



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

Publicly Quoted Company

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

Share Capital: Euro 2,000,000,000

Maia Commercial Registry Nr. 14 168

Fiscal Nr. 500 273 170

REPORT AND CONSOLIDATED ACCOUNTS

2003

(Translation from the Portuguese original)

Chairman's Statement

As planned, 2003 was a year of Balance Sheet consolidation, general improvement in profitability of the various Sub-holdings (and related subsidiaries), and consequently that of the holding company. In addition, we divested from various non-strategic assets, at market prices and with significant capital gains. The transfer to a real-estate fund of several of Sonae Imobiliária's assets was an important international success. Whilst maintaining asset and management control, we were able to capture value accumulated over several years, and thus ensure support for Sonae Imobiliária's international growth plans.

Market and financial analysts reacted favourably to the management decisions taken, as reflected by the 65% increase in Sonae's share price during 2003 and by the 47% increase year-to-date 2004.

In terms of corporate governance, we intend to enlarge our Boards of Directors to include Non Executive Directors, encouraged by the very positive experience at Sonaecom that resulted in a move towards similar governance models at Sonae Indústria and Sonae SGPS.

The spin-off of the Forestry Based Businesses progressed well and we hope that more favourable developments will be possible once a final decision has been taken on the privatisation of Portucel, expected for the second quarter of this year. Confirmation of the improvement in operating performance shown in the fourth quarter of 2003 will contribute to a stronger balance sheet of the Wood Based Panels business.

Still on the subject of Portucel, we have made clear, through two press releases, our dissatisfaction with the government's position that, in our opinion, is clearly against the interests of strategic shareholders in the company, and contrary to the expectations raised by the original privatisation project (Decree Law 56/95 of 31 March).

Despite the adverse economic and financial environment in Brazil, we were able to improve the operational efficiency of our businesses, which will enable us, calmly and without undue pressure, to carefully monitor the future potential of our assets.

Throughout the year, we showed clear determination to maintain an ambitious strategic vision with well-defined objectives and built on integrity, transparency and the acceptance of business risk in an increasingly more global and competitive world. We continue to focus strongly on developing Human Capital, increasingly leveraged by Technological Capital and tied to an ever more efficient organisation – Organisational Capital.

We will maintain our independence in our relationships with the various power centres, respecting fair decisions and challenging those that we believe are unjust. We consider our attitude represents an important contribution to Portugal, to its development as a more attractive destination for investment (domestic or foreign) and to improve levels of productivity, both factors being essential to compete effectively in worldwide markets and thus create wealth.

It is with great pride that I once again thank all those who work with Sonae and place my confidence in the continued support of suppliers, the financial community and, in particular, our customers whose loyalty is essential for the sustainability of our various businesses, so that we can together strive for continued wealth creation for all our stakeholders.

Maia, 12 March 2004



(Translation from the Portuguese original)

Sonae SGPS, SA - Sociedade Aberta
Lugar do Espido Via Norte Apartado 1011
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REPORT OF THE BOARD OF DIRECTORS

2003

ECONOMIC ENVIRONMENT

After a series of false starts, the **World Economy** finally showed signs of recovery in 2003 that became more consistent as the year progressed. GDP growth accelerated slightly (3.3% compared to 2.8% in 2002) in line with increased levels of world trade (4.0% compared to 2.6% in 2002). The trend of growth now in evidence in various regions – in particular Asia, the USA, the UK and Eastern Europe – is a sign of the increasing strength of economic recovery.

A number of factors were responsible for this accelerated growth: the pursuance of appropriate economic policies; favourable financial conditions brought about by falling inflation and low interest rates; the recovery of consumer and business confidence; reduced international tensions following the occupation of Iraq; and the implementation of reforms. At the same time, stock markets moved favourably in 2003 and the price of oil stabilised, thus avoiding a negative impact on growth.

However, once again the scale of recovery varied among the main economic blocks, reflecting differing market rigidities and fiscal flexibility. In fact, GDP grew by 2.9% in the USA (2.4% in 2002), while in the European Union growth slowed (0.7% compared to 1.1%) and in Japan economic growth was unexpectedly strong (2.7% compared to 0.2%).

In the **United States**, spring was the starting point for accelerated growth, stimulated by monetary and fiscal policies. Private consumption moved favourably (+3.1%), influenced by increases in disposable income achieved through tax cuts by the Bush Administration. At the same time as investment levels picked up (+3.7%), stimulated by productivity improvements, internal demand increased (+3.3%) through rising public expenditure (+3.7%) due to military spending. On the other hand, net exports actually fell during the year by 0.4%, although this was less than in 2002 (-0.8%). This slight improvement is clearly linked to the depreciation of the dollar that in annual average terms fell by 16%

compared to the euro and 6% to the Japanese yen. In **Canada**, growth slowed (1.8% compared to 3.3% in 2002) because of a drop in export levels (-2.1%) that were impacted by the fall of the US dollar.

Continued economic recovery should drive up confidence levels, thus further stimulating consumer demand in the USA. Meanwhile, with inflation under control, the monetary environment remains favourable for growth. In spite of these positive factors, the worsening trade balance and public deficit, and the high levels of debt in the private sector, continue to present serious risks. Currently, interest rates are low with the Federal Reserve base rate at 1%, the lowest level for 40 years. However, these are likely to rise as employment increases and the use of available production capacity intensifies. In addition, the worsening state of public finances will demand fiscal measures to be taken to correct the deficit.

Japan recorded a sharp increase in growth (2.7%), driven by investment (4.4%) and by demand from markets in neighbouring countries (7.5%). Nonetheless, since this growth is concentrated in very specific manufacturing sectors, it is possible that the boom will not be sufficient to reduce unemployment (5.3%) or break the deflationary spiral, proof of which is the fact that in 2003, consumption again dropped (-1.4%). Additionally, the pressure on the yen to appreciate and the risks of a swelling public debt will act as a brake on expansion, so that monetary policy should be focused on fighting deflation. In any event, long lasting recovery will depend on controlling the public deficit and implementing a restructuring of the financial sector that has been delayed for more than a decade.

In the **European Union**, the slowdown in economic activity (0.7% compared to 1.1%) frustrated initial expectations, and in the end, for the third year in a row, growth was sluggish. Levels of investment stagnated (-0.4% after -1.8% in 2002), and internal demand moved slowly (1.4%). In fact, a number of member states plunged into recession during the first half of the year. However, by the year end, the outlook was seen as more favourable. In view of the fact that there are few firm signs of recovery, improved levels of confidence among businessmen and on the financial markets, are interpreted as signs of improvement in the economic climate. Nonetheless, consumer and business confidence indices remain depressed, and this fact is consistent with the rise in unemployment (from 7.7% to 8.0%) and with the faltering progress of industrial production. At the same time, net exports made a negative contribution to growth (-0.5%), highlighting the fact that the European Union has not benefited from the recovery in the United States. This “drag” effect may continue given the sharp depreciation of the dollar since 2002. Supporting this argument is the OECD forecast that external demand will not contribute to European Union growth during 2004 and 2005.

Once again, this climate of relative economic stagnation made it very difficult to comply with the limits set for public deficits in the Growth and Stability Pact, particularly for Germany and France. The option to follow more neutral budget policies in relation to growth will thus slow down the consolidation process of European Union public finances during the two years 2004 and 2005. According to the IMF and OECD, the European Union economies will only achieve solid recovery through more aggressive international trade, restructuring of business finances and monetary regulation that takes the strong euro into consideration. But they also mention a number of other factors as indispensable

for firm, long term economic expansion: streamlining public finances, restructuring social security schemes and introducing labour market reforms.

Given the international exposure of its business portfolio, **Sonae's** business activity in 2003 obviously reflected the economic situation of the main markets where it is present, in particular Portugal, other European markets and Brazil.

Portugal entered recession in the second quarter and GDP fell by 0.9% in 2003. Despite curbing imports (-2.7%), the growth of exports (3.0%) was not enough to compensate for the sharp drop in internal demand (-2.9%). Worsening consumer confidence at levels equal to the historic lows of the 1980s, led to a fall in private consumption (-0.9%). And with public consumption controlled (-0.6%), there was a huge fall in investment (-9.4% compared to -5.4% in 2002), with investment in plant and equipment falling for the third year running. Thus Portugal had the worst economic performance of the entire European Union; only Holland also had negative growth (-0.5%). The Portuguese economy in 2003 had its fourth consecutive year of economic divergence with the European Union: in the period 2000 to 2003, the cumulative divergence was 12% compared to Greece, 6.8% to Spain and 2.6% to the average of the European Union.

A number of indicators confirm this recessionary trend. Unemployment reached 6.5% (6.2% at the end of 2002) and inflation (3.3%) continued to drop (3.7% in 2002), leading to consumer pessimism and reduced purchasing power. On the other hand, the trade deficit improved (-7.9% of GDP compared to -9.5% in 2002) and this was mirrored by the current account deficit (-4.5% as opposed to -7.7% in 2002).

Once again tax revenues were sensitive to economic conditions, making the task of achieving the budget difficult for the government. This forced it to take exceptional measures to comply with the conditions of the Growth and Stability Pact, in spite of efforts – clearly insufficient – to control wages in the public sector and some social costs. Exactly the same difficulties will be faced in the budget years 2004 and 2005.

Given the climate of expectations and family and business debt levels, the short-term outlook would indicate a slight improvement in private consumption in 2004 (between 0 and 1.5% according to the Bank of Portugal) while investment levels are likely to stagnate once again because of excess capacity. The different forecast scenarios point to a recovery in growth that will be heavily dependent on demand coming from the most important export markets (European Union and USA). In 2004, the Bank of Portugal believes that GDP could grow between 0 and 1.5% but dependent on international economic conditions, moderation in setting wage increases and on the degree of flexibility permitted by the state of public finances. If world economic recovery continues, growth in 2005 could be between 0.75% and 2.75% against a background of controlled inflation and an unemployment rate rising slightly to around 7%.

Although their situation was less dramatic than that of Portugal, the relevant European markets where Sonae operates, also repeated the close to zero growth rates that occurred in 2002. This was the case of **France** (+0.1% increase in GDP), **Germany** (0%) and **Italy** (+0.5%), where any small growth in internal demand was offset by weak external demand. On the other hand, **Greece** (+4%), **Spain** (+2.3%) and the **UK** (+1.9%) had the most

favourable economic performances within the European Union although these were achieved under differing circumstances. In Greece, strong expansion has taken place alongside a heavy public debt (103% of GDP) – with an inherent financial vulnerability – and a worsening of the budget deficit (-6.5% of GDP), that would indicate an important slowdown in the future. In the UK, the deterioration of the public deficit (-2.9% of GDP) was accompanied by a manageable current account balance (-2.7% of GDP). Finally, in Spain, the new budget surplus (+0.13% of GDP) again demonstrates the solidity of the efforts undertaken in the 90s to restructure public finances.

Turning to **Brazil**, economic conditions in the region developed under easier circumstances. Despite persistent structural imbalances and the gradual disappearance of the Argentinean crisis in 2001 – that had spread in varying degrees of severity to neighbouring markets – most South American economies benefited from an increase in external demand and a favourable correction to the terms of trade for primary goods. This economic background allowed a general improvement in public finances and in the current account balance.

However, the Brazilian economy unexpectedly went into recession in the first half of the year, brought about by internal demand weakened by reduced consumer purchasing power and public expenditure. But in the second half, and in spite of continued sluggish recovery of internal demand, exports made a rapid recovery, and business and consumer confidence improved, a situation confirmed by a buoyant stock market.

The Brazilian government attempted to revitalise the economy and inspire confidence in the financial markets, by implementing some of the long awaited structural reforms. It has given priority to containing the high levels of inflation, pursuing a tight monetary policy. Nonetheless, and in spite of successive cuts in base interest rates, Brazil is still one of the countries with the highest level of real interest rates in the world, a factor that severely impacts economic performance and hampers its potential.

GDP grew by 0.5% in 2003 with a strong contribution from trade in primary goods. Inflation dropped (the IPCA index increased by less than 10% compared to 12.5% in 2002) and the public sector deficit also improved (-4.0% compared to -4.7% in 2002), although the effect of the high level of public debt continues to be felt. Significantly, the trade balance had a record surplus allowing a sharp fall in the current account deficit (0% of GDP compared to -1.6% in 2002).

Growth recovery is forecast for 2004 (between 3% and 3.5% for 2004 and 2005) with a fall in interest rates (Selic between 12% and 14% by the end of 2004), a continuation of favourable stock market conditions, and control of inflation (6% in 2005) and the exchange rate (around 3.00 Brazilian Real to the US dollar). Although it is unlikely that a consistent economic recovery will repeat the trade balance of 2003, the current account should remain in balance. This will facilitate public sector financial restructuring, lessen dependence on the dollar, as well as easing the implementation of fiscal, social security, public administration and employment reform, all of which are seen as indispensable in terms of attracting and retaining investors.

Wood Based Panels Business

During 2003, the highly competitive environment in the sector further intensified, with continuous downward pressure on prices, negatively impacting operating margins, but was offset by the steady increase in productivity and by the fall in manufacturing costs.

Business was also affected by the move towards consolidation in the sector and the general worldwide recession, but the impact varied according to the different markets in which Sonae Indústria operates.

Excess production capacity and the resulting highly competitive market conditions, resulted in the closure or sale of a number of the less profitable manufacturing units both in Europe and North America, especially in the particle board business.

Despite a slight economic upturn and a recovery of the construction and furniture industries (the main customers) in the second half of the year, the European wood based panels business was faced with numerous difficulties. Economic slowdown in the main European economies (France and Germany) affected demand in Europe. Exports to markets outside the Euro zone were affected by the appreciation of the euro against the US dollar.

According to estimates made by the European Panel Federation (EPF), consumption of particleboard in Europe was lower than that of 2002, an estimated drop of 4.9%. Nonetheless, MDF production was higher than that of 2002, as a result of recovery felt in the last quarter of 2003. Consumption and production of OSB was also higher than 2002, although rates of growth were lower than in prior years.

In **Iberia**, the growth in the panels market is estimated to be 2%. Iberian manufacturers focused on the internal market as a result of a drop in exports due to the appreciation of the euro and adverse market conditions. This situation, coupled with pressure on sales from Central Europe, put sharp pressure on selling prices. In Portugal, the construction sector went through one of its worst years of the last decade while the furniture industry also experienced a slowdown. In Spain, the year 2003 was one of strong growth, with positive performance in the furniture sector.

In **France**, demand for panels shrank despite a slight recovery at the end of the year. According to IPEA ("Institut de Promotion et d'Études de l'Ameublement"), sales of furniture fell around 4.4% compared to 2002.

In **Germany**, difficulties in the furniture market affected panel demand, while the construction sector has still not recovered from its recession.

In the **UK**, the panel market went through a period of intense competition. There was a fall in demand in the furniture sector due to a drop in exports to Asian countries, while the construction sector recovered in the latter part of the year.

In **North America**, excess production capacity for particleboard was reduced by the closure of a number of manufacturing units and some signs of recovery were evident by the end of the year. The OSB market was buoyant especially in the second half of 2003, due to strong growth in the construction sector, although the furniture sector had difficulties linked to an increase of furniture imports from China.

In **Brazil**, the wood based panels market continued to feel the pressure from new products from other countries in South America, such as Chile and Argentina.

In **South Africa**, there was downward pressure on selling prices for panels due to a fall in exports, impacted by the appreciation of the Rand against the US dollar. The MDF business was particularly affected by the exchange rate, which led to an increase in imports.

Retailing

Against a generally negative background, the retail market in **Portugal** was subject to intense pressure, while operators in the sector were in addition prevented from opening new stores because the new law concerning commercial licences in the country was still not in force. However, the completion of ongoing projects meant that the main market operators managed to open around 35,000 m² of sales area in the food retail market (+4%), mainly in the metropolitan areas of Lisbon and Porto. In contrast, sales of the main modern retail operators only grew at a rate close to inflation, a clear sign of the increase in competitive pressure to which the Portuguese market has been subject. The non-food retail market also saw the opening of a number of stores in 2003 at the same time as new shopping centres were opened. However, this was an especially difficult year for this business area with the INE (National Statistics Institute) turnover index for textiles, clothing and shoes as well as household goods, showing contraction in real terms in 2003.

The retail market in **Brazil** reflected the difficult conditions in the country. According to the Brazilian Supermarket Association (ABRAS), turnover grew in nominal terms by around 9% in the year, below the average inflation rate, a situation that is symptomatic of the country's adverse economic conditions. With a fall in consumer disposable income, high rates of interest and unemployment, few new stores (only 100,000 m² of new stores sales area) were opened during the year. At the same time, the main operators continued to rationalise their activities with an important number of stores closing during the year, equal to a total of 65,000 m² of sales area. Throughout 2003, they also increased their market share through a number of processes of consolidation in the sector that will lead to a total share of the ABRAS reference market of around 43% for the top five companies.

Shopping Centres

In **Portugal**, the economic recession of 2003 was reflected in low business and consumer spending levels, despite some signs of improvement in the latter part of the year. However, of greater importance than the fall in consumer spending in Portugal, were the effects of the growth in the number of shopping centres in the Lisbon metropolitan area.

Portugal still has a lower GLA (Gross Lettable area) of 162 m² per 1000 inhabitants than the European average (180 m²). Rents for retail real estate continue to increase although at a lower rate than in previous years with the continuing convergence of yields to values closer to that of other markets in the European Union.

In **Spain**, the economy performed well, with GDP growing by more than 2% (above the European average of 0.7%), with internal demand increasing, helped by tax cuts, job creation and low rates of interest. This favourable background has had a favourable influence on Sonae Imobiliária's Shopping Centres with sustained growth in tenant sales. This market continues to be one of the strongest in Europe, driven by economic development and consumption growth. Spanish market yields remained stable.

In **Italy**, economic slowdown continued to impact the year 2003 but with signs of recovery evident by a trend towards increased consumption. Compared to the rest of Western Europe, the Italian market shows high growth potential due to the weak development of the shopping and leisure centre sector, clearly shown by a GLA considerably less than the European average (116 m² compared to 180m²). Yields in the Italian market remained stable.

In **Greece**, the strong economic growth of 2003 had obviously a positive effect on commerce in general and, in particular, on the construction of shopping centres, in a market where they are almost non-existent. Economic growth should continue in 2004 due especially to the Olympic Games that will be held in the country. On the other hand, market conditions are more difficult due to excessive local bureaucracy, high land prices and the absence of experience in the shopping centre development and management business.

In **Germany**, the year was marked by economic difficulties, with low consumer spending levels. However, there are some recent signs of recovery. Germany is the European Union's largest market, accounting for around 25% of its total consumption, and has an average GLA of 133 m² per 1000 inhabitants, with the result that the market share of shopping centres is less than 10% of the total German retail market.

In **Brazil**, an upward trend in rent levels is expected. This is a market with high growth potential as a result of an average GLA of only 30 m² per 1000 inhabitants.

Telecommunications

The number of mobile subscribers in Portugal at the end of the third quarter of 2003 (latest data available) was 8,959 thousand, 7.4% up on the same period of 2002, according to figures published by the regulator (ANACOM – the National Communications Authority). Penetration of the total mobile service market in Portugal was 86%, still above the European average of around 83%.

In mobile telecommunications, the year 2003 was marked by a third deferment by the regulator for the requirements of the UMTS licence. The regulator fixed the date of 1 July 2004 for the launch of mass commercial UMTS offers. Nonetheless, the three mobile

operators in Portugal began a pre-commercial launch as from 1 January 2004 and made available some handsets to staff, partners and customers. The three operators have already announced that they have functioning experimental networks. Throughout 2003, the regulator did not change its decisions taken in 2002, concerning the progressive reduction of the maximum tariffs that mobile operators can charge for every 100 seconds of calls originating from the fixed network, as well as a reduction in the tariffs for link ups for mobile/mobile and fixed/mobile calls.

According to data published by ANACOM, market penetration of the fixed network was around 41.5% at the end of the third quarter of 2003, a fall of 0.6 percentage points compared to last year. At the end of the third quarter of 2003, 25 operators were licensed to operate a fixed telephone service, although only 11 operators were actually in operation. At the end of the same quarter, the new fixed line operators were responsible for 12% of total fixed traffic generated in the Portuguese market, equal to an increase of 2.4% compared to the end of 2002.

As in 2002, competition in the fixed line telecommunications market continued to be restricted and in some cases even prevented, due to the obviously dominant position of the incumbent operator over local network access that has allowed it to not only set selling prices to the consumer through special commercial offers, but also wholesale prices through resale activities. As a result of these aggressive practices, margins have been severely squeezed by the incumbent operator. This situation is clearly not sustainable and is aggravated by the obvious lack of willingness by the regulator to change the situation by creating an efficient regulatory policy in Portugal that stimulates the development of a freely competitive market for the telecommunications sector. If the present situation continues where the incumbent operator has control of both local access fixed networks (copper and cable), then the market will gradually lose competitiveness and revert to a monopolistic situation for the incumbent operator, similar to that which existed before 2000.

The number of Internet customers in Portugal at the end of the third quarter of 2003 (latest data available) was 6,541 thousand (growth of 38.6% compared to the same period of 2002), of which 423 thousand had broadband access (143 thousand ADSL accesses and 280 thousand cable modem accesses). Internet access market penetration was 62.8%, of which 4.1% was for broadband access.

The year 2003 was again marked by the continued control by the incumbent operator of both local access fixed networks (copper and cable), and by the need to implement effective measures to ensure that regulations are adhered to and to combat abusive market behaviour. Under current market conditions, in which the incumbent controls both ADSL wholesale access prices for its competitors and sales prices to the consumer, alternative Internet service providers (ISPs) cannot compete under viable economic conditions. In fact, in order to offer selling prices equal to that of the incumbent operator, they are forced to operate with negative gross margins of around 8% of turnover.

PORTFOLIO MANAGEMENT

In 2003, actions continued to be taken to adjust the business portfolio by focusing on the core businesses of the Sonae Group and disposing of non strategic assets.

In January 2003, Sonae subscribed 70.6% of the share capital increase of Modelo Continente, SGPS, SA from 1,000 to 1,100 thousand million euro through the issue of 100,000,000 new shares at nominal value, which had been indirectly subscribed by a bank syndicate in 2002. This operation, together with the purchase of 1,517,779 shares of the company on the stock exchange, involved an investment of 78.8 million euro. After this share capital increase and purchases, Sonae holds 57.03% of the share capital of Modelo Continente, SGPS, SA. A further 18.65% of the share capital is attributed to Sonae due to contractual obligations resulting from call and put option contracts signed in 2002 with financial institutions. As a result, Sonae became holder of 75.68% of the share capital of Modelo Continente, SGPS, SA.

During April, the Sonae Group sold, in two separate transactions, the 4.31% it held of the share capital of Banco BPI, SA, considered to be a non-strategic investment. It resulted in a cash inflow of around 73 million euro.

On 30 April, Sonae acquired 49.99% of the share capital of Sonae Produtos e Derivados Florestais, SGPS, SA for 136.2 million euro. These shares belonged to third parties with the result that the Group now controls 100% of this company. This transaction ended the partnership between Sonae and the Brazilian Group Suzano, and Sonae now holds indirectly 29.18% of the share capital of Portucel – Empresa Produtora de Pasta de Papel, SA. On 8 July, this holding was further increased to 29.89% through share purchases on the stock exchange, an investment of 7 million euro. Finally on 1 October, the shareholding was reduced to 25% through disposal of shares equal to 4.89% of Portucel's share capital, resulting in a cash inflow of 49 million euro.

The second phase of the reprivatization of Portucel is still underway. This is a complex process that initially involved tenders for the acquisition of 25% of the share capital in exchange for industrial assets and more recently tenders for 30%. Throughout the process we have made clear our commitment to work towards solutions that would add value for all Portucel shareholders. For that reason, we opposed the acquisition of 25% of the share capital in exchange for industrial assets because we believe that it is not the best strategic solution for the company. This position was made clear by shareholders at the Shareholders' General Meeting that took place on 31 October 2003 who voted against the proposal made by the government, thus preventing it from being approved. In 2004, we have announced our reasons for not putting forward an offer for the purchase of 30% of the share capital, and more recently we signed agreements with three of the bidders with a view to setting up a shareholders' agreement concerning the management of Portucel, or, if this is not possible, to dispose of the shareholding. We hope that the result of the second phase of reprivatization will finally clarify the relationship between Portucel and its shareholders.

During the year, the company increased its shareholding in Sonae Indústria, SGPS, SA by purchasing of 147,866 shares on the stock exchange, an investment of 0.6 million euro, as a result of which Sonae holds 95.87% of the share capital of Sonae Indústria, SGPS, SA.

On 17 December, Sonae Imobiliária, SGPS, SA reduced its share capital to 162,244,860 euro by cancelling own shares equal to 13.29% of the share capital. Sonae maintained its shareholding of 67.04% in this affiliated company and received a cash inflow of around 101 million euro.

ALLOCATION OF FINANCIAL RESOURCES

In 2003, Sonae took part in the share capital increase of Modelo Continente, SGPS, SA mentioned above in which it invested 76.4 million euro.

Gross consolidated investment for the year totalled around 666 million euro, less than in 2002 (744 million euro) and was made up as follows:

- In Wood Based Panels, investment was around 61 million euro (106 million euro in 2002) mainly on fine tuning equipment in various manufacturing units;
- In Retail, around 128 million euro (121 million euro in 2002) was invested in the opening of 20 new stores in Portugal (17 of which were non food retail) and on the refurbishment, reconversion and rationalisation of stores in Brazil, involving the closure of 17 stores and the refurbishment of more than 50, and on strengthening information systems and the logistic infrastructure;
- Sonae Imobiliária invested 280 million euro (304 million euro in 2002) on the second expansion of CascaiShopping (Cascais, Portugal), on the opening of the new shopping and leisure centres Parque Atlântico (Ponta Delgada, Azores, Portugal) and Estação Viana (Viana do Castelo, Portugal) and of the Coimbra Retail Park (Coimbra, Portugal), on the on going construction of shopping and leisure centres Avenida M40 (Madrid, Spain), Plaza Éboli (Pinto, Madrid, Spain), Dos Mares (S. Javier, Murcia, Spain), Luz del Tajo (Toledo, Spain), and Boavista Shopping (São Paulo, Brazil), and on the expansion of Shopping Penha (São Paulo, Brazil);
- Investment in Telecommunications was about 130 million euro (152 million euro in 2002), relating mainly to mobile (building new data platforms and services, preparing the communications network for UMTS and carrying out pilot tests on it) and fixed infrastructures.

