



SONAE DISTRIBUIÇÃO, 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**

**30 JUNE 2008**



# **REPORT OF THE BOARD OF DIRECTORS**

**30 JUNE 2008**

# 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, S.G.P.S., S.A.) for the six months ending 30 June 2008.

### Market background

The world economic background has been heavily affected by the crisis in international financial markets and by the generalized rise in the price of raw materials (in particular of oil), with inherent repercussions in the sharp increase in interest rates on international markets. This situation has had a particularly negative impact on European economies, which have been unable to generate sustainable and positive growth dynamic.

This has also been the case in Portugal. The combination of global economic slowdown and instability in financial markets, together with a generalized increase in inflation, has impacted the Portuguese economy, and has penalized the national economic agents.

- The fall in external demand, the worsening of financing conditions and the increase in operational costs are factors which are negatively affecting corporate businesses.
- At the same time, the increase in interest rates, fuel prices and the prices of staple food items are also exercising extra pressure on disposable family incomes, which are heavily impacted by the high level of consumer debt contracted in the past. No short-term reversal of this trend is expected, with confidence levels of domestic consumers reaching very low levels, which tend to further delay any intentions to purchase, in particular for consumer durable goods.
- The Portuguese state, penalized in its ability to generate revenues because of the economic slowdown, finds itself at the same time with an increase in costs (namely those related to servicing debt), and continues to be limited in its ability to take measures to stimulate the economy due to the commitments made to control the public deficit.

Turning to the Portuguese modern retail market in 2008, the trend towards a sharp increase in commercial sales area continues. Over the last 12 months,



the main food based formats opened more than 170,000 m<sup>2</sup> of sales area, equal to an increase of around 10% in the installed supply<sup>(1)</sup>. Also in non food retail, there was a significant increase in various sectors in which Sonae Distribuição operates, both through the opening of new major stand alone projects, and in new shopping centers in the metropolitan areas of Porto and Lisbon, but also in smaller cities. Once again, the increase in supply exceeded the nominal rate of growth of demand<sup>(2)</sup>, which means that the Portuguese market has been again subject to a substantial increase in competitive pressure.

### **Business activity**

During the 1st half of 2008, Sonae Distribuição had consolidated turnover of 1,879 million Euro, increasing 26% compared to the first half of 2007. This trend was the result of the following factors:

- Growth of 2% on a like for like store basis, which was the same for both food and non food retail activities of the company.  
Against a background of heavily constrained consumption, and the fact that it is being compared to a particularly successful period of last year (due to the enormous success of the launch of the customer loyalty programmes for the food retail brands), this trend is a testimony to the resilience of the company and the quality of its operations. During the second quarter of 2008, and reflecting the lower levels of demand, the deterioration in consumer confidence indices and also the timing impact of the incidence of the Easter period, the non food retail brands performed at lower levels compared to previous years, resulting in a fall of 3% in turnover on a like for like store basis compared to the 2nd quarter of 2007;
- Strong organic growth, reflected in the opening of 119 new stores over the last 12 months, equal to 63.000 m<sup>2</sup> (split into 21,000 m<sup>2</sup> in food retail and 42,000 m<sup>2</sup> in non food retail stores);
- Integration on the last day of 2007 of the hypermarkets acquired from Carrefour Portugal, corresponding to 95,000 m<sup>2</sup> of additional sales area;
- Turnover from the petrol filling stations of the ex Carrefour hypermarkets, totaling 73 million Euro for the period under review, which led to an

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<sup>1</sup> Calculated in m<sup>2</sup> of sales area.

<sup>2</sup> Measured by the trend of sales of the major market operators.



increase of 5% in the company's consolidated turnover compared to the same period of 2007.

Looked at another way, and for the same period, we would point out that the total turnover of the food based retail brands reached 1,309 million Euro, equal to an increase of 22% compared to the same period last year. This trend is the result of a positive performance by stores on a like for like basis, as mentioned above (+2%), the achievement of the expansion plan of the formats (+21,000 m<sup>2</sup> over the last 12 months spread among a total of 22 stores) and the integration of the hypermarkets acquired on 31 December 2007 from Carrefour Portugal.

Over the same period, turnover of the non food retail segment totaled 494 million Euro, an increase of 19% compared to the first half of 2007. Here, the main highlights were the increase on a like for like store basis (+2%), the organic growth achieved (+42,000 m<sup>2</sup> over the last 12 months for a total of around 100 new stores) and the integration of the new sales areas acquired at the end of 2007 from Carrefour Portugal.

In consolidated terms in the first six months of 2008, the company's operational cash flow totaled 127 million Euro, equivalent to an increase of 11% compared to the same period of last year.

