

Sonae SGPS, SA

Lugar do Espido Via Norte Apartado 1011
4470-909 Maia Portugal
Tel (+351) 22 948 75 22/76 22
Fax (+351) 22 948 77 22
www.sonae.pt

**SONAE - SGPS, S. A.**

Head Office: Lugar do Espido, Via Norte, Maia
Share Capital: € 2,000,000,000.00
Maia Commercial Registry and Fiscal Number 500273170
Sociedade Aberta



Discloses Non Audited Consolidated Management Information of Sonae Capital, SGPS, SA 30 June 2007



Highlights

Portfolio Management

- Increase in the economic interest in Selfrio to 70%
- Sale of Safira
- Sale of Plysorol
- Acquisition of 14% of the UK Reinsurer Cooper Gay (28% voting rights)

**Turnover 229 M.€****EBITDA generated 15 M.€****Net Profit 9 M.€**

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**Introduction**

Sonae SGPS has announced the decision to spin-off Sonae Capital. This will represent a significant change to Sonae Capital.

Unaudited Management Consolidated Results

Sonae Capital's current portfolio of businesses includes Tourism, Engineering, Services and Real Estate Development, Insurance Brokerage and Risk Management and Seed and Risk Capital.

Values in million euro

	1H 06 ¹	1H 07	Δ
Turnover	232.0	228.8	-1.4%
Operational Cash-Flow (EBITDA)	6.3	15.1	+140%
Operational Profit (EBIT)	3.7	8.9	+139%
Investment Income	12.3	6.0	-50.8%
Profit for the Year	12.0	8.7	-27.3%

¹Sum of Sonae Capital's consolidated accounts with Sonae Turismo's consolidated accounts. Sonae Capital acquired the majority stake in Sonae Turismo on 26 July 2006, and from that date onwards Sonae Turismo was included in the consolidated accounts by the full consolidation method.

Consolidated turnover decreased 3.2 million euro in the first half of the year, to 228.8 million euro.

The Tourism business increased its contribution to consolidated turnover by circa 4.5 million euro, namely in Hotels and Fitness, as a result of refurbishments and fine-tuning of the value proposal.

The Selfrio Group (refrigeration, air conditioning and maintenance) continued to increase its contribution to consolidated turnover of Sonae Capital, by around 5 million euro, partly due to the high number of openings and refurbishments by food retail operators in Portugal, many of which are Selfrio's customers.

Contacto contributed 52 million euros to consolidated turnover, a decrease of 22% due to lower levels of works outside the Sonae Capital Group.

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Consolidated turnover was still impacted by 76.6 million euro (74 million euro in the first half of 2006) arising from Plysorol's and Safira's contributions. Excluding this impact, consolidated turnover amounted to 152.2 million euro (158 million euro in the first half of 2006).

Consolidated operational cash flow (EBITDA), excluding Plysorol and Safira, grew 28% to 7.3 million euro, driven by the 2.3 million euro improvement in Fitness, 1.7 million euro in Engineering and Real Estate Development and 0.4 million euro in the Selfrio Group.

EBITDA for the half year includes Plysorol Group's and Safira's contributions, until they were sold, which totalled 7.8 million euro (0.6 million euro in the first half of 2006).

Investment income totalled 6 million euro and related essentially to the gain obtained, 4.8 million euro, on the sale of an additional 3.92% shareholding in ba Vidro. In the first half of 2006, investment income included 4.6 million euro associated with the sale of ba Vidro shareholding and a 7.8 million euro gain on the sale of Star Viagens to Sonae Distribuição.

Consolidated net profit for the period amounted to 8.7 million euro (12 million euro in the first half of 2006), with the decrease being explained by the increase in financial charges and by the decrease in investment income.

