



SONAE CAPITAL, SGPS, SA

Head Office: Lugar do Espido, Via Norte, Maia

Share Capital: 250,000,000 Euro

Maia Commercial Registry and Fiscal Number 508 277 756

Sociedade Aberta

REPORT AND ACCOUNTS

31 DECEMBER 2007

(Translation from the Portuguese original)



CHAIRMAN'S STATEMENT



To the Shareholders,


For the first time, Sonae Capital presents its Report of the Board of Directors and Financial Statements to its shareholders and other stakeholders.

Complying with this duty to provide information, which in the life of any company is a regular event, is, in the case of Sonae Capital, a new event, being the first report as a listed company, and, as such, eagerly awaited by investors, analysts and the media.

Having accomplished the challenge which I set on 20 March 2007 in the Sonae SGPS Annual Report, now is the moment to report what has been done and inform stakeholders about the strategic guidelines that will be followed.

The spin off of Sonae Capital had to be carried out by transferring all businesses previously held by it at the time of the transaction, in order to avoid delays in preparing the stock exchange listing prospectus arising from increased bureaucracy.

At that time, the organisational structure was made up of four or five groups of different business activities, but some of them, despite being useful and important, did not fit in with the new strategic guidelines, and thus were or will be disposed of.



On the other hand, the following groups of businesses were retained or will be further developed:


- (i) Emerging businesses already underway, included in Sonae Turismo's portfolio;
- (ii) Businesses offering options for the future which fit into the following categories:
 - Businesses involving environmental concerns – energy in general, but above all new forms of renewable energy, in particular the use of biomass;
 - Risk businesses – *seed and venture capital*;
 - Top level transformational projects, focusing on logistics platforms and restructuring of traditional sectors;
 - Management of existing joint ventures – with Johnson Controls and Endesa – or management of future joint ventures (of which an example could be a possible joint venture aimed at competing for airport concessions).

Such businesses have been or will be regrouped into two separate sub-holdings:

- Sonae Turismo – development of tourism and residential resorts; and
- Spred – *seed and venture capital*, management of joint-ventures and investments.

We believe that it is essential to make the portfolio smaller, more focused and aimed more towards the future, in particular to answer the more demanding requests for information resulting from the listing on the stock exchange on 28 January.


The new team, essentially transferred from Sonae SGPS, has met the challenge – the transaction was completed on the planned date, the information supplied was appropriate –, so I must congratulate all those involved for the quality and quantity of work accomplished.



Looking now at the share price, it is true that there may have been some disappointment because the normal price surge effect after the market launch did not occur, but I did call attention at the opening stock exchange session for the listing of Sonae Capital shares to the need to be patient and to take a long term investor stance, and that our objective is not to make short term profits. I may have been right when I said that our track-record is and always has been ambitious, and we will thus build more skills, dispose of all assets that are of no interest to the Group, and also of one or more companies that can be better managed by new *entrepreneurs* – giving preference to ex-Sonae managers – or businessmen who have greater skills or are more focused on aggressively leading such companies.

As I write, 12 companies have already been disposed of which did not fit into the strategic guidelines mentioned above, and were transferred to other businessmen (ex-Sonae managers and independent companies). These companies had turnover in 2007 of 422.4 million Euro and generated EBITDA of around 35.5 million Euro, employing 5,021 staff.

Also, as announced publicly and mentioned earlier, a process for the sale to a number of ex-managers of assets (especially land) began, which is expected to be completed within three years. These assets have no specific interest for any activity within the Group. An agreement has also been reached at this date to divest from the auto sector with the disposal of the Choice Car Group.



Lastly, and as a result of the new strategic guidelines, the Sonae Capital Group is strongly motivated to clarify and whenever appropriate and in line with its strategic positioning, to expand and intensify existing joint ventures, thus seeking to identify common interests in following the strategic objectives of these partnerships. Thus, while not accepting a role that is not that of an active partner, the goal is to clarify in the short term its position in existing joint ventures with Endesa, and, with Johnson Controls, to strengthen existing links in order to maximise mutual interests in Iberia.

Maia, 9 April 2008

Belmiro de Azevedo



**REPORT OF THE BOARD OF DIRECTORS
31 DECEMBER 2007**

Report of the Board of Directors

Year of 2007

1. Sonae Capital

1.1. Background

Sonae Capital, SGPS, SA was incorporated on 14 December 2007 through the spin-off of the shareholding of Sonae, SGPS, SA corresponding to the whole of the share capital and voting rights of the company previously named Sonae Capital, SGPS, SA (currently SC, SGPS, SA) in the form of a demerger "*cisãõ simples*") under the terms of sub-paragraph a) of article 118 of the Commercial Companies Code. As part of the demerger transaction, 0.125 of a share in Sonae Capital, SGPS, SA were attributed for each share held by shareholders of Sonae, SGPS, SA. The 250,000,000 shares of Sonae Capital, SGPS, SA were listed on the Euronext Lisbon on 28 January 2008.

The main events and dates in the process of the company's demerger and listing on the Euronext Lisbon were as follows:

- 8 November 2007
Approval of the demerger project by the Board of Directors of Sonae, SGPS, SA
- 14 November 2007
Approval of the demerger by the General Meetings of Shareholders and Bondholders of Sonae, SGPS, SA

Definitive register in the competent Commercial Registry Office of the demerger from Sonae, SGPS, SA, and the resulting incorporation of the new company Sonae Capital, SGPS, SA

Election of the members of the Statutory Bodies of Sonae Capital, SGPS, SA (company resulting from the demerger) for the period 2007 to 2010

- 27 December 2007
Approval of the Listing Prospectus by the Portuguese Securities Market Commission (CMVM) and its disclosure
- 4 January 2008
Disclosure of demerger rights and negotiation of Sonae SGPS shares ex-rights
- 9 to 18 January 2008
Negotiation of demerger rights, between 16 and 18 January only over the counter
- 25 January 2008
Register of Sonae Capital shares and remaining rights in shareholders' accounts
- 28 January 2008
Listing on Euronext Lisbon

1.2. Shareholder structure

Under the terms of the attribution factor established, and using as a reference the qualified shareholdings disclosed by Sonae, SGPS, SA, the shareholder structure and the attribution of voting rights of Sonae Capital, SGPS, SA as at 31 December 2007 were as follows:

Entity	Number of shares	% Voting Rights
Efanor Investimentos	132,559,778	53.024%
Banco BPI	22,254,982	8.902%
ABN AMRO	8,764,713	3.506%
Deutsche Bank	8,215,053	3.286%
Fundação Berardo	6,231,189	2.492%
Free Float	71,974,285	28.548%
Share capital	250,000,000	100%

As of the date of this report, qualified shareholdings identified are the following:

Entity	Number of shares attributed	% Voting Rights
Efanor Investimentos	139,905,925	55.962%
Banco BPI	22,589,704	9.036%
Total	162,495,629	64.998%

1.3. Business Areas

The restructuring process that took place as part of the spin off of Sonae Capital, SGPS, SA included a revision of the company's business portfolio, which resulted in a change in strategic and management focus from the four previous business areas to two distinct sub-holdings: Sonae Turismo, SGPS, SA and Spred, SGPS, SA.

Sonae Turismo, SGPS, SA was set up in 1994 and has been part of Sonae Capital since 2006, covering three distinct business areas:

- Resorts and Residential Buildings
Includes the development (design and construction), management, marketing and sale of high quality tourism resorts and residential buildings;
- Management of Real Estate Assets
Includes the provision of services relating to land and buildings with the aim of optimising real estate assets held and identifying the best value proposal for the portfolio of land and buildings;
- Touristic Operations
Covers the ownership and management of hotels with the provision of integrated services (SPA, Catering and Events, Congress Centre, Food Court and car park) and health club management.

Spred, SGPS, SA covers businesses which fit into one of the following three areas:


- Seed & Venture Capital
New growth opportunities and strategic options;
- Joint Ventures
Businesses held in joint ventures with specialist partners and businesses wholly owned by Sonae Capital, the development of which may involve the setting up of partnerships, capitalising on the knowledge and networking of specialist partners, which enable rapid growth and consolidation to take place in their respective areas of activity;
- Financial Investments
Shareholdings in companies held as financial investments.

1.4. Main changes to the business portfolio

As part of the demerger process, the year 2007 was marked by an intensive revision of the business portfolio of the company named Sonae Capital, SGPS, SA at that time (now called SC, SGPS, SA), with the goal of giving the company conditions to allow sustainable development. Thus, a process of focusing its business portfolio and its management teams was begun.

In this process of reconfiguring the portfolio, the main changes that occurred were as follows:

- On 31 January and 18 September 2007, two additional blocks of shares of 3.92% of the share capital of ba Vidro each were disposed of, under the terms of an agreement signed in December 2004. These transactions generated a capital gain of 9.8 million euro. After these transactions, Sonae Capital, SGPS no longer is a shareholder in ba Vidro;
- On 9 February 2007, Sonae Capital, SGPS, SA exercised a call option for 51% of the share capital of Investalentejo, SGPS, SA;
- On 28 May 2007, Sonae Capital, SGPS, SA acquired through one of its affiliates an additional stake of 35% in Selfrio, SMP, Sistavac and SKK (refrigeration, air conditioning and maintenance) for 22 million euro and signed a promissory sales contract for the sale of its entire shareholding of 51% in Safira (cleaning services), which it held indirectly, for the price of 5 million euro. The sale took place on 30 June 2007;
- On 27 June 2007, Sonae Capital, SGPS, SA agreed on a phased disposal of its entire shareholding in the company ELMO, SGPS, SA (ELMO), which controls 100% of Plysorol SAS (Plysorol), leader in the chipboard sector in France, with the sale of 40% (1st phase) of ELMO's share capital to companies controlled by Jaime Teixeira. The remaining shareholding will be disposed of until 31 December 2011. The transaction for the sale of the entire share capital and shareholders loans involves an amount of around 30 million euro, of which around 10 million euro have already been received and the remaining 20 million euro will be received in accordance with the achievement of profitability targets, measured by operating cash flow (EBITDA) generated between 2007 and 2011. The result of this transaction was that ELMO and its affiliates were no longer consolidated as from that date, since management control had been transferred with the sale of 40%;
- On 31 August 2007, Sonae Capital, SGPS, SA disposed of its entire shareholding in Isoroy Casteljalous, SAS.



In accordance with the terms of the demerger project approved by Sonae, SGPS, SA and in view of the fact that the definitive register of the demerger in the competent Commercial Registry Office took place before 31 December 2007, all transactions performed by Sonae, SGPS, SA involving assets transferred to Sonae Capital, SGPS, SA are considered as having taken place for accounting purposes, on behalf of the latter, as from and including 2 October 2007.

From 2 October to the date of this report, the following transactions relating to the revision of the business portfolio of Sonae Capital were disclosed:

- On 18 October 2007, Sonae Capital, SGPS, SA agreed to dispose of 75% of its shareholding in Cinclus - Planeamento e Gestão de Projectos, SA for the sum of 4.35 million euro, with the option of disposing of the remaining shareholding after 1 January 2011 for 1.5 million euro (subject to revision based on the performance of the business). Up until that date, Sonae Capital, SGPS, SA will continue its involvement in the management of the company, for which a shareholders' agreement has been signed. The consideration initially received was 2.8 million euro and the rest will be received in two separate amounts until October 2009. The capital gain on the transaction was 2.5 million euro;
- In December 2007, Sonae Capital, SGPS, SA, through its affiliate SC - Insurance & Risk Services, SGPS, SA sold its entire shareholdings in the insurance and reinsurance brokerage businesses to Sonae, SGPS, SA;
- On 3 January 2008, Sonae Capital publicly disclosed that its affiliate SC - Engenharia e Promoção Imobiliária, SGPS, SA had agreed on this date the terms for the definitive disposal of the entire share capital of Contacto - Sociedade de Construções, SA to Soares da Costa, Construção, SGPS, SA. On 21 February, the terms of the initial agreement came into effect, with the overall price agreed being 81.5 million euro, generating a net cash inflow of 17.5 million euro. The impact of the transaction on consolidated results of Sonae Capital for the year 2008 was around 47.5 million euro.

1.5. Share performance

The 250,000,000 shares of Sonae Capital, SGPS, SA were listed on the Euronext Lisbon on 28 January 2008.

As at the date of this report, the share price was 1.51 euro, equal to an increase in value of 4.9% compared to the closing price on the day the shares were first listed.

2. Consolidated Financial Statements Review

2.1. Disclaimer

Given that Sonae Capital, SGPS, SA was incorporated as part of a demerger from Sonae, SGPS, SA, no historical consolidated financial statements exist for the company, since it was exempted from preparing them as a wholly owned affiliate of Sonae, SGPS, SA.

Thus, to ensure comparability of financial data, pro forma financial statements were produced for the years 2006 and 2007, considering a historical business portfolio equivalent to the current business portfolio of Sonae Capital, SGPS, SA.

In view of the fact that as of the date of this report, the sale of Sonae Capital, SGPS, SA's entire shareholding in Contacto – Sociedade de Construções, SA had already been disclosed, the financial statements relating to this company are highlighted as discontinued operations contributing towards the total of operations for the period.

As a result, the review of the consolidated financial statements included in this report relates to continued operations in the pro forma financial statements.

2.2. Profit and Loss Account

Turnover	2007	2006	Δ
Tourism	57.2	31.7	+80.3%
Spred	140.0	134.3	+4.3%
Holding & Others	2.4	2.9	-18.3%
Eliminations & Adjustments	(2.3)	(3.5)	+34.5%
Continued operations	197.3	165.4	+19.3%
Discontinued operations	104.9	101.1	+3.7%
Total operations	302.1	266.5	+13.4%

Unit: 10⁶ Euro

Consolidated **turnover** from continued operations amounted to 197.3 million euro, a 19% increase compared to the previous year.

The 25.5 million euro increase in the contribution of Sonae Turismo is mostly explained by:

- recovery in the Fitness and Hotel businesses, which benefited from the reorganisation of operations and strategic repositioning, representing a 10.9 million euro increase in the contribution;
- impact of the sales of City Flats apartments, which contributed with 7.5 million euro to consolidated turnover; and
- the sale of a plot of land in Quinta das Sedas for 5.5 million euro.

The contribution of Spred increased 5.7 million euro and was positively impacted by the 7.8 million euro growth in the contribution of the Selfrio Group, mainly due to the refrigeration and air conditioning businesses.

The contribution of Box Lines decreased 4.5 million euro, as a result of lower revenues generated by the international business, due to the transfer to some client companies, of services previously provided by the company.

Operational Cash-Flow (EBITDA)¹	2007	2006	Δ
Tourism	2.5	(5.4)	-
Spred	7.9	7.5	-5.5%
Holding & Others	(1.3)	(0.1)	>-100%
Eliminations & Adjustments	0.0	(1.8)	-
Continued operations	9.1	0.2	>100%
Discontinued operations	5.8	7.7	-24.8%
Total operations	14.9	8.0	+87.3%

Unit: 10⁶ Euro

Consolidated **operational cash-flow (EBITDA)** from continued operations increased 8.9 million euro, totalling 9.1 million euro in the year.

The most significant change in contributions arose in Sonae Turismo, from negative 5.4 million euro in 2006 to positive 2.5 million euro in 2007. Operational improvements in the Fitness and Hotel businesses (+6.0 million euro), the sale of City Flats (+2.4 million euro) and the sale of a plot of land in Quinta das Sedas (+3.0 million euro) explain most of this increase. This increase was partially offset by the impact of the temporary closure of Tróia hotels, in the course of ongoing refurbishment works.

¹ Operational Cash-Flow (EBITDA) = Operating Profit (EBIT) + Amortisations and Depreciations + Provisions and Impairment Losses – Reversal of Impairment Losses and Provisions (included in Other Operating Income)

Contribution of the remaining businesses remained in line with 2006 figures.

Operational Profit (EBIT)	2007	2006	Δ
Tourism	(4.2)	(12.6)	+66.9%
Spred	7.1	6.2	+14.0%
Holding & Others	(1.4)	(0.1)	>-100%
Eliminations & Adjustments	0.1	(1.8)	-
Continued operations	1.6	(8.3)	-
Discontinued operations	6.1	9.5	-35.6%
Total operations	7.8	1.2	>100%

Unit: 10⁶ Euro

Consolidated **operational profit (EBIT)** from continued operations increased 9.9 million euro, to 1.6 million euro in 2007.

Contributions of business areas to operational results changed in the same direction and magnitude as described for consolidated EBITDA.

Consolidated **net financial expenses** from continued operations amounted to 10 million euro, compared to 2 million euro in 2006. This increase results from higher interest expense associated with higher average debt level, for the most part explained by the significant investment effort, mainly in Sonae Turismo.

Investment income from continued operations amounted to 12.1 million euro and includes 9.8 million euro arising from the sale of the remaining 7.84% shareholding in ba Vidro (in two stakes of 3.92% each) and 2.5 million euro arising from the sale of a 75% shareholding in Cinclus. In 2006, investment income included the capital gain generated on the sale of an additional 3.92% shareholding in ba Vidro.

Net Profit	2007	2006	Δ
Tourism	(15.3)	(26.6)	+42.5%
Spred	4.0	3.7	>100%
Holding & Others	17.5	16.5	-
Eliminations & Adjustments	3.2	3.1	>-100%
Continued operations	9.4	(3.3)	-
Discontinued operations	6.4	8.4	-23.2%
Total operations	15.8	5.0	>100%

Unit: 10⁶ Euro

Consolidated **net profit** attributable to continued operations was 9.4 million euro, compared to a 3.3 million euro loss in the previous year. Improvements in operational performance, together with the contribution of investment income, offset the increase in the debt level and consequent higher net financial expenses.

2.3. Balance Sheet

Total Assets	2007	2006	Δ
Tourism	536.0	433.5	+23.7%
Spred	198.3	93.9	>100%
Holding & Others*	445.1	309.2	+44.0%
Eliminations e Adjustments*	(383.6)	(149.6)	<100%
Continued operations	795.8	687.0	+15.8%
Discontinued operations	21.4	24.6	-12.9%
Total operations	817.2	711.6	+14.8%

Unit: 10⁶ Euro

* Contribution of Holding & Others includes intragroup flows related to loans granted to affiliated companies, which amounted to 221.7 million euro in 2007 and 137.7 million euro in 2006, and are also included in Eliminations & Adjustments.

Consolidated **total assets** related to continued operations amounted to 795.8 million euro, 15.8% up from 31 December 2006.


The 108.8 million euro increase in the contribution of continued operations results from: investment made in the Tróia Península, namely in the refurbishment of aparthotels, in the construction of the Marina and acquisition of the ferry boats which will cross river Sado; expansion and refurbishment of health clubs; upgrade work in the Boavista complex, which includes Hotel Porto Palácio; and progress in the construction of real estate projects under development (Tróia, City Flats and Efanor).

Net Debt²	2007	2006	Δ
Tourism	103.8	125.5	-17.3%
Spred	40.1	0.8	>100%
Holding & Others*	28.3	57.2	-50.5%
Eliminations e Adjustments*	0.0	(1.2)	-
Continued operations	172.2	182.3	-5.5%
Discontinued operations	(0.4)	(0.2)	-93.4%
Total operations	171.9	182.1	-5.6%

Unit: 10⁶ Euro

Consolidated **net debt²** from continued operations amounted to 172.2 million euro as at 31 December 2007. Net debt as at 31 December 2006 includes 64.2 million euro of loans obtained from Sonae SGPS (included in the contribution of Holding & Others), which were fully paid before the end of 2007.

² Net Debt = Non Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments + Shareholders' Loans (Sonae SGPS).



The 21.7 million euro decrease in the contribution of Sonae Turismo is mostly explained by the positive effect, on working capital, of cash inflows corresponding to part of the sales price of assets in the Tróia Peninsula.

The 39.3 million euro increase in the contribution of Spred reflects the financing of the acquisition of the ferry boats that will allow the river crossing to Tróia and the financing of the acquisition of a stake in the insurance brokerage business, the latter having been fully paid in January and February 2008.

Gearing³ from continued operations was 48.1%, compared to 72.4% in 2006. The **interest cover ratio**⁴ reached 0.6, which compares with 0.03 at the end of 2006. This growth reflects the higher interest expense associated with higher bank debt.

³ Gearing = Net Debt / Total Equity.

⁴ Interest Cover ratio = EBITDA / Net Financial Charges.

3. Business Areas


3.1. Economic background

In 2007, the **World Economy** continued to grow robustly, although at a slower pace, and more uniformly in the main economic areas of the world. According to most recent IMF forecasts, GDP growth in 2007 should be around 4.9% (0.1 p.p. below the maximum of 5.0% posted in 2006) with growth in the developed countries at 2.6% (3.0% in 2006) while in the rest of the world economy continuing at a robust rate of 7.8%. While in 2007 world economic growth was driven by countries such as China, India, Russia and Brazil, in the year 2008 the key role of these economies will be even more apparent for sustained world growth.

For 2008, forecasts for world GDP growth made by international economic organisations have been revised downwards (the IMF is forecasting growth of 4.1% for 2008), which indicates that the world economy will enter a period of more modest growth. The factors justifying this decline in economic growth are well known: in addition to significant downward pressures in prices in the US real estate market and the problems in the sub-prime credit market, which are affecting the stability of the global financial system, there is also the climate of crisis in the financial markets, with the fall in equity markets since the beginning of the year being the most recent sign of uncertainty and a result of the negative sentiment of most economic agents. Together with persistent high prices of energy and food products, the deterioration of the financial system will have negative impact on global demand, in particular in the more developed countries. Even so, the growth in the world economy will be far from recessionary levels with world GDP growing above the average of the last few years, essentially driven by the strength of emerging economies, as stated by the IMF in its last edition of the World Economic Outlook.

In the **United States of America**, the year 2007 was marked by a deepening real estate crisis which began in 2005, the first signs of which were excess supply and high price levels.

The most immediate consequences were, in addition to the fall in house prices, a drop in residential housing investment, which after a drop of around 5% in 2006, fell a further 17% in 2007. The greatest fear, which is that the crisis leads to a sharp fall in private consumption, and thus in overall economic growth, did not occur in 2007: private consumption grew 2.9% (only slightly lower than the 3.1% recorded in 2006) and GDP grew 2.2% (considerably less than the 2.9% of 2006 as a result of the rate of investment growth becoming negative). Reflecting the strength of private consumption, private business investment still grew 4.7%, which can be considered as an acceptable figure after the 6.6% recorded in 2006.



Key economic indicators for the future have worsened sharply and, even if they do not lead to a recession, the North American economy will have a period of significantly lower expansion than in the past. IMF forecasts for 2008 indicate GDP growth of 1.5% (1.9% previously). It is hoped that the measures announced in the meantime to stimulate the economy will have the desired effect with more marked impacts in the second half of the year. The Federal Reserve lowered its base rate by 175 base points (from 5.25% to 3.5%) and the US Government announced a fiscal incentive package in the form of a reduction in taxes and a boost to disposable family income (USD 150 thousand million, or the equivalent of 1% of GDP).

Contrary to expectations, the **Euro Zone Economies** ended the year 2007 without being contaminated by the turbulence in the financial markets and by the slow down of the United States economy. Until now consequences have been very limited.

GDP grew, in 2007, 2.6%, only slightly lower than the 2.9% recorded in 2006, and well above the potential GDP growth rate, estimated at 2%. The slowdown was due to a small reduction in the growth of private consumption and a considerable drop in the housing investment rate (but even so, growth remained positive), with public investment and especially private business investment growing at rates around 5%. Despite the appreciation of the Euro, which at year end reached historically high levels very close to 1.5 USD to the Euro, net exports continued to grow at a good pace, adding 0.4 points to the GDP growth rate.

In 2008, expansion should fall back to previous levels of around 2% with the slow down being especially felt in the second half of the year. The weakening of the world economy, the cumulative impact of the increase in European Central Bank base rates and the more restrictive global conditions as a result of the sub-prime credit segment crisis in the USA, will justify this trend. In addition to exports which will slow down, investment will also see some fallback. It is expected that private consumption will grow in line with the trend of disposable income, reflecting improvements in the labour markets and in real wages. At the same time, the trend of the Euro, of oil and food prices, the behaviour of equity markets and financial institutions after the subprime crisis, are also key factors which will determine the course of economic activity in the Euro Zone in 2008. In short, the scenario is one of moderate cyclical slowdown.

Although hesitant, the recovery of the **Portuguese Economy** continued to be evident in 2007, exceeding the forecasts made a year ago, with GDP growth of around 1.8%, 0.2 p.p. average forecasts.

On the positive side, there is the trend of public finances, with the budget deficit at less than 3% of GDP, part of the improvement coming from a reduction in public spending (achieved for the first time in 40 years) and the remaining part from an increase in revenues. Another highlight was external demand, the contribution of which towards economic growth increased.

Exports grew briskly and continued to be the driver of economic growth (growth rate of more than 6% in 2007), with its effects also beginning to be felt in private investment (which had positive growth in 2007) while imports continued to be restricted by the weak internal demand. Family spending had very limited growth (with private consumption growing only by around 1%), a reflection of the particularly difficult circumstances: high interest rates and debt levels, and unemployment at historically high levels. Growing by slightly under 2%, GDP was also impacted by a fall in public spending of around 1%.

In 2008, it is expected that internal demand will continue to increase its contribution to economic growth, thanks to the recovery of investment. Private consumption will continue to develop in line with disposable income while public spending will continue to be contained, given the trend of reduction in the public deficit. Despite being still the most dynamic component of overall demand, it is forecast that exports will slow down. Turning to employment, growth of 0.5% is expected in 2008, around 0.3 p.p. higher than that of 2007, accompanying the moderate economic recovery. The external financing needs of the Portuguese economy should fall from 8.2% in 2007 to 7.3% in 2008, this being the ideal time to carry out the reforms necessary to ensure a greater consolidation of public finances.

The challenge for 2008 is to consolidate the progress made, despite facing a more demanding external, economic and financial background, which is the result of the high level of uncertainty and instability existing at the moment.

3.2. Business Review

3.2.1. Resort and Residential Property Development

► Business description

The Tourism Resorts business area's flagship project is the Tróia resort tourism development which is currently underway and is made up of various land management units.

The project is being developed in the northern tip of the Tróia Peninsula, covering an area of 486 hectares of land and 380 thousand m² of construction area. The projects to develop are divided between tourism apartments and villas, hotels, a marina, a golf course and shops.

The Residential Property Development area develops high quality real estate projects aimed at the high and medium/high market segments. The residential projects currently underway in this business area are the City

Flats building located in Quinta das Sedas and the Efanor project, both in Matosinhos.

The City Flats building is made up of two blocks, each having 106 apartments with an average area of 50 m², and the construction work was completed in July 2007. The Efanor project involves the construction of a luxury residential condominium for more than 2,000 people (around 700 apartments), occupying a total area of 12 hectares and a total sales area of around 100,000 m².

► Operational performance

Tourism Resorts

Of the projects in the Tróia Península currently under development, the following, included in UNOPs⁵ 1 and 2, deserve a special mention:

- Beach Apartments, with a total selling area of 28,000 m² comprising 211 units, ranging from studios to 3 bedroom apartments. Construction started in October 2006 with its conclusion expected for the Summer of 2008.

Beach Apartments	#	Average Area per Apartment* (m²)	Average Sales Price (€/m²)
Promissory Sales Agreements	92	126.9	4,004
Apartments for Sale	119	137.2	4,033
Total	211	132.7	4,014

*Includes indoor area as well as balcony and terrace areas.
(Data as at 29 February 2008)

- Marina Apartments, with a total selling area of 6,570 m² comprising 78 residential units (1 and 2 bedroom apartments) and 1,768 m² of retail area, at the street level, for shops and restaurants. Construction is expected to be concluded in the Summer of 2008.

Marina Apartments	#	Average Area per Apartment* (m²)	Average Sales Price (€/m²)
Promissory Sales Agreements	47	84.0	3,833
Apartments for Sale	31	85.4	4,464
Total	78	84.6	4,086

*Includes indoor area as well as balcony and terrace areas.
(Data as at 29 February 2008)

⁵ UNOP = Operational Planning Unit.

- Central Building with a total selling area of 10,600 m² comprising 71 residential units (1 and 2 bedroom apartments) and 2,032 m² of retail area, at the street level. The end of construction works and the beginning of the sales phase are expected for September 2008. The opening of the retail area is expected for the Summer season.
- The sale of land plots for the construction of detached villas in the beach and golf areas started in July 2007. Land plots are sold with a building project. Buyers can choose from five alternatives designed by different architects. Land plot prices range from 600 thousand euro to 1,500 thousand euro, depending on land plot size (from 1,100 m² to 2,700 m²) and location.

Golf and Beach Villa Plots	#	GCA⁶ (m²)	Average Sales Price (€/m² GCA⁶)	Average Plot Area (m²)	Sales Price (€/m² Plot)
Promissory Sales Agreements	19	343.8	3,436	2,093	564
Apartments for Sale	77	343.8	2,951	1,804	562
Total	96	343.8	3,047	1,861	563

(Data as at 29 February 2008)

Sales strategy at Troiaresort has allowed the sustained increase in sales prices, following the pace of construction works.

- The Tróia Village residential villas are already under construction, with a total of 90 2-bedroom units with a selling area of 14,400 m². Completion of construction works is expected for March 2009, and sales activity will start in the last quarter of 2008.

Additionally, the following should also be noted:

- completion of construction works for the new Ferry pier;
- investment underway in the Aqualuz Tróia Mar, Tróia Rio and Tróia Lagoa aparthotels, which should allow them to be reopened for tourism operation in the Summer of 2008;
- the strong pace of development of the urban upgrade of the Tróia Península, a project which should be completed during the first six months of 2008 and which involves the total renovation of infrastructures, improved streets and roads, building of car parks and landscape upgrades.

⁶ GCA = Gross Construction Area.

Total estimated investment for the Tróiaresort is 403 million euro, of which 83 million euro had been invested as at 31 December 2007. At that date, total investment can be broken down into:

	Investment	
	Estimated	Invested
Real Estate projects currently for sale	80	30
Real Estate projects to be developed	182	12
Other projects (works in Tróia aparthotels, marina and car parks)	74	19
Infrastructures (general and specific infrastructures of the different UNOPs ⁷ and cost of licenses related with Detailed Plans)	67	22
Total	403	83

Residential Property Development

• Efanor Project

The year 2007 saw the conclusion of urban and landscape upgrade Works, with the Project winning Environmental Certification according to the International Standard ISO 14001: 2004, awarded by Bureau Veritas.

Still, in 2007, projects for the first apartment building, Delfim Pereira da Costa, were concluded. The construction of this first building, which comprises 3-bedroom to 6-bedroom apartments with a total selling area of 11,162 m², started in February 2008. The planned average sales price is 2,640 euro per m² and selling will begin during March 2008. Projects for the second building are already being designed and the old factory community building is being renovated to accommodate the Efanor school.

• City Flats/City Lofts

With the conclusion of the City Flats building, apartments started to be occupied by the new owners while the sale of the remaining units continued. Due to its excellent location and unique features there has been considerable demand from customers to rent apartments, which has led to the signing of some lease agreements for available apartments.

⁷ UNOP = Operational Planning Unit.

City Flats (Quinta das Sedas – Building 1)	#	Average Area per Apartment** (m²)	Average Sales Price (€/m²)
Apartments sold* (deeds or promissory sales agreements)	87	49.7	2,018
Apartments for Sale	19	52.7	2,052
Total	106	50.3	2,025

* 81 sales deeds already signed.

