SONAE DISTRIBUÇÃO, SGPS, SA

Head Office: R. João Mendonça, 529 - 4464-501 SENHORA DA HORA

Share Capital 1.100.000.000 Euros

Porto Commercial Registry and Fiscal Number 501 532 927

REPORT AND ACCOUNTS

31 DECEMBER 2007

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2007

Management Report
Sonae Distribuição – S.G.P.S., S.A.

To the Shareholders,

In accordance with Portuguese Law and the company's articles of association, we hereby present the management report of Sonae Distribuição - S.G.P.S., S.A. (previously called Modelo Continente, SGPS, S.A.) for the year ending 31 December 2007.

The year's business activity

During 2007 the consolidated turnover of Sonae Distribuição amounted to 3,385 million Euro. This was equivalent to an increase of 10% over 2006, and was based on a highly positive performance of stores on a like for like basis (growth of 4%) as well as an important organic growth plan which involved 130 new stores (about 70,000 extra m2).

Looking at the company's business portfolio in more detail, we can see that the food retail brands reached turnover of 2,368 million Euro, equal to an increase of 7%. This figure demonstrates the strength and popularity of the value proposal of these formats (which had an increase higher than 3% on a like for like basis), and benefited strongly from the success of the customer loyalty programme launched at the beginning of the year through the Continente Card and Modelo Card.

This new form of relationship with customers has resulted in a high level of involvement and commitment among Portuguese people (equal to 2.2 million cards[(1)] which are used for 80% of purchases), and has altered the benchmark for customer loyalty in the retail sector in Portugal and is also significant in this respect at an international level.

In addition to this programme, other initiatives were developed in the food segment, which sought to fine tune the value proposal offered and thus better meet the expectations of our customers. In this respect, a highlight was the implementation of the product offer segmentation project completed in the perishables area, and the creation of product ranges in line with the growing concerns relating to healthy food.

Also in food retail, the year was marked by the strong pace of store openings. In terms of organic growth, and during the 12 months of 2007, Sonae Distribuição opened 21 new food retail stores, equal to an increase of 23,000 m2 and +6% in sales area – exceeding the targets announced for the year. The company also continued to demonstrate its concern for the upgrade and

[(1)] Corresponding to around 2.2 million customer families.

refurbishment of its older assets to the modern and attractive standards for which it is recognised. It undertook 30 major refurbishments, and changed the brand names of two units of the Modelo chain to the Continente format. Also launched during the year was the "Outlet Continente", a store concept with a very specific role in the offer of opportunities.

The non food retail formats of the company also performed well in the year with the 10 current formats seeing the worth of their value proposals confirmed independently of the different stages of maturity and development of each. In particular, these formats showed a very significant 16% growth in turnover to a total above 1,000 million Euro.

This fine performance, driven by strong growth on a like for like store basis (higher than 4%), was also due to the notable organic growth undertaken (+46.000 extra m2, or 24% more sales area for a total of 109 new stores). The achievement of this ambitious plan consolidated the clear leadership position of the main non food retail brands of Sonae Distribuição in the Portuguese market, and contributed decisively towards increasing the popularity and strengthening the potential of the most recent brands, namely Zippy and the Área Saúde.

In consolidated terms, and in relation to the 12 months of 2007, the company's operational cash flow reached 299 million Euro. This value represents an increase of 45 million Euro compared to 2006 or of a significant 18%, driven by the implementation of projects of operational efficiency improvement.

We would point out however that this growth was positively influenced by a non recurrent capital gain of 12 million Euro from the sale of the real estate assets of the Albufeira and Portimão(2) shopping galleries. If this transaction had not taken place, consolidated operational cash flow would have totalled 287 million Euro. This figure corresponds to a very positive increase of 13% compared to 2006, and to an increase of 0.3 p.p. in the company's operational profitability margin.

Improvement in productivity indices, which are the basis of the high levels of profitability achieved, has been a major area of focus in the continuing efforts to rationalise and modernise the company. In 2007, these efforts were reflected in the multiple projects undertaken across the company, among which should be especially highlighted the development of the programme of own brands, the broadened programme of stock management optimisation, and the significant strengthening of competencies in international procurement.

---

[2] This amount is considered in the analysis segment "Fixed Assets with income"

Another area seen as key by Sonae Distribuição to increase productivity and service quality concerns the investment made in the training of employees. In this area and during the year 2007, the company gave more than 1,300,000 hours of training, more than four times the number of hours in 2004. This investment gives the company, as the biggest private sector employer in Portugal, an unequalled role in terms of responsibility and involvement in professional training carried out in the country.

Focusing now in a little more detail on the performance shown by the different analysis segments of the company, we note that the contribution of the food retail brands to the consolidated operational cash flow of the company was 208 million Euro. This is equal to an increase of 8.8% in related turnover, and an increase of 0.2 p.p. compared to 2006.

In the non food retail brands, the year in question was also marked by important achievements with the contribution to the operational cash flow of the company reaching 71 million Euro. This amount corresponds to an increase of 33% compared to 2006. It undoubtedly reflects the strong popularity and growing maturity of the company's non food retail brands, factors which combined during the period to produce strong growth with an increase of around 0.9 p.p. in operating profits to sales which rose to 7.1%.

Also in consolidated terms and for the same period, the company's net profits totalled 169 million Euro, 9 million Euro above the figure for the previous year – still considering the acquisition at the end of 2006 of 100 million own shares for the overall sum of 205 million Euro. The company's overall fine performance was reflected in an increase of 15% in net profits per share, once again confirming the progress made and the validity of the defined strategy.

Market background

The Portuguese retail market was marked in 2007 by the strong organic growth of the main operators and by processes of consolidation begun during the period.

In the year, the main formats which make up the food retail sector opened more than 200,000 new m2 of sales area, equal to an increase of approximately 12% on the installed base. Non food retail also had significant development with the opening of various commercial centres across the country. Looking at the Portuguese market globally, it can be seen that the increase in supply[(3)] once again exceeded the nominal rate of increase in demand[(4)]. This trend is all the more significant when it is noted that the overall growth in sales area in the market, since the change in the sector

[3] Calculated as m2 of sales area.
[4] Measured by the sales of the main market operators.

regulatory framework took place in 2004, reached the impressive figure of 35%, equal to more than 500,000 m2 of sales area.

Investment

In 2007, Sonae Distribuição reached an all time high figure, investing an amount of 972 million Euro in organic growth and acquisitions.
In terms of organic growth and in the food retail sector, the company strengthened its presence in the Portuguese market, opening 21 new stores and converting the Ovar and São João da Madeira Modelo units into Continente units. Thus, the company added some 25,000 extra m2 of sales area to its store network, equal to an increase of 7%. In the non food retail segment, the company continued its strong pace of opening new stores, inaugurating 46,000 new m2 in 109 stores, with a particular highlight for the strong growth rate of the Health Area brand with 38 stores, and the Zippy brand, which made its presence felt in the main shopping centres in Portugal.

Efforts to modernise those stores already in operation were also not neglected, as has been the case in previous years. At the same time, efforts continued to develop business support infrastructures, with a special focus on logistics infrastructure.

At the end of year, Sonae Distribuição concluded its acquisition of the Carrefour (Portugal) operation, thus immediately adding an extra 95,000 m2 of sales area in the country. This transaction strengthened Sonae Distribuição's leadership of the Portuguese food based retail market and at the same time allowed it to leverage the programme of organic growth of the company for the next few years by incorporating projects under development in the company acquired.

Capital structure

As at 31 December 2007, the consolidated net debt of Sonae Distribuição totalled 1,082 million Euro. This figure, which compares with 377 million Euro at the end of 2006, was directly impacted by the acquisition of Carrefour (Portugal) on the last day of 2007, and which involved an investment of 664 million euro totally financed by debt.

In spite of this increase, the company continues to have a perfectly appropriate capital structure in view of its strong cash flow generation capability. The average debt maturity of the company is higher than 5 years (1 year longer than 2006) while the ratio of average debt/EBITDA for the year was ~2x[(5)]. The interest cover[(6)] indicator was ~10x.

Corporate Governance

No significant changes took place in the year that are worthy of mention, and the guidelines set out in the Consolidated Management Report for the year 2006, concerning Corporate Governance remained unchanged.

Information concerning Corporate Governance is presented in a specific annexe to this report.

Outlook

The strategic path of Sonae Distribuição focuses on growth and strengthening the value proposal, and is based on continued investment in efficiency and innovation. This positioning, followed in a consistent manner by the company over more than twenty years of operation, has allowed strong growth rates to be combined with notable profitability indices, and will again be the basis of the company's performance over the future.

In this respect, the company will continue its strong pace of organic growth as a means of consolidating its leadership of the Portuguese market. During 2008, Sonae Distribuição expects to open around 60,000 new m2, equal to an increase of around 10% in sales area compared to the average in 2007. Half of this investment will be in food based retail with the remaining 30.000 m2 of sales area in the non food retail brands.

As a consequence of this strategic path, Sonae Distribuição has already integrated the operation of the twelve units previously run by the Carrefour brand, which represents an immediate increase of 85,000 m2 of sales area in the food retail segment and 10.000 m2 in the non food segment. This operation is being carried out respecting scrupulously the commitments made

[5] This ratio increased at the end of the year to 3.6x (1.082/299). However, the ratio is not the most appropriate in this case since it includes the additional debt resulting from the Carrefour (Portugal) acquisition transaction but does not include any contribution to operational cash flow from the stores involved.

[6] Operational cash flow / net interest.

to the Competition Authority, and which ensured non-opposition to this concentration transaction.

Still on the subject of growth, the company will continue to be attentive to possible acquisition opportunities that may arise in the market and which will enable the competitive positions of the businesses to be improved, always with the goal of creating value for the company.

The year 2008 will also be marked by the entry of Sportzone into the Spanish market. The company plans to open 4 new units in the country, based on the solid progress of the brand in Portugal, in which it is the benchmark leader in its specific market segment. However, Sonae Distribuição believes the international expansion plan of Sportzone will not end-up in the Spanish market, as well as it still projects space to grow in this market with other formats.

With a view to driving productivity gains and thus operational profitability, the company will also implement in the short term a range of cutting edge projects in the areas of architectural logistics infrastructure, the stock management optimisation and store operation.

In 2008 and keeping its strong stamp of innovator, Sonae Distribuição will extend its activity to 2 new businesses: insurance broking (with "Seguros Continente") and a new casual footwear brand.

At the same time, the company will continue to invest in building partnerships which aim at improving the value proposal offered to customers. In this respect, and already at the beginning of 2008, Sonae Distribuição ceased to GALP the operation of eight petrol stations acquired in the subject of the purchase of Carrefour (Portugal). This operation allowed both companies to strength even more their value proposals to clients, as well as the partnership which has been highly beneficent to consumers.

As has been the case to date, Sonae Distribuição will continue to focus on the sustained development of its business activities, scrupulously following the principles of social and corporate responsibility that it has defined. In respect of these guidelines, the company will proceed with this orientation ensuring the sustainability in the generation and sharing of wealth, a continuous policy of environmental protection and a unique involvement in several social initiatives, which "Missão Sorriso" and "Causa Maior" are just examples.

Proposal for Profit Distribution for the company Sonae Distribuição – S.G.P.S., S.A.

A dividend distribution of 85 million Euro will be proposed at the Shareholders' Annual General Meeting for shares not held directly or indirectly by Sonae Distribuição – S.G.P.S., S.A., which corresponds to a dividend pay-out ratio of approximately 50% of the consolidated net profits for the year.

The net profits for the year of Sonae Distribuição – S.G.P.S., S.A. as a stand alone holding company, totaled 84,137,774.42 Euro, for which the Board of Directors propose the following distribution

Legal reserve	4,300,000.00	Euro
Dividends	79,837,774.42	Euro
Total	84,137,774.42	Euro

In view of the fact that a dividend distribution of 85,000,000.00 Euro is proposed, 5,162,225.58 Euros of Free Reserves will be used for this purpose.

Vote of thanks

We thank all our customers, suppliers, financial institutions and shareholders for their support and their preference during the year. We also thank the external auditors and statutory auditors for all their co-operation throughout the year. And finally, a special word of thanks to all of Sonae Distribuição's employees for the enthusiasm, dedication and competence that they demonstrated once again in 2007.

Matosinhos, 5 March 2008
The Board of Directors

Glossary

- Turnover (t): sales of articles + services rendered.
- Operating cash-flow (EBITDA): operating results - amortisations and depreciation - provisions - impairment losses - reversal of impairment losses.
- Operating results (EBIT): consolidated net profit for the period - income tax + investment profit/losses + profits/losses of associated companies - net financial expenses.
- Profits on ordinary activities: operating results + net financial expenses.
- Net investment: increase in gross fixed assets (tangible and intangible) + changes in perimeter (as a result of acquisitions and disposals) + disposals in gross fixed assets (tangible and intangible) + increases in goodwill. To calculate the investment in acquisitions (measured by changes occurred in consolidation perimeter) it was considered the net accumulated amortizations.
- Net debt: current borrowings + non current borrowings + financial leasing creditors – cash and cash equivalents – other current investments under negotiation + borrowings from participating and/or participated companies.
- Average debt: average of net debt at end of last four quarters.
- Gross Fixed Assets allocated to real estate companies: goodwill net of impairment losses/gains (positive variances between the acquisition cost of investments in Group and associated companies, and the fair value of identifiable assets and liabilities of these companies at the date of their acquisition) + gross Fixed Assets owned by real estate companies of the Group (value of tangible and intangible assets booked at acquisition cost, or acquisition cost re-valued in accordance with generally accepted accounting principles in Portugal).
- Working Capital: customer debts (receivables derived from sales in the normal course of the Group's business) – suppliers (sums to pay resulting from purchases in the normal course of the Group's business) + inventories (goods booked at acquisition cost, less quantity discounts and impairment losses) + other assets and liabilities (State and other public entities + associated companies + accruals and prepayments + deferred taxes + provisions for risks and charges + fixed asset suppliers + sundry debtors and creditors).
- Gearing: ratio between net debt and the company's shareholders' funds.
- Net Capital Employed: gross real estate assets [including Ex-Carrefour] + other gross real estate assets + amortisations and impairment losses + financial investments + working capital
- ROCE ("Return On Capital Employed"): EBIT / Net Capital Employed.
- ROE ("Return On Equity"): sum of net profits of the last four quarters / average of the equity at end of last four quarters.

Report on Corporate Governance
Sonae Distribuição SGPS, S.A.
31 December 2007

This appendix gives a brief description of the Corporate Governance practices of Sonae Distribuição SGPS, S.A.. Given that this is an appendix to the Board of Directors' Report, it should be read together with and as a complement to that document. Certain aspects in this appendix are cross referenced to the main body of the report as it was felt that it was more appropriate to deal with them in the main body of the report to avoid repetition.

It has been prepared in accordance with Regulation 7/2001 of 20 December 2001 of the CMVM (Portuguese Stock Exchange Commission) together with those changes made in Regulation 11/2003 of 19 November 2003, Regulation 10/2005 of 3 November 2005 and Regulation 3/2006 of 30 May 2006. In view of the fact that Sonae Distribuição SGPS, S.A. lost its status as a publicly quoted company and is now not listed on the Euronext Lisbon stock Exchange since 22 September 2006, the date on which Sonae SGPS, S.A acquired total control of the company, this report has been prepared on a voluntary basis with the aim of better informing the financial markets.

0 – Statement of compliance

The adoption of 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

As at 31 December 2007, the Board of Directors of Sonae Distribuição SGPS, S.A. was made up of four members, as shown below.

- Duarte Paulo Teixeira de Azevedo (Chairman)
- Nuno Manuel Moniz Trigoso Jordão (CEO)
- Ângelo Gabriel Ribeirinho dos Santos Paupério
- Álvaro Carmona e Costa Portela

The members of the Board of Directors have collective duties of co-ordination and management of various functional departments. During 2007, the functional organisation of the company was as follows:

Board of Directors

Functional Departments
Operations
Commercial
Logistics
Procurement
Store development
Marketing
Human resources
Information systems
Finance
Management Planning and Control
Audit and Risk management
Legal
Environment
Lost prevention

The company also has a Remuneration Committee, as described in section 1.9 and a Fiscal Council as mentioned in section 1.11.

1.2 Risk Control

At Sonae Distribuição, risk management is part of the company's culture, and is present in all functional areas. It is the responsibility of each manager to identify, evaluate and manage the risks that might compromise the achievement of the goals of the business. The analysis and management of strategic and external risks is carried out by the Board of Directors of the company as part of the annual planning cycle. At the same time, the general principles of risk management are approved by the Board of Directors.

In terms of business processes, the main risks are identified and actions to mitigate them are planned and monitored by the different functional units. The analysis and cover of financial risks are dealt with by Sonae Distribuição's financial department. For those risks that have an impact across the organisation, in particular large scale change projects and those involving the preparation of contingency and business recovery plans, structured risk management programmes are developed with the involvement of the management of the units involved.

Financial Risk Management is dealt with in a more operational way by the financial team, with its implementation and follow up being the responsibility of a broad based multi functional committee, supervised by the Group's Treasury department. Risk Management activity is supported in a more direct manner by the Risk Management and Audit functions, whose main areas of action are described below:

1 - Corporate Risk Management

As part of the process of evaluating relevant business risks for the company, the risk management and audit function defined a matrix of risks (BRM – "Business Risk Model"). This process is a part of the international standard "Enterprise Risk Management – Integrated Framework" of the COSO ("The Committee of Sponsoring Organizations of the Treadway Commission"), and includes identifying and systematising the risks that affect the organisation, prioritising them according to their impact and probability of occurrence and identifying their most relevant causes.

In relation to managing the risks concerning the physical security of people and critical business assets, a periodic process of self-control has been implemented in stores with the goal of preparing a diagnostic check on exposure to physical safety risks, identifying their main causes and implementing corrective actions. At the same time, audits are carried out to check to what extent these measures have been implemented. For the remaining assets that are required for the main activities of the company (warehouses, manufacturing centres and administrative buildings), physical safety risk analyses are periodically carried out, with preventive and corrective actions implemented for the risks identified.

Concerning business continuity, the company has prepared crisis management manuals and business continuity plans for stores, warehouses and information systems with the main goals being, in the case of a high impact disaster incident, to guarantee the continuity of operations, and minimise financial and brand image losses. The financial cover of insurable risks is regularly reviewed.

2- Process and Compliance Audits

In relation to processes of higher operational risk for the company, the process and compliance audit function carries out a systematic monitoring of risk transactions, in particular sales, sales returns and the purchase of goods.

3- Information Systems Audit

The information systems audit function analyses and checks the computer controls that ensure the running and efficiency of the company, especially in relation to the confidentiality, integrity and availability of data. In this area, the company has adopted the international standard ISO27001 ("British Standard") and is currently in the process of finalizing the implementation of COBIT ("Control Objectives for IT" of the ISACA), which covers the life cycle of the management of information systems.

As part of this activity, among others, specific audits on data bases and critical business applications, on servers and communications infrastructure, tests on intrusion to commercial web sites and on the physical security of computer centres, are carried out. In relation to business continuity, scenarios for the recovery of computer systems and operational contingency plans have been defined.

4 – Market Risk Management

Interest rate and Exchange rate risks are of particular importance in the area of market risk management. The Group uses derivatives in the management of the market risks to which it is exposed as a means of ensuring their cover, not with the objective of negotiation or speculation.

4.1– Interest rate risk

Group exposure to interest rates arises mainly from long term loans, which are made up in large part by debt indexed to Euribor. The objective of the Group is to limit the volatility of cash flows and profits, given the profile of its operational activity, through the use of the appropriate combination of fixed rate and variable rate debt. The group policy allows the use of interest rate derivatives to reduce exposure to variations in the Euribor and not for speculative purposes.

The derivatives used by the group to manage interest rate risks are defined as cash flow cover instruments since they provide perfect cover. The indices, the calculation methods, dates for re-fixing interest rates and repayment schedules for the interest rate cover derivatives, are exactly the same as the conditions established for the underlying loans contracted.

4.2 – Exchange rate risks

The impact on the financial statements of variations in exchange rates is limited, given that the majority of operational cash flows are based in euros. The Group is only exposed to exchange rate risks in relation to transactions for goods from international markets in dollars.

Exchange rate risk management aims at providing a solid basis for taking decisions on the purchase of goods to establish cost prices that are stable and known. The cover embraces the entire purchasing decision from the time of choosing suppliers up to formal negotiation of purchase.

Exposure is controlled through a programme of forward purchases of foreign currencies with the goal of minimising the negative impact from the company's responsibilities as a result of imports in currencies other than the Euro.

5 – Liquidity Risk Management

The main goal of liquidity risk management is to ensure that at any time the group has the financial resources available in order for it to meet its responsibilities and follow its defined strategies, honouring all of its commitments to third parties at the time they fall due, through an appropriate management of the cost and maturity factors relating to financing.

The group thus follows an active policy of refinancing, focused on maintaining a high level of free cash flow and its immediate availability to meet short term needs, and on extending or maintaining debt maturity dates, in accordance with forecast cash flows and the leverage capacity of its balance sheet.

Another important tool for dealing with liquidity risks is limiting the scope for contractual clauses which can affect the due dates for payments on loans. The group also ensures that it has a highly varied contact with financial institutions which allows it flexibility to negotiate new loans and limit the negative impact of any relationship which is terminated.

6 – Credit Risk Management

The group is exposed to credit risks in its relationships with financial institutions concerning the application of funds, placing of debt instruments, derivatives, among others. The credit risk is limited by managing the concentration of risks, and through a rigorous selection of alternatives, which have high prestige and international and Portuguese recognition with minimum A- ratings, issued by an international rating agency or equivalent.

The Group is also exposed to the credit risk of its daily operational activities. This risk is controlled through a system of financial and qualitative information gathering, provided by recognised entities which provide risk information, which allows the ability of customers to meet their obligations to be evaluated, aiming at reducing the risk of granting credit.

In 2007, the main concerns in this area were as follows:

- To minimise and control physical safety risks, the periodic process of self control, via Intranet was extended to Non Food Retail brands. For other physical assets, the follow up of the main risks involved and the evaluation and implementation of corrective actions continued.

- Concerning business continuity, the preparation of a Crisis Management Manual was completed for Store Operations with the inclusion of new scenarios. Training and awareness actions were carried out for Store Managers and Safety and Security supervisors.

- Two new monitoring systems for critical transactions in the Sales and Purchasing areas were implemented. Audits were carried out on stock shortages relating to articles appearing in the main publicity leaflets.

- Audits were also carried out concerning compliance with legislation for correctly indicating selling prices to the public, promotions and sales, article labels and complaints books.

- In 2007, audits were carried out in the Environmental area, a highlight being the verification of completion, delivery and filing of legal documents reporting treatment of Waste, the existence of the "ponto verde" symbol and the existence of articles with recyclable packaging.

- In warehouses, audits were carried out on goods receiving and the checking of goods sent to stores. Physical inventory counts in stores were also attended, at which compliance with the defined operational and financial procedures was checked.

- Around 400 food safety audits were carried out in all stores, warehouses and production centres. Food safety risk analyses were also done in newly opened stores. In 2007, a project was also carried out to analyse risks in the cold store chain.

- During 2007, the Computer Audit Department paid particular attention to issues concerned with the classification of information, business continuity and access control.

- In the financial risk area, situations were followed up on closely which could possibly lead to problems, either in the short or medium/long term.

1.3 Disclosure concerning share capital

As at 31 December 2007, the share capital, which was wholly subscribed and paid up, was made up of 1,100,000,000 ordinary shares, each with a nominal value of 1 Euro. As at 31 December 2007, the share capital of the company was held by the following entities:

Entity	%
Sonae, SGPS, S.A.(1)	74,98
Sonae Investments, B.V.	15,93
Soflorin, B.V.(2)	9,09

(1) As at 31 December 2006, Efanor, SGPS, S.A and its affiliates owned 52.94% of the share capital of Sonae, SGPS, S.A.
(2) As at 31 December 2007, Soflorin, B.V. was wholly owned by Sonae Distribuição, SGPS, S.A. The 100,000,000 shares held by Soflorin, B.V. are thus considered to be own shares according to Portuguese law.

1.4 Share price performance

With the acquisition of total control of Sonae Distribuição, SGPS, SA (previously named Modelo Continente SGPS, S.A.) by Sonae, SGPS, SA, the company lost its status as a publicly quoted company, and was excluded from the official Lisbon Euronext stock exchange as from 22 September 2006. However, up to the above mentioned date, the shares of Modelo Continente, SGPS, S.A were traded on the Euronext Lisbon stock exchange with the following key technical information:

Company name:	Sonae Distribuição, SGPS, SA
Former company name:	Modelo Continente, SGPS, SA
Share capital:	1,100,000,000 Euro
Nominal value of shares:	1 Euro
Number of shares:	1,100,000,000
Stock exchange:	Euronext Lisbon
ISIN/Euronext Code:	PTMOC0AE0007
Reuters:	MDCT.IN1
Bloomberg:	MCON PL
Central Code:	MOCAE

1.5 Distribution of dividends

A dividend distribution of 0.05 Euro per share in relation to year 2005 was made, totalling 55 million Euro. In 2006, a distribution of 75 million Euro was made. In relation to 2007, a dividend distribution of 85 million Euro will be proposed at the Shareholders' General Meeting for those shares not held directly or indirectly by Sonae Distribuição, SGPS, S.A., which corresponds to a dividend pay-out ratio of approximately 50% of the consolidated net profits for the year.

1.6 Share Plans and Stock Option Plans

The Remuneration Committee of Sonae Distribuição SGPS, S.A. approved on 16 March 2005 the rules defining the conditions of the granting of a deferred compensation plan. The goal of this plan is to give the opportunity to managers to share in the value created by their direct involvement in the definition of strategy and management of the businesses. Those eligible are directors and managers of the Company whose involvement has the most impact on the performance of the businesses.

Deferred compensation is awarded by the management body concerning managers and by the Remuneration Committee concerning directors, as a percentage of the value of the annual performance premium awarded.

The amount of the deferred compensation varies in direct proportion to a portfolio of shares of Sonae, SGPS, SA. The compensation plans are valued on the date they are awarded at the share prices quoted on the Portuguese stock exchange of those shares making up the basket. For this, the lower of the following share prices is used: that at the close of business on the first working day after the Shareholders' General Meeting or the average closing price for the 30 days prior to the Shareholders' General meeting.

The Director/manager can choose to:
- acquire at zero cost three years after the award date a number of shares equal, in Euro, to the value of deferred compensation awarded and at the share prices mentioned above, or
- acquire three years after the award date, at the share price at the date of award, a number of shares calculated by applying the Black-Scholes model to the value in Euro of the deferred compensation awarded.

In either case, the acquisition can be made between exactly three years after the date of the award and the end of that year. The company reserves the right to give the equivalent value in cash instead of shares. The right to deferred compensation expires when the Director/manager leaves Sonae Distribuição group but continues up to the date of payment in the case of retirement. In case of death or permanent disability, the deferred compensation plan is valued at market prices and given to the individual or his/her heirs.

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 Auditor were those related to his official duties and his fees were paid as described in paragraph 1.10 below. Transactions with group companies or those controlled by Sonae Distribuição were made at arms length, were part of the normal business activity of the company.

1.8 Investor relations

Up until 21 September 2006, the company was a publicly quoted company listed on the Euronext Lisbon stock Exchange. As such, the company always followed the rule of expeditiously informing the capital markets of all relevant facts about the company, thus ensuring equal treatment to all parties involved and equal access to information by investors.

To that end, it used the normal channels of communication, putting special emphasis on using new information technologies. Here, the main highlight is the company website (www.sonaedistribuicao.pt) that acts as a focal point for a wide range of questions put by investors and the general public, as well as being a repository of historical information about the company, in particular financial statements, earnings announcements and the most important corporate presentations.