Divestment in the year totalled about 444 million euro (69 million euro in 2002), the main transactions being as follows:

- Sonae Imobiliária sold 50% of the company that owns the Vasco da Gama shopping centre (Lisbon, Portugal) to ING Real Estate, and the 50% it held in the car park business (SPEL) to SABA; the set up of the SIERRA Fund (50.1% held by Sonae Imobiliária), to which 18 shopping centres in Portugal and Spain were sold, led to a significant reduction in net debt and important capital gains in the consolidated financial statements;
- Sonae Turismo disposed of the Palmares investment;
- The Holding and companies owned directly by it, sold their entire shareholding in Banco BPI and 4.89% of Portucel's share capital, as described in the previous section.

HUMAN RESOURCES ALLOCATION

The average number of Sonae Group staff during 2003 was 52,134 (measured in terms of full time equivalent staff – FTEs), a similar level to last year. At the end of the year, the Sonae Group employed almost 58,500 people, of which most worked in Retail (72%) and Wood Based Panels (12%). Geographically, almost half of employees worked outside Portugal, in particular in Brazil (38%).

The Sonae Group continues to attach special importance to the training of its human resources. Among the various businesses, more than 500,000 hours of training were given during the year.

RISK MANAGEMENT AND INTERNAL AUDIT

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

During 2003, work was carried out in accordance with the planned activities of each function.

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

Concerning tangible asset security risks, the cycle of technical and operational risk management activities continued and was articulated with the insurance management of the Group by conducting preventive and safety audits in different locations of the business units. In the main business units, tests and simulations were made to emergency and

preventive systems and plans, sometimes in the presence of civil protection services, security forces and fire brigades. The development and implementation of security standards and related monitoring and self-assessment procedures (Control Risk Self Assessment), continued.

Turning to people safety risks (staff, subcontractors, customers and visitors), work continued on the PERSONÆ Project. This project, begun in 2002, aims to develop integrated actions and people attitudes towards safety with special emphasis on changing behaviour. Thus, a pilot project was developed in Sonae Imobiliária in conjunction with consultants, to test and adapt the management model for subsequent roll out to other sub-holdings of the Group.

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

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

In Sonae Distribuição, a project was carried out to evaluate the risks of food safety, as a result of which a programme was set up to monitor systematically these risks and to ensure compliance with the law and with internal control of food quality.

In businesses with commercial units close to Euro 2004 football stadiums, projects began to evaluate the specific security needs required during this event.

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

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

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

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

The Risk Management Consultation Group reviewed on a regular basis the work of the risk management function.

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

The Audit Committee met regularly during the year and was kept informed of the function's plan of activities and the conclusions of the work completed.

As far as training and development of staff of the Risk Management and Internal Audit function are concerned, in 2003, in addition to the usual training courses, Group companies funded staff training for those who voluntarily put themselves forward for international certification in internal audit by the Institute of Internal Auditors (IIA) - the Certified Internal Auditor - and to sit the international exam that took place for the first time in Portugal. Two staff from the Group successfully passed the exams and are now among the six current Certified Internal Auditors in the country. In 2004, Sonae will continue to fund this important training development and international certification programme for its internal auditors in line with best international practices.

ENVIRONMENTAL MANAGEMENT

Sonae consolidated progress on its commitments to report every two years on environmental performance, by publishing its Environmental Report for 2001/2002 (www.sonae.pt).

Work continued to implement Environmental Management Systems (EMSs) in the various sub-holdings.

Another Environmental Conference took place, bringing together 130 top managers, the theme of which was "Sustainable Development in Action". Various business case studies were looked at, both at the national and international level, where companies were moving successfully towards sustainable development. Once again, it was an important opportunity to increase awareness and share knowledge.

Sonae continues to work actively with the "World Business Council for Sustainable Development" (WBCSD). In particular, working with BCSD Portugal Management, it helped to organise the World Delegates Meeting that took place in Lisbon in September and was attended by more than 200 participants.

In January 2004, Sonae signed up to the Global Compact, a United Nations initiative, thus making clear to the public its position on Human Rights, Working Conditions and Environmental Sustainability (www.unglobalcompact.org).

Among Group companies, we highlight the following accomplishments during the year:

- At **Sonae Indústria**, the successful conclusion of ISO 14001 EMS implementations at the Lac Megantic (Canada) and Kaisersesch (Germany) manufacturing units, thus completing the process of ISO 9001 and ISO 14001 certification for the four German units; ISO 9001 certification for the Auxerre and Chatellerault units in France, and also PEFC (Pan-European Forest Certification) certification for the Ussel and Casteljaloux units in France, and the Eiweiler unit in Germany, being yet another step demonstrating the commitment to sustainably use forestry resources; completion of the first environmental diagnostic review of the formaldehyde and synthetic resins plant at Sines, that is now fully running; and a special mention for the fact that the Whiteriver and George units in South Africa have, in May and October, respectively, broken the barrier of 500,000 man-hours without any accidents (equivalent to around 2 years of work).
- At **Sonae Distribuição**, the completion of twelve additional environmental diagnostic reviews and related performance improvement programmes, involving stores of the Continente, Modelo, Worten and Modalfa brand names; the implementation of an “Environmental Control Panel” showing the main indicators and allowing each store to manage more effectively its environmental aspects; sending for recycling 16,665 tons of cardboard, 2,078 tons of plastic and 737 tons of wood; the implementation of selective waste collection and transfer for the appropriate recycling/treatment of computer consumables, used lamps and cooking oil, and the carrying out of an intense environmental awareness and training programme.
- At **Sonae Imobiliária**, the approval in March of revisions to the EMS and its customisation to all countries in which the company operates; the implementation of environmental management for construction begun in 2003, and systematic integration of environmental factors in the design and development phase of new projects; the conclusion of environmental work undertaken for the Estação Viana and Parque Atlântico projects; training for EMS procedures in Portugal, Spain, Brazil, Germany, Italy and Greece; the launch of an internal environmental Newsletter, and internal audits carried out on EMSs implemented in centres in operation in Portugal.
- At **Sonaecom**, the ISO 14001 certification by APCER (Portuguese Certification Association) of its EMS, the first in Portugal to be certified that covers a number of different companies, distinct businesses and premises; active involvement in the public debate in Portugal to clarify the scientific and legal facts about the effects of electromagnetic fields (www.sonae.com); efforts to share telecommunications infrastructure with other operators; improvements made concerning a number of environmental aspects such as: reducing paper consumption in the customer invoicing process; taking back obsolete mobile phones and accessories for recycling; optimising energy consumption through implementation of a centralised technical management system; giving information to the consumer concerning the steps to be taken to dispose of used batteries.

- Among the business activities of **Sonae Capital**:
 - At TP - Sociedade Térmica Portuguesa, the construction of a wind farm of 10 MW, at Serra da Capucha, Torres Vedras, that will produce more than 23,000 MWh annually of green energy as from the end of 2004; and involvement in the Sociedade de Empreendimentos Eólicos da Serra do Sicó, Pombal, that will generate 48 MW of wind power in 2005. Also of note is the fact that the fourteen TP cogeneration plants in operation will be part of the CO2 carbon trading market to be set up on 1 January 2005, and will avoid the pumping of around 50,000 tons per year of CO2 into the atmosphere.
 - Contacto Construções launched during 2003, a project to implement a certified Integrated Management System in the areas of quality, environment and safety. After completion of an environmental diagnostic study, waste management measures were implemented, encouraging the separation of recyclable materials and ensuring that they are sent for recovery.
 - At Sonae Turismo, a favourable decision given by local authorities, concerning the Environmental Impact Assessment on the marina and new ferry terminal of the Tróia Resort, but dependent on steps being taken to monitor, minimise and compensate for their impact on the Sado estuary; and also the implementation of an EMS at the Tróia Resort, in accordance with ISO 14001, covering the project design, construction and operating phases.

BUSINESS ACTIVITY¹

WOOD BASED PANELS

The **consolidated turnover** of Sonae Indústria in 2003 was 1,441 million euro, a fall of 2.6% compared to 2002. This fall was due to depressed world economic conditions, pressure on selling prices caused by structural imbalances between supply and demand, and currency depreciation in almost all markets where Sonae Indústria operates (with the exception of South Africa), despite an increase of 6.5% in sales volumes that allowed better production capacity utilisation. At constant exchange rates, turnover was 1,474 million euro, much the same as in 2002.

Consolidated operational cash flow (EBITDA) was 149.6 million euro in 2003, a fall of 13.7% compared to 2002 (consolidated EBITDA margin on turnover of 10.4%), despite an increase in the rate of asset turnover and the implementation of cost reduction programmes. The main factors explaining this unfavourable trend were: pressure on selling prices for almost all markets and products; increases in transport costs as a result

¹ The information shown in this section concerns each sub-holding on a stand-alone basis, unless otherwise stated.

of demand in alternative markets more distant from manufacturing units; an increase in the price of chemical products resulting from increased prices of oil and oil based products; and unfavourable exchange rate movements. At constant exchange rates, consolidated operational cash flow (EBITDA) was 154.2 million euro. The trend of selling prices and gross margins improved in the last quarter of 2003 and the first two months of 2004.

Consolidated net financial charges improved by 14 million euro compared to 2002, totalling 85.1 million euro, due to a reduction in interest charges and a fall in exchange losses.

The net loss after minority interests for 2003 was 78.6 million euro, compared to a loss of 81.8 million euro in 2002.

Total net debt (including shareholders' loans) fell during the year by around 219 million euro to 972 million euro at the year end.

Operational review

After a period of major restructuring of manufacturing units between 1999 and 2001 followed by a phase of consolidation and of winning market share in order to progressively optimise installed capacity, the main strategic priority is now to manage prices and margins.

In **Iberia**, market conditions were adverse with aggressive pricing by competitors from within and outside the area. With the company focusing on reducing working capital levels, increases in production capacity usage took place in particleboard manufacturing units (3%), while MDF production lines continued operating at full production capacity. By co-ordinating efforts in the areas of raw material procurement and manufacturing, it was possible to continue the process of improving the variable cost structure, achieved through reduction of unit consumption and of raw material costs.

In the **UK**, the trend towards an increase in turnover that began at the end of 2002, continued, with turnover increasing by 5.1% compared to 2002 and a strong increase in market share from 2% in 2002 to 14% at the end of 2003. There were also significant increases in productivity, product quality and improvement in customer service.

In **France**, the year 2003 saw an excess of production capacity compared to demand and pressure on product selling prices. Sales volumes on the French market increased by 5%, thus strengthening market share. Turnover increased by 1% on a like for like basis and was affected by unfavourable prices and product mix. The severe impact of reduced selling prices was largely offset by lowered manufacturing costs.

In **Germany**, turnover grew by 2.5%, despite recession in this highly competitive market, due to the implementation of steps to optimise processes and reduce costs, which began in the second quarter of 2003.

In **Canada**, turnover in local currency grew 24% compared to 2002 with an increase in production volumes of over 30%. The appreciation of the Canadian dollar to the US dollar

reduced turnover by 6% while the depreciation of the Canadian dollar against the euro further reduced turnover by 8%.

In **Brazil**, turnover was severely affected by depreciation of the Real to the euro, despite an increase of 21% in local currency. As a result, although there was improvement in capacity usage, and efforts were made to reduce working capital (reduction in inventories), profitability was impacted by increases in the costs of raw materials.

In **South Africa**, sales were stable in local currency with an increase in turnover in line with local inflation. In Euro, there was a significant increase in turnover of more than 20% compared to 2002.

Other activities

Consolidated sales of the Gescartão group were 172.4 million euro in 2003, 10% down on 2002 against a recessionary economic background and with increased levels of competition from American Kraft in Europe, as a result of depreciation of the dollar and excess supply on the American market. The consolidated EBITDA margin was 27% compared to 28% in 2002 that reflects tight cost control and the maintenance of unit cash costs. Consolidated net profit for the Gescartão group was 17.9 million euro (14.1 million euro in 2002). Net debt fell by 15.5 million euro and totalled 2.2 million euro at the end of 2003.

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	1,422.4
Operational Cash-Flow (EBITDA)	150.5
Profit / (Loss) before Minority Interests	(61.4)
Total Net Investment	49.3
Net Debt	663.0
Shareholders' plus Minority Interests	765.8

RETAILING

In 2003, Modelo Continente directed its efforts towards developing synergies between its food and non-food based operations, increasing operating efficiency and working on a number of actions focused on the customer.

Consolidated net sales of Modelo Continente were 3,470 million euro, a fall of 2%, affected by weak consumer spending and sharp depreciation of the Brazilian Real to the euro (an average depreciation of around 24% in the year). At constant exchange rates, consolidated net sales grew by 6% compared to 2002.

Consolidated operational cash-flow (EBITDA) totalled 288 million euro. Overall, profitability, as measured by the EBITDA margin on net sales, was 8.3%, 1.1 percentage points up on 2002. This total reflects a lower contribution from Brazilian operations, largely offset by good performance in the Portuguese market.

Consolidated net profits after minority interests of Modelo Continente were 75 million euro in 2003, which compares with 100 million euro in 2002. As a matter of prudence, in 2003, the company did not book deferred tax assets relating to operations in Brazil, thus explaining the drop in net profits.

Consolidated investment in fixed assets of Modelo Continente was around 130 million euro in 2003, spent on the opening of 20 new stores in Portugal (17 of which were non-food retail) and in the refurbishment, reconversion and rationalisation of stores in Brazil involving the closure of 17 units and the refurbishment of more than 50 stores. In 2003, Modelo Continente also carried out important work in the areas of logistic infrastructure and information systems, allowing greater integration in the supply chain and control over logistic processes.

As a result of sustained cash flow generation and the level of investment, the **consolidated net debt** of Modelo Continente has fallen over the last few years, and totalled 601 million euro at the end of 2003.

Operational Review

Portugal

In 2003, operations in Portugal contributed 2,558 million euro to net consolidated sales, 4% up on 2002. Food based retail contributed 2,033 million euro, a similar level to 2002. Non-food retail had net sales of 525 million euro, reflecting the consumer success of these formats, and also the consolidation of Maxmat. On a like for like brand basis, sales of non-food retail grew by 13%.

Operational cash flow (EBITDA) was 252 million euro, 4% up on 2002, and the margin on net sales was held steady at 9.8%. The contribution of food retail to operational cash flow (EBITDA) was 201 million euro, equal to an EBITDA margin on net sales of 9.9%, a similar

level to 2002. Non-food retail contributed 50 million euro, equal to a margin of 9.6% on net sales, the same as last year.

Brazil

Net turnover of Modelo Continente in Brazil was 3,154 million Real in 2003, an increase of 11% compared to 2002. This growth is considered positive, given that the increase is above the average of the market and of the main operators in the sector (on a like for like store basis). However, this result was adversely affected when converted to Euro, because of depreciation of the Real that on average fell by around 24% during the year. Thus, Brazil's contribution to the company's turnover was 912 million euro, 16% below that of 2002.

Operational cash flow (EBITDA) was 36 million euro, equal to 4% of net sales. This represents a fall of around 33% compared to 2002, due in large part to the depreciation of the Real.

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	3,458.9
Operational Cash-Flow (EBITDA)	290.2
Profit / (Loss) before Minority Interests	84.3
Total Net Investment	115.6
Net Debt	600.5
Shareholders' plus Minority Interests	341.6

SHOPPING CENTRES²

In 2003, Sonae Imobiliária launched a Pan European Real Estate Investment Fund, called “Sonae Imobiliária European Retail Real Estate Asset Holdings B.V.” (SIERRA Fund). The set up of this real estate fund will allow the financing of the portfolio of new quality projects underway in Europe, consistent with its strategy of international expansion while continuing its management of shopping centres. The SIERRA Fund is the biggest real estate fund in Europe specialised in shopping centres, and owns 18 shopping centres in operation with a GLA (Gross Lettable Area) of around 836 thousand m² and a market value of about 2.4 thousand million euro. The value of Sonae Imobiliária’s part in the SIERRA Fund is approximately 1.3 thousand million euro.

The SIERRA Fund has a forecast lifetime of 10 years. Sonae Imobiliária holds 50.1% of the fund and 49.9% are owned by five institutional investors. The total investment of these investors will be 540 million euro of which 368 million euro has already been paid and the remaining 172 million euro will be paid over the next four years to purchase new assets that are currently under development by Sonae Imobiliária. The goal of this fund is to give a return to its investors through payment of dividends and capital appreciation, via investment in quality shopping and leisure centres directly managed in the SIERRA Fund target markets, which include Portugal, Spain, Italy, Germany and Greece.

As part of its strategy to focus on its core business, Sonae Imobiliária sold its shareholding in SPEL, a company specialised in the construction and operation of car parks.

In 2003, the **consolidated direct income** of Sonae Imobiliária was 243 million euro, an increase of 2.5% compared to 237 million euro in 2002.

Consolidated operational cash flow (EBITDA) was 98.1 million euro, a growth of 2.3% compared to 2002.

In 2003, Sonae Imobiliária made a capital gain arising from the value of investment properties of 86 million euro, relating to properties already in operation, including those opened during the year: Parque Atlântico (Azores, Portugal), Estação Viana (Viana do Castelo, Portugal) and Coimbra Retail Park (Coimbra, Portugal). It should be noted that the gains on most properties were in general higher than inflation. Yields remained relatively stable, between 6.75% and 8.5% in Europe, and between 11% and 13% in Brazil, falling in shopping centres such as Parque D. Pedro (fall of 1%), Norteshopping and Algarveshopping (both with a fall of 0.25%) and Guimaraeshopping (fall of 0.15%).

² Sonae Imobiliária presents its consolidated financial statements in accordance with International Financial Reporting Standards (IAS/IFRS) since 2001. The financial data contained in this section of the report, relating to 2003 and 2002, 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.

The sale of assets to the SIERRA Fund was made at market prices without deducting deferred taxes so that Sonae Imobiliária recorded a capital gain of 83 million euro, broadly equivalent to these taxes.

Consolidated net profits after minority interests were 209 million euro, an increase of 45% over those in 2002. The main factors explaining this result were: an improvement in operating levels in the company, an increase in the market value of assets, the capital gain on the set up of the SIERRA Fund and the sale of 50% of the company owning the Vasco da Gama shopping centre.

Consolidated investment of Sonae Imobiliária in 2003 totalled 151 million euro, spent on: the expansion of CascaiShopping (Cascais, Portugal); the opening of two shopping and leisure centres - Parque Atlântico (Azores, Portugal) and Estação Viana (Viana do Castelo, Portugal) - and of Coimbra Retail Park (Coimbra, Portugal); the on going construction of the shopping and leisure centres Avenida M40 (Madrid, Spain), Plaza Éboli (Pinto, Madrid, Spain), Dos Mares (S. Javier, Múrcia, Spain), Luz del Tajo (Toledo, Spain), and Boavista Shopping (São Paulo, Brazil); and the expansion of Shopping Penha (São Paulo, Brazil).

By the end of 2003, **the consolidated net debt** of Sonae Imobiliária fell by around 91 million euro to 610 million euro, due mainly to the sale of 50% of the company owning the Vasco da Gama shopping centre and the cash inflow from the SIERRA Fund.

The **NAV (“Net Asset Value”)** of the real estate assets attributable to Sonae Imobiliária, as at 31 December 2003, amounted to 948 million euro compared to 1,037 million euro at the end of 2002. This fall occurred as a result of a reduction in share capital totalling 150 million euro, equal to the value of own shares previously acquired by Sonae Imobiliária. The NAV per share of real estate attributable to the company was 29.16 euro as against 27.67 euro as at 31 December 2002, an increase of 5.4%.

Operating Review

Sonae Imobiliária Assets

Sonae Imobiliária owns or co-owns 24 properties with 980,597 m² of GLA, an increase of 7% compared to 2002. The market value of those assets owned was 2,672 million euro, a growth of 11.8%.

The main highlights in 2003 were: the set up of the SIERRA Fund with a share capital of 1,080 million euro; the purchase of Parque Atlântico (Ponta Delgada, Azores), Estação Viana (Viana do Castelo, Portugal) and Coimbra Retail Park (Coimbra, Portugal); the purchase of the remaining 25% of Plaza Mayor; and the sale of 50% of the company owning the Vasco da Gama shopping centre (Lisbon, Portugal) to ING Real Estate. In February 2004, the Sintra Retail Park (Sintra, Portugal) was sold to the Continental Europe Retail fund.

In **Portugal**, Sonae Imobiliária owns or co-owns around 668 thousand m² of GLA in operation. The portfolio of shopping centres and galleries had total rental income of 142 million euro in 2003, an increase of 5.2% compared to 2002, with an occupancy rate at the end of the year of 96%.

In **Spain**, Sonae Imobiliária is owner or co-owner of 6 shopping centres with a total of 312 thousand m² of GLA. Rents received grew by 12.8% compared to 2002 and the occupancy rate rose to 91% at the end of 2003. This growth was driven by contributions from Plaza Mayor (Malaga, opened in April 2002), Parque Principado (Oviedo) and the four shopping centres - Grancasa (Saragoza), Max Center (Bilbao), Valle Real (Santander) e La Farga (Barcelona) - purchased in partnership with ING Real Estate Asset Management in September of last year. On a like for like basis, rents grew by 8.6%.

Sonae Imobiliária Development

Sonae Imobiliária has 15 projects under development in 5 countries, a total investment estimated at 1,468 million euro. In 2003, it invested 132.5 million euro in properties under development.

During 2003, in **Portugal**, Sonae Imobiliária opened Parque Atlântico (Ponta Delgada Azores), Estação Viana (Viana do Castelo), Coimbra Retail Park (Coimbra), and the CascaiShopping expansion (Cascais), increasing the shopping centre installed GLA base by around 60 thousand m². Construction began on Loureshopping (Loures, Lisbon) and efforts continued to obtain planning approval for Setúbal Retail Park (Setúbal), both planned for opening in the autumn of 2005. Meanwhile, new investment opportunities were analysed in medium sized cities with new investments approved for expansions in Covilhã and Seixal.

In **Spain**, work proceeded well on the construction and marketing of the shopping and leisure centres: Avenida M40 (Madrid), Dos Mares (S. Javier, Murcia), both planned to open in the spring of 2004; Luz del Tajo (Toledo) and Zubiarte (Bilbao), both planned to open in autumn 2004; and Plaza Eboli (Pinto, Madrid) planned to open in the spring of 2005. Planning approval is currently being sought for Plaza Mayor Shopping (Malaga) planned to open in the spring of 2006.

In **Germany**, Sonae Imobiliária currently has two projects under development: 3Do (Dortmund) with a GLA of 58,000 m², an investment of 250 million euro and opening planned for the autumn of 2007; and Alexander Platz (Berlin), with a GLA of 53,400 m², an investment of 266 million euro and opening planned for the autumn of 2006, for which planning permission has been obtained.

In **Greece**, the main event of 2003 was the beginning of construction of Mediterranean Cosmos (Salonika), with a GLA of 47,000 m², an investment of 104 million euro and opening planned for the spring of 2005, in partnership with Lamda Development and the Charagionis Group. Planning permission is currently being sought for the Aegean Park (Athens), with a GLA of 60,500 m², an investment of 152 million euro and opening planned for the autumn of 2006, to be developed in partnership with the Charagionis Group.

In **Italy**, Sonae Imobiliária obtained planning permission for a new shopping centre in Brescia, Brescia Centre, with a GLA of 29,000 m², an investment of 114 million euro and opening planned for the spring of 2006, to be developed together with AIG and Coimpredil.

Sonae Imobiliária Property Management

In 2003, Sonae Imobiliária began the management of the shopping centres Parque Atlântico (Ponta Delgada, Azores, Portugal), Estação Viana (Viana do Castelo, Portugal), Coimbra Retail Park (Coimbra, Portugal), Parque Principado (Oviedo, Spain) and Orio Centre (Bergamo, Italy), the latter being the first centre to be managed on the Italian market. 537 stores were marketed (368 in Portugal, 162 in Spain and 7 in Italy). Sonae Imobiliária had 1,341,626 m² of GLA under management in 2003, an increase of 3.8%, with 4,340 tenant contracts.

At the end of 2003, Sonae Imobiliária was responsible, in **Portugal**, for the management of 3,343 shops and other spaces, equal to a total of 935 thousand m² of GLA. The number of visitors to the total of 14 shopping centres and two retail parks, remained relatively stable (+0.8%), while sales increased by 2.6% compared to 2002. On a like for like basis, excluding those shopping centres opened in 2003, as well as those months during 2003 in which the centres were not open in 2002, visitor numbers dropped by 0.2% while sales increased by 1.3%.

Those real estate assets under management in **Spain** (350 thousand m² of GLA) had a fall in visitors of 15.8% and an increase in tenant sales of 20.2%. On a like for like basis, taking out the effect of the start of the management of Parque Principado and the end of the management of Urbil and the various Eroski Galleries, visitors and sales grew by 1.4% and 7.7%, respectively.

In **Italy**, Sonae Imobiliária began management of the Orio Centre, in Bergamo, in April 2003, one of the biggest centres in Italy, with a GLA of 56,000 m².

