UNAUDITED QUARTELY INDIVIDUAL / CONSOLIDATED FINANCIAL INFORMATION

Company: SONAE - SGPS, S.A.

Head office LUGAR DE ESPIDO, VIA NORTE - MAIA **NIPC:** 500 273 170

1st Quarter ☐ **3st Quarter** ☑

Euro

Balance Sheet	Individual Company			Consolidated		
	2004	2003	Var. (%)	2004	2003	Var. (%)
ASSETS						
Fixed Assets (Net)						
Intangible Assets				261,458,863	341,009,851	-23.33%
Tangible Assets	733,652	32,119	n.c.	4,366,203,336	4,272,164,811	2.20%
Investments	4,127,738,051	4,096,570,465	0.76%	318,026,970	518,311,019	-38.64%
Current Assets (Net)						
Amounts falling due after more than one year	13,919	30,422	-54.25%	80,572,729	64,130,721	25.64%
Amounts falling due within one year	2,113,205	102,946,645	-97.95%	1,021,382,185	1,192,506,699	-14.35%
SHAREHOLDERS' FUNDS						
Called up share capital	2,000,000,000	2,000,000,000	-	2,000,000,000	2,000,000,000	-
Nr. of ordinary shares	2,000,000,000	2,000,000,000	-	2,000,000,000	2,000,000,000	-
Nr. of other types of shares			-			-
Own shares			-			-
Nr. of voting shares	134,128,021	134,128,021	-	134,178,021	134,178,021	-
Nr. of non voting shares						
Minority interests	-	-	-	766,124,870	768,989,608	-0.37%
LIABILITIES						
Provisions for liabilities and charges				151,374,581	91,338,513	65.73%
Creditors						
Amounts falling due after more than one year	187,139,369	193,389,369	-3.23%	2,758,397,126	3,206,958,290	-13.99%
Amounts falling due within one year	526,093,594	581,177,297	-9.48%	2,340,527,119	2,617,689,771	-10.59%
TOTAL NET ASSETS	4,147,127,164	4,217,927,966	-1.68%	7,566,847,894	8,036,232,044	-5.84%
TOTAL SHAREHOLDERS' FUNDS (a)	3,423,042,805	3,435,323,774	-0.36%	698,130,954	700,608,153	-0.35%
TOTAL LIABILITIES	724,084,359	782,604,192	-7.48%	6,102,592,070	6,566,634,283	-7.07%

Profit and Loss Account	Individual Company			Consolidated		
	2004	2003	Var. (%)	2004	2003	Var. (%)
Sales and services rendered	1,091,413		n.c.	4,812,926,057	4,544,506,245	5.91%
Changes in stocks of finished goods and in work in progress				(21,196,221)	(1,807,726)	n.c.
Cost of goods sold and materials consumed				2,608,812,315	2,552,599,681	2.20%
Gross Profit	1,091,413		n.c.	2,182,917,521	1,990,098,838	9.69%
Operational Profit / (Loss)	(6,593,240)	(4,426,269)	48.96%	240,654,565	123,344,829	95.11%
Net Finantial Losses (Net of Gains)	15,501,700	26,539,396	-41.59%	(131,003,588)	(175,119,540)	-25.19%
Profit / (Loss) on Ordinary Activities	8,908,460	22,113,127	-59.71%	109,650,977	(51,774,711)	-311.78%
Extraordinary Profits (Net of Losses)	16,629	789,984	-97.90%	112,483,831	380,336,717	-70.43%
Income taxation - Current tax				29,916,474	33,359,274	-10.32%
Income taxation - Deferred tax				12,794,136	10,933,947	17.01%
Minority interests	-	-	-	62,028,953	111,566,971	-44.40%
Profit / (Loss) for the quarter (a)	8,925,089	22,903,111	-61.03%	127,769,569	179,985,082	-29.01%
Earnings per share (b)	0.0048	0.0123	-61.03%	0.0685	0.0965	-29.01%
Profit / (Loss) for the quarter + Depreciation + Provisions	9,024,294	22,915,382	-60.62%	497,046,864	606,164,123	-18.00%

(a) As in 2001, 2002,2003 and 2004 goodwill was written off against reserves. If this write off had not taken place, fixed assets and shareholders´funds as at 30 September 2004 would have been higher by 706 million euro and depreciation for the three months by 48 million euro.

(b) - Nr. of shares issued less own shares (including 50,000 shares held by an affiliated company)

n.c. - not comparable

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Fiscal Nr. 500 273 170

CONSOLIDATED REPORT [1]

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

MAIN EVENTS DURING THE THIRD QUARTER

The main event of the quarter was the sale of the whole of Sonae Group's 25% stake in Portucel - Empresa Produtora de Pasta e Papel, SA, which resulted in a capital gain of approximately 75 million euro.

REVIEW OF CONSOLIDATED RESULTS

Consolidated turnover for the first nine months ended 30 September 2004 was 4,813 million euro, up 5.9% on the 4,545 million euro in the same period of last year. All group businesses experienced growth in the period under review.

