

SONAE - SGPS, SA
Sociedade Aberta
Lugar do Espido - Via Norte – Apartado 1011
4471- 909 Maia - Portugal
Share Capital: Euro 2,000,000,000
Maia Commercial Registry (Nr. 14 168)
Fiscal Nr. 500 273 170

INDIVIDUAL FINANCIAL STATEMENTS
31 December 2004

Sonae SGPS, SA - Sociedade Aberta
Lugar do Espido Via Norte Apartado 1011
4471-909 Maia Portugal
Share Capital Euro 2 000 000 000,00
Maia Commercial Registry (Nr. 14168)
Fiscal Nr. 500 273 170

REPORT OF THE BOARD OF DIRECTORS

2004

To the Shareholders:

We hereby present the Board of Directors' report and financial statements for the year ended 31 December 2004. These documents refer to the individual holding company of the Group, Sonae, SGPS, SA, and not the consolidated report and financial statements that will be presented in a separate report in March.

1. ECONOMIC BACKGROUND

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

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

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

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

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

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

2. BUSINESS ACTIVITY

During the year, the following significant changes in the company's shareholdings occurred:

- the acquisition in January of 299,000 shares of Sonaecom, SGPS, SA for around 0.9 million euro;
- the acquisition in March from the affiliated undertaking Sonae Investments BV of 50% of the share capital of Sonae Imobiliária, SGPS, SA for 469.5 million euro;

- the subscription of 99.9% of Sonae Indústria, SGPS, SA's share capital increase from 500,000,000 euro to 700,000,000 euro, an investment of 199.9 million euro;
- the acquisition of 121,322,272 shares of Modelo Continente, SGPS, SA for 172.3 million euro;
- the acquisition of 50% of the share capital of Imocapital, SGPS, SA for 44.7 million euro.

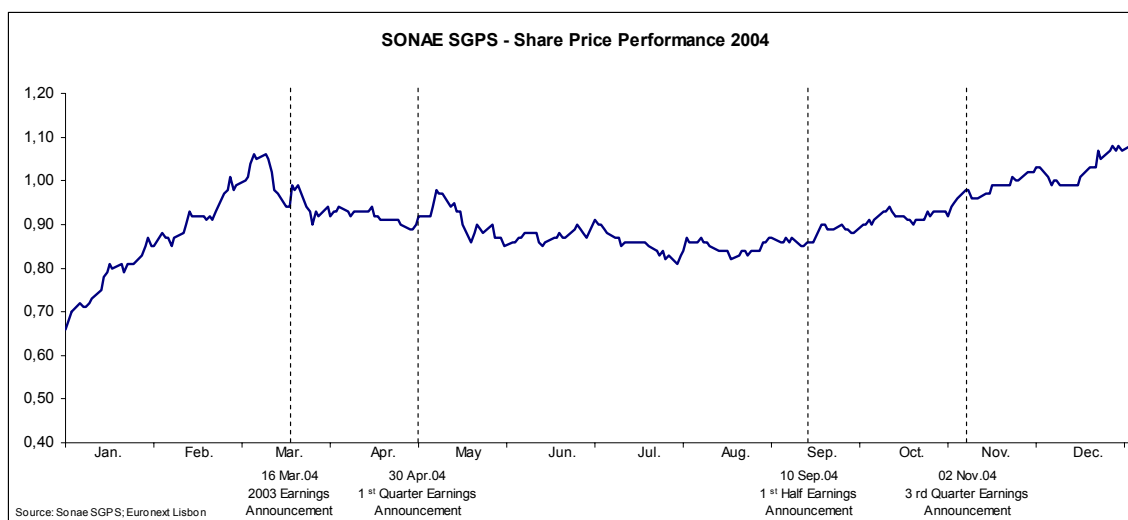
In the period, shareholders' loans totaling 660.8 million euro were made to affiliated undertakings, while shareholders' loans of 1,320.6 million euro in affiliated undertakings were repaid.

After the end of the year 2004, on 11 February 2005, the company has signed contracts for the sale of its shareholding and loans in Imocapital, SGPS, SA.

3. PROFITABILITY AND FINANCIAL SITUATION

The company made a net profit of around 12.1 million euro in 2004, mainly as a result of interest received on shareholders' loans made to affiliated undertakings less interest paid on bank loans and operating expenses.

4. SHARE PERFORMANCE



During 2004, the Sonae share increased in value by about 62%, compared to an increase in the PSI 20 Index of around 12.6%.

5. OWN SHARES

During 2004, the company did not sell or buy any own shares. The number of own shares held remained at 134,128,021 with an average purchase cost of around 1.07 euro. The share price as at 31 December 2004 was 1.07 euro.

The affiliated undertaking Modelo Continente, SGPS, SA continued to hold 50,000 shares of Sonae SGPS, SA at the end of 2004 at a cost of 0.5 million euro.

6. CORPORATE GOVERNANCE

Significant changes were introduced to Corporate Governance at the Shareholders General Meeting held on 31 March 2004. The number of members of the Board of Directors was increased from 5 to 9, and 4 non executive directors were elected, 3 of which are independent directors.

The Board of Directors has the following members:

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

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

The Board aims to meet at least four times a year. The quorum for any Board meeting requires that the majority of members are present. Each member has equal voting rights and decisions are taken by a majority of votes cast. The duties of the Board of Directors are as defined by Portuguese law.

