

# EARNINGS ANNOUNCEMENT

## CONSOLIDATED RESULTS JAN-JUN 2007<sup>1</sup>

Maia, 29 August 2007



<sup>1</sup> Financial information subject to a limited review.

Sonae SGPS, SA – Sociedade Aberta  
Lugar do Espido Via Norte Apartado 1011  
4471-909 Maia Portugal

Share Capital Euro 2 000 000 000  
Maia Commercial Registry and  
Fiscal Number 500 273 170

# Basis of comparison



The figures included in this announcement relate to 2007 either to the first semester or to the second quarter and are clearly identified as such. The figures shown in brackets are the respective comparable figures for the same period of the previous year.

## At a glance...



*During the first half of 2007, Sonae delivered a solid improvement in its operational results when compared to the same period in 2006.*

*Turnover increased by 7% to 2,137 M.€ (1,999 M.€) driven by the retail business whilst EBITDA grew by 20% to reach 334 M.€.*

*EBITDA's growth drivers were mainly new Retail store openings, the launch of the food retail loyalty card and the increase in the market value of Shopping Centre properties.*

*Net profit attributable to Sonae's Shareholders increased 20% to 102 M.€ (85 M.€) in the first half.*

*Second Quarter profitability was particularly strong with increases of 25.7% and 18.2% in EBITDA and Net Profit, respectively.*

- **Turnover of 2,137 M.€ (1,999 M.€)**
- **Operational Cash Flow (EBITDA) of 334 M.€ (278 M.€)**
- **Operational Profit of 205 M.€ (164 M€)**
- **Profit attributable to Sonae's shareholders of 102 M.€ (85 M.€)**
- **Net Debt of 2,380 M.€ as at 30 June 2007 (2,064 M.€)**

# Message from the CEO



During the first half of 2007, Sonae reinforced its commitment to its growth strategy, reflected by the activity of all its business areas. We completed several acquisitions, invested and launched new growth initiatives and entered a new geography.

Sonae Distribuição launched its loyalty card for the food retail segment which proved to be a very successful initiative with more than 1.5 million cards issued to date and an average of more than 80% of sales completed through the card. This new tool will enable Sonae Distribuição to improve customer retention rates by promoting a positive and trust based relationship. In July, Sonae Distribuição reached an agreement with Carrefour to acquire its operations and stores (hypermakets) in Portugal. This transaction is still subject to approval by the Portuguese Competition Authority.

Sonae Sierra acquired its first asset in the Romanian market, taking its first step into Eastern Europe and extending its footprint to a total of 7 different markets (Portugal, Spain, Italy, Germany, Greece, Romania and Brazil). Following the commitment to invest the proceeds from the sale of 50% of Sonae Sierra Brazil to Developers Diversified Realty to further expand its presence in this promising market, Sonae Sierra increased its shareholding in some of its Brazilian assets. In the Spanish market, Sonae Sierra acquired land in Las Pulianas (near Granada) to build a new shopping centre. In Greece, an additional asset has been acquired in Larissa. In Portugal, Sonae Sierra acquired Modelo and Continente Shoppings in Portimão and Albufeira from Sonae Distribuição.

Sonaecom continued to pursue growth opportunities and closed two deals during this period, acquiring the residential, small offices and home offices customers from Oni Telecom and TELE2 in Portugal. Once approved by the Portuguese Competition Authority, these acquisitions will allow Sonaecom to increase its customer base and to consolidate its position as the number one alternative player in the Portuguese telecom market.

# Message from the CEO



Sonae Capital continued to restructure its portfolio, preparing its spin-off from Sonae SGPS. The company acquired an additional 35% in the Selfrio Group and 14% in Cooper Gay (Holding) Limited, disposed of Plysorol and Safira Cleaning Services and continued to prepare additional portfolio restructuring operations. This restructuring process is expected to be completed during the fourth quarter of 2007, so that the separation of the two companies is completed just before the year end.

Sonae SGPS Corporate Centre roles and responsibilities are under review in order to enhance its ability to add value and support the defined growth strategy for the Group. This restructuring is also expected to be completed before the year end.