Consolidated operational cash-flow (EBITDA) generated in the first nine months of 2004 was 548 million euro, 25.8% up on the 435 million euro reported in the first nine months of last year. This growth was particularly noticeable in the Wood Based Panels and Telecommunications businesses. The **consolidated EBITDA margin** was 11.4%, compared to 9.6% in the first nine months of 2003. The improvement in EBITDA margin was the result of significantly increased contributions from Wood Based Panels and Telecommunications, which offset lower contributions from other businesses. Margins in the Wood Based Panels business improved in almost all markets. The Telecommunications business continued to show sustained improvements in operating profitability.

Consolidated operational profit in the period was 241 million euro, 95% up on that of the same period last year (123 million euro). This significant increase was mainly due to the improvement in operational cash-flow, with depreciation and provisions showing a slight fall.

[1] In this report, financial information for the nine months ended 30 September 2004 and 2003 has not been audited, and the information for the six months ended 30 June 2004 and the year ended 31 December 2003 has been subject to a limited review and a full audit, respectively.

Consolidated net financial charges reduced by 44 million euro, from 175.1 million euro in the first nine months of last year to 131.0 million euro this year. This improvement was mainly due to lower debt levels in almost all businesses, particularly in Wood Based Panels, Retail and at the Holding level. As a result, the **consolidated profit on ordinary activities** in the period increased by 161.5 million euro to 109.7 million euro, compared to the 51.8 million euro loss in the first nine months of 2003.

Consolidated extraordinary profits in the nine months ended 30 September 2004 totalled 112.5 million euro compared to 380.3 million in the same period of last year. Extraordinary profits in 2004 include 75 million euro of capital gains on the sale of Portucel, whereas last year's extraordinary profits included capital gains of 378 million euro (sale of 50% of the company owning the Vasco da Gama Centre to ING Retail Property Fund Iberica, sale of all shares held in Banco BPI (4.31%), sale of the 50% shareholding held in Crediuniverso to Banco BPI, and sale of 49.9% of the Sierra Fund to international institutional investors).

Consolidated net profit before minority interests was 189.9 million euro compared to 291.5 million euro in the first nine months of 2003. Last year's results were significantly impacted by the high level of extraordinary profits, while in 2004 operational profits have significantly improved. The **consolidated net profit after minority interests** for the period was 127.8 million euro compared to 180.0 million euro in the first nine months of 2003.

Each business contributed the following amounts to the consolidated total of Sonae SGPS, SA:

			Million euro
	Turnover	EBITDA	Net Debt
Wood Based Panels	1,142.7	170.6	509.6
Retail	2,523.7	169.6	770.3
Shopping Centres	215.3	58.6	405.4
Telecommunications	641.9	139.1	306.8
Sonae Capital	279.7	14.8	90.7
Holding and Others	9.6	(4.8)	632.7
TOTAL	**4,812.9**	**547.9**	**2,715.5**

Consolidated net debt, as at 30 September 2004, was 2,716 million euro, a fall of 553 million euro compared to the same date last year. The proceeds from the sale of Portucel have only been received on 4 October.

The **ratio of net debt to annualised operational cash-flow (EBITDA)** has improved to 3.6, compared with 5.1 in the same period last year. Significant improvements occurred in all businesses with the exception of Shopping Centres, where loan to value (26% - 30 Sep.04; 29% - 30 Sep.03) is the normal ratio used for this business, which portrays a conservative gearing level. The **ratio of operational cash-flow (EBITDA) to interest charges** was 4.6, which compares with 2.9 in the first nine months of last year, the improvement resulting from the good performance in operational cash-flow generation and the reduction in interest charges.

Since 2001, goodwill has been written off against reserves. If this write off had not taken place, intangible assets and shareholders' funds, as at 30 September 2004, would have been higher by 706.5 million euro and amortisation for the nine months ended on that date would have increased by 47.7 million euro.

ANALYSIS OF BUSINESS ACTIVITY [2]

WOOD BASED PANELS

Consolidated turnover rose to 1,175 million euro in the 9 months to September 2004, an increase of 8.3% over the same period of the previous year. Gescartão contributed 131.4 million euro, a fall of 3.5%. The panels business continues to perform well for the fourth consecutive quarter, due to strong demand in particleboard and OSB[3]. Consolidated volumes increased 16.2% for the nine months to September. Prices have been recovering steadily since October 2003 and the consolidated average price for the year to date shows an improvement of 2.4%, when compared with the average prices for 2003.

Due to strong market demand, **capacity utilisation** improved, at a consolidated level, to 91%, slightly lower than in the first half of the year, due to summer maintenance stoppages. For the nine months of the year, the most significant improvement was in OSB[3] which operated at full capacity. Particleboard increased capacity utilisation by 11 percentage points and MDF[4] by 2 percentage points.

