ANNUAL REPORT SONAE SGPS S.A. '07

SONAE SONAE SGPS, S.A.

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Notes:

(1) This document was prepared to comply with article 508, nr. 6, paragraph c) of the Portuguese Companies Act and applies to both consolidated and individual accounts of Sonae SGPS;

(2) In order to facilitate comparisons of YTD results against the previous year, the 4Q06 and 2006 comparative figures have been restated (4Q06^{R} and 2006^{R}) to exclude the following contributions:

(i) Sonae Capital's contribution to the Sonae SGPS consolidated accounts during the last quarter of 2006, given the conclusion of the Sonae Capital demerger and consequent exclusion from the Sonae SGPS consolidation perimeter;

(ii) Enabler's contribution to the Sonae SGPS consolidated accounts during the first half of the year, given its sale and exclusion from Sonaecom's consolidation perimeter;

(iii) Plysorol's contribution to the Sonae SGPS consolidated accounts during the last half of the year, given its phased sale and exclusion from the Sonae SGPS consolidation perimeter;

(iv) 25% of Sonae Sierra Brazil's contribution to the Sonae SGPS consolidated accounts during the full year, in view of a reduction of the shareholding position in Sonae Sierra Brazil from 100% to 50%;

(3) The restated consolidated financial information contained in this report (4Q06$^{(R)}$ and 2006^{R}) is unaudited;

(4) Sonae SGPS's sub-holdings financial figures, as reported in section 2 - Consolidated results - , are presented on the basis of their contribution to the consolidated accounts;

(5) Sonae SGPS's sub-holdings financial figures, as reported in section 3 – Business analysis - , are presented on a stand-alone basis.

MANAGEMENT REPORT

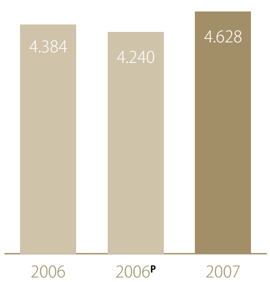
AT A GLANCE

SONAE SGPS 2007 RESULTS REFLECT THE STRONG OPERATIONAL PERFORMANCE OF ALL OF ITS BUSINESSES, DUE TO THE CONTINUED BENEFICIAL IMPACT OF ITS INVESTMENT PROGRAMMES, DRIVEN BY A STRATEGY FOCUSED ON GROWTH. INVESTMENT HIGHLIGHTS WERE THE 164,000 M^2 GROWTH IN SALES AREA IN THE RETAIL BUSINESS, THE OPENING OF 3 NEW SHOPPING CENTRES, 1 RETAIL PARK AND THE ACQUISITION OF 4 FURTHER CENTRES BY ITS SHOPPING CENTRE BUSINESS, AND THE ACQUISITION OF TELE2 AND ONI'S RESIDENTIAL AND SOHO[1] CUSTOMERS BY ITS TELECOMMUNICATIONS BUSINESS.

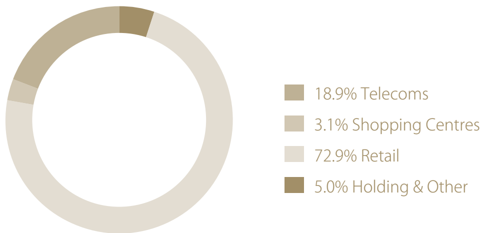
Turnover

Consolidated turnover increased by 9.1% in 2007, when compared to 2006[R] mainly driven by growth at Sonae Distribuição and explained by the positive performance of the retail store portfolio on a like for like basis, and the increase in gross sales area from the new stores opened.

TURNOVER
(MILLION EUROS)



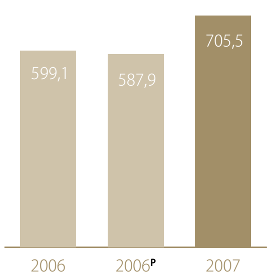
TURNOVER 2007 BY BUSINESS
(CONTRIBUTIONS)



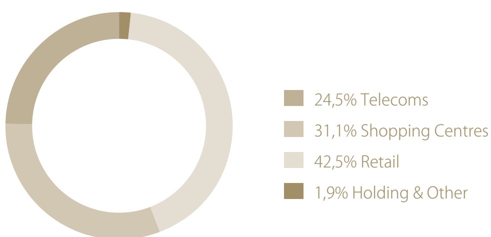
EBITDA

EBITDA grew by 20% compared to 2006[R] equivalent to an EBITDA margin of 15.2%.

EBITDA
(MILLION EUROS)



EBITDA 2007 BY BUSINESS
(CONTRIBUTIONS)

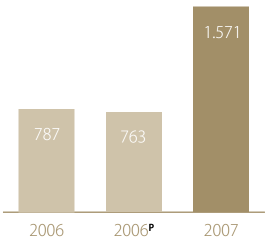


1 Small offices and home offices

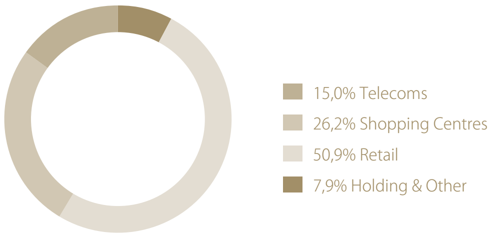
Capex

Capex amounted to 1,571.3 million euros, up 808.8 million euros on 2006[R], equal to 34% of turnover.

CAPEX
(MILLION EUROS)



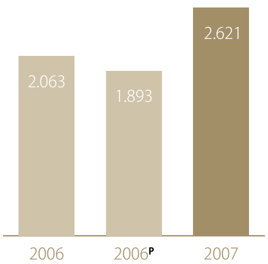
CAPEX 2007 BY BUSINESS
(CONTRIBUTIONS)



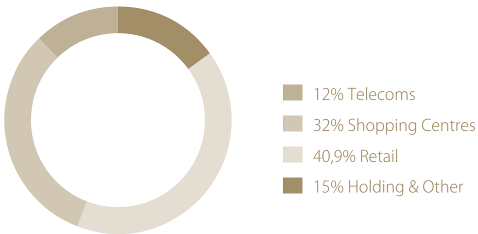
Net debt

Net debt as at December 2007 amounted to 2,621 million euros, an increase of 727.8 million euros over end 2006[R].

NET DEBT
(MILLION EUROS)



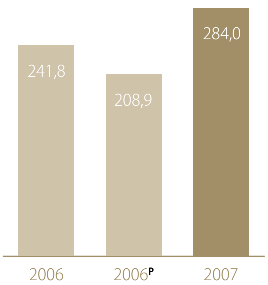
NET DEBT 2007 BY BUSINESS
(CONTRIBUTIONS)



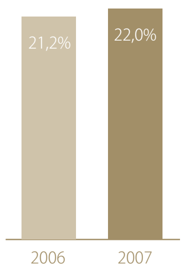
Net income and Return on equity

Net income group share increased by 36% to 284 million euros and return on equity[1] at end December 2007 reached 22.0%, an increase of 0.8pp compared to 21.2% at end 2006.

NET INCOME – GROUP SHARE
(MILLION EUROS)



RETURN ON EQUITY
(%)



[1] Return on equity = Net income attributable to Sonae shareholders $_{t}$ / Total equity group share $_{(t-1)}$

KEY FIGURES

SHOPPING CENTRES	TELECOMMUNICATIONS	RETAIL
15%	11.2%	30.1%
NAV per share	Mobile Clients	Sales Area

IN 2007, SONAE SGPS BENEFITED FROM ITS GROWTH STRATEGY BY STRENGTHENING THE PORTUGUESE LEADERSHIP OF ITS RETAIL BUSINESS, EXPANDING THE INTERNATIONAL FOOTPRINT OF THE SHOPPING CENTRES BUSINESS AND STRENGTHENING GROWTH IN THE TELECOMMUNICATIONS BUSINESS.

KEY FIGURES

MILLION EUROS	2006	2006 R	2007	Y.O.Y
CONSOLIDATED INCOME STATEMENT				
Turnover	**4,383.8**	**4,240.1**	**4,627.7**	**9.1%**
Retail	3,083.8	3,085.2	3,374.5	9.4%
Shopping Centres [1]	136.9	131.7	144.5	9.7%
Telecoms	813.0	803.4	876.0	9.0%
Holding & others	350.1	219.8	232.8	5.9%
EBITDA excluding investment properties [2]	469.2	459.5	553.1	20.4%
EBITDA [3]	**599.1**	**587.9**	**705.5**	**20.0%**
EBITDA margin (%) [4]	13.7%	13.9%	15.2%	1.4pp
Retail	253.8	254.1	299.9	18.0%
Shopping Centres [1]	191.6	187.8	219.2	16.7%
Telecoms	146.4	144.8	172.7	19.3%
Holding & others	7.3	1.2	13.7	-
EBIT	357.2	350.9	456.5	30.1%
Net Financial Results	-99.5	-94.8	-124.2	-31.0%
Investment income [5]	135.5	90.9	48.5	-46.6%
EBT	403.6	353.1	383.5	8.6%
Net Results	338.7	290.9	356.7	22.6%
Group Share [6]	241.8	208.9	284.0	36.0%
CAPEX AND CASH FLOW				
CAPEX	787.4	762.5	1.571.3	99.6%
CAPEX as a % of turnover	18.0%	18.0%	34.0%	16pp
EBITDA minus CAPEX	-188.3	-174.6	-865.8	-
CONSOLIDATED BALANCE SHEET				
Total Assets	6,321.1	5,657.6	7,026.2	11.2%
Tangible and Intangible Assets	2,396.1	2,059.2	2,501.9	4.4%
Liquid ity	695.7	678.0	346.5	-50.2%
Shareholders' Funds	1,694.9	1,383.1	1,618.0	-4.5%
Minority Interests	402.1	411.5	448.3	11.5%
Gross Debt	2,758.6	2,571.2	2,967.4	7.6%
Net debt/EBITDA (last 12 months)	3.4 x	3.2 x	3.7 x	0.5x
EBITDA/interest expenses [7]	6.1 x	6.2 x	4.9 x	-1.3x
OPERATING DATE				
Retail sales growth	13%	-	9.5%	-3.5pp
Retail sales area ('000 m^2)	545.0	-	709.0	30.1%
NAV per share (euros)	45.8	-	52.7	15.0%
Real estate open market value (million euros) [8]	4,728.0	-	6,153.5	30.2%
GLA under development (million m^2) [9]	338.6	-	473.8	39.9%
Mobile customers (EOP) ('000)	2,601.9	-	2,893.5	11.2%
Mobile ARPU (euros) [10]	19.7	-	18.2	-7.6%
Direct fixed services (EOP) [11]	281,541	-	510,673	81.4%
Sonae SGPS employees	33,151	-	34,628	4.5%

1 Shopping centres are proportionally consolidated (50%);
2 Increase in the valuation of the shopping centres proportionally consolidated;
3 EBITDA excludes provisions and impairment losses;
4 EBITDA margin = EBITDA / turn over;
5 Capital gains (losses) with asset sales plus dividends received;
6 Net income attributable to Sonae shareholders;
7 Interest cover;
8 Open market value = fair value of real estate in operation (100%), provided by an independent entity; equivalent to assets under management;
9 Gross Lettable area;
10 Average revenues per user;
11 Services restated to according to a "revenue generator unit" crite ria since 1Q07;

R Restated to exclude Sonae Capital's contribution in 4Q06, Enabler's contribution in 1H06, Plysorol contribution in 2H06 and 25% of Sonae Sierra Brazil in 2006; unaudited.

MESSAGE FROM THE CHAIRMAN

It gives me great satisfaction to review Sonae's performance over the past year and highlight our goals and strategy for the year underway. Sonae is growing in promising and challenging business sectors, in markets which are becoming more global, with more and increasingly aggressive competitors. By continuously acting as a challenger in its markets, exploiting new opportunities and anticipating customer needs, as well as keeping a sharp focus on cost containment and improved efficiency, Sonae has successfully managed to absorb cost increases in the cost of our inputs, while keeping our prices at competitive levels. Sonae has been able to continuously deliver profitable growth while building a strong market position and earning the trust of our shareholders.

Creating Value

Our long term perspective, flexibility and entrepreneurial spirit, all of which are an intrinsic part of the Sonae culture and our DNA, and which are actively encouraged by our Board of Directors, have allowed us to offer sustainable growth and superior economic value to our shareholders. Sonae's managers are focused on these principles, when examining and exploring new business opportunities to find new ways of creating value. In addition, the role, competencies and organisation of our corporate centre are continuously being adapted to improve our ability to add value to our portfolio of companies, by leveraging the Group's brand name, size and specific skill set.

The future looks promising to me. I am convinced that in 2008, Sonae will once again prove to be a reference player in Portuguese and international markets and will be able to create value for its stakeholders. Sonae is ideally positioned to obtain added value from sectors with good growth potential, specifically through strengthening our leadership in Portugal. The internationalisation of our retail business, the expansion of the international footprint of our shopping centre business, and the elimination of the barriers between fixed and mobile markets in our telecom business are all underway. For these reasons, our shareholders can continue to expect that the value of their investment in the Group will increase, and should be encouraged to remain with us. Over the last 21 years, our shareholder value has multiplied by 43 times, with no equity raised since 2000 and capital calls that have been less than values distributed. Our ambition and expectation is that we will be able to maintain this trend going forward.

Corporate Governance

Sonae believes that the investors in listed companies should take into account the extent to which companies have adopted corporate governance best practices and the timely disclosure of material information to the capital markets. To this end, and acknowledging the benefits of such practices in the day to day management of the Company, we are committed to complying with the legal and best practice aspects of the Portuguese Corporate Governance Code and with international governance standards. Examples of this commitment are the separation in the Group of the roles of Chairman and CEO, with a clear division of powers and responsibilities, and the existence of independent Non-Executive Directors on the Sonae and Sonae Group Boards with appropriate qualifications, knowledge and experience.

In our 2007 Annual Report, we have set aside a large section to governance, which is also available on our website, in order to provide maximum transparency to all of our stakeholders. Also worthy of note is the newly created role of Board and Corporate Governance Officer, with the responsibility, amongst others, of helping me to optimise the efficiency and effectiveness of our Board, as well as for closely reviewing all legislative and corporate governance developments that could affect the Company's operations, and ensuring that they are known to the Board and observed by the Company, wherever applicable.

Contribution to Society

Our Group embodies, within its culture and management values, the principle of contributing to society and the community, recognising our role as a driving force for a fairer and more balanced society.

During 2007, we have been very active: we have been involved in supporting several Portuguese welfare institutions, have carried out donation programmes, have developed programmes to improve community wellbeing and have built links with society through institutional and commercial sponsorship agreements.

Focus on Employees

A focus on employees is a value embedded in the Sonae Group culture, and is considered to be vital for the success of the Company by encouraging risk taking and stimulating creativity. This is why the Company continuously invests in developing a "Team of Excellence". Leadership skills are fostered, careers are stimulated and developed, training is encouraged and financed, levels of knowledge are permanently challenged and employees are evaluated based on their merit, effort and contribution to the success of the Company.

I believe that, with the right financial resources and shareholder stability, coupled with professional management and good educational and training levels, we have the key ingredients to work together as a team and succeed in the long term.

I am proud of all that we have achieved in 2007, which has only been possible due to the determination, innovation and ambition with which the organisation responded to the challenges set by management. The success and progress made is a tribute to all our officers, managers and employees. I warmly congratulate and thank each and every one of you for your effort and commitment.

Belmiro de Azevedo

MESSAGE FROM THE CEO

THE RECORD FIGURES REPORTED FOR THIS YEAR ARE A TRIBUTE TO THE HARD WORK AND COMMITMENT OF OUR TEAMS OVER THE PAST FEW YEARS.

We managed to accelerate turnover growth to 9% on a year on year basis, whilst increasing EBITDA by 20% to 706 million euros, with an underlying 15% EBITA margin. Furthermore, there was significant investment during 2007, linked to both organic growth and acquisitions, which will provide a springboard for future growth. Everyone in the Group can be proud of these results, and particularly of the way we achieved them: a relentless commitment to customer and shareholder value, competition, innovation, management best practices and sound business ethics.

In the retail business, our revenue grew by 10% and EBITDA increased by 18% compared to 2006, exceeding the targets we had announced for organic growth. Improvements in internal operating efficiency, strong sales area expansion and like-for-like growth have made these results possible. In a sector as competitive as this one, the ability to grow is a real challenge, especially in terms of like-for-like growth: during 2007, we managed to do this, achieving 3% growth in sales in food retail and 4% in non-food retail. From the countless new projects and operational improvements, a major highlight was the extremely successful introduction of the Continente and Modelo loyalty cards, which now total 2.2 million and were used for 80% of customer purchases, as well as the significant expansion of our non-food formats in existing and new concepts. The Carrefour acquisition was, as expected, successfully completed by the end of 2007, enabling us to reinforce our leadership position in the Portuguese market, by reaching a 30% market share in the food retail market, and to further push ahead with our value oriented expansion strategy. Importantly, the first steps in the international expansion strategy of the retail business were taken.

In our shopping centres business, 2007 was all about building up our strength in our established markets and expanding into a new territory, Romania. In total, we opened 3 new shopping centres, 1 retail park and acquired 4 additional centres. The result of this activity was highly positive, with the company achieving record consolidated net profits of 300 million euros, 11% up on 2006 and ending the year with a Net Asset Value per share of 52.7 euros, up 15.0% over 2006. Our development pipeline remains robust, with new projects under development in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil, involving a total investment of 1.2 billion euros in the planning and construction stages and another 1.4 billion euros of projects committed but not yet fully licensed.

Our telecommunications business posted a strong set of results for the year compared to 2006, with significant growth of customer revenues, up by 15.9%, and an improvement in comparable EBITDA of 3.3%, despite the negative impact of lower roaming-in tariffs, lower mobile termination rates and the higher cost of growth. These results were achieved as a consequence of the decision to reaccelerate organic growth in mobile, by investing in innovation and specific growth opportunities across its major markets. We have successfully completed the acquisitions of ONI's residential and SOHO[2] customers and of Tele2 Portugal, allowing for a significant increase in the scale of our wireline business and the leveraging of our operating structure and proprietary network. Importantly, the merger of the mobile and wireline units was completed, together with a major integration of our marketing and sales operations. This will help us to better address our market where the barriers between fixed and mobile services have diminished, as well as to facilitate the development of new convergent products. We have demonstrated our ability to create value notwithstanding very significant competition and regulatory barriers that still need to be addressed, and are committed to having a major impact on investment and innovation in the sector.

In November 2007, our Board of Directors approved the demerger of the Company's entire shareholding in Sonae Capital, which resulted in the incorporation of a new holding company listed on the Portuguese stock exchange, Euronext Lisbon, at the beginning of 2008. Sonae shareholders were entitled to receive 0.125 shares in the new Sonae Capital for each Sonae SGPS share held, representing a value of between 0.34 euros and 0.36 euros per share, according to the fairness opinion of the independent financial advisor for the operation. We believe that, through this operation, we have continued to increase shareholder value and that we have benefited both Sonae and Sonae Capital, as stand alone companies, by increasing their ability to create future value.

SONAE FACES 2008 WITH A SOLID BALANCE SHEET, IMPROVED COMPETITIVE POSITIONS IN ITS MAIN MARKETS AND VERY STRONG MANAGEMENT TEAMS IN EACH SUB-HOLDING. THIS, TOGETHER WITH OUR REORGANISED AND REFOCUSED CORPORATE CENTRE, WHICH IS DESIGNED TO COMPLEMENT OUR BUSINESSES AND CREATE VALUE ADDED, ALLOWS US TO BE CONFIDENT THAT WE WILL ACHIEVE OUR OBJECTIVES OF HIGHER GROWTH RATES IN 2008.

All the successes achieved during the year were largely due to the teams working in the Group. I am aware that taking on challenges and seizing opportunities requires effort and focus on a daily basis, for the most part in business areas where competition is fierce and unrelenting. On behalf of the Sonae Board of Directors, I would like to thank you all, once more, for your contributions during 2007.

Paulo de Azevedo

2 Small offices and home offices

1 2 3
6 5 4
7 8 9
11 10

· THE SONAE GROUP

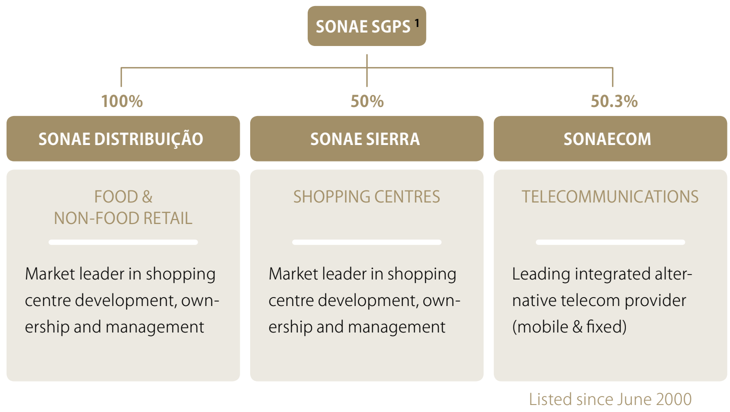
1. THE SONAE GROUP

1.1. CORPORATE PROFILE

Sonae started business in Portugal in 1959, in the wood products business, more specifically as a producer of high-pressure decorative laminates. The business grew steadily into the 80's, when it began a process of diversification through the acquisition of a supermarket chain followed by the opening of Portugal's first hypermarket.

As it stands today, Sonae SGPS is a holding company that controls and actively manages a portfolio of businesses with a focus on the consumer, divided into three branches: retail, shopping centres and telecommunications. The various Group companies are run in an independent manner, by a fully dedicated management team that develops strategies focused on their own key value-adding drivers.

SONAE'S BUSINESS PORTFOLIO AT 31 DECEMBER 2007



1 Sonae SGPS kept the insurance brokerage shareholdings owned by a wholly owned subsidiary of Sonae Capital until end 2007

RETAIL

SONAE'S RETAIL ACTIVITIES ARE CARRIED OUT BY SONAE DISTRIBUIÇÃO, THE LEADING FOOD RETAILER IN PORTUGAL AND CONSIDERED AN INTERNATIONAL BENCHMARK IN THE SECTOR, MAINLY IN TERMS OF PROFITABILITY.

Its market position has been achieved based on a profound knowledge of the market, being able to provide a reliable and high quality service to all its customers; a continuous investment in innovation, as a means of exceeding the demands of its customers and differentiating itself from the competition; a focus on operational efficiency, by improving information systems, modernising the logistics structure and training internal staff; and a well known brand name, with one of the highest awareness and confidence levels among Portuguese consumers.

Sonae Distribuição operates in two different areas:

(i) food retail, including Continente hypermarkets, with an average sales area of approximately 8,000 m^2; Modelo hypermarkets with sales area of approximately 2,000 m^2; and supermarkets Modelo Bonjour, with sales area of approximately 1,000 m^2;

(ii) non-food retail, with ten formats, the most significant being Worten, a consumer electronics format, SportsZone, a sporting goods format, and Modalfa, an apparel format. The company continues to broaden its business portfolio, taking advantage of existing synergies with the Sonae Group and developing new innovative non food formats, examples of which are Área Saúde (para-chemist), Zippy (children and baby apparel) and Worten Mobile (specialist in mobile telecommunications equipment).

In line with its growth strategy and benefiting from the regulatory framework in the sector, Sonae Distribuição has been expanding its store network, ending 2007 with 646 stores, amounting to a total 709 thousand m^2 of sales area and 70% coverage of the Portuguese population.

RETAIL SHOPS

646 PORTUGAL

COVERAGE OF THE PORTUGUESE POPULATION

70 %

SHOPPING CENTRES

SONAE'S SHOPPING CENTRE ACTIVITY IS CARRIED OUT BY SONAE SIERRA, A COMPANY LAUNCHED IN 1989 TO HELP MANAGE THE SHOPPING ARCADES AND EXPLORING THE EXPANSION OPPORTUNITIES OF SONAE'S RETAIL ARM.

SHOPPING CENTRES
47

PORTUGAL
SPAIN
ITALY
GERMANY
GREECE
ROMANIA
BRAZIL
2007

Sonae Sierra is an international shopping centre specialist, with the goal of being the leading operator of innovative shopping and leisure destinations in the markets in which it operates, and with an integrated approach to the business that includes ownership, development and management activities – asset management and property management. The company's proactive approach to management as a complement to a "develop and hold" policy, embedded in a long-term view of investment, ensures that shopping centres increase in value over time, the cornerstones being sustainability and value creation.

Sonae Sierra has earned an international reputation for the development of innovative products as well as for its management skills, having been awarded more international prizes than any other European company in this sector.

Sonae Sierra's strong partnership policy, both with international investors and local partners, allows the company to be financially strong and capable of both rapidly gaining an in-depth knowledge of a market and creating new business opportunities. At end 2007, Sonae Sierra was present in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil, and owned 47 shopping centres, with a total GLA of more than 1,850 thousand m^2; had more than 2,100 thousand m^2 of GLA under management with over 7,200 tenants; and had 12 projects under development with a total GLA in excess of 474 thousand m^2.

TELECOMMUNICATIONS

SONAE'S TELECOMMUNICATIONS ACTIVITY IS CARRIED OUT BY SONAECOM, AN INTEGRATED GROUP WITH A COMPLETE RANGE OF MOBILE, FIXED COMMUNICATIONS AND MULTIMEDIA SERVICES TARGETING RESIDENTIAL AND BUSINESS CUSTOMERS IN PORTUGAL. IT ACCOMPLISHED A MARKET SHARE OF 13.5% OF THE PORTUGUESE TELECOMMUNICATIONS MARKET AT END 2007, BASED ON REVENUES.

OPTIMUS SUBSCRIBERS

2.9 Million

2,6 Million | 2006

BROADBAND MARKET	FIXED VOICE TELEPHONY
15.4%	21%

SONAECOM Wireline | MARKET SHARE

Optimus, the mobile business that offers diversified mobile solutions and roaming services, has strengthened its market position in Portugal with 2.9 million subscribers and a market share of 20%, at the end of 2007.

Sonaecom Fixed, the fixed business, better known through its two brands Clix and Novis, has consolidated its position as the leading altnet operator in Portugal, providing voice, internet services and IPTV to its residential, SME and corporate customer bases, as well as providing voice and DATE capacity, and connectivity services to telecommunications operators around the globe. By end September 2007[3], Sonaecom Fixed attained a 15.4% market share of the broadband market and 21% market share of the fixed voice telephony market. Sonaecom also has a presence in the Media sector through the ownership of Público, a reference national daily newspaper in Portugal ranking third in terms of paid circulation. It is also present in the Software and System Information sector, the most significant company being WeDo, a provider of systems integration products and consultancy, specialized in the telecom sector and world leader in Revenue Assurance competencies.

3 Latest available data

1.2. GOVERNING BODIES

Sonae SGPS's Board of Directors is composed of nine members and includes five Non-Executive Directors. The Non-Executive Directors bring together a wide experience in the worlds of business, finance, academia and politics, and exercise an important influence on decision making processes and the development of strategy.

Sonae SGPS complies with the Corporate Governance principles of separation of responsibilities to guarantee the protection of the interests of all shareholders. For this purpose, since the election of the Board of Directors for the four-year period 2007-2010, there has been an increase in the number of independent members, at present totalling four of the nine members. Additionally, Corporate Governance has been strengthened during 2007 with the separation of the roles of Chairman of the Board of Directors and that of CEO.

SONAE SGPS BOARD OF DIRECTORS AND APPOINTED COMMITTEES

	EXECUTIVE [1]	NON-EXECUTIVE [2]		AUDIT AND FINANCE COMMITTEE	NOMINATION AND REMUNERATION
		Independent [3]	Non-Independent		
CHAIRMAN					
Belmiro Mendes Azevedo					
DIRECTORS					
Álvaro Cuervo					
Luíz Lampreia					
Michel Bom					
José Neves Adelino					
Paulo Azevedo (CEO)					
Álvaro Portela					
Ângelo Paupério					
Nuno Jordão					

1 Executive Directors = members of the Board of Directors and Executive Committee, with executive management reponsibilities;

2 Non-Executive Directors = members of the Board of Directors, without executive management responsibilities;

3 Independent Non-Executive Directors = directors not associated with any specific interest groups in the Company or Groups which are, under any circumstance, capable of affecting their objectiveness.

1.3. SUCCESS FACTORS

BY BRINGING TOGETHER A SET OF CORE VALUES AND PRINCIPLES, REGARDED AS THE FOUNDATION FOR SONAE'S POLICIES AND MANAGEMENT, THE GROUP AIMS TO INCREASE SHAREHOLDER VALUE IN A SUSTAINABLE WAY, THROUGH MAINTAINING STABLE CASH FLOWS, FOCUSING ON CONTINUOUS GROWTH THROUGH THE DEVELOPMENT OF INNOVATIVE PRODUCTS AND SERVICES, AND ACHIEVING LEADERSHIP POSITIONS IN ITS RESPECTIVE MARKETS.

Holding as value enhancer

The growth of Sonae has taken place with a lean and agile management structure at the holding level, designed to allow each sub-holding to have their own fully dedicated management team, focused on developing independent strategies, on the basis of their own key value adding drivers. Notwithstanding a quest for a cohesive organization, based on a shared set of values and principles, Sonae's main concern is to allow its businesses to be creative and have freedom of action, in order to encourage a bold approach to identifying business opportunities, to be innovative and reactive to market changes, avoiding the risk of underperforming due to excessive bureaucracy and layers of organizational responsibility.

This management approach is depicted by Sonae's logo, designed to reflect the Group's constant quest for growth and value creation through diversification, symbolized by two sprouting plants, while the ring of fire symbolizes cohesion, through the sharing of culture and values.

A management style of this kind is based on Sonae's commitment to minimize the annual net costs of its corporate centre, which in 2007 totalled 8.2 million euros, representing less than 1.8 per thousand euro of Consolidated Turnover, while working closely with the businesses and constantly challenging their status quo and strategies, within the context of a long term perspective. The Group adopts a value enhancer approach, intervening and supporting the businesses in areas where the holding expertise is a plus and a joint effort adds value:

(i) Cooperation in definition of strategy and goals;
(ii) Capital allocation among sub-holdings and business opportunities;
(iii) Proactive and continuous search for M&A opportunities;
(iv) Centralization of senior management Human Resources;
(v) Proactive management of institutional relations;
(vi) Leverage on Sonae's brand name, size and internal competencies.

Total shareholder return, being the average annual interest rate for shareholders comprising both share price appreciation and dividend payments, is the best proof of success of the Sonae management approach: between the initial stages of the Group's IPO, in 1986, and December 2007, total shareholder return averaged 20% per year, exceeding that of the Portuguese market index PSI20, that represents the twenty largest companies quoted on the Portuguese stock exchange.

SONAE GROUP SHARES
20%
Anual Average
1986 to 2007

Business culture

Given Sonae's size, operating in different countries and cultures and often with different market positioning and approaches, the Group's business culture is viewed as the glue that keeps all the businesses together and guarantees their strength and common future. Sonae's Business culture incorporates a set of values applicable to all employees and sub-holdings and represents a start-up platform from which its business can develop their specific values and principles, in relation to the specific obstacles and challenges that they encounter.

The key features of Sonae's business culture are mainly targeted at managers, and focused on key attributes that they should aspire to. They are broken down into 7 major behavioural principles:

(i) Entrepreneurship: to continuously explore and examine new business opportunities that can generate value, based on a detailed screening of the market and consumers, on creativity, on a forward looking approach and a sense of opportunity;

(ii) Good management: to accept the control of and criticism from all stakeholders, whether they be shareholders, market, suppliers, customers or employees, whether the latter are managers or employees, and to be able to respond accordingly; to base daily management on the principles of professionalism, loyalty, frugality and risk management; to continuously search for excellence, which will be the result of the cumulative good decisions and practices taken over time;

(iii) Leadership: to be a leader or have the capability of becoming one; to develop skills that add value, enabling businesses to attain positions of leadership in the markets where they operate;

(iv) Willingness to change: to maintain a sense of opportunity and a entrepreneurial spirit;

(v) Control: to prioritize and identify critical risks that might compromise performance and goals and to take actions to manage those risks through constant monitoring and by implementing corrective measures;

(vi) Transparency: to commit to maximum transparency for all stakeholders, by introducing group wide mandatory Corporate Governance guidelines which meet both Portuguese Corporate Governance practices and those of leading international governance benchmarks; implement a clearly defined set of rules and behaviour, according to which the Group is properly managed and controlled, such as responsibilities for its different governing bodies and their decision making processes and commitment to information disclosure and reporting;

(vii) Independence from Political Power: to adopt public positions in line with its values and interests and independent from central and local government. Nonetheless, there is a permanent willingness to co-operate with government, namely in the planning and execution of development projects.

Responsibility towards employees

Sonae recognizes and values the importance of its employees to the competitiveness and success of its organization. To that end, it aims to continuously invest in their career development, through access to training and educational programmes; to reward their effort and engagement; to welcome their ideas and initiatives; to provide equal opportunities for all, by implementing a policy of non discrimination on the grounds of race, sex, nationality or social class; and to provide working conditions which avoid risks to the health and safety of employees.

This approach is the driver of several internal projects aimed at promoting employee satisfaction, developing employee skills and improving the workplace environment. Examples of such projects are:

(i) structured programme of internal training targeting different competency needs at different career stages;
(ii) satisfaction surveys, to monitor employee motivation levels;
(iii) annual performance bonus, aimed at rewarding the achievement of annual objectives and key performance indicators;
(iv) a medium and long term variable remuneration plan, as further described in section 2.7 and 2.8 of the Corporate Governance report.

Community responsibilities

Sonae has a long-standing tradition of corporate social commitment, whereby the Group integrates business ethics, social and environmental concerns into the business operations and in its interactions with stakeholders. It is with this commitment in mind, which is understood and shared by all Sonae's employees without being formally imposed, that internal working procedures are set up, reflecting:

(i) environmental awareness, by constantly improving the environmental performance of its products and activities;
(ii) community involvement, through cooperation and support of cultural, sport and social institutions;
(iii) Openness to society, by disclosing information on internal projects and activities targeted for employees, media and the general public;
(iv) Trust, by developing relationships with business partners, namely customers and suppliers, based on high standards of trust;
(v) Ethics, by establishing relationships with third parties based on principles of honesty, integrity and transparency, with corruption being unacceptable.

1.4. HUMAN RESOURCES

LONG-LASTING ORGANIZATIONS ARE BUILT ON SOLID FOUNDATIONS AND SONAE'S EMPLOYEES ARE ITS MOST VALUABLE ASSET IN ITS QUEST TO PURSUE LONG TERM SUSTAINABILITY. BY COMBINING THE TALENT, EXPERTISE AND CREATIVITY OF ITS ENTIRE STAFF, THE SONAE GROUP LOOKS TO CONTINUOUSLY BUILD ALL THE KNOWLEDGE AND SKILLS NEEDED TO RESPOND QUICKLY TO NEW MARKET TRENDS AND DEMANDS.

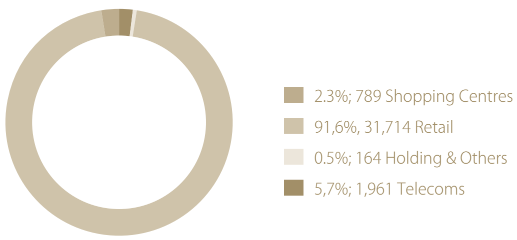
SONAE
34,628
Employees

RETAIL
31,714
Employees

Sonae employees

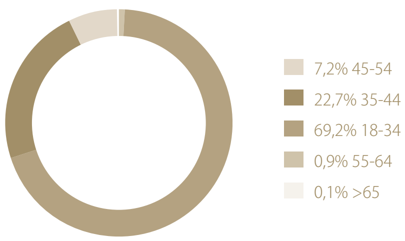
At year end 2007, the Sonae Group had 34,628 employees, 4.5% above the previous year, generating a total cost of 569.8 million euros and representing 12.3% of consolidated turnover.

EMPLOYEES BY BUSINESS



EMPLOYEES ACCORDING TO AGE

(EXCLUDING CARREFOUR)



In the Telecoms business, the number of employees increased by 4.8% to 1,961 compared to 2006, mostly due to the integration of personnel from the acquisitions carried out in 2007, namely Tele2 Portugal and Cape Technologies. The retail business increased its headcount, mainly as a result of the organic expansion of its store network and the acquisition and integration of Carrefour as at 31 December 2007. Shopping centre employees increased by 7.9% to 789 in 2007, explained by the higher number of projects under development in the year, as well as the larger base of assets under management when compared to 2006.

Expertise sharing

The Group's success depends on its ability to improve leadership effectiveness, create a more fulfilling employee experience, understand and anticipate customer needs, promote creativity and innovation, and increase customer satisfaction. By encouraging the sharing of knowledge and experiences between the employees of its three businesses, bringing different ideas together, sharing know-how and insights, and challenging people with a unique combination of talents and characteristics to work together, Sonae enables innovation to take place, avoids mistakes being made and promotes the adoption and sharing of best practices.

For Sonae, although each of its business is independently managed, with its own strengths and unique skills, they belong to one single organization, working together with the same purposes and goals. To support this expertise sharing attitude, Sonae fosters several forums, of which we can highlight:

(i) **Innovation Forum**, with the purpose of stimulating and supporting an innovation driven culture at Sonae to sustain higher levels of value creation; this forum met 5 times in 2007 and organised a group wide one-day event that brought together 300 managers;
(ii) **Sustainability Forum**, with the purpose of sharing knowledge and best practices, increasing awareness of sustainability across Sonae and identifying relevant common issues to encourage synergies and cohesion in dealing with the various challenges in this area; during 2007, this forum met 4 times;
(iii) **Planning & Control Methodologies Forum**, with the purpose of promoting and discussing the implementation of best control methodologies across the group; this forum met 6 times in 2007;
(iv) **Legal Forum**, with the purpose of sharing the experience and knowledge among internal legal teams, promoting a wide discussion of essential legal topics and a common approach to legal interpretations and procedures; this forum met 3 times in 2007;
(vi) **Marketing forum**, with the purpose of coordinating negotiations with the Media among the various sub-holdings, as well as promoting the sharing of best practices in marketing at specific seminars; this forum met 6 times in 2007;
(vii) **Negotiation forum**, with the purpose of presenting, analysing and discussing negotiation strategies, identifying opportunities of joint negotiations with suppliers among sub-holdings and to share experiences and knowledge; this forum met 2 times in 2007.

Knowledge

In Sonae, employees are constantly challenged to learn and encouraged to embrace knowledge as a key factor in their professional success. Furthermore, and in order to develop a business management system able to understand, anticipate and respond to today's market and competition challenges, Sonae must be able to question the status-quo and think creatively. Continuously updated knowledge and a constant search for excellence are the corner stones of an innovative and bold organization.

In order to support and stimulate training in 2007, the Sonae group implemented several internal training plans to improve employees' skills and competencies. The following are worth mentioning:

(i) Sonae Learning Centre, set up in 2004, and mainly targeted at specific training for top managers and technical employees, organizing conferences, training sessions, seminars, short and medium term courses, exhibitions and social events of various kinds. In 2007, Sonae completed approximately 1,474 thousand training hours.
(ii) The financing of postgraduate studies, particularly MBA degrees, either in Portuguese or foreign universities, allowing the most talented employees to continue their studies and further develop their key competencies.
(iii) Continuous training sessions are carried out, led by internal managers or by external trainers, and to which all relevant employees are asked to attend. Each year, a scheduled programme is circulated within the organization and each department is encouraged to allocate a percentage of its budget to its organisation.
(iv) During the year, the forums described above organized, within the scope of their charter, a series of lectures, debates and conferences. In total, more than 26 such events were organized during 2007.

Internal performance appraisal

To energize initiative and sharpen commitment of its employees, a performance bonus is paid, aimed at rewarding the achievement of certain pre-defined annual objectives, linked to "key performance indicators of Sonae's businesses activities", "department key performance indicators" and "personal key performance indicators". Sonae's culture encourages employees to take an active role in the planning of their own "key performance indicators" for the year, in accordance with the company's goals and strategy.

During 2007, Sonae once again carried out its annual performance appraisal process, through which each individual's performance and contribution to the organization's success is measured and assessed, and the variable remuneration to be awarded is calculated. Further detailed information about the performance reward system can be found under section 2.7 of the Corporate Governance Report.

1.5. MAIN CORPORATE EVENTS DURING 2007

SIGNIFICANT STEPS HAVE BEEN ACCOMPLISHED DURING THE YEAR IN ORDER FOR SONAE TO SUCCESSFULLY MAINTAIN THE GENERATION OF STABLE CASH FLOWS, LEVERAGE THE POTENTIAL OF EXISTING MARKETS AND CARRY OUT FURTHER VALUE-ENHANCING INVESTMENTS

Sonae SGPS

- At Sonae's Board meeting held in May 2007, Belmiro de Azevedo resigned as CEO of the Board of Sonae and Paulo Azevedo was appointed as the new CEO. At the same meeting, Belmiro de Azevedo was appointed as Sonae Chairman.

- In November 2007, the Board of Directors of Sonae approved Sonae Capital's demerger project, with Sonae SGPS demerging the whole of its shareholding in Sonae Capital. The demerger resulted in the incorporation of a new holding company, owning 100% of the share capital of Sonae Capital. For each Sonae share, 0.125 of a share of this new company was attributed. On 17 December 2007, Sonae announced the completion of the demerger process with its registration at the Commercial Registry Office in Maia. For accounting purposes, the demerger operation was considered to have taken place as from the beginning of October 2007 onwards.

- In November 2007, Sonae announced the sale of 132.9 million Sonae shares, owned directly by the company, at 2.06 euros per share, resulting in a cash inflow of 273.7 million euros. The purpose of this transaction was the following:

(i) simplify Sonae's portfolio, through the sale of an investment asset;
(ii) monetize treasury shares and allow the reduction of its current debt, allowing the company to strengthen its balance sheet and finance the growth strategy of its businesses and new investment opportunities.

- In November 2007, Sonae contracted a derivative financial instrument – Cash Settled Equity Swap – with a financial institution, involving a total of 132.8 million Sonae shares, corresponding to 6.64% of its share capital. This transaction has a maturity of up to 3 years and a strictly financial settlement, with no option or rights attributed to Sonae or any other subsidiary to acquire the underlying asset. This transaction allows Sonae to maintain full economic exposure to its share price trend, which the Board of Directors considers to be in the best interests of the Company under present market conditions.

Retail

- In January 2007, Sonae Distribuição launched its loyalty card at both Continente and Modelo stores, with a total investment of 6 million euros. The card allows consumers to take full advantage of continuous promotional campaigns and to accumulate discounts valid for 12 months following the purchase.

- In July 2007, Sonae Distribuição reached an agreement with the Carrefour Group for the acquisition of 99.8648% of the share capital of Carrefour Portugal for a total enterprise value of 662 million euro. On December 2007, the Portuguese Competition Authority announced its final approval for this acquisition, subject to a number of commitments to be met by Sonae Distribuição, as set forth in the non-opposition decision announced. The process was concluded at the end of the year.

Shopping Centres

- In February 2007, Sonae Sierra acquired, for a NAV of 19 million euros, in 50% partnership with GREP, the Shopping Centre "Modelo de Albufeira" and Shopping Centre "Continente de Portimão", both previously owned by Sonae Distribuição. With this acquisition, Sonae Sierra strengthened its position in the Algarve region in Portugal, where it already owns AlgarveShopping.

- In April 2007, Sonae Sierra acquired, in partnership with Rockspring, a site in Larissa in Greece, for the development of Larissa's largest shopping centre, expected to involve a total investment of 48.5 million euros. The centre is scheduled to open to the public in the autumn of 2008.

- In May 2007, Sonae Sierra acquired the already operating shopping centre River Plaza Mall in Romania, located in Ramnicu Valcea, 170 km from Bucharest, the first incursion of the company into the Romanian market.

- In May 2007, Sonae Sierra acquired the already operating shopping centre Munster Arkaden, in Germany, a 26,220 m^2 GLA urban shopping centre in the city of Munster, taking another step towards its expansion in the German market.

- In September 2007, Sonae Sierra inaugurated the Alexa Shopping centre in Berlin, a 290 million euros investment with 178 shops on 56,200 m^2 GLA.

- In September 2007, Sonae Sierra inaugurated the 8ª Avenida Shopping Centre in S. João da Madeira, Portugal, a 54 million euros investment with 130 shops on 30,477m^2 GLA.

- In October 2007, Sonae Sierra, in partnership with the Mall Group, inaugurated El Rosal, a shopping and leisure centre in the city of Ponferrada, Spain.

- In November 2007, Sonae Sierra acquired two plots of land in Romania in the cities of Craiova and Ploiesti, to start the first developments in this country. The project in Craiova will have a total of 55,537m^2 GLA and will represent a total investment of € 139.4 million. The second one in Ploiesti, will have a total GLA of 64,070m^2 and represent an investment of €156.6 million. The Craiova project is expected to open in 2009 and Ploiesti in the following year.

- In December 2007, Sonae Sierra and Miller Developments concluded negotiations for the sale of Lima Retail Park, located in Viana do Castelo in Portugal, to PREF, for a total amount of 18.5 million euros.

- In December 2007, Sonae Sierra sold 50% of LoureShopping, a shopping and leisure centre in the city of Loures in Portugal, to Deka Immobilien Investment, for a total amount of approximately 65 million euros.

- In December 2007, Sonae Sierra acquired 50% of the assets of Gaia Shopping and the recently expanded Arrábida Shopping from its original partners. Both assets are located in the Metropolitan area of Porto in Portugal.

Telecommunications

- Sonaecom's public tender offer for Portugal Telecom (PT), launched in February 2006, was blocked at Portugal Telecom's shareholders' EGM. On 2 March 2007, Portugal Telecom held a shareholders' EGM to vote on the proposed changes to the by-laws, specifically the removal of the 10% limitation on the voting rights of a single shareholder and the approval of the acquisition by Sonaecom of more than 10% of Portugal Telecom's share capital. The attendance level at the EGM was 67.4%; 45.58% voted against, 43.90% voted for and 9.52% 21 abstained. As the bid for Portugal Telecom was dependent on these changes to its articles of association, Sonaecom's public tender offer automatically terminated.

- In March 2007, Sonaecom acquired a total of 1.89 million own shares, representing 0.52% of the share capital, at an average price of 4.71 euros per share. These acquisitions were made to cover obligations under Sonaecom's Medium Term Incentive Plan for employees.

- In March 2007, Sonaecom sold its 1% shareholding in Portugal Telecom, at an average price of 9.61 euros per share. This compares to an average purchase price of 9.38 euros per share when the shares were originally purchased during 2Q06, generating a capital gain of 2.5 million euros.

- In June 2007, Sonaecom announced the acquisition of Oni's residential and SOHO customer base, for a total expected amount of 25 million euros, dependent on the number of customers. In August 2007, the Portuguese Competition Authority granted its final approval for this acquisition.

- In June 2007, Sonaecom announced the acquisition of Tele2 operations in Portugal for a total expected amount of 16 million euros, dependent on the number of customers; In September 2007, the Portuguese Competition Authority granted its final approval for this acquisition.

- In September 2007, WeDo announced the acquisition of Cape Technologies, which operates internationally in information systems for the telecommunications industry for the amount of 17 million euros, plus net cash outstanding and an additional amount of up to 3 million euros, subject to the achievement of certain pre-agreed targets. With this acquisition, WeDo became the world leader in the Revenue Assurance software integration market.

- In November 2007, Sonaecom formally completed the process to merge its previous Mobile (Optimus) and Fixed (Novis) divisions. This operation, approved by both ANACOM and the Portuguese Ministry that oversees the Telecommunications sector, reflects the convergence of technologies and the new consumer perspective that have progressively made the separation of the fixed and mobile businesses obsolete and inadequate.

Tourism and Seed & Risk Capital (demerged business)

- In May 2007, SC Insurance and Risk Services, a company wholly owned by Sonae Capital, agreed the terms and conditions for the acquisition of circa 14% (with the possibility of subscribing up to 28%) of the share capital of Cooper Gay. The investment related to the transaction may reach a maximum of 41.1 million euros. In June 2007, Sonae SGPS, SA announced that it had completed this acquisition through its subsidiary SC Insurance and Risk Services, controlling as from this date 28% of the company's voting rights. This investment was transferred to Sonae after the demerger of Sonae Capital.

- As announced in May 2007, Sonae Capital acquired indirectly, through one of its subsidiaries, an additional 35% holding in Selfrio, SMP, Sistavac and SKK (refrigeration, air conditioned and maintenance) for 22 million euros, and signed an agreement for the sale of the whole of its indirect holding of 51% in Safira (cleaning services) for 5 million euros. This sale was finalised in June 2007.

- In June 2007, Sonae Capital agreed to a phased disposal of its entire shareholding in ELMO, a company that controls 100% of Plysorol, leader in the plywood industry in France. The sale of shares and the reimbursement of shareholders' loans represents a cash inflow of around 30 million euros, of which 10 million euros has already been received. The remaining 20 million euros are conditional on the achievement of profitability criteria, as measured by operational cash flow (EBITDA) performance between the years 2007 to 2011.

- In August 2007, Sonae Capital sold Isoroy Casteljaloux, a producer of softboard for acoustic and thermal insulation, generating proceeds of 1.3 million euros.

1.6. RELEVANT FACTS OF THE YEAR

JANUARY

- Sonae Distribuição launched a retail loyalty card for its Modelo, Modelo Bonjour and Continente formats;
- Portuguese Securities' Exchange Market Commission granted Sonaecom registration of its offer for Portugal Telecom;
- 3Q07 Broadband Market DATE was released, confirming Novis leadership among alternative operators;
- Optimus launched a Mobile Directory, Dimo, a common platform that allows users to search and access websites and email accounts;
- WeDo announced the opening of an office in Cairo, Egypt, with the objective of supporting its activities in the Middle East and Africa;
- Sonae Sierra increased the number of its shopping centres with environmental certification.

FEBRUARY

- Sonaecom announced the decision to change its offer consideration for Portugal Telecom, increasing it from 9.5 euros per share to 10.5 euros per share;
- Sonaecom group obtained the renewal of its Quality Management System certification;
- Optimus mobile wireless brand, Kanguru, launched the first Wi-Fi router with 3.5G technology, targeted to companies and small workgroups;
- WeDo announced opening of offices in Kuala Lumpur, Malaysia;
- Público launched a new totally redesigned and full coloured newspaper and supplements;
- Sonae Sierra acquired shopping centres in the cities of Albufeira and Portimão for a NAV of 19 million euros;
- Sonae Sierra announced the development of a new shopping centre and leisure complex in Granada, with a total investment of 107 million euros;
- Sonae Sierra began the construction of Colombo towers, with 46,000 m^2 of GLA for office areas, representing a total investment of 90 million euros.

MARCH

- Portugal Telecom's Extraordinary shareholders' General Meeting voted against the tender offer by Sonaecom for Portugal Telecom, thus automatically terminating the offer;
- Continente, Modelo and Bonjour launched the first biodegradable plastic bag, that breaks down in a few months by biological means;
- Continente offered 9,500 academic books to 19 school libraries;
- Modelo sponsored the Portuguese national football team;
- Clix was considered the broadband service provider with the best customer rankings for speed, reliability and billing clarity.

APRIL

- Continente was elected, by Reader's Digest, the hypermarket that the Portuguese trust the most for their shopping;
- Modelo opened a unit in Nazaré, representing an investment of approximately 7 million euros and creating 121 new jobs;
- Optimus launched the PC to SMS service, which enables all corporate customers to send messages to their Outlook contacts from their email box;
- Optimus mobile wireless brand, Kanguru, launched Wi-Fi roaming internet access, through a network of more than 15,000 Wi-Fi hotspots worldwide;
- Optimus was the first national mobile operator to offer a Mobile fixed plan, whereby the user is able to have a fixed and mobile number on his mobile phone;
- Sonae Sierra announced the acquisition of a site for the development of a shopping centre in Larissa, Greece.
- RioSul Shopping gave Sonae Sierra another Real Estate "Oscar".

MAY

- Modelo offered 65 computers to schools in Madeira;
- Modelo Bonjour opened a new unit in Viana do Castelo with 700 m^2 of gross sales area and 25 employees;
- Continente online won the prize for best online store;
- Optimus was the first operator to launch Disney Channel on its Mobile TV application;
- Optimus won the 9th Portugal Creative Club award;
- Sonae Sierra enters the Romanian market with the acquisition of the already operating shopping centre River Plaza Mall;
- Sonae Sierra was distinguished with the "ReSource" award, given for the first time by the International Council of Shopping Centres, for its long term commitment to sustainable development.

JUNE

- Sonaecom closed an agreement for the purchase of the Oni residential and SOHO customer base;
- Optimus won a customer account with the Portuguese environment ministry and the governmental entities under its responsibility;
- Sonae Sierra's Shopping Centre under development, Alexa in Berlin, was the first shopping centre construction site in Germany to win environmental certification during its construction phase.

JULY

- Modelo opened a new unit in Ponte de Lima, representing an investment of more than 7 million euros and creating 123 new jobs;
- Novis implemented its first IMS-IP multimedia system platform in Portugal, the new worldwide paradigm in terms of communication networks;
- WeDo launched version 4.1 of RAID, with a new business control module;
- Sonae Sierra won the Elite Lombard award, for the best retail strategy in Italy at the first "Milano Finanza Real Estate Elite Awards".

AUGUST

- Each Modelo sponsored one school in its catchment area, to equip them with IT material and sports goods;
- Optimus launched mobile high definition TV .
- Sonae Sierra agreed on the sale of 50% of all rights to the Colombo Towers project to Iberdrola Imobiliária/Caixa Geral de Depósitos.

SEPTEMBER

- Modelo and Continente upgraded their customer loyalty card with payment functions;
- Optimus expanded international coverage to 191 countries;
- Sonae Sierra opened 8ª Avenida shopping centre in S. João da Madeira, Portugal, to the public
- Sonae Sierra announced the development of a new shopping centre in Manaus, Brazil, with a total investment of 67 million euros;
- Sonae Sierra inaugurated ALEXA shopping centre in Berlin.
- WeDo acquired Cape Technologies, becoming the world leader in the Revenue Assurance software integration market.

OCTOBER

- Modelo opened a new hypermarket in Monção, representing an investment of over 7 million euros and creating 105 new jobs;
- Modelo opened a new hypermarket in Alverca, representing an investment of over 12 million euros and creating 123 new jobs;
- Modelo encouraged recycling and reading habits by offering 9,000 books to selected schools that collected the most batteries for recycling;
- Modelo and Continente launched additional services for the loyalty card, allowing them to be used by mobile phone;
- Sonae Sierra opened its 12th shopping and leisure centre in Spain, El Rosal, to the public;
- Sonae Sierra won a European Property Award 2007, as the best internationally recognised company operating in Europe in the development of shopping centres;
- Sonae Sierra won the 2007 DuPont Safety award for commitment to safety & health.

NOVEMBER

- Optimus became leader in international roaming coverage, with GSM technology international coverage extending to 200 countries;
- Sonae Sierra announced a shopping centre development in Biella, Italy;
- Sonae Sierra announced the acquisition of two green-field sites in Romania, namely at Craiova and Ploiesti, for the development of two new shopping and leisure centres.

DECEMBER

- Continente announced its new communication approach, based on Broadway musicals, and tag line – yesterday, today and tomorrow;
- Sonaecom group won renewal of its Quality Management System certification;
- Sonae Sierra and Miller developments sold Lima Retail Park to PREF, the European retail park fund managed by British Land European Fund Management;
- Sonae Sierra sold 50% of LoureShopping, to Deka Immobilien Investment, a German retail fund manager.

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· ECONOMIC BACKGROUND

2. ECONOMIC BACKGROUND

2.1. INTERNATIONAL

WORLD ECONOMY
4.9%
Growth rate 2007

UNITED STATES
2.2%
Growth rate 2007

World Economy

According to the International Monetary Fund (IMF) the World Economy is estimated to have grown 4.9 percent in 2007 decelerating compared to 2006 (0.1 percentage points below growth in 2006). The strong global economic performance continues to reflect, to a great extent, the high economic growth of developing countries (7.7%), more than twice that of advanced economies (2.6%). China, Russia and India accounted for half of world growth.

During 2007, Brent crude prices increased 54% in London, reaching 94 dollars per barrel at the end of the year. In emerging markets, most notably China, high growth rates are putting pressure on oil prices.

United States

Economic growth in the United States slowed notably in the fourth quarter of 2007, with recent indicators showing weakening of manufacturing and housing sector activity, employment and consumption. The housing market downturn (residential investment decreased by 17.2%) has slowed down economic activity and, as a result, the US economy is estimated to have grown in the year by 2.2%. In 2007, growth was mainly driven by consumer spending and non-residential investment.

EUROPEAN UNION
2.9%
Growth rate 2007

EURO AREA
2.7%
Growth rate 2007

European Union and the Euro Area

Both the European Union (EU) and the Euro Area started 2007 with strong growth which gradually weakened in the course of the year. The EU is estimated to have grown 2.9% in 2007 (3% in 2006) and the Euro Area 2.7% (2.8% in 2006), mainly driven by investment and private consumption.

Final consumer demand accounted for 2.3 p.p. of the yearly growth of GDP in the Euro Area, with both investment and consumption posting positive performances.

Corporate investment increased due to a positive and strong turnaround in profitability, resulting partially from modest increases in labour costs and from gains in labour productivity. Household investment in the Euro Area decelerated from 6% in 2006 to 1.9% in 2007, as a result of higher interest rates, influenced by the sub-prime crisis in the US. The market turmoil affected liquidity in the inter-bank market, determining the re-pricing of risk, materialising in higher spreads, higher inter-bank loans interest rates (the benchmark for most loans) and tighter credit standards.

Private consumption decelerated by 0.1 p.p. in the EU to 2.3% and also by 0.1 p.p. in the Euro Area to 1.7%. Consumption slowed as a consequence of the value-added tax (VAT) increase in Germany and the consequent anticipation of consumption at 2006 year end. In addition, wage growth moderation in some Euro Area member states, namely in Germany, led to a slowdown in the growth of household income and, consequently, of private consumption. These effects were offset, to some extent, by an increase in employment.

The unemployment rate was 7.1% in the EU and 7.4% in the Euro Area for 2007, down from 8.2% and 8.3% respectively. The more vigorous labour market has led to only a slight increase in wage pressure, indicating that the structural or long-term unemployment rate has fallen as well.

Foreign demand accounted for 0.4 p.p. of the yearly growth of GDP in the Euro Area. Exports performed positively despite the appreciation of the Euro. This performance was the result of shifting part of exports to Asian and oil-exporting countries, which accommodated some of the slowdown in exports to the USA, and of the above mentioned wage moderation that had a positive impact on the competitiveness of European goods and services.

In the first half of 2007, the European Central Bank (ECB) adopted a tighter monetary policy (the base rate increased 50 basis points up to July to 4%) to control inflationary pressures arising from the positive performance of the economy. From July on, the ECB put a stop to the upward trend in the base rate as a response to the liquidity problem in the financial markets resulting from the sub-prime crisis in the US and the resulting confidence crisis. With this policy, the ECB successfully kept inflation at its 2.0% target for the Euro Area. In the EU, the inflation rate was 2.3%.

In 2007 in the Euro Area, economic activity is estimated to have expanded in Spain by 3.8% (3.9% in 2006), in Germany by 2.5% (2.9% in 2006), in Italy by 1.9% (in line with 2006) and in Greece by 4.1% (4.3% in 2006). Central and Eastern Europe posted stronger growth rates with economic activity estimated to have grown by 5.5%.

BRAZIL
4.8%
Growth

Brazil

Brazil increased its economic growth in the first half of 2007 and is estimated to have reached about 4.8% in the full year.

Growth has been mainly driven by consumption, which has been driven by rising income and increased credit availability. Strong domestic demand also led to an increase in imports. Investment is experiencing a strong momentum and exports remain strong.

The sustained easing of monetary policy, credit expansion and improving labour-market conditions have fuelled the economic expansion. Despite a stronger currency, exports remained high.

Food prices led to an increase in inflation in mid-year, but nonetheless inflation remained below the Brazilian Central Bank target (4.5%) at 3.9% in 2007.

2.2. PORTUGAL

PORTUGAL
1.9%
Growth

According to the Portuguese Central Bank (BP), the Portuguese economy grew 1.9% in 2007, continuing the upward trend started in 2005, and 0.7 p.p. above the 2006 growth rate. Economic growth was driven by both domestic and external demand.

Final consumer demand increased its contribution to GDP growth from 0.2 p.p. in 2006 to 1.3 p.p. in 2007, with positive performances in investment and private consumption, more than compensating for the reduction in government expenditure.

Investment had the most notable upswing, growing by 2.6% in 2007 and recovering from a 1.8% decrease in 2006. This performance had a positive impact on the economy, with its main drivers being investments in construction and in aeronautical transport equipment.

Private consumption, despite posting a positive contribution to domestic demand, grew 1.2%, below the 1.9% GDP growth level, due to labour market deterioration (the unemployment rate increased from 7.7% in 2006 to 7.9% in 2007), to interest rate increases (the Euro Area reference rate raised 200 basis points since December 2005 and was 4% at the end of the year), and to the high level of indebtedness of Portuguese families.

On the other hand, government expenditure negatively impacted domestic demand. Compliance with the Stability and Growth Pact, namely the 3% of GDP public deficit target, led to a decrease in public consumption of 0.7% in 2006 and to stagnation in 2007.

On the external demand side, the contribution of net exports to Portuguese GDP growth decreased from 1 p.p. in 2006 to 0.6 p.p. in 2007. Portugal continued to benefit, although to a lesser extent, from the momentum of world economic growth with exports growing 7% in 2007 (9.1% in 2006). This slowdown was especially noticeable in the export of goods (4 p.p. decrease to 4.3% in 2007) while, on the other hand, exports of services accelerated to grow 12.8% during the year.

Portuguese inflation was 2.4% in 2007, 0.6 p.p. below the previous year. The appreciation of the euro against the dollar allowed inflation to remain at low levels, despite the sharp increase in oil prices during the year.

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· CONSOLIDATED RESULTS

3. CONSOLIDATED RESULTS

3.1. CONSOLIDATED INCOME STATEMENT

MILLION EUROS

CONSOLIDATED INCOME STATEMENT	2006	2006 R	2007	Y.O.Y
Turnover	**4,383.8**	**4,240.1**	**4,627.7**	**9.1%**
Retail	3,083.8	3,085.2	3,374.5	9.4%
Shopping centres [1]	136.9	131.7	144.5	9.7%
Telecommunications	813.0	803.4	876.0	9.0%
Services	339.0	213.6	208.6	-2.3%
Holding & others	11.1	6.2	24.2	-
Value created on investment properties [2]	**130.0**	**128.4**	**152.4**	**18.7%**
Other revenues	422.9	376.1	437.1	16.2%
Operating costs	**4,324.7**	**4,147.4**	**4,508.3**	**8.7%**
COGS	2,530.3	2,480.1	2,694.3	8.6%
Personnel costs	570.6	524.1	569.8	8.7%
General & administrative expenses	1,146.6	1,071.9	1,200.3	12.0%
Other operating costs	77.1	71.4	43.9	-38.4%
EBITDA excl. value created on investment properties	469.2	459.5	553.1	20.4%
EBITDA [3]	**599.1**	**587.9**	**705.5**	**20.0%**
EBITDA margin (%) [4]	13.7%	13.9%	15.2%	1.4pp
Retail	253.8	254.1	299.9	18.0%
Shopping centres [1]	191.6	187.8	219.2	16.7%
Telecommunications	146.4	144.8	172.7	19.3%
Services	14.7	7.2	18.4	155.0%
Holding & others	-7.4	-6.0	-4.7	22.6%
Provisions and impairment losses	28.0	23.5	17.5	-25.7%
Depreciation & amortization	226.8	222.9	235.0	5.4%
EBIT	**357.2**	**350.9**	**456.5**	**30.1%**
Net financia l results	**-99.5**	**-94.8**	**-124.2**	**-31.0%**
Financial income	27.6	28.0	48.8	74.4%
Financial expenses	127.1	122.8	173.0	40.9%
Share of results of associated undertakings	10.4	6.1	2.7	-56.0%
Investment income [5]	135.5	90.9	48.5	-46.6%
EBT	**403.6**	**353.1**	**383.5**	**8.6%**
Taxes	65.0	62.2	26.8	-56.9%
Resultado Líquido	**338.7**	**290.9**	**356.7**	**22.6%**
Net income [6]	241.8	208.9	284.0	36.0%
Attributable to minority interests	96.9	82.0	72.7	-11.4%

1 Shopping centres are proportionally consolidated (50%);
2 Increase in the valuation of the shopping centres proportionally consolidated (50%);
3 EBITDA excludes provisions and impairment losses;
4 EBITDA margin = EBITDA / Turnover;
5 Capital gains (losses) with financial investments plus dividends received;
6 Net income attributable to Sonae shareholders;

R Restated to exclude Sonae Capital's contribution in 4Q06, Enabler's contribution in 1H06, Plysorol contribution in 2H06 and 25% of Sonae Sierra Brazi l in 2006; unaudited.

TURNOVER
9.1%

RETAIL
9.4%

TELECOMMUNICATIONS
9.0%

SHOPPING CENTRES
9.7%

Turnover

Consolidated turnover increased by 9.1% in 2007 compared to 2006[R], amounting to 4,627.7 million euros, driven by growth in Retail, Shopping Centres and Telecommunications:

(i) 9.4% higher contribution from Retail, totalling 289.3 million euros, driven by the good performance achieved in the year, reflecting the expansion of its sales area and the impact of innovative initiatives such as the loyalty card;

(ii) 9.0% higher contribution from Telecommunications, totalling 72.6 million euros, mainly driven by strong customer revenue growth both in the wireline (48.2%) and mobile areas (7.9%), and notwithstanding the negative impact of the cut in mobile termination rates and the decrease of roaming-in tariffs;

(iii) 9.7% increase in Shopping Centres' contribution, totalling 12.8 million euros, as a result of the improved performance of current shopping centres, new shopping centres opened and acquired, and the increase in ownership of several shopping centres in Brazil and Portugal.