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**Financial Structure**

As at 30 June 2007, **consolidated net financial debt**, including Sonae SGPS's loans, amounted to 258.1 million euro, compared to 165.5 million euro in the year end 2006. Excluding the impact of the Plysorol Group and of Safira, net financial debt increased 125.8 million euro. This increase reflects:

- the acquisition of Investalentejo (majority shareholder in Atlantic Ferries and Soltróia, and of land in the Alentejo);
- the increase in the economic interest in Selfrio to 70% and in Engineering and Real Estate Development to 100%;
- the acquisition of 14% of the UK reinsurance broker Cooper Gay (28% of voting rights);
- the development of the Tróia project;
- refurbishments of Hotels in Porto and Lagos;
- opening of a new fitness unit in Lagos.

When compared with the year end 2006, the increase in **gearing**¹ from 47% to 72%, combined with the reduction of the **interest cover ratio**² from 6.3 to 2.8, reflects the strong investment in the half year.

¹ Net Financial Debt / Total Equity; Net Financial Debt = Non-Current Borrowings + Current Borrowings – Cash and Cash Equivalents + Shareholders Loans (Sonae SGPS).

² EBITDA / Net financial charges.

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Business Analysis

Tourism

The **Troiaresort project** progressed as planned, following the fast construction pace during 2006.

Construction of the marina and of land infrastructures of the new ferry pier were concluded and works on the first apartment buildings continued.

The refurbishment of aparthotels Rosamar and Tulipamar began and projects for residential building plots in the beach area were concluded, with construction expected to start immediately.

Infrastructure works on the Tróia Peninsula carried on, and will be followed by landscape and environmental requalification. Recovery and preservation works of the archaeological findings of Tróia's Roman Ruins are underway.

Sales of the first apartments and of residential building plots exceeded expectations, with 40% of units for sale being already promised to be sold or in the process of finalising sales contracts.

The municipality of Grândola approved the detailed plan for UNOP 3 (where an Hotel Resort will be developed) and detailed plans for UNOPs 4 (where an Eco-Resort will be developed), 7 and 8 (Soltróia) are being prepared.

Sonae Turismo additionally owns approximately 700 ha of land for which no planning approval exists.

In **Fitness**, the first half of 2007 was focused on the reinforcement and consolidation of the operational and commercial reorganisation started in the previous year, and on strengthening the Solinca-Health & Fitness brand positioning. Expansion plans continued with the opening of a new unit in Lagos, in the Aqualuz aparthotel, with an area of 3 thousand m².

Consolidated turnover grew 60% in the half year (34% if only units opened in the last 12 months are considered) to 8.5 million euro and EBITDA generated was over 2 million euro.

Regarding **Hotels**, first half highlights refer to:

- Turnover of 5.3 million euro in the Boavista complex (Porto), representing a 58% increase over the same period last year. This significant increase is a strong indicator of the profitable growth potential of the group and is the outcome of a transformation process

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started in 2006 (involving an investment of over 30 million euro). This process added to the catchment area of Porto Palácio Hotel: the Congress Centre, the Porto Beer restaurant (both in the second half of 2006), refurbishment of all bedrooms and public areas of the hotel and opening of a food court with 5 restaurants (both in the second quarter of 2007), and the opening of a SPA and VIP Lounge (by the end of August 2007), involving more than 20 thousand visits, per month, for business and leisure in the Boavista complex. The focus on operational quality and customer service that has been driving the development of this complex has been recognised internationally, with the acceptance by the Leading Hotels of the World of Porto Palácio Hotel's submission (with effect from April 2007), and by customers, with average daily rate increasing around 28% over the same period last year. Solinca Eventos e Catering improved its market positioning with a 52% growth in turnover and an EBITDA margin of 21%.

- On 14 February, **Aqualuz – Suite Hotel Apartamentos**, in Lagos, opened, with refurbishment and expansion being concluded in July 2007, representing a total investment of 17.5 million euro. This unit now has 163 apartments, 5 business meeting rooms, new food and beverages areas and a Solinca healthclub with 3 thousand m², unique in Algarve's hotel industry. 2007 peak season indicators signal its potential to be highly competitive in an ever more competitive and demanding market.
- **Hotels in Tróia** are partially closed (only Magnóliamar is in operation), and refurbishment and improvement works have started in Rosamar and Magnoliamar, comprised in the development of UNOP's 1 project.