Consolidated operational cash-flow (EBITDA) reached 171.5 million euro in the first nine months of the year, an increase of 58% over the previous year. This figure represents 14.6% on turnover, which compares with 10% in the same period of 2003. The panels business improved its operational cash-flow (EBITDA) by 73.2 million euro, or 102% on a like for like basis, which resulted in an increase of 6.3 percentage points on turnover.

Consolidated earnings before taxes (EBT) improved 88.8 million euro. This improvement reflects a positive variance of 71.2 million euro in operational profit, a reduction in net financial charges of 10.4 million euro and an increase in net extraordinary profits of 5.2 million euro.

[2] The figures included in this section are those from the consolidated financial statements of each business.
[3] OSB – Oriented Strands Board
[4] MDF - Medium Density Fibreboard

Consolidated net profits before minority interests improved 85.8 million euro to 26.7 million euro.

Improving the Balance Sheet structure remains a priority and **consolidated net debt** reduced 103 million euro during the first nine months of 2004. In line with this goal, the securitisation of receivables program of 120 million euro has been increased to 150 million euro in order to profit from the normal increase in sales for this time of the year. In October, a share capital increase of 200 million euro and a Bond issue of 80 million euro with a 5-year bullet term, at a variable interest rate of 6 months Euribor plus a 0.875% spread, were completed, further strengthening the balance sheet.

Operating Review

Iberia

The first nine months of 2004 show a significant improvement, both in turnover and operational cash-flow (EBITDA), when compared with the similar period of 2003. Demand is stronger in both Iberian and export markets, particularly in the Middle and Far East. Prices continued to recover during the third quarter 2004, and are now above the price level of the third quarter of 2003, although average prices for the nine months of 2004 remain below those of the same period of 2003. Sales volumes of particleboard, both raw and surfaced, were 18% above third quarter 2003, whilst MDF[5] showed a growth of 9%. Operational cash-flow (EBITDA) for the period was 25% above third quarter 2003, driven mainly by price increases, reductions in operating costs and increased capacity utilisation.

France

Isoroy closed the third quarter 2004 with a year to date operational cash-flow (EBITDA) of 7.7 million euro, an improvement of 5.5 million euro over the same period in 2003. Turnover for the third quarter was 53.6 million euro, more than 31% above the same period of last year.

In terms of production, and with the exception of Ussel, all plants were able to satisfy increases in demand, by achieving good press efficiency and by avoiding scheduled shut-downs. Fixed costs were higher than last year in absolute figures, due to taxes and personnel costs associated with the increase in production in the finishing activities, which are much more labour intensive.

Germany

In the first nine months of 2004, sales in the main German market segments – trade and industry – were significantly stronger than in the same period of 2003. Overall sales volumes of Glunz products increased 26% compared with the first nine months of 2003, well above overall economic growth in Germany which was marginally positive. Gross domestic product increased 0.9% whereas demand for wood based panels was significantly stronger.

[5] MDF - Medium Density Fibreboard

The main drivers for the volume growth at Glunz were higher sales of OSB[6], mainly to export markets and stronger sales activities for raw particleboard, MDF[5] and tongue and groove boards. Average prices for particleboard, melamine faced chipboard and, in particular, for OSB[6] rose, while prices for MDF[5] remained almost stable.

All raw press lines produced at full capacity and the additional operating output generated better contribution margins in Glunz. Cost increases for raw materials, in particular for wood and energy, were partly offset by strict cost control. The higher production output of 28% in additional raw board volume versus the previous year was achieved at the same time that fixed costs were reduced 2%. Overall, earnings in the first three quarters of 2004 have improved in comparison with 2003, due to better sales volumes and prices, higher production output and reduced fixed costs. Total operational cash-flow (EBITDA) reached 40 million euro, an improvement of 36 million euro versus 2003.

During the third quarter, the positive evolution in sales, contribution margin and cash-flow generation continued as in previous quarters. During the summer months, the raw production lines were only stopped to carry out unavoidable maintenance. In the third quarter, operational cash-flow (EBITDA) reached 14 million euro, an increase of 13 million euro against 2003.

United Kingdom

The market continues to show strong demand with lead times extended to 8 weeks. Strong performance in construction sector activity and continued strong demand for furniture are forecasted to continue. This market performance allowed a positive trend in prices.

Year on year comparison shows 11% growth in factory output and 2% decrease in sales volumes due to an internal relocation of the flooring press to Spain. Progress in increasing capacity utilisation continues to be hampered by the high use of recycled wood, as Knowsley is now operating at over 95% recycled content. Plans are underway to resolve this bottleneck.

Purchase input prices for timber continue to decrease with an annual reduction of 14%, although raw material availability will temper this downward trend. This is combined with a recovery in the PRN[7] market, with total volume trading at £8.8/unit in the quarter. On the downside, resin prices have increased 12%, being linked to oil prices, which have also led to increases of over 50% in the cost of energy.