Sonae Imobiliária Brazil

In Brazil, the six shopping centres owned or co-owned (222 thousand m² of GLA), had an increase in rents received of 35.8% compared to 2002, to 20 million euro, the main contributor being Parque D. Pedro (Campinas, São Paulo) that opened in March 2002. Despite difficult economic conditions, the performance of the Sonae Imobiliária property management business was positive in terms of visitors and rents (in Real) of the shopping centres managed, showing growth of 10.7% and 35.9%, respectively. At the end of the year, the occupancy rate of these assets was 85%. The market value of those shopping centres in operation in Brazil was 195 million euro at 31 December 2003 (an increase of 14.5%), the part attributable to Sonae Imobiliária being 113 million euro, 16.5 million euro higher than 2002, influenced by the increase in rents.

In São Paulo state, the construction and sale of the Boavista Shopping (GLA of 24,000 m²) continues with opening planned for April 2004 and a net investment of 20 million euro, and also the expansion of Shopping Penha with an extra 10,900 m² of GLA, an investment of 12 million euro, planned for opening in October 2004.

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	265.3
Operational Cash-Flow (EBITDA)	69.5
Profit / (Loss) before Minority Interests	380.6
Total Net Investment	5.6
Net Debt	265.2
Shareholders' plus Minority Interests	268.2

TELECOMMUNICATIONS³

In 2003, the **consolidated turnover** of Sonaecom was 838 million euro, an increase of 6% compared to that of 2002. The contributors to this growth were: Optimus with 626 million euro; Novis with 84 million euro; Internet and Media with 86 million euro (34 million euro relating to Clix and the remaining 52 million euro relating to Público); and Software & Systems Integration with 43 million euro.

Consolidated operational cash flow (EBITDA) more than doubled in 2003, rising from 72 million euro to 146 million euro. This growth was the result of a positive contribution from Optimus (150 million euro, up 35% on 2002) and a considerable improvement in performance at Novis (a reduction of 25 million euro in the negative contribution to 3 million euro, an improvement of 87%), at Clix (negative 1 million euro compared to 5 million euro negative in 2002, an improvement of 83%) and at Público (2 million euro positive compared to 1 million euro positive in 2002). The consolidated EBITDA margin was 17%, compared to 9% in 2002. This positive trend reflects the achievement of balancing slower topline growth against reducing costs and improving business processes.

³ For the first time, in 2003, Sonaecom presents its consolidated financial statements in accordance with International Financial Reporting Standards (IAS/IFRS). The financial data contained in this section of the report, relating to 2003 and 2002, are in agreement with these standards. In the Sonae, SGPS, SA consolidated financial statements, the business continues to be reported using Portuguese accounting standards (POC). As a result, the figures shown at the end of this section differ from those shown by Sonaecom

Sonaecom's **consolidated net loss after minority interests** improved by 46 million euro to a negative 19 million euro, driven by the significant increase in EBITDA (74 million euro) and lower provisions for financial investments (reduction of 7 million euro).

Sonaecom's **consolidated investment** totalled 123 million euro in 2003 (a fall of 3% compared to 2002), of which 110 million euro relate to Optimus and 10 million euro to Novis.

At the end of 2003, Sonaecom's **consolidated net debt** was 336 million euro, a reduction of 42 million euro, as a result of improved operating performance, free cash flow generation of 35 million euro and the refinancing of Optimus (in July 2003, Optimus signed a 575 million euro syndicated senior debt facility with a term of 8 years, which guarantees that the company's business plan will be fully funded). The improvement in indebtedness and the increase in operating profitability led to significant improvement in capital structure ratios with the ratio Net Debt/EBITDA improving from 5.3 x to 2.3 x, and the interest cover ratio (EBITDA/Interest paid) increasing from 3.9 x to 9.4 x.

Operating Review

Mobile Communications

During 2003, Optimus re-launched the brand and repositioned all its stores and merchandising. Particular emphasis was placed on launching new data services, among which was the "Optimus Personal Assistant", that combines the functionality of a GPRS mobile phone and those of a PDA, and the multimedia messaging platform "Optimus Zone" that brings together the MMS experience (Image, Sound and Video), Internet access and the mobile portal.

In 2003, Optimus increased its subscriber base by 186 thousand customers to 2,306 million users (82% are pre-paid), an increase of 9% compared to 2002. Total traffic increased by 1.5% to 2.7 billion minutes.

Optimus' turnover in 2003 was 636 million euro, 5% up on that of 2002. Service revenues increased by 3% to 580 million euro, with customer revenues increasing by 8% to 361 million euro due to an increase in the customer base, while operator revenues fell by 5% to 219 million euro as a result of the progressive reduction in interconnection rates imposed by the regulator in 2002 and of the structural reduction in traffic on fixed networks. Thus, the ARPU (Average Revenue per User) fell from 23.9 euro in 2002 to 22.4 euro in 2003. Mobile data revenues recorded significant growth during 2003 (around 14%) equal to 8.6% of total service revenues.

Operational cash-flow (EBITDA) increased 37% in 2003 to 147 million euro (23% of turnover, compared to 18% in 2002). The improvement was due to increases in customer revenues and cost reductions achieved through business process optimisation.

The net profit for the year was 25 million euro compared to a net loss of 16 million euro in 2002.

In 2003, Optimus increased investment by around 20% to 110 million euro, in which is included the acquisition of Oniway assets under an agreement signed in 2002 between Oniway and the three Portuguese mobile operators, for 38.8 million euro (of which 33 million euro will only be paid in 2005). Thus, on a like for like basis, investment fell by 22% in 2003 (11% of turnover), compared to 2002. Investment was focused on the development of new data platforms, as well as preparation of the network for UMTS rollout and pilot testing. By the end of 2003, Optimus had three pilot networks working in Lisbon and Porto.

Fixed Communications

In 2003, Novis consolidated its leadership position among the alternative fixed line operators. In its key market segments, SoHos and SMEs, Novis achieved a market share among alternative operators of 42.1% and 39.9%, respectively. In the residential segment, Novis achieved a market share of 34.8% in the last quarter of 2003.

Novis ended the year 2003 with 209 thousand active customers, an increase of 87% compared to 2002. Of these, 13 thousand were SMEs (up 97% from 2002), 29 thousand were SoHos (up 82% from 2002) and the remaining 167 thousand were Residential (an increase of 88% compared to 2002). Direct access customers in 2003 totalled 1,740, an increase of 47%. The number of installed accesses at the end of the year was 2,754, up 34% on 2002.

Total traffic in 2003 was 3.2 billion minutes, of which 680 million were voice traffic, an increase of 34% compared to 2002.

Novis' turnover for 2003 was 152 million euro. This value is not directly comparable with 2002, given that I.T. equipment sales were recorded in the company BizDirect (part of S&SI) and not Novis, as from the beginning of 2003.

In the fourth quarter of 2003, Novis achieved for the first time a positive operational cash flow (EBITDA) of 0.5 million euro. Despite EBITDA remaining negative (6 million euro) for the whole year 2003, there was significant improvement compared to 2002 (28 million euro negative) due to an improvement in service revenues and stringent cost control.

Investment was lower than that of prior years with the completion of the construction of its network in February 2003. Currently, investment requirements are restricted to building infrastructure for new customers or maintenance of the existing network.

Internet and Media

During 2003, there was a fall in the narrowband Internet market as a result of a huge and accelerated migration to broadband. As a result, Clix's active customers fell by 17% to 187 thousand. Clix's traffic was 1,872 million minutes (an increase of 6% compared to 2002), of which 582 million minutes were generated by ADSL customers.

In 2003 Clix's turnover was 34 million euro, a fall of 5% compared to 2002. This fall was a result of the difficult market conditions which have prevented alternative ISPs from competing with an economically viable broadband offer due to the aggressive squeezing of margins by the incumbent operator who simultaneously determines the wholesale ADSL price for its competitors, and the selling price to the consumer.

To reduce operating losses resulting from the fall in revenues, Clix reduced its operating costs. This contributed towards an improvement in operational cash flow (EBITDA) from 6 million euro negative in 2002 to 2 million euro negative in 2003.

Considered as a reference newspaper in its segment, Público is in third place in Portugal in terms of average paid daily circulation (54 thousand copies). In 2003, turnover was 52 million euro, up 24% on 2002. This increase was due to the success of sales of associated products (in particular the "Mil Folhas 2" book collection and "Y" DVD film series). Operational cash flow (EBITDA) was positive for the year at around 0.5 million euro, compared to 2.8 million euro negative in 2002.

Software and Systems Integration

Despite the fact that 2003 was a particularly difficult year worldwide for Information Technology businesses, the Software & Systems Integration (S&SI) unit of Sonaecom, had a 33% increase in turnover to 62 million euro. However, this figure is not directly comparable with 2002 due to the recording, as from the beginning of 2003, of the sales of IT equipment in the company BizDirect, which is part of S&SI. Service revenues fell by 1% in 2003 to 46 million euro, as a result of market pressures on business margins.

Operational cash flow (EBITDA) increased in 2003 by 3% to 6.3 million euro, compared to 2002.

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	810.8
Operational Cash-Flow (EBITDA)	131.2
Profit / (Loss) before Minority Interests	(49.1)
Total Net Investment	121.8
Net Debt	411.7
Shareholders' plus Minority Interests	558.2

SONAE CAPITAL

Consolidated turnover of Sonae Capital (including Sonae Turismo and Praedium) was 367 million euro in 2003, an increase of 9.5% compared to the 335 million euro in 2002. On a like for like basis, excluding turnover of the plywood business in France, turnover fell by 5% due to a fall in Residential property sales and the sale last year of land for the construction of the Torre São Rafael in Lisbon.

Consolidated operational cash flow (EBITDA) in 2003 was 7.1 million euro (17.4 million euro in 2002). The figure in 2002 was affected by the EBITDA generated from the sale of the Torre São Rafael totalling 10 million euro. Excluding this impact, operational cash flow (EBITDA) was at the same level as last year.

The **consolidated net loss after minority interests** was 50 million euro, compared to 26 million euro in 2002. It should be noted that the 2003 result was heavily affected by extraordinary losses of 57 million euro connected with the ongoing restructuring plan of manufacturing assets of the plywood business in France, that were to some extent offset by the capital gains of 18 million euro on the sale of financial investments.

Tourism

As in 2002, the main focus of the year 2003 was the development of the Troia project. A key event in this development was the partnership agreement signed between Sonae Turismo and Amorim Turismo involving the sale of Grano Salis – Investimentos Turísticos Jogo e Lazer, SA, the concessionary gambling company in Troia that will be responsible for building a casino, a conference centre and a hotel.

As part of the steps required to expedite formal approvals for the Troia project, a favourable decision was taken by Grândola municipal council concerning the environmental impact of the marina and ferry terminal with detailed planning permission given for UNOP1, in January 2004, which now awaits central government ratification.

These steps should ensure that there will be no further delays to the initial timetable established and that construction work can now start at Tróia in the second half of 2004.

Atlantic Ferries, a company in which Sonae Turismo has a majority shareholding, was selected to run the concession for ferry travel across the river Sado, the contract for which is currently being negotiated.

Finally, the refurbishment and renovation of 70 tourism apartments at Troia, later sold for a total value of 10 million euro, should be noted.

As part of a restructuring of its real estate assets in 2003, Sonae Turismo sold the golf course and surrounding land at Palmares, in Lagos, as well as a hotel unit at Meia Praia, in order to focus its financial and human resources on developing the Troia Platform.

Restructuring of the travel sector was concluded, and led to the organisational and functional merger of the travel business, previously managed by three separate companies.

Consolidated turnover was 115 million euro, similar to that of 2002.

The net consolidated loss for the year was 19.2 million euro, compared to a 17.7 million in 2002. It should be noted that restructuring costs and provisions were very significant in 2003.

Residential Development

Prædium is the Sonae Group company focused on quality residential developments. In 2003, apartments in the Edifício Sedas continued to be delivered to customers, with 76 now sold, out of a total of 78. Meanwhile, construction of the second residential building (Edifício Sedas II) was completed. Sales contracts have been signed for 40 out of the 80 apartments, while a request for planning permission for a third building has been made to the local council as part of the Quinta das Sedas project.

As far as other projects are concerned, Praedium awaits local council approval to begin the EFANOR project involving around 800 apartments.

All the necessary steps have been taken to obtain building permits for the D. João V building in Lisbon, with a formal response awaited from the local town council. The council has already stated, however, that it cannot give planning permission because of issues raised concerning the plan presented for Avenida José Malhoa. If the council persists in maintaining this position, then Praedium and the Lar Group, the project partners, will evaluate the most appropriate form of response.

In 2003, Praedium provided management services to Sonae Turismo for the Troia Resort project.

Turnover in 2003 was 7.4 million euro while operational cash flow (EBITDA) and the net loss were 0.2 million euro negative and 2.9 million euro, respectively. These results reflect the sharp fall in residential housing sales in Portugal during the year.

Venture Capital Partnerships

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit / /(Loss)</u>
ba Vidro ⁴	49.9%	182	15.5
Grupo Selfrio	70.0%	39.2	1.4

⁴ This company was accounted for using the equity method

A public purchase offer was made for **ba Vidro** by Bar-Bar-Idade Glass – Serviços de Gestão e Investimentos, S.A. (a company whose shareholders are Sonae Capital, SGPS, SA, Bar-Bar-Idade, SGPS, SA and the inheritors of the estate of José Silva Domingues), with this company now owning 100% of the share capital.

ba Vidro had consolidated turnover of 182 million euro, an increase of 5% compared to 2002. The Iberian market now makes up about 90% of turnover, while exports make up 10% as a result of consolidating new markets, particularly in Africa.

Consolidated operational cash flow (EBITDA) was 50 million euro, 15% up on 2002, due to increased production efficiency and innovation.

Cash flow generation allowed 13.7 million euro to be invested in fixed assets and at the same time, a significant reduction in debt, of 35 million euro.

Consolidated net profits were 15.5 million euro, 143% above that of 2002.

Consolidated turnover of the **Selfrio Group** was 39.2 million euro, an increase of 19.5% over 2002. Consolidated net profits were 1.4 million euro, compared to 0.9 million euro in 2002.

The customer order book has enabled the company to recover both in terms of turnover and profitability, while the measures described in last year's report (cost containment and the increase of engineering services to customers) have attenuated the fall recorded in 2002.

Construction, Energy and Engineering

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit/ /(Loss)</u>
Contacto	100%	85.7	7.2
Cinclus	100%	12.0	0.6
Sodesa ⁵	50%	1.7	0.3
TP ⁵	50%	47.1	0.1

Contacto, a civil and public works construction company, had a turnover of 85.7 million euro, approximately the same as last year, despite the severe slowdown in the sector.

As a result of restructuring carried out last year that downsized the company in line with market conditions, and of a strict control of costs, the results for the year were positive, with an operational cash flow (EBITDA) of 7.3 million euro and a net profit of 7.2 million euro.

⁵ This company was accounted for using the equity method

Contacto has shareholdings in two companies, **Norscut** and **Operscut**, that are working on a concessionary “SCUT” project for the construction and running of a motorway (SCUT is an anagram in Portuguese for “without cost for the user”). At the end of the year, 42 km running from Regua to Carvalhal (Castro d’Aire Sul) were in service, out of a total of 155 km that will be the final length of the motorway. In July 2003, the Portuguese Government informed Norscut of a change in the proposed path of the motorway in the area of Vila Pouca de Aguiar. This change will involve extra costs compared to the initial plan, and as a result, and in accordance with the terms of the concessionary contract, the state is required to compensate Norscut financially. Completion of the motorway will be delayed as a result of this change. It is now forecast that the last section will be in operation by the end of the first half of 2007.

Cinclus, a company in project management and control, had a turnover of 12.0 million euro, generated an operational cash flow (EBITDA) of 985 thousand euro and net profits of 602 thousand euro.

TP, in the cogeneration and renewable energy business, had a consolidated turnover of 47.1 million euro, operational cash flow (EBITDA) of 5.6 million euro and net profits of 156 thousand euro.

Sodesa, which sells energy in open market segments, already has customers consuming an estimated 1,667 GWH/year with operational cash flow (EBITDA) of 320 thousand euro and net profits of 295 thousand euro.

Auto Sector⁶

	Million euro		
	<u>Shareholding</u>	<u>Turnover</u>	<u>Net Profit/ /(Loss)</u>
Carplus	50%	13.2	(0.9)
Finlog	50%	31.4	0.6
Guérin	50%	18.5	(2.4)

Choice Car – SGPS, SA, was set up in 2000 to concentrate investments that the Sonae Group held at that time in businesses in the auto sector. It is a 50/50 partnership with the Salvador Caetano Group and its share capital was increased at the end of 2003 from ten to twenty million euro in order to give it the appropriate resources for its businesses to follow their development plans.

The year 2003 saw sales of passenger vehicles in the European Union fall by around 1.2%. In Germany, the Union’s main market, there were fewer vehicle registrations for the third year running while Portugal had its worst year of the last fourteen for sales of passenger vehicles. Against this background, **Carplus** demonstrated that it has a sustainable business model by increasing market share in the semi-new car market, reflected in an increase in the number of units sold (from 1,002 to 1,172) and in billing

⁶ Companies excluded from consolidation

(+15.1%) and margins achieved. There was, however, a slight increase in net losses due to charges resulting from the new sales and show rooms.

Guérin had greater difficulties in dealing with the sharp fall in demand that occurred both in the tourism and business segments, selling a little more than 880 thousand rental days. As a result, there was a 10% fall in billing and significant losses, a situation that it has been unable so far to correct with measures already taken to focus the distribution of its product into more advantageous channels.

There were also important falls in demand at **Spel Auto**, now called **Autocenter**, which has a number of stores and workshops. In 2002, similar establishments, belonging to the Império Pneus Group, were merged with those of Autocenter to form a network of 46 outlets giving coverage across Portugal under the trade name of **Império Autocenter**. However, despite being market leader, the expected benefits of economies of sales are still not visible, given that the merger process was only concluded at the end of 2003. It should be noted that the partnership set up in 2003, led to a fall in the Sonae Group's shareholding, from 50% to 25%.

Finlog carries out its fleet management business, increasingly focused on rendering services and operational leasing. Results continue to be satisfactory despite flat turnover and profits, based on a fleet of 7,200 vehicles compared to 7,135 at the end of 2002.

Turnover and profits of **Choice Car**, although positive, have been modest, and are derived from the business of buying and selling motor vehicles that is complementary to the main business areas of the group companies of which it is part.

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

Logistics and Services

	<u>Shareholding</u>	<u>Turnover</u>	Million euro <u>Net Profit/ /(Loss)</u>
Logistics	100%	39.6	0.3
mds ⁷	100%	4.6	0.8

Consolidated turnover of Boxlines, Invicta, Sontrade Lines and Interport Logistics, which make up the Logistics sector, was about 39.6 million euro, 4.2% up on 2002. Significantly, non Sonae Group customers already make up more than 70% of turnover. Box Lines turnover totalled 31.8 million euro, up 12.2% on 2002.

Consolidated operational cash flow (EBITDA) was 0.9 million euro, most of it from Box Lines, and net profits were 0.3 million euro.

⁷ Companies excluded from consolidation

The merger of the freight forwarding business of Star Transportes Internacionais into Box Lines, mentioned in the 2002 Report of the Board of Directors, was successfully completed. Although the impact of this merger has already been felt, it will only be in 2004 that the full benefits will become apparent.

mds, insurance broker, increased its market share in Portugal with revenues of 4.6 million euro, representing brokered premiums of around 31 million euro, and generating profits of around 0.8 million euro. Meanwhile, the holding company, Développement et Partenariat Assurances, based in Paris, in which mds has a shareholding, and which controls directly or indirectly the French insurance brokers Pérouse Assurances and Firstassur, closed its first business year with net profits of 0.2 million euro.

Sonae Re, the captive reinsurer of the Sonae Group, with its head office in Luxemburg, had premium income of over 18 million euro equal to an increase of 21% and generated around 0.8 million euro of equalisation reserves.

In Brazil, Lazam/mds, a partnership between Sonae and the Feffer Group, closed the year 2003 with revenues of 7.7 million Brazilian Real and net profits of 2.7 million real, and is now one of the top five business insurance brokers in Brazil.

Contribution to Sonae's Consolidated Financial Statements

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

	Euro million
Turnover	287.7
Operational Cash-Flow (EBITDA)	2.7
Profit / (Loss) before Minority Interests	(84.4)
Total Net Investment	26.4
Net Debt	107.0
Shareholders' plus Minority Interests	218.1

FINANCIAL STRUCTURE

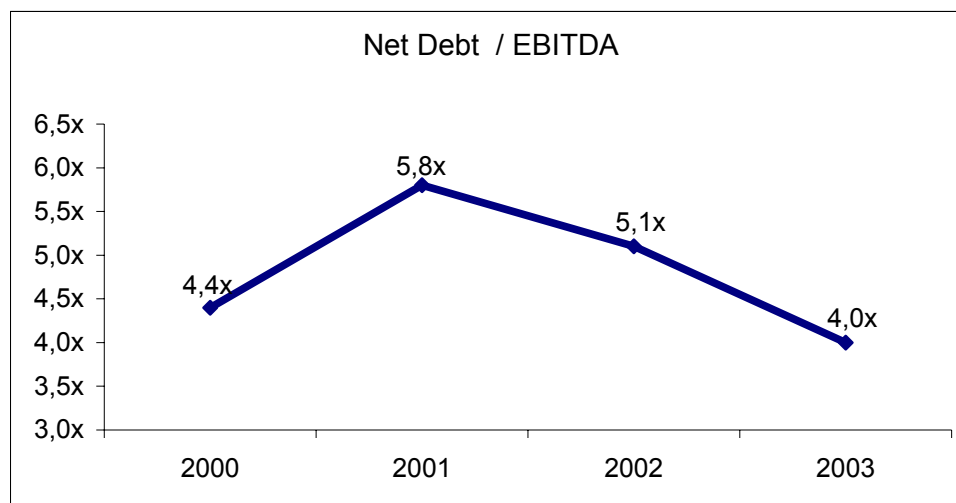
Consolidated gross investment for the year was 666 million euro (744 million euro in 2002), mainly in the Shopping Centre (42%), Telecommunications (19%) and Retail (19%) businesses. In view of the divestment that took place during the year, in particular the disposal of 50% of the company owning the Vasco da Gama shopping centre to ING Retail Property Fund Ibérica, of shares held in Banco BPI and of 49.9% of the SIERRA Fund, **net investment** was 223 million euro, compared to 675 million euro in the previous year.

Consolidated net debt at the end of 2003 was 2,574 million euro, a fall of 720 million euro compared to the end of 2002, and of 694 million euro compared to the end of the third quarter. This fall is due primarily to the sale of the 49.9% shareholding in the SIERRA Fund, but also due to divestment from certain non-strategic assets and continued progress in cash flow generation.

The **ratio of operational cash flow (EBITDA) to interest charges** was 3.1 for the year, up from 2.8 in 2002. This improvement was due to a fall in interest charges, driven by the drop in debt that took place through the year.

In 2003, there was a generalised improvement in debt levels among the Sonae portfolio businesses. This, coupled with similar levels of EBITDA, allowed a significant reduction in the **ratio of net debt to operational cash flow (EBITDA)** from 5.1 to 4. The improvements at Sonae Imobiliária and Sonaeacom, were particularly noteworthy, the former due to the set up of the SIERRA Fund and the latter to an increase in cash flow generation.

This improvement can be better seen from the following graph:



As in 2001 and 2002, goodwill was written off against reserves. If this write off had not taken place, fixed assets and shareholders' funds at the end of the year, would have been higher by 756 million euro and amortisation for the year by 66 million euro.

PROFITABILITY

Consolidated turnover for the year was 6,260 million euro, compared to 6,276 million euro in 2002. This turnover reflects the economic slowdown affecting most of the countries where Sonae operates and has been impacted by depreciation of the Brazilian Real (24%), Pound Sterling (9%) and Canadian Dollar (6%). At constant exchange rates, consolidated turnover was 6,579 million euro, a growth of 4.8%.

Consolidated operational cash flow (EBITDA) was 637 million euro in 2003, a fall of 1.9% compared to that of 2002. The most significant contributions were from Retail (290 million euro, a fall of 2.2%), Wood Based Panels (151 million euro, a fall of 13.5%), Telecommunications (131.2 million euro, an increase of 43%) and Shopping Centres (70 million euro, a fall of 15.1%). At constant exchange rates, consolidated operational cash flow (EBITDA) was 655 million euro, an increase of 1%.

The **consolidated EBITDA margin** was 10.2%, similar to that for the previous year. This margin was kept at the same level because of the increased contribution from Telecommunications and of a similar contribution from Retail, which have offset lower contributions from other businesses.

Consolidated net financial charges for the year were 229 million euro, compared to 253 million in 2003, an improvement of 9.7%. This was mainly a result of a reduction in the average level of net debt.

As a result **consolidated profits on ordinary activities** improved by around 26% compared to the previous year.

Consolidated extraordinary profits for 2003 totalled 331 million euro compared to losses of 26 million in 2002. The main items were capital gains made on: the sale of 50% of the company owning the Vasco da Gama Centre to ING Retail Property Fund Ibérica (78.6 million euro); the sale of all shares held in Banco BPI (10.5 million euro); the sale of the 50% shareholding in Crediuniverso to Banco BPI (7.7 million euro); the sale of 4.89% of the share capital of Portucel (7.6 million euro); the sale of the Palmares assets (7.4 million euro); and the sale of 49.9% of the SIERRA Fund (281.2 million euro). These capital gains reflect, in the case of Sonae Imobiliária, the need to finance an ambitious expansion plan, while for the remaining businesses, they represent the conversion into cash of assets considered to be non-strategic. Extraordinary costs of around 57 million euro, were also incurred, relating to the ongoing asset restructuring plan in France in the plywood manufacturing business.

Profit before tax was 314 million euro, a significant turnaround from the 54 million losses in 2002.