** Includes indoor area as well as balcony and terrace areas.

(Data as at 29 February 2008)

City Lofts (Quinta das Sedas – Building 2)	#	Average Area per Apartment** (m²)	Average Sales Price (€/m²)
Apartments sold* (deeds or promissory sales agreements)	2	41.4	2,239
Rentals	8	45.2	-
Apartments for Sale	96	54.4	2,047
Total	106	53.5	2,049

* 1 sales deed already signed.

** Includes indoor area as well as balcony and terrace areas.

(Data as at 29 February 2008)

Financial performance

	2007	2006	Δ
Turnover	7.5	0.0	-
Operational Cash-Flow (EBITDA)	(8.1)	(4.8)	-68.7%
Operational Profit (EBIT)	(8.3)	(4.9)	-69.4%

Unit: 10⁶ Euro

The 7.5 million euro growth in consolidated turnover basically reflects the sale of City Flats apartments during 2007.

Outlook

The Summer of 2008 will see the launch of the tourism platform corresponding to UNOP⁸ 1 of the Tróiaresort project, the highlights being: completion of the urban and landscape upgrades; completion of construction work on the Praia, Marina and Central Building apartments

⁸ UNOP = Operational Planning Unit.

including commercial areas, the reopening of the Aqualuz Tróia Mar, Tróia Rio and Tróia Lagoa aparthotels; and the opening of the Tróia marina.

In 2008, financial performance will be favourably impacted by income received from the sale of apartments.

3.2.2. Real Estate Asset Management

➡ Business description

The Real Estate Asset Management area is responsible for the management of the land and buildings of Sonae Turismo, and has skills in the areas of property management, procurement, sales, project management, building technical management and condominium management.

Owned real estate assets can be broken down as follows:

1. Assets under management by Sonae Turismo (namely the buildings that compose the Boavista Complex, with an area of 10,322 m², next to Hotel Porto Palácio);

2. Assets with projects under development:

- The following residential projects are in the design and licensing stages: Quarteirão Duque de Loulé, in Lisbon, with 10,298 m² of gross construction area above ground; Fábrica do Cobre, in Porto, with 45,019 m² of gross construction area above ground; Baluarte Project, in Lagos, with 3,815 m² of gross construction area above ground for residential and commercial purposes; and another residential project in Maia with 42,549 m² of gross construction area above ground;
- The main project under construction is the Business Park in Maia, owned through the real estate fund Imosede, with 131,121 m² of gross construction area above ground;

3. Real estate assets rented out or for sale (infrastructured land plots, housing, offices, retail premises, industrial buildings and car parks);

4. Several plots of land which can eventually be used for the development of real estate projects or sold.

A special mention should be made of the independent property valuation, as at 30 September 2007, carried out by Cushman & Wakefield of the real estate assets of Sonae Capital excluding Tróia, assets allocated to the hotel

and health clubs operations and assets owned by the Imosede Real Estate Fund, amounting to 211.7 million euro.

➤ Financial performance

	2007	2006	Δ
Turnover	12.7	9.6	+32.3%
Operational Cash-Flow (EBITDA)	4.6	0.7	>100%

Unit: 10⁶ Euro

Turnover in 2007 includes the sale of a plot of land located in Quinta das Sedas, Matosinhos, for 5.5 million euro.

➤ Outlook

With the objective of disposing of non strategic real estate assets, various initiatives are being undertaken, which are focused mainly on higher value assets, and for which the goal is not to develop them for residential or tourism projects or use them in Sonae Turismo's business.

3.2.3. Touristic Operations

➤ Business description

Sonae Turismo runs touristic operations in hotels, fitness and leisure.

The Group's activity in this area covers:

- Hotel Porto Palácio, a 5 star hotel located in Porto, focused in particular on business and leisure tourism, which is a member of the "The Leading Hotels of the World". This hotel unit is part of the Boavista complex which includes a range of complementary products (conference centre, health club, SPA, VIP Lounge, catering, events organisation and a restaurant area with 5 restaurants);
- Aparthotel Aqualuz Lagos, a 4 star hotel located in Lagos, Algarve. Complementary services include 5 meeting rooms, a restaurant and bar area, health club and partnerships with golf courses in the region;

- Aqualuz Tróia Mar, Tróia Rio and Tróia Lagoa aparthotels, an integral part of UNOP⁹ 1 on the Tróia Peninsula with 232 apartments, and a total of 558 beds;
- Tróia Marina, with capacity for 184 berths for leisure boats, occupying a total area of around 2.7 hectares in the northern tip of the Tróia Peninsula;
- Tróia Golf Course designed by Robert Trent Jones Senior and opened in 1980. The 18 hole golf course is in the list of the top 100 golf courses outside the USA (Golf Digest, May 2007) in 80th position;
- Solinca chain of health clubs, a business launched in 1995 and expanded as from 1997, which currently has 10 units under operation.

➡ Operational performance

In 2007, the highlights in the hotel business were the reopening of the Hotel Porto Palácio and of the Aparthotel Aqualuz Lagos after completion of a significant investment plan which enabled these hotels to be repositioned at the top of their market segments.

- Investment in renovation works undertaken in Hotel Porto Palácio from 2005 to 2007 totalled 34.8 million euro, including: the renovation of the 251 rooms; the installation of art work by Pedro Cabrita Reis; and the transformation of the Hotel terrace into a VIP Lounge. The works also added to the Hotel area a SPA associated with the French brand L'Occitane, and a food court with four restaurants and a coffee shop, the latter joining the already existing "Porto Beer" beer house. In April 2007, Hotel Porto Palácio became a member of "The Leading Hotels of the World", an event which confirmed the level of excellence of the upgrades that have been carried out, and which allows one to be positive about the business outlook for the hotel.
- The Aparthotel Aqualuz Lagos was officially reopened after a major renovation and expansion programme, involving a total investment of 24.5 million euro carried out in three complementary stages between 2005 and June 2007, leading to its upgrade to a 4 star hotel. The investment thus increased the total number of rooms to 163, allowed the renovation of the snack bar adjacent to the outside swimming pools and of the restaurant, and added a Solinca health club and an Irish bar to the offer. The complex partially reopened in February 2007, with the renovation

⁹ UNOP = Operational Planning Unit.

works being definitively concluded in July. This influenced the number of apartments available during the year and as a result the operational and financial performance of the unit.

- Aqualuz Tróia Mar, Tróia Rio and Tróia Lagoa aparthotels were partially closed until the end of 2007, at which point they were completely closed down to continue their renovation and upgrading, as part of the development of UNOP¹⁰. The re-opening of these hotel units (comprising 232 apartments with 558 beds) is expected during the year 2008.

As part of the Tróiaresort renovation project, the Tróia golf course closed at the end of October for major works to renew its operational systems, in particular the irrigation system, and will reopen on 31 March 2008.

The operational and financial performance of the Fitness business in 2007 reflects not only a more aggressive market approach but also a strategic repositioning of the Solinca Health and Fitness brand in Portugal and the favourable economic impact of the investments made in new units over the last two years. Following completion of the internal reorganisation begun in 2006, the business has increased and repositioned its activity, the highlight being the goals set to increase market penetration of value added services and to continue with its programme of retaining members and winning customer loyalty. In 2007, the average number of active members reached 28,776, with the contribution of the opening of the new unit in Lagos in the first half of the year. At the end of the year, the chain had 10 units in operation, equal to a total area of around 34 thousand m².

➡ Financial performance

	2007	2006	Δ
Turnover	34.6	21.9	+58.0%
Operational Cash-Flow (EBITDA)	2.6	(3.8)	-
Operational Profit (EBIT)	(1.8)	(6.7)	+73.1%

Non consolidated management figures.

Unit: 10⁶ Euro

Among the businesses included in this business area, the performance of Hotel Porto Palácio and of the Fitness business should be highlighted.

- Hotel Porto Palácio

In spite of the impact of ongoing renovation works during 2007, Hotel Porto Palácio showed strong signs of recovery at the operational level with turnover growing 71% to 12 million euro, reflecting improvements in the

¹⁰ UNOP = Operational Planning Unit.

range of services available and the benefits from the good performance of the Congress Centre and the catering unit.

Operational Cash Flow (EBITDA) improved when compared to 2006 (+1.5 million euro) but was still negative, standing at -0.6 million euro due to operational constraints arising from renovation works.

● Fitness

In the Fitness business, the year 2007 was marked by financial improvement, a result of a set of reorganization and strategic repositioning decisions that were taken in 2006. Turnover reached 15 million euro, a 56% growth when compared to last year, and operational cash flow (EBITDA) was positive in 2.9 million euro. Net profit stood at 2.8 million euro, a landmark in this business.

➡ Outlook

The year 2008 will be the first entire year of hotel operations after the major renovation programmes which were carried out in the Lagos Aqualuz and the Boavista Centre. The opening of the UNOP¹¹ 1 at Tróia Resort in the Summer of 2008 (which includes the Aqualuz Tróia Rio, Mar and Lagoa Aparthotels, the Marina and the Tróia Resort Shopping), as well as the reopening of the Tróia Golf, will also be important milestones and the key focus of Touristic Operations of Sonae Turismo throughout the year.

The programme to expand the Fitness business will continue during 2008 and in the coming years, with a plan currently being finalised leading to the opening every year of two units in Portugal and one in Spain.

3.2.4. Selfrio Group (70% Sonae Capital, 30% Johnson Controls Inc.)

➡ Business description

The Selfrio Group brings together shareholdings in 4 companies, focused on four areas of business:

- Selfrio – Refrigeration, in particular commercial and industrial cold for retail and hotel chains;
- Sistavac – Air conditioning, ventilation and related electrical installations;
- SMP – Maintenance and technical assistance services;
- SKK – Distribution of heating, refrigeration and air conditioning equipment.

¹¹ UNOP = Operational Planning Unit.

Currently the Group is, through its affiliates, broadening its business activities to the Technical Call Centre, Building Management Systems, and Fire & Security Systems businesses and general building maintenance services, as well as developing an international expansion plan of its air conditioning systems and refrigeration businesses to Spain and Brazil.

➤ **Operational performance**

The refrigeration and air conditioning businesses, activities carried out by Selfrio and Sistavac, performed well in 2007, reflecting the strong investment plans carried out by large retail and shopping centre operators, either in new openings or renovation of existing equipment. Growth has had sustainable development, thus exceeding 2007 budget.

Activity in these businesses has impacts up and down stream in the value chain. This was the case for SKK (distribution of equipment) and SMP (maintenance services), which also performed well, as a result of buoyant activity in these sectors.

➤ **Financial performance**

	2007	2006	Δ
Turnover	85.0	76.3	+11.3%
Operational Cash-Flow (EBITDA)	7.2	6.2	+16.1%
Net Profit	8.9	6.1	+45.9%

Aggregated figures.

Unit: 10⁶ Euro

Aggregated turnover of the Selfrio Group for the year 2007 reached 85 million euro, 11.3% up from last year (76.3 million euro). This growth reflects the good performance of Sistavac, air conditioning business, with 27.8% growth, Friengineering (company in Brazil) with 30% growth and Sopair (company in Spain) with 15.05% growth. The turnover of these two companies reached around 8 million euro (6.7 million euro in 2006).

➤ **Outlook**

Although the current economic and financial situation presents a number of risk factors, in particular the slow down in the world economy, which means that 2008 will probably be a less favourable year, it is nonetheless expected that business activity will exceed that of 2007.

3.2.5. Atlantic Ferries

➤ Business description

Following the public tender launched for the river public transport concession for passengers, light and heavy vehicles and goods, between Setúbal and the Tróia Península, a contract between APSS – *Administração dos Portos de Setúbal e Sesimbra, S.A.* and the new concessionary, *Atlantic Ferries – Tráfego Local, Fluvial e Marítimo, S.A.*, was signed on 14 February 2005, which led to the start up of the service as from 8 October 2007.

In order to operate, the concessionary chartered, also from APSS and on the same date, the four ferries owned by APSS. This was necessary since, of the four new ships ordered by Atlantic Ferries, the two transport catamarans were still under construction in a Portuguese shipyard while the two ferries for the transport of passengers and vehicles, although they had already been delivered by their Norwegian shipbuilder, had to await completion of construction work on the piers to adapt them to the modern mooring system to be used, and in the Setúbal terminal, this work could only be carried out after the date that the concession began.

➤ Operational performance

Atlantic Ferries transport operations started in the last quarter of the year, although with the existing old ships, and the first nine months of the year were used to get the business ready for start up.

During this period, 1,058 monthly passenger tickets were sold. Sales of single tickets for the different tariffs were as follows:

159.738	84.600	1.736	2.089
passengers	light vehicles	heavy vehicles	two wheel vehicles

➤ Financial performance

Turnover for the year, amounting to 630 thousand euro, reflects only three months of operation. The first nine months were necessary to set up the river crossing activity. Thus, EBITDA for the period was negative at 378 thousand euro and net profit was also negative at 892 thousand euro.

➤ Outlook

When the business is in full operation with the new ships and taking into account the probable new crossing timetable, the daily transport capacity

will be at least 2,880 vehicles on the ferries and 24,640 passengers on the catamarans.

3.2.6. Box Lines

➡ Business description

In September of the same year, the IMP (Maritime Port Institute), as it was then called, approved the company as a ship owner and in October authorised the company to start business activity.

The current business is focused on maritime transport, covering island shipping to the Azores and Madeira, coastal and long distance shipping, ship freight and charter, as well as activity as a shipping agency and a logistics operator specialised in split freight.

It also provides services in the area of international maritime container transport management and general cargo ships.

➡ Sector background

The worldwide maritime transport sector moves some 225 million TEUS¹² in the 20 biggest ports in the world. It is a sector with strong annual growth, in which there has been a number of mergers and acquisitions carried out by the big worldwide operators.

The increase has been driven by the growing movement of goods in the East/West direction, which has resulted from the shift of production centres to the Far East.

In Portugal, the ports of Lisbon, Leixões and Sines recorded movements in 2007 of 570, 435 and 145 thousand TEUS¹², respectively. The total movement for Madeira and the Azores was 125 thousand TEUS¹², with average growth of around 1.5%, reflecting the modest levels of investment in the Azores and the marked economic slowdown in Madeira.

Box Lines has a market share, measured in TEUS¹², of around 25% in the Azores and 21% in Madeira, with the possibility of further expansion.

¹² TEUS = Twenty Feet Equivalent Unit Container.

► Operational performance

A highlight in 2007 was the implementation of an ERP system which entered fully into service during the year. This software allows better internal and external operational performance, especially through the centralisation and control of all of the company's operations. Also in the operational area, the repair and storage of containers was carried out internally in order to achieve better control and productivity gains.

The company manages 7 thousand TEUS¹³ and 72 general cargo ships in the international business, and 28 thousand TEUS¹³ for island transport.

► Financial performance

	2007	2006	Δ
Turnover	45.3	49.8	-9.0%
Operational Cash-Flow (EBITDA)	1.0	2.2	-55.0%
Net Profit	0.3	1.3	-76.9%

Unit: 10⁶ Euro

In 2007, turnover at Box Lines reached 45.3 million euro, 9% below same period last year. The turnover associated with the island transport activity increased 8.7%, while turnover of the international shipping activity decreased due to transfer of part of these services to customers.

EBITDA reached 1.0 million euro and net profit stood at 0.3 million euro. The 2.1% EBITDA margin was 50% below last year, in particular due to the increase in fuel costs and non recurrent costs, especially associated with strikes in port operations.

► Outlook

In 2008, an increase in market share in Madeira is expected through a broader service offer while the international business will be developed. We are convinced that the growth of the company will happen through a focus on the international business area, based on the trend of imports to Europe from the Far East and the growing pressure on the road transport sector.

¹³ TEUS = Twenty Feet Equivalent Unit Container.

3.2.7. TP¹⁴ (50% Sonae Capital, 50% Grupo Endesa)

➡ Business description

TP carries out its business activity in the area of energy production through cogeneration and wind power.

In the cogeneration business, TP manages an energy production capacity of around 70 Mw, distributed among 16 projects. The business is developed through partnerships with a range of industrial companies, in whose premises the power plants are located. In most cases, TP has a majority position in the partnership.

The company's wind power business will in the short term grow considerably in size, since, in addition to the two smaller projects begun recently, or to begin in 2008 (which involve an installed capacity of 54 Mw), the company holds an economic interest of 20% in ENEOP¹⁵, which in 2006 signed a tender offer contract awarded by the Portuguese government for providing "capacity for the injection of power into the Portuguese Electrical System's grid (SEP) and associated reception points for the electrical power generated at wind farm power plants". ENEOP¹⁵ is authorised to inject 1,000 Mw of energy into the Portuguese Electrical System and to install equipment with a maximum production capacity of 1,200 Mw, which will be phased over time until 2012.

➡ Operational performance

The most relevant facts for the year 2007 were as follows:

- Improvement in the average performance of cogeneration plants;
- Reduction in the holding in the CCA (Complementary Corporate Agreement) – Companhia Térmica Mundo Têxtil (6.5 Mw) from 51% to 10%;
- At the end of 2007, two cogeneration operations reached the end of their term (Companhia Térmica Lusitana (3.8 Mw) and Companhia Térmica do Beato (3.8 Mw), which will thus not contribute to 2008's operations.
- In ENEOP¹⁵ work continued on several fronts, namely in environmental and electrical licensing and financing negotiations. It is expected that the investment in the first wind farms will take place in 2008.

¹⁴ Company accounted for using the Equity Method.

¹⁵ ENEOP = *Éolicas de Portugal* Consortium.

➤ Financial performance

	2007	2006	Δ
Turnover	33.3	33.2	+0.3%
Operational Cash-Flow (EBITDA)	8.1	7.8	+3.8%
Net Profit	3.0	2.6	+15.4%

Unit: 10⁶ Euro

Turnover remained stable at 33 million euro as a result of the exclusion of the shareholding in the Complementary Corporate Agreement (CCA) Companhia Térmica Mundo Têxtil from the consolidation perimeter (EBITDA from this CCA was 1.4 million euro in 2006).

The 4% increase in operational cash-flow (EBITDA) to 8 million euro reflects the improved performance of the cogeneration projects (only projects that consolidate).

Net profit for the year reflects the improved performance not only from the projects included in consolidation but also from the projects not included therein (accounted for using the equity method) among which the wind farm in Serra da Capucha should be highlighted.

➤ Outlook

The year 2008 should be marked by the start up of the investment in the Serra do Sicó wind farm (of which TP holds 52%) and the first ENEOP wind farms. In both cases, operational start up is only planned for 2009.

3.2.8. Auto Sector¹⁶ (50% Sonae Capital, 50% Grupo Salvador Caetano)

The Group's activity in the auto sector is carried out by a number of companies, the most significant being Finlog, in the car fleet management business, and Guérin, which operates in the Rent-a-Car business.

Finlog

➤ Business description

Finlog began business in April 1993 as a car Fleet Management operator with the objective of controlling acquisition costs, maintenance and sale of vehicles, as well as the operational leasing or rental of cars.

¹⁶ Companies accounted for using the Equity Method.

► Sector background

The operational rental sector has had continuous growth and penetration over the last few years, despite the weak performance of the auto sector. Finlog is among the 7 major players in the sector, in Portugal, which together make up 80% of the market.

Taking into consideration statistics supplied by ARAC¹⁷, Finlog shows a market penetration of 7% in the number of licensed vehicles in the operational leasing segment and a 5% market share in the number of active contracts.

► Operational performance

At the end of 2007, Finlog had a fleet under management of 7,941 vehicles, 11% up from last year. In 2007, the company signed 2,942 new contracts distributed among its various products and services.

In terms of the development of the business, the most important fact was the consolidation of the commercial department, based in new premises in Lisbon, which operates in the south of Portugal.

► Financial performance

	2007	2006	Δ
Turnover	43.7	38.7	+12.9%
Operational Profit (EBIT)	2.4	0.6	>100%
Profit before Taxation	1.6	1.6	-

Unit: 10⁶ Euro

► Outlook

In contrast to the auto sector in general, it is probable that the operational leasing business will continue to grow and win market share compared to other more traditional solutions. The company intends to maintain its pace of sustained growth with the consolidation of its commercial sector in the south of the country, and develop an indirect channel in partnership with automakers and their franchise networks.

¹⁷ ARAC = Association of Rent-a-Car companies.

Guérin

➤ Business description

Guérin is in the short term self drive car rental (Rent-a-Car) business.

➤ Sector background

The Rent-a-Car business in Portugal is dependent mostly on incoming tourists (slightly over half of the market) with the remainder in the domestic market, a very significant part of this being car replacement, in particular by fleet managers and insurance companies. In the case of Guérin, the shares of incoming tourists and the domestic market are about the same.

The Rent-a-Car sector in Portugal is dominated by companies belonging to international alliances which are active in Portugal either with their own brand or through franchise agreements.

Guérin is the largest independent operator in the Rent-a-Car business and the second largest (including multinationals) in terms of fleet size.

2007 was a good year for the sector, due especially to a remarkable tourism performance – the number of arrivals at airports and hotel nights grew at rates of 14.8% and 11.2%, respectively (numbers refer to the period January to November), with improvements in all origin markets to Portugal with the exception of Germany (Source: Portuguese General Tourism Department).

➤ Operational performance

In 2007, two events were relevant for Guérin: the termination of the franchise agreement with National/Alamo and the change in corporate image.

The business grew 22% in terms of the number of rental days from 1.16 million in 2006 to 1.43 million in 2007. Based on estimates from ARAC¹⁸, the sector association, the market grew around 12% in volume, so that, according to these figures, Guérin significantly increased its market share.

¹⁸ ARAC = Association of Rent-a-Car companies.

➡ Financial performance

	2007	2006	Δ
Turnover	32.1	27.6	+16.3%
Profit before Taxation	2.0	1.4	+42.8%

Unit: 10⁶ Euro

The results for the year 2007 include 0.8 million euro of non recurrent income, corresponding to the contractual indemnity received from National/Alamo due to the anticipated termination of the franchising agreement.

➡ Outlook

The outlook for 2008 is less optimistic since there are signs that the growth in tourism, which has remained strong and consistent since the 2001 crisis, may not continue in 2008.

Nonetheless, Guérin is forecasting to grow 10% in volume (rental days), in 2008, and increase operational recurring net profits by 50%.

3.2.9. Norscut¹⁹

➡ Business description

In 2000, NORSCUT won the DBOT²⁰ concession for a period of 30 years for the A24 Motorway Viseu – Chaves (frontier) which has a total length of 156 km.

The concession will be run under the SCUT system (Without Cost to Users - Shadow Toll). Under this system, car drivers use the motorway free of charge with their road tolls paid to NORSCUT not by them but by the Portuguese government. Since there are no road toll booths, vehicle counts and the number of kilometres they cover is carried out by special equipment automatically.

Because of a decision taken unilaterally by the granter of the concession (and for environmental reasons), the original path of the motorway suffered a major change in the area of Vila Pouca de Aguiar. This change had a number of impacts on the concession, the main ones being a delay of two years in the construction period, a significant increase in the cost of construction and a loss of revenues due to the delay in the opening of the motorway for public use.

¹⁹ Company accounted for using the Equity Method.

²⁰ DBOT = Design, Build, Operate and Transfer.

In order to be indemnified for the damages caused by the decision to change the path of the motorway, NORSCUT has requested for the reapreciation of the financial implications. A court of arbitration has been appointed which is currently active. Norscut expects that the decision of the court will be known between the last quarter of 2008 and the first quarter of 2009.

► **Operational performance**

In June 2007, construction was completed and two months after (September) the operational phase began (in which NORSCUT receives revenues indexed to traffic volumes). Hence, 2007 is not a typical year since the motorway was under management only for a fraction of the year (4 months).

Due to delays in completing construction works, 2007 traffic levels were below those initially expected. The average number of vehicles/km/day reached 6,260 in 2007. However, after the completion of the motorway, there were very significant increases in traffic (not only from traffic generated from new segments opened in the meantime but also from the network effect from recently opened stretches leading to increases in those already in operation). This means that in the short to medium term, traffic levels initially forecasted should be reached.

► **Financial performance**

	2007	2006	Δ
Turnover	44.3	-	-
Operational Cash-Flow (EBITDA)	33.1	-	-
Depreciation	17.2	-	-
Financial charges	18.3	-	-
Net Profit	(1.5)	-	-

Unit: 10⁶ Euro

In 2006 construction was still underway and thus costs incurred, net of revenues, were capitalised.

3.2.10. Change Partners²¹

► Business description

Among the financial investments held by the sub-holding Spred, SGPS, SA, is the investment in Change Partners in which it has a 50% shareholding.

Change Partners is a risk capital company which began business in 2000, its goal being to acquire holdings in listed and unlisted companies, a process which it completed in 2003. Currently, it only has holdings in 4 companies and in two risk capital funds: Fast Change and Real Change.

The Fast Change Fund was set up in 2003 with the objective of financing companies or projects in the start up phase and with a significant technological make up.

The Real Change Fund, was set up in 2004, aimed at investing in buy-outs and international expansion, with the mission of being active in the process of upgrading companies, which are ready to lead market segments and to adequately remunerate their investors for the risks taken.

► Operational performance

In the Fast Change Fund, from 2003 to 2007, around 181 projects were reviewed, of which 77 were of a technological nature (42.5%). Of the total number of projects approved (24), the Fast Change Fund invested in 14 projects in areas as diverse as biotechnology, information technologies, media, services, energy, industry and retail.

Between January 2004 and June 2007, 39 projects were received by the Real Change Fund, of which 26 buy-outs. Of the projects approved, the Fund invested in 6 projects distributed among the industrial, retail, energy and services areas.

²¹ Company accounted for using the Equity Method.

Investment	Date of Investment	Shareholding	Fund involved
Winrest, SGPS, SA	30.07.2003	50%	Fast Change
Stopline Films, Lda.	30.04.2004	40%	Fast Change
Masterguardian, Sistemas de Segurança, Lda.	28.12.2004	50%	Fast Change
Acácia Semicondutor, SA	01.02.2005 and 06.03.2005	16%	Fast Change
Fluidinova, Eng. ^a Fluidos, SA	04.10.2005	40%	Fast Change
Multivending, Inov. Serv. Venda Automática, SA	17.04.2006	50%	Fast Change
Hottrade, Rep. Gestão Serv., SA	15.06.2006	25%	Fast Change
Foodmetric, Intelligent Metric Solution, SA	23.05.2006	35%	Real Change
Mateace, Electricidade, SA	13.09.2004	50%	Real Change
Starzone, Gestão, Marketing e Publicidade, SA	31.12.2004	51%	Real Change
Confiança, Saboaria e Perfumaria, SA	08.11.2005	100%	Real Change
Persona, Clínica de Nutrição e Estética, SA	06.12.2005	25%	Real Change
Arco Bodegas	07.01.2000	0,6%	Change Partners
OnlyBattery	20.06.2006	50%	Fast Change
Xisvending, Serviços de Vending, SA	01.03.2007	100%	Real Change
GuestCentric Systems, SA	16.04.2007	0,344%	Fast Change

3.2.11. Sonae Indústria

Sonae Capital, SGPS, SA has a 6.801% shareholding in Sonae Indústria, SGPS, SA. Sonae Indústria is an international company manufacturing and selling wood based panels in Portugal, Spain, France, Germany, the UK, South Africa, Canada and Brazil. The shares of Sonae Indústria are listed on the Euronext Lisbon stock exchange. Taking into account the closing share price of Sonae Indústria as at 31 December 2007, 6.65 euro, the market value of this shareholding would have been 63.3 million euro.

4. Individual Financial Statements

On 14 December 2007, the demerger from Sonae, SGPS, SA of the entire share capital and voting rights of the company previously named Sonae Capital, SGPS, SA owned by Sonae, SGPS, SA, was registered at the Commercial Registry Office, and the new company, Sonae Capital, SGPS, SA, was incorporated with a share capital of EUR 250,000,000, made up of 250,000,000 shares each with a nominal value of 1 euro. The company formerly named Sonae Capital, SGPS, SA changed its name to SC, SGPS, SA, maintaining its share capital of EUR 391,046,000, made up of 391,046,000 shares each with a nominal value of 1 euro.

The business of Sonae Capital, SGPS, SA is focused on the management of its holding in the share capital of its affiliate SC, SGPS, SA.

On 31 December 2007, Sonae Capital, SGPS, SA issued two bond loans, totalling 50 million euro, each with a term of 5 years. These bond issues allowed its affiliate SC, SGPS, SA to repay all its debt to Sonae, SGPS, SA, thus putting an end to the financing relationship between the two groups.

The net loss for 2007 was 2,011.97 euro.

5. Proposed Appropriation of Profit for the Year


Sonae Capital, SGPS, SA recorded a net loss of 2,011.97 euros for the year 2007. The Board of Directors proposes to the Shareholders' General Meeting that this amount be transferred to Retained Earnings.

6. Outlook

2008 will be Sonae Capital's first year of operation in the new portfolio management layout.

Although in 2007 there were a significant number of transactions aimed at reorganising the portfolio of businesses, the Board of Directors intends to continue on this path, as evidenced by the sale of Contacto at the beginning of 2008, with the resulting exit of Sonae Capital from the construction sector. This reorganisation effort will be more visible in Spred in which joint venture stakes are concentrated, which, as previously mentioned, are under review.

It should be noted that the first apartments in Tróia will be delivered to customers in 2008, while the opening of UNOP 1 is also expected, a landmark in the history of Sonae Turismo, in view of the importance of the resort and its anticipated success.



A great deal of effort of Sonae Capital's management team will be focused on these two activities: portfolio restructuring and opening of the Troiaresort.

7. Final Note

The Board of Directors would like to thank all its stakeholders for their support and confidence, with special thanks to the Fiscal Board and the Statutory Auditor for their cooperation and work. Finally we express our thanks and recognition to our employees for their efforts and dedication during the year.

Maia, 12 March 2008

The Board of Directors

Belmiro Mendes de Azevedo

José Luís dos Santos Lima Amorim

Mário Pereira Pinto

Statement

Under the terms of Article 245, paragraph 1, c) of the Securities Code

The signatories individually declare that, to their knowledge, the Report of the Board of Directors, the Consolidated Pro Forma and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of applicable International Financial Reporting Standards, and give a true and fair view, in all material respects, of the assets and liabilities, financial position and the consolidated pro forma and individual results of the issuer and that the Report of the Board of Directors faithfully describes the business performance 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, 12 March 2008

Belmiro Mendes de Azevedo
Chairman of the Board of Directors

José Luís dos Santos Lima Amorim
Member of the Board of Directors

Mário Pereira Pinto
Member of the Board of Directors

**DISCLOSURE OF SHARES AND OTHER SECURITIES HELD BY MEMBERS OF THE BOARD OF DIRECTORS
AND OF TRANSACTIONS DURING THE YEAR INVOLVING SHARES AND OTHER SECURITIES¹**

Appendix to the Report of the Board of Directors as of 31 December 2007 required by article 447 of the Portuguese Companies Act

Date	Purchases		Sales		Balance as at
	Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2007 Quantity
Belmiro Mendes de Azevedo					
Efanor Investimentos, SGPS, SA (1)					49,999,997
Sonae Capital, SGPS, SA					1,862

Date	Purchases		Sales		Balance as at
	Quantity	Aver. Price €	Quantity	Aver. Price €	31.12.2007 Quantity
(1) Efanor Investimentos, SGPS, SA					
Sonae Capital, SGPS, SA					82,350,553
Pareuro, BV (2)					20,000
(2) Pareuro, BV					
Sonae Capital, SGPS, SA					50,000,000

¹It must be noted that as at 31 December 2007 (date to which the information included in this appendix refers to), the shares representing the whole of the share capital of Sonae Capital, SGPS, SA were not in the possession of the respective holders following the demerger ("cisão simples") of Sonae, SGPS, SA, the registration of which took place on 14 December 2007.