The UK operation achieved a positive EBIT in every month of the third quarter of 2004, compared to negative EBITDA in the third quarter 2003. Outlook for the months to come remains positive.

[6] OSB - Oriented Strands Board
[7] PRN – Packaging waste Recovery Notes

Canada

The North American market has been strong since the beginning of the year, with shipments from particleboard mills 12% above last year. However, in recent months, raw particleboard demand has moderated, especially with RTA[8] manufacturers. MFC[9] demand, on the other hand, continues to be very strong.

Turnover has increased 21% compared to the same quarter last year and 16% compared to the first nine months of 2003. Higher volume, better product mix and higher prices have contributed to the increase in turnover. The weakness of the US dollar has partially offset these positive effects on turnover.

Cost of wood remains a concern due to shortage of logs supply to sawmills. Cost of chemicals and transports are under significant pressure, following the worrying oil price increase. Improvements in productivity have partially offset cost increases.

Brazil

The Brazilian wood based panels market grew during this period 17%, and prices went up on a year to date basis by 11%. However, overcapacity in the sector requires caution in relation to the fourth quarter of 2004, as the macroeconomic trend, and especially that of consumption, depends on how inflation evolves, which will be greatly impacted by oil prices. On the other hand, interest rate increases may restrict credit and consequently affect sales, especially sales of durable goods.

Sales in Tafisa Brazil grew 7% year to date, with a 22.1% growth in the domestic market and a significant decrease in exports. In the third quarter 2004, sales grew 9%, as a consequence of a 23% growth in the domestic market and a decrease of 40% in exports. Export performance was strongly affected by problems in the ports, shipping capacity and costs, as well as the company's decision to focus on the domestic market, given the wood supply problems felt between April and July. Variable costs per cubic metre increased 14% in this period, mainly due to the large increase in wood costs.

Operational cash-flow (EBITDA) improved in the third quarter, particularly in September, when a 26.5% margin was achieved.

Wood supply is now stabilised with adequate raw material stocks in place. Selling prices will probably stabilise and a recovery in exports is expected.

[8] RTA – Ready-To-Assemble
[9] MFC – Melamine Faced Chipboard

South Africa

Demand has remained firm throughout the year with a peak in the third quarter of 2004 allowing for the elimination of some stock piling that took place in the last two quarters of 2003. The output of all three plants has been maximized, by reducing planned shutdowns and downtime, and volumes sold are well above historical values: 30% up year to date and 70% up against last year's third quarter. Prices have been affected by imports and are only marginally up on the same period last year.

Variable costs have been positively affected by the favourable evolution of exchange rates, especially for melamine paper imports.

Operational cash-flow (EBITDA) numbers are significantly up on last year, 44% for the year to date period and 70% for the quarter. We anticipate that the fourth quarter will continue to show significant improvements on last year, despite the fact that timber prices are under pressure and are expected to increase in the future.

RETAILING

Consolidated gross sales of Modelo Continente for the first nine months of 2004 totalled 2,941 million euro, an increase of 4% over the same period of 2003, and were favourably impacted by significant growth of turnover in Brazil that increased 15% in local currency. In euro, this growth was 9%, impacted by a 5% depreciation of the Real to the Euro over the period.

Consolidated operational cash-flow (EBITDA) was 170 million euro, equal to 6.7% on net sales and a fall of 5% compared to the same period of 2003, due to the impact of the company’s investment in a more aggressive commercial policy in the Portuguese market.

Profits on ordinary activities totalled 57 million euro, an increase of 18% resulting from a fall in financial charges, due to a sustained reduction in debt and a fall in the company’s cost of debt.

Consolidated net profits after minority interests were 61 million euro, more than double those of the same period last year. This trend reflects the positive contribution from operations in Brazil compared to the losses made last year.

During the period, Modelo Continente remained focused on optimising the level of capital employed and strengthening its financial base. Thus, the trend of reduction in debt levels continued, with **net debt** standing at 770 million euro at the end of the quarter.

Operating Review

Portugal

The food retail market in Portugal has shown modest growth during the period, of around 2.5%, in line with inflation. This weak performance, together with the opening of around 30,000 square metres of new sales area over the last 12 months (+2%), has intensified competition in the sector, penalising in particular retailers with a greater presence in the Lisbon and Porto areas where there has been a more pronounced increase in square metres.

Against this background of clear market maturity, gross sales of Modelo Continente brands in this market in the first nine months of 2004 totalled 2,102 million euro, an increase of 2% compared to the same period of last year.

This operation contributed 150 million euro to the consolidated operational cash-flow of the company, equal to 8.1% on net sales. This is a fall of 8% compared to the same period of last year, and reflects a more aggressive commercial policy by the company in this market.

Modelo Continente ended the quarter with 281 stores and 433,000 square metres of sales area after the addition of an extra 7,000 square metres, most of which was in non food retail. In addition to the opening of Continente hypermarkets in Antas and Loures in the second and fourth quarters of 2005, the company's expansion plan will be strengthened over the next few months by the opening of a number of food and non food retail stores under the terms of the new commercial regulatory framework.

