.52%	50.00%	33.52%
	Sonae - Charagionis Services, S.A.	a)	Atenas ( Greece)	50.00%	33.52%	50.00%	33.52%
	Torre Colombo Ocidente – Imobiliária, S.A.	a)	Porto	50.00%	33.52%	50.00%	33.52%
	Torre Colombo Oriente– Imobiliária, S.A.	a)	Porto	50.00%	33.52%	50.00%	33.52%
	Unishopping Consultadoria, Lda	a)	São Paulo (Brazil)	50.00%	33.52%	50.00%	33.52%
	Victoria Park Constructions, Real Estate and Development, S.A.	a)	Atenas ( Greece)	50.00%	33.52%	50.00%	33.52%
SonaeCom							
2)	Enabler & Retail Consult, GmbH	a)	Germany	50.00%	27.32%	-	-
1)	Global S - Hipermercado, Lda	a)	Matosinhos	-	-	33.40%	18.76%
	Produções Digitais Online, S.A.	a)	Matosinhos	49.00%	40.57%	49.00%	38.79%
2)	Situs - Exploração de Torres de Telecomunicações e Sites, S.A.	a)	Matosinhos	50.00%	19.17%	-	-
	Unipress - Centro Gráfico, Lda	a)	Vila Nova de Gaia	40.00%	33.12%	40.00%	31.67%
	Web.com, Software e Soluções Internet, S.A.	a)	Lisboa	100.00%	40.57%	100.00%	38.79%
Sonae Capital							
	Andar - Sociedade Imobiliária, S.A.	a)	Maia	50.00%	50.00%	50.00%	40.81%
	CarPlus – Comércio de Automóveis, S.A.	a)	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%
	Change Partners, S.A.	a)	Porto	25.00%	25.00%	25.00%	25.00%
	Choice Car - Comércio de Automóveis, S.A.	a)	Porto	50.00%	50.00%	50.00%	50.00%
	Choice Car SGPS, S.A.	a)	Maia	50.00%	50.00%	50.00%	50.00%
	CM – Clínica da Maia - Gestão de Projectos de Saúde, S.A.	a)	Maia	50.00%	50.00%	100.00%	100.00%
	Europroject, S.A.	a)	Barcelona (Spain)	25.00%	25.00%	25.00%	25.00%
	Finlog - Aluguer e Comércio de Automóveis, S.A.	a)	Matosinhos	50.00%	50.00%	50.00%	50.00%
	Fun International Entertainment, S.A.	a)	Porto	50.00%	50.00%	50.00%	50.00%
	Guerin – Rent a Car (Dois), Lda	a)	Lisboa	50.00%	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)	Grandola	25.10%	25.10%	25.10%	25.10%
2)	Interclean, S.A.	a)	Brazil	49.99%	12.77%	-	-
2)	Lazam Corretora, Ltda	a)	Porto	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	50.00%	50.00%	50.00%	50.00%
2)	NMB Vastgoed One Bv	a)	Netherlands	50.00%	50.00%	-	-
2)	NMB Vastgoed Sun Bv	a)	Netherlands	50.00%	50.00%	-	-
	Norscut - Concessionária de Scut Interior Norte, S.A.	a)	Lisboa	25.00%	25.00%	25.00%	25.00%
	Perjovim – Imobiliária e Construções, S.A.	a)	Matosinhos	49.96%	49.96%	49.96%	49.96%
	Portuguese Paradise INC	a)	Panamá	42.50%	42.50%	42.50%	42.50%
2)	Sociedade de Construções do Chile, S.A.	a)	Chile	50.00%	50.00%	-	-
2)	Sodesa, S.A.	a)	Lisboa	50.00%	50.00%	-	-
	Sonae Imobiliária Troia - B3, S.A.	a)	Grandola	20.00%	17.68%	20.00%	20.00%
	Spel Serviços Auto, S.A.	a)	Maia	50.00%	50.00%	50.00%	50.00%
	Star Transportes Angra do Heroísmo, S.A.	a)	Angra do Heroísmo	40.00%	40.00%	40.00%	40.00%
	Star Transportes Internacionais Madeira, S.A.	a)	Funchal	40.00%	40.00%	40.00%	40.00%
	TP - Sociedade Térmica, S.A.	a)	Porto	50.00%	50.00%	48.50%	48.50%
Outros							
2)	Pargeste SGPS, S.A.	a)	Maia	40.00%	40.00%	-	-
	Portucel Industrial – Empresa Produtora de Pasta e Papel, S.A.	b)	Lisboa	29.18%	14.59%	29.18%	14.59%

a) nº 1 of art. 4 of Decree-Law nr. 238/91 - not significant;  
b) Due to the privatisation process in progress, this undertaking was accounted at cost.

1) Company sold to Modelo Continente;  
2) Associated undertaking acquired or incorporated in the period.

## NOTE 6. OTHER RELATED UNDERTAKINGS

COMPANY	Registered Office	% Capital Held	
		02.12.31	01.12.31
Altitude Software BV	Netherlands	6.31%	4.06%
BPI, SGPS, S.A.	Porto	4.31%	4.29%
Construction Modulaire de l'Ouest S.A.R.L	Lisieux (France)	15.00%	14.00%
Despegar	Porto	5.90%	5.90%
Dispar – Distribuição de Participações, SGPS, S.A.	Lisboa	7.14%	7.14%
First Assur, S.A.	France	10.80%	10.00%
Idea Tradema – Betanzos, AIE	Spain	15.00%	15.00%
Inscó – Insular de Hipermercados, S.A.	Ponta Delgada	10.00%	10.00%
Lusa - Agência de Notícias de Portugal, S.A.	Lisboa	1.38%	1.38%
Net, S.A.	Lisboa	2.26%	-
Operscut - Operação e Manutenção de Auto-estradas, S.A.	Lisboa	15.00%	15.00%
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%
Société 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%
Viverfoga	Madrid (Spain)	1.96%	1.96%

## 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	9,032	Directors and managers	4,483
Retailing	35,930	Technical	4,486
Real Estate	576	Administrative	5,419
Telecom	2,380	Operational	37,203
Other activities	3,673		
<b>Total</b>	<b>51,591</b>	<b>Total</b>	<b>51,591</b>

## 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 period can be shown as follows:

	euro		Net variance
	02.12.31	01.12.31	
Initial positive goodwill	-31,674,160	-27,727,458	-3,946,702
Positive goodwill	1,085,496,698	983,392,155	102,104,543
Negative goodwill	97,802,372	93,663,822	4,138,550

The net variance in positive goodwill includes:

- 41,977,631 euro relating to the acquisition of 4.12% of SDB's share capital;
- 25,544,270 euro relating to the acquisition of 5.06% of Modelo Continente's share capital;
- 24,210,605 euro relating to the acquisition of Palmares and Consolimar.