The shares representing the whole of the share capital of Sonae Capital, SGPS, SA were attributed to the shareholders of Sonae, SGPS, SA with the exercise of the respective demerger rights (which occurred during the month of January of 2008) using the 0.125 attribution factor rounded down to the nearest whole number.

The shareholdings in Sonae Capital, SGPS, SA reflected in this appendix, result from applying the abovementioned attribution factor to the shareholdings in Sonae, SGPS, SA as at 31 December 2007.

Appendix to the Report of the Board of Directors as at 31 December 2007 required by article 448 of the Portuguese Companies Act

Number of shares held by shareholders owning more than 10%, 33% or 50% of the company's share capital¹

	<u>Number of shares held as of 31.12.2007</u>
Efanor Investimentos, SGPS, SA	
Sonae Capital, SGPS, SA	82,350,553
Pareuro, BV	20,000
Pareuro, BV	
Sonae Capital, SGPS, SA	50,000,000

¹It must be noted that as at 31 December 2007 (date to which the information included in this appendix refers to), the shares representing the whole of the share capital of Sonae Capital, SGPS, SA were not in the possession of the respective holders following the demerger ("cisão simples") of Sonae, SGPS, SA, the registration of which took place on 14 December 2007.

The shares representing the whole of the share capital of Sonae Capital, SGPS, SA were attributed to the shareholders of Sonae, SGPS, SA with the exercise of the respective demerger rights (which occurred during the month of January of 2008) using the 0.125 attribution factor rounded down to the nearest whole number.

The shareholdings in Sonae Capital, SGPS, SA reflected in this appendix, result from applying the abovementioned attribution factor to the shareholdings in Sonae, SGPS, SA as at 31 December 2007.

SHARES HELD AND VOTING RIGHTS OF COMPANIES OWNING MORE THAN 2% OF THE SHARE CAPITAL OF THE COMPANY¹

As required by article 8 nr. 1 e) of CMVM Regulation 04/2004, the following shareholders held more than 2% of the company's share capital:

Shareholder	Nr. of Shares	% of Share Capital	% of Voting Rights
Efanor Investimentos, SGPS, S.A.	82,350,553	32.940%	32.940%
Pareuro, BV	50,000,000	20.000%	20.000%
Maria Margarida Carvalhais Teixeira de Azevedo	1,862	0.001%	0.001%
Maria Cláudia Teixeira de Azevedo	43,912	0.018%	0.018%
Duarte Paulo Teixeira de Azevedo	161,661	0.065%	0.065%
Nuno Miguel Teixeira de Azevedo	1,790	0.001%	0.001%
Total attributable to Efanor Investimentos, SGPS, S.A.	<u>132,559,778</u>	<u>53.024%</u>	<u>53.024%</u>
Banco BPI, S.A.	16,606,484	6.643%	6.643%
Banco Português de Investimento, S.A.	45,650	0.018%	0.018%
Fundos de Pensões do Banco BPI	5,008,922	2.004%	2.004%
BPI Vida - Companhia de Seguros de Vida, S.A.	593,927	0.238%	0.238%
Total attributable to Banco BPI, S.A.	<u>22,254,982</u>	<u>8.902%</u>	<u>8.902%</u>
Fundação Berardo, Instituição Particular de Solidariedade Social	6,231,189	2.492%	2.492%
Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social	<u>6,231,189</u>	<u>2.492%</u>	<u>2.492%</u>
ABN AMRO Holding N.V.			
ABN AMRO Bank	<u>8,764,713</u>	<u>3.506%</u>	<u>3.506%</u>
Total attributable to ABN AMRO Holding N.V.	<u>8,764,713</u>	<u>3.506%</u>	<u>3.506%</u>
Deutsche Bank AG	8,163,894	3.266%	3.266%
Deutsche Asset Management Investmentgesellschaft mbH	51,158	0.020%	0.020%
Total attributable to Deutsche Bank AG	<u>8,215,053</u>	<u>3.286%</u>	<u>3.286%</u>

¹It must be noted that as at 31 December 2007 (date to which the information included in this appendix refers to), the shares representing the whole of the share capital of Sonae Capital, SGPS, SA were not in the possession of the respective holders following the demerger ("cisão simples") of Sonae, SGPS, SA, the registration of which took place on 14 December 2007.

The shares representing the whole of the share capital of Sonae Capital, SGPS, SA were attributed to the shareholders of Sonae, SGPS, SA with the exercise of the respective demerger rights (which occurred during the month of January of 2008) using the 0.125 attribution factor rounded down to the nearest whole number.

The shareholdings in Sonae Capital, SGPS, SA reflected in this appendix, result from applying the abovementioned attribution factor to the shareholdings in Sonae, SGPS, SA as at 31 December 2007.

(Translation from the Portuguese Original)

REPORT ON CORPORATE GOVERNANCE

SONAE CAPITAL, SGPS, SA

31 DECEMBER 2007

This document gives a brief description of the Corporate Governance practices of Sonae Capital, SGPS, SA (also referred to as Sonae Capital or the Company), and was prepared to comply with Regulation 7/2001 of December 2001 of the CMVM (Portuguese Securities Market Commission) as amended by Regulations 11/2003, 10/2005 e 3/2006.

The Report on Corporate Governance should be read together with and as a complement to the Report of the Board of Directors. In order to avoid duplication, certain aspects in this report are cross referenced to the main body of that report.

As an opening remark to this Report, the recent spin-off process of Sonae, SGPS, SA as approved at the Shareholders' General Meeting of this company on 14 December 2007 should be noted, which created Sonae Capital as an autonomous company. In fact, the shared history with the Sonae Group means that the organization, policies, procedures and guiding principles mentioned in this Report are, in most cases, a natural consequence of this shared history, and constitute the basis for the build up of its own separate identity.

Also worth mentioning is the fact that the Company is currently in the phase of developing and implementing its principles, policies and procedures which are required because of its status as a listed company in a regulated market ("publicly quoted company"). Thus, it can be expected that during the current year (2008) the Company will establish a coherent and articulate set of policies and procedures that will comply with Corporate Governance best practices.

0. Statement of Compliance

In this section, management describes its assessment of compliance with the recommendations of the CMVM on Corporate Governance ("Recomendações da CMVM sobre o Governo das Sociedades Cotadas" issued in November 2005). As suggested by the CMVM, on 22 January 2008, compliance with corporate governance recommendation issued in September 2005 is not assessed

Once again, it should be noted that the corporate governance practices of Sonae Capital are not yet entirely consolidated (due to its recent incorporation) but are however very much influenced by the common history with the Sonae Group. Therefore, this fact should be taken into consideration when assessing the level of compliance with the above mentioned recommendations.

I. Disclosure of Information


Recommendation 1: The Company follows this recommendation of the CMVM since it ensures permanent contact with the market through its Investor Relations Office, thus complying with the principle of equality among shareholders and preventing uneven access to information

II. The Exercise of Voting Rights and Representation Rights by Shareholders

Recommendation 2: The company follows this recommendation of the CMVM concerning the receipt of correspondence votes at the registered office by at least three work days prior to the date of the Shareholders' General Meeting. The company also follows the CMVM recommendations by statutorily imposing a minimum of 5 work days between depositing or blocking shares and permission to attend the General Meeting, and accepting that it is not necessary to block shares during the entire period of time in which the General Meeting is suspended, the minimum time period necessary for the first session of the meeting being enough for the shareholder to be present for the continuation of the meeting..

III. Corporate Rules

Recommendation 3: The Company is currently revising and implementing the internal control procedures needed to achieve full compliance in the future with the CMVM's recommendation.



Recommendation 4: The Company did not implement any defensive measures to prevent tender offers or limit, in any way, the voting rights that may be held by any shareholder, therefore following the CMVM's recommendations in this regard.

IV. Board of Directors

Recommendation 5: The Board of Directors is currently made up of three members and this report describes how it operates and the skills it has. This shows that, it has an active and guiding role in the management of the company, and hence the CMVM recommendation in this area is being followed.

Recommendation 5-A: The Board of Directors of the Company does not currently include non executive directors. Hence the recommendation of the CMVM in this area is not being followed. It should be noted that part of the agenda of the next Shareholders' General Meeting includes items concerning the increase in the number of Board directors and filling vacant positions.


Recommendation 6: The Board of Directors of the company does not currently include independent non executive directors. Hence the recommendation of the CMVM in this area is not being followed. It should be noted that the agenda of the next Shareholders' General Meeting includes items concerning the increase in the number of Board directors and who should be appointed.

Recommendation 7: The Company is not following this recommendation of the CMVM since it has not yet set up any committee in its management structure with competencies for evaluating the company's organisation and corporate governance structure. Nevertheless, it should be noted that the company and its Board of Directors are currently reviewing and taking steps to implement the procedures necessary to comply with this recommendation.

Recommendation 8: The Company is not following the CMVM recommendation in relation to disclosing the individual remuneration of directors on an annual basis.

Recommendation 8-A: The Agenda of the next Shareholders' General Meeting includes an item concerning the approval of a remuneration policy to be followed by the Remuneration Committee.

Recommendation 9: The company has not adopted this CMVM Recommendation in view of the fact that the Remuneration Committee is not wholly independent from management.



Recommendation 10: The Remuneration Committee will be asked to give its opinion on the proposal to approve plans for the attribution to member of the board of directors, fiscal board and other managers of shares and/or options to purchase shares based on changes in share prices, , and related pension schemes.

Recommendation 10-A: The company has implemented internal procedures for communicating irregularities, with these competencies being carried out essentially by the Fiscal Board.

1. Information Disclosure

1.1. Decision Making Process

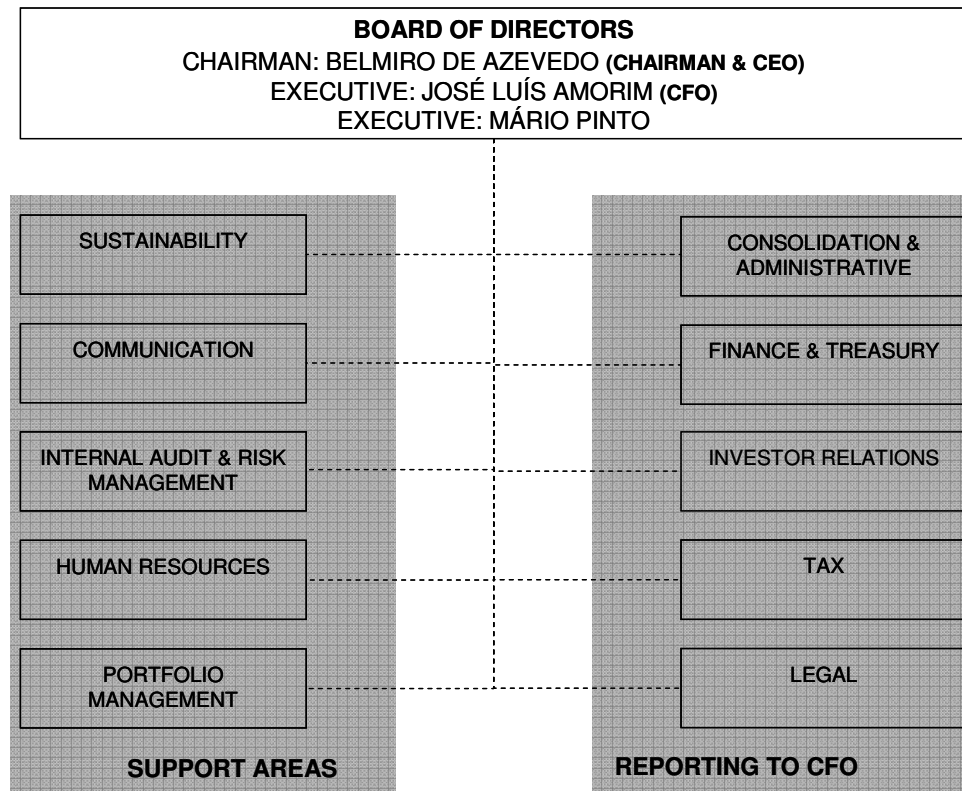
The Board of Directors functions as a body composed of a Chairman and two executive members.

The Board of Directors is responsible for the business portfolio strategy decisions and respective implementation.

The Board of Directors has as its main responsibilities to approve the Annual Report and Accounts, to approve the annual portfolio configuration strategy and to approve the annual business plan and any significant changes to it. Additionally, the Board of Directors is responsible for managing and executing day-to-day operations, with particular emphasis on management of the portfolio of businesses, financial coordination and career development for top managers.

The agenda for the next Shareholder's General Meeting includes a resolution to increase the number of members of the Board of Directors and a resolution to fill vacant positions. These resolutions aim at not only strengthening the skills of the Board of Directors in the performance of its responsibilities but also at adopting recognised corporate governance best practices, thereby strengthening the capabilities of the Board, and its self control and assessment.

The Company's Corporate Centre has the following configuration:



José Luís Amorim, as *Chief Financial Officer* (CFO), supervises the departments directly reporting to the CFO as well as co-ordinates operationally all functional departments (including support areas), meeting regularly with the managers involved.

The Support Areas of the Corporate Centre, as well as Investor Relations, Finance, Consolidation & Administrative Management and Tax, are sovereign functions within the Sonae Capital Group.

The Treasury and Legal departments have a role of coordination, bringing together the activities of these functions in each business to achieve a high degree of cohesion.

1.2. Internal Committees

In view of the recent incorporation of the Company (December 2007), the Board of Directors has taken office without as yet appointing any internal committees.

The Board of Directors will continue to review the company's corporate governance, taking into consideration the challenges ahead and the need to strengthen the supervision and to assess the performance of the Company and its management bodies.

1.3. Risk Control

The system of risk management, currently under review, following the spin off of Sonae Capital, is as follows:

a) Objectives of risk management

Risk management is one of the components of the corporate culture of Sonae Capital, is therefore present in all management processes, and is a responsibility of all management and employees of Sonae Capital, at all levels of the organization.

The objective of risk management is the creation of value by managing and controlling uncertainties and threats that can affect the going concern of Sonae Capital companies, with the aim of taking advantage of business opportunities.

b) Risk management organisation

Risk management is the responsibility of all managers and staff of Sonae Capital companies at all levels of the organization, and is supported by the Audit and Risk Management and Management Planning and Control Departments, the latter also at business level.

The Audit and Risk Management 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.

The Internal Audit function identifies and evaluates the effectiveness and efficiency of management and control of business processes and information system risks, as well as risks arising from non compliance with legislation, contracts and company policies and procedures.

The Risk Management function promotes, co-ordinates, facilitates and supports the development of risk management processes.

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

Financial and accounting information reliability and integrity risks are also evaluated and reported upon by the External Audit function.

c) Activities performed during the year 2007

The Risk Management and Internal Audit activities were carried out and monitored in accordance with the annual plan, which has been developed with the cooperation and involvement of the management of each business in order to mitigate major risks that affect the organization while taking into consideration businesses' objectives.

The main Risk Management activities carried out were the following:

- Hotel safety: Emergency and food safety procedures;
- Development and environmental risks in the touristic resorts and residential projects;
- Safety and environmental risks in the Construction business.

The following internal audit activities were carried out during the year 2007:

Business process audits

- Investment projects of Sonae Turismo in Tróia;
- Human resources and customer complaints in the Fitness business;
- Billing and collections in the Insurance brokerage companies (no longer part of the business portfolio of Sonae Capital);
- Revenue, sourcing and investments at Fun Center.

Compliance audits

- Checklist and monitoring of sales revenue and others in the Fitness business;
- Compliance of the Corporate Centres of Sonae Capital and Sodesa;
- Follow up audits from previous years: Fitness, Construction, Insurance Brokerage and Corporate Centre of Sonae Capital.

1.4. Share Performance

As pointed out in the share performance section in the Board of Directors' Report, the Company has been listed on Euronext Lisbon since 28 January 2008.

Sonae Capital, SGPS, SA's share information:

Name: Sonae Capital, SGPS, SA

ISIN code:
PTSON0AE0009

Security's issuer: Sonae Capital, SGPS, SA

Symbol: SONC

Listing date: 28 January 2008

Reuters: SONAC LS

Share capital: 250,000,000 €

Bloomberg: SONC PL

Listed amount: 250,000,000

Treasury stock: The company does not own treasury stock

The following material events and other announcements took place in 2007 following the demerger of Sonae Capital, SGPS, SA (now renamed SC, SGPS, SA) from Sonae SGPS, and transfer of the demerged shares to a new company, Sonae Capital ,SGPS, SA, incorporated during the demerger process for that purpose:

- 08 November: the Board of Directors of Sonae, SGPS, SA approved the demerger project;
- 14 December: An Extraordinary Shareholders' General Meeting of Sonae, SGPS, SA approved the demerger project. At the same meeting, the governing bodies of Sonae Capital, SGPS, SA were elected. The final registration of the demerger also took place.

After the incorporation of Sonae Capital, SGPS, SA, the following relevant events took place:

- 27 December: announcement made concerning the exercise of demerger rights;
- 31 December: bond issues totalling 50 million euro;
- 03 January: announcement of the terms for the sale of Contacto – Sociedade de Construções, SA for the global consideration of 81.5 million euro (consideration determined on 21 February in accordance with the final terms of the agreement, after the non-opposition decision by the Competition Authority);
- 03 March: bond issue totalling 50 million euro.



1.5. Dividend Distribution

In view of the date of Sonae Capital's incorporation, there is no historical information concerning the dividend policy pursued by the company in the past.

In the future, Sonae Capital will submit proposed dividend distributions for approval by the Shareholders' Annual General Meeting, after taking into consideration the company's performance, its investment plans and its business environment.

1.6. Share Plans and Stock Option Plans

The Company does not currently have any share plans or stock option plans

The compensation policy to be followed by Sonae Capital will be subject to approval at the next Shareholders' General Meeting, in accordance with its respective agenda.

1.7. Related Party Transactions

The company did not have any business dealings or transactions with any member of the Board of Directors.

Transactions with the Statutory Auditor were solely those related to his official duties, and the fees paid are described in paragraph 1.10 below.

Transactions with companies controlled by Sonae Capital, SGPS, SA, or with Group companies were made on an arms length basis and were part of the normal business activity of the Company and, as such, do not need further disclosure.

1.8. Investor Relations

In strict compliance with law and regulations, the Company informs expeditiously its shareholders and the capital markets in general of all relevant facts concerning its activities, avoiding delays between their occurrence and disclosure.

Information is made publicly available through the Information Disclosure System of the Portuguese Securities Market Commission (www.cmvm.pt) and on the company's own website (www.sonaecapital.pt).

Concerning Sonae Capital's website, all announcements issued since the incorporation of the company are available on the Investor Relations page, as well as the institutional presentation, and the prospectus for the listing including its addendum. Information concerning the institutional presentation, report and accounts, and earnings announcement, will be updated on a quarterly basis.

In order to create greater interaction with shareholders and investors, the Investor Relations page also includes:

- Articles of Association of the Company;
- Disclosure of statutory bodies;
- Names of managers responsible for Investor Relations, as well as their contact addresses;
- Performance of the Sonae Capital share on the Euronext Lisbon;
- Calendar of corporate events;
- Notice of the Shareholders' Annual General Meeting;
- Proposals to the Shareholders' Annual General Meeting.

In the future, this page will also include the company's report and accounts, and earnings announcements, as well as other relevant presentations and reports for Investors.

Sonae Capital, SGPS, SA, via its Investor Relations Office, a part of the Investor Relations Department, maintains constant contact with investors and analysts by providing up to date information. In addition, on request, it provides clarification of relevant facts about the Company's activities, as already disclosed under the terms of law.

The Investor Relations Office can be contacted at: Telephone: +351 22 010 79 03; Fax: +351 22 010 79 35; E-mail: ir@sonaecapital.pt; Address: Lugar do Espido, Via Norte, Apartado 3053, 4471-909 Maia. The Investor

Relations Manager is Pedro Capitão, who can be contacted using the above numbers and address.

The Legal Representative for Capital Market Relations is José Luís dos Santos Lima Amorim (Telephone: +351 22 010 79 03; Fax: + 351 22 010 79 35; E-mail: jamorim@sonaecapital.pt).

The Company believes that through these procedures it ensures permanent contact with the market and respect for the principles of equal treatment of shareholders and equal access to information by investors.

1.9. Shareholders' Remuneration Committee

In publicly listed companies, the Shareholders' General Meeting appoints a Shareholders' Remuneration Committee with the same term of office as the other governing bodies. Its mission is to approve the remuneration of members of the governing bodies. In the company, the current Shareholders' Remuneration Committee is made up of two members, Belmiro Mendes de Azevedo (Chairman of the Shareholders' Remuneration Commission and of the Board of Directors of the company) and Bruno Walter Lehmann, elected at the Shareholders' General Meeting in accordance with paragraph two of article twenty eight of the Company's Articles of Association.

1.10. Auditor's Fees

The company's auditors are Deloitte who, in 2007 billed the company and its affiliated and associated companies for the following amounts:

AMOUNTS IN THOUSAND EURO	2007	%
STATUTORY AUDIT	177.9	69.6
OTHER ASSURANCE	50.0	19.6
TAX CONSULTANCY	27.6	10.8
TOTAL	255.5	100.0

Tax consultancy services and other services are provided by different teams from those who are involved in audit, thus contributing to the independence of the auditor.

2. Voting Rights and Shareholder Representation


The Articles of Association of the Company only allow attendance at the Shareholder's General Meeting of shareholders with voting rights, who can, within the five business days prior to the Shareholders' General Meeting, prove to the company their ownership of such shares under the terms of the law. This proof of title must be issued by a financial institution where records of title are kept by the shareholders.

Each share corresponds to one vote.

An individual shareholder may be represented at a Shareholders' General Meeting by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meeting, indicating the name and address of the representative appointed, as well as the date of the Meeting. A corporate shareholder may be represented at a Shareholders' General Meeting by a person designated by means of a letter addressed to the Chairman of the Board of the Shareholders' General Meeting, the authenticity of which will be examined by the Chairman of the Board of the Shareholders' General Meeting.

While the company is listed on the Stock Exchange, shareholders can vote in writing but only in respect of changes to the articles of association and election of governing bodies. Written voting papers will only be considered to be valid when they clearly set out in an unambiguous manner: (i) the item of the agenda which they refer to; (ii) the precise and unconditional voting intention on each proposal. Notwithstanding the content of (ii) above, a shareholder is permitted to include in a written voting paper, in relation to an identified proposal, the intention to vote against all alternative proposals, in relation to the same item on the agenda, without further specification. It is assumed that shareholders have abstained from any proposals that are not specifically included in their written voting papers. Written voting papers shall be deemed as votes against any proposals presented after the issuance of such written voting papers.

Written voting papers shall only be considered valid, if they are received at the company's registered office at least three days before the date of the Shareholders' General Meeting. The voting papers must be sent by registered post with acknowledgement of receipt, and addressed to the Chairman of the Board of the Shareholders' General Meeting. This does not dispense with the need of complying with the procedures set out above, in order to be registered as a valid shareholder for the Shareholders' General Meeting. Written voting papers must be signed by the shareholders or by their legal representatives. Individual shareholders must attach a certified copy of their identity card and, for corporate shareholders, the signature must be authenticated confirming that the signatory is duly authorised and mandated for the purpose. The Chairman of the Board of the Shareholders'



General Meeting, or his or her substitute, is responsible for verifying that written voting papers comply with all the above requirements and that, any that are not accepted, are treated as null and void. Shareholders are informed that written voting papers are available on the company's website.

Proposals to be made at the Shareholders' General Meeting, reports, documents and other preparatory information required by law, will be available to all shareholders, for consultation, at the registered office and on the company's website.

3. Company Rules

3.1. Codes of conduct and Internal Regulations


Sonae Capital Group's values and principles are deeply rooted in the daily activities of its employees. The key aspects are business culture (leadership, openness to change, loyalty and rigour, transparency), responsibility towards employees (equal treatment, professional development, safety), social responsibility (social and environmental awareness, openness to society, trust and ethics) and political independence.

3.2. Risk Management

As mentioned in paragraph 1.1 above, one of the functional departments of Sonae Capital, SGPS, SA is the Internal Audit and Risk Management department. The spin-off of Sonae Capital led to the need to provide the company with its own resources in this area, and so the set up of this department was a logical result of the allocation of resources, both human and technical, that already existed in the Sonae Group.

As referred to in paragraph 1.3 of the current report, this department, still within the scope of the Sonae Group's Audit and Risk Management planning and activities, accompanied and promoted the development of structured and systematic management of business process risks, appropriately integrated into the operational and strategic planning cycles of Sonae Capital's businesses.

In the strategic management and day to day operations of the company and its affiliated and associated companies, active risk management policies are pursued in the different aspects of its businesses. To this end, the Internal



Audit and Risk Management department supports and promotes current risk management and mitigation practices.

Sonae Capital is exposed to a variety of financial risks namely interest rates, transaction and translation foreign currency exchange rates, liquidity, counterparty and credit risk, commodity and raw material prices, and debt and equity financial market fluctuations. Sonae Capital's financial risk management policy seeks to minimize potential adverse effects of the volatility of financial markets.

Sonae Capital's attitude towards financial market risk management is conservative and cautious, sometimes using derivative instruments to hedge certain exposures related to its operating business. The Company does not therefore enter into derivatives or other financial instruments that are unrelated to its operating business.

3.3. Limits to Exercising Voting Rights or to the Transfer of Shares, Shareholders' Agreements and Special Shareholders' Rights

Apart from the number of shares that correspond to one vote and the shareholder representation rules mentioned in paragraph 2 above, there are no other limitations on voting rights.

The Board of Directors has no knowledge of any special rights or shareholders agreements in which shareholders of the Company are involved.

The Company has not taken any measures that would hinder the success of a public tender offer for the purchase of its shares.

4. Governing Bodies

4.1. Description

The Board of Director is made up of 3 executive members. The Board of Directors was elected at the Extraordinary Shareholders' General Meeting of Sonae SGPS, SA held on 14 December 2007, which also approved the demerger project of that company and led to the incorporation of Sonae Capital, SGPS, SA. The mandate of the Board of Directors is four years and ends on 31 December 2010. The Directors were elected from a single list. No alternative list was presented by any shareholder. The Shareholders'

General Meeting convened for 9 April 2008 is due to increase the number of members of the Board of Directors and elect directors for vacant positions.

The current members of the Board of Directors are:

		Executive	Non-Executive
Belmiro Mendes de Azevedo	Chairman	X	
José Luís dos Santos Lima Amorim		X	
Mário Pereira Pinto		X	

and have been appointed as follows:

	Appointed for the first time in	End of Mandate
Belmiro Mendes de Azevedo	2007	2010
José Luís dos Santos Lima Amorim	2007	2010
Mário Pereira Pinto	2007	2010

A list of the main companies in which each Director holds office, is shown in paragraph 4.3 of this report. The same paragraph also includes summarised curriculum vitae of each Director, as well as details of the number of shares, which they held on 31 December 2007 in Sonae Capital, SGPS, SA or any of its affiliated companies.

The Board will meet at least four times a year. The quorum for any Board meeting requires that the majority of members are present or represented. Each member has equal voting rights and decisions are taken by a simple majority of votes cast. The duties of the Board of Directors are as defined by Portuguese law. During 2007, the Board met 5 times with all of the Directors present. Minutes are recorded in the respective minute book. The Board of Directors receives information on subjects on the agenda of the meeting at least 48 hours before the meeting is held.

The Board of Directors has not yet decided on the appointment of an Executive Committee or any other specialised internal committee.

4.2. Remuneration

In view of the recent incorporation of the company and the date of appointment of the statutory bodies (14 December 2007), no remuneration was paid by the company, while remuneration paid in Group companies to members of the Board of Directors, as from that date, is immaterial.

4.3. Further Information Regarding Directors

Belmiro Mendes de Azevedo

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Marco de Canaveses
MARRIED

DATE OF BIRTH: 17-02-1938
CHILDREN: 3

EDUCATION

1963 Graduation in Chemical Engineering – Engineering Faculty, Porto University
1973 PMD (Programme for Management Development) from Harvard Business School
1985 Financial Management Programme from Stanford University
1987 Strategic Management from Wharton University

PROFESSIONAL CURRICULUM

1963 - 1964 Technical Career in textile industries
1965 - 1967 R&D Manager of Sonae
1967 - 1984 General Manager and Managing Director of Sonae
1985 - 1988 CEO of Sonae Indústria e Investimentos, SGPS, SA
1989 - 1999 Chairman of the Board of Directors of Sonae Investimentos, SGPS, SA
Since 1999 Chairman of the Board of Directors of Sonae SGPS, SA

OTHER ACTIVITIES

Member of the European Union Hong-Kong Business Cooperation Committee
Member of the International Advisory Board of Allianz AG
Member of the Harvard Business School European Advisory Board
Member of the Management Board of Cotec – Portugal
Member of the European Round Table of Industrialists
Founding Member of Manufuture Portugal Forum
Sole Director of BA – Business Angels, SGPS, SA
Chairman of the Board of Directors of the following companies:

- Efanor Investimentos, SGPS, SA;
- Sonae – SGPS, SA;
- Sonae Indústria, SGPS, SA;
- Casa Agrícola de Ambrães, SA;
- Praça Foz – Sociedade Imobiliária;
- Setimanale – SGPS, SA.

OFFICES HELD IN GROUP COMPANIES

Chairman of the Board of Directors of the following companies:

SC, SGPS, SA

Sonae Turismo – SGPS, SA

Spred, SGPS, SA

DISTINCTIONS

“Grã Cruz da Ordem do Infante D. Henrique” bestowed by His Excellence the President of the Republic of Portugal

“Encomienda de Numero de la Orden del Mérito Civil” bestowed by His Majesty the King D. Juan Carlos of Spain.

“Ordem do Cruzeiro do Sul” bestowed by His Excellence the President of the Republic of Brazil

Honorary Fellow of the London Business School

Shares Held in the Company¹

Sonae Capital, SGPS, SA – 1,862 shares, considering the shareholding in Sonae, SGPS, SA at the same date (company that demerged the whole of its shareholding in Sonae Capital, SGPS, SA).

José Luís dos Santos Lima Amorim

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Porto
MARRIED

DATE OF BIRTH: 11-09-1956
CHILDREN: 1

EDUCATION

1978 Degree in Economics – Economics Faculty, Porto University

1982 Member of the Statutory Auditors Institute

PROFESSIONAL CURRICULUM

1978 - 1984 Audit Assistant to Audit Manager at Coopers & Lybrand

1985 - 1999 Audit Partner at Coopers & Lybrand

¹ Shares held, as at 31 December, directly or through direct relatives.

- 1999 - 2007 Head of Planning and Control at Sonae SGPS, S.A. and Secretary to the Board of Directors and Executive Committee of Sonae SGPS, S.A.
- 2001 - 2007 Head of Investor Relations of Sonae SGPS, S.A.

