



SONAE, SGPS, SA

Sociedade Aberta

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

Share Capital: Euro 2,000,000,000

Maia Commercial Registry Nr. 14 168

Fiscal Nr. 500 273 170

REPORT AND ACCOUNTS

31 DECEMBER 2005

(Translation from the Portuguese original)



CHAIRMAN'S STATEMENT

Chairman's Statement 2005

I am pleased to announce that 2005 was an exceptional year for all of the Group's businesses, causing a direct and material positive impact on the market value of its listed subsidiaries and, as a consequence, of the holding company. If we compare the market value of Sonae SGPS as at 31 December 2004 with its value as at 31 December 2005, and if we add to this value the market value of Sonae Indústria (which had already been spun-off as at 31 December 2005), we saw increases of 10% and 55%, respectively, which further increase to 26% and 80%, respectively, if we use the share price as at 31 March 2006.

This year, I feel the Chairman's statement should focus primarily on major changes in the various sub-holdings, whether they are in respect of consolidation of operational results, strengthening of balance sheets or improving corporate governance.

At Modelo Continente, the sale of the Brazilian assets, at a valuation of circa 750 million euros, was concluded under more favourable conditions than expected, notwithstanding the difficult general market conditions and the fiscal inequity prevailing in the retail sector in Brazil. As a result, the company will be able in the future to focus on the development of other business areas and on other geographic markets while, in the short term, the sale has allowed the reduction of debt to unusually low levels.

In view of the fact that a new Board of Directors had to be elected on the Shareholders' Meeting held on 31 March 2006 and due to the reduced free-float of this sub-holding, the new Board of Directors was elected with the same members as those of the Executive Committee of Sonae SGPS.

Chairman's Statement 2005

Nuno Jordão, who successfully led the sale of Sonae Distribuição Brasil, as explained at the time (and now re-affirmed), and having completed the restructuring of Sonae Turismo – the approval of the Tróia detailed plans, the sale of non-strategic assets in Tróia (Casino) and in Lagos (Palmares), and the acquisition of the remaining share capital of Soltróia – will now take on new challenges.

In addition to the task of completing the implementation of the various retail formats in Portugal, Nuno Jordão will explore opportunities for the development of new potential geographical areas for the retail business, will present a strategy to enhance the procurement potential worldwide, primarily in non-food items and in respect of large contracts with multinational companies, and will study new retail formats, having already started a development project for Star Viagens which will be 100% controlled by Modelo Continente.

I am pleased to highlight his personal effort – his time dedication, including long and exhausting business trips – demanded by the above mentioned tasks that have contributed to make our portfolio easier to understand and to strengthen the company's balance sheet, not only through the sale of non-strategic assets, with significant capital gains, but also through the reduction of continuing losses at Sonae Distribuição Brasil.

Chairman's Statement 2005

Ângelo Paupério not only had a significant role in the restructuring and strengthening of Sonae SGPS' balance sheet, but was also involved in most of the negotiations with national and international banks with the aim of reducing the cost of debt in several of the Group's subsidiaries, extending debt maturities as well as diversifying sources of funding – in terms of both geographical origin and specialisation.

In addition to his current responsibilities as Group CFO, Ângelo Paupério will continue as Sonae Capital's CEO, which will now include the management of Sonae Turismo.

Álvaro Portela had a busy year, developing and implementing various projects of significant dimension and ended the year with the successful consolidation of our strategic partnership with Grosvenor, resulting in the creation of a strong European operator of top quality shopping centres. The group currently has more than ten new projects either under construction or in the process of acquisition, making the outlook for 2006 a very positive one.

Paulo Azevedo has led the consolidation process of Sonaecom – implementing an investment strategy that has returned the company to a growth track, strengthening the company's balance sheet, clarifying and enhancing the strategic relationship with France Telecom and, at the end of the year, presented to the holding company a courageous proposal for the acquisition of PT, that was approved by the Board of Directors, having secured the necessary financing under excellent terms and conditions, from a well known leading international bank, reflecting the extraordinary reputation of the Group and its capacity to generate cash flows and to constantly meet its financial obligations.

Chairman's Statement 2005

The public tender offer to acquire control of PT still has a long way to go, but we are confident that we will be successful. It is a transparent transaction, launched openly in the market, praised by the majority of business analysts and positively received by the media.

During 2005, we successfully completed the planned spin-off of Sonae Indústria, a transaction made possible by the significant improvement in the company's financial performance, its leading worldwide market position and due to the excellence of the team led by Carlos Bianchi de Aguiar.

A significant step forward has also been made in terms of corporate governance, with the Executive Committee having a majority of non-Portuguese members (3 out of 5) as well as the Board of Directors (7 out of 11).

This is the last year that the Sonae SGPS Chairman's statement will address Sonae Indústria, although we are sure the company will follow the same core values of its sister company, particularly given that both companies will have the same reference shareholder (Efanor Investimentos SGPS).

We have no doubt that Sonae Indústria – already a large company with a turnover of circa 1,500 million euros, a market capitalization of circa 1,100 million euros and 5,500 employees – will continue to expand, becoming a global company, operating in 11 countries and which, in terms of internationalization, will have Sonae Sierra as its closest competitor within the Group.

Chairman's Statement 2005

I would like to dedicate my last words to express my sincere appreciation to all employees whose effort, dedication and performance have contributed significantly to improve our operations and I would like to thank them for their availability to undergo continuous training as the only means of achieving transformation within an environment of social cohesion. This is the approach we will continue to use in the future, both in our existing businesses as well as in potential new businesses, be these the result of organic expansion or of acquisitions, in Portugal or internationally.

We would like to thank our suppliers in general and, in particular this year, a special thanks to our financial partners, for their outstanding cooperation and trust.

As for our customers, we promise our firm commitment to continue to deserve their confidence, offering better quality products and services, at competitive prices, with rigorous control throughout the value chain.

We aim to be a role model in terms of corporate governance. In this respect, I would like to put to the test one of my strongest convictions which is to demonstrate that a company can be successful in the equity markets, with both a wide group of investors and a clear and visible reference shareholder with stable principles over the years.

This confirms what I said some years ago, that strong and clear leadership together with outstanding professional management are the key success factors for a long living company to compete in global and demanding markets.

Chairman's Statement 2005

I would also like to thank my Board colleagues (executive and non-executive) for their constant challenge and advice, and our statutory auditors for their rigour, which has allowed us to present audited accounts without qualifications, notwithstanding the adoption of more demanding international accounting standards.

Maia, 6 April 2006

Belmiro de Azevedo



REPORT OF THE BOARD OF DIRECTORS
31 DECEMBER 2005



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(Translation from the Portuguese original)

REPORT OF THE BOARD OF DIRECTORS

YEAR ENDED 31 DECEMBER 2005¹

ECONOMIC ENVIRONMENT

The year 2005 was marked by the consolidation of world economic growth. Although slightly weaker than in 2004, growth spread to new regions. Thus, while North America and the Far East continued their expansionary cycle, Western Europe and Japan also showed signs of gradually abandoning the trend of modest growth or even stagnation of recent years. There was vigorous growth in international trade during the year, and most emerging economies, including Eastern Europe, also benefited from an expanding global economy. Worth highlighting in this environment are the European Union with a growth rate of 1.5% (a modest rate but closer to that thought to represent the potential GDP growth) and Japan at a surprising 2.4% (much higher than expected after 15 years of near stagnation). Nonetheless, private consumption in the USA and China's GDP are currently the main drivers of world economic growth.

In what is already a relatively advanced stage of the growth cycle, the US economy grew 3.5%, a figure that was marginally exceeded by the growth in private consumption (3.6%). This growth cannot, however, be regarded as entirely healthy since it is based on the progressive worsening of the trade balance and of the budget deficit that threaten to become structural problems and are the biggest threat to the sustainability of growth in the medium term.

The strength of world economic growth coexisted with the occurrence of a wave of zones of turbulence of varied nature and origin, of which examples were natural catastrophes, rises in the price of oil and other raw materials, and the intensified risks of a break in the supply of energy. Nonetheless, in most economies inflation rates were relatively unaffected by these inflationary shocks, and had no relevant negative effects on economic activity. In particular, the feared inflationary impact on non-

¹ Unless otherwise stated, the figures presented in this report relate to the year of 2005. The figures shown in brackets are the comparable figures of the previous year.

energy goods did not transpire due to monetary policies aimed at taming inflationary expectations, although still supportive of sustained economic growth.

As a result of the global exposure of its business portfolio, the Sonae Group's activity in 2005 reflected the trend of economic conditions in those countries where it operates, particularly in Portugal, the main European economies and Brazil.

The Portuguese economy, in 2005, had very modest growth, in fact close to stagnation (growth of only 0.3% in real terms). For the fourth year running, Portugal continued to diverge from the average European Union standard of living. Despite worsening business and consumer confidence, the weak growth achieved was essentially due to a more favourable trend in private consumption. Business pessimism led to a further fall in gross fixed capital formation, whose value in real terms was close to that recorded five years ago. Also net exports once again contributed negatively to growth, reflecting a structural worsening of competitiveness in export sectors of the economy, despite the background of vigorous expansion in world trade.

In line with this weak economic climate, there was a further increase in unemployment while inflation was kept under control. Budget consolidation objectives, as part of the Growth and Stability Pact, meant a further increase in the tax burden, as well as relatively severe cuts in specific categories of public expenditure. In view of the urgent need to implement reforms that will significantly reduce the burden of government expenditure and cut bureaucracy in the civil service, the scope for tax incentives to the economy will remain severely limited over the next few years. On the other hand, since Portugal still lies behind in the process of shaping its economic development model and areas of specialisation, it is expected that Portugal will continue to have growth rates lower than the European Union average, at least during 2006 and 2007.

With growth rates of 1% and 1.5% respectively, the two biggest central European economies, France and Germany, finally showed signs of emerging from the long period of stagnation that began in 2000. Although growth is still weak, it is important to stress the signs of improvement evident in the German economy. One is the significant falls in unit labour costs (as a result of wage control and productivity gains), while others of more recent origin are the favourable impact of measures taken to stimulate the flexibility of the economy and also control of public spending. Germany is now, without any doubt, one of the Euro area economies that is best placed to benefit from the favourable outlook for world economic growth.

Having come through difficult economic conditions over the last few years with very satisfactory growth rates, coupled with reductions in unemployment, the United Kingdom and Spain both now run the risk of a counter cycle trend with rates of expansion below the growth rate of potential GDP. As an example, the United Kingdom saw its growth rate fall from 3.2% in 2004 to 1.7% in 2005. In Spain, the situation deserved particular attention. Despite maintaining growth potential rates of around 3%, considerably above the European average, and over the last few years having had real growth rates close to potential growth, the Spanish economy has developed imbalances that indicate a possible deterioration in growth in the short term. In effect, the sharp rise in consumption, consumer debt levels driven up by real interest rates that are among the lowest in the Euro area, a considerable rise in unit labour costs, growth of imports at levels much higher than exports and a trade

balance in excess of 5%, all make it unlikely that the economy can avoid a slowdown over the next few years. However, it is worth remembering that there is some leeway, made possible by cumulative budget surpluses, to allow an expansionist fiscal policy to counter a deceleration of the economy.

Further south, Italy and Greece continue to show contrasting positions in the economic cycle. Thus, in 2005, Italy was the European country with the weakest growth rate of potential GDP (1.2%, even less than the modest 1.3% in Portugal). In 2005, GDP growth was 0.2%, with the most optimistic growth forecasts for 2006 and 2007 not exceeding 1%. As in Spain, the growth of the Italian economy has been excessively driven by private consumption, based on unsustainable salary increases that have led to a considerable loss of competitiveness. The situation has been worsened by a public deficit and debt of 3% and 100% of GDP, respectively, making it almost impossible to intervene fiscally.

On the contrary, Greece had a real growth rate that was very positive (3.5%) and that within the European Union was only exceeded by Ireland. Based on a very specific growth model, in which the expansion of services is clearly more important than the weak industrial sector that is highly uncompetitive, the drivers of this expansion in Greece continue to be the growth of private consumption and exports of tourism services. There is no indication that over the next few years this scenario will change significantly.

In Brazil, the year 2005 was one of great political instability but nonetheless the economy continued to grow satisfactorily, not just in terms of growth of GDP (3.2%) but also in terms of external trade (the trade balance was positive at 1.6% of GDP, despite an increase in imports caused by the appreciation of the Real). As a consequence of the healthy state of the main economic indicators, 2006 is expected to be the beginning of a phase of sustained falls in real interest rates, since the good performance of the balance of payments is now consistent with a gradual easing of the monetary controls traditionally necessary because of the financial vulnerability of the country internationally. However, the economic situation will remain dependent on the forthcoming presidential elections and by the uncertainty concerning the capacity of internal supply to satisfy demand that will be created by a highly probable expansion driven by fiscal measures.

As for the world economy, the outlook for 2006 continues to be optimistic. Growth rates similar to those of 2005 are expected in the three main economic zones, and also in China. The consolidation of this phase of growth can moreover be confirmed from the progressive increase in short term interest rates that took place throughout 2005, especially in the USA. This is a clear sign that the US Federal Reserve considers at this point that it is unnecessary and even counter productive to give any impetus via monetary policy towards intensifying growth. Thus the monetary outlook for 2006 points towards wider short term interest rate increases in the central banks of the Euro area and Japan.

MAIN CORPORATE EVENTS DURING 2005

On 11 February 2005, Sonae, SGPS, SA announced that it had agreed the terms and conditions for the sale to Europac SA of all of its shares and loans in Imocapital, SGPS, SA, which held 65% of the share capital of Gescartão, SGPS, SA, as well as its direct shareholding of 3.58% in Gescartão. The sale of the share capital of Imocapital was subject to the approval of the Competition Authority as required by Portuguese Law, and this was obtained on 6 April 2005. This sale impacted the consolidated net profit attributable to Sonae equity holders by circa 39 million euro. The cash inflow associated with this transaction, of circa 97.9 million euro, was received in the month of April.

On 31 March 2005 the company issued bonds in the amount of 100 million euro, by private placement, unsecured and with an 8 year term.

Following the announcement made on 22 December 2004, a further 27.8% of ba Vidro was sold, resulting in a capital gain of 37.8 million euro and a cash inflow of 97.4 million euro (including share sales proceeds, reimbursement of shareholders' loans and dividends).

On 19 May 2005, in an over the counter transaction, Sonae, SGPS, SA acquired 83,375,000 shares (7.58% of the share capital) of its affiliate Modelo Continente, SGPS, SA, for 150.4 million euro, under the terms of the Call Option contract signed on 16 November 2004 between Sonae, SGPS, SA and Banco Santander Central Hispano, SA and its affiliated companies. As a result of this acquisition, Sonae owns directly 75.64% of the share capital of Modelo Continente, SGPS, SA, while 98.06% of the share capital and voting rights of the company continue to be attributed to Sonae.

The decision to spin-off Sonae Indústria was announced on 10 March 2005. The Board of Directors announced on 23 September 2005 that, together with the Boards of Directors of the other companies involved (Sonae Indústria and Sonae 3P), it had approved the demerger-merger and merger project. Under the terms of the project, shares held in Sonae Indústria equal to 90.36% of Sonae Indústria's share capital, have been demerged from Sonae and merged into Sonae 3P. Sonae Indústria has then be merged into Sonae 3P which has been renamed Sonae Indústria, SGPS, SA. The new Sonae Indústria has a share capital of 700 million euro corresponding to 140 million shares, each with a nominal value of 5 euro. Admission to Euronext Lisbon has been requested for these shares. In the demerger-merger, one share in Sonae 3P has been granted for every 14.75 shares in Sonae, SGPS, SA, and in the merger one share in Sonae 3P has been granted for each share in Sonae Indústria. On 4 November 2005, the General Meetings of Shareholders of the companies involved in the operation approved the demerger-merger and merger project. The public deed formalizing the demerger-merger and the merger described above has been signed on 15 December 2005 and the corresponding final registration with the commercial registrar has been obtained on 20 December 2005. New shares attributed to existing shareholders of Sonae Indústria, SGPS, SA were admitted on Euronext Lisbon on 27 December 2005 and the remaining shares on 20 January 2006. After all these legal procedures Sonae, SGPS, SA owns, directly or indirectly, 6.66% of the share capital of Sonae Indústria, SGPS, SA.

On 14 December 2005, the affiliated company Modelo Investimentos Brasil, SA, owned directly and indirectly by Modelo Continente, SGPS, SA, sold the whole of its shareholding in Sonae Distribuição Brasil, SA to the Wal-Mart Group, resulting in a capital gain in the consolidated accounts of Sonae, SGPS, SA of 141 million euro.

On 29 December 2005 an agreement was signed with Grosvenor for the sale of 17.04% of Sonae Sierra, SGPS, SA for 218 million euro. The cash inflow associated with this transaction was received in February 2006. The final price was 226 million euro based on the Net Asset Value as at 31 December 2005 and a capital gain of circa 55 million euro has been recorded.

ALLOCATION OF FINANCIAL RESOURCES

Consolidated gross investment for the year was around 880 million euro, and includes the following contributions:

- The Retail business invested around 360 million euro (135 million euro). The expansion and refurbishment program continued to be the priority of the company, with 55 new stores opened and 30 refurbishments in Portugal. As a result, more than 62,000 m² were added to the company's store portfolio (14% increase over 2004). In food retail, three new Continente hypermarkets were opened (Antas, Loures and Covilhã – the latter a conversion of a previous Modelo unit), as well as five new Modelo hypermarkets and one Modelo Bonjour supermarket. In non food retail, openings amounted to 47 new stores, including 11 Worten, 6 Modalfa, 11 Sportzone, 4 Maxmat, 8 Vobis and 7 Zippy. In addition, the company invested 175 million euro in the acquisition of assets held by Real Estate Investment Funds.
- The Shopping Centres business invested around 300 million euro (271 million euro) with the opening of LoureShopping and SerraShopping (Portugal), Plaza Éboli (Spain) and of Mediterranean Cosmos (Greece), as well as the acquisition of Valecenter (Italy) and progress on Plaza Mayor Shopping (Spain) and Alexa (Germany).
- In Telecommunications, investment amounted to around 120 million euro, a 10% increase over 2004, in the deployment of the UMTS network and of the wireline next generation network to support broadband, in the development of the Triple Play offer and on information technologies and systems.

HUMAN RESOURCES ALLOCATION

At the end of the year, the Sonae Group employed over 32,400 people, of which most worked in Retail (73%), Sonae Capital (17%) and Telecommunications (6%).

The Sonae Group continues to attach special importance to the training of its human resources. Among the various businesses, more than 978,000 hours of training were given during the year.

RISK MANAGEMENT AND INTERNAL AUDIT

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

During 2005, the work carried out in accordance with the planned activities of each function, was as follows.

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

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

Turning to people safety risks (staff, subcontractors, customers and visitors), work continued on the PERSONÆ Project, to develop integrated actions and people attitudes towards safety, with special emphasis on changing behaviour. Thus, following the preparatory and diagnostic phases completed in 2003, implementation of this project began at Sonae Sierra in 2004, in partnership with a leading international consulting firm in this field, part of a group recognized as being one of the most safety conscious and socially responsible in the world. The programme combines the implementation of best management practices in Hygiene, Safety and Social Responsibility with the development of internal capabilities through training and knowledge sharing. An essential part of the methodology is to integrate responsible attitudes and behaviour into the culture of the company. The programme involves all operations world wide and all businesses of Sonae Sierra from project development through to the management of shopping and leisure centres, including investment and construction. The project will last for four years, and represents, in consulting and training alone, an investment of 5 million euro. Its progress has been monitored by the other sub-holdings of the Group with a view to taking advantage of synergies and adapting the management model to other Group companies. In 2005, the first phases of projects with similar objectives were launched at Sonae Indústria and Modelo Continente with the set up of Health and Safety corporate functions.

The Sonae Group signed the World Safety Declaration at the end of 2005, making a worldwide commitment by its businesses towards safety at work. Sonae was one of the founder members together with major worldwide corporations.

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

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

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

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

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

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

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

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

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

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

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

As far as development of the Risk Management and Internal Audit function is concerned, in 2005, Group companies continued to fund staff training for those who voluntarily put themselves forward for international certification in internal audit - the Certified Internal Auditor (CIA). Two more staff successfully qualified this year, in addition to the other three who qualified in previous years, making the Sonae Group the entity with the most CIA's in Portugal. The internal audit team includes a Certified Information Systems Auditor, one of the few certified in Portugal. In 2006, Sonae will continue to fund this important training programme, and the international development and qualification of its internal auditors, in line with best international practices.

ENVIRONMENTAL MANAGEMENT

Sonae has been very active during the year both at progressing on implementation of environmental management systems (EMS) and at monitoring environmental issues, as well as in cooperating with the "World Business Council for Sustainable Development" and its Portuguese chapter.

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

Retail began in 2004 a programme of implementation of EMS in its stores and warehouses following the international standard ISO 14001. As a result of this programme, Modelo Continente was the first company in the retail sector to win environmental certification in 2005 in accordance with this standard for two of its premises: the Continente store in Cascais and the Azambuja warehouse. These certifications are a significant step for Modelo Continente towards superior environmental performance in the retail sector.

The following programmes and actions should be highlighted:

- More efficient equipment and energy management systems contributed to a like for like increase of only 0.5% in energy consumption, despite improvements in temperature controls and quality of lighting in stores;
- More than half of waste generated in 2005 was sent for recycling, (19,554 tons of paper and board; 2,231 tons of plastic film; 689 tons of wood and 24 tons of polystyrene foam); first steps were taken to send organic waste for composting, thus contributing towards reducing the pressure on other waste treatment systems;
- Modelo Continente led the introduction of the so called *Single Crate* into its supply chain and into the retail sector in Portugal. In 2005, more than 80% (by weight) of fruit and vegetables were handled using the *Single Crate*, corresponding to around 90% of our suppliers of these products;
- In 2005 more goods were transported per kilometre, with a favourable impact on natural resource consumption, and also on polluting atmospheric emissions;
- When new stores are opened, environmental training is given to new employees on existing best practices and on the importance of each staff

member to the overall performance of the store. In 2005, 23 training actions took place in these areas;

- In 2005, 800,000 rulers and other items such as pencil cases made from recycled paper were offered to customers with the goal of promoting environmental awareness. Another initiative launched in 2005 was the distribution of customer shopping bags decorated with the re-cycling colours with the goal of encouraging the sorting of waste and subsequent recycling;
- As a result of the *Batteries and Books* competition, in 2005, 5 million batteries were collected and 30,000 books given to schools, involving 680,000 children and 5,400 schools.

In December 2005, the **Shopping Centres** business received formal certification of its company-wide EMS according to the international standard ISO14001:2004, the first property company in Europe to achieve this across the entire business. Corporate performance against both management and development KPIs continues to be reported quarterly to the main Sonae Sierra Board, and the company takes part in industry benchmarking initiatives to compare its performance against European peers and promote the adoption of good environmental practice.

The business is already calculating greenhouse gas emissions associated with all its shopping centres and offices in Europe and Brazil according to the Greenhouse Gas Protocol. Indeed, during 2005 it achieved first place in the Index ‘Climate Change and Corporate Management – a Response Index’, promoted by Euronatura, a Portuguese Non Governmental Organisation. Over the past four years, the business has achieved a steady reduction in the quantities of waste produced in its owned centres under management. Furthermore, the amount of waste reused/recycled has steadily increased in the same period, from 19% of total waste produced in 2002 to 24% in 2005. It has recently introduced composting schemes at several shopping centres to reuse organic waste.

Another major highlight of Sonae Sierra's EMS is the tool it has created to guide the design of new shopping centres – Environmental Standards for Retail Developments (ESRD). During 2005, this tool was comprehensively reviewed and updated to incorporate the best practices in environmental design across all impact areas;

The **Telecommunications** business has an EMS certified by APCER since 2003, in compliance with the requirements of the international standard ISO 14001:1999. During 2005, the business carried out various actions to ensure an efficient transition to the most recent version of the international standard ISO 14001:2004, and also to improve its Environmental performance, of which the following are highlights:

- Structured environmental information according to the GRI – international guidelines for reporting sustainable development;
- Established and implemented action plans to guarantee compliance with European legislation on management systems for waste electric and electronic equipment and on control of substances that damage the ozone layer (ODS - Ozone Depleting Substances);
- Performed several environmental audits and visits to suppliers, namely, an electric and electronic equipment waste operator, a battery and a logistics services supplier;

- Carried out an eco-design study on packaging with the aim of reducing the impact of packaging materials and providing the consumer with environmental information as to how to dispose correctly of the various pieces of packaging waste;
- Continued a partnership protocol with the Telecommunications Institute, called *monIT*, with the goal of monitoring and making relevant information available to the public on electromagnetic radiation from mobile communications;
- Improvements implemented in logistic operations that resulted in savings in materials and costs, such as: using one instead of two product identification stickers and changing the wrapping for boxes from plastic film to re-usable straps;
- The Público newspaper reduced paper losses used in printing the paper, by circa 140 tons;
- Developed a work flow process for electronic approval of invoices that resulted in a reduction in paper consumption;
- Continued to send used toners to a licensed waste operator that processes them for re-use, part of the proceeds being donated to *Fundação Gil* which helps children in hospitals.

Among the business activities of **Sonae Capital**:

- At **Sonae Turismo**, it is worth noting that the Tróia resort has been awarded in 2005 ISO14001 certification, initially for the design and operational phases of the project and later in the year for the construction phase, being the first resort to obtain such a broad ranging certification. The demolition of unused buildings was given prime attention in terms of waste management: re-usable materials and equipment were removed from the building and whenever possible donated to charitable institutions; all materials with value and/or that could contaminate remaining waste were also taken away; 98.3% of resulting waste was stored for re-use in the construction work of the resort.
- Following the implementation in 2004 of an integrated management system, **Contacto** obtained in 2005 certification in Quality, Environment and Safety systems according to the standards NP EN ISO 9001:2000, NP EN ISO14001:1999 and OHSAS 18001:1999. The systems refer to all construction work and associated activities, and aim to satisfy the needs, expectations and demands of the company's customers.

BUSINESS ANALYSIS²



WOOD BASED PANELS

The spin-off of Sonae Indústria had accounting effect from 1 October 2005. Hence, the contribution of the Wood Based Panels business to the 2005 consolidated financial statements of Sonae SGPS, only reflects the activity and earnings attributable to the first nine months of 2005. The Wood Based Panels business analysis regarding this period has already been included in the “Report of the Board of Directors for the nine months ended 30 September 2005”.

² The figures included in this section are those from the consolidated financial statements of each business, and the analysis expresses the views of each business on its own activity.



RETAIL

On 14 December 2005, the Retail business sold the whole of its stake in the Brazilian operation, ceasing activity in that market. Thus, contributions of Brazilian operations to the 2005 consolidated financial statements of the Retail business and of Sonae SGPS, only reflect the activity and earnings attributable to the first eleven months of 2005 and, therefore, 2005 and 2004 figures are not directly comparable.

Values in million euro

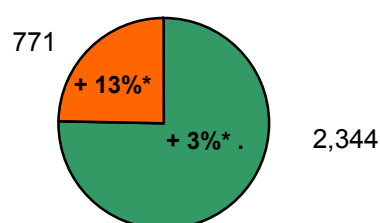
| | 2005 | 2004 | Δ |
|--|-------|-------|-----------|
| Gross Sales | 4,506 | 4,159 | +8% |
| Operational Cash Flow (EBITDA) | 289 | 279 | +4% |
| EBITDA Margin (% of net sales) | 7.5% | 7.8% | -0.3 p.p. |
| Profit Attributable to Equity Holders of Modelo Continente | 214 | 119 | +80% |

| | 31 Dec'05 | 31 Dec'04 | Δ |
|----------|-----------|-----------|------|
| Net Debt | 196 | 512 | -54% |

Values in million euro

Values in million euro

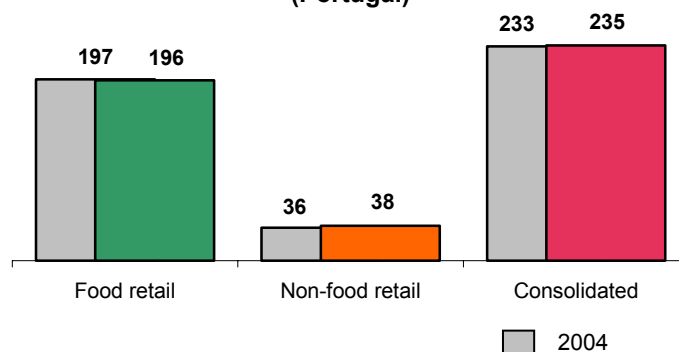
Gross Sales by segment
(Portugal)



■ Food retail ■ Non-food retail

* Year change

Contributions to EBITDA
(Portugal)



Main highlights

Gross sales totalled 4,506 million euro (4,159 million euro) and consolidated cash flow (EBITDA) increased 10 million euro to 289 million euro, equal to 7.5% of consolidated net sales.

Consolidated net profit for the year was 215 million euro, a 94 million euro increase over 2004 figures, and includes around 89 million euro associated with the sale of the Brazilian operations, that led to a transfer to profit and loss account from reserves of the exchange rate gains generated by Brazilian operations.

As at 31 December 2005, the company's net debt amounted to 196 million euro, an unusually low level due to the cash inflow generated with the sale of the Brazilian operations, which more than offset the impact of the strong investment made in the year.

During 2005, Modelo Continente opened over 62 thousand m² of sales area in Portugal, corresponding to 55 new stores (8 food and 47 non-food). Total investment amounted to 360 million euro, of which 175 million euro refer to the acquisition of assets held by Real Estate investment funds.

Portugal

The retail sector has been impacted by a sharp slowdown in the economic activity. Additionally, the new commercial licensing laws have allowed the opening of new stores in a relatively short period of time. As a result, the available sales area associated with food formats grew by around 90 thousand m², an increase of circa 6%. Non-food formats have also grown significantly both due to the opening of new shopping centres and to the opening of stand-alone units.

Gross sales grew 5%, to 3,115 million euro (2,957 million euro), with growth of 3% in food retail sales to 2,344 million euro, and of more than 13% in non-food retail sales to 771 million euro.

Operational cash flow (EBITDA) was 235 million euro (233 million euro), equal to an EBITDA margin of 8.6% on net sales (9.0%). Of this total, 196 million euro relate to food formats, equivalent to an EBITDA margin of 9.4% on net sales (9.7%). This decrease was mainly due to the strong promotional activity undertaken to strengthen leadership positions, and to an increase in costs associated with the significantly higher volume of goods handled. In a year of increased competition and weak consumer demand, operational cash flow (EBITDA) of non food formats rose to 38 million euro (36 million euro), generating an EBITDA margin of 6.0% on net sales.

Brazil

Brazilian operations contributed 1,391 million euro to consolidated gross sales of the Retail business. Operational cash flow (EBITDA) was 55 million euro, equal to an EBITDA margin of 4.8% on net sales. As previously mentioned, these figures are not comparable with the previous year since the 2005 figures include only business activity during the first eleven months of the year, and reflect the sale, in the first half of the year, of 10 hypermarkets located in the São Paulo region.

With this decision, Modelo Continente ceased its retail activity in Brazil based on the perception that, with a high probability, the Brazilian operation would not deliver a level of profitability compatible with the respective cost of opportunity.

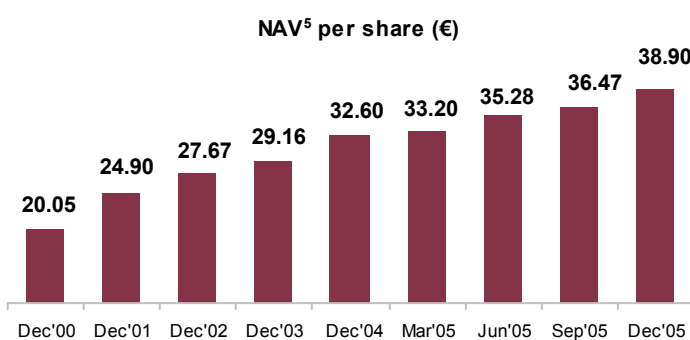


SHOPPING CENTRES

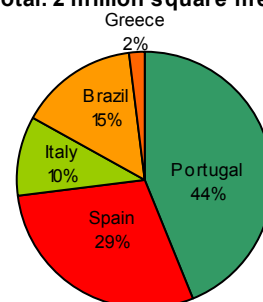
Values in million euro

| | 2005 | 2004 | Δ |
|---|------|------|------|
| Operational Cash Flow (EBITDA) | 126 | 108 | +17% |
| Direct Net Profits ³ | 69 | 51 | +36% |
| Profit Attributable to Equity Holders of Sonae Sierra | 148 | 82 | +80% |

| | 31 Dec'05 | 31 Dec'04 | Δ |
|----------------------------|-----------|-----------|-----------|
| NAV per share | 38.90 | 32.60 | +19% |
| Asset gearing ⁴ | 31.9% | 28.8% | +3.1 p.p. |



GLA⁶ under management
Total: 2 million square metres



³ Direct Net Profits = Net Profit before Minorities + Deferred Tax – Value created on Investments – Income realised on the sale of Investment Properties.

⁴ Asset Gearing = Net Bank Debt / (Total Assets – Cash and Cash Equivalents).

⁵ NAV – Net Asset Value.

⁶ GLA – Gross Lettable Area.

Main highlights

In 2005, Sonae Imobiliária changed its name to Sonae Sierra, establishing a new brand identity. The global scale of the operation is part of the company's international expansion strategy building upon a new identity of shared values: Innovative, Modern and Spirited.

Consolidated direct income from investments amounted to 220 million euro (185 million euro), posting a 19% increase.

Consolidated operational cash flow (EBITDA) increased 17%, to 126 million euro (108 million euro). Turnover and operational cash flow (EBITDA) growth are explained by a significant increase in the portfolio of shopping centres owned and under management and by a higher number of projects under development. The major contributions to this performance came from: (i) Spain, with the opening of a new shopping centre (Plaza Éboli), full year contributions of Avenida M40, Dos Mares, Luz del Tajo and Zubiarte and the acquisition of an additional share of 25% of Parque Principado; (ii) Portugal, with the opening of 2 shopping centres (LoureShopping and SerraShopping) and several contract renewals; (iii) Greece, with the opening of Mediterranean Cosmos; (iv) Italy, with the acquisition of Valecenter and; (v) Brazil, due to higher occupancy rates, mainly in Parque D.Pedro, full year contributions from Boavista Shopping and Penha Shopping expansion and the acquisition of 20% of Plaza Sul.

The 73% increase in consolidated net profit, to 219 million euro (127 million euro), is to a large extent explained by the value created in investment properties, as a result of the general yield decrease in both Portugal and Spain and by gains on sale of investments, which in 2005 refer to the sale of Coimbra Retail Park, the sale of Dos Mares, Luz del Tajo and Estação Viana to the Sierra Fund, and the sale of 50% of Rio Sul and SerraShopping to Paneuropean.

As at the date of this report Sonae Sierra is the owner or co-owner of 38 operating shopping and leisure centres, totalling 1,586 million square metres of GLA⁷. The main changes in the company's asset portfolio in 2005 are highlighted in the previous paragraphs.

As at 31 December 2005, the company had 14 new projects under development: in Portugal, Rio Sul (Seixal), Setúbal Retail Park (Setúbal), Nova Avenida (São João da Madeira) and Lima Retail Park (Viana do Castelo); in Spain, Plaza Mayor Shopping (Malaga) and El Rosal (Ponferrada); in Germany, Alexa (Berlin) and 3DO (Dortmund); in Italy, Freccia Rossa (Brescia), Caselle (Turin), shopping and leisure centres in Biella and La Spezia; in Greece, Aegean Park (Athens); and in Brazil, Shopping Campo Limpo (São Paulo).

⁷ GLA – Gross Lettable Area



TELECOMMUNICATIONS

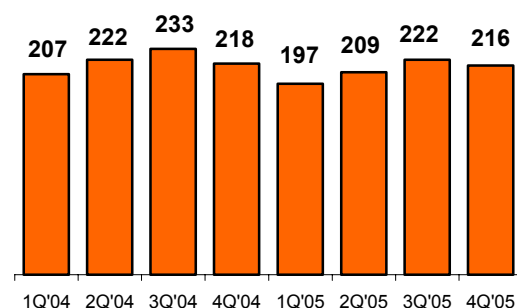
Values in million euro

| | 2005 | 2004 | Δ |
|---|------|------|---------|
| Turnover | 843 | 880 | -4% |
| Operational Cash Flow (EBITDA) | 157 | 201 | -22% |
| EBITDA Margin | 19% | 23% | -4 p.p. |
| Profit Attributable to Equity Holders of Sonaecom | 2 | 18 | -88% |

| | 31 Dec'05 | 31 Dec'04 | Δ |
|----------|-----------|-----------|-----|
| Net Debt | 247 | 256 | -4% |

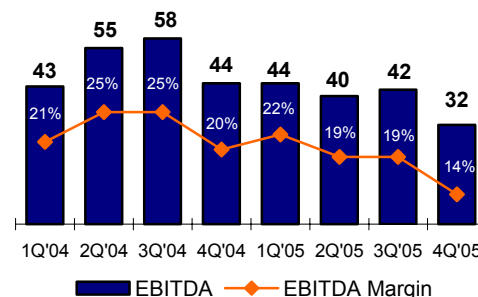
Values in million euro

Turnover trend



Values in million euro

EBITDA



Main highlights

Consolidated turnover decreased 4% to 843 million euro (880 million euro). The main reasons for this reduction were the 21% decrease in Optimus' operator revenues, as a result of both programmed cuts in mobile termination rates and the continuous reduction in incoming traffic from fixed operators, the loss of narrowband internet and indirect voice traffic at Novis, and the 21% fall in Público's turnover, driven mainly by lower sales of associated products, as a result of increased market competition and saturation.

Consolidated operational cash flow (EBITDA) amounted to 157 million euro (201 million euro), down 22%, generating an EBITDA margin of 19% (23%). The reduction in operational cash flow (EBITDA) was driven primarily by the loss of margin resulting from costs associated with the launch of new products and services, higher outsourcing costs associated with the development of direct access services and higher costs associated with the need to operate two mobile networks (GSM and UMTS), together with the loss of revenue mentioned in the previous paragraph.

Consolidated net profits decreased to 12 million euro (39 million euro), primarily driven by the deterioration in operational cash flow (EBITDA). The 29% improvement in net financial charges and the 78% lower tax charge for the year (impacted by movements in deferred tax assets) were not enough to compensate for the lower operational cash flow (EBITDA) for the year.

Consolidated net debt as at 31 December 2005 was 247 million euro, a 9 million euro decrease over 31 December 2004. Consolidated liquidity increased around 156 million euro primarily due to the net proceeds of 146 million euro, from the 150 million euro unsecured privately placed bond issue completed in June, that have been invested in treasury applications, and due to a positive cash flow performance at the Telecom and Software and Systems Integration businesses.

Telecom businesses

The large investment made during 2005 in commercial activity focused on innovation and growth began to show positive results during the latter part of 2005 in terms of customer growth and customer revenues:

- Optimus' total subscribers increased 10% to 2.35 million at the end of 2005 (2.13 million), with net additions of 224 thousand, the highest number of the last 4 years;
- Optimus' 2005 results were consistent with the target of increasing GPRS and 3G data revenues. GPRS traffic increased 318% and at the end of the year circa 25% of Optimus subscriber gross additions were 3G enabled.

In 2005, Optimus maintained its strategy to carve out a leading position in the Mobile Broadband market, increasing the pace of its UMTS network roll-out. By the end of December, Optimus' network covered almost 50% of the population, providing full coverage in Greater Lisbon, Oporto, Algarve, as well as in the main Portuguese city centres. The company's objective is to obtain circa 80% population coverage by the end of 2006.

New products launched during 2005, namely OptimusHome, rede4 and Kanguru, were the main drivers for customer and active user growth. All products have performed in line or above expectations.

Optimus turnover decreased 5% to 627 million euro (660 million euro), while service revenues dropped 6% to 567 million euro (602 million euro), mainly due to reductions in mobile termination rates, lower volume of incoming fixed traffic and to pressure on roaming in revenues.

Optimus operational cash flow (EBITDA) was 167 million euro (190 million euro), down 12%, due to the lower mobile termination rates and to the increase in operating costs, following the increased commercial effort and the more competitive environment. EBITDA margin was 27% (29%).

Sonaecom Fixed's performance reflects the strategy to refocus the business away from indirect access, particularly in the residential market, to direct access, through a strategy of aggressive expansion of ADSL services over unbundled local loop.

Sonaecom Fixed's total services stood at 271 thousand (301 thousand). Direct access services increased 88.6 thousand to 94 thousand services at year end. This increase was not enough to offset the combined loss of indirect voice services and narrowband internet customers that fell 42% to 162.7 thousand. At the end of November, the company launched a commercial test pilot for its Triple Play bundled offer (Voice, Internet and TV over IP). The company intends to launch the service on a mass market scale during the second half of 2006.

Sonaecom Fixed's turnover increased 6%, to 158 million euro (150 million euro), driven mainly by higher wholesale revenues. Operating costs grew 18% to 177 million euro (149 million euro), as a result of increased customer service and installer costs, higher investment in advertising, commissions paid and leased line costs. As a result, operational cash flow (EBITDA) in the period deteriorated significantly to negative 15 million euro (positive 4 million euro).

Media

Público's consolidated turnover decreased 21% to 44 million euro (55 million euro), due to a 45% reduction in associated product sales, which more than offset the 5% increase in newspaper sales.

Operational cash flow (EBITDA) deteriorated from positive 2 million euro in 2004 to negative 2 million euro in 2005. To underpin the poor financial performance of the year, Público restructured its commercial activity during the second half of the year, with a new sales team focused on pushing revenues in a more proactive way.

S&SI⁸

S&SI companies posted another positive performance in their respective key markets, continuing the strategy of organic growth, primarily in international markets.

Consolidated turnover grew 5% to 86 million euro (82 million euro), mainly due to WeDo's strong performance (increasing its turnover by 19%), and operational cash flow (EBITDA) improved 13% to 9 million euro (8 million euro), generating an EBITDA margin of 11% (10%). Enabler and WeDo accounted for 84% of total S&SI operational cash flow (EBITDA), with WeDo being the main contributor (63% improvement in stand alone EBITDA).



SONAE CAPITAL

Sonae Capital is made up of businesses in Tourism, Construction, Engineering and Residential Development, Transport and Logistics, Insurance Brokerage, Auto Sector, Refrigeration and Air Conditioning, Cleaning Services and Other businesses.

Consolidated turnover of Sonae Capital was 560 million euro (461 million euro), a 21% increase. The Construction and Engineering businesses were the most significant contributors to the increase in consolidated turnover.

Consolidated operational cash flow (EBITDA) was 44.2 million euro (18.7 million euro). Most of the increase was attributable to Tourism and to Construction.

Consolidated net profit for the period was 104 million euro (125 million euro), which include 53 million euro of investment income related with the sale of ba Vidro. 2004 profits include investment income of 115 million euro, most of which relate to the sale of Portucel (75 million euro) and of ba Vidro (18 million euro).

⁸ S&SI – Software and Systems Integration.

Tourism

In 2005, the consolidated turnover of Sonae Turismo totalled 129 million euro, in line with 2004 turnover. The turnover of the travel business was 107 million euro, a 7% increase, above the average of the top 3 Portuguese operators (source: BSP).

As far as progress on the Tróia project is concerned, the Government ratified the Detailed Plan for UNOP1 (urban area), on 27 January 2005, and for UNOP2 (beach area), already in early 2006. Demolition works, agreed upon in the investment contract, began (with special mention for the implosion of two apartments tower blocks on 8 September 2005) and construction licenses for the Tróia marina and the new ferry pier were obtained.

Consolidated operational cash flow (EBITDA) amounted to 23.8 million euro (negative 0.3 million euro). The consolidated net profit in 2005 was 23.9 million euro (negative 10.2 million euro).

Residential Development

Praedium is the Sonae Group company focused on quality residential developments. Apartments in Edifícios Seda and Seda II, in Matosinhos, continued to be delivered to customers. 90% of the apartments have now been sold. Construction of a third building at Quinta das Sedas with 212 apartments called City Flats/City Lofts begun. The building is expected to be concluded in the beginning of 2007.

Praedium obtained a permit for residential building plots for the Efanor project. The project was approved by the local Council after a lengthy evaluation period. This will now allow demolition of the existing buildings and urban and environmental infrastructure work to begin in 2006.

In 2005, Praedium continued to render management services to Sonae Turismo connected with the Tróia Resort project, which will extend over an area of 440 ha and on which 650 touristic apartments and 330 villas will be built.

Due to the current phase of the main projects of the company (waiting for permits and under construction), turnover in 2005 was only 6.0 million euro. Operational cash flow (EBITDA) and net profits were both negative, amounting to 500 thousand euro and 1.5 million euro, respectively.

Construction and Engineering

Contacto, a civil and public works construction company, had a turnover of 142.9 million euro, an operational cash flow (EBITDA) of 9.1 million euro and a net profit of 11.4 million euro.

Contacto has shareholdings in two companies, **Norscut** and **Operscut**, that are working on a concessionary *SCUT*⁹ project for the construction and running of a motorway. At the end of 2005, 88.5 km were in operation, running from Viseu to Fortunho (Vila Real), out of a total of 155 km which will be the final length of the motorway. The last section is due to enter into service at the end of the first half of 2007.

⁹ SCUT is an abbreviation in Portuguese for "without cost for the user"

Cinclus, a company in project management and control, had a turnover of 10.5 million euro, generated an operational cash flow (EBITDA) of 369 thousand euro and net profits of 242 thousand euro.

Transport and Logistics

Consolidated turnover of Box Lines, Invicta and Sontrade Lines, was 49.7 million euro, 14% above that of 2004. It should be noted that more than 60% of this value refers to sales outside the Sonae Group.

Consolidated operational cash flow (EBITDA) was 3.6 million euro and consolidated net profits amounted to 2.6 million euro.

Box Lines had a turnover of 43.8 million euro, a 16% increase over the previous year, and over 88% of total consolidated turnover. Operational cash flow (EBITDA) reached 3.8 million euro, 83% up on 2004. Net profits amounted to 2.9 million euro, 52% higher than that in 2004.

Insurance Brokerage

mds, insurance broker, has strengthened its market position in 2005 following the acquisition of Unibroker and Becim. With this transaction, consolidated revenues increased to 12 million euro, which represents a volume of brokered premiums of circa 90 million euro.

In France, mds is present through a shareholding in Développement et Partenariat Assurances¹⁰, which has increased its control positions in insurance brokers Pérouse Assurances¹⁰ and Firstassur¹⁰.

In Brazil, Lazam/mds¹⁰, a partnership between Sonae and the Feffer Group, had revenues of 15 million Brazilian real and net profits of 3 million Brazilian Real, in line with that of the previous year.

During 2005, Brokers Link, an international network of insurance brokers launched and led by mds, continued to be developed, currently covering Spain, France, Germany, the UK, Brazil, Greece and Argentina, in addition to Portugal.

Sonae Re, the captive reinsurer of the Sonae Group, with its head office in Luxembourg, reached a volume of re-insurance premiums of 16 million euro, approximately the same as in 2004, generating an equalisation reserve of about 3 million euro (same level as in 2004).

Car Hire & Retailing¹⁰

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

Overall, 2005 was a positive year for **Guérin**. Despite persistent market stagnation, there was a slight recovery in the incoming tourism market, which had been declining since 2001. Rental days grew around 18% to 844 thousand. The average return per day grew 6% compared to 2004 due to a policy aimed at improving of the customer

¹⁰ This company was accounted for using the equity method.

base. Turnover amounted to 19.8 million euro (15.9 million euro). After two years of losses, the company returned to profits. 2005 net profits were 0.4 million euro (negative 1.5 million euro). In 2005, Guérin acquired the operational assets of Globalrent, a company that represented the Sixt brand in Portugal. As a result of this acquisition, both customer base and commercial and operations teams were strengthened.

Finlog ended 2005 with a fleet under management of 6,717 cars, a 3% growth over the previous year. The company opened a commercial office in Lisbon. Turnover was 38 million euro, and profit before taxation was 687 thousand euro, a 14.7% growth over 2004.

Operating in a longstanding depressed market, **Carplus** had a drop in sales, both in volume (1,087 units sold in 2005 compared to 1,211 units sold in 2004) and turnover (13 million euro in 2005 compared to 15 million euro in 2004). Net losses increased to 0.85 million in 2005 (0.46 million euro).

Consolidated turnover of **Auto Center**, a joint venture between Choice Car, SGPS, SA and Império Pneus, SGPS, SA, was 18.2 million euro, a 7% decrease over 2004, due to the adverse economic environment in Portugal that affected, in particular, the civil construction and transport businesses. In fact, tyres still contribute decisively to the business of the company, representing around 83.6% of turnover, despite the diversification of the business, which includes the sale of vehicle spare parts, and maintenance and auto repair services.

The number of stores, the largest network in the country, stood at 44, with the closing in 2005 of one store in Vila Viçosa and the opening of another in Lisbon (Luz Stadium).

Operational cash flow (EBITDA) was negative at 305 thousand euro, representing a decrease of 947 thousand euro compared to 2004 and was mainly due to the lower level of activity mentioned above and to a fall in margins arising from more intense competition.

Other businesses

Consolidated turnover of the **Selfrio Group** was 56.5 million euro, an increase of 33% over the 42.5 million euro in 2004. Consolidated net profits were 2.3 million euro (1.3 million euro). Selfrio has a customer order book that reflects the trend begun last year, and will allow a sustained growth in turnover and profits in 2006.

Safira operates in the cleaning services sector. Despite being a relatively new business, had Turnover of 24.3 million euro and Net Profits of 0.5 million euro. It is worth mentioning that the company won Environmental, Health and Safety certification during 2005.

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

The consolidated turnover of **Plysorol France** was 101.9 million euro, a 1% increase over 2004, aided by a growth in sales volumes sold of 2% but hampered by a 1% fall in average prices. The fall in sales prices and the launch of an organisational and structural restructuring plan to increase the competitiveness of the company have

had a significant impact on performance in 2005. Operational cash flow (EBITDA) stood at negative 1.8 million euro (3.8 million euro positive). Net losses were 7.4 million euro (positive 0.2 million euro). The industrial reorganisation of the **Fontenay-le-Comte** unit was concluded and that of the **Lisieux** unit began, suggesting a positive outlook for 2006.