As already announced in the 1st quarter, this figure includes the non-recurring gain of 9 million Euros for the sale of the real estate asset in Florianópolis (Brazil), which was not included in the divestment operation that took place in December 2005. In its turn, the amount recorded in the same period of 2007 was impacted by a net non-recurring gain of 12 million Euro, resulting from the sale of the real estate assets of the Albufeira and Portimão shopping galleries in Portugal. If these transactions had not taken place, consolidated recurring operational cash flow would have totaled 118 million Euro, which compares favorably with that of the same period last year, equal to an increase of 16%.

Food based retail brands contributed 94 million Euro towards the consolidated operational cash flow of Sonae Distribuição. This amount is equal to 7.2% of related turnover, and approximately the same as the same period last year. In the same period, non food retail brands contributed 21 million Euro to the company's consolidated operational cash flow, equal to 4.3% of related turnover, an increase of 10% over the same period of last year.

The trend of these key indicators is impacted by the profitability levels of the most recent stores, which are currently in a phase of building up their operations and by refurbishment operations underway in the ex-Carrefour



stores, which still have operational cash flow margins below benchmark averages of the company.

In the first half of 2008, the consolidated net profits of Sonae Distribuição totaled 39 million Euro, compared to 49 million Euro in the same period of last year. The fall arose mainly from non recurring events relating to capital gains on the disposal of real estate assets mentioned above, as well as a more significant component of financial charges, resulting from the significant investment effort made over the last few years and from the general increase in market interest rates.

### **Investment**

At the end of June, Sonae Distribuição had a network of 677 stores after the opening of 31 new units since the beginning of the year. As of the date of this report, there are already 43 new Group stores (+23,000 m2 of sales area), an obvious reflection of the intensified pace of store openings taking place in the second half of the year.

- In the food based segment, strengthened with 8 new stores equal to 6,000 new m2 of sales area, the highlight was the opening of Modelo hypermarkets in Famalicão and Lousã which improved the offer available to consumers in these markets. Also in terms of innovation and improving the business portfolio, the company developed a new cafeteria concept under the brand name "Bom Momento", which is already under evaluation and will result in the later conversion of the already large network of owned cafeterias existing in Continente and Modelo shopping galleries.
- Sonae Distribuição also continued its intense pace of broadening the cover in the Portuguese market of its non food based formats, and has already opened in these first months of the present year 35 new units with 17,000 m2. The launch of two new formats in this area should be noted, which complement the offer made available to customers of Sonae Distribuição following a path of synergic growth: Loop (which makes available the biggest offer of shoe wear in the urban casual and sports segments, and Book.it (which is a format that brings together in a single area, book shop, stationery and tobacco concepts).
- Another important achievement in 2008 concerns the expansion of Sonae Distribuição's business to new geographical markets. The entry into the Spanish market of the Group's sports brand – Sportzone – confirms the company's intention to move some of its retail formats to new geographical areas, affirming them as benchmark international chains. In



this respect, to date, Sportzone opened two stores in Spain, out of a total of 4 units scheduled for opening up to the end of the year.

However, the investment of 107 million Euro made during the six months was not only for the programme of organic growth undertaken, but was also used to modernize less recent units, to develop new business concepts, as well as strengthening of the information systems and logistics infrastructures.

### **Capital structure**

As at 30 June 2008, the consolidated net debt of the Company was 1,380 million Euro. This figure, which compares with 586 million Euro at the end of the first half of 2007, has been directly impacted by the heavy investment plan, which over the last 12 months totaled more than 1,000 million Euro. This amount was required for the strong pace of organic growth achieved, but in particular for the acquisition of Carrefour Portugal.

Even so, and as a result of the strong cash flow generation capability of Sonae Distribuição, the capital structure of the company continues to be well balanced and with the appropriate strength to face the challenges and reach the objectives with which the company is committed.

### **Corporate developments**

During the first six months of the year, Sonae Distribuição achieved the following:

- In a pioneering initiative in the distribution sector in Portugal, it signed a partnership agreement with the Caixa Geral de Depósitos Group, presenting an innovative business concept with the sale of Car Insurance, under the brand "Seguros Continente".
- On 14 February, Sonae Distribuição informed the market of the agreement signed with Petrolgal for the sale of eight petrol filling stations operating next to Continente hypermarkets. The company acquired these petrol stations as part of the acquisition of Carrefour Portugal, concluded in December 2007. The finalization of this transaction continues to await a non-opposition decision from the Competition Authority.
- On 22 July last, the company made public an agreement signed with the RAR Group to combine their travel operations, Geotur and Star, creating a new company, with a shareholding of 50% by each of the Groups and with joint management. The company believes this integration to be an important step towards consolidation of a sector, which is too fragmented,



and reflects the wish of both Groups to strengthen their focus on an operation considered to be strategic and with excellent growth prospects. The transaction is also dependent on a non-opposition decision by the Competition Authority.