There has been a significant change in the heading "Taxation" in the Profit and Loss account. Although estimates for Corporation tax in 2003 (42.6 million euro) are at similar levels to those of 2002, estimates for deferred taxes have changed (6 million euro profit in 2003 compared to a 47.7 million loss in 2002) since lower values for tax losses carried forward were booked in 2003.

The **consolidated net profit before minority interests** for the year was 265 million euro, while the consolidated net profit after minority interests was 114 million euro, compared to a loss of 56 million euro in 2002.

SHARE PERFORMANCE⁸

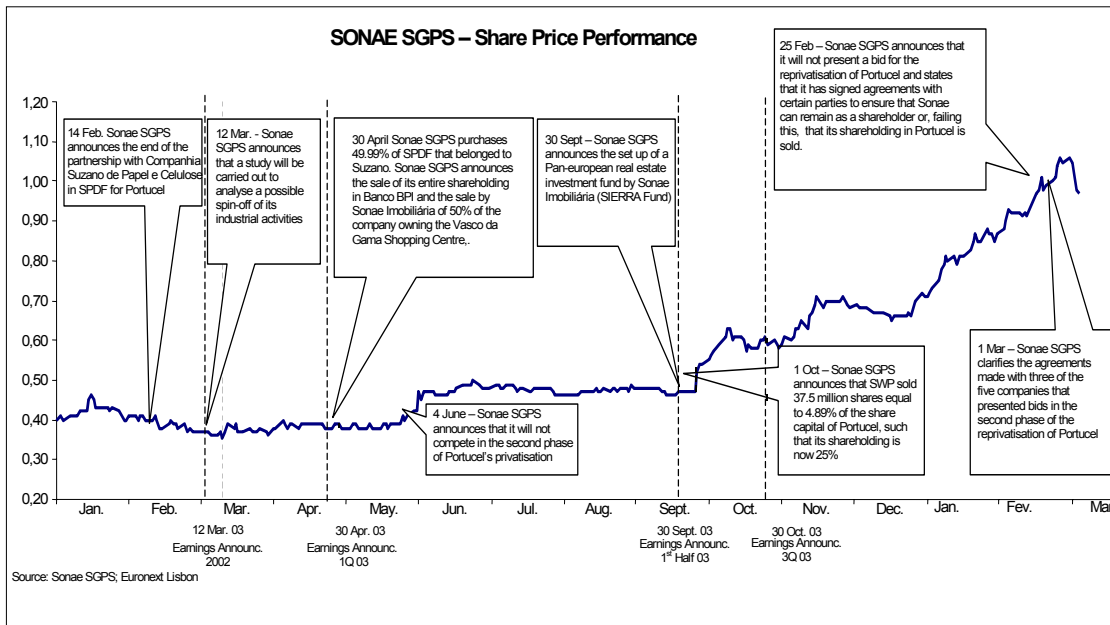
During 2003, it would appear that the downward movement correcting share values that began in 2000, has now ended. There have already been some significant improvements in stock market indices across the world in particular in North America and Germany. The Portuguese market followed the upward trend of other markets although restrained by the economic crisis in the country.

The Sonae share did not move significantly until the middle of the year but, from September, began to recover, linked to positive market perception about the future of Sonae Group businesses and their intrinsic value. One factor contributing to this was the explicit value attached to the Shopping Centres business with the set up of an investment fund that includes a portfolio of shopping centres owned and co-owned by Sonae Imobiliária.

The Sonae share was quoted at 0.66 euro as at 31 December 2003, equivalent to a nominal gain in value during the year of 65%, compared to a general stock market gain of around 16%, as measured by the PSI 20.

As can be seen from the graph below, after the year end there was a significant increase in the Sonae share price that reached 0.97 euro on 12 March 2004, an additional increase of 47%, much higher than the rise in the PSI 20 (+ 12.9%).

⁸ In the appendix to this report on Corporate Governance, statistical data are given on the Sonae share price performance during 2003.



OWN SHARES

During the year, the company did not acquire any own shares. As at 31 December, the company held, directly or indirectly, 134,178,021 own shares (6.71% of the share capital) at an average purchase cost of 1.077 euro.

PROFIT APPROPRIATION PROPOSAL

Sonae, SGPS, SA as the holding company of the Group, had net profits of 29,684,383.04 euro. The Board of Directors proposed to the Shareholders' General Meeting that this profit has the following appropriation:

Legal Reserves	1,484,220.00 euro
Dividends	27,987,329.69 euro
Free Reserves	212,833.35 euro

Given that the Board of Directors intends to keep the same number of own shares until the dividends are paid, each share will be entitled to a gross dividend of 0.015 euro, equal to a dividend yield of 3.13% on the average share price in 2003 of 0.48 euro.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IAS/IFRS)

The Sonae Group has analysed the impact of changing its reporting to International Financial Reporting Standards (IAS/IFRS). In view of the complexity of the Group, it was decided that these standards would be implemented progressively across the Sonae Group before presenting consolidated financial data, using the new standards, for Sonae as a whole.

At the present time, Sonae Imobiliária and Sonaecom already prepare their consolidated financial statements according to IAS/IFRS with the remaining businesses following suit from now until 2005.

Actions have been taken to adopt information systems to collect and process data that meets the demands of international standards. In 2004, the larger companies will already have the means to prepare financial information according to both local and international standards, leaving only the smaller companies to implement the necessary changes.

The wide range of business activities in the Sonae Group means that it is not possible to evaluate with reasonable certainty the impact of these changes on the financial statements. Nonetheless, the changes are estimated to be significant in terms of the fair market value of investment properties in the Shopping Centres business, and more generally, concerning the write off of those intangible assets that do not comply with the requirements of International Standards.

OUTLOOK FOR 2004

The year 2004 will be full of events that will directly or indirectly impact the global economy. In Europe, it is the year in which the European Union will be enlarged to welcome 10 countries from Eastern Europe. In the United States, presidential elections will take place. Generally, 2004 promises to be a year of consolidation of the economic recovery that began in 2003, with the USA continuing to be the driving force of the world economy. In the USA, growth of GDP is forecast to be around 4%, in Japan 2% and in the European Union about 1.5%. There are good reasons to be optimistic about the world economy where signs of accelerating growth at different rates have been in evidence across the globe.

Nonetheless, there still exist a number of risks to be considered as far as the long awaited recovery is concerned. High levels of excess capacity compared to demand mean that low levels of inflation are likely to continue in 2004. This is in turn linked to the current strength of the Euro, which may have a negative impact on economic growth in the euro area. At the same time, the twin deficits (budget and trade) of the US economy, and the resulting volatility in exchange markets, are, together with international uncertainty, the greatest risks threatening economic recovery.

In summary, the background against which **Sonae's** business activities will operate in the short term, will continue to be affected by the uncertainty surrounding the soundness of the world economic recovery. However, at the same time, the specific conditions of Sonae's main markets will be critical, in particular those businesses in the consumer sector.

In 2004, Sonae Indústria will continue to implement the strategic changes introduced in 2003, in three main areas: organisational development, improvement of operational performance and financial restructuring. As far as organisational development is concerned, the goal is to increase the operational focus of the organisation to ensure a decentralised decision making capability, but consistent with policies and procedures defined by the Executive Committee. In terms of improvement in operational performance, and once a level of capacity utilization has been reached that is considered sufficient, the priority will be the focus on selling prices and improving product mix, rather than winning market share. Programmes to reduce operational costs and to share best practices for manufacturing and logistic processes, will continue, as well as the rational and responsible use of forestry resources, encouraging the recycling and reuse of its waste products. Following the heavy investments made in information systems and the set up of a back office centre, the necessary actions will be taken in 2004 to increase back office productivity. Turning to financial restructuring, a number of actions are underway with the aim of improving the balance sheet structure of the company: improvement in operational cash flow generation capability; strengthening of shareholder's equity and long term loans by rescheduling the syndicated debt and increasing equity; optimising capital employed based on actions involving real estate assets, receivables and non-core assets.

At the top of the list of priorities set for Modelo Continente in 2004, will remain the goal of strengthening the current levels of operational efficiency, as well as of implementing its expansion programme. In Portugal, when the new legal framework concerning the licensing of commercial premises comes into effect, it will be possible to begin expansion projects in both food and the non-food stores, in addition to continuing the two Continente hypermarket projects planned for opening in 2005. In Brazil, investment will be focused on the challenge of intensified market competition, with the goal of consolidating the company's position of leadership in the Southern Region of the country. To that end, it will continue to refurbish stores and focus on increasing operational efficiency. However, Modelo Continente will evaluate all possible growth opportunities, as part of an investment policy that will continue to be highly selective. Although signs of economic recovery are still not visible in Portugal, it is expected that economic conditions in Brazil will stabilise and that the restructuring of the company's operations will be finalised. As a result, the consolidated profitability of Modelo Continente is likely to improve.

Sonae Imobiliária will continue its strategy of growth and focus on core business in 2004, and considers that innovation and creativity are crucial for continued success. The year 2004 will be one of major challenges. The planned opening of new centres in Spain will confirm its leadership position in Iberia while the continued development of various projects at the same time in all other markets will make a decisive contribution towards the company's international ambitions. These projects are based on strong local teams, close to the markets concerned and with innovative concepts adapted to the culture of each market.

Sonaecom is confident that 2004 will be another challenging year but will start from a more positive base than previous years. This confidence is based on the first signs of economic recovery and more optimism in the financial markets concerning the telecommunications sector. It is also underpinned by the levels of productivity and service quality reached over the last year, and by the constant capacity to innovate that will enable the company to benefit from the economic upturn and minimise the impact of continuous delays in decision-making concerning regulation.

Most of the businesses of Sonae Capital have strong competitive positions and are thus expected to perform favourably. Sonae Capital's role is to develop businesses that may become future options for the Sonae Group. Thus, it is continually seeking new opportunities, especially in the near future in the Health and Environmental areas.

As far as management of the Sonae Group portfolio is concerned, significant development can be expected in the reprivatisation process of Portucel and in the resulting restructuring of the Wood Based Panels business. Also all means that can contribute towards demonstrating the quality and value of assets owned will be analysed. This entails continuously searching for the most efficient ways of using capital employed.

The pursuit of these objectives in each of the businesses and as a whole, coupled with the high professional competence and commitment of its staff, allow the Group to face the much-awaited economic upturn with confidence.

Maia, 12 March 2004

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

(Translation from the Portuguese original)

REPORT ON CORPORATE GOVERNANCE

SONAE SGPS, SA

31 DECEMBER 2003

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

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

0 – Statement of compliance

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

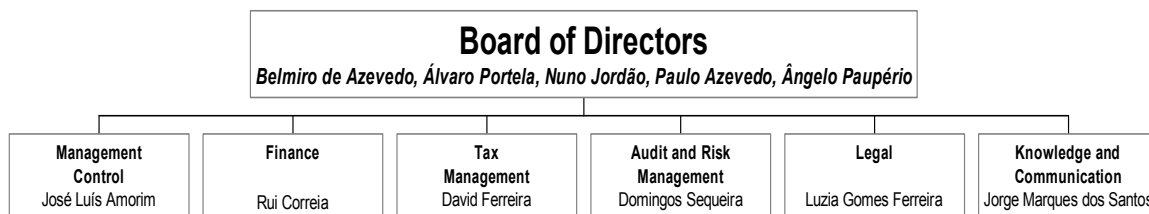
1 – Information Disclosure

1.1. Decision Making Process

Management decisions are taken in meetings of the Board of Directors 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, financial co-ordination and career development for top managers.

The company is organised around the following functions:



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

1.2. Internal Committees

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

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

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

1.3. Risk Control

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

Objectives of risk management

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

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

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

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

Risk Management Processes

Risk management is integrated into the entire planning process as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge with the goal of identifying, evaluating and managing the uncertainties and threats that Sonae Group companies face in the pursuit of their business objectives and value creation.

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

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

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

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

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

The risk management process is supported by a uniform and systematic methodology that includes the following:

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

Risk management organisation

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

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

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

The Internal Audit function identifies and evaluates the effectiveness and efficiency of management and control of business processes and information systems risks, as well as risks arising from non compliance with legislation, contracts and company policies and procedures. The Internal Audit annual plan includes critical business process audits, compliance audits, financial audits and information systems audits.

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

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

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

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

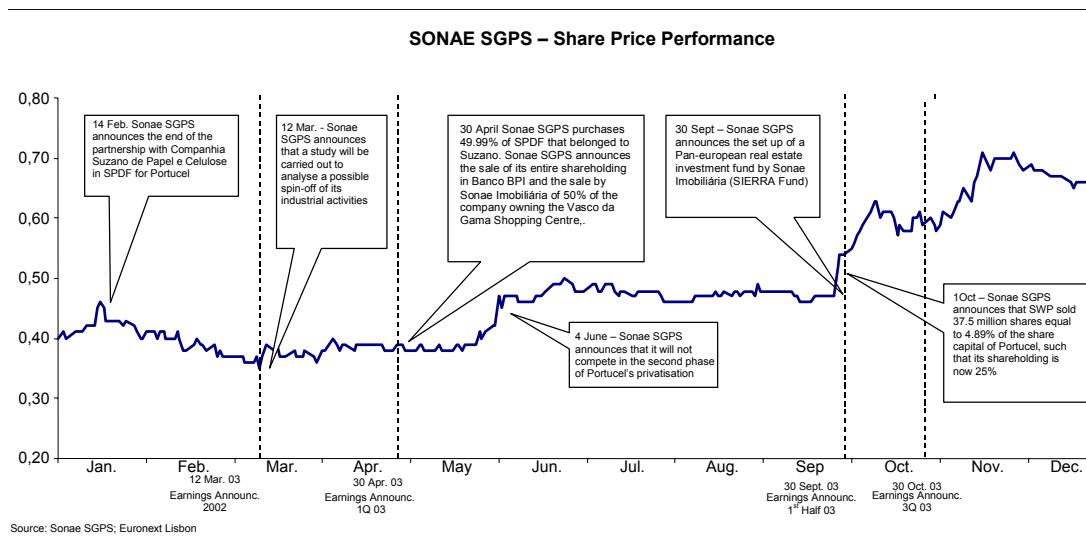
At Group level, there are bodies – the Audit Committee and the Risk Management Consultation Group (GCGR) – that assist the Board of Directors to define policies, review and co-ordinate the activities of Risk Management, Internal and External Audit, and to review internal control processes and systems.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

Sonae Group companies promote the development of human resources, Internal Audit and Risk Management methodologies and seek to follow best international practices. As far as human resources are concerned, Group companies sponsor a program of training and update of skills that includes international Internal Audit professional certification promoted by the IIA – The Institute of Internal Auditors – the Certified Internal Auditor. Currently, there are two Certified Internal Auditors in the Sonae Group and a group of voluntary candidates for certification in 2004.

In the relevant chapter of the Report of the Board of Directors, Internal Audit and Risk Management activities for the year 2003, are described.

1.4. Share Price Performance

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



Statistics about Sonae SGPS, S.A. shares - 2003:			
(Values in EUR)			
Total Number of Shares	2,000,000,000	Minimum price (12 Mar.03)	0.35
Free Float	1,865,821,979	Maximum price (21 Nov.03)	0.71
Own shares ^(a)	134,178,021 (6.71%)	Average price ^(c)	0.48
Market Capitalisation (31 Dec.03) ^(b)	1,320,000,000	Opening price (2 Jan.03)	0.41
Average transaction quantity	3,838,847	Closing price (31 Dec.03)	0.66
		Increase/(Decrease) in value	65.0%

^(a)The affiliated company, Modelo Continente, held 50,000 shares of Sonae, SGPS, S.A. at 31 December 2003
^(b)The market capitalisation shown was calculated using the total number of shares
^(c)Weighted average of daily closing prices

1.5. Dividend Distribution

The dividends distributed over the last few years were as follows:

	1995	1996	1997	1998	1999	2000 ¹	2001	2002
Dividend per share (euro)	0.75	0.75	0.75	0.87	0.50	0.024 ²	0	0
Dividends distributed (thousand euro)	29,705	29,180	29,180	34,305	36,447	45,098	0	0
Dividend Yield	4.7%	2.9%	2.0%	2.1%	1.0%	2.0%	0%	0%
Pay out ratio³	46.3%	28.3%	48.0%	48.4%	54.5%	17.6%	0%	0%

1.6. Share Plans and Stock Option Plans

There are no share plans or stock option plans.

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

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

² Weighted average dividend of Sonae and Sonae 2000 shares

³ Calculated using consolidated net profits after minority interests

1.7. Related Party Transactions

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

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

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

1.8. Investor Relations

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

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

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

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

- The names of managers responsible for investor relations as well as contact addresses;
- The Sonae share performance trend on the Portuguese Stock Exchange;
- Report of the Board of Directors and Consolidated Financial Statements, for the full year, half year and quarters, for the last two years;
- Presentations to investors;
- Notice of 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; Address: Lugar do Espido, Via Norte, Apartado 1011, 4471-909 Maia. The Investor Relations Manager is José Luís dos Santos Lima Amorim, who can be contacted using the above numbers and address.

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

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

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

1.9. Remuneration Committee

In publicly quoted companies, the Shareholders' General Meeting appoints 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 current Remuneration Committee is made up of two shareholders, Efanor Investimentos, SGPS, SA and Imparfin – Investimentos Participações Financeiras, SA, elected in the Shareholders' General Meeting in accordance with paragraph 2 of Article twenty five of the company's articles of association. These shareholders are represented by Professor José Neves Adelino and Bruno Walter Lehman, respectively, who are not members of the Board of Directors.

1.10. Auditor's Fees

The company's auditors are Deloitte, who, in 2003, billed the company and its affiliated and associated companies a total of 3,998 thousand euro (of which 1,555 thousand euro billed to foreign companies). Of the total, 43.3% were statutory audit fees, 0.3% other assurance fees, 19.1% tax consultancy fees and 37.3% other services fees. In other services' fees are included consultancy fees for the set up of the SIERRA Fund by Sonae Imobiliária (17.9% of total fees), and consultancy fees relating to the change to International Financial Reporting Standards (5.2% of total fees).

Tax consultancy services and other services are provided by different specialists than those who are involved in audit, thus contributing to the independence of the auditor. Consultancy work relating to the change to International Financial Reporting Standards has been carried out by the audit team because of the advantages associated with the knowledge that the team has of both the subject matter and of the financial statements.

2. Shareholder Representation and Voting Rights

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

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

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

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

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

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

3. Company Rules

3.1. Codes of Conduct and Internal Regulations

Sonae's values and principles are widely spread and deeply rooted in the company culture. The key aspects are a business culture (leadership, openness to change, loyalty and rigour, transparency), responsibility towards employees (equal treatment, professional

development, safety), social responsibility (social and environmental awareness, openness to society, trust and ethics) and political independence. As a publicly listed company 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.

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

3.2. Risk Management

As mentioned in paragraph 1.1 above, one of the functional departments of Sonae, SGPS, SA is the Internal Audit and Risk Management Department. 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.

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.

3.3. Limits to Exercising Voting Rights or to the Transfer of Shares, Shareholders' Agreements and Special Shareholders' Rights

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

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

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

4. Management Body

4.1. Description

The Board of Directors is made up of five executive members. There are no non-executive members. The Board of Directors currently acting was elected at the Shareholders' General Meeting on 31 March 2003. The mandate of this Board of Directors is four years. The directors were elected from a single list. No alternative list was presented by any shareholder.

The current members of the Board of Directors are:

Belmiro Mendes de Azevedo – Chairman
Álvaro Carmona e Costa Portela⁴
Nuno Manuel Moniz Trigoso Jordão⁴
Duarte Paulo Teixeira de Azevedo
Ângelo Gabriel Ribeirinho dos Santos Paupério⁴

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

Ordinarily, the Board of Directors meets monthly with all of the directors present in almost all the meetings. In 2003, the Board met 20 times with the respective minutes recorded in the minute book.

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

No internal control committees were set up to evaluate corporate governance, since this evaluation is carried out in meetings of the Board of Directors.

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

4.2. Remunerations

In 2003, members of the Board of Directors remunerated by the company or by affiliated or associated companies, were paid in total 3,942,151 euro, of which 2,265,800 euro as a performance bonus. The performance bonus is indexed to a group of financial indicators that best align the interests of Directors with those of the company and its shareholders. Half of this bonus is deferred and will only be paid in 2007, and may increase or decrease depending on share price performance.

The total remuneration of the Chairman of the Board of Directors was 1,067,025 euro including a performance bonus of 650,000 euro. The average remuneration of the remaining members of the Board of the Directors was 718,781 euro that includes a performance bonus of 408,950.

It should be noted that a part of the above-mentioned remunerations is also mentioned in reports on corporate governance of affiliated companies when directors also exercise duties on the Board of Directors of those companies. The Chairman of the Board of Directors of Sonae, SGPS, SA is paid only by that company and not by any other company of the Sonae Group where he exercises similar duties.

⁴ Independent member as defined by Regulation nr. 11/2003 of the CMVM

The Board of Directors believes that the information given above concerning remunerations is sufficient and that to give details for each director, as recommended by the CMVM, goes beyond the general principles governing the duty to inform and is of marginal usefulness to shareholders' interests.

4.3. Offices Held in Other Companies

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

Belmiro Mendes de Azevedo

Chairman of the Board of Directors of:

Sonae Indústria, SGPS, SA
Modelo Continente, SGPS, SA
Sonae Imobiliária, SGPS, SA
Sonaecom, SGPS, SA
Sonae Capital, SGPS, SA
Efanor Investimentos, SGPS, SA
Imocapital, SGPS, SA
Spred, SGPS, SA
Sonae Produtos e Derivados Florestais, SGPS, SA
Tableros de Fibra, SA

Álvaro Carmona e Costa Portela

Member of the Board of Directors of:

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

Chairman of the Board of Directors 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).

Nuno Manuel Moniz Trigo Jordão

Member of the Board of Directors of:

Modelo Continente, SGPS, SA
Sona Capital, SGPS, SA
Sona Turismo, SGPS, SA

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

Duarte Paulo Teixeira de Azevedo

Member of the Board of Directors of:

Sona Indústria, SGPS, SA
Modelo Continente, SGPS, SA
Sonaecom, SGPS, SA
Sona Capital, SGPS, SA
Efanor Investimentos, SGPS, SA
Imparfin – Investimentos e Participações Financeiras, SGPS, SA

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

Ângelo Gabriel Ribeirinho dos Santos Paupério

Member of the Board of Directors of:

Modelo Continente, SGPS, SA
Sona Imobiliária, SGPS, SA
Sona Capital, SGPS, SA
Sona Turismo, SGPS, SA
Sona Investments BV
Imocapital, SGPS, SA
Spred, SGPS, SA
Sona Produtos e Derivados Florestais, SGPS, SA
BA – Fábrica de Vidros Barbosa & Almeida, SA

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

Maia, 12 March 2004

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

SONAE, SGPS, SA

Consolidated Balance Sheet 31 December 2003

euro

Assets	03.12.31		02.12.31	
	Assets	Depreciation & Provisions	Net Assets	Net Assets
Fixed Assets				
Intangible assets:				
Start-up costs.....	259,119,509	183,614,209	75,505,300	149,029,395
Research and development costs.....	77,076,212	53,141,100	23,935,112	33,508,480
Patents and other similar rights.....	28,369,514	13,827,292	14,542,222	8,777,837
Premiums paid for property occupation rights.....	24,145,896	9,959,346	14,186,550	16,420,724
In progress.....	170,147,622		170,147,622	133,966,530
	558,858,753	260,541,947	298,316,806	341,702,966
Tangible assets:				
Land.....	429,346,831	2,770,129	426,576,702	429,328,293
Buildings.....	1,847,166,144	338,254,169	1,508,911,975	1,538,302,194
Plant and machinery.....	3,093,377,401	1,385,694,882	1,707,682,519	1,750,488,321
Vehicles.....	45,644,482	38,793,586	6,850,896	6,834,071
Tools.....	13,841,889	9,884,081	3,957,808	2,735,432
Fixtures and fittings.....	442,372,235	169,544,030	272,828,205	252,566,756
Containers.....	283,502	273,724	9,778	3,586
Others.....	50,926,731	35,334,140	15,592,591	13,880,455
In construction.....	255,781,832		255,781,832	228,691,288
Advances.....	32,579,356		32,579,356	30,449,379
	6,211,320,403	1,980,548,741	4,230,771,662	4,253,279,775
Investments:				
Shares in related (including associated) undertakings.....	205,890,380	57,964,647	147,925,733	226,906,446
Loans to related (including associated) undertakings.....	160,363,841	26,108,516	134,255,325	120,071,482
Shares in other undertakings.....	210,160,218		210,160,218	244,189,280
Other investments other than loans.....	11,778,206	394,790	11,383,416	67,638,560
Loans to other undertakings.....	355,101	81,820	273,281	273,299
In progress.....	1,513,114		1,513,114	598,799
Advances.....	3,274,350		3,274,350	1,802,426
	593,335,210	84,549,773	508,785,437	661,480,292
Current Assets				
Stocks:				
Raw materials and consumables.....	117,738,056	3,374,654	114,363,402	118,666,108
Work in progress.....	51,632,886		51,632,886	42,380,088
By-products.....	786,385		786,385	730,010
Finished goods.....	86,223,098	2,744,436	83,478,662	87,736,680
Goods for resale.....	439,854,484	10,037,484	429,817,000	427,022,853
Payments on account.....	14,109		14,109	39,333
	696,249,018	16,156,574	680,092,444	676,575,072
Debtors: Amounts falling due after more than one year:				
Trade debtors.....	1,457,215		1,457,215	871,817
Doubtful debtors.....	1,185,646	1,183,942	1,704	1,704
Related undertakings.....	795,248		795,248	177,283
Other shareholders.....	35,824		35,824	
Taxes recoverable.....	7,166,995		7,166,995	15,333,365
Other debtors.....	50,128,581	64,339	50,064,242	40,494,636
	60,769,509	1,248,281	59,521,228	56,878,805
Debtors: Amounts falling due within one year:				
Trade debtors.....	436,756,951	11,931,568	424,825,383	428,887,724
Bills receivable.....	43,811,979		43,811,979	44,420,195
Doubtful debtors.....	102,986,265	98,958,914	4,027,351	4,705,151
Related undertakings.....	35,883,760		35,883,760	37,565,340
Other shareholders.....	181		181	181
Advances to trade creditors.....	5,545,166		5,545,166	3,205,262
Advances to fixed assets suppliers.....	51,550		51,550	418,380
Taxes recoverable.....	87,272,440		87,272,440	102,666,782
Other debtors.....	147,146,676	25,063,053	122,083,623	153,128,230
	859,454,968	135,953,535	723,501,433	774,997,245
Short term investments:				
Other negotiable instruments.....	142,431,413	75,587	142,355,826	134,388,528
Other.....	237,623,801		237,623,801	69,976,148
	380,055,214	75,587	379,979,627	204,364,676
Banks and cash				
Banks.....	267,345,934		267,345,934	430,923,156
Cash.....	4,309,049		4,309,049	3,465,180
	271,654,983		271,654,983	434,388,336
Accrued Income and Prepayments				
Accrued income.....	255,722,138		255,722,138	269,410,643
Prepayments.....	266,336,603		266,336,603	294,752,370
	522,058,741		522,058,741	564,163,013
Total depreciation		2,241,090,688		
Total provisions		237,983,750		
Total Assets	10,153,756,799		7,674,682,361	7,967,830,180