Although the company was de-listed from the Lisbon stock exchange on 22 September 2006 following a public sales offer for the entire share capital of the company by its majority shareholder, Sonae, SGPS, S.A, such practices of transparency and information sharing have continued unchanged. Also continuing its work unchanged is the Investor Relations Office, which is technically well equipped and has a dedicated team, acting as a focal point for the Portuguese and international investment community.

The Office helps a wide range of parties involved with the capital markets, in particular small private investors and the university community, as well as the main financial analysis teams in the Portuguese and international retail sector. Contact information is as follows:

Rua João Mendonça, 529 – 6ºDto
4464-501 Senhora da Hora (Matosinhos – Portugal)
Telefone: +351.22.9561958
Fax: +351.22.9561318
Email: investor.relations@modelocontinente.pt

1.9 Remuneration Committee

The Shareholders' General Meeting appoints a Remuneration Committee with the same term of office as the statutory bodies. Its mission, in accordance with paragraph 2 of Article twenty-six of the company's articles of association, is to approve the remuneration of members of the Board of Directors. At Sonae Distribuição SGPS, SA, the current Remuneration Committee is made up of Sonae SGPS, SA represented by Duarte Paulo Azevedo, and by Bruno Walter Lehmann.

1.10 Auditor's Annual Fees

The company's auditors are Deloitte & Associados, SROC, who, in 2007, billed the company and its affiliated and associated companies included in the consolidation, a total of 1,240,557 Euro (of which 103,780 Euro related to affiliates abroad). Of the total, 30.7% were audit and statutory audit fees, and 69.3% were for other services. These other services are provided by different specialists than those who are involved in audit, so that we believe that the independence of the auditor is assured.

1.11 Annual Remuneration of the Fiscal Council

To carry out its functions, the Fiscal Council of the company (elected by the Shareholders' General Meeting on 2 May 2007) was paid a total fixed remuneration of 33,000 Euro.

2 - Shareholder representation and voting rights

The articles of association of the company only allow participation in the Shareholders' General Meeting to shareholders with voting rights who can provide proof of their title as shareholders up to five days before the date of the meeting, in accordance with the terms of the law.

The presence of preferential shareholders without voting rights at shareholders' general meetings and their participation in discussion concerning items on the meeting's agenda, depends on authorisation from the Shareholders' General Meeting.

Each share corresponds to one vote.

Shareholders who are private individuals can be represented at Shareholders' General Meetings 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 will 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.

If the company is a publicly quoted company, shareholders can vote by correspondence, but only in relation to changes to the company's statutes and the election of statutory entities.

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 identity card, and in the case of a corporate entity, the signature should be authenticated by a notary public testifying to his/her status and powers.

Written voting papers shall only be considered valid when they clearly set out in an unambiguous manner:
a) the agenda item or items to which they refer;
b) the specific proposal to which they relate with an indication of the respective proposer or proposers;
c) the precise and unconditional voting intention on each proposal.

Nonetheless, a shareholder is permitted to include in a written voting paper, in relation to an identified proposal, the intention to vote against all alternative proposals, in relation to the same item on the agenda, without further specification.

It is assumed that shareholders have abstained from any proposals that are not specifically included in their written voting papers.

Nonetheless, a shareholder is permitted to include in a written voting paper, in relation to an identified proposal, the intention to vote against all alternative proposals, in relation to the same item on the agenda, without further specification.

It is assumed that shareholders have abstained from any proposals that are not specifically included in their written voting papers.

Correspondence votes do not count concerning decisions to be taken which were presented after the date on which these same votes were emitted.

It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person substituting him, to verify correspondence voting declarations, eliminating any votes relating to declarations that are not accepted.

It is the company's responsibility to ensure the confidentiality of correspondence votes until voting takes place.

All shareholders must provide the necessary proof of ownership of the shares that they hold by at least five days before the date of the General Meeting.

The individual company and consolidated financial statements and other documents required by law, as well as the proposals made by the Board of Directors for approval by the General meeting, will be available for consultation by shareholders at the head office and on the company's website (www.sonaedistribuicao.pt) as from fifteen days prior to the date of the Shareholders' Annual General Meeting, unless the General Meeting is constituted under the terms of article 54 of the Companies' Commercial Code.

The General Meeting may pass resolutions at the first meeting as long as shareholders representing over fifty percent of the share capital of the company are present or represented, unless the law demands a different quorum.

The Shareholders' General Meeting can be held using electronic means of communications, as long as the means, the authenticity of the voting slips and the security of the communications can be ensured.

With the publication of Decree Law number 76 A/2006 of 29 March, and within the time period legally stipulated, Sonae Distribuição, SGPS, S.A. made partial changes to its articles of association, from which resulted some adjustments to voting rights following Portuguese law and the recommendations of the CMVM.

3 - Company rules

3.1 Codes of conduct and Internal Regulations

Sonae Distribuição, SGPS, S.A. values and principles are widely spread and deeply rooted in the company's 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. Employees act scrupulously to comply with their duties of diligence and confidentiality in dealings with third parties, protecting the company's position in situations of conflict of interest. In this area, no written code of conduct for management bodies or other internal regulation relating to this subject exists.

3.2 Limits to exercising voting rights or to the transfer of shares, shareholders' agreements and special shareholders' rights

Over and above the statutory duties for exercising voting rights and the representation of shareholders, referred to in Chapter 2, there are no other limitations on exercising voting rights. The company has not taken any preventative measures to stop any hostile take over.

4

4.1 Management bodies

As at 31 December 2007, the Board of Directors of Sonae Distribuição SGPS, S.A. was made up as follows:

	Executive*	Non Executive*	Not Independent	Date first elected	End of Mandate
· Duarte Paulo Teixeira de Azevedo (Chairman)		x	x	31.03.2006	2009
· Nuno Manuel Moniz Trigoso Jordão (CEO)	x		x	31.03.1989	2009
· Ângelo Gabriel Ribeirinho dos Santos Paupério		x	x	29.08.1995	2009
· Álvaro Carmona e Costa Portela		x	x	31.03.2006	2009

** as defined in Regulation 10/2005 of the CMVM (Portuguese Stock Exchange Commission)*

The mandate of this Board of Directors is four years and ends in 2009. The directors were elected from a single list. No alternative list was presented by any shareholder. During 2007, the Board met 20 times, and the respective minutes were written up in the minute book. In the business executive decision making process, Nuno Jordão has broad overall coordination duties in the company, in line with the traditional duties of a CEO.

A brief curriculum vitae of each director now follows, with details of the most significant companies in which they hold directorships.

- Duarte Paulo Teixeira de Azevedo:
  Place of birth: Porto
  Date of birth: 31-12-1965
  Marital status: married
  Children: 3
  University degree in Chemical Engineering - Ecole Polytechnique Féderále de Lausanne, 1986
  Masters in Business Administration - MBA (ISEE), 1989
  Executive Retailing Program - Babson College, 1994
  Strategic Uses of Information Technology Program - Stanford Business School, 1996
  IMD - Breakthrough Program for Senior Executives – Lausanne, 2002
  CEO of Sonae, SGPS, SA and chairman of the Board of Directors of most of the companies controlled or in which Sonae SGPS has a majority shareholding (listed in the Notes to the Financial Statements of the companies concerned).

- Nuno Manuel Moniz Trigoso Jordão
  Place of birth: Lisbon
  Date of birth: 27-04-1956
  Marital status: married
  Children: 4
  University degree in Economics – ISCTE (University of Lisbon), 1978
  CEO of Sonae Distribuição, SGPS, SA and chairman of the Board of Directors of most of the companies controlled or in which this company has a majority shareholding (listed in the Notes to the Financial Statements of the companies concerned). Member of the Board of Directors of Sonae, SGPS, SA.

- Ângelo Gabriel Ribeirinho dos Santos Paupério:
  Place of birth: Vila Nova de Gaia
  Date of birth: 14-09-1959
  Marital status: married
  Children: 4
  University degree in Civil Engineering (FEUP), 1982
  Masters in Business Administration - MBA (ISEE), 1988
  CEO of Sonaecom, SGPS, SA and chairman of the Board of Directors of most of the companies controlled or in which this company has a majority shareholding (listed in the Notes to the Financial Statements of the companies concerned). Member of the Board of Directors of Sonae, SGPS, SA.

- Álvaro Carmona e Costa Portela
  Place of birth: Porto
  Date of birth: 04-07-1951
  Marital status: married
  Children: 3

University degree in Mechanical Engineering (FEUP), 1974
Masters in Business Administration - MBA (Universidade Nova de Lisboa), 1983
AMP / ISMP - Harvard Business School, 1997
CEO of Sonae Sierra, SGPS, SA and chairman of the Board of Directors of most of the companies controlled or in which this company has a majority shareholding (listed in the Notes to the Financial Statements of the companies concerned). Member of the Board of Directors of Sonae, SGPS, SA.

There now follows a summary of the history of each of the above mentioned directors as members of the Board of Directors of Sonae Distribuição, SGPS, S.A.:

- Duarte Paulo Teixeira de Azevedo: Has been a director since 31 March 2006 for the mandate from 2006 to 2009. Previously he was appointed on 6 September 1996 for the mandate from 1994 to 1997 and later was appointed for the mandate from 1998 to 2001, resigning on 31 March 2000 and was appointed again for the same mandate on 12 June 2001.

- Nuno Manuel Moniz Trigoso Jordão: Has been a director since 31 March 1989 having consecutive mandates from 1987 to 1989, from 1990 to 1993, from 1994 to 1997, from 1998 to 2001, from 2002 to 2005 and from 2006 to 2009.

- Ângelo Gabriel Ribeirinho dos Santos Paupério: Has been a director since 29 August 1995 in consecutive mandates from 1994 to 1997, from 1998 to 2001, from 2002 to 2005 and from 2006 to 2009.

- Álvaro Carmona e Costa Portela: Has been a director since 31 March 2006 for the mandate from 2006 to 2009. Previously he was appointed for the mandate from 1987 to 1989, and later for the mandate from 1990 to 1993, resigning on 26 March 1991. Later he was appointed for the mandate from 1994 to 1997, resigning on 6 September 1996.

In addition, there exists no Executive Committee or any other Committee with management competencies. No internal control committees were set up to evaluate the company governance or structure, since this evaluation is carried out during meetings of the Board of Directors. No list of incompatibilities was defined nor the maximum number of cumulative duties of directors in the management bodies of other companies. This was because directors of the company generally exercise management duties in companies belonging to Sonae Distribuição. None of the Board Directors mentioned above directly hold shares in Sonae Distribuição, SGPS, SA.

4.2 Remuneration

In 2007, the members of the Board of Directors of Sonae Distribuição were paid a total of 3,434,423 Euros, of which 2,900,903 Euros were performance bonuses. The performance bonus is indexed to a group of financial indicators that best align the interests of Directors with those of the company and its shareholders. Half of this bonus is deferred and will only be paid in 2011, and may increase or decrease, depending on share price performance. The Chairman of the Board of Directors was paid a fixed amount of 37,333 Euros.

In 2007, the remuneration of staff with responsibilities for the strategic management of the main companies of the Group (excluding members of the Board of Directors) was 4,302,137Euros, divided between 1,957,929 Euros of fixed remuneration and 2,344,208 Euros of performance bonuses.

The Board of Directors believes that the information given above concerning remunerations is sufficient and that to give details for each director goes beyond the general principles governing the duty to inform and is of marginal usefulness to shareholders' interests. In the same way, and because it would involve supplying information on an individual basis, no separate analysis is provided of remuneration paid to executive/non executive directors.

4.3 Policy for communicating irregularities

Sonae Distribuição pays very special attention to detecting, taking responsibility for and correcting in a timely manner irregularities that may occur within its organisation. The most frequent issues are concerned with mistakes from time to time in store operations (concerning customer attendance, the range of products or equipment, among others). The main way in which these are detected are through customers of the stores of the company in Portugal. Many of these customers make a complaint or leave a suggestion with the team of the store where the irregularity took place.

Sonae Distribuição values very highly these contacts since the customer is giving the company an opportunity to resolve a problem and identify areas of improvement that directly benefit that particular customer and others who are also affected.

In order to deal with these issues in a just and timely manner, the company developed some ten years ago a Suggestions and Complaints System, with a decentralised structure of contact persons in various departments of the organisation and under the direct responsibility and follow up of the Board of Directors. The Marketing department is responsible for the central coordination and control of the entire process, although the issues are dealt with and answers given to the customer by the unit directly concerned, with the knowledge and co-responsibility of the specific areas involved (e.g. Quality Control, Legal Department etc).

In 2006, with the Decree Law 156/2005 of 1 January 2006 coming into effect, which made a complaints book mandatory in commercial establishments, the system described above was strengthened.

At the same time, Sonae Distribuição SGPS, S.A. (as part of the Sonae Group) has an Ombudsman available to its employees and to the public in general. The Ombudsman functions as an entity that complements the suggestions and complaints procedure. He/she reports directly to the Chairman of the Sonae Group, and his/her mission is to ensure that claims, complaints and suggestions that are made by customers, suppliers and employees of the company are appropriately dealt with.

The post of the Ombudsman affirm and promote in an appropriate way the legally protected rights and interests of customers, users or suppliers of the company, ensure that justice is done, wrongs righted and improve the quality and efficiency of services provided by the company. He/she can be contacted at the following e mail address provedor@sonae.pt, or at the following address:

Lugar do Espido, Via Norte
Apartado 1011 - 4471-909 Maia - Portugal
Tel: +351 22 010 4631 - Fax: +351 22 010 4784

Matosinhos, 5 March 2008

Sonae Distribuição, SGPS, S.A.

Statement

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

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

Matosinhos, 5 March 2008

____

Duarte Paulo Teixeira de Azevedo (Presidente)

____

Nuno Manuel Moniz Trigoso Jordão (CEO)

____

Ângelo Gabriel Ribeirinho dos Santos Paupério

____

Álvaro Carmona e Costa Portela

Sonae Distribuição, SGPS, S.A.

NOTE RELATING TO ARTICLE 447 OF THE COMMERCIAL COMPANY CODE ("Código das Sociedades Comerciais")

Sucurities held by the members of corporate boards and respective transactions durind 2007

Shares	Date	Aquisitions		Disposals		Held at 31.12.2007
		Quantity	Average value €	Quantity	Average value €	Quantity
THE BOARD OF DIRECTORS						
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Migracom, SGPS, SA (3)						
Share capital increase	20.11.2007	20,000	76.45			69,996
Imparfin, SGPS, SA (4)						
Sale	10.12.2007			150,000	25.75	0
Sonae, SGPS, SA						
Sale	22.05.2007			593,616	2.03	
Shares atributed under a Share Based Compensation Plan	01.06.2007	147,376	0			
Sale	01.06.2007			147,376	2.17	3,293
Ângelo Gabriel Ribeirinho dos Santos Paupério						
Sonae, SGPS, SA						4,564
Alvaro Carmona e Costa Portela						
Sonae, SGPS, SA						25,934

Notes:						
(1) Efanor Investimentos, SGPS, SA						
Sonae, SGPS, SA						
Purchase	31.12.2007	14	1.98			658,804,424
Pareuro, BV (2)						20,000
(2) Pareuro, BV						
Sonae, SGPS, SA						400,000,000
(3) Migracom, SGPS, SA						
Sonae, SGPS, SA						
Purchase	22.05.2007	593,616	2.03			
Purchase	01.06.2007	147,376	2.17			
Purchase	31.12.2007	549,008	1.98			1,290,000
Imparfin, SGPS, SA (4)						
Purchase	23.07.2007	150,000	25.75			150,000
(4) Imparfin, SGPS, SA						
Sonae, SGPS, SA						4,105,273

NOTE RELATING TO ARTICLE 448 OF THE COMMERCIAL COMPANY CODE

Shares held by shareholders

Shareholders	Number of shares at 31.12.2007
Sonae, SGPS, SA (1)	824,780,810
Sonae Investments, BV	175,219,190

Notes:

(1) Efanor Investimentos, SGPS, SA	
Sonae, SGPS, SA	658,804,424
Pareuro, BV (2)	20,000
(2) Pareuro, BV	
Sonae, SGPS, SA	400,000,000

QUALIFIED PARTICIPATIONS

As required by article 8 nr.1 e) of Securities Market Regulation Board (CMVM) regulation 04/2004, the following shareholders with qualified participations at 31 December 2007

Shareholders		Number of shares	% Voting rights
Sonae, SGPS, SA		824,780,810	74.98%
Sonae Investments, BV		175,219,190	15.93%
Soflorin, BV (1)		100,000,000	9.09%
	Total attributable	1,100,000,000	100.00%

Note:
(1) Own shares as Soflorin,BV is 100% held by Sonae Distribuição, SGPS, SA

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

SONAE DISTRIBUIÇÃO, SGPS, S.A.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of consolidated financial statements originally issued in Portuguese - Note 45)

		IFRS	
ASSETS	Notes	31-12-2007	31-12-2006
NON CURRENT ASSETS			
Tangible assets	8	1,624,215,706	1,245,522,480
Goodwill	9	563,903,201	61,141,604
Intangible assets	8	154,559,265	149,164,529
Investments in associated companies	5	39,082,244	17,823,351
Other investments	10	999,170	34,230,053
Deferred tax assets	17	22,286,220	23,413,248
Other non-current assets	11	1,820,126	1,825,831
Total non-currents assets		2,406,865,932	1,533,121,096
CURRENT ASSETS			
Inventory	12	457,866,661	340,651,297
Trade accounts receivable	13	32,409,579	30,300,343
Other accounts receivable	14	121,819,762	75,878,963
Taxes recoverable	15	51,067,860	58,282,812
Other currents assets	16	23,492,179	12,315,265
Investments	10	57,208,737	33,261,362
Cash and cash equivalents	18	67,853,490	359,415,148
Total current assets		811,718,268	910,105,190
Non current assets held for sale	8	6,006,580	
TOTAL ASSETS		3,224,590,780	2,443,226,286
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	19	1,100,000,000	1,100,000,000
Own Shares	19	(205,000,000)	(205,000,000)
Reserves and retained earnings	19	(223,444,442)	(307,971,049)
Net profit for the year attributable to the shareholders of Parent company		167,492,214	158,079,602
Total equity attributable to the Shareholders of Parent company		839,047,772	745,108,553
Minority interests	20	12,096,474	10,930,910
TOTAL EQUITY		851,144,246	756,039,463
LIABILITIES			
NON-CURRENT LIABILITIES			
Bonds	21	1,100,672,731	593,166,278
Obligations under finance leases	21,22	5,554,636	8,051,112
Other Loans	21	276,330	313,779
Other non-current liabilities	24	12,702,606	13,001,800
Deferred tax liabilities	17	36,423,318	36,985,189
Provisions	29	16,278,593	21,978,393
Total non-current liabilities		1,171,908,214	673,496,551
CURRENT LIABILITIES			
Bank Loans	21	83,834,903	163,539,818
Obligations under finance leases	21,22	6,783,670	4,195,233
Other Loans	21	317,352	128,328
Trade accounts payable	26	835,856,284	637,520,855
Other accounts payable	27	80,848,547	77,110,117
Taxes and contributions payable	15	44,222,307	44,717,120
Other current liabilities	28	147,467,643	86,339,698
Provisions	29	2,207,614	139,103
Total current liabilities		1,201,538,320	1,013,690,272
TOTAL LIABILITIES		2,373,446,534	1,687,186,823
TOTAL EQUITY AND LIABILITIES		3,224,590,780	2,443,226,286

The accompanying notes are part of these consolidated financial statements

The Board of Directors

SONAE DISTRIBUIÇÃO, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE QUARTERS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of consolidated financial statements originally issued in Portuguese - Note 45)

		IFRS			
		2007		2006	
	Notes	4th Quarter 07 (1)	31-12-2007	4th Quarter 06 (1)	31-12-2006
Operational income					
Sales	35	956,306,560	3,238,947,595	863,287,660	2,959,534,901
Services rendered	35	34,476,166	145,720,912	30,046,529	131,025,942
Other operational income	36	94,931,305	317,911,045	88,094,984	268,460,965
Total operational income		1,085,714,031	3,702,579,552	981,429,173	3,359,021,808
Operational expenses					
Cost of sales	12	(729,296,975)	(2,517,317,555)	(673,146,983)	(2,323,628,133)
External supplies and services		(130,624,744)	(458,137,503)	(107,115,180)	(396,209,755)
Staff costs		(101,314,911)	(376,092,288)	(88,937,904)	(336,614,501)
Depreciation and amortisation	8	(22,613,472)	(87,048,798)	(20,985,151)	(80,340,741)
Provisions and impairment losses	29	(1,206,500)	(1,737,549)	49,223	(4,591,593)
Other operational expenses	37	(19,816,594)	(51,286,979)	(14,694,982)	(42,651,395)
Total operational expenses		(1,004,873,196)	(3,491,620,672)	(904,830,977)	(3,184,036,118)
Operational profit/(loss)		80,840,835	210,958,880	76,598,196	174,985,690
Financial income	38	9,596,429	19,471,969	5,665,144	14,350,125
Financial expenses	38	(18,350,145)	(54,153,947)	(10,885,527)	(32,911,158)
Net financial expenses	38	(8,753,716)	(34,681,978)	(5,220,383)	(18,561,033)
Profit/(loss) related to associated companies		147,455	247,316	344,266	836,951
Profit/(loss) related to investments		-	(587,173)	(820,407)	12,709,145
Profit/(loss) before income tax		72,234,574	175,937,045	70,901,672	169,970,753
Income Tax	39	(2,976,589)	(7,121,200)	(1,511,965)	(9,709,157)
Consolidated proft/(loss) for the perioc		69,257,985	168,815,845	69,389,707	160,261,596
Attributable to:					
Equity holders of Parent Company		68,764,950	167,492,214	68,882,978	158,079,602
Minority interests		493,035	1,323,631	506,728	2,181,994
Profit/(Loss) per share (Basic and Diluted)	40	0.07	0.17	0.06	0.15

(1) Unaudited Income Statements

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of consolidated financial statements originally issued in Portuguese - Note 45)

	Notes	Attributable to Shareholders of Parent Company								Minority Interests	Total Equity
		Share Capital	Own Shares	Legal Reserves	Currency Translation Reserve	Hedging Reserve	Others Reserves and Retained Earnings	Net Profit/(Loss)	Total		
Balance as at 1 January 2006	19	1,100,000,000	-	90,200,000	125,389	-	(557,829,549)	214,122,570	846,618,410	8,717,734	855,336,144
Appropriation of consolidated profit of 2005											-
Transfer to legal reserves and retained earnings		-	-	-	-	-	214,122,570	(214,122,570)	-	-	-
Dividends distributed		-	-	-	-	-	(55,000,000)	-	(55,000,000)	-	(55,000,000)
Acquisition of own shares	19		(205,000,000)	-	-	-	-	-	(205,000,000)	-	(205,000,000)
Changes in reserves									-		-
Changes in fair value		-	-	-	-	-	22,000	-	22,000	-	22,000
Generated in the year		-	-	-	385,320	-	-	-	385,320	-	385,320
New companies acquired	20	-	-	-	-	-	-	-	-	31,182	31,182
Others		-	-	-	-	-	3,221	-	3,221	-	3,221
Net Consolidated profit for the period		-	-	-	-	-	-	158,079,602	158,079,602	2,181,994	160,261,596
Balance as at 31 December 2006		1,100,000,000	(205,000,000)	90,200,000	510,709	-	(398,681,758)	158,079,602	745,108,553	10,930,910	756,039,463
Balance as at 1 January 2007	19	1,100,000,000	(205,000,000)	90,200,000	510,709	-	(398,681,758)	158,079,602	745,108,553	10,930,910	756,039,463
Appropriation of consolidated profit of 2006											-
Transfer to legal reserves and retained earnings		-	-	4,800,000	-	-	153,279,602	(158,079,602)	-	-	-
Dividends distributed	41	-	-	-	-	-	(75,000,000)	-	(75,000,000)	(10,256)	(75,010,256)
Changes in reserves									-		-
Changes in fair value		-	-	-	-	919,624	-	-	919,624	-	919,624
Generated in the year		-	-	-	593,913	-	-	-	593,913	-	593,913
Transfers to net income		-	-	-	-	(381,455)	-	-	(381,455)	-	(381,455)
Acquisition of subsidiaries	20	-	-	-	-	-	-	-	-	116,869	116,869
Others		-	-	-	-	-	314,923	-	314,923	(264,680)	50,243
Net Consolidated profit for the period		-	-	-	-	-	-	167,492,214	167,492,214	1,323,631	168,815,845
Balance as at 31 December 2007		1,100,000,000	(205,000,000)	95,000,000	1,104,622	538,169	(320,087,233)	167,492,214	839,047,772	12,096,474	851,144,246

The accompanying notes are part of these consolidated financial statements

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of consolidated financial statements originally issued in Portuguese - Note 45)

OPERATING EXPENSES	Notes	31-12-2007	31-12-2006
Cash receipts from trade debtors		3,379,348,706	3,162,265,711
Cash paid to trade creditors		(2,718,261,054)	(2,533,510,663)
Cash paid to employees		(367,381,880)	(331,977,598)
Cash flow generated by operations		293,705,772	296,777,450
Income taxes paid/(received)		(5,664,945)	(18,178,530)
Other cash receipts/payments from operating activities		1,672,760	13,082,081
Net cash flow operating activities (1)		289,713,587	291,681,001
INVESTMENTS ACTIVITIES			
Cash receipts related to:			
Investments			
Disposal of subsidiaries	6	10,137,318	12,564,414
Other investments	14	22,369,435	16,573,114
Tangible and intangible assets		44,005,165	22,268,037
Interest and similar income		13,574,458	8,812,177
Dividends		225,169	162,169
Loans granted	33	359,425,000	1,102,358,000
		449,736,545	1,162,737,911
Cash payments related to:			
Investments			
Acquisition of subsidiaries	6	(612,720,553)	235,751
Capital increase in subsidiaries	5	(21,011,577)	-
Other investments	27	(24,870,137)	(43,275,936)
Tangible and intangible assets		(236,120,750)	(220,199,054)
Loans granted	33	(359,433,190)	(1,089,388,739)
		(1,254,156,207)	(1,352,627,978)
Net cash used in investment activities (2)		(804,419,662)	(189,890,067)
FINANCING ACTIVITIES			
Cash receipts related to:			
Loans obtained		2,297,644,251	1,639,076,000
Capital increases in subsidiaries		50,036	16,000
		2,297,694,287	1,639,092,000
Cash payments related to:			
Loans obtained		(1,956,125,925)	(1,656,064,963)
Interest and similar charges		(45,346,651)	(27,879,887)
Dividends		(75,010,292)	(54,999,980)
Acquisition of own shares		-	(205,000,000)
		(2,076,482,868)	(1,943,944,830)
Net cash from/(used in) financing activities (3)		221,211,419	(304,852,830)
Net increase/(decrease) in cash and equivalents (4) = (1) + (2) + (3)		(293,494,656)	(203,061,896)
Effect of foreign exchange rate		(72,602)	20,759
Cash and cash equivalents at the beginning of the year	18	(357,690,994)	(560,773,649)
Cash and cash equivalents at the end of the year	18	64,268,940	357,690,994

The accompanying notes are part of these consolidated financial statements

The Board of Directors

1. INTRODUCTION

SONAE DISTRIBUIÇÃO, SGPS, S.A. ("the Company" or "Sonae Distribuição"), formerly known as Modelo Continente, SGPS, S.A., is a Portuguese Corporation, holds its head-office in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Portugal is the Parent-company of a group of companies, as detailed in Notes 4 and 5 ("Sonae Distribuição Group") which main activities are detailed in Note 42.

The attached financial statements are presented in Euro as it is the preferentially used currency in the economic environment where the Group operates. The foreign operations which functional currency is not the Euro are included in the final statements according to the policy described in Note 2.2.d).

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1. Basis of presentation

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Notes 4 and 5) on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") applicable on 1 January 2007, as adopted by the European Union.

