

# Report and Accounts 2006

Sonae SGPS, S.A.





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Belmiro de Azevedo

## Chairman's Statement

Last year I stated that 2005 had been an exceptional year.

2006 was also an exceptional year, both in terms of results achieved and of the magnitude of the challenges that the Group faced during the year and the way that the Group managed those challenges.

Under the portfolio management model adopted by Sonae, which balances mature businesses, high growth businesses and options for the future, we delivered sustained growth in the Group's operational results – EBITDA grew 8.3% – and in net income, which grew by almost 30% on a like for like basis.

In the Retail business, despite the opening of a significant number of new stores, which had an impact on over half of our portfolio of stores, we gained market share and strengthened our competitiveness, essential aspects to give us confidence when considering new expansion opportunities outside Portugal.

Sonae Sierra has benefited from a significant increase in the value of the Shopping Centres owned by the company and we accelerated our international expansion, capitalising on the strong brand, an excellent management team and on the significant value added by our partner Grosvenor, through complementary skills and by challenging our management.

Sonaecom was outstanding in its handling of the demanding Tender Offer bid for Portugal Telecom which I will come back to later, while at the same time achieving operational progress. Growth in the customer base was the highest in the past five years, profitability improved in contrast to a general deterioration in the sector and the company led innovation, particularly for broadband services.

Sonae Capital accelerated its development of the Tróia project, created the conditions to launch other tourist resorts, refurbished significant assets (including the Porto Palácio and Aqualuz hotels), divested from non-core sectors and invested in new growth opportunities such as renewable energies and insurance brokerage services.

The Sonae Group – as is well known – has always tended to lose in business opportunities that depend on the Portuguese Government. The Portuguese Government has a golden Share in Portugal Telecom with veto rights, including the unblocking of the Articles of Association – upon which the success of our offer was conditional. For this reason, when the offer was announced, I stated that we had informed the Government of our intention and that, obviously, our bid would not be pursued if the Government had any intention of using that power to block the operation.



> I believe that most economic and business agents, regulatory entities and consumers in general, believed that Sonaecom's proposal would end a long period of anti-competitive practices and arrogance from the incumbent operator.

We expected that, at the appropriate time, the Government would clearly express their overwhelming support for the operation as it was by far the quickest and safest way to fulfil its promises and wishes to create a competitive environment in the sector, to accelerate the development of the "information society", while, at the same time, providing a long term solution for Portugal Telecom, under capable management. We were wrong to believe these would be the sole criteria on which the Government would base its decision.

Another solution will emerge, as the current shareholder structure is obviously unstable, and lacks a short or medium term project that would respond to the needs of the company and of the Country.

Sonae will move forward, will continue to strictly fulfil its obligations, and will comply with State laws. It will also continue to fight for a more modern, developed, competent, transparent and fair society. We will continue to demand delivery of the benefits for consumers that our offer would have produced and that the Government has so many times promised, whatever the outcome of the Offer.

As is generally known, the next Shareholders' General Meeting of Sonae SGPS is elective and one of the items on the agenda refers to the election of the governing bodies for the four year period 2007 to 2010.

I will be finalising a proposal to elect a new Board of Directors in which I will occupy the position of Chairman, without accumulating the role of CEO. Paulo Azevedo will become CEO of the Group, and will be supported by Nuno Jordão (CEO of Modelo Continente), Álvaro Portela (CEO of Sonae Sierra) and Ângelo Paupério (CEO of

Sonaecom) as members of the Executive Committee and Vice-Presidents of the Company.

I decided to anticipate making this information public to clarify, both internally and externally, the new roles being proposed.

This will be the basis of Efanor's proposal to the Shareholders' General Meeting, and I very much hope to see the proposal enthusiastically supported by a large majority of minority shareholders.

Under the new organisational model, that I hope to see implemented after the coming Shareholders' General Meeting, Paulo Azevedo, as the next CEO of Sonae SGPS, will also take my place as Chairman of the Boards of Directors of Modelo Continente, Sonae Sierra and Sonaecom.

As part of the continuing restructuring of the Sonae Group, we intend to provide Sonae Capital with adequate human, financial and management resources to permit its spin off from Sonae SGPS in the near future.

Following this spin off, the business portfolio of Sonae SGPS will be much more focussed on activities which will be, directly or indirectly, close to the final consumer.

I often say that my main role is to help to develop leaders who will be better than me.

This very strong desire is behind this new reorganisational initiative, which continues the formula that has brought so much success to the Group: a combination of shareholder stability and the appointment of highly professional management teams.

It is also the right moment to thank the financial system – Portuguese and international – for the almost unlimited support given to our projects, which allows us to aggressively pursue growth opportunities, both organically and via acquisitions.

We hope to continue to be worthy of your support, since we are going to require it!

Given that over the last 20 years the value of Sonae has multiplied by a factor of 74, and that capital calls have been less than distributed assets, we advise our shareholders to continue to believe in the increasing value of their investments and remain with us.

To my employees, with whom I share ambitions and challenges, I would like to say that I will now change functions – the “Zig Zag” career applies to everybody in the organisation – and, more importantly, that I am sincerely grateful for your capacity, day by day, to build your skills and be ever more enthusiastic in fulfilling our customers needs, by improving the quality of our products and also increasingly the quality of our services.

I am totally confident of your success, which will be, as I have said, the best reward for me, the best dividend for this manager who has been dedicated to Sonae for the last 42 years.

**Belmiro de Azevedo**

20 March 2007





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Share Capital Euro 2 000 000 000.00  
Maia Commercial Registry  
and Fiscal Number 500273170



*(Translation from the Portuguese original)*

# Report of the Board of Directors

Year Ended 31 December 2006

(Unless otherwise stated, the figures presented in this report relate to the year 2006.  
The figures shown in brackets are the comparable<sup>1</sup> figures for the previous year.)

<sup>1</sup> The consolidated profit and loss account for the year 2006 is not directly comparable with the figures for the year 2005, because of: the spin-off of the Wood Based Panels business (with accounting effects from 1 October 2005), the sale of the Retail operations in Brazil (with accounting effects from 1 December 2005), the change in the method of consolidation of the Shopping Centres business from full to proportionate (following the sale to Grosvenor, on 29 December 2005, of 17.04% of the share capital of Sonae Sierra) and the sale of the shareholding in Imocapital/Gescartão in the first quarter of 2005. 2006 actual figures are compared with 2005 pro-forma figures, which take account of these changes in the consolidation perimeter.

# Economic Environment

In 2006, the World economy recorded accelerated growth for the third consecutive year. GDP, at current prices and exchange rates, grew by 3.8% (3.9% in 2004 and 3.4% in 2005). More credible calculations, which correct the obvious undervaluation of emerging economies, reveal a growth rate of 5.1%.

As forecasted, it was a year in which all the major economic zones grew significantly: the United States by 3.3%, the Euro zone by 2.6% and Japan by 2.8%, all of which were rates above those of their respective potential products. However, it was in the emerging economies that the highest growth rates occurred (an average of 7.3%), led by China (10%), India (8.3%) and Russia (6.5%).

Other favourable developments also marked the year, such as the slowdown of the increase in oil prices, followed in the latter part of the year by what would appear to be a corrective adjustment with the price falling below 60 US dollars a barrel.

As the year unfolded, the greatest doubts about the sustainability of this growth arose in the United States, faced with an overvalued real estate sector and the impact of seventeen consecutive increases in the Federal Reserve interest rate, which has risen from an historic low of 1% to the current 5.25%, clearly above that which can be considered as a neutral interest rate. Real estate overvaluation has led to a fall in investment in construction, with the fear that lower property prices may also restrict private consumption through the impact that property prices have on family wealth and on deteriorating consumer credit conditions, caused by a reduction in the underlying value of the security offered.

Some observers, however, continue to point to the good performance of American companies with sound balance sheets, satisfactory profits and high levels of investment, which are a reflection of the current excellent conditions provided by the moderation of long term interest rates. Already at the beginning of 2007, it was clear that it was nothing more than a temporary slowdown, with domestic consumption returning to satisfactory growth rates.

With a growth rate of only 1.3%, Portugal had one of the most modest growth rates of the entire World economy, penalised by the need to reduce the public deficit (public consumption fell by 0.3%), the need to contain private consumption (growing by only 1%) and the continued negative growth of investment (a fall of 2.1%). Growth was thus driven by a good performance in the export sector, which grew by 8.3% and was able to take advantage of some favourable opportunities, in particular in the liquid fuels area.

The forecast performance for the Portuguese economy for 2007 is slightly better, and will continue to be driven by exports and a reversal of the trend of falls in investment in the private sector. The main factor holding the economy back from better performance will continue to be the poor state of public finances.

The Spanish economy grew by 3.7%, one of the highest rates in the entire Euro zone, and was based on high growth of all the component parts of internal demand (growth rates of 3.4% in private consumption, 4% in public consumption and 6% in gross fixed capital formation). Nonetheless, there were a number of less favourable trends in the Spanish economy, the main ones being the inflation rate (over 3.5%, and well above the European Union average), the weak performance of international trade (growth of imports higher than exports) and the sharp deterioration in the external current account balance, which reached 8.8% of GDP (the second highest in the World in absolute terms).

In Central Europe, the good performance of the German economy became evident, with successive forecasts of growth throughout the year being revised upwards reaching a current level of 2.6%. Founded on a genuine containment of wages, coupled with a reduction in unit labour costs, Germany has focused on an export led growth model (exports increasing by 10%) and on investment (growth of 5.8%, with private business investment growing by 8%). With a slowdown forecast for 2007 (growth in 2006 was more than 1% above the growth rate of potential GDP, and is unlikely to be repeated), the German economy will continue with the same growth model, sustained by exports and private investment, with

neither private nor public consumption showing any significant signs of recovery as yet.

With a growth rate of 2.1%, the French economy also performed satisfactorily, based on growth factors which were almost the opposite of those in Germany: growth rates of 2.6% and 2.2% in private and public consumption, respectively, and growth of 4.4% in business investment, in this respect clearly justified by the behaviour of the internal market. As opposed to Germany, French exports grew less than imports with external trade in goods and services being a factor slowing growth.

Further south, still in the Euro zone, the good performance of the Greek economy (a growth rate of 4%, only exceeded by Ireland at 5.1% and Finland at 5%) contrasts with the difficulties in Italy (growth rate of 1.8%, only slightly higher than that of Portugal at 1.3%), where the economy was negatively impacted by the need to correct the poor state of public finances (a deficit of 4.8% of GDP in 2006, the highest amongst Euro zone countries, and just above the 4.6% of GDP in Portugal).

With inflation rates above that of the Euro Zone, both Greece and Italy have implemented internal programmes to moderate price increases. Success has been greater in Italy, where greater pressures are being felt due to the tougher competition which the country's exports face.

The UK economy grew by 2.6%, recovering from the difficult situation in 2005. Throughout 2006, there were signs of intensifying growth, based on very high growth of exports (12.8%) and of public investment (11.3%), which were the main drivers of the growth in private investment (4.9%) and of private and public consumption (2.1% and 2%, respectively). Also worthy of note was the recovery of investment in housing, after the fall in 2005. Continued inflationary pressures led the Bank of England to follow a policy of aggressively increasing interest rates, which are significantly above those of the European Central Bank and very close to those of the American Federal Reserve.

After a hesitant start to the year, the Brazilian economy gained momentum, ending the year with a growth rate of 3.1%, which is expected to increase to 3.8% in 2007, with a positive impact on the majority of key indicators, particularly employment. Confidence levels were also stimulated by the success of the country's economic policies, reflected in the fall in the inflation rate (3%, almost an historic minimum) and the reduction in the public sector deficit (2.5% of GDP), wholly explained by the extremely high level of interest rates (at around 10%), given that the primary public sector balance is clearly in surplus, at 4.3% of GDP.

One of the most favourable results of the Brazilian economy is the continuation of an extremely positive commercial trade balance. Although the budget surplus is expected to fall due to the accelerated growth forecast in 2007 and 2008, it is expected that this balance will continue to be positive. This factor together with the high level of reserves held by the Central Bank means that greater stability can be expected in the external trade component of the Brazilian economy, so that the exchange rate will remain stable and all the conditions will be in place to at last move towards normalising interest rates.

With the United States economy being more vigorous than expected a few months ago, growth expectations for 2007 remain very high, with only slight falls in almost all the major economic zones of the World. The greatest risk would appear to come from increasing inflationary pressures (with the exception of Japan, inflation rates are in general very close or even above the targets set by Governments and Central Banks), which could in turn lead to increases in short term interest rates that are counterproductive to growth. In this respect, the European Union and the United Kingdom are the areas of higher risk.

# Main Corporate Events during 2006

## 1 - 31 January 2006

Following the announcement made on 22 December 2004, a further 3.92% of the share capital of ba Vidro was sold for 12 million euro, generating a capital gain of 3.2 million euro.

## 2 - 6 February 2006

On 6 February 2006, Sonae, SGPS, SA, together with its affiliated company Sonaecom, SGPS, SA announced the launch of Public Tender Offers for the whole of the share capital of Portugal Telecom and of PT Multimedia. Subsequently, Sonaecom, SGPS, SA submitted a preliminary tender offer for 100% of Portugal Telecom's share capital with a minimum acceptance level of at least 50.01% of the outstanding share capital. The consideration offered was 9.5 euro in cash for each share and five thousand euro for each convertible bond, conditional upon a 2006 dividend distribution of 0.385 euro per share. On 22 December 2006 the Competition Authority announced its final decision, disclosing the commitments to be undertaken by Sonaecom to allow the offer to proceed. The offer was registered with the Portuguese Securities and Exchange Commission (CMVM) on 12 January 2007, and the final offer prospectus was published on 16 January 2007. The offer consideration was increased to 10.5 euro per share on 15 February 2007. The offer terminated automatically on 2 March 2007 because proposed changes to the articles of association of Portugal Telecom, which was one of the conditions on which the offer was dependent, were not approved by a qualified majority of its shareholders.

## 3 - 20 April 2006

On 20 April 2006, in an over the counter transaction, Sonae, SGPS, SA acquired, through Sonae Investments BV, 146,625,000 shares (13.3295% of the share capital) of its affiliate Modelo Continente, SGPS, SA, for 265.8 million euro. The transaction was made under the terms of the Call Option contract signed on 16 November 2004 between Sonae, SGPS, SA and Banco Santander Central Hispano, SA and its affiliated companies. On 6 September 2006, in a similar transaction, Sonae, SGPS, SA and Sonae Investments BV acquired, over the counter, 100,000,000 shares (9.09% of the share capital) of its affiliate Modelo Continente, SGPS, SA for 183.7 million euro. With this acquisition, this Call Option contract was fully executed and 98.82% of the share capital and voting rights of Modelo Continente, SGPS, SA were attributable to Sonae, SGPS, SA at that date.

## 4 - 6 October 2006

On 6 October 2006, Sonae, SGPS, SA, as the holder of 1,093,834,387 shares representing circa 99.44% of the share capital of Modelo Continente, SGPS, SA, launched a tender offer, involving a consideration of 2.05 euro per share, over the remaining shareholders of the company, in respect of 6,165,613 shares representing circa 0.56% of the share capital and voting rights. On 16 October 2006, Sonae, SGPS, SA announced that it had acquired all of the shares of Modelo Continente, SGPS, SA, held by remaining shareholders. As a consequence of such an acquisition 100% of the share capital of Modelo Continente, SGPS, SA is attributable to Sonae, SGPS, SA since that date.



## • 18 October 2006

5

On 18 October 2006, the notary deed was signed for the share capital increase of Sonaecom, SGPS, SA from 296,526,868 euro to 366,246,868 euro, through the issue of 69,720,000 new shares, each with a nominal value of 1 euro and with a corresponding total share premium of 275,657,217 euro, subscribed by O93X - Telecomunicações Celulares, SA and Parpública - Participações Públicas, SGPS, SA by means of contribution of their respective shareholdings, including supplementary capital, in Optimus - Telecomunicações, SA.

## • 20 October 2006

6

On 20 October 2006, Sonae Sierra, SGPS, SA signed an agreement for the sale of 50% of the share capital of Sonae Sierra Brazil, BV/Sarl to Developers Diversified Realty (DDR). The transaction price was 150 million US dollars (118.8 million euros using the exchange rate as at 30 September 2006). The gain arising from this transaction was circa 16 million euro.

## • 22 November 2006

7

On 22 November 2006, Sonae, SGPS, SA sold 100 million of Modelo Continente's shares, equal to 9.09% of its share capital, to Modelo Continente, SGPS, SA, for 205 million euro.

## • 15 December 2006

8

On 15 December 2006, Sonae, SGPS, SA exercised a Call Option over 5,710,000 shares representing 1.559% of the share capital of Sonaecom, SGPS, SA, held by Parpública - Participações Públicas, SGPS, SA, under the terms of the Agreement entered into on 6 September. This Call Option was executed on 20 December 2006 and the acquisition of the above mentioned shares was made at a price of 4.63 euro per share, equal to a total price of 26,437,300 euro.

# Allocation of Financial Resources

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Consolidated gross investment for the year was 661 million euro, and included the following contributions:

- In the Retail business 206 million euro were invested in the opening of 87 new stores, with sales area growing by close to 10% to 543,000 m<sup>2</sup>. In food retail, eleven new Modelo hypermarkets were opened, corresponding to 22,000 m<sup>2</sup> of additional sales area. In non food retail, openings represented circa 23,000 m<sup>2</sup>, spread among 76 new stores, with Worten, Modalfa and Sportzone accounting for around 78% of the additional sales area.
- Investment in the Shopping Centres business amounted to circa 220 million euro, of which 111 million euro contributed to consolidated investment. Most of the investment reflects the opening of RioSul shopping and leisure centre (Portugal), the acquisition of a green-field site in Weiterstadt (Germany) and progress on the development of 8<sup>a</sup> Avenida (Portugal), Alexa (Germany), El Rosal (Spain), and Freccia Rossa (Italy) .
- In Telecommunications, investment amounted to close to 253 million euro, and was mainly for the acquisition of shares in Portugal Telecom and the deployment of the high speed mobile and wireline networks.
- Investment in Sonae Capital and Holding amounted to close to 91 million euro, most of which was for the development of the Tróia project, the opening of fitness centres and refurbishment of hotels.

## Human Resources Allocation

In 2006, the average number of employees at the Sonae Group was over 30 thousand, of which most worked in Retail (70%), Sonae Capital (21%) and Telecommunications (6%).

The Sonae Group continues to attach special importance to the training of its human resources. Among the various businesses, more than 1,177,000 hours of training were given during the year.



# Risk Management and Internal Audit

The objectives, processes and organisation of Risk Management and Internal Audit activities are laid out in chapter “1.3. Risk Control” of the Report on Corporate Governance.

During 2006, the work carried out in accordance with the planned activities of each function, was as follows.

In the **Risk Management** area, management activities continued, relating to security risks for tangible assets and human resources, business process and information systems risks, business and operational interruption risks, risks from change and investment projects, and environmental risks.

In relation to security risks of tangible assets, the cycle of technical and operational risk management activities continued and was articulated with the insurance management of the Group by conducting preventive and safety audits in different locations of the business units. In the main business units, tests and simulations were made to emergency and preventive systems and plans, sometimes in the presence of civil protection services, security forces and fire brigades. The development and implementation of security standards, and related monitoring and self-assessment procedures (Control Risk Self Assessment), also continued.

Turning to people safety risks (staff, subcontractors, customers and visitors), work continued on the PERSONÆ Project, to develop integrated actions and attitudes towards safety, with special emphasis on changing individual behaviour. Following the preparatory and diagnostic phases completed in 2003, implementation of this project began at Sonae Sierra in 2004, in partnership with a leading international consulting firm in this field, part of a group recognized as being one of the most safety conscious and socially responsible in the world. The

programme combines the implementation of best management practices in Hygiene, Safety and Social Responsibility with the development of internal capabilities through training and knowledge sharing. An essential part of the methodology is to integrate responsible attitudes and behaviour into the culture of the company. The programme involves all operations world wide and all businesses of Sonae Sierra from project development through to the management of shopping and leisure centres, including investment and construction. The project will last for four years, and represents, in consulting and training alone, an investment of 5 million euro. Its progress has been monitored by the other sub-holdings of the Group with a view to taking advantage of synergies and adapting the management model to other Group companies.

The Sonae Group signed the World Safety Declaration at the end of 2005, making a worldwide commitment by its businesses towards safety at work. Sonae was one of the founder members together with major worldwide corporations.

In relevant businesses, projects and programmes continued in order to guarantee continuity of operations, through defining, revising and implementing procedures and processes to prepare for crisis and catastrophic scenarios, particularly through developing emergency, contingency and recovery plans.

In 2006, a specific project was launched and developed regarding risks that are common to the different businesses of the Group. This project was promoted at the Group level and at each of its main businesses, with the objective of preparing and testing emergency and contingency plans to respond to the threat of a pandemic flu. Actions were developed to

identify critical processes and people in each business, assess the impacts of the pandemic flu and define action plans. Contacts were made with Government health divisions and other health authorities, to share information and knowledge regarding national contingency plans and other cooperation actions. In order to support and access protocols, procedures and other relevant information and knowledge, specialised consultancy work was contracted from an international health and medical services company. Complying with guidance from health organisations, a strategic amount of antiviral drug was acquired for preventive use and to respond to the risk of shortage of the drug.

In the area of environmental risks, several environmental certifications have been obtained, audits continued and improvement actions were implemented as part of the Environmental Management Systems of Group companies.

In Retail, and as a result of the project and organisational actions begun in previous years, a programme of food safety audits was implemented and consolidated in stores, warehouses and production centres, leading to the main conclusions and corrective actions being identified and reported upon. This audit programme has the goal of monitoring in a systematic way, food safety risks, and of complying with legal regulations and the internal control system for food quality. A similar programme was implemented in hotels belonging to the Group.

Risks associated with critical business processes and major change projects, especially new investments and information system changes, were analysed and monitored as part of Risk Management work as well as Internal Audit activity.

In accordance with methodologies defined and implemented in previous years, risk management procedures were integrated into business management planning and control procedures from the strategic review phase right through to operational planning, so that risk management actions were included in functional and business unit plans and monitored throughout the year.

As far as technical and operational risks are concerned, the objective of rationalising the financial transfer of these types of risk continued, either by searching to establish a sound insurance capital structure for the value at risk, based on the constant changes in the businesses involved, or by reaching greater critical mass to take on more risk internally. Insurance coverage and retention levels have also been optimised in accordance with the needs of each business, ensuring internally effective insurance management worldwide, using Brokers Link the Group's insurance brokerage network and Sonae Re the Group's captive reinsurer.

Further work was carried out on reviewing, inspecting and documenting risk conditions by independent auditors and their conclusions were fully shared with the risk takers involved.

The Risk Management Consultation Group (internal body for co-ordination and sharing knowledge across the Group) reviewed on a regular basis the work of the risk management function.

In the **Internal Audit** area, internal control compliance audits were carried out in several business units as well as audits of the main business processes and information systems of Group companies, in line with action plans based on the evaluation of business risks.

The Audit Committee (internal body for co-ordination and sharing knowledge across the Group) met regularly during the year and was kept informed of the plan of activities and the conclusions from the work completed.

The Board Audit and Finance Committee also regularly reviewed Internal Audit and Risk Management activities.

As far as development of the Risk Management and Internal Audit function is concerned, in 2006, Group companies continued to fund staff training for those who voluntarily put themselves forward for international certification in internal audit programmes promoted by the IIA (The Institute of Internal Auditors) - Certified Internal Auditor (CIA) and Certification in

Control Self Assessment (CCSA) – and other certifications in information systems auditing, such as Certified Information System Auditor (CISA), Certified Information System Security Professional (CISSP) and BS ISO/IEC 27001: 2005 Information Security Management (CISM). There are eleven members of the Audit and Risk Management teams of the Sonae Group who have certifications, six of which are CIA accredited, three CCSA, one CISA and one CISM. The Sonae Group is one of the organisations with more certified employees in internal audit and risk management in Portugal. In 2007, Sonae will continue to fund this important training programme, and the international development and qualification of its internal audit and risk management staff, in line with international best practices.

# Business Analysis <sup>2</sup>

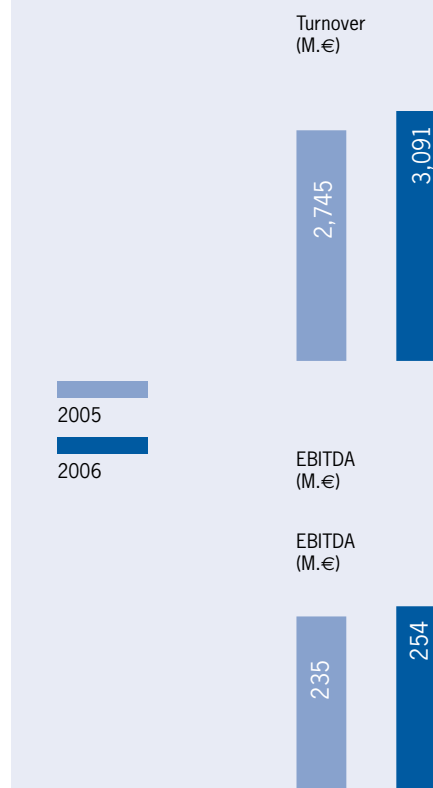
## >Retail



Values in million euro

	2006	2005 <sup>3</sup>	Δ
Turnover	3,091	2,745	+13%
Operational Cash-Flow (EBITDA)	254	235	+8%
EBITDA Margin (% of turnover)	8.2%	8,5%	- 0.3 p.p.
Profit Attributable to Equity Holders of Modelo Continente	158	123	+28%

On 13 December 2005, the Retail business disposed of its entire shareholding in the Brazilian company Sonae Distribuição Brazil, SA, thus ceasing its retail activity in that country. Therefore, consolidated figures for the years of 2006 and 2005 are not directly comparable.



<sup>2</sup> The figures included in this section are taken from the consolidated financial statements of each business.

<sup>3</sup> Excluding the impact of Retail operations in Brazil, sold in 2005.

## Main highlights <sup>4</sup>

- Turnover totalled 3,091 million euro (2,745 million euro), representing a 13% increase. This increase was due to the positive performance of the like for like store portfolio, to the opening of new stores over the last 12 months (over 45 thousand m<sup>2</sup> of sales area), and to the acquisition of control of Star, a travel agency format, which has expanded the range of services offered to customers.
- Consolidated operational cash flow (EBITDA) amounted to 254 million euro (235 million euro), 19 million euro up on the cash flow generated in the Portuguese market in the year 2005.
- Consolidated net profit for the period was 160 million euro (125 million euro), a 29% increase which reflects solid improvement in the profitability of the company throughout the year.
- As at 31 December 2006, consolidated net debt amounted to 377 million euro (196 million euro), resulting in a ratio of consolidated net debt to consolidated operational cash-flow (EBITDA) of 1.5. Net investment in 2006 amounted to 246 million euro, in line with economic cash flow generated in the year. The increase in net debt resulted primarily from the acquisition of 100 million own shares, at the end of the year, involving a total investment of 205 million euro.
- During 2006, the company implemented its openings and refurbishments plan. At the end of the year, the company's portfolio included 480 stores, with a sales area of over 543,000 m<sup>2</sup>. The company opened 11 food format stores (around 22,000 m<sup>2</sup> of

sales area), and 76 stores (more than 23,000 m<sup>2</sup> of sales area) were added to the non-food formats portfolio. The latter, included the launch of Worten Mobile and Área Saúde, which extended the range of formats offered by the company.

Openings in the year were as follows:

	Openings in 2006	Total number of stores
Continente	-	19
Modelo	11	80
Modelo Bonjour	-	25
<b>Food Retail</b>	<b>11</b>	<b>124</b>
Worten	14	87
Modalfa	12	70
Sportzone	7	48
Vobis	-	21
MaxMat	1	21
Zippy	3	11
Star	2	61
Área Saúde	26	26
Worten Mobile	11	11
<b>Non Food Retail</b>	<b>76</b>	<b>356</b>

- Following the acquisition of 100% control of the company's share capital by Sonae SGPS, SA, Modelo Continente SGPS, SA was delisted from the Portuguese Stock Exchange as from 22 September 2006.

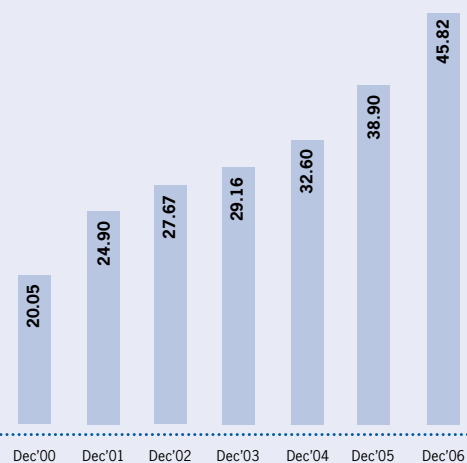
<sup>4</sup> Excluding the impact of Retail operations in Brazil, sold in 2005.

## > Shopping Centres



Values in million euro			
	2006	2005	Δ
Operational Cash-Flow (EBITDA)	150	126	+20%
Direct Profits <sup>5</sup>	84	69	+22%
Profit Attributable to Equity Holders of Sonae Sierra	160	148	+8%
	31 Dec' 06	31 Dec' 05	Δ
NAV <sup>6</sup> per share	45.82	38.90	+18%
Asset gearing <sup>7</sup>	29.4%	31.9%	-2.5 p.p.

NAV<sup>6</sup> per share (€)



<sup>5</sup> Direct Profits = Net Profit before Minorities + Deferred Tax – Value created on Investments – Income realised on Properties.

<sup>6</sup> NAV – Net Asset Value.

<sup>7</sup> Asset Gearing = Net Bank Debt / (Total Assets – Cash and Cash Equivalents and Current Investments).



## Main highlights

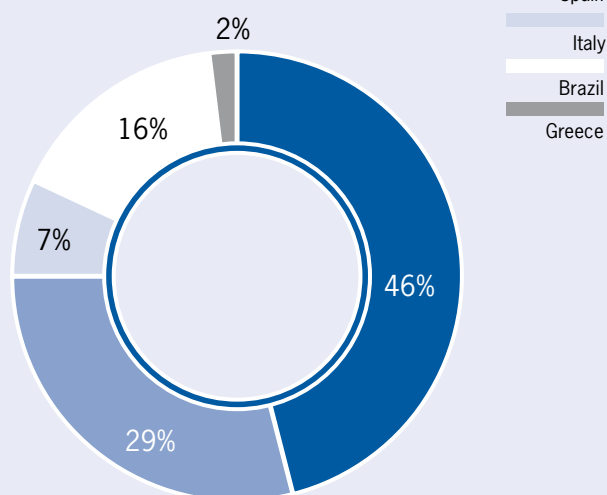
- Consolidated direct income from investments increased 22 million euro, close to 10%, to 242 million euro (220 million euro), and operational cash flow (EBITDA) increased by close to 20% to 150 million euro (126 million euro). Such improvements were mainly due to additions to the company's portfolio, arising from: (i) the full year effect of the openings, in 2005, of Plaza Éboli, in Madrid, LoureShopping, in Loures, Serra Shopping, in Covilhã, and Mediterranean Cosmos, in Salonika; (ii) opening of RioSul, in Seixal, in the first quarter of 2006; (iii) and the full year effect of Valecenter, in Venice, and of Monselice, near Padova (both acquired in June 2005). These positive effects were partially offset by the sale of 50% of the Brazilian portfolio in October 2006.
- Consolidated indirect profits amounted to 187 million euro (151 million euro), which includes the impact of the increase in the valuation of the investment properties, and the gains from the opening of RioSul, in Seixal, in 2006. Indirect profits were also impacted by the sale of 50% of Sonae Sierra Brazil to Developers

Diversified Realty (DDR), the sale of 100% of Avenida M40 (Madrid) and Zubiarte (Bilbao) to the Sierra Fund and the write-off of the 3do project (Dortmund).

- Consolidated net profit increased 23% to 271 million euro (219 million euro), and was positively impacted by the acquisitions and openings which occurred in 2005 and 2006, as well as by the increase in the value created in investment properties as a result of an overall decrease in market yields.
- On 21 March 2006, the company inaugurated a further shopping centre, RioSul Shopping (Seixal, Portugal), representing an investment of 68 million euro and circa 40 thousand m<sup>2</sup> of GLA<sup>8</sup>. In 2006, the company began its investment activity in Germany, securing the acquisition of Münster Arkaden (Münster), and acquired two shopping centres in the Algarve, Shopping Centre Modelo de Albufeira (circa 10 thousand m<sup>2</sup> of GLA<sup>8</sup>) and Shopping Centre Continente de Portimão (around 13 thousand m<sup>2</sup> of GLA<sup>8</sup>).
- As at the date of this report Sonae Sierra is the owner or co-owner of 45 shopping and leisure centres, with more than 1.6 million m<sup>2</sup> of GLA<sup>8</sup>.
- As at 31 December 2006, the company had thirteen new projects under development: in Portugal, Setúbal Retail Park (Setúbal), Lima Retail Park (Viana do Castelo), 8ª Avenida (São João da Madeira) and Évora shopping and leisure centre (Évora); in Spain, Plaza Mayor Shopping (Malaga), El Rosal shopping and leisure centre (Ponferrada) and Las Pulianas (Granada); in Germany, Alexa (Berlin) and Weiterstadt (near Frankfurt); in Italy, Freccia Rossa (Brescia), Gli Orsi (Biella) and Le Terrazze (La Spezia); in Greece, Galatsy Olympic Hall (Athens).
- As at 31 December 2006, the NAV<sup>9</sup> of the properties attributable to Sonae Sierra was 1,490 million euro (1,265 million euro), corresponding to a value per share of 45.82 euro (38.90 euro).

### GAL<sup>8</sup> under management

Total: 2.0 million square metres



<sup>8</sup> GLA – Gross Lettable Area.

<sup>9</sup> NAV – Net Asset Value.

## Sierra Investments

- In 2006, in line with the policy of value creation within the company's portfolio, the expansion of the food court in Arrábida Shopping was completed. In Italy, the first phase of the refurbishment of Valecenter was also completed.
- During the year, the total rental income of Sierra Investment's owned or co-owned portfolio increased by 17.5 million euro to 173 million euro, around 12% compared to 2005. This increase – 4.1% on a like-for-like basis – has been achieved through a combination of acquisitions and organic growth within the existing portfolio. Turnover Rents in 2006 reached 5% of total fixed Rents.
- When compared with 2005, the increase in the valuation of the operating properties was 318 million euro. The increase in total value is a result of the general decrease in exit yields of shopping centres in the portfolio, coupled with their consolidation in their respective catchment areas.

## The Sierra Fund

- In 2006, the investor's return reached 27%. Two shopping centres in Spain were acquired from Sierra Investments – Zubiarte, in Bilbao, and Avenida M40, in Madrid – bringing the Fund's total investment to 368 million euro. This growth was totally financed out of additional debt. No capital calls were made on investors during 2006, and the Fund still has 172 million euro of undrawn equity that is committed until 2008.
- The Fund also contributed to the development of the enlarged Arrábida Shopping centre in Porto, and to the first phase of the refurbishment of the Valecenter near Venice, and played an important part in securing the acquisition of the Münster Arkaden shopping centre in Germany. This acquisition will be completed in the first quarter of 2007.

## Sierra Developments

- During 2006, Sierra Developments expanded the search for new projects to include countries in Central Europe, where the company is looking for development opportunities that will add value to the portfolio. Nevertheless, Italy and Germany remain Sonae Sierra's most important markets, mainly due to their economic standing within the European Union.
- In 2006, the division not only opened a new shopping centre – RioSul in Seixal, Portugal – but also approved several new developments. As a result, they now have six shopping and leisure centres due to open in 2007, further three under construction and four more in the planning stage.

## Sierra Management

- 2006 was a year of consolidation for Sierra Management. Three new centres were added to the portfolio – RioSul in Seixal, Portugal, Alcala de Guadaira Retail Park near Seville and La Trocha in Cocha, near Malaga, in Spain – and leasing activities begun for ten centres under development. These included Lima Retail Park in Viana do Castelo and 8ª Avenida in S. João da Madeira, both in Portugal, Plaza Mayor Shopping and El Rosal, in Spain, Freccia Rossa, Gli Orsi and Le Terrazze in Italy, Alexa and Weiterstadt centres in Germany, and the former Galatsi Olympic Hall in Athens, Greece.
- Portugal remains the most important operational territory, with 27 properties under management, of which 17 are owned by Sonae Sierra. However, as the group builds more centres in other countries, the portfolio's weighting towards Portugal will change. At present, the next most important territories are Spain, where the company has 16 centres under management, and Italy, where it manages four centres.

## Sierra Brazil

- Sonae Sierra Brazil's aim is to become leader in the Brazilian market and a partner of choice in the shopping and leisure centre sector. This objective is being achieved through a combination of organic growth and acquisition, which is being accelerated following the acquisition of 50% of Sonae Sierra Brazil by DDR. DDR's investment in the joint venture amounted to around 120 million euro. The two companies, Sonae Sierra SGPS and DDR, agreed to contribute up to 300 million Brazilian real (circa 120 million euro) each, thus creating a commitment to the new partnership of 600 million Brazilian real (circa 240 million euro), to be used for acquisitions or development projects in Brazil over the next three years.
- During 2006 Sonae Sierra Brazil achieved an increase in occupancy rate, in terms of area, from 84.4% to 94.0%. On a strictly like-for-like basis, the occupancy rate increased from 84.4% to 94.3%.
- The results for the year also benefited from a substantial increase in the value of assets. The significant increase in the Open Market Value (OMV) of Sonae Sierra's Brazil's stake in the assets in the portfolio is due to three factors: the effects of foreign exchange rates, improved performance of shopping centres, and yield compression in the Brazilian market.

## >Telecommunications



Values in million euro

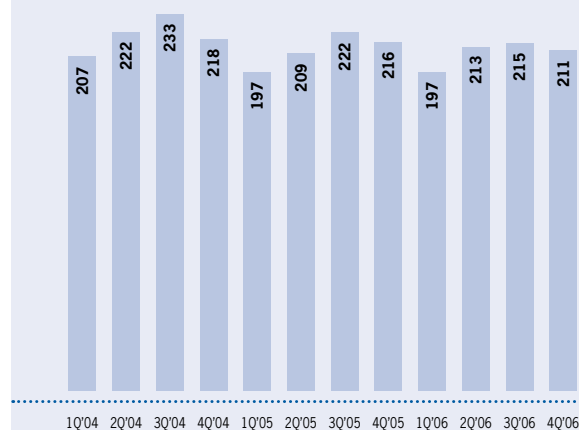
	2006	2005	Δ
Turnover	836	843	-1%
Operational Cash-Flow (EBITDA)	184	157	+17%
EBITDA Margin	22.0%	18.6%	+3.4 p.p.
Profit Attributable to Equity Holders of Sonaecom	(14)	2	(16)

	31 Dec' 06	31 Dec' 05	Δ
Net Debt	338	252	+34%

Consolidated figures for the years of 2006 and 2005 are not directly comparable, as Enabler was sold, at the end of the first half of 2006, and costs with the tender offer for Portugal Telecom were recorded, in the fourth quarter of 2006.

Turnover trend



## Main highlights

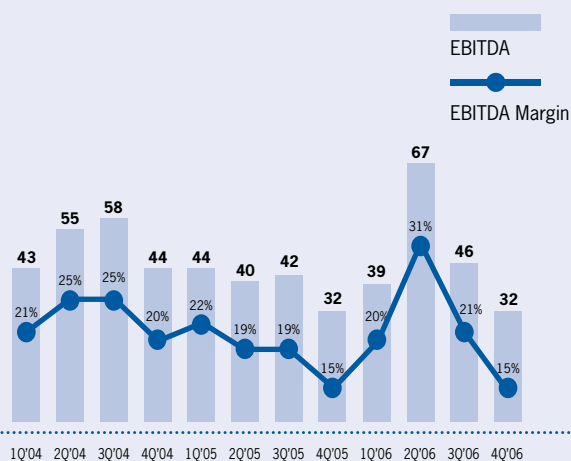
- Consolidated turnover decreased close to 1% to 836 million euro (843 million euro), reflecting the sale of Enabler at the end of the first half of 2006. Excluding this impact, turnover increased close to 1%, due to the increase in Optimus' customer revenues, resulting from the innovation and growth initiatives promoted, and to higher operator and customer revenues at Sonaecom Fixed, deriving from an increase in voice traffic and leased lines and to the strong performance of the direct access business.
- Consolidated Operational Cash-Flow (EBITDA) amounted to 184 million euro (157 million euro), posting a 17% increase and generating an EBITDA margin of 22% (19%). In 2006, consolidated EBITDA included the 25 million euro capital gain arising from the sale of Enabler. Excluding this impact, consolidated EBITDA would have increased by 1% to 159 million euro, reflecting the results of investments on convergent products and mobile internet access and of investment in direct access services.
- Consolidated net profit decreased 17 million euro to negative 5 million euro (positive 12 million euro), negatively impacted by costs incurred with the public tender offer.
- Consolidated gross debt reached 464 million euro, similar to the level in December 2005 (461 million euro). Consolidated

liquidity decreased 83 million euro to 126 million euro (209 million euro), reflecting the 106 million euro cash outflow associated with the acquisition of approximately 1% shareholding in Portugal Telecom, which was partially offset by the proceeds from the sale of Enabler. Consolidated net debt as at 31 December 2006 amounted to 338 million euro (252 million euro), 86 million euro up on net debt as at 31 December 2005.