EBITDA
20.4%

EBITDA

Total EBITDA amounted to 705.5 million euros in 2007 compared to 587.9 million euros in 2006[R], with EBITDA margin improving by 1.4pp to 15.2%. The improvement in EBITDA in the period was driven primarily by the Retail business, with an increase in contribution for EBITDA of 45.8 million euros to 299.9 million euros compared to 2006[R], and by the Shopping Centres`business, with an increase in contribution to EBITDA of 31.4 million euros to 219.2 million euros, compared to 2006[R], mainly through value created on investment properties, which totalled 152.4 million euros, 18.7% above 2006[R], due to the decrease in market yields, particularly in Portugal and Brazil, and the higher number of shopping centres in the company's portfolio. EBITDA, excluding value created on investment properties, increased by 20.4% to 553.1 million euros, compared to 459.5 million euros in 2006. In 2007, the increase in contribution from the Telecommunications business to consolidated EBITDA of 27.9 million euros reflects the strong operational results of both the wireline and SSI divisions. The Services business contribution to the consolidated EBITDA totalled 18.4 million euros, 2.5 x the contribution in 2006[R], underpinned by the performance of the Hotel and Fitness businesses and the Selfrio Group[4].

4 Refrigeration, air conditioning and maintenance

CONSOLIDATED NET INCOME
22.6%

NET INCOME GROUP SHARE INCREASED
36%

Net financial results

Net Financial expenses increased by 31% to 124.2 million euros in 2007 compared to 94.8 million euros in 2006[R], mainly reflecting:

(i) An increase in the average cost of debt, with the 3 and 6 month daily average Euribor increasing by 1.2pp and 1.1pp, respectively compared to 2006,
(ii) The Group's higher average net debt in 2007, explaining almost 60% of the increase in gross financial expenses. Nevertheless, despite the turmoil in financial markets, the average cost of funds for Sonae sub-holdings has increased at a slower pace than the increase in market rates throughout 2007.

Investment income

Investment income totalled 48.5 million euros in 2007, including gains mainly related to:

(i) Sonae's sale of 6.7 million shares of Sonaecom, generating a capital gain of 27.5 million euros;
(ii) Sonae Capital's sale of an additional 7.83% shareholding in ba Vidro, with a capital gain of 9.8 million euros;
(iii) Sonaecom's sale of a 1% shareholding in Portugal Telecom, generating a capital gain of 2.5 million euros;
(iv) Sonae Sierra's sale of shareholdings in 2 shopping centres, generating a capital gain of 3.9 million euros. Compared to 2006[R], investment income decreased by 46.6%, with last year's figure including 58.8 million euros of capital gains relating to the roll-up of EDP and Parpublica in the Telecommunications business and a price adjustment of 12.6 million euros from the sale of the Brazilian Retail operation.

Net income

Consolidated net income for the year grew by 22.6% to 356.7 million euros, compared to 290.9 in 2006[R] mostly due to improved operational performance, despite a deterioration in net financial results and 46.6% lower investment income in the year. Net income group share increased 36% compared to 2006[R].

Taxes for the year 2007 showed a charge of 26.8 million, compared to a charge of 62.2 million euros in 2006[R], and comprised a current tax charge of 26 million euros and movements in deferred taxes that generated a cost of 0.8 million euros. The latter was driven by the recognition of additional deferred tax liabilities at Sonae Sierra, relating to value created on investment properties, more than offsetting the deferred tax assets at Sonaecom, resulting from the possibility of using these deferred tax assets against future results forecasted in the new business plan for its combined Telecommunications business unit. The effective tax rate was 6.7% in 2007, compared to 6.9% in 2006[R].

3.2. CONSOLIDATED BALANCE SHEET

MILLION EUROS

CONSOLIDATED BALANCE SHEET	2006	2006 R	2007	Y.O.Y
Total Net Assets	**6,321.1**	**5,657.6**	**7,026.2**	**24.2%**
Non Current Assets	4,578.9	4,122.7	5,600.8	35.9%
Tangible and Intangible Assets	2,396.1	2,059.2	2,501.9	21.5%
Goodwill	250.8	214.9	740.9	-
Investment properties [1]	1,520.2	1,521.7	2,062.1	35.5%
Other investment	264.9	180.8	85.6	-52.7%
Deferred Tax Assets	102.8	98.0	135.6	38.3%
Others	44.1	48.0	74.6	55.3%
Current Assets	1,742.2	1,534.9	1,425.3	-7.1%
Stocks	481.2	355.8	481.9	35.4%
Trade Debtors	257.0	186.9	229.1	22.6%
Liquidity [2]	695.7	678.0	346.5	-48.9%
Others	308.3	314.2	367.9	17.1%
Total equity	**1,694.9**	**1,383.1**	**1,618.0**	**17.0%**
Group Share	1,292.9	971.6	1,169.7	20.4%
Minority Interests	402.1	411.5	448.3	8.9%
Total Liabilities	**4,626.2**	**4,274.5**	**5,408.2**	**26.5%**
Non Current Liabilities	2,583.5	2,420.2	3,584.3	48.1%
Bank Loans	1,017.1	936.0	1,059.7	13.2%
Others loans [3]	1,125.6	1,100.0	1,769.4	60.9%
Deferred Tax Liabilities	272.1	267.1	334.2	25.1%
Provisions	63.2	42.8	108.0	152.2%
Others	105.5	74.2	313.0	-
Current L iabilities	2,042.7	1,854.3	1,823.8	-1.6%
Bank Loans	510.1	453.9	129.2	-71.5%
Other Loans [3]	105.9	81.3	9.1	-88.8%
Trade Creditors	829.8	750.4	988.8	31.8%
Others	597.0	568.8	696.7	22.5%

1 Invesment properties = value of shopping centres owned by Sonae Sierra;
2 Liquidity includes cash & equivalents and current investments;
3 Other loans include bonds, leasing, derivatives and shareholder loans;
R Restated to exclude Sonae Capital's contribution in 4Q06, Enabler's contribution in 1H06, Plysorol contribution in 2H06 and 25% of Sonae Sierra Brazil in 2006; unaudited.

GROSS TANGIBLE AND INTANGIBLE ASSETS TOTALLED 4,102 MILLION EUROS AT THE END OF 2007, COMPARED TO 3,372 MILLION EUROS IN 2006R AND CUMULATIVE DEPRECIATION AND AMORTIZATION TOTALLED 1,600 MILLION EUROS, COMPARED TO 1,313 MILLION EUROS IN 2006R.

Goodwill reached 740.9 million euros in 2007, compared to 214.9 million euros in 2006R, mainly reflecting goodwill generated in respect of the Carrefour acquisition by the retail business. Total equity increased by 234.9 million euros in 2007 to 1,618 million euros, when compared to 2006R, mainly reflecting the results achieved in the year, notwithstanding dividends paid amounting to 56 million euros. Total investment properties reached 2,062.1 million euros, compared to 1,521.7 million euros in 2006R, reflecting the openings and acquisitions of new shopping centres in the year by the shopping centre business, as well as the increase in value of owned real estate due to a decrease in yields during 2007.

Capex

Capex increased by 106.1% to 1,571.3 million euros in 2007, compared to 2006R, equal to 34.0% of turnover.

CAPEX

MILLION EUROS	2006	2006R	2007	Y.O.Y
Total CAPEX [1]	**787.4**	**762.5**	**1,571.3**	**106.1%**
Retail	249.4	249.4	800.1	-
Shopping centres [2]	96.3	96.3	411.1	-
Telecommunications	253.9	253.9	235.7	-7.2%
Services	72.3	47.4	123.5	160.2%
Holding & others	115.5	115.5	1.0	-99.2%
CAPEX as a % of turnover	18.0%	18.0%	34.0%	16pp
EBITDA minus CAPEX	-188.3	-174.6	-865.8	-

Retail Capex, responsible for 50.9% of the consolidated investment, was directed towards the acquisition of Carrefour Portugal and the opening of 130 new stores (21 food and 109 non-food), with the total sales area increasing by 30% by the end of 2007 to 709 thousand m^2. Shopping Centres contribution to consolidated Capex amounted to 411.1 million euros, reflecting:

(i) the completion of Lima Retail Park and 8ª Avenida, in Portugal; Alexa, in Germany; and El Rosal, in Spain;
(ii) progress in the development pipeline;
(iii) the acquisition of two plots of land in Romania and one in Brazil;
(iv) the acquisition of 4 shopping centres;
(v) increased stakes in shopping centres operating in Brazil and Portugal.

The contribution to consolidated Capex from the Telecommunications business amounted to 235.7 million euros, a decrease of 7.2% compared to 2006R. The 2006R figure included 105.9 million euros for the acquisition of approximately 1% shareholding of Portugal Telecom. Included in the 2007 Capex were acquisition investments totalling 58.6 million euros, contributions to the Information Society programme of 10.5 million euros, investments directed towards the deployment of the UMTS/HSDPA network, the build up of network capacity at the GSM network, information technology and information systems and the network to support the direct broadband business.

Total contribution to consolidated Capex from the services business in 2007 reached 123.5 million euros, most of which was related to the development of the Tróia project and refurbishment of hotels. Capex at the holding reached 1 million euros in 2007, a decrease of 114.5 million euros compared to 2006R, a year which included the acquisition of Sonaecom shares amounting to 36.5 million euros and Sonae Distribuição shares amounting to 53.7 million euros.

1 Capex includes gross investments in tangible, intangible, inve stment properties and investments in acquisitions;
2 Shopping centres are proportionally consolidated (50%)
R Restated to exclude Sonae Capital's contribution in 4Q06, Enabler's contribution in 1H06, Plysorol contribution in 2H06 and 25% of S onae Sierra Brazil in 2006; unaudited.

Capital structure

MILLION EUROS

CAPITAL STRUCTURE	2006	2006 R	2007	Y.O.Y
Gross debt 1	2,758.6	2,571.2	2,967.4	15.4%
Net debt 2	**2,062.9**	**1,893.2**	**2,621.0**	**38.4%**
Retail	376.7	376.7	1.072.4	184.7%
Shopping centres 3	532.6	532.6	839.5	57.6%
Telecommunications	428.4	428.4	307.4	-28.2%
Services	109.7	0.0	0.0	-
Holding & others	615.5	555.5	401.7	-27.7%
Net debt/EBITDA (last 12 months)	3.4 x	3.2 x	3.7 x	0.5x
EBITDA/interest expenses 4	6.1 x	6.2 x	4.9 x	-1.3x
Debt/ (Debt+Total equity) 5	61.9%	65.0%	64.7%	-0.3pp

Consolidated net debt at the end of 2007 stood at 2,621 million euros, an increase of 727.8 million euros over the end of 2006R, mainly explained by the 664 million euros investment in the Carrefour acquisition and the funding requirements of the development plans of Sonae Sierra, partially offset by:

(i) the 121 million euros decrease of contribution to consolidated net debt by the Telecommunications business, mainly reflecting the Free Cash Flow generated in the period which includes the sale of 1% shareholding in Portugal Telecom in 1Q07;
(ii) the disposal by Sonae of 274 million euros worth of Treasury Shares;
(iii) the exclusion of Sonae Capital net debt from the consolidation perimeter, as well as Sonae Capital's repayment of existing Shareholders Loans to Sonae, following the company's spin-off.

Of the total consolidated net debt as at end 2007, the 839.5 million euro attributable to the Shopping Centres business are fully and exclusively guaranteed by the assets of each project.

At the end of 2007, net debt to EBITDA (last 12 months) deteriorated to 3.7x when compared to 3.2x in 2006R, explained by the higher level of net debt, despite the higher EBITDA (last 12 months) at the end of 2007. Excluding the Carrefour acquisition, completed on 31 December 2007, net debt to EBITDA (last 12 months) would have reached 2.8x at end 2007, an improvement of 0.5x when compared to 2006R. Interest cover deteriorated to 4.9x, from 6.2x at end of 2006R, due to the higher interest paid in the year, as a result of higher market interest rates and higher average net debt, notwithstanding the EBITDA level reached in the year. The ratio of consolidated debt to total equity was 64.7%, marginally below end 2006R, reflecting the increase in gross debt, in 2007, that was partially offset by an increase in shareholder funds.

1 Gross debt = non current borrowings + current borrowings;
2 Net debt = gross debt - liquidity;
3 Shopping centres are proportionally consolidated (50%);
4 Interest cover;
5 Net Gearing;

R Restated to exclude Sonae Capital's contribution in 4Q06, Enabler's contribution in 1H06, Plysorol contribution in 2H06 and 25% of Sonae Sierra Brazi l in 2006; unaudited.

· BUSINESS ANALYSIS

4. BUSINESS ANALYSIS

4.1. RETAIL

4.1.1. STRATEGY

In 2007, Sonae Distribuição's priorities were to capitalize on its growth initiatives and strengthen its leadership in the Portuguese market. Its strategy was aimed at maintaining the brisk pace of new store openings, increasing its sales area by more than 10%, while developing new business formats and investing in efficiency and innovation programmes, reaching its customers through targeted customer loyalty initiatives.

4.1.2. MAIN HIGHLIGHTS

NUMBER OF STORES (EOP)

30,2%

During 2007 Sonae Distribuição achieved a strong set of results and further expanded its sales network, consolidating its leadership position in the Portuguese retail market. The main focus was on the acquisition of Carrefour hypermarkets in Portugal that was successfully completed by 31 December 2007.

OPERATING REVIEW

	2006	2007	Y.O.Y
Sales growth (%)	**13.0%**	**9.5%**	**-3.5pp**
Food	-	7.2%	-
Continente	-	2.1%	-
Modelo	-	11.9%	-
Modelo Bounjour	-	14.8%	-
Other	-	110.3%	-
Non-Food	-	16.1%	-
Worten	-	16.4%	-
Vobis	-	-1.0%	-
Worten Mobile	-	53.7%	-
Modalfa	-	15.1%	-
Zippy	-	121.4%	-
Sportzone	-	14.1%	-
Maxmat&Maxgarden	-	10.7%	-
Star	-	8.5%	-
Área Saúde	-	-	-
LFL sales growth (%)	**-**	**4.0%**	**-**
Food	-	3.0%	-
Non-Food	-	4.0%	-
Number of stores (EOP)	**496**	**646**	**30.2%**
Food	140	173	23.6%
Non-Food	356	473	32.9%
Sales area ('000 m^2)	**545**	**709**	**30.1%**
Food	350	460	31.4%
Non-Food	194	249	28.4%
Sales area owned (%)	**-**	**74.0%**	**-**
Food	-	86.0%	-
Non-Food	-	52.0%	-
TOTAL EMPLOYEES[1]	**25,255**	**31,714.0**	**25.6%**

1 Includes integration of Carrefour employees completed as at 31 December 2007.

BASE FOOD
7.2%
Sales

NON-FOOD
16.1%
Sales

SALES AREA
30%

Sales

Food retail registered a solid 7.2% sales growth in 2007, with an underlying 3% like-for-like growth in 2007. This performance was achieved despite greater competitive pressure and the increased supply in the food retail market, reflected in an increase of approximately 12% on the overall retail sales area compared to 2006, which was higher than the nominal rate of increase in market demand. This performance was mainly explained by the following:

(i) the opening of 21 new food retail stores and change of brand name of 2 other stores;
(ii) success of the loyalty card, launched during 1Q07, reaching approximately 2.2 million cards by the end of 2007 and used for approximately 80% of purchases in the year;
(iii) reorganization and strengthening of the perishable food area into different quality and price segments, clearly visible to the customer, as well as including new organic product lines, which are the main explanation for an important increase in sales of this area during 2007.

Non-food retail sales increased by 16.1% in 2007, with an underlying 4% like-for-like growth over 2006. This increase was primarily the result of:

(i) expansion of the store network, with the opening of 109 new non-food retail stores, equal to approximately 46 thousand m^2 of additional sales area;
(ii) higher awareness and increased operational performance of the non-food formats.

Stores network

Sonae Distribuição ended 2007 with 646 stores and thirteen brands, amounting to a total of 709 thousand m^2 of sales area, 30% above the 545 thousand m^2 sales area at end 2006. Total sales area owned reached 525 thousand m^2 at end 2007, representing approximately 74% of the stores network sales area and responsible for approximately 80% of the 2007 annualized sales[5]. In food retail, the company strengthened its presence in the Portuguese market, with the opening of 9 new Modelo mini-hypermarkets, 2 Modelo Bonjour supermarkets and 1 Continente Outlet. The Continente Outlet was launched during 2Q07, a store concept with the objective of using up stock excesses. In non-food based retail, the company continued with its strong pace of expansion, with the opening of 109 new stores in 2007, amounting to a total of 46 thousand m^2 sales area, an increase of 24% compared to 2006. With the acquisition of Carrefour Portugal, Sonae Distribuição added 26 stores to its store portfolio, equal to 95 thousand m^2, of which 85,000 m^2 are allocated to food formats, namely to Continente, and the remaining 10,000 m^2 to non-food formats, namely to Worten, the consumer electronics format, and to Área Saúde, the para-chemist format.

5 Already assumes annualized sales of the acquired Carrefour stores.

TURNOVER
9.5%
Retail

FINANCIAL REVIEW

MILLION EUROS	2006	2007	Y.O.Y
Turnover	**3,090.6**	**3,384.7**	**9.5%**
Food	2,209.5	2,368.4	7.2%
Continente	1,110.0	1,133.0	2.1%
Modelo	995.5	1,113.4	11.9%
Modelo Bounjour	101.4	116.4	14.8%
Others [1]	2.7	5.6	110.3%
Non-Food	869.2	1,009.1	16.1%
Worten	395.7	460.8	16.4%
Vobis	64.9	64.2	-1.0%
Worten Mobile	4.5	6.9	53.7%
Modalfa	79.2	91.2	15.1%
Zippy	7.5	16.6	121.4%
Sportzone	125.5	143.1	14.1%
Maxmat&Maxgarden	64.9	71.9	10.7%
Star	121.5	131.8	8.5%
Área Saúde	5.5	22.5	-
Others & eliminations [2]	11.8	7.2	-39.5%
EBITDA	**253.7**	**299.0**	**17.9%**
EBITDA margin (%) [3]	8.2%	8.8%	0.6pp
Food	188.5	207.7	10.2%
Non-Food	53.6	71.4	33.2%
Others & Eliminations	11.6	19.9	71.6%
EBIT	175.0	211.0	20.6%
Net financial results	-18.6	-34.7	-86.6%
Net income - group share [4]	**158.1**	**167.5**	**5.9%**
Gross debt	769.3	1.207.4	56.9%
Net debt	376.6	1.082.4	187.4%
Net debt/EBITDA (last 12 months)	1.5 x	1.8 x	0.3x
EBITDA/interest expenses [5]	15.9 x	10.3 x	-5.6x
Debt/(Debt+Total equity) [6]	33.3%	56.0%	22.7pp
CAPEX [7]	241.5	972.5	-
EBITDA minus CAPEX	12.2	-673.5	-
Free Cash Flow	-	-	-

Turnover

Turnover increased 9.5% to 3,385 million euros, compared to 3,091 million in 2006, mainly due to the positive performance of existing stores, underpinned by the impact of the loyalty card launched in January 2007, and to the opening of 130 new stores and the resulting 13% increase in sales area during 2007.

EBITDA

EBITDA in 2007 reached 299 million euros and generated a margin of 8.8%, equal to an increase of 17.9% and 0.6pp respectively compared to 2006. This performance included a 12 million euros net capital gain generated by the sale of the real estate assets of the Albufeira and Portimão Shopping galleries. Excluding the impact of the net capital gain, EBITDA would have increased by 13.1% to 287 million euros and would have generated a margin of 8.5%, up by 0.3pp over 2006. Food retail EBITDA has increased 10.2% over 2006, generating a margin of 8.8% in 2007 compared to a margin of 8.5% in 2006, mainly as a result of a focus on cost containment and internal productivity gains in operations. Non-food retail reached an EBITDA of 71 million euros, generating an EBITDA margin of 7.1%, an increase of 0.9pp over 2006, reflecting the overall increase in the weighting of non-food retail to profitability, being responsible for 23.9% of the company's EBITDA by end 2007, an increase of 2.7pp when compared to 2006.

1 Others includes cafeterias;
2 Includes real estate rents received on the galleries of Continente and Modelo;
3 EBITDA margin = EBITDA / Turnover;
4 Net income attributable to Sonae Distribuição shareholders;
5 Interest cover;
6 Net gearing; Includes debt impact from the Carrefour acquisition completed on 31 December 2007;
7 Includes acquisition o f Carrefour.

4.2. SHOPPING CENTRES

4.2.1. STRATEGY

Sonae Sierra has consolidated its expansion and internationalization strategy throughout 2007, closing the year with a portfolio of 47 shopping centres in operation, spread among 7 countries, with a GLA of 1.9 million m^2. During 2007, Sonae Sierra entered a new market, Romania, and opened its first development in Germany, Alexa, a shopping centre in Berlin.

4.2.2. MAIN HIGHLIGHTS

Sonae Sierra increased profitability in 2007, achieving record profits for the year. As part of its growth and expansion strategy, the company continued developing, in 2007, a significant portfolio of projects in different stages and actively sought out new business opportunities, expanding into a new territory.

OPERATING REVIEW

	2006	2007	Y.O.Y
Real estate open market value (Million euros) [1]	4,728.0	6,153.5	30.2%
Real estate NAV (Million euros) [2]	1,489.9	1,713.2	15.0%
Investments	837.0	1,114.4	33.1%
Brazil	116.0	201.3	73.6%
Others [3]	536.9	398.0	-25.9%
NAV per share (euros)	45.8	52.7	15.0%
Openings & acquisitions (EOP)	2.0	8.0	-
Shopping centres owned/co-owned (EOP)	40.0	47.0	17.5%
GLA owned/co-owned in operating centres (thousand m^2) [4]	1,660.0	1,855.4	11.8%
Occupancy rate o f GLA owned (%)	95.6%	95.5%	-0.1pp
Projects under development (EOP) [5]	10.0	12.0	20.0%
Projects in planning stage (EOP) [6]	7.0	15.0	114.3%
GLA under development (thousand m^2) [4]	338.6	473.8	39.9%
Shopping centres managed (EOP)	59.0	63.0	6.8%
GLA under management (thousand m^2) [4]	2,001.3	2,183.1	9.1%
Total employees	**731**	**789**	**7.9%**

1 Open market value = fair value of real estate in operation (100%), provided by an independent entity; equivalent to assets under management;
2 Net asset value = Open market value minus net debt minus minorities plus deferred tax liabilities;
3 Others = Projects under development + Cash;
4 Gross Lettable area;
5 Projects in planning and construction;
6 Projects committed but not fully licensed.

New projects, openings, acquisitions and disposals

As at the end of 2007, Sonae Sierra owned and co-owned 47 shopping centres, an increase of 17.5% compared to end 2006, with more than 1.85 million GLA, as compared to 1.66 million GLA in 2006. Shopping centres under management increased by 6.8% to 63, at the end of 2007, reflecting the significant increase in activity in this area over the last year.

The company ended the year with 27 new projects in the pipeline, of which 12 under development and scheduled to open by 2010, and the remaining still uncommitted. Total projects under development amounted to an estimated investment of 1.2 billion euros and a total Gross Lettable Area of 473.8 million m^2, with the following breakdown: 23.2% Italy, 25.2% Romania, 11.8% Germany, 13.5% Spain, 12.8% Greece, 9.2% Brazil and 4.3% Portugal. During 2007, the company expanded its search for new projects to include countries in Central Europe and entered the Romanian market, where it added 3 major assets to its portfolio:

(i) the acquisition of one operating shopping centre, River Plaza Mall, in Ramnicu Valcea;
(ii) the acquisition of 2 greenfield sites in Ploiesti (64,000 m^2 GLA) and Craiova (55,000 m^2 GLA), for the development of 2 new shopping centres, scheduled to open in 2009 and 2010, respectively, and expected to represent a total investment of more than 293 million euros.

In addition to the shopping centre acquired in Romania, Sonae Sierra also acquired:

(i) the "Modelo Albufeira" and "Continente Portimão" shopping centres, in Portugal, both previously owned by Sonae Distribuição, for a NAV of 19 million euros; and
(ii) "Munster Arkaden", Shopping centre in Germany, for 166 million euros. During 2007, the company sold 1 retail park for a total of 18.5 million euros, reflecting its clear focus on shopping centres and its belief that retail parks, once completed, offer little opportunity for Sonae Sierra to add to their value, and 50% of Loureshopping in Lisbon to the German investor Deka Immobilien Investment.

During 2007, Sonae Sierra also opened 3 new shopping centres and one retail park:

(i) Alexa, in Berlin - Germany;
(ii) 8ª Avenida, in S. João da Madeira – Portugal;
(iii) El Rosal, in Ponferrada - Spain; and
(iv) Lima Retail Park, in Viana do Castelo - Portugal.

Investment Property portfolio value

The open market value of 100% of Sonae Sierra's real estate properties, as provided by an independent valuator[6], was 6.2 billion euros in 2007, an increase of 30.2% over 2006, of which the percentage controlled by Sonae Sierra represented 3,774 million euros, compared to 2,730 million euros in 2006. On a like-for-like basis, open market value increased by 16%, from 4,741 million euros in 2006 to 5,495 million euros in 2007.

The NAV attributable to Sonae Sierra improved by 15.0% to 1.7 billion euros in 2007, corresponding to a value per share of 52.7 euros, compared to a value per share of 45.8 euros in 2006, mainly explained by the acquisitions of new shopping centres in the year, as well as the increase in the value of owned real estate, due to the decrease in yields in Portugal, Spain, Italy and Brazil.

6 Cushman & Wakefield

FINANCIAL REVIEW

MILLION EUROS	2006 [R]	2007	Y.O.Y
Turnover	**258.7**	**279.9**	**8.2%**
Services Business	54.8	60.7	10.8%
Asset management	18.7	23.1	23.6%
Developments	13.0	13.0	0.5%
Property management	23.1	24.6	6.2%
Investments	194.8	209.1	7.3%
Others & eliminations	9.0	10.0	11.0%
EBITDA (excluding value created on investment properties)	**149.0**	**156.2**	**4.8%**
EBITDA margin (%) [1]	57.6%	55.8%	-1.8pp
Services EBITDA margin (%)	13.2%	33.9%	20.6pp
Services Business	34.2	94.8	176.7%
Asset management	8.8	10.8	22.1%
Developments [2]	18.8	77.1	-
Property management	6.6	6.9	4.8%
Investments	145.3	153.0	5.3%
Others & eliminations	-30.6	-91.5	-199.5%
EBIT	147.1	154.3	4.9%
Net financial results	-44.2	-48.0	-8.7%
Gains realized on investments [3]	-13.9	12.3	-
Value created on investment p roperties [4]	271.2	293.3	8.2%
Net income - group share [5]	**160.3**	**214.9**	**34.0%**
Gross debt	1,294.5	1,750.5	35.2%
Net debt	962.2	1,701.7	76.9%
Loan to value [6]	29.4%	38.3%	8.8pp
Net debt/EBITDA (last 12 months)	6.5 x	10.9 x	4.4x
EBITDA/interest expenses [7]	2.4 x	2.0 x	-0.4x
Debt/(Debt+Total equity) [8]	45.5%	49.5%	3.9pp
CAPEX	219.6	444.6	102.5%

1 EBITDA margin = EBITDA / Turnover;
2 EBITDA Developments = EBITDA plus value created in projects;
3 Capital gains (losses) with shopping centres disposals;
4 Increase in the valuation of the shopping centres;
5 Net income attributable to Sonae Sierra shareholders;
6 Loan to value = Net debt / (Total assets - liquidity);
7 EBITDA/interest expenses;
8 Net gearing;
R 2006 was restated to reflect the asset management service rendered; unaudited.

TURNOVER
8.2%
Total

TURNOVER
7.3%
Sierra Invest.

Turnover

Turnover increased by 8.2% to 279.9 million euros, compared to 258.7 million euros in 2006. Services business income amounted to 60.7 million euros, up 10.8% when compared to 54.8 million euros in 2006, with main contributions coming from:

(i) 23.6% increase in Asset Management income, mainly driven by the increased value of assets being managed for third parties;
(ii) 6.2% increase in Property Management income, explained by the growth of properties under management and the higher number of letting activities for centres opened during 2007;
(iii) 0.5% higher operating income at Developments, with the increase of projects in the pipeline.

Sierra Investments turnover increased by 7.3% to 209.1 million euros, explained by a 8.5% increase in fixed rental income to 184 million euros, mainly achieved through a combination of acquisitions, increase in ownership of several shopping centres in Portugal and Brazil and organic growth of the existing portfolio; on a like-for-like basis, fixed rental income increased 2.2% and turnover rents increased by 5.5% compared to 2006.

EBITDA

Sonae Sierra's EBITDA excluding value created on investment properties reached 156.2 million euros in 2007, an increase of 4.8% over 2006. EBITDA of the various Services was 94.8 million euros, up 60.6 million euros compared to 2006, driven mainly by:

(i) 22.1% increase from Asset Management, generating EBITDA of 10.8 million euros, reflecting the increase of activity resulting from Sonae Sierra's portfolio expansion;
(ii) 3.1x increase from Developments, with EBITDA totalling 77.1 million euros compared to 2006, mainly explained by the impact of a significant number of projects opened during 2007 and sold to Sierra Investments.

Property Management reached an EBITDA of 6.9 million euros, 4.8% above 2006, reflecting the increase in the portfolio under management, partially offset by the increase in headcount of this area to cope with the significant increase in the management services provided in the period. Sierra Investments EBITDA was 153 million euros, up 7.7 million euros compared to 2006, driven mainly by the acquisition of new shopping centres and the organic growth of the portfolio of assets owned.

Value created on investment properties

Value created on investment properties reached 293.3 million euros, an increase of 8.2% compared to 2006, mainly as a result of the general yield decrease of shopping centres in the portfolio, coupled with improved performance, and gains from the opening of new shopping centres during 2007.

4.3. TELECOMMUNICATIONS

4.3.1. STRATEGY

During 2007, Sonaecom's strategy was aimed at investing for growth, through broadening market boundaries, focusing on innovation, promoting wireless internet products, launching fixed-mobile convergent products and consolidating the direct access broadband business, and thus increasing market share and improving profitability. Regarding Software and Systems Information, the company strategy was aimed at investing in the growth of its existing businesses, while analysing new opportunities both within the current portfolio and via acquisitions and investments in selective start-ups.

4.3.2. MAIN HIGHLIGHTS

SONAECOM'S 2007 RESULTS SHOW SOLID GROWTH AND IMPROVED PROFITABILITY, REFLECTING THE ORGANIZATION'S ABILITY TO IDENTIFY AND FOCUS ON GROWTH OPPORTUNITIES ACROSS ITS MARKETS.

OPERATING REVIEW

	2006	2007	Y.O.Y
Mobile			
Customers (EOP) ('000)	2,602	2,894	11.2%
ARPU (euros) [1]	19.7	18.2	-7.6%
Wireline			
Total Services (EOP) [2]	380,729	815,623	114.2%
Direct services (EOP)	281,541	510,673	81.4%
Direct access as % customer revenues	65.6%	70.1%	4.5pp
Media			
Average paid circulation [3]	44,197	41,765	-5.5%
Market share of advertising (%) [4]	15.4%	13.8%	-1.6pp
SSI			
IT service revenues / employee ('000 euros)	114.8	110.9	-3.4%
Total employees	1,871	1,961	4.8%

1 Average revenues per user;
2 Services restated to according to a "revenue generator unit" criteria since 1Q07;
3 Estimated value, updated in the following quarter;
4 2007= November YTD.

OPTIMUS
11.2%
Customer Base

SONAECOM
114.2%
Fixed Services

Customer base

Optimus' customer base increased by 11.2% to 2.9 million customers, compared to 2.6 million customers at end 2006, with net additions of 291.6 thousand in 2007, reflecting the success of the company's growth strategy, namely its planned investments in supporting the brand and in the development of its fixed-mobile convergent product "Optimus Home" and wireless broadband service "Kanguru". The level of net additions in 4Q07, of 132.4 thousand customers, was the highest achieved since 2001. Mobile active customers at the end of 2007 totalled 2.3 million, compared to 2.1 million at end 2006, an increase of 10.6%. Optimus' customers generated an ARPU of 18.2 euros, down from an ARPU of 19.7 euros in 2006, of which 13.8 euros related to customer monthly bill and 4.4 euros related to operator revenues, compared to 14.2 euros and 5.5 euros respectively, in 2006. This decrease in ARPU is mainly explained by the decrease of 20% in operator revenues ARPU, due to the phased reductions in mobile termination rates and roaming-in tariffs, and the decrease of 2.8% in customer monthly bill, due to higher price pressure on voice tariffs, mainly in the SME segment, and to the increased weight of Sonaecom's fixed-mobile convergent product, Optimus Home, which was not offset by increased minutes of use in the period.

Sonaecom total fixed services reached 815.6 thousand, at end 2007, an increase of 114.2% compared to 2006. On a like-for-like basis, total services increased 17%, which does not include the impact of ONI's residential and SOHO customer base and Tele2 Portugal clients, reflecting an additional 370 thousand services, of which 111 thousand direct. Total direct services represented 62.6% of Sonaecom's Fixed customer base in 2007, compared to 73.9% in 2006. On a like-for-like basis, this percentage would have been 86% excluding recent acquisitions. Average monthly direct net additions in 4Q07 were, approximately, 12.9 thousand services.

Público's average paid circulation decreased by 5.5% when compared to 2006, as a consequence of the continuous reduction in the size of the paid press market, as well as of competitive pressures particularly from "free" newspapers. Advertising market share has also been under pressure, reaching an average of 13.8% at end of November, down 1.6pp as compared to the end of 2006. Productivity at SSI has decreased marginally, as a result of the integration of the companies acquired during the year and their relatively lower productivity, with SSI's IT service revenues per employee reaching 110.9 thousand euros in 2007, 3.4% below 2006.

FINANCIAL REVIEW

MILLION EUROS	2006	2006 [R]	2007	Y.O.Y
Turnover	**836.0**	**822.4**	**892.7**	**8.6%**
Mobile	610.4	610.4	619.4	1.5%
Wireline	200.2	200.2	255.4	27.6%
Media	36.4	36.4	33.2	-8.9%
SSI	78.8	65.1	79.5	22.2%
Others & Eliminations	-89.7	-89.7	-94.8	-5.7%
Other revenues	32.0	5.4	6.4	19.2%
EBITDA [1]	**184.3**	**156.9**	**162.0**	**3.3%**
EBITDA margin (%) [2]	22.0%	19.1%	18.1%	-0.9pp
Mobile	169.1	169.1	153.7	-9.1%
Wireline	-6 .2	-6.2	9.8	-
Media	-8.8	-8.8	-3.3	62.7%
SSI	31.8	4.5	4.6	2.4%
Others & Eliminations	-1.5	-1.6	-2.8	-70.0%
EBIT	17.8	21.4	22.0	2.9%
Net financial results	-17.4	-17.4	-21.5	-23.2%
Net income - group share [3]	**-13.9**	**-9.7**	**36.8**	**-**
Gross debt	464.0	-	393.7	-15.2%
Net debt	338.1	-	309.8	-8.4%
Net debt/EBITDA (last 12 months)	1.8 x	-	1.9 x	0.1x
EBITDA/Interest expenses [4]	10.6 x	-	5.9 x	-4.7x
Debt/(Debt+Total equity) [5]	33.8%	-	29.6%	-4.2pp
CAPEX	253.5	-	235.8	-7.0%
Operating CAPEX [6]	134.1	-	162.8	21.4%
EBITDA minus Operating CAPEX	50.3	-	-0.8	-
Free Cash Flow	-81.7	-	59.6	-

1 EBITDA excludes provisions and impairment losses;
2 EBITDA margin = EBITDA / Turnover;
3 Net income attributable to Sonaecom shareholders;
4 Interest cover;
5 Net gearing;
6 Operating CAPEX excludes financial investments, provisions for sites dismantling and other non operational investments;
R Restated to exclude Enabler's contribution in 2006, the 25.3 million euros capital gain from the sale of Enabler in 2006 and costs associated with tender offer incurred during 2006 totalling 30.9 million euros; unaudited.

CONSOLIDATED	INCREASED
8.6%	5.3%
	SONAECOM | Turnover

Turnover

Sonaecom turnover increased by 8.6% in 2007 to 892.7 million euros compared to 2006R, notwithstanding the negative impact of lower roaming-in revenues of 9.4 million euros and the lower mobile termination rates of 11.3 million euros on Mobile operator revenues. The main contributions to this performance came from:

(i) 27.6% higher service revenues from the Wireline business, mainly due to the significant increase in customer revenues, up by 48.2%, driven by a strong growth in direct access and broadband customer base;

(ii) 3.0% increase in Mobile's service revenues, with the 7.9% growth of customer revenues more than offsetting the negative impact of lower roaming-in tariffs and MTRs on operator revenues;

(iii) 18.6% higher service revenues from SSI, mainly driven by the good performance of WeDo;

(iv) notwithstanding the 8.4% decrease in Media's service revenues, driven primarily by lower advertising revenues.

The results of the Wireline business include, since September 2007, the revenues generated from customers acquired from ONI and Tele2 Portugal. In 2007, the contribution of these two businesses to Turnover was of 24.8 million euros. Additionally, the results of SSI include the contributions of Cape Technologies, Praesidium and Tecnológica, all acquired by WeDo during 2007. In 2007, the contribution of these businesses to Turnover was of 2.4 million euros. On a like-for-like basis, Sonaecom's Turnover would have grown by 5.3% compared to 2006.

EBITDA

EBITDA improved by 3.3% to 162 million euros in 2007, generating a margin of 18.1%, compared to EBITDA of 156.9 million euros and a margin of 19.1% in 2006R. The increase in EBITDA was driven by strong operational results at both the Telco and SSI divisions. The Mobile business generated EBITDA of 153.7 million euros, compared to 169.1 million euros in 2006, mainly reflecting the lower roaming-in revenues and mobile termination rates and the resulting reduction of 9.4 million euros and 4.8 million euros, respectively, in EBITDA, despite having achieved top line growth. The Wireline business generated a record EBITDA of 9.8 million euros compared to a negative EBITDA of 6.2 million euros in 2006, reflecting the increased size of its direct access customer base, achieved via organic growth, which is generating an increasingly positive contribution to profitability since 2H06. EBITDA at SSI increased by 2.4% to 4.6 million euros compared to 2006R, driven mainly by higher service revenues and by improved cost management and efficiency, despite the costs of integration and the negative contributions in 4Q07 of the companies acquired by WeDo. Público's EBITDA was negative 3.3 million euros, an improvement of 5.5 million euros when compared to negative 8.8 million euros in 2006, due primarily to the restructuring plan implemented during 2006 and beginning of 2007 which, nonetheless, was not sufficient to compensate for the negative performance of its revenue streams.

4.4. REAL ESTATE DEVELOPMENT, SERVICES AND JOINT VENTURES

TOTAL LIKE BASIS
2.8% 16%
TOURISM | Turnover

4.4.1. STRATEGY

During 2007, Sonae Capital priorities were focused on restructuring its business portfolio and implementing a new organizational structure, appropriate to its post spin-off situation of an autonomous listed company.

4.4.2. MAIN HIGHLIGHTS

FINANCIAL REVIEW

MILLION EUROS	9M06	9M07	Y.O.Y
Turnover	**322.4**	**313.3**	**-2.8%**
EBITDA	**10.4**	**22.0**	**111.5%**
EBITDA margin (%) [1]	3.2%	7.0%	3.8pp
EBIT	6.7	13.3	98.5%
Investment income	11.5	10.9	-5.2%
Net financial results	-4.2	-9.8	-133.3%
Net income - group share [2]	**9.0**	**15.5**	**72.2%**
Net debt [3]	-	253.9	-
EBITDA/Interest expenses [4]	-	2.6	-
Debt/(Debt+Total equity)	-	71.4	-

Turnover

Turnover decreased by 2.8% to 313.3 million euros in 9M07, compared to 322.4 million euros in 9M06, primarily as a result of the disposal, during 2007, of the Plysorol Group, Safira and Isoroy Casteljaloux, that contributed 87.9 million euros to the 9M07 results, compared to a contribution of 115.9 million euros in 9M06. On a a like for like basis, consolidated turnover grew 16% to 225.4 million euros, as a result of:

(i) a higher contribution from the hotel and fitness businesses, that increased their contribution to the consolidated turnover by 10.5 million euros, reflecting the impacts of refurbishing the hotel units and fine-tuning the customer value proposal;
(ii) higher contribution from Praedium[7], that increased its contribution to consolidated turnover by approximately 6.7 million euros;
(iii) higher contribution from the Selfrio Group[8] and Contacto[9], which continued to increase their contribution to consolidated turnover by approximately 6.2 million euros and 6.6 million euros, respectively.

1 EBITDA margin = EBITDA / Turnover;
2 Net income attributable to Sonae shareholders;
3 Includes Shareholders Loans from Sonae SGPS;
4 Interest cover; Gearing; These financial figures are unaudited.

7 Praedium is a high quality residential development company.
8 Selfrio Group is a refrigeration, air conditioning and maintenance company.
9 Contacto is a civil and public works construction company.

4.5. SONAE SGPS COMPANY FINANCIAL RESULTS

EBITDA

EBITDA in 9M07 increased by 11.6 million euros to 22 million euros, when compared to 10.4 million euros in 9M06, including the contribution of 8.2 million euros of the Plysorol Group, Safira and Isoroy Casteljaloux in 9M07, compared to negative 1.2 million euros in 9M06. On a like for like basis, EBITDA increased by 51.4% to 13.8 million euros, driven by higher EBITDA contributions from the hotel and fitness businesses (increase of 4 million euros) and from the Selfrio group (increase of 1.4 million euros), notwithstanding the increase in non capitalized costs of 2.8 million euros, due to the faster pace of investment activity in Tróia.

Investment income

Investment income totalled 10.9 million euros, a deterioration of 5.3% when compared to 9M06, the main item being a capital gain of 9.8 million euros from the sale of the 7.83% shareholding in ba Vidro.

THE ACTIVITY OF SONAE, SGPS, SA, AS A STAND ALONE COMPANY, IS FOCUSED ON THE MANAGEMENT OF ITS HOLDINGS IN AFFILIATED COMPANIES.

Total operating income decreased by 96.5% to 2.7 million euros, compared to 2006, and EBITDA amounted to negative 8.2 million euros, compared to 68.9 million euros in 2006, with the 2006 figures including the impact from the sale of Continente brand to Sonae Distribuição, amounting to 75 million euros. Net profit for the year 2007 amounted to 16.5 million euros, which was favourably impacted by dividends received from its affiliated companies Sonae Distribuição and Sonae Sierra.

NET PROFIT
16.5
million euros

1 2 3

6 **5** 4

7 8 9

11 10

· OUTLOOK FOR 2008

5. OUTLOOK FOR 2008

5.1. INTERNATIONAL ECONOMIC ENVIRONMENT

WORLD ECONOMY
4.1%
Net Increase 2008

UNITED STATES
1.5%
Net Increase 2008

World

For 2008, the IMF forecasts 4.1% growth in the World economy. Developed economies are expected to contribute with only 1.8% growth, so that world economic growth is thus expected to continue to benefit from the strong performance of developing countries and emerging economies, which are projected to post 6.9% growth, with China expected to grow by 10.0% in 2008.

Brent crude future contracts have an implicit forecast for its price at the end of 2008 of circa 99 USD per barrel.

United States

In January 2008, the IMF projected 1.5% growth for the United States economy in the full year. The sub-prime crisis and the consequent turmoil in both credit and money markets are expected to negatively impact economic growth in the near future. Consumption is expected to be constrained not only by a tightening of credit, but also by increased unemployment (IMF forecasts an increase of 1.0 p.p. to 5.7% in 2008), lower household wealth, higher energy prices and lower confidence levels. It is expected that the positive contribution from net exports to economic growth will at least partially offset the forecast weakness in domestic demand. Despite the upward pressure on the consumer price index, the Federal Reserve cut its base rate by 125 basis points to 3% in January 2008 and an additional 75 base points to 2.25% in March 2008, in response to the weak economic performance and financial markets.

EUROPEAN UNION
2.0%
Net Increase 2007

EURO AREA
1.8%
Net Increase 2007

BRAZIL
4.5%
Net Increase 2007

European Union and Euro Area

The impact of the sub prime crisis on EU growth is subject to much uncertainty. The US slowdown may contaminate the European economy both through international trade and through the effects of the lack of confidence and of credit conditions on domestic demand. Soft data such as consumer and investor confidence levels and the European Commission's economic opinion indicator have been on a declining trend since the summer of 2007. The European Commission expects a 0.9 p.p. decline in the 2.9% growth of 2007 to 2.0% in 2008 for the EU. For the Euro Area, the forecast is for a slowdown from 2.7% growth in 2007 to 1.8% in 2008.

On the final consumer demand side, opposing trends are expected for investment and for consumption.

Investment is expected to experience a slowdown of 2.2 p.p. to 2.2% in 2008, with residential investment forecasted to decline by 1.1%.

Private consumption is expected to accelerate to 2.1%, since the negative impact on private consumption from Germany's VAT rate increase is expected to phase out in 2008. Furthermore, the wage policy in Germany is expected to ease and unemployment is expected to decrease in 2008 to 6.8% for the EU and to 7.1% for the Euro Area.

Net exports in the Euro Area may have a positive impact on growth, despite the strong euro, as the partial shift of exports towards Asian and oil-exporting economies decreases the vulnerability of the Euro Area economy to US economic performance.

The appreciation of the Euro against the dollar is partially offsetting the inflationary pressure of oil prices since the Euro Area pays for energy supplies in US dollars. In addition, food prices are also producing inflationary pressures. Consequently, inflation is expected to reach 2.9% in the EU and 2.6% in the Euro Area in 2008, exceeding the ECB 2% target for the Euro Area. Despite the inflationary pressures, it is possible that the ECB will decide to cut interest rates during 2008 to soften the slowdown of economic activity.

For 2008 in the Euro Area, economic growth is expected to slow to 2.7% in Spain, 1.6% in Germany, 0.7% in Italy and to 3.8% in Greece. Central and Eastern Europe is also expected to slow down on average to 4.6%, although continuing at higher levels of growth than in the Euro Zone.

Brazil

In 2008, Brazil is expected to grow 4.5%. The economy will continue to be strongly driven by consumption and investment. To reflect food price increases, inflation projections have ben raised but continue below the Brazilian Central Bank 4.5% target for 2008. Recognizing this inflationary pressure, the Brazilian Central Bank suspended its policy of the last two years of easing its monetary policy by recently maintaining its base interest rate stable at 11.25%. Despite this, according to OECD projections, some gradual interest rates cuts can still be expected in 2008-09.

5.2. PORTUGUESE ECONOMY

PORTUGAL
+2%
2008
+1.9% 2007

According to the Portuguese Central Bank, Portuguese GDP is likely to grow by 2% in 2008. Final consumer demand is forecasted to account for 1.5 p.p. of 2008 growth and will be mainly driven by private and business investment. Nonetheless, the European Commission's recent revision of several European countries' growth forecasts indicates that Portugal may grow less than that which is currently expected by the Portuguese Central Bank.

Investment is expected to accelerate to 3.3% in 2008 from 2.6% in 2007, with businesses contributing positively to this acceleration, in particular with the acquisition of additional aeronautical transport equipment.

Private consumption is expected to continue to grow at the pace of 2007 at circa 1.1%, despite a scenario of reduced savings, increasing debt service costs for families and the stagnant labour market (expected unemployment rate: 7.6%).

In addition, public consumption is expected to remain at the same level of 2007, as the Government will continue to pursue the objective of reducing the public deficit below 3% in 2008.

External demand is forecast to slow down, although still contributing to a quarter of Portuguese economic growth. Exports are projected to slow from 7% growth in 2007 to 4.9% growth in 2008, as a result of the expected deceleration of the EU economies, which account for circa 77% of Portuguese exports. Imports are also expected to slow, from 4.1% in 2007 to 2.9% in 2008.

In 2008, inflation is expected to remain at 2007 levels, i.e. around 2.4%. Oil and food prices will continue to put pressure on inflation, but the strong euro will partially offset this effect.

5.3. OUTLOOK FOR THE GROUP'S BUSINESSES

THE MAIN AIM OF SONAE FOR 2008 IS TO FOCUS ON GROWTH WITHIN ALL ITS BUSINESSES. THE COMPANY WILL BUILD ON THE EXCELLENT PROGRESS MADE BY ITS NEWLY REORGANIZED CORPORATE CENTRE, WHICH WAS ENHANCED AND ADAPTED TO IMPROVE ITS ROLE AND FUNCTION ACROSS THE ENTIRE BUSINESS PORTFOLIO AND TO LEVERAGE ITS VALUE CREATION CAPACITY IN DEALINGS WITH ALL OF ITS BUSINESS UNITS.

Retail

The Retail business will continue to push for a strong pace of organic growth, as a means of consolidating its leadership of the Portuguese market, and strengthening its value proposal, based on continued investment in efficiency and innovation, namely:

(i) increasing sales area by approximately 60,000 m^2, of which 30,000 m^2 sales in non-food retail brands;
(ii) being attentive to possible acquisition opportunities that would allow improvement in its competitive position;
(iii) initiating the international expansion process, with the opening of 4 Sportzone stores in Spain;
(iv) implementing a range of cutting edge projects in the areas of logistics infrastructure, stock management optimization and store operation. In addition, the business will extend its activity to 2 new areas: insurance brokerage and a new casual footwear brand.

Shopping Centres

The Shopping Centre business will continue to develop its project pipeline and to look for value adding opportunities either in existing or new markets. Additionally, the company will also aim to increase its Asset Management services during 2008, through the management of third party assets. Operating priorities will also be focused on the launch of a new Sierra fund, the Sierra Portugal Fund, designed to comprise a diversified portfolio of high quality shopping centre assets located in Portugal.

Telecommunications

During 2008, the Telecommunications division intends to execute an investment plan to improve the strategic positioning of its business, in order to enhance its competitive market position and provide a boost for sustained future growth, aimed at:

(i) accelerating the extension of coverage and capacity of its mobile and wireline networks, in order to improve quality of service, consolidate its leading position as provider of mobile broadband and direct broadband services and, at the same time, increase the addressable market;
(ii) promoting its own brands;
(iii) enlarging distribution channels by increasing the number of own brand stores;
(iv) improving customer service;
(v) implementing an initial phase of fibre deployment targeting new office and residential developments at priority locations in Lisbon and Porto.

At SSI, the focus will be on the growth of existing operations, by consolidating WeDo's international footprint and integrating the businesses acquired during 2007. At Público, the main focus will be on stimulating top line growth based on continuous efforts to increase paid circulation and traditional advertising revenues, while further strengthening its online presence.

· SUSTAINABLE MANAGEMENT

6. SUSTAINABLE MANAGEMENT

IN VIEW OF THE ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACTS OF THE SONAE GROUP, THE COMPANY HAS PUBLICLY COMMITTED TO DEVELOP ITS BUSINESS ACTIVITIES BASED ON THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT, WHICH IMPLIES THE INTEGRATION OF SOCIAL, ENVIRONMENTAL AND GOVERNANCE CONCERNS INTO ITS BUSINESS OPERATIONS AND IN ITS INTERACTIONS WITH STAKEHOLDERS DONE ON A VOLUNTARY BASIS. THIS APPROACH HAS BEEN PROGRESSIVELY INTEGRATED INTO SONAE'S MANAGEMENT MODEL AND IMPLEMENTED BY EACH OF ITS BUSINESS UNITS.

SONAE'S APPROACH TO SUSTAINABLE MANAGEMENT

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Eco Efficiency	Knowledge	Values
Responsible Environmental Management	Empowerment	Business Principles
Implementation of Environmental Management Systems	Matching skills with job functions	Risk Management
	Criativity	Transparancy
	Questioning status-quo	Group knowledge sharing and coordination
	Community involvement (social, educational support)	

Maximization of future Economic Value of the Company

Shareholder Value

In 1995, Sonae became a founder member of the World Business Council for Sustainable Development, thus formally demonstrating its commitment to the principles of sustainable development as key factors to the success of its companies, and its long standing tradition of integrating them into the strategic development of the Group.

On 16 January 2004, Sonae adhered to the ten principles of the Global Compact initiative launched by the United Nations on 26 July 2000, which required the adoption of a set of values regarding Human rights, Labour standards, Environment and Anti-corruption. In Sonae's values and daily practice, these principles of responsible citizenship are shared and, as a commitment to this initiative, Sonae's Chairman published a statement of progress on compliance with these principles on 15 January 2007, which is available on its website.

6.1. ENVIRONMENTAL MANAGEMENT

Environmental issues have always been an important part of the Group's management and, in this respect, the company has implemented environmental processes and policies in such a way as to minimize their impact on the environment, namely:

(i) Implementation of various measures to quantify and monitor environmental performance;
(ii) Development of processes to identify and take all necessary steps to comply with new environmental legislation;
(iii) Publication of sustainability reports, including key environmental indicators from the holding and each sub-holding, and Eco newsletters, available both in print and on the internet to all Group employees, in order to increase environmental awareness and encourage best practices;
(iv) Organization of workshops, conferences and internal eco-efficiency programmes, aimed at: identifying and recognizing environmental issues across all facilities, activities and products; encouraging eco-efficiency across the Group; sharing information, experiences and best practices across the Group; and challenging the sub-holdings to take action on environmental issues;

Of the environment related activities carried out during 2007, the following should be highlighted:

(i) Organization of a Sustainability Forum, to which all sub-holdings were invited, to strengthen their sustainability strategies and issue sustainability reports;
(ii) Sonae Distribuição developed a varied set of initiatives aiming at strengthening, its environmental management capabilities and improving eco-efficiency and environmental performance at its stores and warehouses, namely:

a. Awarded Corporative Environmental Management System certification, in accordance with the ISO 14.001 standard – the 1st retail company in Portugal with such a certification;
b. Awarded Environmental Management Systems certification of 3 more hypermarkets and an additional warehouse, in accordance with the ISO 14.001 standard, Sonae Distribuição ended 2007 with 5 hypermarkets and 2 warehouses environmentally certified, being the only Portuguese retailer with certified hypermarkets;
c. Launched the Oxygen degradable hypermarket carrier bags, which significantly reduce environmental impacts compared to the conventional plastic carrier bags – the 1st food retailer in Portugal to do so;
d. Installed the new "solar tube" skylights technology in its stores, involving automatic dimming fluorescent lamps regulation systems, leading to significant energy savings;
e. Used LED lights in different applications, with the goal of energy savings;
f. Increased waste recycling and composting, whereby 73% of the waste generated has been sent for recovery, meaning that only 27% was sent to landfill;
g. Built the 1st environmental experimental hypermarket in Portugal, with 28 measures related to the improvement of the store's environmental performance, 12 of them being innovative in the retail sector in the country;

(iii) Sonae Sierra developed and approved medium-term strategies and long-term objectives for climate change, water, waste and land use:

a. Developed initiatives aimed at the achievement of its long-term goal of 10% reduction of greenhouse gases by 2020, including a variety of measures across shopping centres under operation to increase energy efficiency, with attention to lighting, HVAC and other energy consuming equipment. The effectiveness of these measures, as well as continued awareness raising among its staff, tenants and service suppliers is demonstrated through the results achieved in 2007 – a 3.8% reduction in global energy consumption per m^2 of mall and toilet area in comparison with 2006;
b. Implemented water efficiency measures at many of our centres in operation, such as the installation of flow controlled taps to reduce consumptions in WCs;
c. Continued awareness raising on the importance of efficient water use at our shopping centres and offices;
d. Commenced organic waste composting at several centres in Portugal;
e. Opened a Ponto Electrão (electrical waste disposal site) at 5 Sierra centres in Portugal to encourage the recycling of waste electronic and electric equipment (WEEE);
f. Undertook several measures to restore habitats, including a project to protect native buriti trees at the shopping centre development project in Manaus, Brazil and remediation works to treat contaminated soil at Le Terrazze development project in Italy;
g. Set up of a nursery garden project, at Sierra Brazil, providing training to students at local schools about the importance of planting and protecting trees.

(iv) Sonaecom made continuous efforts to minimize the environmental impacts of its operations, namely:

a. Implemented a 6kW horizontal Aero generator on a telecommunications macro-site (among other solutions) to improve electrical energy consumption;
b. Implemented an energy rationalization plan in three DATE centre buildings, in which Sonaecom was an intensive energy consumer;
c. Captured rain water in the new Lisbon office building to use in gardens and toilets;
d. Revised the waste management system Sonaecom was using, in order to improve waste separation and to reduce its associated costs;
e. Improved Optimus packaging material by 30% in terms of weight and 12% in volume, replacing its handsets packaging, and more bulky equipment from high volume plastic to lower cost cardboard packaging, thus improving its environmental footprint;
f. Made efforts to promote the sharing of infrastructure in the telecom division with other operators:
g. Maintained a collaboration protocol between Optimus and the Telecommunications Institute, with the goal of publicizing relevant information on electromagnetic radiation in relation to mobile communications;
h. Distributed periodically an e-letter “Eco-report” in order to maintain environmental awareness and improvements;
i. Started the set up of a carbon management system.

6.2. SOCIAL RESPONSIBILITY

SONAE BELIEVES THAT BUSINESS CAN CONTRIBUTE TOWARDS MINIMIZING THE IMPACT OF SOCIAL PROBLEMS THAT EXIST IN THE COUNTRIES IN WHICH IT OPERATES AND ALSO RECOGNIZES THAT ACCESS TO CULTURAL ACTIVITIES THROUGH PARTNERSHIPS WITH OTHER BUSINESSES, INDIVIDUALS OR ORGANIZATIONS HAS A SIGNIFICANT CONTRIBUTION TOWARDS THE DEVELOPMENT OF SOCIETY. TO THIS END, THE SONAE GROUP HAS DEVELOPED SEVERAL SOCIAL INITIATIVES AMONG ITS SUB-HOLDINGS TO SUPPORT PROJECTS THAT LEAD TO POSITIVE LONG TERM RESULTS WITHIN THE COMMUNITY.

Contacto Programme

Since 1986, Sonae has organized the Contacto Programme, which takes place annually and to which final year undergraduates from Portuguese Universities and young post graduates with MBAs are invited. The aim of the programme is to allow talented young people to get to know the Sonae Group better and to discover high potential young managers in Portugal. More than 3,500 undergraduates and MBA's post-graduates have taken part in the programme since then, and several hundred have been invited to join the Group. In 2007, around 400 undergraduates and MBA graduates attended.

Community cooperation

During 2007 Sonae's sub-holdings were involved in several community initiatives, namely:

(i) Sonae Distribuição established a close partnership with local communities, assuming an important role in the interaction with people and local institutions, and also played the role of mentor and partner in various local projects, promoting major national causes:

a. Invested approximately 10.3 million euros in various initiatives within the community, including local donation and sponsorship programs as well as various initiatives developed throughout the year and focussed on Health, Education, Environment, Sport and Geriatric areas;
b. Sponsored "Missão Sorriso", a nationwide and highly acknowledged initiative. The main objective of this project, is to support paediatric units and hospitals, offering medical, scientific and educational equipment, from funds raised through the sale of Leopoldina (Continente's mascot) CD´s and books for children;

c. Sponsored "Causa Maior", a project aimed to improve the quality of life of senior citizens, which helps to fight social exclusion and isolation and promotes a more active social life for elderly people, with the participation of the Portuguese Red Cross. The funds raised for this project came mainly from sales of "Popota's Christmas Recipe Book" (Modelo's mascot);
d. Sponsored "HiperNatura", an environmental project which is a new initiative within Continente's Corporate Responsibility Policy, in this case in the social and environmental sustainability area. The main objective of this project is to recover, improve and modernize public gardens in 20 cities, thus increasing people's awareness regarding ecological and environmental issues.

(ii) Sonae Sierra continued to invest in communities, not only by making corporate donations and sponsorship, but also through staff volunteer activities:

a. Donated 431,370 euros and developed guidelines for future community investment;
b. Launched its first Community panel project at Dos Mares, Spain, with the aim of establishing a platform for engagement with members of the local community;
c. Sonae Sierra's staff dedicated a total of 670 hours to many volunteering activities throughout the year, supporting a variety of organisations across all countries of operation;
d. Welcomed 291 school visits at centres across its portfolio, including visits with an environmental theme during which children from local schools were shown the environmental management practices of the centres and taught about the importance of environmental protection.

(iii) Sonaecom was very active in the field of social cooperation, giving support to a variety of social initiatives:

a. Developed, in partnership with the Portuguese Institute for Emergency Medicine, a worldwide pioneer project to remotely support emergency services through video calls. This technology will allow emergency vehicles to analyse the state of emergency of the injured and remotely support emergency rescue, and will initially be installed in 4 emergency vehicles;
b. Sponsored a special internet based project – www.gripenet.pt -, allowing scientists to follow, in real time, all flu occurrences in Portugal, as well as to inform and advise about the disease;
c. Sponsored a project with the goal of reducing the isolation of elderly people, by providing mobile phones and other services targeted to allow rapid contact with health care and social services institutions;
d. Committed to invest 274 million euros in the information society programme, with the purpose of sponsoring initiatives that promote the education and training of Portuguese people concerning the use of information systems.

6.3. CODE OF CONDUCT AND INTERNAL REGULATIONS

Values and principles

Sonae's values and principles are widely spread and deeply rooted in the Group's culture. The key aspects are a business culture of entrepreneurship; good management; leadership; willingness to change; control; transparency; independence from political power, responsibility towards employees – equality of treatment, professional development, safety, social responsibility – social and environmental awareness, openness to society, trust and ethics. 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 potential conflict of interest.

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

Code of Conduct

Sonae is developing a Code of Conduct, expected to be concluded during 2008, that is designed to guarantee the ethical and responsible behaviour of the organization.

This Code of Conduct deals with topics ranging from integrity, transparency, respect, social responsibility, environmental commitment, health and safety, confidentiality and use of privileged information, to managing conflicts of interests and communicating irregularities. Employees and suppliers, including external consultants, are required to comply with these guidelines, and to always follow them in the carrying out of their activities.

Sonae's employees, including external consultants, are required to comply with the Code of Conduct in the performance of their daily activities and in both internal and external relationships. Sonae also requires its suppliers to abide by similar ethical standards.

Whistle blowing policy

Aligned with Sonae's culture of social corporate responsibility, the Company has in place a policy for communicating internal irregularities, which sets out procedures to efficiently and fairly respond to the reporting of alleged irregularities. By successfully implementing these procedures and by making efforts to respond to alleged irregularities, the Company aims to involve all employees in the creation of a healthy and balanced work environment.

Additional information on Sonae's internal regulations can be found in Sonae's Corporate Governance Report (section 4.1).

1 2 3
6 5 4
7 8 9
11 10

- SHAREHOLDER INFORMATION
- PROPOSED APPROPRIATION OF PROFIT FOR THE YEAR
- SUBSEQUENT EVENTS
- FINANCIAL GLOSSARY
- ACKNOWLEDGEMENTS

7. SHAREHOLDER INFORMATION

7.1. SHAREHOLDER STRUCTURE

Efanor Investimentos, a family holding company of which Belmiro de Azevedo is Chairman, holds a majority stake in Sonae SGPS, with approximately 52.9% of the shares and voting rights as at end December 2007. Additionally, in the course of 2007, Sonae sold all of its 132.9 million treasury shares, bringing the Group's free float up to 575.8 million shares, equal to 28.8% of the total shares.

In accordance with article 16 of the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 20%, 33.33%, 50%, 66.66% and 90% of the voting rights must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

During 2007, the following notifications were made:

SONAE QUALIFIED HOLDINGS NOTIFICATIONS DURING 2007

DATE	SHAREHOLDER	SHARES HELD IN NOTIFICATION	% SHARE CAPITAL IN NOTIFICATION	% VOTING RIGHTS IN NOTIFICATION
23.01.07	Fidelity International Limited	46,345,367	2.48%	2.48%
23.01.07	Centaurus Capital	36,783,893	1.97%	1.97%
05.02.07	Artisan Partners	42,168,933	2.11%	2.26%
01.03.07	Deutsche Bank	47,073,997	2.35%	2.52%
09.03.07	Deutsche Bank	21,862,465	1.09%	1.17%
20.03.07	Artisan Partners	56,799,903	2.84%	3.04%
27.03.07	Artisan Partners	31,269,822	1.56%	1.68%
18.05.07	ABN AMRO Bank	70,117,704	3.51%	3.76%
23.05.07	Fidelity International Limited	36,889,017	1.98%	1.98%
03.07.07	Deutsche Bank	65,720,422	3.29%	3.52%
16.11.07	BPI	178,039,855	8.90%	8.90%

NOMINAL GAIN 31%

PSI-20 MARKET GAIN 16%

SONAE | SHARE PRICE

7.2. SHARE PERFORMANCE

Sonae shares are primarily quoted on the Portuguese stock exchange, Euronext Lisbon, and have been listed in several indexes, including PSI 20, in which it has a weighting of 3.73%, and Euronext 150, with a weighting of 1.1%. The table below shows the key indicators of Sonae's share performance.