The business in Gabon is still high risk, reflecting the political mismanagement of forestry in the country. In **Leroy Gabon**, the increase in the level of activity to 122,000 m³ led to a 24% increase in turnover, to 14.2 million euro. Net losses, although slightly better than in 2004, amounted to 3.1 million euro (3.8 million euro). The turnover of **Placage d'Okoumé du Gabon** (Pogab) was 9.7 million euro and operational cash flow (EBITDA) was 0.6 million euro positive (negative 0.5 million euro). This general improvement resulted from the industrial reorganisation of this unit, carried out in close liaison with the reorganization of the industrial activity in France.

Isoroy Casteljaloux, producer of softboard for thermal and acoustic insulation, had a difficult year, in which its turnover fell by around 8.5% to 12.9 million euro. As a result, the EBITDA margin decreased from 10.7% in 2004 to negative 0.1% in 2005. Net losses were 0.8 million euro (positive 0.9 million euro). Despite the poor profit performance, cash-flow generation was maintained at 1.1 million euro, due to actions implemented to reduce working capital. On-going actions towards the development of a new management model suggest significant improvements for 2006.

Essences Fines Isoroy, producing veneer, and **Tranchage Isoroy** that used to produce sliced and jointed veneer, both located in Honfleur, concluded in 2005 the implementation of the restructuring plan that was launched in 2004.

The full positive impact of the reorganisation carried out at **Essences Fines**, is still not being fully felt, due to the strict practices imposed by the social plan put in place. Under this plan, laid off workers have to be readmitted to the company in the year after the restructuring, if more employees are required. Despite the 10.7% decrease in turnover, to 8.1 million euro, cost control efforts have allowed net losses to be improved, from 2.2 million euro in 2004 to 1.4 million euro in 2005. Improvements in activity levels and profitability are expected over the next few years, following the production strategy implemented in 2004.

Tranchage Isoroy is inactive at the moment, and is expected to be liquidated in 2006. 2005 net losses (0.5 million euro) reflect costs generated in the course of the shutdown.

TP¹¹, in the cogeneration and renewable energy business, had a consolidated turnover of 33.1 million euro, operational cash flow (EBITDA) of 8.2 million euro and net profits of 1.7 million euro.

Sodesa¹¹, which sells energy in open market segments, now has customers consuming an estimated 2,700 GWH per annum, and had an operational cash flow (EBITDA) of 0.8 million euro and net profits of 447 thousand euro.

¹¹ This company was accounted for using the equity method.

SONAE, SGPS, SA – Stand Alone Activity

The activity of Sonae, SGPS, SA as a stand alone company focused on the management of its holdings in affiliated companies. During 2005 the following significant changes should be highlighted:

- The de-merger of part of the shareholdings in Sonae Indústria, SGPS, SA equal to 90.36% of this company's share capital;
- The acquisition of a further 7.58% of the share capital of Modelo Continente, SGPS, SA increasing the direct shareholding to 75.64%;
- The acquisition from the affiliated company Sonae Investment, BV of 17.04% of the share capital of Sonae Sierra, SGPS, SA and the subsequent disposal to Grosvenor of the same percentage, for 226 million euro thus reducing our ownership to 50%;
- The sale of 50% of Imocapital, SGPS, SA for 63.5 million euro.

Also of significance was a bond issue of 100 million euro with a tenure of 8 years.

Net profits for the year totalled 98 million euro, and were impacted in particular by gains on sales of holdings in affiliated companies of 98.8 million euro, as a result of the two transactions described above.

PROFITABILITY

The consolidated profit and loss account for 2005 is not directly comparable with the figures for 2004, because of the spin-off of the Wood Based Panels business and of the sale of the Retail operations in Brazil. As a result of the spin-off, with accounting effects from 1 October 2005, the Wood Based Panels business contribution to 2005 consolidated earnings only reflects the activity of the first nine months of 2005 (12 months in 2004). Regarding Retail operations in Brazil, consolidated earnings include the contribution of the first eleven months of 2005 (12 months in 2004).

As required by IFRS 5 and to ensure comparability between 2005 and 2004 figures, financial statements make the following distinction in the operations of the company:

- Continued operations include the following segments: Retail Portugal, Shopping Centres, Telecommunications, Sonae Capital and Holding
- Discontinued operations include the following segments: Wood Based Products and Retail Brazil
- Total operations include both operations: continued and discontinued

Consolidated turnover of total operations for the year amounted to 6,392 million euro (6,464 million euro). Turnover of continued operations was 4,213 million euro (4,058 million euro), a 4% increase. In absolute terms, the Retail business and Sonae Capital and Holding businesses posted the major contribution increases during the year, growing 125 million euro and 102 million euro, respectively. In the retail business, non-food formats experienced the highest growth, benefiting from the aggressive expansion underway, while, despite increasing competitive pressures, food formats experienced a 3% growth rate. Sonae Capital and Holding contribution increase was mostly due to the significant growth in the activity of the construction and engineering unit. The contribution from the Telecommunications business decreased around 37 million euro, mainly due to declining Optimus' operator revenues and to a decrease in Público's associated product sales. Turnover of discontinued operations amounted to 2.179 million euro (2,406 million euro).

Consolidated operational cash-flow (EBITDA) of total operations was of 948 million euro (938 million euro), generating a consolidated EBITDA margin of 14.8% (14.5%). Operational cash flow (EBITDA) of continued operations posted a 10% increase to 744 million euro (674 million euro), corresponding to a consolidated EBITDA margin of 17.7% (16.6%). The Shopping Centres business and Sonae Capital and Holding were positive contributors to growth in consolidated operational cash flow (EBITDA) (90 million euro and 13 million euro increases, respectively). The general decrease in yields, in both Portugal and Spain, and the higher number of shopping centres in the portfolio explain the significantly higher value created on investment properties in 2005, an 83 million euro increase to 194 million euro (111 million euro). The Telecommunications business contribution decreased 46 million euro, reflecting costs associated with the growth strategy implemented in 2005, phased cuts in mobile termination rates and more aggressive competition. Operational cash flow (EBITDA) of discontinued operations amounted to 204 million euro (265 million euro).

Consolidated operational profit (EBIT) of total operations was 618 million euro (593 million euro). EBIT of continued operations increased to 521 million euro (461 million euro). Contributions from each business followed the same pattern shown in consolidated operational cash flow (EBITDA). The Shopping Centres business was the major positive contributor to this growth through the value created on investment properties. EBIT of discontinued operations was 97 million euro (133 million euro).

Consolidated net financial expenses of total operations amounted to 153 million euro (201 million euro). Consolidated net financial expenses of continued operations remained in line with the previous year figure at 104 million euro. Consolidated net financial expenses of discontinued operations were 49 million euro (97 million euro).

Consolidated net profit for the year of total operations rose by 232 million euro to 648 million euro (416 million euro). Consolidated net profit of continued operations went up 53 million euro to 439 million euro (386 million euro). Included in this profit are 122 million euro (102 million euro) of investment income, which reflects the sale of shareholdings in ba Vidro and the sale to Grosvenor of 17.04% of Sonae Sierra's share capital. In 2004, investment income included gains on the sale of shareholdings in Portucel (75 million euro) and ba Vidro (18 million euro). Consolidated net profit of discontinued operations was 209 million euro (30 million euro), which includes 183 million euro of investment income from the sale of Imocapital/Gescartão to Europac and of Sonae Distribuição Brasil to Wal-Mart.

Thus, the **consolidated net profit attributable to equity holders of Sonae** of total operations grew 229 million euro to 513 million euro (284 million euro), reflecting the higher proportion of investment income being generated in companies that are fully owned by Sonae. Consolidated net profit attributable to equity holders of Sonae of continued operations amounted to 302 million (256 million euro). Consolidated net profit attributable to equity holders of Sonae of discontinued operations amounted to 211 million (27 million euro), reflecting mainly the sale of Sonae Distribuição Brasil.

Contributions to the consolidated total of Sonae, SGPS, SA were as follows:

| Values in million euro | | | |
|-----------------------------|----------------|----------------------|-----------------------|
| | Turnover | EBITDA ¹² | Profit for the Period |
| Retail Portugal | 2,745.4 | 235.7 | 121.7 |
| Shopping Centres | 271.8 | 312.2 | 216.5 |
| Telecommunications | 842.7 | 161.4 | 1.5 |
| Sonae Capital & Holding | 566.2 | 25.0 | 145.1 |
| Eliminations | (212.9) | 9.9 | (46.0) |
| Continued operations | 4,213.2 | 744.2 | 438.8 |
| Discontinued operations | 2,179.3 | 203.8 | 209.4 |
| Total operations | 6,392.5 | 948.0 | 648.2 |

¹² EBITDA = Operational Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses – Reversal of Impairment Losses (included in Other Operational Income and amounting to 4.8 million euro in the 4th quarter 2005 and 10.8 million euro in the full year 2005).

FINANCIAL STRUCTURE

Following the sale to Grosvenor, on 29 December 2005, of 17.04% of the share capital of Sonae Sierra, the method of consolidating the Shopping Centres business changed from full to proportionate consolidation, thus contributing only 50% to the consolidated balance sheet of the Sonae Group as at 31 December 2005.

Consolidated gross investment for the year was 880 million euro. Retail, Shopping Centres and Telecommunications make up around 90% of this total. During 2005, Retail opened 55 new stores and refurbished over 30 stores, adding more than 62,000 m² of sales area (an increase of 14%), including three new Continente hypermarkets. In addition, assets held by Real Estate investment funds totalling 175 million euro were acquired. The Shopping Centres business invested around 300 million euro with the opening of LoureShopping and SerraShopping, in Portugal, of Plaza Éboli, in Spain, and of Mediterranean Cosmos, in Greece, as well as the acquisition of Valecenter, in Italy, and progress on Plaza Mayor Shopping, in Spain, and Alexa, in Germany. Telecommunications invested around 120 million euro in the deployment of the UMTS network and of the wireline next generation network (to support broadband), in the development of the Triple Play offer and in information technology and systems.

Consolidated net debt¹³ as at 31 December 2005 amounted to 1,620 million euro, compared to 1,913 million euro as at 31 December 2004 (excluding discontinued operations and including the Shopping Centres business using the proportionate method). This significant reduction is for the most part explained by the cash inflow associated with the sale of the retail operation in Brazil. Of the total consolidated net debt as at 31 December 2005, 499 million euro are attributable to the Shopping Centres business and are fully and exclusively guaranteed by its assets.

Contributions to the consolidated net debt of Sonae, SGPS, SA were as follows:

| Values in million euro | | | |
|-------------------------|----------------|----------------|------------------|
| | 31 Dec'05 | 31 Dec'04 | Δ |
| Wood Based Panels | - | 429.9 | (429.9) |
| Retail | 196.2 | 496.9 | (300.7) |
| Shopping Centres | 498.7 | 811.0 | (312.3) |
| Telecommunications | 250.3 | 260.9 | (10.6) |
| Sonae Capital & Holding | 501.1 | 768.5 | (267.4) |
| Eliminations | 173.8 | 54.5 | 119.3 |
| TOTAL | 1,620.1 | 2,821.7 | (1,201.6) |

¹³ Net Debt = Non-Current Borrowings + Current Borrowings – Cash and Cash Equivalents – Current Investments.

The **ratio of net debt to annualised operational cash flow (EBITDA)** was 1.7 (2.2 on a like for like basis). **Interest cover** was 6.1, up from 5.1 at the end of 2004. This increase is mostly due to the reduction in interest expenses, resulting from the better financial conditions arising from the renegotiation of some of the major loan contracts and from the higher proportion of debt issued directly in capital markets.

SHARE PERFORMANCE

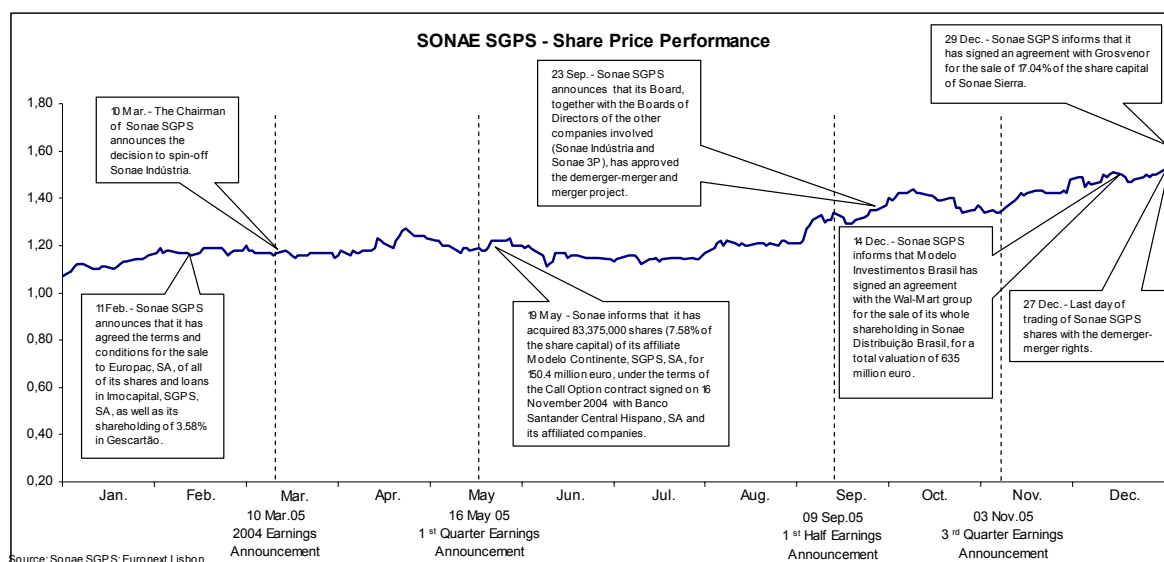
In 2005, most major equity markets outperformed previous year's returns. Mergers and acquisitions moves, stronger than expected earnings seasons and earnings forecasts, and a more favourable economic outlook, restored some of the lost investor confidence. Globally, US equity markets ran short compared to European equity markets in 2005, all of which experienced double-digit growth in the year. The Lisbon Stock Exchange followed this trend, ending the year with a 13.4% gain.

In 2005, the Sonae Group carried out a substantial restructuring of its business portfolio, aimed at simplifying the Group structure, focusing on core assets and repositioning the Group in the equity markets. Throughout the year, the market has been particularly attentive to the strategic approach of the Group regarding the Wood Based Panels business and the Retail business. The spin-off of the Wood Based Panels business and the future of the retail operations in Brazil were the major catalysts of Sonae SGPS's share price performance during the year. As from March, when the strategic decision to spin-off Sonae Indústria was announced, the market was expectant as to the terms and timings of the operation. On 28 December, the Sonae SGPS share price suffered a technical correction, on the downside (around 0.44 euro), to reflect the spin-off of the Wood Based Panels business. As for Brazil, Sonae announced in June the sale of 10 stores in the São Paulo metropolitan area to Carrefour, and the market was immediately flooded with rumours regarding the future of the remaining retail operation. On 14 December, Sonae announced it had agreed on the sale of the whole of the Group's Brazilian retail operation to Wal-Mart.

The Sonae share ended the year quoted at 1.18 euro (1.61 euro if adjusted with the demerger rights attributed in the spin-off of Sonae Indústria), a nominal gain of 10.3% during the year (50.8% on a like for like basis), which compares with a general stock market gain of 13.4% as measured by the Portuguese Stock Market Index (PSI 20).

On a monthly basis, September and December posted the most significant increases, with the share price rising 12% and 11%, respectively, compared to the previous months. On average, around 5.6 million shares were traded daily.

Following the preliminary announcements for the launch of a general tender offer for the acquisition of shares representing the share capital of Portugal Telecom, SGPS, SA and PT Multimédia, SGPS, SA, on 6 and 7 of February 2006, respectively, the Sonae SGPS share has increased substantially. As at 28 February 2006, Sonae share closing price was 1.30 euro, representing a 10.17% increase compared to the end of 2005, and compares to a 10.0% increase in the PSI 20 index.



OWN SHARES

On 4 May 2005, Sonae, SGPS, SA sold on the stock exchange 1,321,949 own shares at 1.20 euro per share. On the same day, Sonaecom, SGPS, SA purchased on the stock exchange 1,321,949 Sonae, SGPS, SA shares at 1.20 euro per share. After executing this transaction, Sonae, SGPS, SA held 134,178,021 own shares, directly or through its affiliated companies.

On 11 May 2005, Sonaecom, SGPS, SA transferred, in an over the counter transaction and in accordance with its Deferred Performance Bonus Plan, 201,875 Sonae, SGPS, SA shares to employees. After this transaction, Sonae, SGPS, SA holds directly or through its affiliated companies 133,976,146 own shares (6.70% of its share capital).

PROFIT APPROPRIATION PROPOSAL

Sonae, SGPS, SA, as the holding company of the Group, had net profits of 98,055,074.47 euro. The Board of Directors proposed to the Shareholders' General Meeting that this profit should be appropriated as follows:

| | |
|----------------------|--------------------|
| Legal Reserves | 4,902,753.72 euro |
| Free Reserves | 46,501,724.40 euro |
| Dividends | 46,650,596.35 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 0.025 euro per share has been proposed. This is equal to a dividend yield of 2.0% on the average share price in 2005 of 1.25 euro.

OUTLOOK

The **Retail** business will strengthen its competitive position as a result of extensive investment plans. In food, this will be achieved by rapidly opening new stores in regional markets, and, in non food, by accelerating openings both in Modelo shopping galleries and in new large shopping centres. Equally important will be operational efficiency programmes leading to productivity gains. At the same time, further studies will be carried out to support the possibility of entering new geographical areas as well as developing new business areas.

The **Shopping Centres** business expects to maintain last years' positive trends, increasing the value of operational assets through improved performance, pursuing international expansion with the development of new shopping centres (90% outside Portugal) and being pro-active in acquiring assets in operation where value can be created either through refurbishments and expansions or through improvements in operational performance.

Telecommunications will continue to invest in new products and services, namely mobile data, 3G services and fixed broadband, including the launch of Triple Play. The business is conscious that several factors will affect 2006 results negatively, such as progressive cuts in mobile termination rates, the cost of operating two mobile networks, higher customer acquisition costs and the launch of the Triple Play offer. In the meantime, the bid to control Portugal Telecom will proceed with the aim of further enhancing shareholder value at Sonaecom, whilst keeping our focus on developing existing businesses.

Sonae Capital businesses will continue their efforts to maintain profitability. 2006 will be the first full year of construction work at the Tróia Resort and marketing has already commenced, which should raise momentum in the resort development business.

We will continue the search for value enhancing opportunities in existing businesses as well as in new ones.

FINAL NOTE

The Board of Directors would like 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, 09 March 2006

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 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 2005 required by article 447 of the Portuguese Companies Act

| | | Purchases | | Sales | | Balance as of 31.12.2005 |
|--|------------|-----------|---------------|----------|---------------|-----------------------------|
| | Date | Quantity | Aver. Price € | Quantity | Aver. Price € | Quantity |
| Belmiro Mendes de Azevedo | | | | | | |
| Efanor Investimentos, SGPS, SA (1) | | | | | | 49,999,997 |
| 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 |
| 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 | | | | | | 360,591 |
| Shares attributed under a Share Based Compensation Plan | 09.05.2005 | 83,105 | 0 | | | |
| Sonaecom, SGPS, SA | | | | | | 315,795 |
| Shares attributed under a Share Based Compensation Plan | 01.04.2005 | 36,828 | 0 | | | |
| Luiz Felipe Lampreia | | | | | | |
| Sonae, SGPS, SA | | | | | | 10,000 |
| Purchase | 13.10.2005 | 10,000 | 1.4 | | | |
| Sonaecom, SGPS, SA | | | | | | 0 |
| Sale | 10.03.2005 | | | 14,970 | 3.88 | |
| Michel Marie Bon | | | | | | |
| Sonae, SGPS, SA | | | | | | 29,563 |
| Purchase | 11.01.2005 | 4,500 | 1.12 | | | |
| Purchase | 29.04.2005 | 4,000 | 1.24 | | | |
| Purchase | 06.07.2005 | 4,200 | 1.16 | | | |
| Purchase | 10.10.2005 | 3,500 | 1.42 | | | |
| Nuno Miguel Teixeira de Azevedo | | | | | | |
| Efanor Investimentos, SGPS, SA (1) | | | | | | 1 |
| Sonae, SGPS, SA | | | | | | 14,320 |

| | | Purchases | | Sales | | Balance as of |
|---|------------|-------------|---------------|-------------|---------------|---------------|
| | Date | Quantity | Aver. Price € | Quantity | Aver. Price € | 31.12.2005 |
| | | | | | | Quantity |
| (1) Efanor Investimentos, SGPS, SA | | | | | | |
| Sonae, SGPS, SA | | | | | | 658,804,410 |
| Sale | 18.07.2005 | | | 291,179,305 | 1.14 | |
| Pareuro, BV (2) | | | | | | 20,000 |
| Sonaecom, SGPS, SA | | | | | | 1,000 |
| (2) Pareuro, BV | | | | | | |
| Sonae, SGPS, SA | | | | | | 400,000,000 |
| Purchase | 18.07.2005 | 291,179,305 | 1.14 | | | |
| (3) Imparfin, SGPS, SA | | | | | | |
| Sonae, SGPS, SA | | | | | | 4,105,273 |

Appendix to the Report of the Board of Directors as of 31 December 2005 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 31.12.05</u> |
|---------------------------------------|---|
| Efanor Investimentos, SGPS, SA | |
| Sonae, SGPS, SA | 658,804,410 |
| Pareuro, BV | 20,000 |
| Pareuro, BV | |
| Sonae, SGPS, SA | 400,000,000 |

**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. | 658,804,410 | 35.305% |
| Pareuro, BV | 400,000,000 | 21.436% |
| Maria Margarida Carvalhais Teixeira de Azevedo | 14,901 | 0.001% |
| Maria Cláudia Teixeira de Azevedo | 326,655 | 0.018% |
| Duarte Paulo Teixeira de Azevedo | 360,591 | 0.019% |
| Nuno Miguel Teixeira de Azevedo | 14,320 | 0.001% |
| 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 | 1.698% |
| 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> |
| | | |
| Centaurus Capital LP | | |
| Centaurus Alpha Master Fund Limited | 46,576,696 | 2.496% |
| Citi Centaurus Limited | 817,127 | 0.044% |
| Greenway Account Series Limited - Portfolio E | 1,866,536 | 0.100% |
| Total attributable to Centaurus Capital LP | <u>49,260,359</u> | <u>2.640%</u> |

(Translation from the Portuguese original)

REPORT ON CORPORATE GOVERNANCE

SONAE SGPS, SA

31 DECEMBER 2005

This document gives a brief description of the Corporate Governance practices of Sonae SGPS, SA, and was prepared to comply with Regulation 7/2001 of 20 December 2001 of the CMVM (Portuguese Stock Exchange Commission) as amended by Regulations 11/2003 of 19 November 2003 and 10/2005 of 3 November 2005.

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

0 – Statement of Compliance

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

1 – Information Disclosure

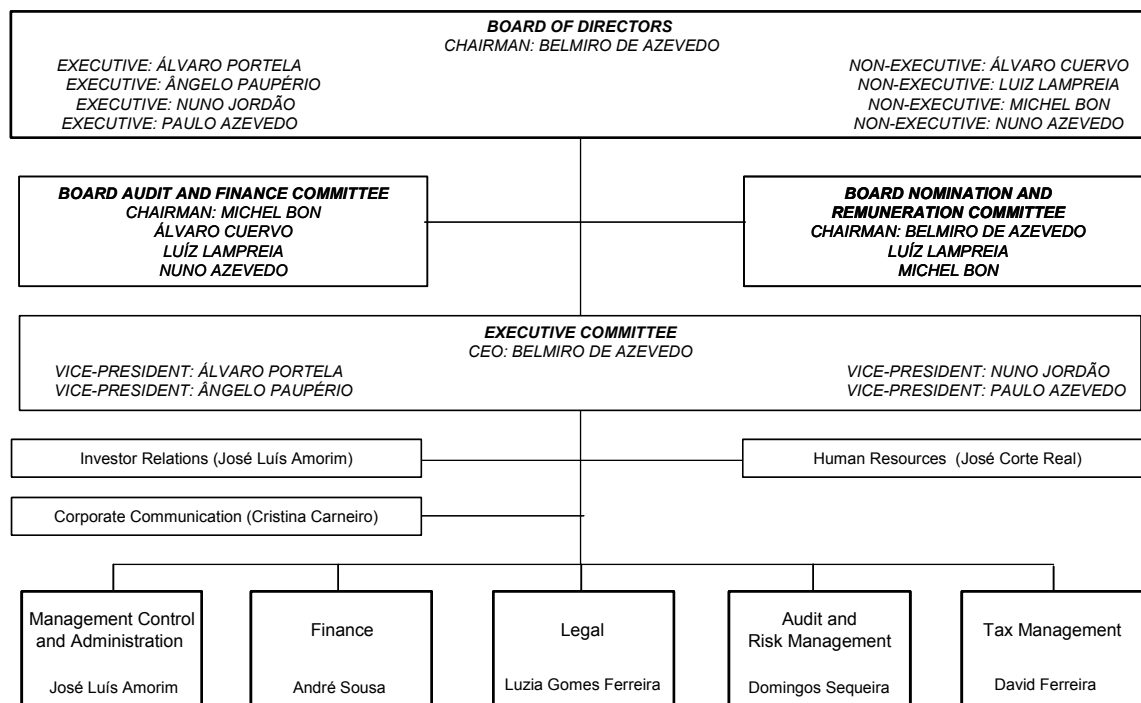
1.1. Decision making process

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

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

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

The company is organised around the following functions:



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

1.2. Internal Committees

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

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

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

The Board Committees are described in paragraph 4.1. below.

1.3. Risk Control

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

Objectives of Risk Management

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

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

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

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

Risk Management, together with Environmental Management and Social Responsibility, are pillars of sustainable development, in the sense that better understanding and more effective management of risks contribute to the sustainable development of businesses.

Risk Management Processes

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

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

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

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

As far as tangible asset and people safety risks are concerned, policies and standards are defined, their implementation is self-monitored, audits are carried out at the main units, and when risks are identified, preventive and corrective actions are implemented. On a regular basis, the financial cover of insurable risks is reassessed.

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

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

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

Risk management organisation

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

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

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

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

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

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

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

At present, the Internal Audit and Risk Management functions have around 46 full time staff, carrying out their work in all countries where the Sonae Group operates.

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

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

Sonae Group companies promote the development of human resources, Internal Audit and Risk Management methodologies and seek to follow best international practices. As far as human resources are concerned, Group companies sponsor a program of training and updating of skills that includes the International Internal Audit professional certification promoted by the IIA – *The Institute of Internal Auditors* – the *Certified Internal Auditor (CIA)*, as well as other international certifications in information systems audit such as the *CISA – Certified Information Systems Audit* – issued by *ISACA – Information Systems Audit and Control Association*. The *CIA* training programme was launched in Portugal for the first time in 2003, and currently, there are five Certified Internal Auditors in the Sonae Group, out of a total in Portugal of thirty eight. A group of voluntary candidates for certification in 2006 is preparing to take the exams. One of the few *CISA* auditors in Portugal is a member of the Sonae Group Internal Audit team.

In the relevant chapter of the Report of the Board of Directors, Internal Audit and Risk Management activities, for the year 2005, are described.

1.4. Share Price Performance

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

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

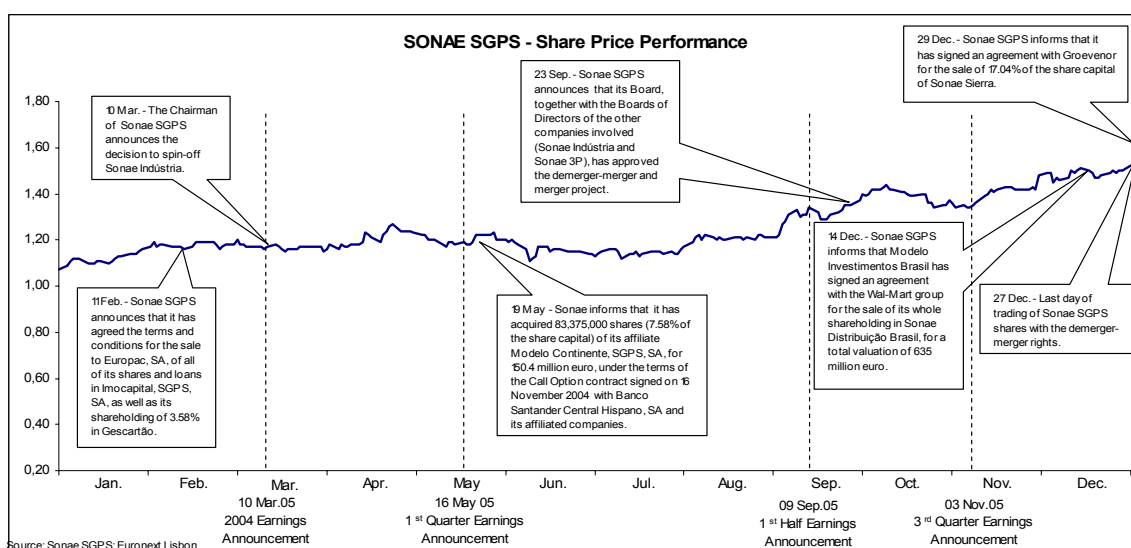
Sonae, SGPS, SA's shares reference information:

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

^(a) Affiliated companies, Modelo Continente and Sonaecom, also held 50,000 and 1,120,074 shares of Sonae, SGPS, SA, respectively, as at 31 December 2005.

The Sonae share ended the year quoted at 1.18 euro (1.61 euro if adjusted with the demerger rights attributed in the spin-off of Sonae Indústria – 0.43 euro), a nominal gain of 10.3% during the year (50.8% on a like for like basis), which compares with a general stock market gain of 13.4 %, as measured by the Portuguese Stock Market Index (PSI-20).

During the last quarter of the year several transactions took place aimed at restructuring Sonae's business portfolio through changes in the ownership of significant parts of the Sonae Group. Sonae Indústria has been spun-off with Sonae retaining a 6.66% shareholding, which is not considered strategic. Modelo Continente has sold its Brazilian affiliated company Sonae Distribuição Brasil, thus exiting the Brazilian retail market. Finally, an agreement has been reached with Grosvenor to strengthen the existing partnership in Sonae Sierra to a 50/50 level. The market responded positively to such transactions, and the share price continued to rise, reaching the year's maximum at 1.61 euros on 30 December 2005, considering the theoretical value of the de-merger rights attributable to the company's shareholders. The following graph highlights the trend of the share price during 2005.



Sonae, SGPS, SA's shares statistics:

| | 2003 | 2004 | 2005 |
|---|---------------|---------------|----------------------|
| Background | | | |
| Share Capital (€) | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |
| Shares outstanding | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |
| Nominal value per share (€) | 1.0 | 1.0 | 1.0 |
| Consolidated Net Profit / (Loss) for the year attributable to equity holders of Sonae (M.€) | 114.5 | 192.1 | 512.8 |
| EPS (€) | 0.09 | 0.14 | 0.27 |
| Dividend per share (€) | 0.015 | 0.02 | 0.025 ^(c) |
| Share Prices | | | |
| Opening price | 0.41 | 0.70 | 1.07 |
| Maximum price | 0.71 | 1.08 | 1.61 ^(d) |
| Minimum price | 0.35 | 0.70 | 1.09 |
| Average price ^(a) | 0.48 | 0.91 | 1.25 ^(d) |
| Closing price | 0.66 | 1.07 | 1.61 ^(d) |
| Change | 65% | 62% | 50% ^(d) |
| Transactions (daily quantity) | | | |
| Maximum quantity | 36,047,956 | 28,481,901 | 29,760,076 |
| Minimum quantity | 211,263 | 315,142 | 480,556 |
| Average quantity | 3,851,495 | 5,210,367 | 5,621,424 |

| Market capitalisation ^(b) | | | |
|---|---------------|---------------|------------------------------|
| Year end (€) | 1,320,000,000 | 2,140,000,000 | 3,220,000,000 ^(d) |
| Change | 65% | 62% | 50% ^(d) |

^(a) Weighted average of daily closing prices.

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

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

^(d) Closing prices include the value of de-merger rights (0.43 euro) attributed to Sonae, SGPS, SA's Shareholders.

In the year, material events and other communications included:

- 11 February: Sale of Gescartão;
- 10 March: 2004 results and payment of dividends;
- 31 March: 100 million euro 8 year term bond issue;
- 26 April: Impact of transition to IFRS;
- 16 May: 1st Quarter 2005 results;
- 19 May: Acquisition, under the call option agreement of 7.58% of the share capital of Modelo Continente, SGPS, SA;
- 29 July: Acquisition of Unibroker;
- 09 September: 1st Half 2005 results;
- 23 September: De-merger of Sonae Indústria approved by the Board of Directors;
- 03 November: Results for the first nine months of 2005;
- 04 November: De-merger of Sonae Indústria approved by the Shareholders;
- 14 December: Sale of Sonae Distribuição Brasil;
- 15 December: Signing of Public Deed of the De-merger of Sonae Indústria;
- 20 December: Registration of De-merger of Sonae Indústria;
- 29 December: Sale of 17.04% of the share capital of Sonae Sierra to Grosvenor.

1.5. Dividend distribution

The dividends distributed in recent years were as follows:

| | 1996 | 1997 | 1998 | 1999 | 2000 ¹ | 2001 | 2002 | 2003 | 2004 |
|--|--------|--------|--------|--------|--------------------|------|------|--------|--------|
| Dividend per share (euro) | 0.75 | 0.75 | 0.87 | 0.50 | 0.024 ² | 0 | 0 | 0.015 | 0.02 |
| Dividends distributed (thousand euro) | 29,180 | 29,180 | 34,305 | 36,447 | 45,098 | 0 | 0 | 27,987 | 37,316 |
| Dividend Yield | 2.9% | 2.0% | 2.1% | 1.0% | 2.0% | 0% | 0% | 1.5% | 2.2% |
| Pay out ratio³ | 28.3% | 48.0% | 48.4% | 54.5% | 17.6% | 0% | 0% | 24.5% | 19.4% |

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

² Weighted average dividend of Sonae and Sonae 2000 shares

³ Calculated using consolidated net profits after minority interests

1.6. Share Plans and Stock Option Plans

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

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

Through a subsidiary company, Sonae, SGPS, SA signed an agreement with Sonaecom, SGPS, SA under which it accepts to deliver Sonaecom shares to those employees of Sonaecom and its affiliates who are beneficiaries of share acquisition and stock option plans, when these plans fall due. This was implemented to hedge the risk that exists for Sonaecom resulting from share price fluctuations, which that company was unable to cover itself as it does not meet Portuguese in Company Law requirements to purchase own shares. However, these share and stock option plans continue to be the exclusive responsibility of Sonaecom, SGPS, SA, and are described in detail in that company's report.

1.7. Related Party Transactions

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

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

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

1.8. Investor Relations

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

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

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

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

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

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

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

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

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

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

1.9. Shareholders' Remuneration Committee

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

1.10. Auditor's Fees

The company's auditors are Deloitte, who, in 2005, billed the company and its affiliated and associated companies a total of 3,743 thousand euro - 3,186 thousand euro in 2004 - (of which 1,700 thousand euro – 1,122 thousand euro in 2004 – were billed to foreign affiliated companies). Of this total, 57.8% (64.1% in 2004) were statutory audit fees, 6.4% (2.1%) other assurance fees, 18.1% (14.3%) tax consultancy fees and 17.7% (19.5%) other services fees. In other services' fees are included consultancy fees for advice on human resources (3.7% of total fees) and consultancy fees relating to the change to International Financial Reporting Standards (6.1% of total fees).

Tax consultancy services and other services are provided by different teams from those who are involved in audit, thus contributing to the independence of the auditor. Consultancy work relating to the change to International Financial Reporting Standards has been carried out by the audit team because of the significant synergies between the two areas of work.

1.11. Appointment of Auditors

In 2005, six years after the last appointment of its auditors, Sonae launched a tender process for the selection of auditors for 2006 and following years. The *big four* auditing firms (Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers) have been consulted and presented proposals for the audit of Sonae and its affiliate companies. The results of this process were reviewed by the Board Audit and Finance Committees of Sonae and of the main sub holdings, and after due consideration of all aspects involved, it was decided to maintain Deloitte as the Sonae Group preferred auditor.

2. Shareholder representation and voting rights

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

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

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

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

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

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

3. Company Rules

3.1. Codes of conduct and Internal Regulations

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

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

On 16 January 2004, Sonae adhered to the Global Compact initiative launched by the United Nations on 26 July 2000. In our values and daily practice we share the ten principles of responsible corporate citizenship approved by a wide range of institutions all over the world. The Sonae Group endorses having respect for human rights in all our actions as well as making sure that no abuses are tolerated within our organization, sharing these goals with our business partners. Our businesses do not engage in any form of forced or compulsory labour, do not use child labour and do not discriminate in respect of employment and occupation. We respect the freedom of association of our staff and recognise the right of collective bargaining. In some of our businesses, collective bargaining is the norm. The Sonae Group has always been proactive in implementing best environmental practices, confirmed in most of our activities by internationally recognised environmental compliance certificates. Finally, Sonae has always actively combated any form of corruption, be it active or passive.

The Sonae Group has always made available, through its website (www.sonae.pt), to staff and to the general public, direct access to the Sonae Group ombudsman, who reports directly to the Chairman of the Sonae Group. This has proven to be an effective means of facilitating the report of complaints, which are followed up internally by a director of Sonae, SGPS, SA to make sure that independence and freedom of opinion are guaranteed and that all issues are treated equally and fairly. In all our businesses employees are encouraged to contribute with their suggestions and to openly communicate with management on any issues which may impair their responsibilities or may contribute to their well being.

3.2. Risk Management

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

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

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

The Sonae Group is exposed to a variety of financial risks including interest rates, transaction and translation foreign currency exchange rates, liquidity, counterparty and credit risk, commodities and raw materials price and debt and equity financial markets fluctuations.

The Group financial risk management policy seeks to minimize potential adverse effects of financial markets unpredictability. The Group attitude about financial markets risk management is conservative and cautious, using derivative instruments to hedge certain exposures related to its operating business, therefore the Group does not enter into derivatives or other financial instruments that are unrelated to its operating business.

3.3. Limits to exercising voting rights or to the transfer of shares, shareholders' agreements and special shareholders' rights

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

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

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

4. Governing Bodies

4.1. Description

The Board of Directors is made up of 9 members, of which 4 are Non-Executive Directors, 3 of which are Independent Directors. The Board of Directors was elected at the Shareholders' General Meetings on 31 March 2003 (Executive Directors) and 31 March 2004 (Non-Executive Directors). The mandate of the Board of Directors is four years. The Directors were elected from a single list. No alternative list was presented by any shareholder.

The current members of the Board of Directors are:

| | | Executive | Non-Executive | Independent ⁴ |
|---|------------------|-----------|---------------|--------------------------|
| Belmiro Mendes de Azevedo | Chairman and CEO | X | | |
| Álvaro Carmona e Costa Portela | | X | | |
| Álvaro Cuervo Garcia | | | X | X |
| Ângelo Gabriel Ribeirinho dos Santos Paupério | CFO | X | | |
| Duarte Paulo Teixeira de Azevedo | | X | | |
| Luíz Felipe Palmeira Lampreia | | | X | X |
| Michel Marie Bon | | | X | X |
| Nuno Manuel Moniz Trigo Jordão | | X | | |
| Nuno Miguel Teixeira de Azevedo | | | X | |

and have been appointed as follows:

| | Appointed for the first time in | End of Mandate |
|---|---------------------------------|----------------|
| Belmiro Mendes de Azevedo | 1989 | 2006 |
| Álvaro Carmona e Costa Portela | 1999 | 2006 |
| Álvaro Cuervo Garcia | 2004 | 2006 |
| Ângelo Gabriel Ribeirinho dos Santos Paupério | 2000 | 2006 |
| Duarte Paulo Teixeira de Azevedo | 2000 | 2006 |
| Luíz Felipe Palmeira Lampreia | 2004 | 2006 |
| Michel Marie Bon | 2004 | 2006 |
| Nuno Manuel Moniz Trigo Jordão | 1999 | 2006 |
| Nuno Miguel Teixeira de Azevedo | 2004 | 2006 |

A list of the main companies in which each Director holds office, is shown in paragraph 4.3 of this report. The same paragraph also includes a summarised *curriculum vitae* of each Director, as well as details of the number of shares they held on 31 December 2005 in Sonae, SGPS, SA or any of its affiliated companies.

⁴ Independent member as defined by Regulation nr. 10/2005 of the Portuguese Stock Market Regulator (CMVM)

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

The Board normally meets at least four times a year. The quorum for any Board meeting requires that the majority of members are present or represented. Each member has equal voting rights and decisions are taken by a simple majority of votes cast. The duties of the Board of Directors are as defined by Portuguese law. During 2005, the Board met 7 times with all of the Directors present at two meetings, three Directors were represented by the Chairman at three meetings, four Directors were represented by the Chairman at one meeting and five Directors, including the Chairman, were represented by another Director, at one meeting. Minutes are recorded in the respective minute book. The Board of Directors receives information on subjects on the agenda of the meeting at least 48 hours before the meeting is held.

The current members of the Executive Committee are:

- 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 configuration strategy;
- i) to approve the annual financial plan and any significant changes thereto.

Executive Committee Decisions are taken by a simple majority of votes cast. The Executive Committee currently meets at least once every month. During 2005, the Executive Committee met 13 times with all of its members present. Minutes are recorded in the respective minute book. The Executive Committee receives information on subjects on the agenda of the meeting at least 48 hours before the meeting is held.

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

The Board of Directors appointed a Board Audit and Finance Committee (BAFC) composed of the following Non-Executive Directors:

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

During 2005, the BAFC met 4 times. Amongst its tasks and powers, the BAFC is responsible for monitoring and reviewing the Company's financial reporting processes and accounting policies adopted, for evaluating risks associated with the Company's activities on behalf of the Board, and overseeing Corporate Governance. The BAFC meets directly with the External Auditor 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 and CEO)
- Luíz Felipe Palmeira Lampreia (Independent)
- Michel Marie Bon (Independent)

During 2005, the BNRC met once. It is responsible for supervising the preparation of proposals on remuneration and other compensation of Executive and Non-Executive directors and liaises with the Shareholders' Remuneration Committee (*Comissão de Vencimentos*).

No list of incompatibilities has been defined nor has any restriction been established in relation to the maximum number of offices that may be held in other companies. because the Company's Executive Directors hold offices and exercise management duties in companies belonging to the same holding company that make up a homogeneous business portfolio.

4.2. Remuneration

During 2005, members of the Board of Directors, were attributed the following remuneration by the company or by affiliated or associated companies:

| Amounts in euros | Fixed Remuneration | Performance Bonus | Total 2005 | Total 2004 |
|--|--------------------|-------------------|------------------|------------------|
| Individual breakdown | | | | |
| Chairman and CEO | 689,288 | 560,840 | 1,270,128 | 1,270,258 |
| Average of the remaining 4 Executive Directors | 392,522 | 447,095 | 839,617 | 796,597 |
| Average of the 4 Non-Executive Directors | 54,056 | - | 54,056 | 27,986 |
| Aggregate | | | | |
| Executive Directors (5) | 2,259,377 | 2,369,221 | 4,628,598 | 4,456,646 |
| Non-Executive Directors (4) | 216,223 | - | 216,223 | 111,942 |
| | 2,475,600 | 2,369,221 | 4,844,821 | 4,568,588 |

The performance bonus is indexed to a group of financial indicators that best align the interests of Executive Directors with those of the Company and its shareholders. Half of this bonus is deferred (see 1.6. above) and will only be paid 3 years after attribution date, and may increase or decrease depending on share price performance. No indemnities were paid to Directors and there were no supplementary pension schemes or early retirement schemes for Directors.

It should be noted that a part of the above-mentioned remunerations is also disclosed in the Reports on Corporate Governance of affiliated companies when Sonae, SGPS, SA Directors are also members of the Board of Directors of those companies.

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

4.3. Further information regarding Directors

Belmiro Mendes de Azevedo

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Marco de Canaveses
MARRIED

DATE OF BIRTH: 17-02-1938
CHILDREN: 3

EDUCATION

| | |
|------|--|
| 1963 | Graduation in Chemical Engineering - Porto University |
| 1973 | PMD (Programme for Management Development) - Harvard Business School |
| 1985 | Financial Management Programme - Stanford University |
| 1987 | Strategic Management - Wharton University |

PROFESSIONAL ACTIVITIES

| | |
|------------|---|
| 1963-1964 | Technical Career in textile chemical industries |
| 1965-1967 | Managing Director of Sonae |
| 1967-1984 | President of Sonae Group of companies |
| 1985-1988 | CEO of Sonae Indústria e Investimentos, SA |
| 1989-1999 | Chairman and CEO of Sonae Investimentos, SGPS, SA |
| Since 1999 | Chairman and CEO of Sonae SGPS, SA |

OTHER ACTIVITIES

Member of the European Union Hong-Kong Business Cooperation Committee
Member of the International Advisory Board of Allianz AG
Member of the Harvard Business School European Advisory Board
Member of the Management Board of Cotec – Portugal
Member of the European Round Table of Industrialists
Founding Member of Manufuture Portugal Forum.

DISTINCTIONS

“Grã Cruz da Ordem do Infante D. Henrique” bestowed by His Excellence the President of the Republic of Portugal
“Encomienda de Numero de la Orden del Mérito Civil” bestowed by His Majesty the King D. Juan Carlos of Spain.
“Ordem do Cruzeiro do Sul” bestowed by His Excellence the President of the Republic of Brazil
Honorary Fellow of the London Business School

Shares Held in Sonae Group Companies⁵

Sonae, SGPS, SA – 14,901 shares
Sonaecom, SGPS, SA – 75,537 shares

Offices Held in other Companies⁶

Chairman of the Board of Directors of:

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

⁵ Shares owned directly or owned by direct relatives.

⁶ This is not a complete list of all offices held but only of the most significant.

Álvaro Carmona e Costa Portela

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Porto
MARRIED

DATE OF BIRTH: 04-07-1951
CHILDREN: 3

EDUCATION

| | |
|------|---|
| 1974 | Graduate in Mechanical Engineering - Porto University |
| 1983 | Master of Business Administration - MBA (Universidade Nova de Lisboa) |
| 1997 | AMP / ISMP - Harvard Business School |

PROFESSIONAL ACTIVITIES

| | |
|------------|--|
| 1972-1976 | Director at Laboratórios BIAL (Pharmaceutical Industry) |
| 1974-1977 | Lecturer at Department of Mechanics - Porto University |
| 1976-1979 | Chairman and CEO of Laboratórios BIAL (Pharmaceutical Industry) |
| 1979-1985 | Executive Director of Finance, Planning, Exports at COPAM - Companhia Portuguesa de Amidos, SA (Maize derivatives industry) and affiliated companies |
| 1985-1986 | Deputy Managing Director and later Managing Director of Módis (Logistics and Retail Procurement at Sonae Distribuição) |
| 1986-1991 | Managing Director, later CEO and later Chairman of Sonae Distribuição, SGPS, SA |
| Since 1990 | CEO of Sonae Sierra, SGPS, SA |
| Since 1999 | Executive Vice President of Sonae, SGPS, SA |

OTHER ACTIVITIES

| | |
|------------|--|
| 1999-2002 | Co-founder and Board Member of EPRA- European Public Real Estate Association |
| 1996-2001 | Member at ICSC Europe Jury Award |
| Since 2004 | Trustee of European Shopping Centre Trust |
| Since 2004 | Member of Eurohypo International Advisory Board |
| Since 2005 | Trustee of the International Council of Shopping Centres |

Shares Held in Sonae Group Companies⁷

Sonae, SGPS, SA – 25,934 shares
Sonaecom, SGPS, SA – 5,000 shares

⁷ Shares owned directly or owned by direct relatives.

Offices Held in other Companies⁸

Member of the Board of Directors of:

Sonae Sierra, SGPS, SA
Sonae Capital, SGPS, SA

Chairman of the Board of Directors of most companies controlled by or majority owned by Sonae Sierra, SGPS, SA (these companies are listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

Álvaro Cuervo Garcia

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Asturias, Spain
MARRIED

DATE OF BIRTH: 30-05-1942
CHILDREN: 4

EDUCATION

| | |
|------|---|
| 1971 | PhD in Economics - Madrid University |
| 1973 | M.S. in Statistics - Madrid University |
| 1975 | M.S. in Industrial Psychology - Madrid University |

PROFESSIONAL ACTIVITIES

Professor of Business Economics at Universidad Complutense Madrid
Member of the Academic Council of the Real Colegio Complutense at Harvard University
Member of the Consulting Council on Privatization of the Spanish Government
Member of the Board of Directors of ACS, SA
Member of the Board of Directors of Thyssen Krupp, SA (Spain)
Member of the Board of Directors of Sonae, SGPS, SA, of Sonae Indústria, SGPS, SA and Deputy Chairman of Táfisa

⁸ This is not a complete list of all offices held but only of the most significant.

OTHER ACTIVITIES

Editor in Chief of Universia Business Review
Author of several books and numerous articles published in Spanish and foreign journals
Member of the scientific and advisory committee of several journals

DISTINCTIONS

Rey Jaime I prize in Economics
Infanta Cristina prize in Economics
Honorary Doctorate – Universidad de Oviedo
Honorary Doctorate – Universidad de Leon

Shares Held in Sonae Group Companies⁹

None.

Offices Held in other Companies¹⁰

Member of the Board of Directors of:

Sonae Industria, SGPS, SA
Tableros de Fibras, SA
ACS, SA
BA – Fábrica de Vidrio, SA
Thyssen Krupp, SA

Ângelo Gabriel Ribeirinho dos Santos Paupério

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Vila Nova de Gaia
MARRIED

DATE OF BIRTH: 14-09-1959
CHILDREN: 4

⁹ Shares owned directly or owned by direct relatives.

¹⁰ This is not a complete list of all offices held but only of the most significant.