## Mobile communication services

- Optimus' customer base increased 10.6% to 2.6 million subscribers (2.35 million) at the end of 2006, with net additions of 249 thousand in the year. New products launched in 2005, namely Optimus Home and Kanguru, were the main drivers of customer growth in Optimus.
- Optimus ARPU<sup>10</sup> decreased 10.1% during 2006 compared to 2005, as a consequence of the impact of the phased reductions in MTRs<sup>11</sup> and the continued decrease of incoming traffic from wireline operators.
- Data revenues represented 14.4% of service revenues in 2006, an improvement of 3.2pp over 2005, as the result of Optimus' investment on increasing usage of data services.
- In 2006, total voice traffic<sup>12</sup> was 11.8% higher than that recorded in 2005, with minutes of use per customer increasing by 1.4% to 115.9 minutes, compared to 114.4 minutes in 2005, driven mainly by the performance of the new products and services launched. Optimus' operator revenues continued to be negatively affected by the continued reduction in fixed incoming traffic, which decreased by 7% compared to 2005.

EBITDA (M.€)



<sup>10</sup> ARPU – Average Return per User.

<sup>11</sup> MTR – Mobile Termination Rates.

<sup>12</sup> Total voice traffic = Total incoming traffic + Total outgoing traffic + Total Roaming out.

- During 2006, Optimus' continued to invest in extending its network capillarity and capacity, with the deployment of new UMTS<sup>13</sup> sites and with an upgrade of the 3G network with HSDPA<sup>14</sup>. By the end of 2006, UMTS<sup>13</sup> network covered over 70% of the population with the delivery of speeds up to 384 Kbps, of which 60% has been upgraded with HSDPA<sup>14</sup> technology with bandwidth of up to 3.6 Mbps.

## Wireline communication services

- Sonaecom Fixed strategy was aimed at transforming the business to a direct access model and at growing the wholesale business, while improving efficiency gains, reducing activation costs and reducing churn.
- At the end of 2006, Sonaecom Fixed Total services reached 346.3 thousand, an increase of 27.6% compared to 2005. Average monthly ULL net adds exceeded 12 thousand services in 2006 compared to 7.2 thousand in 2005. Sonaecom Fixed voice traffic increased by 14.1% in 2006 to 1,436 million minutes compared to 1,258 million minutes in 2005
- Sonaecom Fixed strongly expanded its ADSL direct broadband services, completing its transformation process to a direct access business, which accounted for more than 65% of its customer revenues and 71% of total services, by the end of 2006, compared to 36% of its customer revenues and 34% of total services, by the end of 2005. To capture broadband growth, Sonaecom Fixed increased the number of unbundled central offices with ADSL2+, from 130 at the end of 2005 to 137 Central Offices at end of 2006, reaching 1.6 million homes in Portugal, approximately 50% of the Portuguese population. Of these central offices, 61% are equipped with full triple play capability.

## Media

- Público's average paid circulation decreased by 9.8%, from an average level of 49.0 thousand units in 2005 to 44.2 thousand units in 2006, continuing to suffer from the reduction of the size of the paid press market, as well as the competitive pressures of tabloid newspapers and free newspapers. Público's advertising market share was impacted by circulation performance, reaching an average of 15.5% at the end of 2006, down 0.4 pp as compared to the end of 2005.

- During 2006, a restructuring plan was implemented aimed at achieving an acceptable level of revenues and profitability, focusing on redesigning the newspaper layout and its supplements whilst reducing significantly Público's fixed cost structure and improving internal processes. This plan has already achieved approximately 3 million euro annual savings in personnel costs. Furthermore, several general and administrative expense contracts and policies have been revisited and renegotiated, which should achieve approximately a further 1 million euro of future annual savings in fixed costs.

## Software and System Information services

- The sale of Enabler, in June 2006, was consistent with Sonaecom's established strategic guidelines to launch and grow IT/IS businesses with strong international expansion prospects and the ability to generate "best in class" EBITDA margins. Given the stage of development of Enabler, it was felt that its integration into a leading multinational IT player would allow the company and its employees to accelerate their future growth potential.
- WeDo Group continued to invest in expanding its international footprint, mainly through its Revenue Assurance product RAID, with the renewal of the RAID maintenance contract with Telefónica Brazil, the Brazilian wireline telecom operator, with France Telecom Spain and with the capture of new RAID projects with PTSA, a Polish fixed operator, ERA, a Polish mobile telecom operator, and ONO, the Spanish cable and wireline operator. WeDo obtained two large Revenue Assurance projects at Brazil Telecom and Mobinil Egypt, while continuing to implement this product with AIS Thailand and Orange France and UK.

<sup>13</sup> UMTS = Universal Mobile Telecommunications System

<sup>14</sup> HSDPA = High-Speed Downlink Packet Access.



## >Sonae Capital



Values in million euro

	2006	2005	Δ
Turnover	450	560	-20%
Operational Cash-Flow (EBITDA)	18	44	-60%
Profit for the period	14	104	-90

Sonae Capital is made up of businesses in Tourism, Engineering Services and Real Estate Development, Facility Management, Insurance Brokerage and Risk Management and Seed and Risk Capital.

**Consolidated turnover** of Sonae Capital decreased around 20% to 450 million euro (560 million euro), reflecting the lower contribution of the Tourism business (a reduction of 107 million euro) due to the sale of Star, the travel agency format, to the Retail business (2005 turnover of 106 million euro) and to a lower level of activity in Real Estate Development and Engineering Services (a reduction of 28 million euro).

**Consolidated operational cash flow (EBITDA)** decreased 60% to 18 million euro (44 million euro). In 2005, consolidated EBITDA included around 34 million euro associated with the gain on the sale of the Casino project in Tróia. The Insurance Brokerage and Risk Management and Facility Management businesses improved their operational performance, increasing their contributions to consolidated EBITDA. Other business areas contributions remained more or less in line with the previous year.

**Consolidated net profit for the period** was 14 million euro (104 million euro). In 2005, net income included around 53 million euro of investment income arising from the sale of shareholdings in ba Vidro.

Activity in the main business areas can be summarised as follows.

### Tourism

During 2006, at the **Tróia project**, construction at UNOP<sup>15</sup> 1 progressed at a brisk pace. Construction work began, on the following projects: Marina apartments, Praia apartments, main building and infrastructures, and joining of the common areas of Rosamar and Magnoliamar. Simultaneously, construction of the marina and of the new ferry pier continued, and marketing of the Praia and Marina apartments commenced. Projects for residential building plots in the beach area continued, following the Government's ratification, on 26 January 2006, of the detailed plan for UNOP<sup>15</sup> 2 (published on the Portuguese Official

<sup>15</sup> UNOP = Operational Planning Unit.

journal dated 23 February 2006). In 2006, contracts for the construction of four ferry boats were signed. These boats will link Setúbal to the Tróia Peninsula, with two of them allowing for transport of both vehicles and people and the other two exclusive for transport of people.

For **Hotels**, which include the Porto Palácio Hotel and Aqualuz, the broad refurbishment and expansion project launched in 2005 continued, aiming at repositioning the hotel services in a more competitive and demanding market. These projects led to the full or partial closure of the units involved with impacting results for the year.

## Engineering Services and Real Estate Development

**Contacto**, a civil and public works construction company, reached a turnover of 154 million euro, an 8% increase over the previous year, an operational cash-flow (EBITDA) of 7.2 million euro and a net profit of 7.8 million euro.

**Cinclus**, a project management and control company, had a turnover of 5.8 million euro, and generated an operational cash-flow (EBITDA) of 270 thousand euro and a net profit of 190 thousand euro.

**Prædium** and **Spinveste**, the companies focused on quality residential developments, reached a turnover of 6.8 million euro and a negative operational cash-flow of 0.7 million euro. The sale of apartments in Edifício Sedas II continues and construction and sale of the City Flats/City Lofts building (212 apartments) continued. This building is expected to be completed in early 2007.

In relation to the Efanor project, demolition of existing buildings and urban and environmental infrastructure work begun in 2006. Projects for the first residential building are underway.

## Facility Management

Consolidated turnover at the **Selfrio Group** totalled 64 million euro (56 million euro), a 14% increase, with operational profit (EBIT) reaching 5 million euro. The Group performed well during the year, both in terms of turnover and profitability. For 2007,

the Group expects to improve over the performance achieved in 2006.

**Safira's** business has been growing steadily, reaching a turnover of 28 million euro in 2006, driven by the increasing presence of the company in the cleaning services segment. The net profit of 0.8 million euro reflects increases in profitability, following the policies implemented to increase productivity and optimise costs.

## Insurance Brokerage and Risk Management

During 2006, **mds**, the Sonae Group's insurance broker, strengthened its leadership in the insurance brokerage market, achieving consolidated revenues of circa 13 million euro, 8% up on the previous year. The year 2006 was marked by the conclusion of the merger between mds and the two companies acquired in 2005 (Unibroker and Becim).

mds has been expanding its international activity by promoting and providing leadership of the insurance brokers network, Brokers Link, which covers all European countries and several countries in Latin America, Asia, Africa, the United States and Canada.

In France, the holding Développement et Partenariat Assurance<sup>16</sup>, a subsidiary of mds, continued its organic growth in the French market, achieving a turnover of 4.9 million euro, up 19% on the previous year.

In Brazil, Lazam/mds<sup>16</sup>, a partnership between Sonae and the Feffer Group, achieved revenues of 17 million Brazilian real, an increase of 13% compared to the previous year.

Sonae Re, the captive reinsurance company of the Sonae Group, with its head office in Luxembourg, reached a volume of re-insurance premiums of 19 million euro.

## Seed and Risk Capital

Consolidated turnover of **Box Lines** was 49.5 million euro, 13% up on 2005. Around 77% of this total relates to sales outside the Sonae Group. Consolidated operational cash-flow

<sup>16</sup> This company was accounted for using the equity method.

(EBITDA) was 2.2 million euro and net profits amounted to 1.3 million euro.

In the **Fitness** business, the health clubs network, Solinca, continued to expand with the opening of a new unit at Estádio do Dragão. The openings at Estádio do Dragão (2006) and Norteshopping (December 2005), led to a significant increase in the number of club members, contributing to an 11% growth in turnover which reached almost 11 million euro. During 2006, the business went through a major operational and commercial reorganisation, in line with best practices and market trends, so as to improve the performance of the Solinca health clubs over the short term.

Choice Car – SGPS, SA, was set up in 2000 to concentrate investments that the Sonae Group held at that time in the **Auto Sector**. It is a 50/50 partnership with the Salvador Caetano Group.

In 2006, **Guérin** consolidated its recovery that began in 2005. Market trends remained largely in line with the previous year, with stagnant domestic demand, but with an interesting recovery linked to tourism. Turnover, as measured by rental days, grew around 38% to 1,167 thousand days (844 thousand days). The average income per day grew marginally (0.5%) compared to the previous year. Sales volume amounted to 27.4 million euro (19.8 million euro). 2006 net profit was more than double that of 2005, totalling 1.2 million euro. In 2006, Guérin pursued an ambitious geographic expansion plan, ending the year with 41 agencies, of which approximately half are franchises or partnerships.

**Finlog** ended the year of 2006 with a fleet under management of 7.130 vehicles, a 6% growth over the previous year. The leasing business grew at a steady pace, and the company diversified its business activities to warranty management. Turnover was 38.7 million euro and profit before taxation was 2 million euro.

**Carplus** continued to face a difficult market environment. Turnover, as measured by units sold, dropped from 1,087 units in 2005 to 1,013 units in 2006. Nevertheless, gross margin grew 1.8 million euro to 2.1 million euro. 2006 net profit amounted to 0.4 million euro (0.8 million euro loss). 2006 profit includes 0.6 million euro of gains arising from the sale of two pieces of land.

On 27 December 2006, Choice Car, SGPS, SA, sold the whole of its shareholding in the company **Autocenter** – Serviços, Acessórios e Peças para Viaturas, SA, to Império Pneus – SGPS, SA, which became the holder of 100% of the share capital of the company.

The **Plysorol** group does its business through 3 companies:

one produces and sells plywood in France, while the other 2 companies explore tropical hardwood forest and unroll timber, in Gabon.

**Plysorol France** achieved a turnover of 108.1 million euro, up 10% on the previous year, driven by a 9.4 % growth in sales volumes and by a slight improvement of 0.5% in average selling prices. In December, average selling prices were already 4.3% higher than the previous year's average, due to improvements in the last quarter of the year. The level of activity in manufacturing units grew 5.4% in 2006, leading to an increase in productivity and in the use of installed capacity. Operational cash-flow (EBITDA) improved to negative 1 million euro (negative 1.6 million euro), and net profit improved to negative 4.6 million euro (negative 6.5 million euro). Organisational and restructuring actions are underway, to increase the competitiveness of the company, and have already allowed for losses to be cut, and will have a favourable impact in 2007 activity with a return to profitability.

**Leroy Gabon's** activity, as predicted, decreased significantly as the use of four plots is in their final stage. Production was around 86,000 m<sup>3</sup>, 30% less than in 2005. Turnover amounted to 11.1 million euro, a 22% decrease compared with the previous year. Net profits were negative 4.3 million euro (negative 3.1 million euro). With the beginning of exploration of a new plot, expected in March 2007, the company will be able to significantly improve profitability. At **Placage d'Okoumé du Gabon**, turnover amounted to 10.7 million euro, up 10%, and operational cash-flow (EBITDA) was 1.2 million euro (0.6 million euro), double that of the previous year. These improvements are a result of the industrial reorganisation of this unit, closely linked to the industrial restructuring in France.

**Isoroy Casteljalous**, producer of softboard for thermal and acoustic isolation, continued to experience difficulties in 2006 despite a 5.4% increase in turnover, to 13.6 million euro. Although sales volumes increased 3.5%, the increase was not enough to offset cost increases of 6.3%, related to sharp increases in energy and raw material prices, making up around 50% of production costs. As a result, EBITDA margin decreased to negative 3.8% in 2006 from positive 0.1% in 2005. Net profits fell to negative 1 million euro (negative 0.8 million euro in 2005). In 2007, the company expects to break even through cost reductions and improvements in sales prices.

**Essences Fines Isoroy**, producer of veneer, started to show signs of recovery. Turnover totalled 10 million euro, a 23% increase compared to the previous year. Operational cash-flow (EBITDA) improved 0.6 million euro, but was still negative by around 0.8 million euro. Net losses improved slightly, from

1.4 to 1.3 million euro in 2006. The development of the new manufacturing model, implemented in 2004, should allow an improvement in turnover and profitability of the company in the coming years.

**TP**<sup>17</sup>, in the cogeneration and renewable energy business, had a consolidated turnover of 33.6 million euro, operational cash-flow (EBITDA) of 7.7 million euro and net profit of 2.6 million euro.

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

**Sodesa**<sup>17</sup>, which sells energy in open market segments, had, by year end, a customer base representing a consumption of 2,800 GWH per annum, and generated an operational cash-flow (EBITDA) of 1.7 million euro and a net profit of 517 thousand euro.

During 2006, **Norscut** and **Operscut**, working on a SCUT<sup>18</sup> concession for the construction and operation of the Interior Norte or A24 motorway, opened an additional 49.8 km. At the end of 2006, 137.6 km were in operation, made up of two sections: the northern section, between the Spanish border and the IC5, in Vila Pouca de Aguiar, covering 46.5 km and the southern section, between Fortunho (3 km north of Vila Real) and Viseu, covering 91.1 km. The investment in construction amounted to 618 million euro at the end of the year. The last section of the motorway, in Vila Pouca de Aguiar area, is under construction, and is due to enter service at the end of the first half of 2007.

At the end of 2006, the project for an hospital in Oporto, which was developed by the team at **Saúde Atlântica**, was sold, generating a gain of approximately 12 million euro.

<sup>17</sup> Company accounted for using the equity method.

<sup>18</sup> SCUT is an abbreviation in Portuguese for "without cost for the user".

## > Sonae, SGPS, SA – Stand Alone Activity



The activity of Sonae, SGPS, SA, as a stand alone company, is focused on the management of its holdings in affiliated companies.

During 2006, the following significant transactions were completed:

- Acquisition of 24.364% of the share capital of Modelo Continente, SGPS, SA, as a result of which Sonae, SGPS, SA became the holder of 100% of the share capital of this affiliated company;
- Acquisition of 1.559% of the share capital of Sonaecom, SGPS, SA from Parpública - Participações Públicas, SGPS, SA, increasing its direct shareholding to 12.72%;

- Sale of 100 million Modelo Continente, SGPS, SA's shares, 9.09% of that affiliated company's share capital, to Modelo Continente, SGPS, SA.

Also of significance was a bond issue of 250 million euro with a tenor of 5 years.

Net profits for the year of 2006 amounted to 65.1 million euro, which were favourably impacted by dividends received from its affiliated companies Modelo Continente and Sonae Sierra.

# Consolidated Profitability <sup>20</sup>

**Consolidated turnover** for the year grew 6%, up to 4,384 million euro (4,117 million euro). The Retail business was the major contributor to this increase, through the positive performance of the like for like store portfolio, new store openings and the acquisition of control over Star. The Shopping Centres business increased its contribution for the year by 11 million euro, an increase of 8%, despite the sale of 50% of the Brazilian portfolio in October 2006. In the Telecommunications business, yearly contribution remained roughly in line with 2005 figures. The lower contribution from Sonae Capital and Holding was mostly due to the sale of Star to the Retail business.

**Consolidated operational cash flow (EBITDA)** for the year was 599 million euro (553 million euro), generating a **consolidated EBITDA margin** of 13.7% (13.4%). The Shopping Centres business delivered most of the growth in consolidated EBITDA, with an increase in contribution of around 36 million euro in 2006. Value created on investment properties was of 130 million euro (98 million euro), up 32 million euro due to the general decrease in market yields, particularly in Portugal, and to the higher number

of shopping centres in the company's portfolio. The Retail business strategy for growth delivered positive results in the year, with the respective contribution to consolidated EBITDA growing 17 million euro. The lower contribution of the Telecommunications business to consolidated EBITDA, 146 million euro (161 million euro) reflects the impact of the costs associated with the tender offer for Portugal Telecom, partially offset by improvements in business operations as a result of innovation and growth initiatives promoted and of strong investment in the direct access business.

**Consolidated operational profit (EBIT)** grew 22 million euro in 2006, an increase of 7% to 357 million euro (335 million euro). The Shopping Centres business, through the value created on investment properties, was the major positive contributor to this growth.

**Consolidated net financial expenses** totalled 100 million euro (85 million euro) in the year. This increase reflects a lower level of financial income, namely at Sonae Capital and Holding level, and the financial costs associated with the tender offer for Portugal Telecom. In spite of increases in interest rates,

<sup>20</sup> The consolidated profit and loss accounts for the year 2006 are not directly comparable with the figures for the year 2005, because of: the spin-off of the Wood Based Panels business (with accounting effects from 1 October 2005), the sale of the Retail operations in Brazil (with accounting effects from 1 December 2005), the change in the method of consolidation of the Shopping Centres business from full to proportionate (following the sale to Grosvenor, on 29 December 2005, of 17.04% of the share capital of Sonae Sierra) and the sale of the shareholding in Imocapital/Gescartão in the first quarter of 2005. 2006 actual figures are compared with 2005 pro-forma figures, which take account of these changes in the consolidation perimeter.





and excluding the impact of the tender offer, interest expenses remained at the same level due to better financial conditions negotiated on some of the major loan contracts.

**Consolidated net profit** for the year rose by 74 million euro to 339 million euro (265 million euro), mostly due to improved operational performance and higher investment income. Contributing to the year's profit are 136 million euro of investment income (81 million euro), which include the gain on the sale of an additional 3.92% shareholding in ba Vidro, the price adjustment on the sale of the Brazilian retail operations, the gain on the sale of Enabler, the impact of the roll-up into Sonaecom of the shareholdings held by Parpública and EDP in Optimus and the gain on the sale of 50% of Sonae Sierra Brazil. In 2005, investment income included gains on the sale of shareholdings in Gescartão and ba Vidro.

**Consolidated net profit attributable to equity holders of Sonae** improved 56 million euro in 2006 to 242 million euro (186 million euro).

Contributions to the consolidated total of Sonae, SGPS, SA were as follows:

	Values in million euro		
	Turnover	EBITDA <sup>21</sup>	Profit for the Period
Retail	3,097	253	162
Shopping Centres	147	192	132
Telecommunications	836	146	(2)
Sonae Capital & Holding	467	11	(30)*
Eliminations	(163)	(3)	78*
<b>Total</b>	<b>4,384</b>	<b>599</b>	<b>339</b>

\* Includes dividends paid by the Retail and the Shopping Centres businesses.

<sup>21</sup> EBITDA = Operational Profit (EBIT) + Depreciation and Amortisation + Provisions and Impairment Losses – Reversal of Impairment Losses and Provisions (included in Other Operational Income and amounting to 12.9 M.€ in 2006 and 11.0 M.€ in 2005 pro-forma).

# Financial Structure

**Consolidated gross investment** for the year was 661 million euro. The Retail business made up around 31% of this total, mainly due to the opening of 87 stores (11 food and 76 non-food), with sales area growing by around 10% to 543,000 m<sup>2</sup>. Investment by the Shopping Centres business amounted to circa 220 million euro, of which 111 million euro contributed to consolidated investment. Most of the investment reflects the opening of RioSul shopping and leisure centre, in Portugal, the acquisition of a green-field site in Weiterstadt, Germany, and progress on the development of 8ª Avenida, in Portugal, Alexa, in Germany, El Rosal, in Spain, and Freccia Rossa, in Italy. In 2006, investment by the Telecommunications business was mainly associated with the acquisition of shares in Portugal Telecom and the deployment of the high speed mobile and wireline networks, representing circa 38% of consolidated investment. Investment in Sonae Capital and Holding amounted to around 91 million euro, most of which was associated with the development of the Tróia project, the opening of fitness centres and refurbishment of hotels.

**Consolidated net debt**<sup>22</sup> as at 31 December 2006 amounted to 2,063 million euro, an increase of 443 million euro over the end of 2005, and a 113 million euro decrease compared to the end of the third quarter of the year. The decrease in the quarter is for the most part explained by the stronger cash generation in the Retail business as a result of the Christmas season effect. Of the total consolidated net debt as at 31 December 2006, 533 million euro are attributable to the Shopping Centres business and are fully and exclusively guaranteed by its own assets.

Contributions to the consolidated net debt of Sonae, SGPS, SA were as follows:

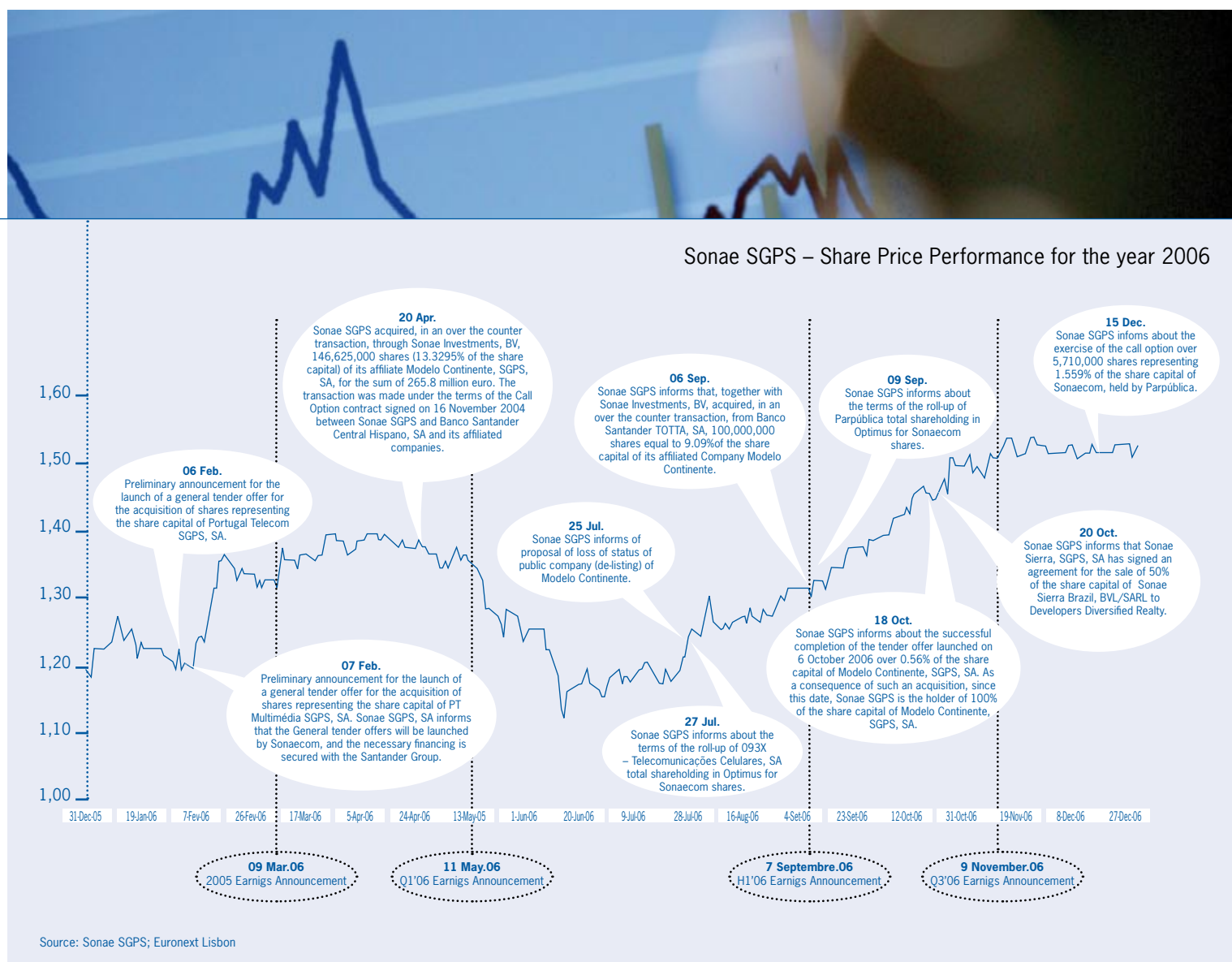
Values in million euro

	31 Dec'06	31 Dec'05	Δ
Retail	377	196	181
Shopping Centres	533	499	34
Telecommunications	337	250	87
Sonae Capital & Holding	722	501	221
Eliminations	94	174	(80)
<b>Total</b>	<b>2,063</b>	<b>1,620</b>	<b>443</b>

The **ratio of consolidated net debt to consolidated operational cash flow (EBITDA) for the last 12 months** was 3.4, which compares with 2.9 as at 31 December 2005. **Annualised interest cover** was 6.1, above the 5.9 at the end of 2005.

<sup>22</sup> Net Debt = Non-Current Borrowings + Current Borrowings – Cash and Cash Equivalents – Current Investments.

# Share Performance



The Sonae SGPS's share ended the year of 2006 quoted at 1.51 euro, corresponding to a nominal gain of 28% which compares with a general stock market gain of 29.9% as measured by the Portuguese Stock Market Index (PSI 20). As at the date of this report the share price was 1.58 euro.

On a monthly basis, February and October posted the most

significant increases, with the share price increasing by 10% and 9%. The highest closing price in the year, 1.52 euro per share, was achieved on 14 November, and the average daily transaction volume was around 7.9 million shares. Since the end of the period under review, the highest closing price has been 2.01 euro.

# Own Shares

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On 12 May 2006, Sonaecom, SGPS, SA transferred, in an over the counter transaction and in accordance with its Deferred Performance Bonus Plan, 557,574 Sonae, SGPS, SA shares to employees. After this transaction, Sonae, SGPS, SA holds directly or through its affiliated companies 133,418,572 own shares, representing 6.671% of its share capital.

# Proposed Appropriation of Profit for the year

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Sonae, SGPS, SA, as the holding company of the Group, had net profits of 65,138,044.45 euro. The Board of Directors will propose to the Shareholders' General Meeting that this profit should be appropriated as follows:

Legal Reserves	3,256,902.22 euro
Free Reserves	5,883,699.39 euro
Dividend	55,997,442.84 euro

Given that the Board of Directors intends to maintain the number of own shares held until the dividend is paid, a gross dividend of 0.03 euro per share has been proposed. This is equal to a dividend yield of 2.27% on the average share price in 2006 of 1.32 euro and to a payout ratio of 23.16% of consolidated profits attributed to equity holders of Sonae.

# Outlook

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The **Retail** business will continue to capitalize on its growth strategy. In order to strengthen its leadership in the Portuguese market, the company will continue to open new stores at a brisk pace, increasing its sales area by more than 10%. In 2007, the company intends to open 10 food stores, 90 non-food stores and to refurbish more than 50 stores. Further studies will be carried out to support the development of new business formats as well as the possibility of entering new geographies. The company will continue to invest in efficiency and innovation programmes, reaching its customers through targeted customer loyalty initiatives.

The **Shopping Centres** business plans to inaugurate 6 of the centres under development in Portugal, Spain, Italy and Germany, while proactively looking for opportunities in Central Europe. In 2007, construction of a new shopping centre will start in Manaus, Brazil, with the company having set the objective of doubling Sonae Sierra Brazil's net assets over the next 3 years. The company aims to strengthen significantly its international management activity in the coming years, particularly in Italy, Germany and Greece, keeping its focus on the increase in the underlying value of its assets.

Despite having failed in the bid to control Portugal Telecom we believe that we have contributed to a more competitive telecommunications market. **Telecommunications** will continue to invest for growth, looking for disruptive opportunities. Operating priorities at the Telecommunications businesses will continue to focus on increasing market share, improving profitability and consolidating the direct access broadband service. Regarding Software and Systems Information, the company will invest in the growth of its existing businesses, while analysing new opportunities both within the current portfolio and via acquisitions and investments in selective start-ups.

In **Sonae Capital** development of the Tróia Resort will continue, with the conclusion of the first phase being scheduled for the summer of 2008. Regarding existing business areas, focus will be on growing the services business area and strengthening the leadership of the insurance brokerage market. Investment in new business opportunities will increase.

Sonae SGPS will strive to identify new business opportunities outside the scope of the main businesses.

# Final note

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The Board of Directors would like to thank all its stakeholders for their support and confidence, with special thanks to the statutory auditor for their co-operation and work, and to all our staff for their efforts during the year.

Maia, 20 March 2007

## **The Board of Directors**

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Álvaro Cuervo García

Ângelo Gabriel Ribeirinho dos Santos Paupério

Duarte Paulo Teixeira de Azevedo

Luíz Felipe Palmeira Lampreia

Michel Marie Bon

Nuno Manuel Moniz Trigoso Jordão

Nuno Miguel Teixeira de Azevedo



## Disclosure of shares and other securities held by members of the Board of Directors and of transactions during the year involving shares and other securities

Appendix to the Report of the Board of Directors as of 31 December 2006 required by article 447 of the Portuguese Companies Act

	Purchases			Sales		Balance as of 31.12.2006
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €	Quantity
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49,999,997
Sonae, SGPS, SA						14,901
Sonaecom, SGPS, SA						75,537
Álvaro Carmona e Costa Portela						
Sonae, SGPS, SA						25,934
Sonaecom, SGPS, SA						5,000
Ângelo Gabriel Ribeirinho dos Santos Paupério						
Sonae, SGPS, SA						4,564
Sonaecom, SGPS, SA						60,070
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (3)						150,000
Sonae, SGPS, SA						596,909
Shares attributed under a Share Based Compensation Plan	11.05.2006	236,318	0			
Sonaecom, SGPS, SA						387,342
Shares attributed under a Share Based Compensation Plan	13.03.2006	71,547	0			
Luiz Felipe Lampreia						
Sonae, SGPS, SA						10,000
Michel Marie Bon						
Sonae, SGPS, SA						45,363
Purchase	13.01.2006	4,000	1,24			
Purchase	17.05.2006	3,400	1,33			
Purchase	06.07.2006	4,900	1,17			
Purchase	11.10.2006	3,500	1,41			
Nuno Miguel Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Sonae, SGPS, SA						14,320
(1) Efanor Investimentos, SGPS, SA						
Sonae, SGPS, SA						658,804,410
Pareuro, BV (2)						20,000
Sonaecom, SGPS, SA						1,000
(2) Pareuro, BV						
Sonae, SGPS, SA						400,000,000
(3) Imparfin, SGPS, SA						
Sonae, SGPS, SA						4,105,273

Appendix to the Report of the Board of Directors as of 31 December 2006 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 capital.

Number of shares held as of 31.12.06	
Efanor Investimentos, SGPS, SA	
Sonae, SGPS, SA	658,804,410
Pareuro, BV	20,000
Pareuro, BV	
Sonae, SGPS, SA	400,000,000

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

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, SA	658,804,410	32.940%	35.295%
Pareuro, BV	400,000,000	20.000%	21.430%
Maria Margarida Carvalhais Teixeira de Azevedo	14,901	0.001%	0.001%
Maria Cláudia Teixeira de Azevedo	342,287	0.017%	0.018%
Duarte Paulo Teixeira de Azevedo	596,909	0.030%	0.032%
Nuno Miguel Teixeira de Azevedo	14,320	0.001%	0.001%
<b>Total attributable to Efanor Investimentos, SGPS, SA</b>	<b>1,059,772,827</b>	<b>52.989%</b>	<b>56.776%</b>
Banco BPI, SA	51,868	0.003%	0.003%
Banco Português de Investimento, SA	2,200,204	0.110%	0.118%
Fundos de Pensões do Banco BPI	37,878,620	1.894%	2.029%
BPI Vida - Companhia de Seguros de Vida, SA	784,501	0.039%	0.042%
<b>Total attributable to Banco BPI, SA</b>	<b>40,915,193</b>	<b>2.046%</b>	<b>2.192%</b>
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.492%	2.671%
<b>Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social</b>	<b>49,849,514</b>	<b>2.492%</b>	<b>2.671%</b>
Centaurus Capital Ltd.			
Centaurus Alpha Master Fund Limited	37,011,048	1.851%	1.983%
Greenway Managed account series Ltd.	2,178,615	0.109%	0.117%
Citi Centaurus Limited	1,261,106	0.063%	0.068%
<b>Total attributable to Centaurus Capital Ltd.</b>	<b>40,450,769</b>	<b>2.023%</b>	<b>2.167%</b>
FMR Corp. e Fidelity International Limited			
Fidelity European Fund	18,928,524	0.946%	1.014%
Fidelity European Values PLC	3,578,100	0.179%	0.192%
FID FDS - Iberia Pool	11,841,800	0.592%	0.634%
Norges Bank Eur Ex UK Ex Norwy	8,609,600	0.430%	0.461%
Fidelity Intl FD - Pep Europe	312,200	0.016%	0.017%
<b>Total attributable to FMR Corp. and Fidelity International Limited</b>	<b>43,270,224</b>	<b>2.164%</b>	<b>2.318%</b>



*(Translation from the Portuguese original)*

# Report on Corporate Governance

31 December 2006

Sonae SGPS, SA

# Report on Corporate Governance

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This document gives a brief description of the Corporate Governance practices of Sonae SGPS, SA, and was prepared to comply with Regulation 7/2001 of 20 December 2001 of the CMVM (Portuguese Securities Market Commission) as amended by Regulations 11/2003 of 19 November 2003 and 10/2005 of 3 November 2005.

Given that this Report on Corporate Governance is an appendix to the Report of the Board of Directors, it should be read together with and as a complement to that document. In order to avoid duplication, certain aspects in this report are cross referenced to the main body of that report, as it was felt that it was more appropriate to deal with them in the main body of the report.

## 0 – Statement of compliance

Compliance with the recommendations of the CMVM on Corporate Governance is explicit in this report and in each of the chapters into which it is divided.

## 1 – Information disclosure

### 1.1. Decision making process

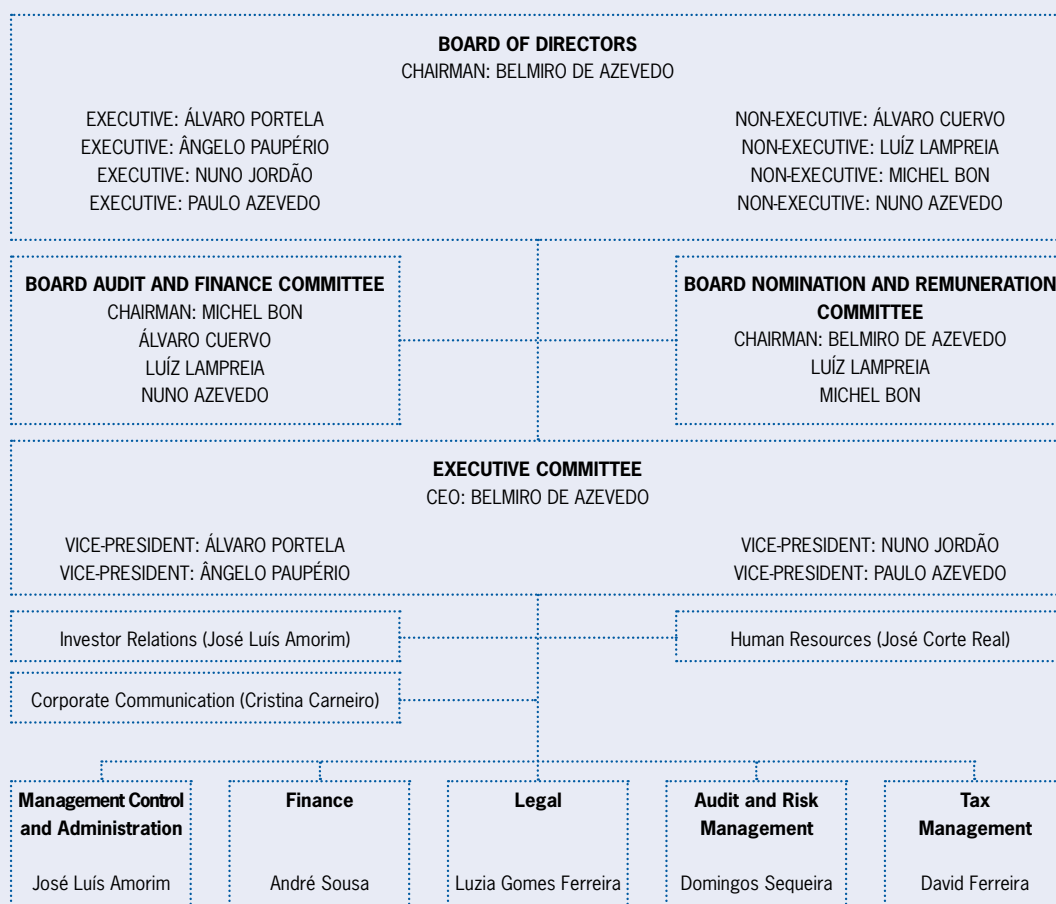
Strategic management decisions are taken in meetings of the Board of Directors of the company and decisions related to the execution of that strategy are taken in meetings of the Executive Committee.

The Board of Directors functions as a body composed of a Chairman and eight other voting members. The Board 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.

The Executive Committee functions as a body, composed of a Chief Executive Officer and four other Executive members, and is responsible for managing and executing day-to-day operations, with particular emphasis on management of the portfolio of businesses, financial co-ordination and career development for top managers.



The Company is organised around the following functions:



Ângelo Paupério co-ordinates operationally the functional departments shown above, meeting regularly with the respective managers. Decisions taken by the functional

managers are validated by powers delegated by the Executive Committee and are co-ordinated in the above-mentioned meetings of this Committee.



## 1.2. Internal committees

The *Audit Committee* is chaired by Belmiro de Azevedo and is made up of Internal Audit managers and of Directors responsible for this function for each of the sub-holdings. It meets quarterly to review internal and external audit work plans and findings.

The *Finance Committee* is chaired by Ângelo Paupério and meets monthly, made up of Directors responsible for finance in each sub-holding and functional managers of Sonae, SGPS, SA who are relevant to the subjects on the meeting's agenda. The committee's functions cover the review and co-ordination of financial risk management policies of the Sonae Group.

The composition and responsibilities of the Shareholders' *Remuneration Committee* are described in paragraph 1.9 below.

The Board Committees are described in paragraph 4.1. below.

## 1.3. Risk control

The system of risk management implemented in the company covers the following:

### *Objectives of risk management*

The Sonae values and principles (see 3.1 below) refer to the concepts that provide the framework for the policies, organisation and management of risk, in particular:

- Loyalty and rigour: day to day work to be based on managing risk and adopting management practices that detect and correct adverse situations promptly;
- Transparency: adopt practices that enable a systematic evaluation to be made of the true performance of the businesses and the level of compliance with the values and principles of Sonae;
- Safety: provide a work environment that minimises professional risks and that does not threaten the health and safety of staff, suppliers and other third parties;
- Ethics: base relationships with external entities on the principles of honesty, integrity and transparency.

Risk Management, which is one of the components of the Sonae culture and a pillar of Corporate Governance, is present in all management processes and is a responsibility of all management and employees of the Sonae Group, at all levels of the organisation.

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

Risk Management, together with Environmental Management and Social Responsibility, are pillars of sustainable development, in the sense that better understanding and more effective management of risks contribute to the sustainable development of businesses.

### *Risk management processes*

Risk management is integrated into the entire planning process as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge with the goal of identifying, evaluating and managing the uncertainties and threats that Sonae Group companies face in the pursuit of their business objectives and value creation.

As part of strategic planning, the risks of the existing business portfolio as well as new businesses and relevant projects, are identified and evaluated, while strategies to manage those risks are also defined.

At the operational level, business risks and planned actions to manage those risks, are identified and evaluated, and are included and monitored in business unit and functional unit plans.

For risks that cross business unit boundaries, such as large scale organisational changes, contingency and business recovery plans, structural risk management programmes are developed with the participation of those responsible for the units and functions involved.

As far as tangible asset and people safety risks are concerned, policies and standards are defined, their implementation is self-monitored, audits are carried out at the main units, and when risks are identified, preventive and corrective actions are implemented. On a regular basis, the financial cover of insurable risks is reassessed.

Financial risk management is carried out and monitored as part of the activity of holding and sub-holding companies' financial



departments, whose work is reported to, co-ordinated and reviewed by the Finance Committee and the Board Audit and Finance Committee.