Brazil

In Brazil, recent months have seen a more positive economic background that has led to the recovery of consumer purchasing power, and thus increased spending. In line with this improvement, the turnover of retail operators of Abras (Brazilian retailers association) grew 8%[10], with particularly strong growth in the last few months.

Against this more favourable economic background, and as a result of a number of projects underway aimed at a greater focus on the customer, the optimisation of internal business processes and the strengthening of supplier partnerships, Modelo Continente's turnover in Brazil grew 15% to 3,055 million Brazilian real. This growth trend considerably exceeded market benchmarks, and highlights the company's strong performance compared to its main competitors.

Gross sales were 839 million euro, increasing 9% compared to the same period last year. This figure would have been higher if it were not for an average depreciation of around 5% of the Brazilian real against the Euro.

[10] Using data available for the 8 months to August of 2004

This positive trend was also reflected in an increased contribution by the Brazilian business to the company's operational cash-flow that amounted to 20 million euro for the nine months. This is equal to an increase of 19%, increasing the EBITDA margin by 0.4 percentage points to 3.0% on net sales.

The company also continued its expansion programme with the opening of six new stores in the Rio Grande do Sul and Santa Catarina states. At the end of the quarter, the business thus had 167 stores with a total of 430,000 square metres of sales area. In October, the company opened a new Big hypermarket in the city of Balneário Camboriú in the state of Santa Catarina, while work continues on a portfolio of new projects for the Southern Region of the country.

SHOPPING CENTRES [11]

Sonae Imobiliária ended the first nine months of 2004 with **consolidated direct income from investments** of 132.4 million euro, equal to an increase of 12.4% compared to the same period of last year.

Consolidated operational cash-flow (EBITDA) reached 75.4 million euro compared to 67.0 million euro in the first nine months of 2003, an increase of 12.6%, despite the sale of 50% of Vasco da Gama to ING Real Estate in March 2003, with the consequent reduction in rents and other income. Operational cash-flow (EBITDA) was positively influenced by the openings of Parque Atlântico (Azores, Portugal), Coimbra Retail Park (Coimbra, Portugal), Estação Viana (Viana do Castelo, Portugal) and the expansion of CascaiShopping (Cascais, Portugal) in 2003, as well as by the openings of Dos Mares (Murcia, Spain), Avenida M40 (Madrid, Spain) and Boavista Shopping (São Paulo, Brazil) during the current year.

Consolidated indirect profits for the first nine months of 2004 totalled 40.4 million euro. The value created on investments, based on independent valuations, was 53.9 million euro, of which 31.6 million euro relates to the value created by shopping and leisure centres already operating at the end of 2003, and 22.3 million euro to shopping and leisure centres opened during 2004. The sale of Parque Atlântico (Azores, Portugal) to the SIERRA Fund generated a profit of 0.9 million euro, and the sale, in the first half of 2004, of Sintra Retail Park (Sintra, Portugal) generated a profit of 2.1 million euro. These gains were reduced by the effect of the decision to abandon the Parque Jockey project in Brazil (2.2 million euro).

Consolidated net profits before minority interests were 75.9 million euro compared to 178.7 million euro in the first nine months of 2003.

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

Consolidated net profits after minority interests of Sonae Imobiliária totalled 45.3 million euro for the first nine months of 2004, compared to 170.5 million euro for the same period of last year. However, last year's figure included the 50% share of Vasco da Gama, sold in March 2003, and was not affected by profits due to minority interests resulting from the sale, in September 2003, of 49.9% of the Sierra Fund, as well as to minority interests in Dos Mares (35%), Avenida M40 (40%) and Luz del Tajo (35%).

The consolidated Balance Sheet shows the sound financial position of Sonae Imobiliária. Gearing (measured as net indebtedness as a percentage of total assets less cash and equivalents) was 26.3% as at 30 September 2004, a very favourable percentage for this type of business.

Operating Review

Sonae Imobiliária Assets

The overall performance of Sonae Imobiliária's shopping and leisure centres was in line with expectations for the first nine months of 2004.

In **Portugal**, Sonae Imobiliária is the owner (or co-owner) of 14 shopping and leisure centres, 1 retail park and 2 commercial galleries, with a total of 651 thousand square metres of GLA[12]. Total rental income increased 13.9% compared to the same period of 2003. It should be noted that Parque Atlântico (Azores), Estação Viana (Viana do Castelo) and Coimbra Retail Park (Coimbra) opened during the fourth quarter of 2003. On a like-for-like basis, total rental income increased 6.7%.

In **Spain**, Sonae Imobiliária is the owner (or co-owner) of 9 shopping and leisure centres, with a total of 427 thousand square metres of GLA[12]. Total rental income increased 11.8% compared to the same period of 2003. It should be noted that Dos Mares (Murcia), Avenida M40 (Madrid) and Luz del Tajo (Toledo) opened during 2004. On a like-for-like basis, total rental income increased 2.1%.