EDUCATION

| | |
|------|---|
| 1982 | Graduate in Civil Engineering - Porto University |
| 1988 | Master of Business Administration - MBA (ISEE - Porto University) |

PROFESSIONAL ACTIVITIES

| | |
|------------|---|
| 1982-1984 | Structural Design Project Manager at Tecnopor (Civil Engineering) |
| 1984-1989 | Manager at EDP (Energy) |
| 1989-1991 | Leader of the Television Project Team at Sonae Tecnologias de Informação |
| 1991-1994 | Director of Strategic Planning and Control at Sonae Investimentos, SGPS, SA |
| Since 1994 | Director in several of Sonae Distribuição, SGPS, SA's affiliates (Retail) |
| Since 1996 | CFO of Sonae Distribuição, SGPS, SA and Director in Modelo Continente, SGPS, SA and several of its affiliates (Retail) |
| Since 2000 | Executive Vice President and CFO of Sonae, SGPS, SA, Director of Sonae Sierra, SGPS, SA, CEO of Sonae Capital, SGPS, SA and Chairman of Sonae, SGPS, SA's Finance Committee |

OTHER ACTIVITIES

| | |
|------------|---|
| Since 1989 | Board member of APGEI (Business/University Association of Engineering and Management) |
| ... | Lecturer of Business Policy (ISEE - Porto University) |

Shares Held in Sonae Group Companies¹¹

Sonae, SGPS, SA – 4,564 shares
Sonaecom, SGPS, SA – 60,070 shares

Offices Held in other Companies¹²

Member of the Board of Directors of:

Modelo Continente, SGPS, SA
Sonae Sierra, SGPS, SA
Sonae Capital, SGPS, SA
Sonae Turismo, SGPS, SA
Sonae Investments BV

Member of the Board of Directors of most companies controlled by or majority owned by Modelo Continente, SGPS, SA, Sonae Capital, SGPS, SA and Sonae Turismo, SGPS, SA (these companies listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

¹¹ Shares owned directly or owned by direct relatives.

¹² This is not a complete list of all offices held but only of the most significant.

Duarte Paulo Teixeira de Azevedo

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Porto
MARRIED

DATE OF BIRTH: 31-12-1965
CHILDREN: 3

EDUCATION

| | |
|------|---|
| 1986 | Graduation in Chemical Engineering - Ecole Polytechnique Fédérale de Lausanne |
| 1989 | Master of Business Administration - MBA (ISEE - Porto University) |
| 1994 | Executive Retailing Program - Babson College |
| 1996 | Strategic Uses of Information Technology Program - Stanford Business School |
| 2002 | IMD - Breakthrough Program for Senior Executives - Lausanne |

PROFESSIONAL ACTIVITIES

| | |
|------------|--|
| 1988-1990 | Analyst and Project manager of new investments at Sonae Tecnologias de Informação |
| 1990-1993 | Organizational Development project manager and New business Commercial Director at Sonae Indústria (Wood Based Panels) |
| 1993-1996 | Director of Strategic Planning and Control at Sonae Investimentos, SGPS, SA |
| 1996-1998 | Board Director of Modelo Continente Hipermercados. (Retail) |
| 1998-2000 | CEO of Optimus (Mobile Operator). |
| Since 2000 | CEO of Sonaecom, SGPS, SA and Executive Vice President of Sonae, SGPS, SA. |

OTHER ACTIVITIES

| | |
|------------|--|
| Since 1988 | Member of APGEI (Business/University Association of Engineering and Management) |
| Since 2000 | Founding member of EGP – Porto Business School |
| 2001-2002 | President of Apritel - Association of Telecommunication Operators |
| 2003 | co-author of the book “Reformar Portugal” |
| Since 2004 | Member of the Advisory Board “Compromisso Portugal”, an independent movement to enforce political reform |

Shares Held in Sonae Group Companies¹³

Sonae, SGPS, SA – 360,591 shares
Sonaecom, SGPS, SA – 315,795 shares

¹³ Shares owned directly or owned by direct relatives.

Offices Held in other Companies¹⁴

Member of the Board of Directors of:

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

Chairman of the Board of Directors of most companies controlled by or majority owned by Sonaecom, SGPS, SA (these companies are listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

Luíz Felipe Palmeira Lampreia

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Rio de Janeiro, Brazil
DIVORCED

DATE OF BIRTH: 19-10-1941
CHILDREN: 3

EDUCATION

1963 Graduation from Instituto Rio Branco (Brazilian Diplomatic Academy)

PROFESSIONAL ACTIVITIES

| | |
|-----------|--|
| 1963-1995 | Diplomat serving: |
| 1966-1971 | In the Brazilian Mission to the United Nations in New York and Geneva |
| 1979-1983 | Deputy Ambassador in Washington |
| 1983-1985 | Ambassador to Suriname |
| 1990-1992 | Ambassador to Portugal |
| 1993-1995 | Ambassador to GATT/WTO in Geneva |
| 1988-1990 | Under-Secretary for Political Affairs |
| 1992-1993 | Secretary General of the Foreign Ministry |
| 1995-2001 | Foreign Minister |
| Presently | Non-Executive Director of Sonae, SGPS, SA and of Partex (Brazil) |
| Presently | Director of Sousa Cruz (BAT Group) |
| Presently | Member of the Advisory Boards of Novartis Brazil and of Banque Calyon Brazil |

¹⁴ This is not a complete list of all offices held but only of the most significant.

| | |
|-----------|--|
| Presently | Member of the International Advisory Board of Coca Cola, of Unilever (Latin America), of Kissinger, McLarty and Associates |
| Presently | Adviser to Bracelpa (Brazilian Paper and Pulp Industry Association) |

OTHER ACTIVITIES

| | |
|-----------|---|
| Presently | Member of the International Advisory Board of the Council on Foreign Relations (New York) |
| Presently | Member of the Inter American Dialogue |
| Presently | Deputy Chairman of the Brazilian Center for Foreign Relations |

DISTINCTIONS

Grã Cruz da Ordem Nacional do Mérito - Brazil
 Grã Cruz da Ordem do Rio Branco - Brazil
 Grã Cruz da Ordem de Cristo - Portugal
 Grã Cruz da Ordem de Santiago - Portugal
 Grand Officier de la Legion d'Honneur - France

Shares Held in Sonae Group Companies¹⁵

Sonae, SGPS, SA – 10,000 shares

Offices Held in other Companies¹⁶

Member of the Board of Directors of Sousa Cruz SA (BAT Brazilian affiliate)

Member of the Advisory Board of:

Unilever PLC
 The Coca-Cola Company
 Kissinger McLarty Associates
 Calyon Investment Bank
 Novartis do Brazil

Director of Partex do Brazil
 Deputy Chairman of the Board of Directors of CEBRI

¹⁵ Shares owned directly or owned by direct relatives.

¹⁶ This is not a complete list of all offices held but only of the most significant.

Michel Marie Bon

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Grenoble, France
MARRIED

DATE OF BIRTH: 05-07-1943
CHILDREN: 4

EDUCATION

| | |
|------|--|
| 1966 | Graduation in Business Administration - ESSEC |
| 1971 | Graduation at École Nationale d'Administration |
| 1986 | Strategic Management Programme - Stanford University |

PROFESSIONAL ACTIVITIES

| | |
|-----------|---|
| 1971-1975 | Inspecteur de Finances at the French Ministry of Finance and Budget |
| 1975-1985 | Chief Credit Officer, and later Deputy CEO of Caisse Nationale de Crédit Agricole (Bank) |
| 1985-1992 | Deputy CEO, later CEO and Chairman of Carrefour (Retail) |
| 1993-1995 | Head of the Agence Nationale Pour l'Emploi (French state agency for employment). |
| 1995-2002 | Chairman and CEO of France Telecom. |
| 2003-2005 | Chairman of Institut Pasteur |
| Presently | Chairman of the Supervisory Board of Editions du Cerf (Book Publisher) |
| Presently | Director of Lafarge (Cements), Banque Transatlantique (Bank), Sonepar (Electrical supply retail) |
| Presently | Non-Executive Director of Sonae, SGPS, SA and Emertec (High Technologies) |
| Presently | Member of the European Advisory Board of Coca Cola, of the Conseil d'Orientation Strategique de RATP, and of the Supervisory Boards of Stratorg and Permira |
| Presently | Senior Advisor to Dôme Close Brothers (Investment Bank) and Permira (Investment Fund) |

OTHER ACTIVITIES

| | |
|-----------|--|
| 1991-2002 | Chairman of ESSEC (Business School) |
| 1998-2002 | Co-chairman of the French American Business Council |
| Presently | Director of the French American Foundation |
| Presently | Founder and Director of Transparency International (France) |
| Presently | Director of Institute Catholique de Paris |
| Presently | Director of Institut Pierre Mendès France |
| Presently | Director of International Dominican Foundation |
| Presently | Member of the Advisory Board of the International Federation of Red Cross and Red Crescent |

DISTINCTIONS

Officier de la Légion d'Honneur (France)
Four nominations as Manager of the Year.
The Houghton Award of the French American Foundation
Stratégies Man of the Year 2001

Shares Held in Sonae Group Companies¹⁷

Sonae, SGPS, SA – 29,563 shares

Offices Held in other Companies¹⁸

Senior Advisor of Dôme Close Brothers
Senior Advisor of Permira
Chairman of the Supervisory Board of Les Editions du Cerf

Member of the Board of Directors of:

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

Member of the Advisory Board of:

Coca Cola Europe
RATP
Stratorg
Permira

Nuno Manuel Moniz Trigo Jordão

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Lisbon
MARRIED

DATE OF BIRTH: 27-04-1956
CHILDREN: 4

¹⁷ Shares owned directly or owned by direct relatives.

¹⁸ This is not a complete list of all offices held but only of the most significant.

EDUCATION

1978 Graduate in Economics - ISCTE (Lisbon University)

PROFESSIONAL ACTIVITIES

1984-1986 Sales Manager of Pingo Doce Supermercados (Retail)
1986-1987 Manager of the Amadora Continente Hypermarket (Retail)
1988-1989 General Manager of Modelo Continente (Retail)
Since 1990 Board member of Modelo Continente Hipermercados, SA (Retail)
Since 1991 CEO of Modelo Continente, SGPS, SA and several of its affiliates (Retail)
Since 2000 Executive Vice President of Sonae, SGPS, SA

Shares Held in Sonae Group Companies¹⁹

None

Offices Held in other Companies²⁰

Member of the Board of Directors of:

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

Chairman of the Board of Directors of most companies controlled by or majority owned by Modelo Continente, SGPS, SA and Sonae Turismo SGPS, SA (these companies are listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

Nuno Miguel Teixeira de Azevedo

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Porto
MARRIED

DATE OF BIRTH: 11-09-1964
CHILDREN: 2

¹⁹ Shares owned directly or owned by direct relatives.

²⁰ This is not a complete list of all offices held but only of the most significant.

EDUCATION

| | |
|------|---|
| 1989 | Graduation in Political Science - International Affairs - Université Catholique de Louvain, Belgium |
| 1996 | Diplôme d'Études Spécialisées en Sciences Politiques et Relations Internationales - Université Catholique de Louvain, Belgium |

PROFESSIONAL ACTIVITIES

| | |
|------------|--|
| 1990-1991 | Analyst Project Manager at Sonae Investimentos |
| 1991-1993 | Development Director at Módis (Retail) |
| 1993-1995 | Commercial Director of Modelo Continente, SGPS, SA (Retail) |
| 1996-2000 | Board Director of Sonae Imobiliária, SGPS, SA (Shopping Centres) and of Sonae Retalho Especializado, SGPS, SA (Retail) |
| 2002-2003 | Board Director of Sonae Indústria, SGPS, SA, Chairman of Glunz AG, of Isoroy and of Tafisa UK (Wood Based Panels) |
| Since 2000 | Member of the Board of Efanor Investimentos, SGPS, SA |
| Since 2004 | Non-Executive Director of Sonae, SGPS, SA. |

OTHER ACTIVITIES

| | |
|------------|--|
| 2001-2002 | Member of the Board of Directors of Sociedade Porto 2001 |
| Since 2000 | Member of the Board of Directors of Fundação Portugal África |
| Since 2001 | Member of the Board of Directors of Fundação de Serralves |
| Since 2006 | Executive Director of Fundação Casa da Música |

Shares Held in Sonae Group Companies²¹

Sonae, SGPS, SA – 14,320 shares

Offices Held in other Companies²²

Member of the Board of Directors of:

Efanor Investimentos, SGPS, SA
Efanor – Serviços de Gestão, SA
Imparfin – Investimentos e Participações Financeiras, SGPS, SA
Praça Foz – Sociedade Imobiliária, SA
Total Share, SGPS, SA
Fundação de Serralves
Fundação Portugal-África

Executive Director of Fundação Casa da Música

²¹ Shares owned directly or owned by direct relatives.

²² This is not a complete list of all offices held but only of the most significant.

Maia, 9 March 2006

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



CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

SONAE SGPS SA

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| | | IFRS | | | LOCAL GAAP |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| | | 31.12.2005 | 31.12.2004 | 31.12.2004 | 31.12.2004 |
| ASSETS | Notes | Pro-Forma | | | |
| | | | | | |
| NON-CURRENT ASSETS: | | | | | |
| Tangible assets | 9 | 1,908,134,473 | 1,668,054,170 | 3,117,350,680 | 4,392,690,148 |
| Intangible assets | 10 | 321,545,423 | 323,042,457 | 335,329,371 | 308,161,998 |
| Investment properties | 11 | 1,232,476,111 | 991,964,176 | 1,983,931,383 | - |
| Investment properties under development | 11 | 124,944,974 | 121,652,519 | 220,915,032 | - |
| Goodwill | 12 | 245,578,246 | 204,885,077 | 453,242,056 | - |
| Investments | 13 | 157,628,576 | 140,479,618 | 106,235,352 | 347,102,653 |
| Deferred tax assets | 20 | 108,484,039 | 111,693,044 | 216,951,425 | - |
| Other non-current assets | 14 | 35,739,020 | 101,446,654 | 111,497,267 | 89,019,748 |
| Total Non-Current Assets | | 4,134,530,862 | 3,663,217,715 | 6,545,452,566 | 5,136,974,547 |
| | | | | | |
| CURRENT ASSETS: | | | | | |
| Stocks | 15 | 460,480,885 | 401,922,326 | 673,858,951 | 672,703,272 |
| Trade accounts receivable | 16 | 244,825,275 | 247,670,429 | 346,832,913 | 372,166,381 |
| Other debtors | 17 | 390,664,051 | 1,133,412,911 | 263,535,397 | 250,597,654 |
| Taxes recoverable | 18 | 87,636,005 | 66,093,512 | 116,962,237 | 117,766,514 |
| Other current assets | 19 | 65,576,093 | 61,305,807 | 75,176,481 | 482,003,620 |
| Investments held for trading | 13 | 10,681,441 | 87,385,297 | 89,558,911 | 182,274,470 |
| Cash and cash equivalents | 21 | 912,294,316 | 318,683,582 | 486,213,442 | 340,808,878 |
| Total Current Assets | | 2,172,158,066 | 2,316,473,864 | 2,052,138,332 | 2,418,320,789 |
| | | | | | |
| TOTAL ASSETS | | 6,306,688,928 | 5,979,691,579 | 8,597,590,898 | 7,555,295,336 |
| | | | | | |
| EQUITY AND LIABILITIES | | | | | |
| | | | | | |
| EQUITY: | | | | | |
| Share capital | 22 | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |
| Own shares | 22 | (143,630,520) | (144,537,597) | (144,537,597) | (144,537,597) |
| Legal reserve | | 152,721,161 | 152,113,582 | 152,113,582 | 152,113,582 |
| Reserves and retained earnings | | (1,381,170,752) | (1,283,763,104) | (1,186,197,504) | (1,517,542,647) |
| Profit/(Loss) for the year attributable to the equity holders of Sonae | | 512,803,285 | 256,153,737 | 283,521,010 | 192,060,205 |
| Equity attributable to the equity holders of Sonae | | 1,140,723,174 | 979,966,618 | 1,104,899,491 | 682,093,543 |
| Equity attributable to minority interests | 23 | 394,707,612 | 343,277,473 | 785,515,290 | 527,771,715 |
| TOTAL EQUITY | | 1,535,430,786 | 1,323,244,091 | 1,890,414,781 | 1,209,865,258 |
| | | | | | |
| LIABILITIES: | | | | | |
| NON-CURRENT LIABILITIES: | | | | | |
| Bank loans | 24 | 892,835,901 | 1,080,699,022 | 1,825,940,672 | 1,637,272,448 |
| Bonds | 24 | 910,949,438 | 343,731,926 | 431,782,099 | 441,639,370 |
| Obligations under finance leases | 25 | 36,194,019 | 35,645,578 | 40,779,698 | - |
| Other loans | 24 | 8,646,784 | 143,187,100 | 149,279,803 | 141,474,678 |
| Other non-current liabilities | 27 | 586,412,836 | 733,370,005 | 940,739,878 | 827,530,423 |
| Deferred tax liabilities | 20 | 238,184,261 | 193,050,559 | 388,090,849 | - |
| Provisions | 32 | 54,477,919 | 28,627,515 | 57,189,153 | - |
| Total Non-Current Liabilities | | 2,727,701,158 | 2,558,311,705 | 3,833,802,152 | 3,047,916,919 |
| | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Bank loans | 24 | 591,695,025 | 612,961,777 | 799,223,363 | 767,636,227 |
| Bonds | 24 | 89,725,193 | 5,899,682 | 35,078,955 | 31,501,345 |
| Obligations under finance leases | 25 | 11,030,610 | 7,586,931 | 11,439,067 | - |
| Other loans | 24 | 2,041,697 | 89,301,090 | 103,919,603 | 6,186,993 |
| Trade accounts payable | 29 | 808,680,981 | 783,443,448 | 1,098,881,938 | 1,096,363,390 |
| Other creditors | 30 | 195,245,950 | 285,018,683 | 345,404,916 | 343,372,969 |
| Taxes and contributions payable | 18 | 69,814,568 | 62,711,863 | 100,032,108 | 101,679,672 |
| Other current liabilities | 31 | 273,037,977 | 247,485,525 | 365,456,166 | 802,731,147 |
| Provisions | 32 | 2,284,983 | 3,726,784 | 13,937,849 | 148,041,416 |
| Total Current Liabilities | | 2,043,556,984 | 2,098,135,783 | 2,873,373,965 | 3,297,513,159 |
| | | | | | |
| TOTAL EQUITY AND LIABILITIES | | 6,306,688,928 | 5,979,691,579 | 8,597,590,898 | 7,555,295,336 |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE SGPS SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| | Notes | IFRS 31.12.2005 | | | IFRS 31.12.2004 | | | LOCAL GAAP 31.12.2004 |
|--|-------|-------------------------|----------------------------|------------------------|-------------------------|----------------------------|------------------------|--------------------------|
| | | Continued Operations | Discontinued Operations | Total Operations | Continued Operations | Discontinued Operations | Total Operations | Total |
| Operational income | | | | | | | | |
| Sales | 35 | 2,998,752,426 | 2,186,260,613 | 5,185,013,039 | 2,900,743,444 | 2,413,463,675 | 5,314,207,119 | 5,398,949,241 |
| Services rendered | 35 | 1,214,419,634 | (6,918,399) | 1,207,501,235 | 1,157,457,954 | (7,374,509) | 1,150,083,445 | 1,235,043,902 |
| Value created on investment properties | 36 | 194,071,914 | - | 194,071,914 | 111,451,062 | - | 111,451,062 | - |
| Other operational income | 37 | 477,347,724 | 110,429,155 | 587,776,879 | 345,985,774 | 98,673,201 | 444,658,975 | 344,345,577 |
| Total operational income | | <u>4,884,591,698</u> | <u>2,289,771,369</u> | <u>7,174,363,067</u> | <u>4,515,638,234</u> | <u>2,504,762,367</u> | <u>7,020,400,601</u> | <u>6,978,338,720</u> |
| Operational expenses | | | | | | | | |
| Cost of goods sold and materials consumed | 15 | (2,366,396,352) | (1,371,457,460) | (3,737,853,812) | (2,254,908,129) | (1,389,170,575) | (3,644,078,704) | (3,658,222,905) |
| Changes in stocks of finished goods and work in progress | | 1,215,961 | 3,535,060 | 4,751,021 | 1,814,151 | (10,005,809) | (8,191,657) | (8,851,856) |
| External supplies and services | | (1,115,193,991) | (404,381,357) | (1,519,575,348) | (989,600,800) | (481,399,858) | (1,471,000,658) | (1,646,506,633) |
| Staff costs | | (559,775,492) | (264,598,499) | (824,373,991) | (508,305,008) | (310,367,254) | (818,672,262) | (826,481,369) |
| Depreciation and amortisation | 9, 10 | (212,363,940) | (96,988,101) | (309,352,041) | (199,385,125) | (127,202,967) | (326,588,092) | (382,592,797) |
| Provisions and impairment losses | 32 | (18,239,171) | (12,890,385) | (31,129,556) | (18,180,284) | (154,997) | (18,335,281) | (40,959,050) |
| Other operational expenses | 40 | (92,349,601) | (46,423,823) | (138,773,424) | (86,371,442) | (53,752,036) | (140,123,478) | (59,583,569) |
| Total operational expenses | | <u>(4,363,102,586)</u> | <u>(2,193,204,565)</u> | <u>(6,556,307,151)</u> | <u>(4,054,936,637)</u> | <u>(2,372,053,495)</u> | <u>(6,426,990,132)</u> | <u>(6,623,198,179)</u> |
| Operational profit/(loss) | | 521,489,112 | 96,566,804 | 618,055,916 | 460,701,597 | 132,708,872 | 593,410,469 | 355,140,541 |
| Net financial expenses | 41 | (104,120,398) | (49,242,026) | (153,362,424) | (103,662,943) | (96,892,612) | (200,555,555) | (167,049,653) |
| Share of results of associated undertakings | | (1,715,813) | 586,233 | (1,129,580) | 18,748,529 | 31,735 | 18,780,264 | 15,755,063 |
| Investment income | 42 | 121,912,506 | 182,555,975 | 304,468,481 | 102,117,242 | 10,861,402 | 112,978,644 | 122,556,665 |
| Profit/(Loss) before taxation | | 537,565,407 | 230,466,986 | 768,032,393 | 477,904,425 | 46,709,397 | 524,613,822 | 326,402,616 |
| Taxation | 43 | (98,692,471) | (21,147,917) | (119,840,388) | (92,063,429) | (16,667,808) | (108,731,237) | (56,544,690) |
| Profit/(Loss) after taxation | | 438,872,936 | 209,319,069 | 648,192,005 | 385,840,996 | 30,041,589 | 415,882,585 | 269,857,926 |
| Profit/(Loss) for the year | | <u>438,872,936</u> | <u>209,319,069</u> | <u>648,192,005</u> | <u>385,840,996</u> | <u>30,041,589</u> | <u>415,882,585</u> | <u>269,857,926</u> |
| Attributable to: | | | | | | | | |
| Equity holders of Sonae | | 302,101,261 | 210,702,024 | 512,803,285 | 256,153,737 | 27,367,273 | 283,521,010 | 192,060,205 |
| Minority interests | | 136,771,675 | (1,382,955) | 135,388,720 | 129,687,259 | 2,674,316 | 132,361,575 | 77,797,721 |
| Profit/(Loss) per share | | | | | | | | |
| Basic | 45 | 0.161902 | 0.112919 | 0.274821 | 0.137287 | 0.014668 | 0.151955 | 0.102936 |
| Diluted | 45 | 0.161902 | 0.112919 | 0.274821 | 0.137287 | 0.014668 | 0.151955 | 0.102936 |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE THREE MONTHS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| | IFRS | | | IFRS | | |
|--|--|-------------------------|------------------|--|-------------------------|------------------|
| | 4 th Quarter 2005 Unaudited | | | 4 th Quarter 2004 Unaudited | | |
| Notes | Continued Operations | Discontinued Operations | Total Operations | Continued Operations | Discontinued Operations | Total Operations |
| Operational Income | | | | | | |
| Sales | 878,159,508 | 242,560,565 | 1,120,720,073 | 828,255,674 | 660,794,222 | 1,489,049,896 |
| Services rendered | 327,739,359 | 1,261,725 | 329,001,084 | 272,161,688 | (1,714,798) | 270,446,890 |
| Value created on investment properties | 136,725,943 | - | 136,725,943 | 50,617,589 | - | 50,617,589 |
| Other operational income | 175,638,965 | 7,145,776 | 182,784,741 | 131,747,516 | 17,299,628 | 149,047,144 |
| Total operational income | 1,518,263,775 | 250,968,066 | 1,769,231,841 | 1,282,782,467 | 676,379,052 | 1,959,161,519 |
| Operational expenses | | | | | | |
| Cost of goods sold and materials consumed | (692,158,091) | (188,957,533) | (881,115,624) | (652,263,902) | (394,850,104) | (1,047,114,006) |
| Changes in stocks of finished goods and work in progress | 102,388 | 86,514 | 188,902 | 7,443,355 | 4,150,220 | 11,593,575 |
| External supplies and services | (306,286,362) | (27,459,982) | (333,746,344) | (250,436,432) | (130,925,099) | (381,361,531) |
| Staff costs | (152,296,083) | (28,679,071) | (180,975,154) | (138,497,424) | (80,842,942) | (219,340,366) |
| Depreciation and amortisation | (55,559,262) | (4,614,424) | (60,173,686) | (53,697,651) | (33,147,928) | (86,845,579) |
| Provisions and impairment losses | (8,910,669) | (611,154) | (9,521,823) | 4,989,633 | 4,423,281 | 9,412,914 |
| Other operational expenses | (37,880,086) | (6,972,904) | (44,852,990) | (25,043,612) | (23,963,986) | (49,007,598) |
| Total operational expenses | (1,252,988,165) | (257,208,554) | (1,510,196,719) | (1,107,506,033) | (655,156,558) | (1,762,662,591) |
| Operational profit/(loss) | 265,275,610 | (6,240,488) | 259,035,122 | 175,276,434 | 21,222,494 | 196,498,928 |
| Net financial expenses | (26,573,120) | 533,683 | (26,039,437) | (8,265,941) | (24,641,496) | (32,907,437) |
| Share of results of associated undertakings | (3,374,016) | 144,454 | (3,229,562) | 8,906,215 | 31,735 | 8,937,950 |
| Investment income | 49,310,238 | 151,126,647 | 200,436,885 | 11,402,210 | 9,681,173 | 21,083,383 |
| Profit/(Loss) before taxation | 284,638,712 | 145,564,296 | 430,203,009 | 187,318,918 | 6,293,906 | 193,612,824 |
| Taxation | (56,331,653) | (209,199) | (56,540,852) | (30,971,246) | (7,456,367) | (38,427,613) |
| Profit/(Loss) after taxation | 228,307,059 | 145,355,097 | 373,662,156 | 156,347,672 | (1,162,461) | 155,185,211 |
| Profit/(Loss) for the year | 228,307,059 | 145,355,097 | 373,662,156 | 156,347,672 | (1,162,461) | 155,185,211 |
| Attributable to: | | | | | | |
| Equity holders of Sonae | 175,425,276 | 143,563,586 | 318,988,862 | 113,926,284 | (1,174,245) | 112,752,039 |
| Minority interests | 52,881,783 | 1,791,511 | 54,673,294 | 42,421,388 | 11,784 | 42,433,172 |
| Profit/(Loss) per share | | | | | - | |
| Basic | 0.094010 | 0.076936 | 0.170946 | 0.061060 | (0.000629) | 0.060430 |
| Diluted | 0.094010 | 0.076936 | 0.170946 | 0.061060 | (0.000629) | 0.060430 |

The accompanying notes are part of these financial statements.

The Board of Directors

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

(Amounts expressed in euro)

| | Attributable to Equity Holders of Sonae | | | | | | | Total | Minority Interests | Total Equity |
|---|---|----------------------|--------------------|------------------|------------------------------|--------------------------------------|--------------------------------|--------------------|----------------------|----------------------|
| | Share Capital | Own Shares | Legal Reserve | Hedging Reserve | Currency Translation Reserve | Other Reserves and Retained Earnings | Reserves and Retained Earnings | | | |
| Balance as at 1 January 2004 (1) | 2,000,000,000 | (144,537,597) | 150,629,362 | (4,608,361) | 2,082,469 | (1,202,231,662) | (1,204,757,554) | - | 801,334,211 | 1,722,459,956 |
| Dividends distributed | - | - | - | - | - | (27,987,330) | (27,987,330) | - | (27,987,330) | (30,385,750) |
| Changes in reserves | | | | | | | | | | |
| Changes in the period | - | - | - | 4,147,821 | 7,760,807 | - | 11,908,628 | - | 11,908,628 | 15,832,583 |
| Transfers to results | - | - | - | - | - | - | - | - | - | - |
| Aquisition of affiliated undertakings | - | - | - | - | - | - | - | - | (263,359,881) | (263,359,881) |
| Other changes | - | - | - | - | - | - | - | - | (6,137,684) | (6,137,684) |
| Consolidated Profit/(Loss) for the twelve months ended 31 December 2004 | - | - | - | - | - | - | - | 283,521,010 | 283,521,010 | 415,882,585 |
| Others | - | - | 1,484,220 | - | - | 34,638,752 | 34,638,752 | - | 36,122,972 | 36,122,972 |
| Balance as at 31 December 2004 | 2,000,000,000 | (144,537,597) | 152,113,582 | (460,540) | 9,843,276 | (1,195,580,240) | (1,186,197,504) | 283,521,010 | 1,104,899,491 | 1,890,414,781 |
| Balance as at 1 January 2005 | 2,000,000,000 | (144,537,597) | 152,113,582 | (460,540) | 9,843,276 | (1,195,580,240) | (1,186,197,504) | 283,521,010 | 1,104,899,491 | 1,890,414,781 |
| Appropriation of profit of 2004: | | | | | | | | | | |
| Transfer to legal reserves and retained earnings | - | - | 607,579 | - | - | 282,913,431 | 282,913,431 | (283,521,010) | - | - |
| Dividends distributed | - | - | - | - | - | (37,316,440) | (37,316,440) | - | (37,316,440) | (52,293,822) |
| Changes in reserves | | | | | | | | | | |
| Changes in the period | - | - | - | 460,540 | 148,924,976 | - | 149,385,516 | - | 149,385,516 | 168,494,011 |
| Transfers to results | - | - | - | - | (127,392,098) | - | (127,392,098) | - | (127,392,098) | (127,392,098) |
| Sale of Sonae Sierra with change of consolidation method | - | - | - | - | - | - | - | - | (553,940,396) | (553,940,396) |
| Sales of affiliated undertakings | - | - | - | - | - | - | - | - | (25,864,330) | (25,864,330) |
| Aquisition of affiliated undertakings | - | - | - | - | - | - | - | - | 16,198,094 | 16,198,094 |
| Other changes | - | - | - | - | - | (3,038,830) | (3,038,830) | - | (1,968,495) | (5,007,325) |
| Spin-off of Sonae Indústria | - | - | - | - | - | (459,524,827) | (459,524,827) | - | (459,524,827) | (424,277,211) |
| Consolidated Profit/(Loss) for the twelve months ended 31 December 2005 | - | - | - | - | - | - | - | 512,803,285 | 512,803,285 | 648,192,005 |
| Others | - | 907,077 | - | - | - | - | - | - | 907,077 | 907,077 |
| Balance as at 31 December 2005 | 2,000,000,000 | (143,630,520) | 152,721,161 | - | 31,376,154 | (1,412,546,906) | (1,381,170,752) | 512,803,285 | 1,140,723,174 | 1,535,430,786 |

The accompanying notes are part of these financial statements.

(1) The 2003 consolidated profit for the year is included in "Reserves and Retained Earnings" because 1 January 2004 is the date of transition;

The Board of Directors

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

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| | Notes | IFRS | | | IFRS | | |
|--|-------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | | 31.12.2005 | 31.12.2004 | | 31.12.2005 | 31.12.2004 | |
| | | Continued Operations | Discontinued Operations | Total Operations | Continued Operations | Discontinued Operations | Total Operations |
| OPERATING ACTIVITIES | | | | | | | |
| Cash receipts from trade debtors | | 4,251,066,072 | 2,153,739,692 | 6,404,805,764 | 4,197,213,101 | 2,421,202,008 | 6,618,415,109 |
| Cash paid to trade creditors | | (3,146,691,167) | (1,817,891,208) | (4,964,582,375) | (2,935,910,749) | (1,800,672,619) | (4,736,583,368) |
| Cash paid to employees | | (538,928,758) | (258,064,100) | (796,992,858) | (496,819,785) | (314,968,794) | (811,788,579) |
| Cash flow generated by operations | | 565,446,147 | 77,784,384 | 643,230,531 | 764,482,567 | 305,560,595 | 1,070,043,162 |
| Income taxes (paid) / received | | (33,767,585) | (9,763,102) | (43,530,687) | (46,869,856) | (2,659,661) | (49,529,517) |
| Other cash receipts and (payments) relating to operating activities | | (54,744,332) | 56,443,224 | 1,698,892 | (27,478,636) | (20,088,223) | (47,566,859) |
| Net cash flow from operating activities (1) | | 476,934,230 | 124,464,506 | 601,398,736 | 690,134,075 | 282,812,711 | 972,946,786 |
| INVESTMENT ACTIVITIES | | | | | | | |
| Cash receipts arising from: | | | | | | | |
| Investments | | 72,015,972 | 655,641,812 | 727,657,784 | 649,283,687 | 11,580,957 | 660,864,644 |
| Tangible assets | | 21,028,473 | 72,324,446 | 93,352,919 | 24,872,657 | 23,698,909 | 48,571,566 |
| Intangible assets | | 282,104 | - | 282,104 | 405,731 | 845,327 | 1,251,058 |
| Interest and similar income | | 33,247,933 | 9,335,304 | 42,583,237 | 47,736,490 | 23,218,112 | 70,954,602 |
| Loans granted | | 211,520,147 | (171,770,840) | 39,749,307 | 232,501,188 | (189,996,390) | 42,504,798 |
| Dividends | | 14,496,140 | 50,063 | 14,546,203 | 15,367,746 | 961 | 15,368,707 |
| Others | | 251,197 | - | 251,197 | 652,130 | 10,101,297 | 10,753,427 |
| | | 352,841,966 | 565,580,785 | 918,422,751 | 970,819,629 | (120,550,827) | 850,268,802 |
| Cash Payments arising from: | | | | | | | |
| Investments | | (371,995,894) | 7,838,394 | (364,157,500) | (753,589,497) | 282,047,948 | (471,541,549) |
| Tangible assets | | (466,823,292) | (63,424,637) | (530,247,929) | (379,882,018) | (83,306,016) | (463,188,034) |
| Intangible assets | | (49,551,918) | (10,167,396) | (59,719,314) | (37,552,097) | (2,159,653) | (39,711,750) |
| Loans granted | | (18,000,000) | - | (18,000,000) | (78,309,387) | - | (78,309,387) |
| Others | | (67,987,719) | (114,801) | (68,102,520) | (130,113,615) | 1,591,323 | (128,522,292) |
| | | (974,358,823) | (65,868,440) | (1,040,227,263) | (1,379,446,614) | 198,173,602 | (1,181,273,012) |
| Net cash used in investment activities (2) | | (621,516,857) | 499,712,345 | (121,804,512) | (408,626,985) | 77,622,775 | (331,004,210) |
| FINANCING ACTIVITIES | | | | | | | |
| Cash receipts arising from: | | | | | | | |
| Loans obtained | | 3,615,474,995 | 506,675,730 | 4,122,150,725 | 2,538,517,084 | 173,273,607 | 2,711,790,691 |
| Capital increases, additional paid in capital and share premiums | | 5,289,849 | - | 5,289,849 | 18,866,815 | - | 18,866,815 |
| Sale of own shares | | 1,586,339 | - | 1,586,339 | - | - | - |
| Others | | 300,010 | - | 300,010 | 741,976 | 97,500 | 839,476 |
| | | 3,622,651,193 | 506,675,730 | 4,129,326,923 | 2,558,125,875 | 173,371,107 | 2,731,496,982 |
| Cash Payments arising from: | | | | | | | |
| Loans obtained | | (3,415,512,934) | (390,997,604) | (3,806,510,538) | (2,599,152,269) | (406,525,479) | (3,005,677,748) |
| Interest and similar charges | | (142,441,674) | (63,597,876) | (206,039,550) | (174,154,311) | (91,225,515) | (265,379,826) |
| Reimbursement of capital and paid in capital | | (1,564,636) | - | (1,564,636) | (27,694) | - | (27,694) |
| Dividends | | (50,109,699) | - | (50,109,699) | (40,134,117) | (177,096) | (40,311,213) |
| Others | | (42,307,068) | - | (42,307,068) | (373,029) | (528) | (373,557) |
| | | (3,651,936,011) | (454,595,480) | (4,106,531,491) | (2,813,841,420) | (497,928,618) | (3,311,770,038) |
| Net cash used in financing activities (3) | | (29,284,818) | 52,080,250 | 22,795,432 | (255,715,545) | (324,557,511) | (580,273,056) |
| Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3) | | (173,867,445) | 676,257,101 | 502,389,656 | 25,791,545 | 35,877,975 | 61,669,520 |
| Effect of foreign exchange rate | | 1,039,351 | 9,597,128 | 10,636,479 | 11,677 | 960,182 | 971,859 |
| Cash and cash equivalents at the beginning of the period | | 399,620,549 | 61,857,103 | 461,477,652 | 373,817,327 | 25,018,946 | 398,836,273 |
| | | - | (80,882,736) | (80,882,736) | - | - | - |
| Cash and cash equivalents at the end of the period | 21 | 226,792,455 | 666,828,596 | 893,621,051 | 399,620,549 | 61,857,103 | 461,477,652 |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AS AT 31 DECEMBER 2005

(Amounts expressed in euro)

1. INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), whose head-office is at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 4 to 7 ("Sonae Group"). The Group's operations and business segments are described in Note 47.

The consolidated profit and loss account for 2005 is not directly comparable with the figures for 2004, because of the spin-off of the Wood Based Panels business and of the sale of the Retail operations in Brazil and of the Gescartão Group. As a result of the spin-off, with accounting effects from 1 October 2005, the Wood Based Panels business contribution to 2005 consolidated earnings only reflects the activity of the first nine months of 2005. Regarding Retail operations in Brazil, consolidated earnings include the contribution of the first eleven months of 2005.

Following the sale to Grosvenor, on 29 December 2005, of 17.04% of the share capital of Sonae Sierra, the method of consolidating the Shopping Centres business changed from full to proportionate consolidation.

Pro-forma consolidated balance sheet as at 31 December 2004 includes the above mentioned effects of those transactions at that date.

As required by IFRS 5 and to ensure comparability between 2005 and 2004 figures, consolidated income statement and consolidated statements of cash flow make the following distinction in the operations of the company:

- Continued operations include the following segments: Retail Portugal, Shopping Centres, Telecommunications, Sonae Capital and Holding;
- Discontinued operations include the following segments: Wood Based Products and Retail Brazil;
- Total operations include both operations: continued and discontinued .

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2005.

International Financial Reporting Standards ("IFRS") were adopted for the first time in 2005. As a result, the transition date from Portuguese generally accepted accounting principles to the standards referred to above is 1 January 2004, as established by IFRS 1 – "First Time Adoption of International Financial Reporting Standards".

According to that standard, adjustments as at the date of transition to IFRS (1 January 2004) are recorded in Equity and described in Note 50. This note also includes the description of adjustments made to the last annual consolidated financial statements presented (31 December 2004).

Interim financial statements were presented quarterly, in accordance with IAS 34 – "Interim Financial Reporting".

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Notes 4 to 6) on a going concern basis and under the historical cost convention, except for investment properties and financial instruments which are stated at fair value (Notes 2.4 and 2.14).

2.2 Consolidation principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings or is able to establish financial and operational policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 4.

When losses attributable to minority interests exceed the minority interest in the equity of the Group company, the excess, and any further losses attributable to minority interests, are charged against the equity holders of Sonae except to the extent that minority shareholders have a binding obligation and are able to cover such losses. If the Group company subsequently reports profits, such profits are allocated to the equity holders of Sonae until the minority's share of losses previously absorbed by the equity holders of Sonae has been recovered.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost, is recognised as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

The results of Group companies acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on consolidation.

Financial investments in companies excluded from consolidation are recorded at acquisition cost net of impairment losses (Note 7).

Whenever the Group has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. Such entities, when applicable, are disclosed in Note 4.

b) Investments in jointly controlled companies

Investments in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportionate consolidation method as from the date joint control is acquired. In accordance with this method the Group includes in the accompanying consolidated financial statements its share of assets, liabilities, income and expenses of these companies, on a line-by-line basis.

Any excess of the cost of acquisition over the Group's interest in the fair value of identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any excess of the Group's share in the fair value of net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition after reassessment of the estimated fair value of the net assets acquired.

The Group's share of inter-company balances, transactions and dividends distributed are eliminated.

Investments in jointly controlled companies are classified as such based on shareholders' agreements that establish joint control.

Companies included in the accompanying consolidated financial statements in accordance with the proportionate method are listed in Note 5.

c) Investments in associated companies

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of associated companies and to dividends received.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)), which is included in the caption Investment in associated companies. Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired.

An assessment of investments in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss is disclosed in the income statement. Impairment losses recorded in prior years that are no longer justifiable, are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment.

The Group's share in unrealized gains arising from transactions with associated companies is eliminated. Unrealized losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated companies are disclosed in Note 6.

d) Goodwill

The excess of the cost of acquisition of investments in group, jointly controlled and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 12) or as Investments in associated companies (Note 13). The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Reserves and retained earnings.

Goodwill is not amortised, but it is subject to impairment tests on an annual basis. Impairment losses identified in the period are disclosed in the income statement under Provisions and impairment losses, and may not be reversed.

Any excess of the Group's share in the fair value of identifiable assets and liabilities in group, jointly controlled and associated companies over cost, is recognised as income in the profit or loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets and liabilities acquired.

Goodwill recognised prior to the transition date

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts, net of accumulated amortisation, calculated in accordance with generally accepted accounting principals in Portugal, adjusted for intangible assets which do not meet IFRS criteria, and is subject to impairment tests. Impacts of these adjustments were recorded in Retained earnings, in accordance with IFRS 1. Goodwill arising from foreign companies was recalculated retrospectively using the functional currency of each such company. Exchange rate differences generated in the translation are also disclosed as Retained earnings (IFRS 1).

e) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to euro using exchange rates at the balance sheet date. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under Translation reserves in Reserves and retained earnings. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Retained earnings.

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the balance sheet date.

Whenever a foreign company is sold, accumulated exchange rate differences are recorded in the income statement as a gain or loss on the disposal, in the caption Investment income.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

| | 31.12.05 | | 31.12.04 | |
|--------------------|---------------|-------------------|---------------|-------------------|
| | End of period | Average of period | End of period | Average of period |
| Pound Sterling | 1.45921 | 1.46264 | 1.41824 | 1.47459 |
| Brazilian Real | 0.36443 | 0.33279 | 0.27665 | 0.27526 |
| South African Rand | 0.13397 | 0.12639 | 0.13004 | 0.12509 |
| Canadian Dollar | 0.72860 | 0.66538 | 0.60916 | 0.61877 |
| Swiss Franc | 0.64305 | 0.64588 | 0.64813 | 0.64780 |

Source: Bloomberg

2.3. Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revalued acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Tangible assets acquired after that date are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life for each class of assets.

The depreciation rates used correspond to the following estimated useful lives:

| | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 10 to 50 |
| Plant and machinery | 10 to 20 |
| Vehicles | 4 to 5 |
| Tools | 4 to 8 |
| Fixture and fittings | 3 to 10 |
| Other tangible assets | 4 to 8 |

Maintenance and repair costs related to tangible assets are recorded directly as expenses in the year they are incurred.

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or start being used.

Gains or losses on sale or disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement under either Other operational income or Other operational expenses.

2.4. Investment properties

Investment properties consist of shopping centre buildings and other constructions that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

Investment properties are initially recorded at cost and then adjusted to their fair value based on half-yearly valuations performed by an independent valuer. Changes in fair values of investment properties are accounted for in the period in which they occur, in the income statement under the caption Value created on Investment Properties.

Assets built and developed, which qualify as investment properties, are recognised as such only when they start being used. During the construction or development period of assets, which will qualify as investment properties, such assets are accounted for at cost in the caption Investment properties under development. At the end of the construction and development period, the difference between cost and the fair value at that date is accounted for in the income statement under the caption Value created on Investment Properties.

Costs incurred with investment properties in use, such as maintenance, repairs, insurance and property taxes, are recognised in the income statement for the period to which they refer. Costs incurred with refurbishments/improvements which will generate estimated additional future economic benefits are capitalised under Investment Properties.

2.5. Intangible assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognised as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognised as an intangible asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfill these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which normally is 5 years, except for property occupation rights which are amortised over the duration of the contract which establishes these rights.

Brands and patents with indefinite useful lives are not amortised, but are subject to impairment tests on an annual basis.

2.6. Accounting for leases

Accounting for leases where the Group is the lessee

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as a finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Lease payments under operating lease contracts are recognised as an expense on a straight line basis over the lease term.

Accounting for leases where the Group is the lessor

Most of the cases where the Group is the lessor arise from contracts with shopping centre tenants. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent - invoiced in advance -, a variable rent, invoiced if the monthly sales of the tenant are higher than the limit established in the contract and the payment of the tenant's share in the shopping centre operational expenses. These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is made by the tenant it must pay a cancellation fee which is established in the contract.

These contracts are classified as operating leases. Rents (fixed and variable) and common charges are recognised as income in the period to which they refer. Costs as well as entrance fees (key money) and cancellation fees arising from operating leases are recorded as expenses or income in the period in which they are incurred or earned. This is consistent with the method adopted by independent valuers who determine the fair value of investment properties to which the leasing contracts refer.

2.7. Government grants

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

Grants related to depreciable assets are disclosed as Other non-current liabilities and are recognised as income on a straight line basis over the expected useful lives of those assets.

2.8. Impairment of non-current assets, except for goodwill

Assets are assessed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement as Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.9. Borrowing costs

Borrowing costs are normally recognised as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualifying asset. Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalisation.

2.10. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. These assets are not depreciated.

2.11. Stocks

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress, depending on whether they refer to consumer goods and raw materials or finished goods and work in progress.

2.12. Construction contracts

Income and costs associated with construction contracts are recorded using the stage of completion method. Under this method, at the end of each period, income and expenses are recognised by reference to the stage of completion of the contract activity. The stage of completion is determined by the ratio between costs incurred until the closing balance sheet date and total estimated contract costs. The difference between income determined by this ratio and total amounts invoiced is recorded in Other current assets or Other current liabilities.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recorded only to the extent of the amount of contract costs incurred that will probably be recoverable. Contract costs are recorded as expenses in the period in which they are incurred.

Revenue arising from contract variations, claims and completion premiums is recorded when these are agreed with the customer, or when negotiations are at an advanced stage and it is probable that these will be favorable to the Group.

2.13. Provisions

Provisions are recognised when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

2.14. Financial instruments

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non-current assets.

All purchases and sales of investments are recognised on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

b) Accounts receivable

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable).

c) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.9. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

The Group uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments are used by the Group mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

The Group's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the Group to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognised in the income statement over the same period in which the hedged instrument affects income statement.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

In those cases in which derivatives, in spite of having been negotiated to hedge financial risks inherent to the business (essentially, currency "forwards" to cover future imports), no longer meet the criteria for hedge accounting under IAS 39, changes in the fair value are recorded directly in the income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value.

Additionally, the Group also negotiates, in specific situations, interest and exchange rate derivatives in order to hedge fair values. In these cases, derivatives are stated at fair value through profit or loss. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortised cost) the book value is adjusted by the amount which is effectively hedged through profit or loss.

g) Equity instruments

Equity instruments are those that represent a residual interest on the Group's net assets and are recorded at the amount received, net of costs incurred with their issuance.

h) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Reserves and retained earnings under Other reserves.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption Borrowings.

2.15. Retirement benefit plans

Commitments arising from retirement benefit plans in 2005 related to affiliated companies in Sonae Indústria, SGPS, SA. After the de-merger of Sonae Indústria, SGPS, SA these commitments are no longer shown in the consolidated balance sheet of Sonae, SGPS, SA.

2.16. Share-based payments

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae share price and/or that of its publicly listed affiliated companies (Sonae Sierra uses the "Net Asset Value" as a reference) and vest within a period of 3 years after being granted.

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date. The fair value of share options is estimated based on the "Black-Scholes" model. These obligations are stated as Staff costs and Other liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, when the Group has the choice to settle the transaction in cash. In the case of equity-settled share-based payment transactions, these obligations are stated as Staff costs and Reserves and are recorded on a straight line basis between the date the shares are granted and their vesting date.

2.17. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

2.18. Income tax

The tax charge for the year is determined based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

2.19. Revenue recognition and accrual basis

Revenue from the sale of goods is recognised in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognised net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognised as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognised in the income statement.

2.20. Balances and transactions expressed in foreign currencies

Transactions in currencies other than the Euro, are translated to Euro using the exchange rate as at the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.14.f)).

2.21. Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.22. Segment information

All business and geographic segments of the Group are identified annually.

Information regarding business and geographic segments identified is included in Note 47.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period there were no changes in accounting policies or prior period errors.