The risk management process is supported by a uniform and systematic methodology, based on the international standard *Enterprise Risk Management – Integrated Framework* issued by COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) that includes the following:

- Identifying systematically the risks that affect the organisation (common language); defining and grouping risks (dictionary and matrix of risks);
- Evaluating and attributing the level of criticality and management priority of risks as a function of their impact on the objectives of the business and the probability of the risks occurring;
- Identifying the causes of the most important risks;
- Evaluating strategic risk management options;
- Developing a risk management action plan and integrating it into the management and planning procedures of the units and functions of Sonae Group companies;
- Monitoring and reporting on progress made to implement the action plans.

### *Risk management organisation*

Risk Management is the responsibility of all managers and staff of Sonae Group companies at all levels of the organisation, and is supported by the Audit and Risk Management and Management Planning and Control Departments.

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

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

plan includes critical business process audits, compliance audits, financial audits and information systems audits.

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

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

Risk Management, Internal Audit and Management Planning and Control are activities carried out in all businesses of the Group, through especially dedicated teams, which report directly to their respective Boards of Directors both of the holding and each of the sub-holdings.

At present, the Internal Audit and Risk Management functions have 46 full time staff, carrying out their work in all countries where the Sonae Group operates.

At Group level, there are bodies – the Audit Committee and the Risk Management Consultation Group (GCGR) – that assist the Executive Committee and the Board Audit and Finance Committee to define policies, review and co-ordinate the activities of Risk Management, Internal and External Audit, and to review internal control processes and systems. These bodies are also platforms for sharing knowledge and experience of these activities. They meet quarterly and are made up of Directors responsible for the respective functions in each sub-holding, of Risk Management and Audit Managers of the holding and sub-holdings, of the Group Controller, and, in the case of the GCGR, of the Group Insurance Manager. These bodies are chaired by a Director appointed by the Executive Committee, which reports directly to both the Executive Committee and the Board Audit and Finance Committee. The Audit Committee is chaired by the Chairman of the Board of Directors of Sonae, SGPS, SA.

As mentioned in 4.1. below, the Board of Directors has appointed a Board Audit and Finance Committee, made up of four Non-Executive Directors, three of which are independent, which monitors Audit and Risk Management activities on behalf of the Board.

Sonae Group companies promote the development of human resources, Internal Audit and Risk Management methodologies and seek to follow best international practices. As far as human resources are concerned, Group companies sponsor a program of training and updating of skills that includes the International Internal Audit professional certification promoted

by the IIA – *The Institute of Internal Auditors* – the *Certified Internal Auditor (CIA)*, as well as other international certifications in information systems audit such as the *Certified Information Systems Audit (CISA)*, *Certified Information System Security Professional (CISSP)* and *BS ISO/IEC 27001:2005 Information Security Management System (CISM)*. Currently, there are eleven members of the Sonae Group Internal Audit and Risk Management teams who have certifications, of which six are CIA accredited, three CCSA, one CISA and one CISM. A group of nine candidates are applying for certification in 2007 and are preparing to take the respective exams. The Sonae Group is one of the entities in Portugal with the most certified staff in the Internal Audit and Risk Management function.

In the relevant chapter of the Report of the Board of Directors, Internal Audit and Risk Management activities, for the year 2006, are described.

#### 1.4. Share price performance

To complement information on the performance of the Sonae share price given in the Report of the Board of Directors, further data is shown below highlighting the most relevant facts and the most significant price movements during the year.

Sonae, SGPS, SA's shares are quoted on the main Portuguese securities market (Euronext Lisbon) and weight 4.27 % in the PSI 20 Index.

The Sonae share ended the year quoted at 1.51 euro, a nominal gain of 28% during the year, which compares with a general stock market gain of 29.9 %, as measured by the Portuguese Stock Market Index (PSI-20).

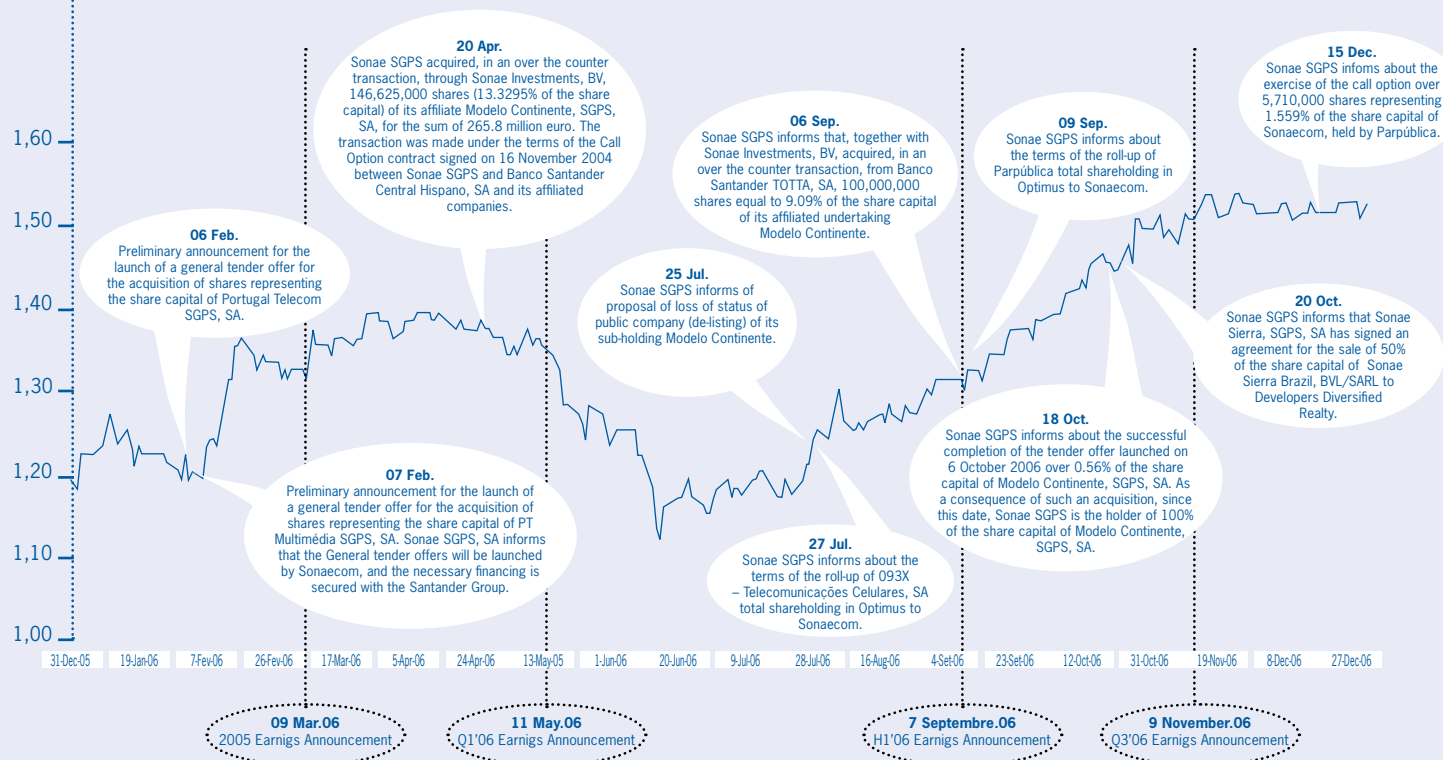
The year was marked by the launch of the Public Tender Offers for Portugal Telecom and PT Multimédia, which led to a significant increase in volumes and prices throughout the year, both of the Sonae share and of the market as a whole. The following graph highlights the trend of the share price during 2006.

#### Sonae, SGPS, SA's shares reference information:

Name: Sonae, SGPS, SA	ISIN CODE: PTSON0AE0001
Security's issuer: Sonae, SGPS, SA	Símbolo: SON
Listing date: 15 September 1989	Reuters: SONP.IN
Share Capital: 2,000,000,000 €	Bloomberg: SON PL
Listed amount: 2,000,000,000	
Treasury stock: 6.7% <sup>(a)</sup>	

<sup>(a)</sup> Affiliated companies, Modelo Continente and Sonaecom, also held 50,000 and 562,500 shares of Sonae, SGPS, SA, respectively, as at 31 December 2006.

## Sonae SGPS – Share Price Performance for the year 2006



Source: Sonae SGPS; Euronext Lisbon

## Sonae, SGPS, SA's shares statistics:

	2004	2005	2006
<b>Background</b>			
Share Capital (€)	2,000,000,000	2,000,000,000	2,000,000,000
Shares outstanding	2,000,000,000	2,000,000,000	2,000,000,000
Nominal value per share (€)	1.0	1.0	1.0
Consolidated Net Profit/(Loss) for the year attributable to equity holders of Sonae (M.€)	192.1	512.8	241,8
EPS (€)	0.10	0.27	0.13
Dividend per share (€)	0.02	0.025	0.03 <sup>(c)</sup>
<b>Share Prices</b>			
Opening price	0.70	1.07	1.18
Maximum price	1.08	1.53	1.52
Minimum price	0.70	1.09	1.11
Average price <sup>(a)</sup>	0.91	1.25	1.32
Closing price	1.07	1.18	1.51
Change	62%	50% <sup>(d)</sup>	28 %
<b>Transactions (daily quantity)</b>			
Maximum quantity	28,481,901	29,760,076	90,416,350
Minimum quantity	315,142	480,556	608,397
Average quantity	5,210,367	5,621,424	7,902,693
<b>Market capitalisation <sup>(b)</sup></b>			
Year end (€)	2,140,000,000	2,360,000,000	3,020,000,000
Change	62%	50%	28%

<sup>(a)</sup> Weighted average of daily closing prices.

<sup>(b)</sup> Market capitalisation was calculated using the total number of shares.

<sup>(c)</sup> Proposal of the Board of Directors to the Shareholders' Annual General Meeting.

<sup>(d)</sup> Calculation considers closing price adjusted by the value of Sonae Indústria's de-merger rights (0.43 euro) attributed to Sonae, SGPS, SA's Shareholders.

In the year, material events and other announcements included:

- 06 February: Launch of tender offer for Portugal Telecom;
- 07 February: Launch of tender offer for PT Multimédia;
- 09 March: 2005 results and payment of dividends;
- 20 April: Acquisition, under the call option agreement of 13.33% of the share capital of Modelo Continente, SGPS, SA;
- 11 May: 1<sup>st</sup> Quarter 2006 results;

- 25 July: Proposal for de-listing of Modelo Continente;
- 27 July: Roll-up of O93X's holding in Optimus to Sonaecom;
- 06 September: Acquisition, under the call option agreement of 9.09% of the share capital of Modelo Continente, SGPS, SA;
- 09 September: Roll-up of Parública's holding in Optimus to Sonaecom;
- 07 September: 1<sup>st</sup> Half 2006 results;

- 06 October: Completion of the tender offer for Modelo Continente;
- 20 October: Sale of 50% of Sonae Sierra Brazil;
- 09 November: Results for the first nine months of 2006;
- 15 December: Acquisition of 1.6% of Sonaecom.

## 1.5. Dividend distribution

The dividends distributed in recent years were as follows:

	2003	2004	2005
<b>Dividend per share (euro)</b>	0.015	0.02	0.025
<b>Dividends distributed (thousand euro)</b>	27,987	37,316	46,651
<b>Dividend Yield</b>	1.5%	2.2%	2.0%
<b>Pay out ratio<sup>1</sup></b>	24.5%	19.4%	9.1%

## 1.6. Share plans and stock option plans <sup>2</sup>

The Shareholders' Remuneration Committee (see 1.9. below) has approved a Deferred Performance Bonus Plan Policy. The Deferred Performance Bonus Plan is a discretionary deferred compensation plan, which is equity based, and has a three year deferral period between the award date and the vesting date. The decision to award Deferred Performance Bonus Plan for any year is taken by the Board Nomination and Remuneration Committee and the Shareholders' Remuneration Committee for the Executive Committee members and by the Executive Committee for remaining participants. The values awarded are derived from the Annual Performance Bonuses actually paid for the same "performance year". The Sonae Deferred Performance Bonus Plan is a discretionary third component of Sonae's remuneration and other compensation policy. The Deferred Performance Bonus Plan is aimed at enhancing loyalty and increasing employees' awareness of the importance of their performance to the overall success of Sonae, as reflected by changes in the Company's share price.

All Sonae senior employees are eligible to participate in the Sonae Deferred Performance Bonus Plan, provided that their entry date is before 31 December of the previous year. Deferred Performance Bonus Plans are awarded in March each year, in respect of performance during the previous financial year. The number of shares to be awarded is calculated by dividing the value of the Deferred Performance Bonus awarded by the average share price in the month prior to the award date. Participants are given the choice between acquiring the number of shares awarded, on the third anniversary of the award date, at zero cost, or acquiring a number of shares calculated using the *Black-Scholes* option pricing model and the value of the Deferred Performance Bonus awarded, on the third anniversary of the award date, at the share price on the award date. In both alternatives the acquisition may be made on any date between the third anniversary of the award date and the end of that year. The company retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares. The right to any deferred compensation ceases,

<sup>1</sup> Calculated using consolidated net profits after minority interests.

<sup>2</sup> Details of liabilities arising from the Deferred Performance Bonus Plan are given in Note 28 to the Consolidated Financial Statements.

if the participant leaves the Sonae Group. On retirement of the participant, deferred compensation plans not yet vested are maintained until they actually vest. In the case of death or permanent injury of the participant, deferred compensation plans are marked to market and paid to the rightful heirs or to the participant.

Through a subsidiary company, Sonae, SGPS, SA signed an agreement with Sonaecom, SGPS, SA under which it accepts to deliver Sonaecom shares to those employees of Sonaecom and its affiliates who are beneficiaries of share acquisition and stock option plans, when these plans fall due. This was implemented to hedge the risk that exists for Sonaecom resulting from share price fluctuations, which that company was unable to cover itself as it does not meet Portuguese Company Law requirements to purchase own shares. However, these share and stock option plans continue to be the exclusive responsibility of Sonaecom, SGPS, SA, and are described in detail in that company's report.

### 1.7. Related party transactions

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

The only transactions with the Statutory External Auditor were those related to his official duties and his fees were paid as described in paragraph 1.10 below.

Transactions with companies controlled by Sonae, SGPS, SA were made on an *arms length* basis and were part of normal business activity of the respective companies, 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 about its activities, avoiding delays between their occurrence and disclosure. The company has fulfilled this commitment to the market over the years.

Information is made publicly available on the Internet at the Portuguese Securities Market Commission site ([www.cmvm.pt](http://www.cmvm.pt)) and on the company's own website ([www.sonae.pt](http://www.sonae.pt)).

On the latter site, all announcements issued since 1999 are available on the Public Relations page. The most recent versions of the institutional presentation, Report of the Board of

Directors and Financial Statements, Earnings Announcements and Environmental Report are available on the Home Page. Reports of the Board of Directors and Financial Statements are issued every quarter, and the institutional presentation is updated every six months.

As a means of creating greater interaction with shareholders and investors, the site also includes a page for Investors which contains:

- The names of managers responsible for investor relations as well as contact addresses;
- The Sonae share performance trend on the Portuguese Stock Exchange;
- Report of the Board of Directors and Consolidated Financial Statements, for the full year, half year and quarters, for the last two years;
- Presentations to investors;
- Notice of Shareholders' Annual General Meeting;
- Proposals to the Shareholders' Annual General Meeting.

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

The Investor Relations Office can be contacted at: Telephone: +351 22 940 47 76; Fax: +351 22 940 46 34; E-mail: [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt); Address: Lugar do Espido, Via Norte, Apartado 1011, 4471-909 Maia. The Investor Relations Manager is José Luís dos Santos Lima Amorim, who can be contacted using the above numbers and address.

The legal representative for Capital Market Relations is Luzia Leonor Borges e Gomes Ferreira (Telephone: +351 22 948 75 22; Fax: + 351 22 948 77 22; E-mail: [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt)).

Annual, half yearly and quarterly financial statements as well as updates of institutional presentations are sent by E-mail to all bona fide shareholders, analysts, investors, banks and journalists who request them.

The company believes the procedures described above ensure 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 quoted companies, the Shareholders' General Meeting may appoint 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 shareholders, Efanor Investimentos, SGPS, SA and Imparfin – Investimentos e Participações Financeiras, SGPS, SA, elected at the Shareholders' General Meeting in accordance with paragraph 2 of Article twenty five of the company's articles of association. These shareholders are represented by Professor José Neves Adelino and Bruno Walter Lehmann, respectively, who are not members of the Board of Directors.

### 1.10. Auditor's fees

The company's auditors are Deloitte, who, in 2006 and 2005, billed the company and its affiliated and associated companies the following amounts:

Amounts in thousand euros	2006	%	2005 <sup>3</sup>	%
<b>Statutory Audit</b>	1,537	50.2	2,163	57.8
<b>Other Assurance</b>	272	8.9	240	6.4
<b>Tax Consultancy</b>	452	14.7	676	18.1
<b>Other Services</b>	803	26.2	663	17.7
<b>Total</b>	<b>3,064</b>	<b>100</b>	<b>3,743</b>	<b>100</b>
<b>of which Billed to Foreign Affiliated companies</b>	1,136	37.1	1,700	45.4

In other services' fees, in 2006, are included consultancy fees for advice on tax incentives (18.5% of total fees), on human resources (2.2% of total fees) and consultancy fees relating to training in International Financial Reporting Standards and in US GAAP (2% of total fees).

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. Shareholder representation and voting rights

The articles of association of the company only allow participation in the Shareholder's General Meeting to shareholders who provide proof of their title as shareholders at least 8 days in advance of each meeting<sup>4</sup>. This proof of title must be issued by a financial institution where records of title are kept by the shareholders.

One vote corresponds to each group of one thousand shares, and each shareholder has as many votes as results from dividing the total number of shares he/she owns by one thousand, rounded down to the nearest whole number.

Shareholders who are private individuals can be represented at Shareholders' General Meetings by their spouse or direct family, a Director or other shareholder, by sending a letter to the Chairman of the Board of the Shareholders' Meeting, stating the name and address of the representative and the date of the meeting. Corporate entities may be represented by a person nominated by them by written letter whose authenticity will be verified by the Chairman of the Board of the Shareholders' General Meeting.

For as long as the company is listed on the Stock Exchange, shareholders can vote by correspondence but only in relation to changes to the articles of association and election of governing bodies<sup>5</sup>. Correspondence votes will only be taken into account when received at the company's headquarters by registered mail addressed to the Chairman of the Board of the Shareholders' General Meeting, and received at least three days before the meeting, subject to proof of title of the related shares. The voting declaration should be signed by the holder of the shares or by his legal representative and, in the case of a private individual should be accompanied by an authenticated copy of his/her identity card, and in the case of a corporate entity, the signature should be authenticated by a public notary certifying his/her status and powers. It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person substituting him, to verify correspondence voting

<sup>3</sup> 2005 values include fees charged to affiliated undertakings sold (Sonae Distribuição Brasil) and demerged (Sonae Indústria).

<sup>4</sup> This is not in compliance with recommendation number 2 of the Portuguese Securities Market Commission (CMVM). The Board of Directors will present a proposal to the next Shareholders General Meeting to change the articles of association in order to reduce this period to 5 days, in line with that recommendation.

<sup>5</sup> This is not in compliance with recommendation number 2 of the Portuguese Securities Market Commission (CMVM).



declarations, eliminating any votes relating to declarations that are not accepted. Up to now, shareholders have never used this facility. A voting ballot by post form is available on the company's web site ([www.sonae.pt/files/mdocs/mdoc\\_117\\_uk.pdf](http://www.sonae.pt/files/mdocs/mdoc_117_uk.pdf)) for correspondence votes.

The right to vote electronically is not contemplated in the company's articles of association.

Proposals to be considered at the Shareholders' General Meeting are made available to shareholders at the head office within the timescales required by law, together with reports, documents and other information that should legally accompany them. These documents are also made available on the company's website.

### 3. Company rules

#### 3.1. Codes of conduct and internal regulations

Sonae's values and principles are widely spread and deeply rooted in the company culture. The key aspects are a 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. As a publicly listed company, Sonae is particularly aware of its duties of diligence and confidentiality in its dealings with third parties, and for the need to protect its position in situations of conflict of interest.

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

On 16 January 2004, Sonae adhered to the Global Compact initiative launched by the United Nations on 26 July 2000. In our values and daily practice we share the ten principles of responsible corporate citizenship approved by a wide range of institutions all over the world. On 15 January 2007 Sonae's Chairman published a statement of progress on compliance with the United Nations Global Compact principles, which is available on our website.

Further detail on issues relating to eco-efficiency, human capital and stakeholder dialogue are included in the 2006 Sustainability Report which is published in parallel with this report.

The Sonae Group has always made available, through its website ([www.sonae.pt](http://www.sonae.pt)), to staff and to the general public, direct access to the Sonae Group ombudsman, who reports directly to the Chairman of the Sonae Group. This has proven to be an effective means of facilitating the report of complaints, which are followed up internally by a Director of Sonae, SGPS, SA to make sure that independence and freedom of opinion are guaranteed and that all issues are treated equally and fairly. The Sonae Group ombudsman received throughout 2006 1,573 complaints, mostly from customers (99% of total complaints received). Average response time was 34 days (2 days less than in 2005), and decreased steadily throughout the year, with a reduction of 22 days between the first and the last quarter. In all our businesses employees, are encouraged to contribute with their suggestions and to openly communicate with management on any issues which may impair their responsibilities or may contribute to their well being.

#### 3.2. Risk management

As mentioned in paragraph 1.1 above, one of the functional departments of Sonae, SGPS, SA is the Internal Audit and Risk Management Department. This function also exists in the main Sonae businesses.

As referred to in the paragraph on Internal Audit and Risk Management in the Report of the Board of Directors, this department accompanied and promoted the development of structured and systematic management of business process risks, appropriately integrated into the operational and strategic planning cycles of Group Companies.

In the day to day operations and strategic management 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 Internal Audit and Risk Management Departments support and promote (in a

structured and systematic way) relevant operational and risk management practices.

The Sonae Group is exposed to a variety of financial risks including interest rates, transaction and translation foreign currency exchange rates, liquidity, counterparty and credit risk, commodities and raw materials price and debt and equity financial markets fluctuations. The Group financial risk management policy seeks to minimize potential adverse effects of volatility of financial markets.

The Group's attitude to financial market risk management is conservative and cautious, using derivative instruments to hedge certain exposures related to its operating business, therefore the Group does not 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 Directors is made up of 9 members, of which 4 are Non-Executive Directors, 3 of which are Independent Directors. The Board of Directors was elected at the Shareholders' General Meetings on 31 March 2003 (Executive Directors) and 31 March 2004 (Non-Executive Directors). The mandate of the Board of Directors is four years and ended on 31 December 2006. The Directors were elected from a single list. No alternative list was presented by any shareholder. The Shareholders' General Meeting convened for 3 May 2007 is due to elect new governing bodies.

The current members of the Board of Directors are:

		Executive	Non-Executive	Independent <sup>6</sup>
Belmiro Mendes de Azevedo	Chairman and CEO	X		
Álvaro Carmona e Costa Portela		X		
Álvaro Cuervo Garcia			X	X
Ângelo Gabriel Ribeirinho dos Santos Paupério	CFO	X		
Duarte Paulo Teixeira de Azevedo		X		
Luiz Felipe Palmeira Lampreia			X	X
Michel Marie Bon			X	X
Nuno Manuel Moniz Trigo Jordão		X		
Nuno Miguel Teixeira de Azevedo			X	

<sup>6</sup> Independent member under the terms of Regulation nr. 10/2005 of the Portuguese Stock Market Regulator (CMVM).

and have been appointed as follows:

	Appointed for the first time in	End of Mandate
Belmiro Mendes de Azevedo	1989	2006
Álvaro Carmona e Costa Portela	1999	2006
Álvaro Cuervo Garcia	2004	2006
Ângelo Gabriel Ribeirinho dos Santos Paupério	2000	2006
Duarte Paulo Teixeira de Azevedo	2000	2006
Luiz Felipe Palmeira Lampreia	2004	2006
Michel Marie Bon	2004	2006
Nuno Manuel Moniz Trigo Jordão	1999	2006
Nuno Miguel Teixeira de Azevedo	2004	2006

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 they held on 31 December 2006 in Sonae, SGPS, SA or any of its affiliated companies.

The Non-Executive Directors bring together wide experience in the world of business, finance, academia and politics, and exercise an important influence on the decision making process and in the development of company strategy.

The Board normally meets 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 2006, the Board met 11 times with all of the Directors present at four meetings, three Directors were represented by the Chairman at three meetings and participated by phone in one meeting, and the Chairman represented one Director at one meeting and another Director at two meetings. 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 current members of the Executive Committee are:

- Belmiro Mendes de Azevedo (simultaneously Chairman of the Board of Directors and Chief Executive Officer)
- Álvaro Carmona e Costa Portela

- Ângelo Gabriel Ribeirinho dos Santos Paupério
- Duarte Paulo Teixeira de Azevedo
- Nuno Manuel Moniz Trigo Jordão

The Executive Committee has been delegated the powers and responsibilities to manage and execute the day-to-day operations of the Company except:

- a) to appoint the Chairman of the Board;
- b) to co-opt a substitute for a member of the Board;
- c) to convene Shareholders' General Meetings;
- d) to approve the Annual Report and Accounts;
- e) to grant any pledges, guarantees or charges over the assets of the Company;
- f) to decide to change the Company's registered office or to approve any share capital increases;
- g) to decide on mergers, de-mergers or modifications to the corporate format of the Company;
- h) to approve the annual portfolio configuration strategy;
- i) to approve the annual financial plan and any significant changes thereto.

Executive Committee Decisions are taken by a simple majority of votes cast. The Executive Committee currently meets at least once every month. During 2006, the Executive Committee met 16 times with all of its members present. Minutes are recorded in the respective minute book. The Executive Committee receives information on subjects on the agenda of the meeting at least 48 hours before the meeting is held.

To ensure that the Board of Directors is kept informed of Executive Committee activity, all significant decisions taken by

the Executive Committee are systematically extracted from the minutes of their meetings and are reported, in writing, to the Board of Directors.

The Board of Directors appointed a Board Audit and Finance Committee (BAFC) composed of the following Non-Executive Directors:

- Michel Marie Bon (Chairman) (Independent)
- Álvaro Cuervo Garcia (Independent)
- Luiz Felipe Palmeira Lampreia (Independent)
- Nuno Miguel Teixeira de Azevedo

During 2006, the BAFC met 5 times. All members have been present at all meetings, with the exception of one member in one meeting. Amongst its tasks and powers, the BAFC is responsible for monitoring and reviewing the Company's financial reporting processes and accounting policies adopted, for evaluating risks associated with the Company's activities on behalf of the Board, and overseeing Corporate Governance. The BAFC meets directly with the External Auditor and the internal audit team.

A Board Nomination and Remuneration Committee (BNRC) was also appointed, consisting of the following Directors:

- Belmiro Mendes de Azevedo (Chairman and CEO)
- Luiz Felipe Palmeira Lampreia (Independent)
- Michel Marie Bon (Independent).

During 2006, the BNRC met once. It is responsible for supervising the preparation of proposals on remuneration and other compensation of Executive and Non-Executive Directors and liaises with the Shareholders' Remuneration Committee (Comissão de Vencimentos).

No list of incompatibilities has been defined nor has any restriction been established in relation to the maximum number of offices that may be held in other companies. The Company's Executive Directors hold offices and exercise management duties in companies belonging to the same holding company that make up a homogeneous business portfolio.

#### 4.2. Remuneration <sup>7</sup>

During 2006, members of the Board of Directors were attributed the following remuneration by the company or by affiliated or associated companies:

Amounts in euros	Fixed Remuneration	Performance Bonuses	Total 2006	Total 2005
<b>Individual breakdown</b>				
Chairman and CEO	606,080	645,574	1,251,654	1,270,128
Average of the remaining 4 Executive Directors	392,118	427,944	820,062	839,617
Average of the 4 Non-Executive Directors	39,750	-	39,750	54,056
<b>Aggregate</b>				
Executive Directors (5)	2,174,550	2,357,350	4,531,900	4,628,598
Non-Executive Directors (4)	159,000	-	159,000	216,223
	<b>2,333,550</b>	<b>2,357,350</b>	<b>4,690,900</b>	<b>4,844,821</b>

<sup>7</sup> The disclosure made does not comply with recommendation number 8 of the Portuguese Securities and Exchange Regulator (CMVM). The Board of Directors believes that the information disclosed concerning remuneration is sufficient and that to give details for all Directors on an individual basis, as recommended by the CMVM, goes beyond the general principles governing the duty to inform and is of marginal additional benefit to shareholders. Presently there is no Executive Compensation Policy approved by the General Meeting of Shareholders as required by recommendation number 8-A of the Portuguese Securities and Exchange Regulator (CMVM). A proposal to this effect will be presented at the next General Meeting of Shareholders.

The performance bonus is indexed to a group of financial indicators that best align the interests of Executive Directors with those of the Company and its shareholders. Half of this bonus is deferred (see 1.6. above) and will only be paid 3 years after attribution date, and may increase or decrease depending on share price performance. No indemnities were paid to Directors and there were no supplementary pension schemes or early retirement schemes for Directors.

It should be noted that a part of the above-mentioned remuneration is also disclosed in the Reports on Corporate Governance of affiliated companies when Sonae, SGPS, SA Directors are also members of the Board of Directors of those companies.

#### 4.3. Further information regarding directors

### Belmiro Mendes de Azevedo | Curriculum Vitae

#### Personal Data

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PLACE OF BIRTH: Marco de Canaveses

DATE OF BIRTH: 17-02-1938

MARRIED

CHILDREN: 3

#### Education

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

#### Professional Activities

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1963-1964	Technical Career in textile chemical industries
1965-1967	Managing Director of Sonae
1967-1984	President of Sonae Group of companies
1985-1988	CEO of Sonae Indústria e Investimentos, SA
1989-1999	Chairman and CEO of Sonae Investimentos, SGPS, SA
Since 1999	Chairman and CEO of Sonae SGPS, SA

#### Other activities

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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.

#### 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 Sonae Group Companies<sup>8</sup>**

Sonae, SGPS, SA – 14,901 shares

Sonaecom, SGPS, SA – 75,537 shares

#### **Offices Held in other Companies<sup>9</sup>**

Chairman of the Board of Directors of:

Sonae Indústria, SGPS, SA

Modelo Continente, SGPS, SA

Sonae Sierra, SGPS, SA

Sonaecom, SGPS, SA

Sonae Capital, SGPS, SA

Efanor Investimentos, SGPS, SA

## **Álvaro Carmona e Costa Portela** | Curriculum Vitae

#### Personal Data

PLACE OF BIRTH: Porto

DATE OF BIRTH: 04-07-1951

MARRIED

CHILDREN: 3

#### Education

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

#### Professional Activities

1972-1976	Director at Laboratórios BIAL (Pharmaceutical Industry)
1974-1977	Lecturer at Department of Mechanics - Porto University
1976-1979	Chairman and CEO of Laboratórios BIAL (Pharmaceutical Industry)
1979-1985	Executive Director of Finance, Planning, Exports at COPAM - Companhia Portuguesa de Amidos, SA (Maize derivatives industry) and affiliated companies
1985-1986	Deputy Managing Director and later Managing Director of Módis (Logistics and Retail Procurement at Sonae Distribuição)
1986-1991	Managing Director, later CEO and later Chairman of Sonae Distribuição, SGPS, SA
Since 1990	CEO of Sonae Sierra, SGPS, SA
Since 1999	Executive Vice President of Sonae, SGPS, SA
Since 2006	Member of the Board of Directors of Modelo Continente, SGPS, SA

<sup>8</sup> Shares owned directly or owned by direct relatives.

<sup>9</sup> This is not a complete list of all offices held but only of the most significant.

#### Other activities

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1999-2002	Co-founder and Board Member of EPRA- European Public Real Estate Association
1996-2001	Member at ICSC Europe Jury Award
Since 2004	Trustee of European Shopping Centre Trust
Since 2004	Member of Eurohypo International Advisory Board
Since 2005	Trustee of the International Council of Shopping Centres

#### **Shares Held in Sonae Group Companies<sup>10</sup>**

Sonae, SGPS, SA – 25,934 shares

Sonaecom, SGPS, SA – 5,000 shares

#### **Offices Held in other Companies<sup>11</sup>**

Member of the Board of Directors of:

Sonae Sierra, SGPS, SA

Modelo Continente, SGPS, SA

Sonae Capital, SGPS, SA

Chairman of the Board of Directors of most companies controlled by or majority owned by Sonae Sierra, SGPS, SA (these companies are listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

## **Álvaro Cuervo García** | *Curriculum Vitae*

#### Personal Data

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PLACE OF BIRTH: Asturias, Spain

DATE OF BIRTH: 30-05-1942

MARRIED

CHILDREN: 4

#### Education

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1971	PhD in Economics - Madrid University
1973	M.S. in Statistics - Madrid University
1975	M.S. in Industrial Psychology - Madrid University

#### Professional Activities

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Professor of Business Economics at Universidad Complutense Madrid

Member of the Academic Council of the Real Colegio Complutense at Harvard University

Member of the Consulting Council on Privatization of the Spanish Government

Member of the Board of Directors of ACS, SA

Member of the Board of Directors of Thyssen Krupp, SA (Spain)

Member of the Board of Directors of Sonae, SGPS, SA, of Sonae Indústria, SGPS, SA and Deputy Chairman of Táfisa

Member of the Board of Directors of Bolsas y Mercados Españoles

<sup>10</sup> Shares owned directly or owned by direct relatives.

<sup>11</sup> This is not a complete list of all offices held but only of the most significant.



#### Other activities

Editor in Chief of Universia Business Review

Author of several books and numerous articles published in Spanish and foreign journals

Member of the scientific and advisory committee of several journals

#### Distinctions

Rey Jaime I prize in Economics

Infanta Cristina prize in Economics

Honorary Doctorate – Universidad de Oviedo

Honorary Doctorate – Universidad de Leon

Honorary Doctorate – Universidad de Castilla-La Mancha

#### **Shares Held in Sonae Group Companies<sup>12</sup>**

None.

#### **Offices Held in other Companies<sup>13</sup>**

Member of the Board of Directors of:

Sonae Indústria, SGPS, SA

Tableros de Fibras, SA

ACS, SA

BA – Fábrica de Vidrio, SA

Thyssen Krupp, SA

Bolsas y Mercados Españoles

## **Ângelo Gabriel Ribeirinho dos Santos Paupério** | *Curriculum Vitae*

#### Personal Data

PLACE OF BIRTH: Vila Nova de Gaia

DATE OF BIRTH: 14-09-1959

MARRIED

CHILDREN: 4

#### Education

1982 Graduate in Civil Engineering - Porto University

1988 Master of Business Administration - MBA (ISEE - Porto University)

#### Professional Activities

1982-1984 Structural Design Project Manager at Tecnopor (Civil Engineering)

1984-1989 Manager at EDP (Energy)

1989-1991 Leader of the Television Project Team at Sonae Tecnologias de Informação

1991-1994 Director of Strategic Planning and Control at Sonae Investimentos, SGPS, SA

<sup>12</sup> Shares owned directly or owned by direct relatives.

<sup>13</sup> This is not a complete list of all offices held but only of the most significant.

Since 1994 Director in several of Sonae Distribuição, SGPS, SA's affiliates (Retail)

Since 1996 CFO of Sonae Distribuição, SGPS, SA and Director in Modelo Continente, SGPS, SA and several of its affiliates (Retail)

Since 2000 Executive Vice President and CFO of Sonae, SGPS, SA, Director of Sonae Sierra, SGPS, SA, CEO of Sonae Capital, SGPS, SA and Chairman of Sonae, SGPS, SA's Finance Committee

#### Other activities

Since 1989 Board member of APGEI (Business/University Association of Engineering and Management)

... Lecturer of Business Policy (ISEE - Porto University)

#### **Shares Held in Sonae Group Companies<sup>14</sup>**

Sonae, SGPS, SA – 4,564 shares

Sonaecom, SGPS, SA – 60,070 shares

#### **Offices Held in other Companies<sup>15</sup>**

Member of the Board of Directors of:

Modelo Continente, SGPS, SA

Sonae Sierra, SGPS, SA

Sonae Capital, SGPS, SA

Sonae Turismo, SGPS, SA

Sonae Investments BV

Member of the Board of Directors of most companies controlled by or majority owned by Modelo Continente, SGPS, SA, Sonae Capital, SGPS, SA and Sonae Turismo, SGPS, SA (these companies listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

## **Duarte Paulo Teixeira de Azevedo** | Curriculum Vitae

#### Personal Data

PLACE OF BIRTH: Porto

DATE OF BIRTH: 31-12-1965

MARRIED

CHILDREN: 3

#### Education

1986 Graduation in Chemical Engineering - Ecole Polytechnique Fédérale de Lausanne

1989 Master of Business Administration - MBA (ISEE - Porto University)

1994 Executive Retailing Program - Babson College

1996 Strategic Uses of Information Technology Program - Stanford Business School

2002 IMD - Breakthrough Program for Senior Executives - Lausanne

<sup>14</sup> Shares owned directly or owned by direct relatives.

<sup>15</sup> This is not a complete list of all offices held but only of the most significant.

#### Professional Activities

1988-1990	Analyst and Project manager of new investments at Sonae Tecnologias de Informação
1990-1993	Organizational Development project manager and New business Commercial Director at Sonae Indústria (Wood Based Panels)
1993-1996	Director of Strategic Planning and Control at Sonae Investimentos, SGPS, SA
1996-1998	Board Director of Modelo Continente Hipermercados (Retail)
1998-2000	CEO of Optimus (Mobile Operator)
Since 2000	CEO of Sonaecom, SGPS, SA and Executive Vice President of Sonae, SGPS, SA.

#### Other activities

Since 1988	Member of APGEI (Business/University Association of Engineering and Management)
Since 2000	Founding member of EGP – Porto Business School
2001-2002	President of Apritel - Association of Telecommunication Operators
2003	co-author of the book “Reformar Portugal”
Since 2004	Member of the Advisory Board “Compromisso Portugal”, an independent movement to enforce political reform

#### **Shares Held in Sonae Group Companies<sup>16</sup>**

Sonae, SGPS, SA – 596,909 shares

Sonaecom, SGPS, SA – 387,342 shares

#### **Offices Held in other Companies<sup>17</sup>**

Member of the Board of Directors of:

Sonae Indústria, SGPS, SA

Modelo Continente, SGPS, SA

Sonaecom, SGPS, SA

Sonae Capital, SGPS, SA

Efanor Investimentos, SGPS, SA

Imparfin – Investimentos e Participações Financeiras, SGPS, SA

Chairman of the Board of Directors of Tableros de Fibras, SA and of most companies controlled by or majority owned by Sonaecom, SGPS, SA (these companies are listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

Chairman of the Supervisory Board of Glunz AG

<sup>16</sup> Shares owned directly or owned by direct relatives.

<sup>17</sup> This is not a complete list of all offices held but only of the most significant.

## Luíz Felipe Palmeira Lampreia | Curriculum Vitae

### Personal Data

PLACE OF BIRTH: Rio de Janeiro, Brazil

DATE OF BIRTH: 19-10-1941

MARRIED

CHILDREN: 3

### Education

1963 Graduation from Instituto Rio Branco (Brazilian Diplomatic Academy)

### Professional Activities

1963-1995 Diplomat serving:  
1966-1971 In the Brazilian Mission to the United Nations in New York and Geneva  
1979-1983 Deputy Ambassador in Washington  
1983-1985 Ambassador to Suriname  
1990-1992 Ambassador to Portugal  
1993-1995 Ambassador to GATT/WTO in Geneva  
1988-1990 Under-Secretary for Political Affairs  
1992-1993 Secretary General of the Foreign Ministry  
1995-2001 Foreign Minister  
Presently Non-Executive Director of Sonae, SGPS, SA and of Partex (Brazil)  
Presently Director of Sousa Cruz (BAT Group)  
Presently Director of Ampla Energy Corporation (Brazil)  
Presently Member of the Advisory Boards of Novartis Brazil and Banque Calyar Brazil  
Presently Member of the International Advisory Board of Coca Cola, of Unilever (Latin America), of Kissinger, McLarty and Associates and Toyota Motor Corporation  
Presently Adviser to Bracelpa (Brazilian Paper and Pulp Industry Association)  
Presently President of Lampreia Consultores Internacionais

### Other activities

Presently Member of the International Advisory Board of the Council on Foreign Relations (New York)  
Presently Member of the Inter American Dialogue  
Presently Deputy Chairman of the Brazilian Center for Foreign Relations

### Distinctions

Grã Cruz da Ordem Nacional do Mérito - Brazil

Grã Cruz da Ordem do Rio Branco - Brazil

Grã Cruz da Ordem de Cristo - Portugal

Grã Cruz da Ordem de Santiago - Portugal

Grand Officier de la Légion d'Honneur - France

### **Shares Held in Sonae Group Companies<sup>18</sup>**

Sonae, SGPS, SA – 10,000 shares

### **Offices Held in other Companies<sup>19</sup>**

Member of the Board of Directors of Sousa Cruz SA (BAT Brazilian affiliate)

Director of Ampla Energy Corporation (Brazil)

Member of the Advisory Board of:

Unilever PLC

The Coca-Cola Company

Toyota Motor Company

Kissinger McLarty Associates

Novartis do Brazil

Director of Partex do Brazil

Deputy Chairman of the Board of Directors of CEBRI

President of Lampreia Consultores Internacionais

## **Michel Marie Bon** | Curriculum Vitae

### Personal Data

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PLACE OF BIRTH: Grenoble, France

DATE OF BIRTH: 05-07-1943

MARRIED

CHILDREN: 4

### Education

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1966 Graduation in Business Administration - ESSEC

1971 Graduation at École National d'Administration

1986 Stanford Executive Program – Stanford University

### Professional Activities

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1971-1975 Inspecteur de Finances at the French Ministry of Finance and Budget

1975-1985 Chief Credit Officer, and later Deputy CEO of Caisse Nationale de Crédit Agricole (Bank)

1985-1992 Deputy CEO, later CEO and Chairman of Carrefour (Retail)

1993-1995 Head of the Agence Nationale Pour l'Emploi (French state agency for employment).