Sonae Imobiliária Development

In **Portugal**, during the third quarter of 2004, the construction and marketing of the three Shopping Centres under development, Covilhã Shopping (Covilhã), LoureShopping (Loures), and Rio Sul (Seixal), continued as planned. These centres are expected to open from the autumn of 2005 onwards, and represent a total investment of 155.8 million euro, with 93,900 square metres of GLA[12].

Setúbal Retail Park (Setúbal) is the company's third investment of this type in Portugal, in joint venture (50/50) with Miller Developments, the company's partner for the retail park business in Portugal and Spain. The project is awaiting a construction license, which the company believes will be issued shortly. It is estimated that the investment will total around 22.1 million euro.

[12] GLA - Gross Lettable Area

In **Spain**, the construction and marketing of the shopping and leisure centre Zubiarte (Bilbao) are proceeding at a brisk pace. This joint venture between Sonae Imobiliária and the ING Group (50/50) is scheduled to open on 26 November. This project represents an investment of 83.4 million euro, with 20,700 square metres of GLA[13].

Construction and marketing continues at Plaza Éboli shopping and leisure centre in Pinto (Madrid region). The centre, in partnership with the Eroski Group (65/35), represents an investment of 55.5 million euro. It will have 32,900 square metres of GLA[13] with 112 shops and parking for about 1,000 cars. It is scheduled to open in March 2005.

Construction of Plaza Mayor Shopping, Malaga, is expected to begin by the end of the current year, immediately after obtaining the construction license. This joint venture with Castle City (75/25) represents a 41 million euro investment with 16,800 square metres of GLA[13].

In **Germany**, the shopping and leisure centre at Alexander Platz in Berlin, is being developed in joint venture with Foncière Euris. It will have 53,000 square metres of GLA[13] and represents an investment of around 290 million euro. An excavation license has already been obtained and construction is expected to start before year-end.

The development of the shopping and leisure centre 3DO (Dortmund) continues. The net investment is estimated to amount to 290 million euro with 58,000 square metres of GLA[13]. Construction is expected to start at the beginning of next year after the conclusion of negotiations with Deutsche Bahn (German Rail Road Company).

In **Greece**, construction and marketing continue at the Mediterranean Cosmos shopping and leisure centre, Thessalonica. This centre, held 39.9% by Sonae Charagionis and 60.1% by LAMDA Developments, will have 47,000 square metres of GLA[13] and represents a total investment of around 104 million euro. It is scheduled to open next year.

Efforts continue, through Sonae Charagionis - the Company's joint venture with Charagionis Group (50/50) - to obtain the necessary licenses to develop Aegean Park. This shopping and leisure centre in the Greater Athens area represents a total investment of around 152 million euro with 60,500 square metres of GLA[13].

In Brescia (**Italy**), construction of a new shopping and leisure centre should start at the beginning of next year, immediately after obtaining the construction license. This 29,000 square metres shopping centre, with an investment of about 114 million euro, is being developed in partnership with AIG (40%) and Coimpredil (10%). Opening is planned for the spring of 2006.

[13] GLA - Gross Lettable Area

Sonae Imobiliária Property Management

The Property Management business continued to expand during the first nine months of 2004. The company's portfolio increased in Spain with the opening of Dos Mares, Avenida M40 and Luz del Tajo. The business now manages 1,470 thousand square metres of GLA[14].

In **Portugal**, Sonae Imobiliária managed 936 thousand square metres of GLA[14] during the third quarter of 2004. During the nine months of 2004, visitor numbers were over 197.9 million (an increase of 4.1% compared to the same period of 2003), and tenant sales grew 10.1%. On a like for like basis, sales grew 4.3% and visits 0.4%.

In **Spain**, Sonae Imobiliária began managing Luz del Tajo (Toledo) in the third quarter of 2004. The management portfolio now includes 10 shopping centres and 2 galleries. Sonae Imobilária currently manages 482 thousand square metres of GLA[14]. Performance was positive during the first nine months with a 19.4% increase in sales and a 13.7% increase in visits. On a like-for-like basis, sales and visits increased 6.9% and 2.1%, respectively.

Sonae Imobiliária, in a joint venture with Espansione Commerciale, manages Orio Centre in Bergamo, one of the largest Shopping Centres in **Italy** and has signed contracts with Pirelli Real Estate to become the property manager of two new shopping centres to be inaugurated early 2005. Orio Centre has 56 thousand square metres of GLA[14] and 132 contracts with tenants.

In view of the economic situation in Italy, the performance of the centre is considered reasonable, with visits and sales at the same level as last year.

Sonae Imobiliária Brazil

After the opening of Boavista Shopping, São Paulo, on 27 April, Sonae Imobiliária is now the owner (or co-owner) of 7 shopping and leisure centres, equal to a total of 242 thousand square metres of GLA[14].