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

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

On 1 January 2007, the following interpretations came into effect: IFRIC 7 - "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"; IFRIC 8 - "Scope IFRS 2"; IFRIC 9 - "Reassessment of Embedded Derivatives" and IFRIC 10 - "Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any material changes in the Group's accounting policies and financial statements as at 31 December 2007.

As at 31 December 2007 the following standards and interpretations were in issue: IAS 23 Revision "Borrowing Costs", IFRS 8 - "Operating segments", IFRIC 13 - "Customer Loyalty Programmes", IFRIC 11 IFRS 2 - "Group and Treasury Share Transactions" and IFRIC 12 - "Service Concession Arrangements". At the issuance date of these financial statements, these Standards and Interpretations were in issue but not yet effective, and therefore have not been applied in these financial statements. The application of these changes will not produce material changes in the future financial statements of the Group with the exception of changes in segment disclosures required by IFRS 8, which will result in an increase of segment disclosure and information to the segments analyses. Its application only is compulsory for year beginning on or after 1 January 2009.

At 31 December 2007, the endorsement process by the European Union has not yet been completed for the following standards or interpretations: IAS 23 revision, IFRS8, IFRIC12 and IFRIC13.

These consolidated financial statements have been prepared under the historical cost convention, except for some financial instruments which are measured at fair value (Note 2.11).

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 govern the 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 the Group 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 the Group until the minority's share of losses previously absorbed by the equity holders of the Group has been recovered.

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

The results of Subsidiaries 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.

Whenever the Group has, in the 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.

b) Investments in Associated Companies

Investments in associated companies (companies where the Group holds a significant influence but does not hold the control or the joint control over the decisions, through the participation in the financial and operating decisions – 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 the 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.c)), which is included in the caption Investment in associated companies. Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired under the caption Share of profit of associates.

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

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value, unless the Group is committed beyond the associate, in which case a provision is recorded on that amount.

The Group's share in unrealized gains arising from transactions with associated companies is eliminated, proportionately to the Group's interest in the associated companies against the carrying amount of the investment in the same associated company. Unrealized losses are similarly 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 5.

c) <u>Goodwill</u>

The excess of the cost of acquisition of investments in subsidiaries, jointly controlled and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill or as Investments in associated companies (Note 8). 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 recognized in the period are recorded in the income statement under the caption Provisions and impairment losses.

Impairment losses related with goodwill cannot be reversed.

Any excess of the Group's share in the fair value of identifiable assets and liabilities in group 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.

<u>Goodwill recognised prior to the transition date</u>

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

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the financial statements of foreign companies are translated to euro using exchange rates at the balance sheet date. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under Currency translation reserves in Reserves and retained earnings. Exchange rate differences that were originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Retained Earnings.

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the balance sheet date.

Whenever a foreign company is sold, accumulated exchange rate differences are recorded in the income statement as a gain or loss from the disposal of financial investments.

Exchange rates used on translation of foreign group and associated companies are listed below:

	31.12.07		31.12.06	
	End of Period	Average of Period	End of Period	Average of Period
Brazilian real	0.38516	0.37577	0.35564	0.36658

2.3. Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated 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 becomes ready for use, over the expected useful life for each class of assets and recorded in “Depreciation and Amortisation” on the consolidated financial statements.

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

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

	Years
Buildings	50
Basic equipment	10 a 15
Transport equipment	5
Tools and containers	4
Fixture and fittings	10
Other tangible assets	5

Maintenance and repair costs related to tangible assets are recorded directly as costs in the year they are incurred.

Tangible assets in progress represent fixed assets still in course of construction/promotion and are stated at acquisition cost net of eventual impairment losses. These assets are depreciated from the date they are completed or become ready for use.

Gains or losses on sale or disposal of tangible assets are calculated as 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 losses”.

2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of depreciations and accumulated impairment losses. Intangible assets are only recognized if, inherent to these, it is probable those future economic benefits will flow for the Group, 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 to the maintenance and development of software are recorded as an expense in the period in which they are incurred. Only the costs directly attributable to projects for which the existence of future economic benefits is probable are capitalized as intangible assets.

Depreciation is computed, starting from the date of completion or from the date the assets are available for use, on a straight line basis in accordance with the estimated useful life, usually 5 years and recorded in “Depreciation and Amortisation” on the consolidated financial statements.

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

2.5. Accounting for leases

Accounting for leases where the Group is the lessee

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

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

Tangible assets acquired through finance lease agreements 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 expenses for depreciable assets are recorded in the income statement in the period in which they are incurred.

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

Accounting for leases where the Group is the lessor

For operating lease agreements where the Group is lessor, assets remain recorded in the Group’s balance sheet, and the revenue is recognized on a straight line basis during the period of the agreement.

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

Grants related to incurred costs are recorded as profit in the extent there is a reasonable assurance that these will be received, that the granted costs have already been incurred and that the Company will comply with the conditions necessary for its grant.

2.7. 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 recorded in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset’s net sale price less costs to sell and its value in use. Net sale price 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.

2.8. Borrowing costs

Borrowing costs are usually recognized as an expense in the period in which they are incurred.

Borrowing costs relating directly to the acquisition, construction or production of fixed assets are capitalized as part of the cost of the qualified asset. Borrowing costs are capitalized from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the asset is suspended. Any eventual financial income derived from a loan obtained and allocable to a qualifying asset, are deducted to the financial expenses that qualify for capitalization.

2.9. Inventories

Inventories held by the group are stated at acquisition cost, deducted from quantity discounts received or to be received from suppliers, which is lower than their market value. Inventories are valued at the last purchase price. Considering the rotation level of inventories at the stores this method is not materially different from FIFO or weighted average cost.

The difference between the inventory cost and its net realizable value, if negative, is recorded as an operating expense under Cost of sales.

2.10. Provisions

Provisions are recognized 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 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 involved parties.

2.11. Financial instruments

The Group classifies the financial instruments in the categories presented and conciliated with the Consolidated Balance Sheet as disclosed in Note 21.

a) Investments

Investments are classified into the following categories:

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

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

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

The Company classifies an available-for-sale investment 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 fair value, which is the fair value of the consideration paid for them, including transaction costs in the case of available for sale assets and held to maturity investments.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently recorded at fair value excluding any deduction of transaction costs which may be incurred during its sale taking into consideration the stock market price at the balance sheet date. Investments in equity instruments that do not have a market price and whose fair value cannot be reliably measured are stated at cost less impairment losses.

Gains or losses arising from changes in fair value of available-for-sale investments are recorded directly under the Fair value reserve in Equity, until the investment is sold or otherwise disposed of, or until it is considered to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to net profit or loss for the period.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period under financial expenses or gains.

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

b) Accounts receivable

Trade accounts receivables and other accounts receivable are recorded at their nominal value and presented in the consolidated balance sheet net of eventual impairment losses, recognised under the allowance account Impairment losses on accounts receivable , in order to reflect its net realisable value.

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received.
For this purpose, each group company take into consideration market information that evidences that the client is not accomplishing its responsibilities as well as historic information about due and not received balances.

Recognized Impairment losses equal the difference between the carrying amount of the receivable and the corresponding present value of the estimated future cash-flows, discounted at the initial effective interest rate. The initial effective interest rate is considered null when the collection is expected within one year.

c) Classification as Equity or Liability

Financial liabilities and equity instruments are classified and accounted for based upon 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 accrual basis, in accordance with the accounting policy defined in Note 2.8. The portion of the interest charge regarding up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable and other accounts payable

Trade and other 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.

The Group's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the transaction being hedged is highly probable.

Cash flow hedge instruments used by the Group to hedge the exposure to changes in the interest rates of its loans are initially accounted for at value and subsequently adjusted to the corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recorded in the income statement over the same period in which the hedged instrument affects the income statement.

The fair value of these instruments is estimated by the Group using specific software 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.

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 and deferred in equity under the caption Hedging reserve are transferred to profit and loss of the year or in 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 the derivatives, despite being negotiated to hedge financial risks inherent to the business (essentially, currency "forwards" to hedge future imports), do not fulfil 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 when these are not stated at fair value. Gains and losses which are not realizable are recorded in the Income statement.

Additionally, the Group also negotiates, in specific situations, interest rate derivatives and foreign exchange rate derivatives directed to hedge fair values. In these cases, the derivatives are stated at fair value through the Income statement. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through the profit and loss.

g) Equity instruments

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

h) Cash and cash equivalents

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

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

i) Own shares

Own shares are recorded at acquisition cost as a deduction to equity. Profit or losses resulting from disposal of own shares are recorded directly in equity not affecting the profit or loss for the period.

2.12. Share-based payments

Share based payments result from Deferred Performance Bonus Plans that are referenced to the evolution of the Sonae SGPS, SA shares' price.

Share based payments liabilities are measured at fair value on the date they are granted (usually in March 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 and non-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 when referring to shares or call options which can be net settled through down payment. In the case of equity-settled share-based payment transactions, these obligations are stated as

Personnel expenses and Reserves and are recorded on a straight line basis between the date the shares are granted and their vesting date.

2.13. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, 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 the existence of future economic benefit is probable.

2.14. Income tax

The tax charge for the year is determined based on the taxable income of each company included in the consolidation perimeter taking into consideration deferred taxes when applicable.

Current income tax is determined based on the taxable income of companies included in the consolidation, in accordance with the tax rules in force in their respective country of incorporation, considering the interim period income and using the estimated effective average annual income tax rate.

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 expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized 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 recognized and expected to reverse in the same period.

Deferred tax assets and liabilities are not recognized when the temporary differences arise from goodwill or from the initial recognition of assets and liabilities except if the referred assets and liabilities are recognized in result of a business combination.

At each balance sheet date a review is made of the deferred tax assets recognized, being 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.

2.15. Revenue recognition and accrual basis

Revenue from the sale of goods is recognized in the consolidated 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 recorded 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 recorded in the consolidated income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

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

Dividends are recognized as income in the year in which 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 in future years, thus being recorded in the income statement of the future period.

2.16. Balances and transactions expressed in foreign currencies

Transactions are recorded in the financial statements of each subsidiary based on the functional currency of that subsidiary using the exchange rates on the date of each transaction.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each entity at the foreign exchange rates prevailing as of 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 subsidiary, using the exchange rate at the date the fair value was determined.

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

When exposure to currency risk is aimed to be minimized, the Group negotiates hedging currency derivatives (Note 2.11.f)).

2.17. Subsequent events

Post-balance-sheet events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-balance-sheet events that are not adjusting events are disclosed in the notes to the consolidated financial statements when considered to be material.

2.18. Judgement and estimates

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

a) Useful lives of the tangible and intangible assets;
b) Impairment analysis of goodwill and of tangible and intangible assets;
c) Recognition of adjustments on assets, namely inventories, accounts receivable and provisions;
d) Computation of responsibilities associated with customers loyalty programs

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

2.19. Segment information

In each year the segments applicable to the group are identified. As at 31 December 2007 no secondary segment was identified, considering that the Group operates mainly in Portugal, and that a business segment was chosen as a primary segment.

Information regarding business and geographic segments identified is included in Note 42.

3. FINANCIAL RISK MANAGEMENT

Risk management general principles are approved by the Board of Directors, and its implementation is supervised by the group's finance department.

1 – Market risk

The interest and exchange rate risk have a decisive importance in the Group's market risk management.

The Group uses derivatives to hedge certain exposures related to its market risk and does not enter into derivatives or other financial instruments for trading or for speculative purposes.

1.1– Interest rate risk

The group exposure to the interest rate risk arises mainly from the long term loans which bear interests indexed to Euribor.

The group aim is to limit the cash-flow and net income volatility having in mind their operational activity profile by the use of an adequate combination of variable and fix rate debt. Group's policy allows interest rate derivates usage in order to reduce Euribor's variability exposure and not for speculative purposes.

Derivatives used by the group in interest rate risk management qualify as hedging instruments as they configure perfect hedging operations. 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 exposure to interest rate risk is estimated to be reduced as, if interest rates of euro denominated financial instruments had been 75 basis points higher/lower during 2007, the consolidated net profit before tax for the year ended 31 December 2007 would decrease/increase by approximately 4.1 million euro (2.0 million euro decrease/increase in 2006 consolidated net profit before tax), considering the contractual refixing dates and excluding other effects arising from the company operations.

1.2 – Exchange rate risk

The impact on the financial statement of changes in foreign exchange rates is reduced, as the most part of the operational cash-flows are denominated in Euro. The group is only exposed to foreign exchange rate risk due to purchases of inventories denominated in US Dollars.

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

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

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

	ASSETS		LIABILITIES	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Brazilian real	1,311,595	959,795	4,585,100	650,094
British pound	-	11,260	113,478	77,814
US dollar	877,150	1,059,536	3,574,320	1,118,970
Hungarian Florins	61,351	78,770	-	-

Considering the exposure above, which is considered immaterial, no sensitivity analysis is disclosed.

2 – Liquidity risk

The purpose of liquidity risk management is to ensure, at all times, that the group has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy, through the management of the trade off cost and maturity of debt.

The group follows an active policy of re-financing its debts by maintaining a high level of unused and available on demand resources to face short term needs and by increasing or maintaining an adequate debt maturity, according to the estimated cash-flows, and to the capability of leveraging its balance sheet.

Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination is also considered as an important mean of managing liquidity risk. The group also assures, in its relationship with financial institutions, a high level of diversification of financing sources and counterparties, in order to ease the ability of entering new loan agreements and to minimize the effects of any relationship discontinuance.

The liquidity analysis of each class of financial liabilities is presented in the corresponding notes.

3 – Credit risk

The group is exposed to the credit risk in its current operational activity. The credit risk in the scope of its current operational activity is managed through a system of gathering financial and qualitative information from independent entities that supply risk information, in order to allow the assessment of credit risk from debtors. The credit risk from suppliers arises from advances made to or discounts billed to suppliers and is mitigated by the expectation of maintaining the commercial relationship. The amounts presented in the balance sheet are net of impairment losses, thus reflect its fair value.

The group is also exposed to the credit risk in its relationship with financial institutions, in result of bank deposits, debt instruments available facilities, derivates, among others.

The credit risk is limited by risk concentration management, and by a selection of counterparties, which have a high national and international prestige, with at least a credit rating of BBB or an equivalent rating issued by other international agencies.

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The subsidiaries, its head offices and percentage of capital held as of 31 December 2007 and 2006 are as follows:

	Company	Head Office	% held 31.12.2007 Direct	% held 31.12.2007 Total	% held 31.12.2006 Direct	% held 31.12.2006 Total
	Parent Company					
	Sonae Distribuição SGPS, S. A.	Matosinhos				
	Sonae Distribuição					
	Best Offer – Prestação de Informações pela Internet, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Bertimóvel - Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Bikini, Portal de Mulheres, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
g)	Cacetinho – Comércio Retalhista e Expl. Centros Comerciais, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Canasta – Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Carnes do Continente – Industria e Distribuição Carnes, S.A.	Santarém	100.00%	100.00%	100.00%	100.00%
	Chão Verde - Sociedade de Gestão Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Citorres - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Cumulativa - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Contibomba - Comércio e Distribuição de Combustíveis, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Contimobe - Imobiliária de Castelo de Paiva, S.A.	Castelo de Paiva	100.00%	100.00%	100.00%	100.00%
j)	Continente Hipermercados, S.A.	Lisbon	99.86%	99.86%	-	-
	Difusão - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Distrifin - Comercio y Prestacion de Servicios, S.A.	Madrid(Spain)	100.00%	100.00%	100.00%	100.00%
	Efanor – Design e Serviços, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Efanor - Industria de Fios, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Equador & Mendes - Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	75.00%	67.50%
	Estevão Neves - Hipermercados da Madeira, S.A.	Funchal	100.00%	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Fozmassimo - Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
b)	Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	Lisbon	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	Maia	100.00%	100.00%	100.00%	100.00%
	Global S Hipermercado, Lda.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	IGI – Investimento Imobiliário, S.A.	Porto	100.00%	100.00%	100.00%	100.00%
	Igimo – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
e)	Iginha – Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	-	-
	Imoconti – Sociedade Imobiliària, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imoestrutura – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Imomuro – Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
f)	Imoponte – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Imoresultado – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Imosistema – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Infofield – Informática, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Inventory - Acessórios de Casa, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Marcas MC, zRT	Budapest	100.00%	100.00%	100.00%	100.00%
m)	Maxoffice – Artigos e Serviços para Escritório, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	MJLF-Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo - Distribuição de Materiais de Construção, S.A.	Maia	50.00%	50.00%	50.00%	50.00%
	Modalfa – Comércio e Serviços, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo.Com - Vendas por Correspondência, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
a)	Modelo – Sociedade Gestora de Participações Sociais, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo Continente Hipermercados, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Modelo Continente – Operações de Retalho, S.G.P.S., S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
h)	Modelo Continente Seguros – Sociedade de Mediação, S.A.	Porto	75.00%	75.00%	-	-
	Modelo Hiper Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
k)	Modelo Hipermercados Trading, S.A.	Madrid(Spain)	100.00%	100.00%	-	-

	Company	Head of Office	% of capital held 31.12.2007 Direct	Total	% of capital held 31.12.2006 Direct	Total
g)	Modis - Distribuição Centralizada, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
d)	NA - Equipamentos para o Lar, S.A.	Matosinhos	100.00%	100.00%	-	-
d)	NA - Comércio de Artigos de Desporto, S.A.	Matosinhos	100.00%	100.00%	-	-
	Nova Equador Internacional - Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	75.00%	67.50%
l)	Nova Equador P.C.O. E Eventos, Sociedade Unipessoal, Lda	Lisbon	100.00%	100.00%	-	-
g)	Ok Bazar - Comércio Geral, S.A.	Ermesinde	100.00%	100.00%	100.00%	100.00%
a)	Parcium Imobiliária, S.A.	Porto	100.00%	100.00%	100.00%	100.00%
c)	Pharmacontinente-Saúde e Higiene, S.A.	Matosinhos	100.00%	100.00%	-	-
	Predicomercial – Promoção Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Peixes do Continente-Indústria e Distribuição de Peixes, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Solaris Supermercados, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Selifa - Sociedade de Emprendimentos Imobiliários de Fafe, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Sempre à Mão - Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Sesagest – Projectos e Gestão Imobiliária, S.A.	Porto	100.00%	100.00%	100.00%	100.00%
	Sociloures – Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Socijofra – Sociedade Imobiliária, S.A.	Gondomar	100.00%	100.00%	100.00%	100.00%
	Soflorin, B.V.	Amsterdam (Holand)	100.00%	100.00%	100.00%	100.00%
	Sonae Capital Brasil, Ltda	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	SM Empreendimentos Imobiliários, Ltda	Porto Alegre (Brazil)	100.00%	100.00%	100.00%	100.00%
	Sonae Retalho España – Servicios Generales, S.A.	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Sondis Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Sontária - Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Sonvecap, B.V.	Amsterdam (Holand)	100.00%	100.00%	100.00%	100.00%
	Sport Zone – Comércio de Artigos de Desporto, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
g)	SRE - Projectos e Consultadoria, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Star-Viagens e Turismo, S.A.	Lisbon	90.00%	90.00%	90.00%	90.00%
	Tlantic Sistemas de Informação, Ltda	Porto Alegre (Brazil)	100.00%	100.00%	100.00%	100.00%
	Todos os Dias – Comércio Ret. E Explor.Centros Comerciais, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
i)	Valor N, S.A.	Matosinhos	100.00%	100.00%	-	-
	Worten – Equipamentos para o Lar, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
k)	Worten España, S.A.	Madrid (Spain)	100.00%	100.00%	-	-

These companies have been included in the consolidation by the integral consolidation method.

a) Companies merged into Sonae Distribuição, SGPS, S.A. on 1 January 2007.
b) Company liquidated on 30 March 2007.
c) Company incorporated on 9 February 2007.
d) Companies incorporated on 29 March 2007.
e) Company acquired on 11 April 2007.
f) Company sold on 31 May 2007.
g) Companies merged into Modelo Continente Hipermercados, S.A. on 1 April 2007.
h) Company acquired on 16 July 2007.
i) Company acquired on 10 December 2007.
j) Company acquired on 31 December 2007, ex-Carrefour (Portugal) - Soc. Exploração de Centros Comerciais, S.A.
k) Company incorporated on 20 December 2007.
l) Company incorporated on 10 October 2007.
m) Company extinct during 2007.

5. INVESTMENTS IN ASSOCIATED COMPANIES

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

Company	Head Office	% of Capital held 31.12.2007 Direct	% of Capital held 31.12.2007 Total	% of Capital held 31.12.2006 Direct	% of Capital held 31.12.2006 Total	Book Value 31.12.2007	Book Value 31.12.2006
Fundo de Investimento Imobiliário Fechado Imosede	Maia	42.16%	42.16%	33.81%	33.81%	34,616,937	13,734,183
Mundo Vip - Operadores Turísticos, S.A.	Lisbon	33.33%	33.33%	33.33%	33.33%	2,851,706	3,023,478
Sonaegest - Soc. Gestora de Fundos de Investimento,S.A.	Maia	40.00%	40.00%	40.00%	40.00%	669,644	558,894
Sempre a Postos - Produtos Alimentares e Utilidades, S.A.	Lisbon	25.00%	25.00%	25.00%	25.00%	943,957	506,796
						39,082,244	17,823,351

Associated companies were included in the consolidation under the equity method, as referred to in Note 2.2.b).

Additionally, the aggregated amounts of main financial indicator's of these associated companies are as follows:

	Total Assets 31.12.07	Total Assets 31.12.06	Total liabilities 31.12.07	Total liabilities 31.12.06	Income 31.12.07	Income 31.12.06	Profit/loss for the year 31.12.07	Profit/loss for the year 31.12.06
Fundo de Investimento Imobiliário Fechado Imosede	86,008,228	65,406,375	5,333,873	24,787,718	4,340,775	1,622,716	(504,340)	618,857
Mundo Vip - Operadores Turísticos, S.A. a)	7,742,898	8,845,246	7,265,602	8,213,892	62,864,853	66,756,878	(154,058)	132,389
Sonaegest - Soc. Gestora de Fundos de Investimento,S.A.	1,858,032	1,496,438	183,920	99,199	789,439	406,916	276,873	20,693
Sempre a Postos - Produtos Alimentares e Utilidades, S.A.	13,803,088	15,011,792	10,027,258	12,984,606	64,482,822	59,443,674	1,748,644	408,622
	109,412,246	90,759,851	22,810,653	46,085,415	132,477,889	128,230,184	1,367,119	1,180,561

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

	31.12.2007 Non-current	31.12.2007 Current	31.12.2006 Non-current	31.12.2006 Current
Investments in associated companies				
Balance as at 1 January	17,823,351	-	8,080,761	-
a) Increases	21,011,577	-	16,383,901	-
Transfers (Note 8)	-	-	(7,478,262)	-
Equity method effect	247,316	-	836,951	-
Balance as at 31 December	39,082,244	-	17,823,351	-

a) In 2007 refers to capital increase of Fundo de Investimento Imobiliário Fechado Imosede, amounting to 21,011,577 Euro. In 2006 the increase includes the incorporation of Fundo de Investimento Imobiliário Fechado Imosede, as well as the acquisition cost of the Mundo Vip – Operadores Turísticos, S.A.

6. CHANGES IN CONSOLIDATED PERIMETER

The main purchases and disposals of companies during the year ended 31 December 2007 were as follows:

6.1- Acquisitions

Company	Head Office	% of capital held 31.12.2007 Direct	% of capital held 31.12.2007 Total	% of capital held 31.12.2006 Direct	% of capital held 31.12.2006 Total
Iginha-Sociedade Imobiliária, S.A	Matosinhos	100,00%	100,00%		
Modelo Continente Seguros-Sociedade de Mediação, Ldª	Porto	75,00%	75,00%		
Valor N, S.A.	Matosinhos	100,00%	100,00%		
Continente Hipermercados, S.A.	Lisbon	99,86%	99,86%		

The purchases referred to above had the following impact on the consolidated financial statements as at 31 December 2007:

	Purchase date: Others Book Value	Purchase date: Others Fair value Adjustments	Purchase date: Others Fair value	Purchase date: Continente Hipermercados Book Value	Purchase date: Total	31.12.2007
Acquired net assets						
Tangible and intangible assets (Note 8)	14,120,204	1,341,202	15,461,406	267,013,229	282,474,635	285,320,526
Other current assets	1,735,726		1,735,726	40,264,328	42,000,054	40,399,583
Cash and cash equivalents	510,473		510,473	1,347,294	1,857,767	1,801,528
Deferred taxes	8,808	(355,418)	(346,610)	1,845,583	1,498,973	1,564,950
Loans	(6,821,755)		(6,821,755)	(83,038,919)	(89,860,674)	(83,038,919)
Other liabilities	(8,696,570)		(8,696,570)	(150,218,081)	(158,914,651)	(167,654,589)
	856,886	985,784	1,842,670	77,213,434	79,056,104	78,393,079
Goodwill (Note 9)			377,371	504,847,714	505,225,085	
Minority interests			(12,476)	(104,393)	(116,869)	
Aquisition price			2,207,565	581,956,755	584,164,320	
Payments made			9,029,320	611,200,000	620,229,320	
Amounts receivable as result of the price adjustment				(30,414,000)	(30,414,000)	
Financial debts up to the acquisition date			(6,821,755)		(6,821,755)	
Acquisitions costs				1,170,755	1,170,755	
			2,207,565	581,956,755	584,164,320	
Net cash flow from acquisition						
Payments made			9,029,320	611,200,000	620,229,320	
Costs from acquisition				1,170,755	1,170,755	
Inter company loans at acquisition date			(6,821,755)		(6,821,755)	
Cash and cash equivalents			(510,473)	(1,347,294)	(1,857,767)	
			1,697,092	611,023,461	612,720,553	

The impact of the above mentioned acquisitions on the consolidated income statement is as follows:

Operational income		791,800
Operational costs		(1,139,987)
Financial profit/(loss)		(605,994)
	Net profit before tax	(954,181)
Income tax		64,730
	Net profit/(loss) for the period	(889,451)

Had the above mentioned concentrations been reported to 1 January 2007, the operational income would have increased by 589,137,736 Euro.

The subsidiary Continente Hipermercados was acquired by the end of 2007, therefore no fair value allocation to acquired assets was made. The fair value estimate of acquired assets will be made during 2008. Consequently the value of the goodwill is considered to be provisional.

6.2 - Disposals

Company	Head Office	% of capital held Disposal date Direct	Total	% of capital held 31.12.2006 Direct	Total
Imoponte-Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%

Net assets of this subsidiary as at the date of disposal are as follows:

	Disposal of a subsidiary	31.12.2006
Net assets disposed of		
Tangible assets	9,928,909	9,700,630
Deferred tax assets (note 17)	910,761	871,296
Other current assets	150,897	150,544
Cash and cash equivelents	3,683	421
Other non current liabilities	(4,316,000)	(11,837,000)
Deferred tax liabilities (note 17)	(12)	(16)
Other current liabilities	(10,396)	(920,356)
	6,667,842	(2,034,481)
Loss on disposal	(842,841)	
Disposal price	5,825,001	
Net cash inflow from the disposal		
Cash received	10,141,001	
Cash and cash equivalents disposed of	(3,683)	
	10,137,318	
Intra-group loans at disposal date	(4,316,000)	
Enterprise Value	5,821,318	

The Intra-group loans above refers to inter company loans granted by the parent company of the disposed subsidiary, which is included in the cash received (10,141,001 Euro).