Finally, I would like to highlight our strong financial performance this semester. Turnover increased 7% to 2,137 M.€ along with a 20% growth in EBITDA to 334 M.€. EBIT during the reporting period reached 205 M.€ showing a 25% year on year increase. Net profit for the period stood at 141 M.€, due to higher financial costs and, despite lower contribution from investment income, the Group's share of net profit increased 20% to 102 M.€

Paulo Azevedo

## 2Q07 Main Events

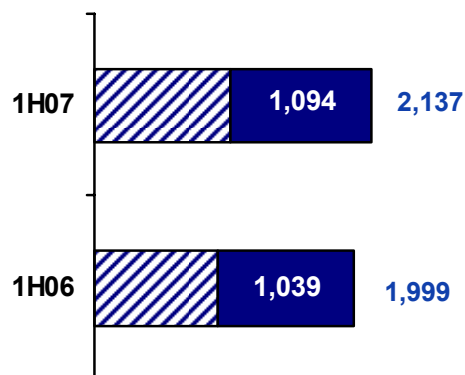


- In the process to deliver its growth strategy, Sonaecom:
  - Acquired the residential and small offices and home offices (soho) fixed telecommunications business from Oni Telecom
  - Acquired 100% of TELE2 Portugal
  - Both deals are subject to the necessary authorisations from the regulatory authorities
- Following the announcement of the preparation of the spin off of Sonae Capital from Sonae SGPS, several transactions have been completed:
  - Acquisition of 14% of Cooper Gay (Holding) Limited (28% voting rights)
  - Acquisition of an additional 35% stake in the Selfrio Group
  - Disposal of a 51% stake in Safira
  - Disposal of ELMO, SGPS, SA, (company controlling 100% of Plysorol)
- In late July, Sonae Distribuição announced the acquisition of Carrefour's business and stores (hypermarkets) in Portugal. This acquisition is consistent with Sonae Distribuição's growth strategy and is subject to regulatory approval.

# 1H07 Financial Performance

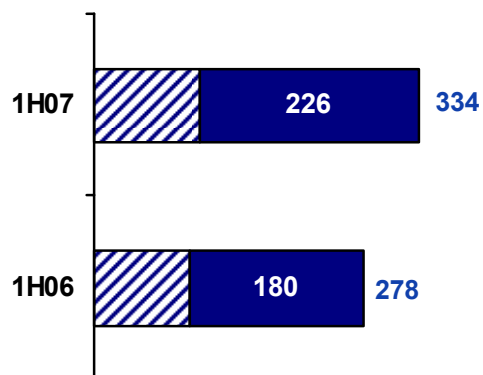


## TURNOVER



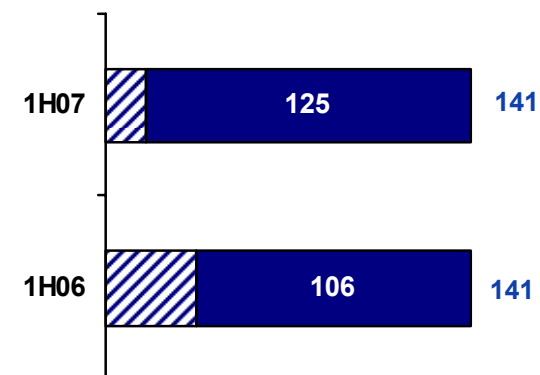
**7% increase in Consolidated Turnover ...** essentially driven by the Retail business. Slight increases at Shopping Centres and Telecommunications.

## EBITDA



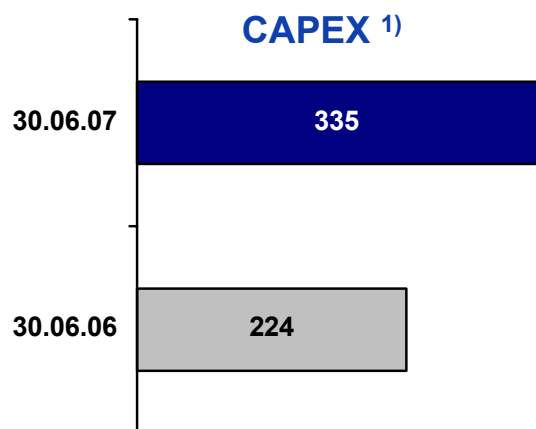
**Consolidated EBITDA up 20% ...** favourably impacted by Retail and Shopping Centres.