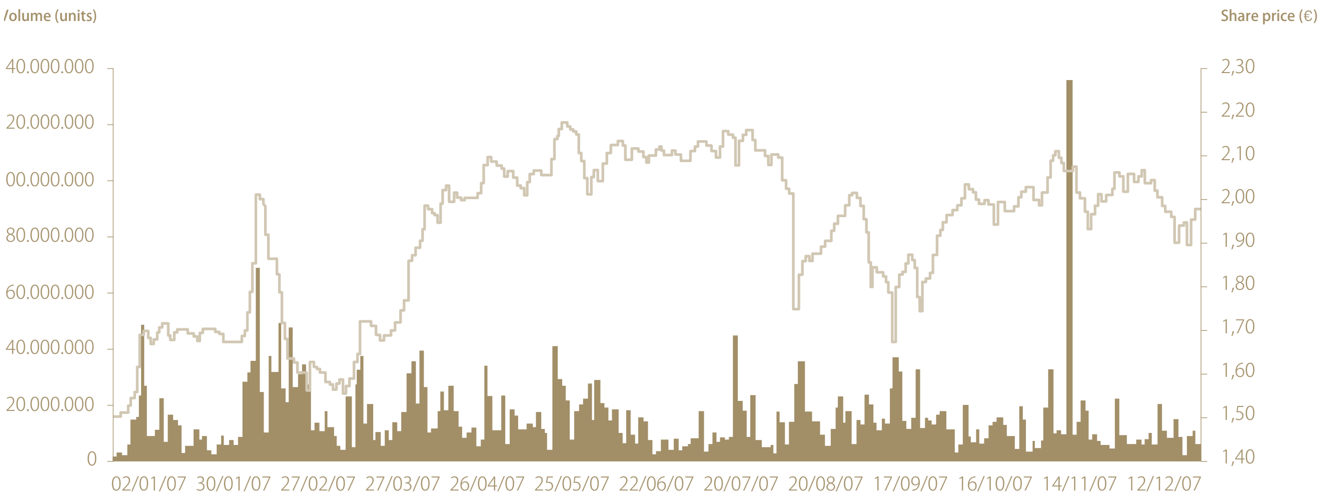
SONAE'S SHARES REFERENCE INFORMATION

	2005	2006	2007
ISIN code		PTSON0AE0001	
Bloomberg code		SON PL	
Reuters code		SONP.IN	
Share Capital	2,000,000,000	2,000,000,000	2,000,000,000
Number of shares outstanding	1,991,987,733	1,866,581,428	2,000,000,000
Closing price last trading day			
Of year	1.18	1.51	1.98
Year high	1.53	1.52	2.17
Year low	1.09	1.11	1.5
Annual trading volume (number of shares)	1,440,116,690	1,976,490,725	3,781,046,099
Average trading volume per day (number of shares)	5,647,516	7,812,216	15,004,151
Market Capitalization 31 December	2,360,000,000	3,020,000,000	3,960,000,000

The Sonae shares ended the year quoted at 1.98 euros, reflecting a nominal gain of 31% during the year, which compares with a general stock market gain of 16%, as measured by the Portuguese Stock Market index PSI 20.

The year was marked by the acquisition of Carrefour Portugal and by the demerger of Sonae Capital, two positive drivers of the volume of shares traded and prices reached during the year. On the other hand, the share price was pressured by the overall pessimism existing in the capital markets, mainly as a result of the USA sub-prime crisis, and its impact on the worldwide economy, of rising oil prices and the higher exchange rate of the Euro against the dollar, which may hurt European exports and GDP growth. The following graph highlights the trend of the share price during 2007.

SONAE''S SHARE PRICE AND TRADING VOLUME



During the year, events with an impact on Sonae's share price, in addition to the material events described in section 1.5 of Sonae's Management Report, were:

(i) 3 May: Consistent with the management changes proposed by the Sonae Group on 20 March 2007, Belmiro de Azevedo resigned as the Chairman of Sonaecom and Paulo Azevedo was elected to take over this position along with his new role as CEO of Sonae SGPS;

(ii) 10 May: Sonae announced first quarter results, broadly in line with market expectations;

(iii) 27 May: Sonae shares started trading ex-dividend relating to the year ending 31 December 2006;

(iv) 30 May: Sonae paid total ordinary dividends of 3 cents per share on 2006 earnings, an increase of 20% compared to 2005;

(v) 30 July: Sonae announced the Carrefour acquisition and disclosed its strategic plan and related synergies to be gained from it. The market reflected the new information in their valuation models of Sonae;

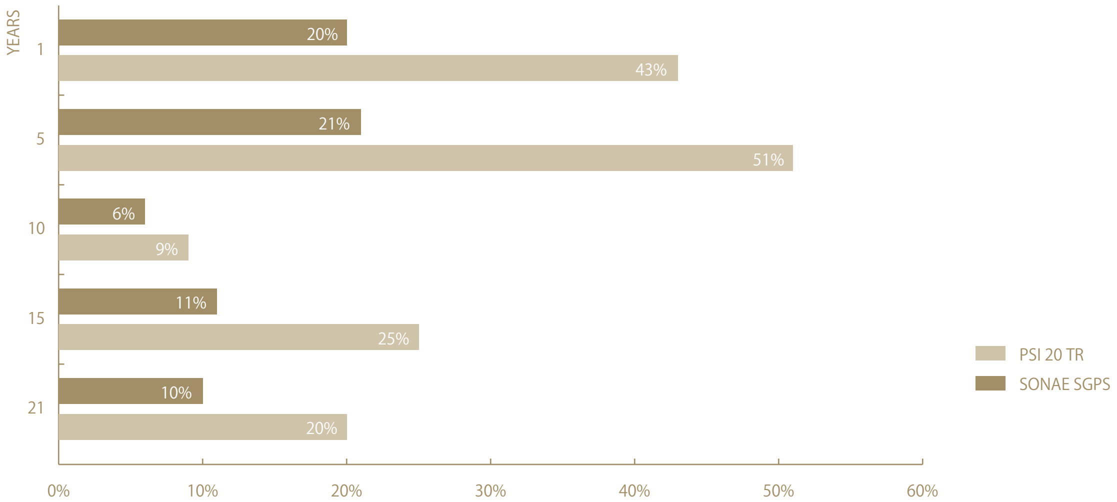
(vi) 29 August: Sonae announced its half-year results, broadly above market expectations;

(vii) 29 November: Sonae announced third quarter results, ahead of market consensus estimates, mainly driven by Sonae Distribuição and Sonae Sierra businesses.

7.3. TOTAL SHAREHOLDER RETURN

Over the years that Sonae has been listed on the Portuguese securities market[10], the return to shareholders has demonstrated strong performance, representing a substantial increase in value for the Sonae shareholder.

SONAE SHAREHOLDERS' ANNUAL RETURN COMPARED TO THE PORTUGUESE BENCHMARK INDEX[11] SINCE 1986



Assuming dividends are reinvested and taking into account that there were no capital calls since 2000 and that Sonae Indústria was spun off in 2005, Sonae has consistently delivered above the average shareholder return over the 21 year period: shareholder annual return has increased nearly 43 times during this period, generating a compounded annual rate of return of 20% compared to a return of 10% in the overall Portuguese market. This strong and consistent performance illustrates Sonae's unremitting and determined effort to become a true benchmark in its markets and to succeed in the long term.

10 Sonae has been listed on the Portuguese securities market since 1983 but figures are only available since 1986.

11 The PSI-20 is the Portuguese benchmark index, reflecting the price movements of the 20 largest and most liquid share issues selected from all companies listed on the Portuguese Main Market. The PSI 20 TR is a performance index, based on the PSI 20 index methodology, adjusted for gross dividend payments on the index constituents, reflecting the reinvestment of dividends into the index.

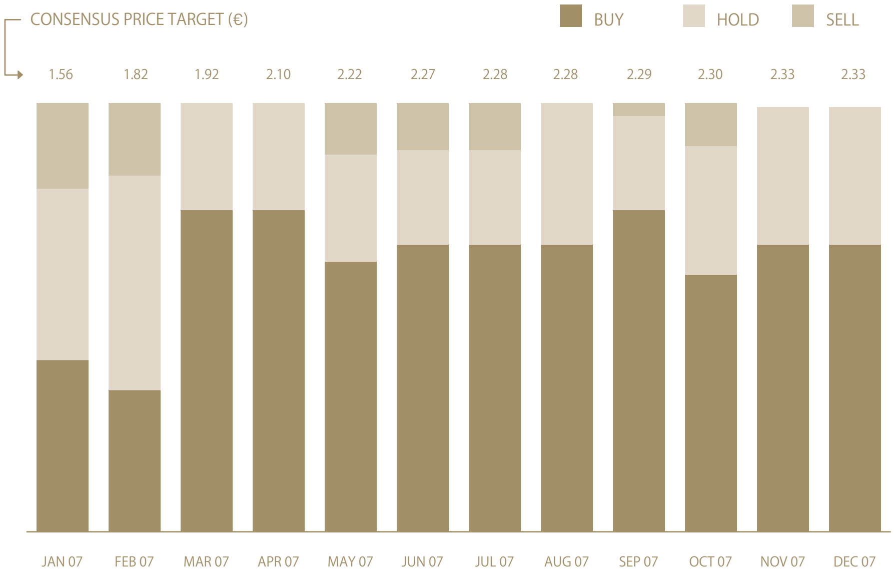
7.4. INVESTOR RELATIONS

SONAE PROVIDES ALL THE COMMUNICATION RESOURCES NECESSARY TO GIVE ITS INDIVIDUAL AND INSTITUTIONAL SHAREHOLDERS, AS WELL AS THE FINANCIAL COMMUNITY AT LARGE, REGULAR, COMPREHENSIVE AND TRANSPARENT INFORMATION.

Information is made publicly available on the company's own website (www.sonae.pt) while the Group, through its Investor Relations Department, maintains constant contact with investors and analysts by supplying up to date information. In addition, on request, it provides clarification of facts about the company's activity and organises meetings with management.

During 2007, a total of 7 investment banks published regular analyses of Sonae – BPI, BCP, Santander, BANIF, UBS, JPMorgan, Euromobiliaire – providing an average price target of 2.33 euros per Sonae share as at 31 December 2007, of which 67% recommended a buy of the share and 11% recommended its sale.

Sonae's average price target and recommendations during 2007



8. PROPOSED APPROPRIATION OF PROFIT FOR THE YEAR

Sonae, SGPS, SA, as the holding company of the Group, had net profits of 16,503,134.55 euros. The Board of Directors will propose to the Shareholders' Annual General Meeting that this profit should be appropriated as follows:

Legal reserves	825,156.73 euros
Dividend	15,677,977.82 euros

For 2007, a gross dividend of 0.03 euros per share has been proposed and the Board of Directors will recommend to use free reserves of 44,322,022.18 euros for the distribution of this proposed dividend.

9. SUBSEQUENT EVENTS

The following events, which took place after 31 December 2007 but before the approval of the full year accounts by the Board, should be noted:

(i) Following the completion of the demerger of Sonae Capital from Sonae, with the attribution of 0.125 of a share of the new company for each Sonae share, a rights trading period was available to Sonae shareholders from 9 January 2008 to 15 January 2008, inclusive, and over-the-counter up to 18 January 2008, inclusive, and the listing on Euronext Lisbon of the new shares took place on 28 January 2008.

(ii) On 2 January 2008, Carrefour Portugal stores were successfully integrated, in relation to Information technology systems, Human Resources, refurbishing and rebranding. The twelve units were closed for only 2 days, and have already achieved very promising sales growth figures in 1Q08.

(iii) On 21 February 2008, Sonaecom announced its 3-year investment plan of 240 million euros for the deployment of a Next Generation Network, aimed at building the most advanced telecommunications network in Portugal.

(iv) On 3 March 2008, Luiz Filipe Lampreia, a member of the Sonae Board, resigned as a Director of the Company, with this change being effective from 30 April 2008.

10. FINANCIAL GLOSSARY

CAPEX
Investments in tangible, intangible, investment properties and investments in acquisitions

EBITDA
Income from operation + depreciation and amortization + net provisions and impairment losses

EBITDA Margin
EBITDA / turnover

Interest cover
EBITDA / interest expenses

Investment income
Capital gains (losses) on financial investments plus dividends received

Investment properties
Shopping centres owned by Sonae Sierra

Like for Like sales
Sales made by stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods

Net asset value
Open market value attributable to Sonae Sierra less net debt less minorities plus deferred tax assets

Net debt
Bonds + bank loans + other loans + finance leases – cash, bank deposits and current investments

Non-food retail
Specialized retail which is not related to food based retail

Net gearing
Debt / Debt + total equity

Net income group share
Net income attributable to Sonae shareholders

Operating income
Turnover + value created on investment properties + other operating income

Open market value
Fair value of real estate in operation and under development (100%), provided by an independent entity

Shareholders' funds
Share capital + reserves + net income group share

Value created on investment properties
Increase in the fair value of shopping centres

11. ACKNOWLEDGEMENTS

The Board of Directors would like to thank the Statutory Audit Board and the Statutory External Auditor for the valuable advice and help given during 2007. The Board would also like to express its gratitude to suppliers, banks and other business associates of the Group for their continued involvement and the confidence they have shown in our organization. Finally, the Board expresses its gratitude to the Non-Executive Directors for their work and valuable advice, and to all employees for their effort and dedication throughout the year.

Maia, 17 March 2007

Belmiro de Azevedo

Álvaro Cuervo Garcia

Belmiro de Azevedo (on behalf of **Luíz Lampreia**)

Michel Marie Bon

José Neves Adelino

Duarte Paulo Teixeira de Azevedo

Álvaro Carmona e Costa Portela

Ângelo Gabriel Ribeirinho dos Santos Paupério

Nuno Manuel Moniz Trigoso Jordão

CORPORATE GOVERNANCE REPORT

THIS DOCUMENT GIVES A BRIEF DESCRIPTION OF THE CORPORATE GOVERNANCE PRACTICES OF SONAE SGPS AND WAS PREPARED TO COMPLY WITH REGULATION 7/2001 OF 20 DECEMBER 2001 OF THE CMVM (PORTUGUESE SECURITIES MARKET COMMISSION) AS AMENDED BY REGULATIONS 11/2003 OF 19 NOVEMBER 2003,10/2005 OF 3 NOVEMBER 2005 AND 3/2006 OF 5 MAY 2006.

GIVEN THAT THIS SECTION ON CORPORATE GOVERNANCE IS INCLUDED ON THE MANAGEMENT REPORT AND ACCOUNTS, IT SHOULD BE READ TOGETHER WITH AND AS A COMPLEMENT TO THE MANAGEMENT REPORT SECTION OF THAT DOCUMENT. IN ORDER TO AVOID DUPLICATION, CERTAIN ASPECTS IN THIS SECTION ARE CROSS REFERENCED TO THE MANAGEMENT REPORT SECTION, AS IT WAS FELT THAT IT WAS MORE APPROPRIATE TO DEAL WITH THEM IN THE MANAGEMENT REPORT SECTION.

1. STATEMENT OF COMPLIANCE

1.1. 2005 CMVM RECOMMENDATIONS ON CORPORATE GOVERNANCE

As at 31 December 2007, Sonae was compliant with all the CMVM recommendations on Corporate Governance applicable to 2007, with the exception of:

(i) Recommendation II.2, regarding restrictions on postal voting, as the Company's Articles of Association only allow Shareholders to vote by post in relation to changes to the Articles of Association and to the election of the Statutory Governing Bodies. Sonae believes that the provisions in Portuguese Company Law that regulate postal voting can go against the actual will of the shareholder and, in some cases, can be against the Company's interest, when resolutions presented require urgent deliberation;

(ii) Recommendation IV.8 (second part only), regarding Board of Directors' individual remuneration, as Sonae only discloses the remuneration of the Chairman and CEO on an individual basis, as well as the aggregate remuneration for the Executive Directors and Non- Executive Directors. Sonae agrees that the remuneration of its Board of Directors should be disclosed in a transparent manner, allowing for a clear understanding of the values involved and their distribution. However, Sonae considers that individual disclosure for the Chairman and the CEO, together with separate averages for the remaining Non-Executive and Executives Directors is sufficient to assess each of the four main components of remuneration of its Board. Disclosure of the individual figures for every member of the Board of Directors is not current general practice in Portugal (less than 7% of listed companies in Portugal complied in their 2006 financial statements) and Sonae believes it is of marginal additional benefit to shareholders and the financial community. Sonae's current disclosure complies with the recommendations published by the Portuguese Institute of Corporate Governance in their "White Book".

(iii) Recommendation IV.9, regarding the independence of the members of the Shareholders' Remuneration Committee, as Belmiro de Azevedo is a member and is also the Chairman of Sonae's Board of Directors. However he was elected to the Shareholders' Remuneration Committee by Sonae's major shareholder, Efanor Investimentos, SGPS, S.A, and is a member of the Shareholders' Remuneration Committee to represent a major shareholder and not as Chairman of the Board of Directors. Furthermore, and to ensure the independence of the two roles, he does not take part in any discussion or resolution where there is a conflict of interest. In particular, his own remuneration as non-executive Chairman of Sonae, is discussed and approved solely by the other two independent members of the Shareholders' Remuneration Committee.

2005 CMVM''S RECOMMENDATIONS ON CORPORATE GOVERNANCE

CMVM RECOMMENDATIONS	COMPLIANCE
I - Disclosure of information 1. The Company must ensure that permanent contact is maintained with the market, that the principle of equality among shareholders is upheld and that all investors have the same access to information. For these purposes, the Company should create an Investor Relations Department.	Yes
II - The Exercise of Voting Rights and Representation Rights by Shareholders 2. The ability to exercise voting rights, whether directly, by post or by proxy, should not be restricted. For this purpose, the following examples are considered to restrict the ability to exercise voting rights: a) The requirement of a period of more then 5 working days between the deposit or blocking of shares and participation at a Shareholders' General Meeting; b) any statutory restriction on postal voting; c) a requirement that postal votes must be received more than 5 days in advance; d) failure to make available voting forms for shareholders wishing to submit their vote by post.	**No**
III - Corporate Rules 3. The Company must establish an adequate internal control system, capable of detecting risks linked to its activity, to safeguard its assets and to enhance the transparency of its corporate governance practices .	Yes
4. Measures adopted to restrict takeover bids should respect the interests of the Company and its shareholders. Measures considered contrary to these interests include defensive clauses intended to automatically reduce the value of the Company's assets in the event of a transfer of control, or changes to the composition of the Board which prove detrimental to the free transfer of shares and the free assessment by shareholders of the performance of members of the Board .	Yes
IV - Board of Directors	Yes
5. The Board should be composed of a number of members who provide effective guidance for the management of the Company and to the persons responsible for that management.	
5a. The Board of Directors should include a sufficient number of Non-Executive Directors, whose role is to continuously monitor and evaluate the Company's management by its Executive Board Members. Members of other Corporate Governance bodies may exercise complementary roles or, at the very most, replace Board Members, if their supervisory powers are equivalent and they are actually exercised.	Yes
6. The Non-Executive Members of the Board of Directors must include a sufficient number of Independent Members. When there is only one Non-Executive Director, he or she should also be independent. Independent Members of other Corporate Governance bodies may exercise complementary roles or, at the very most, replace Board Members, if their supervisory powers are equivalent and they are actually exercised.	Yes
7. The Board of Directors should create an Audit Committee, with the power to assess the corporate structure and its governance.	Yes
8. The remuneration of members of the board of directors should be structured in order to allow the alignment of their interests with those of the company, and should be disclosed annually in individual terms.	**No**
8a. An explanation of the remuneration policy as applied to the Company's Corporate Governance bodies should be submitted for consideration at the Shareholders' Annual General Meeting.	Yes
9. Members of the Shareholders' Remuneration Committee, or its equivalent, should be independent in relation to the Members of the Board of Directors.	**No**
10. A proposal to obtain the approval of share allocation plans, and/or share call options or other awards based on share price variations, that apply to Members of the Board of Directors and/or to employees, should be submitted to the Shareholders' General Meeting. The proposal should contain all information necessary to allow a fair assessment of the plan. The proposal should be accompanied by the regulations for the plan, or, if these have not yet been drafted, by detail of the general conditions applying.	Yes
10a. The Company should adopt a policy covering the reporting of alleged irregularities occurring within the Company, containing the following information: The procedure to follow internally to report irregular practices, including the persons nominated to receive such information, the manner in which such reports are processed, including maintaining the confidentialilty of the information, if so requested. The general guidelines to be followed should be disclosed in the Corporate Governance Report.	Yes

1.2. NEW CMVM RECOMMENDATIONS ON CORPORATE GOVERNANCE

New CMVM recommendations on Corporate Governance were issued in September 2007 and should be complied with in 2008 Corporate Governance Reports (being applicable from 1 January 2008).

2007 CMVM''S RECOMMENDATIONS ON CORPORATE GOVERNANCE

NEW CMVM RECOMMENDATIONS	SONAE COMPLIANCE WITH THE RECOM. AS AT 31.12.2007
I - 1. SHAREHOLDERS' GENERAL MEETINGS	
I.1 Board of the Shareholders' General Meeting	
I.1.1 The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.	Yes
I.1.2 The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual Corporate Governance report.	Yes
I.2 Participation at the Meeting	
I.2.1 The requirement to deposit or block shares before the General Meeting, contained in the Articles of Association, shall not exceed 5 working days.	Yes
I.2.2 Should the General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	Yes
I.3 Voting and Exercising Voting Rights	
I.3.1 Companies should not impose any statutory restriction on postal voting.	**No (see explanations above in respect of current recommendation IV-8)**
I.3.2 The statutory advance deadline for receiving voting ballots by post shall not exceed 3 working days.	Yes
I.3.3 The Company's Articles of Association shall respect the one share-one vote principle.	Yes
I.4 Quorum and Resolutions I.4.1 Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.	**No (Sonae is not currently compliant, but are studying the advantages and disadvantage of reducing our quorum. Sonae doesn't agree that no minimum quorum is advisable)**
I.5 1.5. Attendance Lists, Minutes and Information on Resolutions Adopted	**No (Sonae ais not currently compliant, but is studying the advantages and disadvantage of implementing this)**
I.5.1 The minutes of the Shareholders' General Meetings shall be made available to shareholders on the Company's website within a 5 day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agendas items and resolutions adopted shall be kept in a historic file on the Company's website, covering meetings held for at least the last 3 years.	Yes
I.6 1.6. Measures Relating to Changes in Control	
I.6.1 Measures aimed at preventing the success of takeover bids, shall respect the interests of the both the Company and its shareholders.	Yes
I.6.2 In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	Yes
I.6.3.1.6.3. Defensive measures should not be adopted that automatically lead to a serious erosion in the value of the Company's assets, when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to evaluate those responsible for managing the Company .	Yes
II. Management and Audit Boards	
II.1. General Points	

II.1.1. Structure and Duties	
II.1.1.1 The Board of Directors shall, in its Corporate Governance report, assess the model adopted by the Company, by identifying any restrictions that are holding back performance and proposing actions to be taken that are judged to be appropriate to resolve them.	Yes
II.1.1.2 Companies shall set up internal control systems in order to efficiently detect risks relating to the Company's activity, in order to protect its assets and keep its Corporate Governance transparent.	Yes
II.1.1.3 The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	Yes
II.1.2 Incompatibility and Independence	
II.1.2.1 The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	Yes
II.1.2.2 Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	Yes
II.1.3 Eligibility Criteria for Appointment	
II.1.3.1 Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	Yes
II.1.4 Policy on Reporting Irregularities	
II.1.4.1 The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	Yes
II.1.4.2 General guidelines from this policy should be disclosed in the Corporate Governance Report.	Yes
II.1.5 Remuneration	
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the shareholders. In this sense: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximization of the long term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.	Yes
II.1.5.2 The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other senior management ("dirigentes") as defined in Article 248o-B, Clause 3 of the Portuguese Securities Code. The information to shareholders shall include the criteria and main indicators proposed to be used in assessing of performance and determining the variable component, independently of whether this in the form of bonuses paid in shares, share options, annual bonuses or other awards.	Yes
II.1.5.3 At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting.	Yes
II.1.5.4 A proposal shall be submitted at the Shareholders' General Meeting to approve plans to grant shares and/or share options or award compensation based on variations in share prices, to members of the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The proposal shall include all information necessary for comprehensive assessment of the plan. The proposal shall be presented together with regulation that governs the plan or if this has not yet been prepared, the general conditions that will be applied. In the same way, the main characteristics of any retirement benefit plan that benefits the Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code, shall also be approved at a Shareholders' General Meeting.	Yes
II.1.5.5 The remuneration of the members of the Statutory Governing Bodies (including the Board of Director and Statutory Audit Board) shall be individually disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying share holdings.	**No (see explanations above in respect of current recommendation IV-8)**
II.2. Board of Directors	
II.2.1 Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	Yes
II.2.2 The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	Yes

II.2.3 Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.	Yes
II.2.4 The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	Yes
II.2.5. The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.	N/A
II.3 Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors	
II.3.1 When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	Yes
II.3.2 The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	Yes
II.3.3 The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee. .	Yes
II.4. General and Supervisory Board, Financial Matters Committee, Audit Committee and Statutory Audit Board	
II.4.1 In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil a role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should opine are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	N/A
II.4.2 The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	Yes
II.4.3 The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	Yes
II.4.4 The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, as well as acting as the point of contact with the Company and being the first recipient of their reports.	Yes
II.4.5 The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the Shareholders' General Meeting that the external auditor should be discharged, should justifiable grounds exist.	Yes
II.5. Special Purpose or Specialised Committees	
II.5.1 Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary Committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements.	Yes
II.5.2 Members of the Shareholders' Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.	**No (see explanations above in respect of current recommendation IV-9)**
II.5.3 All Committees shall draw up minutes of the meetings they hold.	Yes
III. 3. Information and Auditing	
III.1 General Disclosure Requirements	
III.1.2 Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	Yes
III.1.3 Certain information disclosed on the Company's Internet website, shall be available in English.	Yes

2. INFORMATION DISCLOSURE

2.1. AREAS UNDER THE SUPERVISION OF MEMBERS OF THE EXECUTIVE COMMITTEE

THE EXECUTIVE COMMITTEE (EXCOM) IS SELECTED FROM THE MEMBERS OF THE BOARD OF DIRECTORS AND, UNDER FORMAL DELEGATED POWERS FROM THE BOARD OF DIRECTORS, MANAGES AND EXECUTES SONAE'S DAY TO DAY OPERATIONS AND DECIDES ON MATTERS RELATED TO GENERAL MANAGEMENT.

The Executive Committee is currently composed of 4 directors combining the skills of managing and understanding the operational issues in each of Sonae's sub-holdings, all of whom have considerable experience and expertise gained both within the Sonae group and from previous work experience. The ExCom team meets once every month and whenever the CEO or a majority of its members convenes a meeting.

MANAGEMENT TEAM (EXCOM) AND THEIR ROLES

CEO	Shopping centres	Retail	Telecoms
Paulo Azevedo	**Álvaro Portela**	**Nuno Jordão**	**Ângelo Paupério**
Group CEO	CEO Sonae Sierra	CEO Sonae Distribuição	CEO Sonaecom

Sonae also has a number of corporate functions, with the responsibility to support and advise the Executive Committee, the Board of Directors and all the companies of the Sonae Group, as set out in section 2.2 of the Corporate Governance report below.

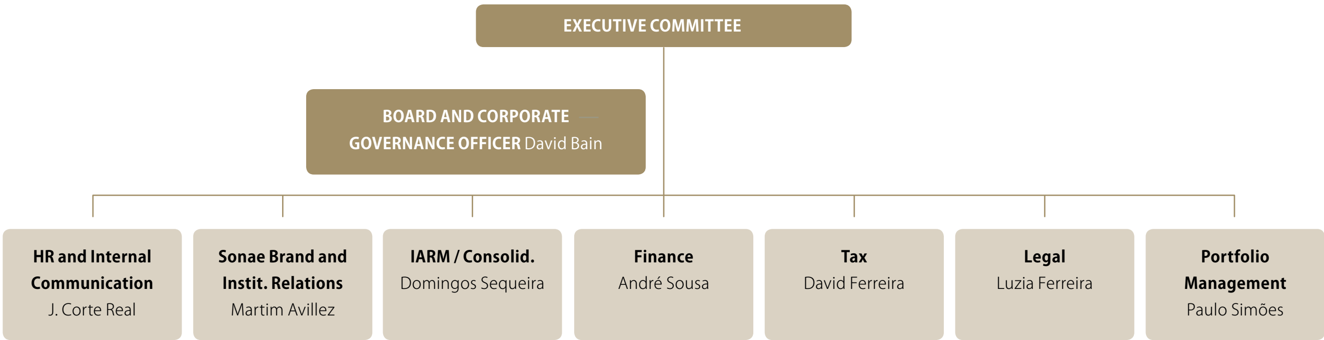
2.2. ORGANISATION OF THE CORPORATE CENTRE

The current organisation of Sonae's corporate centre is designed to adapt its role and competencies to complement the various businesses in the best manner possible and, ultimately, create value. Also, it aims to optimize the efficiency of the Group, through promoting the sharing of relevant skills, know-how, resources and functions among the sub-holdings

Its value proposal rests upon the following main activities:

(i) collaborating with the Sub-holdings in their definition of strategy and strategic goals;
(ii) allocating capital between businesses and to new business opportunities;
(iii) leveraging the Group's global size and set of competencies;
(iv) managing top human resources;
(v) managing the Sonae values and institutional brand;
(vi) managing institutional relations proactively to influence the Group's business environment. The corporate centre is also responsible for providing services to its various sub-holdings, which are centralized for reasons of efficiency and effectiveness, such as Tax and Financing. There are other tasks that directly relate to the holding company, for example compliance with capital market requirements, legal, financial and fiscal obligations, as well as decision making as a shareholder in Sonae Group sub-holdings and various instrumental companies.

CORPORATE CENTRE – ORGANISATION AND FUNCTIONS



Board and Corporate Governance Officer

A description of this Officer's role and responsibilities is covered in section 5.1 of the Corporate Governance report.

Human Resources and Internal Communication Manager

Main responsibilities:

(i) Manage Sonae's top human resources: Chairman of the Human Resources Advisory Group; support the Executive Committee's top human resources management activities;
(ii) Internally promote the Group's values and culture;
(iii) Support the External Communication function in managing the image of the group as a major employer;
(iv) Support the Legal and Institutional Relations departments managing labour legislation and human resources' best practices issues;
(v) Manage the corporate centre's human resources.

Sonae Brand and Institutional Relations Manager

Main responsibilities:

(i) Define and implement the corporate marketing strategy;
(ii) Manage Sonae's public image and that of its Executive Committee; Proactive management of relations with the Media;
(iii) Manage Sonae's image and reputation risk management in direct coordination with the Risk Management area;
(iv) Proactive support to manage Sonae's relationship with Government, public entities, NGOs, opinion makers;
(v) Represent Sonae at associations, forums and events (national and international) and manage information requests from those institutions;
(vi) Coordinate messages and lines of communication with the External Communication function at the corporate centre and with the Public Relations departments of the subholdings, for all contacts with the Media.

Internal Audit, Risk Management, Accounts Consolidation and Administrative Manager

Main responsibilities:

(i) Lead portfolio and corporate centre risk management activities;
(ii) Lead internal audit of the corporate centre;
(iii) Operational support to the Audit Committee and the Risk Management Advisory Group;
(iv) Manage the relationship with the statutory external auditors
(v) Lead Sonae's individual and consolidated accounting teams;
(vi) Supervise the administrative processes controls for the corporate centre and manage the service agreements covering the administrative processes outsourced to the service centre of Sonae Distribuição.

Finance Manager

Main responsibilities:

(i) Lead all Sonae Group financing operations (except Sonae Sierra) in liaison with CFOs of the sub-holdings; support the sub-holdings in executing dealing transactions;

(ii) Support corporate planning in determining the capital employed in each business area; support corporate development and M&A;

(iii) Treasury management for Sonae;

(iv) Financial risk management for Sonae Group.

Tax Manager

Main responsibilities:

(i) Develop the tax competencies of the sub-holdings; share competences among sub-holdings;

(ii) Collaborate in the definition of tax strategies and goals: Support the internationalisation of the sub-holdings;

(iii) Support corporate M&A on tax issues;

(iv) Institutional Relations: proactively manage the Group's tax environment.

(v) Optimize the tax efficiency of the Group.

Legal Manager

Main responsibilities:

(i) Legal support to the financing area in all contracts with financial institutions;

(ii) Manage relations with Euronext Lisbon, the Portuguese Securities Market Commission ("CMVM") and with shareholders in relation to legal matters;

(iii) Proactively manage the legal environment of the Group; Main responsibilities:

Portfolio Manager

Main responsibilities:

(i) Coordinate the corporate planning and reporting area;

(ii) Support decisions regarding the allocation of capital to current businesses and to new business opportunities: responsible for the analysis of capital invested, return on capital invested and support the development of corporate strategy; responsible for corporate M&A and new business opportunities;

(iii) Leverage the Group's global size and set of competencies;

(iv) Coordinate the Investor Relations area and represent management in selected meetings with analysts and investors;

(v) Support the coordination of the activity of the corporate centre.

2.3. INTERNAL COMMITTEES

Audit committee

The Audit Committee was formed in 2000, to assist the Executive Committee in defining policies, reviewing and co-ordinating the activities of Risk Management, Internal and External Audit, and to review internal control processes and systems. This committee is also a platform for sharing knowledge and experience of these activities. Supporting this Committee is a Risk Management Consultation Group, reviewing internal risk management activities across all sub-holdings, on a regular basis, in order to ensure consistency between the established objectives and their implementation.

The Audit Committee, which meets quarterly, is chaired by Paulo Azevedo (CEO of Sonae), and includes the Sonae Group Controller and the CFOs and internal audit managers of the Sonae Group sub-holdings. The Risk Management Consultation Group meets quarterly and is chaired by Ângelo Paupério (Sonae Board member), and includes the Sonae Group Controller, the Board members and the Risk Managers responsible for this role at the holding company and at each of the Sonae Group sub-holdings, as well as the Sonae Group Insurance Manager.

Finance committee

The Finance Committee is chaired by Paulo Azevedo (CEO of Sonae), and includes the CFOs and the directors responsible for corporate finance from each Sonae Group sub-holding as well as the functional managers of Sonae, who are relevant to the subjects on each meeting's agenda. The committee meets monthly to review and co-ordinate financial risk management policies, banking relationships and other matters related to corporate finance.

Other committees

The composition and responsibilities of Sonae's Board Committees and Shareholders' Remuneration Committee are described in section 5.1 of the Corporate Governance report.

2.4. RISK CONTROL

Risk management objectives

RISK MANAGEMENT IS EMBEDDED IN SONAE'S CULTURE AND IS ONE OF ITS CORPORATE GOVERNANCE PRACTICES, BEING PRESENT IN ALL MANAGEMENT PROCESSES AND A RESPONSIBILITY OF ALL EMPLOYEES OF THE 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 the business objectives and the going concern of the Group sub-holdings. 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 Group's entire planning process, as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge. Its goal is to identify, evaluate and manage the uncertainties and threats that Sonae's sub-holdings face in the pursuit of their business objectives and value creation.

Sonae's management and monitoring of its main risks is achieved through different approaches, including:

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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.

(v) 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 a consistent and systematic methodology, based on the international standard[12] that includes the following:

(i) Identifying systematically the risks that affect the organisation (common language); defining and grouping risks (dictionary and matrix of risks);
(ii) 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;
(iii) Identifying the causes of the most important risks;
(iv) Evaluating strategic risk management options;
(v) Developing a risk management action plan and integrating it into the management and planning procedures of the units and functions of Sonae Group companies;
(vi) Monitoring and reporting on progress made to implement the action plans.

Risk management organization

Management is the responsibility of all managers and employees of Sonae Group companies, at all levels of the organisation, and is supported by the Internal Audit and Risk Management departments both in the holding and sub-holdings, through especially dedicated teams, which report directly to their respective Boards of Directors.

The Internal Audit and Risk Management department 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, namely:

(i) The Internal Audit department 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;
(ii) The Risk Management department promotes, co-ordinates, facilitates and supports the development of risk management processes.

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

To emphasise this, financial and accounting information reliability and integrity risks are also evaluated and reported upon by the External Audit activity.

By end December 2007, the Internal Audit and Risk Management functions had 39 full time employees, carrying out their work in all countries where the Sonae Group operates.

As mentioned in section 5.1. of the Corporate Governance Report, the Board of Directors has appointed a Board Audit and Finance Committee, comprised of four Non-Executive and independent Directors, to monitor Audit and Risk Management activities. The Board is assisted by an Audit Committee regarding these activities, as per section 2.3 of the Corporate Governance Report.

Internal audit and risk management training and development

As far as development of the Risk Management and Internal Audit function is concerned, in 2007, Sonae continued to support employee training for those who voluntarily put themselves forward for international certification programmes promoted by the IIA (The Institute of Internal Auditors) - Certified Internal Auditor (CIA) and Certification in Control Self Assessment (CCSA) – and other certifications, such as Certified Information System Auditor (CISA), Certified Information System Security Professional (CISSP) and BS ISO/IEC 27001: 2005 Information Security Management (CISM), Associated Business Continuity (ABCP) and Project Management (PMI).

There are twenty two members of the Internal Audit and Risk Management teams of the Group who have certifications, six of whom are CIA accredited, seven CCSA, four CISA, two CISM and one CISSP, ABCP and PMI. Sonae is one of the organisations with more certified employees in internal audit and risk management in Portugal. In 2008, the Group will continue to support this important training programme, and the international development and qualification of its internal audit and risk management staff, in line with international best practices.

12 Enterprise Risk Management – Integrated Framework issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission)

Actions undertaken in 2007

In accordance with methodologies defined and implemented in previous years, 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.

Tangible assets risks

Preventive and safety audits were conducted 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), also continued. In relation to terrorism risks, preventive and emergency programs were launched and specialist training sessions were given to security managers and staff.

People safety risks

Turning to people safety risks (staff, subcontractors, customers and visitors), work continued on the PERSONÆ Project of Sonae Sierra and the projects and Health & Safety functions of other sub-holdings, to develop integrated actions and attitudes towards safety, with special emphasis on changing individual behaviour.

In relation to the PERSONÆ Project, 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 worldwide 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 euros.

Currently at the end of its 2nd phase, the project has involved more than 70,000 people and the aim is to care for the safety of more than four hundred million visitors per year to Sonae Sierra's shopping centres. The results and key performance indicators of the project have had a very positive trend: from June 2005 to November 2007, the total number of hours performed per month on safety preventive observations had increased from 56 to 933 and the number of non conformities per hour of observation had decreased 50%. The PERSONÆ Project has won two international awards: the Eco Prize 2006 in Brazil for Enterprise Social Responsibility Practices and the 2007 DuPont Safety Award in the category of Visible Management Commitment. The project's 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.

Sonae 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.

Business continuity management

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.

A specific project was developed and continued in 2007, regarding risks that are common to the different businesses of the Group. This project was promoted at the Holding level and at each of its main businesses, with the objective of preparing and testing emergency and contingency plans to respond to the threat of a pandemic flu. Actions were developed to identify critical processes and people in each business, assess the impacts of the pandemic flu and define action plans. Contacts were made with Government health divisions and other health authorities, to share information and knowledge regarding national contingency plans and other cooperation actions. In order to support and access protocols, procedures and other relevant information and knowledge, specialised consultancy work was contracted from an international health and medical services company. Complying with guidance from health organisations, a strategic amount of antiviral drug was acquired for preventive use and to respond to the risk of shortage of the drug.

Environmental risks

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 the Group's sub-holdings.

Risks of "change projects" and new investment projects

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.

Operational activity risks

As far 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 re-insurer.

Food safety risks

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 had the goal of monitoring, in a systematic way, food safety risks, and of complying with legal regulations and the internal control system for food safety. Since the program was launched in 2003, the average number of findings per audit has decreased 58%, and, more importantly, the average number of critical findings has decreased 79%.

Financial risks

The Group is exposed to a variety of financial risks including interest rate risk, transaction and translation foreign currency exchange rate risk, liquidity risk, counterparty and credit risk related with its operating business. Due to the diverse nature of the different Group's businesses, exposure to those risks may vary from business to business, and thus for some risks there are no Group wide risk management policies, but rather, when appropriate, individual and adapted risk policies for each sub-holding. The Group is also exposed to debt and equity markets fluctuations. During 2007, and in order to minimize potential adverse effects of the volatility of financial markets, besides individual policies to manage each identified financial risk and controls mechanisms to identify and quantify such exposures, Sonae sub-holdings have also used derivative instruments to hedge certain exposures related to their operating business. Financial risk policies are approved by each Board at business level and exposures are identified and monitored by each sub-holding`s Financial & Treasury Department. Exposures are also monitored by the Finance Committee activity as mentioned in section 2.3 of the Corporate Governance Report, where a consolidated exposure analysis is reviewed and reported on a monthly basis and guidelines for risk management policies are defined and regularly reviewed. The Group's attitude to financial risks is conservative and cautious, and when derivative instruments are used to hedge certain exposures related to its operating business, the Group follows a policy of not entering into derivatives or other financial instrument arrangements that are unrelated to its operating business, or for speculative purposes. In 2007, IFRS 7 Financial Instruments: Disclosures was adopted for the first time and a new set of information is available in the annual financial statements to report on financial risks.

2.5. SHARE PRICE PERFORMANCE

Sonae's share price performance and the events that impacted it during 2007 are described in section 1.5 and 7.2 of the Management report.

2.6. DIVIDEND DISTRIBUTION POLICY

Following approval by shareholders at Annual General Meetings, the dividends distributed by Sonae for the past three financial years are as shown in the table below.

GROSS DIVIDEND PROPOSAL

€ 0.03 Per Share

€ 0.03 | 2006

SONAE SGPS - DIVIDEND DISTRIBUTION

	2004 [1]	2005 [1]	2006 [1]
Gross dividend per share (euros)	0.02	0.025	0.03
Dividend distributed (thousand euros)	37,316	46,651	55,997
Dividend yield (%)[2]	1.9%	2.1%	2.0%
Pay out ratio (%)[3]	19.4%	9.1%	23.1%

In view of the net results for the financial year 2007, the Board of Directors will propose to the Shareholders' Annual General Meeting a gross dividend of 0.03 euros per share, notwithstanding the reduction in the portfolio of businesses with the exclusion of Sonae Capital from the Sonae Group consolidation perimeter as from October 2007. This dividend is equal to a dividend yield of 2.4% on the average share price over the last 30 days prior to the date on which these account were approved by the Board of Directors, and to a payout ratio of 24.8% of consolidated net profits attributable to equity holders of Sonae.

For future years, and in accordance with growth and performance expectations for the Group, Sonae plans to gradually increase the dividend per share to be distributed, despite the spin-off of Sonae Capital, and the increased investment plan for growth over the coming years.

1 Year when the dividend is distributed;
2 Dividend yield = Dividend distributed / closing price as at 31 December;
3 Pay out ratio = Dividend distributed / consolidated net profits attributable to the equity holders of Sonae.

2.7. GROUP REMUNERATION POLICY

Sonae's remuneration policy aims to accurately assess each individual's activity, performance and contribution to the organization's success, and to align Executive Directors' and employees' interests and endeavour with those of shareholders.

Description of components

The remuneration policy for all Executive Directors and employees includes two basic components:

(i) Fixed remuneration, which is granted on an annual basis but paid as Monthly Salary (salaries are paid 14 times per annum in Portugal);
(ii) An annual performance bonus, which is paid in the first quarter of the following year.

In addition, a discretionary third component may be awarded to Executive Directors and more senior employees, in the April of the following year, in the form of deferred compensation, as a deferred performance bonus under the Sonae Deferred Performance Bonus Plan. Sonae's Deferred Performance Bonus Plan is described in detail in section 2.8 below.

Fixed remuneration

Annual remuneration and other elements of the compensation package are defined as a function of each Executive Director's and employee's level of responsibility and are reviewed annually. Each Executive Director and employee is classified under a "Group Level[13]" grid, designed using Hay's international model for classification of job functions to allow easier market comparisons as well as to promote internal equity.

Annual performance bonus

The annual performance bonus is aimed at rewarding the achievement of certain pre-defined annual objectives, which are linked to both Business and Personal Key Performance Indicators ("KPIs").

The target annual performance bonus amount is based on a percentage of the Executive Director's and employee's fixed remuneration, which ranges between 15% and 75%, depending on their Management Level. Business KPIs (which include economic and financial indicators based on approved budgets, relative share price performance, individual business unit performance as well as the performance of the Group as a whole) drive 70% of the annual performance bonus and are normally objective indicators. The remaining 30% of the annual performance bonus is based on Personal KPIs, which are a mix of objective and subjective indicators.

Annual Performance Bonus paid is based on the actual performance achieved or assessed and can represent anything from 0% to 160% of the target performance bonus for Business KPIs and 0% to 120% of the target performance bonus for Personal KPI's. Combining both components, the broadest range that can be paid to any individual is therefore 0% to 148% of the target annual performance bonus.

15 There are 9 management levels; Managers with a level equal or lower than 4 are senior managers.

2.8. SHARE BASED PLAN

Deferred Performance Bonus Plan

The Shareholders' Remuneration Committee (see 5.1. below) has approved a Deferred Performance Bonus Plan, a discretionary deferred compensation plan, which is equity based, and has a three year deferral period between the award date and the vesting date. This plan is aimed at enhancing loyalty and increasing Executive Directors' and employees' awareness of the importance of their performance to the overall success of Sonae, as reflected by changes in the Company's share price.

The decision to award a Deferred Performance Bonus under the Deferred Performance Bonus Plan for any performance year is taken by the Board Nomination and Remuneration Committee and the Shareholders' Remuneration Committee for the Executive Directors and by the Executive Committee for the remaining participants. The values awarded are derived from the Annual Performance Bonuses actually paid for the same "performance year".

All Sonae's Executive Directors and senior managers are eligible to participate in the Sonae Deferred Performance Bonus Plan, provided that their entry date is before 31 December of the performance year. Deferred Performance Bonuses are awarded in April each year, in respect of performance during the previous financial year.

The number of shares to be attributed under the Plan, is calculated by dividing the value of the Deferred Performance Bonus awarded by a share price calculated at the award date.

The share price used is based on the lower of the average of the daily closing share prices of the last 30 trading sessions before the Annual General Meeting and the closing share price on the first trading session after this meeting.

The number of shares initially attributed is adjusted during the 3 year deferral period of the Plan to take account of changes in the Company's share capital and of dividends paid to align the Plan with Total Shareholder Return. Each Plan vests on the third anniversary of its award date.

The Company retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares at no cost. The right to any deferred compensation ceases, should the participant leave Sonae. On retirement, any 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.

Deferred Performance Bonus Plan hedging agreements

Up until November 2007, Sonae held own treasury shares and part of that holding was allocated to hedge the liability to deliver shares at zero cost under the Company's Deferred Performance Bonus Plans. With the signing of a Cash Settled Equity Swap with a financial institution, in November 2007, involving a total of 132.8 million Sonae shares, corresponding to 6.64% of the Company's share capital economic exposure to share price variations for these shares has been retained and continues to be partially used to as a hedging instrument.

Summary of shares under the Deferred Performance Bonus Plan

Details of liabilities arising from the Deferred Performance Bonus Plan are given in note 30 to the Consolidated Financial Statements.

2.9. RELEVANT TRANSACTIONS WITH RELATED PARTIES

The Company did not have business dealings with any member of the Board of Directors or of the other Statutory Governing Bodies. The only transactions with the Statutory External Auditor were those related to their official duties and fees were paid as described in paragraph 2.12 of the Corporate Governance Report.

Transactions with companies controlled by Sonae were made on an arms length basis and related to normal business activity of the respective companies, and as such do not need further disclosure.

2.10. INVESTOR RELATIONS

THE INVESTOR RELATIONS DEPARTMENT IS RESPONSIBLE FOR MANAGING SONAE'S RELATIONSHIP WITH THE FINANCIAL COMMUNITY – CURRENT AND POTENTIAL INVESTORS, ANALYSTS AND MARKET AUTHORITIES – WITH THE GOAL OF ENHANCING THEIR KNOWLEDGE AND UNDERSTANDING OF THE GROUP BY PROVIDING RELEVANT, TIMELY AND RELIABLE INFORMATION.

In strict compliance with law and regulations, the Company informs expeditiously its shareholders and the capital markets 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.

The department regularly prepares presentations to the financial community and communications covering quarterly, half year and annual results, as well as issues announcements to the market whenever necessary, to disclose or clarify any relevant event that could influence share price. In addition, on request, it provides clarification about the Company's activities, by answering questions sent by email or by taking phone calls.

Information is made publicly available on the Internet at the Portuguese Securities Market Commission site (www.cmvm.pt) and on the Company's own website (**www.sonae.pt**). The site provides not only the required information, as stipulated in article 3-A of the CMVM no. 7/2001, but also general information about the Group, in addition to other information considered relevant, including:

- Announcements to the market on privileged information;
- Institutional presentation and other presentations of the Group to the financial community;
- Quarterly, half yearly and annual results for the last two years;
- Environmental Report;
- Corporate Governance Report;
- Names of managers responsible for investor relations as well as their contact details;
- Sonae share performance trends on the Portuguese Stock Exchange;
- Notice of Shareholders' Annual General Meetings;
- Proposals to the Shareholders' Annual General Meetings;
- Annual financial calendar, including Shareholders' General Meetings and the dates of disclosure of annual, half yearly and quarterly results;

To further enhance the effective communication with the capital market and guarantee the quality of information provided, the Investor Relations department organizes road shows covering the most important financial centres of Europe and United States, and participates in various conferences. Also, a wide variety of investors and analysts have the opportunity to talk to senior management in one-on-one meetings or conference calls.

Any interested party may access the Investor Relations department through the following contacts:

Patrícia Mendes Pinheiro

Investor Relations Manager

Tel: (+351) 22 010 4794

Fax: (+351) 22 940 4634

E-mail: patricia.mendes@sonae.pt

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Site: www.sonae.pt

Luzia Leonor Borges e Gomes Ferreira

Legal Representatives for Relations with Capital Markets

Tel: (+351) 22 948 75 22

Fax: (+351) 22 948 77 22

E-mail: investor.relations@sonae.pt

Address: Lugar do Espido Via Norte 4471-909 Maia Portugal

THE COMPANY BELIEVES THAT THE PROCEDURES DESCRIBED ABOVE ENSURE PERMANENT CONTACT WITH THE MARKET AND RESPECT THE PRINCIPLES OF EQUAL TREATMENT OF ALL SHAREHOLDERS AND EQUAL ACCESS TO INFORMATION FOR INVESTORS.

2.11. SHAREHOLDERS' REMUNERATION COMMITTEE

For publicly quoted companies in Portugal, the Shareholders' General Meeting may appoint a Shareholders' Remuneration Committee with the same term of office as the other Statutory Governing Bodies. The role and composition of Sonae's Shareholders' Remuneration Commi tee is explained in section 5.1 of the Corporate Governance Report.

2.12. FEES OF THE STATUTORY EXTERNAL AUDITOR

The Company's Statutory External Audit firm is Deloitte and the amount of fees invoiced to the Company on a Group basis, including joint ventures, affiliated and associated companies for 2007 and 2006 was as follows:

STATUTORY EXTERNAL AUDITOR FEES

MILLION EUROS	2006		2007	
Audit	1.54	50%	1.39	33%
Other Compliance & Assurance Services	0.27	9%	1.08	26%
Tax Consultancy Services	0.45	15%	0.51	12%
Other Services [1]	0.80	26%	1.21	29%
TOTAL	**3.06**	**100%**	**4.20**	**100%**

The details above excludes fees invoiced to companies which were sold during the respective year and, in 2007 only includes 9 months of fees invoiced to the Sonae Capital Group of companies.

Audit fees decreased by 9.3% in 2007, essentially as a result of the Sonae Capital spin-off and the consequent simplification of the Sonae SGPS portfolio of companies. Compliance & Assurance Service fees increased significantly during the year, reflecting the accelerated international expansion of Sonae Sierra, leading to due diligence work

1 Other services = other consultancy fees being performed on newly acquired investment properties. Other Service fees, in 2007, included general consultancy fees invoiced to various group companies (18% of total fees), tax incentive project fees (4.3% of total fees), human capital consultancy fees (1.7% of total fees) and fees in supporting the development environmental accounting model for management purposes (2% of total fees). This category of fees increased significantly in 2007 as, given their extensive knowledge of the Sonae Group and their competitive cost quotes, Deloitte was considered to be the best option to support two major one-off projects:

(i) reorganization of Sonae Distribuição's Administrative and Accounting areas;
(ii) setting-up of a Shared Services Centre for Sonae Sierra. Both projects will be completed in early 2008 and general consultancy fees charged by Deloitte will decrease significantly in relation to 2007 levels.

Tax consultancy services and other services are provided by different teams from those who are involved in audit work, thereby reducing the risk to auditor independence. Furthermore, Sonae's Risk Management Policy monitors the non-audit services requested from the Statutory External Auditor and their respective network of companies, in order to ensure that auditor independence is not compromised. Total annual fees paid in Portugal by the Sonae Group to the Deloitte Group in 2007 represented approximately 2% of their total global fees in Portugal.

Deloitte's quality system controls and monitors potential conflicts of interest with Sonae as well as risks to auditor independence. In addition, an 'Independence Letter' is obtained from Deloitte in 2007, confirming that they meet international guidelines on auditor independence, in accordance with the IFAC (International Federation of Accountants) rules.

3. SHAREHOLDER REPRESENTATION AND VOTING RIGHTS

3.1. STATUTORY RULES ON EXERCISING THE RIGHT TO VOTE

Shareholders representation

THE RIGHT TO VOTE BY APPOINTING A REPRESENTATIVE AND THE WAY IN WHICH THIS RIGHT IS EXERCISED ARE FULLY ENSURED IN ACCORDANCE WITH THE LAW AND THE COMPANY'S ARTICLES OF ASSOCIATION, UNDER THE TERMS SET DOWN IN THE RESPECTIVE NOTICES CONVENING SHAREHOLDERS' GENERAL MEETINGS.

Shareholders who are private individuals can be represented at Shareholders' General Meetings by any representative, by sending a letter to the Chairman of the Board of the Shareholders' General Meeting, stating the name and address of the representative and the date of the meeting. Corporate entities may 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.

The Company provides appropriate information to enable Shareholders, wishing to be represented to give voting instructions, in particular, by making available the proposals to be submitted at the General Meeting and a template of the representation letter within the legally established time limits on the Sonae's corporate website and on the Portuguese Exchange Market Commission website.

Postal voting

For as long as the Company is listed on the Portuguese Stock Exchange, shareholders can vote by correspondence but only in relation to changes to the Articles of Association and elections to the Statutory Governing Bodies. Correspondence votes will only be taken into account when received at the Company's headquarters by registered mail, with acknowledgement of receipt addressed to the Chairman of the Board of the Shareholders' General Meeting. The voting declaration should be signed by the holder of the shares or by his legal representative. In the case of a private individual, it should be accompanied by an authenticated copy of his/her identity card. In the case of a corporate entity, the signature should be authenticated certifying that the signatory is authorized and mandated for the purpose. It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person replacing him, to verify correspondence voting declarations, eliminating any votes relating to declarations that are not accepted. A voting ballot by post form is available on the Company's web site for correspondence votes.

Electronic voting

The right to vote electronically is contemplated in the Company's articles of association but such support is not yet available.

3.2. DEADLINE FOR DEPOSITING OR BLOCKING SHARES

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 five working days in advance of each meeting. This proof of title must be issued by a financial institution where records of title are kept by the shareholders, which must also reach the Company's Head Office within the same deadline of five working days.

3.3. DEADLINE FOR RECEIVING POSTAL VOTES

Postal voting bulletins must be received at least three days before the Shareholders' General Meeting at the Company's Head Office by means of registered mail and must be addressed to the Chairman of the Board of the Shareholder's General Meeting.

3.4. NUMBER OF SHARES CORRESPONDING TO ONE VOTE

One share corresponds to one vote.

4. COMPANY RULES

4.1. CODE OF CONDUCT AND INTERNAL REGULATIONS

SONAE'S VALUES AND PRINCIPLES ARE WIDELY SPREAD AND ROOTED IN THE COMPANY'S CULTURE, AND FORM THE BASIS OF ITS ACTIONS UPON PRINCIPLES OF ABSOLUTE RESPECT AND AWARENESS FOR THE RULES OF GOOD CONDUCT IN THE MANAGEMENT OF CONFLICT OF INTERESTS AND DUTIES OF DILIGENCE AND CONFIDENTIALITY IN ITS DEALINGS WITH THIRD PARTIES.

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

Although these internal practices have proven to be adequate to handle internal ethical issues, they were felt insufficient to guarantee the same degree of awareness in relation to the market and stakeholders. To that end, it was decided that internal regulations should be drawn up and the implicitly existing rules should be formalized.

Ombudsman

Sonae has always made available, through the Company's website (www.sonae.pt), to employees and to the general public, direct access to its Ombudsman, who reports directly to the Chairman of the Board of Directors. This has proven to be an effective means of facilitating the report of complaints, to make sure that independence and freedom of opinion are guaranteed and that all issues are treated equally and fairly.

AVERAGE RESPONSE TIME
13 days
Ombudsman
34 days | 2006

The Sonae Group Ombudsman received throughout 2007, 1,821 complaints, mostly from customers (98% of total complaints received), compared to 1,573 complaints in 2006. Average response time was 13 days, compared to 34 days in 2006.

Whistle blowing policy

Sonae has a policy and process for communicating internal irregularities, which sets out procedures to efficiently and fairly respond to alleged irregularities reported, including:

(i) Anyone wishing to communicate any irregularity believed or known to have been committed by any of Sonae's members of staff, must address a letter or an e-mail containing a summary description of the facts to the Ombudsman. The identity of the whistle blower will be kept anonymous, if explicitly requested;
(ii) The letter will be analysed by the Ombudsman and, if he/she finds grounds for the irregularity reported, measures will be taken, as deemed appropriate.
(iii) The Ombudsman reports quarterly, to the Board of Directors, a summary of all the irregularities, with information also being addressed to the Executive Committee and Statutory Audit Board.

All the irregularities reported directly to the Statutory Audit Board are analysed by its chairman.
Sonae's Whistle blowing policy is available on the Company's website **www.sonae.pt**.

Other internal regulations

SONAE IS COMMITTED TO COMPLY WITH BEST PRACTICES IN CORPORATE GOVERNANCE. TO THAT END, IT HAS DEVELOPED A CLEARLY DEFINED SET OF RULES, DUTIES AND RESPONSIBILITIES FOR ITS DIFFERENT GOVERNING BODIES AND FOR THEIR RESPECTIVE DECISION MAKING PROCESSES. THIS HAS LED TO INCREASED TRANSPARENCY AND IMPROVED INTERNAL CONTROLS.

The Terms of Reference of the Board of Directors and Statutory Audit Board are available on Sonae's website **www.sonae.pt**.

Code of conduct

Sonae is developing a Code of Conduct, expected to be concluded during 2008, that is designed to guarantee the ethical and responsible behaviour of the organization. Additional information on Sonae's Code of Conduct can be found in Sonae's Management Report (section 6.3).

4.2. INTERNAL PROCEDURES FOR RISK CONTROL IN COMPANY ACTIVITY

Internal procedures for risk control are fully covered in section 2.4 of the Corporate Governance report.

4.3. LIMITATIONS TO VOTING RIGHTS

There are no limitations on voting rights.

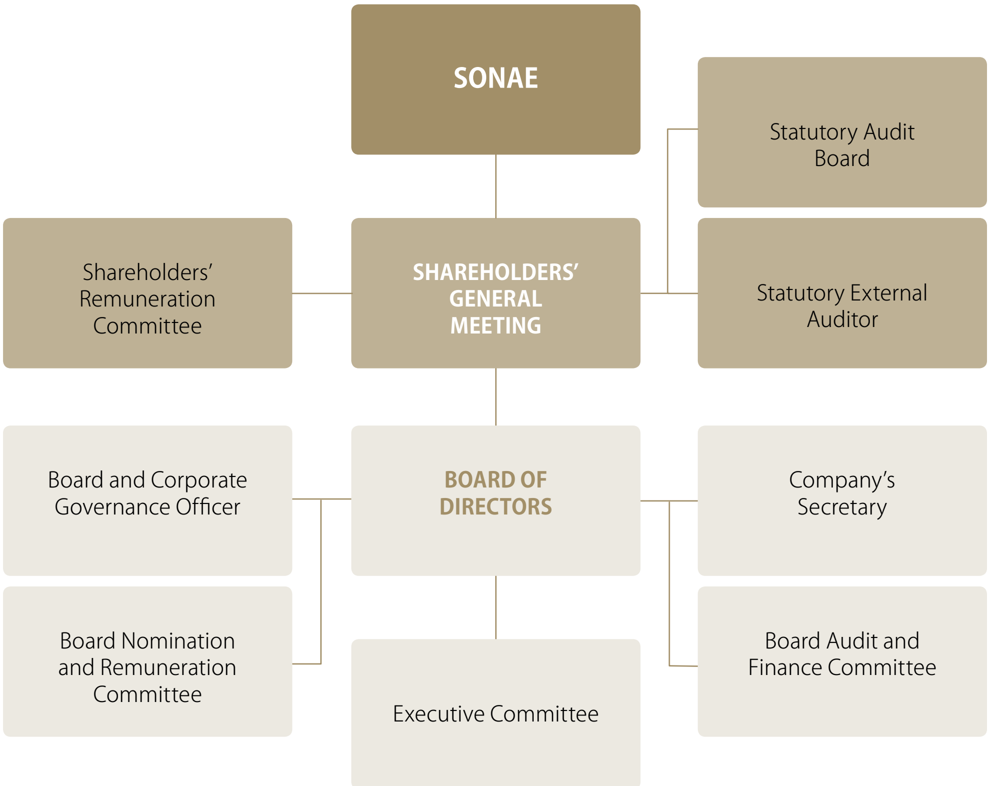
The Board of Directors has no knowledge of any special rights or agreements in which shareholders of the Company are involved and has not taken any measures that would hinder the success of a public tender offer for the purchase of the Company's shares.

5. GOVERNING BODIES

5.1. COMPOSITION AND DESCRIPTION

SONAE'S CORPORATE GOVERNANCE STRUCTURE SETS OUT CLEARLY THE ROLES, DUTIES AND RESPONSIBILITIES OF ITS DIFFERENT STATUTORY ON NON-STATUTORY GOVERNING BODIES.

SONAE'S GOVERNING BODIES



Shareholders' General Meeting

Composition

The Shareholders' General Meetings may only be attended by shareholders with the right to vote based on shares they own or equivalent subscription rights, which, in the five working days days prior to the General Meeting, have provided confirmation of ownership to the Company, as required by Portuguese Company Law.

Shareholders' General Meetings and quorum

Sonae's Shareholders' General Meetings are operated by a Board elected by shareholders for a four-year mandate, comprised of a Chairman and a Secretary. The current mandate is from 2007 until 2010.

The Board of the Shareholders' General Meeting is provided with assistance, including whatever human and logistical support is required to exercise its functions.

BOARD OF THE SHAREHOLDERS'S GENERAL MEETING

Manuel Cavaleiro Brandão
Chairman

Maria da Conceição Cabaços
Secretary

Shareholders' General Meetings are convened and conducted by the Chairman or, in his absence, by the Chairman of the Statutory Audit Board14 or, in his absence, by the shareholder present at the General Meeting representing the largest shareholding position. Shareholders' General Meetings are held in two possible circumstances:

(i) in ordinary session, at a date set by law for the Shareholders' Annual General Meeting;
(ii) in extraordinary session, whenever the Board of Directors or Statutory Audit Board deem necessary or at the request of Shareholders, representing the legally required minimum percentage of the Company's share capital (currently 5%).

During 2007, there were two Shareholders' General Meetings, one held in an ordinary session on 3 May, with 62.62% of share capital represented, and the other held in an extraordinary session on 14 December, with 55.923% of share capital represented.

The proposals for discussion and decision at Sonae's Shareholders' General Meetings, as well as other supporting information, are made available to shareholders at the Company's Head Office, and are posted on Sonae's website - www.sonae.pt - at least 15 calendar days before the respective meeting or at the time the meeting is convened, for proposals in relation to changes in the Articles of Association.

Board of Directors

Composition

Under Sonae's Articles of Association, the Board of Directors may be composed of an odd number or even of members with a minimum of 3 and a maximum of 11 members, elected at a Shareholder's General Meeting. The Board of Directors shall elect its Chairman.

BOARD OF DIRECTORS

Belmiro Mendes Azevedo	Chairman Non-Executive
Luíz Felipe Palmeira Lampreia [1]	Independent Non-Executive
Álvaro Cuervo Garcia	Independent Non-Executive
Michel Marie Bon	Independent Non-Executive
José Neves Adelino	Independent Non-Executive
Duarte Paulo Teixeira de Azevedo	Executive – CEO
Álvaro Carmona e Costa Portela	Executive
Ângelo Gabriel dos Santos Paupério	Executive
Nuno Manuel Moniz Trigoso Jordão	Executive

The Sonae Board of Directors has a clear balance between the number of Non-Executive Directors, associated with reference shareholders, and the number of Independent Non-Executive Directors. Currently, Sonae's Board of Directors is composed of nine members, including Executive members and Non-Executive members. Four of the Non-Executive Directors are independent, in that they are not associated with any special interest groups related to either the Company or its reference shareholders, in accordance with the criteria established by CMVM Regulation no. 7/2001 for Independent Directors.

The qualifications, experience and responsibilities of the members of the Board of Directors are disclosed in section 5.7 of the Corporate Governance Report, and shares held by them in Sonae Group companies are disclosed in an Appendix to the Report, as required by Article 447 of the Portuguese Companies Act.

1 Luíz Felipe Palmeira Lampreia resigned from the Board of Directors on 3 March 2008 (effective from 30 April 2008).

The Board mandate is for four years, with the possibility of re-election. The current Board mandate covers the period 2007 to 2010. Current members of the Board of Directors have been appointed as follows:

APPOINTMENT OF BOARD OF DIRECTORS

	PRIMEIRA NOMEAÇÃO	FIM DO MANDATO
Belmiro Mendes Azevedo	1989	2010
José Neves Adelino	2007	2010
Álvaro Cuervo Garcia	2004	2010
Luíz Felipe Palmeira Lampreia [1]	2004	2008
Michel Marie Bon	2004	2010
Duarte Paulo Teixeira de Azevedo	2000	2010
Álvaro Carmona e Costa Portela	1999	2010
Ângelo Gabriel Ribeirinho Paupério	2000	2010
Nuno Manuel Moniz Trigoso Jordão	1999	2010

Role

The Board of Directors is responsible for ensuring the management of the Company's business, monitoring risks, managing conflicts of interests and developing the organization's goals and strategy. Sonae's Articles of Association permit the Board to delegate day to day company business, duties and responsibilities, as considered appropriate, to an Executive Committee (as described in more detail under the Executive Committee section below).