The net income of that subsidiary until its disposal is as follows:

	Disposal of a Subsidiary 2007
Services rendered	57
Other operational costs	102
Financial profit/(loss)	(265,584)
Net profit before tax	(265,425)
Income tax	39,470
Net profit/(loss)	(225,955)
	(225,955)

Main acquisitions and disposals during the year ended 31 December 2006 were as follows:

6.3 - Acquisitions

Company	Head Office	% capital held 31.12.06 Direct	Total	% capital held 31.12.05 Direct	Total
Bertimóvel-Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%		
Equador & Mendes-Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	50.00%	37.50%
Exit-Travel-Agencia de Viagens e Turismo On Line, S.A.	Maia	100.00%	90.00%	50.00%	25.00%
Nova Equador Internacional-Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	50.00%	37.50%
Star-Viagens e Turismo, S.A.	Lisbon	90.00%	90.00%	50.00%	50.00%
Parcium Imobiliária, S.A.	Porto	100.00%	100.00%		

The acquisitions referred to above, had the following impact on the consolidated financial statements as at 31 December 2006:

	Travel Agencies Book Value	Others Book Value	Fair Value	Total Value
Acquired net assets				
Tangible and intangible assets (note 8)	5,497,807	12,393,731		17,891,538
Investments	12,143			12,143
Other current assets	17,916,289	1,069,962	83,181	19,069,432
Cash and cash equivalents	974,431	7,339,573		8,314,004
Deferred taxes	1,035,918	(128)		1,035,790
Loans	(1,256,399)	(21,496)		(1,277,895)
Other liabilities	(27,157,208)	(12,766,211)		(39,923,419)
	(2,977,019)	8,015,431	83,181	5,121,593
Goodwill (Note 9)	8,685,939	651,388		9,337,327
Minority interests	11,809			11,809
Previous year provision as result of the equity method	775,929			775,929
Acquisition price	6,496,658	8,666,819		15,246,658
Payments made	6,496,658	1,550,000		8,046,658
Future payments	-	7,200,000		7,200,000
	6,496,658	8,750,000		15,246,658
Net cash outflow from acquisition				
Payments made	6,496,658	1,550,000		8,046,658
Cash and cash equivalents acquired	(974,431)	(7,339,573)		(8,314,004)
	5,522,227	(5,789,573)		(267,346)
Additional shareholdings in associated companies				31,595
				(235,751)

The impact of the above mentioned acquisitions on the consolidated income statement is as follows:

Operational income		117,436,998
Operational costs		(116,039,874)
Financial profit/(loss)		(191,559)
	Net profit before tax	1,205,565
Income tax		(786,528)
	Net profit/(loss)	419,037

If the above mentioned purchases had been reported with reference to 1 January 2006, the net profit/(loss) would have increased by 288,357 and the operating income would have increased by 6,423,345 Euro.

7. FINANCIAL INSTRUMENTS BY CLASS

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

Financial assets

As at 31 December 2007

	Notes	Loans and accounts receivable	Available for sale	Assets recorded at fair value through profit or loss	Hedging derivates (Note 23)	Sub-total	Assets not within scope of IFRS 7	Total
Non current assets								
Other investments	10	240,000	759,170			999,170		999,170
Other non current assets	11	1,820,126				1,820,126		1,820,126
		2,060,126	759,170			2,819,296		2,819,296
Current assets								
Trade accounts receivable	13	32,409,579				32,409,579		32,409,579
Other debtors	14	121,819,762				121,819,762		121,819,762
Other current assets	16	11,829,490				11,829,490	11,662,689	23,492,179
Investments	10	56,093,108		1,971	1,113,658	57,208,737		57,208,737
Cash and cash equivalents	18	67,853,490				67,853,490		67,853,490
		290,005,429		1,971	1,113,658	291,121,058	11,662,689	302,783,747
Total		292,065,555	759,170	1,971	1,113,658	293,940,354	11,662,689	305,603,043

As at 31 December 2006

	Notes	Loans and accounts receivable	Available for sale	Assets recorded at fair value through profit or loss	Hedging derivates (Note 23)	Sub-total	Assets not within scope of IFRS 7	Total
Non current assets								
Other investments	10	900,000	33,330,053			34,230,053		34,230,053
Other non current assets	11	1,825,831				1,825,831		1,825,831
		2,725,831	33,330,053			36,055,884		36,055,884
Current assets								
Trade accounts receivable	13	30,300,343				30,300,343		30,300,343
Other debtors	14	75,878,963				75,878,963		75,878,963
Other current assets	16	4,487,426				4,487,426	7,827,839	12,315,265
Investments	10	33,211,904		49,458		33,261,362		33,261,362
Cash and cash equivalents	18	359,415,148				359,415,148		359,415,148
		503,293,784		49,458		503,343,242	7,827,839	511,171,081
Total		506,019,615	33,330,053	49,458		539,399,126	7,827,839	547,226,965

Financial liabilities

As at 31 December 2007

	Notes	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities not within scope of IFRS7	Total
Non current liabilities						
Bank loans						
Bonds	21		1,100,672,731	1,100,672,731		1,100,672,731
Obligations under financial leases	22		5,554,636	5,554,636		5,554,636
Other loans	21		276,330	276,330		276,330
Other non-current liabilities	24		10,830,596	10,830,596	1,872,010	12,702,606
			1,117,334,293	1,117,334,293	1,872,010	1,119,206,303
Current liabilities						
Bank loans	21		83,834,903	83,834,903		83,834,903
Obligations under finance leases	22		6,783,670	6,783,670		6,783,670
Other loans	21	281,123	36,229	317,352		317,352
Trade creditors	26		835,856,284	835,856,284		835,856,284
Other accounts payable	27		80,848,547	80,848,547		80,848,547
Other current liabilities	28		144,777,374	144,777,374	2,690,269	147,467,643
		281,123	1,152,137,007	1,152,418,130	2,690,269	1,155,108,399
Total		281,123	2,269,471,300	2,269,752,423	4,562,279	2,274,314,702

As at 31 december 2006	Notes	Liabilities at fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities not within scope of IFRS7	Total
Non-current liabilities						
Bank loans	21					
Bonds	21		593,166,278	593,166,278		593,166,278
Obligations under finance leases	22		8,051,112	8,051,112		8,051,112
Other loans	21		313,779	313,779		313,779
Other non-current liabilities	24		10,767,334	10,767,334	2,234,466	13,001,800
			612,298,503	612,298,503	2,234,466	614,532,969
Current liabilities						
Bank loans	21		163,539,818	163,539,818		163,539,818
Bonds	21					
Obligations under finance leases	22		4,195,233	4,195,233		4,195,233
Other loans	21	116,043	12,284	128,327		128,327
Trade creditors	26		637,520,855	637,520,855		637,520,855
Other accounts payable	27		77,110,117	77,110,117		77,110,117
Other current liabilities	28		83,369,047	83,369,047	2,970,651	86,339,698
		116,043	965,747,354	965,863,397	2,970,651	968,834,048
Total		116,043	1,578,045,857	1,578,161,900	5,205,117	1,583,367,017

As at 31 December 2007 and 2006, the financial instruments recorded at fair value through profit or loss are only derivatives that do not qualify for hedge accounting.

8. TANGIBLE AND INTANGIBLE ASSETS

During the periods ended 31 December 2007 and 2006, movements in tangible and intangible assets as well as depreciation and accumulated impairment losses, were made up as follows:

Tangible assets - 2007

	Land and buildings	Basic Equipment	Transport Equipment	Office Equipment	Tools and fittings	Reusable Containers	Other tangible assets	Tangible assets in progress a)	Advances on account of tangible assets	Total tangible
Gross cost										
Opening balance	1,027,788,651	479,043,575	15,346,401	96,146,283	8,319,375	80,429	2,006,122	29,402,940	17,147,599	1,675,281,375
Changes in consolidation perimeter - Acquisitions	249,123,401	38,721,989	1,580,910	6,937,941	18,401,874	-		57,869,991		372,636,106
Changes in consolidation perimeter - Sales	(9,928,909)		-			-				(9,928,909)
Capital Expenditure	19,776,057	1,356,472	193,909	1,887,220	36,629	-		176,083,396	20,475,574	219,809,257
Disposals c)	(20,919,134)	(12,825,079)	(685,495)	(5,638,660)	(117,645)	(13,862)	(296,020)	(537,922)	-	(41,033,817)
Exchange rate effet	330,893	81,728	4,190	45,019	-	-		9,189	-	471,019
Transfers / writte-off d)	54,910,980	80,114,113	1,085,925	1,909,329	3,196,795	-	(384)	(137,260,170)	(23,218,797)	(19,262,209)
Ending balance	1,321,081,939	586,492,798	17,525,840	101,287,132	29,837,028	66,567	1,709,718	125,567,424	14,404,376	2,197,972,822
Amortisation and losses for accumulated impairment										
Opening balance	128,715,051	224,445,608	12,011,068	58,138,134	4,544,535	80,429	1,824,070	-	-	429,758,895
Changes in consolidation perimeter - Acquisitions	50,162,578	20,137,861	1,057,863	5,345,648	14,072,537	-		-	-	90,776,487
Period depreciation	17,525,551	46,228,506	1,165,413	9,457,540	1,852,113	-	47,054	-	-	76,276,177
Disposals	(2,366,778)	(9,411,081)	(654,067)	(4,682,029)	(100,334)	(13,862)	(295,921)	-	-	(17,524,072)
Exchange rate effet	13,174	16,124	1,074	9,523		-		-	-	39,895
Transfers / writte-off	(12,347)	(2,569,703)	(12,416)	(2,959,705)	(6,485)	-	(9,610)	-	-	(5,570,266)
Ending balance	194,037,229	278,847,315	13,568,935	65,309,111	20,362,366	66,567	1,565,593	-	-	573,757,116
Net book value	1,127,044,710	307,645,483	3,956,905	35,978,021	9,474,662	-	144,125	125,567,424	14,404,376	1,624,215,706

Intangible assets - 2007

	Development costs	Industrial property and other rights	Software	Premium paid for property occupation rights	Other intangible assets	Intangible assets in progress a)	Advances on account of intangible assets b)	Total intangible
Gross asset:								
Opening balance	464,840	83,989,039	98,303,747	13,908,707	-	13,319,370	275,000	210,260,703
Changes in consolidated perimeter - acquisitions			1,300,626					1,300,626
Capital expenditures	1,217	1,076,817	71,056			14,762,392		15,911,482
Disposals						(40,491)		(40,491)
Exchange rate effect			10,652					10,652
Transfers/writte-off	3,450	3,538,097	7,875,520	(44,892)		(11,777,932)	(275,000)	(680,757)
Ending balance	469,507	88,603,953	107,561,601	13,863,815	-	16,263,339	-	226,762,215
Amortisation and losses for accumulated impairment								
Opening balance	148,308	3,329,177	44,882,011	12,736,678	-	-	-	61,096,174
Changes in consolidation perimeter - acquisitions			685,610					685,610
Period depreciation	93,685	1,860,365	8,549,643	268,928				10,772,621
Disposals								-
Exchange rate effet			3,431					3,431
Transfers/writte-off		(13,860)	(296,134)	(44,892)				(354,886)
Ending balance	241,993	5,175,682	53,824,561	12,960,714	-	-	-	72,202,950
Net book value	227,514	83,428,271	53,737,040	903,101	-	16,263,339	-	154,559,265

a) Most significant values included in “Tangible and intangible assets in progress” refer to the following projects:

	31.12.2007	31.12.2006
Remodelling and expansion of stores in Portugal	122,900,793	27,214,918
Installation licenses	4,467,338	3,352,407
Software projects	11,726,539	8,752,631
	139,094,670	39,319,956

The increase of the “Remodelling and expansion of stores in Portugal” caption is explained by the acquisition of Continente Hipermercados, S.A., which had contributed with an amount of 57,582,766 Euro.

b) The most significant amounts under the caption “Advances on account of tangible assets” mainly refers to projects of Modelo and Continente stores for which advance payments were made;

c) The most significant amounts recorded under the caption “Land and Buildings” concerning to disposals, refer to the disposal of commercial galleries in Albufeira and Portimão. The carrying amount of these assets amounted to 18,550,000 Euro and a consolidated gain for the Group amounting 13,5 million Euro. This gain is included in the caption “Other operating income”.

d) Transfers for the year ended 31 December 2007 includes 6,006,580 euro related to land and buildings that were reclassified to the heading "Non current assets held for sale", since it already exist a sale promise agreement over those assets.

This caption includes 2,400,000 Euro related to advances made in previous periods which were received as result of the contract annulment.

Tangible assets - 2006

	Land and buildings	Basic Equipment	Transport Equipment	Office Equipment	Tools and fittings	Reusable Containers	Other tangible assets	Tangible assets in progress a)	Advances on account of tangible assets	Total tangible
Gross asset:										
Opening balance	978,230,779	405,610,342	14,117,345	89,651,881	5,710,422	80,429	1,950,524	38,286,374	5,848,553	1,539,486,649
Changes in consolidated perimeter - Acquis	10,867,929	1,606,960	-	2,103,400	92,475	-	87,713	1,467,690	887,860	17,114,027
Capital expenditure	14,186,123	1,307,352	89,371	5,104,729	42,819	-	632,350	136,010,175	10,411,186	167,784,105
Desinvestment	(20,839,853)	(16,162,273)	(510,542)	(1,477,901)	(81,621)	-	(32,657)	(133,308)	-	(39,238,155)
Exchange rate effect	(151,002)	(28,885)	(1,427)	(13,490)	-	-	33	(4,013)	-	(198,784)
Transfers/ writte-off	45,494,675	86,710,079	1,651,654	777,664	2,555,280	-	(631,841)	(146,223,978)		(9,666,467)
Ending balance	1,027,788,651	479,043,575	15,346,401	96,146,283	8,319,375	80,429	2,006,122	29,402,940	17,147,599	1,675,281,375
Amortisation and losses by accumulated impairment										
Opening balance	111,186,506	198,616,711	11,511,048	53,769,753	3,401,061	80,429	1,758,334	-	-	380,323,842
Changes in consolidation perimiter - Acquisi	479,243	438,036		1,156,155	8,514	-	56,986	-	-	2,138,934
Period depreciation	16,879,167	40,167,142	975,817	10,263,167	1,207,842	-	45,452	-	-	69,538,587
Disposals	(156,148)	(12,249,774)	(456,175)	(1,108,825)	(75,916)	-	(32,657)	-	-	(14,079,495)
Exchange rate effect	(8,336)	(4,285)	(262)	(2,607)		-		-	-	(15,490)
Transfers/ writte-off	334,619	(2,522,222)	(19,360)	(5,939,509)	3,034	-	(4,045)	-	-	(8,147,483)
Ending balance	128,715,051	224,445,608	12,011,068	58,138,134	4,544,535	80,429	1,824,070	-	-	429,758,895
Net book value	899,073,600	254,597,967	3,335,333	38,008,149	3,774,840	-	182,052	29,402,940	17,147,599	1,245,522,480

Intangible assets - 2006

	Development costs	Industrial property and other rights c)	Software	Premium paid for property occupation rights	Other intangible assets	Intangible assets in progress a)	Advances on account of intangible assets b)	Total intangible
Gross asset:								
Opening balance	369,198	3,930,825	86,413,655	11,679,303		7,374,640		109,767,621
Changes in consolidated perimeter - Acquisitions		26,400	1,498,648	3,051,103		626,982		5,203,133
Investment		75,307,566	114,140	50,000		19,144,076	459,500	95,075,282
Desinvestment			(2,478)					(2,478)
Exchange rate effect			(3,113)					(3,113)
Transfers/ write-off	95,642	4,724,248	10,282,895	(871,699)		(13,826,328)	(184,500)	220,258
Final balance	464,840	83,989,039	98,303,747	13,908,707	-	13,319,370	275,000	210,260,703
Amortisation and losses by accumulated impairment								
Opening balance	71,896	1,813,564	35,776,724	10,390,161				48,052,345
Changes in consolidation perimiter - Acquisitions		19,670	797,700	1,469,318				2,286,688
Period depreciation	76,412	910,988	8,882,504	932,250				10,802,154
Investment			(826)					(826)
Exchange rate effect			(946)					(946)
Transfers/ writte-off		584,955	(573,145)	(55,051)				(43,241)
Final balance	148,308	3,329,177	44,882,011	12,736,678	-	-	-	61,096,174
Net value	316,532	80,659,862	53,421,736	1,172,029	-	13,319,370	275,000	149,164,529

e) the most significant amounts included in the captions “Tangible and intangible assets in progress” correspond to the following:

	31.12.06	31.12.05
Remodelling and expansion of stores in Portugal	27,214,918	36,850,888
Instalation licenses	3,352,407	3,621,399
Software projects	8,752,631	3,113,895
	39,319,956	43,586,182

f) the most significant amounts under the caption “Advances on account of tangible assets” mainly refers to projects of Modelo and Continente stores for which advance payments were made;

g) During the first semester of 2006, the Group purchased to Sonae SGPS, SA a set of commercial brands, namely the brand Continent, for the total amount of 75,000,000 Euro.

This set of brands was classified as intangible asset with undefined expected useful life and for that reason not depreciated.

9. GOODWILL

In the years ended 31 December 2007 and 2006, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

	31.12.2007	31.12.2006
Gross value:		
Opening balance	63,980,187	47,164,598
New companies in the consolidation perimeter (Note 6)	505,225,085	9,337,327
Transfers	-	7,478,262
Decreases	(3,927,845)	
Closing balance	565,277,427	63,980,187
Imparity accumulated losses (note 19):		
Opening balance	2,838,583	-
Increases	-	2,838,583
Decreases	(1,464,357)	-
Final balance	1,374,226	2,838,583
Net book value	563,903,201	61,141,604

Goodwill is not depreciated. Impairment tests on the Goodwill are performed on an annual basis.

Decreasing amounts correspond to goodwill for which impairment losses have been recorded in previous years, as well as to consolidation differences written-off as a result of the selling by an associated company of tangible assets acquired before its acquisition date in the amount of 2,463,488 Euro, which was recorded in the caption “Other operational profits – Gains in tangible and intangible assets”.

In the acquisition of Continente Hipermercados (Ex-Carrefour) there was no fair value allocation in 31 December 2007. Consequently the value of goodwill is provisional 504,847,714 Euros, and will be adjusted during 2008.

As at 31 December 2007 and 2006, goodwill is as follows:

		31.12.2007	31.12.2006
Food retail brands		21,439,730	21,439,730
Non food retail brands		27,351,895	27,351,895
Real estate assets with income		9,886,491	9,886,491
Real estate assets without income		377,371	2,463,488
		59,055,487	61,141,604
Continente Hipermercados		504,847,714	
	Total	563,903,201	61,141,604

10. OTHER INVESTMENTS

As at 31 December 2007 and 2006, this caption is as follows:

	31.12.2007		31.12.2006	
	Non Current	**Current**	**Non Current**	**Current**
Other financial investments				
Opening balance at 1 January 2007	33,804,781	33,211,904	54,278,095	10,500,000
Purchases during the year	4,988	6,444,626	11,335,309	1,512,346
Disposals during the year	(523,913)	(16,063,792)	(11,308,993)	(778,925)
Increase/(decrease) in fair value			1,921,716	(442,863)
Transfers	(32,500,370)	32,500,370	(22,421,346)	22,421,346
Closing balance at 31 December 2007	785,486	56,093,108	33,804,781	33,211,904
Accumulated impairment losses (Note 29)	(26,316)	-	(474,728)	-
	759,170	56,093,108	33,330,053	33,211,904
Derivative financial instruments				
Fair value at 1 January 2007	-	49,458	-	60,475
Purchases during the year	-	1,971	-	49,458
Disposals during the year	-	(49,458)	-	(60,475)
Increase/(decrease) in fair value	-	1,113,658	-	-
Fair value at 31 December 2007	-	1,115,629	-	49,458
Advances on financial investments				
Opening balance at 1 January 2006	900,000	-	-	-
Purchases during the year	-	-	900,000	-
Transfers	(660,000)			
Closing balance at 31 December 2007	240,000	-	900,000	-
Total in other financial investments	999,170	57,208,737	34,230,053	33,261,362

The other financial investments can be detailed as follows:

a) 759,170 Euro (1,316,522 Euro as at 31 December 2006), mainly refers to shares held in non-listed companies. The investments in non-listed companies and which fair value was not estimated due to the fact that it could not be measured reliably are recorded at acquisition cost less impairment losses.

b) 56,093,108 Euro (65,000,740 Euro as of 31 December 2006) relates to deposited amounts on an Escrow Account which are invested in investment funds with superior rating and guarantee contractual liabilities which may arise from the sale of the Brazilian subsidiaries in the Retail segment and for which provisions were recognized (Note 29).

11. OTHER NON CURRENT ASSETS

As at 31 December 2007 and 2006, other non current assets are detailed as follows:

	31.12.2007	31.12.2006
Granted loans to associates	1,015,475	1,006,538
Trade accounts receivable and other debtors	804,651	819,293
	1,820,126	1,825,831

The amount recorded under granted loans to associates bears interest at market rates and do not have a fixed maturity.

The amount recorded under trade accounts receivable and other debtors mainly refer to legal deposits made by a Brazilian subsidiary, for which are recorded the correspondent liabilities in the caption "Other creditors" (Note 24), with no defined maturity.

12. INVENTORY

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

	31.12.2007	31.12.2006
Goods for resale	473,962,389	352,193,769
Accumulated impairment losses on Inventories (Note 29)	(16,095,728)	(11,542,472)
	457,866,661	340,651,297

Cost of goods sold as at 31 December 2007 and 2006 may be detailed as follows:

	31.12.2007	31.12.2006
Opening balance	352,193,769	335,902,568
Changes in consolidation perimeter - aquisitions	37,274,615	
Purchases	2,604,690,994	2,346,937,968
Adjustments	4,633,499	7,864,634
Closing balance	473,962,389	352,193,769
	2,515,563,490	2,322,782,133
Impairment losses (Note 29)	1,754,065	846,000
	2,517,317,555	2,323,628,133

The amounts recorded under "Inventory adjustments" for the years ended 31 December 2007 and 2006 correspond mainly to adjustments made in discounts received or receivable from suppliers included in the acquisition cost of inventories.

13. TRADE ACCOUNTS RECEIVABLE

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

	31.12.2007	31.12.2006
Current clients	33,218,618	30,296,646
Doubtful receivables	11,962,348	11,170,837
	45,180,966	41,467,483
Accumulated impairment losses on Trade Debtors (Note 29)	(12,771,387)	(11,167,140)
	32,409,579	30,300,343

Current clients caption includes 15,549,379 Euro (10,578,449 Euro as at 31 December 2006) related to travel agency clients, as well as 11,231,975 Euro (12,508,142 Euro as at 31 December 2006) related to gross sales to group companies.

The values presented abovemainly refer to debts originated by the group current activity. The amounts presented on the face of the balance sheet are net of impairment losses, do not bear interests and the discount effect is immaterial. As a result, amounts disclosed are considered to reflect their fair value.

As at 31 December 2007 and 2006, the ageing of the trade receivables is as follows:

	Trade accounts receivable	
	31.12.2007	31.12.2006
Not due	20,174,169	6,922,610
Due but not impaired		
0 - 30 days	2,404,680	14,942,547
30 - 90 days	4,932,343	6,225,758
+ 90 days	4,493,884	1,629,619
	11,830,907	22,797,924
Due and impaired		
0 - 90 days	77,339	155,470
90 - 180 days	204,254	116,578
180 - 360 days	660,725	978,645
+ 360 days	12,233,572	10,496,256
	13,175,890	11,746,949
Total	45,180,966	41,467,483

14. OTHER DEBTORS

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

		31.12.2007	31.12.2006
Other debtors			
a)	Accounts receivable from suppliers	66,725,484	27,974,728
	Sale of fixed assets	747,614	8,148,867
b)	Credit sales sold to third parties	5,536,607	4,226,904
	Grants related to incurred costs	1,434,458	1,999,584
	Special regime for the Settlement of Debts to the Tax authorities ans Social Security	14,576,053	14,576,053
	VAT - Real Estate assets	2,887,859	15,533,273
	Subsidiaries acquisitions - Price adjustments	30,414,000	
	Others	7,737,240	9,549,364
Advances to fixed assets suppliers		381,319	333,380
		130,440,634	82,342,153
Accumulated Impairment losses (Note 29)		(8,620,872)	(6,463,190)
Total of Financial Instruments (Note 7)		121,819,762	75,878,963

a) The caption Accounts receivable from suppliers includes approximately 12 million euro related with advance payments of VAT regarding imports in progress.

b) Corresponds to sales for which were received means of payment issued by others, such as coupons, tickets and similar instruments.

In December 2006 the caption "Others" is mainly composed by receivables related to the sale of the Brazilian subsidiaries amounting to 4,425,465 Euro. This amount was received during the period.

As at 31 December 2007 and 2006, the Other debtors aging is as follows:

	Current suppliers with debtor balances		Other debtors	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Not Due	3,855,045	58,373	48,865,428	17,940,644
Due but not impaired				
0 - 30 days	19,872,653	16,967,675	4,203,042	1,775,200
30 - 90 days	30,218,156	5,196,294	8,784,758	8,628,502
+ 90 days	3,675,137	867,750	1,143,910	25,967,752
	53,765,946	23,031,719	14,131,710	36,371,454
Due and impaired				
180 - 360 days	1,444,067	1,230,574	509,848	16,988
+ 360 days	7,660,426	3,654,062	208,164	38,339
	9,104,493	4,884,636	718,012	55,327
	66,725,484	27,974,728	63,715,150	54,367,425

As at 31 December 2007 there is no indication that the debtors not due will not fulfil their obligations on usual conditions. The carrying amount of other debtors is estimated to be approximately its fair value.

The amount in the caption Special Regime for the Settlement of Debts to the Tax authorities and Social Security refers basically 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, impairment losses were not recorded.

The caption Grants, refers to an amount receivable from government as operational grants and is related to costs incurred with human resources training. During the year ended 31 December 2007, the Group recorded an income of 182,473 Euro related to these grants (Note 36).

15. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2007 and 2006, Taxes recoverable and taxes and contributions payable are made up as follows:

Assets	31.12.2007	31.12.2006
Income taxation - advance payments and taxes withheld	13,256,014	15,165,745
Value Added tax	36,910,417	42,325,229
Other taxes	901,429	791,838
	51,067,860	58,282,812
Liabilities		
Income tax	6,388,566	7,875,537
Value Added tax	25,828,419	29,069,914
Staff income taxes withheld	3,055,163	1,444,148
Social security contributions	8,206,536	6,265,659
Other taxes	743,623	61,862
	44,222,307	44,717,120

16. OTHER CURRENT ASSETS

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

	31.12.2007	31.12.2006
Commercial income	4,222,318	3,341,600
Receivable taxes	741,938	444,314
Receivable commissions	6,865,234	701,512
Financial Instruments Total (Note 7)	11,829,490	4,487,426
Claims	231,480	314,225
Rents	3,259,833	2,922,485
Condominiums management fee's	1,684,282	1,596,516
Insurance premiums paid in advance	2,058,068	969,948
Others	4,429,026	2,024,665
	23,492,179	12,315,265

The caption "Others" includes 1,127,913 Euro related to VAT receivable arising from travel agencies operations, according to Decree Law 221/85.

The amounts identified as financial instruments refer to contractual based and not due and unbilled amounts.

17. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2007 and 2006 are as follows, taking into consideration its temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Difference between fair value and acquisition cost	-	-	1,943,455	1,588,037
Harmonisation adjustments	70,513	181,106	29,290,837	27,903,609
Provisions and impairment losses not accepted for tax purposes	4,320,121	4,270,132	-	-
Writte-off of tangible and intangible assets	9,517,092	9,340,215		-
Writte-off of deferred costs	9,644	20,165	32,267	43,932
Valuation of derivatives	74,497	30,751	194,556	13,106
Reinvested capital gains	-	-	2,394,039	3,512,705
Revaluation of tangible fixed assets	-	-	2,523,410	2,328,427
Exchange differences	-		44,754	1,595,373
Tax losses carried forward	8,010,720	9,570,879		
Others	283,633	-		
	22,286,220	23,413,248	36,423,318	36,985,189

During the periods ended 31 December 2007 and 2006, movements in deferred tax assets and liabilities are made up as follows:

	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Opening balance	23,413,248	36,985,189	24,126,376	37,487,973
Effects in net income:				
Writte-off of intangible assets	59,661	-	(1,097,634)	-
Writte-off of tangible assets	(421,461)	-	(275,560)	-
Revaluations	-	(97,355)	-	(669,661)
Amortisation and Depreciation harmonisation adjustments	(110,591)	1,384,243	(67,181)	(155,031)
Accruals writte-off	(10,516)	(11,665)	(16,459)	44,592
Provisions and impairment losses not accepted for tax purposes	(760,889)	-	1,461,770	-
Impairment losses	-	-	-	-
Derivate financial instruments	43,746	(12,584)	(15,826)	(3,030)
Tax losses carried forward	(1,537,964)	-	(281,319)	-
Reinvestement of capital gains	-	(1,118,666)	-	(81,669)
Exchange differences on brazilian subsidiaries		(1,642,013)		1,644,410
Effects of tax rate change	-	-	(1,407,762)	(1,190,259)
Others	276,716	-	-	-
	(2,461,298)	(1,498,040)	(1,699,971)	(410,648)
Effects on equity:				
Valuation of hedging derivatives	-	194,034	-	-
Foreign exchange rate effect	98,303	94,392	(49,075)	(49,957)
Effects of tax rate change	-	-	-	(35,231)
Others	-	-	-	(7,076)
	98,303	288,426	(49,075)	(92,264)
Perimeter changes effect (Note 6)				
Acquisitions	750,594	292,337	1,035,918	128
Fair value adjustments related with acquired companies	1,396,134	355,418	-	-
Disposals	(910,761)	(12)	-	-
	1,235,967	647,743	1,035,918	128
Closing balance	22,286,220	36,423,318	23,413,248	36,985,189

The profit or loss caption Deferred taxes includes the amount of 2,342,238 Euro (1,182,646 Euro as of 31 December 2006), related to income tax credit linked to income received from Investment Fund Participation Units.

Tax returns of the group companies that recorded deferred tax assets arising on tax losses carried forward (considering exchange rates effective at the time of recognition) and the expiry date of the referred losses existing as at 31 December 2007 and 2006 are as follows:

	31-12-2007			31-12-2006		
	Tax losses	Deferred tax assets	Expiry Date	Tax losses	Deferred tax assets	Expiry Date
With limit time use						
Originated in 2000			2006	16,638	4,160	2006
Originated in 2001			2007	2,509,559	627,389	2007
Originated in 2002	12,423,840	3,105,960	2008	12,905,938	3,226,484	2008
Originated in 2003	9,065,672	2,266,418	2009	10,304,696	2,576,173	2009
Originated in 2004	1,567,260	391,815	2010	3,172,510	793,128	2010
Originated in 2005	7,341,505	1,835,377	2011	7,435,642	1,858,911	2011
Originated in 2006	387,074	96,768	2012	362,870	90,718	2012
Originated in 2007	1,257,531	314,383	2013	-	-	
	32,042,882	8,010,721		36,707,853	9,176,963	
Without limit time use				1,158,580	393,916	
	32,042,882	8,010,721		37,866,433	9,570,879	

Deferred tax assets recognized were assessed and only recognized to the extent it was probable that sufficient taxable profits will be available in the future against which the deferred tax assets can be used, or when taxable temporary differences are recognized by the same entity and expected to reverse in the same period. This assessment was based on business plans of Sonae Distribuição companies, which are periodically reviewed and updated, and on identified and available tax planning opportunities.

As at 31 December 2007 the Company had carried forward tax losses in the amount of 91,117,181 Euro (166,813,143 Euro as of 31 December 2006) for which no deferred tax asset were recognized for prudential reasons.

	31-12-2007			31-12-2006		
	Tax Losses	Deferred tax assets not recognized	Expiry Date	Tax Losses	Deferred tax assets not recognized	Expiry Date
With limit time use						
Originated in 2001				3,661,629	915,408	2007
Originated in 2002	1,814,987	453,747	2008	3,871,960	967,991	2008
Originated in 2003	200,291	50,074	2009	1,675,290	418,823	2009
Originated in 2004	329,687	82,422	2010	1,521,758	380,440	2010
Originated in 2005	36,519,737	9,129,934	2011	146,488,121	36,622,030	2011
Originated in 2006	161,837	40,459	2012	340,626	85,156	2012
Originated in 2007	24,379,231	6,094,808	2013			
	63,405,770	15,851,444		157,559,384	39,389,848	
With limit time use different from the mentioned above	19,571,433	5,619,101		9,250,041	3,237,514	
Without limit time use	8,139,978	2,767,592		3,718	1,264	
	91,117,181	24,238,137		166,813,143	42,628,626	

18. CASH AND CASH EQUIVALENTS

As at 31 December 2007 and 2006 cash and cash equivalents are as follows:

	31.12.2007	31.12.2006
Cash at hand	5,723,805	3,396,197
Bank deposits	62,094,598	355,570,923
Treasury investments	35,087	448,028
Cash and cash equivalents on the balance sheet	67,853,490	359,415,148
Bank overdrafts (Note 21)	(3,584,549)	(1,724,154)
Cash and cash equivalents on the statement of cash flows	64,268,941	357,690,994

Bank overdrafts, are recorded in the balance sheet under the caption Current loans.

19. SHARE CAPITAL AND RESERVES

Share Capital

As at 31 December 2007, the share capital, which is fully subscribed and paid for, is made up by 1,100,000,000 ordinary shares which do not hold right to any fixed reimbursement, with a nominal value of 1 Euro each.

As at 31 December 2007, the subscribed share capital was held as follows:

Entity	%
Sonae, SGPS, S.A.	74,98
Sonae Investments, BV (wholly owned subsidiary of Sonae SGPS, SA)	15,93
Own Shares	9,09

As of 31 December 2007, Efanor Investimentos S.G.P.S., S.A. and its subsidiaries held 52.94% of the share capital of Sonae, SGPS, S.A.

Own shares

As of 31 December 2007 and 2006, own shares are as follows:

	31.12.2007	31.12.2006
Own shares - nominal value	100,000,000	100,000,000
Own shares - prizes and discounts	105,000,000	105,000,000

During 2006 the parent company purchased 100,000,000 own shares for the price of 2.05 Euro per share from its shareholders: Sonae SGPS, S.A. (52,800,000 shares) and Sonae Investments, BV (47,200,000 shares).

Reserves and Retained Earnings

	31.12.2007	31.12.2006
Legal Reserves	95,000,000	90,200,000
Currency conversion reserves	1,104,622	510,709
Sub-total	96,104,622	90,710,709
Reserves under Article 324 of the CSC	205,000,000	205,000,000
Fair value reserves	-	42,500
Hedging reserves	(538,169)	-
Other Reserves and Retained Earnings	(524,010,895)	(603,724,258)
Sub-total	(319,549,064)	(398,681,758)
Total	(223,444,442)	(307,971,049)

As at 31 December 2007, the company had legal reserves amounting to 95,000,000 Euro (90,200,000 Euro at 31 December 2006) These reserves cannot be distributed except upon dissolution of the company, but can be used to absorb losses after all the other reserves have been used up, or to increase capital.

As a result of the acquisition of own shares, free reserves in an amount equal to its acquisition cost were made unavailable in accordance with article 324 of Commercial Companies Code ("Código das Sociedades Comerciais"). This reserve cannot be used until the referred own shares are extinct or disposed to a Company outside the group.

The caption "Hedging Reserves" includes, the portion of cash flow hedging derivative instruments fair value considered to be effective, net of tax effect.

20. MINORITY INTERESTS

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

	31.12.2007	31.12.2006
Opening balance on 1 January 2007	10,930,910	8,717,734
Acquisition of subsidiary	116,869	31,182
Dividends distributed	(10,256)	
Others	(264,680)	
Profit for the year attributable to minority interests	1,323,631	2,181,994
Closing balance on 31 December 2007	12,096,474	10,930,910

21. LOANS

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

	31.12.2007				31.12.2006			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	80,250,354	-	80,250,354	-	161,815,664	-	161,815,664	-
Bonds	-	1,100,672,731	-	1,106,925,000	-	593,166,278	-	597,000,000
Bank overdrafts (Note 18)	3,584,549	-	3,584,549	-	1,724,154	-	1,724,154	-
	83,834,903	1,100,672,731	83,834,903	1,106,925,000	163,539,818	593,166,278	163,539,818	597,000,000
Other loans	36,229	276,330	36,229	276,329	12,285	313,779	12,285	313,779
Derivatives financial instruments (Note 23)	281,123	-	-	-	116,043	-	-	-
	317,352	276,330	36,229	276,329	128,328	313,779	12,285	313,779
Obligations under finance leases	6,783,670	5,554,636	6,783,670	5,554,636	4,195,233	8,051,112	4,195,233	8,051,112
	90,935,925	1,106,503,697	90,654,802	1,112,755,965	167,863,379	601,531,169	167,747,336	605,364,891

The repayment schedule of nominal value of borrowing (including bank loans and obligations under finance leases) is summarized as follows:

	2007		2006	
	Capital	Interests	Capital	Interests a)
2007			167,747,336	27,957,604
2008	90,654,802	58,412,491	3,253,851	32,417,784
2009	103,146,003	54,804,262	102,610,174	29,178,403
2010	67,370,839	51,752,185	267,302,013	26,225,321
2011	82,065,244	48,381,029	82,029,992	12,478,150
2012	350,042,467	38,775,565	150,042,467	7,949,825
2013	155,036,229	25,634,467	36,229	
+2014	355,095,183	35,317,289	90,165	
	1,203,410,767	314,255,338	773,112,227	136,207,087

a) The 2006 comparable data related to interests, takes into consideration the available information at present date, therefore the interests amount presented for the year 2007 is the amount effectively paid during the period.

Bond loans

As of 31 December 2006 bond loans are made up as follows:

Modelo Continente / 2003	82,000,000 EUR
Modelo Continente / 2004	100,000,000 EUR
Modelo Continente / 2005/2010	64,925,000 EUR
Modelo Continente / 2005/2012	150,000,000 EUR
Modelo Continente / 2007/2012	200,000,000 EUR
Sonae Distribuição, SGPS, S.A. / 2007/2015	200,000,000 EUR
Sonae Distribuição Setembro / 2007/2015	310,000,000 EUR

Bonds - MODELO CONTINENTE / 2003
1,640,000 bonds – Nominal Value: 50 euro.
Maximum term: 8 (eight) years.
Annual interest rate: the interest rate which is variable is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.75% p.a.
Interest Payment: half yearly in arrears, on 15 April and 15 October of each year.
Redemption: at par, in one payment on 15 October 2011, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

Bonds - MODELO CONTINENTE / 2004
10,000,000 bonds – Nominal Value: 10 euro.
Maximum term: 5 (five) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 1.15% p.a..
Interest Payment: half yearly in arrears, on 18 March and 18 September of each year.
Redemption: at par, in one payment on 18 March 2009, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

Bonds - MODELO CONTINENTE 2005/ 2010
265,000 bonds – Nominal Value: 245 Euro.
Maximum term: 5 (five) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.70% p.a..
Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.
Redemption: at par, in one payment on 5th year in one payment on 3 August 2010, the maturity date of the loan, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the 2nd, 3rd or 4th year of maturity. In this situation the issuer is obliged to pay a prize of 0.125% over de reimbursed value.

On the 3rd August 2007, the Company partially reimbursed the bonds, according to their Conditions. The amount reimbursed per bond was 755 Euro plus a premium of 0.94375 Euro.

After the reimbursement, the loan will be reduced to 64,925,000 Euro (265,000 bonds with a 245 Euro nominal value).

Bonds - MODELO CONTINENTE 2005/ 2012
15,000,000 bonds – Nominal Value: 10 Euro.
Maximum term: 7 (seven) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.85% p.a..
Interest Payment: half yearly in arrears, on 2 February and 2 August of each year.
Redemption: at par, in one payment on 2 August 2012 the payment dates of the 14th coupon, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the reimbursed dates of 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

Bonds - MODELO CONTINENTE 2007/2012
4,000 bonds – Nominal Value: 50,000 Euro.
Maximum term: 5 (five) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.5% p.a..
Interest Payment: half yearly in arrears, on 30 April and 30 October of each year.
Redemption: at par, in one payment on 30 April 2012 the payment date of the 10th coupon.
Early redemption (call-option): early redemption is not possible.

Bonds – SONAE DISTRIBUIÇÂO - 2007 / 2015
4,000,000 bonds - Nominal Value: 50 Euro.
Maximum term: 8 (eight) years
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 monthrate on the second working day preceding the interest period, with a spread of 0.48% p.a..
Interest Payment: half yearly in arrears, on 10 February and 10 August of each year.

Redemption: at par, in one payment on 10 August 2015 the payment date of the 16th coupon.
Early redemption (call-option): early redemption is possible by initiative of the issuer, totally, on the payment date of the 10th, 12th or 14th coupons, without the obligation of paying any prize.

Bonds - SONAE DISTRIBUIÇÃO SEPTEMBER- 2007/2015
31,000,000 Bonds – Nominal Value: 10 Euro.
Maximum term: 8 (eight) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.25% p.a. in the first 3 interest payment dates and 0.55% p.a. from the 4th interest payment date on.
Interest Payment: half yearly in arrears, on 10 March and 10 September of each year.
Redemption: at par in the following terms:
50% on the date of the 12th coupon payment (10 September 2013);
50% on the date of the 16th coupon payment (10 September 2015).
Early redemption (call-option): early redemption is possible by initiative of the issuer, either
totally or partially, on the payment dates of the 10th, 11th, 12th, 13th, 14th or 15th coupons, without the obligation of paying any prize.
Extraordinary early redemption (Call-Option): until the end of the 18th month of the loan, within the following conditions:
(i) the loan may be reimbursed total or partially, with no penalization, in each interest payment
date
ii) the loan may be reimbursed total or partially, subject to Breakage Costs, with a 30 previous
days notice during each interest period.

Other loans – non currents

At 31 December 2007 this caption corresponded to repayable grants from IAPMEI under the Measure of Support to the Energy Potential and Rationalization (MAPE).These grants do not bear interests and had been attributed by a 12 years period, with a grace period of 3 years redemption after attribution. The grants will be redempted in half-yearly instalments, occurring the first six months after the grace period. 36,229 Euro are now classified in the caption “Other loans – currents”.

Bank loans

This caption includes the issue of short term commercial paper in the amount of 80,000,000 Euro which bears interests at normal market rates, as well as a bank loan reimbursable in 2008 in the amount of 250,354 Euro.

As of 31 December 2007, the available credit facilities are as follows:

	31.12.2007	
	Commitments of less than one year	Commitments of more than one year
Unused credit facilities amounts	317,737,441	400,000,000
Agreed credit facilities amounts	401,572,344	400,000,000

The amount considered in financial instruments with a commitment of more than one year, is related to commercial paper programmes with a 7 year term.

As at 31 December 2007 and 2006, the accounting value of the financial liabilities is similar to their fair value.

22. OBLIGATIONS UNDER FINANCE LEASES

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

	31.12.2007	31.12.2006
Net book value of assets acquired under finance leases		
Land and building	19,649,684	13,598,069
Office equipment	4,274,323	5,682,069
	23,924,007	19,280,138

Leasing creditors	Minimun lease payments		Present value of minimum lease payments	
Leasing payable amounts	31.12.2007	31.12.2006	31.12.2007	31.12.2006
2007		4,571,267		4,195,233
2008	7,190,501	3,461,396	6,783,670	3,211,384
2009	3,280,731	2,717,797	3,111,462	2,573,945
2010	2,465,786	2,315,070	2,407,922	2,265,783
2011	35,921		35,252	
	12,972,939	13,065,530	12,338,306	12,246,345
Future finance charges	(634,633)	(819,185)		
	12,338,306	12,246,345		
Amount due for settlement within 12 months (current liabilities)			6,783,670	4,195,233
Amount due for settlement after 12 months (non-current liabilities)			5,554,636	8,051,112

Lease agreements bear interest at usual market rates, have defined life time lessee and the lessee has call options over the leased assets.

As of 31 December 2007 and 2006, the fair value of financial obligations under financial lease contracts is similar to its book value.

The Group’s obligations under finance leases are secured by the lessors’ title of the leased assets.

23. DERIVATIVES

Exchange rate derivatives

The Group uses exchange rate derivatives, essentially, according to its risk management policy.

As at 31 December 2007, the fair value of the exchange rate derivatives, calculated taking into consideration present market value of equivalent financial instruments, is estimated as follows:

	31.12.2007	31.12.2006
Assets (Note 10)	1.971	49.458
Liabilities (Note 23)	(281.123)	(116.043)
	(279.152)	(66.585)

Gains and losses for the year arising from changes in the fair value of instruments that did not qualify for hedging accounting treatment, amounting to (212,567) Euro (127,060 Euro as of 31 December 2006), were recorded directly in the income statement under financial profit/(loss).

Fair value of derivatives

The fair value of the derivatives is detailed as follows:

	Assets (note 10)		Liabilities (note 21)	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Hedging derivatives	1,113,658	-	-	-
Other derivatives	1,971	49,458	281,123	116,043
	1,115,629	49,458	281,123	116,043

Interest rate derivatives

As at 31 December 2007, the derivatives used by the Group essentially refers to "swaps" ("cash flow hedges"). These were negotiated to hedge the interest rate risk inherent to bank loans by the Group.

The estimated fair value is as follows:

	31.12.2007	31.12.2006
Assets	1,113,658	
Liabilities		
	1,113,658	-

These interest rate derivatives were valued at fair-value, at the balance sheet date, based on valuations performed within the Group using specific software and on external valuations when this software does not deal specific instruments. The fair value of the swaps was calculated, with reference to the balance sheet date, based upon 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.

24. OTHER NON CURRENT LIABILITIES

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

	31.12.2007	31.12.2006
Participating companies (Note 33)	10,000,000	10,000,000
Other non current trade accounts payable	830,596	767,334
Share-based payments (Note 25)	1,872,010	2,234,466
	12,702,606	13,001,800

As at 31 December 2007 and 2006, the caption "Other non current liabilities" refers mainly to the estimated amounts to fulfil the legal and tax obligations of a Brazilian subsidiary which was considered appropriate to face future losses on lawsuits and for which legal deposits exist, which are recorded under the caption "Other non current trade accounts receivable" (Note 11), with no defined maturity.

The amount payable to participating companies refers to a shareholders' loan granted by a minority shareholder to a subsidiary that bears interest at usual market rate. The fair value of this loan is similar to its book value.

25. SHARE BASED PAYMENT PLANS

In 2007 and in previous years, Sonae Distribuição Group granted deferred performance bonuses to its directors and eligible employees. These are based on shares to be acquired at nil cost, three years after they were attributed to the employee. The purchase 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 its responsibilities in cash rather than through shares. The option can only be exercised if the employee still works for the Sonae Group at the vesting date.

Liabilities arising from deferred performance bonuses as at 31 December 2007 and 2006 are made up as follows:

	Year of grant	Vesting year	Number of participants	fair value 31.12.2007	fair value 31.12.2006
Shares					
	2004	2007	40	-	2,970,651
	2005	2008	38	2,690,269	2,454,762
	2006	2009	40	1,958,101	1,793,878
	2007	2010	40	1,699,820	
Total				6,348,190	7,219,291

The amount recorded in the financial statements as at 31 December 2007 and 2006, that are related to the responsabilities incurred from the date in which each plan was granted to the period then ended, can be presented as follows:

	31.12.2007	31.12.2006
Recorded as Other non current liabilities (note 24)	1,872,010	2,234,466
Recorded as Other current liabilities (note 28)	2,690,269	2,970,651
Recorded in profit and loss in previous years	(628,007)	(1,093,837)
Recorded in Staff costs	3,934,272	4,111,280

The share based payment plans costs are recognized during the years between the grant and vesting date as payroll costs.

26. TRADE ACCOUNTS PAYABLE

As at 31 December 2007 and 2006 this caption can be detailed as follows:

	31.12.2007	Payable 0-90 dias	Payable 90-180dias	Payable >180 dias
Suppliers - current account	582,816,649	580,936,348	1,853,302	26,999
Suppliers - invoices w aiting approval	253,039,635	251,849,750	1,189,885	
	835,856,284	832,786,098	3,043,187	26,999

	31.12.2006	Payable 0-90 dias	Payable 90-180dias	Payable >180 dias
Suppliers - current account	476,211,283	475,366,379	762,919	81,985
Suppliers - invoices w aiting approval	161,309,572	158,719,879	2,589,693	
	637,520,855	634,086,258	3,352,612	81,985

At 31 December 2007 and 2006 the caption Trade accounts payable resulted from usual group business. The Board of Directors understands that the book value of these accounts payable is similar to its fair value.

27. OTHER ACCOUNTS PAYABLES

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

		Payable		
	31.12.2007	0-90 days	90-180days	>180 days
Participated and participating companies	408,665	408,665		
Suppliers of fixed assets	42,158,108	39,529,576	1,965,146	663,386
Other debts	38,281,774	31,879,012	2,199,326	4,203,436
	80,848,547	71,817,253	4,164,472	4,866,822

		Payable		
	31.12.2006	0-90 days	90-180days	>180 days
Participated and participating companies	319,071	319,071		
Suppliers of fixed assets	40,549,692	35,398,007	3,687,660	1,464,025
Other debts	36,241,354	28,749,964	188,568	7,302,822
	77,110,117	64,467,042	3,876,228	8,766,847

The caption Other accounts payables includes:

a) 12,263,128 euro of attributed discounts related to loyalty card "Cartão Cliente" and not yet used.

b) 6,085,151 euro (7,331,133 euro as of 31 December 2006) related to means of payments owned by clients, as vouchers, gift cards and discount tickets..

c) 7,944,600 euro (approximately 3 million euro as at 31 December 2006) related to payable amounts to Sonae Distribuição Brasil, S.A. buyer as a result of responsibilities assumed with that entity. These amounts were fully provided for.

d) as at 31 December 2006 included a put option granted to the shareholders of one Brazilian subsidiary amounting to 37,069,900 BRL, approximately 13 millions Euro, over the shares of that participated company, sold during 2005. This put option was exercised during 2007 (approximately Eur 14,2 millions) and the Group resold these shares acquired for the amount of 4,425,465 Euro, as defined in the sale agreements of that subsidiary (Note 14).

28. OTHER CURRENT LIABILITIES

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

	31.12.2007	31.12.2006
Personnel costs	65,890,374	53,750,630
Share-based payments (Note 25)	2,690,269	2,970,651
Accrued interests	18,887,751	9,493,077
Advertising and promotion	19,792,292	6,378,828
Other external supplies and services	29,607,645	9,074,673
Rents	5,146,700	
Real Estate Municipality tax	3,658,053	3,860,842
Other liabilities	1,794,559	810,997
	147,467,643	86,339,698

The caption “Personnel costs” refers mainly to payroll amounts to be paid during next year as holiday and holiday pay.

29. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and impairment losses for the year ended 31 December 2007 are as follows:

Captions	Opening balance	Increases	Perimeter entry	Decreases	Final
Accumulated impairment losses on investments (Note 10)	474,728	-	-	(448,412)	26,316
Accumulated impairment losses on goodwill (Note 9)	2,838,583	-	-	(1,464,357)	1,374,226
Accumulated impairment losses on trade accounts receivable (Note 13)	11,167,140	315,392	1,760,215	(471,360)	12,771,387
Accumulated impairment losses on other debtors (Note 14)	6,463,190	1,422,157	974,704	(239,179)	8,620,872
Accumulated impairment losses - inventory (Note 12)	11,542,472	3,988,050	2,799,191	(2,233,985)	16,095,728
Provisions	22,117,496	1,600,648	3,719,073	(8,951,010)	18,486,207
	54,603,609	7,326,247	9,253,183	(13,808,303)	57,374,736

a) Increases include 1,600,648 Euro of exchange rate effect over opening balances.

Impairment losses are deducted from the corresponding asset carrying amount.

Provisions caption includes 14,628,032 Euro (21,978,393 Euro as of 31 December 2006) relating to contingencies assumed by the company, when selling the subsidiary Sonae Distribuição Brasil, S.A. in 2005. This provision is being used as costs are incurred.

30. CONTIGENT ASSETS AND LIABILITIES

	31.12.2007		31.12.2006
Guarantees rendered:			
related to tax claims awaiting outcome	79,895,859	a)	50,887,200
related to local and municipal claims awaiting outcome	11,687,093		8,568,362
Others	45,649,202	b)	16,099,991

a) Includes guarantees amounting to 46,603,916 Euro (29,550,873 Euro in December 2006) and 27,869,675 Euro (18,110,885 Euro in December 2006) related to appeals against additional corporate income tax and VAT assessments, respectively.

During the period ended 31 December 2007, a Retail segment company Sonae Capital Brasil, Ltda granted a guarantee amounting to 25,255,265 euro (BRL 65,570,840) on a tax claim related to income tax, which is being judged by tax courts.

b) Includes guarantees of 35,800,646 Euro (8,083,055 Euro on 31 December 2006) related to VAT reimbursement processes.

As a consequence of the sale of a subsidiary company in Brazil, the Group guaranteed the buyer all the losses incurred by that company arising on unfavourable decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. As at 31 December 2007, the amount claimed by the Brazilian Tax Authorities concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, amount to near 24 million euro. Furthermore, there are other tax lawsuits totalling 80 million euro for which the Board of Directors, based on the lawyers' assessment, understand will not imply losses to the sold subsidiary above the referred 40 million euro.

No provision has been recorded for the liabilities that could arise from these processes, as the Board of Directors believes that they will be resolved without loss to the Company.

31. FINANCIAL COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

As at 31 December 2007 the Group did not hold any contractual commitments concerning fixed assets acquisition or other kind of financial commitments not reflected in the balance sheet.

32. OPERATIONAL LEASES

As of 31 December 2007 an amount of 45,141,687 Euro (33,845,973 Euro on 31 December 2006) was recorded as cost for the period concerning born rents due to operational lease contracts, mainly referring to leased real estate.

Additionally, as at that date, the group held as lessee operational lease contracts whose minimum lease payments schedule is made up as follows:

		31.12.2007	31.12.2006
Due in:			
Annual contracts:			
automatically renewal		19,734,050	22,739,347
Multiannual contracts			
N+1		25,737,279	14,932,536
N+2		23,645,115	12,521,761
N+3		21,104,187	12,009,459
N+4		17,632,325	9,631,641
N+5		14,529,304	6,865,087
After N+5		66,535,895	8,212,621
	a)	188,918,155	86,912,453

a) Changes observed are partially explained by the acquisition of Continente Hipermercados, SA affiliated (ex - Carrefour) in the amount of 85 million euro.

During 2007 it was recognized as period income the amount of 8,116,056 Euro (2006: 10,582,457 Euro) related to received rents from operational leases, mainly connected with shopping centres explored by others in group property stores.

Additionally, as at balance sheet date, the group held as lessor operational lease contracts whose minimum lease payments schedule is made up as follows:

	31.12.2007	31.12.2006
Due in:		
automatically renewal	2,276,129	2,736,163
N+1	5,000,076	7,312,065
N+2	4,360,617	5,073,046
N+3	4,093,186	3,568,130
N+4	3,660,316	1,924,737
N+5	3,064,699	1,030,393
After N+5	2,755,955	611,824
	25,210,978	22,256,358

33. RELATED PARTIES

Balances and transactions with related parties as of 31 December 2007 and 2006 are detailed as follows:

	Sales and services rendered		Purchase and services attained		Interest income		Interest expense	
Transactions	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Parent company	375,401	316,826	761,892	568,403	2,793,622	3,800,147	2,459	101,300
Associated companies	679,597	478,368	11,269,555	318,286	239,377			
Participated companies	51,527,903	48,047,084						
Participating companies	500,841		78,659				408,597	318,967
Other related parties(1)	16,252,754	19,263,062	92,913,740	95,527,343	155,711	2,431	41,969	24,596
	69,336,496	68,105,340	105,023,846	96,414,032	3,188,710	3,802,578	453,025	444,863

	Purchase of assets		Disposal of assets	
Transactions of fixed assets	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Parent company		75,000,000	573,913	
Associated companies			18,760	15,769,755
Other related parties(1)	93,163,597	60,718,044	37,896,448	66,644
	93,163,597	135,718,044	38,489,121	15,836,399

					Loans			
	Accounts receivable		Accounts payables		Payables		Receivable	
Balances	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Parent company	108,794	59,854	499,045	203,095				
Associated companies	919,474	683,776	692,339	391,909			1,000,000	1,000,000
Participated companies	12,090,910	12,804,052		155,357				
Participating companies (Note 24)	317,726		432,656		10,000,000	10,000,000	15,475	6,358
Other related parties(1)	8,945,791	10,526,303	29,801,268	19,711,625				
	22,382,695	24,073,985	31,425,308	20,461,986	10,000,000	10,000,000	1,015,475	1,006,358

(1) The affiliated or jointly controlled companies of Grupo Efanor, not included in Sonae Distribuição Group are considered as "Other related parties

Other partners in Group companies include Sonae Industria, SGPS, SA and Sonae Capital, SGPS, SA affiliated, associated and jointly controlled companies, and also other shareholders of affiliated companies or jointly controlled companies of Sonae Group, as well as other affiliated companies of the parent company Efanor Investimentos, SGPS, SA.