At the same time, and in compliance with the terms of the decision of non-opposition given by the Competition Authority relating to the acquisition of exclusive control of Carrefour Portugal, Sonae Distribuição achieved the following:

- On 14 July last, it informed the market of an agreement signed with Auchan for the disposal of the Modelo Eiras Shopping Centre and the Modelo Lagoa Shopping Centre, currently in operation, and the disposal of land located in Condeixa. This transaction also awaits a non-opposition decision by the Competition Authority.
- Within the same scope, on 30 June last, Sonae Distribuição closed two Modelo Bonjour stores in the Greater Porto region.
- The company also gave powers to the BPI Bank to proceed with the disposal of a project in Viana do Castelo for the building of a food retail establishment, redefined the sales area of the Arrábida Continente and restructured a set of future expansion projects, thus complying with the requirements made by the Competition Authority.

### **Corporate Governance**

No significant changes took place in the period under review that are worthy of mention, and the guidelines set out in the Consolidated Management Report for the year 2007, concerning Corporate Governance remained unchanged.

### **Own shares**

No own shares were purchased or sold during the first half of 2008. Thus, as at 30 June 2008, Sonae Distribuição - S.G.P.S., S.A. continues to hold directly or through its affiliated companies 100,000,000 own shares, representing 9.09% of its share capital.



## Outlook

Sonae Distribuição will maintain its business strategy over the coming months, based on clearly defined goals, which focus on growth (both organically and through acquisition opportunities which arise in the market) and on strengthening the value proposal for its customers, through continued investment in efficiency and innovation.

Consistent with the strategy of consolidating its leadership in the Portuguese retail market, the company will maintain its strong pace of organic growth, the goal being to increase its store network throughout the current year with 60,000 new m<sup>2</sup> of sales area compared to that as at the end of the year 2007.

However, and despite the fact that the company continues to have a portfolio of highly interesting projects for the Portuguese market, which will allow it to strengthen its competitive presence and respective market share, in view of the current signs of a sharp slowdown in demand and worsening of financing conditions, the company has decided to be more demanding and selective in the analysis of its investment proposals, by raising the minimum return on investment required by around 2 p.p.

Assuming its position as a benchmark operator, Sonae Distribuição is also attentive to possible growth opportunities via merger and acquisition transactions, which may arise in various geographical areas, whenever the opportunities in question are reasonably valued, and in line with the profitability yardsticks set by the company.

The international expansion of Sonae Distribuição's businesses is another growth area, which is part of the company's strategic guidelines. To that end, the company has chosen the Spanish market and, in a first phase, its sports good brand – Sportzone – to take the first steps in this new growth path. As mentioned above, Sportzone opened its 2nd store in Spain in July, as part of a plan which will involve an important portfolio of units in this country in the short term. As is publicly known, Sonae Distribuição is also studying other geographical areas, which it plans to enter through its format portfolio.

Maintaining its innovative approach, Sonae Distribuição continues to develop new retail concepts. In this area, various segments are being developed in parallel, with the company already able to forecast the launch during the second half of the year of an innovative concept in Optics, integrated into the retail format development plan in the health and well being area.

At the appropriate time, Sonae Distribuição disclosed a number of forecasts for the current year, involving growth of turnover of more than 20%<sup>(1)</sup>,

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<sup>1</sup> Excluding sales from petrol station sales, which are awaiting a favourable decision from the Competition Authority in order to definitively transfer their operation to GALP, as part of the agreement signed at the beginning of the year and duly disclosed to the market.



maintaining the recurrent EBITDA margin of the company<sup>(1)</sup> and investing around 300 million Euro during the year. In the current context of worsening economic conditions, and in particular, the sharp deterioration on domestic consumption, the forecasts mentioned above, although more difficult to achieve, continue to be valid.

Matosinhos, 28 July 2008  
The Board of Directors

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<sup>1</sup> Excluding sales from petrol station sales, which are awaiting a favourable decision from the Competition Authority in order to definitively transfer their operation to GALP, as part of the agreement signed at the beginning of the year and duly disclosed to the market.

## **Glossary**

- Turnover (t): sales of articles + services rendered.
- Operating cash-flow (EBITDA): operating results - amortizations 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 + other gross real estate assets + amortizations and impairment losses + financial investments + working capital
- ROCE ("Return On Capital Employed"):  $EBIT / \text{Net Capital Employed}$ .
- ROE ("Return On Equity"):  $\text{sum of net profits of the last four quarters} / \text{average of the equity at end of last four quarters}$ .