OFFICES HELD IN GROUP COMPANIES

Chairman of the Board of Directors of the following companies:

- Aquapraia - Investimentos Turísticos, SA
- Bloco Q - Sociedade Imobiliária, SA
- Bloco W - Sociedade Imobiliária, SA
- Casa da Ribeira - Hotelaria e Turismo, SA
- Imoarea - Investimentos Turísticos, SGPS, SA
- Imoferro - Sociedade Imobiliária, SA
- Imopenínsula - Sociedade Imobiliária, SA
- Imoresort - Sociedade Imobiliária, SA
- Insulatroia - Sociedade Imobiliária, SA
- Marimo - Exploração Hoteleira e Imobiliária, SA
- Marina de Tróia, SA
- Marinamagic - Exploração de Centros Lúdicos e Marítimos, SA
- Marmagno - Exploração Hoteleira e Imobiliária, SA
- Marvero - Exploração Hoteleira e Imobiliária, SA
- S.I.I - Soberana - Investimentos Imobiliários, SA
- Solinca III - Desporto e Saúde, SA
- Solinca - Investimentos Turísticos, SA
- Sonae Turismo - Gestão Serviços, SA
- Troiaresort - Investimentos Turísticos, SA
- Troiaverde - Exploração Hoteleira e Imobiliária, SA
- Tulipamar - Exploração Hoteleira e Imobiliária, SA
- Venda Aluga - Sociedade Imobiliária, SA
- World Trade Center Porto, SA

Member of the Board of Directors of the following companies:

- Change, SGPS, SA
- Change Partners I, SGPS, SA
- Change Partners, Investimentos e Consultoria, SA
- Change Partners, SCR, SA
- Cronosaúde - Gestão Hospitalar, SA
- DMJB - SGPS, SA
- Invesaúde - Gestão Hospitalar, SA
- Investalentejo, SGPS, SA
- Norscut - Concessionária de Auto Estradas, SA
- Pargeste, SGPS, SA
- Saúde Atlântica - Gestão Hospitalar, SA
- SC, SGPS, SA
- SC - Insurance and Risk Services, SGPS, SA
- SC - Sociedade de Consultadoria, SA
- Selfrio - SGPS, SA
- Sodesa - Comercialização de Energia, SA
- Solinfittness Club Málaga, SL
- Soltróia - Sociedade Imobiliária de Urbanização e Turismo de Tróia, SA
- Sonae Turismo - SGPS, SA
- Sopair, SA
- Spred - SGPS, SA
- TP - Sociedade Térmica Portuguesa, SA
- Vistas do Freixo - Empreendimentos Turísticos e Imobiliários, SA

Member of the Management Board of Aqualuz - Turismo e Lazer, Lda

Shares Held in the Company²

Does not own any shares in the Company.

Mário Pereira Pinto

Curriculum Vitae

PERSONAL DATA

PLACE OF BIRTH: Vila Pouca de Aguiar
MARRIED

DATE OF BIRTH: 08-11-1951
CHILDREN: 1

EDUCATION

1975 Degree in Economics - Economics Faculty, Porto University (FEP)
1989 "Advanced Management Programme" from INSEAD (Fontainebleau)


PROFESSIONAL CURRICULUM

1975 - 1983 Assistant lecturer at the Economics Faculty, University of Porto
1982 - 1984 Financial Analyst at Banco Totta & Açores, Porto
1984 - 1989 Project Analyst and Coordinator at SPI/BPI
1989 - 1995 Manager of Banco Português de Investimento, in the Merger and Acquisitions area
1993 - 1995 Member of the Executive Committee of Banco Português de Investimento, S.A.
1994 - 2000 Board Director of Inter-Risco, Sociedade de Capital de Risco, S.A.
1995 - 2006 Non Executive Board Director of Fábrica de Vidros Barbosa & Almeida, S.A.
1995 - 2000 Board Director of Banco Português de Investimento, S.A.
1996 - 1998 Board Director of Banco de Fomento e Exterior, S.A.
1997 - 2000 Non Executive Board Director of Vista Alegre, Sociedade de Controlo, S.A.; Board Director and Member of the Executive Committee of SPGM - Sociedade de Investimento, S.A.; Chairman of the General Board of Spidouro - Sociedade de Promoção de Empresas e Investimentos do Douro e Trás-os-Montes, S.A.; Non Executive Board Director of FIEP - Fundo de Internacionalização das Empresas Portuguesas, SGPS, S.A.
1999 - 2000 Non Executive Board Director of IMC - Investimentos, Média e Conteúdos, SGPS, S.A.

OTHER ACTIVITIES

Member of the Board of Directors of BA – Glass, SA

² Shares held, as at 31 December, directly or through direct relatives.



Member of the Management Board of Partners, Serviços de Apoio à Gestão, Unipessoal, Lda
Member of the Management Board of PSISA – Consultores, Lda
Chairman of the Fiscal Board of Estoril-Sol, SGPS, SA
Director of CEV – Consumo em Verde, SA

OFFICES HELD IN GROUP COMPANIES

Chairman of the Board of the following companies:

- Change, SGPS, SA
- Change Partners, SCR, SA
- Change Partners I, SGPS, SA
- Change Partners, Investimentos e Consultoria, SA

Member of the Board of Directors of the following companies:

- SC, SGPS, SA
- Pargeste - SGPS, SA

***Shares Held in the Company*³**

Does not own any shares in the Company.

Maia, 12 March 2008

The Board of Directors

Belmiro Mendes de Azevedo

José Luís dos Santos Lima Amorim

Mário Pereira Pinto

³ Shares held, as at 31 December, directly or through direct relatives.



CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

SONAE CAPITAL, SGPS, SA

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in euro)

		31.December.2007			31.December.2006 Pro-forma ¹		
ASSETS	Notes	Continued Operations	Discontinued Operations	Total Operations	Continued Operations	Discontinued Operations	Total Operations
NON-CURRENT ASSETS:							
Tangible assets	9	328,038,248	991,658	329,029,906	284,850,480	1,000,611	285,851,091
Intangible assets	10	803,537	8,557	812,094	975,717	8,557	984,274
Goodwill	11	62,517,465	1,278,989	63,796,454	47,754,532	1,278,898	49,033,430
Investments in associated companies	6	18,985,662	-	18,985,662	14,932,898	-	14,932,898
Other investments	7	77,186,273	-	77,186,273	87,714,574	-	87,714,574
Deferred tax assets	19	14,117,740	203,180	14,320,920	4,422,449	319,697	4,742,146
Other non-current assets	13	24,311,811	6,821	24,318,632	28,339,120	5,496	28,344,616
Total Non-Current Assets		525,960,736	2,489,205	528,449,941	468,989,770	2,613,259	471,603,029
CURRENT ASSETS:							
Stocks	14	142,074,734	1,414,928	143,489,662	93,391,169	(9,275)	93,381,894
Trade account receivables	15	35,322,604	13,423,831	48,746,435	38,268,268	17,131,308	55,399,576
Other debtors	16	24,998,713	(1,144,969)	23,853,744	48,114,281	324,008	48,438,289
Taxes recoverable	17	16,608,583	2,835,940	19,444,523	17,147,729	1,880,943	19,028,672
Other current assets	18	6,858,080	2,021,564	8,879,644	5,374,516	2,460,963	7,835,479
Investments held for trading	12	499	-	499	499	-	499
Cash and cash equivalents	20	43,956,550	377,291	44,333,841	15,717,655	195,096	15,912,751
Total Current Assets		269,819,763	18,928,585	288,748,348	218,014,117	21,983,043	239,997,160
TOTAL ASSETS		795,780,499	21,417,790	817,198,289	687,003,887	24,596,302	711,600,189
EQUITY AND LIABILITIES							
EQUITY:							
Share capital	21	250,000,000	-	250,000,000	250,000,000	-	250,000,000
Legal reserve		-	-	-	-	-	-
Reserves and retained earnings		62,453,729	29,400,513	91,854,242	(10,979,229)	32,144,897	21,165,668
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital		8,579,431	6,414,888	14,994,319	(6,166,995)	8,356,062	2,189,067
Equity attributable to the equity holders of Sonae Capital		321,033,160	35,815,401	356,848,561	232,853,776	40,500,959	273,354,735
Equity attributable to minority interests	22	36,758,832	-	36,758,832	18,876,352	-	18,876,352
TOTAL EQUITY		357,791,992	35,815,401	393,607,393	251,730,128	40,500,959	292,231,087
LIABILITIES:							
NON-CURRENT LIABILITIES:							
Bank Loans	23	122,710,414	-	122,710,414	81,201,470	-	81,201,470
Bonds	23	49,766,000	-	49,766,000	-	-	-
Obligation under finance leases	23 and 24	18,726,595	-	18,726,595	4,815,233	-	4,815,233
Other loans	23	250,577	-	250,577	375,002	-	375,002
Other non-current liabilities	26	34,461,335	4,689,100	39,150,435	65,171,055	5,218,887	70,389,942
Deferred tax liabilities	19	2,307,082	5,219,288	7,526,370	645,530	4,277,988	4,923,518
Provisions	31	11,442,155	5,212,309	16,654,464	11,771,846	6,068,009	17,839,855
Total Non-Current Liabilities		239,664,158	15,120,697	254,784,855	163,980,136	15,564,884	179,545,020
CURRENT LIABILITIES:							
Bank Loans	23	7,714,042	-	7,714,042	45,989,018	-	45,989,018
Bonds	23	15,000,000	-	15,000,000	-	-	-
Obligation under finance leases	23 and 24	1,860,326	-	1,860,326	1,190,296	-	1,190,296
Other loans	23	176,635	-	176,635	179,233	-	179,233
Trade creditors	28	30,876,038	31,641,379	62,517,417	29,921,201	34,799,901	64,721,102
Other creditors	29	110,830,844	(79,603,912)	31,226,932	166,621,733	(78,962,286)	87,659,447
Taxes and contributions payable	17	12,039,282	1,360,493	13,399,775	7,505,187	170,794	7,675,981
Other current liabilities	30	16,011,718	17,083,732	33,095,450	18,963,426	12,522,050	31,485,476
Provisions	31	3,815,464	-	3,815,464	923,529	-	923,529
Total Current Liabilities		198,324,349	(29,518,308)	168,806,041	271,293,623	(31,469,541)	239,824,082
TOTAL LIABILITIES		437,988,507	(14,397,611)	423,590,896	435,273,759	(15,904,657)	419,369,102
TOTAL EQUITY AND LIABILITIES		795,780,499	21,417,790	817,198,289	687,003,887	24,596,302	711,600,189

The accompanying notes are part of these financial statements.

1) See note 1.1. in the notes to the financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

PRO FORMA¹ CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in euro)

	Notes	31.December.2007			31.December.2006		
		Continued Operations	Discontinued Operations	Total Operations	Continued Operations	Discontinued Operations	Total Operations
Operational income							
Sales	34	94,811,629	(12,963,877)	81,847,752	75,999,212	(11,813,791)	64,185,421
Services rendered	34	102,465,562	117,831,872	220,297,434	89,415,020	112,940,953	202,355,973
Other operational income	35	8,202,339	33,345,161	41,547,500	11,668,066	39,811,627	51,479,693
Total operational income		205,479,530	138,213,156	343,692,686	177,082,298	140,938,789	318,021,087
Operational expenses							
Cost of goods sold and materials consumed	14	(51,004,254)	10,154	(50,994,100)	(45,365,539)	190,933	(45,174,606)
Changes in stocks of finished goods and work in progress		32,409,338	28,901	32,438,239	8,520,490	44,159	8,564,649
External supplies and services	36	(132,258,568)	(123,102,014)	(255,360,582)	(98,896,244)	(124,055,037)	(222,951,281)
Staff costs	37	(38,554,407)	(6,440,066)	(44,994,473)	(33,774,700)	(6,520,011)	(40,294,711)
Depreciation and amortisation	9 and 10	(7,324,129)	(275,995)	(7,600,124)	(5,794,081)	(229,515)	(6,023,596)
Provisions and impairment losses	31	(722,729)	(879,229)	(1,601,958)	(3,293,034)	(671,965)	(3,964,999)
Other operational expenses	38	(6,401,846)	(1,410,454)	(7,812,300)	(6,822,109)	(155,927)	(6,978,036)
Total operational expenses		(203,856,595)	(132,068,703)	(335,925,298)	(185,425,217)	(131,397,363)	(316,822,580)
Operational profit/(loss)		1,622,935	6,144,453	7,767,388	(8,342,919)	9,541,426	1,198,507
Financial Expenses		(17,053,855)	2,207,654	(14,846,201)	(9,410,992)	1,504,393	(7,906,599)
Financial Income		7,055,704	368,617	7,424,321	7,451,947	111,265	7,563,212
Net financial expenses	39	(9,998,151)	2,576,271	(7,421,880)	(1,959,045)	1,615,658	(343,387)
Share of results of associated undertakings	12	857,332	-	857,332	4,955,450	-	4,955,450
Investment income	40	12,141,976	(58,838)	12,083,138	3,548,988	-	3,548,988
Profit/(Loss) before taxation		4,624,092	8,661,886	13,285,978	(1,797,526)	11,157,084	9,359,558
Taxation	41	4,809,155	(2,246,998)	2,562,157	(1,537,415)	(2,801,022)	(4,338,437)
Profit/(Loss) after taxation		9,433,247	6,414,888	15,848,135	(3,334,941)	8,356,062	5,021,121
Profit/(Loss) for the year	42	9,433,247	6,414,888	15,848,135	(3,334,941)	8,356,062	5,021,121
Attributable to:							
Equity holders of Sonae Capital	44	8,579,431	6,414,888	14,994,319	(6,166,995)	8,356,062	2,189,067
Minority interests	22	853,816	-	853,816	2,832,054	-	2,832,054
Profit/(Loss) per share							
Basic	44	0.034318	0.025660	0.059977	(0.024668)	0.033424	0.008756
Diluted	44	0.034318	0.025660	0.059977	(0.024668)	0.033424	0.008756

The accompanying notes are part of these financial statements.

1) See note 1.1. in the notes to the financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

PRO FORMA¹ CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in euro)

	Attributable to Equity Holders of Sonae Capital										
	Share Capital	Demerger Reserve	Pro-forma Adjustments 1)	Hedge Reserve	Currency Translation Reserve	Other Reserves and Retained Earnings	Reserves and Retained Earnings	Net Profit/(Loss)	Total	Minority Interests	Total Equity
Balance as at 1 January 2006	250,000,000	132,638,253	(36,976,307)	64,976,035	320,910	(94,854,852)	66,104,039	72,911,593	389,015,632	2,432,180	391,447,812
Appropriation of profit of 2005:											
Transfer to legal reserves and retained earnings	-	-	-	-	-	72,911,593	72,911,593	(72,911,593)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	-
Changes in reserves											
Changes in the period	-	-	-	9,304,086	96,814	-	9,400,900	-	9,400,900	(17,599)	9,383,301
Affiliated and associated undertakings excluded for sale	-	-	-	(4,695,689)	-	-	(4,695,689)	-	(4,695,689)	-	(4,695,689)
Affiliated and associated undertakings excluded for sale in results	-	-	9,955,052	-	-	-	9,955,052	-	9,955,052	149,700	10,104,752
Aquisition of affiliated and associated undertakings	-	-	(2,796,746)	-	-	2,796,746	-	-	-	-	-
Demerger transfers	-	-	(91,858,269)	-	-	(37,500,000)	(129,358,269)	-	(129,358,269)	13,894,204	(115,464,065)
Other changes	-	-	-	-	-	(3,151,958)	(3,151,958)	-	(3,151,958)	(414,187)	(3,566,145)
Consolidated Profit/(Loss) for the twelve months ended 31 December 2006	-	-	-	-	-	-	-	2,189,067	2,189,067	2,832,054	5,021,121
Balance as at 31 December 2006	250,000,000	132,638,253	(121,676,270)	69,584,432	417,724	(59,798,471)	21,165,668	2,189,067	273,354,735	18,876,352	292,231,087
Balance as at 1 January 2007	250,000,000	132,638,253	(121,676,270)	69,584,432	417,724	(59,798,471)	21,165,668	2,189,067	273,354,735	18,876,352	292,231,087
Appropriation of profit of 2006:											
Transfer to legal reserves and retained earnings	-	-	-	-	-	2,189,067	2,189,067	(2,189,067)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	-
Changes in reserves											
Changes in the period	-	-	-	(8,094,073)	(464,977)	-	(8,559,050)	-	(8,559,050)	(22,328)	(8,581,378)
Transfer to results -hedge	-	-	-	-	-	-	-	-	-	-	-
Transfer to results	-	-	-	(9,520,881)	-	-	(9,520,881)	-	(9,520,881)	-	(9,520,881)
Affiliated and associated undertakings excluded for sale	-	-	96,548,826	-	-	-	96,548,826	-	96,548,826	-	96,548,826
Affiliated and associated undertakings excluded for sale in results	-	-	31,437,208	-	-	(31,437,208)	-	-	-	-	-
Aquisition of affiliated and associated undertakings	-	-	(6,309,764)	-	-	-	(6,309,764)	-	(6,309,764)	17,108,025	10,798,261
Other changes	-	-	-	-	-	(3,659,624)	(3,659,624)	-	(3,659,624)	(57,033)	(3,716,657)
Consolidated Profit/(Loss) for the twelve months ended 31 December 2007	-	-	-	-	-	-	-	14,994,319	14,994,319	853,816	15,848,135
Balance as at 31 December 2007	250,000,000	132,638,253	-	51,969,478	(47,253)	(92,706,236)	91,854,242	14,994,319	356,848,561	36,758,832	393,607,393

The accompanying notes are part of these pro forma financial statements.

1) See note 1.1. in the notes to the financial statements.

The Board of Directors

SONAE CAPITAL , SGPS, SA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in euro)

		31.December.2007			31.12.2006 PRO FORMA		
		Continued Operations	Discontinued Operations	Total Operations	Continued Operations	Discontinued Operations	Total Operations
OPERATING ACTIVITIES	Notes						
Cash receipts from trade debtors		215,997,007	107,704,776	323,701,783	170,985,569	120,510,832	291,496,401
Cash paid to trade creditors		(186,808,364)	(89,848,687)	(276,657,051)	(136,702,277)	(89,436,033)	(226,138,310)
Cash paid to employees		(38,373,599)	(6,523,632)	(44,897,231)	(34,757,165)	(6,315,309)	(41,072,474)
Cash flow generated by operations		(9,184,956)	11,332,457	2,147,501	(473,873)	24,759,490	24,285,617
Income taxes (paid) / received		(6,398,314)	16,036	(6,382,278)	(2,044,523)	(1,042,112)	(3,086,635)
Other cash receipts and (payments) relating to operating activities		8,136,559	(402,809)	7,733,750	8,816,509	(3,925,667)	4,890,842
Net cash flow from operating activities (1)		(7,446,711)	10,945,684	3,498,973	6,298,113	19,791,711	26,089,824
INVESTMENT ACTIVITIES							
Cash receipts arising from:							
Investments	45	114,899,762	(11,200,000)	103,699,762	25,361,734	-	25,361,734
Tangible assets and investment properties		22,381,443	121,705	22,503,148	22,007,666	188,193	22,195,859
Intangible assets		-	-	-	12,292	-	12,292
Interest and similar income		8,184,461	351,942	8,536,403	5,810,490	111,265	5,921,755
Loans granted		70,504,378	-	70,504,378	124,027,982	-	124,027,982
Dividends		2,717,872	-	2,717,872	6,614,841	(4,189,161)	2,425,680
Others		-	-	-	6,607	-	6,607
		218,687,916	(10,726,353)	207,961,563	183,841,612	(3,889,703)	179,951,909
Cash Payments arising from:							
Investments	45	(80,159,253)	-	(80,159,253)	(142,955,330)	-	(142,955,330)
Tangible assets and investment properties		(83,324,197)	(505,869)	(83,830,066)	(96,127,556)	(4,197,774)	(100,325,330)
Intangible assets		(335,284)	-	(335,284)	(570,044)	18,812	(551,232)
Loans granted		(10,143,067)	-	(10,143,067)	(39,315,940)	-	(39,315,940)
Others		-	-	-	-	-	-
		(173,961,801)	(505,869)	(174,467,670)	(278,968,870)	(4,178,962)	(283,147,832)
Net cash used in investment activities (2)		44,726,115	(11,232,222)	33,493,893	(95,127,258)	(8,068,665)	(103,195,923)
FINANCING ACTIVITIES							
Cash receipts arising from:							
Loans obtained		111,024,639	-	111,024,639	157,407,175	(13,958,100)	143,449,075
Capital increases, additional paid in capital and share premiums		30,820,921	-	30,820,921	14,344,072	-	14,344,072
		141,845,560	-	141,845,560	171,751,247	(13,958,100)	157,793,147
Cash Payments arising from:							
Loans obtained		(130,481,852)	(1,690,000)	(132,171,852)	(60,672,929)	-	(60,672,929)
Interest and similar charges		(19,227,620)	2,160,383	(17,067,237)	(8,766,097)	1,472,114	(7,293,983)
Reimbursement of capital and paid in capital		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Purchase of own shares		-	-	-	-	-	-
Others		(1,004,006)	-	(1,004,006)	-	-	-
		(150,713,478)	470,383	(150,243,095)	(69,439,026)	1,472,114	(67,966,912)
Net cash used in financing activities (3)		(8,867,918)	470,383	(8,397,535)	102,312,221	(12,485,986)	89,826,235
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		28,411,486	183,845	28,595,331	13,483,076	(762,940)	12,720,136
Effect of foreign exchange rate		494,239	-	494,239	(63,594)	-	(63,594)
Cash and cash equivalents at the beginning of the period		13,086,955	195,096	13,282,051	(459,715)	958,036	498,321
Cash and cash equivalents demerged		-	-	-	-	-	-
Cash and cash equivalents at the end of the period	20	41,004,202	378,941	41,383,143	13,086,955	195,096	13,282,051

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED AS AT 31 DECEMBER 2007 AND 2006

(Amounts express in euro)

1. INTRODUCTION

SONAE CAPITAL, SGPS, SA ("the company" or "Sonae Capital") whose head-office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 5 to 7 ("Sonae Capital Group") and was set up on 14 December 2007 as a result of the demerger of the shareholding in SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) from Sonae, SGPS, SA, which was approved by the Board of Directors on 8 November 2007 and by the Shareholder's General Meeting held on 14 December 2007.

Sonae Capital's business portfolio was reorganized into two main strategic businesses areas:

- The first business area, led by Sonae Turismo, SGPS, SA, includes businesses in tourism, through development, management and sale of touristic resorts, real estate, through development and sale of high quality residential buildings, in hotels, through ownership and management of hotels, and in services, through activities such as restaurants, catering and events and health and fitness;
- The second business area, led by Spred, SGPS, SA (previously named Publimeios, SGPS, SA), includes businesses in three segments: identifying new business opportunities in emerging sectors or sectors undergoing restructuring, ownership and management of businesses with high potential for future development, whenever considered necessary in joint ventures with specialized third parties, and management of a financial portfolio.

1.1. Pro-forma Consolidated Financial Statements

Sonae Capital was set up as a result of a spin-off from Sonae, SGPS, SA of the shareholding in SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) and as such has not published historical consolidated financial statements. Additionally, SC, SGPS, SA did not publish its own consolidated financial statements since it was fully owned by Sonae, SGPS, SA.

Since, in substance, the activity in the financial years 2006 and 2007 of the companies of the Sonae Capital Group was not modified by the de-merger process referred above, the consolidated financial statements as at 31 December 2007 and the comparable information related to the financial year ended in 31 December 2006, were prepared in the assumption that those companies already were part of the Group, considering the assumptions and criteria referred to below.

Pro-forma consolidated financial statements as at 30 June 2007, 31 December 2006 and 2005 were issued to disclose consolidated historical financial information of Sonae Capital in the context of the prospectus for the listing of Sonae Capital's shares representing the whole of its share capital.

The consolidated financial statements as at 31 December 2007 were prepared on the basis of the same assumptions taken into consideration for the Prospectus for the listing of Sonae Capital's shares and considered the agreement between SC - Engenharia e Promoção Imobiliária, SGPS, SA and Soares da Costa Construções, SGPS, SA for the terms for the sale of the whole of the share capital of Contacto - Sociedade de Construções, SA, which has become effective as a result of the non-opposition by the Competition Authority, on 21 February 2008 (considered as discontinued operations in accordance of IFRS 5 - the impact was also considered in the consolidated balance sheet as at 31 December 2006).

Consolidated balance sheets as at 31 December 2007 and 2006, show the impacts of the sale of Contacto-Sociedade de Construções, S.A..

In accordance with IFRS (International Financial Reporting Standards) 5, and to ensure comparability between 2007 and 2006, consolidated income statements and consolidated cash flow statements present separately:

- Continued Operations: include the following businesses: Spred, Tourism and Holding and Others;
- Discontinued Operations: include Contacto and the write-back of intragroup flows between the remaining companies in the consolidation perimeter and Contacto;
- Total Operations: include both operations, continued and discontinued.

The following criteria were used in the preparation of these pro-forma consolidated financial statements:

- These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable to financial years beginning on 1 January 2006 and 2007, respectively, for financial statements as at 31 December 2006 and 2007.
- These pro-forma consolidated financial statements have been prepared as if the spin-off had occurred on 1 January 2004, the beginning of the first comparative period in the prospectus for the listing of the shares representative of the share capital of Sonae Capital, SGPS, SA.
- Considering that the spin-off is a transaction between entities controlled by the same company and corresponds to a reorganization of the business portfolio of Sonae, SGPS, SA and that on the date of transfer of demerger rights Sonae, SGPS, SA and Sonae Capital, SGPS, SA were owned by the same shareholders, the pooling of interests has been the method used, in accordance with IAS 8. Under this method:

1. Assets and liabilities spun-off are shown at the same value they had in the consolidated financial statements of Sonae, SGPS, SA;

2. Transactions and cash flows are shown at the same amounts as the ones included in the consolidated financial statements of Sonae, SGPS, SA;
3. Balances and transactions between companies included in these consolidated financial statements and other Sonae Group companies have not been eliminated;
4. The difference between the nominal value of the shares resulting from the demerger (250,000,000 euro) plus the demerger reserve (132,638,253 euro) and the value of the net assets spun-off, is shown in equity;
5. All affiliated and associated undertakings directly or indirectly owned by SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) which on 1 October 2007 (date of reference of the spin-off) were not directly or indirectly owned by Sonae Capital (and that as such were not included in the spin-off) and which are not related to the Group's activities after that date, have been excluded from these pro-forma consolidated financial statements. Amounts relating to financial investments and intercompany loans granted to these undertakings recorded in the individual financial statements of companies included on consolidation (Note 5) and gains or losses arising on their sale, as well as dividends distributed, have been written off to equity in each of the financial years ended 31 December 2006 and 2007;
6. Affiliated undertakings acquired by SC, SGPS, SA, directly or indirectly, after 1 January 2004 have been included in these pro-forma consolidated financial statements since the date of acquisition, considering to be the date of acquisition by the Sonae Group in case they have been acquired from Sonae;
7. Assets (including goodwill) and liabilities of affiliated undertakings acquired by SC, SGPS, SA from the Sonae Group after 1 January 2004 are included in the balance sheet as well as in pro-forma adjustments in equity. The price paid by SC, SGPS, SA on the date of acquisition of these affiliated or associated undertakings is also recorded in pro-forma adjustments in equity;
8. Taking into account the objectives of disclosure of these pro-forma financial statements, all affiliated and associated undertakings which, although owned by Sonae Capital on 1 October 2007, had already been sold at the time these financial statements were issued have been excluded from consolidation. For these shareholdings, the procedures set out in 5. above have been followed.

Companies sold which have been excluded from these 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:

COMPANY	Head Office	Percentage of capital held			
		On the date of disposal		31.December.2006	
		Direct	Total	Direct	Total
Companies sold until 31 December 2006					
Imoplamac Gestão de Imóveis, SA	Santarém			100.00%	100.00%
Somit-Soc.Mad.Ind.Transformadas, SA	Oliveira do Hospital			100.00%	100.00%
Companies sold until 31 December 2007					
Casa Agrícola João e António Pombo, SA	Portel	66.67%	66.67%	66.67%	32.67%
Elmo SGPS, SA	Maia	60.00%	60.00%	100.00%	100.00%
Esprit du Monde, SA	Portel	100.00%	66.67%	100.00%	32.67%
Iginha-Sociedade Imobiliária, SA	Matosinhos	100.00%	100.00%	100.00%	49.00%
Ipaper-Industria Papeis Impregnados, SA	Maia	51.00%	24.99%	51.00%	24.99%
Leroy Gabon, SA	Libreville (Gabon)	99.99%	99.99%	99.99%	99.99%
Placage d'Okoumé du Gabon	Libreville (Gabon)	99.88%	99.88%	99.88%	99.88%
Plysorol Contreplaques, SAS	Frñace	100.00%	60.00%	100.00%	100.00%
Plysorol SAS	Niort (France)	100.00%	60.00%	100.00%	100.00%
Safira Services-Limpeza Espaços Verd., SA	Porto	51.00%	25.55%	51.00%	25.55%
Espimaia -Sociedade Imobiliária, SA	Maia	100.00%	100.00%	100.00%	100.00%
Isoroy Casteljaloux	Casteljaloux (France)	100.00%	100.00%	100.00%	100.00%
MDS - Corretores de Seguros, SA	Porto	100.00%	100.00%	100.00%	100.00%
Sonae RE, SA	Luxemburg	100.00%	100.00%	100.00%	100.00%

Associated companies sold which have been excluded from these 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:

COMPANY	Head Office	Percentage of capital held	
		On the date of disposal	31.December.2006
		Total	Total
Associated companies sold until 31 December 2007			
Interclean, SA	Brazil	12.77%	12.77%
Developpement & Partenariat Assurances, SA	Paris (France)	35.00%	35.00%
Lazam Corretora, Ltda	Brazil	45.00%	45.00%
Cooper Gay (Holding) Limited	UK	13.68%	13.68%

The following companies have been included in these pro-forma consolidated financial statements, although they were not held directly or indirectly by SC, SGPS, SA as at the date of each of the balance sheets:

COMPANY	Head Office
Companies acquired until 31 December 2006	
Aqualuz - Turismo e Lazer, Lda	Lagos
1) Aquapraia Investimentos Turísticos, SGPS, SA	Lisbon
Aquapraia-Investimentos Turísticos, SA	Grândola
Bloco Q-Sociedade Imobiliária, SA	Porto
Bloco W-Sociedade Imobiliária, SA	Matosinhos
2) Campimeios - Sociedade Imobiliária, SA	Maia
Casa da Ribeira - Hotelaria e Turismo, SA	Marco de Canaveses
1) Gestholdings-SGPS, SA	Porto
Golf Time - Golfe e Inv.Turísticos, SA	Porto
Imoarea Investimentos Turísticos, SGPS, SA	Matosinhos
Imoferro-Soc.Imobiliária, SA	Maia
Imopenínsula - Sociedade Imobiliária, SA	Grândola
Imoponte-Soc.Imobiliária, SA	Maia
Imoresort - Sociedade Imobiliária, SA	Grândola
Insulatroia - Sociedade Imobiliária, SA	Grândola
Integrum-Serviços Partilhados, SA	Maia
Marimo - Exploração Hoteleira Imobiliária, SA	Grândola
Marina de Troia, SA	Troia
Marina Magic - Exploração de Centros Lúd, SA	Lisbon
Marmagno-Expl.Hoteleira Imob., SA	Grândola
Marvero-Expl.Hoteleira Imob., SA	Grândola
Partnergiro-Empreendimentos Turísticos, SA	Maia
SII - Soberana Investimentos Imobiliários, SA	Grândola
Solinca III-Desporto e Saúde, SA	Lisbon
1) Solinca Lazer,SGPS, SA	Porto
Solinca-Investimentos Turísticos, SA	Porto
Solinfitness - Club Malaga, SL	Malaga (Spain)
Soltroia-Imob.de Urb.Turismo de Troia, SA	Lisbon
Sonae Turismo - SGPS, SA	Porto
Sonae Turismo Gestão e Serviços, SA	Porto
Sontur, BV	Amsterdam (The Netherlands)
Troiaresort - Investimentos Turísticos, SA	Grândola
Troiaverde-Expl.Hoteleira Imob., SA	Grândola
Tulipamar-Expl.Hoteleira Imob., SA	Grândola
Venda Aluga-Sociedade Imobiliária, SA	Maia
World Trade Center Porto, SA	Porto
Companies acquired until 31 December 2007	
Atlantic Ferries - Traf.Loc.Flu.e Marít., SA	Grândola
Investalentejo, SGPS, SA	Vila de Conde
Sete e Meio - Investimentos e Consultadoria, SA	Grândola
Sete e Meio Herdades - Investimentos Agrícolas e Turismo, SA	Grândola

- 1) Company merged into Sonae Turismo - SGPS, SA in 2006.
2) Company dissolved in 2006.