Apart from the above mentioned transactions there are no other transactions with related companies.

As of 31 December 2007 and 2006, there were no transactions with key management staff or Directors of the Company, nor loans were granted to them,

During the period, short term loans were granted to Sonae SGPS, S.A. amounting to 359,425,000 Euro, which was received during the period.

The recorded amounts as Receivable Loans from participating companies, refer to loans conceded to subsidiaries by its shareholders, which bear interests at market rates.

34. REMUNERATION AND OTHER COMPENSATION ATTRIBUTED TO THE MEMBERS OF THE BOARD OF DIRECTORS

During 2007 period, the total remuneration attributed to the members of the Board of Directors, amounted to 3,434,423 Euro from which 2,900,903 Euro relates to performance bonus. Additionally, the remuneration of the staff with responsibilities in the strategical management of the main group companies (excluding the Board Director members) amounted to 4,302,137 Euro, from which 1,957,929 Euro relates to fixed remuneration and 2,344,208 Euro to performance bonus.

35. SALES AND SERVICES RENDERED

Sales and Services rendered in 2007 and 2006 were as follows:

	31.12.2007	31.12.2006
Sales	3,238,947,595	2,959,534,901
Services rendered (a)	145,720,912	131,025,942
	3,384,668,507	3,090,560,843

a) Mainly corresponds to the travelling agencies contribution.

36. OTHER OPERATIONAL INCOME

At 31 December 2007 and 2006 the caption “Other operational income” was made up as follows:

	31.12.2007	31.12.2006
Suplementary revenues	288,997,874	252,388,286
Benefits from contractual penalties	104,032	471,638
Subventions received (Note 14)	182,473	1,771,027
Gains on disposals of tangible and intangible assets	13,806,875	2,063,135
Reversal of impairment losses (Note 29)	710,540	6,188,014
Exchange differences	5,021,010	2,096,601
Own work capitalised	7,127,098	1,105,407
Other income	1,961,143	2,376,857
	317,911,045	268,460,965

a) The caption Supplementary revenues refers basically to revenues from the Group’s suppliers concerning to: i) co-partnership on promotions carried out in Sonae Distribuição stores, ii) placement of the suppliers products in preferential locations in the Group’s stores, and iii) discounts obtained for immediate payment.

b) In the”Own work capitalised” caption is included 5,980,469 Euro (78,199 as of 31 December 2006) referring to software development by a Brazilian subsidiary.

37. OTHER OPERATIONAL EXPENSES

At 31 December 2007 and 2006 the caption “Other operational expenses” was made up as follows:

	31.12.2007	31.12.2006
Costs of Automatic payment terminals	20,086,220	19,317,237
Local government tax over Real Estate properties	2,518,676	2,480,544
Other tax	1,808,327	1,428,392
Losses on the Disposal of tangible assets	6,054,799	4,537,311
Losses on the Disposal of intangible assets	-	8,927
Donations	5,962,769	5,363,772
Fines and penalities	257,289	428,467
Uncollectible debts	610,642	1,708,159
Exchange differences	5,501,787	2,203,812
Other costs	8,486,470	5,174,774
	51,286,979	42,651,395

38. NET FINANCIAL EXPENSES

Net financial profit / (loss) for the years ended 31 December 2007 and 2006 are made up as follows:

	31.12.2007	31.12.2006
Expenses:		
Interest payable		
related with bank loans and overdrafts	(3,242,014)	(1,298,117)
related with non convertible bonds	(40,916,098)	(22,558,763)
related with financial leases	(413,827)	(379,914)
Others	(471,801)	(461,086)
	(45,043,740)	(24,697,880)
Exchange losses	(3,063,881)	(2,933,837)
Fair value adjustment of investments registered at fair value on the income statement		(60,475)
Other financial losses		
Losses with debt emission	(1,941,330)	(1,176,609)
others	(4,104,996)	(4,042,356)
	(6,046,326)	(5,218,965)
Total	(51,090,066)	(29,977,320)
Income:		
Interests receivable		
related with bank deposits	10,111,607	2,781,316
related with loans to affiliated companies	2,793,622	3,842,649
others	3,496,740	2,537,611
	16,401,969	9,161,576
Exchange gains	2,831,286	3,679,301
Profits in the valuation of derivatives		173,592
Other financial income	238,714	1,335,656
Total	16,640,683	10,670,824
Net financial expenses	**(34,449,383)**	**(19,306,496)**

39. INCOME TAX

Income tax for period ended 31 December 2007 and 2006 is as follows:

	31.12.2007	31.12.2006
Current tax	8,500,098	9,602,480
Deferred tax	(1,378,897)	106,677
	7,121,201	9,709,157

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

	31.12.2007	31.12.2006
Profit before income tax	175,937,046	169,970,776
Income tax rate	26.50%	27.50%
	46,623,317	46,741,963
Provisions and impairment losses not accepted for tax purposes	242,198	(1,330,658)
Differences in profit/(loss) in the disposal of assets for tax and accounting purposes	(2,216,129)	(890,268)
Use of tax losses for which no deferred taxes assets were recognised in the past	(33,740,922)	(40,960,242)
Tax losses of the current year which did not give place to the recognition of deferred tax assets	2,788,320	1,865,633
Tax rates different from portuguese tax rate	(3,331,800)	(978,719)
Effect of the change in tax rate used for purposes of calculation of deferred taxation		182,272
Tax credit related to Imobiliary Investment Funds income	2,342,238	1,186,933
Use or reversal of deferred tax	(2,070,110)	(2,013,848)
Autonomous taxation and tax benefits	571,618	267,122
Shortage / (excess) of previous years income tax estimate	(1,123,987)	(68,341)
Others	(2,963,543)	5,707,310
Income tax	7,121,200	9,709,157

40. EARNINGS PER SHARE

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

	4th Quarter.2007	31.12.2007	4th Quarter.2006	31.12.2006
Net profit				
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	68,764,950	167,492,214	68,882,978	158,079,602
Net profit taken into consideration to calculate diluted earnings per share	68,764,950	167,492,214	68,882,978	158,079,602
Number of shares				
Weighted average number of shares used to calculated basic Earnings per share	1,000,000,000	1,000,000,000	1,089,315,068	1,089,315,068
Weighted average number of shares used to calculated the diluted earnings per share	1,000,000,000	1,000,000,000	1,089,315,068	1,089,315,068
Earning per share (basic and diluted)	0.07	0.17	0.06	0.15

As at 31 December 2007 and 2006 there are no diluting effects on the number of circulating shares.

41. DIVIDENDS

In the Shareholders Annual General Meeting held on 2 May 2007, the payment of a gross dividend of 75,000,000 was approved.

42. SEGMENT INFORMATION

The contribution of the main segments for the years ended 31 December 2007 and 2006 can be detailed as follows:

31 December 2007	Turnover	EBITDA	EBIT	Net capital employed	Sales area ['.000m2]
Food retail brands	2,368,424,461	207,733,018	145,411,650	786,500,777	374
Non food retail brands	1,009,076,913	71,410,251	47,246,242	318,902,896	239
Real estate assets with income	7,167,133	19,571,890	18,044,840	44,388,494	
Real estate assets without income		292,688	229,356	50,370,475	
Other		26,842	26,792	69,086,206	
	3,384,668,507	299,034,689	210,958,880	1,269,248,848	613
Continente Hipermercados [ex-Carrefour]				663,752,773	
	3,384,668,507	299,034,689	210,958,880	1,933,001,621	613

31.12.2006	Turnover	EBITDA	EBIT	Net capital employed	Sales area ['.000m2]
Food retail brands	2,209,467,419	188,461,490	132,939,906	726,657,263	349
Non food retail brands	869,243,426	53,637,322	32,499,501	240,022,035	194
Real estate assets with income	11,849,998	10,594,800	8,625,188	69,201,566	
Real estate assets without income		192,469	77,639	58,028,475	
Other		843,929	843,455	48,161,093	
	3,090,560,843	253,730,010	174,985,689	1,142,070,432	543

Food retail brands
Includes the contribution of the business activity of the company related to food retail brands.

Non food retail brands
Includes the contribution of the business activity of the company related to non food retail brands.

Real estate assets with income

Includes the contribution of real estate assets managed by Sonae Distribuição, in particular commercial galleries near to Continente and Modelo units.

Real estate without income
Includes the contribution of real estate assets which in most cases will be useful to accommodate the organic growth of Sonae Distribuição.

Continente hypermarkets [ex-Carrefour]
Includes the net capital employed of the Company which was subject to acquisition on 31 December 2007. Therefore, their contributions to the segment information were not yet classified.

Others
Amounts that, by their nature, do not fit in any of the other categories, such as financial investments, that represent almost 100% of the net capital employed.

Operational Cash-flow (EBITDA)
Operational income – amortisations and depreciations – provisions and impairment losses – impairment losses reversion.

Operational income (EBIT)
Consolidated profit – income tax + profit/(loss) related to investments + profit/(loss) related to associated companies – net financial income.

Capital employed
Gross fixed assets [includes Ex-Carrefour] + other gross fixed assets + amortisations and impairment losses + financial investments + working capital

43. SUBSEQUENT EVENTS

In the Shareholders General Meeting it will be proposed the payment of a gross dividend on a total amount of 85 million Euro to shares not held directly or indirectly by Sonae Distribuição SGPS, S.A., corresponding to a dividend pay-out ratio of approximately 50% of the consolidated profit for the period.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 5 March 2008, nevertheless they are still subject to approval at the Shareholders Annual General Meeting as defined in Portuguese Commercial Law.

45. NOTE ADDED TO TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards. In the event of discrepancies, the Portuguese language version prevails.

Matosinhos, 5 March 2008

INDIVIDUAL FINANCIAL STATEMENTS

31 DECEMBER 2007

SONAE DISTRIBUIÇÃO, SGPS, S.A.

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of company financial statements originally issued in Portuguese - Note 36)

ASSETS	Notes	IFRS 31-12-07	IFRS 31-12-06
NON CURRENT ASSETS			
Intagible assets	7	140,483	695,668
Tangible fixed assets	7	7,296	10,043
Investments	6	2,009,050,391	1,350,118,831
Deferred tax assets	8	304	1,649
Loans granted to group companies	9	774,196,909	457,114,129
Total non current assets		2,783,395,383	1,807,940,320
CURRENT ASSETS			
Trade accounts receivable	10	3,540,891	21,191,886
Group companies	11	734,444,255	897,398,511
Other accounts receivable	13	7,101,105	2,709,977
Taxes recoverable	12	9,916,188	10,954,848
Other currents assets	14	2,051,090	3,521,868
Derivatives	15	1,113,658	-
Cash and cash equivalent	16	48,033	50,033,177
Total currents assets		758,215,220	985,810,267
TOTAL ASSETS		3,541,610,603	2,793,750,587
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	17	1,100,000,000	1,100,000,000
Own Shares	18	-	(205,000,000)
Legal Reserves	19	95,000,000	90,200,000
Other Reserves	19	825,514,961	905,536,702
Net Profit for the year	33	84,137,774	80,335,955
TOTAL EQUITY		2,104,652,735	1,971,072,657
LIABILITIES			
NON-CURRENT ASSETS			
Bonds	20	1,100,672,731	593,166,278
Deferred tax liabilities	8	233,406	115,282
Total non-current liabilities		1,100,906,137	593,281,560
CURRENT ASSETS			
Short term portion of non-current bonds	20	-	161,400,000
Bank loans	20	2,809	2,594
Suppliers	21	104,307	81,620
Group Companies	11	310,274,622	41,033,321
Other accounts payable	22	3,965,364	11,165,157
Taxes payable	12	1,184,698	3,932,935
Other current liabilities	23	20,519,931	11,780,743
Total current liabilities		336,051,731	229,396,370
TOTAL LIABILITIES		1,436,957,868	822,677,930
TOTAL EQUITY AND LIABILITIES		3,541,610,603	2,793,750,587

The accompanying notes are part of these financial statements

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.

COMPANY INCOME STATEMENTS BY NATURE

FOR THE YEARS AND QUARTERS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 36)

		IFRS		IFRS	
	Notes	4th Quarter 07 Unaudited	31-12-07 YTD	4th Quarter 06 Unaudited	31-12-06 YTD
Operatinal Income:					
Services rendered	27	775,579	3,128,682	4,223,332	17,614,059
Other operational income	28	920,225	3,179,931	974,025	1,944,050
Total Operational income		1,695,804	6,308,613	5,197,357	19,558,109
Operational expenses:					
External supplies and services		(327,133)	(1,373,646)	(328,362)	(1,354,948)
Staff costs		(982,494)	(2,548,664)	(594,656)	(2,005,299)
Amortisation and depreciation		(70,631)	(283,101)	(70,721)	(282,307)
Other operational expenses	29	(955,966)	(3,289,754)	(1,040,382)	(1,918,594)
Total operational expenses		(2,336,224)	(7,495,165)	(2,034,121)	(5,561,148)
Net Operational profit / (loss)		(640,420)	(1,186,552)	3,163,236	13,996,961
Financial income	30	21,298,447	70,793,951	(4,594,956)	50,410,643
Financial expenses	30	(20,566,945)	(57,734,847)	(7,215,560)	(25,584,832)
Financial profit/(loss)	30	731,502	13,059,104	(11,810,516)	24,825,811
Profit/(loss) related to investments	31	-	49,345,485	-	17,891,933
Profit/(loss) before taxes		91,082	61,218,037	(8,647,280)	56,714,705
Income tax	32	17,783,674	22,919,737	20,320,220	23,621,250
Net profit/(loss) for the year	33	17,874,756	84,137,774	11,672,940	80,335,955
Profit/(loss) per share (basic and diluted)	33	0.02	0.084	0.011	0.074

The accompanying notes are part of these financial statements

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.

COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2007

(Translation of financial statements originally issued in Portuguese - Note 36)

(Amounts expressed in Euro)

	Notes	Share Capital	Own Shares	Legal Reserves	Other Reserves	Hedging Reserves	Retained earnings	Net profit/loss	Total Equity
Balance at 1 January 2006	17	1,100,000,000	-	90,200,000	1,192,586,414	-	(4,364,162)	(227,707,550)	2,150,714,702
Appropriation of net profit of 2005									
Appropriation of net profit/(loss) of 2005		-	-				(227,707,550)	227,707,550	-
Distributed dividends		-	-	-	(55,000,000)		-	-	(55,000,000)
Changes in reserves				-					
Changes in fair value		-	-	-	22,000	-	-	-	22,000
Acquisition of own shares		-	(205,000,000)	-	-	-	-	-	(205,000,000)
Net profit/(loss) for the year									
ended 31 December 2006		-	-	-	-	-	-	80,335,955	80,335,955
Others		-	-	-	(232,071,712)		232,071,712	-	-
Balance at 31 December 2006		1,100,000,000	(205,000,000)	90,200,000	905,536,702	-	-	80,335,955	1,971,072,657
Balance at 1 January 2007	17	1,100,000,000	(205,000,000)	90,200,000	905,536,702	-	-	80,335,955	1,971,072,657
Appropriation of net profit of 2006									
Appropriation of net profit/(loss) of 2006		-	-	4,800,000	535,955			(5,335,955)	-
Distributed dividends	33	-	-	-	-	-	-	(75,000,000)	(75,000,000)
Changes in reserves				-					
Changes in fair value		-	-	-	-	919,625	-	-	919,625
Outros	30	-	-	-	-	(381,455)	-	-	(381,455)
Delivery of own shares		-	205,000,000	-	-	-	-	-	205,000,000
Merging by incorporation	2	-	-	-	(81,095,866)		-	-	(81,095,866)
Net profit/(loss) for the year									
ended 31 December 2007	33	-	-	-	-	-	-	84,137,774	84,137,774
Others		-	-	-				-	-
Balance at 31 December 2007		1,100,000,000	-	95,000,000	824,976,791	538,170	-	84,137,774	2,104,652,735

The accompanying notes are part of these financial statements

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.

COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 36))

	Notes	31-12-07	31-12-06
OPERATING ACTIVITIES:			
Cash receipts from trade debtors		20,733,278	16,469,639
Cash payments to trade suppliers		1,657,683	1,324,072
Cash paid to employees		3,157,405	3,602,512
Net cash flow generated by operations		15,918,190	11,543,055
Income taxes paid/(received)		(25,983,895)	(8,477,708)
Other cash receipts/payments from operating activities		-4,195,902	4,135,255
Net cash flow from operating activities (1)		37,706,183	24,156,018
INVESTING ACTIVITIES			
Cash receipt related to:			
Financial investments		97,058,064	16,199,520
Intangible assets		275,000	184,500
Interests and similar income		53,873,687	55,885,884
Dividends		18,193,658	14,200,887
Other		75,000,000	
Loans granted		3,191,397,022	4,588,519,463
		3,435,797,431	4,674,990,254
Cash payments related to:			
Financial investments		(274,741,772)	(34,276,524)
Intangible assets		(42)	(1,137)
Other		(616,169,473)	(459,500)
Loans granted		(3,129,991,937)	(4,755,736,910)
		(4,020,903,224)	(4,790,474,071)
Net cash used in investing activities (2)		(585,105,793)	(115,483,817)
FINANCING ACTIVITIES			
Cash receipt related to:			
Loans obtained		3,255,876,455	1,256,298,793
		3,255,876,455	1,256,298,793
Cash payments related to:			
Loans obtained		(2,631,418,155)	(1,281,665,612)
Interests and similar charges		(50,742,069)	(22,989,891)
Dividends		(75,000,036)	(54,999,980)
Purchase of own shares		-	(205,000,000)
		(2,757,160,260)	(1,564,655,483)
Net cash used in financing activities (3)		498,716,195	(308,356,690)
Net increase/(decrease) in cash and equivalents (4) = (1) + (2) + (3)		(48,683,415)	(399,684,489)
Cash and cash equivalents at the beginning of the year	16	50,030,583	449,715,072
Cash and cash equivalents - Merger with subsidiaries		(1,301,944)	
Cash and cash equivalents at the end of the year	16	45,224	50,030,583

The accompanying notes are part of these financial statements

The Board of Directors

(Amounts expressed in Euro)

1. INTRODUCTION

SONAE DISTRIBUIÇÃO, SGPS, S.A. ("the Company" or "Sonae Distribuição"), formerly known as Modelo Continente, SGPS, S.A., is a Portuguese Corporation, with head-office in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Portugal.

The Company's main activity is the management of shareholdings (Note 5).

The company financial statements are presented as required by Commercial Companies Code. According to Decree-Law 35/2005 of 17 February 2007, the Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. MERGE BY INCORPORATION

During the year ended 31 December 2007, the company's subsidiaries Modelo, SGPS, S.A. and Parcium Imobiliária, S.A. were merged into the Company, with the assets and liabilities of these two companies transferred at their carrying amount, as these companies were under common control.

The merger produced accounting effects since 1 January 2007 and the carrying amount of the assets and liabilities merged, as at that date, were as follows:

Assets	
Investments (Note 6 and 24)	457,860,106
Other non-current assets	230,072,099
Other current assets	75,274,153
Cash and cash equivalents	45,046
	763,251,404
Liabilities	
Other current liabilities	(625,615,353)
Incorporated net assets	137,636,051
Own shares atributed to the shareolders of the incorporated company (Note 18)	205,000,000
Consideration paid to the incorporated company's shareholders (Note 18)	4,969,473
Carrying amount of investments in the incorporated companies	8,762,444
Merger effect on equity	
Other reserves (Note 19)	(81,095,866)
	137,636,051

As a consequence, the financial statements for the period ended 31 December 2007 are not directly comparable with 2006 financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

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

3.1. Basis of presentation

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable on 1 January 2007, as adopted by the European Union.

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

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

On 1 January 2007, the following interpretations came into effect: (i) IFRIC 7 - "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"; (ii) IFRIC 8 - "Scope IFRS 2"; (iii) IFRIC 9 - "Reassessment of Embedded Derivatives"; (iv) IFRIC 10 - "Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any material changes in the Company's accounting policies as at 31 December 2007.

These financial statements have been prepared from the books and accounting records under a going concern assumption and under the historical cost convention, except for some financial instruments which are measured at their fair value (Note 3.5).

As at 31 December 2007 the following standards and interpretations were in issue: IAS 23 Amendments "Borrowing costs", IFRS 8 - "Operating segments", IFRIC 13 - "Customer Loyalty Programmes", IFRIC 11 IFRS 2 - "Group and Treasury Share Transactions" and IFRIC 12 - "Service Concession Arrangements". These Standards and Interpretations were in issue but not yet effective, and therefore have not been applied in these financial statements. The application of these changes will not produce material changes in the future financial statements of the entity.

At 31 December 2007, the following Standards and Interpretations were in issue but have not yet been endorsed by European Union: IAS 23 amendments, IFRS 8, IFRIC 11, IFRIC 12 and IFRIC 13.

3.2. Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated 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 computed 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	50
Basic equipment	10 a 15
Transport equipment	5
Tools and containers	4
Fixture and fittings	10
Other tangible assets	5

3.3. Intangible assets

Intangible assets are stated at acquisition cost, net of depreciations and accumulated impairment losses. Intangible assets are only recognized if, inherent to these, it is probable future economic benefits will flow for the Company, are controlled by the Company and if their cost can be reliably measured.

Depreciation is provided on a straight line basis, as from the date the asset is available for use, taking into consideration the estimated useful life for each class of assets.

3.4. Borrowing costs

Borrowing costs are usually recognized as expense in the period in which they are incurred on accrual basis.

3.5. Financial instruments

The Company classifies the financial instruments in the presented categories conciliated with the Balance Sheet as disclosed in Note 5.

a) Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are recorded according to IAS 27, at acquisition cost net impairment losses if any.

b) Investments

Investments are classified into the following categories:

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

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Company has the intention and ability to hold them until the maturity date. Investments measured at the fair value through profit or loss include the investments held for trading that the Company acquires with the purpose of trading in the short term. They are classified in the balance sheet as current investments. The Company classifies the available-for-sale investments as non-current assets.

All purchases and sales of investments are recognised at the trade date, independently of the settlement date.

Investments are initially measured at cost, which is its fair value at acquisition date, including transaction costs if related to Held to maturity and Available-for-sale investments.

Available-for-sale investments and investments measured at fair value through profits or loss are subsequently recorded at fair value excluding any deduction of transaction costs which may be incurred during its sale taking into consideration the market price at the balance sheet date. Investments in equity instruments that do not have a market price and whose fair value cannot be reliably measured are stated at cost less impairment losses.

Gains or losses arising from changes in fair value of available-for-sale investments are recorded directly under the Fair value reserve in Equity, until the investment is sold or otherwise disposed of, or until it is considered to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to net profit or loss for the period.

Gains or losses arising from change in fair value of investments measured at fair value through profit and loss are recorded directly in the income statement.

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

c) Loans and accounts receivable

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

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

These financial instruments arise when the Company provides funds or renders services to its subsidiaries and associated companies with no intention of trading the receivables.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 9.

d) Other accounts receivable

Other accounts receivable are stated in the balance sheet at their nominal value net of impairment losses, recognised under an allowance account “Impairment losses on accounts receivable”, in order to reflect its net realizable value.

Impairment losses are recorded in sequence of events occurred that indicate, objectively and in a quantifiable way, that the total or part of the account receivable will not be received.

Recognized impairment losses correspond to the difference between the carrying amount of the receivable and the present value of the estimated future cash-flows, discounted at the initial effective interest rate that, in those cases where it is estimated to be received in the short term (less than 1 year), it is considered to be null.

e) Classification as Equity or Liability

Financial liabilities and equity instruments are classified and accounted for based upon their contractual substance, independently from the legal form they assume.

f) 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 accrual basis, in accordance with the accounting policy defined in Note 3.8. The portion of interest regarding up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

g) Trade accounts payable and other accounts payable

Trade and other accounts payable are stated at their nominal value.

h) Derivatives

The Company enters into derivatives in order to manage its financial risks, as hedging instruments.

Derivatives used by the group that qualify as cash flow hedging instruments relate, mainly, with interest rate and foreign exchange instrument to hedge the risks arising on loans obtained. Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest 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 inefficiency of the hedging, in case of existence, is recorded in income statement.

The Company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the company to hedge the exposure to changes in the interest and exchange rates of its loans are initially accounted for at fair value, if any, and subsequently at fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then transferred to the income statement over the same period in which the hedged instrument affects profit or loss.

The fair value of these instruments is estimated by the Company using specific software 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.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as an hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the year or to the carrying amount of the asset that have been recognized as a result of the hedged forecast transaction, if applicable. 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 when these are not stated at fair value. Gains and losses which are not realizable are recorded in the Income statement.

i) Own shares

Own shares are recorded at acquisition cost as a deduction to equity. Profit or losses resulting from disposal of own shares are recorded directly in equity.

j) Cash and cash equivalents

Cash and cash equivalents includes cash at hand, cash at banks by means of in demand and term deposits and other treasury applications which mature in less than three months and that are subject to insignificant risk of changes in its value.

For the preparation of the statement of cash flows, cash and cash equivalents caption also includes bank overdrafts, which are included in the balance sheet caption Loans.

3.6. Share based payments

Share based payments result from Deferred Performance Bonus Plans that are referenced to the evolution of the Sonae SGPS, SA shares' price. (Parent company of Sonae Distribuição, SGPS, S.A.)

Share based payments liabilities are measured at fair value on the date they are granted (usually in March each year) and are subsequent re-evaluated at the end of each reporting period based on the number of shares granted and the corresponding fair value at the closing date. The obligations are recorded under personnel costs and other current and non-current liabilities, under a straight line basis, between the date the shares were granted and their vesting date, taking into a consideration the time elapsed between these dates.

3.7. Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements, being disclosed, 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 the existence of future economic benefit is probable.

3.8. Revenue recognition and accrual basis

Revenue from services rendered is recorded in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognized as income in the year in which they are attributed to the shareholders.

Income and expenses are recognized 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 in future years, thus being recorded in the income statement of the future period.

3.9. Subsequent events

Post-balance-sheet events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Post-balance-sheet events that are not adjusting events are disclosed in the notes to the financial statements when considered to be material.

3.10. Judgement and estimates

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

a) Impairment of assets and provisions;
b) Impairment of loans and investments in subsidiaries and associated companies.

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

3.11. Income tax

Sonae Distribuição is taxed in accordance with Special Regime of Taxing Groups of Companies (Parent company). Each company included in this regime records income tax for the year in its individual accounts in the caption “Group companies”. When a subsidiary contributes with a tax loss, it reflects, in its individual accounts, the amount of tax corresponding to the loss to be compensated by the profits of the other companies covered by this regime.

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 expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized 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 recognized and expected to reverse in the same period. At each balance sheet date an assessment of the deferred tax assets recognized is made, being 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.