Progress in the **Tróia Golf** was strongly conditioned in this half year by the increased pace in the development of the Tróia project. In spite of these constraints, turnover grew 4%, and the business was profitable. During the first half of the year, special attention was set on the improvement project of the golf course, which will be closed down between October 2007 and February 2008, in order to replace the entire water system and the lake, in a 1.3 million euro investment. Tróia's golf course was ranked number 80 amongst the list of 100 best courses outside USA (Golf Digest of May 2007). This list includes only two Portuguese golf courses, of which Tróia is the best placed.

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***Engineering, Services and Real Estate Development***

Contacto, a civil and public works construction company, reached a turnover of 82 million euro, a 12% increase over the same period last year, generating an operational cash-flow (EBITDA) of 3.1 million euro and a net profit of 3.3 million euro.

Cinclus, a project management and control company, had a turnover of 2.9 million euro, and generated an operational cash-flow (EBITDA) of 0.3 million euro and a net profit of 0.2 million euro.

Prædium and **Spinveste**, the companies focused on residential development, reached a turnover of 2.5 million euro and a negative operational cash-flow of 0.3 million euro. Construction of the 212 apartments City Flats/City Lofts building, in Quinta das Sedas, Senhora da Hora, was concluded in the half year. 68 apartments are already promised to be sold and the respective sales contracts should be signed in the second half of the year.

On to the **Efanor project**, infrastructure and environmental works were concluded and environmental certification of the complex was obtained. Launching of the construction of the first residential building is underway.

On the remaining projects total approved building area is in excess of 120,000 m² and an additional 200,000 m² are in different phases of the development process.

Consolidated turnover of Publimeios (mother company of the **Selfrio Group**) totalled 48.6 million euro, a 14.8% increase over the same period last year. Special mention to the 10.6% growth in Selfrio (industrial and commercial refrigeration), the 32.5% growth in Sistavac (AVAC) and the 22.2% growth in Sopair (AVAC and refrigeration in Spain).

Operational cash flow (EBITDA) in the half year was 3.5 million euro, a 27.6% increase, reflecting the good operational performance. Net profit amounted to 5.7 million euro, and includes the gain on sale, in June, of the whole shareholding in Safira amounting to 3.7 million euro. On a recurrent basis, net profit grew 26% to 2 million euro.

Contribution of Safira to half year figures was 15 million euro to turnover and 1.1 million euro to EBITDA.

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***Insurance Brokerage and Risk Management***

In the first half of 2007, **mds**, continued to consolidate its leadership in the Portuguese insurance brokerage market, focused on increasing organic growth. The year 2007 is marked by the beginning of activity of mds with Unibroker and Becim already merged. Turnover in the period amounted to 5.5 million euro, compared with 3.5 million euro in the first half of 2006, with a result from activity of circa 0.7 million euro (same level of the previous year). 2007 figures are not directly comparable with 2006 figures since the merger of Unibroker and Becim was concluded on 30 June 2006.

mds continues the expansion of its international activity, through the promotion and leadership of the brokers network Brokers Link, which is present in the whole of Europe and extends to several countries in Latin America, Asia, Africa, United States of America and Canada.