### 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, intangible assets and shareholder's funds would be higher by 835,877,079 euro and amortization for the year would increase by 72,043,685 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

#### Sonae Indústria

- a) Isoroy Transformation S.A.
- b) Placage d'Okoumé du Gabon S.A.
- a) Société de Tranchage Isoroy S.A.S.

#### Modelo Continente

- a) Best Offer - Prestações de Informações pela Internet, S.A.
- b) Global S - Hipermercado, Lda
- a) SRE - Projectos e Consultoria, S.A.

#### Sonae Imobiliária

- c) Amarras, SGPS, S.A.
- b) Comercial de Pinto Shopping, S.A.
- b) Comercial San Javier Shopping, S.A.
- a) Gal Park S.A.
- a) ImmoProject, GmbH
- a) ImoBrazill I, B.V.
- a) Imocolombo Investments, BV
- c) Imoconstrution, B.V.
- c) Imocontrol, B.V.
- a) Imodevelopment, B.V.
- a) Imoitallie II BV
- a) Imospain IX, BV
- a) Imospain VII, BV
- a) Imospain VIII, BV
- b) Pa Zehnte Beteiligungsverwaltungs, GmbH
- a) Parque Alegre - Empreendimentos Comerciais, Ltda
- a) Proyecto Shopping 2001, S.A.
- a) Transalproject 2000, SRL

#### SonaeCom

- a) Bikini, Portal de Mulheres, S.A.
- d) Digitmarket - Sistemas de Informação, S.A.
- a) Douro - Centro de Produções Artísticas, Lda

- a) Enabler Brazil, Ltda
- a) Enabler UK, Ltd
- a) Fun Online - Actividades Lúdicas, S.A.
- a) Miauger - Organização e Gestão de Leilões Electrónicos, S.A.
- a) Move On SGPS, S.A.
- a) Retailbox BV
- a) Santo Bosque - Espaço de Entretenimento Lda
- c) We Do Brazil - Soluções Informáticas, Ltda
- a) XS - Comunicação, Informação e Lazer, S.A.

#### **Sonae Capital**

- b) Consolimar - Urbanizadora Internacional, S.A.
- a) Equador - Agência de Viagens e Turismo, S.A.
- a) Equador & Burnay, Lda
- a) Equador & Mendes, Lda
- a) Nova Equador Internacional, Agência de Viagens e Turismo, Lda
- b) Palmares - Companhia de Empreendimentos Turísticos de Lagos, S.A.
- b) Roteiro - Prestação de Serviços de Turismo, S.A.
- a) Santos Taborda & Carvalho, Sociedade Unipessoal, Lda
- a) Sonae Turismo Gestão e Serviços, S.A.

- a) Companies excluded in 2001;
- b) Companies acquired during the period;
- c) Company incorporated in 2002;
- d) Company included by the equity method until September 2002, when 30,1% of the shares were acquired changing the ownership position;

During the period ended 31 December 2002 the following companies were excluded from consolidation:

Portucel Viana Energia – Empresa de Cogeração Energética, S.A. was sold;  
 Expedis - Logística Integrada, S.A. was sold;  
 Andar - Sociedade Imobiliária, S.A. was sold.

#### **- Equity method**

##### **Modelo Continente**

- a) Max Mat España, Distribucion de Materiales de Construcción, S.A.

##### **Sonae Imobiliária**

- b) Hospitalete
- b) Iberia Assets, S.A.
- b) ING RPF Porto Investment - Gest. e Prom. de Centros Comerciais, SGPS, Lda
- b) Inmolor
- a) WXL - Grupo Lar Parque Principado, SL
- b) Zubiarte Inversiones Inmobiliarias, S.A.

##### **SonaeCom**

- a) Global S - Centro Comercial Lda
- a) Global S - Distribuição e Logística, Lda
- a) Global S - Marketing e Serviços, Lda
- a) Global S - Tecnologias de Informação Lda
- a) Global S, SGPS, S.A.
- a) Globas S - Consultadoria Empresarial, Lda
- a) Net Mall SGPS, S.A.

- a) Companies excluded in 2001;
- b) Companies acquired during 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 2002, the responsibilities for guarantees given by the companies included in the consolidation can be analysed as follows:

	euro
Guarantees (1)	829,448,025
Securities deposited	27,793,349
Mortgages and charges	570,307,008
Pledges and floating charges	6,886,703
Others	121,789,651

(1) Includes 19,930,595 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 30.53% 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	
	02.12.31	Average rate
Swiss Franc	0.68852	0.68168
Pound Sterling	1.53728	1.59094
Brazilian Real	0.26937	0.37828
South African Rand	0.11100	0.10111
Canadian Dollar	0.60423	0.67528

## VI - OTHER INFORMATION ON SPECIFIC ITEMS

### NOTE 25. START-UP, RESEARCH AND DEVELOPMENT COSTS

The following were the main projects undertaken during the year ended in 31 December 2002 for which costs were capitalised:

Company	Project	euro
Sonae Distribuição Brazil, S.A.	New stores opened	1,528,276
	Store renovation costs	6,436,294

### NOTE 27. DETAILS OF FIXED ASSETS

Movements in consolidated fixed assets and in depreciation and provisions during the year ended in 31 December 2002 can be summarised as follows:

GROSS COST OR VALUATION						euro
Items	At 1 January 2002	Expenditure	Disposals	Changes in Consolidation Perimeter d)	Transfers and Adjustments c)	At 31 December 2002
<b>Intangible assets:</b>						
Start-up costs	377,874,064	20,623,633	1,444,786	13,978,118	-82,519,630	328,511,399
Research and development costs	69,635,215	1,119,035		180,497	4,747,063	75,681,810
Patents and other similar rights	17,626,952	662,000	282,812	1,699,252	999,544	20,704,936
Premiums paid for property occupation rights	12,613,314	11,045,275	783,736	1,644,729	-485,175	24,034,407
b) In progress	146,737,202	35,857,913	555,326	118,371	-48,191,630	133,966,530
Adiant. por conta de imobilizações incorpóreas						
	624,486,747	69,307,856	3,066,660	17,620,967	-125,449,828	582,899,082
Land	421,580,750	6,367,641	3,831,072	2,018,845	5,901,306	432,037,470
Buildings	1,681,622,185	33,112,694	16,985,076	5,755,891	129,178,275	1,832,683,969
Plant and machinery	2,738,815,517	73,002,037	15,970,184	16,954,080	133,281,119	2,946,082,569
Vehicles	50,815,348	1,921,319	2,554,596	96,571	-6,210,273	44,068,369
Tools	10,593,453	571,352	120,815	11,249	138,930	11,194,169
Fixtures and fittings	337,405,215	21,221,047	7,701,448	1,444,349	36,681,159	389,050,322
Containers	273,720					273,720
Others	52,017,562	1,583,459	414,860	192,141	-7,025,892	46,352,410
b) In construction	718,012,320	279,821,240	1,149,019	147,132	-768,140,385	228,691,288
Advances	46,113,290	7,784,393	427,019	25,396	-23,046,681	30,449,379
	6,057,249,360	425,385,182	49,154,089	26,645,654	-499,242,442	5,960,883,665
<b>Investments:</b>						
a) Shares in related (including associated) undertakings	198,061,765	128,535,687	7,206,297		-36,730,023	282,661,132
Loans to related (including associated) undertakings	104,027,722	93,959,989	22,745,561		-39,318,503	135,923,647
Shares in other undertakings	253,258,187				-9,068,907	244,189,280
Other investments other than loans	90,887,368	10,138,070	253,256		-22,484,832	78,287,350
Loans to other undertakings	762,170	99	1,868		-405,282	355,119
In progress	17,556	598,799	17,556			598,799
Advances	13,303,161	1,709,322	870,690		-12,339,367	1,802,426
	660,317,929	234,941,966	31,095,228		-120,346,914	743,817,753

a) Shares in related (including associated) undertakings include -46,348,250 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
New MDF line project (France)	4,619,661
Olivo project in Linares	21,506,189
Fortuna del Piero project	35,720,107
New hypermarkets	26,728,120
UMTS Licence	99,759,579
Deployment of mobile network	39,468,557
Troia project	10,165,582
	237,967,795

c) Includes -466,977,127 euro relating to exchange differences arising from the translation of opening investments in foreign affiliated undertakings;

d) Includes 14,399,600 euro relating to fixed assets of affiliated undertakings acquired in the year and -1,034,074 euro relating to fixed assets of affiliated undertakings disposed of during the year.

Accumulated depreciation and provisions:						euro
Items	At 1 January 2002	Charge for the year	Disposals	Changes in Consolidation Perimeter b)	Transfers and Adjustments a)	At 31 December 2002
<b>Intangible Assets:</b>						
Start-up costs	167,789,518	57,105,978	597,629	2,587,632	-47,403,495	179,482,004
Research and development costs	31,481,585	12,288,886		194,325	-1,791,465	42,173,330
Patents and other similar rights	9,283,903	2,440,536	111,747	42,005	272,402	11,927,099
Premiums paid for property occupation rights	5,931,336	1,582,326	5,424		105,441	7,613,683
	<u>214,486,342</u>	<u>73,417,726</u>	<u>714,800</u>	<u>2,823,962</u>	<u>-48,817,117</u>	<u>241,196,116</u>
<b>Tangible assets:</b>						
Land	2,790,621	167,248			-248,692	2,709,177
Buildings	265,466,625	48,370,133	1,766,112	755,203	-18,444,074	294,381,775
Plant and machinery	1,123,579,776	195,478,447	8,167,305	4,481,755	-119,778,425	1,195,594,248
Vehicles	39,815,257	4,304,817	1,603,261	67,927	-5,350,442	37,234,298
Tools	7,714,180	1,518,659	92,576	9,941	-691,467	8,458,737
Fixtures and fittings	122,317,964	32,467,394	2,371,404	480,714	-16,411,102	136,483,566
Containers	260,169	8,947		40	978	270,134
Others	28,119,423	5,648,902	179,245	36,639	-1,153,764	32,471,955
	<u>1,590,064,015</u>	<u>287,964,547</u>	<u>14,179,903</u>	<u>5,832,219</u>	<u>-162,076,988</u>	<u>1,707,603,890</u>
<b>Investments</b>						
Shares in related (including associated) undertakings	57,619,953	2,687,910			-4,553,177	55,754,686
Loans to related (including associated) undertakings	15,413,661	882,966	34,861		-409,601	15,852,165
Other financial assets	275,861	10,372,929				10,648,790
Other loans		81,820				81,820
	<u>73,309,475</u>	<u>14,025,625</u>	<u>34,861</u>		<u>-4,962,778</u>	<u>82,337,461</u>

a) Includes -85,155,350 euro relating to exchange differences arising from the translation of opening investments in foreign affiliated undertakings;

b) Includes 3,252,801 euro relating to fixed assets of affiliated undertakings acquired in the year and -716,105 euro relating to fixed assets of affiliated undertakings disposed of 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 15,276,943 euro.

#### NOTE 33. AMOUNTS OWING REPAYABLE AFTER MORE THAN FIVE YEARS

The consolidated balance sheet includes 605,207,632 euro of amounts owing repayable after more than five years.

#### NOTE 34. AMOUNTS OWING TO THIRD PARTIES COVERED BY GUARANTEES

At 31 December 2002 the amounts covered by guarantees given by companies included on consolidation were as follows:

	euro
Pledges and floating charges	392,380,069
Mortgages and charges	503,234,442

#### NOTE 36. TURNOVER ANALYSIS BY ACTIVITY AND MARKET

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

	euro	
	02.12.31	01.12.31
<b>a) By activity:</b>		
Wood based panels	1,464,027,406	1,494,251,781
Retailing	3,532,699,777	3,761,880,131
Real estate (1)	236,557,513	257,159,126
Telecom	762,435,404	701,009,584
Sonae Capital (1)	264,738,968	171,028,472
Others	15,204,337	554,694
<b>Total</b>	<u>6,275,663,405</u>	<u>6,385,883,788</u>
<b>b) By market:</b>		
Portugal	3,814,913,795	3,623,571,446
Spain	283,233,025	262,562,595
France	220,053,371	242,439,493
Germany	240,704,320	241,042,617
United Kingdom	154,351,361	114,869,083
South America	1,156,727,030	1,480,107,816
Canada	53,328,415	54,449,607
Others	352,352,088	366,841,131
<b>Total</b>	<u>6,275,663,405</u>	<u>6,385,883,788</u>

(1) The values of 2002 were affected by a disposal of an affiliated undertaking formerly owned by Sonae Imobiliária to Sonae Capital (turnover in 2001 of 46,818,869 euro).