4. FINANCIAL RISK MANAGEMENT

Risk management general principles are approved by the Board of Directors, and its implementation is supervised by group’s finance department.

a) Market risk

The interest and exchange rate risk have a decisive importance in the Company’s market risk management.

1) Interest rate risk

The Company uses derivative instruments in its market risk management in order to guarantee its hedging, not being used for trading or speculative purposes.

The Group exposure to the interest rate risk arises from the long term loans which are build up, in their majority, by debts indexed to Euribor.

The Company aim is to limit the cash-flow and net income volatility having in mind the operational activity profile by the use of an adequate combination of variable and fixed rate debt. Company’s policy allows interest rate derivates use in order to reduce Euribor’s variability exposure and not for speculative purposes.

The derivatives used by the Company in interest rate risk management qualify as hedging instruments of cash flow as they configure perfect hedging relations. 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.

The exposure to interest rate risk is estimated to be reduced as, if interest rates of euro denominated financial instruments had been 75 basis points higher/lower during 2007, the consolidated net profit before tax for the year ended 31 December 2007 would decrease/increase by an amount not higher than 0.7 million euro (1.5 million euro decrease/increase in 2006 consolidated net profit before tax).

2) Exchange rate risk

Sonae Distribuição, SGPS, S.A. is not directly exposed to the foreign exchange rate risk.

b) Liquidity risk

The purpose of liquidity risk management is to ensure, at all times, that the group has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy, through the management of the trade off cost and maturity of debt.

The Company follows an active active policy of re-financing its debt by maintaining a high level of unused and available on demand resources to face short term needs and by increasing or maintaining an adequate debt maturity, according to the estimated cash-flows, and to the capability of leveraging its balance sheet.

Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination is also considered as an important mean of managing liquidity risk. The group also assures, in its relationship with financial institutions, a high level of diversification of financing sources and counterparties, in order to ease the ability of entering new loan agreement and to minimize the effects of any relationship discontinuance.

c) Credit risk

The company is exposed to the credit risk in its relationship with financial institutions, in result of bank deposits, debt instruments available facilities, derivates, among others.

The credit risk is limited by risk concentration management, and by a selection of counterparties, which have a high national and international prestige, with at least a credit rating of BBB or an equivalent rating issued by other international agencies.

Sonae Distribuição, SGPS, S.A. is also exposed to the credit risk as result of the loans granted to participated companies.

5. FINANCIAL INSTRUMENTS BY CLASS

The accounting policies disclosed in Note 3.5 have been applied to the line items bellow:

FINANCIAL ASSETS

	Note	Loans and accounts receivable	Hedging derivatives	**Subtotal**	Assets not within IFRS 7 scope	**Total**
NON-CURRENT ASSETS						
Loans granted to group companies	9	774,196,909		774,196,909		774,196,909
		774,196,909		774,196,909		774,196,909
CURRENT ASSETS						
Trade receivables	10	3,540,891		3,540,891		3,540,891
Group companies	11	734,444,255		734,444,255		734,444,255
Other debtors	13	7,101,105		7,101,105		7,101,105
Other current assets	14	1,451,118		1,451,118	599,972	2,051,090
Derivatives	15		1,113,658	1,113,658		1,113,658
Cash and cash equivalents	16	48,033		48,033		48,033
		746,585,402	1,113,658	747,699,060	599,972	748,299,032

FINANCIAL LIABILITIES

	Note	Loans and accounts receivable	Assets not within IFRS 7 scope	**Total**
NON-CURRENT LIABILITIES				
Bonds	20	1,100,672,731		1,100,672,731
		1,100,672,731		1,100,672,731
CURRENT LIABILITIES				
Bank loans	20	2,809		2,809
Trade creditors	21	104,307		104,307
Group companies	11	310,274,622		310,274,622
Other creditors	22	3,965,364		3,965,364
Other current libilities	23	19,613,486	906,445	20,519,931
		333,960,588	906,445	334,867,033

According to the accounting policies described in note 3.5 as at 31 December 2006, the financial instruments were classified as follows:

FINANCIAL ASSETS

	Note	Loans and accounts receivable	**Subtotal**	Assets not within IFRS 7 scope	**Total**
NON-CURRENT ASSETS					
Loans granted to group companies	9	457,114,129	457,114,129		457,114,129
		457,114,129	457,114,129		457,114,129
CURRENT ASSETS					
Trade receivables	10	21,191,886	21,191,886		21,191,886
Group companies	11	897,398,511	897,398,511		897,398,511
Other debtors	13	2,709,977	2,709,977		2,709,977
Other current assets	14	3,462,276	3,462,276	59,592	3,521,868
Cash and cash equivalents	16	50,033,177	50,033,177		50,033,177
		974,795,827	974,795,827	59,592	974,855,419

FINANCIAL LIABILITIES

	Note	Loans and accounts payable	Assets not within IFRS 7 scope	**Total**
NON-CURRENT LIABILITIES				
Bonds	20	593,166,278		593,166,278
		593,166,278		593,166,278
CURRENT LIABILITIES				
Short term part of the long term bank loans	20	161,400,000		161,400,000
Bank loans	20	2,594		2,594
Trade creditors	21	81,620		81,620
Group companies	11	41,033,321		41,033,321
Other creditors	22	11,165,157		11,165,157
Other current liabilities	23	10,084,675	1,696,068	11,780,743
		62,367,367	1,696,068	64,063,435

6. INVESTMENTS

As at 31 December 2007 and 2006, the investment caption is made up as follows:

euros

Company	31.12.2007 % held	31.12.2007 Final balance	31.12.2006 % held	31.12.2006 Final balance
Investimentos em partes de capital				
Bertimóvel - Sociedade Imobiliária, S.A. (1)	100.00%	875,000	-	-
Canasta - Empreendimetos Imobiliários, S.A. (1)	100.00%	1,579,375	-	-
Chão Verde - Sociedade de Gestão Imobiliária, S.A. (1)	100.00%	2,244,591	-	-
Citorres - Sociedade Imobiliária, S.A. (1)	100.00%	477,848	-	-
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	100.00%	372,000	100.00%	372,000
Contimobe - Imobiliária Castelo Paiva, S.A. (1)	100.00%	231,318,722	10.00%	10,728,063
Cumulativa - Sociedade Imobiliária, S.A. (1)	100.00%	2,095,191	-	-
Difusão - Sociedade Imobiliária, S.A. (1)	100.00%	50,000	-	-
Fozimo - Sociedade Imobiliária, S.A.	100.00%	24,940	100.00%	24,940
Fozmassimo - Sociedade Imobiliária, S.A. (1)	100.00%	6,264,902	-	-
Fundo de Investimento Imobiliário Imosonae Dois	100.00%	182,228,145	100.00%	117,425,732
Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	0.00%	-	100.00%	43,913,700
Fundo de Investimento Imobiliário Fechado Imosede	42.16%	34,536,577	33.81%	13,525,000
IGI - Investimento Imobiliário, SA (1)	100.00%	114,495,350	-	-
Igimo - Sociedade Imobiliária, S.A.	100.00%	220,000	100.00%	220,000
Iginha - Sociedade imobiliária, S.A.	100.00%	109,000		
Imoconti - Sociedade Imobiliária, S.A.	100.00%	50,000	100.00%	50,000
Imoestrutura - Sociedade Imobiliária,S.A. (1)	100.00%	24,940	-	-
Imomuro - Sociedade Imobiliária, S.A.	100.00%	539,940	100.00%	439,940
Imoresultado - Sociedade Imobiliária, S.A.	100.00%	109,736	100.00%	109,736
Imosistema - Sociedade Imobiliária, S.A. (1)	100.00%	280,000	-	-
Infofield - Informática, S.A.	10.00%	530,459	10.00%	530,459
Marcas MC zRt	100.00%	72,784,761	100.00%	79,545
MJLF - Empreendimetos Imobiliários, S.A. (1)	100.00%	1,719,397	-	-
Modalfa - Comércio e Serviços, S.A. (1)	10.00%	27,933	-	-
Modelo Continente - Operações de Retalho, SGPS, S.A.	100.00%	1,050,000,000	100.00%	1,000,000,000
Modelo Continente Hipermercados, S.A.	56.00%	174,990,240	46.20%	2,304,446
Modelo Continente Seguros - Sociedade de Mediação, Lda	75.00%	161,250	-	-
Modelo, SGPS, S.A. (2)	-	-	0.15%	562,444
Modelo-Com - Vendas por Correspondência, S.A.	100.00%	12,637,016	100.00%	12,637,016
Ok Bazar - Comércio Geral, S.A.	-	-	100.00%	1,953,945
Parcium Imobiliária, S.A. (2)	-	-	100.00%	8,200,000
Predicomercial - Promoção Imobiliária, S.A. (1)	100.00%	6,372,293	10.00%	187,548
Selifa - Sociedade de Empreendimentos Imobililiários, S.A. (1)	100.00%	1,408,379	-	-
Sempre à Mão - Sociedade Imobiliária, S.A.	100.00%	125,000	100.00%	50,000
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	25.00%	249,399	25.00%	249,399
Sesagest - Projectos e Gestão Imobiliária, S.A.	100.00%	36,677,088	100.00%	36,677,088
Socijofra - Sociedade Imobiliária, S.A. (1)	100.00%	550,000	-	-
Sociloures - Sociedade Imobiliária, S.A.	100.00%	10,000,000	100.00%	10,000,000
Soflorin, B.V.	100.00%	57,309,037	100.00%	57,309,037
Sonae Capital Brasil, S.A.	37.00%	23,334,858	37.00%	23,334,858
Sonae Retalho España, S.A.	100.00%	2,549,831	100.00%	2,549,831
Sonae, SGPS, S.A.	-	-	0.003%	75,500
Sonaegest - Soc. Gest. de Fundos de Investimentos, S.A. (1)	20.00%	159,615	-	-
Sondis Imobiliária, S.A. (1)	100.00%	49,940	-	-
Sontária - Empreendimentos Imobiliários, S.A. (1)	100.00%	10,600,000	-	-
Sonvecap, B.V.	100.00%	3,000,000	100.00%	3,000,000
Sportzone - Comércio de Artigos de Desporto, S.A.	10.00%	706,326	10.00%	706,326
SRE - Projectos de Consultadoria, S.A.	-	-	100.00%	1,259,784
Todos os Dias-Comércio Ret. e Expl. de Centros Comerciais, S.A.	100.00%	1,180,000	100.00%	1,180,000
Tlantic Portugal - Sistemas de Informação, S.A.	100.00%	50,000		
Valor N, S.A.	100.00%	2,087,315		
Worten - Equipamentos para o Lar, S.A.	10.00%	462,494	10.00%	462,494
		2,047,618,888		1,350,118,831
Impairment of Investments (Note 24)		(38,568,497)		
		2,009,050,391		1,350,118,831

(1) – Investments recognized as a result of the merger (Note 2)
(2) – Investments extinguished as a result of the merger (Note 2)

During periods ended 31 December 2007 and 2006, the movements of the caption Investments are as follows:

Investments	31.12.2007	31.12.2006
	Non-current	Non-current
Investments in group companies		
Opening balance	1,163,752,000	1,180,747,775
Purchases	83,712,782	8,203,592
Disposals	(12,148,502)	
Recognition of investments as result of the merger	493,563,316	
Investments estinguished as a result of the merger	(8,762,444)	(24,750,954)
Final balance	1,720,117,152	1,164,200,413
Accumulated impairment losses (Note 24)	(38,568,497)	(448,413)
	1,681,548,655	1,163,752,000
Investments in associated companies		
Opening balance	249,399	249,399
Purchases	-	-
Disposals	-	-
Recognition of investments as result of the merger	159,615	-
Final balance	409,014	249,399
Accumulated impairment losses	-	-
	409,014	249,399
Suplementary capital		
Opening balance	2,480,000	2,480,000
Additions	-	-
Reductions	-	-
Fair value increase/(decrease)	-	-
Others	-	-
Final balance	2,480,000	2,480,000
Investment Funds		
Opening balance	174,864,432	159,611,020
Increases	85,813,990	31,452,932
Reductions	-	-
Liquidation of Fundo de Investimento Imobiliário Fechado Efisa	(43,913,700)	(16,199,520)
Final balance	216,764,722	174,864,432
Accumulated impairment losses	-	-
	216,764,722	174,864,432
Contributions of capital		
Opening balance	8,773,000	6,953,000
Additions	98,675,000	1,820,000
Reductions	(2,075,000)	-
Recognition of investments as result of the merger	2,475,000	
Final balance	107,848,000	8,773,000
Accumulated impairment losses	-	-
	107,848,000	8,773,000
Advances on financial investments acquisition		
Opening balance	-	-
Purchases	660,000	-
Recognition of investments as result of the merger	660,000	-
Advances regularization	(1,320,000)	-
	-	-
	2,009,050,391	1,350,118,831

The increase of 83.712.782 Euro in the caption Investments on Group companies includes the share capital increases in Marcas MC, ZRT amounting to 72,705,216 Euro; share capital increase in Imoponte – Sociedade Imobiliária, S.A. amounting to 8,700,000 Euro and the acquisition of 100% of Valor N, S.A., amounting 2,087,315 Euro.

The decrease of 12,073,002 Euro of Investments on group companies includes the sale of 100% investment on several subsidiaries (Note 31).

The increase of 85,813,990 Euro recorded in the caption Investment Funds relates: to the acquisition of “Fundo de Investimento Imobiliário Imosonae Dois” units by a total consideration of 64,802,413 Euro; as well as to the capital increase amounting to 21,011,577 Euro made in Fundo de Investimento Imobiliário Imosede with an increase of the Company’s shareholding up to 42,16%.

7. TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2007, movements in tangible and intangible assets as well as depreciation and accumulated impairment losses, are as follows:

Intangible assets:

Acquision cost:	Opening balance 31.12.2006	Increases	Decreases	Merger Effect	Closing balance 31.12.2007
Industrial property and other rights	1,401,602				1,401,602
Software				479	479
Intangible assets in progress		136			136
Advanced payments for intagible assets	275,000		275,000		-
	1,676,602	136	275,000	479	1,402,217

Amortisations and accumulated impairment losses	Opening balance 31.12.206	Increases	Decreases	Merger Effect	Closing balance 31.12.2007
Industrial property and other rights	980,934	280,321			1,261,255
Software				479	479
	980,934	280,321		479	1,261,734

Tangible assets:

Acquision cost:	Opening balance 31.12.2006	Increases	Decreases	Merger Effect	Closing balance 31.12.2007
Machinery and equipment	2,464				2,464
Transport equipment	19,062				19,062
Office equipment	16,653	33		8,119	24,805
Other tangible assets	679				679
	38,858	33		8,119	47,010

Amortisations and accumulated impairment losses	Opening balance 31.12.2006	Increases	Decreases	Merger Effect	Closing balance 31.12.2007
Machinery and equipment	411	246			657
Transport equipment	19,062				19,062
Office equipment	8,663	2,534		8,119	19,316
Other tangible assets	679				679
	28,815	2,780		8,119	39,714

Total net assets	Opening balance 31.12.2006	Increases	Decreases	Final balance 31.12.2007
Intangible assets	695.668	(280.185)	275.000	140.483
Tangible assets	10.043	(2.747)		7.296

During the year ended 31 December 2006, movements in tangible and intangible assets as well as depreciation and accumulated impairment losses, are made up as follows:

Intangible assets:

Acquisition cost:	Opening balance 31.12.2005	Increases	Decreases	Closing balance 31.12.2006
Industrial property and other rights	1,401,602			1,401,602
Advanced payments for intangible assets		459,500	184,500	275,000
	1,401,602	459,500	184,500	1,676,602

Amortisations and accumulated impairment losses	Opening balance 31.12.2005	Increases	Decreases	Closing balance 31.12.2006
Industrial property and other rights	700,614	280,320		980,934
	700,614	280,320		980,934

Tangible assets:

Acquisition cost:	Opening balance 31.12.2005	Increases	Decreases	Closing balance 31.12.2006
Machinery and equipment	2,464			2,464
Transport equipment	19,062			19,062
Office equipment	15,474	1,179		16,653
Other tangible assets	679			679
	37,679	1,179		38,858

Amortisations and accumulated impairment losses	Opening balance 31.12.2005	Increases	Decreases	Closing balance 31.12.2006
Machinery and equipment	164	247		411
Transport equipment	19,062			19,062
Office equipment	6,923	1,740		8,663
Other tangible assets	679			679
	26,828	1,987		28,815

Total net assets	Opening balance 31.12.2005	Increases	Decreases	Final balance 31.12.2006
Intangible assets	700,988	179,180	184,500	695,668
Tangible assets	10,851	(808)		10,043

8. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2007 and 2006 are as follows, split between the different types of temporary differences:

	Assets		Liabilities	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Financial instruments			194,034	
Write off of intangible assets	304	1,649		
Differences between amortizations for accounting and tax purposes			39,372	115,282
	304	1,649	233,406	115,282

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

	Assets		Liabilities	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Opening balance	1,649	75,490	115,282	157,879
Effects on income:				
Write off of intangible assets (Note 32)	(1,345)	(26,040)		
Harmonised adjustments (Note 32)			(75,910)	(38,247)
Financial instruments valuation		(47,738)		
Exchange rate effect		(63)		(4,350)
	(1,345)	(73,841)	(75,910)	(42,597)
Effects on equity				
Financial instruments valuation			194,034	
Final balance	304	1,649	233,406	115,282

As at 31 December 2007 there was tax losses carried forward amounting to 36,519,737 Euro (145,243,801 Euro as at 31 December 2006) for which no deferred tax assets were recognized, by prudential reasons:

	31.12.2007			31.12.2006		
	Tax loss	Deferred tax not recognized	Limit use date	Tax loss	Deferred tax not recognized	Limit use date
Originated in 2005	36,519,737	9,129,934	2011	145,243,801	36,310,950	2011
	36,519,737	9,129,934		145,243,801	36,310,950	

According to Portuguese law, tax assessments are subject to review and change by tax authorities during a four-year period (10 year for Social Security and five since 2001) except when there were tax losses carried forward, have been granted tax credits, or there are on going inspections or claims. In these cases the four year period is enlarged or suspended.

It is the Board of Directors understanding that eventual claims by the Tax Authorities will not result in any liabilities for the company.

9. LOANS GRANTED TO GROUP COMPANIES

As at 31 December 2007 and 2006 the non-current assets were as follows (Note 35):

	31.12.2007	31.12.2006
Loans to group companies	774,196,909	457,114,129

These loans earn interests at market rate and their fair value is similar to their carrying amount. The loans refer to loans granted to subsidiaries with no defined maturity.

10. TRADE ACCOUNTS RECEIVABLE

The amount of trade accounts receivable refers to Management Fee's and royalties, invoiced, mainly, to Sonae Distribuição, SGPS, S.A. Group companies.

Up to the balance sheet date there are no due accounts receivable and there were no impairment losses recorded, as there are no indications that clients will not fulfil their obligations.

11. GROUP COMPANIES – CURRENT

As at 31 December 2007 and 2006, this caption is as follows:

Assets:

	31.12.2007	31.12.2006
Short term loans (Note 35)	61,473,000	779,656,609
Interest charged but not received	32,629,586	16,441,477
Taxes - Special Regime for Taxation of Groups of Companies (a)	29,141,669	26,088,132
Credits assignement (c)		75,000,000
Others (b)	611,200,000	212,293
	734,444,255	897,398,511

Liabilities:

	31.12.2007	31.12.2006
Short term loans (Note 35)	308,140,500	39,919,201
Interest charged but not paid		2,732
Taxes - Special Regime for Taxation of Groups of Companies (a)	2,134,122	1,111,388
	310,274,622	41,033,321

a) Income tax estimated by group companies taxed in accordance with the Special Regime for Taxing Groups of Companies

b) Payment made on 31 December 2007, on behalf of Modelo Continente Hipermercados, SA, Spanish branch related to the acquisition of Continente Hipermercados, S.A. (ex-Carrefour).

c) The amount recorded in Credits assignments as at 31 December 2006, respects to advances of a branch office company bound to intangible assets acquisition. This amount was regularised during 2007.

There were no past due assets thus no impairment loss was recognized as at 31 December 2007 and 2006. The fair value of loans granted is similar to its carrying amount.

12. TAXES RECOVERABLE, TAXES PAYABLE

As at 31 December 2007 and 2006 this caption is detailed as follows:

Assets:

	31.12.2007	31.12.2006
Income tax	9,916,188	10,954,848
	9,916,188	10,954,848

Liabilities:

	31.12.2007	31.12.2006
VAT	565,698	3,704,733
Social security	2,110	2,894
Withholding tax - Capital gains	413,455	5,266
Other	203,435	220,042
	1,184,698	3,932,935

13. OTHER DEBTORS

As of 31 December 2007 and 2006 this caption is detailed as follows:

	Other debtors	
	31.12.2007	31.12.2006
Not due	7,101,105	2,709,977

The caption Other debtors includes, approximately, 5,790,887 Euro (2,650,000 in 2006) related to taxes claimed from tax authorities, being an understanding by the Sonae Distribuição Board of Directors that the results of such claims will favour the company, so there were no impairment was recognized to face any eventual loss. The amount increase results from the merger of Modelo, SGPS, S.A. (Note 2). The remainder amounts refer to accounts receivable from Sonae Distribuição Group companies, not due and without any indication of impairment.

14. OTHER CURRENT ASSETS

As at 31 December 2007 and 2006, the caption Other current assets can be detailed as follows:

	31.12.2007	31.12.2006
Deferred costs	599,972	59,591
Accrued income	1,451,118	3,462,277
	2,051,090	3,521,868

As at 31 December 2007 the heading Deferred costs is made up as follows:
(i) 230.856 Euro related to insurance premiums paid in advance.
(ii) 369.116 Euro related to debt issuance costs paid in advance.

The caption of accruals corresponds mainly to interests earned on group companies' loans.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate hedging derivatives

As at 31 December 2007, the fair value of the derivatives, estimated taking into consideration present market value of equivalent financial instruments, is estimated as follows:

	31.12.2007	31.12.2006
Assets	1,113,658	-

Gains and losses for the year arising from changes in the fair value of totalled a net gain of 1,113,658 Euro, excluding the effect of the register of the respective deferred liability and were recorded in Equity.

16. CASH AND CASH EQUIVALENTS

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

	31.12.2007	31.12.2006
Bank deposits	13,036	50,033,177
Treasury applications	34,997	-
Cash and cash equivalents on the balance sheet	48,033	50,033,177
Bank overdrafts (Note 20)	(2,809)	(2,594)
Cash and cash equivalents on the cash flow statement	45,224	50,030,583

Bank overdrafts are disclosed in the balance sheet in the caption Loans.

17. SHARE CAPITAL

As at 31 December 2007 and 2006, the share capital, which is fully subscribed and paid for, is made up by 1,100,000,000 ordinary shares which do not hold right to any fixed dividend, with a nominal value of 1 Euro each

As at 31 December 2007, the subscribed share capital was held as follows:

Entity	%
Sonae, SGPS, S.A.	74.98
Sonae Investments, B.V.	15.93
Soflorin, B.V.	9.09

Sonae SGPS, S.A. is owned by Efanor Investimentos, SGPS, S.A. and its affiliated companies on 52.94%.

18. OWN SHARES

As of 31 December 2007 and 2006, own shares are detailed as follows:

	31.12.2007	31.12.2006
Own shares - nominal value	-	100,000,000
Own shares - prizes and discounts	-	105,000,000
	-	205,000,000

The merger of Modelo, SGPS, S.A. and Parcium Imobiliária, S.A. in Sonae Distribuição, SGPS, S.A., led to an exchange ratio in the following terms: Each share of Modelo SGPS, S.A., gave right to 7,327 Sonae Distribuição shares. Consequently the Company delivered, to Soflorin, B.V., former owner of Modelo, SGPS, S.A., 100,000,000 own shares, with the nominal value of 1 Euro, with fair value of 205,000,000 Euro, as well as an additional cash payment of 4,969,473 Euro.

In accordance with article 324 of Commercial Companies Code ("Código das Sociedades Comerciais"), the referred shares are still considered own shares once Soflorin, B.V. is a wholly owned subsidiary of Sonae Distribuição, SGPS, S.A..

19. RESERVES

	31.12.2007	31.12.2006
Legal reserves	95,000,000	90,200,000
	95,000,000	90,200,000
Reserves and Retained earnings:		
Reserves under the artº324 CSC	205,000,000	205,000,000
Fair value reserves	-	42,500
Hedging reserves	538,170	-
Other reserves	619,976,791	700,494,202
	825,514,961	905,536,702
	920,514,961	995,736,702

As of 31 December 2007 the company held 95.000.000 Euro of legal reserves. According to Commercial Companies Code ("Código das Sociedades Comerciais") these reserves cannot be distributed except upon dissolution of the company, but can be used to absorb retained losses after all the other reserves have been used, or to increase capital.

As a result of the acquisition of own shares, free reserves in the same amount as their acquisition cost were made unavailable in accordance with article 324 of Commercial Companies Code ("Código das Sociedades Comerciais"). This reserve cannot be used until the referred own shares are extinct or disposed to a Company outside the Group (Note 18).

20. BORROWINGS

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

	31.12.2007				31.12.2006			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans					161,400,000		161,400,000	
Bank overdrafts	2,809		2,809		2,594		2,594	
Bonds		1,100,672,731		1,106,925,000		593,166,278		597,000,000
	2,809	1,100,672,731	2,809	1,106,925,000	161,402,594	593,166,278	161,402,594	597,000,000

The borrowing and interests beared shall be reimbursed as follows:

	31.12.2007		31.12.2006	
	Capital	Interests	Capital	Interests a)
2007	-	-	161,402,594	27,484,627
2008	2,809	57,954,762	-	32,135,507
2009	100,000,000	54,619,895	100,000,000	29,014,995
2010	64,925,000	51,688,373	265,000,000	26,168,458
2011	82,000,000	48,380,361	82,000,000	12,478,150
2012	350,000,000	38,775,565	150,000,000	7,949,825
2013	155,000,000	25,634,467	-	-
+2014	355,000,000	35,317,289	-	-
	1,106,927,809	312,370,710	758,402,594	135,231,562

a) The 2006 comparable data related to interests, takes into consideration the available information at present date, therefore the interests amount presented for the year 2007 is the amount effectively paid during the period.

As of 31 December 2007 bonds are made up as follows:

Modelo Continente - 2003	82,000,000
Modelo Continente - 2004	100,000,000
Modelo Continente - 2005/2010	64,925,000
Modelo Continente - 2005/2012	150,000,000
Modelo Continente - 2007/2012	200,000,000
Sonae Distribuição - 2007/2015	200,000,000
Sonae Distribuição Setembro - 2007/2015	310,000,000

Bonds - MODELO CONTINENTE / 2003
1,640,000 bonds – Nominal Value: 50 euro.
Maximum term: 8 (eight) years.
Annual interest rate: the interest rate which is variable is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.75% p.a.
Interest Payment: half yearly in arrears, on 15 April and 15 October of each year.
Redemption: at par, in one payment on 15 October 2011, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

Bonds - MODELO CONTINENTE / 2004
10,000,000 bonds – Nominal Value: 10 euro.
Maximum term: 5 (five) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 1.15% p.a..
Interest Payment: half yearly in arrears, on 18 March and 18 September of each year.

Redemption: at par, in one payment on 18 March 2009, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

Bonds - MODELO CONTINENTE 2005/ 2010
265,000 bonds – Nominal Value: 245 Euro.
Maximum term: 5 (five) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.70% p.a..
Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.
Redemption: at par, in one payment on 5th year in one payment on 3 August 2010, the maturities date of the loan, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the 2nd, 3rd or 4th year of maturity. In this situation the issuer is obliged to pay a prize of 0.125% over de reimbursed value.

On the 3rd August 2007, the Company partially reimbursed the bonds, according to their Conditions. The amount reimbursed per bond was 755 Euro plus a premium of 0.94375 Euro.