**Statement under the terms of Article 246, paragraph 1, c) of the Securities Code**

The signatories individually declare that, to their knowledge, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation, related to the six month period ended 30 June 2008, were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the interim 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 will face in the next six month period.

Matosinhos, 28 July 2008

The Board of Directors,

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(Duarte Paulo Teixeira de Azevedo – President)

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(Nuno Manuel Moniz Trigo Jordão – CEO)

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(Ângelo Gabriel Ribeirinho dos Santos Paupério)

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(Álvaro Carmona e Costa Portela)

**DISCLOSURE OF SHARES AND SECURITIES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND OF  
TRANSACTIONS DURING THE FIRST SIXT MONTHS 2008**

As required by article 9, nr. 1 b) of CMVM Regulation 04/2004, the following is a summary of the information disclosed to the company:

SHARES	Date	Purchases		Sales		Balance as of
		Quantity	Aver. Price €	Quantity	Aver. Price €	30.June.2008 Quantity
<b>BOARD OF DIRECTORS</b>						
<b>Duarte Paulo Teixeira de Azevedo</b>						
Efanor Investimentos, SGPS, S.A. (1)						1
Migracom, SGPS, S.A. (3)						69.996
Sonae, SGPS, S.A.						3.293
<b>Ângelo Gabriel Ribeirinho dos Santos Paupério</b>						
Sonae, SGPS, S.A.						
Purchase	11.01.2008	245.436	1,29981			250.000
<b>Alvaro Carmona e Costa Portela</b>						
Sonae, SGPS, S.A.						
Purchase	11.06.2008	100.000	0,91			125.934
<b>Notes:</b>						
<b>(1) Efanor Investimentos, SGPS, S.A.</b>						
Sonae, SGPS, S.A.						658.804.424
Pareuro, BV (2)						
Capital increase	21.01.2008	1.980.000	151,51			2.000.000
<b>(2) Pareuro, BV</b>						
Sonae, SGPS, S.A.						400.000.000
<b>(3) Migracom, SGPS, S.A.</b>						
Sonae, SGPS, S.A.						
Purchase	17.01.2008	193.500	1,29			
Purchase	18.01.2008	1.500	1,24			1.485.000
Imparfin, SGPS, S.A. (4)						150.000
<b>(4) Imparfin, SGPS, S.A.</b>						
Sonae, SGPS, S.A.						
Purchase	03.01.2008	7	1,92			4.105.280

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

As required by article 9, nr 1, e) of CMVM Regulation 04/2004, the following shareholders held more than 2% of the company's share capital at 30 June 2008:

<b>Shareholder</b>	<b>Nr. of Shares</b>	<b>% of Voting Rights</b>
Sonae, SGPS, S.A.	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%

**Notes:**

(1) Considered Own Shares because the Company Soflorin, B.V. is wholly owned by Sonae Distribuição, SGPS, S.A..



# **CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2008**

## CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2008 AND 2007 AND AS AT 31 DECEMBER 2007

(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 29)