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"), previously named "Standing Interpretations Committee" ("SIC"), beginning on 1 January 2007.

The accompanying consolidated pro-forma financial statements have been prepared from the books and accounting records of the companies included on consolidation (Notes 5 to 7), on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Note 2.12).

During 2007, IFRS 7 - "Derivatives" was adopted for the first time, the use of which is mandatory for accounting periods starting on 1 January 2007 or later, as well as the corresponding changes to IAS 1- "Presentation of Financial Statements". The adoption of these standards resulted in an increase in the amount of information disclosed concerning derivatives used in the Group.

In addition, four Interpretations were also issued during the year ended 31 December 2007: (i) IFRIC 7 - "Adoption of the restatement method according to IAS 29 - Financial Reporting in Hyper-inflationary Economies"; (ii) IFRIC 8 - "Scope of IFRS 2"; (iii) IFRIC 9 - "Revaluation of Embedded Derivatives"; and (iv) IFRIC 10 - "Interim Financial Statements and Impairments". The adoption of these interpretations has not impacted significantly the consolidated financial statements for the year ended 31 December 2007.

As at the date of issue of these consolidated financial statements the following standards had already been endorsed by the European Union, whose adoption was not required and the respective ratification by the European Union had not yet occurred:

- Revision of IAS 23 - "Borrowing Costs"- (mandatory as from 1 January 2009);
- Revision of IFRS 3 - "Business Combinations" - (mandatory as from 1 July 2009);
- IFRS 8 - "Operating Segments" - (mandatory as from 1 January 2009);
- IFRIC 11 - "IFRS 2 - Share-based Payment";
- IFRIC 12 - "Service Concession Arrangements" - (mandatory as from 1 January 2008);
- IFRIC 13 - "Customer Loyalty Programmes" - (mandatory as from 1 July 2008);
- IFRIC 14 - "IAS 19 - The Limit on a Defined Benefit Asset" - (mandatory as from 1 January 2008);

The adoption of these standards was not required for the financial year beginning on 1 January 2007 and as such, Sonae Capital has decided not to engage in their early adoption. There will be no material impacts on future financial statements of the Group from adopting these standards and interpretations, with the exception of IFRS 8.

The Group has decided not to make any additional disclosures related with IAS 11 - Construction Contracts, because the only activity in this business area is Contacto - Sociedade de Construções, SA, which was considered as a discontinued activity as disclosed in note 1.1.

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 Capital 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 Capital until the minority's share of losses previously absorbed by the equity holders of Sonae Capital 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.c)). 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.

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 7).

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 associated and in jointly controlled 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) and in jointly controlled companies 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 and jointly controlled companies and by 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.c)), which is included in the caption Investment in associated and jointly controlled 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.

When the Group's share of losses exceeds the carrying amount of the investment, this is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment.

An assessment of investments in associated and jointly controlled companies is performed when there is an indication that the asset might be impaired. Any impairment loss is disclosed in the income statement. Impairment losses recorded in prior years that are no longer justifiable, are reversed.

The Group's share in unrealized gains arising from transactions with associated and jointly controlled 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 and jointly controlled companies are disclosed in Note 6.

c) Goodwill

The excess of the cost of acquisition of investments in group, 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 11) or as Investments in associated companies (Note 6). 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 Currency Translation Reserves.

Goodwill is not amortised, but is subject to impairment tests on an annual basis. The recoverable amount is determined based on the business plans used in the management of the Group or on valuation reports prepared by independent entities. Impairment losses identified in the period are disclosed in the income statement under Provisions and impairment losses, and 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 costs, is recognised as income in the profit and 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 principles 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 are also disclosed as Retained earnings (IFRS 1).

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the individual 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 Currency Translation Reserves. Exchange rate differences that 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:

	31.12.2007		31.12.2006	
	End of period	Average of period	End of period	Average of period
Pound Sterling	1.36361	1.46209	1.48920	1.46704
Brazilian Real	0.38516	0.37577	0.35564	0.36658

Source: Bloomberg

2.3. 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.

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 and disclosed in Amortisation and Depreciation in the consolidated profit and loss account.

Impairment losses in intangible assets are accounted for in the year when they are estimated, and are disclosed in Amortisation and Depreciation in the consolidated profit and loss account.

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 related 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 start being used.

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. 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 capitalized as intangible assets.

Amortisation is calculated on a straight line basis, as from the date the asset is first used, over the expected useful life which normally is between 3 and 6 years, and are disclosed in Amortisation and Depreciation in the consolidated profit and loss account.

2.5. 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

Where the Group acts as a lessor in operating leases, the value of assets leased is maintained in the Group's balance sheet and related rents are taken to the profit and loss account on a straight line basis over the period of the lease.

2.6. 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.

2.7. Borrowing costs

Borrowing costs are normally 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 are capitalised as part of the cost of the qualifying asset. Borrowing costs are capitalised from the time 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.

2.8. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the 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.

2.9. Stocks

Goods for sale and raw materials are stated at the lower of cost, net of discounts obtained or estimated, and net realisable value. Cost is determined on a weighted average basis. Goods for sale include mostly land for real estate developments.

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 includes mostly resorts and real estate developments for sale in the normal course of business.

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 goods for sale and raw materials or finished goods and work in progress.

2.10. 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.

2.11. 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.

2.12. Financial instruments

Financial instruments were classified in the categories presented in the consolidated balance sheet as detailed in Note 8.

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.

Investment measured at fair value through profit or loss include investments held for negotiation, which the Group acquires with a view to their disposal within a short time period. They are shown in the consolidated balance sheet as Current Investments.

The Group classifies as investments available for sale, those which are not considered as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as non current assets, unless there is an intention to dispose of them in a period of less than 12 months from the balance sheet date.

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 earnings 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.

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 booked at amortised cost using the effective interest method less any impairment losses.

Financial income is calculated using the effective interest rate, except for amounts receivable within a very short time period, for which the income receivable is immaterial.

These financial investments arise when the Group supplies money, goods or services directly to a debtor without the intention to negotiate the debt involved.

Loans and accounts receivable are classified as current assets, except in cases where the maturity date is more than 12 months from the date of the balance sheet, when they are classified as non current assets. These financial investments are included in the classes identified in Note 8.

c) Customers and other third party debts

Amounts owing from "Customers" and "other third party debts" are booked at their nominal value and shown in the consolidated balance sheet less any impairment losses, recognised in the caption Losses due to impairment in receivables in order to reflect their net realisable value. These captions, when current, do not include interest, since the discount impact is considered immaterial.

Impairment losses are booked following the events that have taken place, which indicate objectively and in a quantifiable manner that the whole or a part of the debt will not be received. For this, each company of the Group takes into consideration market information which demonstrates that:

- the entity involved has significant financial difficulties;
- significant delays have taken place in payments by the entity involved;
- there is a probability that the debtor will go into liquidation or financial restructuring.

Recognised impairment losses equal the difference between the amount receivable in the accounts and the related present value of future estimated cash flows, discounted at the initial effective interest rate, which is considered to be zero in those cases where a receipt is expected within less than a year.

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 2.16. 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.

g) Derivatives

The Group uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments are used by the Group 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. Inefficiencies that may exist are shown in the caption Net Financial Income/Expenses 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 forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the Group to hedge the exposure to changes in interest rate of its loans are initially accounted for at cost 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 net financial income/expenses in the income statement over the same period in which the hedged instrument affects income statement.

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.

In these cases in which derivative instruments, in spite of having been negotiated with the abovementioned objectives (essentially derivatives in the form of interest rate options), in relation to which the company did not apply hedge accounting, are initially registered at cost, if any, and subsequently measured at fair value. The changes in value resulting from the measurement at fair value, calculated using especially designed software tools, are included in Net financial charges in the consolidated income statement.

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 contract, and this is not stated at fair value.

In specific situations, the Group may use interest rate derivatives with the goal of obtaining fair value cover. In these situations, derivatives are booked at their fair value in the consolidated financial statements. In situations in which the derivative involved is not measured at fair value (in particular borrowings that are measured at amortised cost), the effective share of cover will be adjusted to the accounting value of the derivative covered through the profit and loss account.

h) Equity instruments

Equity instruments are those that represent a residual interest on the Group's net assets and are recorded at the amount received, net of costs incurred with their issuance.

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.

2.13. Share-based payments

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae, SGPS, SA share price 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. 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.

2.14. 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.

2.15. 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.

2.16. 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.

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.

2.17. 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.

2.18. 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.

2.19. Judgements and estimates

The most significant accounting estimates reflected in the financial statements are as follows:

- a) Useful lives of tangible and intangible assets;
- b) Analysis of the impairment of goodwill and other tangible and intangible assets;
- c) Adjustments to the values of assets and provisions;

Estimates were based on the best information available at the date of the preparation of the financial statements and on the best knowledge and experience of past and/or current events. These estimates may, however, be affected by subsequent events which are not foreseeable at the present date. Changes to these estimates, which take place after the date of the financial statements, will be recognised prospectively in the income statement, in accordance with IAS 8.

The main estimates and assumptions used relating to future events included in the consolidated financial statements are described in the corresponding notes attached.

2.20. Segment information

All business segments of the Group are identified annually.

Information regarding business and geographic segments identified is included in Note 46.

3. Financial risk management

3.1. Market risks

a) Interest Rate risk - POLICY

As a result of maintaining its variable rate debt in the consolidated balance sheet, and the resulting cash flows from interest payments, the Group is exposed to a Euro interest rate risk.

In view of the fact that:

- the volatility of Group results does not depend only on the volatility of its financial results linked to the volatility of interest rates;
- under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;
- the setting up of any form of risk cover structure has an implicit opportunity cost associated with it.

The Group policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives), but rather has opted for a dynamic approach to monitoring exposure, which aligns market conditions to the real exposure of the Group, in order to avoid the possibility of exposure that could have a real impact on the consolidated results of the Group.

In view of the above, the Group policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

- derivatives are not used for trading, profit making or speculation;
- derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt;
- the maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;
- derivative contracts are only agreed with authorised entities, specifically Financial Institutions with a minimum Investment Grade rating, giving preference to Banking Relationship Institutions of the Group;
- All transactions must be the object of competitive bids, involving at least two financial institutions;
- All transactions are entered into by using market standard contracts (ISDA), with schedules negotiated with each one of the Institutions;
- To determine the fair value of the hedging transactions, the Group uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;
- Any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

b) Interest Rate Risk - SENSITIVITY ANALYSIS

Interest rate sensitivity is based on the the following assumptions:

- Changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;
- Changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;
- In the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risks;
- Changes in market interest rates of financial instruments which were designated as cash flow hedging instruments to cover fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);
- Changes in market interest rates of interest rate derivatives, which are specified as being part of hedging relationships as defined in IAS39, affect the results of the company (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;
- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;
- The sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the consolidated net profit before tax of the Group as at 31 December 2007 would have been lower/higher by around 1,266,881.40 euro (as at 31 December 2006 they would have been higher/lower by around 266,930.58 euro). The equity impact of the interest rate sensitivity analysis as at 31 December 2007 would have been lower/higher by around 0 euro (as at 31 December 2006 the impact would have been lower/higher by around 0 euro).

c) Exchange Rate Risk

The Sonae Capital Group, as a Group mainly operating in the Iberian peninsula, has an immaterial exposure to exchange rate risk.

In relation to translation risks, given that almost all of shareholders' funds and loans to affiliates are denominated in euro, there is no significant exposure to this risk.

In relation to transaction risks, whenever exposure arises in this area, the risk is mainly managed through forward exchange rate contracts, in order to eliminate the volatility of forward exchange rate fluctuations, and thus increase cash flow certainty. From time to time, and if the amounts involved and degree of uncertainty are relevant, the Company, with approval from the Board of Directors, may use other options.

In view of the low volume of balances in foreign currency, no exchange rate sensitivity analysis were carried out.

d) Other Price Risks

The Group is exposed to risks arising from the value of investments made in financial shareholdings. However, these investments are in general made with strategic objectives in mind and not for current trading..

3.2. Credit Risk

Credit risks at Sonae Capital arise mainly from (i) debts from customers relating to operational activity, (ii) its relationships with financial institutions in the course of its day to day business activity, and (iii) the risk of non compliance by business counterparts in portfolio transactions.

- Customer Credit: The management of credit risk at Sonae Capital is structured to the specific needs of the businesses of the Group, always taking into consideration:

- a. the specific profiles of customers of each business,
- b. the careful determination of appropriate credit limits, based on the one hand on the customer's profile and on the other on the nature of business, avoiding the excessive concentration of credit, and thus minimising its exposure to this risk;
- c. regular follow up of customers' accounts;
- d. the setting up of devolved processes of granting credit, and the segregation of administrative procedures from decision making processes;
- e. the use of legal means necessary to recover debts.

- Financial Institutions : The credit risk is linked to possible non compliance by Financial Institutions, to which the Group is contractually bound, in its normal operational activity, term deposits, cash balances and derivatives.

To mitigate this risk, the Group:

- a. Only executes transactions with counterparts with an Investment Grade minimum grading;
- b. Diversifies its counterparts, in order to avoid an excessive concentration of credit risk,
- c. Defines a restricted range of chosen instruments (aimed at not contracting complex instruments, the structure of which is not entirely known);
- d. Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

- Shareholding Buy/Sale transactions: In the course of its business, the Group is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the variability of the means used, there exists always the possibility of using normal market methods, namely carrying out due diligence, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed.

3.3. Liquidity Risks

The objective of liquidity risk management is to ensure at any given moment that the Group has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Group aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Group includes the following key aspects:

- Centralised liquidity management (cash surpluses and needs) at the holding company level, seeking to optimise the finance function in the Group;
- Financial planning based on cash flow forecasts, both at an individual company and consolidated level, and for different time periods (weekly, monthly, annual and multi year);
- Short and long term financial control systems (based on *Treasury* and *Cash Management* systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;
- Diversification of sources of financing and counterparts;
- Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;
- Contracts with relationship Banks, of committed credit lines (of at least one year) and Commercial Paper Programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable.

4. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

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:

COMPANY	Head Office	Percentage of capital held			
		31.December.2007		31.December.2006	
		Direct	Total	Direct	Total
Sonae Capital SGPS, SA	Maia	HOLDING	HOLDING	HOLDING	HOLDING
Tourism					
Águas Furtadas - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Aqualuz - Turismo e Lazer, Lda	a)	Lagos	100.00%	100.00%	100.00%
Aquapraia-Investimentos Turísticos, SA	a)	Grândola	100.00%	100.00%	100.00%
Azulino Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Bloco Q-Sociedade Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%
Bloco W-Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Casa da Ribeira - Hotelaria e Turismo, SA	a)	Marco de Canaveses	100.00%	100.00%	100.00%
Centro Residencial da Maia,Urban., SA	a)	Porto	100.00%	100.00%	100.00%
Cinclus Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%
Country Club da Maia-Imobiliaria, SA	a)	Maia	100.00%	100.00%	100.00%
Empreend.Imob.Quinta da Azenha, SA	a)	Maia	100.00%	100.00%	100.00%
Fundo de Investimento Imobiliário Fechado Imosede	a)	Maia	57.84%	66.19%	66.19%
Golf Time - Golfe e Inv.Turísticos, SA	a)	Porto	75.00%	75.00%	75.00%
Imoarea Investimentos Turísticos, SGPS, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Imobiliária da Cacela, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Imoclub-Serviços Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Imodivor - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%
Imoferro-Soc.Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%
Imohotel-Emp.Turist.Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Imopeninsula - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%
Imoponte-Soc.Imobiliaria, SA	a)	Maia	100.00%	100.00%	100.00%
Imoresort - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%
Imosedas-Imobiliária e Serviços, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Implantação - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Insulatroia - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%
Investalentejo, SGPS, SA	a)	Vila de Conde	100.00%	100.00%	100.00%
Marimo -Exploração Hoteleira Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%
Marina de Troia, SA	a)	Troia	100.00%	100.00%	100.00%
Marina Magic - Exploração de Centros Lúd, SA	a)	Lisbon	100.00%	100.00%	100.00%
Marmagno-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%
Martimope - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%
Marvero-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%
Partnergiro-Empreendimentos Turísticos, SA	a)	Maia	100.00%	100.00%	100.00%
Porturbe-Edifícios e Urbanizações, SA	a)	Maia	100.00%	100.00%	100.00%
Praedium II-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%
Praedium III-Serviços Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%
Praedium-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%
Prédios Privados Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Predisedas-Predial das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Promessa Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%
Promosedas-Prom.Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%
Sete e Meio - Investimentos e Consultadoria, SA	a)	Grândola	100.00%	100.00%	100.00%
Sete e Meio Herdades - Investimentos Agrícolas e Turismo, SA	a)	Grândola	100.00%	100.00%	100.00%
SC - Engenharia e Promoção Imobiliária, SGPS, SA	a)	Porto	100.00%	100.00%	100.00%
SII - Soberana Investimentos Imobiliários, SA	a)	Grândola	100.00%	100.00%	100.00%
Soconstrução, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%
Soira-Soc.Imobiliária de Ramalde, SA	a)	Porto	100.00%	100.00%	100.00%
Sol inca III-Desporto e Saúde, SA	a)	Lisbon	100.00%	100.00%	100.00%
Sol inca-Investimentos Turísticos, SA	a)	Porto	100.00%	100.00%	100.00%

	Solinfitness - Club Malaga, SL	a)	Malaga (Spain)	100.00%	100.00%	100.00%	100.00%
	Soltroia-Imob.de Urb.Turismo de Troia, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
	Sonae Turismo - SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Sonae Turismo Gestão e Serviços, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Sontur, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sótaqua - Soc. de Empreendimentos Turist, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Spinveste - Promoção Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Spinveste-Gestão Imobiliária SGII, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Torre São Gabriel-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Troiaresort - Investimentos Turísticos, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
	Troiaverde-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
	Tulpamar-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
	Urbisedas-Imobiliária das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Venda Aluga-Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	World Trade Center Porto, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Spred							
	Atlantic Ferries - Traf. Loc. Flu e Marit., SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
	Box Lines Navegação, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto - Sociedade de Construções, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Contacto Concessões, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Cronosaúde – Gestão Hospitalar, SA	a)	Porto	100.00%	50.00%	100.00%	100.00%
	Friengineering, SA	a)	São Paulo (Brazil)	100.00%	70.00%	100.00%	50.10%
	Inparvi SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Integrum-Serviços Partilhados, SA	a)	Maia	100.00%	70.00%	100.00%	35.07%
	Invsauúde - Gestão Hospitalar, SA	a)	Maia	100.00%	50.00%	100.00%	100.00%
4)	Libra Serviços, Lda	a)	Funchal	100.00%	100.00%	100.00%	100.00%
	PJP - Equipamento de Refrigeração, Lda	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
1)	Spred SGPS, SA	a)	Maia	100.00%	100.00%	50.10%	50.10%
	Saúde Atlântica - Gestão Hospitalar, SA	a)	Maia	50.00%	50.00%	100.00%	100.00%
	SC Insurance Risks Services, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Selfrio,SGPS, SA	a)	Matosinhos	70.00%	70.00%	70.00%	35.07%
	Selfrio-Engenharia do Frio, SA	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
	Sistavac-Sist.Aquecimento,V.Ar C., SA	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
	SKK-Central de Distr., SA	a)	Porto	100.00%	70.00%	100.00%	35.07%
	SKKFOR - Ser. For. e Desen. de Recursos, SA	a)	Maia	100.00%	70.00%	96.00%	33.67%
	SMP-Serv. de Manutenção Planeamento, SA	a)	Matosinhos	100.00%	70.00%	100.00%	35.07%
	Société de Tranchage Isoroy SAS	a)	Honfleur (France)	100.00%	100.00%	100.00%	100.00%
	Société des Essences Fines Isoroy	a)	Honfleur (France)	100.00%	100.00%	100.00%	100.00%
	Sopair, SA	a)	Madrid (Spain)	100.00%	70.00%	60.00%	30.06%
	Spinarq, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Textil do Marco, SA	a)	Marco de Canaveses	90.37%	90.37%	90.37%	90.37%
3) 5)	Vistas do Freixo-Emp.Tur.imobiliárias,SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Others							
2)	DMJB, SGPS, SA	a)	Maia	100.00%	100.00%	-	-
	Interlog-SGPS, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
2)	Pargeste SGPS, SA		Maia	89.99%	89.99%	40.00%	40.00%
	Rochester Real Estate, Ltd	a)	Kent (U.K.)	100.00%	100.00%	100.00%	100.00%
	SC-Consultadoria,SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	SC-S.G.P.S., SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Sonae Financial Participations, BV	a)	Amsterdam (The Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sonae International, Ltd	a)	London (U.K.)	100.00%	100.00%	100.00%	100.00%

a) Majority of voting rights;

1) Ex - Publmeios-Soc.Gestora Part. Finan., SGPS, SA;

2) Company acquired in the period;

3) Ex - NAB, Sociedade Imobiliária ,SA

4) Company sold in the period;

5) Company included in the Tourism segment in the last period.

These group companies are consolidated using the full consolidation method as described in Note 2.2.a).

6. INVESTMENTS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Associated and 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		Book Value		
COMPANY	Head Office	Direct	Total	Direct	Total	31.December.2007	31.December.2006	
Tourism								
	Andar - Sociedade Imobiliária, SA	Maia	50.00%	50.00%	50.00%	50.00%	-	-
	Sociedade de Construções do Chile, SA	Lisbon	100.00%	50.00%	100.00%	50.00%	-	-
	Sociedade Imobiliária Troia - B3, SA	Grândola	20.00%	20.00%	20.00%	20.00%	450,631	509,674
	Vastgoed One - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%	-	-
	Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	100.00%	50.00%	-	-
Spred								
	CarPlus – Comércio de Automóveis, SA	Vila Nova de Gaia	100.00%	50.00%	100.00%	50.00%	-	-
1)	Cinclus-Plan. e Gestão de Projectos, SA	Porto	25.00%	25.00%	100.00%	100.00%	567,259	-
	Change, SGPS, SA	Porto	50.00%	50.00%	50.00%	50.00%	2,035,846	2,043,244
	Choice Car - Comércio de Automóveis, SA	Porto	100.00%	50.00%	100.00%	50.00%	-	-
	Choice Car SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%	3,750,798	2,724,687
	Etablissement A. Mathe, SA	France	27.74%	27.74%	27.74%	27,74%	31,937	57,475
	Finlog - Aluguer e Comércio de Automóveis, SA	Matosinhos	100.00%	50.00%	100.00%	50.00%	-	-
	Guerin – Rent a Car (Dois), Lda	Lisbon	100.00%	50.00%	100.00%	50.00%	-	-
	Lidergraf - Artes Gráficas, Lda	Vila de Conde	24.50%	24.50%	25.50%	25.50%	813,764	1,153,522
	Luso Assistência - Gestão de Acidentes, SA	Porto	100.00%	50.00%	100.00%	50.00%	-	-
	Norscut - Concessionária de Scut Interior Norte, SA	Lisbon	25.00%	25.00%	25.00%	25.00%	1,547,478	-
	Operscut - Operação e Manutenção de Auto-estradas, SA	Lisbon	15.00%	15.00%	15.00%	15.00%	24,000	24,000
	Sodesa, SA	Lisbon	50.00%	50.00%	50.00%	50.00%	482,661	676,236
	TP - Sociedade Térmica, SA	Porto	50.00%	50.00%	50.00%	50.00%	9,281,288	7,743,929
Others								
2)	Pargeste SGPS, SA	Maia	89.99%	89.99%	40.00%	40.00%	-	131
Total (Note 12)							18,985,662	14,932,896

1) In 2007, sale of 75% of the share capital. In 2006, the company was already considered as an associated company.

2) Acquisition of 49.99% of the share capital of the associated company and because of that the company was included by the equity method.

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

Associated and jointly controlled companies are consolidated using the equity method.

As at 31 December 2007 and 2006, aggregate values of main financial indicators of associated and jointly controlled companies can be analysed as follows:

	31.December.2007	31.December.2006
Total Assets	1,242,669,996	1,137,102,886
Total Liabilities	1,139,976,914	1,078,942,382
Income	239,497,012	194,903,389
Expenses	236,175,541	194,190,613

During the periods ended 31 December 2007 and 2006, movements in investments in associated companies may be summarised as follows:

	31.December.2007	31.December.2006
Investment in associated companies		
Opening balance as at 1 January	14,932,898	9,764,314
Acquisitions in the period	5,985,283	857,316
Disposals in the period	-	(500)
Equity method effect	(1,634,249)	4,311,768
De-merger	-	-
Transfers	(298,270)	-
Closing balance as at 31 December	18,985,662	14,932,898
Investment in associated companies	18,985,662	14,932,898

The use of the equity method had the following impacts: 857,332 euro are recorded in Share of results of associated undertakings (4,955,450 euro at 31 December 2007) and -2,491,581 euro are recorded as Other changes in Reserves (-643,682 euro at 31 December 2006).

7. GROUP COMPANIES, JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES EXCLUDED FROM CONSOLIDATION AND INVESTMENTS HELD FOR SALE

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 made up as follows:

			Percentage of capital held						
COMPANY	Reason for exclusion	Head Office	31.December.2007		31.December.2006		Book Value		
			Direct	Total	Direct	Total	31.December.2007	31.December.2006	
Tourism									
	Delphinus – Soc. de Tur. e Div. de Tróia, SA	a)	Grândola	79.00%	79.00%	79.00%	79.00%	-	-
1)	Fun International Entertainment, SA	a)	Porto	50.00%	50.00%	50.00%	50.00%	-	-
	Infratroia – Emp. de Infraest. de Troia, E.N.	a)	Grândola	25.90%	25.90%	25.90%	25.90%	64,747	64,747
	Spídouro S.P.E.I. Douro e Trás-os-Montes, SA		Vila Real	8.30%	8.30%	8.30%	8.30%		-
	Star-Viagens e Turismo, SA		Lisbon	10.00%	10.00%	10.00%	10.00%	1,550,976	1,550,976
Spred									
2)	Arbiworld BV		Porto	100.00%	100.00%	-	-	9,988,577	-
3)4)	Bar-Bar-Idade Glass - Serviços de Gestão e Investimentos, SA		Porto	-	-	7.83%	7.83%	-	12,054,632
5)	Cinclus-Plan. e Gestão de Projectos, SA		Porto	25.00%	25.00%	100.00%	100.00%	-	1,962,203
	Net, SA		Lisbon	2.80%	2.80%	2.80%	2.80%	11,132	11,132
	Sear - Sociedade Europeia de Arroz, SA		Santiago do Cacém	15.00%	15.00%	15.00%	15.00%	150,031	150,031
	Société Naturel de Bois Gabonais		Gabon	4.24%	4.24%	4.24%	4.24%	-	-
4)	Sonae Indústria, SGPS, SA		Maia	6.80%	6.80%	6.80%	6.80%	63,320,071	71,414,143
	Real Change FCR - Fundo		Porto	13.33%	13.33%	-	-	1,800,000	
Other investments								300,739	506,710
Total (Note 12)								77,186,273	87,714,574

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) Sale, in 2007, of the entire shareholding.
- 2) Company acquired in the period, in relation to which call and put options exist, and as such was excluded from consolidation.
- 3) Sale in 2006 of 3.92% of the share capital and in 2007 the remaining share capital;
- 4) Investment measured at fair value.
- 5) Sale, in 2007, of 75% of the share capital.

Nil balances shown above result from deduction of impairment losses from related investments (Note 31).