In order to improve the operational efficiency of the Board and to meet best practices in Corporate Governance, Sonae's Board has created two Board Committees, a Board Audit and Finance Committee and a Board Nomination and Remuneration Committee.

Board meetings and quorum

The Board of Directors meets at least four times a year, as required by the Company's Articles of Association, and whenever the Chairman or two Board members call a meeting. During 2007 there were 6 Board meetings. The quorum for any Board Meeting requires that the majority of Board Members are present or represented by proxy and decisions are taken by a majority of votes cast. During 2007, the attendance rate at Sonae's Board meetings was 98%. Minutes are recorded in the respective minute book. The Board of Directors normally receives information on subjects on the agenda of meetings at least 7 days beforehand, and receives supporting documents for meetings at least 2 working days in advance.

During 2007, the Board of Directors has reviewed the model of governance adopted by Sonae and did not find any constraint to its functioning.

1 On 3 March 2008, Sonae's Board Member Luis Filipe Lampreia resigned as Director of the Sonae (effective from 30 April 2008).

Non-Executive Board members

According to CMVM Regulation no. 7/2001 as amended and Article 414 of The Portuguese Companies Act, there are no circumstances that may affect Sonae's Independent Non-Executive Directors' analysis or decision making capabilities. During 2007, these Non-Executive Directors exercised an important influence over decision-making processes and the development of strategy and policy, and did not encounter any restraints in the execution of their functions.

Executive Committee

Composition

Under Sonae's Articles of Association, the Executive Committee is selected from the members of the Board of Directors. The Group CEO and the CEOs of the Group's main business units are members of the Executive Committee. The current membership is as follows:

MANAGEMENT TEAM

Duarte Paulo Teixeira de Azevedo
CEO GROUP

Álvaro Carmona e Costa Portela
CEO SONAE SIERRA

Ângelo Gabriel dos Santos Paupério
CEO SONAECOM

Nuno Manuel Moniz Trigoso Jordão
CEO SONAE DISTRIBUIÇÃO

Role

The Executive Committee may deliberate on matters that relate to general management and not on matters that are exclusively of the competence of the Board of Directors. The Executive Committee is conferred the powers and responsibility to manage and execute Sonae's day to day operations 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.

To ensure that the Board of Directors is kept well informed by the Executive Committee, 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 Executive Committee supplies in a timely manner all the information requested by other Board members. These minutes are also made available to the Chairman of the Board of Directors and the Chairman of the Statutory Audit Board.

Executive Committee meetings and quorum

Sonae's Executive Committee currently meets at least once every month and, whenever the CEO or a majority of its members calls a meeting. There were 13 meetings of the Executive Committee in 2007 and the attendance rate was 100%. The quorum for the Executive Committee meeting requires that a majority of members are present or represented by proxy. Decisions require the approval of, at least, half of the members, the CEO having a casting vote.

Board Audit and Finance Committee

Composition

Sonae's Board Audit and Finance Committee ("BAFC") consists of four members who are appointed by and from among the members of the Board. All of them are independent Non-Executive Directors.

BOARD AUDIT AND FINANCE COMMITTEE

Michel Marie Bon
CHAIRMAN - Independent Non-Executive Director

Luíz Felipe Palmeira Lampreia [1]
Independent Non-Executive Director

Álvaro Cuervo Garcia
Independent Non-Executive Director

José Manuel Neves Adelino
Independent Non-Executive Director

Role

The BAFC operates under Terms of Reference approved by the Board and is responsible for monitoring and supervising Sonae's financial reporting processes, reviewing accounting policies and for monitoring audit and risk management activities on behalf of the Board, and additionally for overseeing corporate governance within the Company. The BAFC also meets directly with the Statutory External Auditor and the Internal Audit Team. In particular, the duties of the BAFC are:

(i) to review the Company's annual and interim financial statements and reports to the market, and to report its findings to the Board, before these documents are approved or signed by the Board;
(ii) to advise the Board on its reports to shareholders and financial markets to be included in the Company's Annual and Half-year Accounts and in the Quarterly Earnings Announcements;
(iii) to advise the Board on the adequacy and appropriateness of internal information provided by the Executive Committee, including systems and standards on internal business controls applied by the Executive Committee;
(iv) to review the scope of the Internal Audit Function and discuss with the Statutory External Auditor and Internal Auditor Manager their intermediate and year-end reports, as well as their reports on internal control, and advise the Board thereon.

Sonae's BAFC reports to the Board of Directors concerning the work accomplished, results obtained and concerns identified, and minutes of all BAFC meetings are taken and distributed to other Board Members, thus ensuring the effectiveness of the committee.

BAFC meetings and quorum

The BAFC meets at least five times a year and whenever the Chairman, the Board of Directors, the Executive Committee or, exceptionally, the Statutory External Auditor believe a meeting is necessary. Between meetings and since 4Q07, the follow up and monitoring of projects has periodically been carried out by conference call. During 2007, the Committee met 5 times with an attendance rate of 85% and also held 1 conference call.

1 Luíz Felipe Palmeira Lampreia resigned from the Board of Directors on 3 March 2008 (effective from 30 April 2008).

Board Nomination and Remuneration Committee

Composition

Sonae's Board Nomination and Remuneration Committee ("BNRC") includes the Chairman of the Board of Directors, and two Independent Non-Executive Directors, as follows:

BOARD NOMINATION AND REMUNERATION COMMITTEE

Belmiro Mendes Azevedo
Chairman - Non-Independent Non-Executive

Luíz Felipe Palmeira Lampreia [1]
Independent Non-Executive

Michel Marie Bon
Independent Non-Executive

Role

The BNRC operates under Terms of Reference approved by Sonae's Board of Directors, and is responsible for identifying candidates for appointment to the Board of Directors or Senior Management positions within the Group and for supervising the preparation of proposals on remuneration and other compensation on behalf of the Board of Directors. The BNRC reports in writing to the Board, whenever necessary, and liaises with Sonae's Shareholders' Remuneration Committee ("Comissão de Vencimentos") to obtain their approval, on behalf of Shareholders, for the remuneration and other compensation of the Board of Directors and other Statutory Governing Bodies. The BNRC may receive assistance from external entities, which are required to ensure absolute confidentiality in relation to all the information obtained.

BNRC meetings

The BNRC meets at least once a year and, whenever the Chairman or the Board of Directors deem necessary. There was 1 formal BNRC meeting during 2007 and the attendance record was 100%. Between formal meetings, the BNRC operates by exchange of email.

1 Luíz Felipe Palmeira Lampreia resigned from the Board of Directors on 3 March 2008 (effective from 30 April 2008).

Board and Corporate Governance Officer

Composition

Sonae's Board and Corporate Governance Officer ("BCGO") is David Graham Shenton Bain.

Role

The BCGO officer reports to the Board of Sonae as a whole, through the Chairman, and also, when appropriate, through the senior independent Non-Executive Director. The main duties of the BCGO are:

(i) Ensuring the smooth running of the Board and Board Committees;
(ii) Participating in Board Meetings and relevant Board Committee Meetings and, when appointed, serving as a member;
(iii) Facilitating the acquisition of information by all Board and Committee members;
(iv) Supporting the Board in defining its role, objectives and operating procedures; Taking a leading role in organising Board evaluations and assessments;
(v) Keeping under close review all Legislative, Regulatory and Corporate Governance issues; Supporting and challenging the Board to achieve the highest standards in Corporate Governance;
(vi) Ensuring that the concept of stakeholders and the need to protect minority interests are in the Board's mind when important business decisions are being taken;
(vii) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new Directors;
(viii) Acting as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors as regards the Company and its activities; Facilitating and supporting the Independent Non-Executive Directors in the assertion of their "independence";
(ix) Helping to ensure compliance with the continuing obligations of the Portuguese Listing Rules;
(x) Participating in making arrangements for and managing the whole process of Shareholders' General Meetings;
(xi) Participating in the arrangement of insurance cover for Directors and Officers;
(xii) Participating, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

Statutory External Auditor

Composition

Sonae's Statutory External Auditor is Deloitte & Associados, SROC, S.A. represented by António Marques Dias, who may be substituted, if required, by Jorge Manuel Araújo de Beja Neves.

The Statutory External Auditor was elected by the Shareholders' General Meeting on the basis of a proposal by the Statutory Audit Board.

Role

a) Supervising the management of the Company;
b) Ensuring that the law and the Articles of Association are observed;
c) Verifying the regularity of all books, accounting registers and supporting documents,
d) Verifying the exactitude of the financial statements;
e) Drawing up an annual report on the supervision of the Company and issuing a statement of opinion on the annual report, accounts and proposals presented by the management ;

Statutory Audit Board[16]

Composition

Under Sonae's Articles of Association, the Statutory Audit Board may consist of an odd or even number of members, with a minimum of 3 and a maximum of 5 members elected by the Shareholders' General Meeting. The Statutory Audit Board additionally includes 1 substitute member, should the Board be composed of 3 members, or 2 substitute members, should there be more than 3 members. All member are independent. Decisions are taken by simple majority and the Chairman has a casting vote.

The Statutory Audit Board members were elected at Sonae's Annual Shareholders' General Meeting held in 2007 and its current mandate covers the period 2007 to 2010.

STATUTORY AUDIT BOARD

Daniel Bessa Fernandes Coelho
CHAIRMAN

Arlindo Dias Duarte Silva

Jorge Manuel Felizes Morgado

Óscar José Alçada da Quinta
SUBSTITUTE

Role

The Statutory Audit Committee is responsible for, among others:

a) Supervising the management of the Company;
b) Ensuring that the law and the Articles of Association are observed;
c) Verifying the regularity of all books, accounting registers and supporting documents,
d) Verifying the exactitude of the financial statements;
e) Drawing up an annual report on the supervision of the Company and issuing a statement of opinion on the annual report, accounts and proposals presented by the management ;
f) Supervising the efficiency of the risk management system, the internal control system and the internal audit function, if one exists;
g) Receiving notification of irregularities presented by shareholders, Company employees or others;
h) Proposing the appointment of the Statutory External Auditor to the Shareholders' General Meeting;
i) Supervising the auditing of the Company's financial statements;
j) Supervising the independence of the Statutory External Auditor, in particular with regard to the provision of additional services.

Statutory Audit Board meetings and quorum

The Statutory Audit Board meets at least 4 times a year. During 2007, the Board met 6 times with an attendance rate of 94%. No restraints were encountered in the execution of their functions.

Shareholders' Remuneration Committee

Composition

Sonae's Shareholders' Remuneration Committee ("Comissão de Vencimentos") is composed of 3 members appointed by the Shareholders' General Meeting, under a four year mandate, currently from 2007 to 2010.

SHAREHOLDERS' REMUNERATION COMMITTEE

Belmiro Mendes Azevedo

Artur Eduardo Brochado dos Santos Silva

Bruno Walter Lehmann

Role

The Committee is responsible for approving the remuneration and other compensation of members of Sonae's Board of Directors and other Statutory Governing Bodies, on behalf of the Shareholders, following the remuneration policy approved by the Shareholders' General Meeting.
The members serving on the Shareholders' Remuneration Committee have the required professional qualifications and experience to carry out their responsibilities effectively and rigorously. Belmiro de Azevedo, not being independent of the Board of Directors, abstains from discussing and deciding his own remuneration, to avoid the potential conflict of interest (See explanation in Point 1.1 (iii) of the Statement of Compliance above)

16 "Conselho Fiscal"

Shareholders' Remuneration Committee meetings

This Committee meets at least once a year. There were 3 meetings during 2007 and the attendance record was 100%.

Company Secretary

Composition

Sonae's Secretary is Luzia Gomes Ferreira, who may be substituted in her absence by Anabela Nogueria de Matos.

Role

The Company Secretary is responsible for, among others:

(i) Keeping the formal minute books and attendance lists at Shareholders' General Meetings;
(ii) Forwarding the legal documentation to convene Shareholders' General Meetings;
(iii) Supervising the preparation of supporting documentation for Shareholders' General Meetings and meetings of the Board of Directors and preparing the respective formal minutes;
(iv) Responding to Shareholder requests for information within the scope of the Portuguese Company Law;
(v) Legal registration of any act or resolutions of the Company's Statutory Governing Bodies.

5.2. REMUNERATION POLICY OF THE BOARD OF DIRECTORS

THE COMPENSATION POLICY FOR SONAE'S DIRECTORS WAS APPROVED AT THE SHAREHOLDERS' GENERAL MEETING ON 3 MAY 2007 AND IS AIMED AT REMUNERATING THEM IN A FAIR, EFFECTIVE AND COMPETITIVE MANNER, TAKING INTO CONSIDERATION THE INDIVIDUAL RESPONSIBILITIES AND PERFORMANCE OF EACH DIRECTOR, BOTH AT COMPANY LEVEL AND AT SUB-HOLDING LEVEL, WHEN APPLICABLE.

The Shareholders' Remuneration Committee is responsible for the approval of the remuneration and other compensation of the Board of Directors, including both Executive and Non-Executive Directors. The composition and functioning of the Shareholders' Remuneration Committee is described in section 5.1 of the Corporate Governance Report.

Executive Directors

Remuneration and other compensation proposals for Sonae's Executive Directors (excluding the CEO) are based on joint proposals made by the Chairman and the CEO, which are prepared taking into account:

(i) Market comparables;
(ii) Other Sonae SGPS comparables;
(iii) Individual appraisals of each Executive Director.

The Executive Directors' remuneration includes Fixed Remuneration and an Annual Performance Bonus, and they also benefit from deferred compensation under the Company's Deferred Performance Bonus Plan. The Annual 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. The Deferred Performance Bonus Plan is an equity based plan that vests on the third anniversary of the award date, which increases or decreases during the vesting period depending on share price performance. A detailed description of these remuneration and other compensation components, which follow the same policy and methodology as for other Group senior management, can be found in sections 2.7 and 2.8 above.

CEO and Non-Executive Directors

Remuneration and other compensation proposals for the CEO and remuneration proposals for Non-Executive Directors (excluding the Chairman) are prepared by the Shareholders' Remuneration Committee according to the compensation policy approved by the Shareholders' General Meeting. For the CEO, the methodology used is the same as for the other Executive Directors. Non-Executive Directors do not receive Annual Performance Bonuses nor do they participate in Sonae's Deferred Performance Bonus Plan.

The Sonae Chairman only receives fixed remuneration and this is decided exclusively by the independent members of the Shareholders' Remuneration Committee (See explanation in Point 1.1 (iii) of the Statement of Compliance above).

For each Non-Executive Director, their fixed remuneration includes approximately 15% paid as meeting attendance fees. In the case of the Chairman of the BAFC, the fixed remuneration is further increased by 6% to reflect the increased time commitment and responsibility involved. Meeting attendance fees are payable for each meeting actually attended by each Non-Executive Directors as follows: Board meetings: 930 euros, BAFC meetings: 640 euros and BNRC meeting: 390 euros. The Chairman of the Board only receives attendance fees for Board meetings.

Additionally, an annual responsibility allowance is paid to both Executive and Non-Executive Directors, which amounts to 6,000 euros in the first year of Board membership, 4,000 euros in the following years and 8,000 in the last year of service on the Board.

On resignation of any member of the Board, it is Group policy to pay whatever compensation that is legally required, or to negotiate, in each situation, a value considered to be fair and appropriate by the parties involved. No additional compensation conditions exist for members of the Board who are treated in the same way as all employees.

5.3. REMUNERATION AND OTHER COMPENSATION OF THE BOARD OF DIRECTORS

Fixed Remuneration and Performance Bonuses

During 2006 and 2007, members of the Board of Directors were paid the following remuneration and other compensation by the Company or by affiliated or associated companies:

DIRECTORS' REMUNERATION – FIXED REMUNERATION AND PERFORMANCE BONUSES

MILLION EUROS	2006			2007		
DIRECTORS' REMUNERATION	**FIXED REMUNERATION**	**PERFORMANCE BONUS**	**TOTAL**	**FIXED REMUNERATION**	**PERFORMANCE BONUS [5]**	**TOTAL**
Individual breakdown						
Chairman [1]	-	-	-	0.62	3.42	4.04
CEO [2]	0.61	0.65	1.25	0.55	1.88	2.43
Average of the remaining 3 Executive Directors [3]	0.39	0.43	0.82	0.42	1.23	1.65
Average of the remaining 4 Non-Executive Directors [4]	0.04	-	0.04	0.04	-	0.04
Aggregate						
Executive Directors	2.17	2.36	4.53	1.82	8.99	10.80
Non-Executive Directors	0.16	-	0.16	0.78	-	0.78
TOTAL DIRECTORS' REMUNERATION	**2.33**	**2.36**	**4.69**	**2.59**	**8.99**	**11.58**

1 Joint Chairman and CEO during 2006 - disclosed as CEO. Joint Chairman and CEO until end of April 2007 - disclosed as Chairman for full year, however Performance Bonuses Paid aggregated with Executive Directors;

2 CEO from beginning of May 2007 - disclosed as CEO for full year;

3 4 Executive Directors in 2006; Maximum Individual Remuneration in 2007 represented 102% of Average and Minimum 97% of Average (both calculated excluding non-recurrent Performance Bonuses paid);

4 Maximum Individual Remuneration in 2007 represented 115% of Average and Minimum 91% of Average.

5 Performance Bonuses Paid in 2007 included anticipated payments from the Deferred Performance Bonus Plans to: the Chairman of 2.16 mill ion euros, the CEO of 1.08 million euros and to one Executive Director of 1.24 million euros, which relate the changes in their executive roles within the Sonae Group as from 3 May 2007 and are non-recurrent.

The total remuneration of Sonae's Executive Directors for 2007 reflects decisions implemented, in relation to the anticipated payout of the open Deferred Performance Bonus Plans of Belmiro de Azevedo (at Sonae), Paulo Azevedo (at Sonaecom) and Ângelo Paupério (at Sonae Distribuição), as a result of the changes in their executive roles within the Sonae Group effective as from 3 May 2007. These early payout decisions, which were motivated by legal and tax restrictions on transferring open plans between companies, were taken after consulting the Board Nomination and Remuneration Committee and obtaining the approval of the Shareholders' Remuneration Committee of the respective companies. Each "old company" (company at which they relinquished their executive roles) paid out all open Deferred Performance Bonus Plans, in cash, to the 3 Executive Directors, valuing the respective plans at the date of their transfer. Each individual was required to reinvest the amount received, net of tax, in their individual names in "new company" shares (company at which they had taken up executive roles). These shares are subject to a "lock up" until the original Deferred Bonus Plans would have vested. The effect of these decisions is that, the 3 Executive Directors received amounts from their Deferred Performance Bonus Plans during 2007, which total 7.37 million euros and represent 2.9 million euros of normal recurring payments and 4.48 million euros from early payouts, which anticipate and will effectively eliminate their normal payouts for the next 3 years.

No compensation for loss of office was paid to members of the Board of Directors and there are no supplementary pension schemes or early retirement schemes for Board members.

It should be noted that a part of the remuneration and other compensation shown above is also disclosed in the Reports on Corporate Governance of affiliated companies when Sonae Board members are also members of the Board of Directors of those companies.

Information on the Group's remuneration policy and share based plans is disclosed in section 2.7 and 2.8 of the Corporate Governance Report.

5.4. REMUNERATION OF THE STATUTORY AUDIT BOARD

The remuneration of the members of the Statutory Audit Board is made up of a fixed amount based on the Company's situation and market practices and includes an annual responsibility allowance.

STATUTORY AUDIT BOARD'S REMUNERATION[1]

Million euros	2007 | TOTAL FIXED REMUNERATION
Individual breakdown	
Chairman	0.012
Average of the remaining 2 members	0.011
TOTAL	**0.023**

5.5. REMUNERATION OF THE BOARD OF THE SHAREHOLDERS' GENERAL MEETING

The remuneration of the members of the Board of the Shareholders' General Meeting is made up of a fixed amount based on the Company's situation and market practices.

REMUNERATION OF THE BOARD OF THE SHAREHOLDERS' GENERAL MEETING [1]

Million euros	2007 | TOTAL FIXED REMUNERATION
Individual breakdown	
Chairman	0.005
Secretary	0.002
TOTAL	**0.007**

1 Eight months of remuneration.

5.6. WHISTLE BLOWING POLICY

A communications policy for alleged irregularities occurring within the Company is described in section 4.1 of the Corporate Governance Report.

5.7. QUALIFICATIONS, EXPERIENCE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

BELMIRO MENDES DE AZEVEDO

Date of Birth

17 February 1938

Education

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

Professional Experience

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
1999-2007	Chairman and CEO of Sonae SGPS, SA
Since 2007	Chairman of Sonae SGPS, SA

Other activities

1997	Member of the European Union Hong-Kong Business Coopertion Committee
2000	Member of the International Advisory Board of Allianz AG
2005	Member of the Harvard Business School European Advisory Board
2002	Member of the Management Board of Cotec – Portugal
2004	Member of the European Round Table of Industrialists
2005	Founding Member of Manufuture Portugal Forum.

Offices held in other companies

Member of the Board of Directors of:
Sonae Indústria, SGPS, SA
Sonae Capital, SGPS, SA
Efanor Investimentos, SGPS, SA

JOSÉ NEVES ADELINO

Date of Birth

19 March 1954

Education

1976	Graduation in Finance, Universidade Técnica de Lisboa
1981	DBA, Finance, Kent State University
1995	Agregado, Faculdade de Economia, Universidade Nova de Lisboa

Professional Experience

1978-1981	Teaching Fellow, Kent State University
1981-1995	Professor, Faculdade de Economia, Universidade Nova de Lisboa
1986-1989	Visiting Professor, Universidade Católica Portuguesa
1987-1989	Visiting Professor, Bentley College
1988	Visiting Professor, ISEE
Since 1995	Full Professor of Finance, Faculdade de Economia, Universidade Nova de Lisboa
Since 2007	Visiting Professor, Bentley College

Other activities:

1981-1986	Member of the Directive Council, Faculdade de Economia, Universidade Nova de Lisboa
1990-1996	Dean, MBA Program and Executive Education, Faculdade de Economia, Universidade Nova de Lisboa
1999-2002	Dean, Faculdade de Economia, Universidade Nova de Lisboa

Offices held in other companies

1992-1993	Member of the Board, BPA
1994-2002	Member of the Directive Board of Fundo de Garantia de Depósitos
1999-2004	Member of the Global Advisory Board of Sonae SGPS
2003-2007	Chairman of the Shareholders' Meeting of PT PRO
2003-2006	Member of the Board, Chairman of the Audit Committee of EDP
2003-2006	Strategy Advisory Board of PT
2003	Member of the Investment Committee of Fundo Caravela
2004-2007	Member of the Investment Committee of PT Previsão
Since 2003	Member of the Remuneration Committee of Sonae SGPS
Since 2007	Non-executive Director of Sonae SGPS, SA

ÁLVARO CUERVO GARCIA

Date of Birth
30 May 1942

Education:

1975	Professor of Business Economics at Universidad Complutense Madrid
1997-2006	Member of the Academic Council of the Real Colegio Complutense at Harvard University
Since 1996	Member of the Consulting Council on Privatization of the Spanish Government
Since 1997	Member of the Board of Directors of ACS, SA
Since 2003	Member of the Board of Directors of Sonae, SGPS, SA
Since 2003	Member of the Board of Directors of Sonae Indústria, SGPS, SA
2006	Member of the Board of Directors of Bolsas y Mercados Españoles

Other activities:

2004	Editor in Chief of Universia Business Review
2007	Associate Editor Globalization, Competitiveness and Governability Member of the scientific and advisory committee of several journals. Author of several books and numerous articles published in Spanish and foreign journals

LUÍZ FELIPE PALMEIRA LAMPREIA

Date of Birth:
19 October 1941

Education:

1963	Graduation from Instituto Rio Branco (Brazilian Diplomatic Academy)

Professional Experience:

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
Since 2001	President of Lampreia Consultores Internacionais
Since 2001	Member of the International Advisory Board of Coca Cola
Since 2001	Member of the International Advisory Board of McLarty and Associates
Since 2002	Director of Sousa Cruz (BAT Group)
Since 2002	Member of the International Advisory Board of Toyota Motor Corporation
Since 2003	Member of the Advisory Board of Novartis Brazil
Since 2004	Non-Executive Director of Sonae, SGPS, SA and of Partex (Brazil)
Since 2005	Director of Partex (Brazil) and Partex Oil and Gas
Since 2007	Director of Ampla Energy Corporation (Brazil)

Other activities:

2001	Member of the International Advisory Board of the Council on Foreign Relations (New York)
2003	Deputy Chairman of the Brazilian Center for Foreign Relations

MICHEL MARIE BON

Date of Birth
5 July 1943

Education
1966 Graduation in Business Administration - ESSEC
1971 Graduation at École National d'Administration
1986 Stanford Executive Program – Stanford University

Professional Experience
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
Since 1993 Director of Lafarge (Cements),
Since 1993 Director of Sonepar (Electrical supply retail)
Since 1997 Chairman of the Supervisory Board of Editions du Cerf (Book Publisher)
Since 2003 Non-Executive Director of Sonae, SGPS, SA
Since 2003 Senior Advisor to Dôme Close Brothers (Investment Bank)
Since 2004 Director of Esmertec (High Technologies)
Since 2004 Member of the Conseil d'Orientation Stratégique de RATP
Since 2004 Senior Advisor to Permira (Investment Fund)
Since 2006 Senior Advisor to Roland Berger (Strategic Consulting)
Since 2006 Chairman of the Supervisory Board of Devoteam (Information Technologies)
Since 2007 Director of Provimi (animal nutrition)

Other activities
1991-2002 Chairman of ESSEC (Business School)
1998-2002 Co-chairman of the French American Business Council
Since 1984 Director of Institut Pierre Mendès France
Since 1988 Director of the French American Foundation
Since 1994 Founder and Director of Transparency International (France)
Since 1998 Director of Institute Catholique de Paris
Since 2003 Director of International Domenican Foundation

Offices held in other companies
Senior Advisor of Dôme Close Brothers
Senior Advisor of Permira
Chairman of the Supervisory Board of Les Editions du Cerf
Chairman of the Supervisory Board of Devoteam
Member of the Board of Directors of:
Esmertec
Provimi
Lafarge
Sonepar
Asterop (non-voting director)

DUARTE PAULO TEIXEIRA DE AZEVEDO

Date of Birth
31 December 1965

Education
1986 Graduation in Chemical Engineering - École Polytechnique Féderále de Lausanne
1989 Master of Business Administration - MBA (EGP, formerly ISEE - Universidade do Porto Business School)
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 Experience
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).
2000-2007 CEO of Sonaecom, SGPS, SA
Since 2007 CEO 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
2001-2001 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

Offices held in other companies
Member of the Board of Directors of:
Efanor Investimentos, SGPS, S.A.
Imparfin, SGPS, S.A.
Imparvi, SGPS, S.A.
Migracom, SGPS, S.A.
Sonae Capital, SGPS, S.A.
Sonae Distribuição, SGPS, S.A.
Sonae Indústria, SGPS, S.A.
Sonae Sierra, SGPS, S.A.
Sonae Sierra, SGPS, S.A.

ÁLVARO CARMONA E COSTA PORTELA

Date of Birth
4 July 1951

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

Professional Experience
1972-1976 Director at Laboratórios BIAL (Pharmaceutical Industry)
1974-1977 Lecturer at Department of Mechanics - Universidade do Porto
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
Since 2006 Member of the Board of Directors of Modelo Continente, 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

Offices held in other companies
Member of the Board of Directors of:
Sonae Sierra, SGPS, SA
Sonae Distribuição, 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 the Notes to the Consolidated Financial Statements).

ÂNGELO GABRIEL RIBEIRINHO PAUPÉRIO

Date of Birth
14 September 1959

Education
1982 Graduate in Civil Engineering - Universidade do Porto
1988/1989 Master of Business Administration - MBA (ISEE - Universidade do Porto)

Professional Experience
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
1994-1996 Director in several of Sonae Distribuição, SGPS, SA's affiliates (Retail)
1996-2007 CFO of Sonae Distribuição, SGPS, SA and Director in Modelo Continente, SGPS, SA and several of its affiliates (Retail)
2000-2007 Executive Vice President and CFO of Sonae, SGPS, SA, SA, CEO of Sonae Capital, SGPS, SA and Chairman of Sonae, SGPS, SA's Finance Committee
Since 2007 Executive Vice President of Sonae, SGPS, SA, CEO Sonaecom SGPS, SA, Director of Sonae Sierra, SGPS, SA, Director Sonae Distribuição SGPS, SA

Other activities
Since 1989 Board member of APGEI (Business/University Association of Engineering and Management)
Since 1994 Lecturer of Corporate Governance (EGP - Porto University)

Offices held in other companies [1]
Cooper Gay (Holdings) Limited
MDS – Corrector de Seguros, S.A.
Optimus Artis- Concepção, Construção e Gestão de Redes de Comunicações, SA
Público - Comunicação Social, S.A.
Resolução SGPS, S.A.
Sonae Financial Participations BV
Sonae Distribuição, SGPS,S.A.
Sonae Investments, BV
Sonae Sierra, SGPS, S.A.
Sonae Telecom, SGPS, S.A.
Sonaecom - Serviços de Comunicações, S.A.
Sonaecom - Sistemas de Informação, SGPS, S.A.
Sonaecom, SGPS, S.A.
Sontel BV
WeDo consulting - Sistemas de Informação, S.A

NUNO MANUEL MONIZ TRIGOSO JORDÃO

Date of Birth

27 April 1956

Education

1978	Graduate in Economics ISCTE (Universidade de Lisboa)

Professional Experience

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 Hipermercados (Retail)
Since 1990	Board member of Modelo Continente, SGPS, 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

Offices held in other companies

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

APPENDIX

STATEMENT UNDER THE TERMS OF ARTICLE 245, PARAGRAPH 1, C) OF THE SECURITIES CODE

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 13 March 2008

Belmiro Mendes de Azevedo
President of the Board of Directors

as proxy of
Luíz Felipe Palmeira Lampreia
Member of the Board of Directors

Álvaro Cuervo Garcia
Member of the Board of Directors

Michel Marie Bon
Member of the Board of Directors

José Neves Adelino
Member of the Board of Directors

Duarte Paulo Teixeira de Azevedo
President of the Executive Committee

Álvaro Carmona e Costa Portela
Member of the Executive Committee

Ângelo Gabriel Ribeirinho dos Santos Paupério
Member of the Executive Committee

Nuno Manuel Moniz Trigoso Jordão
Member of the Executive Committee

ARTICLE 447

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 2007 required by article 447 of the Portuguese Companies Act

SHARES HELD BY THE BOARD OF DIRECTORS AND RESPECTIVE TRANSACTIONS DURING 2007

		ADDITIONS		REDUCTIONS		BALANCE AS OF 31.12.2007
	DATE	QUANTITY	AVER. PRICE €	QUANTITY	AVER. PRICE €	QUANTITY
Belmiro Mendes de Azevedo						
Efanor Investments, 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 Investments, SGPS, SA (1)						1
Migracom, SGPS, SA (3)						69,996
Share capital increase	20.11.2007	20,000	76.45			
Imparfin, SGPS, SA (4)						0
Sale	10.12.2007			150,000	25.75	
Sonae, SGPS, SA						3,293
Sale	22.05.2007			593,616	2.03	
Shares attributed under a Share Based Compensation Plan	01.06.2007	147,376	0			
Sale	01.06.2007			147,376	2.17	
Sonaecom, SGPS, SA						0
Sale	29.05.2007			387,342	4.95	
Luiz Felipe Lampreia						
Sonae, SGPS, SA						10,000
Michel Marie Bon						
Sonae, SGPS, SA						66,263
Purchase	15.01.2007	11,000	1.67			
Purchase	26.04.2007	3,000	2.03			
Purchase	10.07.2007	3,500	2.09			
Purchase	15.10.2007	3,400	1.98			

		ADDITIONS		REDUCTIONS		BALANCE AS OF 31.12.2007
	DATE	QUANTITY	AVER. PRICE €	QUANTITY	AVER. PRICE €	QUANTITY
(1) Efanor Investments, SGPS, SA						
Sonae, SGPS, SA						658,804,424
Purchase	31.12.2007	14	1.98			
Pareuro, BV (2)						20,000
Sonaecom, SGPS, SA						1,000
(2) Pareuro, BV						
Sonae, SGPS, SA						400,000,000
(3) Migracom, SGPS, SA						
Sonae, SGPS, SA						1,290,000
Purchase	22.05.2007	593,616	2.03			
Purchase	01.06.2007	147,376	2.17			
Purchase	31.12.2007	549,008	1.98			
Sonaecom, SGPS, SA						387,342
Purchase	29.05.2007	387,342	4.95			
Imparfin, SGPS, SA (4)						150,000
Purchase	23.07.2007	150,000	25.75			
(4) Imparfin, SGPS, SA						
Sonae, SGPS, SA						4,105,273

ARTICLE 448

Number of shares held by shareholders owning more than 10%, 33% and 50% of the company's share capital.

APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2007 REQUIRED BY ARTICLE 448 OF THE PORTUGUESE COMPANIES ACT

	NUMBER OF SHARES HELD AS OF 31.12.2007
EFANOR INVETIMENTOS, SGPS, SA	
Sonae, SGPS, SA	658,804,424
Pareuro, BV	20,000
PAREURO, BV	
Sonae, SGPS, SA	400,000,000

QUALIFIED HOLDINGS

Shares held and voting rights of companies owning more than 2% of the share capital of the company.

QUALIFIED HOLDINGS

As required by article 8 nr. 1 e) of Securities Market Regulation Board (CMVM) regulation 04/2004, the following share holders held more than 2% of the company's share capital.

SHAREHOLDER	NR. OF SHARES	% SHARE CAPITAL	% OF VOTING RIGHTS
Efanor Investments, SGPS, S.A.	658,804,424	32.940%	32.940%
Pareuro, BV	400,000,000	20.000%	20.000%
Maria Margarida Carvalhais Teixeira de Azevedo	14,901	0.001%	0.001%
Maria Cláudia Teixeira de Azevedo	351,293	0.018%	0.018%
Duarte Paulo Teixeira de Azevedo	1,293,293	0.065%	0.065%
Nuno Miguel Teixeira de Azevedo	14,320	0.001%	0.001%
Total attributable to Efanor Investments, SGPS, S.A	**1,060,478,231**	**53.024%**	**53.024%**
Banco BPI, S.A.	132,851,868	6.643%	6.643%
Banco Português de Investimento, S.A.	365,199	0.018%	0.018%
Fundos de Pensões do Banco BPI	40,071,372	2.004%	2.004%
BPI Vida - Companhia de Insurance de Vida, S.A.	4,751,416	0.238%	0.238%
Total attributable to Banco BPI, S.A.	**178,039,855**	**8.902%**	**8.902%**
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.492%	2.492%
Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social	**49,849,514**	**2.492%**	**2.492%**
ABN AMRO Holding N.V.			
ABN AMRO Bank	70,117,704	3.506%	3.506%
Total attributable to ABN AMRO Bank	**70,117,704**	**3.506%**	**3.506%**
Deutsche Bank AG	65,311,155	3.266%	3.266%
Deutsche Asset Management Investmentgesellschaft mbH	409,267	0.020%	0.020%
Total attributable to Deutsche Bank AG	**65,720,422**	**3.286%**	**3.286%**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

			PRO-FORMA (NOTE 1)	
ASSETS	**NOTES**	**31.DECEMBER.2007**	**31.DECEMBER.2006**	**31.DECEMBER.2006**
NON-CURRENT ASSETS:				
Tangible assets	11	2,154,269,766	1,739,318,919	2,074,575,897
Intangible assets	12	347,668,144	319,917,168	321,517,485
Investment properties	13	1,868,656,061	1,348,453,369	1,346,937,845
Investment properties in progress	13	193,472,865	173,273,414	173,273,414
Goodwill	14	740,938,670	214,882,710	250,842,655
Investments in associated companies	7	73,548,640	31,615,158	31,591,454
Other investments	8, 10 and 15	12,055,157	149,176,342	233,056,343
Deferred tax assets	22	135,605,669	98,025,263	102,767,409
Other non-current assets	10 and 16	74,616,749	48,042,426	44,081,686
Total Non-Current Assets		**5,600,831,721**	**4,122,704,769**	**4,578,644,188**
CURRENT ASSETS:				
Inventories	17	481,903,201	355,789,692	481,185,712
Trade account receivables	10 and 18	229,073,319	186,904,150	257,023,821
Other debtors	10 and 19	153,721,689	154,488,997	119,632,514
Taxes recoverable	20	86,514,614	84,090,536	108,120,283
Other current assets	21	121,639,586	75,616,730	80,527,137
Investments	10 and 15	60,069,924	33,261,361	33,261,860
Cash and cash equivalents	10 and 23	286,401,453	644,749,401	662,475,440
Total Current Assets		**1,419,323,786**	**1,534,900,867**	**1,742,226,767**
Non current assets held for sale	11	6,006,580	-	-
TOTAL ASSETS		**7,026,162,087**	**5,657,605,636**	**6,320,870,955**
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	24	2,000,000,000	2,000,000,000	2,000,000,000
Own shares	24	(138,568,275)	(142,961,431)	(142,961,431)
Legal reserve		160,880,817	157,623,915	157,623,915
Reserves and retained earnings		(1,136,695,832)	(1,255,037,475)	(963,843,056)
Profit/(Loss) for the year attributable to the equity holders of Sonae		284,044,038	211,937,865	241,822,233
Equity attributable to the equity holders of Sonae		1,169,660,748	971,562,874	1,292,641,661
Equity attributable to minority interests	25	448,320,704	411,547,735	402,058,314
TOTAL EQUITY		1,617,981,452	1,383,110,609	1,694,699,975
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Bank loans	10 and 26	1,059,691,078	935,973,005	1,017,101,563
Bonds	10, 13 and 26	1,744,850,709	1,086,979,932	1,086,979,932
Obligation under finance leases	10, 26 and 27	23,470,674	12,611,464	31,124,322
Bank loans	10 and 26	1,104,529	434,895	7,491,081
Obligation under finance leases	10 and 29	313,023,126	74,228,804	105,487,112
Deferred tax liabilities	22	334,219,912	267,132,855	272,056,372
Provisions	34	107,984,226	42,812,924	63,234,735
Total Non-Current Liabilities		**3,584,344,254**	**2,420,173,879**	**2,583,475,117**
CURRENT LIABILITIES:				
Bank loans	10 and 26	129,207,708	453,902,932	510,050,999
Bonds	10 and 26	-	74,777,292	74,777,292
Obligation under finance leases	10, 26 and 27	8,709,711	6,370,786	9,279,339
Trade creditors	10 and 26	399,692	128,328	21,823,864
Other creditors	10 and 31	988,803,378	750,375,255	829,754,736
Taxes and contributions payable	10 and 32	211,178,688	221,725,185	198,850,003
Taxes recoverable	20	62,131,632	64,332,727	79,599,406
Other current liabilities	33	421,110,115	281,552,254	316,096,133
Provisions	34	2,295,457	1,156,389	2,464,091
Total Current Liabilities		**1,823,836,381**	**1,854,321,148**	**2,042,695,863**
TOTAL LIABILITIES		**5,408,180,635**	**4,274,495,027**	**4,626,170,980**
TOTAL EQUITY AND LIABILITIES		**7,026,162,087**	**5,657,605,636**	**6,320,870,955**

SONAE SGPS, SA CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007 AND 2006

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

		31.DECEMBER.2007			31.DECEMBER.2006		
	Notes	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
OPERATIONAL INCOME:							
Sales	37	3,309,904,732	118,404,404	3,428,309,136	3,039,042,388	197,980,412	3,237,022,800
Services rendered	37	1,107,627,200	91,788,824	1,199,416,024	997,890,455	148,889,481	1,146,779,936
Value created on investment properties	38	152,413,977	(5,387)	152,408,590	128,417,595	1,543,711	129,961,306
Other operational income	39	338,182,028	98,868,501	437,050,529	292,307,155	130,574,483	422,881,638
Total operational income		**4,908,127,937**	**309,056,342**	**5,217,184,279**	**4,457,657,593**	**478,988,087**	**4,936,645,680**
OPERATIONAL EXPENSES							
Cost of goods sold and materials consumed	17	(2,622,631,645)	(71,643,547)	(2,694,275,192)	(2,419,978,893)	(110,293,995)	(2,530,272,888)
Changes in stocks of finished goods and work in progress		-	39,844,864	39,844,864	-	10,992,907	10,992,907
External supplies and services	40	(1,010,753,082)	(189,508,906)	(1,200,261,988)	(903,820,811)	(242,818,663)	(1,146,639,474)
Staff costs	41	(508,780,328)	(61,030,398)	(569,810,726)	(466,678,767)	(103,969,178)	(570,647,945)
Depreciation and amortisation	11 and 12	(228,197,614)	(6,754,516)	(234,952,130)	(217,433,831)	(9,341,619)	(226,775,450)
Provisions and impairment losses	34	(15,294,230)	(2,166,214)	(17,460,444)	(23,081,888)	(4,874,175)	(27,956,063)
Other operational expenses	42	(76,564,845)	(7,206,620)	(83,771,465)	(74,863,916)	(13,265,396)	(88,129,312)
Total operational expenses		**(4,462,221,744)**	**(298,465,337)**	**(4,760,687,081)**	**(4,105,858,106)**	**(473,570,119)**	**(4,579,428,225)**
Operational profit/(loss)		**445,906,193**	**10,591,005**	**456,497,198**	**351,799,487**	**5,417,968**	**357,217,455**
Financial expenses	43	(167,757,009)	(5,222,421)	(172,979,430)	(118,929,953)	(8,180,275)	(127,110,228)
Financial income	43	52,633,592	(3,847,291)	48,786,301	26,943,240	632,935	27,576,175
Net financial expenses	43	(115,123,417)	(9,069,712)	(124,193,129)	(91,986,713)	(7,547,340)	(99,534,053)
Share of results of associated undertakings	7	2,165,145	539,119	2,704,264	5,883,747	4,541,341	10,425,088
Investment income	44	41,835,524	6,645,513	48,481,037	86,534,369	48,992,613	135,526,982
Profit/(Loss) before income tax		374,783,445	8,705,925	383,489,370	352,230,890	51,404,582	403,635,472
Income tax	45	(27,068,417)	293,129	(26,775,288)	(58,584,773)	(6,372,622)	(64,957,395)
Profit/(Loss) for the year	**46**	**347,715,028**	**8,999,054**	**356,714,082**	**293,646,117**	**45,031,960**	**338,678,077**
ATTRIBUTABLE TO:							
Equity holders of Sonae		275,784,823	8,259,215	284,044,038	211,937,865	29,884,368	241,822,233
Minority interests		71,930,205	739,839	72,670,044	81,708,252	15,147,592	96,855,844
PROFIT/(LOSS) PER SHARE							
Basic	48	0.147729	0.004424	0.152154	0.113555	0.016012	0.129567
Diluted	48	0.147729	0.004424	0.152154	0.113555	0.016012	0.129567

The accompanying notes are part of these financial statements.

The Board of Directrs

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (em representação de Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE THREE MONTHS ENDED 31 DECEMBER 2007 AND 2006

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

	4TH QUARTER ENDED 31 DEZEMBER 2007 UNAUDITED			4TH QUARTER ENDED 31 DEZEMBER 2006 UNAUDITED		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
OPERATIONAL INCOME:						
Sales	977,630,860	114,526	977,745,386	882,157,955	55,016,292	937,174,247
Services rendered	306,151,442	141,545	306,292,987	254,379,150	35,104,687	289,483,837
Value created on investment properties	29,816,111	(4,553)	29,811,558	57,682,729	(34,038)	57,648,691
Other operational income	103,371,794	(355,490)	103,016,304	93,773,773	43,200,038	136,973,811
Total operational income	**1,416,970,207**	**(103,972)**	**1,416,866,235**	**1,287,993,607**	**133,286,979**	**1,421,280,586**
OPERATIONAL EXPENSES						
Cost of goods sold and materials consumed	(761,912,266)	22,358	(761,889,908)	(699,600,539)	(31,072,502)	(730,673,041)
Changes in stocks of finished goods and work in progress	-	-	-	-	1,055,627	1,055,627
External supplies and services	(291,976,719)	81,804	(291,894,915)	(255,720,246)	(63,680,879)	(319,401,125)
Staff costs	(138,501,791)	(4,483)	(138,506,274)	(121,763,881)	(26,422,718)	(148,186,599)
Depreciation and amortisation	(61,397,808)	1	(61,397,807)	(56,981,355)	(2,688,494)	(59,669,849)
Provisions and impairment losses	140,805	-	140,805	(9,751,513)	(5,585,276)	(15,336,789)
Other operational expenses	(25,937,277)	(261)	(25,937,538)	(31,276,926)	(3,453,398)	(34,730,324)
Total operational expenses	**(1,279,585,056)**	**99,419**	**(1,279,485,637)**	**(1,175,094,460)**	**(131,847,640)**	**(1,306,942,100)**
Operational profit/(loss)	**137,385,151**	**(4,553)**	**137,380,598**	**112,899,147**	**1,439,339**	**114,338,486**
Financial expenses	(45,760,035)	(438,728)	(46,198,763)	(41,363,472)	(2,513,171)	(43,876,643)
Financial income	16,830,730	438,729	17,269,459	9,201,901	153,317	9,355,218
Net financial expenses	(28,929,305)	1	(28,929,304)	(32,161,571)	(2,359,854)	(34,521,425)
Share of results of associated undertakings	710,973	1,828,980	2,539,953	3,100,974	3,936,036	7,037,010
Investment income	6,488,515	198,702	6,687,217	65,709,073	18,144,872	83,853,945
Profit/(Loss) before income tax	**115,655,334**	**2,023,130**	**117,678,464**	**149,547,623**	**21,160,393**	**170,708,016**
Income tax	21,821,659	1	21,821,660	(16,055,793)	(1,524,893)	(17,580,686)
Profit/(Loss) for the period	137,476,993	2,023,131	139,500,124	133,491,830	19,635,500	153,127,330
ATTRIBUTABLE TO:						
Equity holders of Sonae	111,400,939	2,026,003	113,426,942	101,276,144	17,804,035	119,080,179
Minority interests	26,076,054	(2,872)	26,073,182	32,215,686	1,831,465	34,047,151
PROFIT/(LOSS) PER SHARE						
Basic	0.059668	0.001085	0.060753	0.054258	0.009538	0.063796
Diluted	0.059668	0.001085	0.060753	0.054258	0.009538	0.063796

The accompanying notes are part of these financial statements.

The Board of Directrs

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (em representação de Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

		ATTRIBUTABLE TO EQUITY HOLDERS OF SONAE											
				RESERVES AND RETAINED EARNINGS									
	Note	**Share Capital**	**Own Shares**	**Legal Reserve**	**Hedging Reserve**	**Currency Translation Reserve**	**Fair Value Reserve**	**Other Reserves and Retained Earnings**	**Total**	**Net Profit/(Loss)**	**Total**	**Minority Interests (Note 25)**	**Total Equity**
Balance as at 1 January		2,000,000,000	(143,630,520)	152,721,161	-	31,376,154	55,828,395	(1,468,375,301)	(1,381,170,752)	512,803,285	1,140,723,174	394,707,612	1,535,430,786
Appropriation of profit of 2005													
Transfer to legal reserves and retained earnings		-	-	4,902,754	-	-	-	507,900,531	507,900,531	(512,803,285)	-	-	-
Dividends distributed		-	-	-	-	-	-	(46,650,596)	(46,650,596)	-	(46,650,596)	(5,348,382)	(51,998,978)
Changes in reserves		-							-				
Changes in the fair value of financial instruments		-	-	-	2,023,188	-	-	-	2,023,188	-	2,023,188	-	2,023,188
Transfers to results of the fair value of hedging instruments		-	-	-	-	-	-	-	-	-	-	-	-
Changes in the period		-	-	-	-	(897,614)	14,788,774	-	13,891,160	-	13,891,160	1,025,228	14,916,388
Transfers to net income	42	-	-	-	-	(11,563,098)	(4,695,689)	-	(16,258,787)	-	(16,258,787)	-	(16,258,787)
Sales of subsidiaries		-	-	-	-	-	-	-	-	-	-	(925,013)	(925,013)
Acquisitions of subsidiaries and change in percentage held		-	-	-	-	-	-	-	-	-	-	(85,479,259)	(85,479,259)
Other changes		-	669,089	-	-	-	-	(43,577,800)	(43,577,800)	-	(42,908,711)	1,222,284	(41,686,427)
Consolidated Profit/(Loss) for the twelve months ended 31 December 2006		-	-	-	-	-	-	-	-	241,822,233	241,822,233	96,855,844	338,678,077
Balance as at 31 December 2006		2,000,000,000	(142,961,431)	157,623,915	2,023,188	18,915,442	65,921,480	(1,050,703,166)	(963,843,056)	241,822,233	1,292,641,661	402,058,314	1,694,699,975
Balance as at 1 January 2007		2,000,000,000	(142,961,431)	157,623,915	2,023,188	18,915,442	65,921,480	(1,050,703,166)	(963,843,056)	241,822,233	1,292,641,661	402,058,314	1,694,699,975
Appropriation of profit of 2006													
Transfer to legal reserves and retained earnings		-	-	3,256,902	-	-	-	238,565,331	238,565,331	(241,822,233)	-	-	-
Dividends distributed		-	-	-	-	-	-	(55,997,443)	(55,997,443)	-	(55,997,443)	(21,887,082)	(77,884,525)
Changes in reserves													
Changes in the fair value of financial instruments		-	-	-	2,426,633	-	-	-	2,426,633	-	2,426,633	-	2,426,633
Transfers to results of the fair value of hedging instruments		-	-	-	-	-	-	-	-	-	-	-	-
Changes in the period		-	-	-	-	6,566,532	3,617,759	-	10,184,291	-	10,184,291	1,242,416	11,426,707
Transfers to net income	42	-	-	-	-	-	(14,035,569)	-	(14,035,569)	-	(14,035,569)	(2,534,225)	(16,569,794)
Sales of subsidiaries		-	-	-	-	-	-	-	-	-	-	(2,171,988)	(2,171,988)
Acquisitions of subsidiaries and change in percentage held		-	-	-	-	-	-	-	-	-	-	(18,131,866)	(18,131,866)
Demerger of Sonae Capital	9	-	-	-	-	-	(55,503,670)	(302,3 66,820)	(357,870,490)	-	(357,870,490)	9,310,396	(348,560,094)
Other changes		-	4,393,156	-	-	-	-	3,874,471	3,874,471	-	8,267,627	7,764,695	16,032,322
Consolidated Profit/(Loss) for the twelve months ended 31 December 2007	-		-	-	-	-	-	-	-	284,044,038	284,044,038	72,670,044	356,714,082
Balance as at 31 December 2007		2,000,000,000	(138,568,275)	160,880,817	4,449,821	25,481,974	-	(1,166,627,627)	(1,136,695,832)	284,044,038	1,169,660,748	448,320,704	1,617,981,452

The accompanying notes are part of these financial statements.

The Board of Directrs

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (em representação de Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2007 AND 2006

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

		31.DECEMBER.2007			31.DECEMBER.2006		
		Continuing	Discontinued	Total	Continuing	Discontinued	Total
OPERATING ACTIVITIES	**NOTES**						
Cash receipts from trade debtors		4,392,726,354	209,318,901	4,602,045,255	4,085,172,795	352,041,214	4,437,214,009
Cash paid to trade creditors		(3,357,797,979)	(121,825,884)	(3,479,623,863)	(3,097,654,270)	(221,520,869)	(3,319,175,139)
Cash paid to employees		(511,331,175)	(61,205,409)	(572,536,584)	(464,857,994)	(98,596,606)	(563,454,600)
Cash flow generated by operations		523,597,200	26,287,608	549,884,808	522,660,531	31,923,739	554,584,270
Income taxes (paid) /received		(21,829,710)	(8,462,663)	(30,292,373)	(36,068,798)	1,838,094	(34,230,704)
Other cash receipts/(payments) relating to operating		(6,293,980)	4,363,701	(1,930,279)	(20,813,986)	(45,919,481)	(66,733,467)
Net cash flow from operating activities (1)		495,473,510	22,188,646	517,662,156	465,777,747	(12,157,648)	453,620,099
INVESTMENT ACTIVITIES							
Cash receipts arising from:							
Investments	49	216,210,330	5,582,184	221,792,514	504,763,812	(122,323,180)	382,440,632
Tangible assets and investment properties		40,443,717	(6,655,034)	33,788,683	25,865,480	9,677,336	35,542,816
Intangible assets		346,965	(4,453)	342,512	2,177,042	(1,920,193)	256,849
Interest and similar income		44,955,428	(5,511,439)	39,443,989	19,478,143	928,605	20,406,748
Loans granted		303,925,289	(15,902,723)	288,022,566	54,186,783	(4,735,072)	49,451,711
Dividends		421,164	1,397,638	1,818,802	287,955	2,425,679	2,713,634
Others		2,385,790	-	2,385,790	11,078,149	191,978	11,270,127
		608,688,683	(21,093,827)	587,594,856	617,837,364	(115,754,847)	502,082,517
Cash Payments arising from:							
Investments	49	(881,870,187)	(35,032,456)	(916,902,643)	(709,727,210)	16,743,876	(692,983,334)
Tangible assets and investment properties		(612,108,804)	(76,417,707)	(688,526,511)	(391,365,604)	(80,171,924)	(471,537,528)
Intangible assets		(53,120,170)	(103,318)	(53,223,488)	(39,610,158)	(864,050)	(40,474,208)
Loans granted		(188,496,824)	171,110,992	(17,385,832)	(98,617,903)	75,722,285	(22,895,618)
Others		(8,069,213)	613	(8,068,600)	(1,758,591)	4,922	(1,753,669)
		(1,743,665,198)	59,558,124	(1,684,107,074)	(1,241,079,466)	11,435,109	(1,229,644,357)
Net cash from/(used in) investment activities (2)		(1,134,976,515)	38,464,297	(1,096,512,218)	(623,242,102)	(104,319,738)	(727,561,840)
FINANCING ACTIVITIES							
Cash receipts arising from:							
Loans obtained		6,913,398,108	194,559,517	7,107,957,625	2,608,642,210	70,032,055	2,678,674,265
Capital increases, additional paid in capital and share		182,783	1,000,671	1,183,454	326,060	869,072	1,195,132
Sale of own shares	24	273,398,877	-	273,398,877	-	-	
Others		212,500	-	212,500		-	-
		7,187,192,268	195,560,188	7,382,752,456	2,608,968,270	70,901,127	2,679,869,397
Cash Payments arising from:							
Loans obtained		(6,679,341,234)	(224,663,322)	(6,904,004,556)	(2,540,464,536)	60,984,189	(2,479,480,347)
Interest and similar charges		(152,113,143)	(6,861,310)	(158,974,453)	(109,167,967)	(6,491,694)	(115,659,661)
Reimbursement of capital and paid in capital		(4,693)	-	(4,693)	(303,423)	(591,068)	(894,491)
Dividends		(78,435,064)	-	(78,435,064)	(52,348,839)	-	(52,348,839)
Others		(3,251,496)	(30,627)	(3,282,123)	(1,820,101)	(507,775)	(2,327,876)
		(6,913,145,630)	(231,555,259)	(7,144,700,889)	(2,704,104,866)	53,393,652	(2,650,711,214)
Net cash from/(used in) financing activities (3)		274,046,638	(35,995,071)	238,051,567	(95,136,596)	124,294,779	29,158,183
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(365,456,367)	24,657,872	(340,798,495)	(252,600,951)	7,817,393	(244,783,558)
Effect of foreign exchange rate		(166,281)	245,770	79,489	104,441	(78,223)	26,218
Cash and cash equivalents at the beginning of the period		640,915,658	7,895,616	648,811,274	893,621,050	-	893,621,050
Cash and cash equivalents demerged	9		32,307,718	32,307,718		-	-
Cash and cash equivalents at the end of the period	23	275,625,572	-	275,625,572	640,915,658	7,895,616	648,811,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31 DECEMBER 2007

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

1. INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, and is the parent company of a group of companies, as detailed in Notes 5 to 8 ("Sonae Group"). The Group's operations and business segments are described in Note 51.

The consolidated financial statements for the twelve months period ended 31 December 2007 are not directly comparable with the financial statements for the twelve months of 2006, because of: the demerger of Sonae Capital, the sale of Plysorol Group in June 2007, the sale of the Enabler Group in June 2006 and the sale of 25% of Sonae Sierra undertakings in Brazil. As result of the demerger, which produced accounting effects, from 1 October 2007 onwards, the contribution of the Sonae Capital for the consolidated results of 2007 corresponds only to the first nine months of the year. In respect of the Plysorol operation, the consolidated results include the contribution of the first six months of the year. The Pro forma consolidated balance sheet as at 31 December 2006 includes the above mentioned changes.

As required by IFRS 5, and in order for the years 2007 and 2006 to be directly comparable, the consolidated income and the cash flow statements present separately:

- Continuing operations that include the following segments: Retail, Shopping Centres, Telecommunications and Holding and others;
- Discontinued operations which include the following segments/businesses: Sonae Capital, Plysorol Group, Enabler Group (only in 2006), 25% of Sonae Sierra Brazil contributions and the elimination of balances and transactions of these companies were reversed on the pro forma financial statements;
- Total operations that include the continuing and discontinued operations.

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 2007 as adopted by the European Union.

Interim financial statements are 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 5 to 7) 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).

During 2007 the Group adopted for the first time IFRS 7 "Financial Instruments: Disclosures" and consequential amendments to IAS 1- "Presentation of Financial Statements", which are effective for years beginning on or after 1 January 2007. The impact of the adoption of this standard was to expand the disclosures provided in these financial statements regarding the financial instruments used by the Group.

On 1 January 2007, the following interpretations came into effect:
(i) IFRIC 7 - "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies";
(ii) IFRIC 8 - "Scope IFRS 2";
(iii) IFRIC 9 - "Reassessment of Embedded Derivatives";
(iv) IFRIC 10 - "Interim Financial Reporting and Impairment"; and
(v) IFRIC 11- "IFRS 2: Group and Treasury Share Transactions".

The adoption of these Interpretations has not led to any material changes in the Group's financial statements as at 31 December 2007.

At the issuance date of these financial statements, the following Standards and Interpretations were in issue but not yet effective, and therefore have not been applied in these financial statements. For the majority of these the endorsement process by the European Union have not yet been completed:

- Amendments to IAS 23 - "Borrowing Costs" - (effective 1 January 2009);
- Revised IFRS 3 "Business Combinations" - (effective 1 July 2009)
- Amendments to IAS 1 - "Presentation of Financial Statements: a revised presentation" - (effective 1 January 2009);
- Amendments to IFRS 2 - "Share Based Payment: Vesting conditions and cancellations" - (effective 1 January 2008);

- Amendments to IAS 32 and IAS 1"Puttable financial instruments and obligation arising on liquidation" - (effective 1 January 2009);
- IFRS 8 - " Operating Segments" - (effective 1 January 2009), approved by the European Union at November 2007;
- IFRIC 12 - "Service Concession Arrangements" - (effective 1 January 2008);
- IFRIC 13 - "Customer Loyalty Programmes" - (effective 1 July 2008);
- IFRIC 14 - "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" - (effective 1 January 2008);

At 31 December 2007, the above Standards and Interpretations were in issue but not yet effective, and therefore the Group decided not to early adopt. The application of these changes will not produce material changes in the future financial statements of the entity with the exception of changes in segment disclosures required by IFRS 8, and the revision of IFRS 3 which will result in significant changes to goodwill computation.

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 5.

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 8).

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 5.

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 establishes joint control.

Companies included in the accompanying consolidated financial statements in accordance with the proportionate method are listed in Note 6.

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 under the caption Share of profit of associates.

An assessment of investments in associated companies is performed when there is an indication that the asset might be impaired. Any impairment loss is recorded 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 7.

d) Goodwill

The excess of the cost of acquisition of investments in subsidiaries, 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 14) or as Investments in associated companies (Note 7). 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. Net recoverable amount is determined based on business plans used by the Group management or on valuation reports issued by independent entities. Impairment losses recognized in the period are recorded in the income statement under the caption Provisions and impairment losses.

Impairment losses related with goodwill 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 were also recorded against Retained earnings (IFRS 1).

e) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the 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 were 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.DECEMBER.2007		31.DECEMBER.2006	
	End of period	Average of period	End of period	Average of period
US Dollar	0.67930	0.73080	0.75930	0.79717
Swiss Franc	0.60434	0.60884	0.62232	0.63584
Pound Sterling	1.36361	1.46209	1.48920	1.46704
Romanian New Leu	0.27718	0.30017	-	-
Brazilian Real	0.38516	0.37577	0.35564	0.36658
Polish Zloty	0.27828	0.26445	-	-

Source: Bloomberg

2.3. TANGIBLE ASSETS

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revalue 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.

Impairment losses detected on tangible assets are recorded in the year estimated against the income statement caption "Provisions and impairment losses".

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

	YEARS
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 relating 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 become ready for use.

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 rental income 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 recorded at 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 fulfil 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 capitalised as intangible assets.

The expenses incurred with the acquisition of client portfolio's (attributed value relating to the allocation of the purchasing price in business activity concentration) are stated as intangible assets and amortized on a straight line bases, during the average estimated period of portfolio's client retention.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which usually is between 3 and 6 years, except for property occupation rights which are amortised over the duration of the contract which establishes these rights. It is recorded in the caption of "Amortizations and depreciations"

Mobile network and fixed network licenses are amortized for the period of 15 years (concession period). The UMTS license is being amortised on a straight-line basis for an 11 year period, which corresponds to the period between the commercial launch date and the maturity date of the license. Additional license costs, namely costs relating to the commitments assumed under the UMTS license, regarding the contributions to the "Information Society" (Note 52), are amortised from the moment they are incurred up to the end of the license .

Brands and patents with undefined 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. The contract with the tenant may also establish the payment of an entrance fee in the shopping centre (key money income) and some discounts (usually in the first three years of the contract) to the fixed rent. 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 to the company 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 underlying 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 usually 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, real estate projects classified as inventories or investment properties are capitalised as part of the cost of the qualifying asset. Borrowing costs are capitalised from the beginning 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. INVENTORIES

Consumer goods and raw materials are stated at the lower of cost deducted from discounts obtained 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). Work in progress as at 31 December 2006 relates, mainly, with real estate projects. These assets were within discontinued operations (Note 1). 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.

2.11. 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 favourable to the Group.

With the demerger of Sonae Capital, on 1 October 2007, these kind of contracts ceased to exist.

2.12. 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.

2.13. FINANCIAL INSTRUMENTS

The Group classifies the financial instruments in the categories presented and conciliated with the Consolidated Balance Sheet disclosed in Note 10.

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.

The investments measured at the fair value through profit or loss include the investments held for trading that the Group acquires with the purpose of trading in the short term. They are classified in the consolidated balance sheet as current investments.

The Company classifies as available-for-sale investments those that are neither included as investments measured at fair value through profit or loss neither as investments held to maturity. This assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

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 earning 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 under financial expenses or gains.

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

b) Loans and non current account receivables

Loans and non current accounts receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 10.

c) Trade accounts receivable and other accounts receivables

Trade accounts receivables and other accounts receivable are recorded at their nominal value and presented in the consolidated balance sheet net of eventual impairment losses, recognised under the allowance account Impairment losses on accounts receivable , in order to reflect its net realisable value. These captions, when classified as current, do not include interests because the effect of discounting would be immaterial.

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received. Therefore, each group company takes into consideration market information that indicates:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When it is not possible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis, namely in the Telecommunications segment. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year the discount is considered null as it is immaterial.

d) 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.

Equity instruments are contracts that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs..

e) 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.

f) Trade accounts payable

Accounts payable are stated at their nominal value, as they do not bear interests and the effect of discounting is considered immaterial.

g) Derivatives

The Company uses derivatives in the management of its financial risks to hedge such risks and/or in order to optimise the funding costs.

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 inefficiencies, if any, are accounted under financial expenses or gains in the consolidated income statement.

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 transaction being hedged is highly probable.

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, which corresponds to its fair value, 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 or loss.

The Group also uses financial instruments with the purpose of cash flow hedging that essentially respect the exchange rate hedging ("forwards") of loans and commercial operations that, however, do not configure perfect hedging relations, and so, do not receive hedge accounting treatment, but allow the reduction, in a very significant way, of the loan and receivable/payable balance exchange variability effect, nominated in foreign currency.

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.

The Group also uses financial instruments with the purpose of cash flow hedging that essentially respect the exchange rate hedging ("forwards") of loans and commercial operations that, however, do not configure perfect hedging relations, and so, do not receive hedge accounting treatment, but allow the reduction, in a very significant way, of the loan and receivable/payable balance exchange volatility, nominated in foreign currency.

Derivatives in this situation, despite being entered into with the above mentioned aims (mainly exchange forwards and derivatives in the form of interest rate option), do not qualify for hedge accounting, thus are initially recorded by their cost, which corresponds to its fair value, and are subsequently measured at fair value through profit and loss. The derivatives fair value is estimated internally by the use of specific software.

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 instruments, and this is not stated at fair value through profit or loss.

The Company may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss and the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, if not stated at fair value (namely loans recorded at amortised cost), through profit or loss.

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.

All the amounts included in this caption can be reimbursed at demand as there are no pledges or guarantees over these assets.

2.14. 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, in the proportion of time passed between both dates, being the fair value fixed at each balance sheet date.

2.15. 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.

2.16. 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.

2.17. 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 and include fixed and variable rents billed to shopkeepers, recoverable common expenses from shopkeepers and exploration revenue from car parks.

Revenue from admission rights and store transfer taxes are recognised in the consolidated income statement under Other operational costs and under Services rendered, respectively, when billed to the tenant. Costs from discounts given over the rent and compensations are recognised in the consolidated income statement under Services Rendered and Other operational costs, respectively.

With regards to services rendered by travel agencies, revenue is recognized with the issuance of invoice. At balance sheet date, adjustments are made under Other current assets and Other current liabilities in order to accrue for revenue of the services already rendered but whose billing had not occurred yet, as well as for the associated subcontract expenditures.