1995-2002 Chairman and CEO of France Telecom.

2003-2005 Chairman of Institut Pasteur

Presently Chairman of the Supervisory Board of Editions du Cerf (Book Publisher)

Presently Chairman of the Supervisory Board of Devoteam (Information Technologies)

Presently Director of Lafarge (Cements), Banque Transatlantique (Bank), Sonepar (Electrical supply retail)

<sup>18</sup> Shares owned directly or owned by direct relatives.

<sup>19</sup> This is not a complete list of all offices held but only of the most significant.

Presently	Non-Executive Director of Sonae, SGPS, SA and Esmertec (High Technologies)
Presently	Member of the Conseil d'Orientation Stratégique de RATP
Presently	Senior Advisor to Dôme Close Brothers (Investment Bank), Permira (Investment Fund) and Roland Berger (Strategic Consulting)

#### Other activities

1991-2002	Chairman of ESSEC (Business School)
1998-2002	Co-chairman of the French American Business Council
Presently	Director of the French American Foundation
Presently	Founder and Director of Transparency International (France)
Presently	Director of Institute Catholique de Paris
Presently	Director of Institut Pierre Mendès France
Presently	Director of International Dominican Foundation

#### Distinctions

Officier de la Légion d'Honneur (France)

Four nominations as Manager of the Year

The Houghton Award of the French American Foundation

Stratégies Man of the Year 2001

#### **Shares Held in Sonae Group Companies<sup>20</sup>**

Sonae, SGPS, SA – 45,363 shares

#### **Offices Held in other Companies<sup>21</sup>**

Senior Advisor of Dôme Close Brothers

Senior Advisor of Permira

Chairman of the Supervisory Board of Les Editions du Cerf

Chairman of the Supervisory Board of Devoteam

Member of the Board of Directors of:

Esmertec

Banque Transatlantique

Lafarge

Sonepar

Asterop (non-voting Director)

Member of the Advisory Board of RATP

<sup>20</sup> Shares owned directly or owned by direct relatives.

<sup>21</sup> This is not a complete list of all offices held but only of the most significant.

## Nuno Manuel Moniz Trigoso Jordão | Curriculum Vitae

### Personal Data

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PLACE OF BIRTH: Lisbon

DATE OF BIRTH: 27-04-1956

MARRIED

CHILDREN: 4

### Education

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1978 Graduate in Economics ISCTE (Lisbon University)

### Professional Activities

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1984-1986 Sales Manager of Pingo Doce Supermercados (Retail)

1986-1987 Manager of the Amadora Continente Hypermarket (Retail)

1988-1989 General Manager of Modelo Continente Hipermercados (Retail)

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

Since 1991 CEO of Modelo Continente, SGPS, SA and several of its affiliates (Retail)

Since 2000 Executive Vice President of Sonae, SGPS, SA

### Shares Held in Sonae Group Companies<sup>22</sup>

None

### Offices Held in other Companies<sup>23</sup>

Member of the Board of Directors of:

Modelo Continente, SGPS, SA

Sonae Capital, SGPS, SA

Sonae Turismo, SGPS, SA

Chairman of the Board of Directors of most companies controlled by or majority owned by Modelo Continente, SGPS, SA and Sonae Turismo SGPS, SA (these companies are listed in notes 4 to 7 in the Notes to the Consolidated Financial Statements).

<sup>22</sup> Shares owned directly or owned by direct relatives.

<sup>23</sup> This is not a complete list of all offices held but only of the most significant.



## Nuno Miguel Teixeira de Azevedo | Curriculum Vitae

### Personal Data

PLACE OF BIRTH: Porto

DATE OF BIRTH: 11-09-1964

MARRIED

CHILDREN: 2

### Education

1989 Graduation in Political Science - International Affairs - Université Catholique de Louvain, Belgium

1996 Diplôme d'Études Spécialisées en Sciences Politiques et Relations Internationales - Université Catholique de Louvain, Belgium

### Professional Activities

1990-1991 Analyst Project Manager at Sonae Investimentos

1991-1993 Development Director at Módis (Retail)

1993-1995 Commercial Director of Modelo Continente, SGPS, SA (Retail)

1996-2000 Board Director of Sonae Imobiliária, SGPS, SA (Shopping Centres) and of Sonae Retalho Especializado, SGPS, SA (Retail)

2002-2003 Board Director of Sonae Indústria, SGPS, SA, Chairman of Glunz AG, of Isoroy and of Tafisa UK (Wood Based Panels)

Since 2000 Member of the Board of Efanor Investimentos, SGPS, SA

Since 2004 Non-Executive Director of Sonae, SGPS, SA.

### Other activities

2001-2002 Member of the Board of Directors of Sociedade Porto 2001

Since 2000 Member of the Board of Directors of Fundação Portugal África

2001-2006 Member of the Board of Directors of Fundação de Serralves

Since 2006 Executive Director of Fundação Casa da Música

### Shares Held in Sonae Group Companies<sup>24</sup>

Sonae, SGPS, SA – 14,320 shares

### Offices Held in other Companies<sup>25</sup>

Member of the Board of Directors of:

Efanor Investimentos, SGPS, SA

Efanor – Serviços de Gestão, SA

Imparfin – Investimentos e Participações Financeiras, SGPS, SA

Praça Foz – Sociedade Imobiliária, SA

Total Share, SGPS, SA

Fundação de Serralves

Fundação Portugal-África

Executive Director of Fundação Casa da Música

<sup>24</sup> Shares owned directly or owned by direct relatives.

<sup>25</sup> This is not a complete list of all offices held but only of the most significant.



Maia, 20 March 2007

### **The Board of Directors**

Belmiro Mendes de Azevedo

Álvaro Carmona e Costa Portela

Álvaro Cuervo Garcia

Ângelo Gabriel Ribeirinho dos Santos Paupério

Duarte Paulo Teixeira de Azevedo

Luíz Felipe Palmeira Lampreia

Michel Marie Bon

Nuno Manuel Moniz Trigoso Jordão

Nuno Miguel Teixeira de Azevedo



# Consolidated Financial Statements

31 December 2006

# Consolidated balance sheet as at 31 December 2006 and 2005

(Amounts expressed in euro)

		IFRS	
ASSETS	Notes	31.12.2006	31.12.2005
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	9	2,074,575,897	1,908,134,473
Intangible assets	10	321,517,485	321,545,423
Investment properties	11	1,346,937,845	1,232,476,111
Investment properties in progress	11	173,273,414	124,944,974
Goodwill	12 e 49	250,842,655	245,578,246
Investments	6,7 e 13	264,647,797	157,628,576
Deferred tax assets	20	102,767,409	108,484,039
Other non-current assets	14	44,081,686	35,739,020
<b>Total Non-Current Assets</b>		<b>4,578,644,188</b>	<b>4,134,530,862</b>
<b>CURRENT ASSETS:</b>			
Stocks	15	481,185,712	460,480,885
Trade account receivables	16	257,023,821	244,825,275
Other debtors	17	119,632,514	390,664,051
Taxes recoverable	18	108,120,283	87,636,005
Other current assets	19	80,527,137	65,576,093
Investments held for trading	13	33,261,860	10,681,441
Cash and cash equivalents	21	662,475,440	912,294,316
<b>Total Current Assets</b>		<b>1,742,226,767</b>	<b>2,172,158,066</b>
<b>TOTAL ASSETS</b>		<b>6,320,870,955</b>	<b>6,306,688,928</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	22	2,000,000,000	2,000,000,000
Own shares	22	(142,961,431)	(143,630,520)
Legal reserve		157,623,915	152,721,161
Reserves and retained earnings		(963,843,056)	(1,381,170,752)
Profit/(Loss) for the year attributable to the equity holders of sonae		241,822,233	512,803,285
Equity attributable to the equity holders of Sonae		1,292,641,661	1,140,723,174
Equity attributable to minority interests	23	402,058,314	394,707,612
<b>TOTAL EQUITY</b>		<b>1,694,699,975</b>	<b>1,535,430,786</b>
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Bank loans	24	1,017,101,563	892,835,901
Bonds	24	1,086,979,932	910,949,438
Obligation under finance leases	24 e 25	31,124,322	36,194,019
Other loans	24	7,491,081	8,646,784
Other non-current liabilities	27	105,487,112	586,412,836
Deferred tax liabilities	20	272,056,372	238,184,261
Provisions	32	63,234,735	54,477,919
<b>Total Non-Current Liabilities</b>		<b>2,583,475,117</b>	<b>2,727,701,158</b>
<b>CURRENT LIABILITIES:</b>			
Bank loans	24	510,050,999	591,695,025
Bonds	24	74,777,292	89,725,193
Obligation under finance leases	24 e 25	9,279,339	11,030,610
Other loans	24	21,823,864	2,041,697
Trade creditors	29	829,754,736	808,680,981
Other creditors	30	198,850,003	195,245,950
Taxes and contributions payable	18	79,599,406	69,814,568
Other current liabilities	31	316,096,133	273,037,977
Provisions	32	2,464,091	2,284,983
<b>Total Current Liabilities</b>		<b>2,042,695,863</b>	<b>2,043,556,984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,320,870,955</b>	<b>6,306,688,928</b>

The accompanying notes are part of these financial statements.

The Board of Directors

# Consolidated income statements by nature

## For the twelve months ended 31 December 2006 and 2005

(Amounts expressed in euro)

	Notes	IFRS		
		31.12.2006	31.12.2005	
		Total Operations	Pro-forma (Note 1)	Total Operations
<b>Operational income</b>				
Sales	35	3,237,022,800	2,999,517,378	5,185,013,039
Services rendered	35	1,146,779,936	1,117,384,529	1,207,501,235
Value created on investment properties	36	129,961,306	98,025,767	194,071,914
Other operational income	37	422,881,638	411,837,051	587,776,879
<b>Total operational income</b>		<b>4,936,645,680</b>	<b>4,626,764,725</b>	<b>7,174,363,067</b>
<b>Operational expenses</b>				
Cost of goods sold and materials consumed	15	(2,530,272,888)	(2,366,472,700)	(3,737,853,812)
Changes in stocks of finished goods and work in progress		10,992,907	1,215,961	4,751,021
External supplies and services	38	(1,146,639,474)	(1,077,207,982)	(1,519,575,348)
Staff costs	39	(570,647,945)	(540,174,538)	(824,373,991)
Depreciation and amortisation	9 e 10	(226,775,450)	(211,408,938)	(309,352,041)
Provisions and impairment losses	32	(27,956,063)	(17,866,577)	(31,129,556)
Other operational expenses	40	(88,129,312)	(79,819,760)	(138,773,424)
<b>Total operational expenses</b>		<b>(4,579,428,225)</b>	<b>(4,291,734,534)</b>	<b>(6,556,307,151)</b>
<b>Operational profit/(loss)</b>	<b>49</b>	<b>357,217,455</b>	<b>335,030,191</b>	<b>618,055,916</b>
Net financial expenses	41	(99,534,053)	(84,782,863)	(153,362,424)
Share of results of associated undertakings	13	10,425,088	(1,715,813)	(1,129,580)
Investment income	42	135,526,982	80,741,858	304,468,481
<b>Profit/(Loss) before taxation</b>		<b>403,635,472</b>	<b>329,273,373</b>	<b>768,032,393</b>
Taxation	43	(64,957,395)	(63,893,745)	(119,840,388)
<b>Profit/(Loss) after taxation</b>		<b>338,678,077</b>	<b>265,379,628</b>	<b>648,192,005</b>
Profit/(Loss) for the year	44	338,678,077	265,379,628	648,192,005
Attributable to:				
<b>Equity holders of Sonae</b>		<b>241,822,233</b>	<b>186,467,016</b>	<b>512,803,285</b>
Minority interests	23	96,855,844	78,912,612	135,388,720
<b>Profit/(Loss) per share</b>				
Basic	46	0.129567	0.099931	0.274821
Diluted	46	0.129567	0.099931	0.274821

The accompanying notes are part of these financial statements.

The Board of Directors

# Consolidated income statements by nature

## For the three months ended 31 December 2006 and 2005

(Amounts expressed in euro)

	IFRS		
	2006	2005	
	4th Quarter Unaudited	4th Quarter Unaudited Pro-forma (Note 1)	4th Quarter Unaudited
<b>Operational income</b>			
Sales	937,174,247	878,202,457	1,120,720,073
Services rendered	289,483,837	288,523,061	329,001,084
Value created on investment properties	57,648,691	69,361,437	136,725,943
Other operational income	136,973,811	145,230,257	182,784,741
<b>Total operational income</b>	<b>1,421,280,586</b>	<b>1,381,317,212</b>	<b>1,769,231,841</b>
<b>Operational expenses</b>			
Cost of goods sold and materials consumed	(730,673,041)	(692,201,682)	(881,115,624)
Changes in stocks of finished goods and work in progress	1,055,627	102,388	188,902
External supplies and services	(319,401,125)	(295,718,622)	(333,746,344)
Staff costs	(148,186,599)	(147,401,010)	(180,975,154)
Depreciation and amortisation	(59,669,849)	(57,059,466)	(60,173,686)
Provisions and impairment losses	(15,336,789)	(10,787,824)	(9,521,823)
Other operational expenses	(34,730,324)	(30,215,948)	(44,852,990)
<b>Total operational expenses</b>	<b>(1,306,942,100)</b>	<b>(1,233,282,164)</b>	<b>(1,510,196,719)</b>
<b>Operational profit/(loss)</b>	<b>114,338,486</b>	<b>148,035,048</b>	<b>259,035,122</b>
Net financial expenses	(34,521,425)	(21,024,422)	(26,039,437)
Share of results of associated undertakings	7,037,010	(3,358,250)	(3,229,562)
Investment income	83,853,945	19,113,176	200,436,885
<b>Profit/(Loss) before taxation</b>	<b>170,708,016</b>	<b>142,765,552</b>	<b>430,203,009</b>
Taxation	(17,580,686)	(32,580,582)	(56,540,852)
<b>Profit/(Loss) after taxation</b>	<b>153,127,330</b>	<b>110,184,970</b>	<b>373,662,156</b>
Profit/(Loss) for the year	153,127,330	265,379,629	373,662,156
Attributable to:			
<b>Equity holders of Sonae</b>	<b>119,080,179</b>	<b>75,118,887</b>	<b>318,988,862</b>
Minority interests	34,047,151	35,066,083	54,673,294
<b>Profit/(Loss) per share</b>			
Basic	0.063796	0.040256	0.170946
Diluted	0.063796	0.040256	0.170946

The accompanying notes are part of these financial statements.

The Board of Directors



Consolidated statements of changes in equity

For the twelve months ended 31 december 2006 and 31 December 2005

(Amounts expressed in euro)

	Attributable to Equity Holders of Sonae										
	Share Capital	Own Shares	Legal Reserve	Reserves and Retained Earnings				Net Profit/(Loss)	Total	Minority Interests (Note 23)	Total Equity
				Hedging Reserve	Currency Translation Reserve	Other Reserves and Retained Earnings	Total				
Balance as at 1 January 2005	2,000,000,000	(144,537,597)	152,113,582	(460,540)	9,843,276	(1,195,580,240)	(1,186,197,504)	283,521,010	1,104,899,491	785,515,290	1,890,414,781
Appropriation of profit of 2004:											
Transfer to legal reserves and retained earnings	-	-	607,579	-	-	282,913,431	282,913,431	(283,521,010)	-	-	-
Dividends distributed	-	-	-	-	-	(37,316,440)	(37,316,440)	-	(37,316,440)	(14,977,382)	(52,293,822)
Changes in reserves											
Changes in the period	-	-	-	460,540	148,924,976	-	149,385,516	-	149,385,516	19,108,495	168,494,011
Transfers to results	-	-	-	-	(127,392,098)	-	(127,392,098)	-	(127,392,098)	-	(127,392,098)
Sale of Sonae Sierra with change of consolidation method	-	-	-	-	-	-	-	-	-	(553,940,396)	(553,940,396)
Sales of affiliated undertakings	-	-	-	-	-	-	-	-	-	(25,864,330)	(25,864,330)
Aquisition of affiliated undertakings	-	-	-	-	-	-	-	-	-	16,198,094	16,198,094
Other changes	-	907,077	-	-	-	(3,038,830)	(3,038,830)	-	(2,131,753)	(1,968,495)	(4,100,248)
Spin-off of Sonae Indústria	-	-	-	-	-	(459,524,827)	(459,524,827)	-	(459,524,827)	35,247,616	(424,277,211)
Consolidated Profit/(Loss) for the twelve months ended 31 December 2005	-	-	-	-	-	-	-	512,803,285	512,803,285	135,388,720	648,192,005
Balance as at 31 December 2005	2,000,000,000	(143,630,520)	152,721,161	-	31,376,154			512,803,285	1,140,723,174	394,707,612	1,535,430,786
Balance as at 1 January 2006	2,000,000,000	(143,630,520)	152,721,161	-	31,376,154	(1,412,546,906)	(1,381,170,752)	512,803,285	1,140,723,174	394,707,612	1,535,430,786
Appropriation of profit of 2005:											
Transfer to legal reserves and retained earnings	-	-	4,902,754	-	-	507,900,531	507,900,531	(512,803,285)	-	-	-
Dividends distributed	-	-	-	-	-	(46,650,596)	(46,650,596)	-	(46,650,596)	(5,348,382)	(51,998,978)
Changes in reserves											
Changes in the period	-	-	-	2,023,188	(897,614)	-	1,125,574	-	1,125,574	1,025,228	2,150,802
Transfers to results (Note 42)	-	-	-	-	(11,563,098)	-	(11,563,098)	-	(11,563,098)	(925,013)	(12,488,111)
Sales of affiliated undertakings	-	-	-	-	-	-	-	-	-	-	-
Aquisition of affiliated undertakings	-	-	-	-	-	-	-	-	-	(85,479,259)	(85,479,259)
Other changes	-	669,089	-	-	-	(33,484,715)	(33,484,715)	-	(32,815,626)	1,222,284	(31,593,342)
Consolidated Profit/(Loss) for the twelve months ended 31 December 2006	-	-	-	-	-	-	-	241,822,233	241,822,233	96,855,844	338,678,077
Balance as at 31 December 2006	2,000,000,000	(142,961,431)	157,623,915	2,023,188	18,915,442	(984,781,686)	(963,843,056)	241,822,233	1,292,641,661	402,058,314	1,694,699,975

The accompanying notes are part of these financial statements.

The Board of Directors

# Consolidated statements of cash flows

## For the twelve months period ended 31 December 2006 and 2005

(Amounts expressed in euro)

		IFRS		
		31.12.2006	31.12.2005	
	Notes	Total Operations	Pro-forma (Note 1)	Total Operations
<b>OPERATING ACTIVITIES</b>				
Cash receipts from trade debtors		4,437,214,009	4,156,297,233	6,404,805,764
Cash paid to trade creditors		(3,319,175,139)	(3,139,979,371)	(4,964,582,375)
Cash paid to employees		(563,454,600)	(520,562,226)	(796,992,858)
<b>Cash flow generated by operations</b>		<b>554,584,270</b>	<b>495,755,636</b>	<b>643,230,531</b>
Income taxes (paid) / received		(34,230,704)	(28,297,477)	(43,530,687)
Other cash receipts and (payments) relating to operating activities		(66,733,467)	(75,896,630)	1,698,892
<b>Net cash flow from operating activities (1)</b>		<b>453,620,099</b>	<b>391,561,529</b>	<b>601,398,736</b>
<b>INVESTMENT ACTIVITIES</b>				
Cash receipts arising from:				
Investments	47	382,440,632	196,456,942	727,657,784
Tangible assets and investment properties		35,542,816	21,058,237	93,352,919
Intangible assets		256,849	49,644	282,104
Interest and similar income		20,406,748	30,658,955	42,583,237
Loans granted		49,451,711	203,753,765	39,749,307
Dividends		2,713,634	14,496,140	14,546,203
Others		11,270,127	254,959	251,197
		<b>502,082,517</b>	<b>466,728,642</b>	<b>918,422,751</b>
Cash Payments arising from:				
Investments	47	(692,983,334)	(302,604,115)	(364,157,500)
Tangible assets and investment properties		(471,537,528)	(356,981,940)	(530,247,929)
Intangible assets		(40,474,208)	(47,332,483)	(59,719,314)
Loans granted		(22,895,618)	(18,000,000)	(18,000,000)
Others		(1,753,669)	(69,654,561)	(68,102,520)
		<b>(1,229,644,357)</b>	<b>(794,573,099)</b>	<b>(1,040,227,263)</b>
<b>Net cash used in investment activities (2)</b>		<b>(727,561,840)</b>	<b>(327,844,457)</b>	<b>(121,804,512)</b>
<b>FINANCING ACTIVITIES</b>				
Cash receipts arising from:				
Loans obtained		2,678,674,265	3,461,336,960	4,122,150,725
Capital increases, additional paid in capital and share premiums		1,195,132	1,964,026	5,289,849
Sale of own shares		-	1,586,339	1,586,339
Others		-	256,260	300,010
		<b>2,679,869,397</b>	<b>3,465,143,585</b>	<b>4,129,326,923</b>
Cash Payments arising from:				
Loans obtained		(2,479,480,347)	(3,376,289,612)	(3,806,510,538)
Interest and similar charges		(115,659,661)	(113,958,449)	(206,039,550)
Reimbursement of capital and paid in capital		(894,491)	-	(1,564,636)
Dividends		(52,348,839)	(43,178,089)	(50,109,699)
Purchase of own shares		-	-	-
Others		(2,327,876)	(38,364,042)	(42,307,068)
		<b>(2,650,711,214)</b>	<b>(3,571,790,192)</b>	<b>(4,106,531,491)</b>
<b>Net cash used in financing activities (3)</b>		<b>29,158,183</b>	<b>(106,646,607)</b>	<b>22,795,432</b>
<b>Net increase in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>(244,783,558)</b>	<b>(42,929,535)</b>	<b>502,389,656</b>
<b>Effect of foreign exchange rate</b>		<b>26,218</b>	<b>(823,076)</b>	<b>(10,636,479)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>893,621,050</b>	<b>296,723,428</b>	<b>461,477,652</b>
<b>Cash and cash equivalents demerged</b>		<b>-</b>	<b>-</b>	<b>(80,882,736)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>21</b>	<b>648,811,274</b>	<b>254,616,969</b>	<b>893,621,051</b>

The accompanying notes are part of these financial statements.

The Board of Directors





# Notes to the Consolidated Financial Statements

For the twelve months ended as at 31 december 2006

(Amounts expressed in euro)

# Notes to the Consolidated Financial Statements

For the twelve months ended as at 31 december 2006

(Amounts expressed in euro)

## 1. Introduction

SONAE, SGPS, SA (“the Company” or “Sonae”), whose head-office is at Lugar do Espido, Via Norte, Apartado 1011, 4471-909 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 4 to 7 (“Sonae Group”). The Group’s operations and business segments are described in Note 49.

The consolidated profit and loss account and the consolidated statement of cash flows for the twelve months ended as at 31 December 2006 are not directly comparable with the statements for the twelve months of 2005, because of: the spin-off of the Wood Based Panels business (with accounting effects from 1 October 2005), the sale of the Retail operations in Brazil (with accounting effects from 1 December 2005), the change in the method of consolidation of the Shopping Centres business from full to proportionate consolidation (following the sale to Grosvenor, on 29 December 2005, of 17.04% of share capital of Sonae Sierra) and the sale of the shareholding in Imocapital/Gescartão in the first quarter of 2005.

The pro-forma consolidated income statement and the consolidated statement of cash flows as at 31 December 2005 include the above mentioned changes in the consolidation perimeter as from 1 January 2005.

Total Operations as at 31 December 2005 include Continued operations (Retail Portugal, Shopping Centres, Telecommunications, Sonae Capital and Holding) and Discontinued operations (Wood Based Products and Retail Brazil), as disclosed in 2005.

## 2. Principal accounting policies

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

### 2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” – previously named International Accounting Standards – “IAS”), issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), applicable to financial years beginning on 1 January 2006.

Interim financial statements are presented quarterly, in accordance with IAS 34 – “Interim Financial Reporting”.

As at 31 December 2006, IFRS 7 “Financial Instruments: Disclosures” had already been issued, but its adoption is only required for periods beginning on or after 1 January 2007. Sonae decided not to engage in the early adoption of this statement, which, when adopted, may lead to additional disclosures.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Notes 4 to 6) on a going concern basis and under the historical cost convention, except for investment properties and financial instruments which are stated at fair value (Notes 2.4 and 2.14).

## 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 4.

When losses attributable to minority interests exceed the minority interest in the equity of the Group company, the excess, and any further losses attributable to minority interests, are charged against the equity holders of Sonae except to the extent that minority shareholders have a binding obligation and are able to cover such losses. If the Group company subsequently reports profits, such profits are allocated to the equity holders of Sonae until the minority's share of losses previously absorbed by the equity holders of Sonae has been recovered.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost, is recognised as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

The results of Group companies acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed

dividends are eliminated on consolidation.

Financial investments in companies excluded from consolidation are recorded at acquisition cost net of impairment losses (Note 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 4.

### *b) Investments in jointly controlled companies*

Investments in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportionate consolidation method as from the date joint control is acquired. In accordance with this method the Group includes in the accompanying consolidated financial statements its share of assets, liabilities, income and expenses of these companies, on a line-by-line basis.

Any excess of the cost of acquisition over the Group's interest in the fair value of identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any excess of the Group's share in the fair value of net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition after reassessment of the estimated fair value of the net assets acquired.

The Group's share of inter-company balances, transactions and dividends distributed are eliminated.

Investments in jointly controlled companies are classified as such based on shareholders' agreements that establish joint control.

Companies included in the accompanying consolidated financial statements in accordance with the proportionate method are listed in Note 5.

### *c) Investments in associated companies*

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of associated companies and to dividends received.



Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)), which is included in the caption Investment in associated companies. Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired.

An assessment of investments in associated 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.

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

The Group's share in unrealized gains arising from transactions with associated companies is eliminated. Unrealized losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated companies are disclosed in Note 6.

#### *d) 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 12) or as Investments in associated companies (Note 13). The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Reserves and retained earnings.

Goodwill is not amortised, but it is subject to impairment tests on an annual basis. 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 cost, is recognised as income in the profit or loss for the period, at the date of acquisition, after

reassessment of the fair value of the identifiable assets and liabilities acquired.

#### *Goodwill recognised prior to the transition date*

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts, net of accumulated amortisation, calculated in accordance with generally accepted accounting principals in Portugal, adjusted for intangible assets which do not meet IFRS criteria, and is subject to impairment tests. Impacts of these adjustments were recorded in Retained earnings, in accordance with IFRS 1. Goodwill arising from foreign companies was recalculated retrospectively using the functional currency of each such company. Exchange rate differences generated in the translation are also disclosed as Retained earnings (IFRS 1).

#### *e) 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 Translation reserves in Reserves and retained earnings. 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:

	31.12.2006		31.12.2005	
	End of period	Average of period	End of period	Average of period
Pound Sterling	1.48920	1.46704	1.45921	1.46264
Brazilian Real	0.35564	0.36658	0.36443	0.33279
Swiss Franc	0.62232	0.63584	0.64305	0.64588

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.

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 Investment properties

Investment properties consist of shopping centre buildings and other constructions that are held to earn rentals or for capital

appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business.

Investment properties are initially recorded at cost and then adjusted to their fair value based on half-yearly valuations performed by an independent valuer. Changes in fair values of investment properties are accounted for in the period in which they occur, in the income statement under the caption Value created on Investment Properties.

Assets built and developed, which qualify as investment properties, are recognised as such only when they start being used. During the construction or development period of assets, which will qualify as investment properties, such assets are accounted for at cost in the caption Investment properties under development. At the end of the construction and development period, the difference between cost and the fair value at that date is accounted for in the income statement under the caption Value created on Investment Properties.

Costs incurred with investment properties in use, such as maintenance, repairs, insurance and property taxes, are recognised in the income statement for the period to which they refer. Costs incurred with refurbishments/improvements which will generate estimated additional future economic benefits are capitalised under Investment Properties.

## 2.5 Intangible assets

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognised as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognised as an intangible

asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software are recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are 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, except for property occupation rights which are amortised over the duration of the contract which establishes these rights.

Brands and patents with indefinite useful lives are not amortised, but are subject to impairment tests on an annual basis.

## 2.6 Accounting for leases

### *Accounting for leases where the Group is the lessee*

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as a finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Lease payments under operating lease contracts are recognised as an expense on a straight line basis over the lease term.

### *Accounting for leases where the Group is the lessor*

Most of the cases where the Group is the lessor arise from contracts with shopping centre tenants. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent - invoiced in advance -, a variable rent, invoiced if the monthly sales of the tenant are higher than the limit established in the contract and the payment of the tenant's share in the shopping centre operational expenses. These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is made by the tenant it must pay a cancellation fee which is established in the contract.

These contracts are classified as operating leases. Rents (fixed and variable) and common charges are recognised as income in the period to which they refer. Costs as well as entrance fees (key money) and cancellation fees arising from operating leases are recorded as expenses or income in the period in which they are incurred or earned. This is consistent with the method adopted by independent valuers who determine the fair value of investment properties to which the leasing contracts refer.

## 2.7 Government grants

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

Grants related to depreciable assets are disclosed as Other non-current liabilities and are recognised as income on a straight line basis over the expected useful lives of those assets.

## 2.8 Impairment of non-current assets, except for goodwill

Assets are assessed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement as Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

## 2.9 Borrowing costs

Borrowing costs are 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.

## 2.10 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.

## 2.11 Stocks

Consumer goods and raw materials are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity).

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in stocks of finished goods and work in progress,

depending on whether they refer to consumer goods and raw materials or finished goods and work in progress.

## 2.12 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.

## 2.13 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.

## 2.14 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 Group has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non-current assets.

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) Accounts receivable*

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable).

#### *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 2.9. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

#### *e) Trade accounts payable*

Accounts payable are stated at their nominal value.

#### *f) 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 and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

The 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 and exchange 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 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 those cases in which derivatives, in spite of having been negotiated to hedge financial risks inherent to the business (essentially, currency "forwards" to cover future imports), no longer meet the criteria for hedge accounting under IAS 39, changes in the fair value are recorded directly 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.

#### *g) 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.

#### *h) Own shares*

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Reserves and retained earnings under Other reserves.

#### *i) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption Borrowings.

### **2.15 Retirement benefit plans**

Commitments arising from retirement benefit plans in 2005 related to affiliated companies in Sonae Indústria, SGPS, SA. After the de-merger of Sonae Indústria, SGPS, SA these commitments are no longer shown in the consolidated balance sheet of Sonae, SGPS, SA.

### **2.16 Share-based payments**

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae share price and/or that of its publicly listed affiliated companies (Sonae Sierra uses the "Net Asset Value" as a reference) and vest within a period of 3 years after being granted.

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date. The fair value of share options is estimated based on the "Black-Scholes" model. These obligations are stated as Staff costs and Other

liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, when the Group has the choice to settle the transaction in cash. In the case of equity-settled share-based payment transactions, these obligations are stated as Staff costs and Reserves and are recorded on a straight line basis between the date the shares are granted and their vesting date.

### **2.17 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.

### **2.18 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.

## **2.19 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.

## **2.20 Balances and transactions expressed in foreign currencies**

Transactions in currencies other than the Euro, are translated to Euro using the exchange rate as at the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

When the Group wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.14.f)).

## **2.21 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.

## **2.22 Segment information**

All business and geographic segments of the Group are identified annually.

Information regarding business and geographic segments identified is included in Note 49.

### **3. Changes in accounting policies and correction of errors**

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

### **4. 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 2006 and 2005 are as follows:

COMPANY	Head Office	Percentage of capital held			
		31.12.2006		31.12.2005	
		Direct	Total	Direct	Total
Sonae - SGPS, S.A.	Maia	HOLDING	HOLDING	HOLDING	HOLDING
<b>Modelo Continente</b>					
2) Bertimóvel - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	100.00%
Best Offer-Prest. Inf. p/Internet, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Bikini, Portal de Mulheres, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Cacetininho-Com. Retalista e Expl.Centros Com., SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Canasta – Empreendimentos Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Carnes do Continente -Ind. Distr. Carnes, SA	a) Santarém	100.00%	100.00%	100.00%	98.06%
Chão Verde - Soc.Gestora Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Citorres-Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Contibomba - Comérc. Distr. Combustíveis, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Contimobe-Imobil.Castelo Paiva, SA	a) Castelo de Paiva	100.00%	100.00%	100.00%	98.06%
Cumulativa - Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Difusão-Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Distrifin - Comercio y Prest.Servicios, SA	a) Madrid (Spain)	100.00%	100.00%	100.00%	98.06%
Efanor-Design e Serviços, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Efanor-Indústria de Fios, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
2) 4) Equador & Burnay, Lda	a) Lisbon	100.00%	100.00%	100.00%	99.01%
2) Equador & Mendes, Lda	a) Lisbon	75.00%	75.00%	75.00%	74.25%
Estevão Neves-Hipermercados Madeira, SA	a) Madeira	100.00%	100.00%	100.00%	98.06%
2) 4) Exit Travel, SA	a) Maia	100.00%	100.00%	100.00%	99.01%
Fozimo-Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Fozmassimo-Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Fundo de Investimentos Imobiliário Imosonae Dois	a) Maia	100.00%	100.00%	99.98%	98.03%
Fundo Fechado de Investimentos Imobiliário Efisa Imobiliário	a) Lisbon	100.00%	100.00%	100.00%	98.06%
Global S-Hipermercado, Lda	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
IGHInvestimentos Imobiliário, SA	a) Porto	100.00%	100.00%	100.00%	98.06%
Igimo-Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Imoconti- Soc.Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Imoestrutura-Soc.Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Imomuro-Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Imoponte-Soc.Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Imoresultado-Soc.Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Imosistema-Sociedade Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Infocfield-Informática, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
9) Informeios - Projectos e Representações, SA	a) Lisbon	100.00%	100.00%	100.00%	98.06%
Inventory-Acessórios de Casa, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Marcas MC, zRT	a) Budapest	100.00%	100.00%	100.00%	98.06%
Max Office Artigos Serviços p/escrit., SA	a) Maia	100.00%	100.00%	100.00%	98.06%
MJLF – Empreendimentos Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Modalfa-Comércio e Serviços, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Modelo - Dist.de Mat. de Construção, SA	b) Maia	50.00%	50.00%	50.00%	49.03%
Modelo Continente Hipermercados,SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Modelo Continente, SGPS, SA	a) Matosinhos	100.00%	100.00%	98.06%	98.06%
Modelo Continente-Oper.Retalho SGPS, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Modelo Hiper Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
3) Modelo Investimentoss (Brazil), Ltda	a) São Paulo (Brazil)	100.00%	100.00%	100.00%	98.06%
Modelo.SGPS, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Modelo.com-Vendas p/Correspond., SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Modis Distribuição Centralizada, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
5) Modis Internacional Trading, SA	a) Madrid (Spain)	100.00%	100.00%	100.00%	98.06%
2) Nova Equador Internacional,Ag.Viag.T, Lda	a) Lisbon	75.00%	75.00%	75.00%	74.25%

(Cont.)

COMPANY	Head Office	Percentage of capital held			
		31.12.2006		31.12.2005	
		Direct	Total	Direct	Total
Ok Bazar - Comércio Geral, SA	a) Ermesinde	100.00%	100.00%	100.00%	98.06%
1) Parcium - Imobiliária, SA	a) Porto	100.00%	100.00%	-	-
Peixes do Continente - Indústria e Distribuição de Peixes, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Predicomercial - Promoção Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
2) 4) Santos Taborda & Carvalho, SU, Lda	a) Lisbon	100.00%	100.00%	100.00%	99.01%
Selifa – Empreendimentos Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Sempre à Mão - Sociedade Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Sesagest-Proj.Gestão Imobiliária, SA	a) Porto	100.00%	100.00%	100.00%	98.06%
6) SM Empreendimentos Imobiliários, Ltda	a) Porto Alegre (Brazil)	100.00%	100.00%	100.00%	98.06%
Socijofra-Sociedade Imobiliária, SA	a) Gondomar	100.00%	100.00%	100.00%	98.06%
Sociloures-Soc.Imobiliária, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Soflorin, BV	a) Amsterdam (The Netherland)	100.00%	100.00%	100.00%	98.06%
10) Solaris - Supermercados, SA	a) Viana do Castelo	100.00%	100.00%	100.00%	98.06%
2) Sonae Capital Brazil, Lda	a) São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
Sonae Retalho Espana-Servicos Gen., SA	a) Madrid (Spain)	100.00%	100.00%	100.00%	98.06%
Sondis Imobiliária, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Sontária-Empreend.Imobiliários, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
Sonvecap, BV	a) Amsterdam (The Netherland)	100.00%	100.00%	100.00%	98.06%
Sport Zone-Comércio Art.Desporto, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
SRE-Projectos e Consultadoria, SA	a) Maia	100.00%	100.00%	100.00%	98.06%
2) Star-Viagens e Turismo, SA	a) Lisbon	100.00%	100.00%	100.00%	99.01%
Tlantic Sistemas de Informação, Ltda	a) Porto Alegre (Brazil)	100.00%	100.00%	100.00%	98.06%
Todos os Dias-Com.Ret.Expl.C.Comer., SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
Worten-Equipamento para o Lar, SA	a) Matosinhos	100.00%	100.00%	100.00%	98.06%
<b>Sonaecom</b>					
Digitmarket-Sistemas de Informação, SA	a) Maia	75.10%	38.99%	75.10%	46.98%
7) Enabler & Retail Consult, GmbH	a) Germany	85.00%	37.38%	85.00%	37.88%
7) Enabler Brazil, Ltda	a) Curitiba (Brazil)	99.99%	43.97%	99.99%	44.56%
7) Enabler France	a) France	100.00%	43.97%	100.00%	44.56%
7) Enabler UK, Ltd	a) U.K.	100.00%	43.97%	100.00%	44.56%
7) Enabler-Informática, SA	a) Maia	98.50%	43.97%	98.50%	44.56%
M3G-Edições Digitais, SA	a) Lisbon	100.00%	51.40%	100.00%	62.56%
Mainroad Serviços em Tecnologias de Informação, SA	a) Maia	100.00%	51.92%	100.00%	62.56%
Miauger-Org. Gestão Leilões El., SA	a) Maia	100.00%	51.92%	100.00%	62.56%
Novis Telecom, SA	a) Maia	100.00%	51.92%	100.00%	62.56%
Optimus Telecomunicações, SA	a) Maia	100.00%	51.92%	69.24%	43.31%
Optimus Towering-Explor. Torres Telecom, SA	a) Maia	100.00%	51.92%	100.00%	43.31%
Per-Mar-Sociedade de Construções, SA	a) Maia	100.00%	51.92%	100.00%	43.31%
Público-Comunicação Social, SA	a) Porto	99.00%	51.40%	99.99%	62.56%
7) Retailbox, BV	a) Amsterdam (The Netherland)	75.50%	44.64%	75.50%	45.24%
1) Saphety Level - Trusted Services, SA	a) Maia	100.00%	51.92%	-	-
Sonae Matrix Multimédia, SGPS, SA	a) Maia	100.00%	51.92%	100.00%	62.56%
Sonae Telecom SGPS, SA	a) Maia	100.00%	51.92%	100.00%	62.56%
Sonaetelecom, BV	a) Amsterdam (The Netherland)	100.00%	51.92%	100.00%	62.56%
Sonae.com,SGPS, SA	a) Maia	51.92%	51.92%	62.56%	62.56%
Sonae.com-Sistemas de Informação, SGPS, SA	a) Maia	100.00%	51.92%	100.00%	62.56%
1) Sonaecom BV	a) Amsterdam (The Netherland)	100.00%	51.92%	-	-
We Do Brazil-Soluções Informáticas, Ltda	a) Rio de Janeiro (Brazil)	99.91%	50.66%	100.00%	59.66%
We Do Consulting-Sistemas de Informação, SA	a) Maia	97.66%	50.71%	95.47%	59.72%

(Cont.)

			Percentage of capital held			
			31.12.2006		31.12.2005	
COMPANY		Head Office	Direct	Total	Direct	Total
<b>Sonae Capital</b>						
Águas Furtadas - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Aqualuz - Turismo e Lazer, Lda	a)	Lagos	100.00%	100.00%	100.00%	100.00%
15) Aquapraia Investimentos Turísticos, SGPS, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
Aquapraia-Investimentos Turísticos, SA	a)	Grândola	100.00%	100.00%	100.00%	100.00%
Azulino Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
13) Becim - Correctora de Seguros, Ltd	a)	Santa Maria da Feira	100.00%	100.00%	100.00%	100.00%
Bloco Q - Sociedade Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Bloco W - Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Box Lines Navegação, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
9) Campimeios - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Casa da Ribeira - Hotelaria e Turismo, SA	a)	Marco de Canaveses	100.00%	100.00%	100.00%	100.00%
Centro Residencial da Maia,Urbân., SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Cinclus Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Cinclus-Plan. e Gestão de Projectos, 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%
Contacto-SGPS, 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%
Country Club da Maia-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Cronosaúde – Gestão Hospitalar, SA	a)	Porto	100.00%	100.00%	50.00%	50.00%
Elmo SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Empreend.Imob.Quinta da Azenha, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Espimaia -Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Friengineering, SA	a)	Matosinhos	100.00%	50.10%	100.00%	50.10%
1) Fundo de Investimentos Imobiliário Imosede	a)	Maia	100.00%	100.00%	-	-
15) Gestholdings-SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Golf Time - Golfe e Inv.Turísticos, SA	a)	Porto	75.00%	75.00%	75.00%	75.00%
Imoareaia Investimentos Turísticos, SGPS, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imobiliária da Cacula, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoclub-Serviços Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imodivor - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Imoferro-Soc.Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Imohotel-Emp.Turist.Imobiliários, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imopenínsula - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Imoresort - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Imosedas-Imobiliária e Serviços, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Implantação - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Inparvi SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Insulatroia - Sociedade Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Integrum-Serviços Partilhados, SA	a)	Maia	100.00%	35.07%	100.00%	35.07%
Interlog-SGPS, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
8) Invicta - Comércio Internacional, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
INVSAUDE - Gestão Hospitalar, SA	a)	Maia	100.00%	100.00%	50.00%	50.00%
9) ISF - Imobiliário, Serviços e Participações	a)	Porto	100.00%	100.00%	100.00%	100.00%
Isoroy Casteljalous	a)	Casteljalous (France)	100.00%	100.00%	100.00%	100.00%
Leroy Gabon, SA	a)	Libreville (Gabon)	99.99%	99.99%	99.99%	99.99%
Libra Serviços, Lda	a)	Funchal	100.00%	100.00%	100.00%	100.00%
Marimo -Exploração Hoteleira Imobiliária, SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Marina de Troia, SA	a)	Troia	100.00%	100.00%	100.00%	100.00%
Marina Magic - Exploração de Centros Lúd, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
Marmagno-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Martimope - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%



(Cont.)