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

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

The Executive Committee has been delegated the powers and responsibilities to manage and execute the day-to-day operations of the Company except:

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

Resolutions are taken by majority in the Executive Committee and all significant decisions are reported to the Board of Directors. The Executive Committee currently meets at least once every month.

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

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

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

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

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

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

7. OUTLOOK

In 2005, the company will continue to search for the best return on its assets, both through the performance of its affiliates and by alternative market positioning.

8. PROFIT APPROPRIATION PROPOSAL

Under the terms of Portuguese law and the Articles of Association, the Board of Directors proposes to the Shareholders' General Meeting that the net profit for the year, totalling 12,151,572.42 euro has the following appropriation:

Legal Reserves.....	607,579.00 euro
Dividends.....	11,143,993.42 euro

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

9. FINAL NOTE

The Board of Directors wishes to thank all its stakeholders for their support and confidence, with special thanks to the Statutory Auditor for his co-operation and work, and to all our staff for their efforts during the year.

Maia, 15 February 2005

The Board of Directors

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Álvaro Cuervo Garcia

Ângelo Gabriel Ribeirinho dos Santos Paupério

Duarte Paulo Teixeira de Azevedo

Luíz Felipe Palmeira Lampreia

Michel Marie Bon

Nuno Manuel Moniz Trigos Jordão

Nuno Miguel Teixeira de Azevedo

**DISCLOSURE OF SHARES AND OTHER SECURITIES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND OF
TRANSACTIONS DURING THE YEAR INVOLVING SHARES AND OTHER SECURITIES**

Appendix to the Report of the Board of Directors as of 31 December 2004 required by article 447 of the Portuguese Companies Act

		Purchases		Sales		Balance as of
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2004
						Quantity
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49,999,997
Imparfin, SGPS, SA (3)						150,000
Sonae, SGPS, SA						14,901
Sonaecom, SGPS, SA						75,537
Álvaro Carmona e Costa Portela						
Sonae, SGPS, SA						25,934
Sonaecom, SGPS, SA						5,000
Sale	08.03.2004			30,000	3.42	
Sale	09.03.2004			10,462	3.45	
Sale	12.03.2004			148	3.16	
Sale	12.03.2004			5,000	3.156	
Sale	12.03.2004			3,107	3.15	
Sale	17.03.2004			6,083	3.15	
Ângelo Gabriel Ribeirinho dos Santos Paupério						
Sonae, SGPS, SA						4,564
Sonae.com, SGPS, SA						60,070
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (3)						150,000
Sonae, SGPS, SA						277,486
Sonaecom, SGPS, SA						278,967
Shares attributed under a Share Based Compensation Plan	01.04.2004	14,092	0.00			
Luiz Felipe Lampreia						
Sonaecom, SGPS, SA						14,970
Purchase	02.11.2004	14,970	3.34			
Michel Marie Bon						
Sonae, SGPS, SA						13,363
Purchase	03.12.2004	10,200	1.00			
Nuno Manuel Moniz Trigo Jordão						
Sonaecom, SGPS, SA						0
Sale	05.03.2004			59,800	3.41	
Nuno Miguel Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Sonae, SGPS, SA						14,320
Sonaecom, SGPS, SA						0
Sale	04.03.2004			29,900	3.41	
		Purchases		Sales		Balance as of
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2004
						Quantity
(1) Efanor Investimentos, SGPS, SA						
Sonae, SGPS, SA						949,983,715
Pareuro, BV (2)						20,000
Sonaecom, SGPS, SA	24.03.2004	1,000	3.08			1,000
(2) Pareuro, BV						
Sonae, SGPS, SA						108,820,695
(3) Imparfin, SGPS, SA						
Sonae, SGPS, SA						4,105,273

Appendix to the Report of the Board of Directors as of 31 December 2004 required by article 448 of the Portuguese Companies Act - Number of shares held by shareholders owning more than 10%, 33% or 50% of the company's share capital

	<u>Number of shares held as of 31.12.04</u>
Efanor Investimentos, SGPS, SA	
Sonae, SGPS, SA	949,983,715
Pareuro, BV	20,000
Pareuro, BV	
Sonae, SGPS, SA	108,820,695

**SHARES HELD AND VOTING RIGHTS OF COMPANIES OWNING MORE
THAN 2% OF THE SHARE CAPITAL OF THE COMPANY**

As required by article 8, nr. 1 e) of CMVM Regulation 04/2004, the following shareholders held more than 2% of the company's share capital:

Shareholder	Nr. of shares	% of Voting Rights
Efanor Investimentos, SGPS, S.A.	949,983,715	50.915%
Pareuro, BV	108,820,695	5.832%
Maria Margarida Carvalhais Teixeira de Azevedo	14,901	0.001%
Maria Cláudia Teixeira de Azevedo	321,012	0.017%
Duarte Paulo Teixeira de Azevedo	274,193	0.015%
Total attributable to Efanor Investimentos, SGPS, S.A.	<u>1,059,417,809</u>	<u>56.780%</u>
Banco BPI, S.A.	51,868	0.003%
Banco Português de Investimento, S.A.	6,149,558	0.330%
Pension Funds managed by BPI - Sociedade Gestora de Fundos de Pensões, S.A.	2,253,776	0.121%
Investment funds managed by BPI - Gestão de Fundos de Investimento Mobiliário, S.A.	31,693,846	1.699%
BPI Vida - Companhia de Seguros de Vida, S.A.	199,523	0.011%
Institutional customers of the Bank which manages their portfolio	934,513	0.050%
Private customers of the Bank which manages their portfolio	844,765	0.045%
Total attributable to Banco BPI, S.A.	<u>42,127,849</u>	<u>2.258%</u>