Revenue from telecommunications services is recognised in the period in which it occurs. Such services are invoiced on a monthly basis. Revenues not yet invoiced, from the last invoicing cycle to the end of the month, are estimated and recorded based on actual traffic. Differences between the estimated and actual amounts, which are usually not material, are recorded in the following period.

The income related to pre-paid cards is recognised whenever the minutes are used. At the end of each period the minutes still to be used are estimated and the amount of income associated with those minutes is deferred.

Costs relating to customer loyalty programmes, under which points are awarded by Retail and Telecommunications segments, are calculated taking in consideration the probability of the redemption of the points, and are recognised, as a deduction to income, at the time the points are generated.

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.

2.18. 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 2.13.g).

2.19. 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.

2.20. JUDGEMENT AND ESTIMATES

The most significant accounting estimates reflected in the consolidated income statements include:

a) Useful lives of the tangible and intangible assets;
b) Impairment analysis of goodwill and of tangible and intangible assets;
c) Recognition of adjustments on assets and provisions;
d) Assessment of responsibilities associated with customers' loyalty programs.

Estimates used are based on the best information available during the preparation of consolidated financial statements and are based on best knowledge of past and present events. Although future events are neither controlled by the Group nor foreseeable, some could occur and have impact on the estimates. Changes to the estimates used by the management that occur after the date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8, using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of consolidated financial statements are disclosed in the correspondent notes.

2.21. INSURANCE AND REINSURANCE CONTRACTS

In order to minimise insurance costs, the Group, through a wholly owned subsidiary, enters into reinsurance operations over non-life insurance contracts entered into by subsidiaries and related companies.

The Group branch office acts like an intermediate in the assurance operations as a way to optimise insurance coverage and retention levels in accordance with the needs of each business, ensuring effective insurance management worldwide. The retained risk is immaterial when compared with the risks transferred.

Premiums written on non-life insurance contracts and associated acquisition costs are recognised as income and cost on a pro-rata basis over the term of the related risk periods, through changes in the provision for unearned premiums.

The provision for unearned premiums (Note 34) reflects the portion of non-life insurance premiums written attributable to future years, namely the portion corresponding to the period between the balance sheet date and the end of the period to which the premium refers. It is calculated, for each contract in force.

The Provision for claims (Note 34) reflects the estimated amounts payable for claims, including claims that have been incurred but not reported and future administrative costs to be incurred on the settlement of claims under management. Provisions for claims recorded by the Group are not discounted.

Reinsurer's share of technical provisions (Assets - Note 16) are determined by applying the above described criteria for direct insurance, taking into account the percentages ceded, in addition to other clauses existing in the treaties in force.

At each balance sheet date, the Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts.

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 51.

2.23. LEGAL RESERVES, OTHER RESERVES AND TRANSITED RESULTS

Legal reserves:

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in the case of liquidation of the Company, but it may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Hedge reserve:

The Hedging reserve reflects the changes in fair value of "cash flow" hedging derivates that are considered as effective (Note 2.13.g)) and is not distributable or can be used to absorb losses.

Currency translation reserve:

The currency translation reserve corresponds to exchange differences relating to the translation form the functional currencies of the Group's foreign subsidiaries and joint ventures into Euro, in accordance with the accounting policy described in Note 2.2.e).

Fair value reserve:

This reserve arises on the revaluation of available-for-sale financial assets as mentioned in Note 2.13.a).

3. FINANCIAL RISK MANAGEMENT

3.1. INTRODUCTION

THE ULTIMATE PURPOSE OF FINANCIAL RISK MANAGEMENT IS TO SUPPORT THE GROUP IN THE ACHIEVEMENT OF ITS STRATEGY BY REDUCING UNWANTED FINANCIAL RISK AND VOLATILITY AND MITIGATE ANY NEGATIVE IMPACTS IN THE PROFIT OR LOSS STATEMENT ARISING FROM SUCH RISKS. THE GROUP'S ATTITUDE TOWARDS FINANCIAL RISK MANAGEMENT IS CONSERVATIVE AND CAUTIOUS. DERIVATIVES ARE USED TO HEDGE CERTAIN EXPOSURES RELATED TO ITS OPERATING BUSINESS AND, AS A RULE THE SONAE GROUP DOES NOT ENTER INTO DERIVATIVES OR OTHER FINANCIAL INSTRUMENTS THAT ARE UNRELATED TO ITS OPERATING BUSINESS OR FOR SPECULATIVE PURPOSES.

Due to the diversified nature of the Sonae Group, the Group is exposed to a variety of financial risks, consequently each Sub-holding is responsible for, where applicable, for setting its own financial risk management policies, to monitor their own exposure and to implement their approved policies. Therefore for some risks there are not Group global risk management policies, but rather, where appropriate, customised risk management policies at Sub-Holding level. Financial risk management policies are approved by each Executive Committee and exposures are identified and monitored by each Sub-Holding Finance Department. Exposures are also monitored by the Finance Committee as mentioned in the Corporate Governance Report.

The Finance Committee co-ordinates and reviews, amongst other responsibilities, global financial risk management policies. It is the Finance Departments responsibility to review and measure, Group and Company's financial risk exposure for reporting purposes. Sonae SGPS Finance department is also responsible for assisting each Sub-holding in managing their own currency, interest rate, liquidity and refinancing risks trough the Corporate Dealing Desk. Exposures are recorded in a main Treasury Management System (TMS). Risk control and reporting is carried out both at Sub-Holding level on a daily basis and on a Consolidated basis for the monthly Finance Committee meeting.

3.2. CREDIT RISK

Credit risk is defined as the probability of a counterparty defaulting on its payment contractual obligations resulting in a financial loss. It is shown in two main ways:

3.2.1 CREDIT RISK ARISING FORM FINANCIAL INSTRUMENTS

The credit risk in what Financial Instruments is concerned arises mainly from holding cash and cash equivalents instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities or from its lending activities to subsidiaries. In order to reduce the probability of counterpart default Sonae SGPS transactions (short term investments and derivatives) are only contracted in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have at least a credit rating of BBB from Moody's and/or Baa2 from Standard & Poor's or equivalent (this information is supplied trough independent information systems);
- The group should only enter into eligible financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made in a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);
- In relation to excess funds:
  i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by existing relationships banks in order to reduce exposure on a net basis, and
  ii) may only be applied in pre-approved instruments;
- In some cases Sub-holdings can define more strict rules regarding counterparty exposure or more conservative policies;
- Any departure from the above mentioned policies needs to be pre-approved by the respective Executive Committee/Board of Directrs of each Sub-holding.

Given the above mentioned policies and the minimum credit ratings the Group does not expect any material failure in contractual obligation from its external counterparties nevertheless exposure to each counterparty resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Sub-holding and Sonae, SGPS, S.A. Finance Department and any departure is promptly reported to the respective Executive Committee/Board of Directrs and to the group Finance Committee.

3.2.2 CREDIT RISK IN OPERATIONAL AND COMMERCIAL ACTIVITIES OF EACH BUSINESS

In this case due to each business characteristics and consequently of different credit risk typology, each sub-holding determines the most appropriate policy, as described above. However the policies follow the same wide principles of: prudence, conservatism, and the implementation of control mechanisms.

Retail

The credit risk in the scope of its current operational activity is controlled through a system of gathering financial and qualitative information from independent entities that supply risk information, in order to allow the assessment of credit risk from debtors. Credit risk is mainly originated by sales to other retail operators and by the rendering of travel agencies services or by advances made to or discounts billed to suppliers.

Shopping Centres

The credit risk results essentially of the risk of credit of the storekeepers of the commercial centres managed by Sub-Holding and of the other debtors. Shopping Centre storekeepers credit risk monitoring is made by the adequate assessment of risk before the storekeepers are accepted and by the establishment of conservative credit limits for each storekeeper.

Telecommunications

The Sub-holding exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk management purpose is to guarantee that the amounts owing are effectively collected within the periods negotiated without impacting the financial health of the Subholding. Sonaecom uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, which all contribute to the mitigation of credit risk.

Holding

Sonae SGPS is an Holding company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalents instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) in accordance with the principles mentioned in point 3.2.1.

Additionally Sonae SGPS may sometimes also be exposed to credit risk as a result of its portfolio manager activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis under the supervision of the Executive Committee (requesting bank guarantee, escrow accounts, obtaining collaterals, amongst others).

The amount related to customers, other debtors and other assets presented in Financial Statements, which are net of impairment losses represent the Group exposure to credit risk.

3.3. LIQUIDITY RISK

Sonae SGPS needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made of long term bonds, long term project finance, mutuals, structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2007 the total gross debt was 2,967 million euros (2,759 million euros as at 31 December 2006).

The purpose of liquidity risk management is to ensure, at all times, that Sonae SGPS has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy. Given the dynamic nature of its activities, Sonae SGPS needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods within a range between 30 and 360 days;
- Maintenance of commercial paper programs with different periods and terms, that allow, in some cases, to place the debt directly in institutional investors;
- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;
- Diversification of financing sources and counterparties;
- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. In 2007 Sonae SGPS debt average life maturity was 5.7 years (4.6 years in 31 December 2006);
- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;
- Where possible, by prefinancing forecasted liquidity needs;
- Management procedures of short term applications, assuring that the maturity of the applications will match with foreseen liquidity needs, including a margin to hedge forecasting deviations. The margin of error needed in the treasury department prediction, will depend on the confidence degree and it will be determined by the business. The reliably of the treasury forecasts is an important variable to determinate the amounts and the periods of the market applications/borrowings.

The maturity table of each major class of liabilities is presented in Notes 26, 27 31 and 32, based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay ("worst case scenario").

A liquidity reserve in form of credit lines with its relationship banks is maintained by Sonae SGPS, to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms. Loans maturing in 2008 where 138 million euros and as at 31 December 2007 Sonae SGPS had undrawn committed credit facilities of 766 million euros (525 million euros in 2006) cancellable within a previous notice of less than one year and 495 million euros (196 million euros) cancellable with a previous notice of no less than 360 days. Additionally, as at 31 December 2007, a reserve of cash and cash equivalents and current investments was also held amounting to 346 million euros (696 million euros as at 31 December 2006). Consequentially, Sonae SGPS expects to meet all its obligations by means of its operating cash flows and proceeds from ifs financial assets as well as from drawing existing available credit lines, if needed.

3.4. INTEREST RATE RISK

3.4.1 POLICIES

As each Sub-holding operates in different markets and in different business environments, there is no single policy applicable for the entire Sonae Group, but rather policies adjusted to each Sub-holding exposure existing as described below. As previously mentioned, the Group exposure is regularly monitored by the Finance Committee, at a group level, and at each Sub-holding level. Although there is no wide risk management interest rate policy, in what concerns the derivatives negotiation, there are principles that should be followed by each group companies and that are referred below:

- Sonae SGPS hedging activities do not constitute a profit-making activity and are deemed derivatives are entered into without any speculation purpose;
- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency.
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction;
- Since inceptions, the maximum cost of the hedging operation is known and amount limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate underlying).
- The counterparties of the derivative hedging instruments are amount limited to highly rated financial institutions, as described in 3.2. above - Credit Risk Management. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;
- In determining the fair value of hedging operations Sonae SGPS uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the balance sheet date. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation;
- All transactions are documented under ISDA's Agreements (International Swaps and Derivatives Association);
- All transactions which do not follow the Rules above have to be individually approved by respective Executive Committee/ Board of Directors, and reported to the Finance Committee, namely transactions entered into with the purpose of optimising the cost of debt when deemed appropriate according to prevailing financial market conditions.

Retail

Group exposure to the interest rate arises mainly from long term loans which bear interests at Euribor plus spread.

Sonae Distribuição purpose is to limit cash-flows and results volatility considering the profile of its operational activity by using an appropriate mix of fixed and variable interest rate debt. Sonae Group policy allows the use of interest rate derivatives to decrease the exposure at Euribor fluctuations but not for trading purposes.

Shopping Centres

The Group's income and operating cash-flows are substantially independent of changes in market interests rates, as its cash and cash equivalents and its financing granted to other companies of the Group are dependent only of the evolution of interest rates in Euro which, historically, have minimum changes.

In relation to long-term borrowings and in order to hedge the volatility of long term interest rates, the Group uses, whenever appropriate, cash flow hedge instruments in the form of swaps or collars, which represents perfect hedges of those long-term borrowings. In certain long-term borrowings the Group choose also to have a fixed interest rate in the first years of the agreement and study afterwards the possibility to negotiate interest rate swaps or collars for the remaining period.

Telecommunications

Sonaecom's total indebtedness is indexed to variable rates, accordingly debt servicing costs are likely to be volatile. The impact of this volatility on the Group's income and shareholders' equity is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility of using interest rate hedging derivative instruments, as explained below; (iii) possible correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the Group's consolidated results (particularly operational), thus partially offsetting the increased financial costs ("natural hedge"); and (iv) the availability of consolidated liquidity or cash, also remunerated at variable rates.

The Group only uses derivatives or similar transactions to hedge those interest rate risks considered as significant. Sonaecom respects the same principles as adopted by the Group Sonae in determining and using instruments to hedge interest rate risk .

As all Sonaecom's borrowings (Note 51) bear interest at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in predetermined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The Board of Directrs of Sonaecom approves the terms and conditions of the funding with a significant impact on the Group, based on an analysis of the debt structure, the inherent risks and the different options in the market, particularly as regards the type of interest rate (fixed / variable). Under this policy, the Executive Committee is responsible for decisions regarding the contracting of occasional interest rate hedging derivative financial instruments, through monitoring the conditions and alternatives existing in the market.

Holding & Others

Sonae SGPS is exposed to cash flow interest rate risk in respect of items in the balance sheet (Loans and Short Term Investments) and to fair value interest rate risk as a result of interest rate derivatives (swaps, FRA's and options). All Sonae SGPS debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or Forward Rate agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps).

Sonae SGPS, mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve since hedging interest rate risk usually has an opportunity cost associated. Therefore a more flexible approach is considered preferable to a more strict traditional approach. Part of the risk is also mitigated by the fact that Sonae SGPS grants loans to its subsidiaries as part its usual activities and thus there may be some degree of natural hedging on an company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae SGPS hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into.

3.4.2. SENSITIVITY ANALYSIS

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, they are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7;
- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;
- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations;
- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;
- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher/lower, the consolidated net profit before tax of Sonae SGPS for the year ended 31 December 2007 would decrease/increase by approximately 14 million euros (13 million euros decrease/increase in 2006 consolidated net profit before tax). The impact in equity would be a decrease/increase of, approximately, 10 million euros (decrease/increase by approximately 5 million euros in 2006).

3.5. EXCHANGE RATE RISK

3.5.1 POLICIES

The Group operates at an international level, having subsidiaries that operate in different jurisdictions, and so it is exposed to foreign exchange rate risk. As each Sub-holding operates in different markets and in different business environments, there is no standard policy for the Sonae Group, but rather individual policies which are stated below. The Group's currency exposures are divided into transaction exposures (foreign exchange exposures relating to contracted cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (equity in foreign subsidiaries). Although there is not global management exchange rate risk policy in what concerns hiring derivatives to managing exchange interest risk, it also applies to all group companies, with the necessary adaptations, the principles referred at 3.4.1.

Retail

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the transactions are denominated in Euro. Sonae Distribuição is only exposed to foreign exchange risk due to inventories imports made and denominated in US Dollars.

The exchange risk management purpose is to provide a stable decision platform when deciding and negotiating the purchases of inventories establishing fixed exchange rates. The hedging accompanies all the purchase process, since procurement up to the formal agreement of purchase.

The exchange risk exposure is monitored through the purchase of forwards with the goal of minimising the negative impacts of volatility in exposure level as a consequence of changes of the amounts of imports denominated in other currencies rather than euro.

Shopping Centres

The main activity of each company is developed inside its country of origin and consequently the majority of the company transactions are maintained in its functional currency. The policy to hedge this specific risk is to avoid, if possible, the contracting of services in foreign currency. In the particular case of Brazil, the Group assumed in 2006 a commitment with its partner DDR to increase, within a 3 year period, the equity of the Brazilian operation by R$ 600 million (each partner undertaking to cover 50%). In order to hedge the foreign exchange risk that is implicit in this commitment, the Group negotiated, in early 2007, a number of "non-deliverable forward" contracts for future acquisition of Brazilian Real. The investment undertaking with DDR only establishes the total amount and the timeframe for it to occur. The uncertainty about the dates when investment is to occur makes it difficult to measure at inception the degree of efficiency of the instruments. This led the instruments not to qualify for hedge accounting. As a consequence, the gains or losses or any changes in its fair value, are booked directly in Profit or Loss.

Telecommunications

The Group operates internationally, having subsidiaries that operate in Brazil, United Kingdom, Ireland, Poland, United States of America and Australia and so it is exposed to foreign exchange rate risk. Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currency and contributes to reduce the sensitivity of Group results to changes in foreign exchange rates. Whenever possible, the Group uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Group adopt derivatives financial hedging instruments.

The Group's exposure to exchange rate risk results mainly from the fact that some of its subsidiaries report in currencies other than the Euro, the risk relating to the operations being insignificant.

Other segments

Due to the nature of holding company, Sonae SGPS, has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise foreign exchange risk management seeks to minimize the volatility of such transactions made in foreign currency and to reduce the impact on the Profit and loss of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae SGPS hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to previous approval from the company's Executive Committee.

3.5.2 EXPOSURE AND SENSIVITY ANALYSIS

As at 31 December 2007 and 2006 the assets and liabilities denominated in a currency different from the subsidiary functional currency where the following (amounts in Euro):

	ASSETS		LIABILITIES	
	31.DECEMBER.2007	31.DECEMBER.2006	31.DECEMBER.2007	31.DECEMBER.2006
Euro	12,287	-	1,699	-
Brazilian Real	3,405,325	2,698,782	11,886,482	1,820,611
British Pound	-	11,260	4,407,486	77,814
US Dollar	1,178,545	1,060,646	3,574,320	1,118,970
Hungarian Florins	61,351	78,770	-	-

The amounts presented above, only include assets and liabilities expressed in different currency than the functional currency used by the affiliated or jointly controlled company. Therefore it does not represent any risk of financial statements translation. Considering the exposure above, which is considered immaterial, no sensitivity analysis is disclosed.

3.6. PRICE AND CAPITAL MARKETS RISK

The Group is exposed to equity price risk arising from equity investments, held for strategic rather than for trading purposes as the group does not actively trade these investments, which are disclosed in Note 8.

During 2006, the Group was mainly exposed to Sonae Indústria, SGPS, S.A. share price and Portugal Telecom, SGPS, S.A. share price. The investment on Portugal Telecom, SGPS, S.A. shares was disposed during 2007 (Note 44).

During 2007, the investment in Sonae Indústria, SGPS, S.A. was spun-off in relation to Sonae Capital, SGPS, S.A. demerger.

In 2007, the Group entered into a Total Return Swap (TRS) with Sonae SGPS, S.A. shares as underlying. As explained in note 24 the Total Return Swap precluded the derecognition of those own shares, and as such a change in the Sonae share price will have an impact on the cash flows by means of TRS cash settlements. If Sonae price had been 1% higher/lower the group would have receive/paid additional 2.9 million euros.

Besides the share based deferred performance bonuses granted to its directors and eligible employees, referred in note 30, the exposure to shares price risk is not actively managed, since it is in the essence of a portfolio manager to take exposure to the market value of its listed assets.

4. ACCOUNTING POLICY CHANGES AND FUNDAMENTAL ERROR CORRECTIONS

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

5. 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 2007 and 2006 are as follows:

				PERCENTAGE OF CAPITAL HELD			
				31.DECEMBER.2007		31.DECEMBER.2006	
	COMPANY		HEAD OFFICE	DIRECT	TOTAL	DIRECT	TOTAL
	SONAE - SGPS, S.A.		MAIA	MÃE	MÃE	MÃE	MÃE
	RETAIL						
	Bertimóvel - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Best Offer - Prest. Inf. p/Internet, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Bikini, Portal de Mulheres, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
8	Cacetinho - Com. Retalhista e Expl.Centros Com., SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Canasta - Empreendimentos Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Carnes do Continente - Ind. Distr. Carnes, SA	a)	Santarém	100.00%	100.00%	100.00%	100.00%
	Chão Verde - Soc.Gestora Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Citorres - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Contibomba - Comérc. Distr. Combustiveis, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Contimobe - Imobil.Castelo Paiva, SA	a)	Castelo de Paiva	100.00%	100.00%	100.00%	100.00%
2	Continente Hipermercados, SA	a)	Lisbon	99.86%	99.86%	-	-
	Cumulativa - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Difusão - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Distrifin - Comercio y Prest.Servicios, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Efanor - Design e Services, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Efanor - Indústria de Fios, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Equador & Mendes, Lda	a)	Lisbon	67.50%	67.50%	75.00%	75.00%
	Estevão Neves - Hipermercados Madeira, SA	a)	Madeira	100.00%	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Fozmassimo - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia	100.00%	100.00%	100.00%	100.00%
5	Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
	Global S - Hipermercado, Lda	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	IGI - Investimento Imobiliário, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Igimo - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
4	Iginha - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	49.00%
	Imoconti - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imoestrutura - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Imomuro - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imoresultado - Sociedade Imobiliaria, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Imosistema - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Infofield - Informática, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Inventory - Acessórios de Casa, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Marcas MC, zRT	a)	Budapest	100.00%	100.00%	100.00%	100.00%
5	Max Office Artigos Services p/escrit., SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	MJLF - Empreendimentos Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Modalfa - Comércio e Services, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo - Dist.de Mat. de Construção, SA	b)	Maia	50.00%	50.00%	50.00%	50.00%

	Modelo Continente - Opererações Retail SGPS, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Modelo Continente Hipermercados,SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
2)13)	Modelo Continente Insurance - Sociedade Mediação, SA	a)	Porto	100,00%	100,00%	-	-
	Modelo Hiper Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
1	Modelo Hipermercados Trading, SA	a)	Madrid (Spain)	100,00%	100,00%	-	-
3	Modelo, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Modelo.com - Sales p/Correspond., SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
8	Modis Distribuição Centralizada, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
1	NA - Comércio de Artigos de Desporto, SA	a)	Matosinhos	100,00%	100,00%	-	-
1	NA - Equipamentos para o Lar, SA	a)	Matosinhos	100,00%	100,00%	-	-
	Nova Equador Internacional,Ag.Viag.T, Lda	a)	Lisbon	67,50%	67,50%	75,00%	75,00%
2	Nova Equador P.C.O. e Eventos, SA	a)	Lisbon	67,50%	67,50%	-	-
8	OK Bazar - Comércio Geral, SA	a)	Ermesinde	100,00%	100,00%	100,00%	100,00%
3	Parcium - Imobiliária, SA	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Peixes do Continente - Indústria e Distribuição de Peixes, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
1	Pharmacontinente - Saúde e Higiene, SA	a)	Matosinhos	100,00%	100,00%	-	-
	Predicomercial - Promoção Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Selifa - Empreendimentos Imobiliários, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sempre à Mão - Sociedade Imobiliária, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Sesagest - Proj.Gestão Imobiliária, SA	a)	Porto	100,00%	100,00%	100,00%	100,00%
	SM Empreendimentos Imobiliários, Ltda	a)	Porto Alegre (Brazil)	100,00%	100,00%	100,00%	100,00%
	Socijofra - Sociedade Imobiliária, SA	a)	Gondomar	100,00%	100,00%	100,00%	100,00%
	Sociloures - Soc.Imobiliária, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Soflorin, BV	a)	Amsterdam (The Netherlands)	100,00%	100,00%	100,00%	100,00%
	Solaris - Supermercados, SA	a)	Viana do Castelo	100,00%	100,00%	100,00%	100,00%
	Sonae Capital Brasil, Lda	a)	São Paulo (Brazil)	100,00%	100,00%	100,00%	100,00%
9	Sonae Distribuição, SGPS, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Sonae Retail España - Servicios Generales, SA	a)	Madrid (Spain)	100,00%	100,00%	100,00%	100,00%
	Sondis Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sontária - Empreend.Imobiliários, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sonvecap, BV	a)	Amsterdam (The Netherlands)	100,00%	100,00%	100,00%	100,00%
	Sport Zone - Comércio Artigos de Desporto, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
8	SRE - Projectos e Consultadoria, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Star - Viagens e Turismo, SA	a)	Lisbon	90,00%	90,00%	100,00%	100,00%
	Tlantic Portugal - Sistemas de Informação, SA	a)	Maia	100,00%	100,00%	-	-
	Tlantic Sistemas de Informação, Ltda	a)	Porto Alegre (Brazil)	100,00%	100,00%	100,00%	100,00%
	Todos os Days - Com. Ret. Expl. C. Comer., SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
2	Valor N, SA	a)	Matosinhos	100,00%	100,00%	-	-
	Worten - Equipamento para o Lar, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
1	Worten España, SA	a)	Madrid (Spain)	100,00%	100,00%	-	-
	TELECOMMUNICATIONS						
2	Cape Asia Pac Pty Amount limitd	a)	Australia	100,00%	50,52%	-	-
2	Cape Poland Sp.Z.o.o.	a)	Posnan (Polónia)	100,00%	50,52%	-	-
2	Cape Technologies (U.K) Limitied	a)	Cardiff (U.K.)	100,00%	50,52%	-	-
2	Cape Technologies Americas, Inc.	a)	Delaware (USA)	100,00%	50,52%	-	-
2	Cape Technologies Limitied	a)	Dublin (Irlanda)	100,00%	50,52%	-	-
	Digitmarket - Sistemas de Informação, SA	a)	Maia	75,10%	37,94%	75,10%	38,99%
	M3G - Edições Digitais, SA	a)	Lisbon	100,00%	50,52%	100,00%	51,40%
	Mainroad Services em Tecnologias de Informação, SA	a)	Maia	100,00%	50,52%	100,00%	51,92%
	Miauger - Org. Gestão Leilões El., SA	a)	Maia	100,00%	50,52%	100,00%	51,92%

1	Optimus Artis - Concepção, Construção e Gestão de Redes de Comunicações, SA	a)	Maia	100.00%	50.52%	-	-
16	Optimus Telecommunications, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
	Optimus Towering - Explor. Torres Telecom, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
	Per-Mar - Sociedade de Construções, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
2	Praesidium Holdings Amount limitd	a)	Berkshire (U.K.)	100.00%	50.52%	-	-
2	Praesidium Services Amount limitd	a)	Berkshire (U.K.)	100.00%	50.52%	-	-
2	Praesidium Technologies Amount limitd	a)	Berkshire (U.K.)	100.00%	50.52%	-	-
	Público - Comunicação Social, SA	a)	Porto	100.00%	50.52%	99.00%	51.40%
	Saphety Level - Trusted Services, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
5	Sonae Matrix Multimédia, SGPS, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
	Sonae Telecom, SGPS, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
15	Sonaecom - Services de Comunicação, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
	Sonaecom - Sistemas de Informação, SGPS, SA	a)	Maia	100.00%	50.52%	100.00%	51.92%
	Sonaecom BV	a)	Amsterdam (The Netherlands)	100.00%	50.52%	100.00%	51.92%
	Sonaecom, SGPS, SA	a)	Maia	50.52%	50.52%	51.92%	51.92%
	Sonaetelecom, BV	a)	Amsterdam (The Netherlands)	100.00%	50.52%	100.00%	51.92%
2	Tecnológica Telecommunications Ltda	a)	Rio de January (Brazil)	99.99%	50.47%	-	-
2	Telemilénio - Telecommunications Soc.Unipessoal, Lda	a)	Lisbon	100.00%	50.52%	-	-
	We Do Brasil - Soluções Informáticas, Ltda	a)	Rio de January (Brazil)	99.91%	50.47%	99.91%	50.66%
	We Do Consulting - Sistemas de Informação, SA	a)	Maia	100.00%	50.42%	97.66%	50.71%
	SERVICES						
14	Águas Furtadas - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Aqualuz - Turismo e Lazer, Lda	a)	Lagos	100.00%	100.00%	100.00%	100.00%
14	Aquapraia - Investments Turísticos, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
4)14)	Atlantic Ferries - Traf.Loc.Flu.e Marit., SA	a)	Grândola	100.00%	100.00%	100.00%	72.80%
14	Azulino - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Bloco Q - Sociedade Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Bloco W - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Box Lines - Navegação, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
4 6	Casa Agrícola João e António Pombo, SA	a)	Portel	66.67%	66.67%	66.67%	32.67%
14	Casa da Ribeira - Hotelaria e Turismo, SA	a)	Marco de Canaveses	100.00%	100.00%	100.00%	100.00%
14	Centro Residencial da Maia,Urban., SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Cinclus - Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Cinclus-Plan. e Gestão de Projectos, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Contacto - Sociedade de Construções, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Contacto Concessões, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Country Club da Maia - Imobiliaria, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Cronosaúde - Gestão Hospitalar, SA	a)	Porto	100.00%	50.00%	100.00%	100.00%
2)14)	DMJB, SGPS, SA	a)	Maia	100.00%	100.00%	-	-
11	Elmo SGPS, SA	a)	Maia	60.00%	60.00%	100.00%	100.00%
14	Empreend.Imob.Quinta da Azenha, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
6	Espimaia - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
4 6	Esprit du Monde, SA	a)	Portel	100.00%	66.67%	100.00%	32.67%
14	Friengineering, SA	a)	Matosinhos	100.00%	70.00%	100.00%	50.10%
14	Fundo de Investimento Imobiliário Fechado Imosede	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Golf Time - Golfe e Inv.Turisticos, SA	a)	Porto	75.00%	75.00%	75.00%	75.00%
14	Imoareia Investments Turisticos, SGPS, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Imobiliária da Cacela, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Imoclub - Services Imobilários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Imodivor - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%

14	Imoferro - Soc.Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Imohotel - Emp.Turist.Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Imopenínsula - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
10)14)	Imoponte - Soc.Imobiliaria, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Imoresort - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Imosedas - Imobiliária e Seviços, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Implantação - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Inparvi SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Insulatroia - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Integrum - Services Partilhados, SA	a)	Maia	100.00%	70.00%	100.00%	35.07%
14	Interlog - Sociedade Gestora de Participações Sociais, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
14	Invesaude - Gestão Hospitalar, SA	a)	Maia	100.00%	50.00%	100.00%	100.00%
4)14)	Investalentejo, SGPS, SA	b)	Vila de Conde	100.00%	100.00%	49.00%	49.00%
4 6	Ipaper - Industria Papeis Impregnados, SA	a)	Maia	100.00%	51.00%	100.00%	24.99%
6	Isoroy Casteljaloux	a)	Casteljaloux (France)	100.00%	100.00%	100.00%	100.00%
11	Leroy Gabon, SA	a)	Libreville (Gabão)	99.99%	59.99%	99.99%	99.99%
14	Marimo - Exploração Hoteleira e Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Marina de Troia, SA	a)	Troia	100.00%	100.00%	100.00%	100.00%
14	Marina Magic - Exploração Centros Lúdicos, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
14	Marmagno - Exploração Hoteleira e Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Martimope - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Marvero - Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
5	Parcomarco, Gest Parq Est Centros Comer	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
2)14)	Pargeste, SGPS, SA	a)	Maia	89.99%	89.99%	-	-
14	Partnergiro - Empreendimentos Turísticos, Lda	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Paulo Jorge Pacheco, Equipamento de Refrigeração, Lda	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
11	Placage d'Okoumé du Gabon	a)	Libreville (Gabão)	99.88%	59.93%	99.88%	99.88%
11	Plysorol SAS	a)	Niort (France)	100.00%	60.00%	100.00%	100.00%
14	Porturbe - Edificios e Urbanizações, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Praedium II - Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Praedium III - Services Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Praedium, SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Prédios Privados - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Predisedas - Predial das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Promessa - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Promosedas - Prom.Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
5	Quinta da Covilhã - Empr.Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Rochester Real Estate, Ltd	a)	Kent (U.K.)	100.00%	100.00%	100.00%	100.00%
14	S.I.I. - Soberana - Investments Imobiliários, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
6	Safira Services - Limpeza Espaços Verd., SA	a)	Porto	51.00%	51.00%	51.00%	25.55%
14	Saúde Atlântica - Gestão Hospitalar, SA	b)	Maia	50.00%	50.00%	100.00%	100.00%
14	SC - Consultadoria, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
7)14)	SC - Engenharia e Promoção Imobiliária, SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	SC Insurance and Risk Services, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14)19)	SC, SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Selfrio - Engenharia do Frio, SA	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
14	Selfrio, Sociedade Gestora de Participações Sociais, SA	a)	Matosinhos	70.00%	70.00%	70.00%	35.07%
4)14)	Sete e Meio - Investments e Consultadoria, SA	a)	Grândola	100.00%	100.00%	100.00%	49.00%
4)14)	Sete e Meio Herdades - Investments Agricolas e Turismo, SA	a)	Grândola	100.00%	100.00%	100.00%	49.00%
14	Sistavac-Sist.Aquecimento,V.Ar C., SA	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
14	SKK - Central de Distr.para Refrig.e Climatização, SA	a)	Porto	100.00%	70.00%	100.00%	35.07%
14	SKKFOR - Ser. For. e Desen. de Inflows Humyears, Lda	a)	Maia	96.00%	67.20%	96.00%	33.67%

14	SMP - Serv. de Manutenção e Planeamento, SA	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
14	Société de Tranchage Isoroy SAS	a)	France	100.00%	100.00%	100.00%	100.00%
14	Société des Essences Fines Isoroy	a)	Honfleur (France)	100.00%	100.00%	100.00%	100.00%
14	Soconstrução, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
14	Soira - Soc.Imobiliária de Ramalde, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Solinca - Investments Turísticos, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Solinca III - Desporto e Saúde, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
14	Solinfitness - Club Malaga, SL	a)	Malaga (Spain)	100.00%	100.00%	100.00%	100.00%
4)14)	Soltroia - Soc.Imob.de Urb.e Turismo de Troia, SA	a)	Lisbon	100.00%	100.00%	100.00%	73.99%
14	Sonae Financial Participations, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
14	Sonae International, Ltd	a)	London (U.K.)	100.00%	100.00%	100.00%	100.00%
14	Sonae Turismo - Gestão e Services, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Sonae Turismo - SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Sontur, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
14	Sopair, SA	a)	Madrid (Spain)	100.00%	70.00%	60.00%	30.06%
14	Sótaqua - Soc. de Empreendimentos Turisticos da Quarteira, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Spinarq - Arquitectura e Projectos, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Spinveste - Gestão Imobiliária SGII, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	Spinveste - Promoção Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14)18)	Spred, SGPS, SA	a)	Maia	100.00%	100.00%	50.10%	50.10%
14	Textil do Marco, SA	a)	Marco de Canaveses	90.37%	90.37%	90.37%	90.37%
14	Torre São Gabriel - Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14	Troiaresort - Investments Turisticos, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Troiaverde - Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Tulipamar - Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
14	Urbisedas - Imobiliária das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
14	Sale Aluga - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
14)17)	Vistas do Freixo - Empr. Turisticos Imobiliários, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
14	World Trade Center Porto, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	OTHERS						
6	Agloma Investments, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
6	Aserraderos de Cuellar, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
5	Espmen - Investments Imobiliários, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
6	Imoplamac Gestão de Imóveis, SA	a)	Santarém	100.00%	100.00%	100.00%	100.00%
12	Libra Services, Lda	a)	Funchal	100.00%	100.00%	100.00%	100.00%
21	MDS - Corretor de Insurance, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
1	Resolução, SGPS, SA	a)	Maia	100.00%	100.00%	-	-
6	Somit - Soc.Mad.Ind.Transformadas, SA	a)	Oliveira do Hospital	100.00%	100.00%	100.00%	100.00%
	Sonae Investments, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
20	Sonae RE, SA	a)	Luxemburgo	100.00%	100.00%	100.00%	100.00%
	Sonaegest-Soc.Gest.Fundos Investments, SA	a)	Maia	80.00%	70.00%	80.00%	70.00%
	Sontel, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%

1 Company incorporated in the period;
2 Company acquired in the period;
3 Company merged into Sonae Distribuição, SGPS, SA;
4 Company shown in the segment Others in the previous period;
5 Company dissolved in the period;
6 Company sold in the period;
7 Ex - Contacto-SGPS, SA;
8 Company merged into Modelo Continente Hipermercados, SA;
9 Ex - Modelo Continente, SGPS, SA;
10 Company included in the Sonae Distribuição segment in the previous period;
11 Due to the sale of 40% of the share capital of Elmo, SGPS, SA on 27 June 2007 with transfer of control, this company and all its subsidiaries were excluded from consolidation since that date;
12 Company included in the Services segment in the previous period;
13 Ex - Spigur - Mediação de Insurance, Lda;
14 Companies demerged of the Sonae Group into Sonae Capital since 1 October 2007;
15 Ex - Novis Telecom, SA;
16 Company merged into Sonaecom - Serviços de Comunicação, SA;
17 Ex - NAB, Sociedade Imobiliária, SA;
18 Ex - Publimeios - Soc.Gestora Part. Finan., SA;
19 Ex - Sonae Capital, SGPS, SA;
20 Company excluded in the previous year;
21 Company included in the Services segment in the previous period;
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).

6. 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 2007 and 2006 are as follows:

			PERCENTAGE OF CAPITAL HELD			
			31.DECEMBER.2007		31.DECEMBER.2006	
	COMPANY	HEAD OFFICE	DIRECT	TOTAL	DIRECT	TOTAL
	SHOPPING CENTRES					
	3DO Holding GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	3DO Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	3shoppings - Holding, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
22	8ª Avenida Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Aegean Park Constructions Real Estate and Development, SA	Atenas (Greece)	100.00%	25.00%	100.00%	25.00%
4	Airone - Shopping Centre, Srl	Milan (Italy)	100.00%	25.05%	100.00%	25.05%
	ALEXA Administration GmbH	Berlin (Germany)	100.00%	25.00%	100.00%	24.75%
	ALEXA Holding GmbH	Dusseldorf (Germany)	50.00%	25.00%	50.00%	25.00%
	ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	25.00%	100.00%	25.00%
25	ALEXA Site Gmbh & Co. KG	Berlin (Germany)	100.00%	25.00%	99.00%	24.75%
	Algarveshopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
23	Arrábidashopping - Centro Comercial, SA	Maia	50.00%	37.53%	50.00%	12.53%
	Avenida M-40, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
	Avenida M-40, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
24	Boavista Shopping Centre, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	25.00%
	Cascaishopping - Centro Comercial, SA	Maia	50.00%	12.53%	100.00%	12.53%
	Cascaishopping Holding I, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
	Centro Colombo - Centro Comercial, SA	Maia	100.00%	12.53%	50.00%	12.53%
	Centro Vasco da Gama - Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
	Clérigoshopping - Gestão do C.Comerc., SA	Maia	100.00%	50.00%	100.00%	50.00%
	Coimbrashopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
1	Colombo Towers Holding, BV	Haia (The Netherlands)	50.00%	25.00%	-	-
	Dortmund Tower GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Dos Mares - Shopping Centre, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
	Dos Mares - Shopping Centre, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
	El Rosal Shopping, SA	Madrid (Spain)	70.00%	35.00%	70.00%	35.00%
	Estação Viana - Centro Comercial, SA	Viana do Castelo	100.00%	25.05%	100.00%	25.05%
	Freccia Rossa - Shopping Centre, Srl	Sondrio (Italy)	50.00%	25.00%	50.00%	25.00%
	Fundo Investimento Imob. Shopping Parque D. Pedro Shopping, SA	São Paulo (Brazil)	100.00%	24.33%	100.00%	24.13%
23	Gaiashopping I - Centro Comercial, SA	Maia	50.00%	37.53%	50.00%	12.53%
23	Gaiashopping II - Centro Comercial, SA	Maia	100.00%	37.53%	100.00%	12.53%
	Gil Orsi - Shopping Centre, Srl	Milão (Italy)	100.00%	50.00%	100.00%	50.00%
	Guimarãeshopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
	Iberian Assets, SA	Madrid (Spain)	49.78%	12.48%	49.78%	12.47%
	Inparsa - Gestão de Galeria Comerc., SA	Maia	100.00%	50.00%	100.00%	50.00%
20	Ioannina Development of Shopping Centres, SA	Atenas (Greece)	100.00%	25.00%	100.00%	25.00%

2	KLC Holdings XII SA	Luxembourg	100.00%	50.00%	-	-
	La Farga - Shopping Centre, SL	Madrid (Spain)	100.00%	12.48%	100.00%	12.47%
2	Larissa Development of Shopping Centres, SA	Atenas (Greece)	100.00%	25.00%	-	-
	Le Terrazze - Shopping Centre, Srl	Milão (Italy)	50.00%	25.00%	50.00%	25.00%
2	Lembo Services Ltd	Chipre	100.00%	50.00%	-	-
18	Lima Retail Park, SA	Viana do Castelo	50.00%	25.00%	50.00%	25.00%
21	Loop 5 - Shopping Centre Gmbh	Dusseldorf (Germany)	50.00%	25.00%	50.00%	25.00%
	Loureshopping - Centro Comercial, SA	Maia	100.00%	25.00%	100.00%	50.00%
	Luz del Tajo - Centro Comercial, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
	Luz del Tajo, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
	Madeirashopping - Centro Comercial, SA	Funchal	50.00%	12.53%	50.00%	12.53%
	Maiashopping - Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
	MC Property Management, SA	Atenas (Greece)	75.00%	18.75%	75.00%	18.75%
8	Munster Arkaden BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
	NorteShop. Retail and Leisure Centre, BV	Amsterdam (The Netherlands)	50.00%	12.53%	50.00%	12.53%
	Norteshopping - Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	12.53%
	Oeste Retail Park - Gestão de G.Comer., SA	Maia	50.00%	25.00%	100.00%	50.00%
2 17	Pantheon Plaza 1, SA	Atenas (Greece)	100.00%	25.00%	-	-
2 14	Pantheon Plaza 2, SA	Atenas (Greece)	100.00%	25.00%	-	-
2 15	Pantheon Plaza 3, SA	Atenas (Greece)	100.00%	25.00%	-	-
10	Pantheon Plaza BV	Amsterdam (The Netherlands)	50.00%	25.00%	100.00%	50.00%
3	Paracentro - Gestão de Gal.Comerc. SA	Maia	100.00%	50.00%	100.00%	50.00%
	Park Avenue Develop. of Shop. Centers, SA	Atenas (Greece)	100.00%	25.00%	100.00%	25.00%
	Parque Atlântico Shopping - Centro Comercial SA	Ponta Delgada	50.00%	12.53%	50.00%	12.53%
	Parque D. Pedro 1, BV Sarl	Luxembourg	100.00%	25.00%	100.00%	25.00%
	Parque D. Pedro 2, BV Sarl	Luxembourg	100.00%	25.00%	100.00%	25.00%
	Parque de Famalicão - Empr. Imob., SA	Maia	100.00%	50.00%	100.00%	50.00%
	Parque Principado, SL	Madrid (Spain)	50.00%	12.53%	50.00%	12.53%
	Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	100.00%	23.69%	100.00%	23.30%
	Pátio Penha Shopping, Ltda	São Paulo (Brazil)	99.99%	23.69%	99.99%	23.30%
	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	100.00%	23.69%	100.00%	23.30%
	Pátio Sertório Shopping Ltda	São Paulo (Brazil)	100.00%	23.69%	100.00%	23.30%
1	Pátio Uberlândia Shopping Ltda	São Paulo (Brazil)	100.00%	23.69%	-	-
	Plaza Eboli - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Plaza Eboli, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Plaza Mayor Holding, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
	Plaza Mayor Parque de Ócio, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
	Plaza Mayor Parque de Ocio, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
	Plaza Mayor Shopping, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Plaza Mayor Shopping, SA	Madrid (Spain)	75.00%	37.50%	75.00%	37.50%
	Pridelease Investments, Ltd	Cascais	100.00%	50.00%	100.00%	50.00%
1	Project 4, Srl	Milan (Italy)	100.00%	50.00%	-	-
	Project SC 1, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
1	Project SC 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
	Project Sierra - Shopping Centre, GmbH	Viena (Áustria)	100.00%	50.00%	100.00%	50.00%
	Project Sierra 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
1	Project Sierra 5, BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
1	Project Sierra 6, BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
1	Project Sierra 7 BV	Bucareste (Romania)	100.00%	50.00%	-	-

	Project Sierra Brazil 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	25.00%
	Project Sierra Germany 2 (two), Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
1	Project Sierra Germany 3 (three), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	50.00%	-	-
1	Project Sierra Germany 4 (four), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	50.00%	-	-
1	Project Sierra Germany Shopping Centre 1 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
1	Project Sierra Germany Shopping Centre 2 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
5	Project Sierra Holding Portugal IV, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Holding Portugal V, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Italy 1 - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Italy 2 - Dev.of Shopping Centres, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Italy 3 - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
1	Project Sierra Italy 5 - Development of Shopping Centrs Sarl	Milan (Italy)	100.00%	50.00%	-	-
1	Project Sierra One Srl	Bucareste (Romania)	100.00%	50.00%	-	-
	Project Sierra Portugal I - C.Comercial, SA	Maia	50.00%	25.00%	50.00%	25.00%
	Project Sierra Portugal II - C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Portugal IV - C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Portugal V - C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Portugal VI - C. Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Portugal VII - C. Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Portugal VIII - C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Project Sierra Spain 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Spain 2 - C. Comerial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Spain 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Spain 3 - C. Comercial, SA	Madrid (Spain)	50.00%	25.00%	100.00%	50.00%
	Project Sierra Spain 3, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
1	Project Sierra Srl	Bucareste (Romania)	100.00%	50.00%	-	-
1	Project Sierra Three Srl	Bucareste (Romania)	100.00%	50.00%	-	-
1	Project Sierra Two Srl	Bucareste (Romania)	100.00%	50.00%	-	-
	Rio Sul - Centro Comercial, SA	Lisbon	50.00%	25.00%	50.00%	25.00%
9	River Plaza BV	Amesterdão (Holanda)	100.00%	50.00%	100.00%	50.00%
2 11	River Plaza Mall, Srl	Bucareste (Romania)	100.00%	50.00%	-	-
2	S.C. Microcom Doi Srl	Bucareste (Romania)	100.00%	50.00%	-	-
	SC Aegean, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
	SC Mediterraneum Cosmos, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
	Serra Shopping - Centro Comercial, S.A.	Covilhã	50.00%	25.00%	50.00%	25.00%
6	Shopping Centre Colombo Holding, BV	Amsterdam (The Netherlands)	50.00%	12.53%	100.00%	50.00%
	Shopping Centre Parque Principado, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
24	Shopping Penha, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	25.00%
	Sierra Asset Management - Gest. Assets, SA	Maia	100.00%	50.00%	100.00%	50.00%
1	Sierra Asset Management Luxemburg, Sarl	Luxembourg	100.00%	50.00%	-	-
	Sierra Brazil 1, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	25.00%
	Sierra Charagionis Develop. of Shop, Centers, SA	Atenas (Greece)	50.00%	25.00%	50.00%	25.00%
	Sierra Charagionis Propert.Management, SA	Atenas (Greece)	50.00%	25.00%	50.00%	25.00%
	Sierra Corporate Services - Ap.Gestão, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
	Sierra Corporate Services Holland, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Develop.Iberia 1, Prom.Imob., SA	Maia	100.00%	50.00%	100.00%	50.00%
	Sierra Developments - Serv. Prom.Imob., SA	Maia	100.00%	50.00%	100.00%	50.00%
	Sierra Developments Germany GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Sierra Developments Germany Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Developments Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Developments Italy, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%

	Sierra Developments of Shopping Centres Greece, SA	Atenas (Greece)	100.00%	50.00%	100.00%	50.00%
1	Sierra Developments Services Srl	Bucareste (Romania)	100.00%	50.00%	-	-
	Sierra Developments Spain - Prom.C.Com., SL	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Sierra Developments, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Sierra Enplanta, Ltda	São Paulo (Brazil)	100.00%	23.69%	100.00%	23.30%
	Sierra European R.R.E. Assets Hold., BV	Amsterdam (The Netherlands)	50.10%	25.05%	50.10%	25.05%
	Sierra GP, Amount limitd	Guernsey (U.K.)	100.00%	49.99%	100.00%	49.99%
	Sierra Investments Brasil Ltda	São Paulo (Brazil)	100.00%	23.69%	100.00%	23.30%
	Sierra Investments (Holland) 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Investments (Holland) 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Investments Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Investments SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Sierra Italy Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Man.New Tech.Bus. - Serv.Comu.CC, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
	Sierra Management Germany, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
1	Sierra Management Greece, SA	Atenas (Greece)	100.00%	50.00%	-	-
	Sierra Management II - Gestão de C.C., SA	Lisbon	100.00%	50.00%	100.00%	50.00%
	Sierra Management Italy, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
	Sierra Management Portugal - Gest. CC, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
1 16	Sierra Management Romania, Srl	Bucareste (Romania)	100.00%	50.00%	-	-
	Sierra Management Spain - Gestión C.Com., SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Sierra Management, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
	Sol Retail Park - Gestão de G. Comerc., SA	Maia	50.00%	25.00%	100.00%	50.00%
	Sonae Sierra Brasil, Ltda	São Paulo (Brazil)	94.54%	23.69%	93.21%	23.30%
	Sonae Sierra Brazil, BV Sarl	Luxembourg	50.00%	25.00%	50.00%	25.00%
	Sonae Sierra, SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%
1	SPF - Sierra Portugal Fund, Sarl	Luxembourg	100.00%	50.00%	-	-
	SRP - Parque Comercial de Setúbal, SA	Maia	50.00%	25.00%	50.00%	25.00%
12	Torre Ocidente - Imobiliária, SA	Maia	50.00%	12.50%	100.00%	12.53%
13	Torre Oriente - Imobiliária, SA	Maia	50.00%	12.50%	100.00%	12.53%
	Unishopping Administradora, Ltda	São Paulo (Brazil)	100.00%	23.69%	100.00%	23.30%
	Unishopping Consultoria Imob., Ltda	São Paulo (Brazil)	99.98%	23.69%	99.98%	23.30%
	Valecenter Srl	Milan (Italy)	100.00%	25.05%	100.00%	25.05%
	Via Catarina - Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
7 19	Weiterstadt Shopping BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
	Zubiarte Inversiones Inmob, SA	Madrid (Spain)	49.83%	12.48%	49.83%	12.48%
	TELECOMMUNICATIONS					
1	Vipu ACE	Lisbon	50.00%	25.26%	-	-

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

1 Company incorporated in the period;
2 Company acquired in the period;
3 Ex - Estação Oriente - Gestão de Galerias Comerciais, SA;
4 Ex - Monselice Center, Srl;
5 Company merged into Project Sierra holding V, SGPS, SA;
6 Ex - Project Sierra Spain 4 BV;
7 Ex - Project Sierra 1, BV;
8 Ex - Project Sierra 3, BV;
9 Ex - Project Sierra 4, BV;
10 Ex - Project Sierra Spain 5 BV;
11 Ex - S.C.Setler Mina Srl;
12 Ex - Torre Colombo Ocidente - Imobiliária, SA;
13 Ex - Torre Colombo Oriente - Imobiliária, SA;
14 Ex - Dory, SA;
15 Ex - Kamaras, SA;
16 Ex - Sierra Property Management, Srl;
17 Ex - Athienitis Larissa, SA;
18 Company sold in the period;19) Ex - Loop 5, BV;
19 Ex - Loop 5, BV;
20 Ex - Proj.Sierra Charagionis 1, SA;
21 Ex - Project Sierra Germany 1 - Shopping Centre, GmbH;
22 Ex - Project Sierra Portugal III - C.Comercial, SA;
23 Acquisition of the remaining 50% on December 2007;
24 Companies merged into Sierra Brazil 1 BV;
25 Companied merged into Alexa Shopping Centre Gmbh.

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.DECEMBER.2007	31.DECEMBER.2006
Non-current assets	4,590,187,152	3,373,955,684
Current assets	515,149,354	410,950,166
Non-current liabilities	1,996,914,291	1,536,668,427
Current liabilities	618,951,030	321,914,057

	31.DECEMBER.2007	31.DECEMBER.2006
Income	444,471,226	359,865,987
Expenses	296,380,772	238,446,235

Additionally, the information related with Shopping Centres in Note 51 corresponds to the contribute to the consolidated financial statements of the companies referred above which are consolidated in accordance with proportionate method.

7. INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies, their head offices and the percentage of share capital held as at 31 December 2007 and 2006 are as follows:

			PERCENTAGE OF CAPITAL HELD					
			31.DECEMBER.2007		31.DECEMBER.2006		BOOK VALUE	
	COMPANY	Head Office	Direct	Total	Direct	Total	31.December.2007	31.December.2006
	RETAIL							
	Mundo Vip - Operadores Turísticos, SA	Lisbon	33.33%	33.33%	33.33%	33.33%	2,924,947	3,097,390
	Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	25.00%	943,957	506,796
8	Fundo de Investimento Imobiliário Fechado Imosede	Maia	42.16%	42.16%	-	-	34,010,917	-
	SHOPPING CENTRES							
	Campo Limpo Lda	S. Paulo (Brazil)	20.00%	4.70%	20.00%	5.00%	1,248,144	851,744
	Mediterranean Cosmos Shop. Centre Investments, SA	Atenas (Greece)	39.90%	9.98%	39.90%	9.98%	10,749,437	9,196,940
	SIC Indoor - Gest. Suportes Publicitários, SA	Oeiras	35.00%	17.50%	35.00%	17.50%	-	-
	TELECOMMUNICATIONS							
	Net Mall SGPS, SA	Maia	39.51%	19.96%	39.51%	20.51%	-	-
1	Profimetrics - Software Solutions, SA	Maia	30.00%	15.16%	30.00%	15.58%	-	29,530
	SIRS - Sociedade Independente de Radiodifusão Sonora, SA	Porto	45.00%	22.73%	45.00%	23.13%	168,690	143,674
	Unipress - Centro Gráfico, Lda	Vila Nova de Gaia	40.00%	20.21%	40.00%	20.56%	463,429	476,980
	SERVICES							
5	Andar - Sociedade Imobiliária, SA	Maia	50.00%	50.00%	50.00%	50.00%	-	-
5	Car Plus - Comércio de Automóveis, SA	Vila Nova de Gaia	100.00%	50.00%	100.00%	50.00%	-	-
5	Change, SGPS, SA	Porto	50.00%	50.00%	50.00%	50.00%	-	2,043,244
5	Choice Car - Comércio de Automóveis, SA	Porto	100.00%	50.00%	100.00%	50.00%	-	-
5	Choice Car, SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%	-	1,057,626
5	Etablissement A. Mathe, SA	France	27.74%	27.74%	27.74%	27.74%	-	57,475
5	Finlog - Aluguer e Comércio de Automóveis, SA	Matosinhos	100.00%	50.00%	100.00%	50.00%	-	-
5	Guerin - Rent a Car (Dois), Lda	Lisbon	100.00%	50.00%	100.00%	50.00%	-	-
1	Interclean, SA	Brazil	49.99%	12.77%	49.99%	12.77%	-	436,750
4 5	Island Rent, Aluguer de Automóveis, SA	Loures	50.00%	50.00%	-	-	-	-
5	Lidergraf - Artes Gráficas, Lda	Vila de Conde	24.50%	24.50%	25.50%	25.50%	-	1,153,522
5	Luso Assistência - Gestão de Acidentes, SA	Porto	100.00%	50.00%	100.00%	50.00%	-	-
5	Norscut - Concessionária de Scut Interior Norte, SA	Lisbon	25.00%	25.00%	25.00%	25.00%	-	-
5	Operscut - Operação e Manutenção de Auto-estradas, SA	Lisbon	15.00%	15.00%	15.00%	15.00%	-	24,000
2	Pargeste SGPS, SA	Maia	40.00%	40.00%	40.00%	40.00%	-	131
5	Sociedade de Construções Chile, SA	Lisbon	100.00%	50.00%	100.00%	50.00%	-	-
5	Sociedade Imobiliária Troia - B3, SA	Grândola	20.00%	20.00%	20.00%	20.00%	-	478,162
5	Sodesa - Comercialização de Energia, SA	Lisbon	50.00%	50.00%	50.00%	50.00%	-	676,236
5	TP - Sociedade Térmica Portuguesa, SA	Porto	50.00%	50.00%	50.00%	50.00%	-	7,743,948
5	Vastgoed One - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%	-	-
5	Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%	-	-
	OTHERS							
3 6	Cooper Gay (Holding) Amount limitd	U.K.	13.68%	13.68%	-	-	20,061,065	-
7	Développment & Partenariat Holding 2, SA	Paris (France)	35.00%	35.00%	35.00%	35.00%	-	1,338,660
6	Lazam Corretora, Ltda	Brazil	45.00%	45.00%	45.00%	45.00%	2,978,054	2,278,646
	TOTAL						**73,548,640**	**31,591,454**

1 Company sold in the period;
2 Acquisition of 49.99% of the company's share capital. Started to be included by the full consolidation method;
3 Participation acquired in the period;
4 Company incorporated in the period;
5 Companies demerged from the Sonae Group since 1 October 2007 into Sonae Capital Group;
6 Associated companies previously reported in Services Segment;
7 Associated company previously reported in Services segment, but sold during the year;
8 This subsidiary was demerged to Sonae Capital by 57,84%. Therefore started to be included by the equity method.

Nil balances shown result from the reduction to acquisition cost of amounts determined by the equity method.

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

As at 31 December 2007 and 2006, aggregate values of main financial indicators of associated companies are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Total Assets	466,865,963	235,919,297	1,383,264,475
Total Liabilities	231,682,571	122,785,444	1,207,976,396
Income	290,905,131	201,595,965	408,902,543
Expenses	260,445,776	153,082,511	360,623,116

During the periods ended 31 December 2007 and 2006, movements in Investments in associated companies, are made up as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Proportion on equity	Goodwill	Total of investment	Proportion on equity	Goodwill	Total of investment
INVESTMENTS IN ASSOCIATED COMPANIES						
Initial balance as at January	28,632,906	2,958,551	31,591,457	17,938,754	2 958 551	20,897,305
Transfers to goodwill	(4,497,548)	4,497,548	-	-	-	-
Acquisitions during the period	25,457,579	-	25,457,579	3,311,440	-	3,311,440
Disposals during the period	(1,377,211)	-	(1,377,211)	(507)	-	(507)
Goodwill recognised during the period	(18,050,891)	18,050,891	-	-	-	-
Equity method						
Effect in net income	2,704,264	-	2,704,264,	10,425,088	-	10,425,088
Effect in equity	(3,501,384)	-	(3,501,384)	(2,337,500)	-	(2,337,500)
Demerger	(12,421,826)	(3,427,021)	(15,848,847)	-	-	-
Transfers	34,522,784	-	34,522,784	(704,369)	-	(704,369)
Investments in associated companies	**51,468,673**	**22,079,969**	**73,548,642**	**28,632,906**	**2 958 551**	**31,591,457**

Transfers include 34,536,577 euros regarding the investment in Fundo de Investimento Imobiliário Imosede that after demerger became an associate, as its only owned by 42.16%, and therefore started to be included in accordance with equity method.

8. GROUP COMPANIES, JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES EXCLUDED FROM CONSOLIDATION AND OTHER NON CURRENT INVESTMENTS

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 2007 and 2006 are as follows:

				PERCENTAGE OF CAPITAL HELD					
				31.DECEMBER.2007		31.DECEMBER.2006		BOOK VALUE	
	COMPANY	Reason for Exclusion	Head Office	Direct	Total	Direct	Total	31.December.2007	31.December.2006
	RETAIL								
	Dispar - Distrib. de Participações, SGPS, SA		Lisbon	7.14%	7.14%	7.14%	7.14%	4,988	4,988
	Insco - Insular de Hipermerc., SA		Ponta Delgada	10.00%	10.00%	10.00%	10.00%	748,197	748,197
	SHOPPING CENTRES								
	Ercasa Cogeneracion SA		Grancasa (Spain)	10.00%	1.25%	10.00%	1.25%	23,949	23,949
	TELECOMMUNICATIONS								
	Altitude, SGPS, SA		Lisbon	11.54%	5.83%	11.54%	5.99%	1,000,000	1,000,000
1	Despegar.com		Porto	-	-	5.50%	2.86%	-	-
	Lusa - Agên. de Noticias de Portugal, SA		Lisbon	1.38%	0.70%	1.38%	0.71%	197,344	197,344
	Minhodigital.com - Inv. na Área Tecnológ., SA		Porto	4.76%	2.40%	4.76%	2.41%	-	-
1	Outsystems, Software de Rede, SA		Oeiras	-	-	1.50%	0.75%	-	-
1	Portugal Telecom, SGPS, SA		Lisbon	-	-	1.00%	0.52%	-	111,109,905
	SERVICES								
4 5	Arbiworld BV		Porto	100.00%	100.00%	-	-	-	-
1	Bar-Bar-Idade Glass - Services de Gestão e Investments, SA		Porto	-	-	7.83%	7.83%	-	12,060,507
5	Delphinus - Soc. de Tur. e Div. de Tróia, SA	a)	Grândola	79.00%	79.00%	79.00%	79.00%	-	-
3 5	Elmo SGPS, SA		Maia	60.00%	60.00%	100.00%	100.00%	-	-
5	Fun International Entertainment, SA	a)	Porto	50.00%	50.00%	50.00%	50.00%	-	-
5	Infratroia - Emp. de Infraest. de Troia, E.N.	a)	Grândola	25.90%	25.90%	25.90%	25.90%	-	55,662
5	Net, SA		Lisbon	2.80%	2.80%	2.80%	2.80%	-	11,132
5	Operscut - Operação e Manutenção de Auto-estradas, SA		Lisbon	15.00%	15.00%	15.00%	15.00%	-	-
1 5	Plysorol Contreplaques, SAS	a)	France	100.00%	100.00%	100.00%	100.00%	-	37,000
5	Sociedade Europeia de Arroz - SEAR, SA		Santiago do Cacém	15.00%	15.00%	15.00%	15.00%	-	150,031
2 5	Sonae Indústria, SGPS, SA		Maia	6.80%	6.80%	6.80%	6.80%	-	71,414,143
6	Sonae RE, SA	a)	Luxemburg	100.00%	100.00%	100.00%	100.00%	-	1,250,000
5	Spidouro S.P.E.I. Douro e Trás-os-Montes, SA		Vila Real	8.30%	8.30%	8.30%	8.30%	-	-
	OTHERS								
1	First Assur, SA		France	11.08%	11.08%	11.08%	11.08%	-	959,724
	Sonae Investments América Latina, Lda	a)	São Paulo (Brazil)	99.99%	99.99%	99.99%	99.99%	25,687	25,687
	Other investments							10,054,992	34,008,074
	TOTAL (NOTE 15)							**12,055,157**	

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;

1 Sold in the period;
2 Participation measured at fair value;
3 Due to the sale of 40% of the share capital of Elmo, SGPS, SA on 27 June 2007 with transfer of control, this company and all its subsidiaries were excluded from consolidation since that date;
4 Company acquired in the period, over which exist buying and selling options, so it had been excluded from consolidation;
5 Companies demerged from the Group since 1 October 2007;
6 Included on consolidation by full consolidation method in 2007.

Nil balances shown above result from deduction of impairment losses from related investments (Note 15).

As at 31 December 2007, other investments include 8,151,301 euros related with the advance payment for the acquisition of an owner of an investment property named Ploiesti and which acquisition is estimated to be concluded during 2008. As at 31 December 2006, this caption includes 32,500,370 euros of deposits in an Escrow Account which were invested in investments funds with superior rating and which were transferred to Current Investments (Note 15).

9. CHANGES TO THE CONSOLIDATION PERIMETER

On 14 December 2007 Sonae, SGPS, SA, demerged its shareholding in Sonae Capital, SGPS, S.A. meanwhile renamed SC, SGPS, S.A.. The demerger produced accounting effects on 1 October 2007 and from that date onwards SC, SGPS, SA and its affiliated companies are not included in Sonae, SGPS, SA consolidated financial statements. Consequently, SC SGPS, S.A. and its affiliated companies contribute with nine months operations to consolidated income statement and were classified as Discontinued operations in accordance with IFRS 5.

On 27 June 2007, Sonae Capital , SGPS, SA announced the sale of 40% of the financial participation at Elmo, SGPS, SA and its affiliated companies with transfer of control, thus the company and its subsidiaries were consolidated up to June, 2007 and only contribute with six months to the Sonae SGPS consolidated income statement, having also been classified as Discontinued Operations.