#### NOTE 38. DEFERRED TAXATION

At 31 December 2002 and 2001, details of deferred tax assets and liabilities may be shown as follows, split between the different types of temporary differences:

	Deferred Tax Assets		Deferred Tax Liabilities	
	02.12.31	01.12.31	02.12.31	01.12.31
Fixed assets revaluations			27,091,359	15,903,576
Reinvested gains on disposals of fixed assets			6,368,460	2,039,569
Losses carried forward	175,124,035	125,256,897		
Depreciation disallowed for tax purposes			95,441	438,147
Harmonisation adjustments			70,477,439	56,506,677
Other	620,224	391,938	5,099,280	3,595,160

Movements in deferred taxes during the year ended 31 December 2002 and 2001 were as follows:

	Deferred Tax Assets		Deferred Tax Liabilities	
	02.12.31	01.12.31	02.12.31	01.12.31
Balance as at 1 January	125,648,835	74,795,669	78,483,129	66,445,450
Credits / (charges) to the profit and loss account:				
Depreciation arising from fixed assets revaluations			-790,192	-348,461
Depreciation arising from reinvested gains on disposals of fixed assets			-117,073	-446,799
Losses carried forward	67,217,910	55,550,172		
Harmonisation adjustments			17,056,188	16,086,760
Other	-381,685	-896,428	167,544	271,055
	66,836,225	54,653,744	16,316,467	15,562,555
Credits / (charges) to retained earnings:				
Reinvested gains on disposals of fixed assets			4,586,387	-2,675,428
Fixed assets revaluations			12,255,139	-171,871
Losses carried forward	235,237	298,985		
Exchange differences	-20,232,314	-3,684,751	-3,353,688	-638,486
Other	3,256,276	-414,812	844,545	-39,091
	-16,740,801	-3,800,578	14,332,383	-3,524,876
Balance as at 31 December	175,744,259	125,648,835	109,131,979	78,483,129

Under Portuguese Accounting Principles, 2002 is the first year in which it is mandatory to account for deferred taxes. The company was already accounting for deferred taxes in previous years in accordance with International Accounting Standards. Therefore no adjustments were made as a result of the change in Portuguese accounting for deferred taxes.

The Company and its affiliated undertakings are committed under tax legislation to reinvest amounts resulting from sales of investments in prior years. As in previous years, it is the intention of the Boards of Directors of the Company and its affiliated undertakings to acquire investments or increase the share capital of affiliated companies with the objective of being exempt from capital gains tax. As a result, existing capital gains generated in previous years (including intercompany gains eliminated on consolidation) open for re-investment have no been included in taxable income.

#### NOTE 39. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE HOLDING COMPANY

	euro
Board of Directors	736,009

#### 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 four affiliated 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

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

Items	Historical	Revaluations		Accounts
	cost			Value
	a)	a) b) c)		a)
<b>Tangible assets:</b>				
Land	336,261,004	93,067,289		429,328,293
Buildings	1,416,766,101	121,536,093		1,538,302,194
Plant and machinery	1,742,217,305	8,271,017		1,750,488,321
Vehicles	6,529,613	304,458		6,834,071
Tools	2,730,975	4,457		2,735,432
Fixtures and fittings	252,510,489	56,267		252,566,756
Containers	3,586			3,586
Others	13,738,195	142,260		13,880,455
	3,770,757,268	223,381,841		3,994,139,108

- a) Net of depreciation;  
b) Includes all revaluations to date;  
c) Includes the effect of market valuations referred to in paragraph b) in the amount of 135,070,721 euro.

#### NOTE 44. ANALYSIS OF NET FINANCIAL CHARGES

	euro	
	02.12.31	01.12.31
Charges		
Interest expense	230,939,929	194,903,392
Provisions for short term investments	13,806,655	819,521
Exchange losses	28,493,282	19,343,364
Payment discounts given	9,070,449	7,370,181
Loss on disposal of short term investments	6	10,320
Depreciation of property investments		102,020
a) Other financial charges	72,029,333	63,692,564
Net financial charges	-253,354,617	-190,453,573
	100,985,037	95,787,789
Income		
Interest income	39,823,561	31,235,281
Freehold property income	1,309	7,459
Dividends received	12,197,813	10,749,794
Exchange gains	9,617,058	13,754,934
Payment discounts received	24,978,465	28,751,716
Gain on disposal of short term investments	4,245,509	56,353
Other financial income	10,121,322	11,232,252
	100,985,037	95,787,789

- a) Includes mainly costs incurred with automatic payment systems;

#### NOTE 45. ANALYSIS OF EXTRAORDINARY ITEMS

	euro	
	02.12.31	01.12.31
Charges		
Donations	1,708,349	2,040,377
Doubtful debts written off	8,252,682	8,457,835
Abnormal stock losses	3,011,213	4,287,182
Loss on the sale of fixed assets	22,699,807	22,006,279
Fines and penalties paid	2,390,231	3,028,391
Exceptional depreciation and provisions	21,195,624	64,359,832
Charges relating to prior years	21,651,336	8,926,864
Others	75,899,223	42,907,043
Net extraordinary gains	-26,378,269	49,933,751
	130,430,196	205,947,554
Income		
Taxes refunded	627,731	145,207
Collection of doubtful debts written off	642,597	37,479
Abnormal stock gains	838,808	2,603,292
Gain on the sale of fixed assets	20,612,209	119,160,353
Contractual penalties received	6,020,696	328,265
Write back of provisions and depreciation	52,799,450	29,752,028
Gains relating to prior years	9,601,028	6,594,121
Others	39,287,677	47,326,809
	130,430,196	205,947,554