COMPANY		Head Office	Percentage of capital held			
			31.12.2006		31.12.2005	
			Direct	Total	Direct	Total
Marvero-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
MDS - Corretores de Seguros, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
NAB, Sociedade Imobiliária, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Parcomarco, Gest Parq Est Centros Comer	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Partnergiro-Empreendimentos Turísticos, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
PJP - Equipamento de Refrigeração, Lda	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
Placage d'Okoumé du Gabon	a)	Libreville (Gabon)	99.88%	99.88%	99.88%	99.88%
Plysorol SAS	a)	Niort (France)	100.00%	100.00%	100.00%	100.00%
14) Plysorol SNC	a)	Lisieux (France)	100.00%	100.00%	98.01%	98.01%
Porturbe - Edifícios e Urbanizações, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Predium II - Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Predium II - Serviços Imobiliários, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Praedium - SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Prédios Privados Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Predisedas-Predial das Sedas, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Promessa Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Promosedas-Prom.Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Publimeios-Soc.Gestora Part. Finan., SA	a)	Maia	50.10%	50.10%	50.10%	50.10%
Quinta da Covilhã-Empr.Imobiliários, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Rochester Real Estate, Ltd	a)	Kent (U.K.)	100.00%	100.00%	100.00%	100.00%
Safra Services-Limpeza Espaços Verd., SA	a)	Porto	51.00%	25.55%	51.00%	25.55%
Saúde Atlântica - Gestão Hospitalar, SA	a)	Maia	100.00%	100.00%	50.00%	50.00%
SC Insurance Risks Services, SGPS, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
SC-Consultadoria,SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Selfrio,SGPS, SA	a)	Matosinhos	70.00%	35.07%	70.00%	35.07%
Selfrio-Engenharia do Frio, SA	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
SII - Soberana Investimentos Imobiliários, SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Sistavac-Sist.Aquecimento,V.Ar C., SA	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
SKK-Central de Distr., SA	a)	Porto	100.00%	35.07%	100.00%	35.07%
SKKFOR - Ser. For. e Desen. de Recursos, SA	a)	Maia	96.00%	33.67%	96.00%	33.67%
SMP-Serv. de Manutenção Planeamento, SA	a)	Matosinhos	100.00%	35.07%	100.00%	35.07%
Société de Tranchage Isoroy SAS	a)	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%
Soconstrução, BV	a)	Amsterdam (The Netherland)	100.00%	100.00%	100.00%	100.00%
Soira-Soc.Imobiliária de Ramalde, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Solinca III-Desporto e Saúde, SA	a)	Lisbon	100.00%	100.00%	100.00%	100.00%
15) Solinca Lazer,SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Solinca-Investimentos Turísticos, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
Solinfitness - Club Malaga, SL	a)	Malaga (Spain)	100.00%	100.00%	100.00%	100.00%
Sonae Capital,SGPS, SA	a)	Porto	100.00%	100.00%	100.00%	100.00%
12) Sonae Financial Participations, BV	a)	Amsterdam (The Netherland)	100.00%	100.00%	100.00%	100.00%
Sonae International, Ltd	a)	London (U.K.)	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%
7) Sontrade Lines, Ltd	a)	Hants (U.K.)	63.75%	63.75%	63.75%	63.75%
Sontur, BV	a)	Amsterdam (The Netherland)	100.00%	100.00%	100.00%	100.00%
Sopair, SA	a)	Madrid (Spain)	60.00%	30.06%	60.00%	30.06%
Sótaqua - Soc. de Empreendimentos Turist, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
Spinarg, SA	a)	Porto	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%
9) Terceiro Frente - Imobiliária, SA	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Textil do Marco, SA	a)	Marco de Canaveses	90.37%	90.37%	90.37%	90.37%

(Cont.)

			Percentage of capital held			
			31.12.2006		31.12.2005	
COMPANY		Head Office	Direct	Total	Direct	Total
Torre São Gabriel-Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%	100.00%
11) Troiaresort - Investimentos Turísticos, SA	a)	Grândola	100.00%	100.00%	99.78%	99.78%
Troiaverde-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
Tulipamar-Expl.Hoteleira Imob., SA	a)	Grândola	100.00%	100.00%	100.00%	99.78%
13) Unibroker - Corretores de Seguros, SA	a)	Santa Maria da Feira	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%
<b>Others</b>						
1) Agloma Investimentos, SGPS, SA	a)	Maia	100.00%	100.00%	-	-
2) Aserraderos de Cuellar, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
Atlantic Ferries - Traf. Loc. Flu. e Marit. SA	a)	Grândola	100.00%	72.80%	100.00%	72.80
Casa Agrícola João e António Pombo, SA	a)	Portel	66.67%	32.67%	66.67%	32.67%
1) Espmen - Investimentos Imobiliários, SA	a)	Porto	100.00%	100.00%	-	-
1) Esprit Du Monde, SA	a)	Portel	100.00%	32.67%	-	-
Iginha-Sociedade Imobiliária, SA	a)	Matosinhos	100.00%	49.00%	100.00%	49.00%
2) Imoplamac Gestão de Imóveis, SA	a)	Santarém	100.00%	100.00%	100.00%	100.00%
Investalentejo, SGPS, SA	b)	Vila de Conde	49.00%	49.00%	49.00%	49.00%
Ipaper-Industria Papeis Impregnados, SA	a)	Maia	100.00%	24.99%	100.00%	28.25%
Sete e Meio - Investimentos e Consultadoria, SA	a)	Grândola	100.00%	49.00%	100.00%	49.00%
Sete e Meio Herdades - Investimentos Agrícolas e Turismo, SA	a)	Grândola	100.00%	49.00%	100.00%	49.00%
Soltroia-Imob.de Urb.Turismo de Troia, SA	a)	Lisbon	100.00%	73.99%	100.00%	73.99%
2) Somit-Soc.Mad.Ind.Transformadas, SA	a)	Oliveira do Hospital	100.00%	100.00%	100.00%	100.00%
Sonae Investments, BV	a)	Amsterdam (The Netherland)	100.00%	100.00%	100.00%	100.00%
Sonae gest-Soc.Gest.Fundos Investimentos, SA	a)	Maia	80.00%	70.00%	80.00%	70.56%
1) Sontel, BV	a)	Amsterdam (The Netherland)	100.00%	100.00%	-	-

- 1) Company acquired or incorporated in the period;
- 2) Company shown under Sonae Capital in the previous year;
- 3) Company merged into Sonae Capital Brasil, Lda;
- 4) Company merged into Star-Viagens e Turismo, SA;
- 5) Company merged into Sonae Retalho Espana - Servicios Gen.SA;
- 6) Ex - Sonae Medicamentos, Ltda;
- 7) Company sold in the period;
- 8) Company merged into Box Lines Navegação, SA;
- 9) Company dissolved in the period;
- 10) Ex - Pinto Ribeiro - Supermercados, SA;
- 11) Ex - Torralta-Clube Internacional Férias, SA;
- 12) Ex - Sonae Wood Products, BV;
- 13) Company merged into MDS - Corretores de Seguros, SA;
- 14) Company merged into Plysorol, SA;
- 15) Company merged into Sonae Turismo - SGPS, SA;

- a) Majority of voting rights;  
b) Management control.

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

## 5. Jointly controlled companies

Jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 31 December 2006 and 2005 are as follows:

		Percentage of capital held			
		31.12.2006		31.12.2005	
COMPANY	Head Office	Direct	Total	Direct	Total
Sonae Sierra					
3DO Holding GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
3DO ShoppingCentre GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
3shoppings - Holding,SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
Aegean Park Constructions Real Estate and Development, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
ALEXA Administration GmbH	Dusseldorf (Germany)	100.00%	24.75%	99.00%	24.75%
ALEXA Holding GmbH	Dusseldorf (Germany)	50.00%	25.00%	50.00%	25.00%
ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	25.00%	100.00%	25.00%
ALEXA Site Gmbh & Co. KG	Dusseldorf (Germany)	99.00%	24.75%	99.00%	24.75%
Algarveshopping- Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
Arrábidasshopping- Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Avenida M-40, BV	Amsterdam (The Netherland)	100.00%	25.05%	100.00%	50.00%
Avenida M-40, SA	Madrid (Spain)	100.00%	25.05%	100.00%	50.00%
Boavista Shopping Centre, BV	Amsterdam (The Netherland)	100.00%	25.00%	100.00%	50.00%
Cascaishopping- Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	12.53%
Cascaishopping Holding I, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
11) Cascaishopping Holding II, SGPS, SA	Maia	50.00%	12.53%	50.00%	12.53%
Centro Colombo- Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Centro Vasco da Gama-Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Clérigosshopping- Gestão do C.Comerc., SA	Maia	100.00%	50.00%	100.00%	50.00%
Coimbrashopping- Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
2) Dortmund Tower GmbH	Dusseldorf (Germany)	100.00%	50.00%	-	-
Dos Mares - Shopping Centre, BV	Amsterdam (The Netherland)	100.00%	25.05%	100.00%	25.05%
Dos Mares-Shopping Centre, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
10) El Rosal Shopping, SA	Madrid (Spain)	70.00%	35.00%	70.00%	35.00%
Estação Oriente-Gest.de Galerias Com., SA	Maia	100.00%	50.00%	100.00%	50.00%
Estação Viana- Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
Freccia Rossa- Shopping Centre, Srl	Sondrio (Italy)	50.00%	25.00%	50.00%	25.00%
Fundo Investimentos Imob. Shopping Parque D. Pedro Shopping, SA	São Paulo (Brazil)	100.00%	24.13%	100.00%	48.95%
Gaiashopping I- Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Gaiashopping II- Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	12.53%
3) Gli Orsi - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
Guimarãeshopping- Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
Iberian Assets, SA	Madrid (Spain)	49.78%	12.47%	49.78%	12.47%
Inparsa-Gestão de Galeria Comerc., SA	Maia	100.00%	50.00%	100.00%	50.00%
La Farga - Shopping Centre, SL	Madrid (Spain)	100.00%	12.47%	100.00%	12.47%
7) Le Terrazze - Shopping Centre, Srl	Milan (Italy)	50.00%	25.00%	50.00%	25.00%
8) Lima Retail Park, SA	Viana do Castelo	50.00%	25.00%	50.00%	25.00%
Loureshopping- Centro Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Luz del Tajo - Centro Comercial, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
Luz del Tajo, BV	Amsterdam (The Netherland)	100.00%	25.05%	100.00%	25.05%
Madeirashopping- Centro Comercial, SA	Funchal	50.00%	12.53%	50.00%	12.53%
Maiashopping- Centro Comercial, SA	Maia	100.00%	25.05%	100.00%	25.05%
MC Property Management, SA	Athens (Greece)	75.00%	18.75%	75.00%	18.75%
Monselice Center. Srl	Venice (Italy)	100.00%	25.05%	100.00%	25.05%



(Cont.)

COMPANY	Head Office	Percentage of capital held			
		31.12.2006		31.12.2005	
		Direct	Total	Direct	Total
NorteShop. Retail and Leisure Centre, BV	Amsterdam (The Netherlands)	50.00%	12.53%	50.00%	12.53%
Norteshopping-Centro Comercial, SA	Maia	100.00%	12.53%	100.00%	12.53%
2) Oeste Retail Park - Gestão de G.Comer., SA	Maia	100.00%	50.00%	-	-
1) Oriogest, Srl	Sondrio (Italy)	80.00%	20.00%	80.00%	20.00%
2) Park Avenue Develop. of Shop. Centers, SA	Athens (Greece)	100.00%	25.00%	-	-
Parque Atlântico Shopping - Centro Comercial SA	Ponta Delgada	50.00%	12.53%	50.00%	12.53%
Parque D. Pedro 1, BV	Luxemburg	100.00%	25.00%	100.00%	50.00%
Parque D. Pedro 2, BV	Luxemburg	100.00%	25.00%	100.00%	50.00%
Parque de Famalicão - Empr. Imob., SA	Maia	100.00%	50.00%	100.00%	50.00%
Parque Principado, SL	Madrid (Spain)	50.00%	12.53%	50.00%	12.53%
Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	100.00%	23.30%	100.00%	48.85%
Pátio Penha Shopping, Ltda	São Paulo (Brazil)	99.99%	23.30%	99.99%	50.00%
2) Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	100.00%	23.30%	-	-
2) Pátio Sertório Shopping Ltda	São Paulo (Brazil)	100.00%	23.30%	-	-
Plaza Eboli - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Plaza Eboli, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Plaza Mayor Holding, SGPS, SA	Maia	100.00%	25.05%	100.00%	25.05%
Plaza Mayor Parque de Ócio, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Plaza Mayor Parque de Ócio, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
Plaza Mayor Shopping, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Plaza Mayor Shopping, SA	Maia	75.00%	37.50%	75.00%	37.50%
Pridelease Investments, Ltd	Cascais	100.00%	50.00%	100.00%	50.00%
Proj.Sierra Charagionis 1 -Dev.Sh.C., SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
Project SC 1, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
Project Sierra - Shopping Centre, GmbH	Vienna (Austria)	100.00%	50.00%	100.00%	50.00%
Project Sierra 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
2) Project Sierra 2 - Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%	-	-
Project Sierra 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
2) Project Sierra 3, BV	Amsterdam (The Netherlands)	100.00%	25.05%	-	-
2) Project Sierra 4, BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
Project Sierra Brazil 1, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	50.00%
Project Sierra Germany 1 - Shopping Centre, GmbH	Dusseldorf (Germany)	50.00%	25.00%	100.00%	50.00%
Project Sierra Holding Portugal IV, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Holding Portugal V, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Italy 1 - Shopping Centre, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
2) 6) Project Sierra Italy 3, Srl	Milan (Italy)	100.00%	50.00%	25.00%	12.50%
Project Sierra Portugal I - C.Comercial, SA	Maia	50.00%	25.00%	50.00%	25.00%
Project Sierra Portugal II-C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal III-C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal IV-C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal V-C.Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Portugal VI - C. Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
4) Project Sierra Portugal VII - C. Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
5) Project Sierra Portugal VIII - C Comercial, SA	Maia	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 2-C. Comercial, SA	Madrid (Spain)	100.00%	50.00%	75.00%	37.50%
Project Sierra Spain 3, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Project Sierra Spain 3-C. Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
2) Project Sierra Spain 4 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
2) Project Sierra Spain 5 BV	Amsterdam (The Netherlands)	100.00%	50.00%	-	-
Rio Sul - Centro Comercial, SA	Lisbon	50.00%	25.00%	50.00%	25.00%
SC Aegean, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%
SC Mediterraneo Cosmos, BV	Amsterdam (The Netherlands)	50.00%	25.00%	50.00%	25.00%

(Cont.)

COMPANY	Head Office	Percentage of capital held			
		31.12.2006		31.12.2005	
		Direct	Total	Direct	Total
Segest, Srl	Sondrio (Italy)	50.00%	25.00%	50.00%	25.00%
Serra Shopping - Centro Comercial, SA	Lisbon	50.00%	25.00%	100.00%	25.00%
Shopping Centre Parque Principado, BV	Amsterdam (The Netherlands)	100.00%	25.05%	100.00%	25.05%
Shopping Penha, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	50.00%
Sierra Asset Management-Gest. Activos, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Brazil 1, BV	Amsterdam (The Netherlands)	100.00%	25.00%	100.00%	50.00%
Sierra Charagionis Develop. of Shop, Centers, SA	Athens (Greece)	50.00%	25.00%	50.00%	25.00%
Sierra Charagionis Propert.Management, SA	Athens (Greece)	50.00%	25.00%	50.00%	25.00%
Sierra Corporate Services- Ap.Gestão, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Corporate Services Holland, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Develop.Iberia 1, Prom.Imob., SA	Maia	100.00%	50.00%	100.00%	50.00%
2) Sierra Developments Greece, SA	Athens (Greece)	100.00%	50.00%	-	-
Sierra Developments Germany GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Germany Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Italy, Srl	Sondrio (Italy)	100.00%	50.00%	100.00%	50.00%
Sierra Developments Spain-Prom.C.Com., SL	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Sierra Developments, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Developments-Serv. Prom.Imob., SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Enplanta, Ltda	São Paulo (Brazil)	100.00%	23.30%	50.00%	25.00%
Sierra European R.R.E. Assets Hold., BV	Amsterdam (The Netherlands)	50.10%	25.05%	50.10%	25.05%
Sierra GP, Ltd	Guernsey (U.K.)	100.00%	49.99%	100.00%	50.00%
9) Sierra Investimentos Brazil Ltda	São Paulo (Brazil)	100.00%	23.30%	100.00%	50.00%
Sierra Investments (Holland) 1, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Investments (Holland) 2, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Investments Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Investments SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
Sierra Italy Holding, BV	Amsterdam (The Netherlands)	100.00%	50.00%	100.00%	50.00%
Sierra Man.New Tech.Bus.-Serv.Comu.CC, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Management Germany, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
Sierra Management II-Gestão de C.C., SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Management Italy, Srl	Sondrio (Italy)	100.00%	50.00%	100.00%	50.00%
Sierra Management Portugal-Gest. CC, SA	Lisbon	100.00%	50.00%	100.00%	50.00%
Sierra Management Spain-Gestión C.Com., SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
Sierra Management, SGPS, SA	Maia	100.00%	50.00%	100.00%	50.00%
2) Sol Retail Park - Gestão de G. Comerc., SA	Maia	100.00%	50.00%	-	-
Sonae Sierra Brazil, Ltda	São Paulo (Brazil)	93.21%	23.30%	100.00%	50.00%
Sonae Sierra Brazil, BV	Luxemburg	50.00%	25.00%	100.00%	50.00%
Sonae Sierra, SGPS, SA	Maia	50.00%	50.00%	50.00%	50.00%
SRP-Parque Comercial de Setúbal, SA	Maia	50.00%	25.00%	50.00%	25.00%
Torre Colombo Ocidente-Imobiliária, SA	Maia	100.00%	12.53%	100.00%	12.53%
Torre Colombo Oriente-Imobiliária, SA	Maia	100.00%	12.53%	100.00%	12.53%
Unishopping Administradora, Ltda	São Paulo (Brazil)	100.00%	23.30%	99.99%	25.00%
Unishopping Consultoria Imob., Ltda	São Paulo (Brazil)	99.98%	23.30%	99.98%	25.00%
Valecenter Srl	Venice (Italy)	100.00%	25.05%	100.00%	25.05%
Via Catarina- Centro Comercial, SA	Maia	50.00%	12.53%	50.00%	12.53%
Zubiarte Inversiones Inmob, SA	Madrid (Spain)	49,83%	12,48%	49,83%	24,91%

1) Company sold in the period;

2) Company acquired or incorporated in the period;

3) Ex - Project Sierra Italy 2-Shop.Centre, Srl;

4) Ex - Project Sierra Holding Portugal I,SGPS, SA;

5) Ex - Project Sierra Holding Portugal III, SA;

6) Ex - Torino Shopping Centre Srl;

7) Ex - Corso Magenta 85, Srl;

8) Ex - Limadarque, Retail Park, SA;

9) Ex - Parque Dom Pedro Shopping, SA;

10) Ex - Project Sierra Spain 1 - C.Comercial, SA;

11) Company merged into Cascaishopping - Centro Comercial, SA.

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

Aggregate amounts, excluding intragroup eliminations, corresponding to the percentage of capital held in these jointly controlled companies included in the financial statements for the period, using the proportional consolidation method, can be summarised as follows:

	31.12.2006	31.12.2005	
Non-current assets	3,373,955,684	3,076,799,370	
Current assets	410,950,166	566,999,550	
Non-current liabilities	1,536,668,427	1,416,384,042	
Current liabilities	321,914,057	552,252,436	
	31.12.2006	31.12.2005 Pro-forma	31.12.2005
Income	359,865,987	304,628,129	219,332,169
Expenses	238,446,235	207,754,241	134,524,337

## 6. Investments in associated companies

Associated companies, their head offices, percentage of share capital held and book value as at 31 December 2006 and 2005 are as follows:

		Percentage of capital held				Book Value		
		31.12.2006		31.12.2005				
COMPANY	Head Office	Direct	Total	Direct	Total	31.12.2006	31.12.2005	
<b>Modelo Continente</b>								
3)	Mundo Vip - Operadores Turísticos SA	Lisbon	33.33%	33.33%	33.33%	33.33%	3,097,390	2,932,169
	Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	24.51%	506,796	52,592
<b>Sonae Sierra</b>								
	Campo Limpo Lda	S. Paulo (Brazil)	20.00%	5.00%	20.00%	5.00%	851,744	478,942
	Mediterranean Cosmos Shop. Centre Investments, SA	Athens (Greece)	39.90%	9.98%	39.90%	9.98%	9,196,940	3,378,644
	SIC Indoor – Gest. Suportes Publicitários, SA	Oeiras	35.00%	17.50%	35.00%	17.50%	-	-
<b>Sonaecom</b>								
2)	Net Mall SGPS, SA	Maia	39.51%	20.51%	37.51%	24.72%	-	-
1)	Profimetrics - Software Solutions, SA	Maia	30.00%	15.58%	-	-	29,530	-
	SIRS – Sociedade Independente de Radiodifusão Sonora, SA	Porto	45.00%	23.13%	45.00%	28.15%	143,674	231,680
	Unipress - Centro Gráfico, Lda	Vila Nova de Gaia	40.00%	20.56%	40.00%	25.02%	476,980	437,522
<b>Sonae Capital</b>								
	Andar - Sociedade Imobiliária, SA	Maia	50.00%	50.00%	50.00%	50.00%	-	25,060
2)	Autocenter - Serviços, Acessórios e Peças para Viaturas, SA	Maia	50.00%	25.00%	50.00%	25.00%	-	-
	CarPlus – Comércio de Automóveis, SA	Vila Nova de Gaia	100.00%	50.00%	100.00%	50.00%	-	-
	Change, SGPS, SA	Porto	50.00%	50.00%	25.00%	25.00%	2,043,244	869,293
	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%	1,057,626	-
	Developpement & Partenariat Assurances, SA	Paris (France)	35.00%	35.00%	35.00%	35.00%	1,338,660	1,240,518
1)	Etablissement A. Mathe, SA	France	27.74%	27.74%	-	-	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%	-	-
	Interclean, SA	Brazil	49.99%	12.77%	49.99%	12.77%	436,750	434,157
	Lazam Corretora, Ltda	Brazil	45.00%	45.00%	45.00%	45.00%	2,278,646	1,951,678
	Lidergraf - Artes Gráficas, Lda	Vila de Conde	25.50%	25.50%	25.50%	25.50%	1,153,522	946,021
	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%	-	-
	Operscut - Operação e Manutenção de Auto-estradas, SA	Lisbon	15.00%	15.00%	15.00%	15.00%	24,000	24,000
	Pargeste SGPS, SA	Maia	40.00%	40.00%	40.00%	40.00%	131	1,522
	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%	16.96%	478,162	468,571
	Sodesa, SA	Lisbon	50.00%	50.00%	50.00%	50.00%	676,236	974,293
	TP - Sociedade Térmica, SA	Porto	50.00%	50.00%	50.00%	50.00%	7,743,948	6,450,643
	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%	-	-
<b>Total (Note 13)</b>							<b>31,591,454</b>	<b>20,897,305</b>

1) Company acquired in the period;

2) Company sold in the period;

3) Company shown under Sonae Capital in the previous year.

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

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

As at 31 December 2006 and 2005, aggregate values of main financial indicators of associated companies can be analysed as follows:

	31.12.2006	31.12.2005
Total Assets	1,383,264,475	1,038,988,772
Total Liabilities	1,207,976,396	939,354,749
Income	408,902,543	343,758,476
Expenses	360,623,116	334,316,299

## 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 2006 and 2005 are made up as follows:

			Percentage of capital held					
			31.12.2006		31.12.2005		Book Value	
COMPANY	Reason for exclusion	Head Office	Direct	Total	Direct	Total	31.12.2006	31.12.2005
Modelo Continente								
Dispar – Distrib. de Participações, SGPS, SA		Lisbon	7.14%	7.14%	7.14%	7.00%	4,988	4,988
Insko – Insular de Hipermercados, SA		Ponta Delgada	10.00%	10.00%	10.00%	9.81%	748,197	748,197
Sonae Sierra								
Ercasa Cogeneracion SA		Grancasa (Spain)	10.00%	1.25%	32.01%	1.60%	23,949	23,933
Sonaecom								
Altitude, SGPS, SA		Lisbon	11.54%	5.99%	11.50%	7.19%	1,000,000	1,000,000
Despegar.com		Porto	5.50%	2.86%	5.50%	3.44%	-	-
Lusa - Agência de Noticias de Portugal, SA		Lisbon	1.38%	0.71%	1.38%	0.86%	197,344	197,344
Minhodigital.com - Inv. na Área Tecnológ., SA		Porto	4.76%	2.41%	4.76%	2.84%	-	-
Outsystems, Software de Rede, SA		Oeiras	1.50%	0.75%	1.50%	0.90%	-	-
3)	Portugal Telecom, SGPS, SA	Lisbon	1.00%	0.52%	-	-	111,109,905	-
Sonae Capital								
1) 3) Bar-Bar-Idade Glass - Serviços de Gestão e Investimentos, SA		Porto	7.83%	7.83%	11.75%	11.75%	12,060,507	17,999,964
Delphinus – Soc. de Tur. e Div. de Tróia, SA		a) Grândola	79.00%	79.00%	79.00%	79.00%	-	-
Plysorol Contreplaques, SAS		a) France	100.00%	100.00%	100.00%	100.00%	37,000	37,000
3) Sonae Indústria, SGPS, SA		Maia	6.80%	6.80%	5.95%	5.95%	71,414,143	53,263,065
Sonae RE, SA		a) Luxemburg	100.00%	100.00%	100.00%	100.00%	1,250,000	1,250,000
Fun International Entertainment, SA		a) Porto	50.00%	50.00%	50.00%	50.00%	-	825,001
Infratroia – Emp. de Infraest. de Troia, E.N.		a) Grândola	25.90%	25.90%	25.90%	25.90%	55,662	55,659
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%	-	-
Spidouro S.P.E.L. Douro e Trás-os-Montes, SA		Vila Real	8.30%	8.30%	8.30%	8.30%	-	-
Outras								
Sonae Investimentos América Latina, Lda		a) São Paulo (Brazil)	99.99%	99.99%	99.99%	99.99%	25,687	25,687
First Assur, SA		France	11.08%	11.08%	11.01%	11.01%	959,724	959,647
2)3)	Sonae Indústria, SGPS, SA	Maia	-	-	0.71%	0.71%	-	6,400,000
Others Investments (Note 13)							34,008,074	53,779,623
Total							233,056,343	136,731,271

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 of 3.92% of the share capital of the associated company in the period;

2) Company sold to Sonae Capital in the period;

3) Investment measured at fair value.



Nil balances shown above result from deduction of impairment losses from related investments (Note 13).

The caption other investments includes 32,500,370 euro

(53,000,000 euro as at 31 December 2005) of deposits in an Escrow Account. Amounts in the escrow account are invested in funds with superior rating (Note 13).

## 8. Changes to the consolidation perimeter

Main disposals of companies over the twelve months period ended 31 December 2006 are as follows:

COMPANY	Head Office	Percentage of capital held	
		31.12.2006	
		Direct	Total
<b>Sonae Sierra</b>			
Oriogest, Srl	Milan (Italy)	80.00%	20.00%
Segest , Srl	Milan (Italy)	50.00%	25.00%
<b>Sonaecom</b>			
Enabler & Retail Consult, GmbH	Germany	85.00%	37.38%
Enabler Brazil, Ltda	Curitiba (Brazil)	99.99%	43.97%
Enabler France	France	100.00%	43.97%
Enabler UK, Ltd	U.K.	100.00%	43.97%
Enabler-Informática, SA	Maia	98.50%	43.97%
Retailbox, BV	Amsterdam (The Netherlands)	75.50%	44.64%
<b>Sonae Capital</b>			
Sontrade Lines, Ltd	Hants (U.K.)	63.75%	63.75%

Net assets of group companies sold and the corresponding carrying amounts as at the date of disposal and as at 31 December 2005 are as follows:

Net assets disposed of	Date of disposal	31.12.2005
Tangible and intangible assets	659,125	1,352,610
Deferred tax assets	66,198	7,129
Other assets	9,782,038	9,080,692
Cash and cash equivalents	4,972,842	4,903,819
Other liabilities	(6,353,057)	(8,288,804)
Provisions	(350,282)	(10,873)
	8,776,864	7,044,573
Goodwill	1,936,347	1,962,882
Intercompany results	(2,990,859)	-
Minority interests (Note 23)	(925,013)	(320,259)
	6,797,339	8,687,196
Gain/(loss) on sale	26,465,274	
Total consideration	33,262,613	
Cash received	27,471,591	
Amounts receivable	5,791,022	
	33,262,613	
Net cash inflow arising from disposals		
Cash consideration received	27,471,591	
Cash and cash equivalents disposed of	(4,972,842)	
	22,498,749	

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

	Date of disposal	31.12.2005
Turnover	11,725,262	23,689,831
Other operational income	3,427,304	7,897,785
Other operational expenses	(13,837,767)	(28,585,944)
Net financial expenses	65,553	40,523
Investment income and share of results in associated undertakings	63,376	(567,907)
Profit before taxation	1,443,728	2,474,288
Taxation	(313,425)	(1,174,571)
Profit for the period	1,130,303	1,299,717

## 9. Tangible assets

During the periods ended 31 December 2006 and 2005, movements in Tangible assets as well as 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
<b>Gross cost:</b>							
<b>Opening balance as at 1 January 2005</b>	1,727,616,246	2,958,818,634	41,778,244	297,540,531	48,906,050	111,637,032	5,186,296,737
Changes in consolidation perimeter	283,892	563,297	108,171	235,027	261,243	2,971	1,454,601
Capital expenditure	27,658,714	21,444,159	1,473,017	6,658,356	692,308	286,532,285	344,458,839
Acquisition of companies	184,072,599	2,516,380	143,095	740,826	137,280	-	187,610,180
Disposals	(64,430,631)	(54,997,287)	(2,854,387)	(15,978,564)	(1,807,205)	(1,703,683)	(141,771,757)
Disposal of companies	(155,542,723)	(349,763,203)	(9,817,048)	(40,735,446)	(8,321,144)	(14,397,293)	(578,576,857)
De-merger	(411,539,735)	(1,642,402,938)	(13,162,240)	(44,113,261)	(19,500,932)	(31,448,771)	(2,162,167,877)
Change in consolidation method	(732,114)	(745,928)	(47,178)	(1,482,387)	(416,630)	(46,981)	(3,471,218)
Exchange rate effect	52,932,617	123,438,533	1,796,099	10,880,143	140,183	1,745,193	190,932,768
Transfers	81,578,947	131,724,635	1,551,785	22,371,571	3,092,158	(267,150,995)	(26,831,899)
<b>Opening balance as at 1 January 2006</b>	1,441,897,812	1,190,596,282	20,969,558	236,116,796	23,183,311	85,169,758	2,997,933,517
Changes in consolidation perimeter	-	(2,417,191)	(128,896)	(597,274)	(283,318)	-	(3,426,679)
Capital expenditure	37,357,947	7,077,935	830,857	9,675,100	936,202	332,355,479	388,233,520
Disposals	(25,784,291)	(24,203,750)	(1,046,459)	(12,053,426)	(517,291)	(3,541,902)	(67,147,119)
Exchange rate effect	(110,448)	(35,474)	(5,065)	(19,206)	(815)	(4,012)	(175,020)
Transfers	88,135,327	181,479,249	1,696,808	13,511,869	2,338,576	(288,738,564)	(1,576,735)
<b>Closing balance as at 31 December 2006</b>	1,541,496,347	1,352,497,051	22,316,803	246,633,859	25,656,665	125,240,759	3,313,841,484
<b>Accumulated depreciation and impairment losses</b>							
<b>Opening balance as at 1 January 2005</b>	344,754,929	1,483,094,824	32,853,358	168,658,896	38,870,053	713,997	2,068,946,057
Changes in consolidation perimeter	55,526	278,494	91,273	225,278	219,104	-	869,675
Charge for the period	45,497,723	185,141,999	2,291,944	32,912,697	3,304,293	15,965	269,164,621
Acquisition of companies	225,619	472,613	71,003	420,660	70,888	-	1,260,783
Disposals	(11,133,800)	(30,755,699)	(2,274,729)	(12,835,691)	(1,539,355)	-	(58,539,274)
Disposal of companies	(29,706,234)	(173,467,842)	(7,146,335)	(23,294,886)	(7,636,351)	-	(241,251,648)
De-merger	(90,447,768)	(861,922,450)	(9,039,639)	(28,943,382)	(15,532,694)	-	(1,005,885,933)
Change in consolidation method	(593,602)	(603,690)	(48,631)	(1,007,631)	(366,718)	-	(2,620,272)
Exchange rate effect	6,468,219	46,876,375	1,188,233	5,587,593	97,931	-	60,218,351
Transfers	(623,872)	(18,214,822)	(226,219)	16,776,677	383,714	(458,795)	(2,363,317)
<b>Opening balance as at 1 January 2006</b>	264,496,740	630,899,802	17,760,258	158,500,211	17,870,865	271,167	1,089,799,043
Changes in consolidation perimeter	-	(2,082,886)	(36,564)	(393,711)	(267,136)	-	(2,780,297)
Charge for the period	39,630,694	118,099,322	1,327,746	26,352,624	2,188,106	7,295	187,605,787
Disposals	(6,060,162)	(17,037,801)	(839,761)	(11,276,405)	(361,629)	-	(35,575,758)
Exchange rate effect	377	(6,827)	(818)	(5,263)	(1,644)	-	(14,175)
Transfers	1,200,252	(3,225,745)	3,882	1,203,134	20,857	1,028,607	230,987
<b>Closing balance as at 31 December 2006</b>	299,267,901	726,645,865	18,214,743	174,380,590	19,449,419	1,307,069	1,239,265,587
<b>Carrying amount</b>							
<b>As at 31 de December de 2005</b>	1,177,401,072	559,696,480	3,209,300	77,616,585	5,312,446	84,898,591	1,908,134,473
<b>As at 31 de December de 2006</b>	1,242,228,446	625,851,186	4,102,060	72,253,269	6,207,246	123,933,690	2,074,575,897



The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted to 69,066,878 euro and 75,338,082 euro as of 31 December 2006 and 2005, respectively, and their net book value as of those dates amounted to 56,277,539 euro and 60,530,122 euro, respectively (Note 25).

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

	31.12.2006	31.12.2005
Refurbishment and expansion of stores located in Portugal	15,542,726	22,545,971
New projects in Portugal of the Retail business segment	6,267,577	17,687,515
Deployment of mobile network	13,135,575	7,897,191
Deployment of fixed network	6,138,254	3,213,590
Troia project	20,649,721	11,269,829
Ferrie boat project	7,718,969	-
Hotel Aqualuz refurbishment	13,006,768	-
Others	41,474,100	22,284,495
	123,933,690	84,898,591

Depreciation charge for the period includes impairment losses on tangible assets amounting to 2,071,830 euro.

## 10. Intangible assets

During the period ended 31 December 2006 and 2005, movements in Intangible assets as well as amortisation and accumulated impairment losses, are made up as follows:

	Imobilizações incorpóreas				
	Patents and other similar rights	Software	Others	Intangible assets in progress	Total Intangible Assets
<b>Gross cost:</b>					
<b>Opening balance as at 1 January 2005</b>	236,158,799	241,469,834	30,585,616	13,183,745	521,397,994
Capital expenditure	12,769,064	1,231,380	1,415,909	34,459,336	49,875,689
Acquisition of companies	23,882	-	91,283	-	115,165
Disposals	(852,997)	(1,149,527)	(662,549)	(82,101)	(2,747,174)
Disposal of companies	(13,765,280)	(10,401,826)	(2,690,560)	(2,017,088)	(28,874,754)
De-merger	(4,036,351)	(223,951)	(2,467,773)	(74,659)	(6,802,734)
Change in consolidation method	(1,987,510)	(29,292)	(4,886,079)	-	(6,902,881)
Exchange rate effect	1,582,453	2,280,662	227	-	3,863,342
Transfers	860,444	26,746,118	147,159	(29,999,580)	(2,245,859)
<b>Opening balance as at 1 January 2006</b>	230,752,504	259,923,398	21,533,233	15,469,653	527,678,788
Changes in consolidation perimeter	(32,345)	(389,021)	-	-	(421,366)
Capital expenditure	942,095	1,452,693	231,253	38,138,795	40,764,836
Disposals	(500,216)	(24,135)	(164,958)	(675,254)	(1,364,563)
Exchange rate effect	(54)	(3,183)	-	-	(3,237)
Transfers	4,743,668	30,517,554	(1,501,755)	(31,199,789)	2,559,678
<b>Closing balance as at 31 December 2006</b>	235,905,652	291,477,306	20,097,773	21,733,405	569,214,136
<b>Accumulated depreciation and impairment losses</b>					
<b>Opening balance as at 1 January 2005</b>	14,448,820	155,409,049	16,210,752	-	186,068,621
Charge for the period	15,111,873	24,486,694	2,656,161	-	42,254,728
Acquisition of companies	47,376	-	3,320	-	50,696
Disposals	(620,896)	(601,502)	(324,464)	-	(1,546,862)
Disposal of companies	(1,174,160)	(8,984,428)	(2,420,158)	-	(12,578,746)
De-merger	(3,901,731)	(167,962)	(1,719,722)	-	(5,789,415)
Change in consolidation method	(1,403,354)	(10,939)	(1,317,533)	-	(2,731,826)
Exchange rate effect	149,557	1,445,412	136	-	1,595,105
Transfers	824,355	(2,069,679)	56,388	-	(1,188,936)
<b>Opening balance as at 1 January 2006</b>	23,481,840	169,506,645	13,144,880	-	206,133,365
Changes in consolidation perimeter	(22,345)	(355,488)	-	-	(377,833)
Charge for the period	14,698,752	24,889,524	1,653,217	-	41,241,493
Disposals	(697,286)	(886,311)	(7,985)	-	(1,591,582)
Exchange rate effect	-	(892)	-	-	(892)
Transfers	543,187	1,222,890	526,023	-	2,292,100
<b>Closing balance as at 31 December 2006</b>	38,004,148	194,376,368	15,316,135	-	247,696,651
<b>Carrying amount</b>					
<b>As at 31 December 2005</b>	207,270,664	90,416,753	8,388,353	15,469,653	321,545,423
<b>As at 31 December 2006</b>	197,901,504	97,100,938	4,781,638	21,733,405	321,517,485

Intangible assets in progress, as at 31 December 2006, were mainly composed of software projects and software development.

As at 31 December 2006, the amount under the caption Patents and other similar rights includes net assets related

with UMTS technology, 114,996,798 euro (127,774,219 euro as at 31 December 2005), and the fair value attributed to a group of brands with indefinite useful lives, among which the “Continente” brand, 75,000,000 euro (the same amount as at 31 December 2005).

## 11. Investment properties

The movement in Investment Properties during the years ended 31 December 2006 and 2005 was as follows:

	Investment Properties			
	In Operation	Fit Out	In progress	Total
<b>Opening balance as at 1 January 2005</b>	1,983,931,383	-	220,915,032	2,204,846,415
Increases	6,870,789	7,307,718	222,710,010	236,888,517
Write-offs	-	-	(9,450,500)	(9,450,500)
Transfers	-	-	(119,733)	(119,733)
Transfers from investment properties				
in progress:				
Construction and other costs	140,836,650	-	(140,836,650)	-
Adjustment to fair value (Note 36)	64,805,913	-	(1,693,678)	63,112,235
Change in fair value of investment properties				
in operation (Note 36):				
- Gains	165,725,617	-	-	165,725,617
- Losses	(34,765,938)	-	-	(34,765,938)
Increases through concentration of business activities	112,000,000	-	4,297,936	116,297,936
Change in consolidation method	(1,228,949,160)	(3,653,859)	(124,985,718)	(1,357,588,737)
Sale of investment properties	(20,121,000)	-	(45,911,634)	(66,032,634)
Disposal of companies	(9,650,000)	-	-	(9,650,000)
Currency translation differences	48,137,998	-	19,909	48,157,907
<b>Opening balance as at 1 January 2006</b>	1,228,822,252	3,653,859	124,944,974	1,357,421,085
Increases	6,946,420	427,160	101,733,460	109,107,040
Write-offs	-	-	(11,605,863)	(11,605,863)
Reimbursements	-	(342,672)	-	(342,672)
Transfers	125,000	(125,000)	(39,212)	(39,212)
Transfers from investment properties				
in progress:				
Construction and other costs	27,784,412	393,750	(28,178,162)	-
Adjustment to fair value (Note 36)	5,563,980	(143,000)	-	5,420,980
Change in fair value of investment properties				
in operation (Note 36):				
- Gains	129,663,984	469,922	-	130,133,906
- Losses	(5,199,436)	(394,143)	-	(5,593,579)
Changes in consolidation percentage	(53,472,672)	-	(13,591,254)	(67,063,926)
Brazil restructuring	5,096,316	-	11,523	5,107,839
Sale of investment properties	(1,050,000)	-	-	(1,050,000)
Currency translation differences	(1,282,287)	-	(2,052)	(1,284,339)
<b>Closing balance as at 31 December 2006</b>	1,342,997,969	3,939,876	173,273,414	1,520,211,259

Fit out contracts correspond to agreements with tenants, under which the Group pays part of the expenses incurred with the fit out of stores and the tenant assumes the responsibility to reimburse the amount invested to the Group over the period of the lease. The accounting treatment of fit outs is similar to the one used for other investment properties.