The Board of Directors

SONAE, SGPS, SA
Consolidated Balance Sheet 31 December 2003

euro

Shareholders' funds, minority interests and liabilities	03.12.31	02.12.31
Shareholders' funds		
Called up share capital.....	2,000,000,000	2,000,000,000
Own shares - nominal value.....	-134,178,021	-134,178,021
Own shares - premium.....	-10,388,623	-10,388,623
Post acquisition share of accumulated reserves of associated undertakings.....	12,964,197	6,813,333
Revaluation reserve.....	64,353,847	64,353,847
Other reserves:		
Legal reserve.....	150,629,362	150,629,362
Other reserves and retained earnings.....	-1,615,347,954	-1,479,520,228
	468,032,808	597,709,670
Profit/(Loss) for the financial year	114,458,914	-56,026,746
Total Shareholders' funds	582,491,722	541,682,924
Minority interests	749,664,275	854,121,993
Liabilities		
Provisions for liabilities and charges:		
Pension provisions.....	24,164,653	24,295,376
Tax provisions.....	664,994	658,439
Other provisions.....	124,196,379	76,360,685
	149,026,026	101,314,500
Creditors: amounts falling due after more than one year:		
Bonds:		
Non convertible.....	263,112,252	307,299,173
Bank Loans.....	1,620,841,607	2,219,386,164
Trade creditors.....	2,247	1,479,809
Participant and related undertakings.....	99,879,038	39,079,272
Other shareholders.....	1,343,293	
Other loans.....	190,808,990	162,084,537
Fixed assets suppliers.....	74,997,621	40,839,685
Taxes and contributions payable.....	10,313,120	9,478,611
Other creditors.....	602,743,883	449,926,293
	2,864,042,051	3,229,573,544
Creditors: amounts falling due within one year:		
Bonds:		
Non convertible.....	115,669,209	82,706,573
Participating bonds debit.....	28,462	56,920
Bank loans and overdrafts.....	1,033,678,482	1,160,143,104
Advances on account of sales.....	1,048,792	5,919,390
Trade creditors.....	873,152,762	806,975,812
Accruals - invoices.....	99,035,805	61,827,284
Bills payable.....	31,886,959	28,329,652
Fixed assets suppliers - Bills payable.....	8,225,649	1,040,169
Participant and related undertakings.....	74,849,653	105,486,984
Other related undertakings.....	31,626	2,903,994
Advances from trade debtors.....	4,138,887	5,086,827
Other loans.....	1,690,514	991,519
Fixed assets suppliers.....	83,629,755	82,041,546
Taxes and contributions payable (including income tax).....	103,528,787	115,747,229
Other creditors.....	141,021,790	187,814,348
	2,571,617,132	2,647,071,351
Accruals and Deferred Income		
Accruals.....	394,490,234	372,737,290
Deferred income.....	363,350,921	221,328,578
	757,841,155	594,065,868
Total Liabilities	6,342,526,364	6,572,025,263
Total Shareholders' funds, minority interests and liabilities	7,674,682,361	7,967,830,180

The Board of Directors

SONAE, SGPS, SA

Consolidated profit and loss statement by natures for the year ended 31 December 2003

euro

Charges	03.12.31		02.12.31	
Cost of goods sold and materials consumed:				
Goods.....	2,889,986,651		2,920,800,014	
Materials.....	671,463,718	3,561,450,369	641,566,018	3,562,366,032
External supplies and services.....		1,585,311,556		1,566,205,337
Staff costs				
Wages and salaries.....	607,232,848		611,150,804	
Social costs:				
Pensions.....	1,788,354		5,503,437	
Others.....	184,778,034	793,799,236	186,509,320	803,163,561
Depreciation and amortisation of tangible and intangible fixed assets.....	381,968,760		376,520,959	
Provisions.....	51,300,864	433,269,624	53,162,072	429,683,031
Taxes, excluding income taxes.....	42,966,385		44,237,719	
Other operating charges.....	9,701,002	52,667,387	14,992,657	59,230,376
(A)		6,426,498,172		6,420,648,337
Depreciation and provision for investments.....	4,617,655		13,806,655	
Interest and similar charges:				
Related undertakings.....	2,006,005		2,616,710	
Others.....	315,162,102	321,785,762	337,916,289	354,339,654
(C)		6,748,283,934		6,774,987,991
Share of losses in associated undertakings.....		3,792,426		4,261,695
Extraordinary charges.....		180,288,120		156,808,465
(E)		6,932,364,480		6,936,058,151
Income taxation:				
Current tax.....	42,644,345		43,359,788	
Deferred tax.....	5,956,322	48,600,667	-47,752,021	-4,392,233
(G)		6,980,965,147		6,931,665,918
Profit attributable to minority interests.....		150,516,240		6,593,160
Profit for the financial year.....		114,458,914		-56,026,746
		7,245,940,301		6,882,232,332
Income				
Sales:				
Goods.....	3,672,821,447		3,672,285,048	
Products.....	1,408,318,443		1,471,605,070	
Services rendered.....	1,178,575,825	6,259,715,715	1,131,773,287	6,275,663,405
Change in stocks of finished goods and work in progress.....		6,331,027		-8,875,067
Own work capitalised.....		76,230,464		84,051,872
Supplementary income.....	263,746,835		255,574,472	
Trading subsidies.....	1,168,228		1,557,482	
Other operating income.....	22,547,060	287,462,123	31,559,483	288,691,437
(B)		6,629,739,329		6,639,531,647
Dividend Income:				
Other undertakings.....	10,159,677		12,197,813	
Investment income:				
Related undertakings.....	5,561,533		1,295,468	
Others.....	13,383,555		9,781,786	
Other interest and similar income:				
Related undertakings.....	10,292,069		9,832,060	
Others.....	53,589,048	92,985,882	67,877,910	100,985,037
(D)		6,722,725,211		6,740,516,684
Share of profits in associated undertakings.....		12,157,547		11,285,452
Extraordinary income.....		511,057,543		130,430,196
(F)		7,245,940,301		6,882,232,332
Summary				
Operating profit: (B) - (A) =		203,241,157		218,883,310
Net financial charges: [(D) - (B)] - [(C) - (A)] =		-228,799,880		-253,354,617
Profit on ordinary activities: (D) - (C) =		-25,558,723		-34,471,307
Profit before taxation: (F) - (E) =		313,575,821		-53,825,819
Profit for the financial year before minority interests: (F) - (G) =		264,975,154		-49,433,586

The Board of Directors

SONAE, SGPS, SA

Consolidated profit and loss statement by functions for the year ended 31 December 2003

euro

	03.12.31	02.12.31
Sales and services rendered	6,259,715,715	6,275,663,405
Cost of goods sold and services rendered	-5,069,217,208	-5,019,127,431
GROSS MARGIN	1,190,498,507	1,256,535,974
Other operating income	353,411,422	363,385,250
Distribution charges	-870,086,963	-891,421,770
Administrative charges	-290,338,141	-303,990,396
Other operating charges	-207,859,814	-234,984,959
OPERATING PROFIT	175,625,011	189,524,099
Net financial charges	-201,296,362	-218,433,374
Gains/(losses) relating to related undertakings	413,718,484	-3,173,130
Gains/(losses) relating to other undertakings	-314,643	6,443,993
Exceptional items	-74,156,669	-15,267,542
PROFIT BEFORE INCOME TAX AND EXTRAORDINARY ITEMS	313,575,821	-40,905,954
Income tax (excluding tax on extraordinary items)	-48,600,667	4,392,233
PROFIT AFTER INCOME TAX BUT BEFORE EXTRAORDINARY ITEMS	264,975,154	-36,513,721
Profit attributable to minority interests	150,516,240	6,593,160
Results of operations in downsizing (a)		-12,919,865
Income tax on extraordinary items		
PROFIT FOR THE FINANCIAL YEAR	114,458,914	-56,026,746
EARNINGS PER SHARE	0.06	-0.03

(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 the short term investments is lower than acquisition cost and the difference is estimated to be permanent, a provision is set up.

(e) Tangible fixed assets

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

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

(f) Depreciation

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

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

(g) Patents and other similar rights

Patents and other similar rights 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 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 "Other reserves".

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

(n) Minority interests

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

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

(o) Income tax

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

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

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

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

(p) Leasing

Leased assets and their corresponding liabilities are included in the balance sheet in accordance with Portuguese accounting standard nr 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 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			
			03.12.31		02.12.31	
			Direct	Total	Direct	Total
Sonae - SGPS, S.A.	Holding	Maia	Holding	Holding	Holding	Holding
Sonae Indústria						
Aglom - Sociedade Industrial de Madeira Aglomerada, S.A.	a)	Oliveira do Hospital	100,00%	90,53%	100,00%	90,68%
Aglom Financial Investments, S.A.	a)	Cayman Islands	100,00%	90,53%	100,00%	90,68%
Casca - Sociedade de Revestimento, S.A.	a)	Águeda	100,00%	90,53%	100,00%	90,68%
Celnave - Agência de Navegação, Lda	b)	Viana do Castelo	100,00%	33,63%	100,00%	31,11%
Celpap - Terminal de Celulose e Papel de Portugal, Lda	b)	Viana do Castelo	100,00%	33,63%	100,00%	31,11%
Cia. De Industrias y Negocios, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
1) Ecociclo - Energia e Ambiente, S.A.	a)	Matosinhos	100,00%	95,87%	100,00%	95,72%
Emprobal - Emp. Prod. e Comercialização de Embalagens, Lda	b)	Funchal	60,00%	20,18%	60,00%	18,67%
Euro Decorative Boards Ltd.	a)	Peterlee (U.K.)	100,00%	90,53%	100,00%	90,68%
Euromegantic Ltée	a)	Quebec (Canada)	100,00%	90,53%	100,00%	90,68%
Euroresinas - Indústrias Químicas, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
Explotaciones Comerciales, Industriales y de Servicios, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
Explotaciones Madereras Catalanas, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
Gescartão, SGPS, S.A.	b)	Lisboa	67,58%	33,63%	65,00%	31,11%
Glunz AG	a)	Hamm(Germany)	98,17%	88,87%	98,17%	89,02%
Gollin GmbH	a)	Bad Oeynhausen (Germany)	90,00%	79,98%	90,00%	80,12%
Imocapital - Sociedade Gestora de Participações Sociais, S.A.	b)	Maia	50,00%	47,94%	50,00%	47,86%
7) Industrias Químicas del Carbono, S.A.	a)	Valencia (Spain)	100,00%	90,53%	100,00%	90,68%
23) Invesentalentejo, SGPS, S.A.	a)	Vila de Conde	100,00%	33,63%	-	-
Isoroy Casteljaloux	a)	Casteljaloux (France)	100,00%	90,53%	100,00%	90,68%
Isoroy Chatellerault, S.A.	a)	Labruguière (France)	100,00%	90,53%	100,00%	90,67%
Isoroy Diffusion SNC	a)	Alfortville (France)	100,00%	90,53%	100,00%	90,68%
Isoroy Le Creusot, SAS	a)	Torcy (France)	99,99%	90,53%	99,99%	90,68%
Isoroy Panneaux de Fibres S.A.	a)	St. Dizier (France)	99,99%	90,53%	99,99%	90,68%
Isoroy SAS	a)	Boulogne (France)	100,00%	90,53%	100,00%	90,68%
Isoroy Transformation S.A.	a)	St. Dizier (France)	99,99%	90,52%	99,99%	90,65%
Lepe - Empresa Portuguesa de Embalagens, S.A.	b)	Marinha Grande	100,00%	33,63%	100,00%	31,11%
Maichave - Consultadoria e Gestão, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
Maiequipa - Gestão Florestal, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
Manipulaciones Florestales, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
Megantic B.V.	a)	Amsterdam (Netherlands)	100,00%	90,53%	100,00%	90,68%
Movelpartes - Componentes para a Indústria do Mobiliário, S.A.	a)	Paredes	100,00%	95,87%	100,00%	95,72%

	Novobord (Pty) Ltd	a)	Rosebank (South Africa)	100,00%	90,53%	100,00%	90,68%
	Poliface – Componentes e Sist.para Mob. e Construção, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
7)	Poliface Componentes y Sist.para Mobiliário y Construcción, S.L.	a)	Madrid (Spain)	100,00%	95,87%	100,00%	95,72%
	Portucel Embalagem – Emp. Prod. de Embalagens de Cartão, S.A.	b)	Cascais	100,00%	33,63%	100,00%	31,11%
23)	Portucel España	b)	Madrid (Spain)	100,00%	33,63%	-	-
	Portucel Recicla – Indústria de Papel Reciclado, S.A.	b)	Mourão	100,00%	33,63%	100,00%	31,11%
	Portucel Viana – Empresa Produtora de Papéis Industriais, S.A.	b)	Viana do Castelo	100,00%	33,63%	100,00%	31,11%
12)	R.G.R. – Reciclagem e Gestão de Resíduos, S.A.	a)	Mangualde	100,00%	95,87%	100,00%	95,72%
	Racionalización y Manufacturas Forestales, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Resoflex – Mobiliário e Equipamentos de Gestão, S.A.	a)	Vila de Conde	100,00%	95,87%	100,00%	95,72%
	SCS Beheer, BV	a)	Amsterdam (Netherlands)	100,00%	90,53%	100,00%	90,68%
13)	Sonae 4P, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Siaf – Sociedade de Iniciativa e Aproveitamentos Florestais, S.A.	a)	Mangualde	100,00%	90,53%	100,00%	90,68%
	Soc. de Iniciativa e Aproveitamentos Florestais - Energias, S.A.	a)	Mangualde	100,00%	90,54%	100,00%	90,69%
	Socelpac – SGPS, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
	Société Civile Bois de la Duchesse	a)	Auxerre (France)	100,00%	90,53%	100,00%	90,68%
	Société Civile de Chamouille	a)	St. Dizier (France)	100,00%	90,53%	100,00%	90,68%
	Société Civile de la Route de Caen	a)	Saint-Pierre (France)	100,00%	90,53%	100,00%	90,68%
	Société de Tranchage Isoroy S.A.S.	a)	France	99,82%	90,36%	99,99%	90,67%
	Societe des Panneaux Isoroy S.A.	a)	Ussel (France)	100,00%	90,53%	100,00%	90,68%
	Société Essences Fines Isoroy	a)	Honfleur (France)	100,00%	90,53%	100,00%	90,68%
	Somit – Imobiliária, S.A.	a)	Oliveira do Hospital	100,00%	90,53%	100,00%	90,68%
	Sonae Indústria - SGPS, S.A.	a)	Maia	95,87%	95,87%	95,72%	95,72%
	Sonae Industria Consultadoria e Gestão, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
	Sonae Indústria de Revestimentos, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
	Sonae Novobord (Pty) Ltda	a)	Woodhead (South Africa)	100,00%	90,53%	100,00%	90,68%
	Sonae Serviços de Gestão, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
	Sonae Tafibra - Gestão Comercial, S.A.	a)	Maia	100,00%	95,87%	100,00%	95,72%
	Sonae Tafibra (UK) Ltd	a)	Hants (U.K.)	100,00%	90,53%	100,00%	90,68%
	Sonae Tafibra Benelux, BV	a)	Woerden (Netherlands)	100,00%	88,87%	100,00%	89,02%
	Sonae UK, Limited	a)	London (U.K.)	100,00%	90,53%	100,00%	90,68%
23)	Sulpac - Empresa Produtora de Embalagens de Cartão, S.A.	b)	Mourão	100,00%	33,63%	-	-
	Spanboard Products Ltd	a)	Belfast (U.K.)	100,00%	90,53%	100,00%	90,68%
	Tableros de Fibras, S.A.	a)	Madrid (Spain)	94,42%	90,53%	94,73%	90,68%
	Tableros Tradema, S.L.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Tafiber, Tableros de Fibras Ibéricas, S.L.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Tafibra - Tableros Aglomerados y de Fibras, A.I.E.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,69%
	Tafibra South Africa (Pty), Limited	a)	South Africa	100,00%	90,53%	100,00%	90,68%
	Tafibras Participações, S.A.	a)	Curitiba (Brazil)	53,99%	48,87%	53,99%	48,95%
	Tafisa Brazil, S.A.	a)	Curitiba (Brazil)	100,00%	56,79%	100,00%	56,88%
	Tafisa Canadá Société en Commandite	a)	Quebec (Canada)	67,23%	60,86%	67,23%	60,96%
	Tafisa France, S.A.	a)	Paris (France)	99,99%	90,53%	99,99%	90,68%
	Tafisa U.K.Ltd.	a)	Petrelee (U.K.)	100,00%	90,53%	100,00%	90,68%
	Taiber, Tableros Aglomerados Ibéricos, S.L.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Tavapan, S.A.	a)	Tavannes (Switzerland)	100,00%	88,87%	100,00%	89,02%
	Tecnologias del Medio Ambiente, S.A.	a)	Barcelona (Spain)	100,00%	90,53%	100,00%	90,68%
	Tool, GMBH	a)	Germany	100,00%	88,87%	100,00%	89,02%
Modelo Continente							
	Best Offer - Prestações de Informações pela Internet, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Bikini, Portal de Mulheres, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Cacatinho – Grandes Armazéns, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
1)	Carnes do Continente - Ind.e Distribuição de Carnes, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Chão Verde - Sociedade Gestora Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Citorres - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
1)	Contibomba - Comércio e Distribuição de Combustíveis, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Contifin., S.G.P.S., S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Contimobe - Imobiliária de Castelo de Paiva, S.A.	a)	Castelo de Paiva	100,00%	75,68%	100,00%	75,54%
	Difusão - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Efanor - Indústria de Fios, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Efanor Design e Serviços, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Estevão Neves – Hipermercados da Madeira, S.A.	a)	Madeira	51,00%	38,60%	51,00%	38,53%
	Fozimmo - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Fozmassimo –Com. e Ind. de Produtos Alimentares, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Global S - Hipermercado, Lda	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	IGI - Investimento Imobiliário, S.A.	a)	Porto	100,00%	75,68%	100,00%	75,54%
	Igimo - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Iginha - Sociedade Imobiliária, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Imoconti - Sociedade Imobiliária, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Imoestrutura - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Imomuro - Sociedade Imobiliária, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
1)	Imoponte - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
1)	Imoresultado - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Imosistema - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Infofield - Informática, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Informeios – Projectos e Representações, S.A.	a)	Lisboa	100,00%	75,68%	100,00%	75,54%
	Inventory - Acessórios de Casa, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
2) 18)	Max Mat España, Distribucion de Materiales de Construcción, S.A.	b)	Madrid (Spain)	50,00%	37,84%	50,00%	37,77%
	Max Office - Artigos e Serviços para Escritórios, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%

	Modalfa - Comércio e Serviços, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
2)	Modelo - Distribuição de Materiais de Construção, S.A.	b)	Maia	50,00%	37,84%	50,00%	37,77%
	Modelo - Sociedade Gestora de Participações Sociais, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Modelo Continente - Operações de Retalho, SGPS, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Modelo Continente Hipermercados, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
11)	Modelo Continente, S.G.P.S., S.A.	a)	Matosinhos	75,68%	75,68%	75,54%	75,54%
	Modelo Hiper Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Modelo Investimentos (Brazil), Ltda	a)	São Paulo (Brazil)	100,00%	75,68%	100,00%	75,54%
	Modelo.Com – Vendas por Correspondência, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Modis Distribuição Centralizada, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Modis Internacional Trading, S.A.	a)	Madrid (Spain)	100,00%	75,68%	100,00%	75,54%
	Modis, S.G.P.S., Lda	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	OK Bazar - Comércio Geral, S.A.	a)	Ermesinde	100,00%	75,68%	100,00%	75,54%
	Predicomercial - Promoção Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Sesagest - Projectos e Gestão Imobiliária, S.A.	a)	Porto	100,00%	75,68%	100,00%	75,54%
	Socijofra – Sociedade Imobiliária, S.A.	a)	Gondomar	100,00%	75,68%	100,00%	75,54%
	Socioures - Sociedade Imobiliária, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
	Softorin BV	a)	Amsterdam (Netherlands)	100,00%	75,68%	100,00%	100,00%
	Sonae Distribuição Brazil, S.A.	a)	Porto Alegre (Brazil)	94,78%	71,73%	92,27%	70,10%
	Sonae Retalho Espana – Servicios Generales, S.A.	a)	Madrid (Spain)	100,00%	75,68%	100,00%	75,54%
	Sondis B.V.	a)	Linne (Netherlands)	100,00%	75,68%	100,00%	75,54%
	Sondis Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Sontária - Empreendimentos Imobiliários, S.A.	a)	Maia	100,00%	75,68%	100,00%	100,00%
	Sonvecap, B.V.	a)	Amsterdam (Netherlands)	100,00%	75,68%	100,00%	75,54%
	Sport Zone - Comércio de Artigos de Desporto, S.A.	a)	Vila Nova Famalicão	100,00%	75,68%	100,00%	75,54%
1)	Todos os Dias - Com. Ret. e Exploração de Centros Comerciais, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
3)	DistriFin - Comercio e Prestacion de Servicios, S.A.	a)	Madrid (Spain)	100,00%	75,68%	100,00%	75,54%
	SRE - Projectos e Consultoria, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%
	Worten – Equipamentos para o Lar, S.A.	a)	Matosinhos	100,00%	75,68%	100,00%	75,54%
Sonae Imobiliária							
	Algarveshopping – Empreendimentos Imobiliários, S.A.	a)	Maia	100,00%	33,59%	100,00%	67,04%
14)	Amarras, SGPS, S.A.	a)	Maia	100,00%	33,59%	100,00%	67,04%
4) 15)	Ascendente, SGPS, S.A.	a)	Maia	100,00%	33,59%	100,00%	67,04%
	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%	33,59%	100,00%	67,04%
22)	Centerstation - Imobiliária, S.A.	a)	Maia	100,00%	67,04%	50,00%	33,52%
	Centro Retail Park - Parques Comerciais, S.A.	a)	Maia	50,00%	33,52%	100,00%	67,04%
16)	Colombogest - Gestão de Centros Comerciais, S.A.	a)	Lisboa	100,00%	67,04%	100,00%	67,04%
	Comercial de Pinto Shopping, S.A.	a)	Madrid (Spain)	65,00%	43,58%	65,00%	43,58%
	Comercial San Javier Shopping, S.A.	a)	Madrid (Spain)	65,00%	43,58%	65,00%	43,58%
	Consultoria de Centros Comerciales, S.A.	a)	Madrid (Spain)	100,00%	67,04%	100,00%	67,04%
	D. Pedro 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%
	Gal Park S.A.	a)	Maia	75,00%	50,28%	100,00%	67,04%
	Gramma – Grandes Armazéns, S.A.	a)	Matosinhos	100,00%	67,04%	100,00%	67,04%
	Guimarãeshopping - Empreendimentos Imobiliários, S.A.	a)	Maia	100,00%	33,59%	100,00%	67,04%
5)	Sonae Projekt Berlin, GmbH	a)	Dusseldorf (Germany)	100,00%	67,04%	100,00%	67,04%
	Imo R - Companhia Imobiliária, S.A.	b)	Porto	50,00%	16,79%	50,00%	33,52%
	ImoBrazil I, B.V.	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
1)	Imobrazil II BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
1) 27)	Imobrazil III BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imocolombo Investments, BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imoconstruction, B.V.	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imocontrol, B.V.	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	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%
	Imoitale 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%
	Imospain IX, BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imospain V, BV	a)	Amsterdam (Netherlands)	100,00%	33,59%	100,00%	67,04%
	Imospain VII, BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	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%	16,79%	50,00%	33,52%
	Maiashopping – Empreendimentos Imobiliários, S.A.	a)	Maia	100,00%	33,59%	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%	33,59%	100,00%	67,04%
	OMNE - Sociedade Gestora de Participações Sociais, S.A.	a)	Maia	50,00%	16,79%	50,00%	33,52%
	Pa Zehnte Beteiligungsverwaltungs, GmbH	a)	Austria	100,00%	67,04%	100,00%	67,04%
	Paracentro - Plan.Com. e Gestão de Centros Comerciais, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Parque Dom Pedro Shopping, S.A.	a)	São Paulo (Brazil)	95,80%	64,22%	97,52%	64,99%
1)	Parque Jóquei - Empreendimentos Comerciais, Ltda	a)	São Paulo (Brazil)	99,99%	67,03%	90,00%	60,34%