Main disposals and acquisitions of companies over the twelve month period ended 31 December 2007 are as follows:

Additions

	PERCENTAGE OF CAPITAL HELD		
		31.DECEMBER.2007	
ACQUISITIONS	HEAD OFFICE	DIRECT	TOTAL
RETAIL			
Continente Hipermercados, SA	Lisbon	99.86%	99.86%
Modelo Continente Insurance - Soc.Mediação, SA	Porto	100.00%	100.00%
Valor N, SA	Matosinhos	100.00%	100.00%
SHOPPING CENTRES			
KLC Holdings XII SA	Luxemburg	100.00%	50.00%
Larissa Development of Shopping Centres, SA	Atenas (Greece)	100.00%	25.00%
Lemo Services Ltd	Chipre	100.00%	50.00%
Pantheon Plaza 1, SA	Larissa (Greece)	100.00%	25.00%
Pantheon Plaza 2, SA	Larissa (Greece)	100.00%	25.00%
Pantheon Plaza 3, SA	Larissa (Greece)	100.00%	25.00%
River Plaza Mall, Srl	Ramnicu Valcea (Romania)	100.00%	50.00%
S.C. Microcom Doi Srl	Bucareste (Romania)	100.00%	50.00%
TELECOMMUNICATIONS			
Cape Asia Pac Pty Amount limitd	Australia	100.00%	50.52%
Cape Poland Sp.Z.o.o.	Posnan (Poland)	100.00%	50.52%
Cape Tecnologies (U.K) Limitied	Cardiff (U.K.)	100.00%	50.52%
Cape Tecnologies Americas, Inc.	Delaware (USA)	100.00%	50.52%
Cape Tecnologies Limitied	Dublin (Ireland)	100.00%	50.52%
Praesidium Holdings Amount limitd	Berkshire (U.K.)	100.00%	50.52%
Praesidium Services Amount limitd	Berkshire (U.K.)	100.00%	50.52%
Praesidium Technologies Amount limitd	Berkshire (U.K.)	100.00%	50.52%
Tecnológica Telecommunications Ltda	Rio de January (Brazil)	100.00%	50.47%
Telemilénio - Telecommunications Soc.Unipessoal, Lda	Lisbon	100.00%	50.52%
SERVICES			
DMJB, SGPS, SA	Maia	100.00%	100.00%
Pargeste, SGPS, SA	Maia	89.99%	89.99%

Disposals

		PERCENTAGE OF CAPITAL HELD	
		31.DECEMBER.2007	
COMPANY	HEAD OFFICE	DIRECT	TOTAL
SHOPPING CENTRES			
Lima Retail Park, SA	Viana do Castelo	50.00%	25.00%
SERVICES			
Casa Agrícola João e António Pombo, SA	Portel	66.67%	66.67%
Elmo SGPS, SA	Maia	60.00%	60.00%
Espimaia - Sociedade Imobiliária, SA	Maia	100.00%	100.00%
Esprit du Monde, SA	Portel	100.00%	66.67%
Ipaper - Industria Papeis Impregnados, SA	Maia	100.00%	51.00%
Isoroy Casteljaloux	Casteljaloux (France)	100.00%	100.00%
Leroy Gabon, SA	Libreville (Gabon)	99.99%	59.99%
Placage d'Okoumé du Gabon	Libreville (Gabon)	99.88%	59.93%
Plysorol SAS	Niort (France)	100.00%	60.00%
Safira Services - Limpeza Espaços Verd., SA	Porto	51.00%	51.00%
OTHERS			
Agloma Investments, SGPS, SA	Maia	100.00%	100.00%
Aserraderos de Cuellar, SA	Madrid (Spain)	100.00%	100.00%
Imoplamac Gestão de Imóveis, SA	Santarém	100.00%	100.00%
Somit-Soc.Mad.Ind.Transformadas, SA	Oliveira do Hospital	100.00%	100.00%

Acquisition Effect

Acquisitions mentioned above had the following impact on the financial statements as at 31 December 2007:

	ACQUISITION DATE					31.DECEMBER.2007
	CONTINENTE HIPERMERCADOS	SHOPPING CENTRES	TELECOMMUNICATIONS	OTHERS	TOTAL	TOTAL
Acquired net assets						
Investment properties (Note 13)	-	47,334,910	-	-	47,334,910	50,621,154
Tangible and intangible assets (Notes 11 and 12)	267,013,229	146	24,732,587	886,152	292,632,114	299,873,675
Inventories	34,475,424	-	87,676	-	34,563,100	34,570,900
Deferred tax assets	2,137,920	-	-	77,725	2,215,645	2,272,626
Others Assets	5,788,904	241,398	16,522,465	8,489,676	31,042,443	21,980,150
Cash and cash equivalents	1,347,294	1,220,284	2,936,440	897,786	6,401,804	3,730,258
Loans	(83,038,919)	(10,472,694)	(239,185)	(509,308)	(94,260,106)	(83,300,234)
Deferred tax liabilities	(292,337)	(4,660,260)	-	(355,419)	(5,308,016)	(6,334,763)
Others Liabilities	(150,218,081)	(6,354,467)	(6,224,481)	(704,937)	(163,501,966)	(166,942,499)
	77,213,434	**27,309,317**	**37,815,502**	**8,781,675**	**151,119,928**	**156,471,267**
Minority interests (Note 25)	(104,393)	-	(9,573,370)	-	(9,677,763)	(7,516,492)
Goodwill (Note 14)	504,847,714	4,226,582	10,551,697	15,579,267	535,205,260	
ACQUISITION PRICE	**581,956,755**	**31,535,899**	**38,793,829**	**24,360,942**	**676,647,425**	
Total consideration paid (including acquisition costs)	612,370,755	31,491,796	34,234,230	23,700,942	701,797,723	
Amounts receivable as result of the price adjustment (Note 19)	(30,414,000)	-	-	-	(30,414,000)	
Amounts payable	-	44,103	4,559,599	660,000	5,263,702	
	581,956,755	**31,535,899**	**38,793,829**	**24,360,942**	**676,647,425**	
Net cash outflow arising from acquisition						
Cash consideration paid	612,370,755	31,491,796	34,234,230	23,700,942	701,797,723	
Cash and cash equivalents acquired	(1,347,294)	(1,220,284)	(2,936,440)	(897,787)	(6,401,804)	
	611,023,461	**30,271,512**	**31,297,790**	**22,803,156**	**695,395,919**	

The subsidiary Continente Hipermercados (ex-Carrefour Portugal) was only acquired at the end of 2007, therefore no fair value allocation to acquired assets was made. The fair value estimate of acquired assets will be made during 2008. Consequently the value of the goodwill is considered to be provisional.

Additionally the impacts of the above acquisition on the income statement can be described as follows:

	31.DECEMBER.2007				
	RETAIL	SHOPPING CENTRES	TELECOMMUNICATIONS	OTHERS	TOTAL
Operational income	-	1,106,341	18,353,860	(381,340)	19,078,861
Operational costs	-	(480,066)	(22,526,092)	(506,690)	(23,512,848)
Financial net income	-	(279,382)	(87,986)	21,691	(345,677)
Earnings before taxes	-	346,893	(4,260,218)	(866,339)	(4,779,664)
Taxes	-	(259,114)	(4,681)	50,470	(213,325)
Net income	-	87,779	(4,264,899)	(815,869)	(4,992,989)

If the acquisition of Continente Hipermercados had been reported to 1 January 2007, operational income would be increased by 589,137,736 euros.

Disposals effects

The net assets of disposal affiliated companies at the disposal date and 31 December 2006 are as follows:

	DATE OF DISPOSAL	31.DECEMBER.2006
DISPOSAL NET ASSETS		
Investment properties (Note 13)	3,991,500	2,918,714
Tangible and intangible assets (Note 11 e 12)	51,522,336	49,041,112
Inventories	32,852,550	32,014,126
Others Assets	87,715,037	48,261,723
Cash and cash equivalents	9,131,826	1,305,681
Loans	(22,627,891)	(19,074,693)
Others Liabilities	(118,982,303)	(93,175,948)
	43,603,055	21,290,715
Minority interests (Note 25)	(2,171,988)	(1,338,294)
Goodwill (Note 14)	2,104,656	719,606
	43,535,723	20,672,027
Impairment loss in amounts receivable	19,794,479	
Gain/(Loss) in disposal	(1,017,778)	
Disposal price	**62,312,424**	
AMOUNTS RECEIVED		
Sales price received	29,548,533	
Loans reimbursed	9,985,596	
Amounts to be received	22,778,295	
	62,312,424	
NET CASH INFLOW ARISING FROM DISPOSALS		
Cash consideration received	39,534,129	
Cash and cash equivalents disposed of	(9,131,826)	
	30,402,303	

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

	DATE OF DISPOSAL	31.DECEMBER.2006
Turnover	85,565,161	164,743,452
Other operational income	9,621,760	18,276,481
Cost of goods sold and materials consumed	(47,007,780)	(80,986,571)
Other operational expenses	(39,912,061)	(101,600,839)
Net financial expenses	(2,995,612)	(7,387,899)
Share of results of associates	1,836,591	9,942
Profit/(Loss) before taxation	7,108,059	(6,945,434)
Income tax	(472,668)	(999,361)
Net Profit/(Loss)	6,635,391	(7,944,795)

Demerger effects

The effects on the consolidated balance sheet of demerged net assets of Sonae Capital and its affiliated companies as at the demerger date and as 31 December 2006 are as follows:

	DEMERGER DATE	31.DECEMBER.2006
De-merged net assets		
Tangible and intangible assets (Note 11 e 12)	323 078 260	284,859,067
Investments	89 455 855	87,227,983
Deferred tax assets (Note 22)	10 643 996	4,742,146
Inventories	134 202 467	93,381,894
Others Assets	140 025 952	186,308,963
Cash and cash equivalents	32 307 718	15,910,737
Loans	(233 828 805)	(177,975,531)
Deferred tax liabilities (Note 22)	(5 846 228)	(4,923,517)
Others Liabilities	(185 464 429)	(156,454,049)
Provisions	(21 816 742)	(18,763,384)
	282 785 044	314,314,309
Minority interests (Note 25)	9 310 396	11,507,353
Goodwill (Note 14)	65 801 969	33,436,211
Total	357 870 409	359,257,873

The demerger effect on Investments includes the carrying amount of investments demerged net of impairment losses of 7,923,733 euro, less the carrying amount of Fundo de Investimento Imobiliário Fechado Imosede (Note 7).

The impact of the demerger on the income statement may be detailed as follows:

	DATE DA DEMERGER	31.DECEMBER.2006
Turnover	126,140,073	168,329,078
Other operational income	110,870,639	140,183,105
Cost of goods sold and materials consumed	(36,209,386)	(44,158,243)
Changes in stocks of finished goods and work in progress	26,474,632	8,564,649
Other operational expenses	(225,013,230)	(273,231,221)
Net financial expenses	(6,208,838)	(343,387)
Share of results of associated undertakings	7,067,416	8,666,789
Profit/(Loss) before taxation	3,121,306	8,010,770
Income tax	785,734	(4,338,437)
Net Profit/(Loss)	3,907,040	3,672,333

10. FINANCIAL INSTRUMENTS BY CLASS

The accounting policies disclosed in Note 2.13 have been applied to the line items below:

Financial assets

	Note	Assets at fair value through profit or loss (Note 28)	Loans and accounts receivable	Available for sale	Hedging derivatives (Note 28)	Sub-total	Assets not within scope of IFRS 7	Total
AS AT 31 DECEMBER 2007								
Non-current assets								
Other investments	8 e 15	-	-,	12,055,157	-	12,055,157	-	12,055,157
Other non-current assets	16	-	13,158,533	-	7,346,945	20,505,478	54,111,271	74,616,749
		-	**13,158,533**	**12,055,157**	**7,346,945**	**32,560,635**	**54,111,271**	**86,671,906**
Current assets								
Trade receivables	18	-	229,073,319	-	-	229,073,319	-	229,073,319
Other debtors	19	-	153,721,689	-	-	153,721,689	-	153,721,689
Investments	15	2,151,335	56,093,108	-	1,825,481	60,069,924	-	60,069,924
Cash and cash equivalents	23	-	286,401,453	-	-	286,401,453	-	286,401,453
		2,151,335	**725,289,569**	**-**	**1,825,481**	**729,266,385**	**-**	**729,266,385**
		2,151,335	**738,448,102**	**12,055,157**	**9,172,426**	**761,827,020**	**54,111,271**	**815,938,291**
AS AT 31 DECEMBER 2006								
Non-current assets								
Other investments	8 e 15	-	-	233,056,343	-	233,056,343	-	233,056,343
Other non-current assets	16	-	39,758,155	-	4,035,714	43,793,869	287,817	44,081,686
		-	**39,758,155**	**233,056,343**	**4,035,714**	**276,850,212**	**287,817**	**277,138,029**
Current assets								
Trade receivables	18	-	257,023,821	-	-	257,023,821	-	257,023,821
Other debtors	19	-	119,632,514	-	-	119,632,514	-	119,632,514
Investments	15	49,458	33,212,402	-	-	33,261,860	-	33,261,860
Cash and cash equivalents	23	-	662,475,440	-	-	662,475,440	-	662,475,440
		49,458	**1,072,344,177**	**-**	**-**	**1,072,393,635**	**-**	**1,072,393,635**
		49,458	**1,112,102,332**	**233,056,343**	**4,035,714**		**287,817**	**1,349,531,664**

Financial liabilities

	Note	Liabilities at fair value through profit or loss (Note 28)	Hedging derivatives (Note 28)	Financial liabilities recorded at amortised cost	Sub-total	Liabilities not within scope of IFRS 7	Total
AS AT 31 DECEMBER 2007							
Non-current liabilities							
Bank loans	26	-	-	1,059,691,078	1,059,691,078	-	1,059,691,078
Bonds	26	-	-	1,744,850,709	1,744,850,709	-	1,744,850,709
Obligations under finance leases	26	-	-	23,470,674	23,470,674	-	23,470,674
Other loans	26	-	828,199	276,330	1,104,529	-	1,104,529
Others Non-current liabilities	29	-	-	310,865,774	310,865,774	2,157,352	313,023,126
		-	**828,199**	**3,139,154,565**	**3,139,982,764**	**2,157,352**	**3,142,140,116**
Current liabilities							
Bank loans	26	-	-	129,207,708	129,207,708	-	129,207,708
Bonds	26	-	-	-	-	-	-
Obligations under finance leases	26	-	-	8,709,711	8,709,711	-	8,709,711
Other loans	26	363,463	-	36,229	399,692	-	399,692
Trade creditors	31	-	-	988,803,378	988,803,378	-	988,803,378
Other creditors	32	-	-	211,178,688	211,178,688	-	211,178,688
		363,463	**-**	**1,337,935,714**	**1,338,299,177**	**-**	**1,338,299,177**
		363,463	**828,199**	**4,477,090,279**	**4,478,281,941**	**2,157,352**	**4,480,439,293**
AS AT 31 DECEMBER 2006							
Non-current liabilities							
Bank loans	26			1,017,101,563	1,017,101,563		1,017,101,563
Bonds	26			1,086,979,932	1,086,979,932		1,086,979,932
Obligations under finance leases	26	-	-	31,124,322	31,124,322	-	31,124,322
Other loans	26		121,116	7,369,965	7,491,081	-	7,491,081
Others Non-current liabilities	29			97,961,000	97,961,000	7,526,112	105,487,112
		-	121,116	2,240,536,782	2,240,657,898	7,526,112	2,248,184,010
Current liabilities							
Bank loans	26			510,050,999	510,050,999		510,050,999
Bonds	26			74,777,292	74,777,292		74,777,292
Obligations under finance leases	26	-	-	9,279,339	9,279,339	-	9,279,339
Other loans	26	116,043	-	21,707,821	21,823,864	-	21,823,864
Trade creditors	31			829,754,736	829,754,736		829,754,736
Other creditors	32			198,850,003	198,850,003		198,850,003
		116,043	**-**	**1,644,420,190**	**1,644,536,233**	**-**	**1,644,536,233**
		116,043	**121,116**	**3,884,956,972**	**3,885,194,131**	**7,526,112**	**3,892,720,243**

As at 31 December 2007 and 2006, the financial instruments at fair value through profit/loss are only the ones that do not qualify as hedging derivatives (Note 28).

11. TANGIBLE ASSETS

During the periods ended 31 December 2007 and 2006, movements in Tangible assets as well as depreciation and accumulated impairment losses, are made up tas follows:

	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 2006	1,441,897,812	1,190,596,282	20,969,558	236,116,796	23,183,311	85,169,758	2,997,933,517
Changes in consolidation perimeter	-	(2,417,191)	(128,896)	(597,274)	(283,318)		(3,426,679)
Capital expenditure	37,357,947	7,077,935	830,857	9,675,100	936,202	332,355,479	388,233,520
Disposals	(25,784,291)	(24,203,750)	(1,046,459)	(12,053,426)	(517,291)	(3,541,902)	(67,147,119)
Exchange rate effect	(110,448)	(35,474)	(5,065)	(19,206)	(815)	(4,012)	(175,020)
Transfers	88,135,327	181,479,249	1,696,808	13,511,869	2,338,576	(288,738,564)	(1,576,735)
Opening balance as at 1 January 2007	1,541,496,347	1,352,497,051	22,316,803	246,633,859	25,656,665	125,240,759	3,313,841,484
Capital expenditure	31,455,794	14,943,970	446,956	7,094,378	192,485	380,147,801	434,281,384
Acquisitions of subsidiaries (Note 9)	236,609,142	45,114,178	1,655,762	8,236,973	18,401,874	57,582,766	367,600,695
Disposals	(24,002,562)	(38,334,429)	(965,536)	(10,922,160)	(465,407)	(1,897,140)	(76,587,234)
Disposals of subsidiaries (Note 9)	(60,776,673)	(75,000,371)	(4,767,997)	(3,202,678)	(6,829,635)	(5,133,454)	(155,710,808)
Demerger	(249,126,397)	(59,110,795)	(1,854,826)	(8,514,595)	(4,350,908)	(69,615,773)	(392,573,294)
Exchange rate effect	353,265	91,110	8,849	46,877	2,930	9,189	512,220
Transfers	73,784,970	194,131,579	1,108,495	11,071,281	3,443,707	(309,840,797)	(26,300,765)
Closing balance as at 31 December 2007	1,549,793,886	1,434,332,293	17,948,506	250,443,935	36,051,711	176,493,351	3,465,063,682
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Opening balance as at 1 January 2006	264,496,740	630,899,802	17,760,258	158,500,211	17,870,865	271,167	1,089,799,043
Changes in consolidation perimeter	-	(2,082,886)	(36,564)	(393,711)	(267,136)	-	(2,780,297)
Charge for the period	39,630,694	118,099,322	1,327,746	26,352,624	2,188,106	7,295	187,605,787
Disposals	(6,060,162)	(17,037,801)	(839,761)	(11,276,405)	(361,629)	-	(35,575,758)
Exchange rate effect	377	(6,827)	(818)	(5,263)	(1,644)	-	(14,175)
Transfers	1,200,252	(3,225,745)	3,882	1,203,134	20,857	1,028,607	230,987
Opening balance as at 1 January 2007	299,267,901	726,645,865	18,214,743	174,380,590	19,449,419	1,307,069	1,239,265,587
Charge for the period	33,564,031	126,774,614	1,362,173	24,778,838	2,463,039	1,700	188,944,395
Acquisitions of subsidiaries (Note 9)	50,515,179	21,030,452	1,097,436	6,165,821	14,072,536	-	92,881,424
Disposals	(7,796,830)	(16,574,094)	(743,986)	(9,083,622)	(434,950)	-	(34,633,482)
Disposals of subsidiaries (Note 9)	(30,714,710)	(57,640,868)	(4,670,013)	(2,831,829)	(6,662,325)	(2,214,305)	(104,734,050)
Demerger (Note 9)	(34,411,598)	(25,108,894)	(1,335,506)	(6,450,388)	(3,007,297)	(9,138)	(70,322,821)
Exchange rate effect	13,174	19,674	2,139	7,624	5,742	-	48,353
Transfers	(512,459)	(534,032)	(13,092)	(476,146)	(34,435)	914,674	(655,490)
Closing balance as at 31 December	309,924,688	774,612,717	13,913,894	186,490,888	25,851,729	-	1,310,793,916
CARRYING AMOUNT							
As at 31 December 2006	1,242,228,446	625,851,186	4,102,060	72,253,269	6,207,246	123,933,690	2,074,575,897
As at 31 December 2007	1,239,869,198	659,719,576	4,034,612	63,953,047	10,199,982	176,493,351	2,154,269,766

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

	31.DECEMBER.2007	31.DECEMBER.2006
Refurbishment and expansion of stores in the retail segment	122,900,793	21,810,303
Deployment of wireless network	32,044,146	13,135,575
Deployment of wire line network	2,594,034	6,138,254
Troia project	-	20,649,721
Ferrie boat project	-	7,718,969
Hotel Aqualuz refurbishment	-	13,006,768
Others	18,954,378	41,474,100
	176,493,351	**123,933,690**

The heading of refurbishment and expansion of stores in the retail segment includes 57,582,766 euros arising on the acquisition of Continente Hipermercados, SA.

Transfers for the year ended 31 December 2007 includes 6,006,580 euro related to land that were reclassified to the heading "Non current assets held for sale", since a promissory contract for the purchase and sale of these assets already exists.

Depreciation charge for the period includes impairment losses on tangible assets amounting to 160,940 euros (2,071,830 in 2006).

12. INTANGIBLE ASSETS

During the period ended 31 December 2007 and 2006, movements in Intangible assets as well as amortisation and accumulated impairment losses, are made up as follows:

	PATENTS AND OTHER SIMILAR RIGHTS	SOFTWARE	OTHERS	INTANGIBLE ASSETS IN PROGRESS	TOTAL INTANGIBLE ASSETS
GROSS COST:					
Opening balance as at 1 January 2006	**230,752,504**	**259,923,398**	**21,533,233**	**15,469,653**	**527,678,788**
Changes in consolidation perimeter	(32,345)	(389,021)	-	-	(421,366)
Capital expenditure	942,095	1,452,693	231,253	38,138,795	40,764,836
Disposals	(500,216)	(24,135)	(164,958)	(675,254)	(1,364,563)
Exchange rate effect	(54)	(3,183)	-	-	(3,237)
Transfers	4,743,668	30,517,554	(1,501,755)	(31,199,789)	2,559,678
Opening balance as at 1 January 2007	**235,905,652**	**291,477,306**	**20,097,773**	**21,733,405**	**569,214,136**
Capital expenditure	23,346,237	878,227	57,589	35,268,412	59,550,465
Acquisitions of subsidiaries (Note 9)	14,988,405	3,790,266	-	-	18,778,671
Disposals	(10,736)	(384,344)	(44,893)	(596,788)	(1,036,761)
Disposals of subsidiaries (Note 9)	(2,475,585)	-	(642,754)	-	(3,118,339)
Demerger (Note 9)	(670,663)	(2,408,360)	(36,583)	(74,922)	(3,190,528)
Exchange rate effect	126	14,489	-	-	14,615
Transfers	3,834,357	27,731,803	3,448	(34,852,920)	(3,283,312)
Closing balance as at 31 December 2007	**274,917,793**	**321,099,387**	**19,434,580**	**21,477,187**	**636,928,947**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Opening balance as at 1 January 2006	**23,481,840**	**169,506,645**	**13,144,880**	**-**	**206,133,365**
Changes in consolidation perimeter	(22,345)	(355,488)	-	-	(377,833)
Depreciation of the period	14,698,752	24,889,524	1,653,217	-	41,241,493
Disposals	(697,286)	(886,311)	(7,985)	-	(1,591,582)
Exchange rate effect	-	(892)	-	-	(892)
Transfers	543,187	1,222,890	526,023	-	2,292,100
Opening balance as at 1 January 2007	**38,004,148**	**194,376,368**	**15,316,135**	**-**	**247,696,651**
Depreciation of the period	18,358,081	26,651,222	837,492	-	45,846,795
Acquisitions of subsidiaries (Note 9)	180,217	685,611	-	-	865,828
Disposals	(435)	(430,835)	(44,892)	-	(476,162)
Disposals of subsidiaries (Note 9)	(1,941,697)	-	(631,064)	-	(2,572,761)
Demerger (Note 9)	(372,234)	(1,954,226)	(36,281)	-	(2,362,741)
Exchange rate effect	-	12,055	-	-	12,055
Transfers	232,007	18,539	592	-	251,138
Closing balance as at 31 December 2006	**54,460,087**	**219,358,734**	**15,441,982**	**-**	**289,260,803**
CARRYING AMOUNT					
As at 31 December 2006	197,901,504	97,100,938	4,781,638	21,733,405	321,517,485
As at 31 December 2007	220,457,706	101,740,653	3,992,598	21,477,187	347,668,144

Intangible assets in progress, as at 31 December 2007, were mainly composed of software projects and software development.

The amount in Acquisitions of Subsidiaries in Industrial Property refers to the acquisition of Tele 2 clients portfolio amounting to 14,709,468 euros. The capital expenditure in the caption Patents and other similar rights includes 10,500,000 euro, relating to commitments assumed in relation to Information Society.

At 31 December 2007 and 2006, the Group has recorded under the heading Patents and other similar rights the amounts of 111,732,870 euros and 114,996,798 euros, respectively, that correspond to the investments net of depreciations made in the development of the UMTS network, including:

(i) Euros 72,006,914 (81,007,779 euros in 2006) relating to the license;

(ii) 24,060,150 euro (27,067,669 euro in 2006) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators in Portugal with UMTS licenses;

(iii) 7,389,598 euros related to a contribution to the Information Society Fund, established in 2007, under an agreement entered into between the Ministry of Public Works, Transport and Communications ("Ministério das Obras Públicas, Transportes e Comunicações") and the three mobile telecommunication operators in Portugal; and

(iv) 2,123,896 euros relating to the "Iniciativas E" program, the latter relating to commitments assumed by the Group in the Information Society Fund (Note 52).

Additionally, this heading also includes the fair value attributed to a group of brands with indefinite useful lives, among which the "Continente" brand, 75,000,000 euros (the same amount as at December 2006)

13. INVESTMENT PROPERTIES

The movement in Investment Properties during the years ended 31 December 2007 and 2006 was as follows:

	INVESTMENT PROPERTIES			
	IN OPERATION	FIT OUT	IN PROGRESS	TOTAL
OPENING BALANCE AS AT 1 JANUARY 2006	**1,228,822,252**	**3,653,859**	**124,944,974**	**1,357,421,085**
Increases	6,946,420	427,160	101,733,460	109,107,040
Write-offs	-	-	(11,605,863)	(11,605,863)
Transfers	-	(342,672)	-	(342,672)
Transfers from investment properties in progress:	125,000	(125,000)	(39,212)	(39,212)
Construction and other costs	27,784,412	393,750	(28,178,162)	-
Adjustment to fair value (Note 38)	5,563,980	(143,000)	-	5,420,980
Change in fair value of investment properties in operation (Note 38):				
- Gains	129,663,983	469,922	-	130,133,905
- Losses	(5,199,436)	(394,143)	-	(5,593,579)
Changes in consolidation percentage in Joint Ventures	(53,472,671)	-	(13,591,254)	(67,063,925)
Brazil restructuring	5,096,316	-	11,523	5,107,839
Sale of investment properties	(1,050,000)	-	-	(1,050,000)
Exchange rate effect	(1,282,287)		(2,052)	(1,284,339)
Opening balance as at 1 January 2007	1,342,997,969	3,939,876	173,273,414	1,520,211,259
Increases	123,853,779	908,200	162,919,282	287,681,261
Increases through concentration of business activities (Note 9)	21,061,308	-	26,273,602	47,334,910
Write-offs	-	(325,000)	(2,298,036)	(2,623,036)
Reimbursements of "Fit - Outs"	-	(1,107,546)	-	(1,107,546)
Transfers	-	-	(2,227,323)	(2,227,323)
Transfers from investment properties in progress:				
Construction and other costs	165,884,673	-	(165,884,673)	-
Adjustment to fair value (Note 38)	28,272,805	-	-	28,272,805
Change in fair value of investment properties in operation (Note 38):				
- Gains	137,338,742	543,463	-	137,882,205
- Losses	(13,440,220)	(306,200)	-	(13,746,420)
-Changes in consolidation percentage in Joint Ventures	57,031,875	(268,500)	418,829	57,182,204
Disposal of joint ventures (Note 9)	(3,991,500)	-	-	(3,991,500)
Other	-	637,217	870,767	1,507,984
Exchange rate effect	5,625,120	-	127,003	5,752,123
CLOSING BALANCE AS AT 31 DECEMBER 2007	**1,864,634,551**	**4,021,510**	**193,472,865**	**2,062,128,926**

Fit out contracts correspond to agreements with tenants, under which the Group pays part of the expenses incurred with the fit out of stores and the tenant assumes the responsibility to reimburse the amount invested to the Group over the period of the lease. The accounting treatment of fit outs is similar to the one used for other investment properties.

As at 31 December 2006, the total amount invested to that date in the 3do Shopping and Leisure Centre Project in Dortmund Germany (11,605,863 euro) has been written-off (Note 42).

The Increases in 2007 in the investment properties in operation include the acquisition of the Münster Arkaden shopping centre by the company Münster Arkaden BV (Ex-Project Sierra 3 BV) in Germany, for the amount of 85,614,382 euro.

As at 31 December 2007 and 2006, Investment properties in operation, including fit-outs, correspond to the fair value of the Group's share of shopping centres, which can be detailed as follows:

	31.DECEMBER.2007		31.DECEMBER.2006	
	Amount	**Yield**	**Amount**	**Yield**
Portugal	1,038,302,637	4.90% e 7.00%	840,682,401	5.50% e 6.50%
Spain	454,290,823	5.00% e 6.90%	381,610,876	5.00% e 7.15%
Germany	172,792,000	5.50%	-	-
Brazil	97,664,101	8.50% e 10.50%	57,312,068	10.50% e 11.50%
Italy	84,255,000	5.50% e 6.15%	67,332,500	5.15% e 6.50%
Romania	21,351,500	6.75%	-	-
	1,868,656,061		**1,346,937,845**	

The fair value of each investment property and fit out was determined by valuations as at 31 December 2007 and 2006, performed by an independent entity, based on valuation criteria generally accepted in the real estate business.

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in the United Kingdom.

The methodology used to compute the market value of the investment properties consists of preparing 10 year projections of income and expenses of each shopping mall which are then discounted to the balance sheet date using a discount market rate. The residual amount at the end of year 10 is computed by applying a return rate ("Exit yield" or "cap rate") on the projected net income of year 11. The market values so obtained are then tested by calculating and analysing the capitalisation yield that is implicit in those values – corresponding to the yield shown in the list above. Projections are intended to reflect the actual best estimate of the valuators regarding future revenues and costs of each shopping mall. Both the return rate and discount rate are defined in accordance to the real estate local and institutional market conditions, being the reasonability of the market value thus obtained tested in terms of initial gain.

In the valuation of investment properties some assumptions, that in accordance with the Red Book are considered to be special, were additionally considered, namely in the case of recently inaugurated shopping malls, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

The methodology used to compute the fair value of the fit out contracts consisted of determining the discounted estimated cash flows of each one of the fit out contracts, using a discounted marked rate, similar to the one used in determining the fair value of the investment property to which each fit out contract relates.

As at 31 December 2007 and 2006, Investment properties can be detailed as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
PORTUGAL:		
8ª Avenida	-	10,509,651
Alverca	2,995,036	2,858,800
Arrábidashopping - expansão	2,375,011	131,250
Cacém Shopping	1,036,919	937,807
Caldas da Rainha Shopping	1,192,538	623,843
Lima Retail Park	-	2,918,714
Parque de Famalicão	627,500	1,498,238
Setubal Retail Park	786,164	784,989
Torres Oriente e Ocidente	192,426	920,697
Others	1,220,554	163,866
GERMANY:		
Alexa	7,320,992	54,525,305
Loop 5	25,612,284	15,416,661
Others	-	10,586
BRAZIL:		
Manauara Shopping	5,628,846	-
Pátio Uberlândia	1,530,607	-
Others	-	77,882
SPAIN:		
Dos Mares - expansion	1,404,902	1,660,352
El Rosal	-	32,249,181
Las Pulianas	5,746,847	1,289,297
Plaza Mayor Shopping	17,733,934	11,580,899
GREECE:		
Aegean Park	4,845,206	4,771,822
Galatsi Shopping	3,159,277	1,106,965
Ioannina	10,395,799	-
Pantheon Plaza	13,855,607	-
Others	-	11,445
ITALY:		
Caldogno	4,138,655	-
Freccia Rossa	32,263,488	19,419,339
Gli Orsi	23,397,730	8,671,559
Le Terraze	1,891,179	960,723
Pavia	3,641,489	-
Others	-	173,543
ROMANIA:		
Craiova	20,479,875	-
	193,472,865	**173,273,414**

Investment properties in progress include borrowing expenses incurred during the construction period. As at 31 December 2007 and 2006, total borrowing expenses capitalised amounted to 8,882,433 euros and 5,882,433 euros, respectively.

During the years ended 31 December 2007 and 2006, income (fixed rents net of discounts, variable rents, common spaces rents, key income and cession rents) and corresponding direct operating expenses (property taxes, insurance expenses, maintenance expenses, management fees, asset management fees and other direct operating expenses), relating to investment properties of the Group, may be detailed as follows:

	RENTS		OPERATIONAL DIRECT EXPENSES	
	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA
Portugal	61,187,041	57,950,932	6,279,195	4,780,299
Spain	23,915,559	23,030,063	1,790,833	861,312
Italy	3,319,279	3,613,458	(97,032)	259,760
Brazil	8,530,373	5,319,268	226,833	380,880
Germany	3,809,647	-	1,643,312	-
Romania	1,028,683	-	71,217	-
	101,790,580	**89,913,721**	**9,914,358**	**6,282,251**

As at 31 December 2007, the following investment properties were mortgaged:

8ª Avenida	Loop 5
Airone	Loureshopping
C C Modelo de Albufeira	Luz del Tajo
Alexa	Madeirashopping
Algarveshopping	Maiashopping
Arrabidashopping	Munster Arkaden
Avenida M40	Norteshopping
Cascaishopping	Parque Atlântico
Centro Colombo	Parque Principado
Centro Vasco da Gama	Plaza Éboli
Coimbrashopping	Plaza Mayor
Dos Mares	Plaza Mayor Shopping
Estação Viana	C C Continente de Portimão
Feccia Rossa	Rio Sul
Gaiashopping	Serra Shopping
Grancasa	Valecenter
Guimarãeshopping	Valle Real
Kareaga	Viacatarina
El Rosal	Zubiarte
La Farga	

As at 31 December 2007 and 2006, there were no significant purchase obligations relating to investment properties in construction or under development, apart from the ones mentioned above.

14. GOODWILL

During the years ended 31 December 2007 and 2006, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
GROSS VALUE:		
Opening balance	264,411,899	248,887,726
New companies (Note 9)	535,205,260	-
Increases	30,035,581	21,187,104
Decreases	(12,999,103)	(5,662,931)
Demerger (Note 9)	(65,801,969)	-
Closing balance	**750,851,668**	**264,411,899**
ACCUMULATED IMPAIRMENT LOSSES:		
Opening balance	13,569,244	3,309,480
Increases (Note 34)	3,659,303	10,259,764
Decreases	(7,315,549)	-
Closing balance	**9,912,998**	**13,569,244**
CARRYING AMOUNT	**740,938,670**	**250,842,655**

During the period, increases in shareholdings generated goodwill amounting to 20,174,492 euros (14,745,310 euros as at 31 December 2006).

Decreases in Goodwill include 2,104,656 euro (Note 9) arising from sale of subsidiaries (1,936,347 euro as at 31 December 2006). The remaining amount relates to decreases in shareholdings percentages.

15. OTHER INVESTMENTS

As at 31 December 2007 and 2006, this caption is made up as follows:

	31.DECEMBER.2007		31.DECEMBER.2006	
	NON CURRENT	CURRENT	NON CURRENT	CURRENT
Investments in group companies, jointly controlled companies or associated companies excluded from consolidation				
Opening balance as at 1 January	12,671,340	-	11,438,259	-
Acquisitions in the period	28,993,045	-	1,452,294	-
Disposals in the period	(2,319,119)	-	-	-
Equity method effect	(10,102,005)	-	-	
Demerger	(19,867,068)	-	(219,213)	
Transfers	9,376,193	-	12,671,340	-
Closing balance as at 31 December	-	-	(9,077,744)	-
Accumulated impairment losses (Note 34)	**9,376,193**	**-**	**3,593,596**	**-**
Investments available for sale				
Fair value (net of impairment losses) as at 1 January	229,462,747	33,212,402	133,251,095	10,620,966
Acquisitions in the period	11,439,982	6,444,627	119,222,591	1,927,188
Disposals in the period	(127,532,224)	(16,063,792)	(17,409,488)	(874,547)
Increase/(Decrease) in fair value	3,617,759	-	17,717,293	(258,263)
Demerger	(105,964,814)	(499)	-	-
Transfers	(8,344,486)	32,500,370	(23,318,744)	21,797,058
Fair value (net of impairment losses) as at 31 December	2,678,964	56,093,108	229,462,747	33,212,402
Other investments (Note 8)	**12,055,157**	**56,093,108**	**233,056,343**	**33,212,402**
Derivative financial instruments (Note 28)				
Fair value as at 1 January	-	49,458	-	60,475
Acquisitions in the year	-	471,075	-	2,580,917
Disposals in the year	-	(49,458)	-	(2,591,934)
Increase/(Decrease) in fair value	-	3,505,741	-	-
Fair value as at 31 December	-	3,976,816	-	49,458
	12,055,157	**60,069,924**	**233,056,343**	**33,261,860**

The financial investments in group companies, jointly controlled companies or associated companies excluded from consolidation are recorded at the acquisition cost net of impairment losses. It is Group understanding that no reliable fair value estimate could be made as there is no market data available for these investments. The heading of Investments available for sale includes 2,678,934 euros (34,878,203 euros in 31 December 2006) of investments recorded at the cost net of impairment losses for the same reasons.

During the period, Investments recorded at acquisition costs with a carrying amount of 2,096,843 euros (nil in 2006) were disposed of, generating a capital gain of 1,013,229 euros (nil in 2006) (Note 44).

The investments available for sale are net impairment losses (Note 34) amounting 26,314 euros (2,740,064 euros in 31 December 2006).

The caption Investments available for sale includes 56,093,108 euros (65,000,740 euros) of deposits in an Escrow Account which are invested in investment funds with superior rating and guarantee contractual liabilities which may arise from the sale of the Brazilian subsidiaries in the Retail segment and for which provisions were recognized (Note 34).

16. OTHER NON-CURRENT ASSETS

As at 31 December 2007 and 2006, Other non-current assets are detailed as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	GROSS VALUE	ACCUMULATED IMPAIRMENT LOSSES (NOTE 34)	CARRYING AMOUNT	GROSS VALUE	ACCUMULATED IMPAIRMENT LOSSES (NOTE 34)	CARRYING AMOUNT
Loans granted to related parties						
[a] Bar-Bar-Idade Glass - Serviç.de Gest.e Invest., SA	-	-	-	6,402,717	-	6,402,717
[a] Andar - Sociedade Imobiliária, SA	-	-	-	2,953,673	-	2,953,673
[a] Norscut - Concessionária de Scut Interior Norte, SA	-	-	-	6,019,613	-	6,019,613
Mundo Vip - Operadores Turísticos, SA	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Cooper Gay (Holding) Amount limited	1,943,295	-	1,943,295	-	-	-
Others	346,654	(170,125)	176,529	932,716	(270,489)	662,227
	3,289,949	**(170,125)**	**3,119,824**	**17,308,719**	**(270,489)**	**17,038,230**
Trade accounts receivable and other debtors						
Legal deposits	792,644	-	792,644	803,525	-	803,525
Assets arising from to the sale of financial i	-	-	-	12,444,829	-	12,444,829
Lisbon Town Council	3,888,477	-	3,888,477	3,888,477	-	3,888,477
Malaga Town Council	512,108	-	512,108	512,108	-	512,108
Rent deposits from tenants	4,394,235	-	4,394,235	4,077,459	-	4,077,459
Others	582,691	(131,446)	451,245	1,714,853	(721,326)	993,527
	10,170,155	**(131,446)**	**10,038,709**	**23,441,251**	**(721,326)**	**22,719,925**
Non-Current derivatives	7,346,945	-	7,346,945	4,035,714	-	4,035,714
Total financial instruments (Note 10)	**20,807,049**	**(301,571)**	**20,505,478**	**44,785,684**	**(991,815)**	**43,793,869**
Reinsurers' share of technical provisions	54,060,294	-	54,060,294	-	-	-
Other non-current assets	50,977	-	50,977	287,817	-	287,817
	74,918,320	**(301,571)**	**74,616,749**	**45,073,501**	**(991,815)**	**44,081,686**

Loans granted to related parties earn interest at usual market rates and do not have a defined maturity. The fair value of these loans is estimated to be similar to its carrying amount.

The amount of 3,888,477 euros due by the Municipal Council of Lisbon, relates to works developed by a jointly controlled company of Shopping Centres segment developed on behalf of the Lisbon City Hall ("CML") in accordance with protocols signed at the end of 2001. On the other hand, the caption "Other non current liabilities", as at 31 December 2007 and 2006 includes the amount of 1,621,687 euros relating to works developed by CML on behalf of the joint controlled company and licenses. A legal action against CML was presented in 2001, claiming the totality of the improvements made by Colombo on account of CML and corresponding interests and other expenses incurred. The Group believes that the legal action will be favourable to the Group and consequently did not record any impairment loss to face eventual losses on this account receivable.

The amount of 4,394,235 euros relates to the deposit in official entities of rents deposits received from tenants of shopping centres located in Spain. The rent deposits received from tenants are classified under "Other non current payables" and "Other payables".

The Reinsurers' share of technical provisions refer to non-life insurance ceded to reinsurance companies by a captive subsidiary. The provision can be detailed as follows: Provision for unearned premiums 4,125,167 euros and Provisions for outstanding claims 49,935,127 euros.

a Assets demerged to Sonae Capital

17. INVENTORIES

As at 31 December 2007 and 2006, Inventories are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Raw materials and consumables	1,839,957	1,970,796	22,163,157
Goods for resale	504,822,675	371,483,453	410,465,489
By-products	-	-	120
Finished goods	-	-	14,532,140
Work in progress	-	-	58,595,440
Payments on account	-	-	527,581
	506,662,632	**373,454,249**	**506,283,927**
Accumulated impairment losses on Inventories (Note 34)	(24,759,431)	(17,664,557)	(25,098,215)
	481,903,201	**355,789,692**	**481,185,712**

Cost of goods sold as at 31 December 2007 and 2006 amounted to 2,694,275,192 euros and 2,530,272,888 euros, respectively, and may be detailed as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Opening balance	373,454,249	59,174,397	432,628,646	367,408,742	53,705,192	421,113,934
Exchange rate effect	-	14,638	14,638	-	(4,456)	(4,456)
Changes in consolidation perimeter	(12,053,833)	(59,875,999)	(71,929,832)	-	-	-
Purchases	2,762,565,375	63,920,414	2,826,485,789	2,435,372,097	116,977,058	2,552,349,155
Adjustments	1,032,805	6,947,190	7,979,995	(11,824,696)	(1,192,415)	(13,017,111)
Closing balance	506,662,632	-	506,662,632	373,454,249	59,174,397	432,628,646
	2,618,335,964	**70,180,640**	**2,688,516,604**	**2,417,501,894**	**110,310,982**	**2,527,812,876**
Impairment losses (Note 34)	6,529,667	1,465,916	7,995,583	8,168,334	608,014	8,776,348
Reversal of impairment losses	(2,233,986)	(3,009)	(2,236,995)	(5,691,335)	(625,001)	(6,316,336)
	2,622,631,645	**71,643,547**	**2,694,275,192**	**2,419,978,893**	**110,293,995**	**2,530,272,888**

18. TRADE ACCOUNT RECEIVABLES

As at 31 December 2007 and 2006, Trade accounts receivable are detailed as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Trade accounts receivable			
Retail	44,010,326	40,228,357	39,025,896
Shopping Centres	19,258,503	16,501,791	16,474,096
Telecommunications	250,319,916	208,268,871	208,005,506
Services	1,469,914	673,409	73,471,553
	315,058,659	**265,672,428**	**336,977,051**
Trade Debtors, bills receivable	-	232,934	7,527,908
	315,058,659	**265,905,362**	**344,504,959**
Accumulated impairment losses on Trade Debtors (Note 34)	(85,985,340)	(79,001,212)	(87,481,138)
	229,073,319	**186,904,150**	**257,023,821**

The Group's exposition to credit risk is attributed to accounts receivable relating the operating activity of the Group. 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 are considered to reflect their fair value.

As at 31 December 2007 there is no indication that the debtors of trade accounts receivable not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognised.

As at 31 of December of 2007 and 2006 pro-forma, the ageing of the trade receivables are as follows:

	TRADE RECEIVABLES				
31.DECEMBER.2007	RETAIL	SHOPPING CENTRES	TELECOMMUNICATIONS	OTHERS	TOTAL
Not due	**19,713,291**	**3,763,856**	**63,892,834**	**439,719,**	**87,809,700**
Due but not impaired					
0 - 30 days	2,160,452	2,747,637	19,066,313	797,671	24,772,073
30 - 90 days	4,670,595	2,543,334	7,179,137	-	14,393,066
+ 90 days	4,290,098	2,734,109	39,393,392	204,425	46,622,024
Total	**11,121,145**	**8,025,080**	**65,638,842**	**1,002,096**	**85,787,163**
Due and impaired					
0 - 90 days	77,339	402,179	35,983,219	-	36,462,737
90 - 180 days	204,254	333,372	8,845,605	-	9,383,231
180 - 360 days	660,725	1,409,557	5,997,673	-	8,067,955
+ 360 days	12,233,572	5,324,459	69,961,743	28,099	87,547,873
Total	**13,175,890**	**7,469,567**	**120,788,240**	**28,099**	**141,461,796**
	44,010,326	**19,258,503**	**250,319,916**	**1,469,914**	**315,058,659**

	TRADE RECEIVABLES				
31.DECEMBER.2006 - PRO FORMA	RETAIL	SHOPPING CENTRES	TELECOMMUNICATIONS	OTHERS	TOTAL
Not due	**6,667,515**	**2,452,386**	**65,006,345**	**367,201**	**74,493,447**
Due but not impaired					
0 - 30 days	14,372,088	3,425,540	14,754,641	99,359	32,651,628
30 - 90 days	5,905,231	1,923,775	3,085,348	159,635	11,073,989
+ 90 days	1,536,574	1,917,021	38,525,772	280,148	42,259,515
Total	**21,813,893**	**7,266,336**	**56,365,761**	**539,142**	**85,985,132**
Due and impaired					
0 - 90 days	155,470	277,561	12,692,092	-	13,125,123
90 - 180 days	116,578	332,384	5,865,719	-	6,314,681
180 - 360 days	978,645	1,327,544	3,017,733	-	5,323,922
+ 360 days	10,496,256	4,845,580	65,321,221	-	80,663,057
Total	**11,746,949**	**6,783,069**	**86,896,765**	**-**	**105,426,783**
	40,228,357	**16,501,791**	**208,268,871**	**906,343**	**265,905,362**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large. Accordingly, it is considered that the risk of not recovering the trade receivable is not higher than the allowance for doubtful debts.

The Group considers that the maximum exposition to the credit risk is the amount presented in the consolidate balance sheet.

19. OTHER DEBTORS

As at 31 December 2007 and 2006, Other debtors are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Granted loans to related companies	21,962	60,398,012	8,875,129
Other debtors			
Trade creditors - debtor balances	46,822,333	26,406,863	27,236,144
Accounts receivable from the disposal of fixed assets	790,575	6,019,716	3,136,367
Accounts receivable on the disposal of investments	4,328,720	1,533,690	14,009,841
Amount receivable regarding price adjustments of acquired subsidiaries(Note 9)”	30,414,000	-	-
Securitisation of receivables	-	-	3,421,873
Advances to suppliers	22,236,065	2,092,972	2,861,231
Special regime for payment of tax and social security debts	14,576,053	14,576,053	14,576,053
VAT recoverable on retail estate assets	4,776,482	16,867,084	16,867,084
Amount to be received on the sale of Brazilian subsidiaries	-	4,425,465	4,425,465
Advances to suppliers	1,704,814	544,889	544,889
Reinsurance Companies	9,072,963	-	-
Others	28,228,228	28,387,620	34,313,152
	162,950,233	100,854,352	121,392,099
Accumulated Impairment losses in receivable accounts (Note 34)	(9,250,506)	(6,763,367)	(10,634,714)
Total of Financial Instruments (Note 10)	**153,721,689**	**154,488,997**	**119,632,514**

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 amounts disclosed as ‘Trade creditors - debtor balances’ relates to commercial discounts billed to suppliers to be net settled with future purchases - mainly in the Retail segment. The caption ‘Advances to suppliers’ includes approximately 12 million euros related to advance payments of VAT regarding imports in progress.

Granted loans to related companies earn interests at market rates and do not have defined maturity but are deemed to be received within 12 months.

At as 31 December 2007 and 2006 Pro forma, the ageing of other debtors are as follows:

	OTHER DEBTORS	
	31 DECEMBER 2007	31 DECEMBER 2006 PRO - FORMA
Not due	**65,841,332**	**21,458,510**
Due but not impaired		
0 - 30 days	31,830,886	24,917,727
30 - 90 days	41,067,108	16,332,641
+ 90 days	14,324,487	32,963,284
Total	**87,222,481**	**74,213,652**
Due and impaired		
0 - 90 days	155,165	45,996
90 - 180 days	-	184,707
180 - 360 days	1,439,166	1,250,797
+ 360 days	8,292,089	3,700,690
Total	**9,886,420**	**5,182,190**
	162,950,233	**100,854,352**

As at 31 December 2007 there is no indication that the debtors not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognized.

The carrying amount of other debtors is estimated to be approximately its fair value.

20. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2007 and 2006, Taxes recoverable and taxes and contributions payable are made up as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Tax recoverable			
Income taxation - advance payments and taxes withheld	22,799,822	21,253,115	26,005,882
VAT	61,866,750	61,632,602	77,856,516
Other taxes	1,848,042	1,204,819	4,257,885
	86,514,614	**84,090,536**	**108,120,283**
Taxes and contributions payable			
Income taxation	10,707,432	11,607,645	16,256,779
VAT	32,980,618	37,408,460	41,061,049
Staff income taxes withheld	5,247,310	3,419,616	3,889,067
Social security contributions	10,183,661	9,470,600	14,337,437
Other taxes	3,012,611	2,426,406	4,055,074
	62,131,632	**64,332,727**	**79,599,406**

21. OTHER CURRENT ASSETS

As at 31 December 2007 and 2006, Other current assets are made up as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Invoices to be issued	70,459,857	49,602,134	49,928,069
Commercial discounts	5,887,081	4,960,630	5,004,703
Commissions to be received	6,260,720	-	-
Prepayments - Rents	3,833,921	3,833,921	3,533,571
Prepayments of external supplies and services	15,178,385	9,760,531	10,669,057
Other current assets	20,019,622	7,459,514	11,391,737
	121,639,586	**75,616,730**	**80,527,137**

22. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2007 and 2006 are as follows, split between the different types of temporary differences:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	31.DECEMBER.2007	31.DECEMBER.2006	31.DECEMBER.2007	31.DECEMBER.2006
Difference between fair value and acquisition cost	64,940	-	296,353,425	231,612,650
Harmonisation adjustments	81,897	221,230	24,978,921	23,557,165
Provisions and impairment losses not accepted for tax purposes	12,900,045	12,559,298	-	4,277,987
Write-off of tangible and intangible assets	60,114,242	24,983,311	-	-
Write-off of deferred costs	41,026,618	31,301,988	2,097,786	2,154,133
Valuation of hedging derivatives	296,245	106,066	2,614,826	1,182,960
Revaluation of tangible assets	-	-	2,523,410	2,973,586
Tax losses carried forward	20,969,753	33,155,303	-	-
Reinvested capital gains/(losses)	-	-	3,428,201	4,227,223
Others	151,929	440,213	2,223,343	2,070,668
	135,605,669	**102,767,409**	**334,219,912**	**272,056,372**

During the periods ended 31 December 2007 and 2006, movements in Deferred tax assets and liabilities are as follows:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	31.DECEMBER.2007	31.DECEMBER.2006	31.DECEMBER.2007	31.DECEMBER.2006
Opening balance	**102,767,409**	**108,484,039**	**272,056,372**	**238,184,261**
Effects in net income:				
Difference between fair value and acquisition cost	64,940	-	47,330,262	46,862,220
Amortisation and Depreciation harmonisation adjustments	(108,562)	(56,475)	1,624,367	(17,149)
Provisions and impairment losses not accepted for tax purposes	(210,845)	(360,952)	1,539,073	1,803,132
Write-off of tangible and intangible assets	34,581,204	(1,765,363)	15,971	15,731
Write-off of deferred costs	10,086,856	9,051,139	124,250	260,004
Valuation of hedging derivatives	43,746	(86,206)	556,997	(3,030)
Revaluation of tangible assets	-	-	(115,936)	(712,847)
Tax losses carried forward	(2,199,567)	(6,187,936)	-	-
Reinvested capital gains/(losses)	69,424	-	(1,118,666)	(81,669)
Changes in tax rates	(161,371)	(5,098,255)	(3,562,523)	(14,459,820)
Others	(722,211)	1,828	(1,855,821)	1,709,211
	41,443,614	**(4,502,220)**	**44,537,974**	**(35,375,783**
Effects in equity:				
Difference between fair value and acquisition cost	-	-	-	(63,377)
Valuation of hedging derivatives	146,433	(358,785)	952,980	960,262
Exchange rate effect	215,595	(90,697)	483,861	(242,793)
Fair value allocation in acquired companies	1,394,975	-	2,052,911	-
Demerger (Note 9)	(10,643,996)	-	(5,846,228)	-
Change in tax rate	-	(5,421)	(81,553)	(75,107)
Others	(94,877)	930,970	2,390,588	734,368
	(8,981,870)	**476,067**	**(47,441)**	**1,313,353**
Changes in the percentages of jointly controlled companies	-	-	17,710,201	-
Acquisitions of subsidiaries	826,670	-	5,308,016	-
Disposals of subsidiaries	(450,342)	(1,690,477)	(5,345,210)	(2,817,025)
Closing balance	**135,605,481**	**102,767,409**	**334,219,912**	**272,056,372**

In Portugal, with the approval of the Local Finances Law, the municipal tax surcharge will change from 2007 onwards to a maximum of 1.5% over Taxable Profit. In the past this tax amounted to 10% of income tax. In Spain, with the change to Corporate Income Tax Law, corporate income tax rate changed from 35% in 2006 to 32.5% in 2007 and will change to 30% in 2008.

As a consequence, Portuguese and Spanish affiliated and joint controlled companies updated their calculations of deferred tax assets and liabilities using these new income tax rates. The effect of these changes has been recorded in the consolidated income statement under the caption Income tax or in the consolidated statement of changes in equity under the caption Hedging reserve in the case of deferred taxes arising from derivatives.

In 2007, the movement described as Write-off of tangible and intangible assets arise mainly from the sale (made in 2007, based on market values determined by independent entities) of the technological equipment of Sonaecom - Serviços de Comunicações, S.A. assigned to the GSM/GPRS network to Artis. Although the results of this transaction were eliminated in the consolidated financial statements, a difference was generated between the accounting and the tax amounts.

As at 31 December 2007 and 2006, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarised as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	TAX LOSSES CARRIED FORWARD	DEFERRED TAX CREDIT	TIME LIMIT	TAX LOSSES CARRIED FORWARD	DEFERRED TAX CREDIT	TIME LIMIT
With Amount limitd time use						
Generated in 2001	-	-	2007	2,526,319	631,580	2007
Generated in 2002	12,816,002	3,204,001	2008	20,288,842	5,072,210	2008
Generated in 2003	10,854,186	2,713,546	2009	29,101,572	7,275,392	2009
Generated in 2004	2,660,665	665,166	2010	4,238,264	1,059,567	2010
Generated in 2005	8,378,182	2,094,546	2011	9,209,662	2,302,416	2011
Generated in 2006	4,576,150	1,144,037	2012	9,415,976	2,353,994	2012
Generated in 2007	3,960,967	990,242	2013	-	-	
	43,246,152	**10,811,538**		**74,780,635**	**18,695,159**	
Without limited time use	6,783,431	1,922,301		11,098,655	3,626,486	
With a time limit different from the above mentioned	27,620,047	8,235,914		24,055,420	7,282,644	
Arising form discontinued operations	-	-		13,735,952	3,551,014	
	34,403,478	**10,158,215**		**48,890,027**	**14,460,144**	
	77,649,630	**20,969,753**		**123,670,662**	**33,155,303**	

As at 31 December 2007 and 2006, 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 taxable profits will arise which may be offset against available tax losses or against deductible temporary differences.

As at 31 December 2007, there were tax losses carried forward, amounting to 1,013,542,711 euro (1,219,575,278 euro in 2006) for which no deferred tax assets were recognized due to uncertainties of their future use. These may be summarised as follows:.

	31.DECEMBER.2007			31.DECEMBER.2006		
	TAX LOSSES CARRIED FORWARD	DEFERRED TAX CREDIT	TIME LIMIT	TAX LOSSES CARRIED FORWARD	DEFERRED TAX CREDIT	TIME LIMIT
With Amount limitd time use						
Generated in 2001	-	-	2007	94,503,965	23,625,991	2007
Generated in 2002	433,259,735	108,315,185	2008	456,601,689	114,150,423	2008
Generated in 2003	41,896,110	10,474,030	2009	33,871,406	8,467,852	2009
Generated in 2004	23,869,128	5,967,282	2010	23,937,390	5,984,349	2010
Generated in 2005	89,006,183	22,251,545	2011	195,806,962	48,951,743	2011
Generated in 2006	68,204,804	17,051,201	2012	36,105,480	9,026,365	2012
Generated in 2007	103,549,416	25,887,353	2013	-	-	
	759,785,376	189,946,596		840,826,892	210,206,723	
Without Amount limitd time use	34,124,969	10,101,615		166,028,621	49,539,912	
With a time limit different from the above mentioned	219,632,366	63,700,019		14,177,383	4,742,134	
Arising form discontinued operations	-	-		198,542,382	54,085,015	
	1,013,542,711	**263,748,230**		**1,219,575,278**	**318,573,784**	

23. CASH AND CASH EQUIVALENTS

As at 31 December 2007 and 2006, Cash and cash equivalents are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Cash at hand	6,482,624	3,675,947	4,173,072
Bank deposits	190,688,029	511,268,295	527,873,385
Treasury applications	89,230,800	129,805,159	130,428,983
Cash and cash equivalents on the balance sheet	286,401,453	644,749,401	662,475,440
Bank overdrafts (Note 26)	(10,775,881)	(3,833,743)	(13,664,166)
Cash and cash equivalents on the statement of cash flows	275,625,572	640,915,658	648,811,274

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

24. SHARE CAPITAL

As at 31 December 2007, 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 dividend, with a nominal value of 1 euro each.

On 15 November 2007, Sonae SGPS, SA sold, 132,856,072 Sonae SGPS, SA shares directly owned by the Company. The shares were sold in a market operation at the unit price of 2.06 euro per share and resulted on a cash inflow (net of brokerage commissions) of 273,398,877 euros.

On the same date, Sonae Investments, BV, wholly owned by Sonae SGPS, SA, entered into a derivative financial instrument - Cash Settled Equity Swap - over a total of 132,800,000 Sonae SGPS, SA shares, representative of 6.64% of its capital.

This transaction has a maximum maturity of three years and a strictly financial liquidation, without any duty or right for the Company or any of its associated companies in the purchase of these shares. This transaction allows Sonae to totally maintain the economic exposure to the sold shares.

In this context, although legally all the rights and obligations inherent to these shares have been transferred to the buyer, Sonae SGPS,SA did not derecognize their own shares, recording a liability in the caption Other non-current liabilities. According to the interpretation made by the Group of the IAS 39, applied by analogy to own equity instruments, the derecognition of own shares is not allowed as the Group maintains the risks and rewards arising on the instruments sold.

Consequently, the Group maintains the deduction from Equity amounting to the acquisition cost of the 132,000,000 shares (138,568,275 euros), and has accounted for the consideration received for the above mentioned sale of own shares in the caption Other non-current liabilities (273,568,000 euros).

This liability amount is adjusted at the end of each month by the effect of the change in the price of Sonae, SGPS, S.A. shares, being recognized an asset/liability in order to present the right/obligation related to the cash settlement of the operation that resets monthly (Notes 29 and 32).

Additionally, the costs related to the "floating amount" based on Euribor 1 month are recorded in the income statement.

The receivable amount arising on dividends distributed by the Company is credited to Equity in order to offset the charge of the distribution.

The number of shares taken into consideration to calculate earnings per share includes the shares referred to above as a deduction to the shares issued by the Company.

As at 31 December 2006, the Company and subsidiaries held 138,568,275 own shares, with a book value of 142,961,431 euro.

As at 31 December 2007 and 2006, the following entities held more than 20% of the subscribed share capital:

ENTITY	%
Efanor Investimentos, SGPS, SA and subsidiaries	52.94

The capital structure is analysed in the Management Report chapter: "Consolidated Financial Statements - Consolidated Balance sheet".

25. MINORITY INTERESTS

Movements in Minority interests during the period ended 31 December 2007 and 2006 are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Opening balance as at 1 January	402,058,314	394,707,612
Dividends	(21,887,082)	(5,348,382)
Exchange rate effect	373,748	(140,357)
Acquisitions of subsidiaries (Note 9)	(9,677,763)	-
Disposals of subsidiaries (Note 9)	(2,171,988)	(925,013)
Demerger of Sonae Capital (Note 9)	9,310,396	-
Increased shareholding by acquisitions	(8,454,103)	(85,479,259)
Changes in hedge and fair value reserves	868,668	1,165,585
Others	5,230,470	1,222,284
Profit for the period attributable to minority interests	72,670,044	96,855,844
Closing balance as at 31 December	**448,320,704**	**402,058,314**

26. BORROWINGS

As at 31 December 2007 and 2006, Borrowings are made up as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
		AMOUNT UTILIZADO			AMOUNT UTILIZADO	
	Amount limit	Current	Non current	Amount limit	Current	Non current
BANK LOANS						
Sonae, SGPS, SA - commercial paper	350,000,000	-	-	350,000,000	260,500,000	-
Modelo Continente, SGPS,SA - commercial paper	163,000,000	-	-	163,000,000	160,000,000	-
[a b] Sonae Sierra affiliated companies	498,624,959	16,476,410	417,635,936	517,922,005	13,396,517	358,307,169
[a b c] Sonae Sierra affiliated companies	452,885,624	5,971,751	401,044,158	408,176,674	4,280,961	263,292,660
Sonaecom SGPS, SA	250,000,000	-	225,000,000	-	-	-
Continente Hipermercados SA - commercial paper	80,000,000	80,000,000	-	-	-	-
Optimus	-	-	-	450,000,000	-	324,458,200
Sonae Investments BV	32,154,000	4,613,205	-	32,154,000	6,150,940	4,613,205
Sonae Investments BV	-	-	-	47,385,800	-	-
[d] Imoareia	-	-	-	34,791,153	-	-
[d] Sonae Turismo - commercial paper	-	-	-	110,000,000	-	73,050,000
[d] Investalentejo	-	-	-	40,000,000	40,000,000	-
Others		12,047,631	22,532,078		12,636,383	8,078,556
		119,108,997	**1,066,212,172**		**496,964,801**	**1,031,799,790**
Bank overdrafts (Note 23)		10,775,881	-		13,664,166	-
Up-front fees beard with the issuance of borrowings		(677,170)	(6,521,094)		(577,968)	(14,698,227)
Bank loans		**129,207,708**	**1,059,691,078**		**510,050,999**	**1,017,101,563**
BONDS:						
Bonds Sonae / 97		-	-		74,819,686	-
Bonds Sonae / 05		-	100,000,000		-	100,000,000
Bonds Sonae 2006/2011		-	250,000,000		-	250,000,000
Bonds Sonae 2007/2014		-	150,000,000			
Bonds Modelo Continente / 2003		-	82,000,000		-	82,000,000
Bonds Modelo Continente / 2004		-	100,000,000		-	100,000,000
Bonds Modelo Continente / 2005 / 2010		-	64,925,000		-	265,000,000
Bonds Modelo Continente / 2005 / 2012		-	150,000,000		-	150,000,000
Bonds Modelo Continente / 2007 / 2012		-	200,000,000		-	-
Bonds Sonae Distribuição / 2007 / 2015		-	200,000,000		-	-
Bonds Sonae Distribuição / 2007 / 2016		-	310,000,000		-	-
Bonds Sonaecom / 2005		-	150,000,000		-	150,000,000
Up-front fees beared with the issuance of borrowings			(12,074,291)		(42,394)	(10,020,068)
Bonds		**-**	**1,744,850,709**		**74,777,292**	**1,086,979,932**
Other loans		36,229	276,330		21,707,821	7,369,965
Derivative instruments (Note 28)		363,463	828,199		116,043	121,116
Other loans		**399,692**	**1,104,529**		**21,823,864**	**7,491,081**
Obligations under finance leases (Note 27)		**8,709,711**	**23,470,674**		**9,279,339**	**31,124,322**
		138,317,111	**2,829,116,990**		**615,931,494**	**2,142,696,898**

a These amounts are proportionate considering the percentage held by the Group;
b These loans are guaranteed by mortgages of investment properties held by these affiliated companies;
c These loans are guaranteed by a pledge of shares held in the those affiliated companies;
d Affiliated demerged into Sonae Capital.

Credit facilities at Optimus bear interest at a rate equal to Euribor plus a spread linked to Optimus' financial performance, measured by the ratio Net Debt to EBITDA, amongst others. These loans made by the European Investment Bank (EIB) have been repaid in advance in September 2007.

Interest rate of the bonds are equal to Euribor 6 months plus a spread between 0.25% and 1.15%.

Bank loans bear interests at market rates based on Euribor for each interest payment term, therefore the fair value of bank loans are estimated to be similar to their market value.

The derivative instruments are recorded at fair value (Note 28).

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

	31.DECEMBER.2007		31.DECEMBER.2006	
	Capital	Interests	Capital	Interests
N+1 [a]	138,630,818	150,432,366	616,435,813	107,936,694
N+2	123,716,946	145,535,905	129,576,407	117,809,284
N+3	226,053,892	140,591,920	424,233,376	107,156,991
N+4	357,710,073	126,995,930	334,879,674	98,484,707
N+5	528,494,772	109,507,295	354,825,551	74,747,353
After N+5	1,610,908,493	249,664,994	923,779,069	234,694,280
	2,985,514,994	**922,728,410**	**2,783,729,890**	**740,829,309**

As of 31 December 2007 and 2006, the available credit facilities are as follows:

	31.DECEMBER.2007		31.DECEMBER.2006	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
UNUSED CREDIT FACILITIES AMOUNTS				
Retail	317,737,441	400,000,000	120,330,256	-
Shopping Centres	88,870,955	-	65,620,774	-
Telecommunications	9,611,398	95,000,000	29,599,377	195,541,800
Other segments	350,032,958	-	309,532,958	-
	766,252,752	**495,000,000**	**525,083,365**	**195,541,800**
AGREED CREDIT FACILITIES AMOUNTS				
Retail	401,572,344	400,000,000	283,870,074	-
Shopping Centres	98,126,784	-	65,620,774	-
Telecommunications	9,611,398	320,000,000	29,599,377	195,541,800
Other segments	350,032,958	-	350,032,958	-
	859,343,484	**720,000,000**	**729,123,183**	**195,541,800**

a Includes amounts drawn under commercial paper programmes.

27. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2007 and 2006, Obligations under finance leases are as follows:

OBLIGATIONS UNDER FINANCE LEASES	MINIMUM FINANCE LEASE PAYMENTS		PRESENT VALUE OF MINIMUM FINANCE LEASE PAYMENTS	
Amounts under finance leases:	**31.December.2007**	**31.December.2006**	**31.December.2007**	**31.December.2006**
N+1	10,066,259	10,756,241	8,709,711	9,279,339
N+2	5,669,793	11,121,259	4,634,081	9,981,509
N+3	4,536,491	6,788,613	3,674,007	5,918,560
N+4	1,904,989	5,848,189	1,159,838	5,223,436
N+5	1,885,669	3,127,173	1,196,417	2,675,062
Após N+5	16,674,909	8,282,745	12,806,331	7,325,755
	40,738,110	**45,924,220**	**32,180,385**	**40,403,661**
Interest	(8,557,725)	(5,520,559)		
	32,180,385	**40,403,661**		
Current obligations under finance leases			8,709,711	9,279,339
Non-current obligations under finance leases			**23,470,674**	**31,124,322**

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 (except for medium and long term agreements with suppliers of fibre optic network capacity).

The medium and long term agreements made with the suppliers of the fibre optic network capacity, under which the Group has the right to use that network, which is considered as a specific asset, are recorded as finance leases in accordance with IAS 17 – "Leases" and IFRIC 4 – "Determining whether an arrangement contains a Lease". These contacts have a maturity of between 15 and 20 years.

As at 31 December 2007, the fair value of finance leases is close to its accounting value.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2007 and 2006, accounting net value of assets acquired under finance leases can be detailed as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Assets acquired under finance leases		
Lands and buildings	19,649,684	37,767,008
Plan and machinery	19,740,577	8,471,749
Vehicles	-	38,026
Tools	-	134,608
Fixture and Fittings	5,617,268	9,866,148
Total tangible assets	45,007,529	56,277,539
Investment properties	-	9,253,000
	45,007,529	**65,530,539**

As of 31 December 2007, the acquisition cost of Tangible assets amounted to 54,747,561 euros (69,066,878 euros at 31 December 2006).

28. 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 2007, the fair value of exchange rate derivatives, calculated based on present market value of equivalent financial instruments, is of 281,123 euros included in Current liabilities (116,043 euros as of 31 December 2006) and 2,151,335 euros on the caption Current investments (49,458 euros as at 31 December 2006).

From the total amount registered in Assets, 2,149,364 euros refers to derivative transactions (Non Deliverable Forwards - "NDF") entered into during 2007 in order to hedge the exchange rate exposure as consequence of the share purchase agreement with the Sonae Sierra partner in Brazil (DDR), to reinvest the amount of 300,000,000 Brazilian Real until the end of 2009. The notional of the NDF amounts to 230,039,050 Brazilian Real.

The non-deliverable forward foreign exchange contracts (NDFs) are stated at their fair value at the balance sheet date, in accordance with a valuation made by the bank with which the NDF were contracted.

The computation of the fair value of these financial instruments was made taking into consideration the present value at balance sheet date of the forward settlement amount of the relevant NDF contract. The settlement amount considered in the valuation, is equal to the reference currency notional amount (foreign currency) multiplied by the difference between the contracted forward exchange rate and the forward exchange market rate to the settlement date as at the valuation date.

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

Interest rate derivatives

As at 31 December 2007, derivatives used by the Group refer essentially to interest rate options ("cash flow hedges"). These were negotiated to hedge the interest rate risk of loans amounting to 1,302,514,561 euros (315,050,239 euros as at 31 December 2006). The fair value of these derivatives amounts to 8,344,227 euros (3,914,598 euros as at 31 December 2006), and is disclosed as assets amounting to 9,172,426 euros (4.035.714 euros as at 31 December 2006) and as liabilities 828,199 euros (121.116 euros as at 31 de December de 2006). As at 31 December 2007, 82,340 euros relates to derivatives on loans which no longer qualify as hedging derivatives, although continuing to hedge interest risks. As at 31 December 2006 all derivatives were considered hedging derivatives.

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" and similar models.

The hedging principles generally used by the group when negotiating these financial derivatives are defined in note 3.4.1.

Interest rate and exchange rate derivatives

As at 31 December 2007 no contracts existed related to interest rate and exchange rate derivatives.

Fair value of derivatives

The fair value of derivatives is detailed as follows:

	ASSETS		LIABILITIES	
	31.DECEMBER.2007	31.DECEMBER.2006	31.DECEMBER.2007	31.DECEMBER.2006
DERIVATIVES NOT QUALIFIED AS HEDGING				
Exchange rate	2,151,335	49,458	281,123	116,043
Interest rate	-	-	82,340	-
HEDGING DERIVATIVES				
Exchange rate	-	-	-	-
Interest rate	9,172,426	4,035,714	828,199	121,116
Interest and exchange rate	-	-	-	-
Other derivatives	-	-	-	-
	11,323,761	**4,085,172**	**1,109,322**	**237,159**

29. OTHER NON-CURRENT LIABILITIES

As at 31 December 2007 and 2006 Other non-current liabilities are made up as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Shareholders loans	24,107,894	45,174,320	39,583,455
Fixed assets suppliers	11,597,003	12,133,334	12,134,380
Other non-current liabilities	275,160,877	10,907,440	46,243,165
Total instruments	**310,865,774**	**68,215,094**	**97,961,000**
Accruals and deferrals	2,157,352	6,013,710	7,526,112
Others Non-current liabilities	**313,023,126**	**74,228,804**	**105,487,112**

The caption Shareholder loans relates to loans in affiliated undertakings in the Shopping Centres segment. These liabilities have a defined vesting date and bear interest at variable market rates.

The caption Other non-current liabilities includes the amount of 263,059,508 euros related to the fair value of the derivative on Sonae SGPS, SA shares referred to in Note 24.

The Board of Directors believes that the fair value of Other non-current liabilities is similar to its carrying amount.

30. SHARE-BASED PAYMENTS

In 2007 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.

As at 31 December 2007 and 2006, 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 YEAR	FAIR VALUE	
				31.DECEMBER.2007	31.DECEMBER.2006
SHARES					
	2003	2006	-	-	1,092,254
	2004	2007	-	-	11,900,666
	2005	2008	422	8,956,701	10,292,929
	2006	2009	454	7,472,751	8,178,748
	2007	2010	489	7,856,374	-
				24,285,826	**31,464,597**
OPTIONS					
	2003	2006	-	-	-
	2004	2007	-	-	-
	2005	2008	-	-	-
	2006	2009	-	-	-
	2007	2010	-	-	-
				-	**-**
TOTAL				**24,285,826**	**31,464,597**

As at 31 December 2007 and 2006 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.DECEMBER.2007	31.DECEMBER.2006
Staff costs	12,906,145	14,685,014
Recorded in previous years	4,368,199	7,896,110
	17,274,344	**22,581,124**
Other liabilities	**17,274,344**	**22,581,124**

The movement in the number of options opened is as follows:

	31.DECEMBER.2007
Opening balance	588,404
Granted in the period	-
Exercised in the period	(527,360)
Expired and not exercised in the period	(61,044)
Closing balance	**-**

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

VESTING DATE	2005	2006	2007	2008	TOTAL
Exercisable until:	31.03.06	31.03.07	31.03.08	31.03.09	
Exercise price (defined at date of grant)	€ 1,694	-	-	-	
Total liability	-	-	-	-	-
Recorded liability	-	-	-	-	-
Number of options open	-	-	-	-	-
Number of options exercised in the period	(527 360)	-	-	-	(527,360)
Number of options expired but not exercised in the period	(61 044)	-	-	-	(61,044)
Average market-price of options exercised in the period	€ 5,679				

31. TRADE CREDITORS

As at 31 December 2007 and 2006, Trade creditors are as follows:

		PAYABLE TO		
	31.DECEMBER.2007	UP TO 90 DAYS	90 TO 180 DAYS	MORE THAN 180 DAYS
Trade creditors - current account				
Retail	578,539,741	576,701,678	1,811,064	26,999
Shopping Centres	10,159,274	8,562,715	577,159	1,019,400
Telecommunications	138,110,738	138,110,738	-	-
Other segments	620,362	563,389	10,349	46,624
	727,430,115	**723,938,520**	**2,398,572**	**1,093,023**
Trade creditors - Invoice Accruals	261,373,263	260,183,379	1,189,885	-
	988,803,378	**984,121,899**	**3,588,457**	**1,093,023**

		PAYABLE TO		
	31.DECEMBER.2006 PRO FORMA	UP TO 90 DAYS	90 TO 180 DAYS	MORE THAN 180 DAYS
Trade creditors - current account				
Retail	473,059,798,	472,239,498	738,306	81,994
Shopping Centres	7,387,550,	5,855,184	798,045	734,321
Telecommunications	106,075,280,	106,075,280	-	-
Other segments	400,776,	365,917	12,571	22,288
	586,923,404,	**584,535,879**	**1,548,922**	**838,603**
Trade creditors - Invoice Accruals	163,451,851,	160,862,158	2,589,693	-
	750,375,255,	**745,398,037**	**4,138,615**	**838,603**

		PAYABLE TO		
	31.DECEMBER.2006	UP TO 90 DAYS	90 TO 180 DAYS	MORE THAN 180 DAYS
Trade creditors - current account				
Retail	469,164,814,	468,359,054	731,942	73,818
Shopping Centres	6,961,989,	5,651,118	584,379	726,492
Telecommunications	105,648,256,	105,648,256	-	-
Services	79,888,885,	51,637,951	26,611,074	1,639,860
Other segments	1,659,144,	294,142	1,342,714	22,288
	663,323,088,	**631,590,521**	**29,270,109**	**2,462,458**
Trade creditors - Invoice Accruals	166,431,648,	161,847,841	4,360,660	223,147
	829,754,736,	**793,438,362**	**33,630,769**	**2,685,605**

As at 31 December 2007 and 2006, 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 approximately its book value.

32. OTHER CREDITORS

As at 31 December 2007 and 2006, Other creditors are as follows:

		PAYABLE TO		
	31.DECEMBER.2007	**UP TO 90 DAYS**	**90 TO 180 DAYS**	**MORE THAN 180 DAYS**
Fixed asset suppliers	97,446,196	90,875,741	2,517,800	4,052,655
Other debts	83,116,092	67,113,555	3,940,295	12,062,242
	180,562,288	**157,989,296**	**6,458,095**	**16,114,897**
Related undertakings	30,616,400			
	211,178,688			
		PAYABLE TO		
	31.DECEMBER.2006 PRO FORMA	**UP TO 90 DAYS**	**90 TO 180 DAYS**	**MORE THAN 180 DAYS**
Fixed asset suppliers	117,211,312	110,190,495	4,960,249	2,060,568
Other debts	58,100,949	44,720,035	3,560,729	9,820,185
	175,312,261	**154,910,530**	**8,520,978**	**11,880,753**
Related undertakings	46,412,924			
	221,725,185			
		PAYABLE TO		
	31.DECEMBER.2006	**UP TO 90 DAYS**	**90 TO 180 DAYS**	**MORE THAN 180 DAYS**
Fixed asset suppliers	117,671,933	101,329,789	6,785,887	9,556,257
Other debts	72,435,771	52,544,297	7,414,121	12,477,353
	190,107,704	**153,874,086**	**14,200,008**	**22,033,610**
Related undertakings	8,742,299			
	198,850,003			

The caption Other debts includes:

- 12,263,128 euros of attributed discounts not yet used related to loyalty card “Cartão Cliente”;
- 6,085,151 euros (7,331,133 euros as of 31 December 2006) related to means of payments owned by clients, as vouchers, gift cards and discount tickets.
- 7,944,600 euros (approximately 3 million euros as at 31 December 2006) related to payable amounts to Sonae Distribuição Brasil, SA buyer as a result of responsibilities assumed with that entity. These amounts were fully provided for (Note 34);
- 10,508,492 euros relating to the commitment assumed on the monthly cash settlement of the derivative which underlying is Sonae, SGPS, SA shares (Note 24).

As at 31 December 2007 and 2006, this caption includes payables amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors believes that the fair value of these payables is approximately its book value.

33. OTHER CURRENT LIABILITIES

As at 31 December 2007 and 2006, Other current liabilities are made up as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Property investments accruals	50,739,687	10,099,852	10,099,852
Holiday pay and bonuses	103,767,265	90,421,806	101,953,829
Interest payable	33,975,996	19,094,741	19,120,931
Invoices to be issued [a]	67,830,234	42,801,468	42,812,640
Commissions	7,922,541	10,526,114	10,255,583
Marketing expenses	27,152,426	10,723,832	10,723,832
Other external supplies and services	49,632,490	28,308,413	32,380,739
Accrued income - trade debtors [a]	9,802,707	7,128,502	15,293,328
Deferred income - rents	5,260,081	4,494,235	4,597,545
Subsidies	424,961	320,641	668,395
Pre-paid minutes not yet used	17,237,818	18,324,662	18,324,662
Others	47,363,909	39,307,988	49,864,797
	421,110,115	**281,552,254**	**316,096,133**

34. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in Provisions and impairment losses over the period ended 31 December 2007 and 2006 are as follows:

	BALANCE AS AT 1.JANUARY.2007	INCREASE	DECREASE	DEMERGER	CHANGES IN CONSOLIDATION PERIMETER	BALANCE AS AT 31.DECEMBER.2007
Accumulated impairment losses on investments (Note 15)	11,817,808	20,663,277	(3,659,227)	(28,720,051)	(75,493)	26,314
Accumulated impairment losses on other non-current assets (Note 16)	991,815	170,125	(69,529)	(790,840)	-	301,571
Accumulated impairment losses on trade account receivables (Note 18)	87,481,138	9,438,959	(10,366,016)	(7,589,772)	7,021,031	85,985,340
Accumulated impairment losses on other debtors (Note 19)	10,634,714	21,741,496	(452,344)	(23,532,708)	859,350	9,250,508
Accumulated impairment losses on inventories (Note 17)	25,098,215	7,995,583	(2,242,798)	(7,350,716)	1,259,147	24,759,431
Non-current provisions	63,234,735	10,885,777	(13,124,031)	(20,494,949)	67,482,694	107,984,226
Current provisions	2,464,091	33,595	(1,210,260)	(1,321,793)	2,329,824	2,295,457
	201,722,516	**70,928,812**	**(31,124,205)**	**(89,800,829)**	**78,876,553**	**230,602,847**

	BALANCE AS OF 1.JANUARY.2007	INCREASE	DECREASE	BALANCE AS AT 31.DECEMBER.2006
Accumulated impairment losses on investments (Note 15)	11,571,901	1,236,297	(990,390)	11,817,808
Accumulated impairment losses on other non-current assets (Note 16)	5,017,722	536,382	(4,562,289)	991,815
Accumulated impairment losses on trade account receivables (Note 18)	96,067,713	7,974,076	(16,560,651)	87,481,138
Accumulated impairment losses on other debtors (Note 19)	14,238,511	1,148,875	(4,752,672)	10,634,714
Accumulated impairment losses on inventories (Note 17)	25,230,922	9,459,929	(9,592,636)	25,098,215
Non-current provisions	54,477,919	20,222,825	(11,466,009)	63,234,735
Current provisions	2,284,983	564,261	(385,153)	2,464,091
	208,889,671	**41,142,645**		**201,722,516**

a Essentially form Telecommunications segment

Changes in consolidation perimeter during 2007 are as follows:

	31.DECEMBER.2007
Disposal of companies	(3,643,177)
Acquisition of companies	20,969,918
Consolidation of Sonae RE	61,137,164
Others	412,648
	78,876,553

As at 31 December 2007 and 2006 increases in Provisions and impairment losses are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Provisions and impairment losses	17,460,444	27,956,063
Impairment losses not included in this note		
Goodwill (Note 14)	(3,659,303)	(10,259,764)
Tangible assets (Note 11)	(160,940)	(2,071,830)
Provisions for losses in investments [b]	23,333,402	1,120,000
Provisions for an account receivable related to the sale of investments (Note 9) [b]	19,794,479	-
Provisions for dismantling telecommunication sites [a]	3,857,160	12,222,080
Provision for inventories impairments		
Recorded in cost of goods sold (Note 17)	7,995,583	8,776,348
Recorded in changes in stocks	-	683,581
Others	2,307,987	2,716,167
	70,928,812	41,142,645

As at 31 December 2007 and 2006, Provisions are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Technical provisions on reinsurance	61,137,164	-
Expenses to be incurred with the sale of the Brazilian subsidiaries	14,628,032	21,978,393
Dismantling telecommunications sites	18,888,140	15,105,140
Judicial claims	2,749,949	9,508,036
Client guarantees	-	4,468,711
Others	12,876,398	14,638,546
	110,279,683	**65,698,826**

Amounts included in "Technical provisions on reinsurance" relate to a group captive company that operates in the non-life re-insurance industry. The provision amount can be detailed as follows: 5,650,956 euros related to provisions for non-acquired insurance premiums and 55,486,208 euros related to provisions for claims outstanding.

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

a These costs are capitalised in tangible assets and are amortised according to the corresponding assets useful life;

b As at 31 December 2007, these amounts were recorded in the income statement as a deduction on the capital gain arising on the sale of investments.

35. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2007 and 2006, major Contingent liabilities were guarantees given and are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Guarantees given:		
on tax claims	92,198,572	59,497,367
on judicial claims	1,907,032	4,648,827
on municipal claims	11,687,093	17,678,401
Others	71,897,604	126,839,733

Others include the following guarantees:

- as at 31 December 2006: 29,731,051 euros related to guarantees on construction works given to clients by demerged subsidiaries;
- 23,861,474 euros (33,330,121 Euros as of 31 December 2006) to guarantee part of the debt of Sonae Sierra affiliates related with the purchase, sale and exchange of Land;
- 35,800,646 euros (8,083,055 euros as at 31 December 2006) related to VAT reimbursement requests.

During the period ended 31 December 2007, a Retail segment company in Brazil granted a guarantee of approximately 25 million euros (65,570,000 Brazilian real) on a tax claim, which is being judged by tax courts.

As a consequence of the sale of a subsidiary company in Brazil, the Group guaranteed the buyer all the losses incurred by that company arising unfavourable decisions not open for appeal, concerning from tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euros. As at 31 December 2007, the amount claimed by the Brazilian Tax Authorities concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, amount to near 24 million euros. Furthermore, there are other tax lawsuits totalling 80 million euros for which the Board of Directors, based on the lawyers' assessment, understand will not imply losses to the sold subsidiary above the referred 40 million euros.

No provision has been registered to face risks arising from events related to guarantees given, as the Board of Directors considers that no liabilities will result for the Group.

36. OPERATIONAL LEASES

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognised as income during the period ended 31 December 2007 and 2006 amounted to 91,675,182 euros and 89,962,701 euros, respectively.

Additionally, as at 31 December 2007 and 2006, the Group had operational lease contracts, as a lessor, fundamentally in the Shopping Centres segment, whose minimum lease payments (fixed income) had the following payment schedule:

	31.DECEMBER.2007	31.DECEMBER.2006
Due in:		
N+1 automatically renewal	839,808	672,397
N+1	114,508,782	76,861,855
N+2	106,284,524	67,850,637
N+3	90,730,915	60,098,966
N+4	78,048,090	44,393,267
N+5	61,710,768	32,000,450
After N+5	50,619,065	7,788,646
	502,741,952	**289,666,218**

Rents arising from operational leases, in which the Group acts as a lessee, during the period ended 31 December 2007 amounted to 50,768,053 euros (21,689,433 euros as at 31 December 2006).

Additionally, as at 31 December 2007 and 2006, the Group had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31.DECEMBER.2007	31.DECEMBER.2006
Due in:		
N+1 automatically renewal	18,031,480	8,145,900
N+1	32,647,680	12,736,548
N+2	28,034,530	10,797,480
N+3	23,737,448	8,899,894
N+4	21,166,777	5,306,161
N+5	14,225,551	3,095,073
After N+5	64,903,797	6,925,345
	202,747,263	**55,906,401**

Changes observed are partially explained by the acquisition of Continente Hipermercados, SA affiliated (ex - Carrefour) in the amount of 85,000,000 euros.

37. TURNOVER

As at 31 December 2007 and 2006, Turnover is made up as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Sale of goods	3,291,036,605	14,561,133	3,305,597,738	3,018,307,010	26,517,115	3,044,824,125
Sale of products	18,868,127	103,843,271	122,711,398	20,735,378	171,463,297	192,198,675
	3,309,904,732	**118,404,404**	**3,428,309,136**	**3,039,042,388**	**197,980,412**	**3,237,022,800**
Services rendered	1,107,627,200	91,788,824	1,199,416,024	997,890,455	148,889,481	1,146,779,936
Turnover	**4,417,531,932**	**210,193,228**	**4,627,725,160**	**4,036,932,843**	**346,869,893**	**4,383,802,736**

38. VALUE CREATED ON INVESTMENT PROPERTIES

As at 31 December 2007 and 2006, Value created on investment properties is made up as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Properties previously under development and opened during the period (Note 13)	28,272,805	-	28,272,805	5,420,980		5,420,980
Property investment subsequent costs	-	-	-	-	-	-
Changes in fair value of investment properties in operation (Note 13)						
Gains	137,884,592	(2,387)	137,882,205	128,590,194	1,543,711	130,133,905
Losses	(13,743,420)	(3,000)	(13,746,420)	(5,593,579)	-	(5,593,579)
	152,413,977	**(5,387)**	**152,408,590**	**128,417,595**	**1,543,711**	**129,961,306**

39. OTHER OPERATIONAL INCOME

As at 31 December 2007 and 2006, Other operational income are as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Supplementary income	289,713,481	1,383,320	291,096,801	253,315,590	2,669,242	255,984,832
Own work capitalised	20,295,997	93,705,148	114,001,145	14,148,398	114,410,171	128,558,569
Impairment losses reversals	2,983,458	378,509	3,361,967	7,356,563	5,457,416	12,813,979
Gains on sales of assets	11,863,888	907,343	12,771,231	2,811,567	3,378,426	6,189,993
Key money	3,916,290	-	3,916,290	5,830,606	-	5,830,606
Subsidies	190,430	262,896	453,326	1,990,435	682,162	2,672,597
Taxes refunded	526,881	40	526,921	65,388	174,107	239,495
Others	8,691,603	2,231,245	10,922,848	6,788,608	3,802,959	10,591,567
	338,182,028	**98,868,501**	**437,050,529**	**292,307,155**	**130,574,483**	**422,881,638**

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

40. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2007 and 2006, External supplies and services are as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Subcontracts	421,066,411	153,802,750	574,869,161	364,228,532	187,483,320	551,711,852
Services	97,423,046	7,977,579	105,400,625	102,378,410	11,415,659	113,794,069
Publicity	130,621,494	924,753	131,546,247	111,403,873	2,162,186	113,566,059
Rents	79,165,604	3,196,621	82,362,225	71,991,263	6,227,750	78,219,013
Commissions	54,206,486	1,389,541	55,596,027	56,883,845	1,834,196	58,718,041
Transports	36,907,002	4,742,998	41,650,000	32,013,061	9,237,270	41,250,331
Electricity	42,233,287	3,580,823	45,814,110	33,877,980	5,511,894	39,389,874
Maintenance	26,996,394	3,673,327	30,669,721	25,215,726	5,830,476	31,046,202
Security	19,383,267	949,960	20,333,227	18,878,689	1,391,765	20,270,454
Cleaning up services	18,313,917	(5,008,332)	13,305,585	17,108,919	(10,516,575)	6,592,344
Insurances	8,839,295	2,238,058	11,077,353	4,705,081	3,131,729	7,836,810
Travel expenses	6,803,919	1,342,133	8,146,052	6,058,428	3,298,768	9,357,196
Others	68,792,960	10,698,695	79,491,655	59,077,004	15,810,225	74,887,229
	1,010,753,082	**189,508,906**	**1,200,261,988**	**903,820,811**	**242,818,663**	**1,146,639,474**

41. STAFF COSTS

As at 31 December 2007 and 2006, Staff costs are as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Salaries	409,404,068	49,795,264	459,199,332	370,958,965	79,100,906	450,059,871
Social security contributions	78,224,445	8,495,703	86,720,148	71,259,772	18,980,782	90,240,554
Insurance	8,810,172	743,824	9,553,996	8,295,944	1,323,480	9,619,424
Welfare	1,665,640	493,086	2,158,726	1,826,865	730,239	2,557,104
Other staff costs	10,676,003	1,502,521	12,178,524	14,337,221	3,833,771	18,170,992
	508,780,328	**61,030,398**	**569,810,726**	**466,678,767**	**103,969,178**	**570,647,945**

42. OTHER OPERATIONAL EXPENSES

As at 31 December 2007 and 2006, Other operational expenses are as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
ATM expenses	20,086,989	76,185	20,163,174	19,332,663	115,245	19,447,908
Other taxes	16,457,814	2,907,911	19,365,725	12,930,822	6,077,944	19,008,766
Write-off of investment properties	858,180	-	858,180	11,605,863	-	11,605,863
Losses on the sale of assets	5,856,736	1,671,886	7,528,622	4,736,318	1,875,947	6,612,265
Municipal Property tax	5,528,027	902,819	6,430,846	5,174,236	1,205,569	6,379,805
Donations	6,161,226	31,371	6,192,597	5,641,085	40,148	5,681,233
Doubtful debts written-off	939,768	71,348	1,011,116	2,596,243	771,162	3,367,405
Others	20,676,105	1,545,100	22,221,205	12,846,686	3,179,381	16,026,067
	76,564,845	**7,206,620**	**83,771,465**	**74,863,916**	**13,265,396**	**88,129,312**

43. NET FINANCIAL EXPENSES

As at 31 December 2007 and 2006, net financial expenses are as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
EXPENSES						
Interest payable						
related with bank loans and overdrafts	(49,571,979)	(2,836,773)	(52,408,752)	(39,464,107)	(5,227,020)	(44,691,127)
related with non convertible bonds	(74,014,087)	(101,556)	(74,115,643)	(44,520,519)	-	(44,520,519)
related with financial leases	(1,829,875)	(238,441)	(2,068,316)	(755,711)	(992,276)	(1,747,987)
related with hedge derivatives	(195,730)	-	(195,730)	-	-	-
Others	(15,848,694)	(170,501)	(16,019,195)	(8,238,966)	1,692,413	(6,546,553)
	(141,460,365)	**(3,347,271)**	**(144,807,636)**	**(92,979,303)**	**(4,526,883)**	**(97,506,186)**
Exchange losses	(3,547,299)	(17,607)	(3,564,906)	(3,450,159)	(215,302)	(3,665,461)
Payment discounts given	-	(65,712)	(65,712)	-	(912,474)	(912,474)
Fair value adjustment of investments registered at fair value on the income statement	(131,724)	-	(131,724)	(158,085)	-	(158,085)
Losses on fair value of hedge derivatives	(26,630)	-	(26,630)	(127,060)	-	(127,060)
Up front fees and commissions related to loans	(13,931,761)	-	(13,931,761)	(6,615,716)	-	(6,615,716)
Others	(8,659,230)	(1,791,831)	(10,451,061)	(15,599,630)	(2,525,616)	(18,125,246)
	(167,757,009)	**(5,222,421)**	**(172,979,430)**	**(118,929,953)**	**(8,180,275)**	**(127,110,228)**
INCOME						
Interest receivable						
related with bank deposits	16,741,157	228,435	16,969,592	7,160,232	222,884	7,383,116
related with loans to affiliated companies	-	-	-	-	-	-
Others	26,847,460	(4,541,671)	22,305,789	13,621,528	(647,415)	12,974,113
	43,588,617	**(4,313,236)**	**39,275,381**	**20,781,760**	**(424,531)**	**20,357,229**
Exchange gains	3,126,618	237,891	3,364,509	3,869,153	306,968	4,176,121
Payments discounts received	180,204	68,265	248,469	104,979	61,071	166,050
Fair value adjustment of investments registered at fair value on the income statement	5,024,376	-	5,024,376	527,130	-	527,130
Hedge inefficiency	134,091	-	134,091	-	-	-
Other financial income	579,686	159,789	739,475	1,660,218	689,427	2,349,645
	52,633,592	**(3,847,291)**	**48,786,301**	**26,943,240**	**632,935**	**27,576,175**
Net financial expenses	**(115,123,417)**	**(9,069,712)**	**(124,193,129)**	**(91,986,713)**	**(7,547,340)**	**(99,534,053)**

44. INVESTMENT INCOME

As at 31 December 2007 and 2006 investment income are as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Dividends received	**43,670**	**1,494,405**	**1,538,075**	**290,534**	**1,506,469**	**1,797,003**
Sale of shares in Sonaecom	27,478,036	-	27,478,036	-	-	-
Sale of Safira	-	2,493,061	2,493,061	-	-	-
Partial sale of Loureshopping	3,117,745	-	3,117,745	-	-	-
Roll Up of Sonaecom	-	-	-	58,775,803	-	58,775,803
Sale of Retailbox BV	-	-	-	-	26,494,202	26,494,202
Partial sale of Sonae Sierra Brazil	-	-	-	-	19,377,866	19,377,866
Sale of Hospimob	-	-	-	12,334,800	-	12,334,800
Others	4,489,708	(4,929,571)	(439,863)	15,040,411	(488,325)	14,552,086
Gains / (losses) on the sale of investments in subsidiaries	**35,085,489**	**(2,436,510)**	**32,648,979**	**86,151,014**	**45,383,743**	**131,534,757**
Partial sale of ba Vidro	-	8,744,475	8,744,475	-	3,222,401	3,222,401
Sale of PT	2,473,445	-	2,473,445	-	-	-
Sale of Despegar	3,017,071	-	3,017,071	-	-	-
Others	1,385,974	(1,116,857)	269,117	92,821	-	92,821
Gains / (losses) on the sale of investments on available for sale	**6,876,490**	**7,627,618**	**14,504,108**	**92,821**	**3,222,401**	**3,315,222**
Impairment losses on investments at subsidiaries	-	-		-	-	-
Impairment losses on investments at associated companies	-	-		-	-	-
Impairment losses on investments available for sale	(170,125)	(40,000)	(210,125)	-	(1,120,000)	(1,120,000)
Impairment reversal/(losses) on investments	**(170,125)**	**(40,000)**	**(210,125)**	**-**	**(1,120,000)**	**(1,120,000)**
	41,835,524	**6,645,513**	**48,481,037**	**86,534,369**	**48,992,613**	**135,526,982**

The heading Gains and losses on the sale of investments available for sale includes 14,035,569 euros relating to gains previously recognised under fair value reserves (4,695,689 euros at 31 December 2006).

45. TAXATION

As at 31 December 2007 and 2006, Taxation is as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Current tax	21,340,773	4,682,497	26,023,270	21,388,382	4,873,656	26,262,038
Deferred tax (Note 22)	5,727,644	(4,975,626)	752,018	37,196,391	1,498,966	38,695,357
	27,068,417	**(293,129)**	**26,775,288**	**58,584,773**	**6,372,622**	**64,957,395**

At December 2007 and 2006 deferred taxation includes 2,342,342 euros and 1,182,646 euros, respectively, relating to a withholding tax credit on income received from participation units in the Real Estate Investment Trusts.

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2007 is summarised as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
	Continuing Operations	Continuing Operations
Profit/(Loss) before income tax	383,489,370	403,635,472
Net income before tax from Discontinued Operations	(8,705,925)	(51,404,582)
	374,783,445	**352,230,890**
Difference between capital (losses)/gains for accounting and tax purposes	(36,783,591)	14,447,688
Results of associated undertakings	(2,165,145)	(5,883,747)
Impairment of goodwill	2,376,313	10,142,472
Provisions and impairment losses not accepted for tax purposes	3,299,661	(9,031,031)
Permanent differences	57,443,431	46,426,810
Taxable Profit	398,954,114	408,333,082
Use of tax losses that have not originated deferred tax assets	(149,678,825)	(260,771,608)
Recognition of tax losses that have not originated deferred tax assets	32,110,942	127,724,733
	281,386,231	**275,286,207**
Income tax rate in Portugal	25.00%	27.50%
	70,346,558	**75,703,707**
Effect of different income tax rates in other countries	(1,267,036)	2,686,170
Effect of change in tax income rate in the calculation of deferred taxes	(3,401,152)	(9,361,565)
Effect of increases or decreases in deferred taxes	(44,244,371)	(10,925,024)
Under/(over) taxation estimates	(1,651,621)	(445,740)
Autonomous taxes and tax benefits	908,938	927,225
Municipality surcharge	6,377,101	-
Income tax	**27,068,417**	**58,584,773**

46. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 31 December 2007 and 2006, the reconciliation of consolidated net profit is as follows:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Aggregate net profit	1,404,968,827	(54,434,145)	1,350,534,682	1,147,427,008	10,771,598	1,158,198,606
Use of the proportionate method	(486,508,666)	-	(486,508,666)	(473,709,920)	-	(473,709,920)
Harmonisation adjustments	18,739,755	894,414	19,634,169	(14,219,483)	(622,540)	(14,842,023)
Elimination of intragroup dividends	(243,058,926)	(6,648,996)	(249,707,922)	(315,770,003)	(7,876,185)	(323,646,188)
Elimination of intragroup capital gains and losses	(442,012,268)	(3,046,970)	(445,059,238)	(68,137,587)	34,078,967	(34,058,620)
Elimination of intragroup provisions	43,440,006	(5,404,834)	38,035,172	(28,442,000)	(187,328)	(28,629,328)
Consolidation adjustments to gains on sales of investments	61,098,132	72,745,166	133,843,298	54,685,594	1,725,306	56,410,900
Others	(8,951,832)	4,894,419	(4,057,413)	(8,187,492)	7,142,142	(1,045,350)
Consolidated net profit for the year	347,715,028	8,999,054	356,714,082	293,646,117	45,031,960	338,678,077

47. RELATED PARTIES

Balances and transactions with related parties during the periods ended 31 December 2007 and 2006 are as follows:

	SALES AND SERVICES RENDERED				PURCHASES AND SERVICES OBTAINED			
	31.DECEMBER.2007		31.DECEMBER.2006		31.DECEMBER.2007		31.DECEMBER.2006	
TRANSACTIONS	Continuing Operations	Total Operations	Continuing Operations	Total Operations	Continuing Operations	Total Operations	Continuing Operations	Total Operations
Parent company and group companies excluded from consolidation	51,597,575	55,970,999	48,374,387	51,194,421	57,574	57,574	91,234	91,234
Jointly controlled companies	14,784,888	30,058,485	15,406,503	38,400,576	16,643,191	17,587,580	14,994,543	16,393,633
Associated companies	1,650,391	1,738,332	1,544,769	2,247,248	20,135,541	21,762,420	17,951,698	20,205,910
Other partners in Group companies	10,321,256	36,114,271	9,730,346	67,419,596	31,729,593	11,930,393	29,511,733	16,269,190
	78,354,110	**123,882,087**	**75,056,005**	**159,261,841**	**68,565,899**	**51,337,967**	**62,549,208**	**52,959,967**

	INTEREST INCOME				INTEREST EXPENSES			
	31.DECEMBER.2007		31.DECEMBER.2006		31.DECEMBER.2007		31.DECEMBER.2006	
TRANSACTIONS	Continuing Operations	Total Operations	Continuing Operations	Total Operations	Continuing Operations	Total Operations	Continuing Operations	Total Operations
Parent company and group companies excluded from consolidation	-	-	-	-	-	-	100,146	419,113
Jointly controlled companies	541,120	541,120	4,568	4,568	1,171,081	1,229,175	893,863	971,631
Associated companies	-	3,863	9,074	27,698	-	-	-	-
Other partners in Group companies	8,959,572	45,950	1,735,157	-	3,645,888	2,994,997	4,708,986	2,501,884
	9,500,692	**590,933**	**1,748,799**	**32,266**	**4,816,969**	**4,224,172**	**5,702,995**	**3,892,628**

	ACCOUNTS RECEIVABLE			ACCOUNTS PAYABLE		
BALANCES	31.December. 2007	31.December. 2006 Pro forma	31.December. 2006	31.December. 2007	31.December. 2006 Pro forma	31.December. 2006
Parent company and group companies excluded from consolidation	11,915,663	12,844,655	14,552,845	18,659	153,280	153,280
Jointly controlled companies	2,744,092	1,732,753	7,957,621	5,300,970	4,556,527	5,773,297
Associated companies	1,856,039	8,556,355	1,717,859	2,231,505	2,127,689	2,240,411
Other partners in Group companies	5,787,280	10,151,917	11,244,638	28,092,208	27,134,306	13,826,646
	22,303,074	**33,285,680**	**35,472,963**	**35,643,342**	**33,971,802**	**21,993,634**

	LOANS					
	OBTAINED			GRANTED		
BALANCES	31.December. 2007	31.December. 2006 Pro forma	31.December. 2006	31.December. 2007	31.December. 2006 Pro forma	31.December. 2006
Parent company and group companies excluded from consolidation	-	12,750,000	12,750,000	-	-	6,402,717
Jointly controlled companies	-	-	1,179,061	63,427	72,035	72,035
Associated companies	-	-	-	-	-	8,432,023
Other partners in Group companies	44,297,395	72,886,149	31,346,566	15,475	88,451,818	-
	44,297,395	**85,636,149**	**45,275,627**	**78,902**	**88,523,853**	**14,906,775**

Other partners in Group companies include Sonae Industria, SGPS, SA and Sonae Capital, SGPS, SA affiliated, associated and jointly controlled companies (in what concerns only to continued operations and to 31 December 2007 and 31 December 2006 balances Pro Forma), and also other shareholders of affiliated companies or jointly controlled companies of the Sonae Group, as well as other affiliated companies of the parent company Efanor Investimentos, SGPS, SA.

Members of the Board of Directors were attributed the following remuneration in 2007 and 2006:

	31.DECEMBER.2007	31.DECEMBER.2006
Fixed remuneration	2,593,931	2,333,550
Variable remuneration [1]	8,986,033	2,357,350
	11,579,964	**4,690,900**

The total remuneration of Sonae's Executive Directors for 2007 reflects decisions implemented on 31 December 2007, in relation to the anticipated payout of the open Deferred Performance Bonus Plans of Belmiro de Azevedo (at Sonae), Paulo Azevedo (at Sonaecom) and Ângelo Paupério (at Sonae Distribuição), as a result of the changes in their executive roles within the Sonae Group effective from 3 May 2007. These early payout decisions, which were motivated by legal and tax restrictions on transferring open plans between companies, were taken after consulting the Board Nomination and Remuneration Committee and obtaining the approval of the Shareholders' Remuneration Committee of the respective companies. Each "old company" (company at which they relinquished their executive roles) paid out all open Deferred Performance Bonus Plans, in cash, to the 3 Executive Directors, valuing the respective plans at the date of their transfer. Each individual was required to reinvest the amount received, net of tax, in their individual names in "new company" shares (company at which they had taken up executive roles).

These shares are subject to a "lock up" until the original Deferred Bonus Plans would have vested. The effect of these decisions is that, the 3 Executive Directors received amounts from their Deferred Performance Bonus Plans during 2007, which total 7,375,286 euros and represent 2,896,302 euros of normal recurring payments and 4,479,984 euros from early payouts, which anticipate and will effectively eliminate their normal payouts for the next 3 years.

Remunerations attributed in 2007 to key management staff of main companies of the Sonae Group (excluding members of Sonae SGPS, SA Board of Directors) amounted to 12,599,050 euros (8,522,676 euros at 2006), of which 5,736,256 euros (4,625,460 euros at 2006) are fixed remunerations and 6,862,794 euros (3,897,216 euros at 2006) are performance bonuses.

1 At 2007 includes non recurrent payments related with Share based deferred payment plans to: Group Chairman 2,160,467 euros, Group CEO 1,075,828 euros and to other member of the Executive Committee 1,242,689 euros as a result of the changes in their executive roles since 3 May 2007.

48. EARNINGS PER SHARE

Earning per share for the periods ended 31 December 2007 and 2006, excluding the effect of discontinued operations, were calculated taking into consideration the following amounts:

	31.DECEMBER.2007			31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
NET PROFIT						
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the year)	275,784,823	8,259,215	284,044,038	211,937,865	29,884,368	241,822,233
Effect of dilutive potential shares	-	-	-	-	-	-
Interest related to convertible bonds (net of tax)	-	-	-	-	-	-
Net profit taken into consideration to calculate diluted earnings per share	**275,784,823**	**8,259,215**	**284,044,038**	**211,937,865**	**29,884,368**	**241,822,233**
NUMBER OF SHARES						
Weighted average number of shares used to calculated basic earnings per share	1,866,824,215	1,866,824,215	1,866,824,215	1,866,382,294	1,866,382,294	1,866,382,294
Effect of dilutive potential ordinary shares from convertible bonds		-			-	
Weighted average number of shares used to calculated diluted earnings per share	1,866,824,215	1,866,824,215	1,866,824,215	1,866,382,294	1,866,382,294	1,866,382,294
Earnings per share (basic and diluted)	**0.147729**	**0.004424**	**0.152154**	**0.113555**	**0.016012**	**0.129567**

There are no convertible instruments included in Sonae, SGPS shares thereby, dilutive effect is reported. The calculation of 2007 average number of shares considered the effect of 132,800,000 Sonae SGPS, S.A. shares underlying the derivative in Note 24 as own shares.

49. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

The cash receipts and payments related to investments during the periods ended 31 December 2007 and 2006 are as follows:

	AMOUNTS RECEIVED AT 31.DECEMBER.2007			AMOUNTS RECEIVED AT 31.DECEMBER.2006		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Sale of PT shares	108,461,473	-	108,461,473	-	-	-
Sale of Sonaecom shares	23,150,000	-	23,150,000	-	-	-
Sale of Agloma Investments	15,454,999	-	15,454,999	-	-	-
Sale of Safira	-	5,000,000	5,000,000	-	-	-
Sale of 50% of Loureshopping	14,991,339	-	14,991,339	-	-	-
Sale of Eirles Three Junior Notes	-	-	-	30,317,580	-	30,317,580
Sale of Hospimob - Imobiliária, SA	-	-	-	21,034,800	-	21,034,800
Sale of 50% of Sierra Brasil Bv	-	-	-	15,584,082	-	15,584,082
Sale of Retailbox BV	-	-	-	27,471,591	-	27,471,591
Sale of 17% of Sonae Sierra at 2005	-	-	-	226,260,029	-	226,260,029
Partial sale of Barbaridade Glass	-	12,056,590	12,056,590	-	4,472,044	4,472,044
Sale of Sonae Turismo to Sonae Capital	-	-	-	91,795,896	(91,795,896)	-
Sale of SC Insurance	-	-	-	37,500,000	(37,500,000)	
Other companies sales effect to discontinued operations	13,775,115	(13,775,115)				
Others	40,377,404	2,300,709	42,678,113	54,799,834	2,500,672	57,300,506
	216,210,330	**5,582,184**	**221,792,514**	**504,763,812**	**(122,323,180)**	**382,440,632**

	AMOUNTS PAID AT 31.DECEMBER.2007			AMOUNTS PAID AT 31.DECEMBER.2007		
	Continuing Operations	Discontinued Operations	Total Operations	Continuing Operations	Discontinued Operations	Total Operations
Acquisition of Continente Hipermercados	612,370,755	-	612,370,755	-	-	-
Acquisition of insurance operations acquired to Sonae Capital	70,052,475	-	70,052,475	-	-	-
Acquisition of 50% of Arrabidashopping	24,529,683	-	24,529,683	-	-	-
Acquisition of 50% of Gaiashopping	27,040,663	-	27,040,663	-	-	-
Acquisition of Cape Tecnologies	18,569,144	-	18,569,144	-	-	-
Acquisition of DMJB	-	22,000,000	22,000,000	-	-	-
Acquisition of Arbiword	-	9,986,500	9,986,500	-	-	-
Acquisition of Tele 2	14,506,136	-	14,506,136	-	-	-
Acquisition of Riverplz	11,610,461	-	11,610,461	-	-	-
Acquisition of Craiova	16,016,566	-	16,016,566	-	-	-
Capital Increase at Imoponte and Imosede	29,711,577	-	29,711,577	-	13,525,000	13,525,000
Acquisition of Hospimob - Imobiliária, SA	-	-	-	8,700,000	-	8,700,000
Acquisition of Modelo Continente shares	-	-	-	505,641,299	-	505,641,299
Acquisition of PT shares	-	-	-	105,988,029	-	105,988,029
Acquisition of Sonaecom shares	-	-	-	34,372,300	-	34,372,300
Acquisition of Equador to Sonae Turismo	-	-	-	9,343,416	(9,343,416)	-
Others	57,462,727	3,045,956	60,508,683	45,682,166	(20,925,460)	24,756,706
	881,870,187	**35,032,456**	**916,902,643**	**709,727,210**	**(16,743,876)**	**692,983,334**

50. DIVIDENDS

In the Shareholders Annual General Meeting held on 3 May 2007, the payment of a gross dividend of 0.03 euro per share (0.025 euro per share in 2006) corresponding to a total of 55,997,442.84 euros (46,650,596.35 euros at 2006) was approved.

For 2007, the Board of Directors will propose a gross dividend of 0.03 euro per share corresponding to a total of 60,000,000 euros. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting.

51. SEGMENT INFORMATION

In 2007 and 2006, the following were identified as primary business segments:

- Retail
- Shopping Centres
- Telecommunications
- Services (mainly discontinued in 2007 as a consequence of Sonae Capital demerger)
- Holding and Others

The geographic segments (secondary) identified in 2007 and 2006 are listed as follows:

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

The contribution of the business segments to the income statement for the periods ended on 31 December 2007 and 2006 is as follows:

31.DECEMBER.2007	Retail	Shopping Centres	Telecommunica-tions	Holding and Others	Consolidation Adjustments	Consolidated Continuing Operations
Operational income						
Sales	3,238,944,890	-	70,959,842	-	-	3,309,904,732
Services rendered	137,012,505	149,049,030	806,004,412	19,233,624	(3,672,371)	1,107,627,200
Value created on investments properties	-	161,323,099	-	-	(8,909,122)	152,413,977
Other operational income	297,525,755	19,757,391	22,081,493	1,395,794	(2,578,405)	338,182,028
	3,673,483,150	330,129,520	899,045,747	20,629,418	(15,159,898)	4,908,127,937
Inter-segment income	31,296,630	2,345,281	8,226,797	(3,077,552)	(38,791,156)	-
	3,704,779,780	332,474,801	907,272,544	17,551,866	(53,951,054)	4,908,127,937
Operational cash-flow (EBITDA)	302,215,705	231,659,035	171,126,395	(5,394,446)	(13,192,112)	686,414,577
Depreciation and amortisation	87,177,693	1,014,849	138,757,031	437,589	810,452	228,197,614
Provisions and impairment losses	1,737,549	1,551,796	9,634,719	3,348	2,366,818	15,294,230
Operational profit (EBIT)	214,011,002	230,190,112	23,197,641	(5,835,382)	(15,657,180)	445,906,193
Net financial expenses	(34,416,395)	(24,783,308)	(27,274,567)	(29,753,695)	1,104,548	(115,123,417)
Share of results of associated undertakings	-	-	-	-	2,165,145	2,165,145
Investment income	326,663	8,615,338	5,387,986	81,030,844	(53,525,307)	41,835,524
Profit before taxation	179,921,270	214,022,142	1,311,060	45,441,767	(65,912,794)	374,783,445
Income tax	(7,655,557)	(57,818,912)	36,635,014	(1,446,305)	3,217,343	(27,068,417)
Net profit for the period	172,265,713	156,203,230	37,946,074	43,995,462	(62,695,451)	347,715,028
- attributable to equity holders of Sonae						275,784,823
- attributable to minority interests						71,930,205

31.DECEMBER.2006	Retail	Shopping Centres	Telecommunica-tions	Holding and Others	Consolidation Adjustments	Consolidated Continuing Operations
Operational income						
Sales	2,959,537,003	-	79,505,385	-	-	3,039,042,388
Services rendered	126,994,517	132,548,296	724,944,282	13,403,314	46	997,890,455
Value created on investments properties	-	128,417,595	-	-	-	128,417,595
Other operational income	249,679,062	20,346,825	20,353,361	1,458,243	469,664	292,307,155
	3,336,210,582	281,312,716	824,803,028	14,861,557	469,710	4,457,657,593
Inter-segment income	28,763,966	2,257,046	26,681,483	2,931,944	(60,634,439)	-
	3,364,974,548	283,569,762	851,484,511	17,793,501	(60,164,729)	4,457,657,593
Operational cash-flow (EBITDA)	253,531,120	188,269,324	146,161,267	(1,611,203)	(1,391,863)	584,958,645
Depreciation and amortisation	79,807,896	1,410,784	135,671,316	635,391	(91,556)	217,433,831
Provisions and impairment losses	1,753,010	1,272,404	10,073,531	-	9,982,943	23,081,888
Operational profit (EBIT)	178,158,229	186,258,738	912,367	(2,246,596)	(11,283,251)	351,799,487
Net financial expenses	(18,780,975)	(21,841,050)	(26,111,015)	(23,610,173)	(1,643,500)	(91,986,713)
Share of results of associated undertakings	-	9,843	-	-	5,873,904	5,883,747
Investment income	12,057,873	188,041	350,833	(20,218,823)	94,156,445	86,534,369
Profit before taxation	171,435,127	164,615,572	(24,847,815)	(46,075,592)	87,103,598	352,230,890
Income tax	(10,041,701)	(42,830,424)	(5,261,299)	(686,955)	235,606	(58,584,773)
Net profit for the period	161,393,426	121,785,148	(30,109,114)	(46,762,547)	87,339,204	293,646,117
- attributable to equity holders of Sonae						211,937,865
- attributable to minority interests						81,708,252

31.DECEMBER.2007

	Retail	Shopping Centres	Telecommu-nications	Services	Holding and Others	Consolidation Adjustments	Consolidated Continuing Operations
Operational income							
Sales	3,238,716,184	-	70,768,384	113,611,608	5,212,960		3,428,309,136
Services rendered	135,818,958	148,168,873	805,204,646	94,950,944	18,944,973	(3,672,370)	1,199,416,024
Value created on investments properties	-	161,317,713	-	-	-	(8,909,123)	152,408,590
Other operational income	276,351,717	18,407,145	22,124,087	122,144,933	601,053	(2,578,406)	437,050,529
	3,650,886,859	327,893,731	898,097,117	330,707,485	24,758,986	(15,159,899)	5,217,184,279
Inter-segment income	53,892,921	4,581,070	9,175,426	4,397,265	14,789,448	(86,836,130)	-
	3,704,779,780	332,474,801	907,272,543	335,104,750	39,548,434	(101,996,029)	5,217,184,279
Operational cash-flow (EBITDA)	302,215,705	231,659,035	171,126,395	18,858,087	(4,712,912)	(13,616,504)	705,529,806
Depreciation and amortisation	87,177,693	1,014,849	138,757,031	6,461,804	1,479,345	61,408	234,952,130
Provisions and impairment losses	1,737,549	1,551,796	9,634,719	864,618	3,348	3,668,414	17,460,444
Operational profit (EBIT)	214,011,002	230,190,112	23,197,641	11,928,174	(5,414,042)	(17,415,689)	456,497,198
Net financial expenses	(34,416,395)	(24,783,308)	(27,274,567)	(8,939,303)	(29,777,723)	998,167	(124,193,129)
Share of results of associated undertakings	-	-	-	-	-	2,704,264	2,704,264
Investment income	(4,650,171)	8,615,338	5,387,986	12,917,603	98,120,757	(71,910,476)	48,481,037
Profit before taxation	174,944,436	214,022,142	1,311,060	15,906,474	62,928,992	(85,623,734)	383,489,370
Income tax	(7,655,557)	(57,818,912)	36,635,014	326,479	(1,635,518)	3,373,206	(26,775,288)
Net profit for the period	167,288,879	156,203,230	37,946,074	16,232,953	61,293,474	(82,250,528)	356,714,082
- attributable to equity holders of Sonae							284,044,038
- attributable to minority interests							72,670,044

31.DECEMBER.2006

	Retail	Shopping Centres	Telecommu-nications	Services	Holding and Others	Consolidation Adjustments	Consolidated Continuing Operations
Operational income							
Sales	2,959,484,816	-	79,043,855	188,429,113	10,065,016	-	3,237,022,800
Services rendered	124,349,516	136,861,526	733,907,666	150,592,423	1,068,805	-	1,146,779,936
Value created on investments properties	-	129,961,306	-	-	-	-	129,961,306
Other operational income	218,660,336	17,810,803	31,220,350	160,483,594	1,445,186	(6,738,631)	422,881,638
	3,302,494,668	284,633,635	844,171,872	499,505,130	12,579,007	(6,738,631)	4,936,645,680
Inter-segment income	62,479,926	5,719,644	7,312,639	13,181,625	929,416	(89,623,251)	-
	3,364,974,595	290,353,280	851,484,511	512,686,755	13,508,423	(96,361,882)	4,936,645,680
Operational cash-flow (EBITDA)	253,531,120	192,095,113	146,161,267	18,172,498	(7,368,908)	(3,456,101)	599,134,989
Depreciation and amortisation	(79,807,896)	(1,429,868)	(135,671,316)	(9,093,591)	(1,597,131)	824,352	(226,775,450)
Provisions and impairment losses	(1,753,010)	(1,472,256)	(10,073,531)	(4,283,630)	(114,468)	(10,259,168)	(27,956,063)
Operational profit (EBIT)	178,158,229	189,916,570	912,367	10,201,713	(9,076,448)	(12,894,974)	357,217,455
Net financial expenses	(18,780,975)	(21,789,780)	(26,111,015)	(5,580,636)	(25,529,250)	(1,742,396)	(99,534,053)
Share of results of associated undertakings	-	9,843	-	-	-	10,415,245	10,425,088
Investment income	12,507,873	6,945,218	28,441,607	2,219,287	2,748,653	82,664,343	135,526,982
Profit before taxation	171,885,127	175,081,851	3,242,958	6,840,364	(31,857,045)	78,442,217	403,635,472
Income tax	(10,041,701)	(43,491,333)	(5,261,299)	(6,133,598)	(52,831)	23,366	(64,957,395)
Net profit for the period	161,843,426	131,590,518	(2,018,341)	706,766	(31,909,876)	78,465,583	338,678,077
- attributable to equity holders of Sonae							241,822,233
- attributable to minority interests							96,855,844

The contribution of the business segments to the balance sheets as at 31 December 2007 and 2006 is as follows:

31.DECEMBER.2007

	Retail	Shopping Centres	Telecommunica-tions	Holding and Others (2)	Consolidation Adjustments	Consolidated
FIXED ASSETS						
Intangible	154,559,265	3,553,684	192,416,571	118,561	(2,979,937)	347,668,144
Tangible	1,608,893,564	1,176,095	533,165,965	1,391,131	9,643,011	2,154,269,766
Investment properties	-	2,062,673,604	-	-	(544,678)	2,062,128,926
Goodwill[1]	-	-	-	-	740,938,670	740,938,670
Investments	43,887,151	20,359,968	7,102,202	22,861,867	(8,607,391)	85,603,797
Deferred tax assets	22,286,220	12,212,701	101,118,096	37,213	(48,561)	135,605,669
Others Assets	694,482,746	77,482,995	320,676,431	78,948,664	(18,115,098)	1,153,475,738
Cash, Cash Equivalents and Current Investments	125,062,227	34,994,583	83,851,612	101,744,777	818,178	346,471,377
TOTAL ASSETS	**2,649,171,173**	**2,212,453,630**	**1,238,330,877**	**205,102,213**	**721,104,194**	**7,026,162,087**
NON-CURRENT LIABILITIES						
Borrowings	1,106,503,697	836,262,512	391,596,174	497,000,804	(2,246,197)	2,829,116,990
Deferred tax liabilities	32,365,890	299,080,440	284,402	2,416,071	73,109	334,219,912
Other non-current liabilities	28,981,199	32,739,640	30,393,470	328,573,323	319,720	421,007,352
CURRENT LIABILITIES						
Borrowings	90,935,924	38,433,460	2,550,499	6,411,526	(14,298)	138,317,111
Other current liabilities	1,115,553,998	149,590,790	396,728,752	35,201,242	(11,555,512)	1,685,519,270
TOTAL LIABILITIES	**2,374,340,708**	**1,356,106,842**	**821,553,297**	**869,602,966**	**(13,423,178)**	**5,408,180,635**
Total investment	800,086,030	411,103,512	235,657,425	124,438,780	-	1,571,285,747
Gross Debt	1,197,439,621	874,695,972	394,146,673	503,412,330	(2,260,495)	2,967,434,101
Net Debt	1,072,377,395	839,706,865	310,295,061	401,667,553	(3,084,150)	2,620,962,724

31.DECEMBER.2006 PRO FORMA

	Retail	Shopping Centres	Telecommunica-tions	Holding and Others (2)	Consolidation Adjustments	Consolidated Pro-forma
FIXED ASSETS						
Intangible	149,164,530	3,898,736	183,128,579	179,794	(16,454,471)	319,917,168
Tangible	1,229,588,393	877,259	494,771,214	14,486,910	(404,857)	1,739,318,919
Investment properties	-	1,522,237,384	-	-	(510,601)	1,521,726,783
Goodwill[1]	-	-	-	-	214,882,710	214,882,710
Investments	56,106,456	10,048,247	112,712,411	5,580,186	(3,655,800)	180,791,500
Deferred tax assets	23,413,248	13,657,457	61,786,653	46,356	(878,451)	98,025,263
Others Assets	519,251,478	108,644,667	250,159,826	66,664,855	(39,788,295)	904,932,531
Cash, Cash Equivalents and Current Investments	392,676,510	109,714,339	126,766,719	139,996,102	(91,142,908)	678,010,762
TOTAL ASSETS	**2,370,200,615**	**1,769,078,089**	**1,229,325,402**	**226,954,203**	**62,047,327**	**5,657,605,636**
NON-CURRENT LIABILITIES						
Borrowings	601,531,168	620,655,759	462,215,429	351,800,553	(203,613)	2,035,999,296
Deferred tax liabilities	32,788,293	234,199,737	-	89,213	55,612	267,132,855
Others Non-current liabilities	34,980,193	46,691,951	24,621,312	3,944,851	6,803,421	117,041,728
CURRENT LIABILITIES						
Borrowings	167,863,379	21,873,536	-	343,664,079	1,778,344	535,179,338
Other current liabilities	850,778,495	93,912,979	323,529,397	193,920,865	(142,999,926)	1,319,141,810
TOTAL LIABILITIES	**1,687,941,528**	**1,017,333,962**	**810,366,138**	**893,419,561**	**(134,566,162)**	**4,274,495,027**
Total investment	248,225,392	96,210,892	253,810,858	102,063,521	-	700,310,663
Gross Debt	769,394,547	642,529,295	463,998,957	695,464,633	(208,798)	2,571,178,634
Net Debt	376,718,037	532,814,957	337,232,239	555,463,071	90,939,568	1,893,167,872

31.DECEMBER.2006

	Retail	Shopping Centres	Telecommunications	Services	Holding and Others (2)	Consolidation Adjustments	Consolidated Total Accumulated
FIXED ASSETS							
Intangible	149,164,530	3,898,736	183,128,579	1,692,559	87,552	(16,454,471)	321,517,485
Tangible	1,229,588,393	877,259	494,771,214	272,917,217	77,751,742	(1,329,928)	2,074,575,897
Investment properties	-	1,522,237,384	-	-	-	(2,026,125)	1,520,211,259
Goodwill[1]	-	-	-	-	-	250,842,655	250,842,655
Investments	56,106,456	10,021,115	112,712,411	122,445,833	1,035,290	(37,673,308)	264,647,797
Deferred tax assets	23,413,248	13,657,457	61,786,653	3,908,399	8,808	(7,156)	102,767,409
Others Assets	519,251,478	108,644,666	250,159,826	333,476,092	91,860,203	(212,821,112)	1,090,571,153
Cash, Cash Equivalents and Current Investments	392,676,510	109,714,339	126,766,719	28,334,380	132,240,352	(93,995,000)	695,737,300
TOTAL ASSETS	**2,370,200,615**	**1,769,050,956**	**1,229,325,402**	**762,774,480**	**302,983,947**	**(113,464,445)**	**6,320,870,955**
NON-CURRENT LIABILITIES							
Borrowings	601,531,168	620,655,759	462,215,429	91,073,464	367,424,693	(203,615)	2,142,696,898
Deferred tax liabilities	32,788,293	234,199,737	-	5,012,714	-	55,628	272,056,372
Others Non-current liabilities	34,980,193	46,691,951	24,621,313	81,972,987	2,976,525	(22,521,122)	168,721,847
CURRENT LIABILITIES							
Borrowings	167,863,379	21,873,536	1,783,529	38,525,298	385,890,938	(5,186)	615,931,494
Other current liabilities	850,778,495	93,912,978	321,745,867	225,053,325	210,437,408	(275,163,704)	1,426,764,369
TOTAL LIABILITIES	**1,687,941,528**	**1,017,333,961**	**810,366,138**	**441,637,788**	**966,729,564**	**(297,837,999)**	**4,626,170,980**
Total investment	249,446,804	96,264,501	253,878,947	72,316,634	115,495,527	-	787,402,413
Gross Debt	769,394,547	642,529,295	463,998,958	129,598,762	753,315,631	(208,801)	2,758,628,392
Net Debt	376,718,037	532,814,956	337,232,239	101,264,382	621,075,279	93,786,199	2,062,891,092

1 Goodwill allocation can be detailed as follows:

	31.DECEMBER.2007	31.DECEMBER.2006 PRO FORMA	31.DECEMBER.2006
Retail	616,586,709	115,121,877	115,121,467
Shopping Centres	80,985,759	62,927,595	64,781,973
Telecommunications	32,086,988	21,660,228	21,660,229
Services	-	-	40,247,059
Holding and others	11,279,214	15,173,010	9,031,927
TOTAL	**740,938,670**	**214,882,710**	**250,842,655**

2 Net Debt in "Holding and others" is made up as follows:

The total investment of "Holding and Others" at 31 December 2007 includes 123,469,359 euros from the Sonae Capital Segment previous to demerger.

	31.DECEMBER.2007	31.DECEMBER.2006
Inflows		
Bank debt	503,412,330	753,315,631
Cash and cash equivalents and current investments	(101,744,777)	(132,240,352)
Net bank debt	401,667,553	621,075,279
Sonae Distribuição	-	-
Sonae Sierra	-	55,894,440
SonaeCom	-	90,000,000
Others	5,723	-
Intercompany short term loans obtained	5,723	145,894,440
Total Inflows	401,673,276	766,969,719
Outflows		
Sonae Capital	-	40,208,280
Others	1,943,295	34,916
Intercompany loans granted	1,943,295	40,243,196

The contribution of the business segments to the cash flow statements for the periods ended on 31 December 2007 and 2006 is as follows:

31.DECEMBER.2007

	Retail	Shopping Centres	Telecommunications	Holding and Others	Consolidated Continuing Operations
Operating activities	315,594,529	56,027,387	127,702,160	(3,850,566)	495,473,510
Investment activities	(818,584,672)	(327,825,662)	(58,431,702)	69,865,521	(1,134,976,515)
Financing activities	291,280,496	160,998,992	(131,032,550)	(47,200,300)	274,046,638
Net increase/(decrease) in cash and cash equivalents	(211,709,647)	(110,799,283)	(61,762,092)	18,814,655	(365,456,367)

31.DECEMBER.2006

	Retail	Shopping Centres	Telecommunications	Holding and Others	Consolidated Continuing Operations
Operating activities	305,464,631	54,018,916	116,480,177	(10,185,977)	465,777,747
Investment activities	(219,839,798)	(30,666,004)	(190,641,718)	(182,094,582)	(623,242,102)
Financing activities	(45,884,716)	13,068,274	(20,124,872)	(42,195,282)	(95,136,596)
Net increase/(decrease) in cash and cash equivalents	39,740,117	36,421,186	(94,286,413)	(234,475,841)	(252,600,951)

31.DECEMBER.2007

	Retail	Shopping Centres	Telecommunications	Services	Holding and Others	Consolidated Total Operations
Operating activities	336,247,887	57,320,142	145,444,653	(13,046,436)	(8,304,090)	517,662,156
Investment activities	(826,850,091)	(326,526,133)	(58,652,280)	(96,038,286)	211,554,572	(1,096,512,218)
Financing activities	303,187,681	160,971,979	(132,688,800)	(69,475,534)	(23,943,759)	238,051,567
Net increase/(decrease) in cash and cash equivalents	(187,414,523)	(108,234,012)	(45,896,427)	(178,560,256)	179,306,723	(340,798,495)

31.DECEMBER.2006

	Retail	Shopping Centres	Telecommunications	Services	Holding and Others	Consolidated Total Operations
Operating activities	334,783,336	59,527,671	121,464,834	(58,380,665)	(3,775,077)	453,620,099
Investment activities	(195,275,861)	(42,060,234)	(190,132,484)	(25,254,849)	(274,838,412)	(727,561,840)
Financing activities	(34,437,451)	12,564,215	(20,129,240)	45,785,029	25,375,630	29,158,183
Net increase/(decrease) in cash and cash equivalents	105,070,024	30,031,652	(88,796,890)	(37,850,485)	(253,237,859)	(244,783,558)

Turnover and operational profit by geographic segment are as follows:

	31.DECEMBER.2007				31.DECEMBER.2006			
	TURNOVER		OPERATIONAL PROFIT		TURNOVER		OPERATIONAL PROFIT	
	Continuing Operations	Total Operations	Continuing Operations	Total Operations	Continuing Operations	Total Operations	Continuing Operations	Total Operations
Portugal	4,262,857,644	4,378,916,324	358,576,910	362,310,424	3,896,392,038	4,060,117,760	308,008,291	312,324,861
Spain	47,765,909	58,401,633	24,203,293	24,266,961	50,181,092	74,177,106	40,109,355	39,693,640
France	20,259,131	71,278,479	-	6,250,198	25,149,246	100,149,878	-	(1,506,020)
United Kingdom	10,107,463	12,183,366	(1,488,504)	(1,490,883)	13,055,360	23,238,789	(526)	754,842
Germany	9,355,127	10,762,297	14,899,716	14,899,716	5,346,467	8,305,615	(11,984,083)	(12,435,911)
Brazil	17,151,739	18,727,233	28,666,270	28,663,857	11,797,527	19,783,189	9,471,348	13,743,585
Other European countries	39,718,469	65,845,657	20,989,067	20,947,350	29,372,659	78,334,934	6,195,102	5,440,856
Rest of the world	10,316,450	11,610,171	59,441	649,575	5,638,454	19,695,465	-	(798,398)
	4,417,531,932	**4,627,725,160**	**445,906,193**	**456,497,198**	**4,036,932,843**	**4,383,802,736**	**351,799,487**	**357,217,455**

Total assets and liabilities by geographic segment are as follows:

	31.DECEMBER.2007		31.DECEMBER.2006 PRO-FORMA		31.DECEMBER.2006	
	Total assets	Total liabilities	Total assets	Total liabilities	Total assets	Total liabilities
Portugal	5,938,198,834	4,759,081,893	4,934,391,689	3,800,190,390	5,589,025,949	4,078,011,547
Spain	485,190,338	336,685,859	440,122,217	297,848,863	452,693,020	307,023,363
France	-	-	-	-	4,604,307	50,980,743
United Kingdom	4,060,999	2,875,664	8,803	5,191	4,856,540	43,999
Germany	209,739,846	140,508,256	75,319,097	46,481,727	66,717,020	46,481,473
Brazil	183,525,327	48,626,837	147,412,637	52,001,208	149,057,111	52,252,415
Other European countries	205,458,776	120,356,708	60,351,193	77,967,648	60,351,195	77,967,647
Rest of the world	(12,033)	45,418	-	-	(6,434,187)	13,409,793
	7,026,162,087	**5,408,180,635**	**5,657,605,636**	**4,274,495,027**	**6,320,870,955**	**4,626,170,980**

Headcount are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Retail	23,273	21,329
Shopping Centres	761	660
Telecommunications	2,054	1,940
Sonae Capital	-	6,296
Holding and Others	163	161
	26,251	**30,386**

52. COMMITMENTS ASSOCIATED TO "INFORMATION SOCIETY"

Upon being given the UMTS Licence, Optimus (now Sonaecom – Serviços de Comunicações) assumed commitments in the area of promotion of the Information Society, totalling 274 million euros, to be complied with up to the end of the licence period (2015).