## NET PROFIT



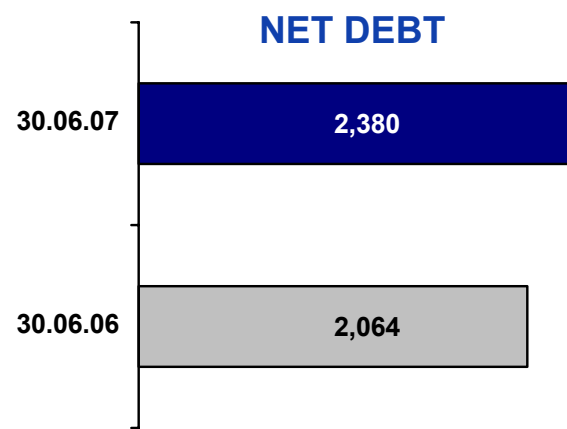
**Consolidated Net Profit at the same level...** as a result of sound operational performance being offset by lower investment income and higher financial costs.

## CAPEX <sup>1)</sup>



**Increase from last year...** due to significant investment in Shopping Centres.

## NET DEBT



**The 15% increase in Consolidated Net Debt ...** is linked to the aggressive expansion plans at Retail and Shopping Centres.



# 2Q07 Financial Performance



Consolidated (M.€)	2Q06	2Q07	% chg 2Q07/2Q06
<b>Turnover</b>	<b>1,038.8</b>	<b>1,094.5</b>	<b>+ 5.4%</b>
<b>Operational Cash-Flow (EBITDA)<sup>1</sup></b>	<b>180.0</b>	<b>226.3</b>	<b>+ 25.7%</b>
<b>Operational Profit (EBIT)</b>	<b>121.7</b>	<b>161.5</b>	<b>+ 32.7%</b>
Net Financial Expenses	(20.7)	(28.0)	(35.3%)
Share of Results of Associated Undertakings	1.8	(0.5)	-
Investment Income	29.9	25.6	(14.4%)
<b>Profit before Taxation</b>	<b>132.7</b>	<b>158.6</b>	<b>+ 19.5%</b>
Taxation	26.9	33.3	+ 23.8%
<b>Profit for the Period</b>	<b>105.8</b>	<b>125.1</b>	<b>+ 18.2%</b>
<b>Profit attributable to Equity Holders of Sonae</b>	<b>60.4</b>	<b>87.3</b>	<b>+ 44.6%</b>
Profit attributable to Minority Interests	45.4	37.8	(16.7%)

- **2Q07 Turnover** amounted to 1,095 million euro (1,039 million euro), a 5% increase driven by Retail business, which increased its quarterly contribution by around 55 million euro, circa 8%, as a result of new openings.
- **2Q07 EBITDA** increased 26% to 226 M.€ (180 M.€) mainly due to Retail (+35%) following the impact of additional commercial revenues and new store openings and Shopping Centres (+38%) due to the value created on investment properties and the increase in the portfolio of assets under operation.
- **2Q07 Net Profit** increased 19 M.€ to 125 M.€ (106 M.€) due to improved operational performance, despite being negatively impacted by higher net financial expenses explained by the increase in market interest rates as well as the higher level of average gross debt.

<sup>1</sup> Operational Cash Flow (EBITDA) = Operational Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses – Reversal of Impairment Losses and Provisions (included in Other Operational Income and amounting to 0.8 M.€ in 2Q07 and 1.9 M.€ in 2Q06).