8. FINANCIAL INSTRUMENTS

Financial Instruments, in accordance with the policies described in Note 2.12 were classified as follows:

Financial Assets

	Note	Borrowings and receivables	Available for sale	Investments held until maturity	Sub-total	Assets not covered by IFRS 7	Total
As at 31 December 2007							
Non-Current Assets							
Other Investments	12	-	77,186,273	-	77,186,273	-	77,186,273
Other non-current assets	13	24,311,811	-	-	24,311,811	-	24,311,811
		<u>24,311,811</u>	<u>77,186,273</u>	<u>0</u>	<u>101,498,084</u>	<u>-</u>	<u>101,498,084</u>
Current assets							
Trade account receivables	15	35,322,604	-	-	35,322,604	-	35,322,604
Other debtors	16	24,998,713	-	-	24,998,713	-	24,998,713
Other current assets	12	-	499	-	499	-	499
Investments held for trading	18	135,206	-	6,722,874	6,858,080	-	6,858,080
Cash and cash equivalents	20	43,956,550	-	-	43,956,550	-	43,956,550
		<u>104,413,073</u>	<u>499</u>	<u>6,722,874</u>	<u>111,136,446</u>	<u>-</u>	<u>111,136,446</u>
		<u>128,724,884</u>	<u>77,186,772</u>	<u>6,722,874</u>	<u>212,634,530</u>	<u>-</u>	<u>212,634,530</u>
As at 31 December 2006							
Non-Current Assets							
Other Investments	12	-	87,714,574	-	87,714,574	-	87,714,574
Other non-current assets	13	28,339,120	-	-	28,339,120	-	28,339,120
		<u>28,339,120</u>	<u>87,714,574</u>	<u>0</u>	<u>116,053,694</u>	<u>-</u>	<u>116,053,694</u>
Current assets							
Trade account receivables	15	38,268,268	-	-	38,268,268	-	38,268,268
Other debtors	16	48,114,281	-	-	48,114,281	-	48,114,281
Other current assets	18	1,235,465	-	4,139,051	5,374,516	-	5,374,516
Investments held for trading	12	-	499	-	499	-	499
Cash and cash equivalents	20	15,717,655	-	-	15,717,655	-	15,717,655
		<u>103,335,669</u>	<u>499</u>	<u>4,139,051</u>	<u>107,475,219</u>	<u>-</u>	<u>107,475,219</u>
		<u>131,674,789</u>	<u>87,715,073</u>	<u>4,139,051</u>	<u>223,528,913</u>	<u>-</u>	<u>223,528,913</u>

Financial Liabilities

	Note	Financial liabilities registered by amortised cost	Liabilities not covered by IFRS 7	Total
As at 31 December 2007				
Non-Current Liabilities				
Loans	23	122,710,414	-	122,710,414
Bonds	23	49,766,600	-	49,766,600
Other loans	23	18,977,172	0	18,977,172
Other non-current liabilities	26	33,636,840	824,495	34,461,335
		<u>225,091,026</u>	<u>824,495</u>	<u>225,915,521</u>
Current Liabilities				
Loans	23	7,714,042	-	7,714,042
Bonds	23	15,000,000	-	15,000,000
Other loans	23	2,036,961	-	2,036,961
Trade creditors	28	30,876,038	-	30,876,038
Other creditors	29	110,830,844	-	110,830,844
Other current liabilities	30	16,011,718	-	16,011,718
		<u>182,469,603</u>	<u>0</u>	<u>182,469,603</u>
		<u>407,560,629</u>	<u>824,495</u>	<u>408,385,124</u>

As at 31 December 2006

Non-Current Liabilities

Loans	23	81,201,470	-	81,201,470
Bonds	23	-	-	-
Other loans	23	5,190,235	-	5,190,235
Other non-current liabilities	26	64,277,134	893,921	65,171,055
		150,668,839	893,921	151,562,760

Current Liabilities

Loans	23	45,989,018	-	45,989,018
Bonds	23	-	-	0
Other loans	23	1,369,529	-	1,369,529
Trade creditors	28	29,921,201	-	29,921,201
Other creditors	29	166,621,733	-	166,621,733
Other current liabilities	30	18,963,426	-	18,963,426
		262,864,907	0	262,864,907
		413,533,746	893,921	414,427,667

9. TANGIBLE ASSETS

During the periods ended 31 December 2007 and 2006, movements in Tangible assets as well as in depreciation and accumulated impairment losses, are made up as 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	207,031,628	33,285,092	1,402,993	7,566,816	4,233,661	23,605,028	277,125,218
Changes in consolidation perimeter	-	-	-	-	-	-	-
Capital expenditure	43,891,868	1,189,514	545,704	520,670	104,466	61,303,300	107,555,522
Disposals	(20,904,543)	(3,770,169)	(66,564)	(684,095)	(378,407)	(1,894,896)	(27,698,674)
Exchange rate effect	30,135	(231)	-	(659)	(937)	-	28,308
Transfers	7,519,426	19,321,092	(13,371)	618,041	330,529	(32,398,119)	(4,622,402)
Opening balance as at 1 January 2007	237,568,514	50,025,298	1,868,762	8,020,773	4,289,312	50,615,313	352,387,972
Changes in consolidation perimeter	-	-	-	-	-	-	-
Capital expenditure	11,181,184	444,273	106,415	181,346	49,426	92,447,078	104,409,722
Disposals	(5,822,521)	(17,656,970)	(182,301)	(311,549)	(56,752)	(398,344)	(24,428,437)
Exchange rate effect	24,333	776	-	2,188	3,183	-	30,480
Transfers	118,646	30,514,988	-	798,266	73,558	(64,044,176)	(32,538,718)
Closing balance as at 31 December 2007	243,070,156	63,328,365	1,792,876	8,691,024	4,358,727	78,619,871	399,861,019
Accumulated depreciation and impairment losses							
Opening balance as at 1 January 2006	35,006,541	21,544,186	1,064,396	5,848,350	2,626,485	-	66,089,958
Changes in consolidation perimeter	-	-	-	-	-	-	-
Charge for the period	2,537,250	3,980,331	224,010	633,603	337,306	7,438	7,719,938
Disposals	(5,818,417)	(1,473,717)	(55,048)	(501,579)	(221,242)	-	(8,070,003)
Exchange rate effect	4,275	-	-	-	(1,836)	-	2,439
Transfers	771,945	(62,852)	(6,277)	47,053	44,680	-	794,549
Opening balance as at 1 January 2007	32,501,594	23,987,948	1,227,081	6,027,427	2,785,393	7,438	66,536,881
Changes in consolidation perimeter	-	-	-	-	-	-	-
Charge for the period	3,184,604	3,017,031	213,767	653,173	320,661	-	7,389,236
Disposals	(976,736)	(1,192,110)	(117,733)	(249,567)	(37,629)	(7,438)	(2,581,213)
Exchange rate effect	-	-	-	-	6,287	-	6,287
Transfers	(371,717)	(102,959)	(4,256)	(21,621)	(19,525)	-	(520,078)
Closing balance as at 31 December 2007	34,337,745	25,709,910	1,318,859	6,409,412	3,055,187	-	70,831,113
Carrying amount							
As at 31 de December de 2006	205,066,920	26,037,350	641,681	1,993,346	1,503,919	50,607,875	285,851,091
As at 31 de December de 2007	208,732,411	37,618,455	474,017	2,281,612	1,303,540	78,619,871	329,029,906

The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted to 23,206,431 euro and 8,980,639 euro as at 31 December 2007 and 2006, respectively, and their net book value as of those dates amounted to 22,827,661 euro and 7,995,448 euro, respectively (Note 24).

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

	31.December.2007	31.December.2006
Troia	35,958,162	18,294,938
Aparthotel Aqualuz refurbishment	7,938,315	13,006,768
Ferry boat construction	22,533,373	7,718,969
Troia Marina	6,807,999	3,462,893
Boavista refurbishment	2,715,381	4,313,751
Others	2,666,641	3,810,556
	<u>78,619,871</u>	<u>50,607,875</u>

Depreciation charge for the period includes impairment losses on tangible assets amounting to 48,334 euro (2,071,375 euro as at 31 December 2007).

10. INTANGIBLE ASSETS

During the periods ended 31 December 2007 and 2006, movements in Intangible assets as well as in 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	445,431	2,220,955	35,955	235,667	2,938,008
Capital expenditure	205,860	247,443	-	106,024	559,327
Disposals	-	(185)	-	-	(185)
Exchange rate effect	-	-	-	-	-
Transfers	2,742	(114,466)	628	(231,345)	(342,441)
Opening balance as at 1 January 2007	654,033	2,353,747	36,583	110,346	3,154,709
Capital expenditure	34,198	27,034	-	83,779	145,011
Disposals	-	(2,608)	-	-	(2,608)
Exchange rate effect	-	-	-	-	-
Transfers	2,931	81,124	-	(136,784)	(52,729)
Closing balance as at 31 December 2007	691,162	2,459,297	36,583	57,341	3,244,383
Accumulated depreciation and impairment losses					
Opening balance as at 1 January 2006	265,982	1,618,676	26,371	-	1,911,029
Charge for the period	62,850	303,379	8,804	-	375,033
Disposals	-	(18)	-	-	(18)
Exchange rate effect	-	-	-	-	-
Transfers	636	(115,775)	(470)	-	(115,609)
Opening balance as at 1 January 2007	329,468	1,806,262	34,705	-	2,170,435
Charge for the period	57,157	200,776	1,289	-	259,222
Disposals	-	(2,173)	-	-	(2,173)
Exchange rate effect	-	-	-	-	-
Transfers	24	4,193	588	-	4,805
Closing balance as at 31 December 2007	386,649	2,009,058	36,582	-	2,432,289
Carrying amount					
As at 31 de December de 2006	324,565	547,485	1,878	110,346	984,274
As at 31 de December de 2007	304,513	450,239	1	57,341	812,094

11. GOODWILL

During the periods 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	50,335,026	50,263,298
Acquisitions with increase in percentage ownership	14,763,024	-
Increases	-	71,728
Decreases	-	-
Closing balance	<u>65,098,050</u>	<u>50,335,026</u>
Accumulated impairment losses:		
Opening balance	1,301,596	1,301,596
Increases (Note 29)	-	-
Decreases	-	-
Closing balance	<u>1,301,596</u>	<u>1,301,596</u>
Carrying amount:	<u>63,796,454</u>	<u>49,033,430</u>

The increase in the year ended 31 December 2007 relates mainly to the acquisition of the affiliated company DMJB, SGPS, SA.

12. INVESTMENTS

During the periods ended 31 December 2007 and 2006, movements in investments, were as follows:

	31.December.2007		31.December.2006	
	Non current	Current	Non current	Current
<u>Investments in group companies, jointly controlled companies or associated companies excluded from consolidation</u>				
Opening balance as at 1 January	10,750,640	-	10,460,952	-
Acquisitions in the period	1,137,119	-	295,000	-
Disposals in the period	(2,257,119)	-	(5,312)	-
Transfers	1,290	-	-	-
Closing balance as at 31 December	9,631,930	-	10,750,640	-
Accumulated impairment losses (Note 31)	(7,707,938)	-	(8,827,938)	-
	1,923,992	-	1,922,702	-
<u>Investments held for sale</u>				
Fair value as at 1 January	86,140,706	499	73,771,787	720
Acquisitions in the period	11,788,577	-	9,054,283	-
Disposals in the period	(14,071,777)	-	(5,945,332)	(221)
Increase/(Decrease) in fair value	(8,094,073)	-	9,304,086	-
Transfers	20,510,959	-	(44,118)	-
Fair value as at 31 December	96,274,392	499	86,140,706	499
Accumulated impairment losses (Note 31)	(21,012,111)	-	(348,834)	-
Fair value (net of impairment losses) as at 31 December	75,262,281	499	85,791,872	499
<u>Other Investments (Note 7)</u>				
	77,186,273	499	87,714,574	499
	77,186,273	499	87,714,574	499

Investments in group companies, jointly controlled companies or associated companies excluded from consolidation are recorded at acquisition cost less impairment losses. The Group considers that it is not reasonable to estimate a fair value for these investments as there is no visible market data. Investments held for sale include 11,788,637 euro (153,590 euro as at 31 December 2006) recorded at cost net of impairment losses for the reason mentioned above.

13. 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
Loans granted to related parties		
Bar-Bar-Idade Glass - Servico de Gest. e Invest., SA	-	6,402,717
Norscut - Concessionária de Scut Interior Norte, SA	14,069,052	6,019,613
Andar - Sociedade Imobiliária, SA	3,338,173	2,953,673
Others	289,989	315,866
	17,697,214	15,691,869
Impairment losses (Note 31)	(270,489)	(270,489)
	17,426,725	15,421,380
Trade accounts receivable and other debtors		
Amounts receivable on sale of financial investments	5,510,000	12,444,829
Others	1,895,437	1,062,792
	7,405,437	13,507,621
Impairment losses (Note 31)	(520,351)	(589,881)
	6,885,086	12,917,740
Total financial instruments (Note 8)	24,311,811	28,339,120
Continued Operations	24,311,811	28,339,120
Discontinued Operations	6,821	5,496
Total Operations	24,318,632	28,344,616

Generally, values included in Other non current assets bear interest at market rates, and it is estimated that their fair value does not significantly differ from amounts in the balance sheet.

As at 31 December 2007 and 2006, the ageing of Other Non Current Assets can be detailed as follows:

	Other Non Current Assets	
	31.December.2007	31.December.2006
Not due	4,882,926	11,673,568
Due but not impaired		
< 6 months	-	30,000
6 - 12 months	-	-
> 1 year	1,669,012	1,750,554
	1,669,012	1,780,554
Due and impaired		
< 6 months	-	-
6 - 12 months	-	-
> 1 year	853,499	53,499
	853,499	53,499
	7,405,437	13,507,621

Loans granted to related parties do not have a defined maturity, and therefore are not due.

14. STOCKS

As at 31 December 2007 and 2006, stocks are detailed as follows:

	31.December.2007	31.December.2006
Raw materials and consumables	3,995,719	3,565,554
Goods for sale	48,658,484	37,659,822
By-products	120	120
Finished goods	585,511	589,239
Work in progress	95,732,710	56,961,964
Payments on account	576,543	508,085
	149,549,087	99,284,784
Accumulated impairment losses on Stocks (Note 31)	(7,474,353)	(5,893,615)
Continued Operations	142,074,734	93,391,169
Discontinued Operations	1,414,928	(9,275)
Total Operations	143,489,662	93,381,894

Goods for sale include real estate assets amounting to 43,878,180 euro as at 31 December 2007 (35,202,404 euro as at 31 December 2006).

Work in progress includes resorts and real estate developments amounting to 86,039,445 euro as at 31 December 2007 (49,744,536 euro as at 31 December 2006).

Cost of goods sold as at 31 December 2007 and 2006 amounted to 50,994,100 euro and 45,174,606 euro, respectively, and may be detailed as follows:

	31.December.2007	31.December.2006
Opening Stocks	41,225,376	42,287,170
Exchange rate effect	14,638	(4,456)
Changes in consolidation perimeter	-	-
Purchases	51,275,168	44,708,096
Adjustments	9,557,213	(311,898)
Closing Stocks	52,654,203	41,225,376
	49,418,192	45,453,536
Impairment losses (Note 31)	1,683,477	74,915
Reversion of impairment losses	(97,415)	(162,912)
Continued Operations	51,004,254	45,365,539
Discontinued Operations	(10,154)	(190,933)
Total Operations	50,994,100	45,174,606

15. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2007 and 2006, Trade accounts receivable are detailed as follows:

	31.December.2007	31.December.2006
Trade accounts receivable		
Tourism	4,112,328	3,099,970
Spred	29,647,904	34,164,347
Holding	906,240	1,228,618
	<u>34,666,472</u>	<u>38,492,935</u>
Trade Debtors, bills receivable	1,160,740	56,305
Doubtful debtors	6,149,143	6,354,308
	<u>41,976,355</u>	<u>44,903,548</u>
Accumulated impairment losses on Trade Debtors (Note 31)	(6,653,751)	(6,635,280)
Continued Operations	<u>35,322,604</u>	<u>38,268,268</u>
Trade accounts receivable	14,064,252	18,211,418
Accumulated impairment losses on Trade Debtors (Note 31)	(640,421)	(1,080,110)
Discontinued Operations	<u>13,423,831</u>	<u>17,131,308</u>
Total Operations	<u>48,746,435</u>	<u>55,399,576</u>

In the normal course of activity collection risk may arise in trade debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade Debtors reflect their fair value.

As at 31 December 2007 we do not have any reason to believe that normal collection times regarding trade accounts receivable not due for which there are no impairment losses will not be met.

As at 31 December 2007 and 2006, the ageing of Trade Accounts Receivables can be detailed as follows:

31.December.2007	Trade Account Receivables			
	Spred	Tourism	Holding and Others	Total
Not Due	20,560,590	1,822,772	-	22,383,362
Due but not impaired				
0 - 30 days	6,324,929	167,468		6,492,397
30 - 90 days	1,847,697	602,723		2,450,420
+ 90 days	2,025,379	821,235		2,846,614
Total	<u>10,198,005</u>	<u>1,591,426</u>	<u>-</u>	<u>11,789,431</u>
Due and impaired				
0 - 90 days	531,501	3,734	731,912	1,267,147
90 - 180 days	-	5,703	84,756	90,459
180 - 360 days	316,298	161,085	89,573	566,956
+ 360 days	696,218	3,779,903	1,402,879	5,879,000
Total	<u>1,544,017</u>	<u>3,950,425</u>	<u>2,309,120</u>	<u>7,803,562</u>
Continued Operations before impairments	<u>32,302,612</u>	<u>7,364,623</u>	<u>2,309,120</u>	<u>41,976,355</u>
31.December.2006	Trade Account Receivables			
	Spred	Tourism	Holding and Others	Total
Not Due	14,224,498	697,747	-	14,922,245
Due but not impaired				
0 - 30 days	9,577,683	470,149		10,047,832
30 - 90 days	9,252,410	637,155		9,889,565
+ 90 days	1,193,652	860,279		2,053,931
Total	<u>20,023,745</u>	<u>1,967,583</u>	<u>-</u>	<u>21,991,328</u>
Due and impaired				
0 - 90 days	421,227	2,074	1,102,957	1,526,258
90 - 180 days	73,030	5,661	91,797	170,488
180 - 360 days	300,397	288,804	33,864	623,065
+ 360 days	686,072	3,481,214	1,502,879	5,670,164
Total	<u>1,480,726</u>	<u>3,777,753</u>	<u>2,731,497</u>	<u>7,989,975</u>
Continued Operations before impairments	<u>35,728,969</u>	<u>6,443,083</u>	<u>2,731,497</u>	<u>44,903,548</u>

To determine the recoverability of Trade Accounts Receivable, the Group reviews all changes to the credit quality of its counterparties since the date of the credit to the date of reporting consolidated financial statements. Credit risk is not concentrated because of the significant number of trade debtors. The Group thus believe that credit risk does not exceed the recorded impairment loss for trade accounts receivable doubtful accounts.

In addition, the Group considers that maximum exposure to credit risk corresponds to the total of trade accounts receivable disclosed in the consolidated balance sheet.

16. OTHER DEBTORS

As at 31 December 2007 and 2006, Other debtors are made up as follows:

	31.December.2007	31.December.2006
Loans granted to and other amounts to be received from related parties		
Sonae SGPS, SA	-	19,868,000
Bar-Bar-Idade Glass - Serviço de Gestão Invest., SA	-	6,000,000
Sit B3	2,485,702	2,559,886
Elmo SGPS, SA	-	1,797,796
Others	6,090	1,032,366
	<u>2,491,792</u>	<u>31,258,048</u>
Other Debtors		
Trade suppliers - debit balances	1,258,295	503,611
Sale of Tangible Assets	15,348	287,499
Sale of Investments	35,056,077	14,180,547
Others	9,778,625	5,607,010
	<u>46,108,345</u>	<u>20,578,667</u>
Other Debtors	<u>46,600,137</u>	<u>51,836,715</u>
Accumulated impairment losses on Other Debtors (Note 31)	(23,601,424)	(3,722,434)
Total financial instruments (Note 8)	<u>24,998,713</u>	<u>48,114,281</u>
Continued Operations	<u>24,998,713</u>	<u>48,114,281</u>
Other Debtors	(1,111,412)	357,565
Accumulated impairment losses on Other Debtors (Note 31)	(33,557)	(33,557)
Discontinued Operations	<u>(1,144,969)</u>	<u>324,008</u>
Total Operations	<u>23,853,744</u>	<u>46,438,289</u>

As at 31 December 2007, "Accounts receivable from the sale of investments" is mainly explained by debt associated to the sale of Grano Salis in 2006 (11,532,035 euro) and by the sale of Elmo, S.G.P.S. in 2007 (19,794,479 euro), the latter generating an impairment loss (note 31).

Loans granted to related parties bear interest at market rates and do not have a defined maturity, never exceeding twelve months.

As at 31 December 2007 and 2006, ageing of Other debtors can be summarised as follows:

	Other Debtors	
	31.December.2007	31.December.2006
Not Due	34,094,834	11,436,506
Due but not impaired		
0 - 30 days	932,589	439,557
30 - 90 days	566,417	634,820
+ 90 days	5,215,623	4,418,329
Total	<u>6,714,629</u>	<u>5,492,706</u>
Due and impaired		
0 - 90 days	1,484,915	59,084
90 - 180 days		-
180 - 360 days	108,948	-
+ 360 days	3,705,019	3,590,371
Total	<u>5,298,882</u>	<u>3,649,455</u>
Continued Operations before impairments	<u>46,108,345</u>	<u>20,578,667</u>

As at 31 December 2007 we do not have any reason to believe that normal collection times regarding other debtors not due and for which there are no impairment losses will not be met.

Values included in Other debtors are close to their fair value.

17. 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
Tax recoverable		
Income taxation - payments on account and amounts withheld	5,671,599	3,799,684
VAT	8,371,960	10,880,321
Other taxes	2,565,024	2,467,724
Continued Operations	16,608,583	17,147,729
Discontinued Operations	2,835,940	1,880,943
Total Operations	19,444,523	19,028,672
Taxes and contributions payable		
Income taxation	5,381,029	3,669,477
VAT	4,152,904	2,320,637
Staff income tax withheld	336,602	318,663
Social security contributions	863,037	812,679
Other taxes	1,305,710	383,731
Continued Operations	12,039,282	7,505,187
Discontinued Operations	1,360,493	170,794
Total Operations	13,399,775	7,675,981

18. OTHER CURRENT ASSETS

As at 31 December 2007 and 2006, Other current assets are made up as follows:

	31.December.2007	31.December.2006
Indemnities receivable	-	2,205,003
Interest receivable	135,206	1,235,465
Deferred costs - External supplies and services	3,525,816	799,617
Deferred costs - Rents	230,516	271,579
Other current assets	2,966,542	862,852
Continued Operations	6,858,080	5,374,516
Discontinued Operations	2,021,564	2,460,963
Total Operations	8,879,644	7,835,479

19. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2007 and 2006 can be detailed 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
Amortization and Depreciation harmonisation adjustments			49	16
Write off of tangible and intangible assets	2,174,715	871,433	1,510,830	-
Revaluation of tangible assets			795,849	645,159
Tax losses carried forward	11,589,253	3,551,016		
Others	353,772	-	354	355
Continued Operations	14,117,740	4,422,449	2,307,082	645,530
Discontinued Operations	203,180	319,697	5,219,288	4,277,988
Total Operations	14,320,920	4,742,146	7,526,370	4,923,518

During the periods ended 31 December 2007 and 2006, movements in Deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.December.2007	31.December.2006	31.December.2007	31.December.2006
Opening balance	4,742,146	4,165,210	4,923,518	3,404,764
Effect in results:				
Amortization and Depreciation harmonisation adjustments	-	-	33	(38,504)
Provisions and impairment losses not accepted for tax purposes	(116,517)	(812,991)	941,300	1,717,373
Write-off of tangible and intangible assets	1,303,283	(57,562)	-	-
Write-off of accruals	353,771	-	-	-
Revaluation of tangible assets	-	-	(54,772)	(43,379)
Tax losses carried forward	8,038,237	1,587,116	-	-
Changes in tax rates	-	(56,295)	-	-
Others	-	-	1,510,830	-
	9,578,774	660,268	2,397,391	1,635,490
Effect in reserves:				
Change in tax rate	-	-	-	(12,464)
Others	-	(83,332)	205,461	(104,272)
	-	(83,332)	205,461	(116,736)
Closing balance	14,320,920	4,742,146	7,526,370	4,923,518

In Portugal, with the approval of the Local Finances Law, the municipal income tax has changed from 2007 onwards, to a maximum of 1.5% on Taxable Profit. In the past this tax was payable as 10% of income tax.

As a consequence, Portuguese companies included in the consolidation updated calculations of their 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 "Reserves".

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2007 and 2006, 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 assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2001	-	-	2007	459,016	114,754	2007
Generated in 2002	1,209,557	302,389	2008	1,182,252	295,563	2008
Generated in 2003	9,126,348	2,281,587	2009	1,864,243	466,061	2009
Generated in 2004	6,627,219	1,656,805	2010	210,184	52,546	2010
Generated in 2005	7,025,798	1,756,449	2011	3,262,879	815,720	2011
Generated in 2006	11,702,529	2,925,632	2012	5,303,598	1,325,899	2012
Generated in 2007	8,743,671	2,185,919	2013	-	-	-
	44,435,122	11,108,780		12,282,172	3,070,543	
With a time limit different from the above mentioned	1,453,780	480,473		1,453,780	480,473	
	1,453,780	480,473		1,453,780	480,473	
	45,888,902	11,589,253		13,735,952	3,551,016	

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 profits will arise which may be offset against available tax losses or against deductible temporary differences.

As at 31 December 2007, tax losses carried forward, amounting to 115,337,098 euro, have not originated deferred tax assets for prudential reasons.

	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 limited time use						
Generated in 2001	-	-	2007	22,528,849	5,632,211	2007
Generated in 2002	36,487,545	9,121,887	2008	40,685,288	10,171,326	2008
Generated in 2003	13,379,146	3,344,787	2009	21,780,646	5,445,162	2009
Generated in 2004	5,065,719	1,266,430	2010	11,408,191	2,852,049	2010
Generated in 2005	7,726,020	1,931,505	2011	11,320,815	2,830,207	2011
Generated in 2006	13,437,053	3,359,264	2012	21,732,206	5,433,054	2012
Generated in 2007	22,867,073	5,716,767	2013	-	-	-
	98,962,556	24,740,640		129,455,995	32,364,009	
Without limited time use	4,849,357	1,616,291		3,650,664	1,204,719	
With a time limit different from the above mentioned	11,525,185	3,403,077		7,912,397	2,383,407	
	16,374,542	5,019,368		11,563,061	3,588,126	
	115,337,098	29,760,008		141,019,056	35,952,135	

20. CASH AND CASH EQUIVALENTS

As at 31 December 2007 and 2006, Cash and cash equivalents can be detailed as follows:

	31.December.2007	31.December.2006
Cash at hand	181,553	426,431
Bank deposits	42,664,880	14,667,400
Treasury applications	1,110,117	623,824
Cash and cash equivalents on the balance sheet	43,956,550	15,717,655
Bank overdrafts (Note 23)	(2,952,348)	(2,630,700)
Cash and cash equivalents in the statement of cash flows		
Continued Operations	41,004,202	13,086,955
Discontinued Operations	378,941	195,096
Total Operations	41,383,143	13,282,051

Bank overdrafts are disclosed in the balance sheet under Current bank loans.

21. SHARE CAPITAL

The share capital of Sonae Capital SGPS, SA is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

The demerger originated a reserve in the amount of 132,638,253 euro, which has a treatment similar to that of a Legal Reserve. According to Company Law, it cannot be distributed to shareholders, unless the company is liquidated, but can be used to make good prior year losses, once other reserves have been used fully, or for capital increases.

22. MINORITY INTERESTS

Movements in minority interests in the periods ended 31 December 2007 and 2006 are as follows:

	31.December.2007	31.December.2006
Opening balance as at 1 January	18,876,352	2,432,180
Companies incorporated in the year	-	13,525,000
Acquisitions with increase in percentage ownership	17,108,025	370,204
Adjustments arising from companies excluded from consolidation	-	149,700
Changes resulting from currency translation	(22,328)	(17,599)
Others	(57,033)	(415,187)
Profit for the period attributable to minority interests	853,816	2,832,054
Closing balance as at 31 December		
Continued Operations	36,758,832	18,876,352
Discontinued Operations	-	-
Total Operations	36,758,832	18,876,352

23. BORROWINGS

As at 31 December 2007 and 2006, Borrowings are made up as follows:

	31.December.2007			31.December.2006			Repayable on
	Amount limit	Outstanding amount		Amount limit	Outstanding amount		
		Current	Non Current		Current	Non Current	
Bank loans							
a) c) Sonae Turismo - commercial paper	110,000,000	-	109,999,989	110,000,000	-	73,050,000	Aug/2009
Investalentejo	-	-	-	40,000,000	40,000,000	-	Feb/2007
Prædium SGPS - commercial paper	7,500,000	1,250,000	-	10,000,000	1,400,000	-	Aug/2008
Sonae Turismo	-	-	-	8,750,000	-	-	
b) Imoferro	6,983,171	122,295	6,529,175	6,983,171	104,748	6,651,470	May/2007
Invesaúde	2,000,000	250,000	1,250,000	2,000,000	500,000	1,500,000	Aug/2010
Imosedas	-	-	-	7,500,000	1,353,570	-	Mar/2007
c) SC-Insurance and Risk Services - commercial paper	1,977,175	1,977,175	-	-	-	-	Feb/2008
Selfrio Engenharia	3,850,000	1,068,750	2,781,250	-	-	-	May/2012
Others	-	93,474	2,150,000	-	-	-	
		4,761,694	122,710,414		43,358,318	81,201,470	
Bank overdrafts (Note 20)		2,952,348	-		2,630,700	-	
Bank loans		7,714,042	122,710,414		45,989,018	81,201,470	
Bond Loans							
Sonae Capital 2007/2012 Bonds		-	20,000,000		-	-	
Sonae Capital 2007/2012 Bonds		-	30,000,000		-	-	
c) SC-Insurance Bonds		15,000,000	-		-	-	
Up-front fees		-	-234,000		-	-	
Bond Loans		15,000,000	49,766,000		-	-	
Other loans		176,635	250,577		179,233	375,002	
Obligations under finance leases		1,860,326	18,726,595		1,190,296	4,815,233	
		24,751,003	191,453,586		47,358,547	86,391,705	

a) Sonae Capital, SGPS, SA is a co-guarantor in this loan.

b) This loan is guaranteed by a mortgage on the building owned by this affiliated company.

c) These loans were fully paid in January and February 2008.

Sonae Capital SGPS - 2007/2012 Bond Loan 1st issue in the amount of 20,000,000 euro, with a 5 year maturity, and a sole reimbursement on 31 December 2012, except if the reimbursement is anticipated, fully or partially, which can happen on 31 December 2010.

Sonae Capital SGPS - 2007/2012 Bond Loan 2nd issue in the amount of 30,000,000 euro, with a 5 year maturity, and a sole reimbursement on 31 December 2012.

These bond loans bear interest every six months at 6 months Euribor interest rates plus spreads that range between 0.50% and 0.60%.

Derivative instruments are recorded at fair value (Note 25)

The repayment schedule of the nominal value of borrowings may be summarised as follows:

	31.December.2007		31.December.2006	
	Capital	Interest _{a)}	Capital	Interest _{a)}
N+1 ^{b)}	24,751,003	5,130,659	47,358,547	2,026,902
N+2	114,359,681	4,293,458	1,931,078	3,594,668
N+3	24,155,400	4,071,652	75,020,818	3,497,219
N+4	3,683,383	2,774,451	1,922,317	453,111
N+5	31,732,355	2,596,855	1,459,681	367,661
After N+5	17,756,767	6,532,429	6,057,811	3,282,735
	216,438,589	25,399,504	133,750,252	13,222,296

a) Includes amounts drawn under commercial paper programmes.

b) Estimate of interest payable during the live of borrowings, calculated using interest rates of the last refixing prior to 31 December 2007.

As at 31 December 2007 and 2006, available credit lines are as follows:

	31.December.2007			31.December.2006	
	Commitments < 1 year	Commitments 1 year	>	Commitments < 1 year	Commitments > 1 year
Value of available lines					
Spred	4,997,606		-	4,677,584	-
Tourism	21,096,754		11	32,196,754	36,950,000
Holding and others	16,750,000		-	3,000,000	-
	42,844,360		11	39,874,338	36,950,000
Value of contracted lines					
Spred	8,063,942	4,931,250		6,995,192	-
Tourism	22,346,754	110,000,000		33,596,754	110,000,000
Holding and others	18,727,175		-	3,000,000	-
	49,137,871	114,931,250		43,591,946	110,000,000

24. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2007 and 2006, Obligations under finance leases are made up as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
	31.December.2007	31.December.2006	31.December.2007	31.December.2006
Amounts under finance leases:				
N+1	2,838,317	1,450,997	1,860,326	1,190,296
N+2	2,807,793	1,353,409	1,923,983	1,164,986
N+3	2,755,761	1,353,153	1,967,866	1,215,752
N+4	2,797,005	1,234,887	2,107,900	1,149,393
N+5	1,463,020	1,318,191	12,726,847	1,285,102
After N+5	15,231,536	-	-	-
	27,893,432	6,710,637	20,586,921	6,005,529
Future Interest	(7,306,511)	(705,108)		
	20,586,921	6,005,529		
Current obligations under finance leases			1,860,326	1,190,296
Non-current obligations under finance leases			18,726,595	4,815,233

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.