#### NOTE 46. ANALYSIS OF PROVISIONS AS OF 31 DECEMBER 2002 AND MOVEMENT DURING THE YEAR

The accumulated provisions at 31 December 2002 and movements during the year are as follows:

	euro			
	At 1 January 2002	Provisions created	Provisions written back	At 31 December 2002
Provisions				
Provisions for short term investments	59,427	4,448	154	63,721
Provisions for doubtful debts	100,838,324	36,358,445	7,734,474	129,462,295
Provisions for other risks and charges	105,777,030	32,143,534	36,606,064	101,314,500
Provisions for stock obsolescence	17,712,033	9,535,673	11,188,550	16,059,156
Provisions for fixed asset investments	73,309,475	14,028,624	5,000,638	82,337,461
	297,696,289	92,070,724	60,529,880	329,237,133

# NOTE 50. SEGMENT REPORTING

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

	Wood Based		Real		Sonae		euro
	Panels	Retailing	Estate	Telecom	Capital	Others	Consolidated
Sales and							
Services rendered	1,464,027,406	3,532,699,777	236,557,513	762,435,404	264,738,968	15,204,337	6,275,663,405
Depreciation of fixed assets	135,936,485	105,379,788	21,324,456	100,603,128	9,060,664	4,216,438	376,520,959
Provisions	11,379,938	4,441,333	1,130,038	31,870,042	4,043,256	297,465	53,162,072
Operating profit	26,766,788	186,925,886	59,402,651	-40,787,676	713,294	-14,137,633	218,883,310
Net Financial charges	-97,651,522	-77,959,262	-26,572,881	-35,551,800	-16,324,662	705,510	-253,354,617
Profit/(Loss) on ordinary activities	-70,884,734	108,966,624	32,829,770	-76,339,476	-15,611,368	-13,432,122	-34,471,307
Net Extraordinary gains/(losses)	8,559,322	-29,499,140	2,350,434	-15,649,509	5,970,397	1,890,227	-26,378,269
Gains/(Losses)							
in associated undertakings	-1,750,204	808,273	6,340,194	-1,476,497	3,101,991		7,023,757
Profit before							
income tax	-64,075,616	80,275,757	41,520,398	-93,465,482	-6,538,980	-11,541,896	-53,825,819
Profit before							
minority interests	-72,967,156	98,373,376	29,588,363	-83,871,823	-9,839,564	-10,716,782	-49,433,586
Operating Cash-Flow							
(EBITDA)	174,083,211	296,747,007	81,857,145	91,685,494	13,817,214	-9,623,730	648,566,341

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

	euro						
	Wood Based Panels	Retailing	Real Estate	Telecom	Sonae Capital	Others	Consolidated
Fixed assets							
Intangible	45,154,855	94,166,959	13,783,221	173,590,698	11,811,532	3,195,701	341,702,966
Tangible	1,521,215,380	1,111,588,398	666,977,406	686,131,319	228,825,182	38,542,090	4,253,279,775
Investments	17,892,328	23,259,121	221,272,225	23,512,608	89,960,181	285,583,829	661,480,292
Stocks	220,629,405	358,994,453	21,163	16,365,290	78,428,624	2,136,137	676,575,072
Others	531,109,362	568,413,258	172,720,285	508,039,563	127,390,677	127,118,930	2,034,792,075
Total Assets	2,336,001,330	2,156,422,189	1,074,774,300	1,407,639,478	536,416,196	456,576,687	7,967,830,180
Liabilities							
Long-term	632,888,132	788,397,916	538,784,058	314,503,770	104,351,448	850,648,220	3,229,573,544
Short-term	524,698,724	851,371,840	175,333,089	363,195,840	113,506,163	618,965,695	2,647,071,351
Other liabilities	248,807,984	111,035,082	146,671,357	138,091,552	43,175,936	7,598,457	695,380,368
Total liabilities	1,406,394,840	1,750,804,838	860,788,504	815,791,162	261,033,547	1,477,212,372	6,572,025,263
Net fixed assets Investment	92,515,501	107,392,941	288,950,217	141,434,202	34,518,360	10,484,140	675,295,361
Investments							
- equity method	2,358,609	18,920,272	184,669,281	8,522,612	34,463,773		248,934,547
Total Debt	722,015,121	1,003,242,138	606,712,984	504,741,171	100,807,867	995,148,709	3,932,667,990
Net Debt	630,904,607	686,741,723	517,272,004	462,737,304	83,942,340	912,317,002	3,293,914,978

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

	euro
Others	
<b>Sources</b>	
Bank debt	995,148,709
Cash and equivalents	-82,831,707
Net bank debt	912,317,002
SonaeCom	89,510,000
Intercompany short term loans obtained	89,510,000
<b>Total Inflows</b>	1,001,827,002
<b>Outflows</b>	
Sonae Indústria	451,645,406
Sonae Capital	225,686,772
Others	6,208,946
<b>Intercompany loans granted</b>	683,541,124

\*Others\* include mainly Sonae SGPS, Sonae Investments BV and SPDF, SGPS.

## NOTE 51 - RECONCILIATION OF CONSOLIDATED NET PROFIT

	euro	
	02.12.31	01.12.31
Aggregate net profit	-1,041,608,567	-163,066,588
Harmonisation adjustments (a)	246,569,171	190,812,685
Elimination of intragroup dividends	-97,243,753	-313,088,374
Elimination of intragroup capital gains and losses	839,625,322	170,062,592
Elimination of intragroup provisions	7,430,061	104,857,647
Consolidation adjustments to gains/(losses) on sales of investments	-2,883,412	49,096,875
Others	-1,322,408	30,854,049
Consolidated net profit for the year before minority interests	-49,433,586	69,528,886

(a) Includes 113,868,368 euro relating to harmonisation of depreciation policies referred to in note 0.f).