As at 31 December 2005, an impairment loss of 9,450,500 euro (Note 40) was recorded for the project in progress "Aegean Park".

As at 31 December 2006, the total amount invested to that date in the 3do Shopping and Leisure Centre Project (11,605,863 euro) has been written-off (Note 40).

As at 31 December 2006 and 2005, Investment properties in operation, including fit-outs, correspond to the fair value of the Group's share of shopping centres, which can be detailed as follows:

	31.12.2006		31.12.2005	
	Amount	Yield	Amount	Yield
Portugal:	840,682,401	5,50% e 6,50%	718,685,026	6,25% e 7,25%
Spain	381,610,876	5,00% e 7,15%	357,728,006	5,25% e 7,50%
Italy	67,332,500	5,15% e 6,50%	58,257,500	6,50% e 7,50%
Brazil	57,312,068	10,50% e 11,50%	97,805,579	11,00% e 12,50%
	1,346,937,845		1,232,476,111	

The fair value of each investment property and fit out was determined by a valuation as at 31 December 2006, performed by an independent entity, based on valuation criteria generally accepted in the real estate business.

As at 31 December 2006 and 2005, Investment properties can be detailed as follows:

		31.12.2006	31.12.2005
Portugal:			
	Alverca	2,858,800	2,838,625
	Cacém Shopping	937,807	875,176
	Caldas da Rainha Shopping	623,843	-
	Lima Retail Park	2,918,714	2,148,968
	Parque de Famalicão	1,498,238	1,427,234
	RioSul	-	16,534,179
	Setubal Retail Park	784,989	736,764
	Torres Colombo	920,697	4,271,352
	8ª Avenida	10,509,651	-
	Others	295,116	605,518
Germany:			
	3DO	-	7,932,227
	Alexa	54,525,305	36,016,961
	Weiterstadt	15,416,661	-
	Others	10,586	-
Brazil:			
	Others	77,882	114,655
Spain:			
	Dos Mares - expansion	1,660,352	1,650,387
	El Rosal	32,249,181	20,337,249
	Granada	1,289,297	-
	Plaza Mayor Shopping	11,580,899	6,319,577
Greece:			
	Aegean Park	4,771,822	4,725,071
	Star Dome	1,106,965	-
	Others	11,445	10,160
Italy:			
	Freccia Rossa	19,419,339	13,930,831
	Gli Orsi	8,671,559	4,071,824
	Le Terraze	960,723	-
	Others	173,543	398,219
		173,273,414	124,944,974

Investment properties in progress include borrowing expenses incurred during the construction period. As of 31 December 2006 and 2005, total borrowing expenses capitalised amounted to 5,689,438 euro and 5,786,876 euro respectively.

During the periods ended 31 December 2006 and 2005, income (fixed rents net of discounts, variable rents, common

spaces rents, key income and cession rents) and corresponding direct operating expenses (property taxes, insurance expenses, maintenance expenses, management fees, asset management fees and other direct operating expenses), relating to investment properties of the Group, may be detailed as follows:

	Rents		Operational direct expenses	
	31.12.2006	31.12.2005 Pro-forma	31.12.2006	31.12.2005 Pro-forma
Portugal	57,950,932	55,296,219	4,780,288	6,279,551
Spain	23,030,063	21,590,484	861,312	1,446,282
Italy	3,613,458	2,181,593	259,760	122,548
Brazil	10,638,536	9,232,807	761,760	922,248
	95,232,989	88,301,103	6,663,120	8,770,629

As at 31 December 2006, the following investment properties were mortgaged:

3DO	La Farga
Airone	El Rosal
Alexander Platz	Loureshopping
Algarveshopping	Luz del Tajo
Arrabidashopping	Madeirashopping
Avenida M40	Maiashopping
Cascaishopping	Norteshopping
Centro Colombo	Parque Atlântico
Centro Vasco da Gama	Parque Principado
Coimbrashopping	Plaza Éboli
Dos Mares	Plaza Mayor
Estação Viana	Plaza Mayor Shopping
Freccia Rossa	RioSul
Gaiashopping	Serra Shopping
Grancasa	Valecenter
Guimarãesshopping	Valle Real
Kareaga	Viacatarina
	Zubiarte

As at 31 December 2006 and 2005, there were no significant purchase obligations relating to investment properties in construction or under development, apart from the ones mentioned above.

## 12. Goodwill

During the periods ended 31 December 2006 and 2005, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

	31.12.2006	31.12.2005
<b>Gross value:</b>		
Opening balance	248,887,726	453,242,056
New companies	-	28,425,917
Increases	21,187,104	81,762,041
Decreases	(5,662,931)	(239,731,503)
De-merger	-	(49,255,959)
Sale with change in consolidation method	-	(25,554,825)
<b>Closing balance</b>	<b>264,411,899</b>	<b>248,887,726</b>
<b>Accumulated impairment losses:</b>		
Opening balance	3,309,480	-
Increases (Note 32)	10,259,764	3,309,480
Decreases	-	-
<b>Closing balance</b>	<b>13,569,244</b>	<b>3,309,480</b>
<b>Carrying amount</b>	<b>250,842,655</b>	<b>245,578,246</b>

During the period, increases in shareholdings generated goodwill amounting to 14,745,310 euro (20,330,762 euro as at 31 December 2005).

Decreases in Goodwill include 1,936,347 euro arising from sale of subsidiaries (227,071,232 euro as at 31 December 2005). The remaining amount relates to the impact of decreases in shareholdings.

## 13. Investments

As at 31 December 2006 and 2005, this caption is made up as follows:

	31.12.2006		31.12.2005	
	Non current	Current	Non current	Current
<b>Investment in associated companies</b>				
Opening balance as at 1 January	18,782,884	-	29,392,647	-
Acquisitions in the period	3,311,440	-	5,206,088	-
Disposals in the period	(844,640)	-	(34,951,297)	-
Equity method effect	8,087,588	-	21,696,600	-
De-merger	-	-	(3,878,823)	-
Transfers	(704,369)	-	1,317,669	-
Closing balance as at 31 December	28,632,903	-	18,782,884	-
Goodwill transferred to Investments	2,958,551	-	2,958,551	-
Accumulated impairment losses (Note 32)	-	-	(844,130)	-
<b>Investment in associated companies (Note 6)</b>	<b>31,591,454</b>	<b>-</b>	<b>20,897,305</b>	<b>-</b>
<b>Investments in group companies, jointly controlled companies or associated companies excluded from consolidation</b>				
Opening balance as at 1 January	11,438,259	-	74,113,537	-
Acquisitions in the period	1,452,294	-	7,409,474	-
Disposals in the period	-	-	(15,719,727)	-
De-merger	-	-	(44,045,314)	-
Transfers	(219,213)	-	(10,319,711)	-
Closing balance as at 31 December	12,671,340	-	11,438,259	-
Accumulated impairment losses (Note 32)	(9,077,744)	-	(7,958,083)	-
	3,593,596	-	3,480,176	-
<b>Investments held for sale</b>				
Fair value (net of impairment losses) as at 1 January	133,251,095	10,620,966	33,073,103	2,233,267
Acquisitions in the period	119,222,591	1,927,188	53,135,461	10,979,724
Disposals in the period	(17,409,488)	(874,547)	(34,406,994)	(494,410)
Increase/(Decrease) in fair value	17,717,293	(258,263)	34,980,725	-
De-merger	-	-	(47,398)	(2,097,615)
Transfers	(23,318,744)	21,797,058	46,516,198	-
Fair value (net of impairment losses) as at 31 December	229,462,747	33,212,402	133,251,095	10,620,966
<b>Other Investments (Note 7)</b>	<b>233,056,343</b>	<b>33,212,402</b>	<b>136,731,271</b>	<b>10,620,966</b>
<b>Derivative financial instruments (Note 26)</b>				
Fair value as at 1 January	-	60,475	-	87,325,645
Acquisitions in the year	-	2,580,917	-	301,900
Disposals in the year	-	(2,591,934)	-	(87,567,070)
Increase/(Decrease) in fair value	-	-	-	-
Fair value as at 31 December	-	49,458	-	60,475
	264,647,797	33,261,860	157,628,576	10,681,441

Investments held for sale are disclosed above net of accumulated impairment losses (Note 32) amounting to 2,740,064 euro (2,770,033 euro as at 31 December 2005).

The use of the equity method had the following impacts: 10,425,088 euro are recorded in Share of results of associated undertakings (-1,715,813 euro at 31 December 2005) and -



2,337,500 euros are recorded as Other changes in Reserves (23,412,413 euro at 31 December 2005).

The caption Investments held for sale includes 65,000,740 euro of deposits in an Escrow Account, of which 32,500,370 euro disclosed as current assets and 32,500,370 euro as non-current assets, in accordance with the time schedule of the guarantee. Amounts in the escrow account are invested in investment funds with superior rating and guarantee contractual contingent liabilities which may arise from the sale of the Brazilian subsidiaries.

In 2005, at the moment of the sale of Brazilian subsidiaries, was recorded a provision of 27,000,000 euro for future commitments, the balance of this provision is 21,978,393 euro at 31 December 2006 (Note 32).

## 14. Other non-current assets

As at 31 December 2006 and 2005, Other non-current assets are detailed as follows:

	31.12.2006			31.12.2005		
	Gross Value	Accumulated impairment losses (Note 32)	Carrying Amount	Gross Value	Accumulated impairment losses (Note 32)	Carrying Amount
<b>Loans granted to related parties</b>						
Bar-Bar-Idade Glass - Serviç.de Gest.e Invest., SA	6,402,717	-	6,402,717	12,000,000	-	12,000,000
Andar - Sociedade Imobiliária, SA	2,953,673	-	2,953,673	2,650,673	-	2,650,673
Norscut - Concessionária de Scut Interior Norte, SA	6,019,613	-	6,019,613	2,208,335	-	2,208,335
Others	1,932,716	(270,489)	1,662,227	2,207,966	(294,805)	1,913,161
	17,308,719	(270,489)	17,038,230	19,066,974	(294,805)	18,772,169
<b>Trade accounts receivable and other debtors</b>						
Legal deposits	803,525	-	803,525	823,385	-	823,385
Assets arising from to the sale of financial investments	12,444,829	-	12,444,829	1,911,424	-	1,911,424
Lisbon and Malaga Town Councils	4,400,585	-	4,400,585	4,723,019	-	4,723,019
Rent deposits from tenants	4,077,459	-	4,077,459	2,434,733	-	2,434,733
Others	1,714,853	(721,326)	993,527	9,808,363	(4,722,917)	5,085,446
	23,441,251	(721,326)	22,719,925	19,700,924	(4,722,917)	14,978,007
<b>Derivative financial instruments (Note 26)</b>	4,035,714	-	4,035,714	-	-	-
<b>Other non-current assets</b>	287,817	-	287,817	1,988,844	-	1,988,844
	45,073,501	(991,815)	44,081,686	40,756,742	(5,017,722)	35,739,020

## 15. Stocks

As at 31 December 2006 and 2005, Stocks are detailed as follows:

	31.12.2006	31.12.2005
Raw materials and consumables	22,163,157	17,097,930
Goods for resale	410,465,489	404,016,004
By-products	120	525
Finished goods	14,532,140	14,438,654
Work in progress	58,595,440	49,610,520
Payments on account	527,581	548,174
	506,283,927	485,711,807
Accumulated impairment losses on Stocks (Note 32)	(25,098,215)	(25,230,922)
	481,185,712	460,480,885

Cost of goods sold as at 31 December 2006 and 2005 amounted to 2,530,272,888 euro and 3,737,853,812 euro, respectively, and may be detailed as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Opening Stocks	421,113,934	366,661,256	576,085,581
Exchange rate effect	(4,456)	-	38,497,976
Changes in consolidation perimeter	-	-	(248,307,831)
Acquisitions	2,552,349,155	2,434,557,056	3,810,070,565
Adjustments	(13,017,111)	(18,462,174)	(22,128,814)
Closing Stocks	432,628,646	419,954,674	421,113,934
	2,527,812,876	2,362,801,464	3,733,103,543
Impairment losses (Note 32)	8,776,348	4,608,310	6,791,544
Reversion of impairment losses	(6,316,336)	(937,074)	(2,041,275)
	2,530,272,888	2,366,472,700	3,737,853,812

## 16. Trade accounts receivable

As at 31 December 2006 and 2005, Trade accounts receivable are detailed as follows:

	31.12.2006	31.12.2005
Trade accounts receivable		
Retail	27,854,964	17,758,626
Shopping Centres	12,542,578	14,690,903
Telecommunications	147,172,976	136,893,800
Other segments	65,450,082	76,605,860
	253,020,600	245,949,189
Trade Debtors, bills receivable	7,527,908	6,383,363
Doubtful debtors	83,956,451	88,560,436
	344,504,959	340,892,988
Accumulated impairment losses on Trade Debtors (Note 32)	(87,481,138)	(96,067,713)
	257,023,821	244,825,275

In the normal course of activity collection risks 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 past experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade Debtors reflect their fair value.

Credit risk is not concentrated because of the significant number of trade debtors.

## 17. Other debtors

As at 31 December 2006 and 2005, Other debtors are made up as follows:

	31.12.2006	31.12.2005
Other debtors		
Trade suppliers - debit balances	27,236,144	32,445,023
Special regime for payment of tax and social security debts	14,576,053	14,576,053
VAT recoverable on retail estate assets	16,805,134	8,572,458
Accounts receivable from the sale of tangible assets	3,136,367	4,336,373
Accounts receivable from the sale of investments	14,009,841	260,410,243
Securitisation of receivables	3,421,873	1,684,510
Amount to be received on the sale of Brazilian subsidiaries	4,425,465	8,550,000
Others	34,919,991	49,691,201
	118,530,868	380,265,861
Advances to trade creditors	2,861,231	4,877,763
Other loans granted	8,875,129	19,758,938
	130,267,228	404,902,562
Accumulated impairment losses on Other current Assets (Note 32)	(10,634,714)	(14,238,511)
	119,632,514	390,664,051

The amount disclosed as Special regime for payment of tax and social security debts corresponds to taxes which were disputed and subject to reimbursement claims. The Board of Directors is confident of the arguments presented by the Group and expects court decisions to be in favour of the Group. As a result, reimbursement of these taxes is expected.

In 2005, the main item in Accounts receivable from the sale of investments refers to the amount received from the sale of 17.04% of Sonae Sierra, SGPS, SA (226,260,029 euro).

## 18. Taxes recoverable and taxes and contributions payable

As at 31 December 2006 and 2005, Taxes recoverable and taxes and contributions payable are made up as follows:

	31.12.2006	31.12.2005
<b>Tax recoverable</b>		
Income taxation - payments on account and amounts withheld	26,005,882	19,860,624
VAT	77,856,516	63,381,176
Other taxes	4,257,885	4,394,205
	108,120,283	87,636,005
<b>Taxes and contributions payable</b>		
Income taxation	16,256,779	21,267,569
VAT	41,061,049	26,032,550
Staff income tax withheld	3,889,067	4,752,997
Social security contributions	14,337,437	14,371,354
Other taxes	4,055,074	3,390,098
	79,599,406	69,814,568

## 19. Other current assets

As at 31 December 2006 and 2005, Other current assets are made up as follows:

	31.12.2006	31.12.2005
Invoices to be issued	49,928,069	37,549,383
Commercial discounts	5,004,703	5,178,983
Deferred cost - Rents	3,533,571	3,527,674
Deferred cost - External supplies and services	10,669,057	11,771,694
Other current assets	11,391,737	7,548,359
	80,527,137	65,576,093

## 20. Deferred tax

Deferred tax assets and liabilities as at 31 December 2006 and 2005 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Difference between fair value and acquisition cost	-	-	231,612,650	200,453,376
Harmonisation adjustments	221,230	282,358	23,557,165	24,696,174
Provisions and impairment losses not accepted for tax purposes	12,559,298	13,201,778	4,277,987	2,560,614
Write off of tangible and intangible assets	24,983,311	28,640,493	-	-
Write off of deferred costs	31,301,988	23,436,106	2,154,133	2,067,858
Valuation of hedging derivatives	106,066	320,595	1,182,960	16,631
Revaluation of tangible assets	-	-	2,973,586	3,838,774
Tax losses carried forward	33,155,303	42,886,889	-	-
Reinvested capital gains/(losses)	-	-	4,227,223	4,485,183
Others	440,213	(284,180)	2,070,668	65,651
	102,767,409	108,484,039	272,056,372	238,184,261

During the periods ended 31 December 2006 and 2005, movements in Deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
<b>Opening balance</b>	108.484.039	216.951.425	238.184.261	388.090.849
<b>Effect in results:</b>				
Difference between fair value and acquisition cost	-	-	46,862,220	60,713,539
Amortization and Depreciation harmonisation adjustments	(56,475)	(1,256,961)	(17,149)	8,102,805
Provisions and impairment losses not accepted for tax purposes	(360,952)	4,288,769	1,803,132	3,683,627
Write-off of tangible and intangible assets	(1,765,363)	6,328,243	15,731	161,899
Write-off of accruals	9,051,139	2,667,524	260,004	333,025
Valuation of hedging derivatives	(86,206)	(2,944,390)	(3,030)	(3,082,220)
Revaluation of tangible assets	-	-	(712,847)	(89,953)
Tax losses carried forward	(6,187,936)	(14,537,202)	-	-
Reinvested capital gains/(losses)	-	-	(81,669)	(81,669)
Changes in tax rates	(5,098,255)	-	(14,459,820)	-
Others	1,828	(1,455,584)	1,709,211	535,410
	(4,502,220)	(6,909,601)	35,375,783	70,276,463
<b>Effect in reserves:</b>				
Difference between fair value and acquisition cost	-	-	(63,377)	798,325
Valuation of hedging derivatives	(358,785)	(12,114,929)	960,262	(538,903)
Exchange rate effect	(90,697)	12,625,874	(242,793)	7,963,708
Fair value allocation in acquired companies	-	-	-	1,362,272
De-merger	-	(54,795,890)	-	(40,794,379)
Change in tax rate	(5,421)	321,469	(75,107)	(176,557)
Others	930,970	2,944,441	734,368	(11,117,068)
	476,067	(51,019,035)	1,313,353	(42,502,602)
Changes in consolidation method	-	(12,411,493)	-	(199,255,986)
Acquisitions of companies	-	4,646,928	-	27,285,754
Disposals of companies	(1,690,477)	(42,774,185)	(2,817,025)	(5,710,217)
<b>Closing balance</b>	102,767,409	108,484,039	272,056,372	238,184,261

In Portugal, with the approval of the Local Finances Law, the municipal income tax will change from 2007 onwards, to a maximum of 1.5% on Taxable Profit. In the past this tax was payable as 10% of income tax. In Spain, with the change to Corporate Income Tax Law, corporate income tax rate, currently 35%, will change to 32.5% in 2007 end 30% in 2008.

As a consequence, Portuguese and Spanish 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 Hedging reserve in the case of deferred taxes arising from derivatives.

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses

carried forward, as at 31 December 2006 and 2005, and using exchange rates effective at that time, tax losses carried forward can be summarised as follows:

	31.12.2006			31.12.2005		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2000	-	-	2006	1,860,520	464,590	2006
Generated in 2001	2,985,335	746,334	2007	7,365,362	2,010,374	2007
Generated in 2002	21,471,094	5,367,773	2008	61,090,945	16,727,473	2008
Generated in 2003	30,965,815	7,741,453	2009	32,257,714	9,013,529	2009
Generated in 2004	4,448,448	1,112,113	2010	5,295,699	1,317,769	2010
Generated in 2005	12,472,541	3,118,136	2011	10,614,908	2,926,903	2011
Generated in 2006	14,719,573	3,679,893	2012	-	-	
	87,062,806	21,765,702		118,485,148	32,460,638	
Without limited time use	11,098,655	3,626,486		9,122,035	3,250,519	
With a time limit different from the above mentioned	25,509,200	7,763,115		20,502,091	7,175,732	
	36,607,855	11,389,601		29,624,126	10,426,251	
	123,670,661	33,155,303		148,109,274	42,886,889	

As at 31 December 2006 and 2005, 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 2006, tax losses carried forward, amounting to 1,219,575,278 euro, have not originated deferred tax assets for prudential reasons. These may be summarised as follows:

	31.12.2006			31.12.2005		
	Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use						
Generated in 2000	-	-	2006	67,743,331	18,629,417	2006
Generated in 2001	117,286,551	29,321,637	2007	125,518,521	34,517,593	2007
Generated in 2002	500,522,978	125,130,749	2008	679,213,519	186,783,717	2008
Generated in 2003	58,549,755	14,637,441	2009	65,091,201	18,520,346	2009
Generated in 2004	39,704,702	9,926,178	2010	41,053,702	11,326,503	2010
Generated in 2005	208,993,098	52,248,279	2011	229,033,258	62,990,282	2011
Generated in 2006	58,965,992	14,741,500	2012	-	-	
	984,023,076	246,005,784		1,207,653,532	332,767,858	
Without limited time use	195,577,768	59,103,221		133,678,160	46,113,016	
With a time limit different from the above mentioned	39,974,434	13,464,826		-	-	
	1,219,575,278	318,573,831		1,341,331,692	378,880,874	

## 21. Cash and cash equivalents

As at 31 December 2006 and 2005, Cash and cash equivalents can be detailed as follows:

	31.12.2006	31.12.2005
Cash at hand	4,173,072	2,799,622
Bank deposits	527,873,385	795,834,935
Treasury applications	130,428,983	113,659,759
Cash and cash equivalents on the balance sheet	662,475,440	912,294,316
Bank overdrafts (Note 24)	(13,664,166)	(18,673,265)
Cash and cash equivalents on the statement of cash flows	648,811,274	893,621,051

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

## 22. Share capital

As at 31 December 2006, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each. As at that date, the company and group companies held 133,418,572 own shares (133,976,146 shares as at 31 December 2005), at a cost of 142,961,431 euro (143,630,520 euro as at 31 December 2005).

As at 31 December 2006, the following entities held more than 20% of the subscribed share capital:

Entity	%
Efanor Investimentos, SGPS, SA and associated companies	52.94

## 23. Minority interests

Movements in minority interests in the periods ended 31 December 2006 and 2005 are as follows:

	31.12.2006	31.12.2005
Opening balance as at 1 January	394,707,612	785,515,290
Dividends	(5,348,382)	(14,977,382)
Changes resulting from currency translation	(140,357)	19,108,495
Acquisition of companies	-	16,198,094
Disposal of companies	(925,013)	(25,864,330)
Sale of Sonae Sierra with change in consolidation method	-	(553,940,396)
De-merger of Sonae Indústria	-	35,247,616
Increased shareholding by acquisitions	(85,479,259)	-
Changes in hedge and fair value reserves	1,165,585	-
Others	1,222,284	(1,968,495)
Profit for the period attributable to minority interests	96,855,844	135,388,720
Closing balance as at 31 December	402,058,314	394,707,612



## 24. Borrowings

As at 31 December 2006 and 2005, Borrowings are made up as follows

	31.12.2006			31.12.2005			
	Amount limit	Outstanding amount		Amount limit	Outstanding amount		
		Current	Non Current		Current	Non Current	
Bank loans							
Sonae, SGPS, SA - commercial paper	350,000,000	260,500,000	-	350,000,000	340,950,000	-	Aug/2014
Modelo Continente, SGPS,SA - commercial paper	163,000,000	160,000,000	-		-	-	Sep/2009
a) b) Sonae Sierra Affiliated	517,922,005	13,396,517	358,307,169	480,737,488	9,933,335	363,688,431	Jan/2007 to May/2027
a) c) Sonae Sierra Affiliated	408,176,674	4,280,961	263,292,660	265,528,904	10,336,188	144,467,761	May/2010 to Dec/2025
Valecenter S.p.a.		-	-	26,000,000	26,000,000	-	-
Optimus	450,000,000	-	324,458,200	450,000,000	-	324,458,200	Jun/2009
Sonae Investments BV	32,154,000	6,150,940	4,613,205	32,154,000	6,150,940	10,764,146	Sep/2008
Sonae Investments BV	47,385,800	-	-	47,385,800	-	-	Dec/2007
d) Imoarea	34,791,153	-	-	34,791,153	34,791,153	-	Sep/2006
e) Sonae Turismo - commercial paper	110,000,000	-	73,050,000	-	-	-	Aug/2009
d) Investalentejo	40,000,000	40,000,000	-	40,000,000	-	40,000,000	Feb/2007
Others		12,636,383	8,078,556		145,316,357	28,714,745	
		496,964,801	1,031,799,790		573,477,973	912,093,283	
Bank overdrafts (Note 21)		13,664,166	-		18,673,265	-	
Amortised cost for bank loans and bonds		(577,968)	(14,698,227)		(456,212)	(19,257,382)	
Bank loans		510,050,999	1,017,101,563		591,695,025	892,835,901	
Bonds:							
Bonds Sonae / 97		74,819,686	-		74,819,686	74,819,684	Oct/2007
Bonds Sonae / 05		-	100,000,000		-	100,000,000	Mar/2013
Bonds Sonae 2006/2011		-	250,000,000		-	-	May/2011
Bonds Modelo Continente / 2003		-	82,000,000		-	82,000,000	Oct/2011
Bonds Modelo Continente / 2004		-	100,000,000		-	100,000,000	Mar/2009
Bonds Modelo Continente / 2005		-	265,000,000		-	265,000,000	Aug/2010
Bonds Modelo Continente / 2005		-	150,000,000		-	150,000,000	Aug/2012
Bonds Sonae Imobiliária / 99		-	-		15,000,000	-	Dec/2006
Bonds Sonaecom / 2005		-	150,000,000		-	150,000,000	Jun/2013
Amortised cost for bank loans and bonds		(42,394)	(10,020,068)		(94,493)	(10,870,246)	
		74,777,292	1,086,979,932		89,725,193	910,949,438	
Other loans		21,707,821	7,369,965		1,082,647	8,164,831	
Hedging derivatives (Note 26)		116,043	121,116		959,050	481,953	
Other loans		21,823,864	7,491,081		2,041,697	8,646,784	
Obligations under finance leases (Note 25)		9,279,339	31,124,322		11,030,610	36,194,019	
		615,931,494	2,142,696,898		694,492,525	1,848,626,142	

- a) These amounts are proportionate considering the percentage held by the group;
- b) These loans are guaranteed by mortgages of investment properties held by these affiliated companies;
- c) These loans are guaranteed by a pledge of shares held in those affiliated companies;
- d) This loan is guaranteed by Sonae, SGPS, SA;
- e) Sonae Capital, SGPS, SA is a co-guarantor in this loan.

Credit facilities at Optimus bear interest at a rate equal to Euribor plus a spread linked to Optimus' financial performance, measured amongst others by the ratio of Net Debt to EBITDA. The guarantee facility used to secure loans made by the European Investment Bank (EIB) will be repaid in 2 instalments (30% in June 2008 and 70% in June 2009). The revolving credit facility will be repaid in June 2009.

Interest rate of the bonds are equal to Euribor 6 months plus a spread between 0.70% and 1.15%. In the non current bonds are included 665,000,000 euro that have the option to make whole or partial reimbursements in certain conditions.

Derivatives are recorded at fair value (Note 26).

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

	31.12.2006	31.12.2005
N+1 <sup>a)</sup>	616,442,048	694,084,181
N+2	129,570,172	144,560,638
N+3	424,233,376	126,167,422
N+4	334,879,674	349,217,525
N+5	354,825,551	333,764,184
After N+5	923,779,069	924,562,049
	2,783,729,890	2,572,355,997

a) Includes amounts drawn under commercial paper programmes.

## 25. Obligations under finance leases

As at 31 December 2006 and 2005, Obligations under finance leases are made up as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
<b>Amounts under finance leases:</b>				
N+1	10,756,241	12,374,539	9,279,339	11,030,610
N+2	11,121,259	7,787,861	4,981,509	6,722,693
N+3	6,788,613	8,903,230	5,918,560	8,030,152
N+4	5,848,189	5,299,193	5,223,436	4,576,721
N+5	3,127,173	5,207,812	2,675,062	4,655,132
After N+5	8,282,745	13,498,785	7,325,755	12,209,321
	45,924,220	53,071,420	40,403,661	47,224,629
Interest	(5,520,559)	(5,846,791)		
	40,403,661	47,224,629		
Current obligations under finance leases			9,279,339	11,030,610
Non-current obligations under finance leases			31,124,322	36,194,019

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 2006, the fair value of finance leases is close to its accounting value.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2006 and 2005, accounting value of assets acquired under finance leases can be detailed as follows:

	31.12.2006	31.12.2005
<b>Assets acquired under finance leases</b>		
Land and Buildings	37,767,008	44,829,095
Plant and machinery	8,471,749	4,665,686
Vehicles	38,026	94,984
Tools	134,608	38,239
Fixtures and Fittings	9,866,148	10,161,235
Other assets	-	2,721
Assets in progress	-	738,162
Total tangible assets (Note 9)	56,277,539	60,530,122
Investment properties	9,253,000	8,628,500
	65,530,539	69,158,622

## 26. Derivatives

### Exchange rate derivatives

The Group uses exchange rate derivatives, essentially to hedge future cash flows.

The Group contracted several exchange rate forwards and options in order to manage its exchange rate exposure.

As at 31 December 2006, the fair value of exchange rate derivatives, calculated based on present market value of equivalent financial instruments, is of 116,043 euro and is included in Current liabilities and 49,458 euros (60,475 euro as at 31 December 2005) on the caption Current investments.

Losses in the period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment, amounting to 127,060 euro, were recorded directly in the income statement in the caption Net financial expenses.

### Interest rate derivatives

As at 31 December 2006, derivatives used by the Group essentially refer to “swaps” and interest rate options (“cash flow hedges”). These were negotiated to hedge the interest rate risk of loans amounting to 315,050,239 euro (255,692,090 euro as at 31 December 2005). The fair value of these derivatives amounts to 3,914,598 euro (-1,441,003 euro as at 31 December 2005), and is disclosed as Investments 4,035,714 euro and as current liabilities 121,116 euro. As at 31 December 2006 all derivatives are hedge derivatives. As at 31 December 2005 the value of 454.221 euro relates to derivatives on loans which no longer qualify as hedge derivatives, in spite of continuing to hedge interest risks.

These interest rate derivatives are valued at fair value, at the balance sheet date, based on valuations performed by the Group using specific software and on external valuations when this software does not deal with specific instruments. The fair value of swaps was calculated, as at the balance sheet date, based on the discounted cash flow of the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg. The calculation of the fair value of options was based on the “Black-Scholes” and similar models.

The hedging principles used by the Group when negotiating these financial derivatives are as follows:

- Perfect “matching” between cash in-flows and out-flows, i.e., rate setting dates of bank loans coincide with those of the interest rate derivative;
- Perfect “matching” of indices used: the index of the hedging derivative and that of the related loan are the same;
- In a scenario of an extreme increase in interest rates, the maximum financing cost is limited.

Counterparts issuing derivative financial instruments are

selected based on financial strength and credit risk established by internationally recognised rating agencies. These counterparts are nationally and internationally recognised first class financial institutions.

#### *Interest rate and exchange rate derivatives*

As at 31 December 2006 no contracts existed related to interest rate and exchange rate derivatives.

#### *Fair value of derivatives*

The fair value of derivatives is detailed as follows:

	Investments		Borrowings	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Derivatives not qualified as hedging	49,458	60,475	116,043	454,221
Hedging derivatives				
Exchange rate	-	-	-	-
Interest rate	4,035,714	-	121,116	986,782
Interest and exchange rate	-	-	-	-
Other derivatives	-	-	-	-
	4,085,172	60,475	237,159	1,441,003

## 27. Other non-current liabilities

As at 31 December 2006 and 2005 Other non-current liabilities were made up as follows:

	31.12.2006	31.12.2005
Shareholder loans	39,583,455	50,411,714
Investments grants	-	-
Fixed assets suppliers	12,134,380	25,410,132
Other non-current liabilities	34,158,804	481,162,421
Share based payments (Note 28)	19,610,473	29,428,569
	105,487,112	586,412,836

The caption Shareholder loans relates to loans in affiliated undertakings in the Shopping Centres segment.

The caption Other non-current liabilities included 460,085,361 euro as at 31 December 2005 which corresponded to the

present value of the consideration paid by the Santander Group for Modelo Continente, SGPS, SA shares.

On 9 May 2002, the company sold shares representing 19.95% of the share capital of its affiliated company Modelo Continente, SGPS, SA to Banco Santander Central Hispano and related companies (the Santander Group). This sale was part of agreements entered into with the Santander Group on 8 February 2002 to launch a tender offer for the whole of the share capital of that affiliated company not yet owned by Sonae, and the sales price per share was the offer price (1.85 euro).

At the same time, agreements with the Santander Group were signed, giving Sonae an option to repurchase the shares mentioned in the previous paragraph (open to be exercised during 4 years by an affiliated company appointed on 16 December 2002 for that purpose) and the Santander Group an option to sell them (open between the end of the 3rd year up to the end of the 4th year to be exercised by an affiliated company appointed on 16 December 2002 for that purpose). The share prices for these options are specified in the agreements and are indexed to the sales price and to financial variables.

In January 2003 the Santander Group subscribed shares representing 5.7% of the capital increase of Modelo Continente, SGPS, SA, under the same contractual arrangements. Consequently, the Santander Group changed its shareholding to 18.65% of the share capital of this company.

On 16 November 2004, the agreements mentioned above were renegotiated including a portion of the Modelo Continente, SGPS, SA shares acquired during the year. Consequently, as at 31 December 2004, the Santander Group held 30% of the share capital of that affiliated company.

The terms of the renegotiation maintained the share call option held by Sonae over the shares owned by the Santander Group which can be exercised at any moment, as well as the put option held by the Santander Group which can only be exercised after 30 November 2008. The share prices for these options are specified in the agreements and are indexed to the sales price and to financial variables.

On 19 May 2005, in an over the counter transaction, Sonae, SGPS, SA acquired 83,375,000 shares (7.58% of the share capital) of its affiliate Modelo Continente, SGPS, SA, for 150.4 million euro, under the terms of the Call Option contract signed on 16 November 2004. On 20 April 2006, the Group acquired, under the same terms, shares representing 13.3295% of

the share capital of its affiliate Modelo Continente, SGPS, SA for 265,792,158.65 euro. On 9 September 2006, the Group acquired, under the same terms, shares representing 9.09% of the share capital of Modelo Continente, SGPS, SA, corresponding to the remaining shares held by the Santander Group under this contract, which as a result ceased to exist.

## 28. Share-based payments

In 2006 and in previous years, the Sonae Group granted deferred performance bonuses to its directors and eligible employees. These are either based on shares to be acquired at nil cost, three years after they were attributed to the employee, or based on share options with the exercise price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle in cash instead of shares. The option can only be exercised if the employee still works for the Group on the vesting date.

As at 31 December 2006 and 2005, 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	
				31.12.2006	31.12.2005
Shares					
	2003	2006	11	1,092,254	15,973,503
	2004	2007	424	11,900,666	9,654,065
	2005	2008	449	10,292,929	8,446,941
	2006	2009	488	8,178,748	-
				31,464,597	34,074,509
Options					
	2002	2005	-	-	4,203,376
	2003	2006	-	-	-
	2004	2007	-	-	-
	2005	2008	-	-	-
	2006	2009	-	-	-
				0	4,203,376
Total				31,464,597	38,277,885

As at 31 December 2006 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

	31.12.2006	31.12.2005
Staff costs	14,685,014	16,397,493
Retained earnings	7,896,110	13,031,076
	22,581,124	29,428,569
Other current liabilities	2,970,651	-
Other non-current liabilities	19,610,473	29,428,569
	22,581,124	29,428,569

The movement in the number of options open in the nine months period ended 31 December 2006 is as follows:

	31.12.2006
Opening balance	2,406,224
Granted in the period	-
Exercised in the period	(1,803,129)
Expired and not exercised in the period	(14,691)
Closing balance	588,404

Options are only granted on Sonaecom shares, and may be summarised as follows:

Vesting date	2004	2005	2006	2007	2008	Total
Exercisable until:	31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	
Exercise price (defined at date of grant)	3.014€	1.694€	-	-	-	-
Total liability	-	-	-	-	-	-
Recorded liability	-	-	-	-	-	-
Number of options open	-	588,404	-	-	-	588,404
Number of options exercised in the period	(285,406)	(1,517,723)	-	-	-	(1,803,129)
Number of options expired but not exercised in the period	-	(14,691)	-	-	-	(14,691)
Average market-price of options exercised in the period	4.087€	4.295€	-	-	-	-

## 29. Trade accounts payable

As at 31 December 2006 and 2005, Trade accounts payable were made up as follows:

	31.12.2006	31.12.2005
Trade creditors current account		
Retail	469,164,814	454,106,013
Shopping Centres	6,961,989	9,188,401
Telecommunications	105,648,256	100,207,056
Other segments	68,497,330	76,168,660
	650,272,389	639,670,130
Trade creditors - Invoices Accruals	166,431,648	158,565,925
Trade creditors - Bills payable	13,050,699	10,444,926
	829,754,736	808,680,981

As at 31 December 2006 and 2005, 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 approximate to the book value.

### 30. Other creditors

As at 31 December 2006 and 2005, Other creditors were made up as follows:

	31.12.2006	31.12.2005
Related undertakings	8,742,299	29,107,161
Fixed asset suppliers	117,671,933	79,751,869
Others debts	72,435,771	68,104,841
Factoring	-	18,282,079
	198,850,003	195,245,950

The caption Other debts includes a put option, amounting to 37,069,900 Brazilian reais (13 million euro), granted by the Group to shareholders of a company in the Retail segment, which has been disposed of during 2005, when the put option is exercised the Group will, as a result of agreements already signed, sell those shares for an amount of 4,425,464 euros.

### 31. Other current liabilities

As at 31 December 2006 and 2005, Other current liabilities were made up as follows:

	31.12.2006	31.12.2005
Property investments accruals	10,099,852	3,733,301
Holiday pay and bonuses	101,953,829	98,573,788
Interest payable	19,120,931	12,409,099
Invoices to be issued	42,812,640	25,558,463
Commissions	10,255,583	12,605,394
Marketing expenses	10,723,832	12,085,832
Other external supplies and services	32,380,739	31,147,265
Accrued income - trade debtors	33,617,990	27,818,663
Accrued income - rents	4,597,545	4,628,367
Subsidies	668,395	615,621
Pre-paid minutes not yet used	18,324,662	18,442,888
Others	31,540,135	25,419,296
	316,096,133	273,037,977



## 32. Provisions and accumulated impairment losses

Movements in Provisions and impairment losses over the period ended 31 December 2006 and 2005 are as follows:

	Balance as at 01.01.2006	Increases	Decreases	Balance as at 31.12.2006
Accumulated impairment losses on investments (Note 13)	11,571,901	1,236,297	(990,390)	11,817,808
Accumulated impairment losses on other non-current assets (Note 14)	5,017,722	536,382	(4,562,289)	991,815
Accumulated impairment losses on trade accounts receivable (Note 16)	96,067,713	7,974,076	(16,560,651)	87,481,138
Accumulated impairment losses on other debtors (Note 17)	14,238,511	1,148,875	(4,752,672)	10,634,714
Accumulated impairment losses on stocks (Note 15)	25,230,922	9,459,929	(9,592,636)	25,098,215
Non-current provisions	54,477,919	20,222,825	(11,466,009)	63,234,735
Current provisions	2,284,983	564,261	(385,153)	2,464,091
	208,889,671	41,142,645	(48,309,800)	201,722,516

	Balance as at 01.01.2005	Increases	Decreases	Changes in consolidation perimeter	Balance as at 31.12.2005
Accumulated impairment losses on investments (Note 13)	53,682,218	1,063,973	(150,471)	(43,023,819)	11,571,901
Accumulated impairment losses on other non-current assets (Note 14)	22,061,191	2,439,051	(432,541)	(19,049,979)	5,017,722
Accumulated impairment losses on trade accounts receivable (Note 16)	124,202,723	12,569,006	(14,102,531)	(26,601,485)	96,067,713
Accumulated impairment losses on other debtors (Note 17)	16,554,191	809,318	(2,257,789)	(867,209)	14,238,511
Accumulated impairment losses on stocks (Note 15)	24,660,246	6,975,389	(2,367,547)	(4,037,166)	25,230,922
Non-current provisions	57,189,153	53,307,541	(12,823,828)	(43,194,947)	54,477,919
Current provisions	13,937,849	5,721,541	(6,717,288)	(10,657,119)	2,284,983
	312,287,571	82,885,819	(38,851,995)	(147,431,724)	208,889,671

Changes in consolidation perimeter during 2005 were as follows:

	31.12.2005
Disposal of companies	(27,933,358)
De-merger of Sonae Indústria	(106,528,501)
Change in consolidation method of Sonae Sierra	(13,270,625)
Others	300,760
	(147,431,724)

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

	31.12.2006
Provisions and impairment losses	27,956,063
Impairment losses not included in this note	
Goodwill (Note 12)	(10,259,764)
Tangible assets (Note 9)	(2,071,830)
Provisions for losses in investments	1,120,000
Provisions for dismantling telecommunication sites (a)	12,222,080
Provision for stock impairments	
Recorded in cost of goods sold (Note 15)	8,776,348
Recorded in changes in stocks	683,581
Others	2,716,167
	41,142,645

a) These costs are capitalized as tangible assets and amortized over the expected useful life of related assets.