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by the Group as at 31 December 2005 and 2004 are as follows:

| COMPANY | Head Office | Percentage of capital held | | | |
|---|--------------------------------|----------------------------|---------|------------|---------|
| | | 31.12.2005 | | 31.12.2004 | |
| | | Direct | Total | Direct | Total |
| Sonae - SGPS, S.A. | Maia | HOLDING | HOLDING | HOLDING | HOLDING |
| Sonae Indústria | | | | | |
| 14) Aglom.-Soc.Ind.Madeiras e Aglom., SA | a) Oliveira do Hospital | 100.00% | 97.02% | 100.00% | 89.90% |
| 14) Cia.de Industrias e Negócios, SA | a) Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Ecociclo - Energia e Ambiente, SA | a) Maia | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) Euro Decorative Boards, Ltd | a) Knowsley (U.K.) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Euromegantic, Lteé | a) Lac Megantic (Canada) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Euroresinas-Indústrias Químicas, SA | a) Maia | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) Explotaciones Com.Ind. e Servicios, SA | a) Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Explotaciones Madereras Catalanas, SA | a) Barcelona (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Florestal y Maderera, SA | a) Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Glunz AG | a) Meppen (Germany) | 99.11% | 87.67% | 99.12% | 89.11% |
| 14) Glunz Service, GmbH | a) Hamm (Germany) | 100.00% | 87.67% | 100.00% | 89.11% |
| 14) Glunz UK Holdings, Ltd | a) London(U.K.) | 100.00% | 87.67% | 100.00% | 89.11% |
| 14) Glunz Uka, GmbH | a) Hamm (Germany) | 100.00% | 87.67% | 100.00% | 89.11% |
| 1) Gollin, GmbH | a) Bad Oeynhausen (Germany) | 90.00% | 78.90% | 90.00% | 80.20% |
| 14) Isoroy SAS | a) Boulogne (France) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Isoroy Transformation | a) St. Dizier (France) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Maiequipa-Gestão Florestal, SA | a) Maia | 100.00% | 97.02% | 100.00% | 97.02% |
| 4) 14 Manipulaciones Forestales, SA | a) Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Megantic, BV | a) Amsterdam (The Netherlands) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Movelpartes-Comp.para Ind.Mobiliária, SA | a) Paredes | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) Novobord (PTY), Ltd | a) Woodnead (South Africa) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Orpin, SA | a) Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) OSB Deustchland, GmbH | a) Hamm (Germany) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Poliface Brasil, Ltda | a) São Paulo (Brazil) | 99.99% | 97.01% | 100.00% | 97.02% |
| 14) Poliface North America | a) Baltimore (USA) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Racionaliz. y Manufact.Florestales, SA | a) Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Resoflex-Mob.e Equipamentos Gestão, SA | a) Vila de Conde | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) SCS Beheer, BV | a) Amsterdam (The Netherlands) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Siaf-Soc.Iniciat.Aprov.Florestais, SA | a) Mangualde | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) Soc.Inic.Aproveit.Florest.-Energias, SA | a) Mangualde | 100.00% | 88.47% | 100.00% | 89.91% |
| 14) Socelpac SGPS, SA | a) Maia | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) Société Industrielle et Financière Isoroy | a) Rungis (France) | 100.00% | 88.45% | 100.00% | 89.90% |

| | | | | | | | |
|-----|---|----|---------------------------|---------|--------|---------|--------|
| 14) | Somit Imobiliária, SA | a) | Oliveira do Hospital | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Sonae 4P, SA | a) | Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Sonae Espanha, SA | a) | Madrid (Spain) | 99.94% | 96.96% | 99.94% | 96.96% |
| 14) | Sonae Ind., Prod. e Com.Deriv.Madeira, S | a) | Mangualde | 100.00% | 88.69% | 100.00% | 97.02% |
| 14) | Sonae Indústria Brasil, Ltda | a) | São Paulo (Brazil) | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) | Sonae Indústria de Revestimentos, SA | a) | Maia | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) | Sonae Indústria-SGPS, SA | a) | Maia | 97.02% | 97.02% | 97.02% | 97.02% |
| 14) | Tafibra South Africa, Ltd | a) | Woodnead (South Afric | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Sonae Serviços de Gestão, SA | a) | Maia | 100.00% | 97.02% | 100.00% | 97.02% |
| 14) | Sonae Tafibra (UK), Ltd | a) | Knowsley (U.K.) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Sonae Tafibra Benelux, BV | a) | Woerden (The Netherlands) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Sonae UK, Ltd | a) | Knowsley (U.K.) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Spanboard Products, Ltd | a) | Belfast (U.K.) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tableros Tradema, SL | a) | Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tafiber, Tableros de Fibras Ibéricas, SL | a) | Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Sonae Novoboard (PTY), Ltd | a) | Woodnead (South Afric | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tafibras Participações, SA | a) | Curitiba (Brazil) | 54.32% | 48.07% | 54.32% | 48.53% |
| 14) | Tafibra-Tableros Aglomerados Fibras, AIE | a) | Madrid (Spain) | 100.00% | 88.47% | 100.00% | 90.80% |
| 14) | Tafisa Brasil, SA | a) | Curitiba (Brazil) | 100.00% | 55.75% | 100.00% | 56.39% |
| 14) | Tafisa Canadá Societé en Commandite | a) | Lac Megantic (Canada) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tafisa France, SAS | a) | Paris (France) | 100.00% | 88.45% | 99.99% | 89.90% |
| 14) | Tafisa UK, Ltd | a) | Knowsley (U.K.) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tableros de Fibras, SA | a) | Madrid (Spain) | 91.16% | 88.45% | 92.66% | 89.90% |
| 14) | Taiber, Tableros Aglomerados Ibéricos, SL | a) | Madrid (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tavapan, SA | a) | Tavannes (Switzerland) | 100.00% | 87.67% | 100.00% | 89.11% |
| 14) | Tecnologias del Medio Ambiente, SA | a) | Barcelona (Spain) | 100.00% | 88.45% | 100.00% | 89.90% |
| 14) | Tool, GmbH | a) | Meppen (Germany) | 100.00% | 87.67% | 100.00% | 89.11% |

Modelo Continente

| | | | | | | | |
|-----|---|----|--------------------|---------|--------|---------|--------|
| | Best Offer-Prest. Inf. p/Internet, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Bikini, Portal de Mulheres, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Cacetinho-Com. Retalhista e Expl.Centros Com., SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| 2) | Canasta – Empreendimentos Imobiliários, SA | a) | Maia | 100.00% | 98.06% | - | - |
| | Carnes do Continente-Ind.Distr.Carnes, SA | a) | Santarém | 100.00% | 98.06% | 100.00% | 98.06% |
| | Chão Verde-Soc.Gestora Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Citorres-Sociedade Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Contibomba-Comérc.Distr.Combustíveis, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| 11) | Contifin,SGPS, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Contimobe-Imobil.Castelo Paiva, SA | a) | Castelo de Paiva | 100.00% | 98.06% | 100.00% | 98.06% |
| 2) | Cumulativa - Sociedade Imobiliária, SA | a) | Marinha Grande | 100.00% | 98.06% | - | - |
| | Difusão-Sociedade Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Distrifin-Comercio y Prest.Servicios, SA | a) | Madrid (Spain) | 100.00% | 98.06% | 100.00% | 98.06% |
| | Efanor-Design e Serviços, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Efanor-Indústria de Fios, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Estevão Neves-Hipermercados Madeira, SA | a) | Madeira | 100.00% | 98.06% | 100.00% | 98.06% |
| | Fozimo-Sociedade Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Fozmassimo-Com.Indust.Prod.Alim., SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| 13) | Fundo Fechado de Investimento Imobiliário Efisa Imobiliário | a) | Lisboa | 100.00% | 98.06% | - | - |
| 13) | Fundo de Investimento Imobiliário Imosonae Dois | a) | Maia | 99.98% | 98.03% | - | - |
| | Global S-Hipermercado, Lda | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | IGI-Investimento Imobiliário, SA | a) | Porto | 100.00% | 98.06% | 100.00% | 98.06% |
| | Igimo-Sociedade Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Imoconti- Soc.Imobiliária, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Imoestrutura-Soc.Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Imomuro-Sociedade Imobiliária, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Imoponte-Soc.Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Imoresultado-Soc.Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Imosistema-Sociedade Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Infofield-Informática, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Informeios-Proyectos e Representações, SA | a) | Lisboa | 100.00% | 98.06% | 100.00% | 98.06% |
| | Inventory-Acessórios de Casa, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| 2) | Marcas MC, zRT | a) | Budapest (Hungary) | 100.00% | 98.06% | - | - |
| | Max Office Artigos Serviços p/escrit., SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| 2) | MJLF – Empreendimentos Imobiliários, SA | a) | Maia | 100.00% | 98.06% | - | - |
| | Modalfa-Comércio e Serviços, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modelo - Dist.de Mat. de Construção, SA | b) | Maia | 50.00% | 49.03% | 50.00% | 49.03% |

| | | | | | | | |
|-----------------|---|----|-----------------------------|---------|--------|---------|--------|
| | Modelo Continente Hipermercados,SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modelo Continente, SGPS, SA | a) | Matosinhos | 98.06% | 98.06% | 98.06% | 98.06% |
| | Modelo Continente-Oper.Retalho SGPS, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modelo Hiper Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modelo Investimentos (Brasil), Ltda | a) | São Paulo (Brazil) | 100.00% | 98.06% | 100.00% | 98.06% |
| 1) 2) | Modelo Investimentos Financeiros, Ltda | a) | Porto Alegre (Brazil) | 100.00% | 98.06% | - | - |
| | Modelo,SGPS, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modelo.com-Vendas p/Correspond., SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modis Distribuição Centralizada, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Modis Internacional Trading, SA | a) | Madrid (Spain) | 100.00% | 98.06% | 100.00% | 98.06% |
| 11) | Modis, SGPS, Lda | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | OK Bazar-Comércio Geral, SA | a) | Ermesinde | 100.00% | 98.06% | 100.00% | 98.06% |
| 2) | Peixes do Continente - Indústria e Distribuição de Peixes, SA | a) | Matosinhos | 100.00% | 98.06% | - | - |
| 2) | Pinto Ribeiro - Supermercados, SA | a) | Viana do Castelo | 90.00% | 98.06% | - | - |
| | Predicomercial-Promoção Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| 2) | Selifa – Empreendimentos Imobiliários, SA | a) | Maia | 100.00% | 98.06% | - | - |
| | Sempre à Mão - Sociedade Imobiliária, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Sesagset-Proj.Gestão Imobiliária, SA | a) | Porto | 100.00% | 98.06% | 100.00% | 98.06% |
| | Socijofra-Sociedade Imobiliária, SA | a) | Gondomar | 100.00% | 98.06% | 100.00% | 98.06% |
| | Sociloures-Soc.Imobiliária, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Soflorin, BV | a) | Amsterdam (The Netherlands) | 100.00% | 98.06% | 100.00% | 98.06% |
| 1) | Sonae Distribuição Brasil, SA | a) | Porto Alegre (Brazil) | 98.45% | 96.54% | 96.56% | 94.68% |
| 2) | Sonae Medicamentos, Ltda | a) | Porto Alegre (Brazil) | 100.00% | 98.06% | - | - |
| 1) 2) | Sonae Promotora de Vendas, Ltda | a) | Porto Alegre (Brazil) | 100.00% | 98.06% | - | - |
| | Sonae Retalho Espana-Servicios Gen., SA | a) | Madrid (Spain) | 100.00% | 98.06% | 100.00% | 98.06% |
| | Sondis Imobiliária, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| 11) | Sondis, BV | a) | Amsterdam (The Netherlands) | 100.00% | 98.06% | 100.00% | 98.06% |
| | Sontária-Empreend.Imobiliários, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Sonvecap, BV | a) | Amsterdam (The Netherlands) | 100.00% | 98.06% | 100.00% | 98.06% |
| | Sport Zone-Comércio Art.Desporto, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | SRE-Projectos e Consultadoria, SA | a) | Maia | 100.00% | 98.06% | 100.00% | 98.06% |
| | Tlantic Sistemas de Informação, Ltda | a) | Porto Alegre (Brazil) | 100.00% | 98.06% | 100.00% | 98.06% |
| | Todos os Dias-Com.Ret.Expl.C.Comer., SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| | Worten-Equipamento para o Lar, SA | a) | Matosinhos | 100.00% | 98.06% | 100.00% | 98.06% |
| Sonaecom | | | | | | | |
| 10) | Clixgest-Internet e Contéudos, SA | a) | Maia | 100.00% | 62.56% | 56.67% | 46.73% |
| | Digitmarket-Sistemas de Informação, SA | a) | Maia | 75.10% | 46.98% | 75.10% | 61.93% |
| | Enabler & Retail Consult, GmbH | a) | Germany | 85.00% | 37.88% | 85.00% | 46.44% |
| | Enabler Brasil, Ltda | a) | Curitiba (Brazil) | 99.99% | 44.56% | 99.99% | 54.62% |
| 2) | Enabler France | a) | França | 100.00% | 44.56% | - | - |
| | Enabler UK, Ltd | a) | U.K. | 100.00% | 44.56% | 100.00% | 54.63% |
| | Enabler-Informática, SA | a) | Maia | 98.50% | 44.56% | 97.30% | 54.63% |
| 10) | JAUÁ, SGPS, SA | a) | Lisboa | 100.00% | 62.56% | 100.00% | 46.73% |
| 10) | KPNQwest Portugal Telecomunicações, Ltda | a) | Lisboa | 100.00% | 62.56% | 100.00% | 46.73% |
| | M3G-Edições Digitais, SA | a) | Lisboa | 100.00% | 62.56% | 100.00% | 82.46% |
| | Mainroad-Serviços em Tecnol. de Informação, SA | a) | Maia | 100.00% | 62.56% | 100.00% | 46.73% |
| | Miauger-Org. Gestão Leilões El., SA | a) | Maia | 100.00% | 62.56% | 100.00% | 82.46% |
| 10) | Noriema, SGPS, SA | a) | Lisboa | 100.00% | 62.56% | 100.00% | 46.73% |
| | Novis Telecom, SA | a) | Maia | 100.00% | 62.56% | 56.67% | 46.73% |
| | Optimus Telecomunicações, SA | a) | Maia | 69.24% | 43.31% | 46.29% | 38.17% |
| | Optimus Towering-Explor. Torres Telecom, SA | a) | Maia | 100.00% | 43.31% | 100.00% | 38.17% |
| | Per-Mar-Sociedade de Construções, SA | a) | Maia | 100.00% | 43.31% | 100.00% | 38.17% |
| 11) | Publico.pt-Serv.Digitais Multimedia, SA | a) | Maia | 100.00% | 62.56% | 100.00% | 82.46% |
| | Público-Comunicação Social, SA | a) | Porto | 99.99% | 62.56% | 99.99% | 82.46% |
| | Retailbox, BV | a) | Amsterdam (The Netherlands) | 75.50% | 45.24% | 70.00% | 56.15% |
| | Sonae Matrix Multimédia, SGPS, SA | a) | Maia | 100.00% | 62.56% | 100.00% | 82.46% |
| | Sonae Telecom SGPS, SA | a) | Maia | 100.00% | 62.56% | 100.00% | 82.46% |
| | Sonae Telecom, BV | a) | Amsterdam (The Netherlands) | 100.00% | 62.56% | 100.00% | 82.46% |
| | Sonae.com,SGPS, SA | a) | Maia | 62.56% | 62.56% | 82.46% | 82.46% |
| | Sonae.com-Sistemas de Informação, SGPS, SA | a) | Maia | 100.00% | 62.56% | 100.00% | 82.46% |
| | We Do Brasil-Soluções Informáticas, Ltda | a) | Rio de Janeiro (Brazil) | 100.00% | 59.66% | 99.89% | 82.37% |
| | We Do Consulting-SI, SA | a) | Maia | 95.47% | 59.72% | 100.00% | 82.46% |
| 12) | XS-Comunicação, Inf. e Lazer, SA | a) | Maia | 100.00% | 62.56% | 100.00% | 82.46% |

| | | | | | | |
|----------------------|---|----|-----------------------|---------|---------|---------|
| Sonae Capital | | | | | | |
| | Águas Furtadas - Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Aqualuz - Turismo e Lazer, Lda | a) | Lagos | 100.00% | 100.00% | 99.98% |
| | Aquapraia, SGPS, SA | a) | Lisboa | 100.00% | 100.00% | 99.98% |
| | Aquapraia-Investimentos Turísticos, SA | a) | Grândola | 100.00% | 100.00% | 99.98% |
| | Aserraderos de Cuellar, SA | a) | Madrid (Spain) | 100.00% | 100.00% | 100.00% |
| | Azulino Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| 2) | Becim - Corretora de Seguros, Lda | a) | Santa Maria da Feira | 100.00% | 100.00% | - |
| | Bertimóvel - Sociedade Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Bloco Q-Sociedade Imobiliária, SA | a) | Porto | 100.00% | 100.00% | 99.98% |
| | Bloco W-Sociedade Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 99.98% |
| | Box Lines Navegação, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Campimeios - Sociedade Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 99.98% |
| | Casa da Ribeira - Hotelaria e Turismo, SA | a) | Marco de Canaveses | 100.00% | 100.00% | 99.98% |
| 1) | Casino Hotel Troia, SA | a) | Grândola | 100.00% | 100.00% | 99.98% |
| | Centro Residencial da Maia,Urban., SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| 6) | Cequip-Equipamentos de Construção, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Cinclus Imobiliária, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Cinclus-Plan. e Gestão de Projectos, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| 6) | CMO-Construções, Lda | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Contacto Concessões, SGPS, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | Contacto-SGPS, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Contacto-Sociedade de Construções, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Country Club da Maia-Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| 3) | Cronosaúde – Gestão Hospitalar, SA | a) | Porto | 50.00% | 50.00% | - |
| | EIMO SGPS, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | Empreend.Imob.Quinta da Azenha, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | Equador & Burnay, Lda | a) | Lisbon | 100.00% | 99.01% | 75.00% |
| | Equador & Mendes, Lda | a) | Lisbon | 75.00% | 74.25% | 75.00% |
| | Espimacia -Sociedade Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| 15) | Exit Travel, SA | a) | Maia | 100.00% | 99.01% | 86.32% |
| 3) | Friengineering, SA | a) | Matosinhos | 100.00% | 50.10% | 100.00% |
| | Gestholdings-SGPS, SA | a) | Porto | 100.00% | 100.00% | 99.98% |
| | Golfe time Inv.Turísticos, SA | a) | Porto | 100.00% | 100.00% | 99.98% |
| 1) | Grano Salis, Lda | a) | Grândola | 100.00% | 100.00% | 99.98% |
| | Imoarea, SGPS, SA | a) | Matosinhos | 100.00% | 100.00% | 99.98% |
| | Imobiliária da Cacela, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Imoclub-Serviços Imobiliários, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Imodivor - Sociedade Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | Imoferro-Soc.Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 99.98% |
| | Imohotel-Emp.Turist.Imobiliários, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Imopenínsula - Sociedade Imobiliária, SA | a) | Grândola | 100.00% | 99.78% | 88.69% |
| | Imoplamar Gestão de Imóveis, SA | a) | Santarém | 100.00% | 100.00% | 100.00% |
| | Imoresort - Sociedade Imobiliária, SA | a) | Grândola | 100.00% | 99.78% | 88.69% |
| | Imosedas-Imobiliária e Serviços, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Implantação - Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Inparvi SGPS, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | Insulatroia - Sociedade Imobiliária, SA | a) | Grândola | 100.00% | 99.78% | 88.69% |
| 7) | Integrum-Serviços Partilhados, SA | a) | Maia | 100.00% | 35.07% | 100.00% |
| | Interlog-SGPS, SA | a) | Lisboa | 100.00% | 100.00% | 100.00% |
| | Invicta - Comércio Internacional, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | INVSUADE - Gestão Hospitalar, SA | a) | Maia | 50.00% | 50.00% | 50.00% |
| | ISF - Imobiliário, Serviços e Participações | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Isoroy Casteljaloux | a) | Casteljaloux (France) | 100.00% | 100.00% | 89.90% |
| | Leroy Gabon, SA | a) | Libreville (Gabon) | 99.99% | 99.99% | 99.99% |
| | Libra Serviços, Lda | a) | Funchal | 100.00% | 100.00% | 100.00% |
| | Marimo -Exploração Hoteleira Imobiliária | a) | Grândola | 100.00% | 99.78% | 88.69% |
| | Marina Magic - Exploração de Centros Lúd | a) | Lisbon | 100.00% | 100.00% | 99.98% |
| 2) | Marina Troia, SA | a) | Troia | 100.00% | 100.00% | - |
| | Marmagno-Expl.Hoteleira Imob., SA | a) | Grândola | 100.00% | 99.78% | 88.64% |
| | Martimope - Sociedade Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% |
| | Marvero-Expl.Hoteleira Imob., SA | a) | Grândola | 100.00% | 99.78% | 88.64% |
| | MDS-Soc.Mediadora de Seguros, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | NAB, Sociedade Imobiliária, SA | a) | Porto | 100.00% | 100.00% | 100.00% |
| | Nova Equador Internacional,Ag.Viag.T, Ldt | a) | Lisboa | 75.00% | 74.25% | 75.00% |
| | Parcomarco, Gest Parq Est Centros Come | a) | Matosinhos | 100.00% | 100.00% | 100.00% |
| | Partnergiro-Part.Neg.Ren.G.Int.Rec, SA | a) | Maia | 100.00% | 100.00% | 99.98% |
| | PJP - Equipamento de Refrigeração, Lda | a) | Matosinhos | 100.00% | 35.07% | 100.00% |
| | Placage d'Okoumé du Gabon | a) | Libreville (Gabon) | 99.88% | 99.88% | 99.88% |

| | | | | | | | |
|---------------|--|----|-----------------------------|---------|---------|---------|---------|
| | Plysorol SAS | a) | Niort (France) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Plysorol SNC | a) | Lisieux (France) | 98.01% | 98.01% | 98.00% | 98.00% |
| | Porturbe-Edifícios e Urbanizações, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Praedium II-Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Praedium III-Serviços Imobiliários, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Praedium-SGPS, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Prédios Privados Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% | 100.00% |
| | Predisedas-Predial das Sedas, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% | 100.00% |
| | Promessa Sociedade Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Promosedas-Prom.Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% | 100.00% |
| | Publimeios-Soc.Gestora Part. Finan., SA | a) | Maia | 50.10% | 50.10% | 50.10% | 50.10% |
| | Quinta da Covilhã-Empr.Imobiliários, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Rochester Real Estate, Ltd | a) | Kent (U.K.) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Safira Services-Limpeza Espaços Verd., SA | a) | Porto | 51.00% | 25.55% | 51.00% | 25.55% |
| | Santos Taborda & Carvalho,SU, Lda | a) | Lisbon | 100.00% | 99.01% | 100.00% | 97.88% |
| | Saúde Atlântica - Gestão Hospitalar, SA | a) | Maia | 50.00% | 50.00% | 50.00% | 50.00% |
| | SC Insurance Risks Services, SGPS, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | SC-Consultadoria,SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Selfrio,SGPS, SA | a) | Matosinhos | 70.00% | 35.07% | 70.00% | 35.07% |
| | Selfrio-Engenharia do Frio, SA | a) | Matosinhos | 100.00% | 35.07% | 100.00% | 35.07% |
| | Sistavac-Sist.Aquecimento,V.Ar C., SA | a) | Matosinhos | 100.00% | 35.07% | 100.00% | 35.07% |
| | SKK-Central de Distr., SA | a) | Porto | 100.00% | 35.07% | 100.00% | 35.07% |
| | SKKFOR - Ser. For. e Desen. de Recursos | a) | Maia | 96.00% | 33.67% | 96.00% | 33.67% |
| | SMP-Serv. de Manutenção Planeamento | a) | Matosinhos | 100.00% | 35.07% | 100.00% | 35.07% |
| | Soberana-Investimentos Imobiliários, SA | a) | Grândola | 100.00% | 99.78% | 100.00% | 88.64% |
| | Société de Tranchage Isoroy SAS | a) | France | 100.00% | 100.00% | 100.00% | 89.90% |
| | Société des Essences Fines Isoroy | a) | Honfleur (France) | 100.00% | 100.00% | 100.00% | 89.90% |
| | Soconstrução, BV | a) | Amsterdam (The Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Soira-Soc.Imobiliária de Ramalde, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Solinca III-Desporto e Saúde, SA | a) | Lisbon | 100.00% | 100.00% | 100.00% | 99.98% |
| | Solinca Lazer,SGPS, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 99.98% |
| | Solinca-Investimentos Turísticos, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 99.98% |
| | Solinfitness - Club Malaga, SL | a) | Malaga (Spain) | 100.00% | 100.00% | 100.00% | 99.98% |
| | Somit-Soc.Mad.Ind.Transformadas, SA | a) | Oliveira do Hospital | 100.00% | 100.00% | 100.00% | 100.00% |
| 1) | Sonae 3P, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae Capital,SGPS, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae International, Ltd | a) | Londres (U.K.) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae Turismo Gestão e Serviços, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 99.98% |
| | Sonae Turismo-SGPS, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 99.98% |
| | Sonae Wood Products, BV | a) | Amsterdam (The Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sontrade Lines, Ltd | a) | Hants (U.K.) | 63.75% | 63.75% | 63.75% | 63.75% |
| | Sontur, BV | a) | Amsterdam (The Netherlands) | 100.00% | 100.00% | 100.00% | 99.98% |
| | Sopair, SA | a) | Madrid (Spain) | 60.00% | 30.06% | 60.00% | 30.06% |
| | Sótaqua - Soc. de Empreendimentos Turis | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Spinarq, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Spinveste - Promoção Imobiliária, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Spinveste-Gestão Imobiliária SGII, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| | Star-Viagens e Turismo, SA | a) | Lisbon | 100.00% | 99.01% | 100.00% | 97.88% |
| | Terceiro Frente - Imobiliária, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% | 100.00% |
| | Textil do Marco, SA | a) | Marco de Canaveses | 90.37% | 90.37% | 90.37% | 90.37% |
| | Torralta-Clube Internacional Férias, SA | a) | Grândola | 99.78% | 99.78% | 88.69% | 88.64% |
| | Torre São Gabriel-Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 100.00% |
| | Troiaverde-Expl.Hoteleira Imob., SA | a) | Grândola | 100.00% | 99.78% | 100.00% | 88.64% |
| | Tulipamar-Expl.Hoteleira Imob., SA | a) | Grândola | 100.00% | 99.78% | 100.00% | 88.64% |
| | Urbisedas-Imobiliária das Sedas, SA | a) | Matosinhos | 100.00% | 100.00% | 100.00% | 100.00% |
| 2) | Unibroker - Correctora de Seguros, SA | a) | Santa Maria da Feira | 100.00% | 100.00% | - | - |
| | Venda Aluga-Sociedade Imobiliária, SA | a) | Maia | 100.00% | 100.00% | 100.00% | 99.98% |
| | World Trade Center Porto, SA | a) | Porto | 100.00% | 100.00% | 100.00% | 100.00% |
| Others | | | | | | | |
| 5) | Atlantic Ferries, SA | a) | Grândola | 100.00% | 72.80% | 100.00% | 99.98% |
| 2) | Casa Agrícola João e António Pombo, SA | a) | Portel | 66.67% | 32.67% | - | - |
| 8) | Iginha-Sociedade Imobiliária, SA | a) | Matosinhos | 100.00% | 49.00% | 100.00% | 98.06% |
| | Investalentejo, SGPS, SA | b) | Vila de Conde | 49.00% | 49.00% | 100.00% | 35.97% |
| 9) | Ipaper-Indústria Papeis Impregnados, SA | a) | Maia | 100.00% | 28.25% | 100.00% | 65.89% |
| 2) | Sete e Meio - Investimentos e Consultadoria, SA | a) | Grândola | 100.00% | 49.00% | - | - |
| 2) | Sete e Meio Herdades - Investimentos Agrícolas e Turismo, SA | a) | Grândola | 100.00% | 49.00% | - | - |

| | | | | | | | |
|----|---|----|-----------------------------|---------|---------|---------|---------|
| 5) | Soltroia-Investimentos Turísticos, SA | a) | Lisbon | 100.00% | 73.99% | 58.93% | 58.92% |
| | Sonae Investments, BV | a) | Amsterdam (The Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonaegest-Soc.Gest.Fundos Investimentos | a) | Maia | 80.00% | 70.56% | 100.00% | 92.04% |

- 1) Company sold in the period;
- 2) Company acquired or incorporated in the period;
- 3) Company excluded from consolidation in the previous year;
- 4) Company merged into Tecnologias del Medio Ambiente, SA;
- 5) Company shown under Sonae Capital in the previous year;
- 6) Company merged into Contacto - Sociedade de Construções, SA;
- 7) Company shown under Others in the previous year;
- 8) Company shown under Modelo Continente in the previous year;
- 9) Company shown under Sonae Indústria in the previous year;
- 10) Company merged into Novis Telecom, SA;
- 11) Company liquidated in the period;
- 12) Company merged into Público - Comunicação Social, SA;
- 13) Real Estate Funds acquired in the period;
- 14) Companies de-merged from the Sonae Group as of 1 October 2005;
- 15) Company shown under Sonaecom in the previous year;

- a) Majority of voting rights;
- b) Management control.

These group companies are consolidated using the full consolidation method as described in Note 2.2.a).

5. JOINTLY CONTROLLED COMPANIES

Jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 31 December 2005 and 2004 are as follows:

| | | Percentage of capital held | | | | |
|--------------|---|-----------------------------|---------|------------|---------|--------|
| | | 31.12.2005 | | 31.12.2004 | | |
| COMPANY | Head Office | Direct | Total | Direct | Total | |
| Sonae Sierra | | | | | | |
| 5) | 3DO Holding GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | 3DO ShoppingCentre GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | 3shoppings - Holding,SGPS, SA | Maia | 100.00% | 25.05% | 100.00% | 33.59% |
| | Aegean Park, SA | Athens (Greece) | 100.00% | 25.00% | 100.00% | 33.52% |
| 8) | ALEXA Administration GmbH | Dusseldorf (Germany) | 99.00% | 24.75% | 50.00% | 17.10% |
| | ALEXA Holding GmbH | Dusseldorf (Germany) | 50.00% | 25.00% | 51.00% | 34.19% |
| | ALEXA Shopping Centre GmbH | Dusseldorf (Germany) | 100.00% | 25.00% | 100.00% | 34.19% |
| 7) | ALEXA Side GmbH & Co. KG | Dusseldorf (Germany) | 99.00% | 24.75% | 50.00% | 17.10% |
| 5) | Algarveshopping- Centro Comercial, SA | Maia | 100.00% | 25.05% | 100.00% | 33.59% |
| | Arrábidasshopping- Centro Comercial, SA | Vila Nova de Gaia | 50.00% | 12.53% | 50.00% | 16.79% |
| 5) | Avenida M-40, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Avenida M-40, SA | Madrid (Spain) | 100.00% | 50.00% | 60.00% | 40.22% |
| 5) | Boavista Shopping Centre, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| | Cascaishopping- Centro Comercial, SA | Lisbon | 100.00% | 12.53% | 100.00% | 16.79% |
| 5) | Cascaishopping Holding I, SGPS, SA | Lisbon | 100.00% | 25.05% | 100.00% | 33.59% |
| | Cascaishopping Holding II, SGPS, SA | Maia | 50.00% | 12.53% | 50.00% | 16.79% |
| | Centro Colombo- Centro Comercial, SA | Lisbon | 50.00% | 12.53% | 50.00% | 16.79% |
| | Centro Vasco da Gama-Centro Comercial, SA | Maia | 50.00% | 12.53% | 50.00% | 16.79% |
| 5) | Clérigosshopping- Gestão do C.Comerc., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Coimbrashopping- Centro Comercial, SA | Porto | 100.00% | 25.05% | 100.00% | 33.59% |
| 2) | Corso Magenta 85, Sarl | Milan (Italy) | 50.00% | 25.00% | - | - |
| 1) | CRP-Parque Comercial de Coimbra, SA | Porto | 50.00% | 25.00% | 50.00% | 33.52% |
| 5) | Dos Mares - Shopping Centre, BV | Amsterdam (The Netherlands) | 100.00% | 25.05% | 100.00% | 67.04% |
| 5) | Dos Mares-Shopping Centre, SA | Madrid (Spain) | 100.00% | 25.05% | 65.00% | 43.58% |
| 5) | Estação Oriente-Gest.de Galerias Com., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Estação Viana- Centro Comercial, SA | Maia | 100.00% | 25.05% | 100.00% | 67.04% |
| | Freccia Rossa- Shopping Centre, Srl | Sondrio (Italy) | 50.00% | 25.00% | 50.00% | 33.52% |
| 2) 5) | Fundo Investimento Imob. Shopping Parque D. Pedro | São Paulo (Brazil) | 100.00% | 48.95% | - | - |
| | Gaiashopping I- Centro Comercial, SA | Maia | 50.00% | 12.53% | 50.00% | 16.79% |
| | Gaiashopping II- Centro Comercial, SA | Maia | 100.00% | 12.53% | 100.00% | 16.79% |
| 5) | Guimarãesshopping- Centro Comercial, SA | Maia | 100.00% | 25.05% | 100.00% | 33.59% |

| | | | | | | |
|-------|--|-----------------------------|---------|--------|---------|--------|
| | Iberian Assets | Barcelona (Spain) | 49.78% | 12.47% | 49.78% | 16.72% |
| 5) | Inparsa-Gestão de Galeria Comerc., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 9) | La Farga Shopping Centre, SL | Barcelona (Spain) | 100.00% | 12.47% | 50.10% | 8.38% |
| 2) | Limadarque, Retail Park, SA | Viana do Castelo | 50.00% | 25.00% | - | - |
| 5) | Loureshopping- Centro Comercial, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Luz del Tajo - Centro Comercial, SA | Madrid (Spain) | 100.00% | 25.05% | 65.00% | 43.58% |
| 5) | Luz del Tajo, BV | Amsterdam (The Netherlands) | 100.00% | 25.05% | 100.00% | 67.04% |
| | Madeirashopping- Centro Comercial, SA | Funchal | 50.00% | 12.53% | 50.00% | 16.79% |
| 5) | MaiaShopping- Centro Comercial, SA | Maia | 100.00% | 25.05% | 100.00% | 33.59% |
| | Mediterranean Cosmos Property Management, SA | Athens (Greece) | 75.00% | 18.75% | 75.00% | 25.14% |
| 5) 4) | Monselice Center, Srl | Venice (Italy) | 100.00% | 25.05% | - | - |
| | NorteShop. Retail and Leisure Centre, BV | Amsterdam (The Netherlands) | 50.00% | 12.53% | 50.00% | 16.79% |
| 5) 6) | Norteshopping 2-Gestão C. Comercial, SA | Porto | 100.00% | 50.00% | 100.00% | 67.04% |
| | Norteshopping-Centro Comercial, SA | Porto | 100.00% | 12.53% | 100.00% | 16.79% |
| | Oriogest, Srl | Milan (Italy) | 80.00% | 20.00% | 80.00% | 26.82% |
| | Parque Atlântico Shopping - Centro Comercial SA | Ponta Delgada | 50.00% | 12.53% | 50.00% | 16.79% |
| 5) | Parque D. Pedro 1, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Parque D. Pedro 2, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Parque de Famalicão - Empr. Imob., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Parque Dom Pedro Shopping, SA | São Paulo (Brazil) | 100.00% | 50.00% | 100.00% | 65.63% |
| | Parque Principado, SL | Madrid (Spain) | 50.00% | 12.53% | 50.00% | 33.52% |
| 5) | Pátio Boavista Shopping, Ltda | São Paulo (Brazil) | 100.00% | 48.85% | 100.00% | 65.40% |
| 5) | Pátio Penha Shopping, Ltda | Brazil | 99.99% | 50.00% | 100.00% | 67.04% |
| 5) | Plaza Eboli - Centro Comercial, SA | Madrid (Spain) | 100.00% | 50.00% | 65.00% | 43.58% |
| 5) | Plaza Eboli, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Plaza Mayor Holding, SGPS, SA | Maia | 100.00% | 25.05% | 100.00% | 33.59% |
| 5) | Plaza Mayor Parque de Ócio, BV | Amsterdam (The Netherlands) | 100.00% | 25.05% | 100.00% | 33.59% |
| 5) | Plaza Mayor Parque de Ocio, SA | Madrid (Spain) | 100.00% | 25.05% | 100.00% | 33.59% |
| 5) | Plaza Mayor Shopping, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Plaza Mayor Shopping, SA | Maia | 75.00% | 37.50% | 75.00% | 50.28% |
| 5) | Pridelease Investments, Ltd | Cascais | 100.00% | 50.00% | 100.00% | 67.04% |
| | Proj.Sierra Charagionis 1 -Dev.Sh.C., SA | Athens (Greece) | 100.00% | 25.00% | 100.00% | 33.52% |
| | Project SC, BV | Amsterdam (The Netherlands) | 50.00% | 25.00% | 50.00% | 33.52% |
| 5) | Project Sierra – Shopping Centre, GmbH | Austria | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra 1, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra 2, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Brazil 1, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 2) 5) | Project Sierra Germany 1, GmbH | Germany | 100.00% | 50.00% | - | - |
| 5) | Project Sierra Holding Portugal I,SGPS, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Holding Portugal III, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 3) 5) | Project Sierra Holding Portugal IV, SGPS, SA | Matosinhos | 100.00% | 50.00% | 100.00% | 99.05% |
| 2) 5) | Project Sierra Holding Portugal V, SA | Maia | 100.00% | 50.00% | - | - |
| 2) 5) | Project Sierra Portugal VI, Centro Comercial, SA | Maia | 100.00% | 50.00% | - | - |
| 2) 5) | Project Sierra Italy 1, Srl | Italy | 100.00% | 50.00% | - | - |
| 2) 5) | Project Sierra Italy 2-Shop.Centre, Srl | Milan (Italy) | 100.00% | 50.00% | - | - |
| 5)10) | Project Sierra Portugal I- C.Comerc., SA | Maia | 50.00% | 25.00% | 100.00% | 67.04% |
| 5) | Project Sierra Portugal II-C.Comerc., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Portugal III-C.Comerc., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Portugal IV-C.Comerc., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Portugal V-C.Comercial, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Spain 1, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Spain 1-C.Comercial, SA | Madrid (Spain) | 70.00% | 35.00% | 100.00% | 67.04% |
| 5) | Project Sierra Spain 2, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Spain 2-Centro Comer., SA | Madrid (Spain) | 75.00% | 37.50% | 75.00% | 50.28% |
| 5) | Project Sierra Spain 3, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Project Sierra Spain 3-Centro Comer., SA | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5)10) | Rio Sul - Centro Comercial, SA | Maia | 50.00% | 25.00% | 100.00% | 67.04% |
| | SC Aegean, BV | Amsterdam (The Netherlands) | 50.00% | 25.00% | 50.00% | 33.52% |
| | SC Mediterraneum Cosmos, BV | Amsterdam (The Netherlands) | 50.00% | 25.00% | 50.00% | 33.52% |
| | Segest, Srl | Milan (Italy) | 50.00% | 25.00% | 50.00% | 33.52% |
| 5)10) | Serra Shopping - Centro Comercial, S.A. | Maia | 100.00% | 25.00% | 100.00% | 67.04% |
| 5) | Shopping Centre Parque Principado, BV | Amsterdam (The Netherlands) | 100.00% | 25.05% | 100.00% | 67.04% |

| | | | | | | |
|-------|--|-----------------------------|---------|--------|---------|--------|
| 5) | Shopping Penha, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Asset Management-Gest. Activos, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Brazil 1, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| | Sierra Charagionis Develop. of Shop, Centers, SA | Athens (Greece) | 50.00% | 25.00% | 50.00% | 33.52% |
| | Sierra Charagionis Propert.Management, SA | Athens (Greece) | 50.00% | 25.00% | 50.00% | 33.52% |
| 5) | Sierra Corporate Services- Ap.Gestão, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Corporate Services Holland, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Develop.Iberia 1, Prom.Imob., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments Germany AG | Germany | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments Germany Holding, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments Holding, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments Italy, Srl | Milan (Italy) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments Spain-Prom.C.Com., SL | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments, SGPS, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Developments-Serv. Prom.Imob., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| | Sierra Enplanta, SA | São Paulo (Brazil) | 50.00% | 25.00% | 50.00% | 33.52% |
| 5) | Sierra European R.R.E. Assets Hold., BV | Amsterdam (The Netherlands) | 50.10% | 25.05% | 50.10% | 33.59% |
| 5) | Sierra GP, Ltd | Guernsey (U.K.) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Investments (Holland) 1, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Investments (Holland) 2, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Investments Holding, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Investments SGPS, SA | Porto | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Italy Holding, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Man.New Tech.Bus.-Serv.Comu.CC, SA | Matosinhos | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Management Germany, GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Management Italy, Srl | Milan (Italy) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Management Portugal-Gest. CC, SA | Lisbon | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Management Spain-Gestión C.Com., SA | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Management, SGPS, SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sierra Management II-Gestão de C.C., SA | Maia | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sonae Sierra Brasil, SA | Brasil | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sonae Sierra Brazil, BV | Amsterdam (The Netherlands) | 100.00% | 50.00% | 100.00% | 67.04% |
| 5) | Sonae Sierra, SGPS, SA | Maia | 50.00% | 50.00% | 67.04% | 67.04% |
| | SRP-Parque Comercial de Setúbal, SA | Maia | 50.00% | 25.00% | 50.00% | 33.52% |
| 4) 5) | Templo, Srl | Venice (Italy) | 100.00% | 25.05% | - | - |
| | Torre Colombo Ocidente-Imobiliária, SA | Porto | 100.00% | 12.53% | 100.00% | 16.79% |
| | Torre Colombo Oriente-Imobiliária, SA | Porto | 100.00% | 12.53% | 100.00% | 16.79% |
| | Unishopping Administradora, Ltda | São Paulo (Brazil) | 99.99% | 25.00% | 99.99% | 33.52% |
| | Unishopping Consultoria Imob., Ltda | São Paulo (Brazil) | 99.98% | 25.00% | 99.98% | 33.51% |
| 4) 5) | Valecenter Sierra Srl | Venice (Italy) | 100.00% | 25.05% | - | - |
| | Via Catarina- Centro Comercial, SA | Maia | 50.00% | 12.53% | 50.00% | 16.79% |
| | Zubiarte Inversiones Inmob, SA | Barcelona (Spain) | 49.83% | 24.91% | 49.83% | 33.40% |

Others

| | | | | | | |
|----|--|------------------|---------|--------|---------|--------|
| 1) | Celnave-Agência de Navegação, Lda | Viana do Castelo | 100.00% | 34.17% | 100.00% | 34.17% |
| 1) | Celpap-Terminal de Cel. Papel Por, Lda | Viana do Castelo | 100.00% | 34.17% | 100.00% | 34.17% |
| 1) | Emprobal-Emp.Prod. e Com.Emb., Lda | Funchal | 60.00% | 21.58% | 60.00% | 21.58% |
| 1) | Gescartão,SGPS, SA | Lisbon | 68.58% | 35.97% | 68.58% | 35.97% |
| 1) | Imocapital,SGPS, SA | Maia | 50.00% | 50.00% | 50.00% | 50.00% |
| 1) | Lepe-Empresa Portuguesa Embalagens, SA | Marinha Grande | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Papelnova Recolha Recup.Desperdícios, SA | Mourão | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Portucel Embalagem-Emp.Prod.E.Cartão, SA | Cascais | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Portucel Espana, SA | Madrid (Spain) | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Portucel Recicla-Indústria Papel R., SA | Mourão | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Portucel Viana-Emp.Prod.P.Ind., SA | Viana do Castelo | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Portucel Viana Energia - Empresa de Cogeração Energética, SA | Viana do Castelo | 100.00% | 35.97% | 100.00% | 35.97% |
| 1) | Sulpac, Emp. Prod. Emb. Cartão, SGPS, SA | Mourão | 100.00% | 35.97% | 100.00% | 35.97% |

- 1) Company sold in the period;
- 2) Company acquired or incorporated in the period;
- 3) Company shown under Sonae Capital in the previous year;
- 4) Company acquired in the period, partially de-merged from Valecenter into Monselice, followed by the merger of Valecenter and Templo into Valecenter Spa that changed its name to Valecenter Sierra, Srl;
- 5) Due to the sale of 17.04% of the share capital of Sonae Sierra, SGPS, SA on 29 December 2005, this company and all its subsidiaries were included in the consolidation by the proportional method since t

- 6) Company merged into Sierra Management Porugal - Gestão de Centros Comerciais, SA;
- 7) Ex - Berlin Alexanderstraße G. mbH & Co. KG;
- 8) Ex - Berlin Alexanderstraße Verwaltung. MbH;
- 9) Ex - Hospitalet Center, SL;
- 10) With the sale of 50% of their share capital, these companies are consolidated by the proportional method at 50%.

These entities are consolidated using the proportional consolidation method, as referred to in Note 2.2.b).

Aggregate amounts, excluding intragroup eliminations, corresponding to the percentage of capital held in these jointly controlled companies included in the financial statements for the period, using the proportional consolidation method, can be summarised as follows:

| | 31.12.2005 | 31.12.2004 Pro-forma | 31.12.2004 |
|-------------------------|---------------|-------------------------|---------------|
| Non-current assets | 3,076,799,370 | 2,673,550,071 | 1,713,712,764 |
| Current assets | 566,999,550 | 448,903,255 | 130,456,929 |
| Non-current liabilities | 1,416,384,042 | 1,173,163,453 | 1,153,956,212 |
| Current liabilities | 552,252,436 | 427,536,865 | 136,684,618 |
| | | | |
| | 31.12.2005 | 31.12.2004 Pro-forma | 31.12.2004 |
| Income | 219,332,169 | 177,320,755 | 285,399,683 |
| Expenses | 134,524,337 | 110,038,556 | 208,169,915 |

Sonae, SGPS, SA sold, on 29 December 2005, 17.04% of the share capital of Sonae Sierra, SGPS, SA to Grosvenor. Consequently, from that date onwards, the consolidation method applicable to Sonae Sierra and its subsidiaries changed from full consolidation to proportional consolidation. With this change of method, those companies contribute to the consolidated balance sheet of Sonae, SGPS, SA as at 31 December 2005 with 50% of their assets and liabilities. For the companies that already contributed with 50%, the abovementioned change of method resulted in a contribution of only 25% to consolidated balance sheet of Sonae, SGPS, SA.

The abovementioned change had the following impacts:

| | 31.12.2005 | 31.12.2004 Pro-forma | 31.12.2004 |
|---------------------------------|---------------|-------------------------|---------------|
| Net Assets | | | |
| Investment Properties (Note 11) | 1,357,421,085 | 1,113,616,695 | 2,204,846,415 |
| Tangible and intangible assets | 8,950,513 | 8,656,073 | 15,056,997 |
| Goodwill | 67,356,455 | 57,615,278 | 80,595,844 |
| Deferred tax assets | 13,772,512 | 9,249,587 | 18,499,276 |
| Other assets | 78,785,482 | 111,728,335 | 225,376,533 |
| Cash and cash equivalents | 92,122,915 | 57,936,141 | 115,189,776 |
| Borrowings | (590,621,209) | (462,890,694) | (925,783,023) |
| Deferred tax liabilities | (201,414,371) | (157,399,077) | (315,126,744) |
| Other liabilities | (129,848,838) | (150,274,182) | (281,020,635) |
| | 696,524,544 | 588,238,156 | 1,137,634,439 |

6. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 31 December 2005 and 2004 are as follows:

| | | Percentage of capital held | | | | |
|-------------------|---|----------------------------|--------|------------|--------|--------|
| | | 31.12.2005 | | 31.12.2004 | | |
| COMPANY | Head Office | Direct | Total | Direct | Total | |
| Sonae Indústria | | | | | | |
| 2) | Promodeco - Projecto Imobiliário Decoração e Construção, Lda | Maia | 27.60% | 24.48% | 27.60% | 26.46% |
| 2) | Serradora Boix | Barcelona (Spain) | 31.25% | 27.64% | 31.25% | 28.29% |
| 2) | Stinnes Holz GmbH | Hamm (Germany) | 35.25% | 30.90% | 35.25% | 31.33% |
| 2) | Comfloresta - Companhia Catarinense de Emp. Florestais, SA | Brazil | 4.55% | 2.54% | 4.55% | 2.52% |
| Modelo Continente | | | | | | |
| | Sempre a Postos - Produtos Alimentares e Utilidades, Lda | Lisbon | 25.00% | 24.51% | 25.00% | 18.92% |

| | | | | | | |
|----------------------|--|-------------------|---------|--------|---------|--------|
| Sonae Sierra | | | | | | |
| | Campo Limpo Lda | S. Paulo (Brazil) | 20.00% | 5.00% | - | - |
| 3) | Mediterranean Cosmos Shop. Centre Investments, SA | Athens (Greece) | 39.90% | 9.98% | 39.90% | 13.37% |
| | SIC Indoor – Gest. Suportes Publicitários, SA | Oeiras | 35.00% | 17.50% | 35.00% | 23.46% |
| Sonaecom | | | | | | |
| | Global S - Centro Comercial Lda | Matosinhos | 99.89% | 8.19% | 99.89% | 13.34% |
| | Global S - Tecnologias de Informação Lda | Matosinhos | 75.00% | 12.00% | 75.00% | 20.02% |
| | Global S 24, SGPS, SA | Matosinhos | 50.00% | 8.00% | 50.00% | 13.65% |
| | Global S, SGPS, SA | Matosinhos | 64.73% | 16.00% | 64.73% | 26.69% |
| | Net Mall SGPS, SA | Maia | 37.51% | 24.72% | 50.00% | 41.23% |
| | SIRS – Sociedade Independente de Radiodifusão Sonora, SA | Porto | 45.00% | 28.15% | 45.00% | 37.11% |
| Sonae Capital | | | | | | |
| | Andar - Sociedade Imobiliária, SA | Maia | 50.00% | 50.00% | 50.00% | 50.00% |
| | Autocenter - Serviços, Acessórios e Peças para Viaturas, SA | Maia | 50.00% | 25.00% | 50.00% | 25.00% |
| | CarPlus – Comércio de Automóveis, SA | Vila Nova de Gaia | 100.00% | 50.00% | 100.00% | 50.00% |
| | Change, SGPS, SA | Porto | 25.00% | 25.00% | 25.00% | 25.00% |
| | Choice Car - Comércio de Automóveis, SA | Porto | 100.00% | 50.00% | 100.00% | 50.00% |
| | Choice Car SGPS, SA | Maia | 50.00% | 50.00% | 50.00% | 50.00% |
| | Developpement & Partenariat Assurances, SA | Paris (France) | 35.00% | 35.00% | 35.00% | 35.00% |
| | Finlog - Aluguer e Comércio de Automóveis, SA | Matosinhos | 100.00% | 50.00% | 100.00% | 50.00% |
| | Guerin – Rent a Car (Dois), Lda | Lisbon | 100.00% | 50.00% | 100.00% | 50.00% |
| | Interclean, SA | Brasil | 49.99% | 12.77% | 49.99% | 12.77% |
| | Lazam Corretora, Ltda | Brasil | 45.00% | 45.00% | 45.00% | 45.00% |
| | Lidergraf - Artes Gráficas, Lda | Vila de Conde | 25.50% | 25.50% | 25.50% | 25.50% |
| | Luso Assistência - Gestão de Acidentes, SA | Porto | 100.00% | 50.00% | 100.00% | 50.00% |
| | Mundo Vip – Operadores Turísticos, SA | Lisbon | 33.34% | 33.34% | - | - |
| | Norscut - Concessionária de Scut Interior Norte, SA | Lisbon | 25.00% | 25.00% | 25.00% | 25.00% |
| | Pargeste SGPS, SA | Maia | 40.00% | 40.00% | 40.00% | 40.00% |
| | Sociedade de Construções do Chile, SA | Lisbon | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sociedade Imobiliária Troia - B3, SA | Grândola | 20.00% | 16.96% | 20.00% | 17.74% |
| | Vastgoed One - Sociedade Imobiliária, SA | Maia | 100.00% | 50.00% | 100.00% | 50.00% |
| | Vastgoed Sun - Sociedade Imobiliária, SA | Maia | 100.00% | 50.00% | 100.00% | 50.00% |
| | Opscut - Operação e Manutenção de Auto-estradas, SA | Lisbon | 15.00% | 15.00% | 15.00% | 15.00% |
| 1) | ba - Fábrica de Vidros Barbosa & Almeida, SA | Porto | 10.58% | 11.75% | 45.00% | 40.09% |
| 1) | Bar-Bar-Idade Glass - Serviços de Gestão e Investimentos, SA | Porto | 11.75% | 11.75% | 39.55% | 39.55% |
| | Sodesa, SA | Lisbon | 50.00% | 50.00% | 50.00% | 50.00% |
| | TP - Sociedade Térmica, SA | Porto | 50.00% | 50.00% | 50.00% | 50.00% |

1) Sale of 27.80% of the share capital of the associated company in the period;

2) Associated companies de-merged as of 1 October 2005;

3) Ex - Lamda Pylea, SA.