As at 31 December 2007 and 2006, the fair value of finance leases is close to their book value.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2007 and 2006, the book value of assets acquired under finance leases can be detailed as follows:

	31.December.2007	31.December.2006
Assets acquired under finance leases		
Land and Buildings	3,950,101	3,950,101
Plant and machinery	2,529,409	3,642,834
Vehicles	-	28,702
Tools	67,833	118,215
Fixtures and Fittings	162,215	255,596
Other assets	-	-
Assets in progress	16,118,103	-
Total tangible assets (Note 9)	22,827,661	7,995,448

25. DERIVATIVES

Interest rate derivatives

The hedging instruments used by the Group as at 31 December 2007 were mainly interest rate options (cash flow hedges) contracted with the goal of hedging interest rate risks on loans in the amount of 50,000,000 euro, whose net fair value was 0 euro. As at 31 December 2007, 30,000,000 euro of derivatives relate to those, which, although they do not comply with the requirements to be classified as hedging instruments, contribute towards reducing exposure to interest rate variations or for optimising the cost of funding (as at 31 December 2006, there were no derivatives).

These interest rate hedging instruments are valued at fair value as at the balance sheet date, determined by valuations made by the Group using derivative valuation calculation schedules and external valuations when these schedules do not permit the valuation of certain instruments. The determination of fair value of these financial instruments is based, for swaps, on updating on the balance sheet date the future cash flows resulting from the difference between the fixed interest rate of the fixed leg of the derivative and the variable interest rate indexed to the variable leg of the derivative. For options, fair value is determined using the Black-Scholes model and its variants.

The risk cover principles generally used by the Group to contractually arrange hedging instruments are as follows:

- Matching between cash flows received and paid, i.e., there is a perfect match between the dates of the re-fixing of interest rates on financing contracted with the bank and the dates of the re-fixing of interest rates on the derivative;
- Perfect matching between indices: the reference index for the hedging instrument and the for the financing to which the underlying derivative relates are the same;
- In the case of extreme rises in interest rates, the maximum cost of financing is limited.

The counterparts for derivatives are selected based on their financial strength and credit risk profile, with this profile being generally measured by a rating note attributed by rating agencies of recognised merit. The counterparts for derivatives are top level, highly prestigious financial institutions which are recognised nationally and internationally.

Fair value of derivatives

The fair value of derivatives are shown as follows:

	Assets		Liabilities	
	31.December.2007	31.December.2006	31.December.2007	31.December 2006
Non hedge accounting derivatives				
Interest rate	-		-	
Hedge accounting derivatives				
Interest rate	-		-	
Other derivatives	-	-	-	-
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

26. OTHER NON-CURRENT LIABILITIES

As at 31 December 2007 and 2006 Other non-current liabilities were made up as follows:

	31.December.2007	31.December.2006
Loans and other amounts payable to related parties		
Sonae SGPS, SA	-	20,788,000
Modelo SGPS, SA	-	11,837,000
Plaza Mayor Parque de Ocio, SA	2,323,820	2,358,127
Others	600,000	1,491
	<u>2,923,820</u>	<u>34,984,618</u>
Other creditors		
Creditors in the restructuring process of Torralta	30,141,462	30,141,462
Fixed assets suppliers	1,387,500	1,046
Others	8,553	43,929
	<u>31,537,515</u>	<u>30,186,437</u>
Continued Operations	<u>34,461,335</u>	<u>65,171,055</u>
Discontinued Operations	<u>4,689,100</u>	<u>5,218,887</u>
Total Operations	<u>39,150,435</u>	<u>70,389,942</u>

As at 31 December 2007 and 2006, "Other creditors" include 30,141,462 euro payable to creditors of an affiliated undertaking under the terms of a judicial restructuring process. The court decision dated 27 November 1997 (which confirms the terms approved in the creditors meeting of 23 September 1997) states that these credits will be payable 50 years from the date that the decision was confirmed (30 January 2003).

As at 31 December 2007 and 2006, the maturity of Other non current liabilities can be detailed as follows:

31.December.2007	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	50,000	50,000	50,000	50,000	1,187,500	1,387,500
Other non current creditors	-	-	-	-	30,150,015	30,150,015
	50,000	50,000	50,000	50,000	31,337,515	31,537,515
31.December.2006	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	1,046	-	-	-	-	1,046
Other non current creditors	-	-	-	-	30,185,391	30,185,391
Continued Operations	1,046	-	-	-	30,185,391	30,186,437

27. SHARE-BASED PAYMENTS

In 2007 and previous years, the Sonae Capital Group granted deferred performance bonuses to employees, based on shares of Sonae SGPS, SA to be acquired at nil cost, three years after they were attributed to the employee. In any case, 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 Sonae Capital Group on the vesting date.

Liabilities arising from Deferred performance bonus are valued under the terms of Note 2.13. 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 participants	Fair Value	
				31.December.2007	31.December.2006
Shares					
	2004	2007	7	-	584,267
	2005	2008	7	573,543	431,296
	2006	2009	5	267,377	201,064
	2007	2010	5	218,103	-
Total				1,059,023	1,216,627

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 have not yet vested:

	31.December.2007	31.December.2006
Staff costs	559,369	680,673
Retained earnings	265,126	213,248
	824,495	893,921
Other liabilities	824,495	893,921
	824,495	893,921

28. TRADE ACCOUNTS PAYABLE

As at 31 December 2007 and 2006, Trade accounts payable were made up as follows:

	31.December.2007	Payable		
		less than 90 days	90 to 180 days	More than 180 days
Trade creditors current account				
Tourism	8,416,470	7,780,787	16,520	619,163
Spred	19,113,590	13,794,661	5,271,181	47,748
Holding and others	256,166	225,571	24,520	6,075
	27,786,226	21,801,019	5,312,221	672,986
Trade creditors - Invoices Accruals	3,089,812	208,953	6,366	2,874,493
Continued Operations	30,876,038	22,009,972	5,318,587	3,547,479
Discontinued Operations	31,641,379			
Total Operations	62,517,417			

	31.December.2006	Payable		
		less than 90 days	90 to 180 days	More than 180 days
Trade creditors current account				
Tourism	6,312,562	4,119,037	1,607,177	586,348
Spred	23,205,027	15,178,850	7,978,437	47,740
Holding and others	142,692	136,416	207	6,069
	29,660,281	19,434,303	9,585,821	640,157
Trade creditors - Invoices Accruals	260,920	260,920	-	-
Continued Operations	29,921,201	19,695,223	9,585,821	640,157
Discontinued Operations	34,799,901			
Total Operations	64,721,102			

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 their book value, and that the effect of discounting these balances is immaterial.

29. OTHER CREDITORS

As at 31 December 2007 and 2006, Other creditors were made up as follows:

	31.December.2007	Payable		
		less than 90 days	90 to 180 days	More than 180 days
Other creditors				
Fixed assets suppliers	11,352,552	11,153,900	172,959	25,693
Amounts received as down payments	21,086,692	272,888	-	20,813,804
Advances from customers	1,333,157	-	-	1,333,157
Others	6,058,443	5,419,722	507,971	130,750
	39,830,844	16,846,510	680,930	22,303,404
Related parties				
Contacto - Sociedade de Construções, SA	71,000,000			
	71,000,000			
Other liabilities				
Continued Operations	110,830,844			
Discontinued Operations	(79,603,912)			
Total Operations	31,226,932			

	31.December.2006	Payable		
		less than 90 days	90 to 180 days	More than 180 days
Other creditors				
Fixed assets suppliers	17,551,044	9,463,651	179,928	7,907,465
Amounts received as down payments	3,423,388	1,149,582	-	2,273,806
Advances from customers	1,294,634	-	-	1,294,634
Others	18,127,805	17,987,949	717	139,139
	40,396,871	28,601,182	180,645	11,615,044
Related parties				
Sonae SGPS, SA	54,444,561			
Contacto - Sociedade de Construções, SA	70,993,000			
Others	787,301			
	126,224,862			
Other liabilities				
Continued Operations	166,621,733			
Discontinued Operations	(78,962,286)			
Total Operations	87,659,447			

As at 31 December 2007 and 2006, this caption includes balances payable to other creditors and fixed assets suppliers that do not include interest. The Board of Directors believes that the fair market value of these payables is approximately their book value, and that the effects of discounting these balances is immaterial.

30. OTHER CURRENT LIABILITIES

As at 31 December 2007 and 2006 Other current liabilities were made up as follows:

	31.December.2007	31.December.2006
Staff Costs	5,555,852	5,563,871
Amounts invoiced for works not yet completed	3,055,140	5,097,859
Other external supplies and services	1,555,468	2,821,647
Interest payable	712,251	1,334,284
Others	5,133,007	4,145,765
Continued Operations	16,011,718	18,963,426
Discontinued Operations	17,083,732	12,522,050
Total Operations	33,095,450	31,485,476

31. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in Provisions and impairment losses over the period ended 31 December 2007 and 2006 are as follows:

Captions	Balance as at 01.January.07	Increase	Decrease	Balance as at 31.December.07
Accumulated impairment losses on investments (Note 12)	9,176,772	20,663,277	(1,120,000)	28,720,049
Accumulated impairment losses on other non-current assets (Note 13)	860,370	-	(69,530)	790,840
Accumulated impairment losses on trade accounts receivable (Note 15)	7,715,390	294,147	(715,365)	7,294,172
Accumulated impairment losses on other current debtors (Note 16)	3,755,991	19,946,498	(67,508)	23,634,981
Accumulated impairment losses on stocks (Note 14)	5,893,615	1,683,957	(103,219)	7,474,353
Non-current provisions	17,839,855	3,393,019	(4,578,410)	16,654,464
Current provisions	923,529	2,891,935	-	3,815,464
	46,165,522	48,872,833	(6,654,032)	88,384,323

Captions	Balance as at 01.January.06	Increase	Decrease	Balance as at 31.December.06
Accumulated impairment losses on investments (Note 12)	8,056,772	1,120,000	-	9,176,772
Accumulated impairment losses on other non-current assets (Note 13)	323,988	536,382	-	860,370
Accumulated impairment losses on trade accounts receivable (Note 15)	10,130,843	431,721	(2,847,174)	7,715,390
Accumulated impairment losses on other current debtors (Note 16)	3,952,989	645	(197,643)	3,755,991
Accumulated impairment losses on stocks (Note 14)	5,981,612	74,915	(162,912)	5,893,615
Non-current provisions	18,968,433	683,562	(1,812,140)	17,839,855
Current provisions	945,029	263,500	(285,000)	923,529
	48,359,666	3,110,725	(5,304,869)	46,165,522

As at 31 December 2007 and 2006 increases in Provisions and impairment losses can be analysed as follows:

	31.December.2007	31.December.2006
Provisions and impairment losses	1,601,958	3,964,999
Impairment losses not included in this note		
Tangible assets (Note 9)	48,334	(2,071,375)
Provisions for losses in investments	20,663,277	1,120,000
Provisions for accounts receivable	22,294,479	-
Impairment losses in stocks	-	-
Recorded in cost of goods sold (Note 14)	1,683,477	74,915
Others	2,581,308	22,186
	48,872,833	3,110,725

As at 31 December 2007, increases in impairment losses were of 19,794,479 euro related to the partial sale of Elmo,SGPS, SA and of 20,663,277 euro related to the apart of this investment yet to be sold. As mentioned in Note 1, this increase was charged against equity.

As at 31 December 2007 and 2006, Provisions can be analysed as follows:

	31.December.2007	31.December.2006
Guarantees given to customers arising from construction contracts	4,697,502	4,468,711
Judicial claims	3,954,369	4,266,971
Others	11,818,057	10,027,702
	20,469,928	18,763,384

Impairment losses are deducted from the book value of the corresponding asset.

32. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2007 and 2006, the most important contingent assets and liabilities referred to guarantees given and were made up as follows:

	31.December.2007	31.December.2006
Guarantees given:		
on tax claims	5,845,298	4,186,579
on judicial claims	2,696,996	2,700,382
on municipal claims	5,887,208	7,831,169
others	74,799,709	67,656,745

"Others" include the following guarantees:

-22,730,724 euro (25,907,338 euro as at 31 December 2006) of guarantees on construction works given to clients;
-37,899,252 euro (13,749,694 euro as at 31 December 2006) of guarantees given concerning building permits in the tourism business;
-124,699 euro (12,440,823 euro as at 31 December 2006) of guarantees given for the construction of ferry boats;
-12,000,000 euro (12,000,000 euro as at 31 December 2006) of guarantees given on the sale of the shareholding in Granosalis, SGPS, S.A.

33. OPERATIONAL LEASES

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognized as income during the period ended 31 December 2007 and 2006 amounted to 5,517,470 euro and 3,352,537 euro, respectively.

Additionally, as at 31 December 2007 and 2006, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31.December.2007	31.December.2006
Due in:		
N+1 automatically renewed	5,856,407	4,722,984
N+1	235,550	150,986
N+2	223,556	136,758
N+3	228,020	131,675
N+4	212,771	125,098
N+5	209,678	109,440
After N+5	116,260	526,168
	<u>7,082,242</u>	<u>5,903,109</u>

Lease payments arising from operational leases, in which the Group acts as a lessee, recognized as expense during the period ended 31 December 2007 and 2006 amounted to 7,172,905 euro and 6,467,568 euro, respectively.

Additionally, as at 31 December 2007 and 2006, the Group had operational lease contracts, as a lessee, whose minimum lease payments (fixed income) had the following payment schedule:

	31.December.2007	31.December.2006
Due in:		
N+1 automatically renewal	1,790,192	237,974
N+1	3,434,346	2,859,674
N+2	1,690,770	2,145,524
N+3	1,193,496	2,088,410
N+4	1,011,701	1,869,484
N+5	881,020	1,942,326
After N+5	11,644,170	14,018,914
	<u>21,645,695</u>	<u>25,162,306</u>

34. TURNOVER

As at 31 December 2007 and 2006, Turnover is made up as follows:

	31.December.2007	31.December.2006
	<u>Total</u>	<u>Total</u>
Sale of goods	13,377,208	21,276,107
Sale of products	81,434,421	54,723,105
	<u>94,811,629</u>	<u>75,999,212</u>
Services Rendered	102,465,562	89,415,020
Continued Operations	<u>197,277,191</u>	<u>165,414,232</u>
Discontinued Operations	<u>104,867,995</u>	<u>101,127,162</u>
Total Operations	<u>302,145,186</u>	<u>266,541,394</u>

35. OTHER OPERATIONAL INCOME

As at 31 December 2007 and 2006, Other operational income is made up as follows:

	31.December.2007	31.December.2006
	Total	Total
Own work capitalised	789,086	3,741,475
Gains on sales of assets	2,572,877	3,033,534
Reversal of impairment losses	556,970	495,995
Supplementary income	2,776,608	1,963,974
Others	1,506,798	2,433,088
Continued Operations	8,202,339	11,668,066
Discontinued Operations	33,345,161	39,811,627
Total Operations	41,547,500	51,479,693

36. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2007 and 2006, External supplies and services are made up as follows:

	31.December.2007	31.December.2006
Subcontracts	95,163,542	65,406,336
Services	8,177,155	7,015,006
Rents	7,297,746	6,234,265
Fees	2,861,775	2,626,762
Maintenance	2,421,708	2,279,808
Cleaning, health and safety	2,369,191	2,130,827
Electricity	2,454,047	1,981,404
Travelling expenses	1,124,835	1,107,684
Publicity	893,503	1,364,124
Fuel	981,967	975,595
Security	701,681	724,841
Communication	917,999	899,456
Others	6,893,419	6,150,136
Continued Operations	132,258,568	98,896,244
Discontinued Operations	123,102,014	124,055,037
Total Operations	255,360,582	222,951,281

37. STAFF COSTS

As at 31 December 2007 and 2006, Staff costs are made up as follows:

	31.December.2007	31.December.2006
Salaries	30,322,171	26,825,246
Social security contributions	5,864,319	5,249,855
Insurance	480,440	384,679
Welfare	487,255	375,566
Other staff costs	1,400,222	939,354
Continued Operations	38,554,407	33,774,700
Discontinued Operations	6,440,066	6,520,011
Total Operations	44,994,473	40,294,711

38. OTHER OPERATIONAL EXPENSES

As at 31 December 2007 and 2006, Other operational expenses are made up as follows:

	31.December.2007	31.December.2006
	Total	Total
Losses on sales of assets	2,213,912	1,602,867
Other taxes	1,652,240	1,492,807
Property tax	1,126,465	846,332
Doubtful debts written-off	71,533	550,302
Others	1,337,696	2,329,801
Continued Operations	6,401,846	6,822,109
Discontinued Operations	1,410,454	155,927
Total Operations	7,812,300	6,978,036

39. NET FINANCIAL EXPENSES

As at 31 December 2007 and 2006, Net financial expenses are made up as follows:

	31.December.2007	31.December.2006
Expenses:		
Interest payable		
related with bank loans and overdrafts	(3,055,455)	(3,961,283)
related with non convertible bonds	(243,524)	-
related with finance leases	(264,294)	(161,680)
others	(12,198,574)	(4,054,125)
	(15,761,847)	(8,177,088)
Exchange losses	(162,919)	(31,487)
Payment discounts given	(2,545)	(3,254)
Losses on fair value of hedge derivatives	-	-
Up front fees	(755,161)	-
Other financial expenses	(371,383)	(1,199,163)
	(17,053,855)	(9,410,992)
Income:		
Interest receivable	6,206,880	6,750,643
Exchange gains	578,717	98,380
Payment discounts received	84,369	46,121
Gains on fair value of hedge derivatives	-	-
Other financial income	185,738	556,803
	7,055,704	7,451,947
Net financial expenses		
Continued Operations	(9,998,151)	(1,959,045)
Discontinued Operations	2,576,271	1,615,658
Total Operations	(7,421,880)	(343,387)

As at 31 December 2007, Interest expenses - others, includes 7,584,535 euro related to interest from Sonae SGPS's loans.

40. INVESTMENT INCOME

As at 31 December 2007 and 2006, Investment income was made up as follows:

	31.December.2007	31.December.2006
	Total	Total
Dividends	167,088	1,506,488
Adjustments to fair value on investments recorded at fair value through profit and loss		
Partial sale of Cinclus Planeamento	2,522,725	-
Total sale of ba Vidro	9,786,396	3,222,401
Sale of Fun International	(1,137,117)	
Others	65,472	(59,901)
Income on the sale of investments in assets available for sale	11,237,476	3,162,500
Impairment losses on investments	-	(1,120,000)
Others	737,412	-
Investment Income		
Continued Operations	12,141,976	3,548,988
Discontinued Operations	(58,838)	-
Total Operations	12,083,138	3,548,988

41. TAXATION

As at 31 December 2007 and 2006, Taxation is made up as follows:

	31.December.2007	31.December.2006
	Total	Total
Current tax	4,496,758	3,029,680
Deferred tax (Note 19)	(9,305,913)	(1,492,265)
Taxation		
Continued Operations	(4,809,155)	1,537,415
Discontinued Operations	2,246,998	2,801,022
Total Operations	(2,562,157)	4,338,437

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2007 and 2006 may be summarised as follows:

	31.December.2007	31.December.2006
	Total	Total
Profit before income tax	13,285,978	9,359,558
Difference between accounting and tax of capital gains/(losses)	(22,507,025)	(5,082,647)
Results of associated undertakings	(857,332)	(4,955,450)
Impairment of goodwill	-	117,292
Provisions and impairment losses not accepted for tax purposes	(2,241,238)	3,601,983
Permanent differences	2,814,933	694,864
Taxable Profit	(9,504,684)	3,735,600
Use of tax losses carried forward	(5,431,547)	(11,167,362)
Recognition of tax losses that have not originated deferred tax assets	29,259,730	24,330,785
	14,323,499	16,899,023
Income tax rate in Portugal	25.00%	25.00%
	3,580,875	4,224,756
Effect of different income tax rates in other countries	(177,194)	(3,475)
Effect of change in tax income rate in the calculation of deferred taxes	-	(56,295)
Effect of increases or decreases in deferred taxes	(6,590,324)	(362,044)
Municipality tax	370,917	422,476
Under / (over) taxation estimates	114,911	(1,348)
Autonomous taxes and tax benefits	138,658	114,367
Taxation	(2,562,157)	4,338,437

42. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 31 December 2007 and 2006, the reconciliation of consolidated net profit can be analysed as follows:

	31.December.2007	31.December.2006
Aggregate net profit	46,524,213	14,944,868
Harmonisation adjustments	(2,434,160)	(4,029,461)
Elimination of intragroup dividends	(5,567,435)	(7,641,746)
Share of results of associated undertakings	857,332	4,164,438
Elimination of intragroup capital gains and losses	(59,803,298)	(7,056,414)
Elimination of intragroup provisions	(1,843,000)	(187,328)
Consolidation adjustments to gains/(losses) on sales of investments	33,271,298	(916,677)
Others	(1,571,703)	(2,612,621)
Consolidated net profit for the year		
Continued Operations	<u>9,433,247</u>	<u>(3,334,941)</u>
Discontinued Operations	<u>6,414,888</u>	<u>8,356,062</u>
Total Operations	<u>15,848,135</u>	<u>5,021,121</u>

43. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2007 and 2006 with related parties are detailed as follows:

	Sales and services rendered		Purchases and services obtained	
Transactions	31.December.2007	31.December.2006	31.December.2007	31.December.2006
Parent company and group companies excluded from consolidation (a)	1,063,869	2,008,511	1,898,353	1,317,749
Associated companies	429,720	625,249	1,323,457	2,053,718
Other partners in Group companies	167,505,008	143,340,910	8,560,656	8,535,923
	<u>168,998,597</u>	<u>145,974,670</u>	<u>11,782,466</u>	<u>11,907,390</u>
	Interest income		Interest expenses	
Transactions	31.December.2007	31.December.2006	31.December.2007	31.December.2006
Parent company and group companies excluded from consolidation (a)	1,152,465	8,473	71,777	-
Associated companies	3,863	14,928	-	-
Other partners in Group companies	1,171,109	2,947,471	9,359,464	2,167,249
	<u>2,327,437</u>	<u>2,970,872</u>	<u>9,431,241</u>	<u>2,167,249</u>
	Accounts receivable		Accounts payable	
Balances	31.December.2007	31.December.2006	31.December.2007	31.December.2006
Parent company and group companies excluded from consolidation (a)	98,684	2,201,875	469,379	637,633
Associated companies	393,405	615,530	94,440	85,726
Other partners in Group companies	32,520,201	30,609,852	4,117,245	24,264,296
	<u>33,012,290</u>	<u>33,427,257</u>	<u>4,681,064</u>	<u>24,987,655</u>
	Loans obtained		Loans obtained	
Balances	31.December.2007	31.December.2006	31.December.2007	31.December.2006
Parent company and group companies excluded from consolidation (a)	-	-	-	6,402,716
Associated companies	-	-	17,407,225	9,268,663
Other partners in Group companies	2,340,818	91,240,406	-	19,868,000
	<u>2,340,818</u>	<u>91,240,406</u>	<u>17,407,225</u>	<u>35,539,379</u>

(a) The parent company is Efanor Investimentos, SGPS, SA; balances and transactions with Sonae, SGPS, SA are included under Other partners in Group companies.

44. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2007 and 2006 were calculated taking into consideration the following amounts:

	31.December.2007	31.December.2006
	Total	Total
Net profit continued operations		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	8,579,431	(6,166,995)
Effect of dilutive potential shares	-	-
Interest related to convertible bonds (net of tax)	-	-
Net profit taken into consideration to calculate diluted earnings per share	8,579,431	(6,166,995)
Number of shares		
Weighted average number of shares used to calculated basic earnings per share	250,000,000	250,000,000
Effect of dilutive potential ordinary shares from convertible bonds	-	-
Weighted average number of shares used to calculated diluted earnings per share	250,000,000	250,000,000
Earnings per share (basic and diluted)		
Continued Operations	0.034318	(0.024668)
Discontinued Operations	0.025660	0.033424
Total Operations	0.059977	0.008756

There are no convertible instruments included in Sonae Capital, SGPS, SA's shares, hence there is no dilutive effect.

45. CASH RECEIPTS / PAYMENTS RELATED TO INVESTMENTS

As at 31 December 2007 and 2006, cash receipts and cash payments related to investments can be analysed as follows:

	31.December.2007		31.December.2006	
	Amount received	Amount paid	Amount received	Amount paid
Acquisition of SC Insurance	-	-	-	37,500,000
Acquisition of Sonae Turismo shares	-	-	-	91,795,896
Acquisition of Sonae Indústria shares	-	-	-	8,846,992
Acquisition of DMJB	-	22,000,000	-	-
Acquisition of Cooper Gay	-	15,058,760	-	-
Acquisition of Imoponte	-	5,825,001	-	-
Supplementary capital Norscut	-	5,927,817	-	-
Acquisition of Arbiworld	-	9,988,557	-	-
Partial acquisition of SC - Eng.e Prom. Imob.SGPS	-	7,963,000	-	-
Payment of affiliates acquired in 2005	-	7,557,860	-	-
Share capital decrease of Contacto	11,200,000	-	-	-
Sale of Safira	5,000,000	-	-	-
Partial sale of Barbaridade Glass	11,280,191	-	4,472,044	-
Sale of MDS	45,500,000	-	-	-
Sale of Lazam	11,300,000	-	-	-
Sale of Cooper Gay	13,729,189	-	-	-
Sale of Star Viagens	-	-	9,768,416	-
Sale of Granosalis	11,000,000	-	10,000,000	-
Others	5,890,382	5,838,258	1,121,274	4,812,442
Continued Operations	114,899,762	80,159,253	25,361,734	142,955,330
Discontinued Operations	(11,200,000)	-	-	-
Total Operations	103,699,762	80,159,253	25,361,734	142,955,330

46. SEGMENT INFORMATION

In 2007 and 2006, the following were identified as primary business segments:

- Tourism
- Spred
- Holding and Others

No secondary business segments were disclosed since Group activities are almost all carried out in Portugal. Foreign activities are not significant enough to justify disclosure of a different geographical segment.

The contribution of the business segments to the income statement for the periods ended on 31 December 2007 and 2006 can be detailed as follows:

	31. December 2007				
TOTAL OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Operational income					
Sales	16,233,606	65,614,146	-	-	81,847,752
Services rendered	40,189,659	177,974,939	2,132,836	-	220,297,434
Other operational income	5,191,649	35,757,369	598,482	-	41,547,500
	61,614,914	279,346,454	2,731,318	-	343,692,686
Inter-segment income	896,371	26,432,714	253,138	(27,582,223)	-
	62,511,285	305,779,168	2,984,456	(27,582,223)	343,692,686
Operational cash-flow (EBITDA)	2,527,710	13,377,773	(1,349,269)	362,288	14,918,502
Depreciation and amortisation	(6,289,845)	(1,203,074)	(107,205)	-	(7,600,124)
Provisions and impairment losses	(551,700)	(1,050,258)	-	-	(1,601,958)
Reversal of provisions and impairment losses ¹	143,074	1,807,894	100,000	-	2,050,968
Operational profit (EBIT)	(4,170,761)	12,932,335	(1,356,474)	362,288	7,767,388
Net financial expenses	(17,051,468)	1,534,165	8,095,423	-	(7,421,880)
Share of results of associated undertakings	-	-	-	857,332	857,332
Investment income	(1,198,577)	132,641	10,963,250	2,185,824	12,083,138
Profit before taxation	(22,420,806)	14,599,141	17,702,199	3,405,444	13,285,978
Taxation	7,138,790	(4,386,180)	(190,453)	-	2,562,157
Net profit for the period	(15,282,016)	10,212,961	17,511,746	3,405,444	15,848,135
- attributable to equity holders of Sonae					14,994,319
- attributable to minority interests					853,816

31.December.2006

TOTAL OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Operational income					
Sales	7,249,149	56,936,272	-	-	64,185,421
Services rendered	23,741,911	176,020,213	2,593,849	-	202,355,973
Other operational income	7,517,923	43,095,658	866,112	-	51,479,693
	38,508,983	276,052,143	3,459,961	-	318,021,087
Inter-segment income	2,608,463	6,073,947	-	(8,682,410)	-
	41,117,446	282,126,090	3,459,961	(8,682,410)	318,021,087
Operational cash-flow (EBITDA)	(5,363,729)	14,595,670	(58,897)	(1,208,257)	7,964,787
Depreciation and amortisation	(4,814,437)	(1,182,917)	(100,475)	74,233	(6,023,596)
Provisions and impairment losses	(2,743,299)	(1,104,408)	-	(117,292)	(3,964,999)
Reversal of provisions and impairment losses ¹	296,786	2,825,528	100,000	-	3,222,314
Operational profit (EBIT)	(12,624,679)	15,133,875	(59,372)	(1,251,317)	1,198,507
Net financial expenses	(13,831,124)	1,022,443	12,465,294	-	(343,387)
Share of results of associated undertakings	-	-	-	4,955,450	4,955,450
Investment income	(801,104)	131,718	4,233,620	(15,246)	3,548,988
Profit before taxation	(27,256,907)	16,288,036	16,639,542	3,688,887	9,359,558
Taxation	650,633	(4,818,176)	(170,894)	-	(4,338,437)
Net profit for the period	(26,606,274)	11,469,860	16,468,648	3,688,887	5,021,121
- attributable to equity holders of Sonae					2,189,067
- attributable to minority interests					2,832,054

¹ Amount included in the caption Other operational income but added back in the calculation of Operational Cash-flow (EBITDA).

The contribution of the business segments to the balance sheets as at 31 December 2007 and 2006 can be detailed as follows:

31.December.2007

TOTAL OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Fixed assets					
Intangible	593,936	218,158	-	-	812,094
Tangible	301,842,053	26,612,633	575,220	-	329,029,906
Goodwill ²	-	-	-	63,796,454	63,796,454
Investments	2,451,539	10,571,412	99,803,510	(16,654,526)	96,171,935
Deferred tax assets	13,558,815	762,105	-	-	14,320,920
Other assets	197,350,492	262,464,964	323,309,310	(514,392,126)	268,732,640
Cash, Cash Equivalents and Current Investments	20,222,050	2,662,597	21,449,693	-	44,334,340
Total assets	536,018,885	303,291,869	445,137,733	(467,250,198)	817,198,289
Non-current liabilities					
Borrowings	120,455,895	21,231,691	49,766,000	-	191,453,586
Deferred tax liabilities	2,307,082	5,219,288	-	-	7,526,370
Other non-current liabilities	224,906,319	63,900,370	8,723,393	(241,725,183)	55,804,899
Current liabilities					
Borrowings	3,597,104	21,153,900	-	-	24,751,004
Other current liabilities	224,273,698	99,070,392	95,414,547	(274,703,600)	144,055,037
Total liabilities	575,540,098	210,575,641	153,903,940	(516,428,783)	423,590,896
Technical investment	73,123,914	31,406,734	24,084	-	104,554,732
Gross Debt ¹	124,052,999	42,385,591	49,766,000	-	216,204,590
Net Debt ¹	103,830,949	39,722,994	28,316,307	-	171,870,250

31.December.2006

TOTAL OPERATIONS	Turismo	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Fixed assets					
Intangible	605,453	378,821	-	-	984,274
Tangible	283,935,911	12,615,877	658,340	(11,359,037)	285,851,091
Goodwill ²	-	-	-	49,033,430	49,033,430
Investments	2,436,540	8,400,295	98,473,362	(6,662,725)	102,647,472
Deferred tax assets	3,770,504	971,642	-	-	4,742,146
Other assets	138,817,588	176,166,281	199,906,442	(262,461,785)	252,428,526
Cash, Cash Equivalents and Current Investments	3,926,075	5,141,872	7,065,303	(220,000)	15,913,250
Total assets	433,492,071	203,674,788	306,103,447	(231,670,117)	711,600,190
Non-current liabilities					
Borrowings	84,891,705	1,500,000	-	-	86,391,705
Deferred tax liabilities	645,530	4,277,988	-	-	4,923,518
Other non-current liabilities	173,631,941	29,875,751	21,312,100	(136,589,995)	88,229,797
Current liabilities					
Borrowings	44,530,194	2,828,159	193	-	47,358,546
Other current liabilities	142,987,411	106,613,318	60,688,819	(117,824,014)	192,465,534
Total liabilities	446,686,781	145,095,216	82,001,112	(254,414,009)	419,369,102
Technical investment	98,406,453	9,677,818	30,576	-	108,114,847
Gross Debt ¹	129,421,899	4,328,159	64,225,473	-	197,975,531
Net Debt ¹	125,495,824	(813,713)	57,160,170	220,000	182,062,281

¹ Includes intercompany loans to or from Sonae, SGPS, SA.