## NOTE 52. ACCRUALS AND DEFERRALS

### 1) Accrued income

Includes:

	euro	
	02.12.31	01.12.31
Deferred tax assets	175,744,259	125,648,835
Discounts receivable from suppliers	16,441,359	11,338,282
Invoices to be issued (a)	45,048,535	93,590,835
Contracts relating to assets under construction	1,808,338	2,081,070
Other revenues	30,368,152	26,449,708
	269,410,643	259,108,730

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

### 2) Deferred charges

Includes:

	euro	
	02.12.31	01.12.31
Customer acquisition costs (a)		
Handsets	81,285,623	100,912,998
Publicity	112,666,093	50,810,177
Commissions and others	10,549,571	66,930,107
Others	90,251,083	88,423,486
	294,752,370	307,076,768

(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	
	02.12.31	01.12.31
Holiday pay and bonuses	96,881,611	97,560,379
Deferred tax liabilities	109,131,979	78,483,129
Discounts payable to trade debtors	12,750,597	11,153,013
Interest payable	24,862,975	26,463,859
Commissions	9,953,056	13,888,899
Invoices to be issued (a)	27,185,586	90,048,445
Others	91,971,486	69,574,425
	372,737,290	387,172,149

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

### 4) Deferred income

Includes:

	euro	
	02.12.31	01.12.31
Investment subsidies	95,096,175	70,006,790
Key money received from tenants	31,406,061	36,294,184
Deferred clients revenues	30,703,412	22,539,535
Others	64,122,930	59,135,969
	221,328,578	187,976,478

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

This caption includes the following:

	euro	
	02.12.31	01.12.31
Suppliers - debit balances	23,044,166	23,674,871
Credit sales to third parties	17,619,505	55,526,002
Accounts receivable from the sale of investments	6,574,943	56,101,065
Investment subsidies	20,136,021	31,878,348
Current accounts - factoring	9,958,226	5,892,409

#### NOTE 54. OTHER CREDITORS

##### 1) AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes:

	euro	
	02.12.31	01.12.31
Subscribers of capital	76,494,659	56,137,391
Current accounts - Factoring	58,818,521	55,719,772

##### 2) AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

a) Includes 22,560,904 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 26,607,824 euro and it is 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 the shares representing 19.95% of the share capital of Modelo Continente, SGPS, S.A. 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 / 95 amounting to 149,700,000 euro, repayable after 8 years, at par value, in two equal instalments on the 14 th and 16 th coupons, on 30 October 2002 and 30 October 2003. The interest rate equals Lisbor1 plus 0.25% rounded up to the 1/16 of one percent between the 2nd to the 10 th coupons and plus 0.35% between the 11 th to the 16 th coupons;

A partial redemption of 115,986,440 euro was made on the 10 th and 14 th coupons. Consequently, bonds outstanding at 31 December 2002 amounts to 33,713,560 euro;

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;

As at 31 December 2002, the group holds 1,874,355 Modelo Continente / 99 bonds, recorded at acquisition cost as a reduction to the caption "Loans – non convertible bonds".

SONAE INDÚSTRIA / 98 amounting to 39,903,832 euro, repayable in full in March 2003. The interest rate equals Lisbor1 less 5 percentage points for the first 6 coupons and Lisbor plus 0.45 percentage points for the remaining coupons, notwithstanding that the interest rate cannot be less than 0%. Each bond gives right to a stock purchase warrant for 4 shares of Sonae Indústria, at 9.6 euro per share, exercisable in the months of May and November of each year following the maturity of the first coupon and up to the maturity of the sixth coupon. A partial redemption of 18,874,662 euro was made,consequently, bonds outstanding at 31 December 2002 amounts to 21,029,170 euro;

INPARSA / 98 amounting to 49,879,790 euro, repayable in full in January 2004. The interest rate equals Lisbor1 less 5 percentage points for the first six coupons, and Lisbor plus 0.35 percentage points for the remaining coupons, notwithstanding that the interest rate cannot be less than 0%. Each bond gives right to a stock purchase warrant (warrant A) for 2 shares of Inparsa, at 7.48 euro per share, exercisable up to the end of the second year and another stock purchase warrant (warrant B) for 2 shares Inparsa, at 7.48 euro per share, exercisable up to the end of the third year. During 1999, the company has anticipated the exercise of warrants A and B;

SONAE / 97 amounting to 149,639,369 euro repayable after 10 years, at par value, in two equal instalments on the 18 th and 20 th coupons. Interest rate equals Lisbor1 plus 0.17% from the 1st to the 14th coupon and Lisbor1 plus 0.22% 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. Earning interest at annual interest rate equal to Lisbor1 plus 0.25%;

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;

TAFISA / 98 amounting to 30,050,605 euro repayable in full in 2004. Earning interest at an annual interest rate equal to Mibor1 plus 0.75%;

<sup>1</sup> Changed to Euribor when the loan was redenominated to Euros.

Bonds totalling 390,005,746 euro are included in the financial statements based on their full lives, although prior call/put options exist. In the case of early repayment, it is considered that the borrowing could be refinanced on a similar basis and the borrowing structure maintained.

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

This caption includes:

A bank loan of 200,000,000 euro, repayable in 2004, bearing interest payable half yearly at normal market rates obtained by a subsidiary of Modelo Continente from a syndicate of banks;

A bank loan of 400,000,000 euro, repayable in 2006, bearing interest payable half yearly at normal market rates obtained by a subsidiary of Modelo Continente from a syndicate of banks;

A bank loan of 112,627,182 reais (30,338,384 euro) from BNDES, repayable in 2005, bearing interest payable half yearly at normal market rates, obtained by a subsidiary in Brazil of Modelo Continente;

A bank loan of 64,843,727 euro repayable in twenty five years in 23 instalments, starting in 2004, bearing annual interest at normal market rates, obtained by a subsidiary of Sonae Imobiliária;

Loans by credit facility contracts are obtained by a subsidiary of Sonae Imobiliária in the total amount of 80,062,792 euro, of which 63,737,132 euros had been used as at 31 December 2002, repayable as from 2009;

A bank loan of 122,856,000 euro, contracted by an affiliate of Sonae Imobiliária, of which 100,000,000 euro had been used as at 31 December 2002. The loan will be repaid in consecutive annual amounts with the first repayment in 2005 and the last in 2028;

In 1999 several Sonae Indústria's affiliated companies negotiated a revolving syndicated loan amounting up to 400,000 thousand euro. The loan will be 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;

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, of which 56,762,250 euro are repayable in the short term. The loan is repayable in thirteen half yearly increasing instalments, starting on 15 December 2002;

A bank loan of 50,000,000 euro, obtained by Sonae GPS, repayable in half year instalments from 15 December 2003 (instalment disclosed as short-term) to 15 June 2011, bearing interest at normal market rates,;

Bank loans of 64,308,000 euro, repayable in 2004, obtained by a subsidiary 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.