	Pátio Boavista Shopping, Ltda	a)	São Paulo (Brazil)	99,99%	67,03%	99,82%	66,92%
23)	Patio Penha Shopping, Ltda	a)	Brazil	100,00%	67,04%	-	-
	Piazza Mayor - Parque de Ocio, S.A.	a)	Madrid (Spain)	100,00%	33,59%	75,00%	50,28%
	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%
	Projecto Shopping 2001, S.A.	a)	Madrid (Spain)	65,00%	43,58%	65,00%	43,58%
	RPU, SGPS, S.A.	a)	Maia	100,00%	33,59%	100,00%	67,04%
	Rule, S.G.P.S., S.A.	a)	Maia	100,00%	33,59%	100,00%	67,04%
	SM – Empreendimentos Imobiliários, S.A.	a)	Lisboa	100,00%	16,79%	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%
23)	Sonae Imobiliária Brazil, Ltda	a)	Brazil	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%
23)	Sonae Imobiliária European Real Estate Assets Holdings B.V.	a)	Amsterdam (Netherlands)	50,10%	33,59%	-	-
	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%	95,00%	63,69%
7)	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%
6)	SPEL - Sociedade de Parques de Estacionamento, S.A.	b)	Porto	50,00%	33,52%	50,00%	33,52%
17)	Transalproject 2000, SRL	a)	Sondrio (Italy)	50,00%	33,52%	100,00%	67,04%
10)	Vasco da Gama - Promoção de Centros Comerciais, S.A.	a)	Maia	50,00%	16,79%	100,00%	67,04%
16)	Vasco da Gama Dois Gest – Gestão de Cent. Comerciais, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
16)	Viacatarina Gest - Gestão de Centros Comerciais, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Vilalambert – Sociedade Imobiliária, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
Sonaeacom							
	Clixgest – Internet e Conteúdos, S.A.	a)	Matosinhos	56,67%	46,92%	56,67%	46,92%
	Digitmarket - Sistemas de Informação, S.A.	a)	Maia	75,10%	62,18%	75,10%	62,18%
	Douro - Centro de Produções Artísticas, Lda	a)	Matosinhos	100,00%	82,79%	100,00%	82,79%
	Enabler - Informática, S.A.	a)	Maia	100,00%	54,64%	100,00%	56,64%
	Enabler Brazil, Ltda	a)	Curitiba (Brazil)	99,99%	54,64%	99,00%	54,10%
	Enabler UK, Ltd	a)	U.K.	80,00%	43,71%	65,00%	35,52%
21)	Exit Travel - Agência de Viagens, Turismo e Lazer Online, S.A.	a)	Maia	100,00%	83,74%	75,00%	27,94%
7)	Fun Online - Atividades Lúdicas, S.A.	a)	Maia	100,00%	82,79%	100,00%	82,79%
7)	Harpa, Beheer, BV	a)	Amsterdam (Netherlands)	100,00%	82,79%	100,00%	82,79%
1)	M3G - Edições Digitais, S.A.	a)	Lisboa	100,00%	82,79%	100,00%	82,78%
23)	Mainroad - Serviços em Tecnologias de Informação, S.A.	a)	Maia	100,00%	46,92%	-	-
	Miauger - Organização e Gestão de Leilões Electrónicos, S.A.	a)	Maia	100,00%	82,79%	100,00%	82,79%
7)	Move On SGPS, S.A.	a)	Maia	100,00%	82,79%	100,00%	82,79%
	Novis Telecom, S.A.	a)	Maia	56,67%	46,92%	56,67%	46,92%
	Optimus Telecomunicações, S.A.	b)	Maia	46,29%	38,33%	46,29%	38,33%
	Per - Mar - Sociedade de Construções, S.A.	a)	Loures	100,00%	38,33%	100,00%	38,33%
20)	Portais Verticais.com, S.G.P.S., S.A.	a)	Lisboa	100,00%	82,79%	50,00%	41,40%
	Público – Comunicação Social, S.A.	a)	Matosinhos	99,99%	82,79%	99,99%	82,79%
	Publico.pt - Serviços Digitais Multimedia, S.A.	a)	Porto	100,00%	82,79%	100,00%	82,79%
	Retailbox BV	a)	Amsterdam (Netherlands)	66,00%	54,64%	66,00%	54,64%
7)	Santo Bosque - Espaço de Entretenimento Lda	a)	Matosinhos	100,00%	82,79%	100,00%	82,79%
26)	SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.	a)	Porto	90,00%	74,51%	90,00%	74,51%
22)	Situs - Exploração de Torres de Telecomunicações e Sites, S.A.	a)	Matosinhos	100,00%	38,32%	50,00%	19,17%
	Sonae Matrix Multimédia, S.G.P.S., S.A.	a)	Matosinhos	100,00%	82,79%	100,00%	82,79%
	Sonae Telecom, SGPS, S.A.	a)	Porto	100,00%	82,79%	100,00%	82,79%
	Sonae.com - Sistemas de Informação, SGPS, S.A.	a)	Maia	100,00%	82,79%	100,00%	82,79%
	Sonaeacom, SGPS, S.A.	a)	Maia	82,79%	82,79%	82,79%	82,79%
	Sonaeatelecom, B.V.	a)	Amsterdam (Netherlands)	100,00%	82,79%	100,00%	82,79%
	We Do Brazil - Soluções Informáticas, Ltda	a)	Brazil	99,89%	82,79%	99,89%	82,79%
	We Do Consulting - Sistemas de Informação, S.A.	a)	Maia	100,00%	82,79%	100,00%	82,79%
	XS - Comunicação, Informação e Lazer, S.A.	a)	Maia	100,00%	82,79%	100,00%	82,79%
Sonae Capital							
	Aquapraia – Investimentos Turísticos, S.A.	a)	Grandola	100,00%	99,75%	100,00%	100,00%
	Aquapraia, S.G.P.S., S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
	Aveíria - Sociedade Imobiliária, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Bloco Q – Sociedade Imobiliária, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Bloco W - Sociedade Imobiliária, S.A.	a)	Matosinhos	100,00%	99,75%	100,00%	100,00%
	Box Lines – Navegação, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Casino Hotel Troia, S.A.	a)	Grandola	100,00%	99,75%	100,00%	100,00%
	Centro Residencial da Maia - Urbanismo, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Cequip - Equipamentos de Construção, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Cinclus - Planeamento e Gestão de Projectos, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Cinclus Imobiliária, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	CMO - Construções, Lda	a)	Porto	100,00%	100,00%	100,00%	100,00%
18)	Consolimar - Urbanizadora Internacional, S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%

	Contacto - S.G.P.S., S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Contacto - Sociedade de Construções, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Country Club da Maia - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
19)	Spinveste - Promoção Imobiliária, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
25)	Elmo, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	67,04%
	Empreendimentos Imobiliários Quinta da Azenha, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Equador - Agência de Viagens e Turismo, S.A.	a)	Lisboa	100,00%	86,58%	65,91%	65,91%
	Equador & Burnay, Lda	a)	Lisboa	75,00%	64,94%	75,00%	49,43%
	Equador & Mendes, Lda	a)	Lisboa	75,00%	64,94%	75,00%	49,43%
	Espimãia - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Gestholding - Sociedade Gestora de Participações Sociais, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Grano Salis, Lda	a)	Grandola	100,00%	99,75%	100,00%	100,00%
	Imoarea, SGPS, S.A.	a)	Matosinhos	100,00%	99,75%	100,00%	100,00%
	Imoclub - Serviços Imobiliários, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Imoferro - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	99,75%	100,00%	100,00%
7)	Imohora - Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Imohotel - Empreendimentos Turísticos Imobiliários, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Imosedas - Imobiliária e Serviços, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Interlog - Sociedade Gestora de Participações Sociais, S.A.	a)	Lisboa	100,00%	100,00%	100,00%	100,00%
24)	Leroy Gabon S.A.	a)	Libreville (Gabon)	99,99%	99,99%	99,99%	90,67%
	Libra Serviços, Lda	a)	Funchal	100,00%	100,00%	100,00%	100,00%
	Marmagno - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
	Marvero - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
24)	NAB, Sociedade Imobiliária, SA	a)	Porto	100,00%	100,00%	100,00%	95,72%
	Nova Equador Internacional, Agência de Viagens e Turismo, Lda	a)	Lisboa	75,00%	64,94%	75,00%	49,43%
18)	Palmares - Companhia de Empreendimentos Turísticos de Lagos, S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
18)	Palmares Investimentos e Urbanizações, S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
	Partnergiro - Empreendimentos Turísticos, Lda	a)	Maia	100,00%	99,75%	100,00%	100,00%
24)	Placage d'Okoumé du Gabon S.A.	a)	Libreville (Gabon)	99,88%	99,88%	99,87%	90,56%
24)	Plysorol SAS	a)	Niort (France)	100,00%	100,00%	99,99%	90,68%
24)	Plysorol SNC	a)	Lisieux (France)	98,01%	98,01%	100,00%	90,68%
	Porturbe - Edifícios e Urbanizações, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
8)	Praedium, SGPS, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Praedium II - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Praedium III - Serviços Imobiliários, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Prédios Privados Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Predisedas - Predial das Sedas, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Promosedas - Promoção Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	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%
	Roteiro - Prestação de Serviços de Turismo, S.A.	a)	Lisboa	100,00%	86,58%	100,00%	86,61%
	Safra Services - Limpeza e Espaços Verdes, S.A.	a)	Porto	51,00%	25,55%	51,00%	25,55%
	Santos Taborda & Carvalho, Sociedade Unipessoal, Lda	a)	Lisboa	100,00%	86,58%	100,00%	65,91%
	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%	88,44%	100,00%	88,39%
	Soconstrução, 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%	99,75%	100,00%	100,00%
	Solinca III - Desporto e Saúde, S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
	Solinca Lazer, S.G.P.S., S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Soltroia - Investimentos Turísticos, S.A.	a)	Lisboa	52,08%	51,95%	52,08%	52,08%
6)	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%	88,08%	100,00%	75,54%
	Sonae Turismo Gestão e Serviços, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Sonae Turismo, SGPS, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Sontrade Lines Ltd	a)	Hants (U.K.)	63,75%	63,75%	63,75%	63,75%
	Sontur, BV	a)	Amsterdam (Netherlands)	100,00%	99,75%	100,00%	100,00%
	Spinarg, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Spinveste - Gestão Imobiliária SGI, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Spred - SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
9)	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%	86,58%	100,00%	98,84%
	Textil do Marco, S.A.	a)	Marco de Canaveses	90,37%	90,37%	90,37%	90,37%
	Torralla - Clube Internacional de Férias, S.A.	a)	Grandola	88,66%	88,44%	88,39%	88,39%
	Torre São Gabriel - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
7)	Torre São Rafael - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Troiaverde - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
	Tulpamar - Exploração Hoteleira Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
	Urbisedas - Imobiliária das Sedas, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Venda Aluga - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	99,75%	100,00%	100,00%

Others							
	Aserraderos de Cuellar, S.A.	a)	Madrid (Spain)	100,00%	100,00%	100,00%	50,01%
1)	Imoplamac – Gestão de Imóveis, S.A.	a)	Santarem	100,00%	100,00%	100,00%	95,72%
	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%	100,00%	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	100,00%	100,00%	50,01%	50,01%
	Sonae Wood Products, B.V.	a)	Amsterdam (Netherlands)	100,00%	100,00%	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 included by the equity method in the prior year;
- 3) Formerly - Sport Zone España - Comercio Artigos de Desporto, S.A.;
- 4) 50% of the share capital of the company was sold. As from that date the equity method was used;
- 5) Formerly - ImmoProject, GmbH;
- 6) Company sold in May 2003;
- 7) Company dissolved in the period;
- 8) Formerly - Praedium - Desenvolvimento Imobiliário, S.A.;
- 9) Company merged into Box Lines - Navegação, S.A.;
- 10) 50% of its holding sold, see 4) above, as from that date the equity method was used;
- 11) Includes shares sold to the Santander Group for which purchase options were entered into as explained in Note 61 below.
- 12) Company merged into Ecociclo - Energia e Ambiente, S.A.;
- 13) Formerly - Selvicola del Norte, S.A.;
- 14) Company merged into Empreendimentos Imobiliários Colombo, S.A.;
- 15) Company merged into Vasco da Gama - Promoção de Centros Comerciais, S.A.;
- 16) Company merged into Sonae Imobiliária - Gestão, S.A.;
- 17) 50% of the share capital of the company was sold;
- 18) Company sold in the end of the year;
- 19) Formerly - Empreendimentos Imobiliários Contacto II, S.A.;
- 20) Company included by the equity method until December, when 50% of the shares were acquired changing the ownership position. As from that date the full consolidation method was used;
- 21) 50% of its holding sold, see 20) above;
- 22) Company included by the equity method until December, when 50% of the shares were acquired changing the ownership position. As from that date the full consolidation method was used;
- 23) Company incorporated or acquired in 2003;
- 24) Companies shown under Sonae Indústria in the previous period;
- 25) Companies shown under Sonae Imobiliária in the previous period;
- 26) 45% of the share capital of the company was sold. As from that date, the equity method was not used, due to immateriality;
- 27) Formerly - Imoretail BV.

NOTE 2. COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY	Legal Reason for Exclusion	Registered Office	% Capital Held				
			03.12.31		02.12.31		
			Direct	Total	Direct	Total	
Sonae Indústria							
	Eiweiler Sperrholz GmbH	a)	Germany	100,00%	88,77%	100,00%	89,02%
	Enercicla, Lda	a)	Mourão	100,00%	33,63%	100,00%	31,11%
	Florestal y Maderera, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Glunz Service GmbH	a)	Hamm (Germany)	100,00%	89,87%	100,00%	89,02%
	Glunz UK Holdings Ltd	a)	London (U.K.)	100,00%	89,87%	100,00%	89,02%
	Glunz Uka GmbH	a)	Hamm (Germany)	100,00%	89,87%	100,00%	89,02%
	Orpin, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	OSB Deutschland GmbH	a)	Germany	100,00%	90,53%	100,00%	90,68%
	Plysorol BV	a)	Soest (Netherlands)	100,00%	90,53%	100,00%	90,68%
	Poliface Brazil, Ltda	a)	Brazil	100,00%	95,87%	100,00%	95,72%
	Poliface North America	a)	Quebec (Canada)	100,00%	90,53%	100,00%	90,68%
1)	Resoflex I - Racionalização de Espaços, Lda	a)	Braga	100,00%	95,87%	100,00%	95,72%
	Novobord GmbH	a)	Hamm (Germany)	100,00%	88,87%	100,00%	89,02%
	Société Industrielle et Financière Isoroy, SAS	a)	France	100,00%	90,53%	100,00%	90,68%
	Sonae Spain, S.A.	a)	Madrid (Spain)	99,94%	95,81%	99,94%	95,66%
	Sonae Indústria Brazil, Ltda	a)	São Paulo (Brazil)	100,00%	95,87%	100,00%	95,72%
	Sonae North América Inc.	a)	Quebec (Canada)	100,00%	95,87%	100,00%	95,72%
1)	Tafisa Trading, S.A.	a)	Madrid (Spain)	100,00%	90,53%	100,00%	90,68%
	Tarnaise des Panneaux, S.A.	a)	Labruguière (France)	99,99%	90,68%	99,99%	90,68%
Modelo Continente							
	Sempre à Mão - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	75,68%	100,00%	75,54%

Sonae Imobiliária							
2) 3)	Lizestacionamentos - Desenv., Expl. Construção Parques de Estacionamento	a)	Maia	51,00%	34,19%	100,00%	67,04%
	Alfange - Imobiliária e Gestão, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Ameia, SGPS, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Castelo do Queijo, SGPS, 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%
	Circe, SGPS, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Conquista, SGPS, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Esteiros, SGPS, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Imoground BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imospain X, BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imospain XII, BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	Imostructure, BV	a)	Amsterdam (Netherlands)	100,00%	67,04%	100,00%	67,04%
	INMO Development & Investment S.A.	a)	Madrid (Spain)	75,00%	50,28%	100,00%	67,04%
	Mosquete, SGPS, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
4)	Naviglio 2003, S.R.L.	a)	Italy	100,00%	67,04%	-	-
	Nó Górdio, SGPS, S.A.	a)	Maia	100,00%	67,04%	100,00%	67,04%
	Oriogest S.R.L.	a)	Milan (Italy)	80,00%	26,82%	100,00%	67,04%
	Procoqinm, 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)	Sonae Imobiliária European Retail Real Estate Assets GP Ltd	a)	Guernsey (U.K.)	100,00%	67,04%	-	-
	Sonae Imobiliária Italy Property Management, S.R.L.	a)	Milan (Italy)	100,00%	67,04%	100,00%	67,04%
	Sonae Imobiliária Italy, S.R.L.	a)	Sondrio (Italy)	100,00%	67,04%	100,00%	67,04%
Sonaeacom							
	Contacto Útil - Serviços de Gestão de Atendimento a Clientes, S.A.	a)	Maia	100,00%	38,32%	100,00%	38,32%
1)	Sonae Telecom, S.A.	a)	Madrid (Spain)	100,00%	82,79%	100,00%	82,79%
Sonae Capital							
	Águas Furtadas - Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Aqualuz - Turismo e Lazer, Lda	a)	Lagos	100,00%	99,75%	100,00%	100,00%
1)	Aquapraia Gestão e Serviços, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Atlântic Ferries, S.A.	a)	Grandola	100,00%	99,75%	100,00%	100,00%
	Azulino - Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
7)	Bertimóvel - Sociedade Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	75,54%
	Bloco Y - Sociedade Imobiliária, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Campimeios - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	99,75%	100,00%	100,00%
	Casa da Ribeira - Hotelaria e Turismo, S.A.	a)	Marco de Canaveses	100,00%	99,75%	100,00%	100,00%
	Contacto Concessões, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Delphinus - Sociedade de Turismo e Diversão de Tróia, S.A.	a)	Grandola	79,00%	69,83%	79,00%	69,83%
	Frengineering, S.A.	a)	Matosinhos	100,00%	50,10%	100,00%	50,10%
1)	Gaiaproject - Empreendimentos Imobiliários, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Golf Time - Golfe e Investimentos Turísticos, S.A.	a)	Porto	100,00%	99,75%	100,00%	100,00%
	Imobiliária da Cacela, 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%
	Impenínsula - Sociedade Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
	Imoresort - Sociedade Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
	Implantação - Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Insulatroia - Sociedade Imobiliária, S.A.	a)	Grandola	100,00%	88,44%	100,00%	88,39%
	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%	88,44%	100,00%	88,39%
	Marina Magic - Exploração de Centros Lúdicos e Marítimos, Lda	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
	Martimope - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	MDS - Sociedade Mediadora de Seguros, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Parcomarco, Gestão de Parques de Estacionamento e Centros Comerciais	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	PJP - Equipamento de Refrigeração, Lda	a)	Matosinhos	100,00%	35,07%	100,00%	35,07%
8)	Plysorol Contreplaques, SAS	a)	France	100,00%	90,84%	100,00%	90,68%
	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, Lda	a)	Maia	96,00%	33,67%	96,00%	33,67%
1)	Solasa - Sociedade de Lavandaria, Lda	a)	Porto	100,00%	99,75%	100,00%	100,00%
1)	Solinca - Catering e Eventos, S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
1)	Solinca II - Gestão e Serviços de Hotelaria, S.A.	a)	Lisboa	100,00%	99,75%	100,00%	100,00%
	Solifitness - Club Malaga, S.L.	a)	Malaga (Spain)	100,00%	99,75%	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%
	Sopair, S.A.	a)	Madrid (Spain)	60,00%	30,10%	60,00%	30,10%
	Sotagua - 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%	99,75%	100,00%	100,00%
Others							
6)	Barmins - Serviços e Gestão Imobiliária, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Sonae 3P, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sonae Investimentos América Latina, Lda	a)	São Paulo (Brazil)	99,99%	99,99%	99,99%	99,99%

	Sonaegest - Sociedade Gestora de Fundos de Investimentos, S.A.	a)	Maia	100,00%	82,85%	100,00%	82,77%
3)	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) Company dissolved in the period;
- 2) Formerly - 5ª Coluna - Gestão e Promoção de Emp. Imobiliários, S.A.;
- 3) Company sold in May 2003;
- 4) Company incorporated in the period.
- 6) Company sold in 2003;
- 7) Companies shown under Modelo Continente in the previous period;
- 8) Companies shown under Sonae Indústria in the previous period.

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

COMPANY	Registered Office	% Capital Held				
		03.12.31		02.12.31		
		Direct	Total	Direct	Total	
Sonae Indústria						
12)	Comfloresta - Companhia Catarinense de Empreendimentos Florestais, S.A.	Brazil	36,00%	20,51%	36,00%	20,48%
Modelo Continente						
1)	Crediuniverso - Serviços de Marketing, S.A.	Maia	50,00%	37,84%	50,00%	37,77%
Sonae Imobiliária						
	Aegean Park Constructions, Real Estate and Development, S.A.	Athens (Greece)	50,00%	33,52%	50,00%	33,52%
5) 7)	Ascendente, SGPS, S.A.	Maia	25,05%	16,79%	100,00%	67,04%
	Capital Plus - Investimentos e Participações, S.A.	Vila Nova de Gaia	25,05%	16,79%	50,00%	33,52%
	CCG - Centros Comerciais de Gaia, S.A.	Vila Nova de Gaia	25,05%	16,79%	50,00%	33,52%
	Empreendimentos Imobiliários Colombo, S.A.	Lisboa	25,05%	16,79%	50,00%	33,52%
	Hospitalet Center, S.L.	Barcelona (Spain)	12,49%	8,38%	50,00%	33,52%
	Iberian Assets, S.A.	Barcelona (Spain)	24,94%	16,72%	50,00%	33,52%
2) 9)	Viacatarina Holdings, SGPS, S.A.	Lisboa	50,00%	33,52%	50,00%	33,52%
	Inmolor, S.A.	Barcelona (Spain)	24,94%	16,72%	50,00%	33,52%
	Inparsa - Industrias e Participações, SGPS, S.A.	Maia	25,05%	16,79%	50,00%	33,52%
	Lisedi – Urbanização e Edifícios, S.A.	Maia	25,05%	16,79%	50,00%	33,52%
	LL Port Retail SGPS, S.A.	Vila Nova de Gaia	25,05%	16,79%	50,00%	33,52%
	Sintra Retail Park - Parques Comerciais, S.A.	Maia	25,05%	16,79%	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	25,05%	16,79%	50,00%	33,52%
	Unishopping Administradora, Lda	São Paulo (Brazil)	50,00%	33,52%	50,00%	33,52%
	Viacatarina - Empreendimentos Imobiliários, S.A.	Maia	25,05%	16,79%	50,00%	33,52%
	WXI - Grupo Lar Parque Principado, SL	Madrid (Spain)	25,00%	16,76%	25,00%	16,76%
6)	Vasco da Gama - Promoção de Centros Comerciais, S.A.	Maia	25,05%	16,79%	100,00%	67,04%
	Zubiarte Inversiones Inmobiliarias, S.A.	Barcelona (Spain)	49,80%	33,39%	50,00%	33,52%
SonaeCom						
11)	Exit Travel - Agência de Viagens, Turismo e Lazer Online, S.A.	Maia	37,50%	31,05%	37,50%	31,05%
8)	Global S 24, SGPS, S.A.	Matosinhos	16,18%	13,40%	-	-
	Global S - Centro Comercial Lda	Matosinhos	16,55%	13,70%	24,97%	20,67%
3)	Global S - Distribuição e Logística, Lda	Matosinhos	25,05%	20,74%	25,05%	20,74%
3)	Global S - Marketing e Serviços, Lda	Matosinhos	18,79%	15,55%	18,79%	15,55%
	Global S - Tecnologias de Informação Lda	Matosinhos	24,28%	20,10%	16,71%	13,83%
	Global S, SGPS, S.A.	Matosinhos	32,37%	26,80%	25,05%	20,74%
3)	Global S - Consultadoria Empresarial, Lda	Matosinhos	25,05%	20,74%	25,05%	20,74%
	Investimento Directo - Sociedade Financeira de Corretagem, S.A.	Lisboa	55,00%	45,53%	55,00%	45,54%
3)	Myplace - Conteúdos Imobiliários na Internet S.A.	Maia	33,35%	27,61%	33,35%	27,61%
	Net Mall SGPS, S.A.	Maia	50,00%	41,40%	50,00%	41,40%
10)	Portais Verticais.com, S.G.P.S.,S.A.	Lisboa	50,00%	41,40%	50,00%	41,40%
Sonae Capital						
8)	Bar-Bar-Idade Glass - Serviços de Gestão e Investimentos, S.A.	Porto	49,97%	49,97%	-	-
	ba - Fábrica de Vidros Barbosa & Almeida, S.A.	Porto	49,97%	49,97%	49,97%	49,97%
4)	Sodesa, S.A.	Lisboa	50,00%	50,00%	50,00%	50,00%
4)	TP - Sociedade Térmica, S.A.	Porto	50,00%	50,00%	50,00%	50,00%

- 1) Company sold in the period;
- 2) Formerly - ING RPI Porto Investment - Gest. e Prom. de Centros Comerciais, SGPS, Lda;
- 3) Companies dissolved in the period;
- 4) Companies excluded from the previous period due to immateriality;
- 5) 50% of the share capital of the company was sold, and as from that date the equity method was used;
- 6) 50% of its holding sold, see 5) above, and as from that date the equity method was used.
- 7) Company merged into Vasco da Gama - Promoção de Centros Comerciais, S.A.;
- 8) Company incorporated in 2003;

9) Company merged into Viacatarina - Empreendimentos Imobiliários, S.A.;

10) Company included by the equity method until December, when 50% of the shares were acquired changing the ownership position, and being consolidated from that date using the full consolidated method;

11) 50% of its holding acquired, see 10) above, and being consolidated from that date using the full consolidated method;

