

# EARNINGS ANNOUNCEMENT



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## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005<sup>1</sup>

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03 November 2005

(Unless otherwise stated, the figures presented in this announcement relate to the first nine months of 2005. The figures shown in brackets are the comparable figures for the same period of the previous year.)

- Turnover up 5%, to 4,943 M.€
- Operational Cash Flow (EBITDA) of 624 M.€ (661 M.€)
- Operational Profits (EBIT) of 359 M.€ (397 M.€)
- Net Profit attributable to equity holders of Sonae of 194 M.€ (171 M.€)
- Net Debt of 3,336 M.€ (3,060 M.€)

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<sup>1</sup> Unaudited financial information for the nine months ending 30 September 2005 and 2004, prepared under International Financial Reporting Standards (IAS/IFRS).

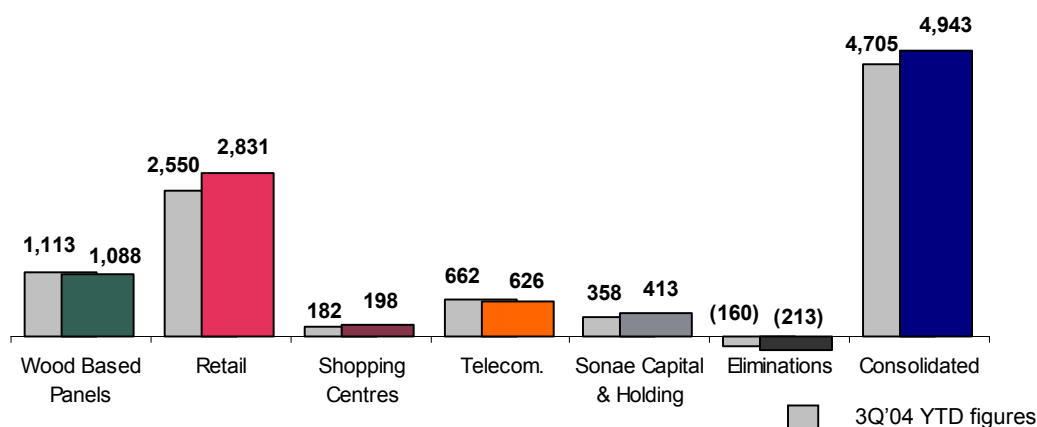
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## EARNINGS REVIEW

**Consolidated turnover** increased 5% to 4,943 million euro (4,705 million euro). The major contributor to this increase, in absolute terms, was the Retail business (generating an additional 281 million euro). This was fuelled by double digit growth in both Brazilian operations (benefiting from sales growth above market average and a favourable appreciation of the Brazilian Real against the Euro) and non-food formats in Portugal. The growth rate of food formats in Portugal was positive in spite of a more competitive market. On a like for like basis, excluding Gescartão (disposed of in the first quarter of 2005), the Wood Based Panels business contribution grew 4%. As for the Telecommunications business a decrease in Optimus' operator revenues, driven by the lower level of fixed traffic terminating on its network and the continuing phased cuts in mobile termination rates set by the regulator, explains the slight decrease in the contribution to consolidated turnover. At constant exchange rates, turnover was 4,800 million euro, an increase of 2%.

Values in million euro

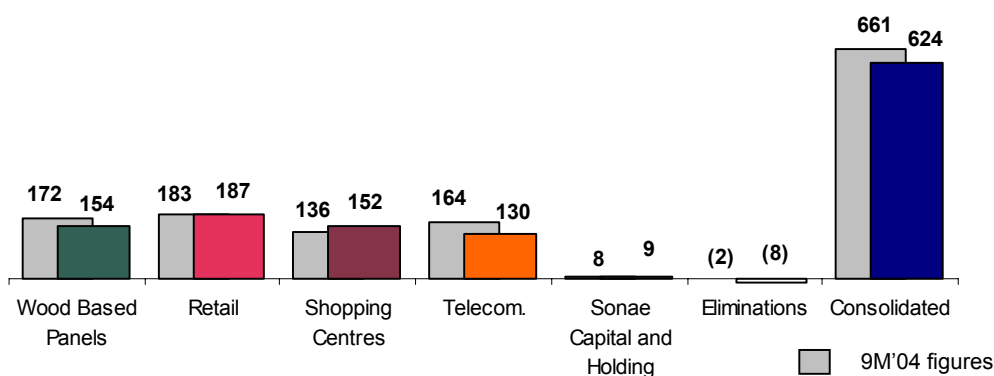
### Contributions to Turnover - quarter on quarter (YTD) change



**Consolidated operational cash flow (EBITDA)** was 624 million euro (661 million euro), a 6% decrease. This decrease is explained mainly by the performance of the Telecommunications business, reflecting higher costs associated with both unbundling processes and increased marketing and sales efforts to promote an aggressive migration of mobile customers to 3G. The contribution from the Wood Based Panels business decreased 3%, on a like for like basis, as a consequence of increases in oil prices. The Retail and Shopping Centres businesses posted slight increases in their contributions to consolidated EBITDA. The **consolidated EBITDA margin** was 12.6% (14.0%). At constant exchange rates, operational cash flow (EBITDA) was 613 million euro, a decrease of 7%.