#### 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 2005.

#### NOTE 58. TAXES RECOVERABLE

##### 1) AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes 6,750,988 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 15,387,479 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). 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.

The Board of directors

## Consolidated Cash Flow Statement for the year 2002

		euros	
<b>OPERATING ACTIVITIES:</b>			
Cash receipts from trade debtors		6,292,256,629	
Cash paid to trade creditors		-4,854,526,771	
Cash paid to employees		-791,180,229	
<b>Cash flow generated by operations</b>		<b>646,549,629</b>	
Income taxes paid / received		-24,558,057	
Other cash receipts and payments relating to operating activities		21,165,263	
<b>Cash flow generated before extraordinary items</b>		<b>643,156,835</b>	
Cash receipts relating to extraordinary items		27,810,909	
Cash payments relating to extraordinary items		-85,067,005	
<b>Net cash flow from operating activities [1]</b>			<b>585,900,739</b>
<b>INVESTMENT ACTIVITIES:</b>			
<b>Cash receipts arising from:</b>			
Fixed assets investments		514,901,312	
Tangible fixed assets		55,836,744	
Intangible fixed assets		1,925,397	
Investment subsidies		35,951,569	
Interest and similar income		67,231,831	
Dividends		12,866,821	
Loans granted		43,251,925	
Others		5,948,181	737,913,780
<b>Cash payments arising from:</b>			
Fixed assets investments		601,965,233	
Tangible fixed assets		447,210,424	
Intangible fixed assets		57,386,482	
Others			1,106,562,139
<b>Net cash used in investment activities [2]</b>			<b>-368,648,359</b>
<b>FINANCING ACTIVITIES:</b>			
<b>Cash receipts arising from:</b>			
Loans obtained		4,121,260,560	
Capital increases, additional paid in capital and share premiums		193,709,566	
Losses paid in by shareholders		960,432	
Others		1,351,543	4,317,282,101
<b>Payments relating to:</b>			
Loans obtained		3,948,732,158	
Capital amortisation of leasing contracts		4,353,454	
Interest and similar charges		310,298,334	
Dividends		13,632,622	
Purchase of own shares		5,452,600	
Others		1,164,318	4,283,633,486
<b>Net cash used in financing activities [3]</b>			<b>33,648,615</b>
<b>Net increase in cash and cash equivalents [4]=[1]+[2]+[3]</b>			<b>250,900,995</b>
<b>Effect of foreign exchange rates</b>			<b>-3,091,679</b>
<b>Cash and cash equivalents at the beginning of the period</b>	(a)		<b>260,631,367</b>
<b>Cash and cash equivalents at the end of the period</b>			<b>508,440,683</b>

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

**SONAE, SGPS, S.A.****Notes to the Consolidated Cash Flow Statement for the year 2002****1- Purchase or sale of affiliated companies and other company activities**

Paragraphs a) and b)

Not applicable.

c) Cash and cash equivalents at the time the affiliated company or the business activities were purchased or sold:

Not applicable.

d) Other assets and liabilities purchased or sold:

Not applicable.

**2- Description of components of cash and cash equivalents:**

	euros	
	2002	2001
Cash	3,465,180	13,671,535
Bank deposits	430,923,156	270,186,114
Cash equivalents	74,052,347	-23,226,282
Cash and cash equivalents	508,440,683	260,631,367
Bank overdrafts	130,376,050	152,298,480
Cash and cash equivalents at the beginning of the year arising from changes in consolidation methods		2,706,391
<b>Banks and cash in the balance sheet</b>	<b>638,816,733</b>	<b>415,636,238</b>

**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

euros			
BUSINESS	OPERATING FLOW	INVESTMENT FLOW	FINANCING FLOW
WOOD BASED PANELS	192,123,047	-63,605,270	-190,015,695
RETAILING	243,836,430	-168,441,628	174,334,853
REAL ESTATE	68,708,240	-253,911,257	84,372,878
TELECOMMUNICATIONS	93,472,803	-119,195,957	6,871,253
SONAE CAPITAL	-3,368,094	-23,461,781	-7,246,420
OTHER COMPANIES	-8,871,687	259,967,534	-34,668,254
<b>TOTAL</b>	<b>585,900,739</b>	<b>-368,648,359</b>	<b>33,648,615</b>

#### 5- Other information necessary for the understanding of the consolidated cash flow statement

##### a) Purchases/sales/incorporations of affiliated companies

euros		
DESCRIPTION	TOTAL PRICE	PAID
Purchase of shares in Modelo Continente GPS	91,902,527	90,767,541
Purchase of shares in Sonae Distribuição Brazil	66,368,016	66,368,016
Purchase of shares in Iberia Assets	63,986,647	63,986,647
Purchase of shares in Zubiarte	41,115,055	41,115,055

b) Cash payments arising from purchase of fixed assets investments include 127,668,019 euros as a cash outflow for the payment of purchases, at the end of 2001, of shares in MIB, SonaeCom, Modelo Continente and Sonae Indústria.

c) Cash receipts arising from sales of fixed assets investments include:

- 56,101,065 euros as a cash inflow resulting from the sale, at the end of 2001, of shares in Sonae SonaeCom.

- 364,218,303 euros as a cash inflow resulting from the sale of shares representing 19.95% of the share capital of Modelo Continente, SGPS, SA to the Santander Group for which purchase options were entered into as explain in Note 61 to the Consolidated Financial Statements.

d) Cash receipts from loans obtained include 2,219,803,766 euros relating to very short-term financing. Payments of loans obtained include 2,198,762,106 euros relating to very short-term financing.

## STATUTORY AUDITORS' REPORT

### CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

#### **Introduction**

1. 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 2002 that reflects a total of 7,967,830,180 Euro and shareholder's equity of 541,682,924 Euro, including a net loss of 56,026,746 Euro and the consolidated Statements of Profit and Loss by nature and by function for the year then ended and the related notes.

#### **Responsibilities**

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 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 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 basis 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 376º 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 245º of the Securities Market Code.

#### **Qualification**

5. Up to 31 December 2000 the Sonae Group 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, the Sonae Group 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 the generally accepted accounting principles in Portugal, and had the Sonae Group maintained the accounting policy and amortisation periods adopted until 31 December 2000, assets and shareholders' equity as of 31 December 2002 would increase by 698,662,579 Euro and the consolidated net loss for the year then ended would increase by 63,860,750 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2002.