Associated companies are consolidated using the equity method, as referred to in Note 2.2.c).

7. GROUP COMPANIES, JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES EXCLUDED FROM CONSOLIDATION AND OTHER SHAREHOLDINGS

Group companies, jointly controlled companies and associated companies excluded from consolidation, their head offices, percentage of share capital held and book value as at 31 December 2005 and 2004 are made up as follows

| COMPANY | Reason for exclusion | Head Office | Percentage of capital held | | | | Book Value | |
|-----------------|--|-------------------------|----------------------------|--------|------------|--------|------------|------------|
| | | | 31.12.2005 | | 31.12.2004 | | 31.12.2005 | 31.12.2004 |
| | | | Direct | Total | Direct | Total | | |
| Sonae Indústria | | | | | | | | |
| 2) | OKO Zentrum NRW | Germany | 25.00% | 21.92% | 25.00% | 22.22% | - | - |
| 2) | Plysol BV | Soest (The Netherlands) | 100.00% | 88.39% | 100.00% | 90.53% | - | 72,574 |
| 2) | Tarnaise des Panneaux, SA | Labruguière (France) | 99.99% | 88.44% | 99.99% | 89.89% | - | - |
| 2) | Construction Modulaire de l'Ouest SARL | Lisieux (France) | 15.00% | 13.26% | 15.00% | 13.27% | - | 20,489 |

| | | | | | | | | |
|---|-----------------------|---------|---------|---------|---------|------------|-----------|--|
| Modelo Continente | | | | | | | | |
| Dispar – Distrib. de Participações, SGPS, SA | Lisbon | 7.14% | 7.00% | 7.14% | 7.00% | 4,988 | 4,988 | |
| Insco – Insular de Hipermercados, SA | Ponta Delgada | 10.00% | 9.81% | 10.00% | 9.81% | 748,197 | 748,197 | |
| Sonae Sierra | | | | | | | | |
| Ercasa Cogeneracion SA | Grancasa (Spain) | 32.01% | 1.60% | - | - | 23,933 | 47,883 | |
| Pátio Sertório | S. Paulo (Brazil) | 100.00% | 45.00% | - | - | 1,497 | - | |
| Torino Srl | Torino (Italy) | 25.00% | 12.50% | - | - | 1,250 | - | |
| Sonaecom | | | | | | | | |
| Altitude, SGPS, SA | Lisbon | 11.50% | 7.19% | 11.50% | 9.48% | 1,000,000 | 1,000,000 | |
| Despegar.com | Porto | 5.50% | 3.44% | 5.90% | 4.87% | 2 | 2 | |
| Lusa - Agência de Noticias de Portugal, SA | Lisbon | 1.38% | 0.86% | 1.38% | 1.14% | 197,344 | 197,344 | |
| Minhodigital.com - Inv. na Área Tecnológ., SA | Porto | 4.76% | 2.84% | 4.76% | 3.93% | - | - | |
| Outsystems, Software de Rede, SA | Oeiras | 1.50% | 0.90% | 2.03% | 1.67% | - | - | |
| SESI - Soc. de Ens. Sup. e Investigação, SA | Porto | 9.75% | 4.22% | 9.75% | 3.94% | 1 | 1 | |
| Unipress - Centro Gráfico, Lda | Vila Nova de Gaia | 40.00% | 25.02% | 40.00% | 32.98% | 437,522 | 437,522 | |
| Sonae Capital | | | | | | | | |
| Delphinus – Soc. de Tur. e Div. de Tróia, SA | a) Grândola | 79.00% | 79.00% | 79.00% | 99.98% | - | - | |
| Plysorol Contreplaques, SAS | a) França | 100.00% | 100.00% | 100.00% | 100.00% | 37,000 | 2,775 | |
| Sonae Capital Brasil, Lda | a) São Paulo (Brazil) | 100.00% | 100.00% | 100.00% | 100.00% | 5,312 | 5,312 | |
| Sonae Indústria, SGPS, SA | b) Maia | 5.95% | 5.95% | - | - | 53,263,065 | - | |
| Sonae RE, SA | a) Luxemburg | 100.00% | 100.00% | 100.00% | 100.00% | 1,250,000 | 1,250,000 | |
| Fun International Entertainment, SA | a) Porto | 50.00% | 50.00% | 50.00% | 49.99% | 825,001 | 361,000 | |
| Infratroia – Emp. de Infraest. de Troia, F N | a) Grândola | 25.90% | 25.90% | 25.90% | 25.89% | 55,659 | 55,659 | |
| Net, SA | Lisbon | 2.80% | 2.80% | 2.80% | 2.80% | 11,132 | 11,132 | |
| Sear - Sociedade Europeia de Arroz, SA | Santiago do Cacém | 15.00% | 15.00% | 15.00% | 15.00% | 150,031 | 150,031 | |
| Société Naturel de Bois Gabonais | Gabon | 4.24% | 4.24% | 4.24% | 4.24% | - | - | |
| Spidouro S.P.E.L. Douro e Trás-os-Montes, SA | Vila Real | 8.30% | 8.30% | 8.30% | 8.30% | - | - | |
| Others | | | | | | | | |
| Sonae Investimentos América Latina, Lda | a) São Paulo (Brazil) | 99.99% | 99.99% | 99.99% | 99.99% | 25,687 | 25,687 | |
| 1) Enerciela, Lda | Mourão | 100.00% | 35.97% | 100.00% | 35.97% | - | - | |
| First Assur, SA | France | 11.01% | 11.01% | 10.80% | 10.80% | 959,647 | 837,244 | |
| Sonae Indústria, SGPS, SA | b) Maia | 0.71% | 0.71% | - | - | 6,400,000 | - | |

1) Company sold in the period;

2) Companies de-merged from Sonae as of 1 October 2005.

a) Group company, jointly controlled company or associated company for which, at the date of the issuance of these financial statements, complete financial information was not available;

b) Investment measured at fair value.

8. CHANGES TO THE CONSOLIDATION PERIMETER

On the 15 December 2005, Sonae, SGPS, SA de-merged 90.36% of the share capital of Sonae Indústria into Sonae 3P. At the same time, Sonae Indústria was merged into Sonae 3P. The de-merger produced accounting effects as of 1 October 2005, and consequently Sonae Indústria and its subsidiaries were excluded from the consolidation perimeter of Sonae SGPS from that date. Sonae Indústria and its subsidiaries contributed only with the first nine months of 2005 to the income statement of Sonae, SGPS, SA.

On 11 February 2005, Sonae, SGPS, SA announced that it had agreed the terms and conditions for the sale to Europac SA of all of its shares and loans in Imocapital, SGPS, SA, which held 65% of the share capital of Gescartão, SGPS, SA, as well as its direct shareholding of 3.58% in Gescartão. In accordance Imocapital and Gescartão Group did not contribute to the income statement of Sonae, SGPS, SA in 2005.

Modelo Continente, SGPS, SA sold on 13 December 2005 its shareholding in Sonae Distribuição Brasil, SA. Consequently this company and its subsidiaries contribute only with the first eleven months of 2005 to the consolidated income statement of Sonae, SGPS, SA.

Main acquisitions and disposals of companies over the twelve month period ended 31 December 2005 are as follows:

Acquisitions

| | | Percentage of capital held | |
|---|----------------------|----------------------------|---------|
| | | 31.12.2005 | |
| COMPANY | Head Office | Direct | Total |
| Modelo Continente | | | |
| Canasta – Sociedade Imobiliária, SA | Maia | 100.00% | 98.06% |
| Cumulativa – Sociedade Imobiliária, SA | Marinha Grande | 100.00% | 98.06% |
| Fundo Fechado de Investimento Imobiliário Efisa Imobiliário | Lisbon | 100.00% | 98.06% |
| Fundo de Investimento Imobiliário Imosonae Dois | Maia | 99.98% | 98.03% |
| MJLF – Empreendimentos Imobiliários, SA | Maia | 100.00% | 98.06% |
| Pinto Ribeiro – Supermercados, SA | Viana do Castelo | 100.00% | 98.06% |
| Selifa – Empreendimentos Imobiliários, SA | Maia | 100.00% | 98.06% |
| Sonae Sierra | | | |
| Corso Magenta 85, Sarl | Milan (Italy) | 50.00% | 33.52% |
| Project Sierra Holding Portugal IV, SGPS, SA | Matosinhos | 100.00% | 67.04% |
| Limadarque, Retail Park, SA | Viana do Castelo | 49.00% | 25.00% |
| Monselice Center, Srl | Venice (Italy) | 100.00% | 33.59% |
| Templo, Srl | Venice (Italy) | 100.00% | 33.59% |
| Valecenter, Spa | Milan (Italy) | 100.00% | 33.59% |
| Sonae Capital | | | |
| Becim - Corretora de Seguros, Lda | Santa Maria da Feira | 100.00% | 100.00% |
| Unibroker - Correctora de Seguros, SA | Santa Maria da Feira | 100.00% | 100.00% |
| Others | | | |
| Casa Agrícola João e António Pombo, SA | Portel | 66.67% | 32.67% |
| Sete e Meio - Investimentos e Consultadoria, SA | Grândola | 100.00% | 49.00% |

Disposals

| COMPANY | Head Office | Percentage of capital held | |
|--|--------------------------|----------------------------|---------|
| | | 31.12.2005 | |
| | | Direct | Total |
| Sonae Indústria | | | |
| Gollin,Gmbh | Bad Oeynhausen (Germany) | 90.00% | 78.90% |
| Modelo Continente | | | |
| Modelo Investimentos Financeiros, Ltda | Porto Alegre (Brazil) | 100.00% | 98.06% |
| Sonae Distribuição Brasil, SA | Porto Alegre (Brazil) | 98.45% | 96.54% |
| Sonae Promotora de Vendas, Ltda | Porto Alegre (Brazil) | 100.00% | 98.06% |
| Sonae Sierra | | | |
| CRP-Parque Comercial de Coimbra, SA | Porto | 50.00% | 33.52% |
| Sonae Capital | | | |
| Casino Hotel Troia, SA | Grândola | 100.00% | 100.00% |
| Grano Salis, Lda | Grândola | 100.00% | 100.00% |
| Others | | | |
| Celnave-Agência de Navegação, Lda | Viana do Castelo | 100.00% | 34.17% |
| Celpap-Terminal de Cel. Papel Por, Lda | Viana do Castelo | 100.00% | 34.17% |
| Emprobal-Emp.Prod. e Com.Emb., Lda | Funchal | 60.00% | 21.58% |
| Gescartão,SGPS, SA | Lisboa | 68.58% | 35.97% |
| Imocapital,SGPS, SA | Maia | 50.00% | 50.00% |
| Lepe-Empresa Portuguesa Embalagens, SA | Marinha Grande | 100.00% | 35.97% |
| Papelnova Recolha Recup.Desperdícios, SA | Mourão | 100.00% | 35.97% |
| Portucel Embalagem-Emp.Prod.E.Cartão, SA | Cascais | 100.00% | 35.97% |
| Portucel Espana, SA | Madrid (Spain) | 100.00% | 35.97% |
| Portucel Recicla-Indústria Papel R., SA | Mourão | 100.00% | 35.97% |
| Portucel Viana-Emp.Prod.P.Ind., SA | Viana do Castelo | 100.00% | 35.97% |
| Portucel Viana Energia - Empresa de Cogeração Energética, SA | Viana do Castelo | 100.00% | 35.97% |
| Sulpac, Emp. Prod. Emb. Cartão, SGPS, SA | Mourão | 100.00% | 35.97% |
| Enercicla. Lda | Mourão | 100.00% | 35.97% |

Acquisitions mentioned above had the following impact on the financial statements as at 31 December 2005:

| | Acquisition Date | 31.12.2005 |
|---|------------------|--------------|
| Net assets acquired | | |
| Investment Properties (Note 11) | 116,297,936 | 121,527,948 |
| Tangible and intangible assets (Notes 9 and 10) | 186,413,866 | 197,491,584 |
| Stocks | 2,901,028 | 4,515,724 |
| Deferred tax assets (Note 20) | 4,646,928 | 1,291,146 |
| Other assets | 5,882,897 | 7,722,195 |
| Cash and cash equivalents | 22,459,088 | 23,077,501 |
| Borrowings | (31,122,948) | (83,375,927) |
| Deferred tax liabilities (Note 20) | (27,285,754) | (33,497,235) |
| Other liabilities | (54,194,706) | (12,096,946) |
| | 225,998,335 | 226,655,990 |
| Goodwill (Note 12) | 28,425,917 | |
| Minority interests (Note 23) | 16,198,094 | |
| | | |
| Total consideration paid | 270,622,346 | |
| | | |
| Cash consideration paid | 107,066,475 | |
| Amounts payable | 163,555,871 | |
| | 270,622,346 | |
| Net cash outflow arising from acquisitions | | |
| Cash consideration paid | 107,066,475 | |
| Cash and cash equivalents acquired | (22,459,088) | |
| | 84,607,387 | |

Payments related to subsidiaries acquired can be detailed as follows:

| | Cost of acquisition | Cash consideration paid |
|---|---------------------|-------------------------|
| Canasta – Sociedade Imobiliária, SA | 1,579,375 | 1,579,375 |
| Casa Agrícola João e António Pombo, SA | 1,755,127 | 1,755,127 |
| Limadarque, Retail Park, SA | 2,927,796 | 2,927,796 |
| Cumulativa – Sociedade Imobiliária, SA | 1,995,191 | 1,995,191 |
| Fundo de Investimento Imobiliário Imosonae Dois | 115,697,320 | - |
| Fundo Fechado de Investimento Imobiliário Efisa Imobiliário | 43,913,700 | - |
| MJLF – Empreendimentos Imobiliários, SA | 1,619,397 | 1,619,397 |
| Pinto Ribeiro – Supermercados, SA | 45,000 | 45,000 |
| Project Sierra Holding Portugal IV, SGPS, SA | 1,754,771 | 1,754,771 |
| Selifa – Empreendimentos Imobiliários, SA | 1,333,379 | 1,333,379 |
| Sete e Meio - Investimentos e Consultadoria, SA | 1,000,000 | 1,000,000 |
| Templo, Srl | 3,309,854 | 3,309,854 |
| Unibroker - Correctora de Seguros, SA | 15,979,203 | 12,034,352 |
| Valecenter, Spa | 77,712,233 | 77,712,233 |
| | 270,622,346 | 107,066,475 |

Impacts of these acquisitions on the income statement were as follows:

| | 31.12.2005 |
|------------------------|-------------|
| Operational income | 18,267,154 |
| Operational expenses | (3,598,188) |
| Net financial expenses | (1,399,442) |
| Investment income | 1,668,434 |
| Profit before taxation | 14,937,958 |
| Taxation | (6,119,436) |
| Profit for the period | 8,818,522 |

Net assets of group companies sold and the corresponding carrying amounts as at 31 December 2004 are as follows:

| | Date of disposal | 31.12.2004 |
|--|------------------|---------------|
| Net assets disposed of | | |
| Investment Properties (Note 11) | 9,650,000 | 8,277,500 |
| Tangible and intangible assets (Note 9 and 10) | 353,621,217 | 315,058,402 |
| Investments | 8,868,303 | 6,306,920 |
| Deferred tax assets (Note 20) | 42,774,185 | 34,754,756 |
| Stocks | 147,945,621 | 112,925,321 |
| Other assets | 139,518,207 | 109,547,557 |
| Cash and cash equivalents | 30,528,082 | 35,542,563 |
| Borrowings | (85,176,667) | (113,637,567) |
| Deferred tax liabilities (Note 20) | (5,710,217) | (10,289,346) |
| Other liabilities | (264,277,817) | (232,643,340) |
| Provisions | (24,782,641) | (13,291,786) |
| | 352,958,273 | 252,550,980 |
| Negative Goodwill | (16,970,987) | (16,970,987) |
| Goodwill (Note 12) | 227,071,232 | 166,586,579 |
| Foreign exchange translation reserve | (127,392,098) | |
| Transaction costs | 24,103,648 | |
| Minority interests (Note 23) | 25,864,330 | 28,017,138 |
| | 485,634,398 | 430,183,710 |
| Gain/(loss) on sale | 207,463,430 | |
| Total consideration | 693,097,828 | |
| Cash received | 665,271,592 | |
| Amounts receivable | 27,826,236 | |
| | 693,097,828 | |
| Net cash inflow arising from disposals | | |
| Cash consideration received | 665,271,592 | |
| Cash and cash equivalents disposed of | (30,528,082) | |
| | 634,743,510 | |

Transaction costs include a provision of 27,000,000 euro for future commitments deducted of 8,550,000 euro included in Other Debtors (Note 17). This amount will be received from the purchaser of Sonae Distribuição Brasil and will be paid to the former owners of Sonae Distribuição Brasil when they exercise the put option they have on Modelo Investimentos Brasil.

The put option is included in Other creditors (Note 30) and amounts to 74,139,801 Brazilian Real (27,018,768 euro).

Part of the cash received from the sale of Brazilian assets amounting to 63.500.000 euro is deposited in an Escrow Account and guarantees contractual contingent liabilities (Nota 13).

The guarantee schedule is as follows:

| | |
|------|------------|
| 2006 | 10,500,000 |
| 2007 | 21,250,000 |
| 2008 | 31,750,000 |
| | 63,500,000 |

The Board of Directors considers that this guarantee will not be used, and consequently will be released in accordance with the guarantee scheduled, and that no further losses will arise over and above of the ones already included in the above mentioned provision.

Gains on sale of subsidiaries mentioned above amounted to 172,968,769 euros, and are shown in Gains on sale of investments (Note 42), and 34,494,661, in Other operational income (Note 37).

Cash received from disposals of subsidiaries can be detailed as follows:

| | Sales price | Cash received |
|-------------------------------------|-------------|---------------|
| Sonae Distribuição Brasil, SA | 564,004,076 | 564,004,076 |
| Gescartão Group | 73,241,817 | 73,241,817 |
| Gescartão Group - loans | 24,624,943 | 24,624,943 |
| CRP-Parque Comercial de Coimbra, SA | 3,400,756 | 3,400,756 |
| Casino Hotel Troia, SA | 27,826,236 | - |
| | 693,097,828 | 665,271,592 |

The impact of these disposals on the income statement is as follows:

| | Date of disposal | 31.12.2004 |
|---|------------------|---------------|
| Turnover | 1,229,923,808 | 1,070,148,454 |
| Other operational income | 85,864,707 | 51,947,602 |
| Cost of goods sold | (916,483,545) | (787,009,912) |
| Other operational expenses | (357,550,387) | (300,176,454) |
| Net financial expenses | (18,891,573) | (24,566,162) |
| Investment income and share of results in associated undertakings | (215,023) | 12,361 |
| Profit before taxation | 22,647,987 | 10,355,889 |
| Taxation | (2,031,221) | (2,680,667) |
| Profit for the period | 20,616,766 | 7,675,222 |

Net assets of Sonae Indústria and subsidiaries de-merged and the corresponding carrying amounts as at 30 September 2005 (de-merger date) and 31 December 2004 are as follows:

| | De-merger date | 31.12.2004 |
|--|----------------|---------------|
| Net assets de-merged | | |
| Tangible and intangible assets (Note 9 and 10) | 1,157,295,263 | 1,142,571,795 |
| Investments | 998,938 | 767,946 |
| Deferred tax assets (Note 20) | 54,795,890 | 61,332,706 |
| Stocks | 169,605,332 | 159,011,303 |
| Other assets | 199,495,179 | 118,744,968 |
| Cash and cash equivalents | 80,882,736 | 74,817,721 |
| Borrowings | (673,486,601) | (505,938,584) |
| Deferred tax liabilities (Note 20) | (40,794,376) | (27,513,512) |
| Other liabilities | (544,551,151) | (586,568,375) |
| Provisions | (29,219,958) | (24,970,268) |
| | 375,021,252 | 412,255,700 |
| Goodwill (Note 12) | 49,255,959 | 52,362,062 |
| | 424,277,211 | 464,617,762 |

The impact of the de-merger on the income statement is as follows:

| | Date of de-merger | 31.12.2004 |
|----------------------------|-------------------|---------------|
| Turnover | 1,080,605,495 | 1,355,159,151 |
| Other operational income | 1,538,265 | 28,936,485 |
| Cost of goods sold | (491,821,364) | (609,060,727) |
| Other operational expenses | (517,098,022) | (693,314,856) |
| Net financial expenses | (28,413,772) | (56,478,561) |
| Investment income | 11,660,831 | 8,952,132 |
| Profit before taxation | 56,471,433 | 34,193,624 |
| Taxation | (21,544,339) | (13,898,075) |
| Profit for the period | 34,927,094 | 20,295,549 |

9. TANGIBLE ASSETS

During the periods ended 31 December 2005 and 2004, movements in Tangible assets as well as depreciation and accumulated impairment losses, are made up as follows:

| Tangible assets | | | | | | | |
|---|-----------------------|------------------------|--------------|--------------------------|--------------|-----------------------------------|-----------------------------|
| | Land and Buildings | Plant and Machinery | Vehicles | Fixtures and Fittings | Others | Tangible assets in progress | Total Tangible Assets |
| Gross cost: | | | | | | | |
| Opening balance as at 1 January 2004 | 1,700,454,212 | 2,858,719,944 | 41,899,177 | 270,847,355 | 47,430,706 | 101,920,498 | 5,021,271,892 |
| Changes in consolidation perimeter | (36,980) | (468,614) | (45,996) | (113,664) | (58,788) | (158,697) | (882,739) |
| Capital expenditure | 26,230,396 | 32,737,469 | 1,792,007 | 11,103,817 | 413,984 | 180,329,078 | 252,606,751 |
| Acquisition of companies | - | - | - | 5,969,372 | 649,743 | - | 6,619,115 |
| Disposals | (17,968,019) | (70,287,466) | (3,705,731) | (18,376,348) | (753,652) | (13,392,647) | (124,483,863) |
| Exchange rate effect | 2,788,135 | 6,056,337 | 99,076 | 476,936 | 3,275 | 16,469 | 9,440,228 |
| Transfers | 16,148,502 | 132,060,964 | 1,739,711 | 27,633,063 | 1,220,782 | (157,077,669) | 21,725,353 |
| Opening balance as at 1 January 2005 | 1,727,616,246 | 2,958,818,634 | 41,778,244 | 297,540,531 | 48,906,050 | 111,637,032 | 5,186,296,737 |
| Changes in consolidation perimeter | 283,892 | 563,297 | 108,171 | 235,027 | 261,243 | 2,971 | 1,454,601 |
| Capital expenditure | 27,658,714 | 21,444,159 | 1,473,017 | 6,658,356 | 692,308 | 286,532,285 | 344,458,839 |
| Acquisition of companies | 184,072,599 | 2,516,380 | 143,095 | 740,826 | 137,280 | - | 187,610,180 |
| Disposals | (64,430,631) | (54,997,287) | (2,854,387) | (15,978,564) | (1,807,205) | (1,703,683) | (141,771,757) |
| Disposal of companies | (155,542,723) | (349,763,203) | (9,817,048) | (40,735,446) | (8,321,144) | (14,397,293) | (578,576,857) |
| De-merger | (411,539,735) | (1,642,402,938) | (13,162,240) | (44,113,261) | (19,500,932) | (31,448,771) | (2,162,167,877) |
| Change in consolidation method | (732,114) | (745,928) | (47,178) | (1,482,387) | (416,630) | (46,981) | (3,471,218) |
| Exchange rate effect | 52,932,617 | 123,438,533 | 1,796,099 | 10,880,143 | 140,183 | 1,745,193 | 190,932,768 |
| Transfers | 81,578,947 | 131,724,635 | 1,551,785 | 22,371,571 | 3,092,158 | (267,150,995) | (26,831,899) |
| Closing balance as at 31 December 2005 | 1,441,897,812 | 1,190,596,282 | 20,969,558 | 236,116,796 | 23,183,311 | 85,169,758 | 2,997,933,517 |
| Accumulated depreciation and impairment losses | | | | | | | |
| Opening balance as at 1 January 2004 | 322,878,206 | 1,325,812,885 | 35,666,616 | 145,080,935 | 35,368,836 | 554,799 | 1,865,362,277 |
| Changes in consolidation perimeter | (21,952) | (407,502) | (22,249) | (90,244) | (9,924) | - | (551,871) |
| Charge for the period | 42,855,412 | 210,811,372 | 3,657,582 | 40,685,365 | 3,957,816 | 159,198 | 302,126,745 |
| Acquisition of companies | - | - | - | 4,488,672 | 279,925 | - | 4,768,597 |
| Disposals | (4,779,843) | (49,755,434) | (2,612,753) | (18,344,860) | (511,434) | - | (76,004,324) |
| Exchange rate effect | 210,033 | 1,271,433 | 60,774 | 204,503 | (4,342) | - | 1,742,401 |
| Transfers | (16,386,927) | (4,637,930) | (3,896,612) | (3,365,475) | (210,824) | - | (28,497,768) |
| Opening balance as at 1 January 2005 | 344,754,929 | 1,483,094,824 | 32,853,358 | 168,658,896 | 38,870,053 | 713,997 | 2,068,946,057 |
| Changes in consolidation perimeter | 55,526 | 278,494 | 91,273 | 225,278 | 219,104 | - | 869,675 |
| Charge for the period | 45,497,723 | 185,141,999 | 2,291,944 | 32,912,697 | 3,304,293 | 15,965 | 269,164,621 |
| Acquisition of companies | 225,619 | 472,613 | 71,003 | 420,660 | 70,888 | - | 1,260,783 |
| Disposals | (11,133,800) | (30,755,699) | (2,274,729) | (12,835,691) | (1,539,355) | - | (58,539,274) |
| Disposal of companies | (29,706,234) | (173,467,842) | (7,146,335) | (23,294,886) | (7,636,351) | - | (241,251,648) |
| De-merger | (90,447,768) | (861,922,450) | (9,039,639) | (28,943,382) | (15,532,694) | - | (1,005,885,933) |
| Change in consolidation method | (593,602) | (603,690) | (48,631) | (1,007,631) | (366,718) | - | (2,620,272) |
| Exchange rate effect | 6,468,219 | 46,876,375 | 1,188,233 | 5,587,593 | 97,931 | - | 60,218,351 |
| Transfers | (623,872) | (18,214,822) | (226,219) | 16,776,677 | 383,714 | (458,795) | (2,363,317) |
| Closing balance as at 31 December 2005 | 264,496,740 | 630,899,802 | 17,760,258 | 158,500,211 | 17,870,865 | 271,167 | 1,089,799,043 |
| Carrying amount | | | | | | | |
| As at 31 de Dezembro de 2004 | 1,382,861,317 | 1,475,723,810 | 8,924,886 | 128,881,635 | 10,035,997 | 110,923,035 | 3,117,350,680 |
| As at 31 de Dezembro de 2005 | 1,177,401,072 | 559,696,480 | 3,209,300 | 77,616,585 | 5,312,446 | 84,898,591 | 1,908,134,474 |

Major items in Disposals of Land and Buildings and Plant and Machinery refer to the sale by Sonae Distribuição Brasil of 10 stores under the brand Big located in S.Paulo.

Major items in Acquisition of companies refer to the purchase of units in Real Estate Investment Funds, which own part of the assets of the Portuguese retail operation.

Major amounts included in the caption Tangible assets in progress, refer to the following projects:

| | 31.12.2005 | 31.12.2004 |
|---|-------------------|--------------------|
| Refurbishment and expansion of stores located in Portugal | 22,545,971 | 12,539,469 |
| New projects in Portugal of the Retail business segment | 17,687,515 | 49,464,075 |
| Deployment of mobile network | 7,897,191 | 7,342,426 |
| Deployment of fixed network | 3,213,590 | 1,428,604 |
| Troia project | 11,269,829 | 11,354,047 |
| Others | 22,555,662 | 29,508,411 |
| | <u>85,169,758</u> | <u>111,637,032</u> |

10. INTANGIBLE ASSETS

During the period ended 31 December 2005 and 2004, movements in Intangible assets as well as amortisation and accumulated impairment losses, are made up as follows:

| | | Intangible assets | | | | |
|---|--------|-------------------------------------|--------------------|-------------------|-------------------------------------|-------------------------------|
| | | Patents and other similar rights | Software | Others | Intangible assets in progress | Total Intangible Assets |
| Gross cost: | | | | | | |
| Opening balance as at 1 January 2004 | | 19,280,802 | 212,446,974 | 31,054,340 | 160,544,058 | 423,326,174 |
| Capital expenditure | | 75,761,222 | 1,842,296 | 550,137 | 44,261,830 | 122,415,485 |
| Acquisition of companies | | - | - | 15,284 | - | 15,284 |
| Disposals | | (42,188) | (729,680) | (1,642,788) | (1,093,468) | (3,508,124) |
| Exchange rate effect | | 25,932 | 83,719 | 3,439,828 | - | 3,549,479 |
| Transfers | | 141,133,031 | 27,826,525 | (2,831,185) | (190,528,675) | (24,400,304) |
| Opening balance as at 1 January 2005 | | <u>236,158,799</u> | <u>241,469,834</u> | <u>30,585,616</u> | <u>13,183,745</u> | <u>521,397,994</u> |
| Capital expenditure | | 12,769,064 | 1,231,380 | 1,415,909 | 34,459,336 | 49,875,689 |
| Acquisition of companies | Note 8 | 23,882 | - | 91,283 | - | 115,165 |
| Disposals | | (852,997) | (1,149,527) | (662,549) | (82,101) | (2,747,174) |
| Disposal of companies | Note 8 | (13,765,280) | (10,401,826) | (2,690,560) | (2,017,088) | (28,874,754) |
| De-merger | Note 8 | (4,036,351) | (223,951) | (2,467,773) | (74,659) | (6,802,734) |
| Change in consolidation method | | (1,987,510) | (29,292) | (4,886,079) | - | (6,902,881) |
| Exchange rate effect | | 1,582,453 | 2,280,662 | 227 | - | 3,863,342 |
| Transfers | | 860,444 | 26,746,118 | 147,159 | (29,999,580) | (2,245,859) |
| Closing balance as at 31 December 2005 | | <u>230,752,504</u> | <u>259,923,398</u> | <u>21,533,233</u> | <u>15,469,653</u> | <u>527,678,788</u> |
| Accumulated depreciation and impairment losses | | | | | | |
| Opening balance as at 1 January 2004 | | 12,579,799 | 121,712,528 | 13,785,540 | - | 148,077,867 |
| Charge for the period | | 2,644,821 | 34,584,158 | 2,859,065 | - | 40,088,044 |
| Acquisition of companies | | - | - | 14,199 | - | 14,199 |
| Disposals | | (56,244) | (708,409) | (522,992) | - | (1,287,645) |
| Exchange rate effect | | 2,785 | 53,237 | 67 | - | 56,089 |
| Transfers | | (722,341) | (232,465) | 74,873 | - | (879,933) |
| Opening balance as at 1 January 2005 | | <u>14,448,820</u> | <u>155,409,049</u> | <u>16,210,752</u> | <u>-</u> | <u>186,068,621</u> |
| Charge for the period | | 15,111,873 | 24,486,694 | 2,656,161 | - | 42,254,728 |
| Acquisition of companies | Note 8 | 47,376 | - | 3,320 | - | 50,696 |
| Disposals | | (620,896) | (601,502) | (324,464) | - | (1,546,862) |
| Disposal of companies | Note 8 | (1,174,160) | (8,984,428) | (2,420,158) | - | (12,578,746) |
| De-merger | Note 8 | (3,901,731) | (167,962) | (1,719,722) | - | (5,789,415) |
| Change in consolidation method | | (1,403,354) | (10,939) | (1,317,533) | - | (2,731,826) |
| Exchange rate effect | | 149,557 | 1,445,412 | 136 | - | 1,595,105 |
| Transfers | | 824,355 | (2,069,679) | 56,388 | - | (1,188,936) |
| Closing balance as at 31 December 2005 | | <u>23,481,840</u> | <u>169,506,645</u> | <u>13,144,880</u> | <u>-</u> | <u>206,133,365</u> |
| Carrying amount | | | | | | |
| As at 31 de Dezembro de 2004 | | <u>221,709,979</u> | <u>86,060,785</u> | <u>14,374,864</u> | <u>13,183,745</u> | <u>335,329,373</u> |
| As at 31 de Dezembro de 2005 | | <u>207,270,664</u> | <u>90,416,753</u> | <u>8,388,353</u> | <u>15,469,653</u> | <u>321,545,423</u> |

As at 31 December 2005, the amount under the caption Patents and other similar rights includes net assets related with UMTS technology, 128,671,226 euro, and the fair value attributed to a group of brands with indefinite useful lives, among which the "Continente" brand, 75,000,000 euro.

11. INVESTMENT PROPERTIES

The movement in Investment Properties during the years ended 31 December 2005 and 2004 was as follows:

| | Investment Properties | | | |
|--|-----------------------|-------------|---------------|-----------------|
| | In Operation | Fit Out | In progress | Total |
| Opening balance as at 1 January 2004 | 1,581,467,424 | - | 216,599,522 | 1,798,066,946 |
| Increases | 14,754,201 | - | 216,977,213 | 231,731,414 |
| Transfers from investment properties | | | | |
| in progress: | | | | |
| Construction and other costs | 252,560,671 | - | (252,560,671) | - |
| Adjustment to fair value (Note 36) | 42,778,129 | - | (4,427,418) | 38,350,711 |
| Change in fair value of investment properties | | | | |
| in operation (Note 36): | | | | |
| - Gains | 74,527,072 | - | - | 74,527,072 |
| - Losses | (1,426,721) | - | - | (1,426,721) |
| Increases through concentration of business activities | 32,550,500 | - | 44,326,386 | 76,876,886 |
| Sale of investment properties | (14,850,000) | - | - | (14,850,000) |
| Currency translation differences | 1,570,107 | - | - | 1,570,107 |
| Opening balance as at 1 January 2005 | 1,983,931,383 | - | 220,915,032 | 2,204,846,415 |
| Increases | 6,870,789 | 7,307,718 | 222,710,010 | 236,888,517 |
| Write-offs | - | - | (9,450,500) | (9,450,500) |
| Transfers | - | - | (119,733) | (119,733) |
| Transfers from investment properties | | | | - |
| in progress: | | | | - |
| Construction and other costs | 140,836,650 | - | (140,836,650) | - |
| Adjustment to fair value (Note 36) | 64,805,913 | - | (1,693,678) | 63,112,235 |
| Change in fair value of investment properties | | | | - |
| in operation (Note 36): | | | | - |
| - Gains | 165,725,617 | - | - | 165,725,617 |
| - Losses | (34,765,938) | - | - | (34,765,938) |
| Increases through concentration of business activities | 112,000,000 | - | 4,297,936 | 116,297,936 |
| Change in consolidation method | (1,228,949,160) | (3,653,859) | (124,985,718) | (1,357,588,737) |
| Sale of investment properties | (20,121,000) | - | (45,911,634) | (66,032,634) |
| Disposal of companies (Note 8) | (9,650,000) | - | - | (9,650,000) |
| Currency translation differences | 48,137,998 | - | 19,909 | 48,157,907 |
| Closing balance as at 31 December 2005 | 1,228,822,252 | 3,653,859 | 124,944,974 | 1,357,421,085 |

As at 31 December 2005, Investment properties in operation correspond to the fair value of the Group's share of shopping centres, which can be detailed as follows:

| | 31.12.2005 | | 31.12.2004 | | |
|----------|---------------|-----------------|------------------|---------------|-----------------|
| | Amount | Yield | Pro-forma Amount | Amount | Yield |
| Portugal | 718,685,026 | 6.25% e 7.25% | 612,712,250 | 1,225,424,500 | 6.50% e 8.25% |
| Spain | 357,728,006 | 5.25% e 7.50% | 302,488,361 | 604,979,752 | 6.50% e 7.75% |
| Italy | 58,257,500 | 6.50% e 7.50% | - | - | - |
| Brazil | 97,805,579 | 11.00% e 12.50% | 76,763,565 | 153,527,129 | 11.00% e 13.00% |
| | 1,232,476,111 | | 991,964,176 | 1,983,931,381 | |

The fair value of each investment property was determined by a valuation as at 31 December 2005, performed by an independent entity, based on valuation criteria generally accepted in the real estate business.

As at 31 December 2005 and 2004, Investment properties can be detailed as follows:

| | | Pro-forma | |
|-----------------------|--------------------|--------------------|--------------------|
| | 31.12.2005 | 31.12.2004 | 31.12.2004 |
| Portugal: | | | |
| Alverca | 2,838,625 | - | - |
| Cacém Shopping | 875,176 | 820,545 | 1,641,090 |
| Parque de Famalicão | 1,427,234 | 1,419,066 | 2,902,631 |
| Setubal Retail Park | 736,764 | 674,681 | 1,349,363 |
| Lima Retail Park | 2,148,968 | - | - |
| Louresshopping | - | 12,972,459 | 27,697,819 |
| Torres Colombo | 4,271,352 | 4,270,253 | 8,541,831 |
| Serra Shopping | - | 1,994,591 | 3,989,183 |
| Rio Sul | 16,534,179 | 10,302,928 | 20,605,857 |
| Others | 605,518 | 313,298 | 627,898 |
| Germany: | | | |
| Berlin Alexanderplatz | 36,016,961 | 29,322,705 | 58,645,410 |
| 3DO | 7,932,227 | 5,120,855 | 10,241,710 |
| Brazil: | | | |
| Others | 114,655 | - | - |
| Spain: | | | |
| Las Medulas | 20,337,249 | - | - |
| Plaza Mayor Shopping | 6,319,577 | 4,851,167 | 9,651,675 |
| Plaza Éboli | - | 14,675,416 | 29,403,151 |
| Dos Mares - expansion | 1,650,387 | 1,400,387 | 2,805,289 |
| Others | - | 52,286 | 101,942 |
| Greece: | | | |
| Aegean Park | 4,725,071 | 9,248,302 | 18,496,605 |
| Others | 10,160 | - | - |
| Italy: | | | |
| Freccia Rossa | 13,930,831 | 24,213,580 | 24,213,578 |
| Biella | 4,071,824 | - | - |
| Others | 398,219 | - | - |
| | <u>124,944,974</u> | <u>121,652,519</u> | <u>220,915,032</u> |

As at 31 December 2005, the following investment properties were mortgaged:

| | |
|----------------------|----------------------|
| 3DO | La Farga |
| Airone | Las Medulas |
| Alexander Platz | Loureshopping |
| Algarveshopping | Luz del Tajo |
| Arrabidashopping | Madeirashopping |
| Avenida M40 | Maiashopping |
| Cascaishopping | Norteshopping |
| Centro Colombo | Parque Atlântico |
| Centro Vasco da Gama | Parque Principado |
| Coimbra Retail Park | Plaza Éboli |
| Coimbrashopping | Plaza Mayor |
| Dos Mares | Plaza Mayor Shopping |
| Estação Viana | Rio Sul |
| Freccia Rossa | Serra Shopping |
| Gaiashopping | Valecenter |
| Grancasa | Valle Real |
| Guimarãesshopping | Viacatarina |
| Kareaga | Zubiarte |

As at 31 December 2005 and 2004, there were no significant purchase obligations relating to investment properties in construction or under development, apart from the ones mentioned above.

12. GOODWILL

During the periods ended 31 December 2005 and 2004, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

| | 31.12.2005 | 31.12.2004 |
|--|---------------|--------------|
| Gross value: | | |
| Opening balance | 453,242,056 | 346,330,745 |
| New companies (Note 8) | 28,425,917 | 7,580,979 |
| Increases | 81,762,041 | 111,526,460 |
| Decreases | (239,731,503) | (12,196,128) |
| De-merger (Note 8) | (49,255,959) | - |
| Sale with change in consolidation method | (25,554,825) | - |
| Closing balance | 248,887,726 | 453,242,056 |
| Accumulated impairment losses: | | |
| Opening balance | - | - |
| Increases | 3,309,480 | - |
| Decreases | - | - |
| Closing balance | 3,309,480 | - |
| Carrying amount: | 245,578,246 | 453,242,056 |

Goodwill is not depreciated. Impairment tests are performed on an annual basis.

During the period, increases in shareholdings generated goodwill amounting to 20,330,762 euro.

Goodwill increases include 53,375,968 euro of exchange rate differences, recorded in the Currency translation reserve disclosed under Reserves and retained earnings.

The decreases in Goodwill includes 227,071,232 related to the sale of subsidiaries in Brazil and Gescartão Group (Note 8).

13. INVESTMENTS

As at 31 December 2005 and 2004, this caption is made up as follows:

| | 31.12.2005 | | 31.12.2004 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | Non current | Current | Non current | Current |
| <u>Investments in group companies, jointly controlled companies or associated companies excluded from consolidation</u> | | | | |
| Opening balance as at 1 January 2005 | 74,113,537 | - | 268,572,249 | - |
| Acquisitions in the year | 7,409,474 | - | 13,817,561 | - |
| Disposals in the year | (15,719,727) | - | (208,486,272) | - |
| De-merger | (44,045,314) | - | - | - |
| Transfers | (12,962,276) | - | 209,999 | - |
| Closing balance as at 31 December 2005 | 8,795,694 | - | 74,113,537 | - |
| Accumulated impairment losses (Note 32) | (7,957,738) | - | (50,868,826) | - |
| | <u>837,956</u> | <u>-</u> | <u>23,244,711</u> | <u>-</u> |
| <u>Investment in associated companies</u> | | | | |
| Opening balance as at 1 January 2005 | 29,392,647 | - | 20,633,483 | - |
| Acquisitions in the year | 5,206,088 | - | 102,788 | - |
| Disposals in the year | (34,951,297) | - | (3,789,887) | - |
| Equity method effect | 21,696,600 | - | 10,621,728 | - |
| De-merger | (3,878,823) | - | - | - |
| Transfers | 3,789,637 | - | 1,824,535 | - |
| Closing balance as at 31 December 2005 | 21,254,852 | - | 29,392,647 | - |
| Goodwill transferred to Investments | 2,958,551 | - | 20,524,891 | - |
| Accumulated impairment losses (Note 32) | (844,130) | - | - | - |
| | <u>23,369,273</u> | <u>-</u> | <u>49,917,538</u> | <u>-</u> |
| <u>Investments held for sale</u> | | | | |
| Fair value as at 1 January 2005 | 33,073,103 | - | 7,513,328 | - |
| Acquisitions in the year | 53,135,461 | - | 30,499,867 | - |
| Disposals in the year | (34,406,994) | - | (5,069,141) | - |
| Increase/(Decrease) in fair value | 34,980,725 | - | - | - |
| De-merger | (47,398) | - | - | - |
| Transfers | 46,686,450 | - | 129,049 | - |
| Fair value as at 31 December 2005 | <u>133,421,347</u> | <u>-</u> | <u>33,073,103</u> | <u>-</u> |
| <u>Investments measured at fair value through profit and loss</u> | | | | |
| Fair value as at 1 January 2005 | - | 2,233,267 | - | 3,402,680 |
| Acquisitions in the year | - | 10,979,724 | - | - |
| Disposals in the year | - | (494,410) | - | (1,169,414) |
| De-merger | - | (2,097,615) | - | - |
| Increase/(Decrease) in fair value | - | - | - | - |
| Fair value as at 31 December 2005 | <u>-</u> | <u>10,620,966</u> | <u>-</u> | <u>2,233,266</u> |
| <u>Derivative financial instruments (Note 20)</u> | | | | |
| Fair value as at 1 January 2005 | - | 87,325,645 | - | 105,245,118 |
| Acquisitions in the year | - | 301,900 | - | - |
| Disposals in the year | - | (87,567,070) | - | - |
| Increase/(Decrease) in fair value | - | - | - | (17,919,473) |
| Fair value as at 31 December 2005 | <u>-</u> | <u>60,475</u> | <u>-</u> | <u>87,325,645</u> |
| | <u>157,628,576</u> | <u>10,681,441</u> | <u>106,235,352</u> | <u>89,558,911</u> |

Investments in associated companies include goodwill amounting to 2,958,551 euro (20,524,891 euro as at 31 December 2004). During the period part of a shareholding in an associated company was disposed of, with the remaining shareholding recorded at fair value under the caption Investments held for sale.

Investments held for sale are disclosed above net of accumulated impairment losses (Note 32) amounting to 2,770,033 euro (2,813,383 euro as at 31 December 2004).

The caption Investments held for sale includes 63,500,000 euro of deposits in an Escrow Account, of which 10,500,000 disclosed as current assets and 53,000,000 euro as non-current assets, in accordance with the time schedule of the guarantee (Note 8).

14. OTHER NON-CURRENT ASSETS

As at 31 December 2005 and 2004, Other non-current assets are detailed as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|--|-------------------|---|-------------------|--------------------|---|--------------------|
| | Gross Value | Accumulated impairment losses (Note 32) | Carrying Amount | Gross Value | Accumulated impairment losses (Note 32) | Carrying Amount |
| Loans granted to associated companies | | | | | | |
| Bar-Bar-Idade Glass - Serviç. de Gest. e Investiment, SA | 12,000,000 | - | 12,000,000 | - | - | - |
| Others | 2,687,500 | (34,916) | 2,652,584 | 1,928,849 | (331,515) | 1,597,334 |
| | <u>14,687,500</u> | <u>(34,916)</u> | <u>14,652,584</u> | <u>1,928,849</u> | <u>(331,515)</u> | <u>1,597,334</u> |
| Other loans granted | | | | | | |
| Tarnaise des Panneaux, SA | - | - | - | 10,931,182 | (10,931,182) | - |
| Portucel Viana Energia, SA | - | - | - | 6,723,989 | - | 6,723,989 |
| Andar - Sociedade Imobiliária, SA | 2,650,673 | - | 2,650,673 | 2,420,173 | - | 2,420,173 |
| Others | 1,728,801 | (259,889) | 1,468,912 | 5,021,409 | (3,307,875) | 1,713,534 |
| | <u>4,379,474</u> | <u>(259,889)</u> | <u>4,119,585</u> | <u>25,096,753</u> | <u>(14,239,057)</u> | <u>10,857,696</u> |
| Trade accounts receivable and other debtors | | | | | | |
| Legal deposits | 823,385 | - | 823,385 | 29,543,621 | - | 29,543,621 |
| Assets arising from to the sale of financial investments | 1,911,424 | - | 1,911,424 | 25,690,682 | - | 25,690,682 |
| Lisbon and Malaga Town Councils | 4,723,019 | - | 4,723,019 | 7,776,954 | - | 7,776,954 |
| Others | 12,243,096 | (4,722,917) | 7,520,179 | 32,299,518 | (7,490,619) | 24,808,899 |
| | <u>19,700,924</u> | <u>(4,722,917)</u> | <u>14,978,007</u> | <u>95,310,775</u> | <u>(7,490,619)</u> | <u>87,820,156</u> |
| Taxes recoverable | - | - | - | 5,175,261 | - | 5,175,261 |
| Other non-current assets | 1,988,844 | - | 1,988,844 | 6,046,820 | - | 6,046,820 |
| | <u>40,756,742</u> | <u>(5,017,722)</u> | <u>35,739,020</u> | <u>133,558,458</u> | <u>(22,061,191)</u> | <u>111,497,267</u> |

15. STOCKS

As at 31 December 2005 and 2004, Stocks are detailed as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|---|--------------------|-------------------------|--------------------|
| | | | |
| Raw materials and consumables | 17,097,930 | 18,373,688 | 117,077,946 |
| Goods for resale | 404,016,004 | 348,287,569 | 459,007,635 |
| By-products | 525 | 10,137 | 21,006 |
| Finished goods | 14,438,654 | 12,222,009 | 73,985,069 |
| Work in progress | 49,610,520 | 43,230,523 | 47,010,858 |
| Payments on account | 548,174 | 1,416,681 | 1,416,683 |
| | <u>485,711,807</u> | <u>423,540,607</u> | <u>698,519,197</u> |
| Accumulated impairment losses on Stocks (Note 32) | (25,230,922) | (21,618,281) | (24,660,246) |
| | <u>460,480,885</u> | <u>401,922,326</u> | <u>673,858,951</u> |

Cost of goods sold as at 31 December 2005 and 2004 amounted to 3,737,853,813 euro and 3,644,078,704 euro, respectively, and may be detailed as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|------------------------------------|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
| | Continued Operations | Discontinued Operations | Total Operations | Continued Operations | Discontinued Operations | Total Operations |
| Opening Stocks | 366,661,256 | 209,424,325 | 576,085,581 | 349,879,674 | 209,821,419 | 559,701,093 |
| Exchange rate effect | - | 38,497,976 | 38,497,976 | - | 2,443,022 | 2,443,022 |
| Changes in consolidation perimeter | - | (248,307,831) | (248,307,831) | - | (324,578) | (324,578) |
| Acquisitions | 2,434,480,707 | 1,375,589,858 | 3,810,070,565 | 2,281,302,056 | 1,394,292,967 | 3,675,595,023 |
| Adjustments | (18,462,174) | (3,666,640) | (22,128,814) | (17,839,972) | (6,829,042) | (24,669,014) |
| Closing Stocks | 419,954,674 | 1,159,260 | 421,113,934 | 366,661,256 | 209,424,325 | 576,085,581 |
| | <u>2,362,725,115</u> | <u>1,370,378,428</u> | <u>3,733,103,543</u> | <u>2,246,680,502</u> | <u>1,389,979,463</u> | <u>3,636,659,965</u> |
| Impairment losses | 4,608,310 | 2,183,234 | 6,791,544 | 9,108,415 | 1,658,760 | 10,767,175 |
| Reversion of impairment losses | (937,073) | (1,104,202) | (2,041,275) | (880,788) | (2,467,648) | (3,348,436) |
| | <u>2,366,396,352</u> | <u>1,371,457,460</u> | <u>3,737,853,812</u> | <u>2,254,908,129</u> | <u>1,389,170,575</u> | <u>3,644,078,704</u> |

16. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2005 and 31 December 2004, Trade accounts receivable are detailed as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|--|--------------|-------------------------|---------------|
| Trade accounts receivable | | | |
| Wood Based Products | - | - | 80,648,556 |
| Retail | 17,758,626 | 10,583,641 | 21,074,371 |
| Shopping Centres | 14,690,903 | 16,393,559 | 21,177,945 |
| Telecommunications | 136,893,800 | 144,889,014 | 144,505,041 |
| Others segments | 76,605,860 | 74,977,144 | 77,926,914 |
| | 245,949,189 | 246,843,358 | 345,332,827 |
| Trade Debtors, bills receivable | 6,383,363 | 8,003,863 | 16,903,443 |
| Doubtful debtors | 88,560,436 | 92,577,604 | 108,799,366 |
| | 340,892,988 | 347,424,825 | 471,035,636 |
| Accumulated impairment losses on Trade Debtors (Note 32) | (96,067,713) | (99,754,396) | (124,202,723) |
| | 244,825,275 | 247,670,429 | 346,832,913 |

In the normal course of activity collection risks may arise in trade debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's past experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade Debtors reflect their fair value.