Total rental income from the Brazilian portfolio increased 14.1% in Brazilian real, compared to the same period last year. On a like-for-like basis, growth was 10.3%.

The portfolio received around 46.5 million visits (an increase of 11.3% over the same period of last year), with sales of more than 906.5 million Brazilian real (248.9 million euro), an increase of 16.6% (in Brazilian real) compared to the same period of last year. On a like-for-like basis, visits increased 5.9% and sales increased 13.8%.

The expansion and renovation of the Shopping Penha (east side of São Paulo) continue. With a total investment of around 11.6 million euro, totally funded by Sonae Imobiliária, this expansion will add an extra 10,900 square metres of GLA[14]. After the opening of the centre, planned for the Autumn 2004, Sonae Imobiliária will become its major shareholder.

[14] GLA - Gross Lettable Area

TELECOMMUNICATIONS [15]

Sonaecom's **consolidated turnover** grew 7% in the first nine months of 2004 to 662 million euro, compared with the same period in 2003.

Consolidated operational cash-flow (EBITDA) increased 44%, totalling 156 million euro in the first nine months of 2004. The consolidated EBITDA margin increased to 24%, which compares with 18% in the same period of last year. Optimus stand-alone EBITDA margin in the period was 30%, on an operational cash-flow (EBITDA) of 150 million euro, which compares with 113 million euro in the same period last year. All other divisions were operational cash-flow (EBITDA) positive on a stand-alone basis, with the exception of Clix, that increased operational cash-flow (EBITDA) losses to 2.2 million euros as a consequence of the negative regulatory and competitive environment for alternative ISP's.

Consolidated net financial charges fell by 2% to 15.3 million euro in comparison with the first nine months of 2003, due to a combination of lower levels of gross debt and lower interest expenses and financial charges.

Sonaecom has been delivering positive net profits after minority interests for the past three quarters. **Consolidated net profits attributable to Sonaecom** for the nine months ended 30 September 2004 were 13 million euro, which compares to losses of 14 million euro in the first nine months of 2003.

Gross investment (CAPEX) in the first nine months up to 30 September 2004 was 72 million euro, 24 million euro less than in the same period of the previous year.

Sonaecom's capital structure continues to show improvement. **Consolidated net debt** was reduced by 48 million euro in the first nine months of 2004 to 288 million euro, as a result of the good performance in terms of operational cash-flow and the continued policy of minimising net financial charges. The liquidity available at Sonaecom and the available liquidity and free cash-flow generated at Optimus were used to repay bank debt. Net Debt to Annualised operational cash-flow (EBITDA) improved from 2.9 in the first nine months of 2003 to 1.5 at the end of the third quarter of 2004, and Interest Cover improved from 8.5 to 11.5, both ratios reflecting Sonaecom's solid and strengthening financial structure.

[15] Sonaecom has presented its consolidated financial statements in accordance with International Financial Reporting Standards (IAS/IFRS) since 2003. The financial data contained in this section of the report, relating to 2004 and 2003, is in agreement with these standards. In the Sonae, SGPS, SA consolidated financial statements the business continues to be consolidated using Portuguese accounting standards (POC). As a result, the figures shown in the section Review of Consolidated Results differ from those shown by Sonaecom.

Operating Review

Mobile Telecommunications

In the first nine months of 2004, Optimus service revenues were up 6%, to 456 million euro, compared with the same period last year. The increase in service revenues was mainly achieved through customer revenues. Service revenues from operators grew at a slower pace (4% compared to the first nine months of 2003) due to less incoming fixed traffic, as a result of the continuing trend in fixed to mobile substitution.

As at 30 September 2004, Optimus had 2.12 million registered subscribers and Average Revenue per User (ARPU) for the nine months of 2004 was of 24.5 euro. ARPU in the quarter was 26.1 euro, of which 15.9 euro relate to Customer Monthly Bill. Data revenues represented 9.3% of Optimus' total service revenues in the first nine months of 2004, circa 42 million euro, recording growth of 18% in comparison with data revenues generated during the same period in 2003.

Optimus has increased the pace of its UMTS network roll-out in the third quarter of 2004, ensuring the full coverage in Greater Lisbon and Oporto and in the principal Portuguese city centres, representing population coverage of circa 30%. Although fully equipped to offer high quality UMTS communications, Optimus feels that representative mass-market take-up of UMTS is not likely to occur in the short term as there are still no suitable handsets available, the critical issues being price, size, battery life and reliability.

Driven by the increase in customer revenues and by a 2% reduction in net operating charges (OPEX), in the first nine months of 2004 Optimus achieved an operational cash-flow (EBITDA) margin of 30%, up from 24% in the same period of 2003.