SC Insurance and Risk Services, SGPS, SA, acquired circa 14% (with the possibility of subscribing up to 28%) of the share capital of Cooper Gay (Holding) Limited (Cooper Gay). The investment related with the transaction may reach a maximum of 41.1 million euro. **Cooper Gay**, a company with presence at Lloyds, is the seventh largest worldwide reinsurance broker, with an important activity in insurance brokerage in Germany. Cooper Gay is a global international network, with more than 20 offices and over 450 employees operating in countries across the Americas, Europe, Asia and Australia. In the first half of 2007, Cooper Gay's turnover amounted to 34.7 million pounds (51.4 million euro), compared with 34.5 million pounds (50.2 million euro) in the first half of 2006, with the devaluation of the dollar having a negative impact of around 2 million pounds (3 million euro). Operational profits had a significant 8.5 million pounds (12.4 million euro) improvement to 11.9 million pounds (17.6 million euro), due to cost reduction measures implemented.

In Brazil, **Lazam-mds**, a partnership between Sonae and the Feffer Group, concluded in the beginning of the year the acquisition of Providence, a broker representing around 50 million reais (18.4 million euro) of annual premiums. Turnover in the half year was 7.5 million reais (2.8 million euro), a 7% decrease over the previous year. EBITDA represented around 2 million reais (0.7 million euro), compared to 2.8 million reais (1 million euro) in the first half of 2006.

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***Seed and Risk Capital***

Consolidated turnover of **Box Lines**, shipping company, was 23.5 million euro, 6.8% up on the first half of 2006. Consolidated operational cash-flow (EBITDA) was 0.9 million euro, compared to 0.8 million euro in the first half of 2006 and net profits amounted to 0.6 million euro, compared to 0.5 million euro in the first half of 2006.

Finlog³, fleet management and leasing of vehicles, ended the half year of 2007 with a fleet under management of 7,789 vehicles, a 9% growth over the beginning of the year. During the first half of the year, the company developed and implemented a new information system. At the same time, the company began the strengthening of its commercial team, namely in the south region of the country. Turnover totalled 21.2 million euro and the company disclosed a net loss before taxes close to zero.

Carplus³, sale of used cars, felt persistently unfavourable market conditions. In the first half of 2007, turnover, measured by units sold, dropped 6.6% to 469 units (502 units in the first half of 2006). Thus, gross margin decreased to 0.8 million euro, 5.6% below that in the same period last year. Nevertheless, the implementation of internal restructuring measures led to an improvement in losses before taxes, which were reduced to 0.3 million euro, 17.8% less than in the first half of 2006. Results were, however, negatively impacted by the change in non recurrent items, which were positive at 0.4 million euro in the first half of 2006 and are positive at 0.1 million euro in the first half of 2007 partly due to restructuring costs.

Guérin³, a rent a car company, grew total rental days from 451,712 in the first half of 2006 to 577,566 in the first half of 2007, which represents a 28% growth. Turnover totalled 12.6 million euro in the period, against 10.3 million euro in the same period of last year, a 22% increase. Operation yields decreased significantly due to increased competition but also to increase in the average length of contracts. The company posted net losses, reflecting the normal seasonal pattern in this business, of 0.8 million euro (1 million euro in the first half of 2006).

Isoroy Casteljalous, manufacturer of softboard for thermal and acoustic insulation, experienced a significant improvement in profitability in the first half, achieving operational profits. Turnover increased 9.7% to 7.2 million euro. As a consequence of the increase in sales and cost reductions, EBITDA margin improved from negative 3.2% in 2006 to positive 2.9% in 2007 and

³ Owned by Choice Car, SGPS, SA, a joint venture (50/50) with the Salvador Caetano Group. Company accounted for using the equity method

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net losses from 6.7% in 2006 to 0.3% in 2007. The objective of achieving breakeven in 2007 is considered to be attainable.

Essences Fines Isoroy, manufacturer of veneer, is confirming the recovery signs identified in the end of 2006. Turnover totalled 5.7 million euro in the first half, a 7.6% increase compared to the previous year. Operational cash-flow (EBITDA) was close to zero, which reflects a significant improvement on negative 0.8 million euro in the same period last year. Net losses improved significantly from 1.4 million euro to 0.3 million euro in the first half of the year. This trend is expected to continue throughout the second half of the year.