Credit risk is not concentrated because of the significant number of trade debtors.

17. OTHER DEBTORS

As at 31 December 2005 and 2004, Other debtors are made up as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|---|--------------|-------------------------|--------------|
| Other debtors | | | |
| Trade suppliers - debit balances | 32,445,023 | 30,958,194 | 32,873,600 |
| Special regime for payment of tax and social security debts (Law 248-A) | 14,576,053 | 14,836,878 | 14,836,878 |
| VAT recoverable on retail estate assets | 8,572,458 | - | - |
| Accounts receivable from the sale of tangible assets | 4,336,373 | 30,451,986 | 28,481,738 |
| Accounts receivable from the sale of investments | 260,410,243 | 868,174,295 | 12,953,841 |
| Credit sales to third parties | - | - | 48,224,563 |
| Securitisation of receivables | 1,684,510 | 2,124,027 | 26,982,507 |
| Amount to be received on the sale of Brazilian subsidiaries (Note 8) | 8,550,000 | - | - |
| Others | 49,691,201 | 43,303,970 | 56,360,005 |
| | 380,265,861 | 989,849,350 | 220,713,132 |
| Advances to trade creditors | 4,877,763 | 32,520 | 6,336,979 |
| Other loans granted | 19,758,938 | 161,281,243 | 53,039,477 |
| | 404,902,562 | 1,151,163,113 | 280,089,588 |
| Accumulated impairment losses on Other current Assets (Note 32) | (14,238,511) | (17,750,202) | (16,554,191) |
| | 390,664,051 | 1,133,412,911 | 263,535,397 |

The amount disclosed as Special regime for payment of tax and social security debts corresponds to taxes which were disputed and subject to reimbursement claims. The Board of Directors is confident of the arguments presented by the Group and expects court decisions to be in favour of the Group. As a result, reimbursement of these taxes is expected.

The caption Accounts receivable from the sale of investments, in the pro-forma accounts above, includes 855,245,893 related with the amount that would be receivable in 2004 if the sale of Sonae Distribuição Brasil, Gescartão and Sonae Sierra had occurred in that year. These amounts have only been recorded in 2005 but are included here because related sales were simulated to have occurred in 2004 to allow for comparisons between 2005 and 2004 financial statements.

In 2005, the main item in Accounts receivable from the sale of investments refers to the amount to be received from the sale of 17.04% of Sonae Sierra, SGPS, SA (226,260,029 euro).

The caption Other loans granted, in the pro-forma accounts above, includes 122,611,287 of loans to subsidiaries of Sonae Indústria.

18. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2005 and 2004, Taxes recoverable and taxes and contributions payable are made up as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|--|-------------------|-------------------------|--------------------|
| Tax recoverable | | | |
| Income taxation - payments on account and amounts withheld | 19,860,624 | 17,610,990 | 27,193,511 |
| VAT | 63,381,176 | 45,577,853 | 85,231,301 |
| Other taxes | 4,394,205 | 2,904,669 | 4,537,425 |
| | <u>87,636,005</u> | <u>66,093,512</u> | <u>116,962,237</u> |
| Taxes and contributions payable | | | |
| Income taxation | 21,267,569 | 19,326,413 | 28,754,249 |
| VAT | 26,032,550 | 25,186,716 | 36,123,173 |
| Staff income tax withheld | 4,752,997 | 1,633,552 | 1,658,044 |
| Social security contributions | 14,371,354 | 13,274,006 | 23,478,405 |
| Other taxes | 3,390,098 | 3,291,176 | 10,018,237 |
| | <u>69,814,568</u> | <u>62,711,863</u> | <u>100,032,108</u> |

19. OTHER CURRENT ASSETS

As at 31 December 2005 and 2004, Other current assets are made up as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|--|-------------------|-------------------------|-------------------|
| Invoices to be issued | 37,549,383 | 39,094,202 | 39,094,202 |
| Commercial discounts | 5,178,983 | 3,330,224 | 3,330,224 |
| Deferred cost - Rents | 3,527,674 | 2,911,662 | 2,911,662 |
| Deferred cost - External supplies and services | 11,771,694 | 8,636,881 | 8,636,881 |
| Other current assets | 7,548,359 | 7,332,838 | 21,203,512 |
| | <u>65,576,093</u> | <u>61,305,807</u> | <u>75,176,481</u> |

20. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2005 and 2004 can be detailed as follows, split between the different types of temporary differences:

| | Deferred tax assets | | Deferred tax liabilities | |
|--|---------------------|--------------------|--------------------------|--------------------|
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Difference between fair value and acquisition cost | - | - | 200,453,376 | 312,126,104 |
| Harmonisation adjustments | 282,358 | 1,280,059 | 24,696,174 | 53,638,912 |
| Provisions and impairment losses not accepted for tax purposes | 13,201,778 | 8,727,269 | 2,560,614 | - |
| Write off of tangible and intangible assets | 28,640,493 | 21,437,022 | - | - |
| Write off of deferred costs | 23,436,106 | 20,027,140 | 2,067,858 | 1,547,494 |
| Valuation of hedging derivatives | 320,595 | 4,852,097 | 16,631 | 3,542,519 |
| Revaluation of tangible assets | - | - | 3,838,774 | 3,875,316 |
| Tax losses carried forward | 42,886,889 | 161,088,375 | - | - |
| Reinvested capital gains/(losses) | - | - | 4,485,183 | 5,455,564 |
| Others | (284,180) | (460,537) | 65,651 | 7,904,940 |
| | <u>108,484,039</u> | <u>216,951,425</u> | <u>238,184,261</u> | <u>388,090,849</u> |

During the periods ended 31 December 2005 and 2004, movements in Deferred tax are as follows:

| | Deferred tax assets | | Deferred tax liabilities | |
|--|---------------------|--------------------|--------------------------|--------------------|
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Opening balance | 216,951,425 | 237,832,317 | 388,090,849 | 328,125,407 |
| Effect in results: | | | | |
| Difference between fair value and acquisition cost | - | - | 60,713,539 | 39,596,289 |
| Amortization and Depreciation harmonisation adjustments | (1,256,961) | 1,262,399 | 8,102,805 | 2,943,713 |
| Provisions and impairment losses not accepted for tax purposes | 4,288,769 | 1,059,830 | 3,683,627 | (1,252,134) |
| Write-off of tangible and intangible assets | 6,328,243 | 4,795,333 | 161,899 | 1,787,410 |
| Write-off of accruals | 2,667,524 | (355,957) | 333,025 | (1,868,025) |
| Valuation of hedging derivatives | (2,944,390) | (332,158) | (3,082,220) | (232,343) |
| Revaluation of tangible assets | - | - | (89,953) | (21,830) |
| Tax losses carried forward | (14,537,202) | (24,955,682) | - | - |
| Reinvested capital gains/(losses) | - | - | (81,669) | (75,559) |
| Others | (1,455,584) | (3,280,043) | 535,410 | 6,856,484 |
| | (6,909,601) | (21,806,278) | 70,276,463 | 47,734,005 |
| Effect in reserves: | | | | |
| Difference between fair value and acquisition cost | - | - | 798,325 | 10,876,616 |
| Valuation of hedging derivatives | (12,114,929) | (623,152) | (538,903) | (1,050,333) |
| Exchange rate effect | 12,625,874 | 749,899 | 7,963,708 | 615,656 |
| Fair value allocation in acquired companies | - | 799,043 | 1,362,272 | 13,720 |
| De-merger (Note 8) | (54,795,890) | - | (40,794,379) | - |
| Changes in consolidation method | 321,469 | 1,359,279 | (176,557) | 1,868,665 |
| Acquisitions of companies | 2,944,441 | (3,475,489) | (11,117,068) | (93,241) |
| Disposals of companies | (51,019,035) | (1,190,420) | (42,502,602) | 12,231,083 |
| Change in tax rate | (12,411,493) | - | (199,255,986) | - |
| Others | 4,646,928 | 2,115,806 | 27,285,754 | 354 |
| | (42,774,185) | - | (5,710,217) | - |
| Closing balance | 108,484,039 | 216,951,425 | 238,184,261 | 388,090,849 |

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2005 and 2004, and using exchange rates effective at that time, tax losses carried forward can be summarised as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|---|----------------------------|---------------------|------------|----------------------------|---------------------|------------|
| | Tax losses carried forward | Deferred tax assets | Time limit | Tax losses carried forward | Deferred tax assets | Time limit |
| With limited time use | | | | | | |
| Generated in 1999 | - | - | | 15,624,274 | 4,216,924 | 2005 |
| Generated in 2000 | 1,860,520 | 464,590 | 2006 | 7,008,937 | 1,627,738 | 2006 |
| Generated in 2001 | 7,365,362 | 2,010,374 | 2007 | 35,438,140 | 9,744,575 | 2007 |
| Generated in 2002 | 61,090,945 | 16,727,473 | 2008 | 59,451,372 | 16,195,703 | 2008 |
| Generated in 2003 | 32,257,714 | 9,013,529 | 2009 | 43,340,935 | 12,271,177 | 2009 |
| Generated in 2004 | 5,295,699 | 1,317,769 | 2010 | 12,141,429 | 3,826,939 | 2010 |
| Generated in 2005 | 10,614,908 | 2,926,903 | 2011 | - | - | |
| | 118,485,148 | 32,460,638 | | 173,005,087 | 47,883,056 | |
| Without limited time use | 9,122,035 | 3,250,519 | | 11,692,437 | 4,217,389 | |
| With a time limit different from the above mentioned | 20,502,091 | 7,175,732 | | 32,396,962 | 13,024,507 | |
| Discontinued operations | - | - | | 383,727,697 | 95,963,423 | |
| | 29,624,126 | 10,426,251 | | 427,817,096 | 113,205,319 | |
| | 148,109,274 | 42,886,889 | | 600,822,183 | 161,088,375 | |

As at 31 December 2005 and 2004, Deferred tax assets resulting from tax losses carried forward were re-assessed against each company's business plans, which are regularly updated, and available tax planning opportunities. Deferred tax assets have only been recorded to the extent that future profits will arise which may be offset against available tax losses or against deductible temporary differences.

As at 31 December 2005, tax losses carried forward, amounting to 1,341,331,692 euro, have not originated deferred tax assets for prudential reasons. These may be summarised as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|--------------------------|----------------------------|---------------------|------------|----------------------------|---------------------|------------|
| | Tax losses carried forward | Deferred tax assets | Time limit | Tax losses carried forward | Deferred tax assets | Time limit |
| With limited time use | | | | | | |
| Generated in 1999 | - | - | | 3,838,780 | 1,055,664 | 2005 |
| Generated in 2000 | 67,743,331 | 18,629,417 | 2006 | 65,770,015 | 18,093,568 | 2006 |
| Generated in 2001 | 125,518,521 | 34,517,593 | 2007 | 158,151,505 | 43,507,701 | 2007 |
| Generated in 2002 | 679,213,519 | 186,783,717 | 2008 | 732,550,064 | 201,460,612 | 2008 |
| Generated in 2003 | 65,091,201 | 18,520,346 | 2009 | 56,107,915 | 15,505,802 | 2009 |
| Generated in 2004 | 41,053,702 | 11,326,503 | 2010 | 40,022,792 | 11,119,583 | 2010 |
| Generated in 2005 | 229,033,258 | 62,990,282 | 2011 | - | - | |
| | <u>1,207,653,532</u> | <u>332,767,858</u> | | <u>1,056,441,071</u> | <u>290,742,930</u> | |
| Without limited time use | 133,678,160 | 46,113,016 | | 135,348,577 | 46,683,361 | |
| Discontinued operations | - | - | | 1,037,494,539 | 358,490,680 | |
| | <u>1,341,331,692</u> | <u>378,880,874</u> | | <u>2,229,284,187</u> | <u>695,916,971</u> | |

21. CASH AND CASH EQUIVALENTS

As at 31 December 2005 and 2004, Cash and cash equivalents can be detailed as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|--|---------------------|-------------------------|---------------------|
| | | | |
| Cash at hand | 2,799,622 | 2,472,997 | 3,839,186 |
| Bank deposits | 795,834,935 | 250,248,601 | 337,966,921 |
| Treasury applications | 113,659,759 | 65,961,984 | 144,407,335 |
| Cash and cash equivalents on the balance sheet | <u>912,294,316</u> | <u>318,683,582</u> | <u>486,213,442</u> |
| Bank overdrafts (Note 24) | <u>(18,673,265)</u> | <u>(19,253,677)</u> | <u>(24,735,790)</u> |
| Cash and cash equivalents on the statement of cash flows | <u>893,621,051</u> | <u>299,429,905</u> | <u>461,477,652</u> |

Bank overdrafts are disclosed in the balance sheet under Current bank loans.

22. SHARE CAPITAL

As at 31 December 2005, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each. As at that date, the company and group companies held 133,976,146 own shares, at a cost of 143,630,520 euro.

As at 31 December 2005, the following entities held more than 20% of the subscribed share capital:

| Entity | % |
|---|-------|
| Efanor Investimentos, SGPS, SA and associated companies | 52.94 |

23. MINORITY INTERESTS

Movements in minority interests in the periods ended 31 December 2005 and 2004 are as follows:

| | 31.12.2005 | 31.12.2004 |
|--|--------------------|--------------------|
| Opening balance as at 1 January | 785,515,291 | 921,125,745 |
| Increased shareholding by acquisitions | (14,977,382) | (2,398,420) |
| Changes resulting from currency translation | 19,108,495 | 3,923,955 |
| Acquisition of companies (Note 8) | 16,198,094 | (263,359,881) |
| Disposal of companies (Note 8) | (25,864,330) | - |
| Sale of Sonae Sierra with change in consolidation method | (553,940,396) | - |
| De-merger of Sonae Indústria | 35,247,616 | - |
| Others | (1,968,496) | (6,137,684) |
| Profit for the period attributable to minority interests | <u>135,388,720</u> | <u>132,361,575</u> |
| Closing balance as at 31 December | <u>394,707,612</u> | <u>785,515,290</u> |

24. BORROWINGS

As at 31 December 2005 and 2004, Borrowings are made up as follows:

| | 31.12.2005 | | | |
|--|-----------------------------|----------------------|--------------------|----------------------|
| | Amount in the balance sheet | | Nominal value | |
| | Current | Non Current | Current | Non Current |
| Bank loans | 573,021,760 | 892,835,901 | 573,477,973 | 912,093,283 |
| Bonds | 89,725,193 | 910,949,438 | 89,819,686 | 921,819,684 |
| Obligations under finance leases (Note 25) | 11,030,610 | 36,194,019 | 11,030,610 | 36,194,019 |
| Other loans | 1,082,647 | 8,164,831 | 1,082,647 | 8,164,831 |
| Bank overdrafts (Note 21) | 18,673,265 | - | 18,673,265 | - |
| Hedging derivatives (Note 26) | 959,050 | 481,953 | - | - |
| | 694,492,525 | 1,848,626,142 | 694,084,181 | 1,878,271,817 |

| | 31.12.2004 | | | |
|--|-----------------------------|----------------------|--------------------|----------------------|
| | Amount in the balance sheet | | Nominal value | |
| | Current | Non Current | Current | Non Current |
| Bank loans | 774,487,573 | 1,825,940,672 | 775,922,177 | 1,868,172,461 |
| Bonds | 35,078,955 | 431,782,099 | 35,080,762 | 436,116,630 |
| Obligations under finance leases (Note 25) | 11,439,067 | 40,779,698 | 11,439,067 | 40,779,698 |
| Other loans | 5,381,527 | 145,646,891 | 5,381,527 | 140,758,506 |
| Bank overdrafts (Note 21) | 24,735,790 | - | 24,735,790 | - |
| Hedging derivatives (Note 26) | 98,538,076 | 3,632,912 | - | - |
| | 949,660,988 | 2,447,782,272 | 852,559,323 | 2,485,827,295 |

1) Amount in the balance sheet is defined as amortised cost for bank loans and bonds and fair value for derivatives.

Derivatives are recorded at fair value (Note 20).

The repayment schedule of nominal value of borrowings may be summarised as follows:

| | 31.12.2005 | 31.12.2004 |
|------------|----------------------|----------------------|
| 2005 | - | 852,559,323 |
| 2006 | 694,084,181 | 757,869,633 |
| 2007 | 144,560,638 | 160,912,179 |
| 2008 | 126,167,422 | 179,019,440 |
| 2009 | 349,217,525 | 478,382,160 |
| 2010 | 333,764,184 | 112,039,422 |
| After 2010 | 924,562,049 | 797,604,461 |
| | 2,572,355,998 | 3,338,386,618 |

Major loans, as at 31 December 2005, can be summarised as follows:

- Optimus signed a 5 year guarantee and revolving credit facilities on 6 August 2004, with an international bank syndicate, in the amount of 450,000,000 euro. This facility has been used to refinance all of Optimus' existing debt facilities obtained under the previous project finance agreement (dated July 2003) and will be used to fully fund its business plan. Interest rate equals Euribor plus a spread linked to Optimus' financial performance, measured amongst others by the ratio of Net Debt to EBITDA. The guarantee facility used to secure loans made by the European Investment Bank (EIB) will be repaid in 2 instalments (30% in June 2008 and 70% in June 2009). The revolving credit facility will be repaid in June 2009. As at 31 December 2005 the outstanding amount is of 324,458,200 euro, which is disclosed as Non-current bank loans;
- Bank loans of 961,970,424 euro, obtained by affiliated companies of Sonae Sierra from several financial institutions, bearing interest at market rates, repayable from March 2006 to May 2027. As at 31 December 2005 outstanding amount is 702,313,716 euro, of which 683,252,465 euro are disclosed as Non-current bank loans and 19,061,251 euro as Current bank loans. These loans are guaranteed by mortgages of investment properties held by these affiliated companies and are non-recourse;
- Bank loans of 531,057,807 euro, obtained by affiliated companies of Sonae Sierra from several financial institutions, bearing interest at market rates, repayable from February 2006 to December 2025. As at 31 December 2005, the outstanding amount is 309,607,897 euro, of which 288,935,522 euro are disclosed as Non-current bank loans and 20,672,375 euro as Current bank loans. These loans are guaranteed by mortgages of investment properties held by these affiliated companies and by a pledge of shares held in those affiliated companies, and are non-recourse;

- Bank loans of 32,154,000 euro, obtained by an affiliated company of Sonae SGPS from a syndicate of banks in 2001. The loan bears interest at market rates and is repayable in twenty quarterly instalments with a two year grace period. As at 31 December 2005 the amount disclosed in the caption Non-current bank loans amounted to 10,764,146 euro and in the caption Current bank loans to 6,150,940 euro;
- Non-current bank loan of 40,000,000 euro, obtained by an affiliated company of Sonae SGPS from a financial institution on 11 February 2005. The loan bears interest at market rates and is repayable in one instalment on 9 February 2007. This loan is guaranteed by Sonae, SGPS, SA;
- Current bank loans of 34,791,153 euro, obtained by affiliated companies of Sonae SGPS from a financial institution on 30 December 2005. The loan bears interest at market rates and is repayable in one instalment on 30 June 2006. This loan is guaranteed by Sonae, SGPS, SA;
- Bonds MODELO CONTINENTE / 2003 amounting to 82,000,000 euro, repayable in full after 8 years, in one instalment, on 15 October 2011. Interest rate equal to Euribor 6 months plus 0.75%;
- Bonds MODELO CONTINENTE / 2004 amounting to 100,000,000 euro, repayable after 5 years, in one instalment, on 18 March 2009. Interest rate equal to Euribor 6 months plus 1.15%;
- Bonds MODELO CONTINENTE / 2005 / 2010 amounting to 265,000,000 euro, repayable after 5 years, in one instalment, on 3 August 2010, except if advanced reimbursement occurs. Advanced reimbursement, total or partial, is available if required by the issuer. In this case the nominal value of the Bonds, on the 2th, 3rd or 4th year, can be reduced upon a premium of 0.125% of the reimbursed amount. Interest rate equal to Euribor 6 months plus 0.70%;
- Bonds MODELO CONTINENTE / 2005 / 2012 amounting to 150,000,000 euro, repayable at par on the fourteen coupon, on 2 August 2012, except if advanced reimbursement occurs. Advanced reimbursement, total or partial, is available if required by the issuer without any premium. In this case the nominal value of the Bonds, on the 10th, 11th, 12th and 13th coupons, will be reduced. Interest rate equal to Euribor 6 months plus 0.85%;
- Bonds SONAE / 97 amounting to 149,639,369 euro repayable, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate equal to Lisbor [previously changed to Euribor] plus 0.17% from the 1st to the 13th coupon, plus 1.17% in the 14th coupon and plus 1.22% from the 15th to the 20th coupons. This bond loan will be paid at par value, in October 2006, in half of its amount (74.819.685 euros);
- Bonds SONAE / 05 amounting to 100,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013. Interest rate equal to Euribor 6 months plus 0.875%, with interest paid half-yearly;
- Bonds SONAE IMOBILIÁRIA / 99 amounting to 50,000,000 euro repayable in full in December 2006. Earning interest at a rate equal to Euribor 6 months plus 0.5% from the 1st to the 10th coupon and Euribor 6 months plus 0.55% from the 11th to the 14th coupon. This loan had a put option exercisable on the 10th coupon by its bondholders. The bondholders exercised this put option in December 2004 and therefore a reimbursement of 20,000,000 euro was made;
- Bonds SONAE COM / 2005 amounting to 150,000,000 euro, repayable after 8 years, in one instalment, in June 2013, and earning interest at a rate equal to Euribor 6 months plus 0.875%;
- Sonae SGPS launched on 23 August 2004 a commercial paper programme up to 350,000,000 euro, with 10 years duration. As at 31 December 2005, amounts outstanding totalled 340,950,000 euro.

25. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2005 and 2004, Obligations under finance leases are made up as follows:

| | 31.12.2005 | 31.12.2004 |
|---|-------------------|-------------------|
| Assets acquired under finance leases | | |
| Land and Buildings | 44,829,095 | 56,769,699 |
| Plant and machinery | 4,665,686 | 15,569,270 |
| Vehicles | 94,984 | 662,277 |
| Tools | 38,239 | 178,399 |
| Fixtures and Fittings | 10,161,235 | 15,043,412 |
| Other assets | 2,721 | 5,443 |
| Assets in progress | 738,162 | 489,401 |
| Investment properties | 8,628,500 | 0 |
| | <u>69,158,622</u> | <u>88,717,901</u> |

| Obligations under finance leases | Minimum finance lease payments | Present value of minimum finance lease payments | |
|--|--------------------------------|---|------------|
| | 31.12.2005 | 31.12.2005 | 31.12.2004 |
| Amounts under finance leases: | | | |
| 2005 | - | - | 11,843,427 |
| 2006 | 12,374,539 | 11,030,610 | 14,317,407 |
| 2007 | 7,787,861 | 6,722,693 | 3,941,742 |
| 2008 | 8,903,230 | 8,030,152 | 3,343,005 |
| 2009 | 5,299,193 | 4,576,721 | 3,310,414 |
| 2010 | 5,207,812 | 4,655,132 | 3,635,628 |
| After 2010 | 13,498,785 | 12,209,321 | 11,827,142 |
| | 53,071,420 | 47,224,629 | 52,218,765 |
| Interest | (5,846,791) | | |
| | 47,224,629 | | |
| Current obligations under finance leases | | 11,030,610 | 11,439,067 |
| Non-current obligations under finance leases | | 36,194,019 | 40,779,698 |

Finance leases are contracted at market interest rates, have defined useful lives and include an option for the acquisition of the related assets at the end of the period of the contract.

As at 31 December 2005, the fair value of finance leases is close to its accounting value.

Obligations under finance leases are guaranteed by related assets.

26. DERIVATIVES

Exchange rate derivatives

The Group uses exchange rate derivatives, essentially to hedge future cash flows.

The Group contracted several exchange rate forwards and options in order to manage its exchange rate exposure.

As at 31 December 2005, the fair value of exchange rate derivatives, calculated based on present market value of equivalent financial instruments, is of 60,475 euro (307,485 euro as at 31 December 2004) and is included in Current investments. As at 31 December 2005 no similar liabilities existed (573 euro as at 31 December 2004).

Losses in the period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment, amounting to 61,048 euro, were recorded directly in the income statement in the caption Net financial expenses.

Additionally, in 2004, the Group sold currency call options in order to hedge the fair value of currency put options embedded in non-current loans obtained. The fair value of these options, which is identical to the fair value of the hedged options, amounts to 5,494,113 euro as at 31 December 2004. These derivatives were sold during 2005, since the loan to which they related has been reimbursed in advance of its maturity.

Interest rate derivatives

As at 31 December 2005, derivatives used by the Group essentially refer to "swaps" and interest rate options ("cash flow hedges"). These were negotiated to hedge the interest rate risk of loans amounting to 255,692,090 euro (984,264,932 euro as at 31 December 2004). The fair value of these derivatives amounts to -1,441,003 euro (-8,444,082 euro as at 31 December 2004), of which 454,221 relate to derivatives on loans which were reimbursed during the year and as such no longer qualify as hedge derivatives, in spite of continuing to hedge interest risk.

These interest rate derivatives are valued at fair value, at the balance sheet date, based on valuations performed by the Group using specific software and on external valuations when this software does not deal with specific instruments. The fair value of swaps was calculated, as at the balance sheet date, based on the discounted cash flow of the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg. The calculation of the fair value of options was based on the "Black-Scholes" model and similar models.

The hedging principles used by the Group when negotiating these financial derivatives are as follows:

- Perfect "matching" between cash in-flows and out-flows, i.e., rate setting dates of bank loans coincide with those of the interest rate derivative;
- Perfect "matching" of indices used: the index of the hedging derivative and that of the related loan are the same;
- In a scenario of an extreme increase in interest rates, the maximum financing cost is limited.

Counterparts issuing derivative financial instruments are selected based on financial strength and credit risk established by internationally recognised rating agencies. These counterparts are nationally and internationally recognised first class financial institutions.

Additionally, in 2004, the Group negotiated interest rate derivatives (interest rate swaps) with the objective of hedging the fair value of specific fixed interest rate loans, which were reimbursed during 2005. The fair value of these derivatives amounts to 8,823,291 euro as at 31 December 2004.

Interest rate and exchange rate derivatives

As at 31 December 2004 the Group maintained derivatives to manage its interest rate risk and foreign exchange rate risk exposure. The purpose of such derivatives is to reduce the volatility, which is caused by fluctuation in exchange rates, of the hedged asset or liability and of related interest. With the advanced reimbursement of these assets and liabilities, the Group sold all the related hedge derivatives.

The fair value of those derivatives is as follows:

| | 31.12.2005 | 31.12.2004 |
|-------------|------------|--------------|
| Assets | - | 72,700,757 |
| Liabilities | - | (85,787,551) |
| | - | (13,086,794) |

Fair value of derivatives

The fair value of derivatives is detailed as follows:

| | Investments (Note 12) | | Borrowings (Note 19) | |
|--------------------------------------|--------------------------|------------|-------------------------|-------------|
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Derivatives not qualified as hedging | 60,475 | - | 454,221 | 573 |
| Hedging derivatives | | | | |
| Exchange rate | - | 5,801,597 | - | 5,494,113 |
| Interest rate | - | 8,823,290 | 986,782 | 8,444,082 |
| Interest and exchange rate | - | 72,700,758 | - | 85,787,551 |
| Other derivatives | - | - | - | 2,444,669 |
| | 60,475 | 87,325,645 | 1,441,003 | 102,170,988 |

27. OTHER NON-CURRENT LIABILITIES

As at 31 December 2005 and 2004 Other non-current liabilities were made up as follows:

| | 31.12.2005 | Pro-forma 31.12.2004 | 31.12.2004 |
|---------------------------------|-------------|-------------------------|-------------|
| Shareholder loans | 50,411,714 | 62,146,301 | 106,324,498 |
| Investments grants | - | - | 84,845,088 |
| Fixed assets suppliers | 25,410,132 | 30,899,862 | 38,657,095 |
| Other non-current liabilities | 481,162,421 | 619,975,989 | 652,750,725 |
| Taxes and contributions payable | - | - | 14,056,100 |
| Retirement benefits | - | - | 23,758,519 |
| Share based payments (Note 28) | 29,428,569 | 20,347,853 | 20,347,853 |
| | 586,412,836 | 733,370,005 | 940,739,878 |

The caption Other non-current liabilities includes 460,085,361 euro (593,463,454 euro as at 31 December 2004) which correspond to the present value of the consideration paid by the Santander Group for Modelo Continente, SGPS, SA shares, currently amounting to 22.42% of the share capital of that affiliated company, under the terms of the call option agreement.

On 9 May 2002, the company sold shares representing 19.95% of the share capital of its affiliated company Modelo Continente, SGPS, S.A. to Banco Santander Central Hispano and related companies (the Santander Group). This sale was part of agreements entered into with the Santander Group on 8 February 2002 to launch a tender offer for the whole of the share capital of that affiliated company not yet owned by Sonae, and the sales price per share was the offer price (1.85 euro).

At the same time, agreements with the Santander Group were signed, giving Sonae an option to repurchase the shares mentioned in the previous paragraph (open to be exercised during 4 years by an affiliated company appointed on 16 December 2002 for that purpose) and the Santander Group an option to sell them (open between the end of the 3rd year up to the end of the 4th year to be exercised by an affiliated company appointed on 16 December 2002 for that purpose). The share prices for these options are specified in the agreements and are indexed to the sales price and to financial variables.

In January 2003 the Santander Group subscribed shares representing 5.7% of the capital increase of Modelo Continente, SGPS, SA, under the same contractual arrangements. Consequently, the Santander Group changed its shareholding to 18.65% of the share capital of this company.

On 16 November 2004, the agreements mentioned above were renegotiated including a portion of the Modelo Continente, SGPS, S.A. shares acquired during the year. Consequently, as at 31 December 2004, the Santander Group held 30% of the share capital of that affiliated company.

The terms of the renegotiation maintained the share call option held by Sonae over the shares owned by the Santander Group which can be exercised at any moment, as well as the put option held by the Santander Group which can only be exercised after 30 November 2008. The share prices for these options are specified in the agreements and are indexed to the sales price and to financial variables.

On 19 May 2005, in an over the counter transaction, Sonae, SGPS, SA acquired 83,375,000 shares (7.58% of the share capital) of its affiliate Modelo Continente, SGPS, SA, for 150.4 million euro, under the terms of the Call Option contract signed on 16 November 2004.

Under the contract terms, generally accepted accounting principles establish that those shares must be maintained in Sonae, SGPS, S.A.'s assets, because of the existence of the share repurchase option which determines that Sonae maintains control over those shares, in spite of all rights and obligations having been legally transferred to the acquirer (the Santander Group). To exercise this repurchase option, one affiliated company included in the consolidation was appointed. A liability has been recognised corresponding to the amount payable to the Santander Group if and when the share repurchase option is actioned.

Other non-current liabilities included also 26,865,801 euro as at 31 December 2004 of contingent liabilities arising from legal and tax claims still open in Sonae Distribuição Brasil. These contingent liabilities were guaranteed by legal deposits disclosed as at 31 December 2004 in Other non-current assets (Note 14).

28. SHARE-BASED PAYMENTS

In 2005 and in previous years, the Sonae Group granted deferred performance bonuses to its directors and eligible employees. These are either based on shares to be acquired at nil cost, three years after they were attributed to the employee, or based on share options with the exercise price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle in cash instead of shares. The option can only be exercised if the employee still works for the Group on the vesting date.

Liabilities arising from deferred performance bonuses are valued in accordance with Note 2.16.. As at 31 December 2005 and 2004, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

| | Year of grant | Vesting year | Number of participants | Fair value | |
|-----------------------|---------------|--------------|------------------------|-------------------|-------------------|
| | | | | 30.09.2005 | 31.12.2004 |
| <u>Shares</u> | | | | | |
| | 2002 | 2005 | - | - | 6,701,663 |
| | 2003 | 2006 | 288 | 15,973,503 | 10,564,485 |
| | 2004 | 2007 | 453 | 9,654,065 | 8,393,347 |
| | 2005 | 2008 | 474 | 8,446,941 | - |
| | | | | <u>34,074,509</u> | <u>25,659,495</u> |
| <u>Options</u> | | | | | |
| | 2001 | 2004 | 54 | - | 654,041 |
| | 2002 | 2005 | 115 | 4,203,376 | 4,830,099 |
| | 2003 | 2006 | - | - | - |
| | 2004 | 2007 | - | - | - |
| | 2005 | 2008 | - | - | - |
| | | | | <u>4,203,376</u> | <u>5,484,140</u> |
| <u>Total</u> | | | | <u>38,277,885</u> | <u>31,143,635</u> |

As at 31 December 2005 and 2004 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

| | 31.12.2005 | 31.12.2004 |
|-------------------------------|-------------------|-------------------|
| Staff costs | 16,397,493 | 10,033,207 |
| Retained earnings | 13,031,076 | 10,314,646 |
| | <u>29,428,569</u> | <u>20,347,853</u> |
| Other current liabilities | - | - |
| Other non-current liabilities | 29,428,569 | 20,347,853 |
| | <u>29,428,569</u> | <u>20,347,853</u> |

The movement in the number of options open in the period is as follows:

| | 31.12.2005 |
|---|------------------|
| Opening balance | 3,086,290 |
| Granted in the period | - |
| Expired in the period | (238,656) |
| Expired and not exercised in the period | (441,410) |
| Closing balance | <u>2,406,224</u> |

Options are only granted on Sonaecom shares, and may be summarised as follows:

| Vesting date | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|---|------------|------------|----------|----------|----------|------------|
| Exercisable until: | 31.03.05 | 31.03.06 | 31.03.07 | 31.03.08 | 31.03.09 | |
| Exercise price (defined at date of grant) | 3.014 € | 1.694 € | - | - | - | |
| Total liability | - | 4,203,376 | - | - | - | 4,203,376 |
| Recorded liability | - | 4,203,376 | - | - | - | 4,203,376 |
| Number of options open | 285,406 | 2,120,818 | - | - | - | 2,406,224 |
| Number of options exercised in the period | (238,656) | - | - | - | - | (238,656) |
| Number of options expired but not exercised in the period (a) | (208,443) | (167,027) | - | - | - | (375,470) |
| Average market-price of options exercised in the period | 3.721 € | | | | | |

(a) 65,940 options relating to the plan vested in 2003 expired in the period.

During the period, the Group recorded Staff costs arising from Sonaecom options amounting to 1,467,065 euro (1,828,047 euro for the same period in 2004).

29. TRADE ACCOUNTS PAYABLE

As at 31 December 2005 and 2004, Trade accounts payable were made up as follows:

| | 31.12.2005 | 31.12.2004 | 31.12.2004 |
|-------------------------------------|--------------------|--------------------|----------------------|
| | | Pro-forma | |
| Trade creditors current account | | | |
| Wood Based Products | - | - | 126,949,990 |
| Retail | 454,106,013 | 453,753,187 | 587,377,862 |
| Shopping Centres | 9,188,401 | 9,950,318 | 19,742,129 |
| Telecommunications | 100,207,056 | 112,192,513 | 112,151,969 |
| Other segments | 76,168,660 | 49,287,312 | 54,997,718 |
| | <u>639,670,130</u> | <u>625,183,330</u> | <u>901,219,668</u> |
| Trade creditors - Invoices Accruals | 158,565,925 | 147,062,729 | 163,761,973 |
| Trade creditors - Bills payable | 10,444,926 | 11,197,389 | 33,900,297 |
| | <u>808,680,981</u> | <u>783,443,448</u> | <u>1,098,881,938</u> |

As at 31 December 2005 and 2004, this caption relates only to trade payables due in the normal course of Group companies activities. The Board of Directors believes that the fair market value of these payables is approximate to the book value.

30. OTHER CREDITORS

As at 31 December 2005 and 2004, Other creditors were made up as follows:

| | 31.12.2005 | 31.12.2004 Pro-forma | 31.12.2004 |
|-----------------------|--------------------|-------------------------|--------------------|
| Related undertakings | 29,107,161 | 62,986,704 | 12,256,999 |
| Fixed asset suppliers | 79,751,869 | 87,319,615 | 122,228,489 |
| Others debts | 68,104,841 | 117,375,707 | 161,919,594 |
| Factoring | 18,282,079 | 17,336,657 | 48,999,834 |
| | <u>195,245,950</u> | <u>285,018,683</u> | <u>345,404,916</u> |

The caption Other debts includes a put option granted by the Group to shareholders of a company disposed of during the year, amounting to 74,139,801 Brazilian reais (27,018,768 euro). When the put option is exercised the Group will sell those shares for an amount of 8,550,000 euros (Note 8), as a result of agreements already signed.

31. OTHER CURRENT LIABILITIES

As at 31 December 2005 and 2004, Other current liabilities were made up as follows:

| | 31.12.2005 | 31.12.2004 Pro-forma | 31.12.2004 |
|--------------------------------------|--------------------|-------------------------|--------------------|
| Holiday pay and bonuses | 98,573,788 | 84,497,448 | 114,563,040 |
| Interest payable | 12,409,099 | 10,422,654 | 14,496,941 |
| Invoices to be issued | 25,558,463 | 28,251,086 | 28,251,086 |
| Commissions | 12,605,394 | 8,021,212 | 8,021,212 |
| Marketing expenses | 12,085,832 | 9,647,640 | 9,647,640 |
| Other external supplies and services | 31,147,265 | 11,287,627 | 26,038,027 |
| Accrued income - trade debtors | 27,818,663 | 24,710,969 | 24,710,969 |
| Accrued income - rents | 4,628,367 | 3,554,107 | 3,554,107 |
| Subsidies | 615,621 | 2,555,028 | 11,009,083 |
| Others | 47,595,485 | 64,537,754 | 125,164,061 |
| | <u>273,037,977</u> | <u>247,485,525</u> | <u>365,456,166</u> |

32. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in Provisions and impairment losses over the period ended 31 December 2005 and 2004 are as follows:

| | Balance as at 31.12.2004 | Increase | Decrease | Changes in consolidation perimeter | Balance as at 31.12.2005 |
|--|-----------------------------|-------------------|---------------------|--|-----------------------------|
| Accumulated impairment losses on investments (Note 13) | 53,682,218 | 1,063,973 | (150,471) | (43,023,819) | 11,571,901 |
| Accumulated impairment losses on other non-current assets (Note 14) | 22,061,191 | 2,439,051 | (432,541) | (19,049,979) | 5,017,722 |
| Accumulated impairment losses on trade accounts receivable (Note 16) | 124,202,723 | 12,569,006 | (14,102,531) | (26,601,485) | 96,067,713 |
| Accumulated impairment losses on other debtors (Note 17) | 16,554,191 | 809,318 | (2,257,789) | (867,209) | 14,238,511 |
| Accumulated impairment losses on stocks (Note 15) | 24,660,246 | 6,975,389 | (2,367,547) | (4,037,166) | 25,230,922 |
| Non-current provisions | 57,189,153 | 53,307,541 | (12,823,828) | (43,194,947) | 54,477,919 |
| Current provisions | 13,937,849 | 5,721,541 | (6,717,288) | (10,657,119) | 2,284,983 |
| | <u>312,287,571</u> | <u>82,885,819</u> | <u>(38,851,995)</u> | <u>(147,431,724)</u> | <u>208,889,671</u> |

| | Balance as at 31.12.2003 | Increase | Decrease | Balance as at 31.12.2004 |
|--|-----------------------------|-------------------|---------------------|-----------------------------|
| Accumulated impairment losses on investments (Note 13) | 65,795,256 | 2,386,882 | (14,499,920) | 53,682,218 |
| Accumulated impairment losses on other non-current assets (Note 14) | 20,636,201 | 5,826,693 | (4,401,703) | 22,061,191 |
| Accumulated impairment losses on trade accounts receivable (Note 16) | 115,532,603 | 24,912,892 | (16,242,772) | 124,202,723 |
| Accumulated impairment losses on other debtors (Note 17) | 19,117,602 | 903,361 | (3,466,772) | 16,554,191 |
| Accumulated impairment losses on stocks (Note 15) | 21,548,495 | 10,155,269 | (7,043,518) | 24,660,246 |
| Non-current provisions | 53,696,014 | 20,314,902 | (16,821,763) | 57,189,153 |
| Current provisions | 17,572,911 | 752,626 | (4,387,688) | 13,937,849 |
| | <u>313,899,082</u> | <u>65,252,625</u> | <u>(66,864,136)</u> | <u>312,287,571</u> |

The column "Increase" includes 11,647,892 euros related with exchange rate effect, which was booked in currency translation reserves. It also includes 27,000,000 of expenses to be incurred with the sale of the Brazilian subsidiaries (Note 8), which were deducted from the caption Investment income in the income statement.

Changes in consolidation perimeter are as follows:

| | 31.12.2005 |
|--|----------------------|
| Disposal of companies | (27,933,358) |
| De-merger of Sonae Indústria | (106,528,501) |
| Change in consolidation method of Sonae Sierra | (13,270,625) |
| Others | 300,760 |
| | <u>(147,431,724)</u> |

Impairment losses are deducted from the book value of the corresponding asset.

33. CONTINGENT ASSETS AND LIABILITIES

| | 31.12.2005 | 31.12.2004 |
|--------------------|-------------|-------------|
| Guarantees given: | | |
| on tax claims | 64,279,059 | 43,461,384 |
| on judicial claims | 2,135,699 | 586,599 |
| others | 265,851,124 | 260,362,172 |

Others include the following guarantees:

- 70,337,776 euro related to guarantees on construction works given to clients;
- 16,817,472 euro to guarantee partially debts of Sonae Sierra subsidiaries related with the acquisition, sale and exchange of land;
- 117,532,153 euro of a guarantee for commitments by a group company towards a financial institution .

As at 31 December 2005 and 2004, shares representing 31.83% of the share capital of Modelo Continente, SGPS, S.A. were pledged to the Santander Group as part of the of contractual obligations arising from the call and put option agreements on Modelo Continente's shares.

34. OPERATIONAL LEASES

Operational leases where the Group acts as a lessor, minimum lease payments (fixed income) recognized as income, during the period ended 31 December 2005 and 2004, amounted to 161,552,245 euro and 122,846,915 euro, respectively

Additionally, as at 31 December 2005, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

| | 31.12.2005 |
|------------|--------------------|
| Due in: | (a) |
| 2006 | 78,197,265 |
| 2007 | 70,368,094 |
| 2008 | 60,448,535 |
| 2009 | 52,554,422 |
| 2010 | 36,348,033 |
| After 2010 | 35,590,995 |
| | <u>333,507,344</u> |

(a) Amounts proportionalized at 50% since that will be the percentage used in 2006 for jointly controlled companies.

35. TURNOVER

As at 31 December 2005 and 2004, Turnover is made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|-------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Sale of goods | 2,903,645,886 | 1,423,226,398 | 4,326,872,284 | 2,735,985,764 | 1,035,707,307 | 3,771,693,071 |
| Sale of products | 95,106,540 | 763,034,215 | 858,140,755 | 164,757,680 | 1,377,756,368 | 1,542,514,048 |
| | 2,998,752,426 | 2,186,260,613 | 5,185,013,039 | 2,900,743,444 | 2,413,463,675 | 5,314,207,119 |
| Services Rendered | 1,214,419,634 | (6,918,399) | 1,207,501,235 | 1,157,457,954 | (7,374,509) | 1,150,083,445 |
| Turnover | 4,213,172,060 | 2,179,342,214 | 6,392,514,274 | 4,058,201,398 | 2,406,089,166 | 6,464,290,564 |

36. VALUE CREATED ON INVESTMENT PROPERTIES

As at 31 December 2005 and 31 December 2004, Value created on investment properties is made up as follows:

| | 31.12.2005 | 31.12.2004 |
|--|--------------------|--------------------|
| Properties previously under development and opened during the period (Note 11) | 63,112,235 | 38,350,711 |
| Change in fair value of investment properties in operation (Note 11) | | |
| Gains | 165,725,617 | 74,527,072 |
| Losses | (34,765,938) | (1,426,721) |
| | <u>194,071,914</u> | <u>111,451,062</u> |

37. OTHER OPERATIONAL INCOME

As at 31 December 2005 and 2004, Other operational income is made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|--------------------------------|----------------------|-------------------------|--------------------|----------------------|-------------------------|--------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Supplementary income | 251,539,296 | 36,334,262 | 287,873,558 | 210,669,545 | 38,698,776 | 249,368,321 |
| Own work capitalised | 149,320,241 | 949,439 | 150,269,680 | 89,274,576 | 1,378,982 | 90,653,558 |
| Gains on sales of assets | 34,516,556 | 50,725,327 | 85,241,883 | 7,345,593 | 8,623,874 | 15,969,467 |
| Reversion of impairment losses | 7,995,425 | 2,752,778 | 10,748,203 | - | - | - |
| Taxes refunded | 95,006 | 4,438,430 | 4,533,436 | 211,483 | 35,007,837 | 35,219,320 |
| Subsidies | 1,009,169 | 5,790,758 | 6,799,927 | 687,975 | 9,735,627 | 10,423,602 |
| Key money | 13,104,222 | - | 13,104,222 | 10,425,085 | - | 10,425,085 |
| Negative Goodwill | - | - | - | 3,413,722 | 2,269,802 | 5,683,524 |
| Others | 19,767,809 | 9,438,161 | 29,205,970 | 23,957,795 | 2,958,303 | 26,916,098 |
| | <u>477,347,724</u> | <u>110,429,155</u> | <u>587,776,879</u> | <u>345,985,774</u> | <u>98,673,201</u> | <u>444,658,975</u> |

Supplementary income includes mainly income related with the share of suppliers in promotional campaigns in the retail business.

As at 31 December 2005, Gains on sales of assets include circa 39 million euro, disclosed under discontinued operations, related with the sale in the first half of the year of 10 retail stores in the S.Paulo (Brazil) area. Continued operations includes circa 34 million euro related with the sale of the casino, casino hotel and congress center projects in Tróia.

As at 31 December 2004, Taxes refunded includes circa 23 million euro, disclosed under discontinued operations, related with ICMS.

38. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2005 and 2004, External supplies and services are made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|--------------|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Subcontracts | 527,018,930 | 11,424,195 | 538,443,125 | 464,890,478 | 15,958,435 | 480,848,913 |
| Publicity | 116,689,855 | 33,396,903 | 150,086,758 | 107,126,900 | 28,849,027 | 135,975,927 |
| Services | 110,107,485 | 38,307,037 | 148,414,522 | 90,974,775 | 36,906,308 | 127,881,083 |
| Transports | 37,254,871 | 93,032,024 | 130,286,895 | 33,292,406 | 114,347,481 | 147,639,887 |
| Rents | 76,730,141 | 32,920,667 | 109,650,808 | 58,136,980 | 34,611,029 | 92,748,009 |
| Electricity | 35,087,780 | 63,635,895 | 98,723,675 | 33,764,832 | 84,264,358 | 118,029,190 |
| Maintenance | 35,433,182 | 47,824,586 | 83,257,768 | 39,504,005 | 62,742,458 | 102,246,463 |
| Comissions | 54,980,413 | 3,005,682 | 57,986,095 | 56,950,508 | 5,005,210 | 61,955,718 |
| Others | 121,891,334 | 80,834,368 | 202,725,702 | 104,959,916 | 98,715,552 | 203,675,468 |
| | <u>1,115,193,991</u> | <u>404,381,357</u> | <u>1,519,575,348</u> | <u>989,600,800</u> | <u>481,399,858</u> | <u>1,471,000,658</u> |

39. STAFF COSTS

As at 31 December 2005 and 2004, Staff costs are made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|-------------------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Salaries | 446,920,151 | 190,735,896 | 637,656,047 | 403,540,082 | 224,309,750 | 627,849,832 |
| Social security contributions | 87,396,019 | 46,285,556 | 133,681,575 | 80,265,485 | 53,935,568 | 134,201,053 |
| Insurance | 8,637,220 | 1,214,469 | 9,851,689 | 7,797,155 | 1,746,141 | 9,543,296 |
| Welfare | 2,886,225 | 11,154,070 | 14,040,295 | 2,788,486 | 11,228,270 | 14,016,756 |
| Other staff costs | 13,935,877 | 15,208,508 | 29,144,385 | 13,913,800 | 19,147,525 | 33,061,325 |
| | 559,775,492 | 264,598,499 | 824,373,991 | 508,305,008 | 310,367,254 | 818,672,262 |

40. OTHER OPERATIONAL EXPENSES

As at 31 December 2005 and 2004, Other operational expenses is made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|------------------------------------|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| ATM expenses | 18,900,554 | 9,799,072 | 28,699,626 | 18,137,208 | 7,914,709 | 26,051,917 |
| Property tax | 7,836,226 | 2,957,124 | 10,793,350 | 7,340,406 | 2,375,583 | 9,715,989 |
| Other taxes | 22,504,222 | 14,812,259 | 37,316,481 | 20,992,307 | 14,790,976 | 35,783,283 |
| Losses on sales of assets | 6,288,104 | 7,053,245 | 13,341,349 | 10,947,303 | 14,497,416 | 25,444,719 |
| Write-off of investment properties | 9,450,500 | - | 9,450,500 | - | - | - |
| Donations | 5,273,483 | 47,426 | 5,320,909 | 4,616,806 | 110,456 | 4,727,262 |
| Doubtful debts written-off | 4,347,494 | 1,165,138 | 5,512,632 | 1,179,196 | 965,238 | 2,144,434 |
| Others | 17,749,018 | 10,589,559 | 28,338,577 | 23,158,216 | 13,097,658 | 36,255,874 |
| | 92,349,601 | 46,423,823 | 138,773,424 | 86,371,442 | 53,752,036 | 140,123,478 |

41. NET FINANCIAL EXPENSES

As at 31 December 2005 and 2004, Net financial expenses were made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|---|----------------------|-------------------------|----------------------|----------------------|-------------------------|----------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Expenses: | | | | | | |
| Interest payable | | | | | | |
| related with bank loans and overdrafts | (65,570,406) | (28,303,945) | (93,874,351) | (80,638,166) | (42,868,014) | (123,506,180) |
| related with non convertible bonds | (19,254,290) | (7,017,720) | (26,272,010) | (15,841,980) | (1,106,526) | (16,948,506) |
| related with financial leases | (1,508,615) | (170,235) | (1,678,850) | (1,528,921) | (408,164) | (1,937,085) |
| others | (22,370,007) | (822,660) | (23,192,667) | (26,248,818) | (3,862,577) | (30,111,395) |
| | (108,703,318) | (36,314,560) | (145,017,878) | (124,257,885) | (48,245,281) | (172,503,166) |
| Exchange losses | (1,976,072) | (12,785,480) | (14,761,552) | (893,144) | (11,552,655) | (12,445,799) |
| Payment discounts given | (2,051,963) | (11,069,089) | (13,121,052) | (1,040,564) | (15,794,543) | (16,835,107) |
| Losses on fair value of hedge derivatives | (7,851,273) | (8) | (7,851,281) | (4,599,379) | - | (4,599,379) |
| Other financial expenses | (25,242,389) | (22,843,199) | (48,085,588) | (25,230,108) | (26,827,321) | (52,057,429) |
| | (145,825,015) | (83,012,336) | (228,837,351) | (156,021,080) | (102,419,800) | (258,440,880) |
| Income: | | | | | | |
| Interest receivable | 26,618,072 | (397,616) | 26,220,456 | 40,181,396 | (12,075,033) | 28,106,363 |
| Exchange gains | 3,929,739 | 22,362,512 | 26,292,251 | 1,103,388 | 9,494,641 | 10,598,029 |
| Payment discounts received | 174,608 | 5,855,728 | 6,030,336 | 175,982 | 4,505,991 | 4,681,973 |
| Gains on fair value of hedge derivatives | 5,362,157 | 15,039 | 5,377,196 | 6,926,280 | 32,640 | 6,958,920 |
| Other financial income | 5,620,041 | 5,934,647 | 11,554,688 | 3,971,091 | 3,568,949 | 7,540,040 |
| | 41,704,617 | 33,770,310 | 75,474,927 | 52,358,137 | 5,527,188 | 57,885,325 |
| Net financial expenses | (104,120,398) | (49,242,026) | (153,362,424) | (103,662,943) | (96,892,612) | (200,555,555) |

42. INVESTMENT INCOME

As at 31 December 2005 and 2004, Investment income was made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|--|----------------------|-------------------------|--------------------|----------------------|-------------------------|--------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Dividends | 14,496,140 | 47,058 | 14,543,198 | 6,616,979 | 21,272 | 6,638,251 |
| Sale of Brazilian companies (Note 8) | - | 141,277,164 | 141,277,164 | - | - | - |
| Sale of Gescartão Group (Note 8) | - | 31,691,605 | 31,691,605 | - | - | - |
| Sale of Tafisa shares | - | 9,763,770 | 9,763,770 | - | 10,364,919 | 10,364,919 |
| Partial sale of ba Vidro | 38,184,913 | - | 38,184,913 | 21,014,195 | - | 21,014,195 |
| Sale of 17.04% of Sonae Sierra | 54,737,659 | - | 54,737,659 | - | - | - |
| Sale of Portucel shares | - | - | - | 74,363,446 | - | 74,363,446 |
| Others | 14,949,990 | 32,008 | 14,981,998 | 12,919 | 584,914 | 597,833 |
| Income on the sale of investments | 107,872,562 | 182,764,547 | 290,637,109 | 95,390,560 | 10,949,833 | 106,340,393 |
| Impairment losses on investments | (456,196) | (255,630) | (711,826) | 109,703 | (109,703) | - |
| | 121,912,506 | 182,555,975 | 304,468,481 | 102,117,242 | 10,861,402 | 112,978,644 |

43. TAXATION

As at 31 December 2005 and 2004, Taxation is made up as follows:

| | 31.12.2005 | | | 31.12.2004 | | |
|------------------------|----------------------|-------------------------|--------------------|----------------------|-------------------------|--------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Current tax | 37,465,654 | 5,188,670 | 42,654,324 | 31,981,476 | 7,209,479 | 39,190,955 |
| Deferred tax (Note 20) | 61,226,817 | 15,959,247 | 77,186,064 | 60,081,953 | 9,458,329 | 69,540,282 |
| | 98,692,471 | 21,147,917 | 119,840,388 | 92,063,429 | 16,667,808 | 108,731,237 |

44. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2005 and 2004 with related parties are detailed as follows:

| | Sales and services rendered | | Purchases and services obtained | |
|--|-----------------------------|-------------------|---------------------------------|-------------------|
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Transactions | | | | |
| Parent company and group companies excluded from consolidation | 29,441,019 | 443,245 | 1,962,087 | 2,882,863 |
| Jointly controlled companies | 37,917,879 | 22,318,213 | 1,070,860 | 10,368,275 |
| Associated companies | 3,027,715 | 2,615,701 | 11,206,737 | 7,877,918 |
| Other partners in Group companies | 12,831,935 | 180,427 | 6,529,776 | 911,056 |
| | 83,218,548 | 25,557,586 | 20,769,460 | 22,040,112 |
| | | | | |
| | Interest income | | Interest expenses | |
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Transactions | | | | |
| Parent company and group companies excluded from consolidation | 29,646 | - | 52,960 | 41,531 |
| Jointly controlled companies | 331,050 | 295,308 | 7,458 | 48,937 |
| Associated companies | 5,950 | 992,452 | 45,955 | - |
| Other partners in Group companies | 474,277 | 63,385 | 6,096,746 | 5,541,800 |
| | 840,923 | 1,351,145 | 6,203,119 | 5,632,268 |
| | | | | |
| | Accounts receivable | | Accounts payable | |
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Balance | | | | |
| Parent company and group companies excluded from consolidation | 12,640,910 | 22,661,281 | 367,578 | 148,801 |
| Jointly controlled companies | 29,268,146 | 2,444,300 | 3,757,773 | 3,441,742 |
| Associated companies | 6,929,214 | 838,034 | 2,283,497 | 387,313 |
| Other partners in Group companies | 9,553,739 | - | 13,688,689 | - |
| | 58,392,009 | 25,943,615 | 20,097,537 | 3,977,856 |

| | Loans | | | |
|--|-------------------|--------------------|-------------------|-------------------|
| | Obtained | | Granted | |
| | 31.12.2005 | 31.12.2004 | 31.12.2005 | 31.12.2004 |
| Balance | | | | |
| Parent company and group companies excluded from consolidation | 2,750,000 | 1,750,000 | 2,208,335 | 14,132,899 |
| Jointly controlled companies | 23,133,138 | - | 1,254,924 | 7,141,832 |
| Associated companies | - | - | 20,129,907 | 8,416,670 |
| Other partners in Group companies | 36,809,925 | 110,983,248 | - | 42,848,656 |
| | 62,693,063 | 112,733,248 | 23,593,166 | 72,540,057 |

In 2005 and 2004, members of the Board of Directors were attributed the following remuneration:

| | 31.12.2005 | 31.12.2004 |
|-----------------------|------------------|------------------|
| Fixed remuneration | 2,475,600 | 2,146,648 |
| Variable remuneration | 2,369,221 | 2,421,940 |
| | 4,844,821 | 4,568,588 |

45. EARNINGS PER SHARE

Earnings per share for the period, excluding the effect of discontinuing operations, were calculated taking into consideration the following amounts:

| | 31.12.2005 | | | 31.12.2004 | | |
|---|----------------------|-------------------------|------------------|----------------------|-------------------------|------------------|
| | Continued operations | Discontinued operations | Total operations | Continued operations | Discontinued operations | Total operations |
| Net profit | | | | | | |
| Net profit taken into consideration to calculate basic earnings per share (Net profit for the period attributable to equity holders of Sonae) | 302,101,261 | 210,702,024 | 512,803,285 | 256,153,737 | 27,367,273 | 283,521,010 |
| Effect of dilutive potential shares | | | | | | |
| Interest related to convertible bonds (net of tax) | - | - | - | - | - | - |
| Net profit taken into consideration to calculate diluted earnings per share: | 302,101,261 | 210,702,024 | 512,803,285 | 256,153,737 | 27,367,273 | 283,521,010 |
| Number of shares | | | | | | |
| Weighted average number of shares used to calculate basic earnings per share | 1,865,952,847 | 1,865,952,847 | 1,865,952,847 | 1,865,821,979 | 1,865,821,979 | 1,865,821,979 |
| Effect of dilutive potential ordinary shares from convertible bonds | - | - | - | - | - | - |
| Weighted average number of shares used to calculate diluted earnings per share | 1,865,952,847 | 1,865,952,847 | 1,865,952,847 | 1,865,821,979 | 1,865,821,979 | 1,865,821,979 |
| Earnings per share (basic and diluted) | 0.161902 | 0.112919 | 0.274821 | 0.137287 | 0.014668 | 0.151955 |

There are no convertible instruments included in Sonae, SGPS shares thereby, hence is no dilutive effect.

46. DIVIDENDS

In the Shareholders Annual General Meeting held on 6 April 2005, payment of a gross dividend of 0.02 euro per share (0.015 euro per share in 2003) was approved. This was paid on 6 May 2005, the total amount paid being 37,316,439.58 euro (27,987,329.69 euro in 2003).

For 2005, the Board of Directors proposed a gross dividend of 0.025 euro per share. In view of the fact that the Board of Directors intends to maintain the number of own shares held until dividend is paid, total amount of dividends is estimated to be 46,650,596.35 euro. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting

47. SEGMENT INFORMATION

In 2005 and 2004, the following were identified as primary business segments:

- Wood Based Products
- Retailing
- Shopping Centres
- Telecommunications
- Others

The geographic segments (secondary) identified in 2005 and 2004 are listed as follows:

- Portugal
- Spain
- France
- United Kingdom
- Germany
- Other European countries
- Brazil
- Canada
- South Africa
- Rest of the world

The contribution of the business segments to the income statement for the periods ended on 31 December 2005 and 2004 can be detailed as follows:

| | euros | | | | | |
|---|---------------|------------------|--------------|----------------|---------------------------|----------------------|
| 31 December 2005 | Retail | Shopping Centres | Telecomm. | Other Segments | Consolidation Adjustments | Continued Operations |
| Operational income | | | | | | |
| Sales | 2,726,110,499 | - | 93,468,598 | 179,938,280 | (764,951) | 2,998,752,426 |
| Services rendered | 12,985,004 | 255,907,544 | 725,066,512 | 251,464,651 | (31,004,077) | 1,214,419,634 |
| Value created on investments properties | 2,154,962 | 191,916,952 | - | - | - | 194,071,914 |
| Other operational income | 215,068,321 | 31,167,229 | 24,986,302 | 172,520,174 | 33,605,698 | 477,347,724 |
| | 2,956,318,786 | 478,991,725 | 843,521,412 | 603,923,105 | 1,836,670 | 4,884,591,698 |
| Inter-segment income | 58,264,952 | 11,226,081 | 12,775,028 | 11,410,780 | (93,676,841) | - |
| | 3,014,583,738 | 490,217,806 | 856,296,440 | 615,333,885 | -91,840,171 | 4,884,591,698 |
| Operational cash-flow (EBITDA) | 235,677,148 | 312,175,397 | 161,418,367 | 24,958,451 | 9,867,436 | 744,096,799 |
| Operational profit (EBIT) | 168,417,483 | 298,434,282 | 28,321,065 | 15,126,437 | 11,189,845 | 521,489,112 |
| Net financial expenses | (27,532,679) | (39,719,445) | (13,046,227) | (24,526,582) | 704,535 | (104,120,398) |
| Share of results of associated undertakings | - | (3,349,052) | - | - | 1,633,239 | (1,715,813) |
| Investment income | - | 33,667,632 | (9,762,791) | 161,901,721 | (63,894,056) | 121,912,506 |
| Profit before taxation | 140,884,804 | 289,033,417 | 5,512,047 | 152,501,576 | (50,366,437) | 537,565,407 |
| Taxation | (19,163,814) | (72,503,470) | (4,008,288) | (7,392,056) | 4,375,157 | (98,692,471) |
| Net profit for the period | 121,720,990 | 216,529,947 | 1,503,759 | 145,109,520 | (45,991,280) | 438,872,936 |
| - attributable to equity holders of Sonae | | | | | | 302,101,261 |
| - attributable to minority interests | | | | | | 136,771,675 |

| | | | | | | euros |
|---|---------------|------------------|--------------|----------------|---------------------------|----------------------|
| 31 December 2004 | Retail | Shopping Centres | Telecomm. | Other Segments | Consolidation Adjustments | Continued Operations |
| Operational income | | | | | | |
| Sales | 2,600,420,613 | 23,000 | 102,588,164 | 198,213,295 | (501,628) | 2,900,743,444 |
| Services rendered | 12,970,997 | 211,031,667 | 750,841,272 | 204,385,956 | (21,771,938) | 1,157,457,954 |
| Value created on investments properties | - | 111,451,062 | - | - | - | 111,451,062 |
| Other operational income | 169,520,184 | 30,176,884 | 29,419,892 | 103,620,975 | 13,247,839 | 345,985,774 |
| | 2,782,911,794 | 352,682,613 | 882,849,328 | 506,220,226 | -9,025,727 | 4,515,638,234 |
| Inter-segment income | 58,220,385 | 27,818,759 | 12,104,049 | (15,774,712) | (82,368,481) | - |
| | 2,841,132,179 | 380,501,372 | 894,953,377 | 490,445,514 | -91,394,208 | 4,515,638,234 |
| Operational cash-flow (EBITDA) | 234,681,640 | 221,947,437 | 206,766,465 | 12,163,511 | (1,758,377) | 673,800,676 |
| Operational profit (EBIT) | 170,015,747 | 214,396,912 | 68,666,476 | 9,574,658 | (1,952,196) | 460,701,597 |
| Net financial expenses | (29,821,631) | (39,972,223) | (18,670,488) | (17,183,970) | 1,985,369 | (103,662,943) |
| Share of results of associated undertakings | - | (172,368) | 5,861,007 | 74,788 | 12,985,102 | 18,748,529 |
| Investment income | 105,141 | 2,757,788 | (1,143,455) | 120,453,693 | (20,055,925) | 102,117,242 |
| Profit before taxation | 140,299,257 | 177,010,109 | 54,713,540 | 112,919,169 | (7,037,650) | 477,904,425 |
| Taxation | (16,330,626) | (53,647,383) | (18,140,149) | (4,490,846) | 545,575 | (92,063,429) |
| Net profit for the period | 123,968,631 | 123,362,726 | 36,573,391 | 108,428,323 | (6,492,075) | 385,840,996 |
| - attributable to equity holders of Sonae | | | | | | 256,153,737 |
| - attributable to minority interests | | | | | | 129,687,259 |

The contribution of the business segments to the balance sheets as at 31 December 2005 and 2004 can be detailed as follows:

| | | | | | | euros |
|--|---------------|------------------|---------------|----------------|---------------------------|---------------|
| 31 December 2005 | Retail | Shopping Centres | Telecomm. | Other Segments | Consolidation Adjustments | Consolidated |
| Fixed assets | | | | | | |
| Intangible | 65,218,165 | 4,160,407 | 192,082,594 | 80,012,195 | (19,927,938) | 321,545,423 |
| Tangible | 1,142,618,913 | 617,843 | 477,068,126 | 287,014,457 | 815,134 | 1,908,134,473 |
| Investment properties | - | 1,354,305,233 | - | - | 3,115,852 | 1,357,421,085 |
| Goodwill ¹ | - | - | - | - | 245,578,246 | 245,578,246 |
| Investments | 70,694,041 | 4,082,997 | 1,203,713 | 115,082,868 | (33,435,043) | 157,628,576 |
| Deferred tax assets | 24,126,376 | 13,782,635 | 66,239,164 | 4,346,574 | (10,710) | 108,484,039 |
| Other assets | 567,978,053 | 93,959,498 | 234,740,676 | 779,460,197 | (391,217,095) | 1,284,921,329 |
| Cash, Cash Equivalents and Current Investments | 574,416,472 | 92,125,872 | 210,736,401 | 219,651,464 | (173,954,452) | 922,975,757 |
| Total assets | 2,445,052,020 | 1,563,034,485 | 1,182,070,674 | 1,485,567,755 | (369,036,006) | 6,306,688,928 |
| Non-current liabilities | | | | | | |
| Borrowings | 602,203,218 | 524,673,796 | 457,749,927 | 264,208,974 | (209,773) | 1,848,626,142 |
| Deferred tax liabilities | 32,958,557 | 201,806,318 | - | 3,488,953 | (69,567) | 238,184,261 |
| Other non-current liabilities | 42,632,517 | 56,422,251 | 22,487,102 | 579,260,699 | (59,911,814) | 640,890,755 |
| Current liabilities | | | | | | |
| Borrowings | 168,411,146 | 66,162,280 | 3,311,456 | 456,612,739 | (5,096) | 694,492,525 |
| Other current liabilities | 794,559,633 | 86,467,255 | 280,916,320 | 677,868,986 | (490,747,735) | 1,349,064,459 |
| Total liabilities | 1,640,765,071 | 935,531,900 | 764,464,805 | 1,981,440,351 | (550,943,985) | 4,771,258,142 |
| Gross Debt | 770,614,364 | 590,836,076 | 461,061,383 | 720,821,713 | (214,869) | 2,543,118,667 |
| Net Debt | 196,197,892 | 498,710,204 | 250,324,982 | 501,170,249 | 173,739,583 | 1,620,142,910 |

| | euros | | | | | | |
|--|---------------------|---------------|------------------|---------------|----------------|---------------------------|---------------|
| 31 December 2004 | Wood Based Products | Retail | Shopping Centres | Telecomm. | Other Segments | Consolidation Adjustments | Consolidated |
| Fixed assets | | | | | | | |
| Intangible | 1,411,517 | 63,974,804 | 9,159,422 | 195,973,251 | 83,927,044 | (19,116,667) | 335,329,371 |
| Tangible | 1,137,472,497 | 1,116,905,308 | 1,487,494 | 483,844,870 | 409,706,980 | (32,066,469) | 3,117,350,680 |
| Investment properties | - | - | 2,209,626,199 | - | - | (4,779,784) | 2,204,846,415 |
| Goodwill ¹ | - | - | - | - | - | 453,242,056 | 453,242,056 |
| Investments | 18,723,383 | 51,956,227 | 9,151,400 | (158,918) | 107,583,789 | (81,020,529) | 106,235,352 |
| Deferred tax assets | 61,332,706 | 59,731,623 | 18,526,246 | 68,705,484 | 10,911,968 | (2,256,602) | 216,951,425 |
| Other assets | 326,106,286 | 615,390,656 | 245,664,520 | 235,320,109 | 1,139,662,034 | (974,280,359) | 1,587,863,246 |
| Cash, Cash Equivalents and Current Investments | 77,191,833 | 347,422,369 | 115,212,239 | 53,201,043 | 27,842,770 | (45,097,901) | 575,772,353 |
| Total assets | 1,622,238,222 | 2,255,380,987 | 2,608,827,520 | 1,036,885,839 | 1,779,634,585 | (705,376,255) | 8,597,590,898 |
| Non-current liabilities | | | | | | | |
| Borrowings | 397,138,264 | 594,432,053 | 874,869,988 | 307,489,083 | 241,668,926 | 32,183,958 | 2,447,782,272 |
| Deferred tax liabilities | 27,142,333 | 39,002,492 | 315,547,895 | 8 | 11,176,745 | (4,778,624) | 388,090,849 |
| Other non-current liabilities | 296,383,058 | 68,956,570 | 100,572,428 | 17,072,886 | 780,330,476 | (265,386,387) | 997,929,031 |
| Current liabilities | | | | | | | |
| Borrowings | 109,985,292 | 249,842,927 | 51,345,656 | 6,579,235 | 554,692,439 | (22,784,561) | 949,660,988 |
| Other current liabilities | 366,590,926 | 925,694,144 | 214,280,300 | 284,939,574 | 685,903,276 | (553,695,244) | 1,923,712,976 |
| Total liabilities | 1,197,239,873 | 1,877,928,186 | 1,556,616,267 | 616,080,786 | 2,273,771,862 | (814,460,858) | 6,707,176,116 |
| Gross Debt | 507,123,556 | 844,274,980 | 926,215,644 | 314,068,318 | 796,361,365 | 9,399,397 | 3,397,443,260 |
| Net Debt | 429,931,723 | 496,852,611 | 811,003,405 | 260,867,275 | 768,518,595 | 54,497,298 | 2,821,670,907 |

1) Goodwill allocation can be detailed as follows:

| | 31.12.2005 | 31.12.2004 |
|---------------------|-------------|-------------|
| Wood Based Products | - | 52,362,063 |
| Retail | 114,470,775 | 276,354,395 |
| Shopping Centres | 67,356,455 | 80,595,844 |
| Telecommunications | 12,135,698 | 9,675,017 |
| Other segments | 51,615,318 | 34,254,737 |
| Total | 245,578,246 | 453,242,056 |

The contribution of the business segments to the cash flow statement for the periods ended on 31 December 2005 and 2004 can be detailed as follows:

| | euros | | | | |
|---|---------------|------------------|---------------|----------------|----------------------|
| 31 December 2005 | Retail | Shopping Centres | Telecomm. | Other Segments | Continued Operations |
| Operating activities | 214,847,726 | 129,113,590 | 138,458,551 | (5,485,637) | 476,934,230 |
| Investment activities | (219,539,265) | (341,734,688) | (136,597,852) | 76,354,948 | (621,516,857) |
| Financing activities | (127,698,257) | 172,182,422 | 131,923,984 | (205,692,967) | (29,284,818) |
| Net increase/(decrease) in cash and cash equivalent | (132,389,796) | (40,438,676) | 133,784,683 | (134,823,656) | (173,867,445) |
| 31 December 2004 | Retail | Shopping Centres | Telecomm. | Other Segments | Continued Operations |
| Operating activities | 315,262,068 | 59,594,575 | 206,434,644 | 108,842,788 | 690,134,075 |
| Investment activities | 43,665,320 | (246,540,380) | (92,246,951) | (113,504,974) | (408,626,985) |
| Financing activities | (215,841,163) | 57,778,067 | (165,365,813) | 67,713,364 | (255,715,545) |
| Net increase/(decrease) in cash and cash equivalent | 143,086,225 | (129,167,738) | (51,178,120) | 63,051,178 | 25,791,545 |

Turnover and operational profit by geographic segment can be detailed as follows:

| | Continued operations | | | |
|--------------------------|----------------------|--------------------|----------------------|--------------------|
| | 31.12.2005 | | 31.12.2004 | |
| | Turnover | Operational profit | Turnover | Operational profit |
| Portugal | 3,864,696,473 | 450,811,996 | 3,774,646,788 | 389,332,368 |
| Spain | 94,078,576 | 90,065,830 | 57,163,688 | 71,744,956 |
| France | 91,649,198 | (5,187,935) | 100,774,123 | 3,967,690 |
| United Kingdom | 29,379,880 | 1,250,066 | 16,257,480 | 537,278 |
| Germany | 13,185,264 | (3,059,786) | 3,129,562 | (1,609,463) |
| Brazil | 33,781,390 | (1,927,356) | 340,276 | 966,939 |
| Other European countries | 68,182,039 | (10,367,366) | 87,935,905 | (2,926,046) |
| Rest of the world | 18,219,240 | (96,337) | 17,953,576 | (1,312,125) |
| | <u>4,213,172,060</u> | <u>521,489,112</u> | <u>4,058,201,398</u> | <u>460,701,597</u> |

Total assets and liabilities by geographic segment can be detailed as follows:

| | Total operations | | | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2005 | | 31.12.2004 | |
| | Total assets | Total liabilities | Total assets | Total liabilities |
| Portugal | 5,596,258,680 | 4,184,068,940 | 6,120,339,803 | 4,394,691,159 |
| Spain | 401,693,145 | 285,436,726 | 462,028,724 | 638,464,347 |
| France | 7,279,624 | 47,021,629 | 734,612 | 133,546,547 |
| United Kingdom | 9,236,383 | 1,693,616 | 94,097,933 | 60,074,604 |
| Germany | 34,590,136 | 15,675,145 | 584,293,316 | 357,508,803 |
| Brazil | 198,690,935 | 67,923,078 | 1,078,499,567 | 424,901,945 |
| Other European countries | 58,940,025 | 153,453,112 | 41,919,903 | 543,326,408 |
| Rest of the world | - | 15,985,896 | 215,677,040 | 154,662,303 |
| | <u>6,306,688,928</u> | <u>4,771,258,142</u> | <u>8,597,590,898</u> | <u>6,707,176,116</u> |

Headcount can be detailed as follows:

| | 31.12.2005 | 31.12.2004 |
|---------------------|---------------|---------------|
| Wood Based Products | - | 6,361 |
| Retail | 23,806 | 43,963 |
| Shopping Centres | 709 | 666 |
| Telecommunications | 2,071 | 2,309 |
| Other segments | 5,804 | 4,530 |
| | <u>32,390</u> | <u>57,829</u> |

48. SUBSEQUENT EVENTS

On 6 February 2006, Sonae, SGPS, SA published a preliminary announcement for the launch of a general tender offer for the acquisition of the totality of the shares representing the share capital and of the convertible bonds of Portugal Telecom, SGPS, SA (PT). The offered consideration is 9.50 euro, for each share, and 5,000 euros for each convertible bond. The offer is subject to the granting of previous registration with the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários"), the granting of the approvals and administrative authorizations that are required in accordance with applicable law, notably a non-opposition decision from the Portuguese Competition Authority and a declaration from the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários") confirming the exemption of the duty to launch a subsequent mandatory tender offer in accordance with the Portuguese Securities Code.

The Offer shall be subject to the fulfillment of several conditions, such as, acquisition of a number of shares that represent, at least, 50.01% of the share capital of PT, authorization from the General Shareholders Meeting of PT allowing the acquisition of a stake above 10 per cent without imposing any other limitation, amendment to PT's by-laws in order that there shall not subsist any limit to the casting of votes issued by one single shareholder and for terminating with the privileged rights inherent to A class shares. The offer has been based on assumptions enumerated in the respective announcement.

On 7 February 2006, Sonae, SGPS, SA published a preliminary announcement for the launch of a general tender offer for the acquisition of the totality of the shares representing the share capital of PT – Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, SA (PTM). The offered consideration is 9.03 euro, for each share. The offer is subject to the granting of the registration and approvals similar to those included in the offer for PT and is also based on assumptions enumerated in the respective announcement.

On 8 February 2006, Sonae, SGPS, SA informed that both offers described above will be launched by Sonaecom, SGPS, SA and that it has secured acquisition financing with the Santander Group.

The statements above do not substitute the need to read the complete version of the above mentioned announcements

49. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors on 9 March 2005, and will be presented for approval at the Shareholders Annual General Meeting.

50. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted International Financial Reporting Standards (“IFRS”) in 2005, having taken into consideration “IFRS 1 – First-Time Adoption of International Financial Reporting Standards”. In terms of presentation of the financial statements, the transition date was set at 1 January 2004.

The effect on the balance sheets as at 1 January 2004 and 31 December 2004 of converting financial statements prepared under Portuguese GAAP (“POC”) to financial statements re-expressed under International Financial Reporting Standards (“IFRS”), applicable to financial years beginning on 1 January 2005, can be detailed as follows:

| | 01.01.2004 | | | 31.12.2004 | | |
|--|----------------------|--------------------------------|----------------------|----------------------|--------------------------------|----------------------|
| | POC | Transition adjustments to IFRS | IFRS | POC | Transition adjustments to IFRS | IFRS |
| NON CURRENT ASSETS | | | | | | |
| Tangible and intangible assets | 4,529,088,468 | (1,097,920,835) | 3,431,167,633 | 4,700,852,146 | (1,248,172,095) | 3,452,680,051 |
| Investment properties | - | 1,798,066,946 | 1,798,066,946 | - | 2,204,846,415 | 2,204,846,415 |
| Goodwill | - | 346,346,597 | 346,346,597 | - | 453,242,056 | 453,242,056 |
| Investments | 508,785,437 | (238,129,851) | 270,655,586 | 347,102,653 | (240,867,301) | 106,235,352 |
| Deferred Tax Assets | - | 237,832,317 | 237,832,317 | - | 216,951,425 | 216,951,425 |
| Other Non-Current Assets | 59,521,228 | 71,466,338 | 130,987,566 | 89,019,748 | 22,477,519 | 111,497,267 |
| Total Non-Current Assets | 5,097,395,133 | 1,117,661,512 | 6,215,056,645 | 5,136,974,547 | 1,408,478,019 | 6,545,452,566 |
| CURRENT ASSETS | | | | | | |
| Stocks | 680,092,444 | (1,174,104) | 678,918,340 | 672,703,272 | 1,155,679 | 673,858,951 |
| Trade Debtors and Other Current Assets | 1,245,560,174 | (461,815,067) | 783,745,107 | 1,222,534,169 | (420,027,139) | 802,507,030 |
| Investments | 379,979,627 | (130,544,552) | 249,435,075 | 182,274,470 | (92,715,559) | 89,558,911 |
| Cash and Cash Equivalents | 271,654,983 | 216,787,242 | 488,442,225 | 340,808,878 | 145,404,564 | 486,213,442 |
| Total Current Assets | 2,577,287,228 | (376,746,481) | 2,200,540,747 | 2,418,320,789 | (366,182,455) | 2,052,138,334 |
| TOTAL ASSETS | 7,674,682,361 | 740,915,031 | 8,415,597,392 | 7,555,295,336 | 1,042,295,564 | 8,597,590,900 |
| EQUITY | | | | | | |
| Share Capital | 2,000,000,000 | - | 2,000,000,000 | 2,000,000,000 | - | 2,000,000,000 |
| Own Shares | (144,537,597) | - | (144,537,597) | (144,537,597) | - | (144,537,597) |
| Reserves and Retained Earnings | (1,272,970,680) | 218,842,489 | (1,054,128,191) | (1,365,429,064) | 331,345,141 | (1,034,083,923) |
| Profit/(Loss) for the Period Attributable to the Equity Holders of Sonae | | | | 192,060,205 | 91,460,805 | 283,521,010 |
| Equity Attributable to the Equity Holders of Sonae | 582,491,722 | 218,842,489 | 801,334,212 | 682,093,544 | 422,805,946 | 1,104,899,490 |
| Minority Interests | 749,664,275 | 171,461,170 | 921,125,745 | 527,771,715 | 257,743,577 | 785,515,292 |
| TOTAL EQUITY | 1,332,155,997 | 390,303,959 | 1,722,459,957 | 1,209,865,259 | 680,549,523 | 1,890,414,782 |
| LIABILITIES | | | | | | |
| NON-CURRENT LIABILITIES | | | | | | |
| Borrowings | 2,074,762,849 | 322,118,429 | 2,396,881,277 | 2,220,386,496 | 227,395,776 | 2,447,782,272 |
| Other Non-Current Liabilities | 789,279,202 | 87,895,506 | 877,174,708 | 827,530,423 | 113,209,456 | 940,739,879 |
| Deferred Tax Liabilities | - | 328,125,407 | 328,125,407 | - | 388,090,849 | 388,090,849 |
| Provisions | - | 53,696,014 | 53,696,014 | - | 57,189,153 | 57,189,153 |
| Total Non-Current Liabilities | 2,864,042,051 | 791,835,356 | 3,655,877,407 | 3,047,916,919 | 785,885,234 | 3,833,802,153 |
| CURRENT LIABILITIES | | | | | | |
| Borrowings | 1,151,066,667 | 106,777,505 | 1,257,844,172 | 805,324,564 | 144,336,423 | 949,660,987 |
| Trade Creditors and Other Current Liabilities | 2,178,391,620 | (416,548,674) | 1,761,842,946 | 2,344,147,178 | (434,372,051) | 1,909,775,127 |
| Provisions | 149,026,026 | (131,453,115) | 17,572,911 | 148,041,416 | (134,103,565) | 13,937,851 |
| Total Current Liabilities | 3,478,484,313 | (441,224,284) | 3,037,260,029 | 3,297,513,158 | (424,139,193) | 2,873,373,965 |
| TOTAL EQUITY AND LIABILITIES | 7,674,682,361 | 740,915,031 | 8,415,597,392 | 7,555,295,336 | 1,042,295,564 | 8,597,590,900 |

As at 1 January 2004 and 31 December 2004, main impacts of the transition to IFRS in equity can be detailed as follows:

| | Transition adjustments to IFRS | |
|---|-----------------------------------|--------------------|
| | 01.01.2004 | 31.12.2004 |
| Adjustments to Portuguese GAAP financial statements | | |
| Investment Properties | 327,922,054 | 419,434,124 |
| Goodwill | 357,968,891 | 452,690,551 |
| Tangible and Intangible Assets | (252,550,020) | (239,764,253) |
| Deferrals and Accruals | (134,593,148) | (106,183,565) |
| Proportionate Consolidation | 168,658,896 | 214,233,933 |
| Inclusion of previously excluded companies | (7,752,415) | (4,213,889) |
| Derivative instruments | (51,343,220) | (42,150,698) |
| Others | (18,007,079) | (13,496,680) |
| Total adjustments from conversion to IFRS | <u>390,303,959</u> | <u>680,549,523</u> |

In POC, **investment properties** were shown as tangible assets and were measured at acquisition or construction cost (01.01.04: 1,313,346,387 euro; 31.12.04: 1,475,670,137 euro). Buildings were depreciated over 50 years and land was not depreciated. In IFRS, investment properties are shown on a separate line on the balance sheet and are measured at fair value based on independent valuations performed every six months (01.01.04: 1,798,165,533 euro; 31.12.04: 2,098,849,495 euro). Changes in fair value are recorded in the profit and loss account and shown on a separate line (31.12.04: 111,451,062 euro). Investment properties under development are maintained at construction cost until the properties are used. At that moment, properties are valued and the difference between fair value and construction cost is recorded in the profit and loss account.

The Sonae Group, in accordance with IFRS, presents **goodwill** as an asset that is not depreciated but is subject to annual impairment tests. Goodwill resulting from the acquisition of affiliated, jointly controlled and associated companies is allocated to each company, and as such is expressed in their functional currency and translated into the reporting currency of the Group at the closing exchange rate. Exchange rate differences arising from this translation are disclosed as Currency translation reserves.

This accounting treatment differs from that adopted by the Sonae Group since 2001 which consisted of writing off goodwill against reserves. This is a different approach to that recommended by POC as mentioned in previously reported financial statements.

Goodwill arising from acquisitions prior to the date of transition to IFRS (1 January 2004) was maintained at the carrying amount calculated under POC, adjusted for intangible assets that do not meet the criteria of IFRS and subject to impairment tests (01.01.04: 538,678,125 euro; 31.12.04: 628,760,403 euro). The impact of these adjustments is shown in retained earnings, as specified in IFRS 1. In the case of foreign affiliated companies, goodwill was reexpressed in the functional currency of each company, retrospectively. Exchange differences arising from the translation process are shown in Retained earnings (IFRS 1) (01.01.04: -206,029,653 euro; 31.12.04: -160,729,564 euro).

Tangible and intangible assets are valued at their acquisition cost, less accumulated depreciation and impairment losses. On the transition date, all tangible and intangible assets that did not meet IFRS requirements were written off against retained earnings (01.01.04: 146,566,180 euro; 31.12.04: 122,706,443 euro). Any such tangible and intangible assets recorded under POC after that date were written-back to expenses in the profit and loss account (31.12.04: 6,378,829 euro). Useful lives, previously used on consolidation under POC, were reviewed to take in account the difference in the nature of assets used in each business (with the following impact on Equity, 01.01.04: -125,007,688 euro; 31.12.04: -134,006,998 euro)

Deferred costs that did not meet the requirements of IFRS were written back to Retained earnings (with the following impact on Equity, 01.01.04: -134,593,148 euro; 31.12.04: -106,183,565 euro), thus no longer being treated as deferred costs during the deferral period.

Interests in jointly controlled companies were consolidated for the first time using the **proportionate method**, as from the date on which joint control is acquired. In accordance with this method, the Group's share of assets, liabilities, income and expenses has been included in each accounting line in the consolidated financial statements. The excess of the acquisition cost over the fair value of identifiable assets and liabilities of jointly controlled companies, is recognised as goodwill (01.01.04: 11,420,982 euro; 31.12.04: 20,890,568 euro). The Group's share of transactions, balances and dividends distributed between these companies and Group companies is eliminated. The accounting classification of interests in jointly controlled companies is based on shareholders agreements that define the terms of joint control.

According to IFRS all companies must be included on consolidation, therefore the adjustment **inclusion of previously excluded companies** reflects the inclusion of companies that were not included under POC, mostly because they were immaterial or engaged in dissimilar activities.

Most **derivatives** used by the Sonae Group are cash flow hedges associated with loans. Current Investments and Current Borrowings include derivatives, mostly interest rate and currency swaps (Note 20).

Main impacts on the income statements for the year ended 31 December 2004 can be detailed as follows:

| | 31.12.2004 | | |
|---|-----------------|-----------------------------------|-----------------|
| | POC | Transition Adjustments to IFRS | IFRS |
| Operational Income | | | |
| Sales | 5,398,949,241 | (84,742,122) | 5,314,207,119 |
| Services Rendered | 1,235,043,902 | (84,960,457) | 1,150,083,445 |
| Value Created on Investment Properties | - | 111,451,062 | 111,451,062 |
| Other Operational Income | 344,345,577 | 100,313,398 | 444,658,975 |
| Total Operational Income | 6,978,338,720 | 42,061,881 | 6,978,338,720 |
| Operational Expenses | | | |
| Cost of Goods Sold and Materials Consumed | (3,658,222,905) | 14,144,201 | (3,644,078,704) |
| Changes in Stock of Finished Goods and Work in Progress | (8,851,856) | 660,199 | (8,191,657) |
| External Supplies and Services | (1,646,506,633) | 175,505,975 | (1,471,000,658) |
| Staff Costs | (826,481,369) | 7,809,106 | (818,672,263) |
| Depreciation and Amortisation | (382,592,797) | 56,004,704 | (326,588,093) |
| Provisions and Impairment Losses | (40,959,050) | 22,623,769 | (18,335,281) |
| Other Operational Expenses | (59,583,569) | (80,539,909) | (140,123,478) |
| Total operational Expenses | (6,623,198,179) | 196,208,045 | (6,426,990,134) |
| Operational Profit/(Loss) | 355,140,541 | 238,269,926 | 593,410,467 |
| Net Financial Expenses | (167,049,653) | (33,505,902) | (200,555,555) |
| Share of Results of Associated Undertakings | 15,755,063 | 3,025,200 | 18,780,263 |
| Investment Income | 122,556,665 | (9,578,018) | 112,978,647 |
| Profit/(Loss) before Taxation | 326,402,616 | 198,211,206 | 524,613,822 |
| Taxation | (56,544,690) | (52,186,547) | (108,731,237) |
| Profit/(Loss) after Taxation | 269,857,926 | 146,024,659 | 415,882,585 |
| Profit/(Loss) after Tax from Discontinuing Operations | - | - | - |
| Profit/(Loss) for the Period | 269,857,926 | 146,024,659 | 415,882,585 |
| Attributable to: | | | |
| Equity Holders of Sonae | 192,060,205 | 91,460,805 | 283,521,010 |
| Minority Interests | 77,797,721 | 54,563,854 | 132,361,575 |

Main impacts of transition adjustments to International Financial Reporting Standards, on the net profit for the year ended 31 December 2004, can be detailed as follows:

| | 31.12.2004 YTD |
|--|----------------|
| Investment Properties | 94,435,515 |
| Tangible and Intangible Assets | 19,183,958 |
| Deferrals and Accruals | 28,732,394 |
| Proportionate Consolidation | (13,880,996) |
| Inclusion of previously excluded companies | 9,482,645 |
| Derivative Instruments | (354,887) |
| Others | 8,426,030 |
| Total adjustments from conversion to IFRS | 146,024,659 |

Main impacts on cash flows statements, are not material and refer to the restatement of payments related with intangible assets, from investment activities, which, under IFRS, are not considered as such and are reclassified to operational expenses. Therefore no adjustments were made.



INDIVIDUAL FINANCIAL STATEMENTS

31 DECEMBER 2005

SONAE SGPS, SA

BALANCE SHEET AS AT 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| ASSETS | | Notes | IFRS 31.12.2005 | 31.12.2004 | LOCAL GAAP 31.12.2004 |
|--|----|-------|--------------------|---------------|--------------------------|
| NON-CURRENT ASSETS: | | | | | |
| Tangible assets | 4 | | 338,579 | 573,612 | 573,613 |
| Intangible assets | 5 | | 2 | 2 | 2 |
| Available for sale investments | 6 | | 3,002,481,945 | 3,046,689,003 | 4,249,761,501 |
| Other Non-Current Assets | 7 | | 499,617,624 | 807,328,131 | 13,897 |
| Total Non-Current Assets | | | 3,502,438,150 | 3,854,590,748 | 4,250,349,013 |
| CURRENT ASSETS: | | | | | |
| Trade accounts receivable | 8 | | 1,207,534 | 1,133,290 | 1,133,290 |
| Other debtors | 9 | | 239,473,376 | 19,748,990 | 19,748,990 |
| Taxes recoverable | 10 | | 490,177 | 142,224 | 142,224 |
| Other current assets | 11 | | 286,466 | 716,569 | 1,449,388 |
| Investments held for trading | 12 | | 5,707,400 | - | - |
| Cash and Cash Equivalents | 13 | | 197,441,606 | 415,418 | 30,732,998 |
| Total Current Assets | | | 444,606,559 | 22,156,491 | 53,206,890 |
| TOTAL ASSETS | | | 3,947,044,709 | 3,876,747,239 | 4,303,555,903 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY: | | | | | |
| Share Capital | 14 | | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |
| Own Shares | 15 | | (138,044,363) | (143,984,221) | (143,984,221) |
| Legal reserve | 16 | | 152,721,161 | 152,113,582 | 152,113,582 |
| Fair value reserve, hedging reserve and other reserves | 17 | | 827,322,335 | 979,630,903 | 1,405,988,355 |
| Retained Earnings | | | 322,737 | (250,474) | - |
| Profit/(Loss) for the Period | | | 98,055,074 | 12,724,783 | 12,151,572 |
| TOTAL EQUITY | | | 2,940,376,944 | 3,000,234,573 | 3,426,269,288 |
| LIABILITIES: | | | | | |
| NON-CURRENT LIABILITIES: | | | | | |
| Bank loans | 18 | | - | 34,345,447 | 34,375,000 |
| Bonds | 19 | | 172,402,473 | 149,346,185 | 149,639,369 |
| Total Non-Current Liabilities | | | 172,402,473 | 183,691,632 | 184,014,369 |
| CURRENT LIABILITIES: | | | | | |
| Short term portion of non-current bank loans | | | - | 6,250,000 | - |
| Bank loans | 20 | | 340,973,523 | 395,881,441 | 401,729,790 |
| Bonds | 21 | | 74,725,192 | - | - |
| Trade accounts payable | | | 386,703 | 209,160 | 209,160 |
| Other creditors | 22 | | 408,622,830 | 283,747,798 | 208,062,664 |
| Taxes payable | 23 | | 901,462 | 560,139 | 560,139 |
| Other current liabilities | 24 | | 8,655,582 | 6,172,496 | 82,710,493 |
| Total Current Liabilities | | | 834,265,293 | 692,821,034 | 693,272,246 |
| TOTAL EQUITY AND LIABILITIES | | | 3,947,044,709 | 3,876,747,239 | 4,303,555,903 |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

INCOME STATEMENTS BY NATURE

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| | Notes | IFRS | | IFRS | | LOCAL GAAP |
|--------------------------------|-------|---|---------------------|---|---------------------|---------------------|
| | | 31.12.2005 | | 31.12.2004 | | 31.12.2004 |
| | | 4 th Quarter 05 (Unaudited) | Cumulative | 4 th Quarter 04 (Unaudited) | Cumulative | Cumulative |
| Operational Income | | | | | | |
| Services Rendered | 27 | 1,201,365 | 2,319,260 | 1,089,804 | 2,181,217 | 2,181,217 |
| Other Operational Income | 28 | 34,997 | 1,368,115 | 105,041 | 248,693 | 184,078 |
| Total Operational Income | | <u>1,236,362</u> | <u>3,687,375</u> | <u>1,194,845</u> | <u>2,429,910</u> | <u>2,365,295</u> |
| Operational Expenses | | | | | | |
| External Supplies and Services | 29 | (1,042,138) | (4,081,964) | (606,363) | (2,397,560) | (2,397,560) |
| Staff Costs | 30 | (1,515,462) | (5,353,586) | (1,320,391) | (5,040,810) | (5,723,093) |
| Depreciation and Amortisation | 4 | (64,235) | (255,170) | (169,418) | (268,623) | (1,046,223) |
| Other Operational Expenses | 31 | (128,769) | (425,894) | (1,672,046) | (2,490,484) | (1,682,243) |
| Total Operational Expenses | | <u>(2,750,604)</u> | <u>(10,116,614)</u> | <u>(3,768,218)</u> | <u>(10,197,477)</u> | <u>(10,849,119)</u> |
| Operational Profit/(Loss) | | <u>(1,514,242)</u> | <u>(6,429,239)</u> | <u>(2,573,373)</u> | <u>(7,767,567)</u> | <u>(8,483,824)</u> |
| Net Financial Expenses | 32 | (1,574,973) | (2,973,316) | 5,788,578 | 19,491,104 | 20,619,700 |
| Investment Income | 33 | 78,156,637 | 107,471,670 | - | 1,017,521 | 31,834 |
| Profit/(Loss) before Taxation | | <u>75,067,422</u> | <u>98,069,115</u> | <u>3,215,205</u> | <u>12,741,058</u> | <u>12,167,710</u> |
| Taxation | 34 | (14,041) | (14,041) | (16,138) | (16,275) | (16,138) |
| Profit/(Loss) after Taxation | | <u>75,053,381</u> | <u>98,055,074</u> | <u>3,199,067</u> | <u>12,724,783</u> | <u>12,151,572</u> |
| Profit/(Loss) per share | | | | | | |
| Basic | 35 | 0.040221 | 0.052550 | 0.001715 | 0.006820 | 0.006513 |
| Diluted | 35 | <u>0.040221</u> | <u>0.052550</u> | <u>0.001715</u> | <u>0.006820</u> | <u>0.006513</u> |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE. SGPS, SA

STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| | Notes | Share Capital | Own Shares | Legal Reserve | Fair value Reserve | Hedging Reserve | Other Reserves | Retained Earnings | Net Profit/(Loss) | Total |
|--|-------|----------------------|----------------------|--------------------|-----------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Balance as at 1 January 2004 | | 2,000,000,000 | (143,984,221) | 150,629,362 | (807,297,941) | (5,081,189) | 1,405,775,525 | (250,474) | 29,684,383 | 2,629,475,445 |
| Appropriation of profit of 2003: | | - | - | - | - | - | - | - | - | - |
| Transfer to legal reserves | | - | - | 1,484,220 | - | - | - | - | (1,484,220) | - |
| Dividends distributed | | - | - | - | - | - | - | - | (27,987,330) | (27,987,330) |
| Transfer to / (from) retained earnings | | - | - | - | - | - | 212,833 | - | (212,833) | - |
| (Purchase)/Sale of own shares | | - | - | - | - | - | - | - | - | - |
| Increase / (Decrease) in fair value of derivative hedges, net of taxes | | - | - | - | - | 4,799,581 | - | - | - | 4,799,581 |
| Increase / (Decrease) in fair value of available for sale investments | | - | - | - | 381,222,094 | - | - | - | - | 381,222,094 |
| Profit/(Loss) for the Period ended 31 December 2004 | | - | - | - | - | - | - | - | 12,724,783 | 12,724,783 |
| Others | | - | - | - | - | - | - | - | - | - |
| Balance as at 31 December 2004 | | <u>2,000,000,000</u> | <u>(143,984,221)</u> | <u>152,113,582</u> | <u>(426,075,847)</u> | <u>(281,608)</u> | <u>1,405,988,358</u> | <u>(250,474)</u> | <u>12,724,783</u> | <u>3,000,234,573</u> |
| Balance as at 1 January 2005 | | 2,000,000,000 | (143,984,221) | 152,113,582 | (426,075,847) | (281,608) | 1,405,988,358 | (250,474) | 12,724,783 | 3,000,234,573 |
| Appropriation of profit of 2004: | | - | - | - | - | - | - | - | - | - |
| Transfer to legal reserves | 16 | - | - | 607,579 | - | - | - | - | (607,579) | - |
| Dividends distributed | | - | - | - | - | - | (25,772,446) | - | (11,543,993) | (37,316,439) |
| Transfer to / (from) retained earnings | | - | - | - | - | - | - | 573,211 | (573,211) | - |
| (Purchase)/Sale of own shares | 15 | - | 5,939,858 | - | - | - | (4,353,519) | - | - | 1,586,339 |
| Increase / (Decrease) in fair value of derivative hedges, net of taxes | | - | - | - | - | 281,608 | - | - | - | 281,608 |
| Increase / (Decrease) in fair value of available for sale investments | | - | - | - | 587,173,985 | - | - | - | - | 587,173,985 |
| Demerger of Sonae Indústria, SGPS, SA | | - | - | - | 90,715,029 | - | (756,158,113) | - | - | (665,443,084) |
| Profit/(Loss) for the Period ended 31 December 2005 | | - | - | - | - | - | - | - | 98,055,074 | 98,055,074 |
| Others | 33 | - | - | - | (44,195,112) | - | - | - | - | (44,195,112) |
| Balance as at 31 December 2005 | | <u>2,000,000,000</u> | <u>(138,044,363)</u> | <u>152,721,161</u> | <u>207,618,055</u> | <u>-</u> | <u>619,704,280</u> | <u>322,737</u> | <u>98,055,074</u> | <u>2,940,376,944</u> |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

CASH FLOW STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in euro)

| <u>OPERATING ACTIVITIES</u> | <u>Notes</u> | <u>31.12.2005</u> | <u>31.12.2004</u> |
|---|--------------|------------------------|------------------------|
| Cash receipts from trade debtors | | 2,245,016 | 1,048,003 |
| Cash paid to trade creditors | | (4,023,528) | (1,815,861) |
| Cash paid to employees | | (4,069,125) | (4,123,010) |
| Cash flow generated by operations | | <u>(5,847,637)</u> | <u>(4,890,868)</u> |
| Income taxes paid / received | | (364,091) | 667,198 |
| Other cash receipts and payments relating to operating activities | | 487,098 | (342,108) |
| Net cash flow from operating activities (1) | | <u>(5,724,630)</u> | <u>(4,565,778)</u> |
| <u>INVESTMENT ACTIVITIES</u> | | | |
| Cash receipts arising from: | | | |
| Investments | 36 | 129,287,060 | 33,655 |
| Tangible assets | | 100 | 3,244 |
| Intangible assets | | 75,000,000 | - |
| Dividends | | 8,718,968 | 1,019,471 |
| Interest and similar income | | 26,957,954 | 37,749,766 |
| Loans granted | | <u>709,450,574</u> | <u>1,733,033,194</u> |
| | | <u>949,414,656</u> | <u>1,771,839,330</u> |
| Cash Payments arising from: | | | |
| Investments | 36 | (340,915,676) | (918,814,124) |
| Tangible assets | | (20,137) | (817,646) |
| Intangible assets | | - | (2) |
| Loans granted | | <u>(399,713,608)</u> | <u>(1,069,585,430)</u> |
| | | <u>(740,649,421)</u> | <u>(1,989,217,202)</u> |
| Net cash used in investment activities (2) | | <u>208,765,235</u> | <u>(217,377,872)</u> |
| <u>FINANCING ACTIVITIES</u> | | | |
| Cash receipts arising from: | | | |
| Loans obtained | | 4,006,270,099 | 2,704,377,442 |
| Sale of own shares | | 1,586,339 | - |
| Others | | - | 39,666,666 |
| | | <u>4,007,856,438</u> | <u>2,744,044,108</u> |
| Cash Payments arising from: | | | |
| Loans obtained | | (3,913,677,803) | (2,454,564,317) |
| Interest and similar charges | | (23,242,524) | (31,154,315) |
| Dividends | | (37,307,385) | (27,993,401) |
| Others | | <u>(39,666,666)</u> | <u>-</u> |
| | | <u>(4,013,894,378)</u> | <u>(2,513,712,033)</u> |
| Net cash used in financing activities (3) | | <u>(6,037,940)</u> | <u>230,332,075</u> |
| Net increase in cash and cash equivalents (4) = (1) + (2) + (3) | | 197,002,665 | 8,388,425 |
| Cash and cash equivalents at the beginning of the period | 13 | <u>415,418</u> | <u>(7,973,007)</u> |
| Cash and cash equivalents at the end of the period | 13 | <u>197,418,083</u> | <u>415,418</u> |

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005

(Amounts expressed in euro)

1. INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), whose head-office is at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2005.