### **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 2002 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles in Portugal.

### **Emphases**

7. The Sonae Group has recorded deferred tax assets of 107,772,000 Euro (of which 14,705,398 Euro recorded as income in the year ended 31 December 2002) relating to tax losses carried forward by subsidiaries of Sonae Indústria, S.G.P.S., S.A., located mainly in France, and by Optimus – Telecomunicações, S.A. The future use of these tax losses, and consequently the recovery of related deferred tax assets, is uncertain due to the restructuring in progress in some of these subsidiaries and depends on the fulfilment of their business plans and the maintenance of the current conditions for carrying tax losses forward.
8. As explained in Note 38, the parent company and its subsidiaries sold investments in prior years and recorded capital gains thereon in their non consolidated financial statements (of which the more significant amounts occurred in the year 2000) which, in the part related to sales to other group companies, were eliminated in the consolidation process. In accordance with the policy adopted in preceding years, the Boards of Directors of the parent company and of its subsidiaries intend complying with tax requirements for reinvestment in accordance with current legislation, through the acquisition of other investments.

Porto, 12 March 2003

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MAGALHÃES, NEVES E ASSOCIADOS - SROC  
Represented by Jorge Manuel Araújo de Beja Neves

## **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 2002, which are the responsibility of the Company's Board of Directors.

We accompanied the operations of the Company and its principal affiliated companies, the 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 2002, the consolidated statements of profit and loss by nature and by functions and the related notes and have issued the Statutory Auditors' Report which in paragraph 5 contains a qualification and in paragraphs 7 and 8 contains two emphasis. Additionally, we examined the consolidated Report of the Board of Directors for the year then ended.

Considering the above, in our opinion, except for the effects of the matter referred to in paragraph 5 and considering the matters mentioned in paragraphs 7 and 8 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, 12 March 2003

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MAGALHÃES, NEVES E ASSOCIADOS - SROC  
Represented by Jorge Manuel Araújo de Beja Neves

## AUDIT REPORT

### (CONSOLIDATED FINANCIAL STATEMENTS)

(Translation of report originally issued in Portuguese)

#### **Introduction**

1. 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 2002 of Sonae, S.G.P.S., S.A. which comprise the consolidated Balance sheet as of 31 December 2002, that reflects a total of 7,967,830,180 Euro and shareholders' equity of 541,682,924 Euro, including a net loss of 56,026,746 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 on 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 includes 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 the Sonae Group 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, the Sonae Group 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 the generally accepted accounting principles in Portugal, and had the Sonae Group maintained the accounting policy and amortisation periods adopted until 31 December 2000, assets and shareholders' equity as of 31 December 2002 would increase by 698,662,579 Euro and the consolidated net loss for the year then ended would increase by 63,860,750 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2002.

### **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 2002, 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. The Sonae Group has recorded deferred tax assets of 107,772,000 Euro (of which 14,705,398 Euro recorded as income in the year ended 31 December 2002) relating to tax losses carried forward by subsidiaries of Sonae Indústria, S.G.P.S, S.A., located mainly in France, and by Optimus – Telecomunicações, S.A. The future use of these tax losses, and consequently the recovery of related deferred tax assets, is uncertain due to the restructuring in progress in some of these subsidiaries and depends on the fulfilment of their business plans and the maintenance of the current conditions for carrying tax losses forward.
8. As explained in Note 38, the parent company and its subsidiaries sold investments in prior years and recorded capital gains thereon in their non consolidated financial statements (of which the more significant amounts occurred in the year 2000) which, in the part related to sales to other group companies, were eliminated in the consolidation process. In accordance with the policy adopted in preceding years, the Boards of Directors of the parent company and of its subsidiaries intend complying with tax requirements for reinvestment in accordance with current legislation, through the acquisition of other investments.

Porto, 12 March 2003 (except for the issue of the consolidated Cash Flow Statements of and related notes, dated 10 April 2003)

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MAGALHÃES, NEVES E ASSOCIADOS, SROC  
Represented by Jorge Manuel Araújo de Beja Neves

AUDIT REPORT  
CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Sonae, S.G.P.S., S.A.

(Translation of a report originally issued in Portuguese)

1. We have audited the accompanying consolidated financial statements of Sonae, S.G.P.S., S.A. ("Sonae Group"), which comprise the consolidated balance sheet as of 31 December 2002, 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 corresponding notes. These consolidated financial statements are the responsibility of the Board of Directors of Sonae Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. Our audit was performed in accordance with generally accepted auditing standards in Portugal, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. This audit included verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the significant estimates, based on criteria defined by the Board of Directors, used in their preparation. This audit also included verifying the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern basis and assessing the adequacy of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. Up to 31 December 2000 the Sonae Group 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, the Sonae Group 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 the generally accepted accounting principles in Portugal, and had the Sonae Group maintained the accounting policy and amortisation periods adopted until 31 December 2000, assets and shareholders' equity as of 31 December 2002 would increase by 698,662,579 Euro and the consolidated net loss for the year then ended would increase by 63,860,750 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2002.
4. In our opinion, except for the effect of the matter referred to in paragraph 3 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 2002, 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.

5. The Sonae Group has recorded deferred tax assets of 107,772,000 Euro (of which 14,705,398 Euro recorded as income in the year ended 31 December 2002) relating to tax losses carried forward by subsidiaries of Sonae Indústria, S.G.P.S, S.A., located mainly in France, and by Optimus – Telecomunicações, S.A. The future use of these tax losses, and consequently the recovery of related deferred tax assets, is uncertain due to the restructuring in progress in some of these subsidiaries and depends on the fulfilment of their business plans and the maintenance of the current conditions for carrying tax losses forward.
6. As explained in Note 38, the parent company and its subsidiaries sold investments in prior years and recorded capital gains thereon in their non consolidated financial statements (of which the more significant amounts occurred in the year 2000) which, in the part related to sales to other group companies, were eliminated in the consolidation process. In accordance with the policy adopted in preceding years, the Boards of Directors of the parent company and of its subsidiaries intend complying with tax requirements for reinvestment in accordance with current legislation, through the acquisition of other investments.

Porto, 12 March 2003 (except for the issue of the consolidated Cash Flow Statements of and related notes, dated 10 April 2003)

Deloitte & Touche