Sonae SGPS, SA

Balance Sheet - 31 December 2004

euro

Assets	04.12.31			03.12.31
	Assets	Depreciation & Provisions	Net Assets	Net Assets
Fixed Assets				
Intangible assets:				
Start-up costs.....	16,191,325	16,191,325		
Patents and other similar rights.....	19,488	19,486	2	
	16,210,813	16,210,811	2	
Tangible assets:				
Plant and machinery.....	17,352	14,756	2,596	4,331
Vehicles	195,864	195,864		
Fixtures and fittings	2,348,722	1,777,903	570,819	24,000
Others.....	723	525	198	
	2,562,661	1,989,048	573,613	28,331
Investments:				
Shares in related (including associated) undertakings.....	3,442,280,387		3,442,280,387	2,553,950,843
Loans to related (including associated) undertakings.....	807,314,234		807,314,234	1,455,391,482
Other investments other than loans.....	166,880		166,880	49,880
	4,249,761,501		4,249,761,501	4,009,392,205
Current assets:				
Debtors: amounts falling due after more than one year:				
Other debtors.....	13,897		13,897	20,369
	13,897		13,897	20,369
Debtors: amounts falling due within one year:				
Trade debtors.....	1,133,290		1,133,290	
Related undertakings	19,055,345		19,055,345	23,939,616
Taxes recoverable.....	142,224		142,224	818,904
Other debtors.....	693,645		693,645	644,199
	21,024,504		21,024,504	25,402,719
Short term investments:				
Other negotiable instruments.....	30,317,580		30,317,580	
	30,317,580		30,317,580	
Cash at bank:				
Banks.....	412,920		412,920	130,321
Cash.....	2,498		2,498	2,500
	415,418		415,418	132,821
Accrued income and prepayments				
Accrued income.....	55,209		55,209	218,274
Prepayments.....	1,394,179		1,394,179	147,688
	1,449,388		1,449,388	365,961
Total depreciation		18,199,859		
Total provisions				
Total assets	4,321,755,762	18,199,859	4,303,555,903	4,035,342,406

The Accountant

The Board of Directors

Sonae SGPS, SA

Balance Sheet - 31 December 2004

euro

Shareholders' funds and liabilities	04.12.31	03.12.31
Shareholders' funds		
Called up share capital.....	2,000,000,000	2,000,000,000
Own shares - nominal value.....	-134,128,021	-134,128,021
Own shares - premium.....	-9,856,199	-9,856,199
Other reserves:		
Legal reserve.....	152,113,582	150,629,362
Other reserves	1,405,988,354	1,405,775,521
	3,414,117,716	3,412,420,663
Profit/(Loss) for the financial year	12,151,572	29,684,383
Interim dividend		
Total shareholders' funds	3,426,269,288	3,442,105,046
Liabilities		
Provisions for liabilities and charges:		
Other provisions.....	777,600	
	777,600	
Creditors: amounts falling due after more than one year:		
Bonds		
Non convertible.....	149,639,369	149,639,369
Bank loans.....	34,375,000	40,625,000
	184,014,369	190,264,369
Creditors: amounts falling due within one year:		
Bonds		
Non convertible.....		49,879,790
Bank loans and overdrafts.....	401,729,790	174,366,368
Trade creditors.....	209,160	125,177
Related undertakings.....	208,062,664	137,595,578
Other shareholders.....	24,478	30,548
Taxes and contributions payable (including income taxation).....	560,139	379,478
Other creditors.....	74,883,057	35,311,335
	685,469,288	397,688,273
Accruals and deferred income		
Accruals.....	7,025,358	5,284,717
	7,025,358	5,284,717
Total liabilities	877,286,615	593,237,360
Total shareholders' funds and liabilities	4,303,555,903	4,035,342,406

The Accountant

The Board of Directors

Sonae SGPS, SA
Profit and Loss Account for the period ended 31 December 2004
euro