International Financial Reporting Standards ("IFRS") were adopted for the first time in 2005. As a result, the transition date from Portuguese generally accepted accounting principles to the standards referred to above is 1 January 2004, as established by IFRS 1 – "First Time Adoption of International Financial Reporting Standards".

According to that standard, adjustments as at the date of transition to IFRS (1 January 2004) are recorded in Equity and described in Note 38. This note also includes the description of adjustments made to the last annual financial statements presented (31 December 2004).

Interim financial statements were presented quarterly, in accordance with IAS 34 – "Interim Financial Reporting".

The accompanying consolidated financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Note 2.6).

2.2 Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revalued acquisition cost up to 1 January 2004, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Depreciation charge for the period is calculated on a straight line basis over the useful life of each asset.

2.3 Intangible assets

Intangible assets are stated at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Brands and patents with indefinite useful lives are not amortised, but are subject to impairment tests on an annual

2.4 Borrowing costs

Borrowing costs are normally recognised as an expense in the period in which they are incurred.

2.5 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. These assets are not depreciated.

2.6 Financial instruments

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non-current assets. Investments in affiliated and associated companies are classified as available-for-sale investments.

All purchases and sales of investments are recognised on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, are stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

b) Trade accounts receivable

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable).

c) Classification as Equity or Liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.8. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Trade accounts payable are stated at their nominal value.

f) Derivatives

The Company uses derivatives in the management of its financial risks only to hedge such risks. Derivatives are not used by the Company for trading purposes.

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

The Company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- there is adequate documentation of the hedging relationships at the inception of the hedge;

Cash flow hedge instruments used by the Company to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognised in the income statement over the same period in which the hedged instrument affects profit and loss.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve, are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value.

g) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Other reserves.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption current bank loans.

2.7 Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

2.8 Revenue recognition and accrual basis

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognised as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognised in the income statement.

2.9 Subsequent events

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.10 Share-based payments

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae share price.

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares granted and the corresponding fair value at the closing date. These obligations are stated as Staff costs and Other current liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates.

2.11 Income tax

Current income tax is determined in accordance with tax rules in force in Portugal, considering the profit for the period.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period there were no changes in accounting policies or prior period errors.

4. TANGIBLE ASSETS

As at 31 December 2005 and 2004 tangible assets are detailed as follows:

| 31.December.2005 | | | | | |
|-----------------------|------------------|---------------|----------|--------------------------|------------------|
| Tangible Assets: | Opening balance | Increase | Decrease | Transfers and write-offs | Closing balance |
| Plant and machinery | 17,352 | - | - | - | 17,352 |
| Vehicles | 195,863 | - | - | - | 195,863 |
| Fixtures and fittings | 2,348,722 | 20,137 | - | - | 2,368,859 |
| Others | 723 | - | - | - | 723 |
| Total | 2,562,660 | 20,137 | - | - | 2,582,797 |

| 31.December.2004 | | | | | |
|-----------------------|------------------|----------------|---------------|--------------------------|------------------|
| Tangible Assets: | Opening balance | Increase | Decrease | Transfers and write-offs | Closing balance |
| Plant and machinery | 17,352 | - | - | - | 17,352 |
| Vehicles | 194,407 | 1,456 | - | - | 195,863 |
| Fixtures and fittings | 1,558,129 | 405,975 | 24,873 | 409,491 | 2,348,722 |
| Others | - | 723 | - | - | 723 |
| In construction | - | 409,491 | - | (409,491) | - |
| Total | 1,769,888 | 817,645 | 24,873 | - | 2,562,660 |

| 31.December.2005 | | | | | |
|--------------------------|------------------|----------------|----------|--------------------------|------------------|
| Accumulated depreciation | Opening balance | Increase | Decrease | Transfers and write-offs | Closing balance |
| Plant and machinery | 14,756 | 1,298 | - | - | 16,054 |
| Vehicles | 195,864 | - | - | - | 195,864 |
| Fixtures and fittings | 1,777,903 | 253,844 | - | - | 2,031,747 |
| Others | 525 | 28 | - | - | 553 |
| Total | 1,989,048 | 255,170 | - | - | 2,244,218 |

| 31.December.2004 | | | | | |
|--------------------------|------------------|----------------|---------------|--------------------------|------------------|
| Accumulated depreciation | Opening balance | Increase | Decrease | Transfers and write-offs | Closing balance |
| 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 |
| Total | 1,741,557 | 268,623 | 21,132 | - | 1,989,048 |

5. INTANGIBLE ASSETS

The contractual value of a group of brands, which includes the "Continente" brand, is shown under this caption.

6. INVESTMENTS

As at 31 December 2005 and 2004 investments are detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---|-------------------------|-------------------------|
| Investments in affiliated and associated undertakings | 2,962,316,974 | 3,016,238,256 |
| Other investments held for sale | 40,164,971 | 30,450,747 |
| | <u>3,002,481,945</u> | <u>3,046,689,003</u> |

6.1 INVESTMENTS IN AFFILIATED AND ASSOCIATED UNDERTAKINGS

As at 31 December 2005 and 2004 the Company held investments in the following affiliated and associated undertakings:

| Companies | % Held | 31.December.2005 | | | | | |
|------------------------------------|---------|--------------------|-------------|-------------|--------------------------|-------------------------|--------------------|
| | | Opening balance | Increase | Decrease | Changes in fair value | Transfers / demerger | Closing balance |
| Gescartão, SGPS, SA | - | - | 7,657,036 | 7,657,036 | - | - | - |
| Imocapital, SGPS, SA | - | 44,678,042 | - | 44,678,042 | - | - | - |
| Integrum- Serviços Partilhados, SA | - | 2,976,495 | - | 2,976,495 | - | - | - |
| Interlog, SGPS, SA | 1.02% | 106,686 | - | - | - | - | 106,686 |
| Investalentejo, SGPS, SA | 49.00% | - | 2,205,000 | - | - | - | 2,205,000 |
| Modelo Continente, SGPS, SA | 75.64% | 1,092,979,943 | 150,436,014 | - | 403,927,013 | - | 1,647,342,970 |
| Sonae Capital, SGPS, SA | 100.00% | 408,759,919 | - | - | - | - | 408,759,919 |
| Sonae Industria, SGPS, SA | - | 658,787,363 | - | - | 55,691,303 | (714,478,666) | - |
| Sonae Investimentos America Latina | 99.99% | 25,684 | - | - | - | - | 25,684 |
| Sonae Investments, BV | 100.00% | 18,151 | - | - | - | - | 18,151 |
| Sonae Sierra SGPS, SA | 50.00% | 530,992,017 | 180,617,626 | 160,007,726 | 80,853,511 | - | 632,455,428 |
| Sonae Turismo, SGPS, SA | 97.89% | 127,174,947 | - | - | - | - | 127,174,947 |
| Sonaecom, SGPS, SA | 17.40% | 149,579,394 | - | - | -5,510,820 | - | 144,068,574 |
| Sonaegest, SA | 20.00% | 159,615 | - | - | - | - | 159,615 |
| Total | | 3,016,238,256 | 340,915,676 | 215,319,299 | 534,961,007 | -714,478,666 | 2,962,316,974 |

| 31.December.2004 | | | | | | | |
|------------------------------------|---------|--------------------|-------------|----------|--------------------------|-------------------------|--------------------|
| Companies | % Held | Opening balance | Increase | Decrease | Changes in fair value | Transfers / demerger | Closing balance |
| Imocapital, SGPS, SA | 50.00% | - | 44,678,042 | - | - | - | 44,678,042 |
| Sonae Prod.Derivados Flor.SGPS, SA | - | 243,772,143 | - | - | - | (243,772,143) | - |
| Integrum- Serviços Partilhados, SA | 85.00% | 1,721,711 | 1,254,784 | - | - | - | 2,976,495 |
| Interlog, SGPS, SA | 1.02% | 106,686 | - | - | - | - | 106,686 |
| Modelo Continente, SGPS, SA | 68.06% | 890,757,661 | 172,277,701 | - | 29,944,581 | - | 1,092,979,943 |
| Sonae Capital, SGPS, SA | 100.00% | 164,987,776 | - | - | - | 243,772,143 | 408,759,919 |
| Sonae Industria, SGPS, SA | 97.02% | 225,296,854 | 199,903,518 | - | 233,586,991 | - | 658,787,363 |
| Sonae Investimentos America Latina | 99.99% | 25,684 | - | - | - | - | 25,684 |
| Sonae Investments, BV | 100.00% | 18,151 | - | - | - | - | 18,151 |
| Sonae Sierra SGPS, SA | 50.10% | - | 469,503,439 | - | 61,488,578 | - | 530,992,017 |
| Sonae Turismo, SGPS, SA | 97.89% | 127,174,947 | - | - | - | - | 127,174,947 |
| Sonae 3P, SGPS, SA | - | 50,000 | - | 50,000 | - | - | - |
| Sonaeacom, SGPS, SA | 17.40% | 92,581,676 | 879,060 | - | 56,118,658 | - | 149,579,394 |
| Sonaeagest, SA | 20.00% | 159,615 | - | - | - | - | 159,615 |
| Total | | 1,746,652,904 | 888,496,544 | 50,000 | 381,138,808 | - | 3,016,238,256 |

6.2 Other investments held for sale

As at 31 December 2005 and 2004 other investments held for sale are detailed as follows:

| 31.December.2005 | | | | | | | |
|--------------------------------|--------|--------------------|----------|------------|--------------------------|------------|--------------------|
| Companies | % Held | Opening balance | Increase | Decrease | Changes in fair value | Transfers | Closing balance |
| Sonae Industria, SGPS, SA | 0.71% | - | - | 41,631,824 | (1,003,758) | 49,035,582 | 6,400,000 |
| Associação Escola Gestão Porto | - | 49,880 | - | - | - | - | 49,880 |
| Eirles Three Junior Notes | - | 30,400,867 | - | - | 3,314,224 | - | 33,715,091 |
| Total | | 30,450,747 | - | 41,631,824 | 2,310,466 | 49,035,582 | 40,164,971 |

| 31.December.2004 | | | | | | | |
|--------------------------------|--------|--------------------|------------|----------|--------------------------|-----------|--------------------|
| Companies | % Held | Opening balance | Increase | Decrease | Changes in fair value | Transfers | Closing balance |
| Associação Escola Gestão Porto | - | 49,880 | - | - | - | - | 49,880 |
| Eirles Three Junior Notes | - | - | 30,317,580 | - | 83,287 | - | 30,400,867 |
| Total | | 49,880 | 30,317,580 | - | 83,287 | - | 30,450,747 |

7. OTHER NON-CURRENT ASSETS

As at 31 December 2005 and 2004 other non-current assets are detailed as follows:

| | 31.December.2005 | 31.December.2004 |
|-----------------------------------|--------------------|--------------------|
| Loans granted to group companies: | | |
| Sonae Investments, BV | 498,572,204 | 546,530,385 |
| Investalentejo, SGPS, SA | 788,000 | - |
| Sonae Industria, SGPS, SA | - | 25,734,806 |
| Sonae Capital, SGPS, SA | - | 210,424,100 |
| Imocapital, SGPS, SA | - | 24,624,943 |
| Guarantee deposits | 13,529 | 13,897 |
| Other | 243,891 | - |
| | <u>499,617,624</u> | <u>807,328,131</u> |

8. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable amounted to 1,207,534 euro and 1,133,290 euro as at 31 December 2005 and 2004, respectively, and include balances arising solely from services rendered to group companies.

9. OTHER DEBTORS

As at 31 December 2005 and 2004 other debtors can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|--|-------------------------|-------------------------|
| Other debtors | | |
| Grovesnor Investments (Portugal), S.àr.l (Note 36) | 226,260,029 | - |
| Others | 685,341 | 693,644 |
| Group companies - Short term loans: | | |
| MDS - Sociedade Mediadora de Seguros, SA | - | 901,000 |
| Pargeste, SGPS, SA | - | 15,000 |
| Sonae Turismo, SGPS, SA | 7,195,000 | - |
| SC- Sociedade de Consultadoria, SA | 365,000 | - |
| Box Lines- Navegação, SA | 1,000,000 | - |
| Choice Car, SGPS, SA | 250,000 | - |
| Group companies - Interests: | | |
| Sonae Investments, BV | 3,717,859 | - |
| Sonae Industria, SGPS, SA | - | 9,676,936 |
| Sonae Capital, SGPS, SA | - | 8,462,410 |
| Investalentejo, SGPS, SA | 147 | - |
| | <u>239,473,376</u> | <u>19,748,990</u> |

10. TAXES RECOVERABLE

As at 31 December 2005 and 2004 taxes recoverable can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|------------------|-------------------------|-------------------------|
| Advance payments | 51,104 | 46,739 |
| Taxes withheld | <u>439,073</u> | <u>95,485</u> |
| | <u>490,177</u> | <u>142,224</u> |

11. OTHER CURRENT ASSETS

As at 31 December 2005 and 2004 other current assets can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|----------------|-------------------------|-------------------------|
| Accrued income | 146,979 | 55,209 |
| Prepayments | <u>139,487</u> | <u>661,360</u> |
| | <u>286,466</u> | <u>716,569</u> |

12. INVESTMENTS HELD FOR TRADING

As at 31 December 2005 and 2004 investments held for trading can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---|-------------------------|-------------------------|
| Call option on Modelo Continente´s shares held by Bancc Santander Central Hispano | 5,707,400 | - |
| | <u>5,707,400</u> | <u>-</u> |

13. CASH AND CASH EQUIVALENTS

As at 31 December 2005 and 31 December 2004 cash and cash equivalents can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|--|-------------------------|-------------------------|
| Cash at hand | 2,500 | 2,498 |
| Bank deposits | <u>197,439,106</u> | <u>412,920</u> |
| Cash and cash equivalents on the balance sheet | <u>197,441,606</u> | <u>415,418</u> |
| Bank overdrafts (Note 20) | 23,523 | - |
| Cash and cash equivalents on the cash flow statement | <u>197,418,083</u> | <u>415,418</u> |

As at 31 December 2005 bank deposits include short term deposits amounting to 197,400,000 euro withdrawn in the beginning of 2006.

14. SHARE CAPITAL

As at 31 December 2005 and 2004 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2005 Efanor Investimentos, SGPS, SA and affiliated companies held 52.94% of Sonae's share capital.

15. OWN SHARES

As at 31 December 2005 and 2004 own shares can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---------------------------------|-------------------------|-------------------------|
| Own shares - Nominal value | 132,806,072 | 134,128,021 |
| Own shares - Discount/(Premium) | <u>5,238,291</u> | <u>9,856,200</u> |
| | <u>138,044,363</u> | <u>143,984,221</u> |

During the twelve months ended 31 de December 2005 the company sold 1,321,949 own shares to an affiliated company. As at 31 December 2005 the company held directly 132,806,072 own shares, at an average acquisition cost of 1.04 euro per share.

16. LEGAL RESERVE

The company sets up legal reserves in accordance with Portuguese Company Law. In 2005, 607,570 euro have been transferred from profit for the year to legal reserves.

17. FAIR VALUE RESERVE, HEDGING RESERVE AND OTHER RESERVES

As at 31 December 2005 and 2004 reserves can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---------------------|-------------------------|-------------------------|
| Free reserves | 479,791,497 | 1,261,479,803 |
| Captive reserve (1) | 139,912,783 | 144,508,555 |
| Fair value reserve | 207,618,055 | (426,075,847) |
| Hedging reserve | - | (281,608) |
| | <u>827,322,335</u> | <u>979,630,903</u> |

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

Movements occurred in 2005 and 2004 in these reserves are detailed in the statement of changes in equity. In 2005, free reserves have been reduced by 756,158,113 euro as a result of the demerger of Sonae Indústria, SGPS, SA.

18. NON-CURRENT BANK LOANS

As at 31 December 2005 and 31 December 2004 this caption included the following loans:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---|-------------------------|-------------------------|
| European Investment Bank | - | 34,375,000 |
| Up-front fees not yet charged to income statement | - | 29,553 |
| | <u>-</u> | <u>34,345,447</u> |

In the twelve months ended 31 December 2005 the company transferred to its affiliated company Sonae Indústria, SGPS, SA a loan obtained from the European Investment Bank, which initially has been granted to both companies with joint responsibility.

19. BONDS

Bonds SONAE / 97 amounting to 149,639,369 euro repayable, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate equal to Lisbor (subsequently changed to Euribor) plus 0.17% from the 1st to the 13th coupon, plus 1.17% in the 14th coupon and plus 1.22% from the 15th to the 20th coupons. Half of this loan (74,819,685 euro) will be reimbursed at par value in October 2006 (Note 21).

Bonds SONAE / 05 amounting to 100,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013. Interest rate equal to Euribor 6 months plus 0.875%, with interest paid half-yearly;

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---|-------------------------|-------------------------|
| Bonds | 174,819,685 | 149,639,369 |
| Up-front fees not yet charged to income statement | 2,417,212 | 293,184 |
| | <u>172,402,473</u> | <u>149,346,185</u> |

20. CURRENT BANK LOANS

As at 31 December 2005 and 2004 this caption included the following loans:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---------------------------|-------------------------|-------------------------|
| Commercial paper | 340,950,000 | 395,479,790 |
| Bank overdrafts (Note 13) | 23,523 | - |
| Derivative instruments | - | 401,651 |
| | <u>340,973,523</u> | <u>395,881,441</u> |

21. BONDS - SHORT TERM PORTION

As at 31 December 2005 and 2004 this caption included the following:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---|-------------------------|-------------------------|
| Nominal value of Sonae/97 bonds (Note 19) | 74,819,685 | - |
| Up-front fees not yet charged to income statement | 94,493 | - |
| | <u>74,725,192</u> | <u>-</u> |

22. OTHER CREDITORS

As at 31 December 2005 and 2004 other creditors can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|---|-------------------------|-------------------------|
| Group companies: | | |
| Atlantic Ferries, SA | 7,195,000 | - |
| Sonaeacom, SGPS, SA | 172,473,000 | 35,350,000 |
| Modelo, SGPS, SA | 13,861,000 | - |
| Interlog, SGPS, SA | - | 18,285,000 |
| Sonae Sierra, SGPS, SA | 23,067,600 | 10,167,672 |
| Sonae Capital, SGPS, SA | 81,776,150 | 141,884,992 |
| Cinclus-Planeamento Gestão de Projectos, SA | - | 2,350,000 |
| Integrum- Serviços Partilhados, SA | - | 25,000 |
| Shareholders - dividends not yet paid | 33,531 | 24,477 |
| Share capital increases not yet paid | | |
| Sonae Turismo, SGPS, SA | 35,216,379 | 35,216,379 |
| Other creditors | 75,000,169 | 40,444,278 |
| | <u>408,622,829</u> | <u>283,747,798</u> |

23. TAXES PAYABLE

As at 31 December 2005 and 2004 taxes payable can be detailed as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|--------------------------------|-------------------------|-------------------------|
| Income tax charge for the year | 14,041 | 16,138 |
| Taxes withheld | | |
| Staff | 39,891 | 38,947 |
| Services | 10,339 | 1,608 |
| Capital | 632,097 | 281,735 |
| Other | 923 | - |
| Value added tax | 161,189 | 177,261 |
| Social security contributions | 42,897 | 44,350 |
| Stamp duty | 85 | 100 |
| | <u>901,462</u> | <u>560,139</u> |

24. OTHER CURRENT LIABILITIES

As at 31 December 2005 and 2004, other current liabilities were made up as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|-----------|-------------------------|-------------------------|
| Accruals: | | |
| Salaries | 3,756,447 | 2,470,106 |
| Interest | 4,884,328 | 3,661,741 |
| Others | 14,807 | 40,649 |
| | <u>8,655,582</u> | <u>6,172,496</u> |

25. CONTINGENT ASSETS AND LIABILITIES

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|--------------------|-------------------------|-------------------------|
| Guarantees given: | | |
| on tax claims | 1,776,135 | 1,668,260 |
| on judicial claims | 355,199 | 355,199 |
| Others | 192,323,306 | 361,888,946 (a) |

Guarantee given to Caixa Geral de Depósitos relating to a 21,323,610.11 euro loan granted to the affiliated undertaking Imoareia - Sociedade Imobiliária, S.A. (existing as at 31 December 2004).

Guarantee given to Caixa Geral de Depósitos relating to a 13,467,543.22 euro loan granted to the affiliated undertaking Imoareia - Sociedade Imobiliária, S.A. (existing as at 31 December 2004).

The Company is responsible for loans obtained by it affiliated Sonae Investments, BV up to 69,382,000 Euro. As of 31 December 2005 the balance drawn down amounts to 0 euro (as at 31 de December the used amount was 45,573,826 euro).

Guarantee given to a financial institution relating to financial commitments totalling 117,532,153 of the affiliated undertaking Sonae Investments B.V. (existing as at 31 December 2004).

Guarantee given to Caixa Geral de Depósitos relating to a 40,000,000 euro loan granted to the affiliated undertaking Investalentejo, SGPS, S.A..

(a) Amongst others, includes 119,000,000 euro relating to guarantees given together with the affiliated undertakings Sonae Indústria, SGPS, SA and Glunz, AG, which has been transferred to Sonae Indústria, SGPS, SA during 2005.

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

26. RELATED PARTIES

As at 31 December 2005 and 2004 balances and transactions with related parties can be detailed as follows:

| | Affiliated and associated undertakings | |
|---------------------------------|--|------------------|
| | 31.December.2005 | 31.December.2004 |
| <u>Transactions</u> | | |
| Services rendered | 2,319,260 | 2,181,217 |
| Purchases and services obtained | 1,634,956 | 1,327,245 |
| Interest income | 21,572,864 | 42,601,031 |
| Interest expenses | 8,698,412 | 4,674,806 |
| Dividend income | 8,718,968 | 1,019,471 |
| <u>Balance</u> | | |
| Accounts receivable | 5,442,252 | 19,378,004 |
| Accounts payable | 112,974,436 | 37,468,511 |
| Loans obtained | 298,372,750 | 208,062,664 |
| Loans granted | 508,170,204 | 808,230,234 |

In 2005, there were no transactions with company Directors and no loans were granted to company Directors.

As at 31 December 2005 no balances existed with company Directors.

27. SERVICES RENDERED

Services rendered amounted to 2,319,260 euro and 2,181,217 euro, in 2005 and 2004, respectively. Services rendered include management fees permitted by company law.

28. OTHER OPERATIONAL INCOME

As at 31 December 2005 and 2004 and in each of the quarters ended on those dates, other operational income can be detailed as follows:

| | 2005 | | 2004 | |
|----------------------|--|------------------|--|----------------|
| | 4 th Quarter (Unaudited) | Cumulative | 4 th Quarter (Unaudited) | Cumulative |
| Supplementary income | 34,367 | 142,102 | 73,880 | 184,078 |
| Accrual written back | - | 777,600 | - | - |
| Others | 630 | 448,413 | 31,161 | 64,615 |
| | <u>34,997</u> | <u>1,368,115</u> | <u>105,041</u> | <u>248,693</u> |

29. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2005 and 2004 and in each of the quarters ended on those dates, external supplies and services can be detailed as follows:

| | 2005 | | 2004 | |
|------------------------|-------------------------|------------------|-------------------------|------------------|
| | 4 th Quarter | Cumulative | 4 th Quarter | Cumulative |
| | (Unaudited) | | (Unaudited) | |
| Subcontracts | 43,987 | 766,408 | 89,225 | 408,412 |
| Energy | 201 | 384 | 323 | 1,422 |
| Fuel | 7,341 | 28,260 | 6,641 | 25,288 |
| Water | 134 | 146 | 42 | 94 |
| Books | 963 | 11,233 | 2,425 | 8,742 |
| Office material | 6,401 | 19,997 | 7,446 | 28,394 |
| Operational rents | 95,488 | 357,107 | 111,948 | 452,712 |
| Entertainment expenses | 7,563 | 43,046 | 102 | 23,074 |
| Communication | 58,080 | 221,414 | 55,283 | 201,129 |
| Insurance | 255,635 | 1,108,927 | 67,820 | 201,231 |
| Travelling | 72,259 | 179,562 | 59,427 | 168,923 |
| Fees | 59,154 | 192,094 | 10,815 | 47,885 |
| Legal expenses | 2,540 | 10,525 | 2,764 | 11,245 |
| Maintenance | 10,652 | 32,632 | 9,387 | 30,890 |
| Publicity | 23,219 | 31,700 | 2,032 | 37,680 |
| Hygiene | 3,820 | 13,993 | 3,614 | 13,839 |
| Safety | - | - | 310 | 1,705 |
| Services obtained | 358,920 | 874,231 | 133,876 | 515,429 |
| Others | 35,781 | 190,305 | 42,883 | 219,466 |
| | <u>1,042,138</u> | <u>4,081,964</u> | <u>606,363</u> | <u>2,397,560</u> |

30. STAFF COSTS

As at 31 December 2005 and 2004 and in each of the quarters ended on those dates, staff costs can be detailed as follows:

| | 2005 | | 2004 | |
|--------------------|-------------------------|------------------|-------------------------|------------------|
| | 4 th Quarter | Cumulative | 4 th Quarter | Cumulative |
| | (Unaudited) | | (Unaudited) | |
| Directors salaries | 727,283 | 2,439,837 | 581,702 | 1,831,873 |
| Staff salaries | 662,955 | 2,451,835 | 584,674 | 2,425,960 |
| Social costs | 110,768 | 410,715 | 105,235 | 423,075 |
| Other staff costs | 14,456 | 51,199 | 48,780 | 359,902 |
| | <u>1,515,462</u> | <u>5,353,586</u> | <u>1,320,391</u> | <u>5,040,810</u> |

As at 31 December 2005 and 2004, average staff was 59 and 58, respectively.

31. OTHER OPERATIONAL EXPENSES

As at 31 December 2005 and 2004 and in each of the quarters ended on those dates, other operational expenses can be detailed as follows:

| | 2005 | | 2004 | |
|--------------------------------|--|----------------|--|------------------|
| | 4 th Quarter (Unaudited) | Cumulative | 4 th Quarter (Unaudited) | Cumulative |
| Donations | 15,000 | 15,000 | 15,000 | 15,375 |
| Fines and penalties paid | - | 89 | - | 10,374 |
| Taxes | 101,597 | 257,198 | 870,355 | 1,590,739 |
| Losses on sale of fixed assets | - | - | 902 | 902 |
| Other operational expenses | 12,172 | 153,607 | 785,789 | 873,094 |
| | <u>128,769</u> | <u>425,894</u> | <u>1,672,046</u> | <u>2,490,484</u> |

32. NET FINANCIAL EXPENSES

As at 31 December 2005 and 2004 and in each of the quarters ended on those dates, net financial expenses can be detailed as follows:

| | 2005 | | 2004 | |
|--|--|---------------------|--|---------------------|
| | 4 th Quarter (Unaudited) | Cumulative | 4 th Quarter (Unaudited) | Cumulative |
| Interest payable and similar expenses | | | | |
| Interest: | | | | |
| Overdrafts interest | (17,521) | (426,644) | (263,104) | (4,167,872) |
| Bonds interest | (2,089,355) | (7,503,608) | (1,628,644) | (9,006,300) |
| Other interest | (3,648,628) | (15,806,326) | (3,227,078) | (8,267,661) |
| Exchange losses | - | (10) | (10) | (10) |
| Other financial expenses | (174,334) | (1,543,137) | (2,459,036) | (7,142,331) |
| | <u>(5,929,838)</u> | <u>(25,279,725)</u> | <u>(7,577,872)</u> | <u>(28,584,174)</u> |
| Interest receivable and similar income | | | | |
| Interest income | 4,354,865 | 22,304,844 | 13,364,132 | 48,072,885 |
| Exchange gains | - | 1,565 | - | 75 |
| Other financial income | - | - | 2,318 | 2,318 |
| | <u>4,354,865</u> | <u>22,306,409</u> | <u>13,366,450</u> | <u>48,075,278</u> |
| Net financial expenses | <u>(1,574,973)</u> | <u>(2,973,316)</u> | <u>5,788,578</u> | <u>19,491,104</u> |

33. INVESTMENT INCOME

As at 31 December 2005 and 2004 and in each of the quarters ended on those dates, investment income can be detailed as follows:

| | 2005 | | 2004 | |
|---------------------------------------|--|--------------------|--|------------------|
| | 4 th Quarter (Unaudited) | Cumulative | 4 th Quarter (Unaudited) | Cumulative |
| Dividends received | - | 8,718,968 | - | 1,019,471 |
| Gains/(Losses) on sale of investments | 78,156,637 | 98,752,702 | - | (1,950) |
| | <u>78,156,637</u> | <u>107,471,670</u> | <u>-</u> | <u>1,017,521</u> |

Dividends were received from Sonae Sierra, SGPS, SA. Gains on sales of investments include 66,109,279 euro arising from the sale of 17.04% of Sonae Sierra, SGPS, SA, 12,047,358 euro arising from the sale to an affiliate company of part of the shareholding on Sonae Indústria, SGPS, SA and 20,906,741 euro arising from the sale of Imocapital, SGPS, SA and Gescartão, SGPS, SA.

Gains on sale of investments include 44,195,112 euro of a transfer from fair value reserves corresponding to changes in the fair value of investments sold in the year, previously recorded under fair value reserves.

34. INCOME TAX

Income tax charge for the year was 14,041 euro and 16,275 euro, in 2005 and 2004, respectively.

34.1 Reconciliation of effective tax rate

The reconciliation between the profit before taxation and the tax charge for the years ended 31 December 2005 and 2004 may be summarised as follows:

| | <u>31.December.2005</u> | <u>31.December.2004</u> |
|--|-------------------------|-------------------------|
| Profit before taxes | 98,069,115 | 12,741,058 |
| Increase / (Decrease) for tax purposes | -55,964,744 | -776,111 |
| Taxable income | 42,104,371 | 11,964,947 |
| Use of carried forward tax losses | -42,104,371 | -11,964,947 |
| Net taxable income | - | 0 |
| Tax charge @ 27.5% | - | 0 |
| Autonomous taxes | <u>14,041</u> | <u>16,275</u> |
| Tax charge | <u>14,041</u> | <u>16,275</u> |
| Effective average tax rate | <u>0.0143%</u> | <u>0.1277%</u> |

34.2 Carried forward tax losses

| | <u>31.December.2005</u> | | <u>31.December.2004</u> | |
|-------------------|--------------------------|---------------|--------------------------|---------------|
| | Carried forward tax loss | Limit for use | Carried forward tax loss | Limit for use |
| Arising from 2001 | - | - | 26,955,551 | 2007 |
| Arising from 2002 | <u>440,468,659</u> | 2008 | <u>455,617,479</u> | 2008 |
| | <u>440,468,659</u> | | <u>482,573,030</u> | |

As at 31 December 2005, deferred tax assets have not been recorded in relations to carried forward tax losses, considering the uncertainty of their use.

35. EARNINGS PER SHARE

Earnings per share for the period were calculated taking into consideration the following amounts:

| | 2005 | | 2004 | |
|---|--|----------------------|--|----------------------|
| | 4 th Quarter (Unaudited) | Cumulative | 4 th Quarter (Unaudited) | Cumulative |
| Net profit | | | | |
| Net profit taken into consideration to calculate basic earnings per share (Net profit for the period) | 75,053,381 | 98,055,074 | 3,199,067 | 12,724,783 |
| Effect of dilutive potential shares | | | | |
| Interest related to convertible bonds (net of tax) | - | - | - | - |
| Net profit taken into consideration to calculate diluted earnings per share: | <u>75,053,381</u> | <u>98,055,074</u> | <u>3,199,067</u> | <u>12,724,783</u> |
| Number of shares | | | | |
| Weighted average number of shares used to calculate basic earnings | 1,866,023,854 | 1,865,952,847 | 1,865,821,979 | 1,865,821,979 |
| Effect of dilutive potential ordinary shares from convertible bonds | - | - | - | - |
| Weighted average number of shares used to calculate diluted earnings per share | <u>1,866,023,854</u> | <u>1,865,952,847</u> | <u>1,865,821,979</u> | <u>1,865,821,979</u> |
| Profit/(Loss) per share (basic and diluted) | <u>0.040221</u> | <u>0.052550</u> | <u>0.001715</u> | <u>0.006820</u> |

36. ACQUISITIONS AND DISPOSAL OF INVESTMENTS

During 2005, the following acquisitions and disposals occurred:

| Companies | Disposals | | Acquisitions | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Total price | Amount received | Total price | Amount paid |
| Gescartão, SGPS, SA | 9,707,019 | 9,707,019 | 7,657,036 | 7,657,036 |
| Imocapital, SGPS, SA | 63,534,798 | 63,534,798 | - | - |
| Integrum- Serviços Partilhados, SA | 278,545 | 49,365 | - | - |
| Investalentejo, SGPS, SA | - | - | 2,205,000 | 2,205,000 |
| Modelo Continente, SGPS, SA | - | - | 150,436,014 | 150,436,014 |
| Sonae Sierra SGPS, SA (Note 9) | 226,260,029 | - | 180,617,626 | 180,617,626 |
| Sonae Indústria, SGPS, SA | 53,679,183 | 53,679,183 | - | - |
| | <u>353,459,574</u> | <u>126,970,365</u> | <u>340,915,676</u> | <u>340,915,676</u> |

Amounts received on disposals of investments in the cash flow statement, include 2,316,695 euro relating to disposals in prior years.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors on 9 March 2006. These financial statements will be presented to the Shareholders' General meeting for final approval.

38. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted International Financial Reporting Standards (“IFRS”) in 2005, having taken into consideration “IFRS 1 – First-Time Adoption of International Financial Reporting Standards”. In terms of presentation of the financial statements, the transition date was set at 1 January 2004.

The effect on the balance sheets as at 1 January 2004 and 31 December 2004 of converting financial statements prepared under Portuguese GAAP (“POC”) to financial statements re-expressed under International Financial Reporting Standards (“IFRS”), applicable to financial years beginning on 1 January 2005, can be detailed as follows:

| | 1.January.2004 | | | 31.December.2004 | | |
|---|------------------------|----------------------|----------------------|------------------------|----------------------|----------------------|
| | Transition adjustments | | | Transition adjustments | | |
| | POC | to IFRS | IFRS | POC | to IFRS | IFRS |
| NON-CURRENT ASSETS | | | | | | |
| Tangible and intangible assets | 28,331 | - | 28,331 | 573,615 | (1) | 573,614 |
| Investments | 4,009,392,205 | (2,262,689,423) | 1,746,702,782 | 4,249,761,501 | (1,203,072,498) | 3,046,689,003 |
| Other Non-Current Assets | 20,369 | 1,455,391,482 | 1,455,411,851 | 13,897 | 807,314,234 | 807,328,131 |
| Total non-current assets | 4,009,440,905 | (807,297,941) | 3,202,142,964 | 4,250,349,013 | (395,758,265) | 3,854,590,748 |
| CURRENT ASSETS | | | | | | |
| Trade Debtors and Other Current Assets | 25,768,680 | - | 25,768,680 | 22,473,892 | (732,819) | 21,741,073 |
| Cash and Cash Equivalents | 132,821 | - | 132,821 | 30,732,998 | (30,317,580) | 415,418 |
| Total current assets | 25,901,501 | - | 25,901,501 | 53,206,890 | (31,050,399) | 22,156,491 |
| TOTAL ASSETS | 4,035,342,406 | (807,297,941) | 3,228,044,465 | 4,303,555,903 | (426,808,664) | 3,876,747,239 |
| EQUITY | | | | | | |
| Share Capital | 2,000,000,000 | - | 2,000,000,000 | 2,000,000,000 | - | 2,000,000,000 |
| Own Shares | (143,984,221) | - | (143,984,221) | (143,984,221) | - | (143,984,221) |
| Reserves and Retained Earnings | 1,586,089,267 | (812,629,605) | 773,459,662 | 1,558,101,937 | (426,607,926) | 1,131,494,011 |
| Profit/(Loss) for the Period | | - | - | 12,151,572 | 573,211 | 12,724,783 |
| TOTAL EQUITY | 3,442,105,046 | (812,629,605) | 2,629,475,441 | 3,426,269,288 | (426,034,715) | 3,000,234,573 |
| LIABILITIES | | | | | | |
| NON-CURRENT LIABILITIES | | | | | | |
| Borrowings | 190,264,369 | (431,810) | 189,832,559 | 184,014,369 | (322,737) | 183,691,632 |
| Total non-current liabilities | 190,264,369 | (431,810) | 189,832,559 | 184,014,369 | (322,737) | 183,691,632 |
| CURRENT LIABILITIES | | | | | | |
| Borrowings | 224,246,158 | - | 224,246,158 | 401,729,790 | 401,651 | 402,131,441 |
| Trade Creditors and Other Current Liabilities | 178,726,833 | 5,763,474 | 184,490,307 | 291,542,456 | (852,863) | 290,689,593 |
| Total current liabilities | 402,972,991 | 5,763,474 | 408,736,465 | 693,272,246 | (451,212) | 692,821,034 |
| TOTAL EQUITY AND LIABILITIES | 4,035,342,406 | (807,297,941) | 3,228,044,465 | 4,303,555,903 | (426,808,664) | 3,876,747,239 |

As at 1 January 2004 and 31 December 2004 main impacts in equity of the transition to IFRS can be detailed as follows:

| | Transition adjustments to IFRS | |
|---|--------------------------------|-------------------------|
| | <u>1 January 2004</u> | <u>31 December 2004</u> |
| Investments | (807,297,941) | (426,075,847) |
| Derivative instruments | (5,081,189) | (281,608) |
| Others | <u>(250,475)</u> | <u>322,740</u> |
| Total adjustments on conversion to IFRS | <u>(812,629,605)</u> | <u>(426,034,715)</u> |

Investments were valued at the lower of cost and net realisable value under POC. Under IFRS Investments are classified as available-for-sale and are disclosed at fair value whenever this can be reliably measured. The effect of this change amounted to 807,297,941 euro (Note 2.6.a)).

Main impacts on the income statements for the year ended 31 December 2004 can be detailed as follows:

| | 31 December 2004 | | |
|--------------------------------|------------------------|------------------|---------------------|
| | Transition adjustments | | |
| | POC | to IFRS | IFRS |
| Operational Income | | | |
| Services Rendered | 2,181,217 | - | 2,181,217 |
| Other Operational Income | 184,078 | 64,615 | 248,693 |
| Total Operational Income | <u>2,365,295</u> | <u>64,615</u> | <u>2,429,910</u> |
| Operational Expenses | | | |
| External Supplies and Services | (2,397,560) | - | (2,397,560) |
| Staff Costs | (5,723,093) | 682,283 | (5,040,810) |
| Depreciation and Amortisation | (1,046,223) | 777,600 | (268,623) |
| Other Operational Expenses | <u>(1,682,243)</u> | <u>(808,241)</u> | <u>(2,490,484)</u> |
| Total operational Expenses | <u>(10,849,119)</u> | <u>651,642</u> | <u>(10,197,477)</u> |
| Operational Profit/(Loss) | <u>(8,483,824)</u> | <u>716,257</u> | <u>(7,767,567)</u> |
| Net Financial Expenses | 20,619,700 | (1,128,596) | 19,491,104 |
| Investment Income | <u>31,834</u> | <u>985,687</u> | <u>1,017,521</u> |
| Profit/(Loss) before Taxation | 12,167,710 | 573,348 | 12,741,058 |
| Taxation | <u>(16,138)</u> | <u>(137)</u> | <u>(16,275)</u> |
| Profit/(Loss) after Taxation | <u>12,151,572</u> | <u>573,211</u> | <u>12,724,783</u> |

Main impacts of transition adjustments to International Financial Reporting Standards, on the net profit for the year ended 31 December 2004 and for the three and twelve month periods ended 31 December 2004, can be detailed as follows:

| | <u>31 December 2004</u> | <u>4th Quarter 2004</u> |
|---|-------------------------|------------------------------------|
| Staff Costs | 682,284 | - |
| Up-front fees | <u>(109,073)</u> | <u>(27,418)</u> |
| Total adjustments on conversion to IFRS | <u>573,211</u> | <u>(27,418)</u> |

There were no significant adjustments to the cash flow statement.

39. INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

In the twelve months ended 31 December 2005 shareholders' loan contracts were entered into with the following companies:

Sonae Investments, BV
Investalentejo, SGPS, SA

In the twelve months ended 31 December 2005 short-term loan contracts were entered into with the following companies:

Atlantic Ferries, SA
Box Lines - Navegação, SA
Choice Car, SGPS, SA
Elmo, SGPS, SA
Gestholding, SGPS, SA
Iginha - Sociedade Imobiliária, SA
Imoarea, Investimentos Turísticos, SGPS, SA
Imoferro - Sociedade Imobiliária, SA
Imoplamac - Gestão de Imóveis, SA
Inparvi, SGPS, SA
Investalentejo, SGPS, SA
Ipaper - Indústria de Papeis Impregnados, SA
MDS- Sociedade Mediadora de Seguros, SA
Modelo Continente Hipermercados, SA
Modelo Continente, SGPS, SA
Modelo Hiper Imobiliária, SA
Modelo, SGPS, SA
OK Bazar - Comércio Geral, SA
Project Sierra Holding Portugal V, SGPS, SA
Saúde Atlantica -Gestão Hospitalar, SA
SC - Sociedade de Consultadoria, SA
Solinca - Lazer, SGPS, SA
Soltroia - Soc. Imobiliária de Urbanização e Turismo de Troia, SA
Somit- Sociedade de Madeiras Industrializadas e Transformadas, SA
Sonae Capital, SGPS, SA
Sonae Indústria de Revestimentos, SA
Sonae Investments, BV
Sonae Matrix - Multimédia, SGPS, SA
Sonae Sierra, 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 2005 the amounts owed by affiliated undertakings can be summarized as follows:

Loans granted

| Companies | Closing Balance |
|-------------------------------------|--------------------|
| Investalentejo, SGPS, SA | 788,000 |
| Sonae Turismo, SGPS, SA | 7,195,000 |
| Box Lines - Navegação, SA | 1,000,000 |
| SC - Sociedade de Consultadoria, SA | 365,000 |
| Choice Car, SGPS, SA | 250,000 |
| Sonae Investments, BV | 498,572,204 |
| | <u>508,170,204</u> |

As at 31 December 2005 the amounts owed to affiliated undertakings can be summarized as follows:

Loans obtained

| Companies | Closing Balance |
|-------------------------|--------------------|
| Atlantic Ferries, SA | 7,195,000 |
| Sonaecom, SGPS, SA | 172,473,000 |
| Modelo, SGPS, SA | 13,861,000 |
| Sonae Sierra, SGPS, SA | 23,067,600 |
| Sonae Capital, SGPS, SA | 81,776,150 |
| | <u>298,372,750</u> |



**REPORT AND OPINION OF THE STATUTORY
AUDITOR**

STATUTORY AUDIT AND AUDITORS' REPORT

31 DECEMBER 2005

REPORT AND OPINION OF THE STATUTORY AUDITOR

(Translation of a report originally issued in Portuguese)

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

In compliance with the applicable legislation and our mandate we hereby submit our Report and Opinion which covers our work and the consolidated and individual documents of account of Sonae, S.G.P.S., S.A. for the year ended 31 December 2005, which are the responsibility of the Company's Board of Directors.

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

In performing our work, we examined the consolidated and individual Balance sheets as of 31 December 2005, the consolidated and individual Statements of profit and loss by nature, of changes in equity and of cash flows for the year then ended and the related notes. Additionally, we examined the Report of the Board of Directors for the year 2005. As consequence of our legal examination we have issued the Statutory Audit and Auditors' Report which in paragraphs 6 and 7 contains two emphases.

Considering the above, in our opinion the consolidated and individual financial statements referred to above and the Report of the Board of Directors, including the profit appropriation proposal included 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 Company's Board of Directors and personnel, as well as the statutory boards and personnel of the Group companies for the assistance provided to us.

Porto, 9 March 2006

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

STATUTORY AUDIT AND AUDITORS' REPORT

(Translation of a report originally issued in Portuguese)

Introduction

1. In compliance with applicable legislation we hereby present our Statutory Audit and Auditors' Report on the consolidated and individual financial information contained in the Report of the Board of Directors and the consolidated and individual financial statements of Sonae, S.G.P.S., S.A. ("Company") for the year ended 31 December 2005, which comprise the consolidated and individual balance sheets (that present a total of 6,306,688,928 Euro and 3,947,044,709 Euro, respectively, and consolidated and individual equity of 1,535,430,786 Euro and 2,940,376,944 Euro, respectively, including consolidated net profit attributable to the Company's Equity Holders of 512,803,285 Euro and an individual net profit of 98,055,074 Euro), the consolidated and individual statements of profit and loss by nature, of cash flows and changes in equity for the year then ended and the corresponding notes.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and of the companies included in the consolidation, the consolidated and individual results of their operations and their consolidated and individual cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant facts that have influenced the operations of the Company and companies included in the consolidation, their financial position and results of operations.
3. Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese 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 consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the significant estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, timely, clear, objective and licit. Our examination also includes verifying that the consolidated and individual financial information included in the Report of the Board of Directors is consistent with the consolidated and individual financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Sonae, S.G.P.S., S.A. as of 31 December 2005, the consolidated and individual results of its operations and its consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union 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.

Emphases

6. As referred to in Notes 2.1 to the consolidated and individual financial statements, the Company used International Financial Reporting Standards (“IFRS”) as adopted by the European Union in the preparation of its financial statements for the first time in 2005. In the transition from the previous generally accepted accounting principles (Portuguese Official Chart of Accounts – “POC”) to IFRS as adopted by the European Union, the Company followed the requirements of International Financial Reporting Standard 1 – First Time Adoption of International Financial Reporting Standards and the transition date was set at 1 January 2004. As a result, the financial information as at that date and for the year 2004, previously reported in accordance with POC, was restated under IFRS as adopted by the European Union for comparability purposes. The Company included in Notes 50 and 38 of the consolidated and individual financial statements, respectively, additional disclosures required in respect with the transition process to International Financial Reporting Standards as adopted by the European Union.
7. Our Audit Report dated 8 March 2005, on the consolidated financial statements as at 31 December 2004 prepared in accordance with POC, includes a qualification relating to the accounting policy followed by the Company as to Goodwill. As a result of the use of International Financial Reporting Standards as adopted by the European Union, referred to in the preceding paragraph, the Company changed this policy, having the impacts of such change been included in the transition adjustments as disclosed in Note 50 to the consolidated financial statements. As a result, that qualification is no longer applicable to those restated financial statements. Additionally, the mentioned report included an emphasis on the uncertainty of the full recoverability of deferred tax assets recorded in some of Sonae Indústria’s foreign subsidiaries which is no longer applicable due to the spin-off of that investment during 2005.

Porto, 9 March, 2006

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



**EXTRACT FROM THE MINUTES OF THE
ANNUAL GENERAL SHAREHOLDERS'
MEETING**

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 96 of the Shareholders' General Meeting held on 6 April 2006:

a) " We propose that the Annual Report, the Individual and Consolidated Accounts and respective Notes, for the year 2005 are approved as presented."

b) " Under the terms of the law and the Articles of Association, the Board of Directors proposes to the Shareholders' General Meeting that the 2005 Net Profit of 98,055,074.47 euro has the following appropriation:

| | |
|----------------|---------------|
| Legal Reserves | 4,902,753.72 |
| Free Reserves | 46,501,724.40 |
| Dividends | 46,650,596.35 |

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 0.025 euro per share has been proposed."

Maia, 6 April 2006

The President of the Shareholders' Meeting Board

(Dr. Carlos Osório de Castro)