12) Company included by the equity method until July, when part of the shares were sold 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			
			03.12.31		02.12.31	
			Direct	Total	Direct	Total
Sonae Indústria						
OKO Zentrum NRW	a)	Germany	25,00%	22,22%	25,00%	22,67%
Promodeco - Projecto Imobiliário Decoração e Construção, Lda	a)	Maia	27,60%	26,46%	27,60%	26,42%
Serradora Boix	a)	Barcelona (Spain)	31,25%	28,29%	31,25%	28,33%
Stinnes Holz Gmbh	a)	Germany	35,25%	31,33%	35,25%	31,38%
Modelo Continente						
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	a)	Lisboa	25,00%	18,92%	25,00%	18,89%
Sonae Imobiliária						
Imogreece II, BV	a)	Amsterdam (Netherlands)	50,00%	33,52%	50,00%	33,52%
Imogreece III, BV	a)	Amsterdam (Netherlands)	50,00%	33,52%	50,00%	33,52%
Imogreece IV, BV	a)	Amsterdam (Netherlands)	50,00%	33,52%	50,00%	33,52%
Lamda Pylea, S.A.	a)	Athens (Greece)	19,95%	13,37%	19,95%	13,37%
Micaelense Shopping - Empreendimentos Imobiliários, S.A.	a)	Porto Delgada	50,00%	33,52%	50,00%	33,52%
Segest - Sonae Espansão Gestione, S.R.L	a)	Milan (Italy)	50,00%	33,52%	100,00%	67,04%
2) SIC Indoor - Gestão de Suportes Publicitários, S.A.	a)	Oeiras	35,00%	23,46%	-	-
Sóguia - Sociedade Imobiliária, S.A.	a)	Porto	50,00%	33,52%	50,00%	33,52%
Sonae - Charagionis Services, S.A.	a)	Athens (Greece)	50,00%	33,52%	50,00%	33,52%
2) Sonae Charagionis Property Management, S.A.	a)	Athens (Greece)	50,00%	33,52%	-	-
Torre Colombo Ocidente - Imobiliária, S.A.	a)	Porto	25,05%	16,79%	50,00%	33,52%
Torre Colombo Oriente - Imobiliária, S.A.	a)	Porto	25,05%	16,79%	50,00%	33,52%
6) Transalproject 2000, SRL	a)	Sondrio (Italy)	50,00%	33,52%	100,00%	67,04%
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)	Athens (Greece)	50,00%	33,52%	50,00%	33,52%
Sonaeacom						
Enabler & Retail Consult, Gmbh	a)	Germany	50,00%	27,32%	50,00%	27,32%
1) Produções Digitais Online, S.A.	a)	Matosinhos	49,00%	40,57%	49,00%	40,57%
7) SIRS - Sociedade Independente de Radiodifusão Sonora, S.A.	a)	Porto	45,00%	37,25%	90,00%	74,51%
Unipress - Centro Gráfico, Lda	a)	Vila Nova de Gaia	40,00%	33,12%	40,00%	33,12%
1) Web.com, Software e Soluções Internet, S.A.	a)	Lisboa	100,00%	40,57%	100,00%	40,57%
Sonae Capital						
Andar - Sociedade Imobiliária, S.A.	a)	Maia	50,00%	50,00%	50,00%	50,00%
CarPlus - Comércio de Automóveis, S.A.	a)	Vila Nova de Gaia	50,00%	50,00%	50,00%	50,00%
Change, SGPS, S.A.	a)	Porto	25,00%	25,00%	25,00%	25,00%
Choice Car - Comércio de Automóveis, S.A.	a)	Porto	50,00%	50,00%	50,00%	50,00%
Choice Car SGPS, S.A.	a)	Maia	50,00%	50,00%	50,00%	50,00%
4) Saúde Atlântica - Gestão Hospitalar, S.A.	a)	Maia	50,00%	50,00%	50,00%	50,00%
2) Developpement & Partenariat Assurances, S.A.	a)	Paris (France)	35,00%	35,00%	-	-
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%	49,87%	50,00%	50,00%
Guerin - Rent a Car (Dois), Lda	a)	Lisboa	50,00%	50,00%	50,00%	50,00%
2) 5) Hiperbor - Comércio de Acessórios de Veículos, S.A.	a)	Braga	25,00%	25,00%	-	-
Holdingspar, SGPS, S.A.	a)	Porto	40,00%	40,00%	40,00%	40,00%
Infratroia - Empresa de Infraestruturas de Troia, E.N.	a)	Grandola	25,90%	22,84%	25,10%	25,10%
Interclean, S.A.	a)	Brazil	49,99%	12,77%	49,99%	12,77%
2) Invesaúde - Gestão Hospitalar, S.A.	a)	Maia	50,00%	50,00%	-	-
Lazam Corretora, Ltda	a)	Porto	45,00%	45,00%	45,00%	45,00%
Lidergraf - Artes Gráficas, Lda	a)	Vila de Conde	25,50%	25,50%	25,50%	25,50%
Luso Assistência - Gestão de Acidentes, S.A.	a)	Porto	50,00%	50,00%	50,00%	50,00%
Vastgoed One - Sociedade Imobiliária, S.A.	a)	Maia	50,00%	50,00%	50,00%	50,00%
Vastgoed Sun - Sociedade Imobiliária, S.A.	a)	Maia	50,00%	50,00%	50,00%	50,00%
Norscut - Concessionária de Scut Interior Norte, S.A.	a)	Lisboa	25,00%	25,00%	25,00%	25,00%
Pargeste SGPS, S.A.	a)	Maia	40,00%	40,00%	40,00%	40,00%
Perjovim - Imobiliária e Construções, S.A.	a)	Matosinhos	49,96%	49,96%	49,96%	49,96%
Portuguese Paradise INC	a)	Panama	42,50%	42,39%	42,50%	42,50%
Sociedade de Construções do Chile, S.A.	a)	Lisboa	50,00%	50,00%	50,00%	50,00%
Sociedade Imobiliária Troia - B3, S.A.	a)	Grandola	20,00%	17,64%	20,00%	17,68%
Spel Serviços Auto, S.A.	a)	Maia	50,00%	25,00%	50,00%	50,00%
Others						
3) Portucel Industrial - Empresa Produtora de Pasta e Papel, S.A.	b)	Lisboa	25,00%	25,00%	29,18%	14,59%

a) nr. 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 dissolved in the period;
- 2) Company incorporated or acquired in the period;
- 3) Includes shares sold with suspensive condition as explained in Note 62 below;
- 4) Formerly - CM – Clínica da Maia - Gestão de Projectos de Saúde, S.A.;
- 5) Company merged into Spel Serviços Auto, S.A.;
- 6) 50% of the share capital of the company was sold, and as from that date this undertaking is accounted at cost;
- 7) 45% of the share capital of the company was sold, and as from that date this undertaking is accounted at cost.

NOTE 6. OTHER RELATED UNDERTAKINGS

COMPANY	Registered Office	% Capital Held	
		03.12.31	02.12.31
Altitude Software BV	Netherlands	6,31%	6,31%
4) Altitude, SGPS, S.A.	Lisboa	11,50%	-
1) Banco BPI, S.A.	Porto	-	4,31%
3) Comfloresta - Companhia Catarinense de Empreendimentos Florestais, S.A.	Brazil	4,50%	36,00%
Construction Modulaire de l'Ouest S.A.R.L.	Lisieux (France)	15,00%	15,00%
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%	10,80%
2) Idea Tradema – Belanzos, 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	2,80%	2,26%
Operscut - Operação e Manutenção de Auto-estradas, S.A.	Lisboa	15,00%	15,00%
4) Outsystms, Software de Rede, S.A.	Oeiras	2,03%	-
Sear - Sociedade Europeia de Arroz, S.A.	Santiago do Cacém	15,00%	15,00%
SESI - Sociedade de Ensino Superior e Investigação, S.A.	Porto	9,75%	9,75%
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%
2) Viverfoga	Madrid (Spain)	1,96%	1,96%

- 1) Company sold in the year;
- 2) Company dissolved in the year;
- 3) Company included by the equity method until July, when part of the shares were sold changing the ownership position;
- 4) Company incorporated or acquired in 2003.

NOTE 7. EMPLOYEE INFORMATION

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

<u>By activity:</u>		<u>By grade:</u>	
Wood based panels	6.915	Directors and managers	4.769
Retailing	37.194	Technical	4.639
Real Estate	450	Administrative	4.703
Telecom	2.559	Operational	38.023
Other activities	5.016		
Total	52.134	Total	52.134

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
	03.12.31	02.12.31	
Initial positive goodwill	-26.880.868	-31.674.160	4.793.292
Positive goodwill	1.053.267.640	1.085.496.698	-32.229.058
Negative goodwill	97.185.108	97.802.372	-617.264

The net variance in positive goodwill includes:

- 14,376,734 euro relating to the acquisition of 49.9% of SPDF's share capital;
- 23,257,244 euro negative relating to the sale to a Real Estate Fund of 49.9% of the shoppings in Portugal and Spain held by affiliated undertakings of Sonae Imobiliária, and;
- 24,149,732 euro negative relating to the sale of Consolimar and Palmares Lagos.

NOTE 11. EXCEPTIONS TO CONSISTENCY OF ACCOUNTING PRINCIPLES

The accounting principle used as from 1 January 2001 for recording goodwill arising on consolidation (Note 0.i) above) is not in accordance with generally accepted accounting principles in Portugal which state that such goodwill must be shown as an intangible asset and be amortised on a straight line basis over the period estimated to recover related investments. Had the company applied this principle of the Portuguese Official Chart Of Accounts and maintained the amortisation rates used until 31 December 2000, intangible assets and shareholder's funds would be higher by 755,651,199 euro and amortization for the year would increase by 66,394,576 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) Ecociclo - Energia e Ambiente, S.A.
- c) Investalentejo, SGPS, S.A.
- d) Portucel Espanha
- c) Sulpac - Empresa Produtora de Embalagens de Cartão, S.A.

Modelo Continente

- a) Carnes do Continente - Ind.e Distribuição de Carnes, S.A.
- a) Contibomba - Comércio e Distribuição de Combustíveis, S.A.
- a) Imoponte - Sociedade Imobiliária, S.A.
- a) Imoresultado - Sociedade Imobiliária, S.A.
- b) Max Mat Espanha, Distribucion de Materiales de Construcción, S.A.
- b) Modelo - Distribuição de Materiais de Construção, S.A.
- a) Todos os Dias - Com. Ret. e Exploração de Centros Comerciais, S.A.

Sonae Imobiliária

- a) Centerstation - Imobiliária, S.A.
- a) Centro Retail Park - Parques Comerciais, S.A.
- a) Imobrazil II BV
- a) Imobrazil III BV
- a) Parque Jóquei - Empreendimentos Comerciais, Ltda
- a) Patio Penha Shopping, Ltda
- a) Sonae Imobiliária Brazil, Ltda
- c) Sonae Imobiliaria European Real Estate Assets Holdings B.V.

Sonaecom

- d) Exit Travel - Agência de Viagens, Turismo e Lazer Online, S.A.
- a) M3G - Edições Digitais, S.A.
- c) Mainroad - Serviços em Tecnologias de Informação, S.A.
- d) Portais Verticais.com, S.G.P.S., S.A.
- d) Situs - Exploração de Torres de Telecomunicações e Sites, S.A.

Sonae Capital

- a) Elmo, SGPS, S.A.

Others

- a) Imoplamac – Gestão de Imóveis, S.A.
- a) Companies excluded in 2002;
- b) Company included by the equity method in 2002;
- c) Company incorporated in 2003;
- d) Companies acquired during the year.

- Equity method

Sonae Imobiliária

- b) Ascendente, SGPS, S.A.
- b) Vasco da Gama - Promoção de Centros Comerciais, S.A.

Sonae Capital

- a) Sodesa, S.A.
- a) TP - Sociedade Térmica, S.A.
- a) Companies excluded in 2002;
- b) 50 % of Ascendente, SGPS, SA shares sold in the period. Consequently, this company an its affiliated Vasco da Gama - Promoção de Centros Comerciais, S.A., since that date, are included by the equity method.

During the year ended at 31 December 2003 the following companies were excluded from consolidation:

- Full consolidation method

Sonae Indústria

- a) Industrias Químicas del Carbono, S.A.
- a) Poliface Componentes y Sist.para Mobiliário y Construccion, S.L.

Modelo Continente

- b) Max Mat España, Distribucion de Materiales de Construccion, S.A.

Sonae Imobiliária

- b) SPEL - Sociedade de Parques de Estacionamento, S.A.

Sonaecom

- a) Fun Online - Actividades Lúdicas, S.A.
- a) Harpa, Beheer, BV
- a) Move On SGPS, S.A.
- a) Santo Bosque - Espaço de Entretenimento Lda
- b) SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.

Sonae Capital

- b) Consolimar - Urbanizadora Internacional, S.A.
- a) Imohora - Imobiliária, S.A. por dissolução;
- b) Palmares - Companhia de Empreendimentos Turísticos de Lagos, S.A.
- b) Palmares Investimentos e Urbanizações, S.A.
- b) Solução - Apoio à Gestão, S.A.por alienação.
- a) Torre São Rafael - Imobiliária, S.A.

- a) Companies dissolved during the period;
- b) Companies sold during the period;

- Equity method

Sonae Indústria

- c) Comfloresta - Companhia Catarinense de Empreendimentos Florestais, S.A.

Modelo Continente

- b) Crediuniverso - Serviços de Marketing, S.A.

Sonaecom

- a) Global S - Distribuição e Logística, Lda
- a) Global S - Marketing e Serviços, Lda
- a) Global S - Consultadoria Empresarial, Lda
- a) Myplace - Conteúdos Imobiliários na Internet S.A.

- a) Companies dissolved during the period;
- b) Companies sold during the period;
- c) Decrease of the ownership position.

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 2003, the responsibilities for guarantees given by the companies included in the consolidation can be analysed as follows:

	euro
Guarantees (1)	801.789.128
Securities deposited	18.612.520
Mortgages and charges	496.020.003
Pledges and floating charges	2.946.200
Others	69.371.395

(1) Includes 16,624,056 euro due to a legal process contesting the additional payment of Income Taxation. No provision was made because no estimated loss is expected to arise.

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

V - INFORMATION REGARDING ACCOUNTING POLICIES

NOTE 23. VALUATION METHODS

See Note 0 - Principal Accounting Policies

NOTE 24 - EXCHANGE RATES USED TO CONVERT TO EURO

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

	Rate at	
	03.12.31	Average rate
Swiss Franc	0,64189	0,65794
Pound Sterling	1,41884	1,44620
Brazilian Real	0,27288	0,28918
South African Rand	0,12008	0,11770
Canadian Dollar	0,61599	0,63253

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 2003 for which costs were capitalised:

Company	Project	euro
Sonae Distribuição Brazil, S.A.	New stores opened and store renovation costs	4.349.403
Tableros de Fibras, S.A.	Cost with capital increases	2.270.105

NOTE 27. DETAILS OF FIXED ASSETS

Movements in consolidated fixed assets and in depreciation and provisions during the year ended in 31 December 2003 can be summarised as follows:

GROSS COST OR VALUATION							euro
Items	At 1 January 2003	Expenditure	Disposals	Changes in Consolidation Perimeter d)	Transfers and Adjustments c)	At 31 December 2003	
Intangible assets:							
Start-up costs	328.511.399	10.817.440	520.226	7.133.509	-86.822.613	259.119.509	
Research and development costs	75.681.810	1.202.296		616.112	-424.006	77.076.212	
Patents and other similar rights	20.704.936	5.207.551	1.422.643	91.673	3.787.997	28.369.514	
Premiums paid for property occupation rights	24.034.407	504.149		65.083	-457.743	24.145.896	
b) In progress	133.966.530	49.530.405	669.739	3.160	-12.682.734	170.147.622	
	582.899.082	67.261.841	2.612.608	7.909.537	-96.599.099	558.858.753	
Tangible Assets:							
Land	432.037.470	4.882.179	5.469.130	1.198.553	-3.302.241	429.346.831	
Buildings	1.832.683.969	15.596.922	16.179.836	-47.392.012	62.457.101	1.847.166.144	
Plant and machinery	2.946.082.569	38.737.071	21.639.760	-6.588.130	136.785.651	3.093.377.401	
Vehicles	44.068.369	2.668.418	3.127.668	870.422	1.164.941	45.644.482	
Tools	11.194.169	623.363	272.672	-113.072	2.410.101	13.841.889	
Fixtures and fittings	389.050.322	10.384.148	11.986.093	1.322.694	53.601.164	442.372.235	
Containers	273.720	10.089			-307	283.502	
Others	46.352.410	1.811.463	98.326	-2.162.591	5.023.775	50.926.731	
b) In construction	228.691.288	320.180.536	7.367.963	1.448.743	-287.170.772	255.781.832	
Advances	30.449.379	11.221.401	2.898.002		-6.193.422	32.579.356	
	5.960.883.665	406.115.590	69.039.450	-51.415.393	-35.224.009	6.211.320.403	
Investments:							
a) Shares in related (including associated) undertakings	282.661.132	15.307.851	44.912.403	-8.940.943	-38.225.257	205.890.380	
Loans to related (included associated) undertakings	135.923.647	155.665.580	155.681.576	26.553.243	-1.097.053	161.363.841	
Shares in other undertakings	244.189.280	7.096.273	41.125.335			210.160.218	
Other investments other than loans	78.287.350	6.324.756	63.736.762		-9.097.138	11.778.206	
Loans to other undertakings	355.119	3	21			355.101	
In progress	598.799	914.556	241			1.513.114	
Advances	1.802.426	4.567.546	91.186	-1.981.500	-1.022.936	3.274.350	
	743.817.753	189.876.565	305.547.524	15.630.800	-49.442.384	594.335.210	

a) Shares in related (including associated) undertakings include -24,580,989 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
Fortuna del Piero project		63.107.567
Luz del Tajo project		26.770.733
Plaza Eboli project		12.447.861
Dos Mares project		13.077.711
Boavista Shopping project		12.627.847
Continente, Modelo and Worten stores		23.586.744
UMTS licence		133.092.912
Deployment of mobile network		26.297.459
Troia project		8.751.103
		<u>319.759.937</u>

c) Includes 1,156,094 euro relating to exchange differences arising from the translation of opening investments in foreign affiliated undertakings. During 2003, a brazilian affiliated undertaking has written off net intangible assets amounting to 42 million euro. This write off was recorded against "Other reserves", according to Portuguese Accounting Standard 8, since those costs were incurred in prior years.

b) Includes -102,848,496 euro relating to fixed assets of affiliated undertakings disposed of during the year.

Accumulated depreciation and provisions:							euro
Items	At 1 January 2003	Charge for the year	Disposals	Changes in Consolidation Perimeter b)	Transfers and Adjustments a)	At 31 December 2003	
Intangible Assets:							
Start-up costs	179.482.004	52.298.220	243.743	4.023.914	-51.946.186	183.614.209	
Research and development costs	42.173.330	12.402.744		494.831	-1.929.805	53.141.100	
Patents and other similar rights	11.927.099	3.177.151	1.282.287	62.068	-56.739	13.827.292	
Premiums paid for property occupation rights	7.613.683	2.358.571		6.509	-19.417	9.959.346	
	<u>241.196.116</u>	<u>70.236.686</u>	<u>1.526.030</u>	<u>4.587.322</u>	<u>-53.952.147</u>	<u>260.541.947</u>	
Tangible assets:							
Land	2.709.177	44.622	3.323		19.653	2.770.129	
Buildings	294.381.775	48.087.355	1.786.270	-2.400.305	-28.386	338.254.169	
Plant and machinery	1.195.594.248	210.461.670	12.665.805	-2.704.981	-4.990.250	1.385.694.882	
Vehicles	37.234.298	3.537.452	2.259.828	630.224	-348.560	38.793.586	
Tools	8.458.737	1.803.633	207.958	-104.231	-66.100	9.884.081	
Fixtures and fittings	136.483.566	41.507.185	8.239.921	368.211	-575.011	169.544.030	
Containers	270.134	3.898			-308	273.724	
Others	32.471.955	4.473.584	72.067	-1.589.751	50.419	35.334.140	
	<u>1.707.603.890</u>	<u>309.919.399</u>	<u>25.235.172</u>	<u>-5.800.833</u>	<u>-5.938.543</u>	<u>1.980.548.741</u>	
Investments							
Shares in related (including associated) undertakings	55.754.686	7.992.958	5.782.997			57.964.647	
Loans to related (including associated) undertakings	15.852.165	9.373.625	7.648.632		8.531.358	26.108.516	
Other financial assets	10.648.790				-10.254.000	394.790	
Other loans	81.820					81.820	
	<u>82.337.461</u>	<u>17.366.583</u>	<u>13.431.629</u>		<u>-1.722.642</u>	<u>84.549.773</u>	

a) Includes -211,963 euro relating to exchange differences arising from the translation of opening investments in foreign affiliated undertakings;

b) Includes -12,268,610 euro relating to depreciation of affiliated undertakings disposed 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 6,849,713 euro.

NOTE 33. AMOUNTS OWING REPAYABLE AFTER MORE THAN FIVE YEARS

The consolidated balance sheet includes 746,942,282 euro of amounts owing repayable after more than five years.

NOTE 34. AMOUNTS OWING TO THIRD PARTIES COVERED BY GUARANTEES

At 31 December 2003 the amounts covered by guarantees given by companies included on consolidation were as follows:

	euro
Pledges and floating charges	410.677.573
Mortgages and charges	421.946.591

NOTE 36. TURNOVER ANALYSIS BY ACTIVITY AND MARKET

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

	euro	
	03.12.31	02.12.31
a) By activity:		
Wood based panels	1.422.448.266	1.464.027.406
Retailing	3.458.870.049	3.532.699.777
Real estate	265.341.829	236.557.513
Telecom	810.844.920	762.435.404
Sonae Capital	287.699.144	264.738.968
Others	14.511.507	15.204.337
Total	6.259.715.715	6.275.663.405
	euro	
	03.12.31	02.12.31
b) By market:		
Portugal	3.931.930.370	3.814.913.795
Spain	273.825.000	283.233.025
France	243.654.629	220.053.371
Germany	251.860.328	270.704.320
United Kingdom	123.102.092	154.351.361
South America	986.507.303	1.156.727.030
Canada	64.754.639	53.328.415
Others	384.081.354	322.352.088
Total	6.259.715.715	6.275.663.405

NOTE 38. DEFERRED TAXATION

At 31 December 2003 and 2002, details of deferred tax assets and liabilities may be shown as follows, split between the different types of temporary differences:

	euro			
	Deferred Tax Assets		Deferred Tax Liabilities	
	03.12.31	02.12.31	03.12.31	02.12.31
Fixed assets revaluations			22.151.077	27.091.359
Reinvested gains on disposals of fixed assets			4.912.978	6.368.460
Losses carried forward	169.536.955	175.124.035		
Depreciation disallowed for tax purposes	1.414.834		287.332	95.441
Harmonisation adjustments			77.550.485	70.477.439
Other	402.582	620.224	3.843.322	5.099.280
	171.354.371	175.744.259	108.745.194	109.131.979

Movements in deferred taxes during the year ended 31 December 2003 and 2002 were as follows:

	euro			
	Deferred Tax Assets		Deferred Tax Liabilities	
	03.12.31	02.12.31	03.12.31	02.12.31
Balance as at 1 January	175.744.259	125.648.835	109.131.979	78.483.129
Credits / (charges) to the profit and loss account:				
Depreciation arising on fixed assets revaluations			-668.875	-790.192
Depreciation arising on reinvested gains on disposals of fixed assets			-130.311	-117.073
Losses carried forward	8.439.019	67.217.910		
Harmonisation adjustments			8.698.508	17.056.188
Tax rate change effects	-12.177.757	-208.317	-6.676.565	-906.231
Other	-1.548.961	-173.368	-554.134	1.073.775
	-5.287.699	66.836.225	668.623	16.316.467
Credits / (charges) to retained earnings:				
Reinvested gains on disposals of fixed assets			-205.763	4.586.387
Fixed assets revaluations			-1.672.927	12.255.139
Exchange differences	489.231	-20.232.314	-13.079	-3.353.688
Losses carried forward	-672.046	235.237	-473.240	
Other	1.080.626	3.256.276	1.309.601	844.545
	897.811	-16.740.801	-1.055.408	14.332.383
Balance as at 31 December	171.354.371	175.744.259	108.745.194	109.131.979

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

	euro
Board of Directors	3.942.151
Auditor's annual remuneration	3.998.315

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	euro		
	Historical cost a)	Revaluations a) b) c)	Accounts Value a)
Tangible assets:			
Land	330.289.030	96.287.672	426.576.702
Buildings	1.390.264.178	118.647.797	1.508.911.975
Plant and machinery	1.702.520.339	5.162.180	1.707.682.519
Vehicles	6.567.235	283.661	6.850.896
Tools	3.955.683	2.125	3.957.808
Fixtures and fittings	272.817.944	10.261	272.828.205
Containers	9.778		9.778
Others	15.520.350	72.241	15.592.591
	<u>3.721.944.537</u>	<u>220.465.937</u>	<u>3.942.410.474</u>

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 140,031,290 euro.