ASSETS	Notes	IFRS		
		30-06-2008	30-06-2007	31-12-2007 <sup>1</sup>
<b>NON CURRENT ASSETS</b>				
Tangible and intangible assets	7	1.894.085.913	1.424.887.050	1.856.571.847
Goodwill	8	509.626.705	58.700.069	506.101.189
Investments	9	40.191.392	52.764.665	40.081.414
Deferred tax assets	12	26.349.074	19.583.057	27.725.259
Other non current assets	10	2.037.562	1.802.307	1.820.126
<b>Total non current assets</b>		<b>2.472.290.646</b>	<b>1.557.737.148</b>	<b>2.432.299.835</b>
<b>CURRENT ASSETS</b>				
Inventories		466.978.464	380.770.028	447.494.889
Clients and other current assets	11	232.713.366	200.300.427	228.789.380
Investments	9	63.658.568	33.705.423	57.208.737
Cash and cash equivalents	13	48.073.643	286.032.513	67.853.490
<b>Total current assets</b>		<b>811.424.041</b>	<b>900.808.391</b>	<b>801.346.496</b>
Non current assets held for sale	7	15.680.523	-	6.006.580
<b>TOTAL ASSETS</b>		<b>3.299.395.210</b>	<b>2.458.545.539</b>	<b>3.239.652.911</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share Capital	14	1.100.000.000	1.100.000.000	1.100.000.000
Own Shares		(205.000.000)	(205.000.000)	(205.000.000)
Reserves and retained earnings		(140.795.282)	(224.313.363)	(223.444.442)
Net profit for the period attributable to the shareholders of the Parent Company	24	39.426.657	49.076.515	167.492.214
Total equity attributable to the Shareholders of the Parent Company		793.631.375	719.763.152	839.047.772
Minority interests		11.887.736	11.160.270	12.155.942
<b>TOTAL EQUITY</b>		<b>805.519.111</b>	<b>730.923.422</b>	<b>851.203.714</b>
<b>LIABILITIES:</b>				
<b>NON CURRENT LIABILITIES</b>				
Loans	15	1.255.074.355	600.309.344	1.106.503.697
Other non current liabilities	17	11.426.001	12.436.414	12.702.606
Deferred tax liabilities	12	49.426.487	35.364.179	47.268.600
Provisions	20	18.637.375	23.116.622	18.878.593
<b>Total non current liabilities</b>		<b>1.334.564.218</b>	<b>671.226.559</b>	<b>1.185.353.496</b>
<b>CURRENT LIABILITIES</b>				
Loans	15	226.592.085	305.695.912	90.935.925
Suppliers and other current liabilities	19	930.221.682	750.560.543	1.109.581.662
Provisions	20	2.498.114	139.103	2.578.114
<b>Total current liabilities</b>		<b>1.159.311.881</b>	<b>1.056.395.558</b>	<b>1.203.095.701</b>
<b>TOTAL LIABILITIES</b>		<b>2.493.876.099</b>	<b>1.727.622.117</b>	<b>2.388.449.197</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3.299.395.210</b>	<b>2.458.545.539</b>	<b>3.239.652.911</b>

The accompanying notes are part of these consolidated financial statements

(1) The subsidiary Continente Hipermercados, S.A. (ex-Carrefour) was acquired in the end of 2007 and therefore no fair value allocation was made as at that date. During the first half of 2008 a preliminary fair value imputation was made and is now reflected in these financial statements (Note 6).

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.  
CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2008 AND 2007  
(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 29)

	Notes	IFRS			
		2008		2007	
		2 <sup>nd</sup> Quarter <sup>2</sup>	30-06-2008	2 <sup>nd</sup> Quarter <sup>2</sup>	30-06-2007
<b>Operating Income:</b>					
Sales		916.017.861	1.813.642.784	732.131.494	1.429.985.363
Services rendered		36.834.275	65.748.821	37.552.311	65.156.785
Other operating income		108.934.736	199.011.751	71.507.804	149.571.889
<b>Total operating income</b>		<b>1.061.786.872</b>	<b>2.078.403.356</b>	<b>841.191.609</b>	<b>1.644.714.037</b>
<b>Operating expenses:</b>					
Cost of sales		(710.298.416)	(1.435.345.382)	(564.173.098)	(1.121.944.643)
External supplies and services		(145.129.064)	(258.514.355)	(111.975.086)	(205.241.331)
Staff costs		(115.803.706)	(229.609.669)	(91.290.341)	(184.249.854)
Depreciation and amortization	7	(28.553.434)	(54.688.412)	(21.778.523)	(42.732.433)
Provisions and impairment losses	20	(1.377.943)	(2.313.905)	(96.540)	(181.530)
Other operating expenses		(12.626.465)	(28.044.491)	(5.660.328)	(19.211.404)
<b>Total operating expenses</b>		<b>(1.013.789.028)</b>	<b>(2.008.516.214)</b>	<b>(794.973.916)</b>	<b>(1.573.561.195)</b>
<b>Net operating profit/(loss)</b>		<b>47.997.844</b>	<b>69.887.142</b>	<b>46.217.693</b>	<b>71.152.842</b>
Financial profits		3.217.742	7.291.441	2.476.833	4.757.971
Financial losses		(20.111.726)	(38.738.402)	(12.185.896)	(22.332.383)
Financial profit/(loss)		(16.893.984)	(31.446.961)	(9.709.063)	(17.574.412)
Profit/(loss) related to associated companies	5	(197.668)	109.978	(465.984)	(467.924)
Profit/(loss) related to investments		150.169	150.169	(587.173)	(587.173)
<b>Profit/(loss) before income tax</b>		<b>31.056.361</b>	<b>38.700.328</b>	<b>35.455.473</b>	<b>52.523.333</b>
Current Income Tax	23	(747.022)	(3.210.607)	(2.284.257)	(4.244.943)
Deferred Income Tax	23	(207.789)	3.693.766	1.519.249	1.037.741
<b>Income Tax</b>	23	<b>(954.811)</b>	<b>483.159</b>	<b>(765.008)</b>	<b>(3.207.202)</b>
<b>Consolidated profit/(loss) for the six month period</b>		<b>30.101.550</b>	<b>39.183.487</b>	<b>34.690.465</b>	<b>49.316.131</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		30.186.443	39.426.657	34.398.261	49.076.515
Minority interests		(84.893)	(243.170)	292.204	239.616
<b>Profit/(loss) per share (basic and diluted)</b>	24	<b>0,03</b>	<b>0,04</b>	<b>0,03</b>	<b>0,05</b>

The accompanying notes are part of these consolidated financial statements

(2) Prepared in accordance with "IAS 34 - Interim Financial Reporting" and not subjected to independent review.