As at 31 December 2006 and 2005, Provisions can be analysed as follows:

	31.12.2006	31.12.2005
Expenses to be incurred with the sale of the Brazilian subsidiaries in 2005	21,978,393	27,000,000
Dismantling of telecommunication sites	15,105,140	2,883,060
Judicial claims	9,508,036	7,523,848
Client guarantees	4,468,711	3,968,987
Others	14,638,546	15,387,007
	65,698,826	56,762,902

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

### 33. Contingent assets and liabilities

As at 31 December 2006 and 2005, contingent assets and liabilities were made up as follows:

	31.12.2006	31.12.2005
Guarantees given:		
on tax claims	59,497,367	64,279,059
on judicial claims	4,648,827	2,135,699
on municipal claims	17,678,401	8,439,969
others	126,839,733	257,411,155

Others include the following guarantees:

- 29,731,051 euro (70,337,776 euro as at 31 December 2005) related to guarantees on construction works given to clients;
- 33,330,121 euro (16,817,472 euro as at 31 December 2005) to guarantee partially debts of Sonae Sierra subsidiaries related with the acquisition, sale and exchange of land.

As at 31 December 2005, shares representing 31.83% of the share capital of Modelo Continente, SGPS, S.A. were pledged to the Santander Group as part of the contractual obligations arising from the call and put option agreements on Modelo Continente's shares. This pledge was cancelled as a result of the exercise of the related purchase option (Note 27).

## 34. 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 2006 and 2005 amounted to 89,962,701 euro and 85,388,038 euro (pro-forma), respectively.

Additionally, as at 31 December 2006 and 2005, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31.12.2006	31.12.2005
Due in:		
N+1 automatically renewal	672,397	-
N+1	76,861,855	78,197,265
N+2	67,850,637	70,368,094
N+3	60,098,966	60,448,535
N+4	44,393,267	52,554,422
N+5	32,000,450	36,348,033
After N+5	7,788,646	35,590,995
	289,666,218	333,507,344

Rents arising from operational leases, in which the Group acts as a lessee, during the period ended 31 December 2006 amounted to 21,689,433 euro.

Additionally, as at 31 December 2006, the Group had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31.12.2006
Due in:	
N+1 automatically renewal	8,145,900
N+1	12,736,548
N+2	10,797,480
N+3	8,899,894
N+4	5,306,161
N+5	3,095,073
After N+5	6,925,345
	47,760,501

## 35. Turnover

As at 31 December 2006 and 2005, Turnover is made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Sale of goods	3,044,824,125	2,903,750,374	4,326,872,284
Sale of products	192,198,675	95,767,004	858,140,755
	3,237,022,800	2,999,517,378	5,185,013,039
Services Rendered	1,146,779,936	1,117,384,529	1,207,501,235
Turnover	4,383,802,736	4,116,901,907	6,392,514,274

## 36. Value created on investment properties

As at 31 December 2006 and 2005, Value created on investment properties is made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Properties previously under development and opened during the period (Note 11)	5,420,980	34,307,078	63,112,235
Property investment subsequent costs	-	-	-
Change in fair value of investment properties in operation (Note 11)			
Gains	130,133,905	79,066,853	165,725,617
Losses	(5,593,579)	(15,348,164)	(34,765,938)
	129,961,306	98,025,767	194,071,914

## 37. Other operational income

As at 31 December 2006 and 2005, Other operational income is made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Supplementary income	255,984,832	254,029,794	287,873,558
Own work capitalised	128,558,569	120,010,466	150,269,680
Reversion of impairment losses	12,813,979	11,010,928	10,748,203
Gains on sales of assets	6,189,993	3,122,952	85,241,883
Key money	5,830,606	6,552,018	13,104,222
Subsidies	2,672,597	1,005,679	6,799,927
Taxes refunded	239,495	93,330	4,533,436
Others	10,591,567	16,011,884	29,205,970
	422,881,638	411,837,051	587,776,879

Supplementary income includes mainly income related with the share of suppliers in promotional campaigns in the retail business.

## 38. External supplies and services

As at 31 December 2006 and 2005, External supplies and services are made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Subcontracts	551,711,852	513,851,485	538,443,125
Services	113,794,069	95,853,479	148,414,522
Publicity	113,566,059	112,776,760	150,086,758
Rents	78,219,013	86,098,427	109,650,808
Commissions	58,718,041	54,580,660	57,986,095
Transports	41,250,331	37,254,871	130,286,895
Electricity	39,389,874	31,843,464	98,723,675
Maintenance	31,046,202	31,564,871	83,257,768
Security	20,270,454	18,325,356	26,973,132
Others	98,673,579	95,058,609	175,752,570
	1,146,639,474	1,077,207,982	1,519,575,348

## 39. Staff costs

As at 31 December 2006 and 2005, Staff costs are made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Salaries	450,059,871	428,907,339	637,656,047
Social security contributions	90,240,554	84,919,705	133,681,575
Insurance	9,619,424	8,569,126	9,851,689
Welfare	2,557,104	2,614,916	14,040,295
Other staff costs	18,170,992	15,163,452	29,144,385
	570,647,945	540,174,538	824,373,991

## 40. Other operational expenses

As at 31 December 2006 and 2005, Other operational expenses is made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
ATM expenses	19,447,908	18,900,554	28,699,626
Other taxes	19,008,766	20,130,539	37,316,481
Write-off of investment properties (Note 11)	11,605,863	4,725,250	9,450,500
Losses on sales of assets	6,612,265	6,285,218	13,341,349
Property tax	6,379,805	5,244,644	10,793,350
Donations	5,681,233	5,180,845	5,320,909
Doubtful debts written-off	3,367,405	4,218,928	5,512,632
Others	16,026,067	15,133,782	28,338,577
	88,129,312	79,819,760	138,773,424

## 41. Net financial expenses

As at 31 December 2006 and 2005, Net financial expenses were made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
<b>Expenses:</b>			
Interest payable			
related with bank loans and overdrafts	(44,691,127)	(46,148,489)	(93,874,351)
related with non convertible bonds	(44,520,519)	(18,830,026)	(26,272,010)
related with financial leases	(1,747,987)	(1,411,023)	(1,678,850)
Others	(6,546,553)	(17,951,094)	(23,192,667)
	(97,506,186)	(84,340,632)	(145,017,878)
Exchange losses	(3,665,461)	(1,838,625)	(14,761,552)
Payment discounts given	(912,474)	(1,501,309)	(13,121,052)
Losses on fair value of hedge derivatives	(127,060)	(7,851,091)	(7,851,281)
Other financial expenses	(24,899,047)	(23,862,439)	(48,085,588)
	(127,110,228)	(119,394,096)	(228,837,351)
<b>Income:</b>			
Interest receivable	20,357,229	20,371,513	26,220,456
Exchange gains	4,176,121	3,438,225	26,292,251
Payment discounts received	166,050	169,458	6,030,336
Gains on fair value of hedge derivatives	563,142	5,361,975	5,377,196
Other financial income	2,313,633	5,270,062	11,554,688
	27,576,175	34,611,233	75,474,927
<b>Net financial expenses</b>	<b>(99,534,053)</b>	<b>(84,782,863)</b>	<b>(153,362,424)</b>



## 42. Investment income

As at 31 December 2006 and 2005, Investment income was made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
<b>Dividends</b>	1,797,003	14,496,140	14,543,198
<b>Adjustments to fair value on investments recorded at fair value through profit and loss</b>	92,821	-	-
Roll up of Sonaecom	58,775,803	-	-
Sale of Retailbox BV	26,494,202	-	-
Sale of shares in Sonae Sierra Brazil	19,377,866	-	-
Sale of Hospimob	12,334,800	-	-
Partial sale of ba Vidro	3,222,401	38,184,913	38,184,913
Sale of Brazilian companies	-	-	141,277,164
Sale of Gescartão Group	-	-	31,691,605
Sale of shares in Tafisa	-	-	9,763,770
Sale of 17.04% of Sonae Sierra	-	-	54,737,659
Others	14,552,086	28,517,004	14,981,998
<b>Income on the sale of investments</b>	134,757,158	66,701,917	290,637,109
<b>Impairment losses on investments</b>	(1,120,000)	(456,199)	(711,826)
	135,526,982	80,741,858	304,468,481

In October 2006, Sonaecom, SGPS, SA made a share capital increase which was subscribed by means of a share for share exchange of shareholdings in Optimus for Sonaecom shares. This roll up generated a 58,775,803 euro gain in Sonae SGPS, SA's consolidated accounts, due to the decrease in the shareholding at Sonaecom, SGPS, SA and to the increase in the shareholding at Optimus.

In October 2006, Sonae Sierra, SGPS, SA sold 50% of Sonae Sierra Brazil BV (which held, directly and indirectly, all subsidiaries of Sonae Sierra in Brazil) for 31,168,164 euro, considering the 50% impact in the Sonae SGPS, SA consolidated financial statements arising from the use of the proportionate method of accounting, thus generating a gain of 19,377,866 euro, already including the impact of the transfer of conversion reserves in the amount of 11,563,098 euro.

## 43. Taxation

As at 31 December 2006 and 2005, Taxation is made up as follows:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
Current tax	26,262,038	29,911,577	42,654,324
Deferred tax (Note 20)	38,695,357	33,982,168	77,186,064
	64,957,395	63,893,745	119,840,388

Deferred taxation includes 1,182,646 euro of a withholding tax credit on income received from participation units in the Real Estate Investment Fund Imosonae Dois.

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

	31.12.2006
Profit before income tax	403,635,472
Difference between accounting and tax of capital gains/(losses)	(35,705,716)
Results of associated undertakings	(10,390,538)
Impairment of goodwill	10,259,764
Provisions and impairment losses not accepted for tax purposes	(5,282,785)
Permanent differences	43,606,028
<b>Taxable Profit</b>	<b>406,122,225</b>
Use of tax losses carried forward	(272,420,042)
Recognition of tax losses that have not originated deferred tax assets	166,030,806
	299,732,989
Income tax rate in Portugal	27,50%
	82,426,572
Effect of different income tax rates in other countries	2,408,207
Effect of change in tax income rate in the calculation of deferred taxes	(9,361,565)
Effect of increases or decreases in deferred taxes	(11,277,538)
Under / (over) taxation estimates	(465,223)
Autonomous taxes and tax benefits	1,226,942
<b>Taxation</b>	<b>64,957,396</b>

## 44. Reconciliation of consolidated net profit

As at 31 December 2006 and 2005, the reconciliation of consolidated net profit can be analysed as follows:

	31.12.2006	31.12.2005 Pro-forma
Aggregated net profit	1,158,198,606	691,896,273
Use of the proportionate method	(473,709,920)	(366,184,890)
Harmonisation adjustments	(14,842,023)	(105,996,074)
Elimination of intragroup dividends	(323,646,188)	(387,333,679)
Elimination of intragroup capital gains and losses	(34,058,620)	145,025,712
Elimination of intragroup provisions	(28,629,328)	673,905
Consolidation adjustments to gains/(losses) on sales of investments	56,410,900	280,458,562
Others	(1,045,350)	6,839,819
<b>Consolidated net profit for the year</b>	<b>338,678,077</b>	<b>265,379,628</b>

## 45. Related parties

Balances and transactions during the periods ended 31 December 2006 and 2005 with related parties are detailed as follows:

Transactions	Sales and services rendered		Purchases and services obtained	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Parent company and group companies excluded from consolidation	51,194,421	29,441,019	91,234	1,962,087
Jointly controlled companies	38,400,576	37,917,879	16,393,633	1,070,860
Associated companies	2,247,248	3,027,715	20,205,910	11,206,737
Other partners in Group companies	67,419,596	12,831,935	16,269,190	6,529,776
	159,261,841	83,218,548	52,959,967	20,769,460

Transactions	Interest income		Interest expenses	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Parent company and group companies excluded from consolidation	-	29,646	419,113	52,960
Jointly controlled companies	4,568	331,050	971,631	7,458
Associated companies	27,698	5,950	-	45,955
Other partners in Group companies	-	474,277	2,501,884	6,096,746
	32,266	840,923	3,892,628	6,203,119

Balances	Accounts receivable		Accounts payable	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Parent company and group companies excluded from consolidation	14,552,845	12,640,910	153,280	367,578
Jointly controlled companies	7,957,621	29,268,146	5,773,297	3,757,773
Associated companies	1,717,859	6,929,214	2,240,411	2,283,497
Other partners in Group companies	11,244,638	9,553,739	13,826,646	13,688,689
	35,472,963	58,392,009	21,993,634	20,097,537

Balances	Loans			
	Obtained		Granted	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Parent company and group companies excluded from consolidation	12,750,000	2,750,000	6,402,717	2,208,335
Jointly controlled companies	1,179,061	23,133,138	72,035	1,254,924
Associated companies	-	-	8,432,023	20,129,907
Other partners in Group companies	31,346,566	36,809,925	-	-
	45,275,627	62,693,063	14,906,775	23,593,166

In 2006 and 2005, members of the Board of Directors were attributed the following remuneration:

	31.12.2006	31.12.2005
Fixed remuneration	2,333,550	2,475,600
Variable remuneration	2,357,350	2,369,221
	4,690,900	4,844,821

Remunerations attributed in 2006 to key management staff of main companies of the Sonae Group (excluding members of Sonae, SGPS, SA Board of Directors) amounted to 8,522,676 euro, of which 4,625,460 euro are fixed remunerations and 3,897,216 euro are performance bonuses.

## 46. Earnings per share

Earnings per share for the period, excluding the effect of discontinuing operations, were calculated taking into consideration the following amounts:

	31.12.2006	31.12.2005	
	Total operations	Total operations Pro-forma	Total operations
<b>Net profit</b>			
Net profit taken into consideration to calculate basic earnings per share (Net profit for the year attributable to equity holders of Sonae)	241,822,233	186,467,016	512,803,285
Effect of dilutive potential shares	-	-	-
Interest related to convertible bonds (net of tax)	-	-	-
Net profit taken into consideration to calculate diluted earnings per share:	241,822,233	186,467,016	512,803,285
<b>Number of shares</b>			
Weighted average number of shares used to calculate basic earnings per share	1,866,382,294	1,865,952,847	1,865,952,847
Effect of dilutive potential ordinary shares from convertible bonds	-	-	-
Weighted average number of shares used to calculate diluted earnings per share	1,866,382,294	1,865,952,847	1,865,952,847
<b>Earnings per share (basic and diluted)</b>	0.129567	0.099931	0.274821

There are no convertible instruments included in Sonae, SGPS shares thereby, hence is no dilutive effect.

## 47. Cash receipts / payments related to investments

As at 31 December 2006 and 2005, cash receipts and cash payments related to investments can be analysed as follows:

	31.12.2006		31.12.2005 Pro-forma	
	Amount received	Amount paid	Amount received	Amount paid
Sale of Eirles Three Junior Notes	30,317,580	-	-	-
Sale of Hospimob - Imobiliária, SA	21,034,800	8,700,000	-	-
Sale of 50% of Sierra Brazil Bv shares	15,584,082	-	-	-
Sale of Retailbox BV	27,471,591	-	-	-
Sale of 17% of Sonae Sierra shares in 2005	226,260,029	-	-	-
Partial sale of Barbaridade Glass	4,472,044	-	115,824,709	-
Acquisition of Modelo Continente shares	-	505,641,299	-	150,436,014
Acquisition of PT shares	-	105,988,029	-	-
Acquisition of Sonaecom shares	-	34,372,300	-	-
Acquisition of Sonae Sierra subsidiary shares	-	-	-	64,992,010
Acquisition of Unibroker	-	-	-	12,034,352
Acquisition of Optimus shares	-	-	-	18,607,151
Others	57,300,506	38,281,706	80,632,233	56,534,588
	382,440,632	692,983,334	196,456,942	302,604,115

## 48. Dividends

In the Shareholders Annual General Meeting held on 6 April 2006, payment of a gross dividend of 0.025 euro per share (0.02 euro per share in 2005) was approved. This was paid on 5 May 2006, the total amount attributed being 46,650,596.35 euro (37,316,439.58 euro in 2005).

For 2006, the Board of Directors proposed a gross dividend of 0.03 euro per share. In view of the fact that the Board of Directors intends to maintain the number of own shares held until dividend is paid, total amount of dividends is estimated to be 55,997,442.84 euro. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting.

## 49. Segment information

In 2006 and 2005, the following were identified as primary business segments:

- Retailing
- Shopping Centres
- Telecommunications
- Others

The geographic segments (secondary) identified in 2006 and 2005 are listed as follows:

- Portugal
- Spain
- France
- United Kingdom
- Germany
- Other European countries
- Brazil
- Rest of the world

The contribution of the business segments to the income statement for the periods ended on 31 December 2006 and 2005 can be detailed as follows:

31.12.2006							
	Retail	Shopping Centres	Telecomm.	Sonae Capital	Holding and Others	Consolidation Adjustments	Total Operations
Operational income							
Sales	2,959,484,816	-	79,043,855	188,429,113	10,065,016	-	3,237,022,800
Services rendered	124,349,516	136,861,526	733,907,666	150,592,423	1,068,805	-	1,146,779,936
Value created on investments properties	-	129,961,306	-	-	-	-	129,961,306
Other operational income	218,660,336	17,810,803	31,220,350	160,483,594	1,445,185	(6,738,631)	422,881,638
	3,302,494,668	284,633,635	844,171,872	499,505,130	12,579,007	(6,738,631)	4,936,645,681
Inter-segment income	62,479,926	5,719,644	7,312,639	13,181,625	929,416	(89,623,251)	-
	3,364,974,595	290,353,280	851,484,511	512,686,755	13,508,423	(96,361,882)	4,936,645,681
Operational cash-flow (EBITDA)	253,531,120	192,095,113	146,161,267	18,172,498	(7,368,908)	(3,456,101)	599,134,989
Depreciation and amortisation	(79,807,896)	(1,429,868)	(135,671,316)	(9,093,591)	(1,597,131)	824,352	(226,775,450)
Provisions and impairment losses	(1,753,010)	(1,472,256)	(10,073,531)	(4,283,630)	(114,468)	(10,259,168)	(27,956,063)
Operational profit (EBIT)	178,158,229	189,916,570	912,367	10,201,713	(9,076,448)	(12,894,974)	357,217,455
Net financial expenses	(18,780,975)	(21,789,780)	(26,111,015)	(5,580,636)	(25,529,250)	(1,742,396)	(99,534,053)
Share of results of associated undertakings	-	9,843	-	-	-	10,415,245	10,425,088
Investment income	12,507,873	6,945,218	28,441,607	2,219,287	2,748,653	82,664,343	135,526,982
Profit before taxation	171,885,126	175,081,851	3,242,958	6,840,364	(31,857,045)	78,442,217	403,635,472
Taxation	(10,041,701)	(43,491,333)	(5,261,299)	(6,133,598)	(52,831)	23,366	(64,957,395)
Net profit for the period	161,843,426	131,590,518	(2,018,341)	706,766	(31,909,876)	78,465,583	338,678,077
- attributable to equity holders of Sonae							241,822,233
- attributable to minority interests							96,855,844

31.12.2005							
	Retail	Shopping Centres	Telecomm.	Sonae Capital	Holding and Others	Consolidation Adjustments	Total Operations Pro-forma
Operational income							
Sales	2,726,110,499	-	93,468,598	178,421,701	1,516,579	-	2,999,517,378
Services rendered	12,985,004	127,868,363	725,066,512	250,558,913	905,738	-	1,117,384,529
Value created on investments properties	2,154,962	95,870,805	-	-	-	-	98,025,767
Other operational income	215,068,321	15,637,615	24,986,302	153,612,234	2,484,300	48,279	411,837,051
	2,956,318,786	239,376,783	843,521,412	582,592,848	4,906,617	48,279	4,626,764,725
Inter-segment income	58,264,952	5,699,301	12,775,028	9,687,021	1,723,759	(88,150,061)	-
	3,014,583,738	245,076,084	856,296,440	592,279,869	6,630,376	(88,101,782)	4,626,764,725
Operational cash-flow (EBITDA)	235,676,748	156,087,698	161,418,367	12,811,377	(7,372,164)	(5,327,247)	553,294,779
Depreciation and amortisation	(68,599,849)	(3,482,561)	(128,222,823)	(9,441,288)	(554,635)	(1,107,782)	(211,408,938)
Provisions and impairment losses	(800,930)	(3,505,938)	(4,874,480)	(8,587,964)	-	(97,267)	(17,866,577)
Operational profit (EBIT)	168,417,083	149,217,141	28,321,065	3,533,998	(7,926,799)	(6,532,297)	335,030,191
Net financial expenses	(27,532,679)	(19,859,722)	(13,046,227)	(3,165,249)	(21,361,334)	182,348	(84,782,863)
Share of results of associated undertakings	-	(1,674,526)	-	-	-	(41,287)	(1,715,813)
Investment income	-	16,833,816	(9,762,791)	72,443,078	21,590,393	(20,362,638)	80,741,858
Profit before taxation	140,884,404	144,516,709	5,512,047	72,811,827	(7,697,740)	(26,753,874)	329,273,373
Taxation	(19,163,814)	(36,251,735)	(4,008,288)	(7,360,058)	(31,998)	2,922,148	(63,893,745)
Net profit for the period	121,720,590	108,264,974	1,503,759	65,451,769	(7,729,738)	(23,831,726)	265,379,628
- attributable to equity holders of Sonae							186,467,016
- attributable to minority interests							78,912,612

The contribution of the business segments to the balance sheets as at 31 December 2006 and 2005 can be detailed as follows:

31.12.2006							
	Retail	Shopping Centres	Telecomm.	Sonae Capital	Holding and Others (2)	Consolidation Adjustments	Total Operations
Fixed assets							
Intangible	149,164,530	3,898,736	183,128,579	1,692,559	87,552	(16,454,471)	321,517,485
Tangible	1,229,588,393	877,259	494,771,214	272,917,217	77,751,742	(1,329,928)	2,074,575,897
Investment properties	-	1,522,237,384	-	-	-	(2,026,125)	1,520,211,259
Goodwill <sup>1</sup>	-	-	-	-	-	250,842,655	250,842,655
Investments	56,106,456	10,021,115	112,712,411	122,445,833	1,035,290	(37,673,308)	264,647,797
Deferred tax assets	23,413,248	13,657,457	61,786,653	3,908,399	8,808	(7,156)	102,767,409
Other assets	519,251,478	108,644,666	250,159,826	333,476,092	91,860,203	(212,821,112)	1,090,571,153
Cash, Cash Equivalents and Current Investments	392,676,510	109,714,339	126,766,719	28,334,380	132,240,352	(93,995,000)	695,737,300
<b>Total assets</b>	<b>2,370,200,615</b>	<b>1,769,050,956</b>	<b>1,229,325,402</b>	<b>762,774,480</b>	<b>302,983,947</b>	<b>(113,464,445)</b>	<b>6,320,870,955</b>
Non-current liabilities							
Borrowings	601,531,168	620,655,759	462,215,429	91,073,464	367,424,693	(203,615)	2,142,696,898
Deferred tax liabilities	32,788,293	234,199,737	-	5,012,714	-	55,628	272,056,372
Other non-current liabilities	34,980,193	46,691,951	24,621,313	81,972,987	2,976,525	(22,521,122)	168,721,847
Current liabilities							
Borrowings	167,863,379	21,873,536	1,783,529	38,525,298	385,890,938	(5,186)	615,931,494
Other current liabilities	850,778,495	93,912,978	321,745,867	225,053,325	210,437,408	(275,163,704)	1,426,764,369
<b>Total liabilities</b>	<b>1,687,941,528</b>	<b>1,017,333,961</b>	<b>810,366,138</b>	<b>441,637,788</b>	<b>966,729,564</b>	<b>(297,837,999)</b>	<b>4,626,170,980</b>
<b>Technical investment</b>	<b>193,732,752</b>	<b>109,107,040</b>	<b>146,123,704</b>	<b>68,176,450</b>	<b>20,255,893</b>	<b>-</b>	<b>537,395,839</b>
<b>Gross Debt</b>	<b>769,394,547</b>	<b>642,529,295</b>	<b>463,998,958</b>	<b>129,598,762</b>	<b>753,315,631</b>	<b>(208,801)</b>	<b>2,758,628,392</b>
<b>Net Debt</b>	<b>376,718,037</b>	<b>532,814,956</b>	<b>337,232,239</b>	<b>101,264,382</b>	<b>621,075,279</b>	<b>93,786,199</b>	<b>2,062,891,092</b>
31.12.2005							
	Retail	Shopping Centres	Telecomm.	Sonae Capital	Holding and Others (2)	Consolidation Adjustments	Total Operations
Fixed assets							
Intangible	65,218,165	4,160,407	192,082,594	4,975,442	75,036,753	(19,927,938)	321,545,423
Tangible	1,142,618,913	617,843	477,068,126	260,184,847	26,829,610	815,134	1,908,134,473
Investment properties	-	1,354,305,233	-	-	-	3,115,852	1,357,421,085
Goodwill <sup>1</sup>	-	-	-	-	-	245,578,246	245,578,246
Investments	70,694,041	4,082,997	1,203,713	107,647,653	7,435,215	(33,435,043)	157,628,576
Deferred tax assets	24,126,376	13,782,635	66,239,164	4,346,515	59	(10,710)	108,484,039
Other assets	567,978,053	93,959,498	234,740,676	530,064,991	249,395,205	(391,217,095)	1,284,921,328
Cash, Cash Equivalents and Current Investments	574,416,472	92,125,872	210,736,401	18,920,165	200,731,299	(173,954,452)	922,975,757
<b>Total assets</b>	<b>2,445,052,020</b>	<b>1,563,034,485</b>	<b>1,182,070,674</b>	<b>926,139,613</b>	<b>559,428,142</b>	<b>(369,036,006)</b>	<b>6,306,688,928</b>
Non-current liabilities							
Borrowings	602,203,218	524,673,796	457,749,927	39,270,702	224,938,272	(209,773)	1,848,626,142
Deferred tax liabilities	32,958,557	201,806,318	-	3,488,893	60	(69,567)	238,184,261
Other non-current liabilities	42,632,517	56,422,251	22,487,102	293,716,569	285,544,130	(59,911,814)	640,890,755
Current liabilities							
Borrowings	168,411,146	66,162,280	3,311,456	64,215,282	392,397,457	(5,096)	694,492,525
Other current liabilities	764,242,052	86,467,255	280,916,320	224,365,380	483,821,187	(490,747,735)	1,349,064,459
<b>Total liabilities</b>	<b>1,610,447,490</b>	<b>935,531,900</b>	<b>764,464,805</b>	<b>625,056,826</b>	<b>1,386,701,106</b>	<b>(550,943,985)</b>	<b>4,771,258,142</b>
<b>Technical investment <sup>a)</sup></b>	<b>345,455,148</b>	<b>167,819,223</b>	<b>117,631,739</b>	<b>34,538,283</b>	<b>13,010,292</b>	<b>-</b>	<b>678,454,685</b>
<b>Gross Debt</b>	<b>770,614,364</b>	<b>590,836,076</b>	<b>461,061,383</b>	<b>103,485,984</b>	<b>617,335,729</b>	<b>(214,869)</b>	<b>2,543,118,667</b>
<b>Net Debt</b>	<b>196,197,892</b>	<b>498,710,204</b>	<b>250,324,982</b>	<b>84,565,819</b>	<b>416,604,430</b>	<b>173,739,583</b>	<b>1,620,142,910</b>

a) Pro-forma investment in 2005.



1) Goodwill allocation can be detailed as follows:

	31.12.2006	31.12.2005
Retail	115,121,467	114,470,775
Shopping Centres	64,781,973	67,356,455
Telecommunications	21,660,229	12,135,698
Sonae Capital	40,247,059	43,044,510
Holding and others	9,031,927	8,570,808
<b>Total</b>	<b>250,842,655</b>	<b>245,578,246</b>

2) Net Debt in "Holding and others" is made up as follows:

	31.12.2006	31.12.2005
<b>Inflows</b>		
Bank debt	753,315,631	617,335,729
Cash and cash equivalents	(132,240,352)	(200,731,299)
<b>Net bank debit</b>	<b>621,075,279</b>	<b>416,604,430</b>
Modelo Continente	-	13,861,000
Sonae Sierra	55,894,440	43,894,440
SonaeCom	90,000,000	172,473,000
Sonae Capital	-	76,857,150
<b>Intercompany short term loans obtained</b>	<b>145,894,440</b>	<b>307,085,590</b>
<b>Total Inflows</b>	<b>766,969,719</b>	<b>723,690,020</b>
<b>Outflows</b>		
Sonae Capital	40,208,280	-
Others	34,916	34,916
<b>Intercompany loans granted</b>	<b>40,243,196</b>	<b>34,916</b>

The contribution of the business segments to the cash flow statement for the periods ended on 31 December 2006 and 2005 (pro-forma) can be detailed as follows:

	31.12.2006					
	Retail	Shopping Centres	Telecomm.	Sonae Capital	Holding and Others	Consolidated
Operating activities	334,783,336	59,527,671	121,464,834	(58,380,665)	(3,775,077)	453,620,099
Investment activities	(195,275,861)	(42,060,234)	(190,132,484)	(25,254,849)	(274,838,412)	(727,561,840)
Financing activities	(34,437,451)	12,564,215	(20,129,240)	45,785,029	25,375,630	29,158,183
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>105,070,024</b>	<b>30,031,652</b>	<b>(88,796,890)</b>	<b>(37,850,485)</b>	<b>(253,237,859)</b>	<b>(244,783,558)</b>

	31.12.2005					
	Retail	Shopping Centres	Telecomm.	Sonae Capital	Holding and Others	Consolidated
Operating activities	208,806,119	60,223,717	138,493,399	10,759,220	(26,720,926)	391,561,529
Investment activities	(182,959,410)	(100,481,601)	(135,608,047)	44,991,605	46,212,996	(327,844,457)
Financing activities	(127,710,732)	87,165,429	131,923,984	(51,520,658)	(146,504,630)	(106,646,607)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(101,864,023)</b>	<b>46,907,545</b>	<b>134,809,336</b>	<b>4,230,167</b>	<b>(127,012,560)</b>	<b>(42,929,535)</b>

Turnover and operational profit by geographic segment can be detailed as follows:

	31.12.2006		31.12.2005 Pro-forma	
	Turnover	Operational profit	Turnover	Operational profit
Portugal	4,060,117,760	312,324,861	3,813,509,195	302,539,231
Spain	74,177,106	39,693,640	65,247,501	44,407,091
France	100,149,878	(1,506,020)	91,649,198	(5,187,935)
United Kingdom	23,238,789	754,842	29,326,657	1,250,972
Germany	8,305,615	(12,435,911)	11,937,643	(1,096,826)
Brazil	19,783,189	13,743,585	23,209,954	237,136
Other European countries	78,334,934	5,440,856	63,802,521	(7,023,141)
Rest of the world	19,695,465	(798,398)	18,219,238	(96,337)
	4,383,802,736	357,217,455	4,116,901,907	335,030,191

Total assets and liabilities by geographic segment can be detailed as follows:

	31.12.2006		31.12.2005	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
Portugal	5,589,025,949	4,078,011,547	5,596,258,680	4,184,068,940
Spain	452,693,020	307,023,363	401,693,145	285,436,726
France	4,604,307	50,980,743	7,279,624	47,021,629
United Kingdom	4,856,540	43,999	9,236,383	1,693,616
Germany	66,717,020	46,481,473	34,590,136	15,675,145
Brazil	149,057,111	52,252,415	198,690,935	67,923,078
Other European countries	60,351,195	77,967,647	58,940,025	153,453,112
Rest of the world	(6,434,187)	13,409,793	-	15,985,896
	6,320,870,955	4,626,170,980	6,306,688,928	4,771,258,142

Headcount can be detailed as follows:

	31.12.2006
Retail	21,329
Shopping Centres	660
Telecommunications	1,940
Sonae Capital	6,296
Holding and others	161
	30,386

## 50. Subsequent events

On 12 January 2007, the public tender offer for the whole of the share capital of Portugal Telecom launched by Sonaeacom, SGPS, SA, was registered at the Securities Exchange Commission (CMVM). The respective prospectus was published on 16 January 2007. The compensation offered was raised to 10.5 euro per share on 15 February 2007. On 2 March 2007 the offer was automatically terminated, because changes to the articles of association of Portugal Telecom were not approved by a qualified majority of its shareholders.

## 51. Approval of the financial statements

The accompanying consolidated financial statements were approved by the Board of Directors on 20 March 2007, and will be presented for approval at the Shareholders Annual General Meeting.

The Board of Directors



# Individual Financial Statements

31 December 2006

# Individual balance sheet as at 31 December 2006 and 2005

(Amounts expressed in euro)

		IFRS	
ASSETS	Notes	31.12.2006	31.12.2005
NON-CURRENT ASSETS:			
Tangible assets	4	103,640	338,579
Intangible assets		-	2
Available for sale investments	5	3,072,592,917	3,002,481,945
Other non-current assets	6	813,344,492	499,617,624
Total non-current assets		3,886,041,049	3,502,438,150
CURRENT ASSETS:			
Trade accounts receivable	7	790,914	1,207,534
Other debtors	8	78,136,738	239,473,376
Taxes recoverable	9	1,206,759	490,177
Other current assets	10	858,220	286,466
Investments held for trading	11	-	5,707,400
Cash and cash equivalents	12	130,514,092	197,441,606
Total current assets		211,506,723	444,606,559
TOTAL ASSETS		4,097,547,772	3,947,044,709
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	13	2,000,000,000	2,000,000,000
Own shares	14	(138,044,363)	(138,044,363)
Legal reserve	15	157,623,915	152,721,161
Fair value reserve, hedging reserve and other reserves	16	1,206,326,830	827,322,335
Retained earnings		322,737	322,737
Profit/(Loss) for the period		65,138,044	98,055,074
TOTAL EQUITY		3,291,367,163	2,940,376,944
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bonds	17	347,187,348	172,402,473
Total non-current liabilities		347,187,348	172,402,473
CURRENT LIABILITIES:			
Bank loans	18	260,500,000	340,973,523
Bonds	19	74,777,291	74,725,192
Trade accounts payable		300,191	386,703
Other creditors	20	112,760,596	408,622,830
Taxes payable	21	457,862	901,462
Other current liabilities	22	10,197,321	8,655,582
Total current liabilities		458,993,261	834,265,293
TOTAL EQUITY AND LIABILITIES		4,097,547,772	3,947,044,709

The accompanying notes are part of these financial statements.

The Board of Directors

## Individual income statements by nature

For the three months and the twelve months ended 31 December 2006 and 2005

(Amounts expressed in euro)

		IFRS			
		31.12.2006		31.12.2005	
	Notes	4th Quarter (Unaudited)	Cumulative	4th Quarter (Unaudited)	Cumulative
<b>Operational Income:</b>					
Services rendered	26	792,491	1,800,067	1,201,365	2,319,260
Other operational income	27	39,743	75,160,036	34,997	1,368,115
<b>Total operational income</b>		<b>832,234</b>	<b>76,960,103</b>	<b>1,236,362</b>	<b>3,687,375</b>
<b>Operational Expenses:</b>					
External supplies and services	28	(632,043)	(2,417,267)	(1,042,138)	(4,081,964)
Staff costs	29	(1,142,971)	(5,023,800)	(1,515,462)	(5,353,586)
Depreciation and amortisation	4	(67,476)	(263,138)	(64,235)	(255,170)
Other operational expenses	30	(107,033)	(572,760)	(128,769)	(425,894)
<b>Total operational expenses</b>		<b>(1,949,523)</b>	<b>(8,276,965)</b>	<b>(2,750,604)</b>	<b>(10,116,614)</b>
<b>Operational Profit/(Loss)</b>		<b>(1,117,289)</b>	<b>68,683,138</b>	<b>(1,514,242)</b>	<b>(6,429,239)</b>
Net financial expenses	31	2,470,168	8,203,998	(1,574,973)	(2,973,316)
Investment income	32	(93,836,154)	(11,736,143)	78,156,637	107,471,670
<b>Profit/(Loss) before taxation</b>		<b>(92,483,275)</b>	<b>65,150,993</b>	<b>75,067,422</b>	<b>98,069,115</b>
Taxation	33	(12,948)	(12,949)	(14,041)	(14,041)
<b>Profit/(Loss) after taxation</b>		<b>(92,496,223)</b>	<b>65,138,044</b>	<b>75,053,381</b>	<b>98,055,074</b>
Profit/(Loss) per share					
<b>Basic</b>	<b>34</b>	<b>(0.049554)</b>	<b>0.034901</b>	<b>0.040221</b>	<b>0.052550</b>
<b>Diluted</b>	<b>34</b>	<b>(0.049554)</b>	<b>0.034901</b>	<b>0.040221</b>	<b>0.052550</b>

The accompanying notes are part of these financial statements.

The Board of Directors

Individual statements of changes in equity

For the twelve months ended 31 December 2006 and 2005

(Amounts expressed in euro)

	Notes	Share Capital	Own shares	Legal Reserve	Fair value Reserve	Hedging Reserve	Other Reserves	Retained Earnings	Net Profit/(Loss)	Total
Balance as at 1 January 2005		2,000,000,000	(143,984,221)	152,113,582	(426,075,847)	(281,608)	1,405,988,358	(250,474)	12,724,783	3,000,234,573
Appropriation of profit of 2004:										
Transfer to legal reserves	15	-	-	607,579	-	-	-	-	(607,579)	-
Dividends distributed		-	-	-	-	-	(25,772,446)		(11,543,993)	(37,316,439)
Transfer to /(from) retained earnings		-	-	-	-			573,211	(573,211)	-
(Purchase)/Sale of own shares		-	5,939,858	-	-	-	(4,353,519)	-	-	1,586,339
Increase / (Decrease) in fair value of derivative hedges, net of taxes		-	-	-	-	281,608	-	-	-	281,608
Increase / (Decrease) in fair value of available for sale investments		-	-	-	587,173,985	-	-	-	-	587,173,985
Demerger of Sonae Indústria, SGPS, SA		-	-	-	90,715,029	-	(756,158,113)	-	-	(665,443,084)
Transfer to profit/(loss) of the period		-	-	-	(44,195,112)	-	-	-	-	(44,195,112)
Profit/(Loss) for the period ended 31 December 2005		-	-	-	-	-	-	-	98,055,074	98,055,074
Others		-	-	-	-	-	-	-	-	-
Balance as at 31 December 2005		2,000,000,000	(138,044,363)	152,721,161	207,618,055	-	619,704,280	322,737	98,055,074	2,940,376,944
Balance as at 1 January 2006		2,000,000,000	(138,044,363)	152,721,161	207,618,055	-	619,704,280	322,737	98,055,074	2,940,376,944
Appropriation of profit of 2005:										
Transfer to legal reserves	15	-	-	4,902,754	-	-	-	-	(4,902,754)	-
Dividends distributed		-	-	-	-	-	-	-	(46,650,596)	(46,650,596)
Transfer to /(from) retained earnings		-	-	-	-	-	46,501,724	-	(46,501,724)	-
(Purchase)/Sale of own shares		-	-	-	-	-	-	-	-	-
Increase / (Decrease) in fair value of derivative hedges, net of taxes		-	-	-	-	-	-	-	-	-
Increase / (Decrease) in fair value of available for sale investments		-	-	-	236,199,318	-	-	-	-	236,199,318
Transfer to profit/(loss) of the period	32	-	-	-	100,075,852	-	-	-	-	100,075,852
Profit/(Loss) for the period ended 31 December 2006		-	-	-	-	-	-	-	65,138,044	65,138,044
Others		-	-	-	(3,772,399)	-	-	-	-	(3,772,399)
Balance as at 31 December 2006		2,000,000,000	(138,044,363)	157,623,915	540,120,826	-	666,206,004	322,737	65,138,044	3,291,367,163

The accompanying notes are part of these financial statements.

The Board of Directors



# Individual cash flow statements

## For the twelve months ended 31 December 2006 and 2005

(Amounts expressed in euro)

	Notes	31.12.2006	31.12.2005
<b>OPERATING ACTIVITIES</b>			
Cash receipts from trade debtors		2,216,687	2,245,016
Cash paid to trade creditors		(2,530,287)	(4,023,528)
Cash paid to employees		(5,790,809)	(4,069,125)
<b>Cash flow generated by operations</b>		<b>(6,104,409)</b>	<b>(5,847,637)</b>
Income taxes (paid) / received		(730,625)	(364,091)
Other cash receipts and (payments) relating to operating activities		(878,296)	487,098
<b>Net cash flow from operating activities (1)</b>		<b>(7,713,330)</b>	<b>(5,724,630)</b>
<b>INVESTMENT ACTIVITIES</b>			
Cash receipts arising from:			
Investments	35	525,936,694	129,287,060
Tangible assets		1,631	100
Intangible assets		-	75,000,000
Dividends	32	53,613,493	8,718,968
Interest and similar income		21,677,087	26,957,954
Others		4,290,000	-
Loans granted		988,078,416	709,450,574
		<b>1,593,597,321</b>	<b>949,414,656</b>
Cash payments arising from:			
Investments	35	(133,974,216)	(340,915,676)
Tangible assets		(21,662)	(20,137)
Intangible assets		-	-
Loans granted		(1,352,931,637)	(399,713,608)
		<b>(1,486,927,515)</b>	<b>(740,649,421)</b>
<b>Net cash used in investment activities (2)</b>		<b>106,669,806</b>	<b>208,765,235</b>
<b>FINANCING ACTIVITIES</b>			
Cash receipts arising from:			
Loans obtained		3,775,886,617	4,006,270,099
Sale of own shares		-	1,586,339
Others		-	-
		<b>3,775,886,617</b>	<b>4,007,856,438</b>
Cash payments arising from:			
Loans obtained		(3,866,811,052)	(3,913,677,803)
Interest and similar charges		(28,287,641)	(23,242,524)
Dividends	37	(46,648,391)	(37,307,385)
Others		-	(39,666,666)
		<b>(3,941,747,084)</b>	<b>(4,013,894,378)</b>
<b>Net cash used in financing activities (3)</b>		<b>(165,860,467)</b>	<b>(6,037,940)</b>
<b>Net increase in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>(66,903,991)</b>	<b>197,002,665</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12</b>	<b>197,418,083</b>	<b>415,418</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>130,514,092</b>	<b>197,418,083</b>

The accompanying notes are part of these financial statements.