NOTE 44. ANALYSIS OF NET FINANCIAL CHARGES

	euro	
	03.12.31	02.12.31
Charges		
Interest expense	205.930.364	230.939.929
Provisions for short term investments	4.617.655	13.806.655
Exchange losses	20.040.073	28.493.282
Payment discounts given	16.992.109	9.070.449
Loss on disposal of short term investments	4.772	6
a) Other financial charges	74.200.789	72.029.333
Net financial charges	<u>-228.799.880</u>	<u>-253.354.617</u>
	<u>92.985.882</u>	<u>100.985.037</u>
Income		
Interest income	42.288.167	39.823.561
Freehold property income		1.309
Dividends received	10.159.677	12.197.813
Exchange gains	9.697.403	9.617.058
Payment discounts received	25.763.316	24.978.465
Gain on disposal of short term investments	124.270	4.245.509
Other financial income	4.953.049	10.121.322
	<u>92.985.882</u>	<u>100.985.037</u>

a) Includes mainly costs incurred with automatic payment systems;

NOTE 45. ANALYSIS OF EXTRAORDINARY ITEMS

euro		
Charges	03.12.31	02.12.31
Donations	964.692	1.708.349
Doubtful debts written off	11.923.697	8.252.682
Abnormal stock losses	3.778.757	3.011.213
Loss on the sale of fixed assets	38.217.527	22.699.807
Fines and penalties paid	1.517.808	2.390.231
Exceptional depreciation and provisions	79.362.404	21.195.624
Charges relating to prior years	18.279.287	21.651.336
Others	26.243.948	75.899.223
Net extraordinary gains	<u>330.769.423</u>	<u>-26.378.269</u>
	<u>511.057.543</u>	<u>130.430.196</u>
<hr/>		
Income	03.12.31	02.12.31
Taxes refunded	5.054.092	627.731
Collection of doubtful debts written off	396.331	642.597
Abnormal stock gains	329.907	838.808
a) Gain on the sale of fixed assets	414.589.500	20.612.209
Contractual penalties received	832.755	6.020.696
Write back of provisions and depreciation	48.925.017	52.799.450
Gains relating to prior years	16.778.179	9.601.028
Others	<u>24.151.762</u>	<u>39.287.677</u>
	<u>511.057.543</u>	<u>130.430.196</u>

a) Includes gains on sales of investments in the amount of 403,661,468 Euro.

NOTE 46. ANALYSIS OF PROVISIONS AS OF 31 DECEMBER 2003 AND MOVEMENT DURING THE YEAR

The accumulated provisions at 31 December 2003 and movements during the year are as follows:

euro				
Provisions	At	Provisions created	Provisions written back	At
	1 January 2003			31 December 2003
Provisions for short term investments	63.721	18.256	6.390	75.587
Provisions for doubtful debts	129.462.295	37.700.253	29.960.732	137.201.816
Provisions for other risks and charges	101.314.500	79.925.624	32.214.098	149.026.026
Provisions for stock obsolescence	16.059.156	10.817.930	10.720.512	16.156.574
Provisions for fixed asset investments	<u>82.337.461</u>	<u>9.179.684</u>	<u>6.967.372</u>	<u>84.549.773</u>
	<u>329.237.133</u>	<u>137.641.747</u>	<u>79.869.104</u>	<u>387.009.776</u>

NOTE 47. FINANCIAL LEASING AND LONG TERM RENTAL CONTRACTS

Items	euro
Tangible assets:	
Land	7.598.031
Buildings	25.881.131
Plant and machinery	32.718.242
Vehicles	771.463
Fixtures and fittings	11.908
Containers	4.544.523
Others	<u>841.568</u>
	<u>72.366.866</u>

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	1.422.448.266	3.458.870.049	265.341.829	810.844.920	287.699.144	14.511.507	6.259.715.715
Depreciation of fixed assets	132.252.818	104.219.921	19.232.006	112.105.392	10.315.301	3.843.322	381.968.760
Provisions	14.163.155	9.444.225	1.566.937	20.842.302	5.124.810	159.435	51.300.864
Operating profit	4.112.460	176.564.909	48.709.064	-1.722.407	-12.753.102	-11.669.767	203.241.157
Net Financial charges	-80.790.021	-68.145.959	-12.018.457	-28.902.670	-27.347.632	-11.595.141	-228.799.880
Profit/(Loss) on ordinary activities	-76.677.561	108.418.950	36.690.607	-30.625.077	-40.100.734	-23.264.908	-25.558.723
Net Extraordinary gains/(losses)	19.636.449	-6.404.275	352.243.573	-1.687.699	-51.541.594	18.522.969	330.769.423
Gains/(Losses)							
in associated undertakings	-1.726.203	131.775	4.038.619	-1.177.667	7.098.598		8.365.122
Profit before							
income tax	-58.767.315	102.146.450	392.972.799	-33.490.443	-84.543.730	-4.741.939	313.575.821
Profit before							
minority interests	-61.369.266	84.344.490	380.633.411	-49.109.688	-84.373.544	-5.150.249	264.975.154
Operating Cash-Flow							
(EBITDA)	150.528.434	290.229.056	69.508.007	131.225.287	2.687.007	-7.667.010	636.510.781

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

	Wood Based		Real		Sonae		euro
	Panels	Retailing	Estate	Telecom	Capital	Others a)	Consolidated
Fixed assets							
Intangible	36.503.766	43.279.050	15.953.508	187.250.040	13.244.107	2.086.335	298.316.806
Tangible	1.380.047.872	1.176.889.210	716.430.853	671.732.483	240.420.479	45.250.765	4.230.771.662
Investments	13.932.320	2.977.949	190.948.844	4.939.539	86.563.067	209.423.718	508.785.437
Stocks	189.195.676	390.623.777	97.610	8.278.704	94.507.191	-2.610.514	680.092.444
Others	436.444.161	522.775.606	315.282.469	516.424.449	150.344.413	15.444.914	1.956.716.012
Total Assets	2.056.123.795	2.136.545.592	1.238.713.284	1.388.625.215	585.079.257	269.595.218	7.674.682.361
Liabilities							
Long-term	436.237.588	643.271.941	450.073.388	466.590.350	59.786.820	808.081.964	2.864.042.051
Short-term	619.173.992	1.026.732.327	234.752.962	210.228.857	207.984.513	272.744.481	2.571.617.132
Other liabilities	234.909.890	124.973.822	285.672.941	153.652.852	99.249.785	8.407.891	906.867.181
Total liabilities	1.290.321.470	1.794.978.090	970.499.291	830.472.059	367.021.118	1.089.234.336	6.342.526.364
Net Investment	49.278.080	115.615.252	5.624.946	121.843.489	26.446.599	-96.174.407	222.633.959
Investments							
- equity method	853.766		76.429.366	4.354.238	14.657.317		96.294.687
Total Debt	714.970.662	918.858.995	472.663.537	476.481.624	115.407.622	527.447.076	3.225.829.516
Net Debt	663.034.098	600.510.787	265.224.700	411.718.202	107.019.639	526.687.480	2.574.194.906

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

Others	euro
Sources	
Bank debt	527.447.076
Cash and equivalents	-759.596
Net bank debt	526.687.480
Sonae Imobiliária	105.000.000
Sonaecom	79.650.000
Intercompany short term loans obtained	184.650.000
Total Inflows	711.337.480
Outflows	
Sonae Indústria	339.431.094
Sonae Capital	135.486.954
Intercompany loans granted	474.918.048

"Others" include mainly Sonae SGPS, Sonae Investments BV and SPDF, SGPS.

NOTE 51 - RECONCILIATION OF CONSOLIDATED NET PROFIT

	euro	
	03.12.31	02.12.31
Aggregate net profit	302.231.067	-1.041.608.567
Harmonisation adjustments (a)	165.536.592	246.569.171
Elimination of intragroup dividends	-226.560.572	-97.243.753
Elimination of intragroup capital gains and losses	-293.993.390	839.625.322
Elimination of intragroup provisions	-11.431.117	7.430.061
Consolidation adjustments to gains/(losses) on sales of investments	320.340.520	-2.883.412
Others	8.852.054	-1.322.408
Consolidated net profit for the year before minority interests	264.975.154	-49.433.586

(a) Includes 68,941,990 euro relating to harmonisation of depreciation policies referred to in note 0.f).

NOTE 52. ACCRUALS AND DEFERRALS

1) Accrued income

Includes:

	euro	
	03.12.31	02.12.31
Deferred tax assets	171.354.371	175.744.259
Discounts receivable from suppliers	7.982.834	16.441.359
Invoices to be issued (a)	45.157.382	45.048.535
Contracts relating to assets under construction	4.630.455	1.808.338
Other revenues	26.597.096	30.368.152
	255.722.138	269.410.643

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

2) Deferred charges

Includes:

	euro	
	03.12.31	02.12.31
Customer acquisition costs (a)		
Handsets	56.952.858	81.285.623
Publicity	106.353.219	112.666.093
Others	103.030.526	100.800.654
	266.336.603	294.752.370

(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	
	03.12.31	02.12.31
Holiday pay and bonuses	102.130.346	96.881.611
Deferred tax liabilities	108.745.194	109.131.979
Discounts payable to trade debtors	13.188.335	12.750.597
Interest payable	19.407.105	24.862.975
Commissions	11.234.461	9.953.056
Invoices to be issued (a)	27.796.322	27.185.586
Others	111.988.471	91.971.486
	394.490.234	372.737.290

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

4) Deferred income

Includes:

	euro	
	03.12.31	02.12.31
Investment subsidies	96.701.001	95.096.175
Key money received from tenants	34.104.379	31.406.061
Deferred clients revenues	25.011.094	30.703.412
Others	207.534.447	64.122.930
	<u>363.350.921</u>	<u>221.328.578</u>

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

This caption includes the following:

	euro	
	03.12.31	02.12.31
Suppliers - debit balances	31.968.556	23.044.166
Credit sales to third parties	13.347.378	17.619.505
Accounts receivable from the sale of investments	6.014.345	6.574.943
Investment subsidies	5.561.553	20.136.021
Current accounts - factoring	4.532.250	9.958.226

NOTE 54. OTHER CREDITORS

1) AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes:

	euro	
	03.12.31	02.12.31
Subscribers of capital	-	76.494.659
Current accounts - Factoring	54.176.533	58.818.521

2) AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

a) Includes 25,045,522 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 28,709,514 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. It also includes the price paid by the Santander Group in the subscription of the capital increase, which has occurred in January.

c) Includes the price paid by a financial institution in the sale with suspensive condition of shares in Portucel - Empresa Produtora de Pasta de Papel, S.A., as mentioned in Nota 62. 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. In October 2003, the balance outstanding amounting to 33,713,560 euro was fully repaid;

MODELO CONTINENTE / 99 with warrants amounting to 25,000,000 euro, repayable in full after 5 years, on the due date (31 December 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 2003, the group holds 1,874,355 Modelo Continente / 99 bonds, recorded at acquisition cost (9,210,580 euro) as a reduction to the caption "Loans – non convertible bonds".

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

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. In March 2003 the balance outstanding amounting to 21,029,170 euro was fully repaid;

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. This loan is recorded under the caption "Short-term liabilities" and was fully repaid on its maturity.

SONAE / 97 amounting to 149,639,369 euro repayable after 10 years, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate 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%. In January 2003 a partial redemption of 27,963,842 euro was made, consequently, the amount outstanding at 31 December 2003 is of 11,939,990 euro;

SONAE IMOBILIÁRIA / 99 amounting to 50,000,000 euro repayable in full in December 2006. Earning interest at an interest rate equal to Euribor 6 months plus 0.5% from the 1st to the 10th coupon and Euribor 6 months plus 0.55% from the 11th to the 14th coupon. This loan has a put option in 2004 and therefore is disclosed as a short-term liability.

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%. In the first half of 2003 a partial redemption of 6,911,639 euro was made, consequently, the amount outstanding at 31 December 2003 is of 23,138,966 euro;

¹ Subsequently changed to Euribor

Bonds totalling 378,781,461 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 400,000,000 euro, repayable in 2006, bearing interest payable at normal market rates obtained by an affiliated undertaking of Modelo Continente from a syndicate of banks. As at 31 December 2003, 340,000,000 euro are recorded under the caption "Bank Loans - amounts falling due after more than one year" and 60,000,000 euro are recorded under the caption "Bank Loans - amounts falling due within one year".

A bank loan of 128,452,462 brazilian real (58,912,000 euro), repayable in 2007, bearing interest payable half yearly at normal market rates, obtained by an affiliated undertaking of Modelo Continente in Brazil, net of exchange rate hedging financial instruments amounting to 288,408,750 brazilian real (nearly 78,700,980 euro at year end exchange rate). At 31 December 2003 the valuation of this financial instrument amounts to 87,437,306 brazilian real (nearly 23,859,892 euro). The Board of Directors considers that this financial instrument was set up solely for the purpose of hedging the exposure arising from the loan and that it will be unwound once the loan is repaid. Consequently, "Bank Loans - amounts falling due after more than one year" disclose the net of the loan and the related exchange rate hedge;

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 an affiliated undertaking of Sonae Imobiliária; as at 31 December 2003, 972,656 euro are recorded under the caption "Bank Loans - amounts falling due within one year".

Loans by credit facility contracts are obtained by an affiliated undertaking of Sonae Imobiliária in the total amount of 80,062,792 euro, of which 63,737,128 euro had been used as at 31 December 2003, repayable as from 2009;

A bank loan of 122,856,000 euro, contracted by an affiliated undertaking of Sonae Imobiliária. 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 undertakings 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 61,114,696 euro are repayable in the short term. In July 2003 a new financing agreement with another syndicate of banks, amounting to 575,000,000 euro and repayable between the third and eighth years, replaced the previous one. As at 31 December 2003, 420,458,200 euro are outstanding;

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

Bank loans of 64,308,000 euro, obtained by an affiliated undertaking of Sonae SGPS from a syndicate of banks in 2001. The loan bears interest at normal market rates and is repayable in twenty quarterly instalments with a two year grace period.

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

NOTE 57. OTHER BANK LOANS

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

NOTE 58. TAXES RECOVERABLE

1) AMOUNTS FALLING DUE WITHIN ONE YEAR

This caption includes 15,399,623 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 15,587,984 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.

In January 2003 the Santander Group subscribe shares representing 5.7% of the capital increase of the Modelo Continente, SGPS, SA, under the same contractual principles. Consequently, at 31 December 2003, the Santander Group holds 18.65% of the share capital of this company.

NOTE 62 – FINANCIAL DERIVATIVE

On 30 April 2003, the Company signed a financial derivative agreement, under which it has an option to acquire 116,625,111 shares of Portucel – Empresa Produtora de Pasta de Papel, S.A. at the same share price they were acquired by the financial institution to an affiliated undertaking under a sale agreement with suspensive condition clauses. The financial institution has the right to sell these shares in the open market provided the company does not oppose the sale.

Under these agreement, and since control over these shares is maintained, the consolidated financial statements still present, in the caption "Investments", the acquisition cost of that undertaking. The amount to be paid to the financial institution in case of exercise of the above mentioned option is recorded as a liability and the costs related to this derivative are included in the consolidated profit and loss account under the caption "Interest and similar charges".

The Board of Directors

SONAE, SGPS, S.A.

Consolidated Cash Flow Statement for the year 2003

	03.12.31	02.12.31	Euro
OPERATING ACTIVITIES:			
Cash receipts from trade debtors	6.236.139.204	6.292.256.629	
Cash paid to trade creditors	-4.647.367.529	-4.854.526.771	
Cash paid to employees	-786.817.876	-791.180.229	
Cash flow generated by operations	801.953.799	646.549.629	
Income taxes paid / received	-28.723.859	-24.558.057	
Other cash receipts and payments relating to operating activities	21.370.068	21.165.263	
Cash flow generated before extraordinary items	794.600.008	643.156.835	
Cash receipts relating to extraordinary items	25.214.994	27.810.909	
Cash payments relating to extraordinary items	-56.118.251	-85.067.005	
Net cash flow from operating activities [1]	763.696.751	585.900.739	
INVESTMENT ACTIVITIES:			
Cash receipts arising from:			
Fixed assets investments	820.439.741	514.901.312	
Tangible fixed assets	64.699.808	55.836.744	
Intangible fixed assets	2.418.640	1.925.397	
Investment subsidies	10.039.723	35.951.569	
Interest and similar income	75.090.088	67.231.831	
Dividends	11.938.653	12.866.821	
Loans granted	3.680.452	43.251.925	
Others	988.307.105	5.948.181	737.913.780
Cash payments arising from:			
Fixed assets investments	486.318.511	601.965.233	
Tangible fixed assets	440.713.574	447.210.424	
Intangible fixed assets	23.522.572	57.386.482	
Others	519.626	951.074.283	1.106.562.139
Net cash used in investment activities [2]	37.232.822	-368.648.359	
FINANCING ACTIVITIES:			
Cash receipts arising from:			
Loans obtained	4.163.069.375	4.121.260.560	
Capital increases, additional paid in capital and share premiums	29.210.927	193.709.566	
Losses paid in by shareholders	6.250	960.432	
Others	244.055	4.192.530.607	1.351.543
Payments relating to:			
Loans obtained	4.716.326.115	3.948.732.158	
Capital amortisation of leasing contracts	458.847	4.353.454	
Interest and similar charges	318.424.859	310.298.334	
Dividends	6.466.539	13.632.622	
Reimbursement of capital and additional paid in capital	49.449.473	5.452.600	
Purchase of own shares		1.164.318	4.283.633.486
Others	533.489	5.091.659.322	-899.128.715
Net cash used in financing activities [3]	-899.128.715	33.648.615	
Net increase in cash and cash equivalents [4]=[1]+[2]+[3]	-98.199.142	250.900.995	
Effect of foreign exchange rates	207.389	-3.091.679	
Cash and cash equivalents at the beginning of the period	(a) 622.594.157	260.631.367	
Cash and cash equivalents at the end of the period	524.602.404	508.440.683	

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

The Board of Directors

SONAE, SGPS, S.A.

Notes to the Consolidated Cash Flow Statement for the year 2003

1- Purchase or sale of affiliated companies and other company activities

Paragraphs a) and b)

Affiliated companies and other company activities	PURCHASES		SALES	
	TOTAL PRICE	PAID	TOTAL PRICE	RECEIVED
	Centerstation - Imobiliária, S.A. Consolimmar - Urbanizadora Internacional, S.A. Palmares - Companhia de Empreendimentos Turísticos de Lagos, S.A. Palmares Investimentos e Urbanizações, S.A. SPEL - Sociedade de Parques de Estacionamento, S.A.	2.925.000	2.925.000	2.461.096 23.250.921 801.000 7.724.070

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

Affiliated companies	Euro	
	Cash and cash equivalents purchased	Cash and cash equivalents sold
Centerstation - Imobiliária, S.A. Consolimmar - Urbanizadora Internacional, S.A. Palmares - Companhia de Empreendimentos Turísticos de Lagos, S.A. Palmares Investimentos e Urbanizações, S.A. SPEL - Sociedade de Parques de Estacionamento, S.A.	63.914	228 6.073 265.111 1.219.989

d) Other assets and liabilities purchased or sold:

Captions	Euro				
	PURCHASED	ASSETS AND LIABILITIES SOLD			
		CENTERSTATION	CONSOLIMMAR	PALMARES	PALMARES LAGOS
Fixed assets Stocks Debtors Creditors	9.426.415 388.843 1.253.531 9.124.694	2.235.878 15.837 4.784.678	357.352 19.181 452.751 379.756	5.110.423 123.845 8.566.371	32.849.867 25.754.216

2- Description of components of cash and cash equivalents:

	Euro	
	2003	2002
Cash	4.309.049	3.465.180
Bank deposits	267.345.934	435.340.621
Cash equivalents	252.947.421	183.788.356
Cash and cash equivalents	524.602.404	622.594.157
Bank overdrafts	127.107.793	130.376.050
Cash and cash equivalents at the beginning of the year arising from changes in consolidation methods		-114.153.474
Banks and cash in the balance sheet	651.710.197	638.816.733

3- Information regarding non-cash financial transactions

a) Bank credits granted and not drawn

Not applicable.

b) Purchase of companies in exchange for shares issued

Not applicable.

c) Conversion of debt into capital

Not applicable.

4- Cash flow by line of business

Euro

BUSINESS	OPERATING FLOW	INVESTMENT FLOW	FINANCING FLOW
WOOD BASED PANELS	181.761.781	-14.712.881	-131.544.927
RETAILING	416.906.634	-94.461.556	-194.821.378
REAL ESTATE	53.974.699	160.871.446	-8.484.787
TELECOMMUNICATIONS	151.567.145	-84.794.954	-67.307.840
SONAE CAPITAL	-38.791.483	23.586.731	-39.131.638
OTHER COMPANIES	-1.722.025	46.744.036	-457.838.145
TOTAL	763.696.751	37.232.822	-899.128.715

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

a) Purchases/sales/incorporations of affiliated companies

Euro

	TOTAL PRICE	PAID	RECEIVED
Sale of shares in BPI	73.492.495		73.492.495
Sale of shares in Barbosa & Almeida	65.468.126		65.468.126
Sale of shares in Sierra BV	229.987.610		229.987.610
Sale of shares in Portucel	56.134.395		56.134.395
Sale of shares in Tafisa	14.127.262		14.127.262
Sale of shares in Vasco da Gama	16.339.270		16.339.270
Purchase of shares in Plaza Mayor	6.054.410	6.054.410	
Purchase of shares in Portucel	14.466.902	14.466.902	
Purchase of shares in Sonae Distribuição Brasil	21.268.380	21.268.380	
Purchase of shares in Sonae Produtos e Derivados Florestais	136.244.110	136.244.110	

- b) Cash payments arising from purchase of fixed assets investments include 76,379,580 euros relating to the acquisition of shares in Modelo Continente which occurred in January 2003. These shares were issued in the capital increase made at the end of 2002, which has been the object of indirect subscription.
- c) Cash receipts from loans obtained include 1,849,603,993 euros relating to very short-term financing. Payments of loans obtained include 2,151,411,738 euros relating to very short-term financing.

The Board of Directors

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 2003 that reflects a total of 7,674,682,361 Euro and shareholder's equity of 582,491,722 Euro, including a net profit of 114,458,914 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 concept and assessing the adequacy of the overall presentation of the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.
4. The accompanying consolidated financial statements were prepared for approval by the Shareholders' General Meeting in accordance with the provisions of article 376° of the Commercial Companies Code, and do not include a consolidated Statement of Cash Flows and related notes. These will be prepared and presented for the purposes of article 245° of the Securities Market Code.

Qualification

5. Up to 31 December 2000 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 and without considering adjustments, if any, on the transition to International Financial Reporting Standards, assets and shareholders' equity as of 31 December 2003 would increase by 625,647,271 Euro and the consolidated net profit for the year then ended would decrease by 57,477,540 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2003.

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 2003 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles in Portugal.

Emphasis

7. Some subsidiaries of Sonae Indústria, S.G.P.S, S.A., located mainly in Germany, France and United Kingdom generated in this year and in prior years, significant losses that contributed for a significant decrease of the consolidated shareholder's equity of that subsidiary. Additionally, these subsidiaries have recorded in prior years, deferred tax assets related with tax losses, amounting to 52.440.000 Euro as of 31 December 2003. The full recover of the fixed assets and deferred tax assets, of those subsidiaries depends upon the success of the future operations of those subsidiaries and the maintenance of the current conditions for carrying tax losses forward.

Porto, 12 March 2004

MAGALHÃES, NEVES & ASSOCIADOS, SROC, S.A.
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 2003, 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 2003, the consolidated statements of profit and loss by nature and by functions and the related notes. Additionally, we examined the consolidated Report of the Board of Directors for the year 2003. As consequence of our legal examination we have issued the Statutory Auditors' Report which in paragraph 5 contains a qualification and in paragraph 7 contains one emphasis.

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

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

Porto, 12 March 2004

MAGALHÃES, NEVES & ASSOCIADOS, SROC, S.A.
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 2003 of Sonae, S.G.P.S., S.A. which comprise the consolidated Balance sheet as of 31 December 2003, that reflects a total of 7,674,682,361 Euro and shareholders' equity of 582,491,722 Euro, including a net profit of 114,458,914 Euro, the consolidated Statements of Profit and Loss by natures and by functions and the consolidated Cash Flow Statements for the year then ended and the related notes.

Responsibilities

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

Scope

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

Qualification

5. Up to 31 December 2000 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 and without considering adjustments, if any, on the transition to International Financial Reporting Standards, assets and shareholders' equity as of 31 December 2003 would increase by 625,647,271 Euro and the consolidated net profit for the year then ended would decrease by 57,477,540 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2003.

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 2003, 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. Some subsidiaries of Sonae Indústria, S.G.P.S, S.A., located mainly in Germany, France and United Kingdom generated in this year and in prior years, significant losses that contributed for a significant decrease of the consolidated shareholder's equity of that subsidiary. Additionally, these subsidiaries have recorded in prior years, deferred tax assets related with tax losses, amounting to 52,440,000 Euro as of 31 December 2003. The full recover of the fixed assets and deferred tax assets, of those subsidiaries depends upon the success of the future operations of those subsidiaries and the maintenance of the current conditions for carrying tax losses forward.

Porto, 12 March 2004 (except for the issue of the consolidated Cash Flow Statements and related notes, dated 12 April 2004)

MAGALHÃES, NEVES & ASSOCIADOS, SROC, S.A.
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”), which comprise the consolidated balance sheet as of 31 December 2003, 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 and without considering adjustments, if any, on the transition to International Financial Reporting Standards, assets and shareholders' equity as of 31 December 2003 would increase by 625,647,271 Euro and the consolidated net profit for the year then ended would decrease by 57,477,540 Euro, corresponding to amortisation of goodwill for the year ended 31 December 2003.
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 2003, 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. Some subsidiaries of Sonae Indústria, S.G.P.S, S.A., located mainly in Germany, France and United Kingdom generated in this year and in prior years, significant losses that contributed for a significant decrease of the consolidated shareholder's equity of that subsidiary. Additionally, these subsidiaries have recorded in prior years, deferred tax assets related with tax losses, amounting to 52,440,000 Euro as of 31 December 2003. The full recover of the fixed assets and deferred tax assets, of those subsidiaries depends upon the success of the future operations of those subsidiaries and the maintenance of the current conditions for carrying tax losses forward.

Porto, 12 March 2004 (except for the issue of the consolidated Cash Flow Statements and related notes, dated 12 April 2004)