TP⁴, in the cogeneration and renewable energy business, had a consolidated turnover of 16.7 million euro, operational cash-flow (EBITDA) of 4.5 million euro and net profits of 1.9 million euro.

TP⁴ has a 20% share in the *Élicas de Portugal* consortium, which has been granted a license, by the Portuguese State, to install wind power farms generating up to 1,200 MW. The public tender launched by the Government initially intended to grant the winner a license for 1,000 MW of power but this limit was increased, since the consortium's proposal was considered to have "special merit". Total investment planned by the consortium will amount to 1,500 million euro and will be phased over time until 2011.

Sodesa⁴, which sells energy in open market segments, generated in the first half of the year an operational cash-flow (EBITDA) of 0.6 million euro and a net profit of 0.4 million euro.

On 24 June 2007, **Norscut⁵** and **Operscut⁶**, working on a *SCUT⁷* concession for the construction and operation of the Interior Norte or A24 motorway, opened the last sections between Fortunho-Vila Pouca de Aguiar (20.6 km) and Pedras Salgadas-Chaves (36 Km). With these openings, the 155 km motorway is fully operational. The investment in construction amounted to 657 million euro.

⁴ Joint venture (50/50) with Endesa Group. Company accounted for using the equity method.

⁵ Company accounted for using the equity method (shareholding amounting to 25%).

⁶ Company accounted for using the equity method (shareholding amounting to 15%).

⁷ SCUT is an abbreviation in Portuguese for "without cost for the user".

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**Outlook**

In the second half Sonae Capital will continue its portfolio revision, improvement of its management team and implementation of an organizational structure capable of responding to the challenges the company is facing.

Significant projects under development, Tróiaresort and Efanor, will be the focus of Sonae Capital to meet announced timings with the quality and value proposal aims.

In all other businesses, Sonae Capital will be attentive to new opportunities for growth, both organic and by acquisition, which may increase their underlying value.

Sonae Capital remains attentive to businesses in sectors undergoing restructuring and in emerging businesses able to present value proposals which today are unavailable to consumers.

A significant restructuring is underway in line with the preparation of the spin-off, to improve debt conditions and to adjust maturity profiles to cash flow generation. For this the finance team is to be strengthened.

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**Relevant Projects under Development*****Efanor Project***

The Efanor project will be developed in Senhora da Hora, Matosinhos, in a 12 ha area. With a construction area of circa 110 thousand m², the project comprises the construction of an upscale residential area for over 2 thousand people, including:

- 700 apartments;
- a school for 280 children (circa 3,4 thousand m²);
- swimming pools and other shared infrastructures;
- gardens and leisure area (50 thousand m²), with an artificial lake, 450 trees and 20,000 bamboo canes;
- an extension of the Serralves museum will be built in the surroundings of the area.

The 700 apartments will be divided between 6 buildings. Construction works of the first two buildings are scheduled to start in Autumn 2007. The project will be developed in six different phases and should be concluded by 2013.

Investment: The Efanor project investment is estimated at around 170 million euro.



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**Tróiaresort Project**

- The **Tourism Development Area (TDA) of Tróia** has a total of 1,057 ha, divided between 9 operational management units ("UNOP"). Construction area amounts to circa 650 thousand m², comprising 15,300 beds as follows:

	UNOP	Number of beds
3 Aparthotels already built (will be upgraded and refurbished)	1 and 2	1,100
Hotel resort to be built	3	600
Casino Hotel	1	500
Aparthotel to be built (Tróia B3)	5	300
2 Aparthotels to be built (Soltróia)	7 and 8	662
Total hotel beds		3,162
Total apartments and villas	1 to 8	12,138
Total beds		15,300