² Goodwill allocation can be detailed as follows:

TOTAL OPERATIONS	31.December.2007	31.December.2006
Tourism	36,714,382	37,642,520
Spred	13,029,917	9,469,277
Holding and Others	14,052,155	1,921,633
Total Operations	63,796,454	49,033,430

31.December.2007

CONTINUED OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Operational income					
Sales	16,243,521	78,568,108	-	-	94,811,629
Services rendered	40,596,354	59,698,185	2,171,023	-	102,465,562
Other operational income	4,289,384	3,286,357	626,597	-	8,202,339
	61,129,259	141,552,650	2,797,620	-	205,479,530
Inter-segment income	1,382,026	220,823	186,836	(1,789,685)	-
	62,511,285	141,773,473	2,984,456	(1,789,685)	205,479,530
Operational cash-flow (EBITDA)	2,527,710	7,917,247	(1,349,269)	17,135	9,112,824
Depreciation and amortisation	(6,289,845)	(969,175)	(107,205)	42,096	(7,324,129)
Provisions and impairment losses	(551,700)	(171,029)	-	-	(722,729)
Reversal of provisions and impairment losses ¹	143,074	313,897	100,000	-	556,971
Operational profit (EBIT)	(4,170,762)	7,090,940	(1,356,474)	59,231	1,622,935
Net financial expenses	(17,051,468)	(1,047,963)	8,095,423	5,857	(9,998,151)
Share of results of associated undertakings	-	-	-	857,332	857,332
Investment income	(1,198,577)	132,641	10,963,250	2,244,662	12,141,976
Profit before taxation	(22,420,807)	6,175,618	17,702,199	3,167,082	4,624,092
Taxation	7,138,790	(2,137,251)	(190,453)	(1,931)	4,809,155
Net profit for the period	(15,282,017)	4,038,367	17,511,746	3,165,151	9,433,247
- attributable to equity holders of Sonae					8,579,431
- attributable to minority interests					853,816

31.December.2006

CONTINUED OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Operational income					
Sales	7,249,149	68,750,063	-	-	75,999,212
Services rendered	23,917,382	62,927,019	2,570,619	-	89,415,020
Other operational income	7,169,452	3,937,949	560,664	-	11,668,066
	38,335,983	135,615,031	3,131,283	-	177,082,298
Inter-segment income	2,781,463	222,776	293,740	(3,297,979)	-
	41,117,446	135,837,807	3,425,023	(3,297,979)	177,082,298
Operational cash-flow (EBITDA)	(5,363,729)	7,506,630	(58,897)	(1,835,804)	248,200
Depreciation and amortisation	(4,814,437)	(953,402)	(100,475)	74,233	(5,794,081)
Provisions and impairment losses	(2,743,299)	(432,443)	-	(117,292)	(3,293,034)
Reversal of provisions and impairment losses ¹	296,786	99,208	100,000	-	495,994
Operational profit (EBIT)	(12,624,678)	6,219,993	(59,373)	(1,878,861)	(8,342,919)
Net financial expenses	(13,831,124)	(593,214)	12,465,293	-	(1,959,045)
Share of results of associated undertakings	-	-	-	4,955,450	4,955,450
Investment income	(801,104)	131,718	4,233,620	(15,246)	3,548,988
Profit before taxation	(27,256,906)	5,758,497	16,639,540	3,061,343	(1,797,526)
Taxation	650,633	(2,017,154)	(170,894)	-	(1,537,415)
Net profit for the period	(26,606,273)	3,741,343	16,468,646	3,061,343	(3,334,941)
- attributable to equity holders of Sonae					(6,166,995)
- attributable to minority interests					2,832,054

¹ Amount included in the caption Other operational income but added back in the calculation of Operational Cash-flow (EBITDA).

The contribution of the business segments to the balance sheets as at 31 December 2007 and 2006 can be detailed as follows:

31.December.2007

CONTINUED OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Fixed assets					
Intangible	593,936	209,601	-	-	803,537
Tangible	301,842,053	26,337,373	575,219	(716,397)	328,038,248
Goodwill ²	-	-	-	62,517,465	62,517,465
Investments	2,451,539	10,571,412	99,803,510	(16,654,526)	96,171,935
Deferred tax assets	13,558,815	558,925	-	-	14,117,740
Other assets	197,350,492	158,317,755	323,309,310	(428,803,030)	250,174,527
Cash, Cash Equivalents and Current Investments	20,222,050	2,286,668	21,449,693	(1,362)	43,957,049
Total assets	536,018,885	198,281,734	445,137,732	(383,657,850)	795,780,501
Non-current liabilities					
Borrowings	120,455,895	21,231,691	49,766,000	-	191,453,586
Deferred tax liabilities	2,307,082	-	-	-	2,307,082
Other non-current liabilities	224,906,319	53,985,780	8,723,393	(241,712,002)	45,903,490
Current liabilities					
Borrowings	3,597,104	21,153,900	-	-	24,751,004
Other current liabilities	224,273,698	43,053,654	95,414,545	(189,168,552)	173,573,345
Total liabilities	575,540,098	139,425,025	153,903,938	(430,880,554)	437,988,507
Technical investment	73,045,626	31,257,747	24,084	-	104,327,457
Gross Debt ¹	124,052,999	42,385,591	49,766,000	-	216,204,590
Net Debt ¹	103,830,949	40,098,923	28,316,307	1,362	172,247,541

31. December 2007

CONTINUED OPERATIONS	Tourism	Spred	Holding and Others	Consolidation Adjustments	Total Operations
Fixed assets					
Intangible	605,453	370,264	-	-	975,717
Tangible	283,935,911	12,040,833	658,340	(11,784,604)	284,850,480
Goodwill ²	-	-	-	47,754,532	47,754,532
Investments	2,436,539	3,350,882	103,522,775	(6,662,724)	102,647,472
Deferred tax assets	3,770,504	651,945	-	-	4,422,449
Other assets	138,818,588	74,026,208	197,950,885	(180,160,596)	230,635,085
Cash, Cash Equivalents and Current Investments	3,926,075	3,503,384	7,065,303	1,223,392	15,718,154
Total assets	433,493,070	93,943,516	309,197,303	(149,630,000)	687,003,889
Non-current liabilities					
Borrowings	84,891,705	1,500,000	-	-	86,391,705
Deferred tax liabilities	645,530	-	-	-	645,530
Other non-current liabilities	173,631,941	18,588,856	20,000,000	(135,277,895)	76,942,902
Current liabilities					
Borrowings	44,530,194	2,828,159	193	-	47,358,546
Other current liabilities	142,987,411	56,622,168	60,045,363	(35,719,866)	223,935,076
Total liabilities	446,686,781	79,539,183	80,045,556	(170,997,761)	435,273,759
Technical investment	98,071,431	9,321,397	30,576	-	107,423,404
Gross Debt ¹	129,421,899	4,328,159	64,225,473	-	197,975,531
Net Debt ¹	125,495,824	824,775	57,160,170	(1,223,392)	182,257,377

¹ Includes intercompany loans to or from Sonae, SGPS, SA.

² Goodwill allocation can be detailed as follows:

CONTINUED OPERATIONS	31. December 2007	31. December 2006
Tourism	36,714,298	36,363,625
Spred	11,171,929	9,469,278
Holding and Others	14,631,238	1,921,629
Continued Operations	62,517,465	47,754,532

The contribution of the business segments to the cash flow statement for the periods ended on 31 December 2007 and 2006:

31. December 2007

	Tourism	Spred	Holding	Consolidated
Operating activities	(6,340,756)	(1,079,095)	(26,860)	(7,446,711)
Investment activities	(17,454,154)	42,211,588	19,968,681	44,726,115
Financing activities	(7,711,028)	21,425,883	(22,582,773)	(8,867,918)
Change in cash and cash equivalents				
Continued Operations	(31,505,938)	62,558,376	(2,640,952)	28,411,486
Discontinued Operations	15,166,626	(15,016,096)	33,315	183,845
Total Operations	(16,339,312)	47,542,280	(2,607,637)	28,595,331

31. December 2006

	Tourism	Spred	Holding	Consolidated
Operating activities	3,709,594	1,550,175	1,038,344	6,298,113
Investment activities	6,338,547	5,123,430	(106,589,235)	(95,127,258)
Financing activities	41,303,246	(1,146,249)	62,155,224	102,312,221
Change in cash and cash equivalents				
Continued Operations	51,351,387	5,527,356	(43,395,667)	13,483,076
Discontinued Operations	(21,260,852)	20,527,161	(29,249)	(762,940)
Total Operations	30,090,535	26,054,517	(43,424,916)	12,720,136

Group headcount can be detailed as follows:

	31.December.2007	31.December.2006
Tourism	532	458
Spred	1,002	882
Holding and Others	27	13
Continued Operations	1,561	1,353
Discontinued Operations	167	163
Total Operations	1,728	1,516

47. SUBSEQUENT EVENTS

On 21 February 2008, Sonae Capital sold through its affiliated company SC - Engenharia e Promoção Imobiliária, SGPS, SA the whole of its shareholding in the share capital of Contacto - Sociedade de Construções, SA to Soares da Costa Construções, SGPS, SA having been granted non-opposition by the Competition Authority. The sale involved a total compensation of 81.5 million euro.

On 3 March 2008, SC, SGPS, SA (affiliated company wholly owned by Sonae Capital, SGPS, SA) issued a bond loan, by private placement, in the amount of 50,000,000 euro, unguaranteed and with a ten year maturity, with a put option from the end of the eighth year onwards.

48. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 12 March 2008 and are still subject to approval by the Shareholders General Meeting.

The Board of Directors



INDIVIDUAL FINANCIAL STATEMENTS
31 DECEMBER 2007

SONAE CAPITAL SGPS, SA

INDIVIDUAL BALANCE SHEET AS AT 31 DECEMBER 2007

(Amounts expressed in euro)

ASSETS	Notes	31 December 2007
NON CURRENT ASSETS:		
Investments	3	382,638,253
Other non current assets	4	49,749,000
Total Non Current Assets		<u>432,387,253</u>
CURRENT ASSETS		
Other current assets	5	23,901
Cash and cash equivalents	6	1,363
Total Current Assets		<u>25,264</u>
TOTAL ASSETS		<u><u>432,412,517</u></u>
EQUITY AND LIABILITIES		
EQUITY:		
Share Capital	7	250,000,000
Other reserves	8	132,638,253
Profit (Loss) for the year		(2,012)
TOTAL EQUITY		<u>382,636,241</u>
LIABILITIES:		
NON CURRENT LIABILITIES		
Bonds	9	49,766,000
Total Non Current Liabilities		<u>49,766,000</u>
CURRENT LIABILITIES		
Suppliers		800
Other creditors		1,994
Taxes and other contributions payable	11	25
Other current liabilities	12	7,457
Total Current Liabilities		<u>10,276</u>
TOTAL EQUITY AND LIABILITIES		<u><u>432,412,517</u></u>

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL SGPS, SA
INDIVIDUAL INCOME STATEMENT BY NATURE
FOR THE PERIOD ENDED 31 DECEMBER 2007

(Amounts expressed in euro)

	Notes	
Operational expenses:		
External supplies and services	14	(2,479)
Other operational expenses	15	(255)
Total operational expenses		<u>(2,734)</u>
Operational profit (loss)		<u>(2,734)</u>
 Financial income	 16	 8,301
Financial expenses	16	(7,579)
Net financial income (expenses)		<u>722</u>
Profit (loss) before taxation		<u>(2,012)</u>
 Taxation		 -
Profit (loss) for the period		<u><u>(2,012)</u></u>

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL SGPS, SA

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2007

(Amounts expressed in euro)

	Share Capital	Own Shares	Shares Premium	Additional paid in Capital	Legal Reserve	Reserves					Retained Earnings	Net profit (loss)	Total Equity
						Legal Revaluation Reserve	Fair Value Reserve	Hedging Reserve	Translation Reserve	Other reserves			
Balance as at 1 January 2007	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of profits:													
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition/(disposal) of own shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in fair value of hedging financial instruments, net of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase/(decrease) in fair value of hedging financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in fair value of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax connected to increase/(decrease) in fair value of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the period ended 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	(2,012)	(2,012)
Others	250,000,000	-	-	-	-	-	-	-	-	132,638,253	-	-	382,638,253
Balance as at 31 December 2007	250,000,000	-	-	-	-	-	-	-	-	132,638,253	-	(2,012)	382,636,241

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL SGPS, SA
INDIVIDUAL CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2007

(Amounts expressed in euro)

OPERATING ACTIVITIES

Other cash receipts and (payments) relating to operating activities	(15,515)
Net cash flow from operating activities [1]	<u>(15,515)</u>

INVESTMENT ACTIVITIES

Cash payments arising from:	
Loans granted	49,749,000
	<u>49,749,000</u>
Net cash flow used in investment activities [2]	<u>(49,749,000)</u>

FINANCING ACTIVITIES

Cash receipts arising from:	
Loans obtained	50,000,000
	<u>50,000,000</u>
Cash Payments arising from:	
Interest and similar costs	(234,122)
	<u>(234,122)</u>
Net cash used in financing activities [3]	<u>49,765,878</u>

Net increase (decrease) in cash and cash equivalents	1,363
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>1,363</u>

The accompanying notes are part of these financial statements

The Board of Directors

SONAE CAPITAL, SGPS, S.A.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2007

(Amounts expressed in euro)

1. INTRODUCTION

SONAE CAPITAL, S.G.P.S., S.A. ("the company" or "Sonae Capital") whose registered office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, was constituted on 14 December 2007 by public deed, following the demerger from Sonae, S.G.P.S., S.A. of the whole of the share capital of the company formerly named Sonae Capital, S.G.P.S., S.A., now named SC, S.G.P.S., S.A in compliance with paragraph a) of article 118 of the Commercial Companies Code.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying individual 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"), 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.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention.

2.2 Borrowing costs

The financial charges connected with loans contracted are generally recognised as a cost in accordance with the accrual principle, using for this purpose the effective interest rate method.

2.3 Financial instruments

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 Company 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 investments. Available-for-sale investments are classified as non-current assets.

Investments measured at fair value through profit and loss include investments held for negotiation which the company acquires with a view to disposal within a reasonable period of time and are classified in the balance sheet as current investments.

The Company classifies as available for sale investments those which are not classified as investments measured at fair value through profit and loss nor as investments held to maturity. These investments are classified as non current assets, unless there is an intention to dispose of them within 12 months of the balance sheet date.

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, in the case of available for sale investments.

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, 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.

The gains and losses resulting from changes to the fair value of derivatives valued at fair value are shown in the financial statements in the caption "net financial charges/income".

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

b) Investments in affiliated and associated undertakings

In accordance with IAS 27, investments in affiliated and associated undertakings are stated at acquisition cost, less impairment losses.

c) 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.

d) 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 2.4. 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.

e) Trade accounts payable

Trade accounts payable are stated at their nominal value.

f) Derivatives

The company uses derivatives in the management of its financial risks only to hedge such risks. Derivatives are not used by the company for trading purposes.

The derivatives used by the company defined as cash flow hedge instruments relate mainly to interest rate hedge instruments on loans contracted. The indices, calculation methods, dates for re-fixing interest rates and the reimbursement plans for the interest rate hedge instruments are all identical to the conditions established for the underlying contracted loans, and thus qualify as perfect hedges.

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;
- there is adequate documentation of the hedging relationships at the inception of the hedge.

Cash flow hedge instruments used by the company to hedge the exposure to changes in interest rates of its loans are initially accounted for at cost 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 reserves, 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.

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 contract, and this is not stated at fair value. Unrealized gains or losses arising from these derivatives are recorded in the income statement.

g) 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 cash flow statement, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption current bank loans.

2.4 Revenue recognition and accrual basis

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.

2.5 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.

2.6 Judgements and estimates

The most significant accounting estimates reflected in the financial statements are as follows:

- a) Useful lives of tangible and intangible assets;
- b) Adjustments to provisions and asset values;
- c) Impairment of loans and investments in affiliated and associated companies.

The estimates were based on the best information available at the date of the preparation of the financial statements and on the best knowledge and experience of past and/or current events. These estimates may, however, be affected by subsequent events which are not foreseeable at the present date. Changes to these estimates, which take place after the date of the financial statements, will be recognized prospectively in the income statement, in accordance with IAS 8.

The main estimates and assumptions concerning future events included in the financial statements are described in the corresponding notes to the accounts, when applicable.

2.7 Income tax

Current income tax is determined in accordance with tax rules in force in Portugal, considering the profit for the period.

3. AVAILABLE FOR SALE INVESTMENTS

As at 31 December 2007 investments are detailed as follows:

	<u>31 December 2007</u>
Investments in affiliated and associated undertakings	382,638,253
	<hr/>
	<u>382,638,253</u>

3.1 INVESTMENTS IN AFFILIATED AND ASSOCIATED UNDERTAKINGS

As at 31 December 2007, the detail of investments in affiliated and associated companies is as shown in the table below. Investments carried at cost correspond to those in unlisted companies and for which a fair value cannot be reliably estimated.

Companies	% Held	31.December.2007					Closing balance
		Opening balance	Increase	Decrease	Changes in fair value	Transfers / demerger	
SC, SGPS, SA	100.00%		-	-	-	382,638,253	382,638,253
Total		-	-	-	-	382,638,253	382,638,253

During the year ended 31 December 2007, the demerger of Sonae, S.G.P.S., S.A's shareholding in SC, S.G.P.S., S.A. (previously named Sonae Capital, S.G.P.S., S.A.) took place. The transaction involved the spin off of the entire share capital of SC, S.G.P.S., S.A. held by Sonae, S.G.P.S., S.A. for its accounting value of 382,638,253 Euros, with which the new company Sonae Capital, S.G.P.S., S.A. was incorporated.

4. OTHER NON-CURRENT ASSETS

As at 31 December 2007 other non-current assets are detailed as follows:

	31.December.2007
Loans granted to group companies:	
S C, SGPS, SA	49,749,000
	<u>49,749,000</u>

This asset was not due or impaired as at 31 December 2007. The fair value of loans granted to group companies is basically the same as their book value.

5. OTHER CURRENT ASSETS

As at 31 December 2007 other current assets can be detailed as follows:

	31.December.2007
Accrued income	8,301
Deferred costs	15,600
	<u>23,901</u>

6. CASH AND CASH EQUIVALENTS

As at 31 December 2007 cash and cash equivalents can be detailed as follows:

	31.December.2007
Bank deposits	1,363
Cash and cash equivalents in the balance sheet	<u>1,363</u>
Bank overdrafts	-
Cash and cash equivalents in the cash flow statement	<u>1,363</u>

7. SHARE CAPITAL

As at 31 December 2007 share capital consisted of 250,000,000 ordinary shares of 1 euro each.

8. OTHER RESERVES

As at 31 December 2007, the caption Other reserves relates to the overall value of the demerger reserve (Note 1), and corresponds to the difference between the book value of the shareholding in SC, S.G.P.S., S.A. (382,638,253 Euros) which was spun off from Sonae, S.G.P.S., S.A. to the company, and the value of the share capital of the company (250,000,000 Euros).

9. BONDS

As at 31 December 2007 this caption included the following loans:

	31.December.2007	
	Limit	Amount used Current Non Current
Bond Issues		
Sonae Capital 2007/2012 Bonds - 1st Issue		20,000,000
Sonae Capital 2007/2012 Bonds - 2nd issue		30,000,000
Up-front fees		(234,000)
Bonds issues		- 49,766,000

Sonae Capital SGPS – 2007/2012 Bond Issue 1st issue, amounting to 20,000,000 euro, reimbursable after 5 years, in one instalment on 31 December 2012, unless reimbursement is anticipated either totally or partially, which can take place on 31 December 2010.

Bonds Sonae Capital 2007/2012 2nd issue, amounting to 30,000,000 euro, repayable after 5 years, in one instalment, on 31 December 2012.

These bond issues pay interest every six months at Euribor six month interest rates plus spreads which vary between 0.50% and 0.60%.

The above loans are not guaranteed, and their fair value is considered to be close to their book value, in view of the fact that interest is payable on them at variable market rates.

Derivatives are booked at fair value (Note 10)

The nominal value of the loans have the following maturity dates:

	31.December.2007	
	Capital	Interest
N+1	-	2,684,000
N+2	-	2,684,000
N+3	20,000,000	2,684,000
N+4	-	1,610,400
N+5	30,000,000	1,614,873
After N+5	-	-
	50,000,000	11,277,273

As at 31 December 2007, the credit lines available were:

	31.December.2007	
	Commitments less than 1 year	Commitments of over 1 year
Amounts of credit lines available	8,750,000	-
Amount of credit lines contracted	8,750,000	-

10. DERIVATIVES

Interest rate derivatives

The hedging instruments used by the Company as at 31 December 2007 were mainly interest rate options (cash flow hedges) entered into with the goal of covering interest rate risks on loans in the amount of 50,000,000 euro whose net fair value was 0 euro. As at 31 December 2007, 30,000,000 euro of derivatives relate which, although, they do not comply with the requirements to be classified as hedging instruments, contribute towards reducing exposure to interest rate variations or for optimising the cost of funding.

These interest rate hedging instruments are valued at fair value as at the balance sheet date, determined by valuations made by the Company using derivative calculation calculation schedules and external valuations when these schedules do not permit the valuation of certain instruments. The determination of fair value of these financial instruments is based, for swaps, on updating on the balance sheet date the future cash flows resulting from the difference between the fixed interest rate of the fixed leg of the derivative and the variable interest rate indexed to the variable leg of the derivative. For options, fair value is determined using the Black-Scholes model and its variants.

The risk cover principles generally used by Sonae Capital to contractually arrange hedging instruments are as follows:

- Matching between cash flows received and paid, i.e., there is a perfect match between the dates of the re-fixing of interest rates on financing contracted with the bank and the dates of the re-fixing of interest rates on the derivative;
- Perfect matching between indices: the reference index for the hedging instrument and the for the financing to which the underlying derivative relates are the same;
- In the case of extreme rises in interest rates, the maximum cost of financing is limited.

The counterparts for derivatives are selected based on their financial strength and credit risk profile, with this profile being generally measured by a rating note attributed by rating agencies of recognised merit. The counterparts for derivatives are top level, highly prestigious financial institutions which are recognised nationally and internationally.

Fair value of derivatives

The fair value of derivatives are shown as follows:

31.December.2007	
	Assets Liabilities
Non hedge accounting derivatives	
Interest rate	- -
Hedge accounting derivatives	
Interest rate	- -
Other derivatives	- -
	<u>0 0</u>

11. TAXES PAYABLE

As at 31 December 2007 taxes payable can be detailed as follows:

	31.December.2007
Stamp duty	<u>25</u>
	<u>25</u>

12. OTHER CURRENT LIABILITIES

As at 31 December 2007, other current liabilities were made up as follows:

	31.December.2007
Accruals:	
Interest payable	<u>7,457</u>
	<u>7,457</u>

13. RELATED PARTIES

As at 31 December 2007 balances and transactions with related parties can be detailed as follows:

<u>Affiliated and associated undertakings</u>	
<u>31.December.2007</u>	
<u>Transactions</u>	
Interest income	8,301
Interest expenses	1
<u>Balance</u>	
Accounts payable	1,268
Loans granted	49,749,000

Related parties are considered to be those affiliated, associated and jointly controlled companies owned by the Sonae Capital Group as identified in the consolidated financial statements.

In 2007, there were no transactions with company Directors and no loans were granted to company Directors.

As at 31 December 2007 no balances existed with company Directors.

14. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2007 external supplies and services can be detailed as follows:

<u>31.December.2007</u>	
Legal expenses	468
Services obtained	2,011
	<u>2,479</u>

15. OTHER OPERATIONAL EXPENSES

As at 31 December 2007 other operational expenses can be detailed as follows:

<u>31.December.2007</u>	
Other operational expenses	255
	<u>255</u>

16. NET FINANCIAL EXPENSES

As at 31 December 2007 net financial expenses can be detailed as follows:

<u>31.December.2007</u>	
Interest payable and similar expenses	
Interest arising from:	
Bonds	(7,456)
Other	(1)
Other financial expenses	(122)
	<u>(7,579)</u>
Interest receivable and similar income	
Interest income	8,301
	<u>8,301</u>
Net financial expenses	<u>722</u>

17. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors on 12 March 2008. These financial statements will be presented to the Shareholders' General Meeting for final approval.

18. INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

In the period ended 31 December 2007 shareholders' loans contracts were entered into with the following companies:

SC, SGPS, SA	<u>49,749,000</u>
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The Board of Directors

**REPORT AND OPINION OF THE FISCAL BOARD
STATEMENT OF THE FISCAL BOARD
STATUTORY AUDIT AND AUDITORS' REPORT
31 DECEMBER 2007**

REPORT AND OPINION OF THE FISCAL BOARD

(Translation of a report originally issued in Portuguese)

To the Shareholders of
Sonae Capital, S.G.P.S., S.A.

In compliance with applicable legislation and the mandate given to the Fiscal Board, we hereby submit our Report and Opinion, which covers the work carried out by the Fiscal Board and the consolidated proforma and individual documents of accounts of Sonae Capital, S.G.P.S., S.A., for the year ended 31 December 2007, which are the responsibility of the Company's Board of Directors.

Taking into consideration that the Company was incorporated recently as a result of a demerger ("cisão simples"), we accompanied the operations of the Company and its main affiliated companies, the timely writing up of their accounting records and their compliance with statutory and legal requirements, having obtained from the Board of Directors and personnel of the Company and its main affiliated companies all the information and explanations required.

In performing our work, we examined the consolidated proforma and individual Balance sheets as of 31 December 2007, the consolidated proforma and individual Statements of profit and loss by nature, of changes in equity and of cash flows for the year then ended and the related notes. Additionally, we examined the Report of the Board of Directors for the year 2007. We reviewed the Statutory Audit Report issued by the Statutory Auditor and agreed with its content, and were also informed of the content of the Auditors' Report issued by the External Auditor of the Company.

Considering the above, we are of the opinion that the consolidated proforma and individual financial statements referred to above and the Report of the Board of Directors, including the profit appropriation proposal included therein, are in accordance with the accounting, legal and statutory requirements and so can be approved by the Shareholders' General Meeting.

We wish to thank the Company's Board of Directors and personnel, as well as the statutory boards and personnel of the Group companies for the assistance provided to us.

Maia, 12 March 2008

The Fiscal Board

João Manuel Gonçalves Bastos
Jorge Manuel Felizes Morgado
Armando Luís Vieira de Magalhães

Statement

Under the terms of Article 245, paragraph 1, c) of the Securities Code

The signatories individually declare that, to their knowledge, the Report of the Board of Directors, the Consolidated Pro Forma 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, and give a true and fair view, in all material respects, of the assets and liabilities, financial position and the consolidated pro forma and individual results of the issuer and that the Report of the Board of Directors faithfully describes the business performance 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, 12 March 2008

João Manuel Gonçalves Bastos
Chairman of the Fiscal Board

Jorge Manuel Felizes Morgado
Member of the Fiscal Board

Armando Luís Vieira de Magalhães
Member of the Fiscal Board

STATUTORY AUDIT AND AUDITORS' REPORT

(Translation of a report originally issued in Portuguese)

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 Capital, S.G.P.S., S.A. (Company resulting from the demerger of the shareholding representing the whole of the share capital of former Sonae Capital, S.G.P.S., S.A., currently SC, S.G.P.S., S.A. – Introductory Note) for the year ended 31 December 2007, which comprise the consolidated and individual balance sheets as at 31 December 2007 (that present a total of 817,198,289 Euro and 432,412,517 Euro, respectively, and consolidated and individual equity of 393,607,393 Euro and 382,636,241 Euro, respectively, including consolidated net profit attributable to the Company's Equity Holders of 14,994,319 Euro and an individual net loss of 2,012 Euro), the consolidated pro forma 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 and 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 consolidated and individual financial information contained in the accounting 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 Capital, S.G.P.S., S.A. as of 31 December 2007, the consolidated pro forma and individual results of its operations and its consolidated pro forma 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.

Emphasis

6. As mentioned in the Introduction to the Notes to the consolidated financial statements, Sonae Capital, S.G.P.S., S.A. was incorporated on 14 December 2007 by public deed, following the demerger from Sonae S.G.P.S., S.A. of the whole of the share capital of SC, S.G.P.S., S.A. (former Sonae Capital, S.G.P.S., S.A.). Taking as a fact, that in substance the activity related with the years 2006 and 2007 of the companies comprising the Sonae Capital Group as at 31 December 2007 was not altered by the abovementioned operation, the accompanying financial statements for the period ended 31 December 2007 and the comparative information for the period ended 31 December 2006 were prepared based on the assumption that those companies were already part of the group in the periods covered, taking into consideration the assumptions and criteria mentioned in Note 1.1 of the Notes to the consolidated financial statements.

7. As mentioned in the Introduction to the Notes to the individual financial statements, Sonae Capital, S.G.P.S., S.A. was incorporated on 14 December 2007. Therefore, its individual financial statements for the year 2007 cover the period between 14 December 2007 and 31 December 2007.

Porto, 12 March 2008

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by António Manuel Martins Amaral

**EXTRACT FROM THE MINUTES OF THE
ANNUAL GENERAL SHAREHOLDERS'
MEETING**



SONAE CAPITAL, SGPS, S. A.
Lugar do Espido, Via Norte, Maia
Share Capital: 250,000,000 Euros
Maia Commercial Registry and Fiscal Number 508 276 756
Sociedade aberta

I hereby certify that, under the terms of Minute number one of the General Shareholders' Meeting held today, the following proposals were approved:

One - "We propose that the Report of the Board of Directors, the Individual and the Consolidated Financial Statements for 2007, including appendices thereto, are approved as presented."

Two - "Under the terms of the law and the Articles of Association, the Board of Directors proposes to the Shareholders General Meeting that the 2007 Net Loss, of two thousand eleven euro and ninety seven cents, is transferred to Retained Earnings."

Maia, 9 April 2008

The Company's Secretary