	04.12.31		03.12.31	
Charges				
External supplies and services.....		2,397,560		1,457,206
Staff costs:				
Wages and salaries.....	3,550,280		2,361,930	
Social costs:.....				
Others.....	2,172,813	5,723,093	357,366	2,719,296
Depreciation and amortisation of tangible and intangible fixed assets	268,623		16,059	
Provisions.....	777,600	1,046,223		16,059
Taxes, excluding income taxes.....	1,590,739		1,558,867	
Other operating charges.....	91,504	1,682,243	94,924	1,653,791
(A)		10,849,119		5,846,352
Interest payable and similar charges:				
Related undertakings.....	4,674,806		4,329,159	
Others.....	23,797,925	28,472,731	27,005,106	31,334,265
(C)		39,321,850		37,180,617
Extraordinary charges.....		35,098		40,805
(E)		39,356,948		37,221,422
Income taxation.....		16,138		9,345
(G)		39,373,086		37,230,767
Profit for the financial year.....		12,151,572		29,684,383
		51,524,658		66,915,150
Income				
Services rendered.....	2,181,217	2,181,217		
Supplementary income.....	184,078		5,691	
Other operating income.....		184,078		5,691
(B)		2,365,295		5,691
Dividend income:				
Relating undertakings.....	1,019,471			
Investment income:				
Related undertakings.....	244,416		4,083,769	
Other interest received and similar income:				
Related undertakings.....	42,356,615		61,955,201	
Others.....	5,471,929	49,092,431	29,384	66,068,354
(D)		51,457,726		66,074,045
Extraordinary income.....		66,932		841,105
(F)		51,524,658		66,915,150
Summary:				
Operating profit/(loss): (B) - (A) =		-8,483,824		-5,840,661
Net financial profit: [(D) - (B)] - [(C) - (A)] =		20,619,700		34,734,089
Profit on ordinary activities: (D) - (C) =		12,135,876		28,893,428
Profit/(Loss) before taxation: (F) - (E) =		12,167,710		29,693,728
Profit/(Loss) for the financial year: (F) - (G) =		12,151,572		29,684,383

The Accountant
The Board of Directors

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

Profit and loss statement by functions

euro

	04.12.31	03.12.31
Sales and services rendered	2,181,217	
Cost of goods sold and services rendered	2,181,217	
GROSS MARGIN	0	
Other operating income	184,078	5,691
Distribution charges		
Administrative charges	-6,220,950	-4,192,561
Other operating charges	-1,002,015	-229,222
OPERATING PROFIT/(LOSS)	-7,038,887	-4,416,092
Net financial charges	18,156,911	34,100,660
Gains/(losses) relating to related undertakings	1,017,521	47,252
Gains/(losses) relating to other undertakings		
Exceptional items	32,165	-38,092
PROFIT BEFORE INCOME TAX AND EXTRAORDINARY ITEMS	12,167,710	29,693,728
Income tax (excluding tax on extraordinary items)	16,138	9,345
PROFIT AFTER INCOME TAX BUT BEFORE EXTRAORDINARY ITEMS	12,151,572	29,684,383
Extraordinary items		
Income tax on extraordinary items		
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12,151,572	29,684,383
EARNINGS PER SHARE	0.01	0.02

The Accountant

The Board of Directors

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	euro	
	04.12.31	03.12.31
OPERATING ACTIVITIES:		
<i>Cash receipts from trade debtors</i>	1,048,002	
<i>Cash paid to trade creditors</i>	1,815,861	1,075,200
<i>Cash paid to employees</i>	4,123,010	2,671,816
Cash flow generated by operations	-4,890,869	-3,747,016
<i>Income taxes paid / received</i>	-667,198	-3,211,587
<i>Other cash receipts and payments relating to operating activities</i>	-1,098,499	720,844
Cash flow generated before extraordinary items	-5,322,170	185,415
<i>Cash receipts relating to extraordinary items</i>	56,052	793,803
<i>Cash payments relating to extraordinary items</i>	25,749	40,719
Net cash flow from operating activities [1]	-5,291,867	938,499
INVESTMENT ACTIVITIES:		
Cash receipts arising from:		
<i>Fixed assets investments</i>	1,320,632,359	647,937,302
<i>Tangible fixed assets</i>	3,244	489
<i>Interest and similar income</i>	37,749,767	63,404,013
<i>Loans granted</i>	412,434,490	676,235,195
<i>Dividends</i>	1,019,471	1,771,839,331
Cash payments arising from:		
<i>Fixed assets investments</i>	1,549,336,984	679,755,661
<i>Tangible fixed assets</i>	817,646	1,102
<i>Intangible fixed assets</i>	2	
<i>Loans granted</i>	408,744,990	1,958,899,622
Net cash used in investment activities [2]	-187,060,291	118,233,705
FINANCING ACTIVITIES:		
Cash receipts arising from:		
<i>Loans obtained</i>	2,704,377,442	1,336,137,696
<i>Others</i>	39,666,666	2,744,044,108
Payments relating to:		
<i>Loans obtained</i>	2,454,564,317	1,421,455,097
<i>Interest and similar charges</i>	30,428,227	31,365,809
<i>Dividends</i>	27,993,401	2,512,985,945
Net cash used in financing activities [3]	231,058,163	-116,717,170
Net increase / (decrease) in cash and cash equivalents [4]=[1]+[2]+[3]	38,706,005	2,455,034
Effect of foreign exchange rates		
Cash and cash equivalents at the beginnig of the period	-7,973,007	-10,428,041
Cash and cash equivalents at the end of the period	30,732,998	-7,973,007

The accountant

The Board of Directors

SONAE, S.G.P.S., S.A.**Notes to the Cash Flow Statement for the year ended 31 December 2004**

1- Purchase or sale of affiliated and other company activities

Paragraphs a) e b)

