COMMENTS ON THE DRAFT RECOMMENDATION ISSUED BY THE COMMITTEE OF EUROPEAN SECURITIES REGULATORS FOR ADDITIONAL GUIDANCE REGARDING THE TRANSITION TO IFRS

Brief introduction to the Sonae Group

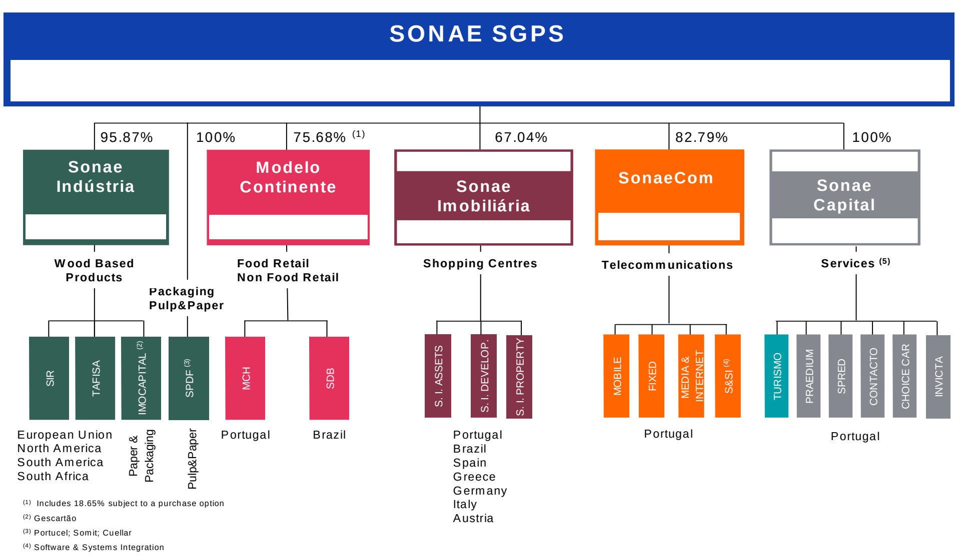
SONAE was founded in 1959, in Maia, Portugal in the wood based products business and more specifically the production of high-pressure decorative laminates.

During its first twenty years of existence, SONAE developed as a small to medium size business, focused on the area of wood derivatives. During the 80's, the company began a period of rapid growth, which coincided with Portugal's entry into the European Union. During this period, SONAE began a process of diversification through the acquisition of a supermarket chain, followed by the launch of the first hypermarket in Portugal.

The set up of Sonae Imobiliária, was a natural development, its main objective being the construction of shopping centres next to SONAE stores. Sonae Imobiliária developed and built CascaiShopping - the first regional shopping centre ever built in Portugal. At the same time, SONAE invested in many different areas such as media, information technology, leisure and tourism.

SONAE’s portfolio of businesses now ranges from retail and development, ownership or co-ownership and management of shopping and leisure centres through to wood based products, fixed and mobile telecommunications, media, tourism, residential development, engineering, energy, construction, auto services, transports, logistics, insurance brokerage and venture capital.

Sonae, SGPS, SA manages a portfolio of diversified businesses by setting strategic guidelines and objectives, monitoring their performance, fostering synergies between them and identifying new business opportunities.



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Sonae SGPS SA, the holding company, focuses its activities on the financial coordination of the Group and on the development of its management resources.

Each business is run by a fully dedicated management team that develops independent strategies focused on its own key value-adding drivers.

Question 1. Do you consider it useful that CESR Members provide recommendations to European listed companies on how to disclose financial information to the markets during the phase of transition from local GAAP to IFRS?

Certainly. In our opinion, the transition period is critical because the impacts of change are always difficult to explain and to understand. We believe that both listed companies and other stock market entities (regulators, analysts, brokers, investment bankers, investors, fund managers) will have to make a special effort to communicate the change effectively. It is in the best interests of everyone involved that financial information is clear and intelligible. We are also concerned about educating the financial press, since they will also be an important player in communicating the impact of the change. In the SONAE Group, we have already migrated two affiliated companies to IAS, one in 2001 and the other in 2003. The level of communication made for the first migration was far less extensive than that for the second, where we followed very closely most of your recommendations. Not surprisingly the results were remarkably different. In the first it was apparent that there were a lot of misunderstandings and additional effort had to be made to overcome them. In the second one, all communication with the market was carefully prepared and anticipated to ensure an adequate level of information and understanding of the impact of the new accounting standards on the financial information.

Question 2. Do you agree that European listed companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible?

As with any major change the sooner the preparation process begins the better. There are always a number of issues and events during a change programme that suggest that efforts should be made early to avoid or resolve these issues. In order to be able to apply IFRS fully by 2005, the SONAE Group began planning in 2002 and in the case of one of its listed affiliates it has started even earlier, in 2001, with the aim of presenting financial statements in 2001 in compliance with IFRS. This objective has been achieved as a result of careful planning.

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Question 3. Do you agree that that those companies should be encouraged to communicate this transition process? If yes, are the four milestones identified by CESR for such communication appropriate?

Communication strategies vary from company to company. Bearing this in mind, we believe that if a company wants the market to understand its financial information it is crucial that communication is effective. In times of change the importance of communication is even greater. A strategy for communicating the change depends ultimately on the ability to deliver the change. In our view companies should not be “forced” to communicate the change but rather to feel the need to do so. If a company is uncertain whether it will be able to deliver the change, then it should not create such an expectation in the market. Certainly, within a normal change programme to introduce IFRS by 2005, a strategy must be designed to communicate the impact of the change and as such, we feel the milestones suggested are appropriate.