Fixed Telecommunications

Total service revenues at Novis increased by 23% in the first nine months of 2004 compared to the same period last year, and operational cash-flow (EBITDA) was 4.7 million euro, 11.3 million euro up from the operational cash-flow (EBITDA) losses of 6.6 million euro in the same period last year. Like-for-like growth in the period, adjusted for the acquisition of KPNQwest Portugal in April and intra-group transactions, was 4.4%.

In the third quarter of 2004, as a result of the policy initiated in the first half of the year to reduce the commercial focus on indirect access customers, given the high levels of churn and relatively low margins generated, Novis' total active customer numbers declined 5% to 226 thousand.

One of Novis' key growth drivers is the roll-out of direct access solutions to SME[16] customers. By the end of the third quarter of 2004, Novis had deployed SHDSL in 55 local switches to supply high capacity circuits mainly for Optimus and other large corporates. In 23 of the switches, Novis installed ADSL equipment to provide direct access broadband solutions for its key SME & SOHO[16] market segments. At the end of September, Novis launched an innovative 4MB or 8MB ADSL solution directed at business customers priced at 34 euro/64 euro, respectively, by far the most competitive high speed broadband solution currently available for the Portuguese business market.

Novis direct access connections rose by 71% in the first nine months of 2004 to 4,326 accesses compared to the first nine months of 2003.

Internet and Media

The Portuguese broadband market remains dominated by Portugal Telecom with a market share at the end of the second quarter of 2004 of 81% and a share of all new broadband accesses of 90%. Alternative operators remain unable to provide economically viable and competitive offers due to the technical and economic restrictions imposed by Portugal Telecom and, as such, the remaining narrowband users continue to migrate to broadband solutions dominated by the Portugal Telecom Group. As such, Clix users fell to 127 thousand at the end of the third quarter and service revenues declined to 19 million euro compared with 26 in the first nine months of 2003.

The Público Group's (Público, Xis, Público.pt) turnover increased by 13% to 43 million euro compared with the first nine months of 2003, returning a positive operational cash-flow (EBITDA) of 1.7 million Euro, 2.1 million euro up on the negative operational cash-flow (EBITDA) for the same period last year. The main drivers of these increases were the sale of associated products, up 22%, and the contention of operating costs at 7 percentage points less than the growth in Turnover.

Software & Systems Integration (S&SI)

The "Software and Systems Integration" unit achieved important new developments in its customer portfolios in the third quarter of 2004: Enabler won accounts with Esprit in Germany and SABECO in Spain to implement retail systems and solutions; WeDo won an account with ERA in Poland to implement its flagship Revenue Assurance software (RAID); Bizdirect signed a contract with "Açoreana Seguros" for the latter to use its B2B platform to facilitate accident repair processes. In the first nine months of 2004, the S&SI consolidated turnover increased 12% and operational cash-flow (EBITDA) posted an improvement of 23% compared to the same period last year.

[16] SME - Small and medium enterprises
SOHO - Small offices and home offices

SONAE CAPITAL

Sonae Capital is made up of businesses in Tourism, Construction, Engineering and Residential Development, Insurance Brokerage, Car Hire and Retailing, Transport and Logistics, and Other businesses.

Consolidated turnover of Sonae Capital (including Sonae Turismo) was 319 million euro in the first nine months of 2004, up 35% on the same period last year. On a like for like basis, excluding the contribution from the plywood business in France, acquired in June 2003, turnover decreased 1.0%.

Consolidated operational cash-flow (EBITDA) in the first nine months of 2004 was 16.3 million euro (11.3 million euro in the first nine months of 2003). Excluding the plywood business in France, consolidated operational cash-flow (EBITDA) was 13.6 million euro.

The **consolidated net profit after minority interests** was 7.3 million euro compared to 17.3 million euro in the same period last year. However, profits before extraordinary items have improved 3.8 million euro from the first nine months of 2003 to the same period in 2004, which reflects a better performance of these businesses.

Each of the businesses contributed the following to the consolidated total of Sonae Capital, SGPS, SA:

Million euro

	Turnover		EBITDA	
	3rd Quarter 2004 YTD	3rd Quarter 2003 YTD	3rd Quarter 2004 YTD	3rd Quarter 2003 YTD
Tourism	99.2	87.2	2.9	1.5
Construction, Engineering and Residential development	60.5	83.0	7.9	8.1
Transport and Logistics	31.9	27.3	1.8	0.4
Other businesses	127.6	38.8	3.7	1.3
Sonae Capital Consolidated	**319.2**	**236.3**	**16.3**	**11.3**

OUTLOOK

The full year figures will be in line with the positive trends seen in the first three quarters. Our focus on cost cutting programmes remains unchanged in order to continue to deliver adequate levels of profitability.

Maia, 02 November 2004

The Board of Directors

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Álvaro Cuervo García

Ângelo Gabriel Ribeirinho dos Santos Paupério

Duarte Paulo Teixeira de Azevedo

Luíz Felipe Palmeira Lampreia

Michel Marie Bon

Nuno Manuel Moniz Trigoso Jordão

Nuno Miguel Teixeira de Azevedo