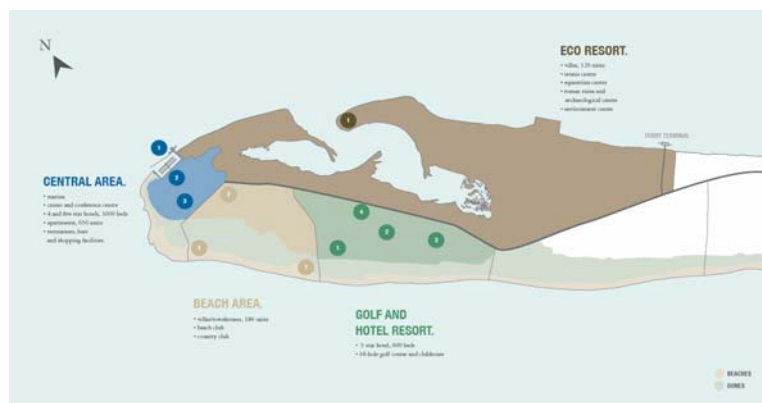
- Tróiaresort** is being developed in **UNOPs 1, 2, 3 and 4**, comprising 486 ha and 380 thousand m² of construction area.

UNOP 1: Central/Urban area

UNOP 2: Beach/Lake area

UNOP 3: Golf and Hotel Resort

UNOP 4: Eco Resort



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Tróiaresort comprises 7,430 beds, divided as follows:

	UNOP	Number of beds
3 Aparthotels already built (will be upgraded and refurbished)	1 and 2	1,100
Hotel to be built (34,400 m ²)	3	600
Casino Hotel	1	500
Total hotel beds		2,200
Total apartments and villas	1 to 4	5,230
Total beds		7,430

In addition, Tróiaresort has an 18 hole golf course, around 400 apartments already sold to third parties and a marina with a capacity for 184 boats. Amorim Turismo is building a complex made up of a hotel, a casino and a congress centre in UNOP 1.

An artificial lake with 3 hectares will be built in UNOP 2 around which the villa plots will be available.

Around 650 apartments and 330 villas account for circa 170 thousand m² of construction area, divided as follows:

	Area (m ²)
Beach apartments	30,000
Central building	13,000
Marina apartments	9,500
"Sado" apartments	47,000
Total apartments	99,500
96 detached villas in UNOP 2	33,000
90 attached villas in UNOP 2	14,000
120 villas in the Eco Resort	21,700
Total Villas	68,700

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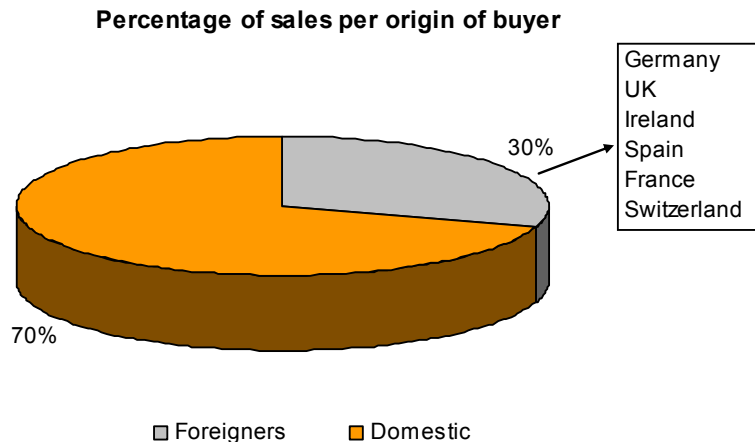
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40% of a total of 380 units (including beach and marina apartments and some plots of land for villas) are already promised to be sold or in the process of finalizing sales contracts. Regarding detached villas, Sonae Turismo sells the plot of land (the buyer is responsible for contracting the building works and may choose one out of 7 different projects).