Question 4. What are your views on an encouragement to listed companies to disclose narrative information about their process of moving to IFRS and about the major identifiable differences in accounting policies this transition will bring about? Do you consider it appropriate to include such information in the 2003 annual report or in the notes to the 2003 financial statements?

Once again differences in communication strategies should be respected. It is obvious that, in an ideal world, companies should make a brief statement in their annual management report about the change process and identify the main qualitative differences in the notes to the 2003 financial statements. The question is if companies will be prepared to disclose the latter, which means not only having reliable information about the effects of the change but also understanding its full meaning in terms of policy decisions. For this to be effective and to avoid misrepresentations to the market, the company must have carried out a full diagnosis of the impacts of the change and also an in-depth analysis of accounting policy alternatives to be able to choose those that are more appropriate to the particular circumstances. This is a time consuming part of the process. In our view, companies should feel free either to communicate or not to communicate depending on where they are in the change process and how comfortable they feel about its impacts. We do not believe it is something that can be imposed on companies. If this were to be the case, then it is likely that the information disclosed would be vague and thus irrelevant.

Question 5. Do you believe that listed companies should be encouraged not to wait until beginning 2006 for communicating about the impact of the transition to IFRS on the 2004 financial statements if such information is available earlier? Do you agree that quantified information in this regard should be given as soon as possible?

Clearly the answer to these two questions is affirmative. Once again it will always depend on the availability and quality of information to be shared with the market.

Question 6. Is it appropriate to refer to the Implementation Guidance provided by IASB in connection with the IFRS1 for defining which quantified information should be disclosed as a result of the recommendations in § 11 and § 12? Do you believe other disclosures should be envisaged? Do you agree with inclusion of such information in the annual report or in the notes to the financial statements?

We believe it is clearly appropriate to refer to the Implementation Guide provided by the IASB, namely to § IG63. In our opinion, such information should be included in the notes to the financial statements and not in the annual management report. Once again, the issue is that information to be disclosed must be reliable as stated in §12.

Question 7. Do you agree with the principle that any interim financial information published as of 2005 by listed companies should be prepared using the accounting standards that are to be used by those companies for the 2005 year end financial reporting, i.e. IFRS, in the way indicated here under?

Yes, we agree with the principles indicated in §18 and would prefer to use the first alternative for complying fully with the requirements of IAS 34. In some cases, however, these requirements are more extensive than the ones that are currently applicable. In Portugal, this is the case as far as quarterly information is concerned, which includes a balance sheet and a profit and loss account together with a brief report on the activities of the company. We believe that the requirements of IAS 34 should be applicable, despite being more extensive, but request that more time is given to produce and disclose all the information necessary. Presently, the local Securities Regulator (CMVM), requests that quarterly information is disclosed within 30 days of the end of the quarter in the first and third quarters, half yearly information within three months of the end of the first half, and yearly information within two and a half months to four and a half months of the year end. We consider the timing of the first and third quarter reporting to be very tight , and will be even more so if the requirements of IAS 34 are adhered to, since a cash flow statement and notes to the financial statements have to be produced, which is currently not the case.

Question 8. Do you agree that when listed companies do not elect to apply IAS 34 for quarterly information published in 2005, they should be encouraged to prepare and disclose financial data by applying IFRS recognition and measurement principles to be applicable at year end?

Yes, we believe that during 2005, IFRS should be used in the preparation of any financial information that is made public.

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Question 9. Do you agree with the proposed encouragement for European listed companies to either fully apply IAS 34 for half yearly reporting as from 2005 or, if this standard is not applied, to prepare the key half-year financial data that are to be published, in conformity with IFRS recognition and measurement principles to be applicable at year end?

Yes, for the same reasons stated in the reply to the previous question.

Question 10. CESR considered different possibilities for the presentation of comparative information for the corresponding period(s), but concluded that the above proposed solution could appropriately serve users of financial information without imposing too burdensome requirements on issuers. Do you concur with the proposed solution? In particular, do you agree with the proposals that A) comparative figures should be provided and restated using same accounting basis for the current year; B) previously published information for the previous period may be provided again; C) explanation of restatement of comparative figures should be given; D) in case of presentation of financial statements over 3 successive periods the restatement of the first (earliest) period could not be required; E) indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?

We agree with all the recommendations regarding the proposed format and its content, with the exception of B). We believe that it is more relevant and clear, at the moment of first time application, to present detailed information about the reconciliation of equity and results for the year and previous years. All questions regarding transition should be submitted at that moment and communication with the market should focus on the new accounting standards.

Question 11. Do you agree that, in addition to the presentation of comparative information in conformity with IFRS1 (i.e. prepared on the basis of IFRS provisions), it could be deemed useful to present again the comparatives prepared on the basis of previously applicable accounting standards?

Yes, such information together with reconciliations of equity and results for the year between financial statements prepared according to local GAAP and to IFRS, are the cornerstone for communicating the impacts of the change. See previous comments.

Question 12. Do you agree that, when presentation of financial statements over 3 successive periods is required, it would be acceptable not to require the restatement to IFRS of the first (earliest) period? If yes, do you agree with the indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?

In our view, this is a sensible approach.