# 1H07 Financial Performance



Consolidated (M.€)	1H06	1H07	% chg 1H07/1H06
<b>Turnover</b>	<b>1,999.1</b>	<b>2,137.3</b>	<b>+ 6.9%</b>
<b>Operational Cash-Flow (EBITDA)<sup>1</sup></b>	<b>277.5</b>	<b>333.9</b>	<b>+ 20.3%</b>
<b>Operational Profit (EBIT)</b>	<b>164.2</b>	<b>205.4</b>	<b>+ 25.1%</b>
Net Financial Expenses	(41.2)	(55.7)	(35.2%)
Share of Results of Associated Undertakings	2.4	(0.2)	-
Investment Income	49.3	32.4	(34.3%)
<b>Profit before Taxation</b>	<b>174.7</b>	<b>181.9</b>	<b>+ 4.1%</b>
Taxation	34.0	40.5	+ 19.1%
<b>Profit for the Period</b>	<b>140.7</b>	<b>141.2</b>	<b>+ 0.4%</b>
<b>Profit attributable to Equity Holders of Sonae</b>	<b>85.1</b>	<b>102.0</b>	<b>+ 19.9%</b>
Profit attributable to Minority Interests	55.7	39.2	(29.6%)

- **1H07 Turnover** grew 7% to 2,137 M.€ (1,999 M.€).
- **Half year EBITDA** reached 334 M.€ (278 M.€).
- **Net Profit for 1H07** at last year's level of 141 M.€ due mainly to higher financial expenses (higher interest rates and higher average gross debt) and to lower investment income (1H06 included the gain on the sale of Enabler).

<sup>1</sup> Operational Cash Flow (EBITDA) = Operational Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses – Reversal of Impairment Losses and Provisions (included in Other Operational Income and amounting to 1.2 M.€ in 1H07 and 2.5 M.€ in 1H06).

# 2Q07 Business Performance



Stand Alone basis (M.€)	2Q06	2Q07	% chg 2Q07/2Q06
<b>Turnover</b>			
Retail	714	770	+ 7.8%
Shopping Centres <sup>a)</sup>	63	66	+ 4.8%
Telecommunications <sup>b)</sup>	206	215	+ 4.4%
Sonae Capital	121	118	(2.5%)
<b>EBITDA</b>			
Retail	50	68	+ 36.0%
Shopping Centres <sup>a)</sup>	36	34	(5.6%)
Telecommunications <sup>b)</sup>	40	39	(2.5%)
Sonae Capital	4	9	>100%
<b>NET PROFIT</b>			
Retail	23	35	+ 52.2%
Shopping Centres <sup>a)</sup>	114	145	+ 27.2%
Telecommunications <sup>b)</sup>	1	1	+ 0.0%
Sonae Capital	6	4	(33.3%)

<sup>a)</sup> Sonae Sierra contribution to Sonae SGPS is of 50%.

<sup>b)</sup> Excluding Enabler's contribution in 2Q06 as well as its capital gain from the sale.

# 1H07 Business Performance



Stand Alone basis (M.€)	1H06	1H07	% chg 1H07/1H06
<b>Turnover</b>			
Retail	1,360	1,495	+ 9.9%
Shopping Centres <sup>a)</sup>	127	129	+ 1.6%
Telecommunications <sup>b)</sup>	396	413	+ 4.3%
Sonae Capital	232	229	(1.3%)
<b>EBITDA</b>			
Retail	85	114	+ 34.1%
Shopping Centres <sup>a)</sup>	72	71	(1.4%)
Telecommunications <sup>b)</sup>	78	73	(6.4%)
Sonae Capital	6	15	>100%
<b>NET PROFIT</b>			
Retail	44	49	+ 11.4%
Shopping Centres <sup>a)</sup>	140	164	+ 17.1%
Telecommunications <sup>b)</sup>	6	(5)	-
Sonae Capital	12	9	(25.0%)

<sup>a)</sup> Sonae Sierra contribution to Sonae SGPS is of 50%.

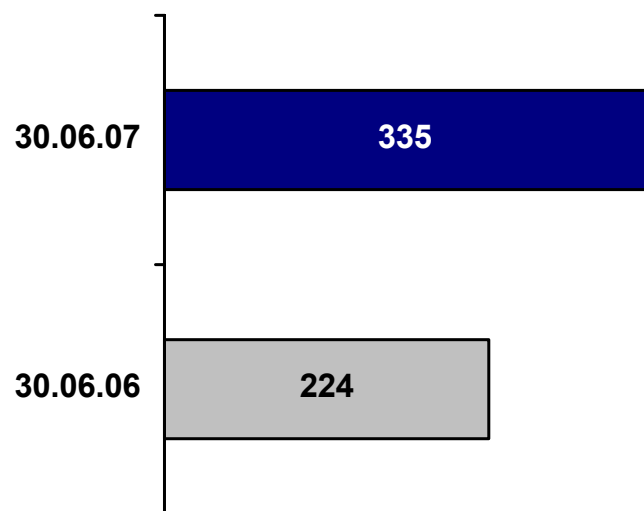
<sup>b)</sup> Excluding Enabler's contribution in 1H06 as well as its capital gain from the sale.