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2008 AND 2007  
 (Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 29)

	Attributable to Shareholders of Parent Company						Net Profit	Total	Minority Interests	Total Equity
	Share Capital	Own Shares	Legal Reserves	Currency Translation Reserves	Hedging Reserves	Other Reserves and Retained Earnings				
Balance at 1 January 2007	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	-	-	-	-	-	(75.000.000)	-	(75.000.000)	(10.256)	(75.010.256)
Changes in reserves										
Generated in current period	-	-	-	578.091	-	-	-	578.091	-	578.091
Others	-	-	-	-	-	(7)	-	(7)	-	(7)
Net consolidated profit (loss) for the six months period ending 30 June 2007	-	-	-	-	-	-	49.076.515	49.076.515	239.616	49.316.131
Balance at 30 June 2007	<u>1.100.000.000</u>	<u>(205.000.000)</u>	<u>95.000.000</u>	<u>1.088.800</u>	<u>-</u>	<u>(320.402.163)</u>	<u>49.076.515</u>	<u>719.763.152</u>	<u>11.160.270</u>	<u>730.923.422</u>
Balance at 1 January 2008 <sup>(1)</sup>	1.100.000.000	(205.000.000)	95.000.000	1.104.622	538.169	(320.087.233)	167.492.214	839.047.772	12.155.942	851.203.714
Appropriation of consolidated profit of 2007										
Transfer to legal reserves and retained earnings	-	-	4.300.000	-	-	163.192.214	(167.492.214)	-	-	-
Dividends distributed	-	-	-	-	-	(85.000.000)	-	(85.000.000)	-	(85.000.000)
Changes in reserves										
Generated in current period	-	-	-	-	991.899	-	-	991.899	-	991.899
Transferred to results	-	-	-	(834.953)	-	-	-	(834.953)	-	(834.953)
Others	-	-	-	-	-	-	-	-	(25.036)	(25.036)
Net consolidated profit (loss) for the six months period ending 30 June 2008	-	-	-	-	-	-	39.426.657	39.426.657	(243.170)	39.183.487
Balance as at 30 June 2008	<u>1.100.000.000</u>	<u>(205.000.000)</u>	<u>99.300.000</u>	<u>269.669</u>	<u>1.530.068</u>	<u>(241.895.019)</u>	<u>39.426.657</u>	<u>793.631.375</u>	<u>11.887.736</u>	<u>805.519.111</u>

The accompanying notes are part of these consolidated financial statements

(1) The subsidiary Continente Hipermercados, S.A. (ex-Carrefour) was acquired in the end of 2007 and therefore no fair value allocation was made as at that date. During the first half of 2008 a preliminary fair value imputation was made and is now reflected in these financial statements (Note 6).

SONAE DISTRIBUIÇÃO, SGPS, S.A.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2008 AND 30 JUNE 2007  
(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 29)

	Notes	30-06-2008	30-06-2007
<b>OPERATING ACTIVITIES:</b>			
Net cash flow from operating activities (1)		(95.520.240)	(55.636.389)
<b>INVESTING ACTIVITIES:</b>			
Cash receipts related to:			
Investments		30.163.103	7.688.298
Tangible and intangible assets		6.944.990	33.892.375
Interest and similar income		5.279.039	2.135.267
Dividends		150.169	225.169
Loans granted		-	127.726.000
		<u>42.537.301</u>	<u>171.667.109</u>
Cash payments related to:			
Investments		(8.518.761)	(6.939.633)
Tangible and intangible assets		(119.863.924)	(98.508.613)
Loans granted		(3.982)	(127.731.085)
		<u>(128.386.667)</u>	<u>(233.179.331)</u>
Net cash used in investing activities (2)		<u>(85.849.366)</u>	<u>(61.512.222)</u>
<b>FINANCING ACTIVITIES:</b>			
Cash receipts related to:			
Loans obtained		2.829.250.000	1.107.216.000
		<u>2.829.250.000</u>	<u>1.107.216.000</u>
Cash payments related to:			
Loans obtained		(2.555.516.005)	(970.143.656)
Interest and similar charges		(39.733.622)	(17.220.355)
Dividends		(85.000.000)	(75.010.292)
Others		(215.430)	-
		<u>(2.680.465.057)</u>	<u>(1.062.374.303)</u>
Net cash used in financing activities (3)		<u>148.784.943</u>	<u>44.841.697</u>
Net increase/(decrease) in cash and cash equivalents (4)=(1)+(2)+(3)		<u>(32.584.663)</u>	<u>(72.306.914)</u>
Effect of foreign exchange rate		10.795	70.508
Cash and cash equivalents at the beginning of the period	13	<u>64.268.940</u>	<u>357.690.994</u>
Cash and cash equivalents at the end of the period	13	<u>31.695.072</u>	<u>285.454.588</u>