- **UNOP 5** is owned by a company in which Sonae holds 20% of the share capital. In this UNOP, 955 beds are planned (including the 300 aparthotel beds mentioned above).
- **UNOP 6** corresponds to the current Soltroia lot, with 3,600 beds in villas, almost all of which are already built and sold.
- **UNOPs 7 and 8** are owned by Soltróia, a 75% owned subsidiary of the Sonae Capital Group (the remaining 25% are owned by Sonae SGPS), for which 3,322 beds are planned, made up of around 360 villas and the 2 aparthotels mentioned above.
- **Timings:** the first major milestone will be the Summer of 2008, when the following projects will be completed:
 - Urban infrastructure and upgrade
 - Beach apartments
 - Marina apartments and shops
 - Main building apartments and shops
 - Beach tourism villas
 - Upgrade of the Rosamar hotel and common areas of Rosamar and Magnoliamar hotels
 - Hotel, casino and congress centre complex
 - Marina

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The second stage will be the construction of the eco-resort (UNOP 4), which is expected to be completed by 2011, and the construction of the hotel-resort (UNOP 3), the timing of which depends on the ability to attract a high profile international brand.

- **Investment:** The Tróiaresort investment (UNOPs 1 to 4) is estimated at around 400 million euro, excluding the investment in the Casino hotel, casino and congress centre. UNOPs 7 and 8 are at an initial stage of planning. Detailed plans are being prepared, as such the amount of investment involved has not yet been estimated.

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**Sonae Capital - Income Statement**

	1H 2006	1H 2007	Change
Turnover	232,0	228,8	-1,4%
Other Operational Income	10,9	22,6	107,7%
Total Operational Income	242,9	251,4	3,5%
Cost of Goods Sold and Materials Consumed	-58,5	-67,7	15,8%
Change in Stocks of Finished Goods and Work in P	6,3	32,9	>100%
External Supplies and Services	-126,5	-144,1	13,9%
Staff Costs	-49,8	-50,4	1,2%
Other Operational Expenses	-6,4	-6,4	1,1%
Total Operational Expenses	-234,8	-235,8	0,4%
Operational Cash-Flow (EBITDA)	6,3	15,1	140,0%
Depreciation and Amortisation	-4,3	-4,8	11,6%
Provisions and Impairment Losses	0,0	-1,9	-
Operating Profit (EBIT)	3,7	8,9	139,2%
Net Financial Expenses	-2,2	-6,5	>100%
Share of Results of Associated Undertakings	0,5	-1,0	-
Investment Income	12,3	6,0	-50,8%
Profit before Taxation	14,3	7,4	-48,6%
Taxation	-2,3	1,4	-
Profit for the Period	12,0	8,7	-27,3%
Attributable to:			
Holders of Sonae	11,1	9,6	-13,9%
Minority Interests	0,9	-0,8	-

Operational Cash-Flow (EBITDA) = Operating Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses - Reversal of Provisions and Impairment Losses (included in Other Operational Income)

Sonae Capital - Balance Sheet

	FY 2006	1H 2007
Tangible Assets	273,8	317,6
Intangible Assets	1,7	0,9
Investments	117,4	155,8
Goodwill	40,2	77,8
Deferred Tax Assets	3,9	9,7
Other Non-Current Assets	30,2	34,4
Total Non-Current Assets	467,3	596,2
Stocks	119,7	128,6
Trade Debtors and Other Current Assets	183,6	118,4
Cash and Cash Equivalents	28,3	23,0
Total Current Assets	331,6	270,0
Total Assets	798,9	866,2
Total Equity	356,0	359,9
Borrowings	91,1	121,0
Deferred Tax Liabilities	5,0	5,9
Other Non-Current Liabilities	82,0	81,8
Total Non-Current Liabilities	178,1	208,7
Borrowings	38,5	5,5
Trade Creditors and Other Current Liabilities	226,2	292,2
Total Current Liabilities	264,8	297,7
Total Liabilities	442,8	506,4
Total Equity and Liabilities	798,9	866,2
Net Financial Debt	165,5	258,1

Net Financial Debt = Non-Current Borrowings + Current Borrowings - Cash and Cash Equivalents + Shareholders Loans (Sonae SGPS)