The Board of Directors



# Notes to the Individual Financial Statements

31 December 2006

# Notes to the Individual Financial Statements

For the twelve months ended 31 December 2006

(Amounts expressed in euro)

## 1. Introduction

SONAE, SGPS, SA (“the Company” or “Sonae”), whose head-office is at Lugar do Espido, Via Norte, Apartado 1011, 4471-909 Maia, Portugal.

## 2. Principal accounting policies

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

### 2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” – previously named International Accounting Standards – “IAS”), issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), applicable to financial years beginning on 1 January 2006.

Interim financial statements were presented quarterly, in accordance with IAS 34 – “Interim Financial Reporting”.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value (Note 2.6).

As at 31 December 2006, IFRS 7 “Financial Instruments: Disclosures” had already been issued, but its adoption is only required for periods beginning on or after 1 January 2007. Sonae decided not to engage in the early adoption of this statement, which, when adopted, may lead to additional disclosures.

### 2.2 Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revalued acquisition cost up to 1 January 2004, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Depreciation charge for the period is calculated on a straight line basis over the useful life of each asset.

### 2.3 Intangible assets

Intangible assets are stated at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

### 2.4 Borrowing costs

Borrowing costs are normally recognised as an expense in the period in which they are incurred.

### 2.5 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as

held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. These assets are not depreciated.

## 2.6 Financial instruments

### *a) Investments*

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non-current assets. Investments in affiliated and associated companies are classified as available-for-sale investments.

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, 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.

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

### *b) Trade accounts receivable*

Receivables are stated at net realisable value, corresponding to their nominal value less impairment losses (recorded under the caption Impairment losses in accounts receivable).

### *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 2.8. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

### *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.

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest and exchange rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

The 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 and exchange 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 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.

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.

#### *g) Own shares*

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in Other reserves.

#### *h) 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.

### **2.7 Contingent assets and liabilities**

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

### **2.8 Revenue recognition and accrual basis**

Revenue from services rendered is recognised in the income statement 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.

## **2.9 Subsequent events**

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

## **2.10 Share-based payments**

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

Share-based payment liabilities are measured at fair value on the date they are granted (normally in March of each year) and are subsequently remeasured at the end of each reporting period, based on the number of shares granted and the corresponding fair value at the closing date. These obligations are stated as Staff costs and Other current liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates.

## **2.11 Income tax**

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

## **3. Changes in accounting policies and correction of errors**

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



## 4. Tangible assets

As at 31 December 2006 and 2005 tangible assets are detailed as follows:

	31 December 2006				
<b>Tangible assets</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers and write-offs</b>	<b>Closing balance</b>
Plant and machinery	17,352	-	-	-	17,352
Vehicles	195,863	-	-	-	195,863
Fixtures and fittings	2,368,859	28,508	67,905	-	2,329,462
Others	723	-	-	-	723
<b>Total</b>	<b>2,582,797</b>	<b>28,508</b>	<b>67,905</b>	<b>-</b>	<b>2,543,400</b>

	31 December 2006				
<b>Tangible assets</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers and write-offs</b>	<b>Closing balance</b>
Plant and machinery	17,352	-	-	-	17,352
Vehicles	195,863	-	-	-	195,863
Fixtures and fittings	2,348,722	20,137	-	-	2,368,859
Others	723	-	-	-	723
<b>Total</b>	<b>2,562,660</b>	<b>20,137</b>	<b>-</b>	<b>-</b>	<b>2,582,797</b>

	31 December 2006				
<b>Accumulated depreciation</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers and write-offs</b>	<b>Closing balance</b>
Plant and machinery	16,054	1,298	-	-	17,352
Vehicles	195,864	-	-	-	195,864
Fixtures and fittings	2,031,747	261,812	67,596	-	2,225,963
Others	553	28	-	-	581
<b>Total</b>	<b>2,244,218</b>	<b>263,138</b>	<b>67,596</b>	<b>-</b>	<b>2,439,760</b>

	31 December 2006				
<b>Accumulated depreciation</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers and write-offs</b>	<b>Closing balance</b>
Plant and machinery	14,756	1,298	-	-	16,054
Vehicles	195,864	-	-	-	195,864
Fixtures and fittings	1,777,903	253,844	-	-	2,031,747
Others	525	28	-	-	553
<b>Total</b>	<b>1,989,048</b>	<b>255,170</b>	<b>-</b>	<b>-</b>	<b>2,244,218</b>

## 5. Available for sale investments

As at 31 December 2006 and 2005 investments are detailed as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Investments in affiliated and associated undertakings	3,072,543,037	2,962,316,974
Other investments held for sale	49,880	40,164,971
	<b>3,072,592,917</b>	<b>3,002,481,945</b>

## 5.1 Investments in affiliated and associated undertakings

As at 31 December 2006 and 2005 the Company held investments in the following affiliated and associated undertakings:

31 December 2006							
Companies	% Held	Opening balance	Increases	Decreases	Changes in fair value	Transfers /De-merger	Closing balance
Aglom Investimentos, SGPS, SA	100.00%	-	-	-	-	11,589,141	11,589,141
Espmen - Investimentos Imobiliários, SA	100.00%	-	6,152,894	-	-	-	6,152,894
Hospimob - Imobiliária, SA	-	-	8,700,000	8,700,000	-	-	-
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Investalentejo, SGPS, SA	49.00%	2,205,000	-	-	-	-	2,205,000
Modelo Continente, SGPS, SA (a)	74.98%	1,647,342,970	84,649,022	214,410,953	173,219,622	-	1,690,800,661
SC Insurance Risk Services, SGPS, SA	-	-	-	14,532,524	-	14,532,524	-
Sonae Capital, SGPS, SA	100.00%	408,759,919	-	-	-	(26,121,665)	382,638,254
Sonae Investimentos America Latina	99.99%	25,684	-	-	-	-	25,684
Sonae Investments, BV	100.00%	18,151	-	-	-	-	18,151
Sonae Sierra SGPS, SA (b)	50.00%	632,455,428	-	-	112,495,072	-	744,950,500
Sonae Turismo, SGPS, SA	-	127,174,947	-	127,174,947	-	-	-
Sonaecom, SGPS, SA	12.72%	144,068,574	34,372,300	-	55,355,577	-	233,796,451
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sontel, BV	100.00%	-	100,000	-	-	-	100,000
<b>Total</b>		<b>2,962,316,974</b>	<b>133,974,216</b>	<b>364,818,424</b>	<b>341,070,271</b>	<b>-</b>	<b>3,072,543,037</b>

(a) - Fair value of this investment is considered to be the price paid in the public tender offer for de-listing.

(b) - Market value was determined based on an independent valuation as at 31 December 2006 of assets held by this affiliated company, after deduction of associated net debt and of the share attributable to minority investments.

31 December 2005							
Companies	% Held	Opening balance	Increases	Decreases	Changes in fair value	Transfers /De-merger	Closing balance
Gescartão, SGPS, SA	-	-	7,657,036	7,657,036	-	-	-
Imocapital, SGPS, SA	-	44,678,042	-	44,678,042	-	-	-
Integrum- Serviços Partilhados, SA	-	2,976,495	-	2,976,495	-	-	-
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Investalentejo, SGPS, SA	49.00%	-	2,205,000	-	-	-	2,205,000
Modelo Continente, SGPS, SA	75.64%	1,092,979,943	150,436,014	-	403,927,013	-	1,647,342,970
Sonae Capital, SGPS, SA	100.00%	408,759,919	-	-	-	-	408,759,919
Sonae Industria, SGPS, SA	-	658,787,363	-	-	55,691,303	(714,478,666)	-
Sonae Investimentos America Latina	99.99%	25,684	-	-	-	-	25,684
Sonae Investments, BV	100.00%	18,151	-	-	-	-	18,151
Sonae Sierra SGPS, SA	50.00%	530,992,017	180,617,626	160,007,726	80,853,511	-	632,455,428
Sonae Turismo, SGPS, SA	97.89%	127,174,947	-	-	-	-	127,174,947
Sonaecom, SGPS, SA	17.40%	149,579,394	-	-	(5,510,820)	-	144,068,574
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
<b>Total</b>		<b>3,016,238,256</b>	<b>340,915,676</b>	<b>215,319,299</b>	<b>534,961,007</b>	<b>(714,478,666)</b>	<b>2,962,316,974</b>

## 5.2 Other investments held for sale

As at 31 December 2006 and 2005 other investments held for sale are detailed as follows:

31 December 2006							
Companies	% Held	Opening balance	Increases	Decreases	Changes in fair value	Transfers	Closing balance
Associação Escola Gestão Porto	-	49,880	-	-	-	-	49,880
Eirles Three Junior Notes	-	33,715,091	-	30,317,580	(3,397,511)	-	-
Sonae Indústria, SGPS, SA	-	6,400,000	-	5,002,410	(1,397,590)	-	-
<b>Total</b>		<b>40,164,971</b>	<b>-</b>	<b>35,319,990</b>	<b>(4,795,101)</b>	<b>-</b>	<b>49,880</b>

31 December 2005							
Companies	% Held	Opening balance	Increases	Decreases	Changes in fair value	Transfers	Closing balance
Associação Escola Gestão Porto	-	49,880	-	-	-	-	49,880
Eirles Three Junior Notes	-	30,400,867	-	-	3,314,224	-	33,715,091
Sonae Indústria, SGPS, SA	0,71%	-	-	41,631,824	(1,003,758)	49,035,582	6,400,000
<b>Total</b>		<b>30,450,747</b>	<b>-</b>	<b>41,631,824</b>	<b>2,310,466</b>	<b>49,035,582</b>	<b>40,164,971</b>

## 6. Other non-current assets

As at 31 December 2006 and 2005 other non-current assets are detailed as follows:

	31 December 2006	31 December 2005
Loans granted to group companies:		
Espmen - Investimentos Imobiliários, SA	7,105	-
Investalentejo, SGPS, SA	788,000	788,000
Sonae Capital, SGPS, SA	20,000,000	-
Sonae Investments, BV	792,400,040	498,572,204
Guarantee deposits	7,744	13,529
Other	141,603	243,891
	<b>813,344,492</b>	<b>499,617,624</b>

## 7. Trade accounts receivable

Trade accounts receivable amounted to 790,914 euro and 1,207,534 euro as at 31 December 2006 and 2005, respectively, and include balances arising solely from services rendered to group companies.

## 8. Other debtors

As at 31 December 2006 and 2005 other debtors can be detailed as follows:

	31 December 2006	31 December 2005
Other debtors		
Grovesnor Investments (Portugal), S.à.r.l (Note 35)	-	226,260,029
Others	680,561	685,341
Group companies - Short term loans:		
Aglom Investimentos, SGPS, SA	1,246,000	-
Atlantic Ferries, SA	797,000	-
Box Lines- Navegação, SA	-	1,000,000
Choice Car, SGPS, SA	-	250,000
Elmo, SGPS, SA	4,008,000	-
Investalentejo, SGPS, SA	9,404,000	-
Nab - Sociedade Imobiliária, SA	148,000	-
SC- Sociedade de Consultadoria, SA	-	365,000
Sonae Capital, SGPS, SA	44,225,280	-
Sonae Turismo, SGPS, SA	-	7,195,000
Group companies - Interest:		
Investalentejo, SGPS, SA	18,281	147
Sonae Investments, BV	17,609,616	3,717,859
	78,136,738	239,473,376

## 9. Taxes recoverable

As at 31 December 2006 and 2005 taxes recoverable can be detailed as follows:

	31 December 2006	31 December 2005
Advance payments	56,743	51,104
Taxes withheld	1,150,016	439,073
	1,206,759	490,177

## 10. Other current assets

As at 31 December 2006 and 2005 other current assets can be detailed as follows:

	31 December 2006	31 December 2005
Accrued income	682,527	146,979
Prepayments	175,693	139,487
	858,220	286,466

## 11. Investments held for trading

As at 31 December 2006 and 2005 investments held for trading can be detailed as follows:

	31 December 2006	31 December 2005
Call option on Modelo Continente's shares held by Banco Santander Central Hispano	-	5,707,400
	-	5,707,400

## 12. Cash and cash equivalents

As at 31 December 2006 and 31 December 2005 cash and cash equivalents can be detailed as follows:

	31 December 2006	31 December 2005
Cash at hand	2,500	2,500
Bank deposits	130,511,592	197,439,106
Cash and cash equivalents on the balance sheet	130,514,092	197,441,606
Bank overdrafts (Note 18)	-	23,523
Cash and cash equivalents on the cash flow statement	130,514,092	197,418,083

As at 31 December 2006 bank deposits include short term deposits amounting to 130,450,000 euro withdrawn in the beginning of 2007.

## 13. Share capital

As at 31 December 2006 and 2005 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2006 Efanor Investimentos, SGPS, SA and affiliated companies held 52.94% of Sonae's share capital.

## 14. Own shares

As at 31 December 2006 and 2005 own shares can be detailed as follows:

	31 December 2006	31 December 2005
Own shares - Nominal value	132,806,072	132,806,072
Own shares - (Discount)/Premium	5,238,291	5,238,291
	138,044,363	138,044,363

During the twelve months ended 31 de December 2006 the company did no sell or buy any own shares.

On 12 May 2006, Sonaecom, SGPS, SA transferred, in an over the counter transaction and in accordance with its Deferred Performance Bonus Plan, 557,574 Sonae, SGPS, SA shares to employees. After this transaction, Sonae, SGPS, SA holds directly or through its affiliated companies 133,418,572 own shares (133,976,146 as at 31 December 2005), representing 6.671% of its share capital.

## 15. Legal reserve

The company sets up legal reserves in accordance with Portuguese Company Law. In 2006 and 2005, respectively, 4,902,754 euro and 607,570 euro has been transferred from profit for the year to legal reserves.

## 16. Fair value reserve, hedging reserve and other reserves

As at 31 December 2006 and 2005 reserves can be detailed as follows:

	31 December 2006	31 December 2005
Free reserves	526,962,310	479,791,497
Captive reserve (1)	139,243,694	139,912,783
Fair value reserve	540,120,826	207,618,055
	1,206,326,830	827,322,335

(1) Under article 324 of the Portuguese Companies Act shareholders are not allowed to distribute reserves equal to amounts paid for own shares.

Movements occurred in 2006 and 2005 in these reserves are detailed in the statement of changes in equity. In 2005, free reserves have been reduced by 756,158,113 euro as a result of the demerger of Sonae Indústria, SGPS, SA.

## 17. Bonds

As at 31 December 2006 and 2005 this caption included the following loans:

Bonds SONAE / 05 amounting to 100,000,000 euro, repayable after 8 years, in one instalment, on 31 March 2013. Interest rate equal to Euribor 6 months plus 0.875%, with interest paid half-yearly.

Bonds Sonae 2006/2011 amounting to 250,000,000 euro, repayable after 5 years, in one instalment, on 10 May 2011. Interest rate equal to Euribor 6 months plus 0.65%, with interest paid half-yearly. The company has the option to make whole or partial reimbursements, at no extra cost, on the date of the 6th and 8th coupons.

	31 December 2006	31 December 2005
Bonds	350,000,000	174,819,685
Up-front fees not yet charged to income statement	(2,812,652)	(2,417,212)
	347,187,348	172,402,473



## 18. Current bank loans

As at 31 December 2006 and 2005 this caption included the following loans:

	31 December 2006	31 December 2005
Commercial paper (a)	260,500,000	340,950,000
Bank overdrafts (Note 12)	-	23,523
	260,500,000	340,973,523

(a) Short term commercial paper programme, privately placed, launched on 23 August 2004, valid for a ten year period, which may be extended at the option of the company, with a maximum limit of 350,000,000 euro.

## 19. Bonds - short term portion

As at 31 December 2006 and 2005 this caption included the following:

	31 December 2006	31 December 2005
Nominal value of Sonae/97 bonds	74,819,685	74,819,685
Up-front fees not yet charged to income statement	(42,394)	(94,493)
	74,777,291	74,725,192

Bonds SONAE / 97 amounting to 149,639,369 euro repayable, at par value, in two equal instalments on the 18th and 20th coupons. Interest rate equal to Lisbor (subsequently changed to Euribor) plus 0.17% from the 1st to the 13th coupon, plus 1.17% in the 14th coupon and plus 1.22% from the 15th to the 20th coupons. Half of this loan (74,819,685 euro) will be reimbursed at par value in October 2007.

## 20. Other creditors

As at 31 December 2006 and 2005 other creditors can be detailed as follows:

	31 December 2006	31 December 2005
Group companies:		
Atlantic Ferries, SA	-	7,195,000
Box Lines - Navegação, SA	891,000	-
Cinclus-Planeamento Gestão de Projectos, SA	2,850,000	-
Interlog, SGPS, SA	18,977,000	-
Modelo, SGPS, SA	-	13,861,000
Sonae Capital, SGPS, SA	-	81,776,150
Sonae Sierra, SGPS, SA	-	23,067,600
Sonaecom, SGPS, SA	90,000,000	172,473,000
Shareholders - dividends not yet paid	35,737	33,531
Share capital increases not yet paid		
Sonae Turismo, SGPS, SA (Note 35)	-	35,216,379
Other creditors	6,859	75,000,170
	112,760,596	408,622,830

## 21. Taxes payable

As at 31 December 2006 and 2005 taxes payable can be detailed as follows:

	31 December 2006	31 December 2005
Income tax charge for the year	12,948	14,041
Taxes withheld		
Staff	47,524	39,891
Services	821	10,339
Capital	215,103	632,097
Other	1,013	923
Value added tax	133,023	161,189
Social security contributions	47,355	42,897
Stamp duty	75	85
	457,862	901,462

## 22. Other current liabilities

As at 31 December 2006 and 2005, other current liabilities were made up as follows:

	31 December 2006	31 December 2005
Accruals:		
Salaries	2,975,976	3,756,447
Interest	4,857,092	4,884,328
Sale of call option on shares	2,355,000	-
Others	9,253	14,807
	10,197,321	8,655,582

## 23. Contingent assets and liabilities

	31 December 2006	31 December 2005
Guarantees given:		
on tax claims	1,776,135	1,776,135
on judicial claims	355,199	355,199
Others	40,000,000	192,323,306

The Company is responsible for loans obtained by its affiliated undertaking Sonae Investments, BV up to 69,382,000 Euro. As of 31 December 2006 and 2005 the balance drawn down amounts to 0 euro.

Guarantee given to Caixa Geral de Depósitos relating to a 40,000,000 euro loan granted to the affiliated undertaking Investalentejo, SGPS, SA (existing as at 31 December 2005).

## 24. Operational leases

As at 31 December 2006 and 2005, the company is a part in operational lease contracts, as a lessee, whose minimum lease payments had the following schedule:

	31 December 2006	31 December 2005
Due in:		
2006 automatically renewable	-	265,836
2007 automatically renewable	265,836	-
2006	-	56,401
2007	70,138	31,194
2008	61,815	22,871
2009	41,539	2,595
2010	29,983	-
	469,311	378,897

## 25. Related parties

As at 31 December 2006 and 2005 balances and transactions with related parties can be detailed as follows:

	Affiliated and associated undertakings	
	31 December 2006	31 December 2005
<b>Transactions</b>		
Services rendered	1,800,067	2,319,260
Purchases and services obtained	1,082,441	1,634,956
Interest income	32,153,152	21,572,864
Interest expenses	8,712,350	8,698,412
Dividend income	53,613,493	8,718,968
Acquisition of investments	280,102,275	53,957,728
Disposal of investments	-	188,274,663
Disposal of intangible assets	75,000,000	-
<b>Balance</b>		
Accounts receivable	19,220,640	5,442,252
Accounts payable	1,005,725	112,974,436
Loans obtained	112,718,000	298,372,750
Loans granted	873,023,425	508,170,204

In 2006 and 2005, there were no transactions with company Directors and no loans were granted to company Directors.

As at 31 December 2006 and 2005 no balances existed with company Directors.

## 26. Services rendered

Services rendered amounted to 1,800,067 euro and 2,319,260 euro, in 2006 and 2005, respectively. Services rendered include management fees permitted by company law.

## 27. Other operational income

As at 31 December 2006 and 2005 other operational income can be detailed as follows:

	31 December 2006	31 December 2005
Supplementary income	152,373	142,102
Accrual written back	-	777,600
Gain on sale of brands	74,999,997	-
Others	7,666	448,413
	75,160,036	1,368,115

## 28. External supplies and services

As at 31 December 2006 and 2005 external supplies and services can be detailed as follows:

	31 December 2006	31 December 2005
Subcontracts	218,623	766,408
Energy	-	384
Fuel	32,251	28,260
Water	-	146
Books	15,043	11,233
Office material	26,326	19,997
Operational rents	347,555	357,107
Entertainment expenses	40,482	43,046
Communication	221,597	221,414
Insurance	202,484	1,108,927
Travelling	157,553	179,562
Fees	47,665	192,094
Legal expenses	10,256	10,525
Maintenance	28,170	32,632
Publicity	33,286	31,700
Hygiene	13,130	13,993
Services obtained	779,651	874,231
Others	243,195	190,305
	2,417,267	4,081,964

## 29. Staff costs

As at 31 December 2006 and 2005 staff costs can be detailed as follows:

	31 December 2006	31 December 2005
Directors salaries	2,000,973	2,439,837
Staff salaries	2,471,989	2,451,835
Social costs	435,292	410,715
Other staff costs	115,546	51,199
	5,023,800	5,353,586

As at 31 December 2006 and 2005, staff was 60 and 59, respectively.

## 30. Other operational expenses

As at 31 December 2006 and 2005 other operational expenses can be detailed as follows:

	31 December 2006	31 December 2005
Donations	120,441	15,000
Fines and penalties paid	-	89
Taxes	276,383	257,198
Losses on sale of fixed assets	233	-
Other operational expenses	175,703	153,607
	572,760	425,894

## 31. Net financial expenses

As at 31 December 2006 and 2005 net financial expenses can be detailed as follows:

	31 December 2006	31 December 2005
Interest payable and similar expenses		
Interest arising from:		
Overdrafts	(34,318)	(426,644)
Bonds	(15,609,751)	(7,503,608)
Other	(10,861,450)	(15,806,326)
Exchange losses	(22)	(10)
Other financial expenses	(1,411,538)	(1,543,137)
	(27,917,079)	(25,279,725)
Interest receivable and similar income		
Interest income	36,121,077	22,304,844
Exchange gains	-	1,565
	36,121,077	22,306,409
Net financial expenses	8,203,998	(2,973,316)

## 32. Investment income

As at 31 December 2006 and 2005 investment income can be detailed as follows:

	31 December 2006	31 December 2005
Dividends received	53,613,493	8,718,968
Gains/(Losses) on sale of investments	(65,349,636)	98,752,702
	(11,736,143)	107,471,670

Dividends were received from Sonae Sierra, SGPS, SA (12,013,923 euro) and Modelo Continente, SGPS, SA (41,599,570 euro). Gains on sales of investments include 22,967,476 euro arising from the sale to an affiliated undertaking of 100% of SC Insurance Risk Services, SGPS, SA, 2,347,590 euro arising from the sale to an affiliated undertaking of part of the shareholding on Sonae Indústria, SGPS, SA and 12,334,800 euro arising from the sale of

Hospimob - Imobiliária, SA. Losses on sale of investments include 106,170,953 euro arising from the sale to Modelo Continente, SGPS, SA of 4.8% of its own shares.

Gains and losses on sale of investments include 100,075,852 euro of a transfer from fair value reserves corresponding to changes in the fair value of investments sold in the year, previously recorded under fair value reserves.



### 33. Income tax

Income tax charge for the year was 12,949 euro and 14,041 euro, in 2006 and 2005, respectively.

#### 33.1 Reconciliation of effective tax rate

The reconciliation between the profit before taxation and the tax charge for the years ended 31 December 2006 and 2005 may be summarised as follows:

	31 December 2006	31 December 2005
Profit before taxes	65,150,993	98,069,115
Increase / (Decrease) for tax purposes	40,289,011	(55,964,744)
Taxable income	105,440,004	42,104,371
Use of carried forward tax losses	(105,440,004)	(42,104,371)
Net taxable income	-	-
Tax charge @ 27.5%	-	-
Autonomous taxes	12,949	14,041
Tax charge	12,949	14,041
Effective average tax rate	0.000198754	0.000143175

#### 33.2 Carried forward tax losses

	31 December 2006		31 December 2005	
	Carried forward tax loss	Limit for use	Carried forward tax loss	Limit for use
Arising from 2002	335,033,154	2008	440,473,158	2008
	335,033,154		440,473,158	

As at 31 December 2006, deferred tax assets have not been recorded in relation to carried forward tax losses, considering the uncertainty of their use.

## 34. Earnings per share

Earnings per share for the period were calculated taking into consideration the following amounts:

	2006		2005	
	4th Quarter (Unaudited)	Cumulative	4th Quarter (Unaudited)	Cumulative
<b>Net profit</b>				
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(92,496,223)	65,138,044	75,053,381	98,055,074
Effect of dilutive potential shares				
Interest related to convertible bonds (net of tax)	-	-	-	-
<b>Net profit taken into consideration to calculate diluted earnings per share:</b>	<b>(92,496,223)</b>	<b>65,138,044</b>	<b>75,053,381</b>	<b>98,055,074</b>
<b>Number of shares</b>				
Weighted average number of shares used to calculate basic earnings	1,866,581,428	1,866,382,294	1,866,023,854	1,865,952,847
Effect of dilutive potential ordinary shares from convertible bonds	-	-	-	-
<b>Weighted average number of shares used to calculate diluted earnings per share</b>	<b>1,866,581,428</b>	<b>1,866,382,294</b>	<b>1,866,023,854</b>	<b>1,865,952,847</b>
<b>Profit/(Loss) per share (basic and diluted)</b>	<b>(0.049554)</b>	<b>0.034901</b>	<b>0.040221</b>	<b>0.052550</b>

## 35. Acquisitions and disposal of investments

During 2006, the following acquisitions and disposals occurred:

Companies	Disposals		Acquisitions	
	Total price	Amount received	Total price	Amount paid
Eirles Three Junior Notes	33,715,075	33,715,075	-	-
Espmen - Invetimentos Imobiliarios, SA	-	-	6,152,894	6,152,894
Hospimob - Imobiliaria, SA	21,034,800	21,034,800	8,700,000	8,700,000
Modelo Continente, SGPS, SA	108,240,000	108,240,000	84,649,022	84,649,022
SC Insurance and Risk Services, SGPS, SA	37,500,000	37,500,000	-	-
Sonae Indústria, SGPS, SA	7,350,000	7,350,000	-	-
Sonae Turismo, SGPS, SA (a)	127,012,275	91,795,896	-	-
Sonaecom, SGPS, SA	-	-	34,372,300	34,372,300
Sontel, BV	-	-	100,000	100,000
	<b>334,852,150</b>	<b>299,635,771</b>	<b>133,974,216</b>	<b>133,974,216</b>

(a) On sale of Sonae Turismo,SGPS, SA an amount of 35,216,379 euro has not been received as it corresponded to part of its share capital increase which had not yet been paid up. (Note 20).

Amounts received on disposals of investments in the cash flow statement, include 226,300,923 euro relating to disposals in prior years.

## 36. Subsequent events

On 2 January 2007 Sonae, SGPS, SA sold to an affiliated undertaking 40,481,436 shares of Sonaecom, SGPS, SA for 204,026,437.44 euro. Voting rights in Sonaecom, SGPS, SA directly attributable to Sonae represent 1.663% of total voting rights.

## 37. Dividends

In the Shareholders Annual Meeting held on 6 April 2006, payment of a gross dividend of 0.025 euro per share was approved. This was paid on 5 May 2006, the total amount paid being 46,650,596.35 euro.

For 2006, the Board of Directors proposed a gross dividend of 0.03 euro per share. In view of the fact that the Board of Directors intends to maintain the number of own shares held until dividend is paid, total amount of dividends is estimated to be 55,997,442.84 euro. This dividend is subject to approval by shareholders in the Shareholders Annual Meeting.

## 38. Approval of the financial statements

The accompanying financial statements were approved by the Board of Directors on 20 March 2007. These financial statements will be presented to the Shareholders' General Meeting for final approval.

## 39. Information required by law

Decree-Law nr 318/94 art 5 nr 4

In the twelve months ended 31 December 2006 shareholders' loan contracts were entered into with the following companies:

Espmen - Investimentos Imobiliarios, SA  
Sonae Investments, BV  
Sonae Capital, SGPS, SA

In the twelve months ended 31 December 2006 short-term loan contracts were entered into with the following companies:

Aglom Investimentos, SGPS, SA  
Atlantic Ferries, SA  
Box Lines - Navegação, SA  
Clinclus - Planeamento e Gestão de Projectos, SA  
Contibomba - Comércio e Distribuição de Combustíveis, SA  
Elmo, SGPS, SA  
Gestholding, SGPS, SA  
Iginha - Sociedade Imobiliária, SA  
Imoareaia, Investimentos Turísticos, SGPS, SA  
Imoplamac - Gestão de Imóveis, SA  
Inparvi, SGPS, SA  
Interlog, SGPS, SA  
Investalentejo, SGPS, SA  
Ipaper - Indústria de Papeis Impregnados, SA  
Modelo Continente - Operações de Retail, SGPS, SA  
Modelo Continente, SGPS, SA  
Modelo, SGPS, SA  
Nab - Sociedade Imobiliária, SA  
Público - Comunicação Social, SA  
SC - Sociedade de Consultadoria, SA  
Sete e Meio - Investimentos e Consultadoria, SA  
Somit- Sociedade de Madeiras Industrializadas e Transformadas, SA  
Sonae Capital, SGPS, SA  
Sonae Matrix - Multimédia, SGPS, SA  
Sonae Sierra, SGPS, SA  
Sonae Turismo, SGPS, SA  
Sonaecom, SGPS, SA  
Todos os Dias - Com.a Retalho e Expl. de Centros Comerciais, SA

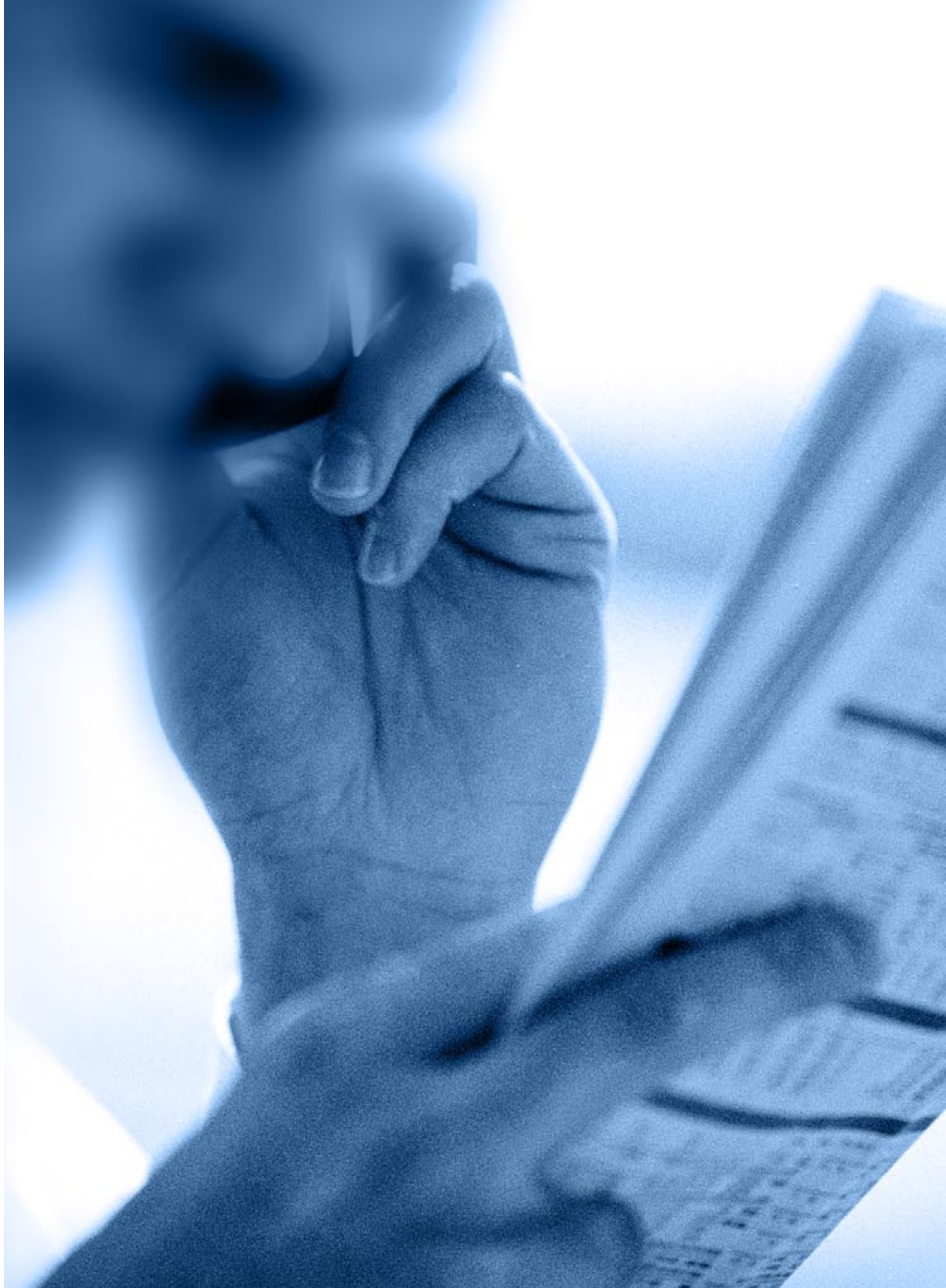
As at 31 December 2006 amounts owed by affiliated undertakings can be summarized as follows:

Loans granted	
Companies	Closing balance
Agloma Investimentos, SGPS, SA	1,246,000
Atlantic Ferries, SA	797,000
Elmo, SGPS, SA	4,008,000
Espmen - Investimentos Imobiliarios, SA	7,106
Investalentejo, SGPS, SA	10,192,000
Nab - Sociedade Imobiliária, SA	148,000
Sonae Capital SGPS, SA	64,225,280
Sonae Investments, BV	792,400,040
	873,023,426

As at 31 December 2006 amounts owed to affiliated undertakings can be summarized as follows:

Loans obtained	
Companies	Closing balance
Box Lines - Navegação, SA	891,000
Clinclus - Planeamento e Gestão de Projectos, SA	2,850,000
Interlog, SGPS, SA	18,977,000
Sonaecom, SGPS, SA	90,000,000
	112,718,000

The Board of Directors



# Report and Opinion of the Statutory Auditor

31 December 2006

# Report and Opinion of the Statutory Auditor

(Translation of a report originally issued in Portuguese)

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

In compliance with the applicable legislation and our mandate we hereby submit our Report and Opinion which covers our work and the consolidated and individual documents of account of Sonae, S.G.P.S., S.A. for the year ended 31 December 2006, which are the responsibility of the Company's Board of Directors.

We accompanied the operations of the Company and its principal affiliated companies, the timely writing up of their accounting records and their compliance with statutory and legal requirements, having obtained from the Boards of Directors and personnel of the Company and its principal affiliated companies all the information and explanations required.

In performing our work, we examined the consolidated and individual Balance sheets as of 31 December 2006, the consolidated 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 2006. As consequence of our legal examination we have issued the Statutory Audit and Auditors' Report.

Considering the above, in our opinion the consolidated 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.

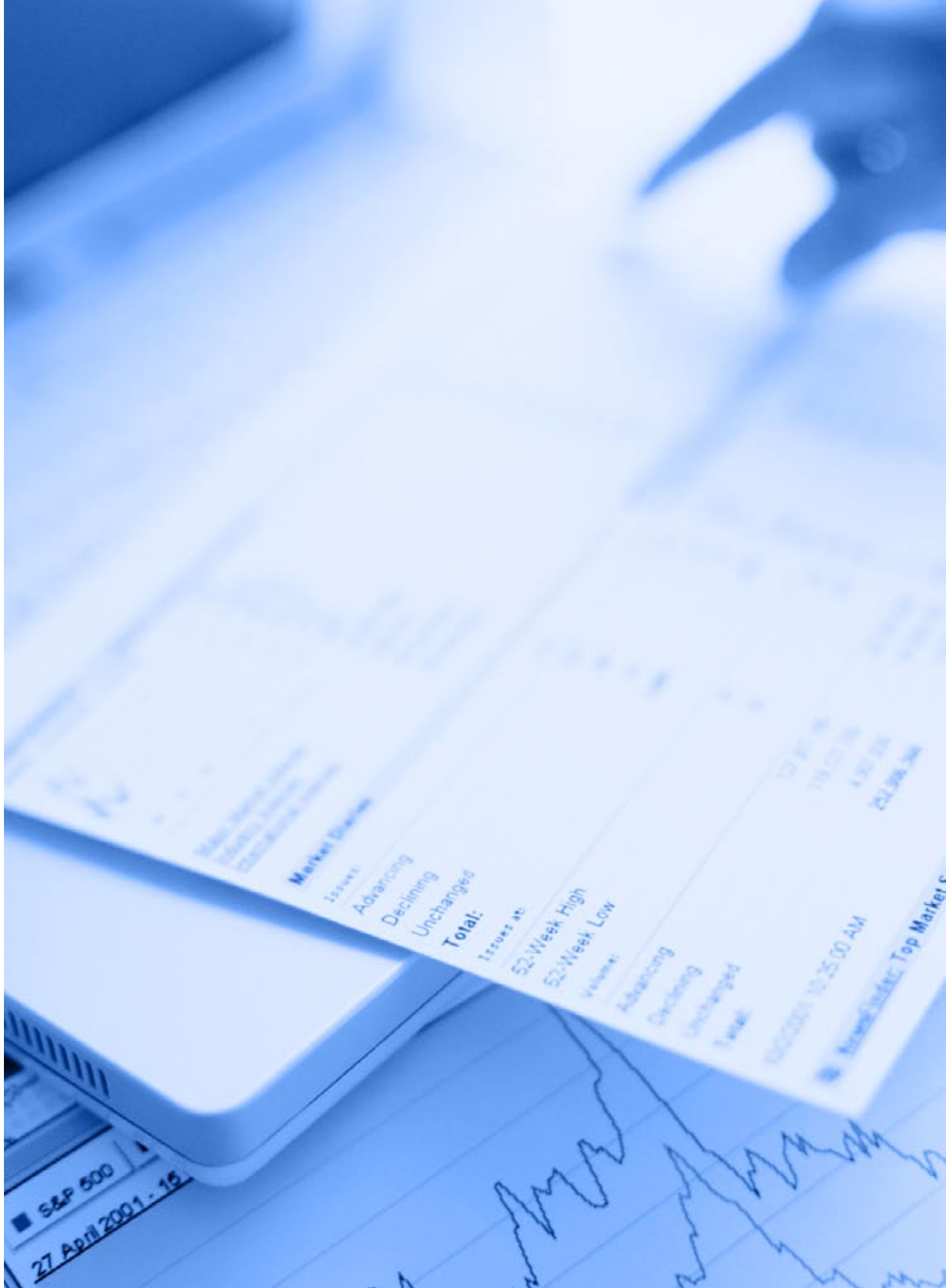
Porto, 20 March 2007

DELOITTE & ASSOCIADOS, SROC, S.A.

Represented by Jorge Manuel Araújo de Beja Neves







# Statutory Audit and Auditor's Report

31 December 2006

# Statutory Audit and Auditor's 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, S.G.P.S., S.A. ("Company") for the year ended 31 December 2005, which comprise the consolidated and individual balance sheets (that present a total of 6,320,870,955 Euro and 4,097,547,772 Euro, respectively, and consolidated and individual equity of 1,694,699,975 Euro and 3,291,367,163 Euro, respectively, including consolidated net profit attributable to the Company's Equity Holders of 241,822,233 Euro and an individual net profit of 65,138,044 Euro), the consolidated and individual statements of profit and loss by nature, of cash flows and changes in equity for the year then ended and the corresponding notes.

## Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and of the companies included in the consolidation, the consolidated and individual results of their operations and their consolidated and individual cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant

facts that have influenced the operations of the Company and companies included in the consolidation, their financial position and results of operations.

3. Our responsibility is to examine the financial information contained in the 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.

the consolidated and individual results of its operations and its consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

## Opinion

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Sonae, S.G.P.S., S.A. as of 31 December 2006,

Porto, 20 March, 2007

DELOITTE & ASSOCIADOS, SROC S.A.

Represented by Jorge Manuel Araújo de Beja Neves



Sonae SGPS, S.A.  
Public Quoted Company

Head Office: Lugar do Espido · Via Norte · 4471-909 Maia · Portugal

[www.sonae.pt](http://www.sonae.pt)

Capital social: 2.000.000.000,00

Maia Commercial Registry and Fiscal Number: 500273170