# 1H07 Financial Position



M.€	FY06	1H06	1H07	% chg 1H07/FY06	% chg 1H07/1H06
Investment Properties	1,520.2	1,486.7	1,823.0	+ 19.9%	+ 22.6%
Fixed Assets	2,396.1	2,293.1	2,395.1	0.0%	+ 4.4%
Goodwill	250.8	243.4	278.3	+ 11.0%	+ 14.3%
Non-Current Investments	264.6	265.0	209.9	(20.7%)	(20.8%)
Other Non-Current Assets	146.9	147.9	159.8	+ 8.8%	+ 8.0%
Stocks	481.2	489.4	533.8	+ 10.9%	+ 9.1%
Trade Debtors and Other Current Assets	565.3	597.2	566.7	+ 0.2%	(5.1%)
Cash, Cash Equivalents and Current Investments	695.8	569.5	745.2	+ 7.1%	+ 30.9%
<b>Total Assets</b>	<b>6,320.9</b>	<b>6,092.2</b>	<b>6,711.8</b>	<b>+ 6.2%</b>	<b>+ 10.2%</b>
Total Equity attributable to Equity Holders of Sonae	1,292.6	1,179.8	1,372.1	+ 6.2%	+ 16.3%
Total Equity attributable to Minority Interest	402.1	445.8	436.9	+ 8.7%	(2.0%)
<b>Total Equity</b>	<b>1,694.7</b>	<b>1,625.6</b>	<b>1,809.0</b>	<b>+ 6.7%</b>	<b>+ 11.3%</b>
Non-Current Borrowings	2,142.7	2,086.6	2,378.2	+ 11.0%	+ 14.0%
Current Borrowings	615.9	546.9	747.2	+ 21.3%	+ 36.6%
Other Non-Current Liabilities	440.8	638.4	465.4	+ 5.6%	(27.1%)
Trade Creditors and Other Cur. Liab. (incl. Prov.)	1,426.8	1,194.5	1,312.1	(8.0%)	+ 9.8%
<b>Total Liabilities</b>	<b>4,626.2</b>	<b>4,466.4</b>	<b>4,902.9</b>	<b>+ 6.0%</b>	<b>+ 9.8%</b>
<b>Total Equity and Liabilities</b>	<b>6,320.9</b>	<b>6,092.0</b>	<b>6,711.9</b>	<b>+ 6.2%</b>	<b>+ 10.2%</b>
<b>Gross Debt</b>	<b>2,758.6</b>	<b>2,633.5</b>	<b>3,125.4</b>	<b>+ 13.3%</b>	<b>+ 18.7%</b>
<b>Net Debt</b>	<b>2,062.8</b>	<b>2,064.0</b>	<b>2,380.2</b>	<b>+ 15.4%</b>	<b>+ 15.3%</b>

# 1H07 Investment <sup>1)</sup>



M.€

M€	1H06	1H07	% chg 1H07/1H06
<b>Investment</b>	<b>223.9</b>	<b>334.6</b>	<b>+ 49.4%</b>
Retail	95.3	72.5	(23.9%)
Shopping Centres	52.7	181.0	>100%
Telecommunications <sup>a)</sup>	61.7	69.5	+ 12.6%
Sonae Capital	8.2	45.5	>100%
Holding	6.0	(33.9)	-

<sup>a)</sup> Excluding investment in PT shares

## Investment spending increased 50% from last year's first semester following:

- Retail's continuous investment in new stores (sale of Portimão and Albufeira assets to Sonae Sierra contributed negatively to 1H07 investment figures with 14 M.€ whilst 1H06 figures include 8 M.€ from the acquisition of the travel business – Star Viagens).
- Shopping Centres significant increase justified by acquisitions of new assets and spending in current developments.
- Sonaecom slightly upward due to additional spending in UMTS projects.
- Sonae Capital investment driven by Tróia, Hotels and Insurance Brokerage.
- At the Holding level, divestment of Agloma, Somit and Cuellar sawmills and Imoplamac.