Affiliated and Other Company Activities:	Sales		Purchases	
	Total Price	Amount Received	Total Price	Amount Paid
Sonaecom, SGPS, SA			879,060	879,060
Integrum Serviços Partilhados, SA			1,254,785	1,254,785
Modelo Continente, SGPS, SA			172,277,701	172,277,701
Sonae 3P - Panels, Pulp and Paper, SGPS, SA	13,050	13,050		
Sonae Indústria, SGPS, SA			199,903,518	199,903,518
Sonae Imobiliária, SGPS, SA			469,503,439	469,503,439
Imocapital, SGPS, SA			44,678,041	44,678,041
Total	13,050	13,050	888,496,544	888,496,544

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

Not applicable

d) Other assets and liabilities purchased or sold:

Not applicable

2- Description of components of cash and cash equivalents:

	euro	
	04.12.31	03.12.31
Cash	2,498	2,500
Bank deposits	412,920	130,321
Cash equivalents	30,317,580	-8,105,828
Cash and cash equivalents	30,732,998	-7,973,007
Bank overdrafts		8,105,828
Banks and cash in the balance sheet	30,732,998	132,821

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 and geographic regions

Not applicable

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

Not applicable

The Accountant**The Board of Directors**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

(Amounts expressed in Euro)

INTRODUCTION

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 financial statements, only the notes that are applicable are included, although the standard numbering has been retained.

1. DEPARTURE FROM PORTUGUESE ACCOUNTING PRINCIPLES

Fixed assets investments are valued in these financial statements at cost. Portuguese accounting directive nr. 9/92 requires the use of the equity method to value fixed assets investments. Management has decided not to use the equity method because, had it been used, these financial statements would still not present a true and fair view of the assets and operations of the company and its affiliated undertakings, which is the purpose of the consolidated financial statements, presented separately. In addition, under IAS, the use of the equity method to value fixed assets investments is not allowed when presenting consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements, which are based on the Company's accounting records, were prepared on a going concern and accruals basis and using the historical cost convention, modified by the revaluation of tangible fixed assets, which include successive legal revaluations. A summary of the more important accounting policies used is set out below:

a) Tangible fixed assets

Tangible fixed assets are stated at purchase cost (including costs of acquisition) or valuation. Valuations are calculated using general purchasing indices allowed by Portuguese fiscal legislation as explained in note 12.

Depreciation is calculated on a straight-line monthly basis over the expected useful lives of the assets.

b) Intangible fixed assets

Intangible fixed assets are stated at cost and amortised on a straight-line basis over a period of three years.

c) Fixed Assets Investments

Investments in related undertakings are stated at cost, including related purchase expenses. Loans to related undertakings and other loans are stated at their nominal value.

Estimated permanent losses in the value of fixed assets investments and loans, whenever their realisable value is lower than cost, are stated in the caption "Provisions for investments"

Fixed assets investments sold are valued using purchase lots.

d) Debts to and from third parties

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange at each balance sheet date. Where foreign currency balances at year end are covered by forward exchange contracts, the contract rate is used for currency conversion. The resulting exchange gains and losses are recorded in the profit and loss account

e) Recognition of expenses and income

The Company records income and expenses on an accruals basis. On this basis, income and expenses are recognised in the period to which they relate, independently of when the amounts are received or paid.

f) Provisions

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

g) Income tax

Income tax for the period is calculated based on the taxable income of the Company in accordance with Portuguese tax regulations.

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 the tax rates that have been enacted or substantively enacted, expected to apply in the periods when the temporary differences are expected to reverse.

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.

7. EMPLOYEE INFORMATION

The average number of employees of the company as of 31 December 2004, is as follows:

	04.12.31
Employees	58

10. DETAILS FIXED ASSETS

Movements in fixed assets and in depreciation and provisions during the period can be summarised as follows:

Gross Assets					euro
Captions	Opening Balance	Increase	Decrease	Transfers and write-offs	Closing Balance
Intangible Assets:					
Start-up costs	16,191,325				16,191,325
Patents and other similar rights	19,486	2			19,488
	16,210,811				16,210,813
Tangible Assets:					
Plant and machinery	17,352				17,352
Vehicles	194,407	1,457			195,864
Fixtures and fittings	1,558,129	405,975	24,873	409,491	2,348,722
Others		723			723
In construction		409,491		-409,491	
	1,769,888	817,646	24,873		2,562,661
Investments:					
Shares in related (including associated) undertakings	2,553,950,843	888,379,544	50,000		3,442,280,387
Loans to related (including associated) undertakings	1,455,391,482	660,840,440	1,320,598,703	11,681,015	807,314,234
Other investments other than loans	49,880	117,000			166,880
	4,009,392,205	1,549,336,984	1,320,648,703	11,681,015	4,249,761,501
Accumulated depreciation					euro
Captions	Opening Balance	Increase	Decrease	Transfers and write-offs	Closing Balance
Intangible Assets:					
Start-up costs	16,191,325				16,191,325
Patents and other similar rights	19,486				19,486
	16,210,811				16,210,811
Tangible Assets:					
Plant and machinery	13,021	1,735			14,756
Vehicles	194,407	1,457			195,864
Fixtures and fittings	1,534,129	264,906	21,132		1,777,903
Others		525			525
	1,741,557	268,623	21,132		1,989,048

12. REVALUATIONS OF TANGIBLE ASSETS

Tangible assets held by the company were revalued in previous years as allowed by:

- Decree-Laws nrs. 118-B/86 of 27 May, 111/88 of 2 April, 49/91 of 25 January, 264/92 of 24 November.