The accompanying notes are part of these consolidated financial statements

The Board of Directors

SONAE DISTRIBUIÇÃO, SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2008

(Amounts expressed in Euro)

(Translation of consolidated financial statements originally issued in Portuguese – Note 29)

1. INTRODUCTION

SONAE DISTRIBUIÇÃO, SGPS, S.A. (“the Company” or “Sonae Distribuição”), with 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”).

2. BASIS OF PRESENTATION

Annual financial statements are presented in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

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

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007.

**4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION**

The subsidiaries, its head offices and percentage of capital held as of 30 June 2008 and 31 December 2007 are as follows:

Company	Head Office	% held 30.06.2008		% held 31.12.2007	
		Direct	Total	Direct	Total
<b>Parent Company</b>					
Sonae Distribuição SGPS, S.A.	Matosinhos				
<b>Sonae Distribuição</b>					
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%
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%
Continente Hipermercados, S.A.	Lisbon	99.90%	99.90%	99.86%	99.86%
Difusão - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Sport Zone España - Comércio de Artículos de Deporte, S.A.	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
b) Edições Book.it, S.A.	Matosinhos	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%
Ecuador & 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%
Fundo de Investimento Imobiliário Fechado 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%
Iginha – Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoconti – Sociedade Imobiliária, 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%
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%
Infocfield – 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 (Hungary)	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%
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%
Modelo Continente Seguros – Sociedade de Mediação, S.A.	Porto	75.00%	75.00%	75.00%	75.00%
Modelo Hiper Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Modelo Hipermercados Trading, S.A.	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%

Company	Head Office	% held 30.06.2008		% held 31.12.2007	
		Direct	Total	Direct	Total
NA - Equipamentos para o Lar, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
NA - Comércio de Artigos de Desporto, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Nova Equador Internacional - Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	75.00%	67.50%
Nova Equador P.C.O. e Eventos, Sociedade Unipessoal, Lda	Lisbon	75.00%	67.50%	75.00%	67.50%
Pharmacontinente - Saúde e Higiene, S.A.	Matosinhos	100.00%	100.00%	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 Empreendimentos 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 (Netherlands)	100.00%	100.00%	100.00%	100.00%
Sonae Capital Brasil, Ltda	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
a) 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 (Netherlands)	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%
Star - Viagens e Turismo, S.A.	Lisbon	90.00%	90.00%	90.00%	90.00%
Tlantic Portugal - Sistemas de Informação, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
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%
Valor N, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Worten – Equipamentos para o Lar, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Worten España, S.A.	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%

a) Subsidiary incorporated by merger into Sonae Capital Brasil, Ltda on 7 January 2008.

b) Subsidiary created on 29 April 2008.

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

## 5. INVESTMENTS IN ASSOCIATED COMPANIES

The associated companies, their head offices, the percentage of the share capital held and their book value as at 30 June 2008 and 31 December 2007 are as follows:

Company	Head Office	% of Capital held 30.06.2008		% of Capital held 31.12.2007		Book Value	
		Direct	Total	Direct	Total	30.06.2008	31.12.2007
Fundo de Investimento Imobiliário Fechado Imosede	Maia	42.16%	42.16%	42.16%	42.16%	34,806,175	34,616,937
Mundo Vip - Operadores Turísticos, S.A.	Lisbon	33.33%	33.33%	33.33%	33.33%	2,692,561	2,851,706
Sonaegest - Soc. Gestora de Fundos de Investimento, S.A.	Maia	40.00%	40.00%	40.00%	40.00%	733,842	669,644
Sempre a Postos - Produtos Alimentares e Utilidades, S.A.	Lisbon	25.00%	25.00%	25.00%	25.00%	959,644	943,957
					(Note 9)	39,192,222	39,082,244

Associated companies were included in the consolidation under the equity method.