After the reimbursement, the loan will be reduced to 64,925,000 Euro (265,000 bonds with a 245 Euro nominal value).

Bonds - MODELO CONTINENTE 2005/ 2012
15,000,000 bonds – Nominal Value: 10 Euro.
Maximum term: 7 (seven) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.85% p.a..
Interest Payment: half yearly in arrears, on 2 February and 2 August of each year.
Redemption: at par, in one payment on 2 August 2012 the payments date of the 14th coupon, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the reimbursed dates of 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

Bonds - MODELO CONTINENTE 2007/2012
4,000 bonds – Nominal Value: 50,000 Euro.
Maximum term: 5 (five) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.5% p.a..
Interest Payment: half yearly in arrears, on 30 April and 30 October of each year.
Redemption: at par, in one payment on 30 April 2012 the payments date of the 10th coupon.
Early redemption (call-option): early redemption is not possible.

Bonds – Sonae Distribuição 2007/2015
4,000 bonds – Nominal Value: 50 Euro.
Maximum term: 8 (eight) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.48% p.a..
Interest Payment: half yearly in arrears, on 10 February and 10 August of each year.
Redemption: at par, in one payment on 10 August 2015 the payments date of the 16th coupon.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the reimbursed dates of 10th, 12th and 14th, without the obligation of paying any prize.

Bonds – Sonae Distribuição September 2007/2015
31,000,000 bonds – Nominal Value: 10 Euro.
Maximum term: 8 (eight) years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day proceeding the interest period, with a spread of 0.25% p.a. in the first three interest payment dates and 0.55% from the 4th interest payment date.
Interest Payment: half yearly in arrears, on 10 March and 10 September of each year.
Redemption: at par, in two payments: 50% on 10 September 2013 the payment date of the 12th coupon, and 50% on 10 September 2015 the payment date of the 16th coupon.

Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the reimbursed dates of 10^{th}, 11^{th}, 12^{th}, 13^{th}, 14^{th} and 15^{th}, without the obligation of paying any prize.
Extraordinary early redemption (call-option): until the end of the 18^{th} bond life month in the following conditions:
i) the bond can be reimbursed total or partially, without the obligation of paying any prize, in each interest payment date;
ii) the bond can be reimbursed total or partially, subject to breakage costs, with a pre-advise of 30 days during each interest period.

The amount of the available credit facilities in order to manage liquidity risk can be summarized as follows:

	31.12.2007	
	Commitments of less than one year	Commitments of more than one year
Unused amounts	257,280,525	400,000,000
Available credit facilities	260,870,074	400,000,000

The commitments of more than one year refer to commercial paper programmes available for 7 years.

21. TRADE ACCOUNTS PAYABLE

As at 31 December 2007 and 2006 the trade accounts payable caption presents amounts payable within 90 days, arising on the normal course of activity.

22. OTHER ACCOUNTS PAYABLE

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

	31.12.2007	31.12.2006
Olther account payables	3,965,364	11,165,157

As at 31 December 2006 the caption Other accounts payables includes an amount of 7,200,000 Euro related to the purchase of Parcium Imobiliária, S.A. which was settled in 7 monthly payments, beginning on 31 January 2007. Additionally the other debts are payable on demand.

23. OTHER CURRENT LIABILITIES

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

Accruals	31.12.2007	31.12.2006
Personnel costs	302,466	536,706
Accrued interests	19,220,778	9,517,966
Deferred performance bonuses	906,445	1,696,068
Others	90,242	30,003
	20,519,931	11,780,743

In 2007 and in previous years, the Company granted Deferred Performance Bonuses to its directors and eligible employees. These are based on shares to be acquired at nil cost, three years after they were attributed to the employee. The purchase 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 its responsibilities in cash rather than through shares. The option can only be exercised if the employee still works for the Group at the vesting date. Liabilities arising from deferred performance bonuses are valued in accordance with that referred to in Note 3.6. On the Notes to the consolidated financial statements a full description of the programme is made.

24. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and impairment losses for the year ended 31 December 2007 are as follows:

Caption	Opening balance	Incrases	Decreases	Final balance
Investments impairment	448,413	42,420,331	4,300,247	38,568,497

From the recorded increase, 38,997,825 Euro were recognized gains Other reserves as result of the merger (Note 2). The remainder were recognized on the income statement - Investments related income (Note 31).

25. CONTIGENT ASSETS AND LIABILITIES

As at 31 December 2007 and 2006 the contingent assets and liabilities were made up as follows:

	31.12.2007	31.12.2006
Guarantees rendered:		
related to tax claims awaiting outcome	18,821,550	22,595,842
related to local and municipal claims awaiting outcome	289,380	
	19,110,930	22,595,842

No provision has been recognized for these tax additional assessments as the Board of Directors expects them to be decided with no additional liability to the company.

As sequence of the selling of a Brazilian subsidiary company, the group guaranteed to that subsidiary company buyer all the losses it will have as consequence of tax additional assessments as it is described in the Note 30 of the Notes of the consolidated financial statements. The Board of Directors believes that from the resolution of the mentioned claims will not result any liabilities for the Company.

26. RELATED PARTIES

Balances and transactions with related parties as of 31 December 2007 and 2006 are detailed as follows:

Transactions	Services rendered		Other operating profits	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Parent company				
Subsidiaries and Associated companies	3,128,682	17,614,059	3,170,758	1,802,394
	3,128,682	17,614,059	3,170,758	1,802,394

Transactions	Interest income		Interest incurred	
	31.Dezembro.2007	31.Dezembro.2006	31.Dezembro.2007	31.Dezembro.2006
Parent company	2,787,374	3,560,871		
Subsidiaries and Associated companies	60,102,568	45,125,812	11,235,553	479,520
	62,889,942	48,686,683	11,235,553	479,520

Transactions	Received dividends	
	31.12.2007	31.12.2006
Parent company		
Subsidiaries and Associated companies	18,193,658	14,200,887
	18,193,658	14,200,887

Balances	Accounts receivable		Accounts payable	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Parent company				1,068
Subsidiaries and Associated companies	678,868,933	142,886,611	3,386,950	1,184,714
Other related parties	8,735		4,646	1,434
	678,877,668	142,886,611	3,391,596	1,187,216

Balances	Granted loans		Obtained loans	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Parent company				
Subsidiaries and Associated companie	835,669,909	1,236,770,738	308,140,500	39,919,201
Other related parties				
	835,669,909	1,236,770,738	308,140,500	39,919,201

Sonae SGPS, S.A. and Efanor Investimentos, S.A. are considered related parties included in the parent company category. All the companies within the consolidation perimeter of Sonae Distribuição, SGPS, S.A. as it is described in the notes to the consolidated financial statements are considered in Subsidiaries and associated companies' category. In the Other related parties are included the subsidiaries and entities under common control of Sonae SGPS, S.A. and Efanor Investimentos, SGPS, S.A.

Apart from the above mentioned transactions there are no other transactions with related companies.

During the period, the Company granted loans to Sonae SGPS, S.A. amounting 359,425,000 Euro, which were reimbursed during the year.

In 2007 and 2006 did not occur any transactions, including granted loans, with the Company's Directors.

As at 31 December 2007 and 2006 there were no balances with Company's Directors.

27. SERVICES RENDERED

The amount related to services rendered in 2007 and 2006 relate with services rendered to Sonae Distribuição group companies in Portugal.

28. OTHER OPERATIONAL INCOME

The caption "Other operational income" for the years 2007 and 2006 is as follows:

	31.12.2007	31.12.2006
Charges retrieve (a)	3,170,758	1,802,394
Other operating income	9,173	141,656
	3,179,931	1,944,050

a) Income related to costs paid by the Company on behalf of participated companies (Note 29) and billed back to those companies.

29. OTHER OPERATIONAL COSTS

The caption "Other operating costs" for the years 2007 and 2006 is as follows:

	31.12.2007	31.12.2006
Indirect taxes	3,164,210	1,799,327
Bank seervices	110,964	104,853
Others	14,580	14,414
	3,289,754	1,918,594

The indirect tax amounts supported in the year ended as at 31 December 2007 and 2006 includes, mainly, costs and opening retail stores taxes which were then billed back to the group companies which owns those new stores' operations (Note 28).

30. FINANCIAL PROFIT/(LOSS)

Net financial profit / (loss) for the years ended 31 December 2007 and 2006 is made up as follows:

	31.12.2007	31.12.2006
Losses:		
Interests beared		
Bank overdrafts and Loans	3,080,111	1,212,532
Bonds	40,916,098	22,558,762
Loans obtained from Group Companies	11,235,553	479,520
Others	5,586	
	55,237,348	24,250,814
Other financial losses:		
Debt issuing charges (Note 20)	1,941,330	1,176,609
Others	556,169	157,409
	57,734,847	25,584,832
Net financial income	13,059,104	24,825,811
	70,793,951	50,410,643
Income:		
Interests earned		
Bank deposits	7,418,942	1,106,844
Investment funds units	6,779,673	
Loans granted to Group Companies	56,110,269	48,686,683
Others	484,982	439,760
Profits in the valuation of derivatives		173,592
Other financial income	85	3,764
	70,793,951	50,410,643

31. INVESTMENT INCOME

As at 31 December 2007 and 2006 investment income are as follows:

	2007		2006	
	4th quarter	Accumulated	4th quarter	Accumulated
Dividends		18,193,658	-	14,200,887
Gains on disposal of investments		35,728,616	-	-
Losses on disposal of investments		(5,454,530)	-	(24,750,954)
Impairment losses on Investments (Note 24)		(3,422,506)	-	-
Reversal of impairment losses on investments (Note 24)		4,300,247	-	28,442,000
		49,345,485		17,891,933

During the year ended 31 December 2007 the company sold 100% of OK Bazar – Comércio Geral, S.A., of SRE – Projectos de Centros Comerciais, S.A. and 10% of Cacetinho – Comércio Retalhista e Exploração de Centros Comerciais, S.A. to its subsidiary Modelo Continente Hipermercados, S.A., having recognized a capital gain of 35,668,833 Euro.

Additionally, the company sold to a Sonae SGPS, S.A. 100% of its shareholding in Imoponte – Sociedade Imobiliária, having recorded a gross capital loss of 4.976.834 Euro not considering the reversal of the impairment loss amounting to 3,851,834 Euro, which had been recognized through the merger of Modelo, SGPS, S.A. (Note 2).

During the period the Company sold the shares that held in Sonae SGPS, S.A., to that company, being recorded a loss of 417.913 Euro gross of the reversal of the impairment loss that had been recognized.

32. INCOME TAX

Income tax charge for the year ended 31 December 2007 and 2006 is made up as follows:

	31.12.2007	31.12.2006
Income tax estimate	(135,073)	(2,189)
Excess / (Shortage) of last year estimative	(9,245,971)	(3,990,568)
Others	1,087,487	-
Current income tax	(8,293,557)	(3,992,757)
Intangible assets write off	(1,345)	(26,103)
Difference of amortisation for accounting and tax purposes (Note 8)	75,910	42,597
Financial instruments	-	(47,738)
Tax losses (used at RETGS level)	31,138,729	26,462,606
Others	-	1,182,645
Deferred tax	31,213,294	27,614,007
	22,919,737	23,621,250

The reconciliation of net profit before tax with the income tax charge for the year ended 31 December 2007 and 2006 is as follow:

	31.12.2007	31.12.2006
Profit/(loss) before income tax	61,218,037	56,714,705
Income tax rate	26.50%	27.50%
	16,222,780	15,596,544
Use of tax losses for which no deferred taxes assets were recognised in the past	(35,390,551)	(37,812,931)
Impairment losses not accepted for tax purposes	232,601	(7,821,550)
Shortage / (excess) of income tax estimate	9,245,971	3,990,568
Differences between gains and losses on disposal of assets for tax and accouting purposes	(8,070,333)	4,916,177
Dividends receive exempt from taxation	(4,821,319)	(3,905,244)
Others	(338,886)	1,415,187
Income tax	(22,919,737)	(23,621,250)

33. EARNING PER SHARE

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

	31.12.2007	31.12.2006
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	84,137,774	80,335,955
Net profit taken into consideration to calculate diluted earnings per share	84,137,774	80,335,955
Number of shares		
Weighted average number of shares used to calculated basic Earnings per share	1,000,000,000	1,089,315,068
Weighted average number of shares used to calculated the diluted earnings per share	1,000,000,000	1,089,315,068
Earning per share (basic and diluted)	0.084	0.074

In the Annual General Meeting held on 2 May of 2007 were attributed 75,000,000 Euro dividends.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on 5 March 2008, but are subject to final approval of the Shareholders General Meeting as defined in Portuguese Commercial Law.

The Sonae Distribuição, SGPS, S.A. net profit was 84,137,774.42 Euro, and the Board of Directors proposed the following distribution:

Legal reserve	4,300,000.00 Euro
Dividends	79,837,774.42 Euro

Once it is proposed 85,000,000 Euro dividends distribution to the shares not held directly or indirectly by Sonae Distribuição, SGPS, S.A., 5,162,222.58 Euro of Free Reserves will be used for distribution.

35. LEGAL DISPOSITIONS ACCOMPLISHMENT

Decree-Law 3318/94 art. 5º nº 4

In the twelve months ended 31 December 2007 shareholders' loan contracts were entered into with the following companies:

Bertimóvel – Sociedade Imobiliária, S.A.
Canasta – Empreendimentos Imobiliários, S.A.
Chão Verde – Sociedade de Gestão Imobiliária, S.A.
Citorres – Sociedade Imobiliária, S.A.
Contimobe – Imobiliária Castelo Paiva, S.A.
Cumulativa – Sociedade Imobiliária, S.A.
Difusão – Sociedade Imobiliária, S.A.
Fozimo – Sociedade Imobiliária, S.A.
IGI – Investimento Imobiliário, S.A.
Igimo – Sociedade Imobiliária, S.A.
Iginha – Sociedade Imobiliária, S.A.
Imoconti – Sociedade Imobiliária, S.A.
Imoestrutura – Sociedade Imobiliária, S.A.
Imomuro – Sociedade Imobiliária, S.A.
Imoponte – Sociedade Imobiliária, S.A.
Imoresultado – Sociedade Imobiliária, S.A.
Imosistema – Sociedade Imobiliária, S.A.
Infofield – Informática, S.A.
MJLF – Empreendimentos Imobiliários, S.A.
Modelo Continente Hipermercados, S.A.
Modelo Continente Seguros – Sociedade de Mediação, Lda
Predicomercial – Promoção Imobiliária, S.A.
Selifa – Sociedade de Empreendimentos Imobiliários, S.A.
Sempre à Mão – Sociedade Imobiliária, S.A.
Sesagest – Projectos e Gestão Imobiliária, S.A.
Socijofra – Sociedade Imobiliária, S.A.
Sociloures – Sociedade Imobiliária, S.A.
Soflorin, B.V.
Sonae Retalho España, S.A.
Sondis Imobiliária, S.A.
Sontária – Empreendimentos Imobiliários, S.A.
Sonvecap, B.V.
Sportzone – Comércio de Artigos de Desporto, S.A.
Worten – Equipamentos para o Lar, S A.

In the twelve months ended 31 December 2007 short-term loan contracts were entered into with the following companies:

Bertimóvel – Sociedade Imobiliária, S.A.
Canasta – Empreendimentos Imobiliários, S.A.
Carnes do Continente – Indústria e Distribuição de Carnes, S.A.
Chão Verde – Sociedade de Gestão Imobiliária, S.A.
Citorres – Sociedade Imobiliária, S.A.
Contibomba – Comércio e Distribuição de Combustíveis, S.A.
Contimobe – Imobiliária Castelo Paiva, S.A.
Cumulativa – Sociedade Imobiliária, S.A.
Difusão – Sociedade Imobiliária, S.A.
Efanor – Indústria de Fios, S.A.
Equador & Mendes – Agência de Viagens e Turismo, S.A.
Fozimo – Sociedade Imobiliária, S.A.
Global S – Hipermercados, S.A.
IGI – Investimento Imobiliário, S.A.
Igimo – Sociedade Imobiliária, S.A.
Iginha – Sociedade Imobiliária, S.A.
Imoconti – Sociedade Imobiliária, S.A.
Imoestrutura – Sociedade Imobiliária, S.A.
Imomuro – Sociedade Imobiliária, S.A.
Imoresultado – Sociedade Imobiliária, S.A.
Imosistema – Sociedade Imobiliária, S.A.
Infofield – Informática, S.A.
Marcas MC, zRt
MJLF – Empreendimentos Imobiliários, S.A.
Modalfa – Comércio e Serviços, S.A.
Modelo Continente Hipermercados, S.A.
Modelo Continente Seguros – Sociedade de Mediação, Lda.
Nova Equador Internacional – Agência de Viagens e Turismo, Lda.
Pharmacontinente – Saúde e Higiene, S.A.
Predicomercial – Promoção Imobiliária, S.A.
Selifa – Sociedade de Empreendimentos Imobiliários, S.A.
Sesagest – Projectos e Gestão Imobiliária, S.A.
Socijofra – Sociedade Imobiliária, S.A.
Sociloures – Sociedade Imobiliária, S.A.
Solaris – Supermercados, S.A.
Sonae, SGPS, S.A.
Sondis Imobiliária, S.A.
Sontária – Empreendimentos Imobiliários, S.A.
Sportzone – Comércio de Artigos de Desporto, S.A.
Star – Agência de Viagens e Turismo, S.A.
Tlantic Portugal – Sistemas de Informação, S.A.
Todos os Dias – Comércio Retalhista e Exploração de Centros Comercias, S.A.
Worten – Equipamentos para o Lar, S A.

As at 31 December 2007 amounts owed by affiliated companies can be detailed as follows:

Current loans granted (Note 11) and non-current (Note 9):

COMPANIES	31.12.2007	31.12.2006
Bertimóvel - Sociedade Imobiliária, S.A.	15,934,000	-
Canasta - Empreendimentos Imobiliários, S.A.	3,006,000	-
Chão Verde - Sociedade de Gestão Imobiliária, S.A.	2,791,584	-
Citorres - Sociedade Imobiliária, S.A.	3,973,000	-
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	214,000	172,000
Contimobe - Imobiliária Castelo Paiva, S.A.	75,909,000	35,000,000
Cumulativa - Sociedade Imobiliária, S.A.	3,056,000	-
Difusão - Sociedade Imobiliária, S.A.	25,527,000	-
Efanor - Indústria de fios, S.A.	1,253,000	-
Equador & Mendes - Agência Viagens e Turismo, Lda	213,000	-
Fozimo – Sociedade Imobiliária, S.A.	1,932,000	2,050,000
Global S - Hipermercados, Lda	735,000	-
IGI - Investimento Imobiliário, S.A,	183,902,000	-
Igimo – Sociedade Imobiliária, S.A.	595,000	654,000
Iginha – Sociedade Imobiliária, S.A.	14,277,500	-
Imoconti – Sociedade Imobiliária, S.A.	18,761,222	19,763,401
Imoestrutura - Sociedade Imobiliária, S.A.	621,000	-
Imomuro - Sociedade Imobiliária, S.A.	4,106,897	4,175,897
Imoresultado – Sociedade Imobiliária, S.A.	388,000	357,000
Imosistema - Sociedade Imobiliária, S.A.	4,565,000	-
Infofield - Informática, S.A.	5,000,000	-
MJLF - Empreendimentos Imobiliários, S.A.	3,981,000	-
Modalfa - Comércio e Serviços, S.A.	11,139,000	
Modelo , SGPS, S.A.	-	575,286,000
Modelo Continente Hipermercados, S.A.	103,322,000	225,418,500
Modelo Continente Seguros - Sociedade de Mediação, Lda	1,400,000	
Nova Equador Internacional - Agência de Viagens e Turismo, Lda	176,000	
Ok Bazar - Comércio Geral, S.A.	-	10,044,000
Parcium Imobiliária, S.A.	-	41,259,000
Pharmacontinente - Saúde e Higiene, S.A.	4,854,000	-
Predicomercial - Promoção Imobiliária, S.A.	10,950,000	11,219,000
Selifa - Sociedade de Empreendimentos Imbiliários, S.A.	4,189,000	-
Sempre à Mão - Sociedade Imobiliária, SA	17,128	93,000
Sesagest - Projectos e Gestão Imobiliária, S.A.	47,354,000	50,169,000
Socijofra - Sociedade Imobiliária, S.A.	8,131,000	-
Sociloures - Sociedade Imobiliária, S.A.	31,635,347	39,281,000
Soflorin, B.V.	34,276,568	38,157,330
Solaris Supermercados, S.A.	1,171,000	-
Sonae , S.G.P.S., S.A.	-	-
Sonae Retalho España, S.A.	13,002	60,001
Sondis Imobiliária, S.A.	20,278,159	-
Sontária - Empreendimentos Imobiliários, S.A.	3,639,502	-
Sonvecap, B.V.	150,976,000	158,701,000
Sportzone - Comércio de Artigos de Desporto, S.A.	23,336,000	3,411,000
Tlantic Portugal - Sistemas de Informação, S.A.	4,000	-
Todos os Dias - Comércio Ret. e Expl. de Centros Comerciais, S.A.	1,067,000	1,027,000
Worten - Equipamentos para o Lar, S A.	7,000,000	20,472,609
	835,669,909	1,236,770,738

From the above mentioned balances 774,196,909 Euro (457,114,129 Euro in 2006) are recorded as non-current assets.

The amounts due to group companies as at 31 December 2007 and 2006 related to the mentioned contracts were the following:

Current loans obtained (Note 11):

COMPANY	31.12.2007	31.12.2006
Bikini - Potal de Mulheres, S.A.	(3,250,000)	-
Carnes Continente - Indústria e Distribuição de Carnes, S.A.	(526,000)	-
Efanor - Design e Serviços, S.A.	(701,000)	-
Estevão Neves - Hipermercados da Madeira, S.A.	(6,448,000)	-
Fozmassimo - Sociedade Imobliária, S.A.	(4,670,000)	-
Infofield - Informática, S.A.	(2,076,000)	-
Inventory - Acessórios de Casa, S.A.	(1,161,000)	-
Marcas MC ZRT	(10,178,000)	-
Modalfa - Comércio e Serviços, S.A.	-	(1,878,000)
Modelo Continente - Operações de Retalho, SGPS, SA	(216,459,000)	(35,615,000)
Modelo Continente Hipermercados, S.A.	(25,124,500)	-
Modelo Hiper - Imobiliária, S.A.	(40,000)	(2,040,000)
Modelo.Com - Vendas por Correspondência, S.A.	-	(194,201)
Peixes Continente - Indústria e Distribuição de Peixes, S.A.	(639,000)	-
SRE - Projectos de Consultoria, S.A.	-	(192,000)
Worten - Equipamentos para o Lar, S.A.	(36,868,000)	
	(308,140,500)	(39,919,201)

36. NOTE ADDED TO TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards. In the event of discrepancies, the Portuguese language version prevails.

Matosinhos, 5 March 2008

STATUTORY AUDIT AND AUDITORS' REPORT

(This is a translation of a report originally issued in Portuguese.
In the event of discrepancies, the Portuguese language version prevails.)

Introduction

1. In compliance with applicable legislation we hereby present our Statutory Audit and Auditors' Report on the consolidated and individual financial information contained in the Report of the Board of Directors, and the consolidated and individual financial statements of Sonae Distribuição, S.G.P.S., S.A. ("Company", formerly denominated Modelo Continente, S.G.P.S., S.A.) for the year ended 31 December 2007, which comprise the consolidated and individual balance sheets (that present a total of 3,224,590,780 Euro and 3,541,610,603 Euro, respectively, and consolidated and individual equity of 851,144,246 Euro and 2,104,652,735 Euro, respectively, including consolidated net profit attributable to the Company's Equity Holders of 167,492,214 Euro and an individual net profit of 84,137,774 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 documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the Auditing Standards issued by the Portuguese Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the significant estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, timely, clear, objective and licit. Our examination also includes verifying that the consolidated and individual financial information included in the Report of the Board of Directors is consistent with the consolidated and individual financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Sonae Distribuição, S.G.P.S., S.A. as of 31 December 2007, the consolidated and individual results of its operations and its consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Porto, 5 March 2008

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

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(Translation of a Report and Opinion originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

To the Shareholders of
Sonae Distribuição, SGPS, 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 Distribuição, S.G.P.S., S.A. for the year ended 31 December 2007, 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, and the internal control and risk management systems and procedures, having met with the periodicity considered adequate under the circumstances, and having always obtained from the Boards of Directors and personnel of the Company all the information and explanations required necessary for a proper understanding of the changes on financial position and results of operations.

In furtherance of its duties, the Statutory Audit Board examined and issued a favourable opinions on the issuance of Bonds in accordance with art. 349 of Comercial Companies Code and examined the consolidated and individual Balance sheets as of 31 December 2007, the consolidated and individual Statements of profit and loss by nature, of cash flows and of changes in equity for the year then ended and the related notes.

Additionally, the Statutory Audit Board examined the Report of the Board of Directors for the year 2007 and reviewed the Statutory Audit and Auditors' Report issued by the Statutory Auditor and agreed with its content.

Considering the above, in the opinion of the Statutory Audit Board the Management Report, the consolidated and individual financial statements, and the profit appropriation proposal presented by the Board of Directors, are in accordance with the accounting, legal and statutory requirements and consequently be approved by the Shareholders' General Meeting.

We wish to thank the Company's Board of Directors and personnel of the Company for the assistance provided to us.

Statement under the terms for the purposes of Article 245, paragraph 1, c) of the Securities Code

In accordance with article 245, paragraph 1, c) of the Securities Code ("Código dos Valores Mobiliários") we inform that, to our knowledge, the information contained in the Consolidated and Individual Financial Statements were prepared in accordance with applicable accounting principles, giving a true and fair view, in all material respects, of the assets and liabilities, financial position and the results of Sonae Distribuição, SGPS, S.A. and companies included in the consolidation perimeter and that the Management Report faithfully describes the business evolution, performance and financial position of Sonae Distribuição SGPS, S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Matosinhos, 14 March 2008

The Statutory Audit Board

Jorge Manuel Felizes Morgado

Arlindo Dias Duarte Silva

Óscar José Alçada da Quinta

SONAE DISTRIBUIÇÃO – S.G.P.S., S.A.
Rua João Mendonça, nr 529 – Senhora da Hora
4460 Matosinhos

(Translation from the Portuguese original)

SONAE DISTRIBUIÇÃO – S.G.P.S., S.A.
Head Office: Rua João Mendonça, nr 529 – Senhora da Hora - Matosinhos
Share Capital: 1,100,000,000 Euro
Porto Commercial Registry and Tax Number: 501 532 927

EXTRACT OF THE SHAREHOLDERS' GENERAL MEETING MINUTE, HELD ON 31 MARCH 2008, RELATED TO THE APPROVAL OF THE FINANCIAL STATEMENTS AND NET PROFIT APPROPRIATION.

1 – The following proposal of the Board of Directors has been approved by unanimity:

"PROPOSAL

It is proposed the approval of the Report of the Board of Directors and the consolidated and company's financial statements for the year 2007, as presented. The consolidated net profit for the year amounts to 168,815,845 Euro"

2 – The following proposal of the Board of Directors has been approved by unanimity:

"PROPOSAL

It is proposed to the Shareholders' General Meeting, the distribution of dividends amounting to 85,000,000 Euro by the shares not owned directly or indirectly by Sonae Distribuição – S.G.P.S., S.A., corresponding to a dividend pay-out ratio of approximately 50% of the consolidated net profit for the year.

The company net profit of Sonae Distribuição – S.G.P.S., S.A. amounts to 84,137,774.42 Euro, for which the following appropriation is proposed:

Legal reserves	4,300,000.00
Dividends:	79,837,774.42

As it is proposed a distribution of dividends amounting to 85,000,000 Euro, 5,162,225.58 Euro of Free reserves will be used"

Matosinhos, 31 March 2008

The Secretary of the Company

Alice da Assunção Castanho Amado