Values in million euro

### Contributions to EBITDA



**Consolidated operational profit (EBIT)** decreased 38 million euro to 359 million euro (397 million euro). In spite of the overall decrease, the Shopping Centres business posted a significant increase in contribution to consolidated EBIT.

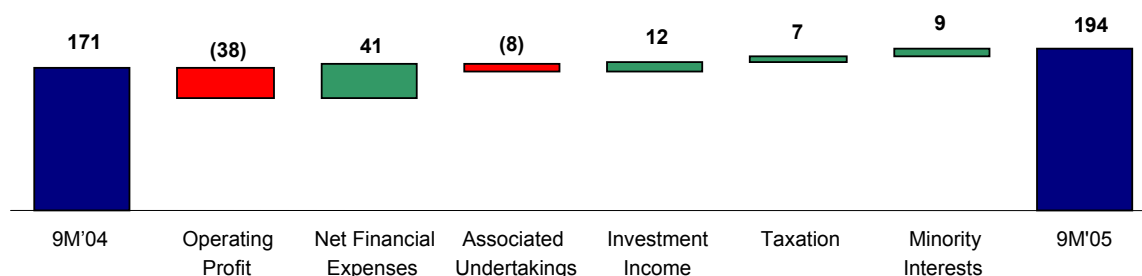
**Consolidated net financial expenses** fell 24% to 127 million euro (168 million euro). This improvement was mainly due to a reduction in interest expenses, as a result of better financial conditions achieved, and to higher net exchange gains.

**Consolidated net profit for the period** was 275 million euro (261 million euro), up 14 million euro. In addition to the impact of improvements in financial performance, this profit also includes 104 million euro (92 million euro) of investment income, of which around 80 million euro relate to the sale of shareholdings in Imocapital/Gescartão and ba Vidro. In 2004, investment income included 75 million euro arising from the sale of Portucel.

The **consolidated net profit attributable to equity holders of Sonae** was 194 million euro (171 million euro), a growth of 14%, mainly due to higher proportion of investment income being generated in companies that are fully owned by Sonae.

Values in million euro

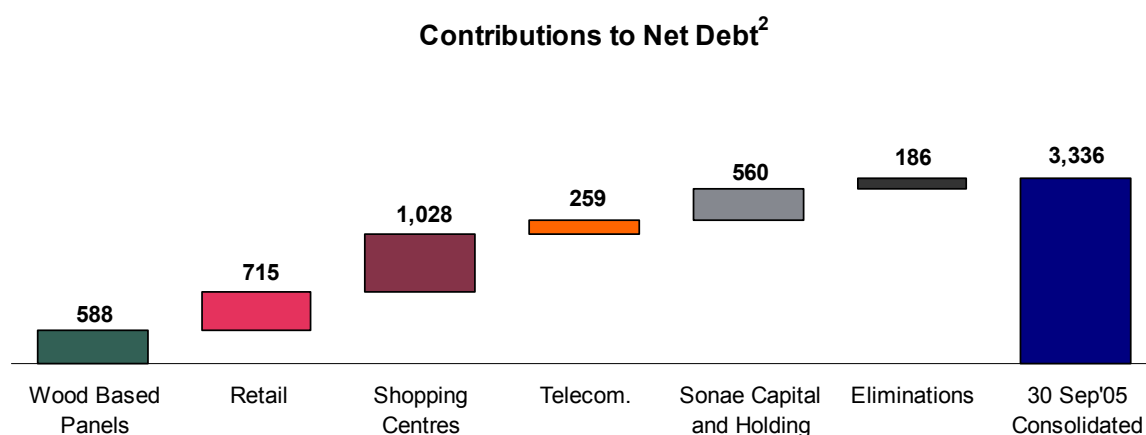
### Net Profit for the period attributable to Equity Holders of Sonae - quarter on quarter change



## FINANCIAL STRUCTURE

**Consolidated net debt<sup>2</sup>** as at 30 September 2005 was 3,336 million euro, an increase of 276 million euro compared to the end of the same period in 2004. The only significant increase occurred in the Shopping Centres business and reflects new loans associated with the development or acquisition of new shopping centres.