<sup>1)</sup> Excluding PT shares acquisition in 1H06 and their disposal in 1H07 (106 M.€)

# 1H07 Net Debt



M.€	FY06	1H06	1H07	% chg 1H07/FY06	% chg 1H07/1H06
<b>Consolidated Net Debt <sup>1)</sup></b>	<b>2,063</b>	<b>2,064</b>	<b>2,380</b>	<b>+ 15.4%</b>	<b>+ 15.3%</b>
<b>Contribution to consolidated accounts</b>					
Retail	377	431	586	+ 55.6%	+ 36.1%
Shopping Centres	533	567	722	+ 35.5%	+ 27.4%
Telecommunications	337	366	284	(15.9%)	(22.5%)
Sonae Capital	101	63	103	+ 2.1%	+ 64.4%
Holding	621	599	613	(1.3%)	+ 2.4%
Elim. and cons. adjustments	94	39	71	(23.9%)	+ 84.5%
<b>Stand alone net debt <sup>2)</sup></b>					
Retail	377	431	586	+ 55.4%	+ 36.0%
Shopping Centres <sup>a)</sup>	1,026	1,123	1,416	+ 38.0%	+ 26.1%
Telecommunications	338	367	284	(15.9%)	(22.5%)
Sonae Capital	165	(35)	258	+ 56.4%	-
Holding	653	913	587	(10.1%)	(35.7%)

<sup>a)</sup> Sonae Sierra contribution to Sonae SGPS is of 50%.

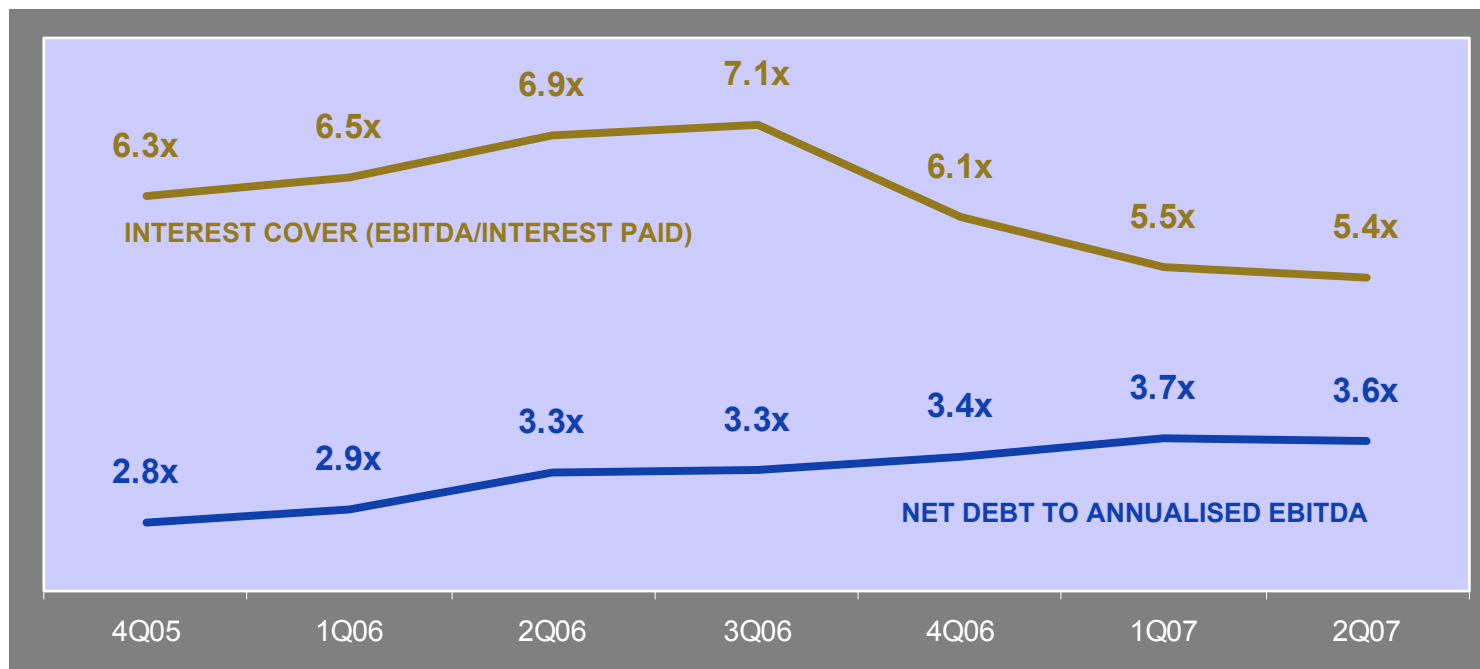
**Consolidated net debt** increased 15% from both 1H06 and FY06 and was mainly driven by Retail and Shopping Centres. In Retail, additional debt is due to new openings, whilst in Shopping Centres investment in new assets was driven by the expansion plan and in Sonae Capital debt increase was due to investment in Tróia and in other assets.