In accordance with the Agreement established on 5 June 2007 with the Ministry of Public Works, Transport and Communications ("MOPTC"), part of these commitments, up to 159 million euros will be realised through own projects which qualify as contributions to the Information Society and incurred under the normal activities of Sonaecom – Serviços de Comunicações, S.A. (investment in the network and technology not resulting from the need to comply with the obligations assumed when the UMTS Licence was granted, and activities relating to research, development and promotion of services, contents and applications) which must be recognised by the MOPTC and by entities created especially for that purpose. To date 64 million euros were realised in previous years and have already been validated by these entities, the remainder being in the phase of evaluation or not yet realised. These costs are being recognised as the projects are carried out.

The remaining commitments, up to the amount of around 116 million euros, will be realised as agreed between Sonaecom- Serviços de Comunicações and MOPTC, through contributions to the "Initiativas E" project (offer of modems, discounts on tariffs, cash contributions, among others, relating to the widespread use of broadband internet by students and teachers), the contributions being made through an Open fund called Information Society Fund ("Fundo para a Sociedade de Informação"), to be created by the three mobile operators operating in Portugal. Contributions under this project will be recorded, at their present value, as intangible fixed assets, as an additional cost of the UMTS licence, and will be amortised on a straight-line basis over the remaining period of the licence. Success of the project, which was initiated at the end of 2007, depends on participation of the beneficiaries in the various initiatives (e-opportunities, e-school and e-teacher) and will determine the possible need for a revision of the current conditions of the project, to a new model of contributions, to be determined at least 12 months after the beginning of the project.

Therefore, considering that:

(i) the Open fund has not yet been created and so no financial flows have been made with the Fund;
(ii) the contract establishing the specific conditions for implementation of the "Initiativas E" project has still not been signed;
(iii) the liability to be recognised depends on uncertain future events, not under control of the Company, relating to uncertainty at this time as to the success and level of participation in the various initiatives and, consequently, uncertainty regarding the present value of the liability to be recognised; and
(iv) if participation in the initiatives is insufficient, the current contract conditions can be reviewed to a new model of contributions (12 months after the beginning of the contract) which can take the form of own projects which qualify as contributions to the Information Society carried out under the Company's normal activity, as explained above, it therefore not being possible to estimate and quantify the corresponding impact on the financial statments; the Board of Directors believes that there is insufficient information to make a sufficiently reliable estimate of the total liability.

Therefore, up to 31 December 2007 the Company has recognised in intangible assets only the liability relating to the participations already commenced, which amount to 2.1 million euros (Note 12).

Also by agreement between MOPTC, Optimus (now Sonaecom-Serviços de Comunicações) and the other mobile operators, the commitments of three operators relating to the acquisition of the rights of use UMTS frequencies corresponding to ONIWAY - Infocomunicações, S.A.'s licence have been definitively and fully clarified and extinguished, Optimus being responsible for contributing the amount of 8,313,298.28 euros to establish the Information Society Fund (Note 12). However, this commitment has been guaranteed by the shareholders of Oniway as of that date.

53. COMMITMENTS ARISING ON THE SALE OF ASSETS REGARDING CONTINGENT SALE PRICES ADJUSTMENTS

Following the sale of 49.9% of the share capital of Sierra Holdings BV to a group of Investors, Sonae Sierra has agreed to revise the sale price of such shares if shopping malls are sold by any of the participating companies of Sierra Holdings BV. The price revision can occur either with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is directly or indirectly the owner of such asset. The price revision shall occur if either the sale is made for a lower price than the Market Value or Net Asset Value of the shares of the company that owns the asset ("price difference").

In that case, the price revision will correspond to the maximum potential income tax on the profit that would arise if, instead of the contribution or sale of the shares of the company that owns the asset of Sierra Holdings BV, the contribution or sale of the asset had occurred.

The price revision shall be computed considering the Investors' ownership percentage of the asset and is limited to:

(i) In the case of sale of shares for a maximum amount of 119,341,000 euros (59,670,000 euros atributable to Sonae, SGPS, S.A.);
(ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, to a maximum amount of 59,670,000 euros (29,835,000 Euros attributable to Sonae); the price revision will only take place if the price difference can not be attributed to any other reason other than deferred income taxes;
(iii) in either case, the price revision cannot result in a new price that is greater than the Market Value or the Net Asset Value, as applicable, of the transfer of the asset or of the shares respectively.

These guarantees are valid while the current agreements with the other shareholders of Sierra BV maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares in stake before the same are offered for purchase to a third party.

The Group believes that the direct sale of the asset is not an attractive solution for this kind of operations as it is subject to certain encumbrances which do not exist in the sale of the shares of the asset's owner.

54. SUBSEQUENT EVENTS

On 21 February 2008, Sonaecom announced a 3 year investment plan amounting to 240 million Euros, to develop a New Generation Network, with the aim of building the most advanced telecommunications network in Portugal.

On 3 March 2008, Luiz Filipe Lampreia, a member of the Sonae Board of Directors, resigned as a Director of the Company.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors on 17 March 2008, nevertheless they are still subject to approval at the Shareholders Annual General Meeting.

The Board of Directors

Belmiro de Azevedo
Álvaro Cuervo Garcia
Belmiro de Azevedo (em representação de Luiz Lampreia)
Michel Marie Bom
José Neves Adelino
Duarte Paulo Teixeira de Azevedo
Álvaro Carmona e Costa Portela
Ângelo Gabriel Ribeirinho dos Santos Paupério
Nuno Manuel Moniz Trigoso Jordão

INDIVIDUAL FINANCIAL STATEMENTS

SONAE, SGPS, SA
EQUITY AND LIABILITIES COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2007 AND 2006

(Translation of the individual financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

ASSETS	NOTES	31.DECEMBER.2007	31.DECEMBER.2006
NON-CURRENT ASSETS:			
Tangible assets	6	94,573	103,640
Investments	7	2,567,941,218	3,072,592,917
Others Non-Current Assets	8	1,086,871,182	813,344,492
Total Non-Current Assets		**3,654,906,973**	**3,886,041,049**
CURRENT ASSETS:			
Trade account receivables	9	1,392,495	790,914
Other debtors	10	93,347,279	78,136,738
Taxes recoverable	11	2,066,250	1,206,759
Other Current Assets	12	521,229	858,220
Investments held for trading	13	242,719	-
Cash and cash equivalents	14	88,356,998	130,514,092
Total Current Assets		**185,926,970**	**211,506,723**
TOTAL ASSETS		**3,840,833,943**	**4,097,547,772**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	15	2,000,000,000	2,000,000,000
Own shares	16	-	(138,044,363)
Legal reserve	17	160,880,817	157,623,915
Fair value reserve, hedging reserve and other reserves	18	1,155,390,776	1,206,326,830
Retained earnings		322,737	322,737
Profit for the period		16,503,135	65,138,044
TOTAL EQUITY		**3,333,097,465**	**3,291,367,163**
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bonds	19.1	497,000,804	347,187,348
Total Non-Current Liabilities		**497,000,804**	**347,187,348**
CURRENT LIABILITIES:			
Bank loans	19.2	1,660,856	260,500,000
Bonds	19.3	-	74,777,291
Trade accounts payable		476,418	300,191
Other creditors	20	47,534	112,760,596
Taxes payable	21	1,588,469	457,862
Other current liabilities	22	6,962,397	10,197,321
Total Current Liability		**10,735,674**	**458,993,261**
TOTAL EQUITY AND LIABILITIES		**3,840,833,943**	**4,097,547,772**

The accompanying notes are part of these financial statements.

The Board of Directors

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (proxy of Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

SONAE, SGPS, SA

COMPANY INCOME STATEMENTS BY NATURE FOR THE PERIODS ENDED 31 DECEMBER 2007 AND 2006

(Translation of the individual financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

	NOTES	4TH QUARTER 2007 (UNAUDITED)	31.DECEMBER.2007	4TH QUARTER 2006 (UNAUDITED)	31.DECEMBER.2006
OPERATIONAL INCOME					
Services rendered	26	1,204,944	2,305,141	792,491	1,800,067
Other operational income	27	47,569	409,235	39,743	75,160,036
Total operational income		**1,252,513**	**2,714,376**	**832,234**	**76,960,103**
OPERATIONAL EXPENSES					
External supplies and services	28	(1,083,146)	(3,694,440)	(632,043)	(2,417,267)
Staff costs	29	(2,467,378)	(6,642,538)	(1,142,971)	(5,023,800)
Depreciation and amortisation	6	(23,556)	(91,112)	(67,476)	(263,138)
Other operational expenses	30	(72,624)	(621,927)	(107,033)	(572,760)
Total operational expenses		**(3, 646,704)**	**(11,050,017)**	**(1,949,523)**	**(8,276,965)**
Operational profit/(loss)		**(2,394,191)**	**(8,335,641)**	**(1,117,289)**	**68,683,138**
FINANCIAL EXPENSES	**31**	**(9,188,666)**	**(41,745,792)**	**(8,437,464)**	**(27,917,079)**
Financial Income	31	17,978,224	71,696,285	10,907,632	36,121,077
Investment (Loss)/Income	32	(2,156,000)	(4,848,835)	(93,836,154)	(11,736,143)
Profit/(Loss) before taxation		4,239,367	16,766,017	(92,483,275)	65,150,993
INCOME TAX	**33**	**(262,878)**	**(262,882)**	**(12,948)**	**(12,949)**
Profit/(Loss) for the period		3,976,489	16,503,135	(92,496,223)	65,138,044
PROFIT/(LOSS) PER SHARE					
Basic	34	0.002074	0.008761	(0.049554)	0.034901
Diluted	34	0.002074	0.008761	(0.049554)	0.034901

The accompanying notes are part of these financial statements.

The Board of Directors

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (proxy of Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

SONAE, SGPS, SA

COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007 AND 2006

(Translation of the individual financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(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 2006		**2,000,000,000**	**(138,044,363)**	**152,721,161**	**207,618,055**	**-**	**619,704,280**	**322,737**	**98,055,074**	**2,940,376,944**
Appropriation of profit of 2005:										
Transfer to legal reserves	17	-	-	4,902,754	-	-	-	-	(4,902,754)	-
Dividends distributed		-	-	-	-	-	-	-	(46,650,596)	(46,650,596)
Transfer to /(from) retained earnings		-	-	-	-	-	46,501,724	-	(46,501,724)	-
(Purchase)/Sale of own shares		-	-	-	-	-	-	-	-	-
Increase / (Decrease) in fair value of derivative hedges, net of taxes		-	-	-	-	-	-	-	-	-
Increase / (Decrease) in fair value of available for sale investments		-	-	-	236,199,318	-	-	-	-	236,199,318
Transfer to profit/(loss) of the period		-	-	-	100,075,852	-	-	-	-	100,075,852
Profit/(Loss) for the period ended 31 December 2006		-	-	-	-	-	-	-	65,138,044	65,138,044
Others		-	-	-	(3,772,399)	-	-	-	-	(3,772,399)
Balance as at 31 December 2006		**2,000,000,000**	**(138,044,363)**	**157,623,915**	**540,120,826**	**-**	**666,206,004**	**322,737**	**65,138,044**	**3,291,367,163**
Balance as at 1 January 2007		**2,000,000,000**	**(138,044,363)**	**157,623,915**	**540,120,826**	**-**	**666,206,004**	**322,737**	**65,138,044**	**3,291,367,163**
Appropriation of profit of 2006:										
Transfer to legal reserves	17	-	-	3,256,902	-	-	-	-	(3,256,902)	-
Dividends distributed		-	-	-	-	-	-	-	(55,997,443)	(55,997,443)
Transfer to /(from) retained earnings		-	-	-	-	-	5,883,699	-	(5,883,699)	-
(Purchase)/Sale of own shares	16	-	138,044,363	-	-	-	135,248,516	-	-	273,292,879
Increase / (Decrease) in fair value of derivative hedges, net of taxes		-	-	-	-	162,774	-	-	-	162,774
Increase / (Decrease) in fair value of available for sale investments		-	-	-	111,465,823	-	-	-	-	111,465,823
Transfer to profit/(loss) of the period	32	-	-	-	78,941,388	-	-	-	-	78,941,388
Profit/(Loss) for the period ended 31 December 2007		-	-	-	-	-	-	-	16,503,135	16,503,135
De-merger of Sonae Capital, SGPS, SA	7.1	-	-	-	-	-	(382,638,254)	-	-	(382,638,254)
Others		-	-	-	-	-	-	-	-	-
Balance as at 31 December 2007		**2,000,000,000**	**-**	**160,880,817**	**730,528,037**	**162,774**	**424,699,965**	**322,737**	**16,503,135**	**3,333,097,465**

The accompanying notes are part of these financial statements.

The Board of Directors

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (proxy of Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

SONAE, SGPS, SA

COMPANY CASH FLOW STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007 AND 2006

(Translation of the individual financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(AMOUNTS EXPRESSED IN EURO)

	NOTES	31.DECEMBER.2007	31.DECEMBER.2006
OPERATING ACTIVITIES			
Cash receipts from trade debtors		1,710,885	2,216,687
Cash paid to trade creditors		(3,536,358)	(2,530,287)
Cash paid to employees		(7,309,718)	(5,790,809)
Cash flow generated by operations		**(9,135,191)**	**(6,104,409)**
Income taxes (paid) / received		(872,442)	(730,625)
Other cash receipts/(payments) relating to operating activities		(24,211)	(878,296)
Net cash flow from operating activities (1)		**(10,031,844)**	**(7,713,330)**
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	35	248,076,285	525,936,694
Tangible assets		1,140	1,631
Dividends	32	76,848,426	53,613,493
Interest and similar income		60,135,420	21,677,087
Others		400,000	4,290,000
Loans granted		2,835,208,146	988,078,416
		3,220,669,417	**1,593,597,321**
Cash payments arising from:			
Investments	35	(20,000,500)	(133,974,216)
Tangible assets		(90,053)	(21,662)
Loans grantedt		(3,112,236,085)	(1,352,931,637)
		(3,132,326,638)	**(1,486,927,515)**
Net cash used in investment activities (2)		**88,342,779**	**106,669,806**
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		5,234,410,085	3,775,886,617
Sale of own shares	16	273,398,877	-
Others		150,000	-
		5,507,958,962	**3,775,886,617**
Cash payments arising from:			
Loans obtained		(5,533,225,184)	(3,866,811,052)
Interest and similar charges		(40,764,345)	(28,287,641)
Dividends	37	(55,992,318)	(46,648,391)
Purchase of own shares	16	(106,000)	-
		(5,630,087,847)	**(3,941,747,084)**
Net cash used in financing activities (3)		**(122,128,885)**	**(165,860,467)**
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(43,817,950)	(66,903,991)
Cash and cash equivalents at the beginning of the period	14	130,514,092	197,418,083
Cash and cash equivalents at the end of the period	14	86,696,142	130,514,092

The accompanying notes are part of these financial statements.

The Board of Directors

Belmiro de Azevedo; Álvaro Cuervo Garcia; Belmiro de Azevedo (proxy of Luiz Lampreia); Michel Marie Bom; José Neves Adelino; Duarte Paulo Teixeira de Azevedo; Álvaro Carmona e Costa Portela; Ângelo Gabriel Ribeirinho dos Santos Paupério; Nuno Manuel Moniz Trigoso Jordão

SONAE, SGPS, S.A.
NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007

(AMOUNTS EXPRESSED IN EURO)

1. INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

The company financial statements are presented as required by Commercial Companies Code. According to Decree-Law 35/2005 of 17 February 2007, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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") as adopted by the European Union, 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"), effective to financial years beginning on 1 January 2007 as adopted by the European Union.

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

During 2007 the Company adopted for the first time IFRS 7 "Financial Instruments: Disclosures" and consequential amendment to IAS 1-"Presentation of Financial Statements", which is effective for years beginning on or after 1 January 2007. The impact of the adoption of this standard was to expand the disclosures provided in these financial statements regarding the financial instruments used by the Company.

Further, since 1 January 2007, 4 interpretations became effective: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any relevant changes in the Company's financial statements.

The accompanying 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).

At 31 December 2007, the following Standards and Interpretations were in issue but not yet effective, and therefore have not been applied in these financial statements:

Amendment to IAS 23 - "Borrowing Costs"; Amendments to IAS 1 - "Presentation of Financial Statements: a revised presentation"; IFRS 8 - "Operating Segments"; IFRIC 14: "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"; IFRIC 13 - "Customer Loyalty Programmes"; IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" and IFRIC 12 - "Service Concession Arrangements". The application of these changes will not produce material changes in the future financial statements of the entity.

As at 31 December 2007, the following standards and interpretations have not yet been endorsed by the European Union: Amendment to IAS 23, Amendments to IAS 1, IFRIC 12, IFRIC 13 and IFRIC 14.

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 in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Depreciation charges for the period are calculated on a straight line basis over the useful life of each asset.

The Impairment losses in the realisable value of tangible assets are recorded in the year they arise in the caption of the Income Statement - "Impairment losses".

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 Company and if their cost can be reliably measured.

2.4 BORROWING COSTS

Borrowing costs are usually recognised as an expense in the period in which they are incurred on an accruals basis in accordance with effective interest rate method.

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

The Company classifies the financial instruments in the categories presented and conciliated with the Balance Sheet disclosed in Note 4.

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.

Equity Investments in subsidiaries and associates are classified as Available for sale.

The investments measured at fair value through profit or loss include the investments held for trading that the company acquires for sale in a short period of time, and are classified in the balance sheet as current assets.

The Company classifies as available for sale those investments that are neither included as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

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

Investments are initially measured at fair value, which is considered to be the fair value of the consideration paid for them, including transaction costs, in the case of available for sale investments.

Available for sale investments and investments measured at fair value through profit or loss are subsequently measured at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price or independent valuation 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.

Gains or losses arising from a change in fair value of investments measured at fair value through profit or loss are recorded in the Income statement captions Financial expenses or Financial income.

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

b) Loans and accounts receivable

Loans and accounts receivable are recorded at amortised cost using the effective rate method net of accumulated impairment losses, in order to reflect its realisable value.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, situations when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 4.

c) 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).

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year the discount is considered null as it is immaterial.

d) 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.

e) 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.

f) Trade accounts payable

Trade accounts payable are stated at their nominal value.

g) Derivatives

The Company uses derivatives in the management of its financial risks to hedge such risks and/or in order to optimise funding costs, in accordance with Management interest rate risk policy described in point 3.4.1.

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest 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 gain or loss relating to the ineffective portion of the hedge, if any, is recorded in the Income Statement under Financial Income or Expenses.

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;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the transaction being hedged is highly probable.

Cash flow hedge instruments used by the Company to hedge the exposure to changes in interest of its loans are initially accounted for at cost, if any, which corresponds to its fair value, 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 or 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.

Derivatives entered into in accordance with Interest rate risk management policy described in point 3.4.1 and not eligible for hedge accounting (mainly interest rate option), are initially recorded at cost, which corresponds to fair value at inception, and then, are remeasured at fair value through profit and loss under financial income or expenses.

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 instruments, and this is not stated at fair value through profit or loss.

The Company may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss and the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, if not stated at fair value (namely loans recorded at amortised cost), through profit or loss.

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 Other reserves.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, 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 of current bank loans.

j) Effective Interest Rate Method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

l) Impairment

Financial assets, other than Investments measured at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For non-quoted equity instruments determining whether the investment is impaired requires an estimation of the value in use of the investment. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the entity and a suitable discount rate in order to calculate present value.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For investments of non-quoted subsidiaries, which are measured at acquisition cost less impairment (equity investments and loans granted) the impairment analysis is based on the fair value estimate of its net assets, mainly equity investments in other Company's subsidiaries (some of them listed).

The above mentioned estimate is based on the fair value computation of the value in use of its holdings by means of discounted cash flow models. The results of the fair value estimates of the Company's sub holdings is annually approved by the Executive Committee of each sub holding and of Sonae, SGPS, S.A.

It is the Board of Directors understanding that the use of the above mentioned methodology is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the financial statements.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of equity available for sale securities, impairment losses previously recognised through profit or loss are not reversed. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

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 in the period they are performed.

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 that 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 JUDGEMENTS AND ESTIMATES

The most significant accounting estimates reflected in the financial statements are as follows:

a) Record of adjustments to the value of assets and provisions
b) Impairment analysis of financial investments and loans granted to affiliated and associated companies

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Although future events, are not controlled by the Company are not foreseeable, some could occur and have impact on the estimates. Changes to the estimates used by management that occur after the approval date of these consolidated financial statements, will be recognised in net income prospectively, in accordance with IAS 8.

The main estimates and assumptions in relation to future events included in the preparation of these financial statements are disclosed in the correspondent notes, if applicable.

2.11 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 (usually 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.

2.12 INCOME TAX

Current income tax is determined in accordance with tax rules in force in Portugal, considering the taxable profit for the period.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax assets are recognised only when its use is probable.

3. FINANCIAL RISK MANAGEMENT

3.1 INTRODUCTION

THE ULTIMATE PURPOSE OF FINANCIAL RISK MANAGEMENT IS TO SUPPORT THE COMPANY IN THE ACHIEVEMENT OF ITS STRATEGY BY REDUCING UNWANTED FINANCIAL RISK AND VOLATILITY AND MITIGATE ANY NEGATIVE IMPACTS IN THE PROFIT OR LOSS STATEMENT ARISING FROM SUCH RISKS.

THE GROUP'S ATTITUDE TOWARDS FINANCIAL RISK MANAGEMENT IS CONSERVATIVE AND CAUTIOUS. DERIVATIVES ARE USED TO HEDGE CERTAIN EXPOSURES RELATED TO ITS OPERATING BUSINESS AND, AS A RULE, SONAE DOES NOT ENTER INTO DERIVATIVES OR OTHER FINANCIAL INSTRUMENTS THAT ARE UNRELATED TO ITS OPERATING BUSINESS OR FOR SPECULATIVE PURPOSES.

Financial risk management policies are approved by the Sonae Executive Committee. Exposures are identified and monitored by the Finance Department. Exposures are also monitored by the Finance Committee as noted in the Corporate Governance Report.

It is the Finance Department`s responsibility to review and measure, the group and company's financial risk exposures for reporting purposes. Sonae SGPS Finance department is also responsible to assist each Sub-holding in managing their own currency, interest rate, liquidity and refinancing risks through the Corporate Dealing Desk. Exposures are recorded in the main Treasury Management System (TMS). Risk control and reporting is carried out both at Sub-Holding level on a daily basis and on a Consolidated basis for the monthly Finance Committee meeting.

3.2 CREDIT RISK

Credit risk is defined as the probability of a counterparty defaulting on its payment contractual obligations resulting in a financial loss. Sonae SGPS is a Holding company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalent instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) or from its lending activities to subsidiaries.

Additionally, Sonae SGPS may sometimes also be exposed to credit risk as a result of its portfolio management activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis under the supervision of the Executive Committee. In order to reduce the probability of counterparties default Sonae SGPS transactions (short term investments and derivatives) are only concluded in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have at least a credit rating of BBB from Moody's and/or Baa2 from Standard & Poor's or equivalent (this information is supplied through independent information systems);
- Sonae, SGPS should only enter into eligible financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made with a conservative approach (essentially consisting in short term monetary

instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);

- In relation to excess funds:
  i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by relationship banks in order to reduce exposure on a net basis, and ii) may only be applied on pre approved instruments;
- Any departure from the above mentioned policies needs to be pre-approved by the Executive Committee.

Given the above mentioned policies and the minimum credit ratings management does not expect any material failure in contractual obligations from its external counterparties. Nevertheless, exposure to individual counterparties resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Financial Department and any departure is promptly reported to the Executive Committee and Finance Committee.

Settlement risk is also a risk faced by Sonae SGPS, which is managed through the rigorous selection of its brokers which must be highly rated counterparties.

In relation to credit risk resulting from loans granted to subsidiaries, there is no specific risk management policy as the financing of its subsidiaries is part of the main operations of a holding company.

3.3 LIQUIDITY RISK

Sonae SGPS needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made up of long term bond financing, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2007 the total gross debt was 498 million euros (682 million euros as at 31 December 2006):

The purpose of liquidity risk management is to ensure, at all times, that Sonae SGPS has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy.

Given the dynamic nature of its activities, Sonae SGPS needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods within a range between 30 and 360 days;
- Maintenance of commercial paper with different periods, that allow, in some cases, to place the debt directly in institutional investors;
- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;
- Diversification of financing sources and counterparties;
- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. In 2007 Sonae SGPS debt average life maturity was 4.7 years (3.3 years in 31 December 2006);

- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;
- Where possible, by prefinancing forecasted liquidity needs;
- Management procedures of short term applications, assuring that the maturity of the applications will match with foreseen liquidity needs, including a margin to hedge forecasting deviations. The reliability of the treasury forecasts are an important variable to determine the amounts and the periods of the market applications/ borrowings.

A liquidity reserve in the form of credit lines with its relationship banks is maintained by Sonae SGPS, to ensure the ability to meet its commitments without having to refinance itself on unfavourable terms. Loans that will mature in 2008 will be 1.6 million euros and as at 31 December 2007 Sonae SGPS had unused committed credit facilities of 286 million euros (246 million euros in 2006) of which only 11% were cancellable with a notice period of less than 6 months and the remainder with no less that 360 days notice period. Additionally, as at 31 December 2007, a reserve of cash and cash equivalents was also held amounting to 88 million euros (131 million euros as at 31 December 2006). Consequentially, Sonae SGPS expects to meet all its obligations by means of its operating cash flows and proceeds from its financial assets as well as from drawing existing available credit lines, if needed.

3.4 INTEREST RATE RISK

3.4.1 POLICY

Sonae SGPS is exposed to cash flow interest rate risk in respect of items in the balance sheet (Loans and Short Term Investments) and to fair value interest rate risk as a result of interest rate derivatives (swaps, FRA's and options). All Sonae SGPS debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or Forward Rate Agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps)

Sonae SGPS mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve since hedging interest rate risk usually has an opportunity cost associated. Therefore a more flexible approach is considered preferable to a more strict traditional approach. Part of the risk is also mitigated by the fact that Sonae SGPS grants loans to its subsidiaries as part of its usual activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae SGPS hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency;
- Perfect match between the base rates (the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction);
- The maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);
- The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, as described in 3.2. above - Credit Risk. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's existing relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;
- In determining the fair value of hedging operations Sonae SGPS uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the balance sheet date. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation;
- All transactions are documented under ISDA's Agreements;
- All transactions which do not follow the Rules above have to be individually approved by the Executive Committee, and reported to the Financial Committee, namely transactions entered into with the purpose of optimising the cost of debt when deemed appropriate according to prevailing financial market conditions.

3.4.2 SENSITIVITY ANALYSIS

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest rate financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, they are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7;
- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations;
- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;
- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher/lower, the company net profit before tax of Sonae SGPS (individual financial statements) at 31 December 2007 would increase/decrease by approximately 4.9 million euro (1.2 million euro increase/decrease for 2006 company's net profit before tax). The impact in equity is immaterial in 2007 and 2006.

3.5 FOREIGN EXCHANGE RISK

Due to its nature of Holding company, Sonae SGPS, has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise Foreign exchange risk management seeks to minimise the volatility of such transactions made in foreign currency and to reduce the impact on the income statement of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae SGPS hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to pre-approval from the company's Executive Committee.

Sonae SGPS, does not have any material foreign exchange translation exposure at holding level, since almost all equity and loans to subsidiaries are denominated in Euros, although at subsidiary level (namely at Sonae Sierra) there is foreign exchange translation risk exposure which is managed at such level.

3.6 PRICE RISK AND MARKET RISK

The Group is exposed to equity price risks arising from equity investments, recorded for strategic rather than for trading purposes as the group does not actively trade these investments. These investments are presented in Note 7.

4. FINANCIAL INSTRUMENTS BY CLASS

The accounting policies disclosed in note 2.6 have been applied to the line items bellow:

FINANCIAL ASSETS

31.DECEMBER.2007	Notes	Loans and accounts receivable	Available for sale	Assets at fair value through profit or loss	Derivatives used for cash flow hedging	Sub Total	Assets not within scope of IFRS 7	Total
NON-CURRENT ASSETS								
Investments in affiliated and associated companies	7.1	-	2,567,891,338	-	-	2,567,891,338	-	2,567,891,338
Other available for sale investments	7.2	-	49,880	-	-	49,880	-	49,880
Other non-current assets	8	1,086,871,182	-	-	-	1,086,871,182	-	1,086,871,182
		1,086,871,182	**2,567,941,218**	**-**	**-**	**3,654,812,400**	**-**	**3,654,812,400**
CURRENT ASSETS								
Trade Accounts Receivables	9 1.392.495	-	-	-	1,392,495	-	1,392,495	
Other debtors	10	93,347,279	-	-	-	93,347,279	-	93,347,279
Investments	13	-	-	-	242,719	242,719	-	242,719
Cash and cash equivalents	14	88,356,998	-	-	-	88,356,998	-	88,356,998
		183,096,772	**-**	**-**	**242,719**	**183,339,491**	**-**	**183,339,491**
		1,269,967,954	**2,567,941,218**	**-**	**242,719**	**3,838,151,891**	**-**	**3,838,151,891**

31.DECEMBER.2006	Note	Loans and accounts receivable	Available for sale	Assets at fair value through profit or loss	Derivatives used for cash flow hedging	Sub Total	Assets not within scope of IFRS 7	Total
NON-CURRENT ASSETS								
Investments in affiliated and associated companies	7.1	-	3,072,543,037	-	-	3,072,543,037	-	3,072,543,037
Other available for sale investments	7.2	-	49,880	-	-	49,880	-	49,880
Other non-current assets	8	813,344,492	-	-	-	813,344,492	-	813,344,492
		813,344,492	**3,072,592,917**	**-**	**-**	**3,885,937,409**	**-**	**3,885,937,409**
CURRENT ASSETS								
Trade Accounts Receivables	9	790,914	-	-	-	790,914	-	790,914
Other debtors	10	78,136,738	-	-	-	78,136,738	-	78,136,738
Investments	13	-	-	-	-	-	-	-
Cash and cash equivalents	14	130,514,092	-	-	-	130,514,092	-	130,514,092
		209,441,744	**-**	**-**	**-**	**209,441,744**	**-**	**209,441,744**
		1,022,786,236	**3,072,592,917**	**-**	**-**	**4,095,379,153**	**-**	**4,095,379,153**

FINANCIAL LIABILITIES

31.DECEMBER.2007	Note	Liabilities at fair value through profit or loss	Derivatives used for cash flow hedging	Others Financial Liabilities	Sub Total	Liabilities not within scope of IFRS 7	Total
NON-CURRENT LIABILITIES							
Bonds	19.1	-	-	497,000,804	497,000,804	-	497,000,804
		-	**-**	**497,000,804**	**497,000,804**	**-**	**497,000,804**
CURRENT LIABILITY							
Bank loans	19.2	-	-	1,660,856	1,660,856	-	1,660,856
Bonds	19.3	-	-	-	-	-	-
Trade Accounts payable	-	-	-	476,418	476,418	-	476,418
Other payables accounts	20	-	-	47,534	47,534	-	47,534
Other current liabilities	22	82,340	-	5,190,369	5,272,709	1,689,688	6,962,397
		82,340	**-**	**7,375,177**	**7,457,517**	**1,689,688**	**9,147,205**
		82,340	**-**	**504,375,981**	**504,458,321**	**1,689,688**	**506,148,009**

31.DECEMBER.2006	Note	Liabilities at fair value through profit or loss	Derivatives used for cash flow hedging	Others Financial Liabilities	Sub Total	Liabilities not within scope of IFRS 7	Total
NON-CURRENT LIABILITIES							
Bonds	19.1	-	-	347,187,348	347,187,348	-	347,187,348
		-	**-**	**347,187,348**	**347,187,348**	**-**	**347,187,348**
CURRENT LIABILITY							
Bank loans	19.2	-	-	260,500,000	260,500,000	-	260,500,000
Bonds	19.3	-	-	74,777,291	74,777,291	-	74,777,291
Trade Accounts payable	-	-	-	300,191	300,191	-	300,191
Other payables accounts	20	-	-	112,760,596	112,760,596	-	112,760,596
Other current liabilities	22	-	2,355,000	4,857,092	7,212,092	2,985,229	10,197,321
		-	**2,355,000**	**453,195,170**	**455,550,170**	**2,985,229**	**458,535,399**
		-	**2,355,000**	**800,382,518**	**802,737,518**	**2,985,229**	**805,722,747**

5. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

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

6. TANGIBLE ASSETS

As at 31 December 2007 and 2006 tangible assets movements are as follows:

	31.DECEMBER.2007				
Tangible assets	**Opening balance**	**Increase**	**Decrease**	**Transfers and write-offs**	**Closing balance**
Plant and machinery	17,352	-	-	-	17,352
Vehicles	195,863	-	1,095	-	194,768
Fixtures and fittings	2,329,462	89,553	14,718	-	2,404,297
Others	723	-	-	-	723
TOTAL	**2,543,400**	**89,553**	**15,813**	**-**	**2,617,140**

	31.DECEMBER.2006				
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	2,368,859	28,508	67,905	-	2,329,462
Others	723	-	-	-	723
TOTAL	**2,582,797**	**28,508**	**67,905**	**-**	**2,543,400**

	31.DECEMBER.2007				
Accumulated depreciation	**Opening balance**	**Increase**	**Decrease**	**Transfers and write-offs**	**Closing balance**
Plant and machinery	17,352	-	-	-	17,352
Vehicles	195,864	-	1,096	-	194,768
Fixtures and fittings	2,225,963	91,085	7,209	-	2,309,839
Others	581	27	-	-	608
TOTAL	**2,439,760**	**91,112**	**8,305**	**-**	**2,522,567**

	31.DECEMBER.2006				
Accumulated depreciation	**Opening balance**	**Increase**	**Decrease**	**Transfers and write-offs**	**Closing balance**
Plant and machinery	16,054	1,298	-	-	17,352
Vehicles	195,864	-	-	-	195,864
Fixtures and fittings	2,031,747	261,812	67,596	-	2,225,963
Others	553	28	-	-	581
TOTAL	**2,244,218**	**263,138**	**67,596**	**-**	**2,439,760**

7. AVAILABLE FOR SALE INVESTMENTS

As at 31 December 2007 and 2006 investments are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Investments in subsidiaries and associates	2,567,891,338	3,072,543,037
Other investments available for sale	49,880	49,880
	2,567,941,218	**3,072,592,917**

7.1 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As at 31 December 2007 and 2006, the Company held investments in the following subsidiaries and associates:

31.DECEMBER.2007

Companies	% Held	Opening balance	Increase	Decrease	Changes in fair value	Transfers / demerger	Closing balance
Agloma Investments, SGPS, SA	-	11,589,141	-	11,589,141	-	-	-
Espmen - Investments Imobiliários, SA	-	6,152,894	-	-	-	(6,152,894) -	
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Investalentejo, SGPS, SA	-	2,205,000	-	2,205,000	-	-	-
Resolução, SGPS, SA	100.00%	-	20,000,000	-	-	-	20,000,000
Saúde Atlântica, SA	-	-	250,000	250,000	-	-	-
SC, SGPS, SA (d)	-	382,638,254	(382,638,254)	-			
Sonae Distribuição, SGPS, SA [(a) (c)]	74.98%	1,690,800,661	-	-	-	-	1,690,800,661
Sonae Investments America Latina	99.99%	25,684	-	-	-	-	25,684
Sonae Investments, BV	100.00%	18,151	-	-	-	-	18,151
Sonae RE	0.04%	-	500	-	-	-	500
Sonae Sierra SGPS, SA [(b)]	50.00%	744,950,500	-	-	111,651,500	-	856,602,000
Sonaecom, SGPS, SA	0.01%	233,796,451	-	314,409,120	80,690,710	-	78,041
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sontel, BV	100.00%	100,000	-	-	-	-	100,000
TOTAL		**3,072,543,037**	**20,250,500**	**328,453,261**	**192,342,210**	**(388,791,148)**	**2,567,891,338**

31.DECEMBER.2006

Companies	% Held	Opening balance	Increase	Decrease	Changes in fair value	Transfers / demerger	Closing balance
Agloma Investments, SGPS, SA	100.00%	-	-	-	-	11,589,141	11,589,141
Espmen - Investments Imobiliários, SA	100.00%	-	6,152,894	-	-	-	6,152,894
Hospimob - Imobiliária, SA	0.00%	-	8,700,000	8,700,000	-	-	-
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Investalentejo, SGPS, SA	49.00%	2,205,000	-	-	-	-	2,205,000
SC Insurance Risk Services, SGPS, SA	0.00%	-	-	14,532,524	-	14,532,524	-
SC, SGPS, SA [d]	100.00%	408,759,919	-	-	-	(26,121,665)	382,638,254
Sonae Distribuição, SGPS, SA [a c]	74.98%	1,647,342,970	84,649,022	214,410,953	173,219,622	1,690,800,661	
Sonae Investments America Latina	99.99%	25,684	-	-	-	-	25,684
Sonae Investments, BV	100.00%	18,151	-	-	-	-	18,151
Sonae Sierra SGPS, SA [b]	50.00%	632,455,428	-	-	112,495,072	-	744,950,500
Sonae Turismo, SGPS, SA	0.00%	127,174,947	-	127,174,947	-	-	-
Sonaecom, SGPS, SA	12.72%	144,068,574	34,372,300	-	55,355,577	-	233,796,451
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sontel, BV	100.00%	-	100,000	-	-	-	100,000
TOTAL		**2,962,316,974**	**133,974,216**	**364,818,424**	**341,070,271**	**-**	**3,072,543,037**

a Fair value of this investment is considered to be the price paid in the public tender offer for de-listing occurred in 2006.

b Market value was determined based on an independent valuation as at 31 December 2007 of assets held by this affiliated company, after deduction of associated net debt and of the share attributable to minority interests.

c Former Modelo Continente, SGPS, SA

d Former Sonae Capital, SGPS, SA

During the year ended 31 December 2007, the undertaking in SC, SGPS, S.A. (formerly named Sonae Capital SGPS, S.A.) was demerged. Total shareholding in SC, SGPS, S.A. representative of 100% of its share capital was transferred at book value, 382,638,254 euros, to a new company (Sonae Capital, SGPS, S.A.) in exchange for the issue of shares totally attributed to Sonae shareholders, in accordance with a ratio of 0.125 Sonae Capital, SGPS, S.A. shares for one Sonae's share.

7.2 OTHERS INVESTMENTS AVAILABLE FOR SALE

EAs at 31 December 2007 and 2006 other investments available for sale are as follows:

	31.DECEMBER.2007						
Companies	% Held	Opening balance	Increase	Decrease	Changes in fair value	Transfers	Closing balance
Associação Escola Gestão Porto	-	49,880	-	-	-	-	49,880
TOTAL		**49,880**	**-**	**-**	**-**	**-**	**49,880**

	31.DECEMBER.2006						
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	-	33,715,091	-	30,317,580	(3,397,511)	-	-
Sonae Industria, SGPS, SA	-	6,400,000	-	5,002,410	(1,397,590)	-	-
TOTAL		**40,164,971**	**35,319,990**	**(4,795,101)**	**-**	**-**	**49,880**

8. OTHERS NON-CURRENT ASSETS

As at 31 December 2007 and 2006 other non-current assets are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Loans granted to group companies:		
Espmen - Investments Imobiliários, SA	-	7,105
Investalentejo, SGPS, SA	-	788,000
Sonae Capital, SGPS, SA	-	20,000,000
Sonae Investments, BV	881,826,699	792,400,040
Sontel, BV	205,040,300	-
	1,086,866,999	**813,195,145**
Guarantee deposits	4,183	7,744
Other	-	141,603
	1,086,871,182	**813,344,492**

Loans granted to group companies earn interest at market rates and do not mature within one year.

There are no past due or impaired receivable balances as at 31 December 2007 and 2006. The eventual impairment of loans granted to group companies is assessed in accordance with note 2.6.l). The fair value of loans granted to group companies is considered to be similar to its carrying amount.

9. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable amounted to 1,392,495 euros and 790,914 euros as at 31 December 2007 and 2006 respectively, and include balances arising solely from services rendered to group companies.

As at the balance sheet dates there is no accounts receivable past due, and no impairment loss was recorded, as there are no indications as of the reporting date that the debtors will not meet their payment obligations.

10. OTHER DEBTORS

As at 31 December 2007 and 2006 other debtors are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Group companies - Short term loans:		
Agloma Investments, SGPS, SA	-	1,246,000
Atlantic Ferries, SA	-	797,000
Elmo, SGPS, SA	-	4,008,000
Investalentejo, SGPS, SA	-	9,404,000
Nab - Sociedade Imobiliária, SA	-	148,000
Sonae Capital, SGPS, SA	-	44,225,280
Resolução, SGPS, SA	63,177,260	-
	63,177,260	**59,828,280**
Group companies - Interest:		
Investalentejo, SGPS, SA	-	18,281
Sonae Investments, BV	23,560,064	17,609,616
Sontel, BV	5,872,627	-
	92,609,951	**77,456,177**
Other debtors		
Others	737,328	680,561
	93,347,279	**78,136,738**

Loans granted to group companies return interest at market rates and have a maturity less than one year.

There were no assets impaired or past due. The fair value of loans granted is similar to its carrying amount.

11. TAXES RECOVERABLE

As at 31 December 2007 and 2006 taxes recoverable are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Advance payments	59,348	56,743
Taxes withheld	2,006,902	1,150,016
	2,066,250	**1,206,759**

12. OTHERS CURRENT ASSETS

As at 31 December 2007 and 2006 other current assets are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Accrued income	275,983	682,527
Prepayments	245,246	175,693
	521,229	**858,220**

13. INVESTMENTS

As at 31 December 2007 and 2006 investments are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Cash flow hedge derivatives	242,719	-
	242,719	**-**

14. CASH AND CASH EQUIVALENTS

As at 31 December 2007 and 31 December 2006 cash and cash equivalents are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Cash in hand	2,500	2,500
Bank deposits	88,354,498	130,511,592
Cash and cash equivalents on the balance sheet	**88,356,998**	**130,514,092**
Bank overdrafts (Note 19.2	1,660,856	-
Cash and cash equivalents on the cash flow statement	**86,696,142**	**130,514,092**

As at 31 December 2007 bank deposits include short term deposits amounting to 88,330,000 euros withdrawn at beginning of 2008.

15. CAPITAL SOCIAL

As at 31 December 2007 and 2006 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2007 Efanor Investimentos, SGPS, SA and affiliated companies held 52.94% of Sonae's share capital.

16. OWN SHARES

As at 31 December 2007 and 2006 own shares are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Own shares - Nominal value	-	132,806,072
Own shares - (Discount)/Premium	-	5,238,291
	-	**138,044,363**

On 31 May 2007, the Company acquired 50,000 shares Sonae SGPS, SA, for a consideration of 106,000 euros.

On 15 November 2007, the Company sold 132,856,072 Sonae SGPS, SA shares for a consideration of 273,398,877 euros.

17. LEGAL RESERVE

The company has set up legal reserves in accordance with Commercial Companies Code. In 2007 and 2006, respectively, 3,256,902 euros and 4,902,754 euros has been transferred from profit for the year to legal reserves.

18. FAIR VALUE RESERVE, HEDGING RESERVE AND OTHER RESERVES

As at 31 December 2007 and 2006 reserves are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Free reserves	424,699,965	526,962,310
Captive reserve	-	139,243,694
Hedging reserve	162,774	-
Fair value reserve	730,528,037	540,120,826
	1,155,390,776	**1,206,326,830**

Movements occurring in 2007 and 2006 in these reserves are detailed in the Company Statement of changes in equity.

Free reserves of the company decreased by 382,638,254 euros (Note 7.1), as a result of the demerger of Sonae Capital, SGPS,SA undertaking.

Hedging Reserves corresponds to the efficient portion of changes in fair value of derivatives that qualify for cash flow hedge accounting.

Fair value reserves correspond to changes in the fair value of the financial instruments classified as available for sale investments.

19. BORROWINGS

19.1 BONDS

As at 31 December 2007 and 2006 this caption included the following loans:

Bonds SONAE /05 amounting to 100,000,000 euros, 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 2006/2011 amounting to 250,000,000 euros, repayable after 5 years, in one instalment, on 10 May 2011. Interest rate equal to Euribor 6 months plus 0.65%, with interest paid half-yearly. The company has the option to make whole or partial reimbursements, with no extra cost, on the date of the 6th and 8th coupons.

During year 2007 Sonae SGPS issued the following bonds:

Bonds Sonae 2007/2014 amounting to 150,000,000 euro, repayable after 7 years, in one instalment, on 11 April 2014. Interest rate equal to Euribor 6 months plus 0.6%, with interest paid half-yearly. The company has the option to make whole or partial reimbursements, with no extra cost, on the date of the 10th and 12th coupons.

	31.DECEMBER.2007	31.DECEMBER.2006
Bonds	500,000,000	350,000,000
Up-front fees not yet charged to income statement	(2,999,196)	(2,812,652)
	497,000,804	**347,187,348**

The above mentioned loans are unsecured and its estimated fair value is considered to be near its carrying amount, as they bear interests at variable market rates.

19.2 CURRENT BANK LOANS

As at 31 December 2007 and 2006 this caption included the following loans:

	31.DECEMBER.2007	31.DECEMBER.2006
Commercial paper [a]	-	260,500,000
Bank overdrafts (Note 14)	1,660,856	-
	1,660,856	**260,500,000**

The above mentioned loans are unsecured and its estimated fair value is considered to be near its carrying amount, as they bear interests at variable market rates.

19.3 BONDS - SHORT TERM PORTION

As at 31 December 2007 and 2006 this caption included the following:

	31.DECEMBER.2007	31.DECEMBER.2006
Nominal value of Sonae/97 bonds	-	74,819,685
Up-front fees not yet charged to income statement	-	(42,394)
	-	**74,777,291**

The above mentioned loans are unsecured and its estimated fair value is considered to be near its carrying amount, as they bear interests at variable market rates.

Bond SONAE /97 were reimbursed at par in October 2007.

19.4 MATURITY OF BORROWINGS

As at 31 December 2007 and 2006 the analysis of the maturity of loans are as follows:

	31.DECEMBER.2007		31.DECEMBER.2006	
	Nominal value	Interests	Nominal value	Interests
N+1	1,660,856	27,201,742	335,319,685	21,407,958
N+2	-	27,029,926	-	19,050,542
N+3	-	27,029,926	-	18,967,326
N+4	250,000,000	20,365,465	-	18,967,326
N+5	-	13,794,400	250,000,000	12,280,715
after N+5	250,000,000	14,944,175	100,000,000	8,515,625

a Short term commercial paper programme, privately placed, launched on 23 August 2004, valid for a ten year period, which may be extended at the option of the company, with a maximum limit of 350,000,000 euros.

20. OTHER CREDITORS

As at 31 December 2007 and 2006 other creditors are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Group companies:		
Box Lines - Navegação, SA	-	891,000
Cinclus-Planeamento Gestão de Projectos, SA	-	2,850,000
Interlog, SGPS, SA	-	18,977,000
Sonaecom, SGPS, SA	-	90,000,000
Shareholders - dividends not yet paid	40,862	35,737
Other creditors	6,672	6,859
	47,534	**112,760,596**

Loans received from group companies bear interests at market rates and are payable within one year.

21. TAXES PAYABLE

As at 31 December 2007 and 2006 taxes payable are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Income tax charge for the year	262,878	12,948
Taxes withheld		
Staff	717,673	47,524
Services	30,840	821
Capital	419,043	215,103
Other	1,047	1,013
Value added tax	107,241	133,023
Social security contributions	49,687	47,355
Stamp duty	60	75
	1,588,469	**457,862**

22. OTHER CURRENT LIABILITIES

As at 31 December 2007 and 2006, other current liabilities were made up as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Accruals:		
Salaries	1,637,700	2,975,976
Interest	5,190,369	4,857,092
Written call option over shares	-	2,355,000
Others	134,328	9,253
	6,962,397	**10,197,321**

23. CONTINGENT ASSETS AND LIABILITIES

	31.DECEMBER.2007	31.DECEMBER.2006
Guarantees given:		
on tax claims	1,776,135	1,776,135
on judicial claims	355,199	355,199
others	-	40,000,000

24. OPERATIONAL LEASES

As at 31 December 2007 and 2006, the company had operational lease contracts, as a lessee, whose minimum lease payments had the following schedule:

	31.DECEMBER.2007	31.DECEMBER.2006
Due in		
2007 automatically renewable	-	265,836
2008 automatically renewable	282,021	-
2007	-	70,138
2008	106,455	61,815
2009	87,728	41,539
2010	70,190	29,983
2010	21,113	-
	567,507	**469,311**

25. RELATED PARTIES

As at 31 December 2007 and 2006 balances and transactions with related parties are as follows:

	SUBSIDIARIES AND ASSOCIATES	
	31.DECEMBER.2007	31.DECEMBER.2006
Transactions		
Services rendered	2,305,141	1,800,067
Purchases and services obtained	1,991,785	1,082,441
Interest income	70,650,831	32,153,152
Interest expenses	5,546,866	8,712,350
Dividend income (Note 32)	76,848,426	53,613,493
Acquisition of investments	224,823,745	280,102,275
Disposal of investments	50,500	-
Disposal of intangible assets	-	75,000,000
Balance		
Accounts receivable	31,266,265	19,220,640
Accounts payable	255,568	1,005,725
Loans granted	-	112,718,000
Loans obtained	1,150,044,259	873,023,425

All Sonae, SGPS, S.A. subsidiaries, associates and joint ventures are considered related parties and are identified in Consolidated Financial Statements. All Efanor Investimentos, SGPS, SA, subsidiaries, including the ones of Sonae Indústria, SGPS, SA and of Sonae Capital, SGPS, SA. are also considered related parties.

In 2007 and 2006, there were no transactions with the Company's Directors and no loans were granted to the Company's Directors.

As at 31 December 2007 and 2006 no balances existed with the Company's Directors.

26. SERVICES RENDERED

Services rendered amounted to 2,305,141 euros and 1,800,067 euros, in 31 December 2007 and 2006, respectively. Services rendered include management fees over subsidiaries in accordance with Holding companies law.

27. OTHER OPERATIONAL INCOME

As at 31 December 2007 and 2006 other operational income are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Supplementary income	175,269	152,373
Gain on sale of brands	-	74,999,997
Others	233,966	7,666
	409,235	**75,160,036**

28. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2007 and 2006 external supplies and services are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Subcontracts	1,024,665	218,623
Fuel	36,450	32,251
Books	10,725	15,043
Office material	26,548	26,326
Operational rents	403,246	347,555
Entertainment expenses	57,794	40,482
Communication	244,065	221,597
Insurance	187,797	202,484
Travelling	178,155	157,553
Fees	198,997	47,665
Legal expenses	7,853	10,256
Maintenance	36,555	28,170
Marketing	8,058	33,286
Cleaning up services	14,134	13,130
Services obtained	949,464	779,651
Others	309,934	243,195
	3,694,440	**2,417,267**

29. STAFF COSTS

As at 31 December 2007 and 2006 staff costs are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Directors salaries [a]	3,101,581	2,000,973
Staff salaries	2,822,923	2,471,989
Social costs	509,057	435,292
Other staff costs	208,977	115,546
	6,642,538	**5,023,800**

As at 31 December 2007 and 2006, the number of employees were 62 and 60, respectively.

30. OTHER OPERATIONAL EXPENSES

As at 31 December 2007 and 2006 other operational expenses can be detailed as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Donations	25,060	120,441
Taxes	441,920	276,383
Losses on sale of fixed assets	278	233
Other operational expenses	154,669	175,703
	621,927	**572,760**

a Includes non recurring costs regarding share based deferred performance bonuses paid in advance.

31. NET FINANCIAL EXPENSES

As at 31 December 2007 and 2006 net financial expenses are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(70,241)	(34,318)
Bonds	(25,564,393)	(15,609,751)
Other	(14,772,621)	(10,861,450)
Exchange losses	(844)	(22)
Hedge inefficiency	-	-
Changes in fair value	(14,062)	-
Up front fees on the issuance of loans	(633,265)	(592,668)
Other financial expenses	(690,366)	(818,870)
	(41,745,792)	**(27,917,079)**
Interest receivable and similar income		
Interest income	71,614,358	36,121,077
Changes in fair value	81,722	-
Exchange gains	205	-
	71,696,285	**36,121,077**
NET FINANCIAL EXPENSES	**29,950,493**	**8,203,998**

32. INVESTMENT INCOME

As at 31 December 2007 and 2006 investment income are as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Dividends received (Note 27)	76,848,426	53,613,493
Gains/(Losses) on sale of investments	(81,697,261)	(65,349,636)
	(4,848,835)	**(11,736,143)**

Dividends were received from Sonae Sierra, SGPS, SA (14,793,870 euro), Modelo Continente, SGPS, SA (61,858,561 euro), and Agloma Investimentos, SGPS, SA (195,995 euro).

Gains and losses on sale of investments relate mainly to the losses arising on the sale of 12.7% of Sonaecom, SGPS, S.A. (82,188,375 euro).

Gains and losses on sale of investments includes 78,941,388 euro loss arising corresponding to negative changes in the fair value of investments sold during the year and recorded in previous years on the Fair value reserves.

33. INCOME TAX

Income tax charge for the year was 262,882 euros and 12,949 euros, in 31 December 2007 and 2006, respectively.

33.1 RECONCILIATION OF EFFECTIVE TAX RATE

The reconciliation between the profit before taxation and the tax charge for the years ended 31 December 2007 and 2006 are summarised as follows:

	31.DECEMBER.2007	31.DECEMBER.2006
Profit before taxes	16,766,017	65,150,993
(Decrease) / Increase to net income for tax purposes	(359,980)	40,289,011
Taxable income	16,406,037	105,440,004
Use of carried forward tax losses	(16,406,037)	(105,440,004)
Net taxable income	-	-
Tax charge @ 27.5%	-	-
Autonomous taxation	16,791	12,949
Municipal surcharge	246,091	-
Tax charge	**262,882**	**12,949**
Effective average tax rate	**1.568%**	**0.020%**

33.2 CARRIED FORWARD TAX LOSSES

	31.DECEMBER.2007		31.DECEMBER.2006	
	Carried forward tax loss	Limit for use	Carried forward tax loss	Limit for use
Arising from 2002	318,627,117	2008	335,033,154	2008
	318,627,117		**335,033,154**	

As at 31 December 2007, no deferred tax assets arising on tax losses carried forward were recognised, considering the uncertainty of their use.

34. EARNINGS PER SHARE

Earnings per share for the period were calculated taking into consideration the following amounts:

	31.DECEMBER.2007	31.DECEMBER.2006
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	16,503,135	65,138,044
Effect of dilutive potential shares		
Interest related to convertible bonds (net of tax)	-	-
Net profit taken into consideration to calculate diluted earnings per share:	**16,503,135**	**65,138,044**
Number of shares		
Weighted average number of shares used to calculated basic earnings	1,883,606,633	1,866,382,294
Effect of dilutive potential ordinary shares from convertible bonds	-	-
Weighted average number of shares used to calculated diluted earnings per share	**1,883,606,633**	**1,866,382,294**
PROFIT/(LOSS) PER SHARE (BASIC AND DILUTED)	**0.008761**	**0.034901**

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

35. ACQUISITIONS AND DISPOSAL OF INVESTMENTS

During 2007 and 2006, the following acquisitions and disposals occurred:

	31 DE DEZEMBRO DE 2007			
	DISPOSALS		ACQUISITIONS	
COMPANIES	TOTAL PRICE	AMOUNT RECEIVED	TOTAL PRICE	AMOUNT PAID
Sonaecom, SGPS, SA	232,220,745	232,220,745	-	-
Agloma Investments, SGPS, SA	15,454,000	15,454,000	-	-
Investalentejo, SGPS, SA	49,000	49,000	-	-
Saúde Atlântica, SA	250,000	250,000	-	-
Resolução, SGPS, SA	-	-	20,000,000	20,000,000
Sonae RE	-	-	500	500
	247,973,745	**247,973,745**	**20,000,500**	**20,000,500**

	31 DE DEZEMBRO DE 2007			
	DISPOSALS		ACQUISITIONS	
COMPANIES	TOTAL PRICE	AMOUNT RECEIVED	TOTAL PRICE	AMOUNT PAID
Eirles Three Junior Notes	33,715,075	33,715,075		
Espmen - Investments Imobiliarios, SA	-	-	6,152,894	6,152,894
Hospimob - Imobiliaria, SA	21,034,800	21,034,800	8,700,000	8,700,000
Sonae Distribuição, SGPS, SA [b]	108,240,000	108,240,000	84,649,022	84,649,022
SC Insurance and Risk Services, SGPS, SA	37,500,000	37,500,000	-	-
Sonae Indústria, SGPS, SA	7,350,000	7,350,000	-	-
Sonae Turismo, SGPS, SA [a]	127,012,275	91,795,896	-	-
Sonaecom, SGPS, SA	-	-	34,372,300	34,372,300
Sontel, BV	-	-	100,000	100,000
	334,852,150	**299,635,771**	**133,974,216**	**133,974,216**

Amounts received on disposals of investments disclosed in the cash flow statement include 102,540 euros (226,300,923 euros in 2006) relating to disposals in prior years.

a On sale of Sonae Turismo,SGPS, SA an amount of 35,216,379 euros has not been received as it corresponded to part of its share capital increase which had not yet been paid up.

b Former Modelo Continente, SGPS, SA

36. SUBSEQUENT EVENTS

On 3 March 2008, Luiz Filipe Lampreia, a member of the Sonae Board of Directors, resigned as a Director of the Company.

37. DIVIDENDS

In the Shareholders Annual Meeting held on 3 May 2007, payment of a gross dividend of 0.03 euro per share was approved. This was paid on 30 May 2007, the total amount paid being 55,997,442.84 euros.

For 2008, the Board of Directors proposed a gross dividend of 0.03 euro per share, total amount of dividends is estimated to be 60,000,000 euros. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors on 17 March 2008. These financial statements will be presented to the Shareholders' General Meeting for final approval.

39. INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

In the twelve months ended 31 December 2007 shareholders' loan contracts were entered into with the following companies:

Sontel, BV
Sonae Investments, BV

In the twelve months ended 31 December 2007 short-term loan contracts were entered into with the following companies:

Canasta - Empreendimentos Imobiliários, SA
Contibomba - Comércio e Distribuição de Combustíveis, SA
Cumulativa - Sociedade Imobiliária, SA
Fozmassimo - Sociedade Imobiliária, SA
Iginha - Sociedade Imobiliária, SA
Interlog, SGPS, SA
Investalentejo, SGPS, SA
MJLF - Empreendimentos Imobiliários, SA
Modelo Continente - Operações de Retalho, SGPS, SA
Público - Comunicação Social, SA
Resolução, SGPS, SA
SC - Engenharia e Promoção Imobiliária, SA
SC - Sociedade de Consultadoria, SA
SC Insurance and Risk Services, SGPS, SA
Selifa - Sociedade de Empreendimentos Imobiliários, SA
Sonae Capital, SGPS, SA
Sonae Distribuição, SGPS, SA
Sonae Investments, BV
Sonae Turismo, SGPS, SA
Todos os Dias - Com. a Retalho e Expl. de Centros Comerciais, SA

As at 31 December 2007 amounts owed by affiliated undertakings can be detailed as follows:

LOANS GRANTED

COMPANIES	CLOSING BALANCE
Resolução, SGPS, SA	63.177.260
Sontel, BV	205.040.300
Sonae Investments, BV	881.826.699
	1.150.044.259

As at 31 December 2007 there was no amounts owed to affiliated undertakings.

The Board of Directors

Belmiro de Azevedo
Álvaro Cuervo Garcia
Belmiro de Azevedo (proxy of Luiz Lampreia)
Michel Marie Bom
José Neves Adelino
Duarte Paulo Teixeira de Azevedo
Álvaro Carmona e Costa Portela
Ângelo Gabriel Ribeirinho dos Santos Paupério
Nuno Manuel Moniz Trigoso Jordão

STATUTORY AUDIT AND AUDITORS' REPORT

STATUTORY AUDIT AND AUDITORS' REPORT

(This is a translation of a report originally issued in Portuguese.
In the event of discrepancies, the Portuguese language version prevails.)

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 2007, which comprise the consolidated and individual balance sheets (that present a total of 7,026,162,087 Euros and 3,840,833,943 Euros, respectively, and consolidated and individual equity of 1,617,981,452 Euros and 3,333,097,465 Euros, respectively, including consolidated net profit attributable to the Company's Equity Holders of 284,044,038 Euros and an individual net profit of 16,503,135 Euros), 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 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 2007, 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.

Porto, 17 March 2008

DELOITTE & ASSOCIADOS, SROC S.A.

Represented by António Marques Dias

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(Translation of a Report and Opinion originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)
To the Shareholders of Sonae, S.G.P.S., S.A.

1 – Report

1.1 - Introduction

In compliance with the applicable legislation and our mandate, we hereby submit our Report and Opinion, which covers the Management Report and consolidated and individual Financial Statements of Sonae, SGPS, S.A. for the year ended 31 December 2007, which are the responsibility of the Company's Board of Directors.

1.2 – Supervision

During the year under analysis, the Statutory Audit Board accompanied the operations of the Company and its principal affiliates, the timely writing up of accounting records, compliance with statutory and legal requirements and the effectiveness of the risk management and internal control systems and internal audit department, having held meetings with the periodicity and length considered appropriate and having always obtained, from the Board of Directors and personnel of the Company, all the information and explanations necessary for a proper understanding of the changes in the financial position and results of operations. Additionally, the Statutory Audit Board oversaw the preparation and disclosure of financial information and verified the accuracy of the documents of accounts, in order to ensure that they present a true and fair view of the financial position of the company.

As part of its duties, the Statutory Audit Board examined and issued a favourable opinion on the Company's demerger project and examined the consolidated and individual balance sheets as of 31 December 2007, the consolidated and individual statements of profit and loss by nature, cash flow, and changes in shareholders' funds for the year then ended, and the corresponding notes.

Additionally, the Statutory Audit Board examined the Report of the Board of Directors for the year 2007, and fulfilled its duties concerning the review of the qualifications, independence and work of the Statutory Auditor, and reviewed the Statutory Audit and Auditors' Report and was in agreement with its content.

2 - Opinion

Considering the above, in the opinion of the Statutory Audit Board, the Management Report, the consolidated and individual Financial Statements, and the profit appropriation proposal presented by the Board of Directors, are in accordance with Portuguese accounting, legal and statutory requirements and consequently should be approved by the Shareholders' General Meeting.

We wish to thank the Company's Board of Directors and the departments of the Company involved for the assistance provided to us.

Statement in accordance with Article 245, paragraph 1, c) of the Portuguese Securities Code

In accordance with article 245, paragraph 1, c) of the Securities Code ("Código dos Valores Mobiliários"), we inform that, to our knowledge, the information contained in the consolidated and individual Financial Statements were prepared in accordance with applicable accounting standards, giving a true and fair view, in all material respects, of the assets and liabilities, financial position and the results of Sonae, SGPS, S.A. and companies included in the consolidation perimeter, and that the Management Report faithfully describes the trend of business activity, the performance and financial position of Sonae, SGPS, S.A. and of the companies included in the consolidation perimeter, and contains a description of the major risks and uncertainties that they face.

Maia, 26 March 2008

The Statutory Audit Board

Daniel Bessa Fernandes Coelho

Arlindo Dias Duarte Silva

Jorge Manuel Felizes Morgado

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the telecommunications industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "should," "seeks," "estimates," "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors and analysts are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Report available on Sonae SGPS's institutional website **www.sonae.pt**

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Sonae SGPS is listed on the Euronext Stock Exchange. Information may be accessed on Reuters under the symbol SONP.IN and on Bloomberg under the symbol SONPL.

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