13. REVALUATION OF TANGIBLE ASSETS

The effect of the revaluations of tangible assets in net book value is nil.

16. AFFILIATED AND ASSOCIATED UNDERTAKINGS

At 31 December 2004 the Company held investments in the following affiliated and associated undertakings:

euro				
Company	Head Office	% Held	Shareholder's Equity as at 31 December 2004	Net Profit / (Loss)
Imocapital, SGPS, SA	Maia	50.00	-183,281	-181,188
Integrum - Serviços Partilhados, SA	Maia	85.00	55,555	-356,457
Interlog, SGPS, SA	Lisbon	1.02	18,433,115	278,495
Modelo Continente, SGPS, SA	Matosinhos	68.06	2,375,727,902	83,437,126
Sonae Capital, SGPS, SA	Maia	100.00	389,951,252	31,950,117
Sonae Imobiliária, SGPS, SA	Maia	50.00	742,616,589	114,846,444
Sonae Indústria, SGPS, SA	Maia	97.02	1,013,605,259	1,373,694
Sonae Investimentos América Latina, Lda	S. Paulo	99.99	16,846	1,712
Sonae Investments, BV	The Netherlands	100.00	-15,715,029	237,260,737
Sonae Turismo, SGPS, SA	Maia	97.89	198,736,371	168,754
Sonaecom, SGPS, SA	Maia	17.40	483,542,327	-3,725,782
Sonaegest Soc. Gest. Fundos Imobiliários, SA	Maia	20.00	1,386,651	-18,582

As ruled by the Portuguese Securities and Exchange Commission, Management informs that the acquisition of 7,467 shares of Interlog, SGPS, SA under the terms of article 490 of the Portuguese Company Law is being disputed in court.

The Company presents its consolidated financial statements, which in turn are consolidated into Efanor Investimentos, SGPS, SA, located in Porto.

27. BONDS

SONAE / 97 BONDS

14,963,936,912 bonds - Nominal Value: 0.01 euro, arising from the restatement of 3,000,000 bonds with a nominal value of 10,000 Escudos.

Type: Classic Bonds

Subscription: Private on 24 October 1997

Form: Non-titled Bonds

Payment: In one payment, at nominal value, at the time of subscription.

Maturity: 10 years, unless early repayment occurs.

Nominal Interest Rate:

1st to 13th coupon - indexed to EURIBOR 6 month rate (formerly Lisbor) published two working days prior to the first day preceding the interest period, with a spread of 0.17% p.a.

14 th coupon - indexed to EURIBOR 6 month published two working days prior to the first day preceding the interest period, with a spread of 1.17% (*)

15th to 20th coupon - indexed to EURIBOR 6 month published two working days prior to the first day preceding the interest period, with a spread of 1.22% (*)

Interest Payment: half yearly in arrears, on 24 April and 24 October of each year

Repayment: at nominal value, in two equal instalments, on the maturity date of the 18th and 20th coupons (24 October 2006 and 24 October 2007, respectively).(*)

Tax regime: Liable to withholding tax at a rate of 20% (flat rate for personal income tax purposes, except when included in taxable income) and exempt from gift and inheritance tax.
Listed on the secondary market on 11 May 1998.

(*) - Changes to original terms, approved in the Bondholders' General Meeting of 31 March 2004

"INPARSA / 98" BONDS

This loan was fully repaid on 11 January 2004

29. AMOUNTS OWING REPAYABLE AFTER MORE THAN 5 YEARS

The amount recorded in the caption "Bank loans - amounts falling due after more than one year" refers to a loan obtained from a financial institution, in the initial amount of 50,000,000 euros, for which the Company is solidarily responsible with its affiliated undertaking Sonae Indústria, SGPS, SA. The loan bears interest at normal market rates and is repayable in half year instalments from 15 December 2003 (instalments due 15 June 2005 and 15 December 2005 are disclosed under short term) to 15 June 2011.

31. FINANCIAL COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

As at 31 December 2004 the financial commitments not included in the balance sheet were as follows:

	euro
Long term rental instalments not yet due	104,505

32. RESPONSIBILITIES FOR GUARANTEES GIVEN

At 31 December 2004 responsibilities for guarantees given were as follows:

Guarantees:

	euro
Maia Tax department	1,668,260
Porto Administrative Court	280,708
Porto Civil Court	74,491
European Investment Bank (a)	159,625,000

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

Guarantee given to Caixa Geral de Depósitos relating to a 21,323,610.11 euro loan granted to the affiliated undertaking Imoareaia - Sociedade Imobiliária, S.A..

Guarantee given to Caixa Geral de Depósitos relating to a 13,467,543.22 euro loan granted to the affiliated undertaking Imoareaia - Sociedade Imobiliária, S.A..

The Company is responsible for several loans obtained by its affiliated undertaking Sonae Investments, BV, amounting to 45,573,826.17 euro.

The Company is responsible for a loan of 119,000,000 euro obtained by its affiliated undertaking Sonae Indústria, SGPS, SA and Glunz, AG.

The Company is responsible for a loan of up to 2,000,000 GBP given to its affiliated undertaking Sonae Tafibra UK. As at 30 June 2004 the amounts drawn down totalled 937,936.79 GBP.