Values in million euro



<sup>2</sup> 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 3.7. **Annualised interest cover** was 5.7, up from 5.1 at the end of 2004. This increase reflects a reduction in interest expenses, resulting from better financial conditions, due to renegotiation of some of the major loan contracts, and from an increase in the proportion of debt issued directly in capital markets.

## OUTLOOK

Wood Based Panels anticipates levels of turnover and profitability for the last quarter of the year similar to the ones achieved in the second quarter. Profitability will remain affected by high levels of oil prices.

The Retail business will strengthen its leadership positions as a result of extensive investment plans, particularly in Portugal. Innovation, increase in the focus on the customer and the optimisation of internal processes will form the basis for further developments. The implementation of a new brand image at Continente will be a clear sign of renewal.

Shopping Centres will continue to look for new investment opportunities whilst maintaining the pace of development of projects already announced.

The strategy of the Telecommunications business of focusing on growth opportunities in fixed-mobile substitution, 3G services and direct access broadband services will not change. As a result, profitability will be negatively affected in the short term.

The spin-off of Sonae Indústria, with accounting effect from 1 October 2005, is progressing as scheduled and should be completed by year end. As a result Sonae Indústria will not contribute to the fourth quarter consolidated earnings of Sonae.

We are confident that the earnings trend shown up to 30 September 2005 will be maintained for the full year.

Maia, 03 November 2005  
The Board of Directors

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005 AND 30 SEPTEMBER 2004

Values in million euro

	3Q'05	3Q'04	9M'05	9M'04
Turnover	1,737.5	1,670.0	4,942.8	4,704.8
Value created on Investment Properties	(0.9)	14.9	57.3	60.8
Other Operational Income	130.2	98.0	405.0	295.6
<b>Total Operational Income</b>	<b>1,866.8</b>	<b>1,782.9</b>	<b>5,405.1</b>	<b>5,061.2</b>
Cost of Goods Sold and Materials Consumed	(1,016.1)	(934.2)	(2,856.7)	(2,597.0)
Change in Stocks of Finished Goods and Work in Progress	(2.1)	(1.3)	4.6	(19.8)
External Supplies and Services	(424.7)	(378.6)	(1,185.8)	(1,089.6)
Staff Costs	(219.0)	(190.7)	(643.4)	(599.3)
Other Operational Expenses	(26.4)	(28.3)	(93.9)	(91.1)
<b>Total Operational Expenses</b>	<b>(1,688.3)</b>	<b>(1,533.1)</b>	<b>(4,775.2)</b>	<b>(4,396.8)</b>
<b>Operational Cash Flow (EBITDA) <sup>3</sup></b>	<b>176.4</b>	<b>250.1</b>	<b>623.9</b>	<b>660.6</b>
Depreciation and Amortisation	(82.6)	(80.7)	(249.2)	(239.7)
Provisions and Impairment Losses	(4.7)	(8.4)	(21.6)	(27.7)
<b>Operational Profit (EBIT)</b>	<b>91.2</b>	<b>160.7</b>	<b>359.1</b>	<b>397.0</b>
Net Financial Expenses	(42.9)	(54.7)	(127.3)	(167.6)
Share of Results of Associated Undertakings	0.9	(1.3)	2.1	9.8
Investment Income	9.2	81.4	104.0	91.9
<b>Profit before Taxation</b>	<b>58.4</b>	<b>186.1</b>	<b>337.9</b>	<b>331.1</b>
Taxation	(12.1)	(26.4)	(63.3)	(70.3)
<b>Profit for the Period</b>	<b>46.3</b>	<b>159.7</b>	<b>274.6</b>	<b>260.8</b>
Attributable to Equity Holders of Sonae	29.1	122.2	193.8	170.8
Attributable to Minority Interests	17.2	37.5	80.8	90.0

<sup>3</sup> Operational Cash Flow (EBITDA) = Operational Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses – Reversal of Impairment Losses (included in Other Operational Income and amounting to 6 M.€ in the first nine months of the year).

## CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2005 AND AS AT 31 DECEMBER 2004

Values in million euro

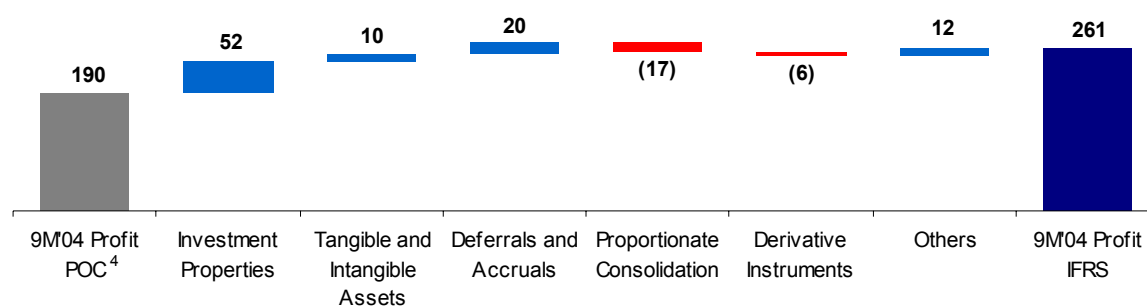
	30.09.2005	31.12.2004
Investment Properties	2,538.1	2,204.8
Tangible Assets	3,135.5	3,117.4
Intangible Assets	341.4	335.3
Goodwill	587.3	453.2
Investments	115.9	106.2
Deferred Tax Assets	226.2	217.0
Other Non-Current Assets	114.6	111.5
<b>Total Non-Current Assets</b>	<b>7,059.0</b>	<b>6,545.5</b>
Stocks	758.7	673.8
Trade Debtors and Other Current Assets	889.2	802.5
Investments	13.2	89.6
Cash and Cash Equivalents	346.0	486.2
<b>Total Current Assets</b>	<b>2,007.1</b>	<b>2,052.1</b>
<b>TOTAL ASSETS</b>	<b>9,066.1</b>	<b>8,597.6</b>
Equity Attributable to Equity Holders of Sonae	1,496.1	1,104.9
Equity Attributable to Minority Interests	803.3	785.5
<b>Total Equity</b>	<b>2,299.4</b>	<b>1,890.4</b>
Borrowings	3,150.8	2,447.8
Deferred Tax Liabilities	441.5	388.1
Other Non-Current Liabilities	866.0	997.9
<b>Total Non-Current Liabilities</b>	<b>4,458.3</b>	<b>3,833.8</b>
Borrowings	544.9	949.7
Trade Creditors and Other Current Liabilities	1,749.6	1,909.8
Provisions	13.9	13.9
<b>Total Current Liabilities</b>	<b>2,308.4</b>	<b>2,873.4</b>
<b>Total Liabilities</b>	<b>6,766.7</b>	<b>6,707.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,066.1</b>	<b>8,597.6</b>

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

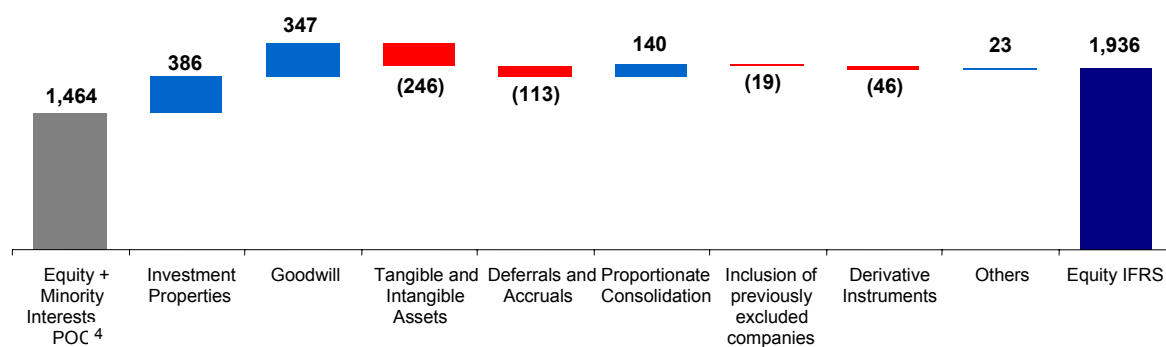
Notwithstanding a more detailed analysis of the full consolidated financial statements that will be disclosed in the interim financial statements to be issued by the end of November, the main differences in the financial statements between IFRS and POC<sup>3</sup> in the first nine months of 2004, can be summarised as follows:

Values in million euro

### Main Impacts on the Profit and Loss Account



### Main Balance Sheet Impacts as at 30 September 2004



The nature of these adjustments has already been explained in our press release dated 26 April 2005 and will be detailed further in the notes to the interim financial statements.

<sup>4</sup> POC = Portuguese Generally Accepted Accounting Principles



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## REPRESENTATIVE FOR CAPITAL MARKET RELATIONS

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## INVESTOR RELATIONS OFFICE

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**SONAE, SGPS, SA** has an **Investor Relations Office** available to shareholders and the investment community. The Investor Relations Officer is José Luís Amorim.

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## INFORMATION AVAILABLE ON THE INTERNET

Investors can also find this press release and all publicly available information about the company at

<http://www.sonae.pt>

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