From the total net debt, 722 M.€ are attributable to the Shopping Centres business, using project finance and are fully and exclusively guaranteed by each assets.

<sup>1</sup> Net Debt = Non-Current Borrowings + Current Borrowings – Cash and Cash Equivalents – Current Investments

<sup>2</sup> Stand Alone Net Debt = Net Debt ± Loans from/(to) Sonae SGPS

# Debt Ratios



Note: Annualised EBITDA used to calculate Net Debt to Annualised EBITDA for 4Q05 was restated at Sonae Sierra under the proportional method in order to be comparable with the Net Debt used.

- The ratio of consolidated net debt to consolidated operational cash flow (EBITDA) for the last 12 months was 3.6 (3.3), which compares with 3.4 as at 31 December 2006.
- Annualised interest cover was 5.4 (6.9), reflecting the higher level of interest expense in the period together with the higher average gross debt.



*All our businesses have challenging strategies which aim to promote their growth and value creation for shareholders.*

- Sonae Distribuição will seek new opportunities, both organic and by acquisition, both in Portugal and in Spain.*
- Sonae Sierra will continue its expansion plan, in current and new markets.*
- Sonaecom will pursue its ongoing customer base growth strategy in order to consolidate its position as the 2<sup>nd</sup> integrated telecom operator in the Portuguese market, as well as to continue its efforts to ensure a competitive market.*
- Sonae SGPS teams will continue to prepare the ongoing spin off process of Sonae Capital, which we expect to conclude by the end of the year with its shares being listed in early 2008.*
- Sonae SGPS corporate centre will be subject to a review of its roles and responsibilities to develop the portfolio of businesses and support and enable current businesses to fulfil their challenging goals.*

*For additional information regarding our businesses please use the following links to the relevant pages:*



<http://www.modelocontinente.pt>



<http://www.sonaesierra.com/ourfigures/financialreports/>



<http://www.sonaecom.pt> => Last Announcement =>  
[Second Quarter 2007 Earnings Announcement](#)



<http://www.sonae.pt> => Investor Relations => Earnings  
Announcement => [Earnings Announcement 1st Half](#) =>  
[Sonae Capital](#)

---

## REPRESENTATIVE FOR CAPITAL MARKET RELATIONS

---

Dra. Luzia Leonor Borges e Gomes Ferreira

Lugar do Espido – Via Norte

Apartado 1011

4471 – 909 Maia

Portugal

Tel: 351 22 948 75 22

Fax: 351 22 948 77 22

Email: [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt)

---

## INVESTOR RELATIONS OFFICE

---

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

Lugar do Espido – Via Norte

Apartado 1011

4471 – 909 Maia

Portugal

Tel: 351 22 940 47 76

Fax: 351 22 940 46 34

Email: [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt)

---

## INFORMATION AVAILABLE ON THE INTERNET

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

<http://www.sonae.pt>

---