The Company is responsible for loans obtained by its affiliated undertakings Sonae Indústria, S.G.P.S., S.A. and Tableros Aglomerados Ibericos, S.A. up to 7,000,000 Euro. As of 30 June 2004 the balance drawn down amounts to 3,036,594.69 euro.

Pledge over 31.83% of Modelo Continente, SGPS, SA's share capital granted to the Santander Group arising from put/call options on Modelo Continente, SGPS, SA shares entered into by an affiliated undertaking.

Guarantee given to a financial institution relating to financial commitments totalling 117,532,153 of the affiliated undertaking Sonae Investments B.V..

34. DETAILS PROVISIONS

Balances at 31 December 2004 and movements thereto during the period can be summarised as follows:

	Opening Balance	Increase	Decrease	euro Closing Balance
Other provisions		777,600		777,600
		777,600		777,600

36. SHARE CAPITAL

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

37. CORPORATE ENTITIES HOLDING 20% OR MORE OF THE SHARE CAPITAL

As at 31 December 2004 the following entities held more than 20% of the share capital:

Entity	%
Efanor Investimentos, SGPS, SA	50.91

40. MOVEMENTS IN EQUITY

Movements in equity in 2004 may be summarised as follows:

	Opening Balance	Increase	Decrease	euro Closing Balance
Share Capital	2,000,000,000			2,000,000,000
Own Shares:				
Nominal value	-134,128,021			-134,128,021
Discount/(Premium)	-9,856,199			-9,856,199
Reserves:				
Legal reserve	150,629,362	1,484,220		152,113,582
Other reserves:				
Free	1,261,266,966	212,833		1,261,479,799
Captive reserve (1)	144,508,555			144,508,555
	3,412,420,663	1,697,053		3,414,117,716

(1) Under article 324 of the Portuguese Companies Act shareholders are not allowed to distribute reserves equal to amounts paid for own shares.

As decided at the annual Shareholders' General Meeting, the net profit for the year 2003 was transferred to:

	euro
Legal reserve	1,484,220.00
Dividends paid	27,987,329.69
Free reserves	212,833.35
	29,684,383.04

43. REMUNERATION OF THE MEMBERS OF THE STATUTORY BOARDS

	euro
Board of Directors	1,246,186 a)
Auditor	38,000

a) includes only remunerations paid directly by the Holding Company.

45. ANALYSIS OF NET FINANCIAL CHARGES

	04.12.31	03.12.31
Charges		
Interest expense	21,441,834	26,477,744
Exchange losses	9	
Other financial charges	7,030,888	4,856,521
Net financial charges	20,619,700	34,734,089
	49,092,431	66,068,354
Income		
Interest income	48,072,885	66,068,245
Exchange gains	75	
Gain on disposal of short term investments	1,019,471	109
	49,092,431	66,068,354

46. ANALYSIS OF NET EXTRAORDINARY ITEMS

	04.12.31	03.12.31
Charges		
Donations	13,375	40,000
Loss on the sale of fixed assets	2,852	
Fines and penalties paid	10,374	
Charges relating to prior years	6,360	
Other extraordinary charges	137	805
Net extraordinary gains	31,834	800,300
	64,932	841,105
Income		
Gain on the sale of fixed assets	404	47,302
Gains relating to prior years	7,038	
Other extraordinary income	54,490	793,803
	61,932	841,105

47. INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

During 2004 shareholders' loan contracts were entered into with the following companies:

Sonae Capital, SGPS, SA
Sonae Investments BV
Imocapital, SGPS, SA

During 2004 short-term loan contracts were entered into with the following companies:

Efanor Investimentos, SGPS, SA
Elmo, SGPS, SA
Imoferro - Sociedade Imobiliária, SA
Imoplamac - Gestão de Imóveis, SA
Interlog, SGPS, SA
MDS - Sociedade Mediadora de Seguros, SA
Modelo Continente Hipermercados, SA
Modelo Continente, SGPS, SA
Modelo, SGPS, SA
NAB - Sociedade Imobiliária, SA
Nova Equador Internacional, Lda
OK Bazar - Comércio Geral, SA
Pargeste, SGPS, SA

Somit - Soc. Madeiras Ind. E Transformadas, SA
 Sonae Imobiliária, SGPS, SA
 Sonae Matrix - Multimédia, SGPS, SA
 Sonae Produtos e Derivados Florestais, SGPS, SA
 Sonae Turismo- Gestão e Serviços, SA
 Sonae Turismo- SGPS, SA
 Sonaecom, SGPS, SA
 Todos os Dias - Com. a Retalho e Expl. de Centros Comerciais, SA
 World Trade Center Porto, SA

As at 31 December 2004 the amounts owed by affiliated undertakings can be summarized as follows:

Loans granted

	euro
Companies	Closing Balance
MDS - Sociedade Mediadora de Seguros, SA	901,000
Sonae Capital, SGPS, SA	210,424,100
Sonae Indústria, SGPS, SA	25,734,806
Pargeste, SGPS, SA	15,000
Imocapital, SGPS, SA	24,624,943
Sonae Investments BV	546,530,385
	<u>808,230,234</u>

As at 31 December 2004 the amounts owed to affiliated undertakings may be summarized as follows:

Loans obtained

	euro
Companies	Closing Balance
Cinclus - Planeamento e Gestão de Projectos, SA	2,350,000
Integrum - Serviços Partilhados, SA	25,000
Interlog, SGPS, SA	18,285,000
Sonae Capital, SGPS, SA	141,884,992
Sonae Imobiliária, SGPS, SA	10,167,672
Sonaecom, SGPS, SA	35,350,000
	<u>157,769,350</u>

48. OTHER INFORMATION

On 30 April 2003, the Company signed a financial derivative contract, 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 at which they were acquired by a financial institution from an affiliated undertaking under a sale agreement with suspensive conditions. That agreement also establishes that the shares can be sold to others by the financial institution, if the Company does not object. This contract was unwound in October 2004.

Charges arising from the above mentioned agreement were recorded as financial charges (Note 45).

As of 29 December 2003, the Company granted Banco de Investimento Global, SA (Bank) the right to sell, wholly or partially, 6,700,000 shares of Portucel - Empresa Produtora de Pasta de Papel, SA, between 1 July and 31 December 2004. Simultaneously, the bank granted the Company a preference right on the disposal of such shares, and the right to include them in a future sale of other Portucel shares. These rights ceased by mutual agreement in July 2004.

On 16 December 2004, the company signed an agreement with one of its affiliated companies for an option to purchase 715,160 shares of Gescartão, SGPS, SA.

The Accountant

The Board of Directors

STATUTORY AUDITOR'S REPORT AND AUDIT REPORT

NON-CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

Introduction

1. Pursuant to the applicable legislation, we hereby present our Statutory Auditor's Report and Audit Report on the financial information contained in the Report of the Board of Directors and the accompanying financial statements of Sonae, S.G.P.S., S.A. for the year ended 31 December 2004, which comprise the Balance Sheet as of 31 December 2004, that reflects a total of 4,303,555,903 Euro and shareholders' equity of 3,426,269,288 Euro, including a net profit of 12,151,572 Euro, the Statements of Profit and Loss by nature and by functions and the Statement of Cash Flows for the year then ended and the corresponding notes.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of financial statements that present a true and fair view of the financial position of the company, the results of its operations and its cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles and 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 its operations, financial position or results of operations.
3. Our responsibility is to examine the financial information contained in the financial statements referred to above, including the 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 Auditing Standards issued by the Portuguese Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the 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 the judgement and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes: assessing the adequacy of the accounting principles used, and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern basis, assessing the adequacy of the overall presentation of the financial statements, and verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the financial information included in the Report of the Board of Directors is consistent with the other financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, for the purposes explained on paragraph 6 below, in all material respects, the financial position of Sonae, S.G.P.S., S.A. as of 31 December 2004 and the results of its operations and its 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

6. The financial statements mentioned in paragraph 1 above relate to the non-consolidated activity of the Company and were prepared for approval and publishing in compliance with applicable legislation. As mentioned in note 3.c) investments in affiliated and associated undertakings are stated at the lower of cost and realisable value, this being calculated based on financial forecasts. The Company will prepare and present, in compliance with applicable legislation, consolidated financial statements as of 31 December 2004 that better reflect the financial position and results of the operations of the Company and its affiliated and associated undertakings.

Porto, 15 February 2005

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

REPORT AND OPINION OF THE STATUTORY AUDITOR

NON-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 non-consolidated financial statements documents of account of Sonae, S.G.P.S., S.A., for the year ended 31 December 2004, which are the responsibility of Company's Board of Directors.

We accompanied the operations of the Company, the timely writing up of its accounting records and its compliance with statutory and legal requirements, having obtained from the Boards of Directors and personnel of Sonae, S.G.P.S., S.A., all the information and explanations required.

In performing our work, we examined the Balance sheet as of 31 December 2004, the Statements of profit and loss by nature and by functions and the Statement of cash flows for the year then ended and the accompanying notes. Additionally, we examined the Report of the Board of Directors for the year 2004 and the proposal contained therein. As consequence of our legal examination we have issued today the Statutory Auditor's Report and Audit Report, which in paragraph 6 contains one emphasis.

In our opinion, and considering the matter referred to in paragraph 6 of the Statutory Auditor's Report and Audit Report, the financial statements referred to above, the Report of the Board of Directors and the proposal contained therein, 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 Board of Directors and personnel of Sonae, S.G.P.S., S.A., for the assistance provided to us.

Porto, 15 February 2005

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

SONAE - SGPS, S.A.

Head Office: Lugar do Espido, Via Norte, Maia

Share Capital: 2,000,000,000.00 EURO

Maia Commercial Registry Nr. 14168

Fiscal Number 500273170

Sociedade Aberta

I hereby certify that the following proposals have been approved and are included in minute 94 of the Shareholders' General Meeting held on 6 April 2005:

a) "We propose that the Annual Report and Accounts for 2004 are approved as presented."

b) "We propose that the Consolidated Annual Report and Accounts for 2004 are approved as presented."

c) "Under the terms of the law and the Articles of Association, the Board of Directors proposes to the Shareholders' General Meeting that the 2004 Net Profit of 12,151,572.42 euro has the following appropriation:

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

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

Maia, 11 April 2005

The Company's Secretary

Luzia Gomes Ferreira