The aggregated amounts of main financial indicator's of these associated companies as at 30 June 2008 and 2007, and 31 December 2007 are as follows:

	30.06.2008	30.06.2007	31.12.2007
Total Assets	115,371,930	88,614,029	109,412,246
Total Liabilities	28,628,135	44,947,662	22,810,653
Income	56,001,717	56,086,766	132,477,889
Costs	55,364,856	56,796,063	131,110,770

## 6. CHANGES IN CONSOLIDATED PERIMETER

The subsidiary Continente Hipermercados S.A. (ex-Carrefour Portugal) was acquired by the end of 2007, and therefore no fair value allocation to the acquired assets was made as at that date. This preliminary allocation was performed during the first half of 2008, reported to 31 December 2007, and is reflected in these financial statements. The process is expected to be entirely concluded by the end of the current year, in accordance with the International Financial Reporting Standards:

	Purchase date			Presented as at
	Book Value	Fair Value Adjustments	Total	31.12.2007 Book Value
Acquired net assets				
Tangible and intangible assets (Note 7)	267,013,229	77,796,876	344,810,105	267,013,229
Inventory	34,475,424	(10,371,772)	24,103,652	34,475,424
Other current assets	5,788,904	-	5,788,904	5,788,904
Cash and cash equivalents	1,347,294	-	1,347,294	1,347,294
Deferred taxes	1,845,583	(5,406,243)	(3,560,660)	1,845,583
Loans	(83,038,919)	-	(83,038,919)	(83,038,919)
Other liabilities	(150,218,081)	(4,157,381)	(154,375,462)	(150,218,081)
	<u>77,213,434</u>	<u>57,861,480</u>	<u>135,074,914</u>	<u>77,213,434</u>
Goodwill (Note 8)		57,802,012	450,397,819	504,847,714
Minority interests		59,468	(163,861)	(104,393)
Purchase amount		<u>57,861,480</u>	<u>585,308,872</u>	<u>581,956,755</u>
Payments made			611,200,000	611,200,000
Amounts receivable as result of the price adjustment			(30,113,103)	(30,414,000)
Costs arising on acquisition			<u>4,221,975</u>	<u>1,170,755</u>
			<u>585,308,872</u>	<u>581,956,755</u>
Net cash flow from acquisition				
Payments made			611,200,000	611,200,000
Costs arising on acquisition			4,221,975	1,170,755
Cash and cash equivalents acquired			(1,347,294)	(1,347,294)
Cash receipts resulting from the price adjustment			<u>(30,113,103)</u>	-
			<u>583,961,578</u>	<u>611,023,461</u>

In the consolidated statement of cash flows for the six months period ended 30 June 2008, the caption "Cash receipts related to Investments" includes the receipt of price adjustment amounting to 30,113,103 Euro.

**7. TANGIBLE AND INTANGIBLE ASSETS**

During the periods ended 30 June 2008 and 2007, movements in tangible and intangible assets, as well as depreciation and accumulated impairment losses, were made up as follows:

**Tangible assets - June 2008**

	Land and buildings	Machinery and equipment	Transport equipment	Office equipment	Tools and fittings	Reusable containers	Other tangible assets	Tangible assets in progress a)	Advances on account of tangible assets b)	Total tangible
<b>Gross assets:</b>										
Opening 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
Fair value adjustments (Note 6)	52,144,720	25,447,540	(165,821)	(1,391,873)	(3,844,350)	-	-	(16,575,928)	15,650,000	71,264,288
Opening balance - after fair value adjustments	1,373,226,659	611,940,338	17,360,019	99,895,259	25,992,678	66,567	1,709,718	108,991,496	30,054,376	2,269,237,110
Capital Expenditure	3,343,264	422,058	28,114	1,345,892	34,381	-	-	96,576,687	5,973,460	107,723,856
Disposals	(1,944)	(6,891,362)	(313,549)	(462,912)	(87,052)	-	(1,755)	(51,247)	-	(7,809,821)
Exchange rate effect	12,437	35,554	1,389	23,083	-	-	-	-	-	72,443
Transfers / write-off c)	7,059,117	39,921,542	310,339	(6,775,713)	2,043,283	-	3,582	(74,069,646)	(900,000)	(32,407,496)
Closing balance	1,383,639,533	645,428,130	17,386,292	94,025,609	27,983,290	66,567	1,711,545	131,447,290	35,127,836	2,336,816,092
<b>Amortisation and losses for accumulated impairment</b>										
Opening balance	194,037,229	278,847,315	13,568,935	65,309,111	20,362,366	66,567	1,565,593	-	-	573,757,116
Fair value adjustments (Note 6)	(17,571,285)	15,536,400	(153,143)	(1,156,224)	(3,188,336)	-	-	-	-	(6,532,588)
Opening balance - after fair value adjustments	176,465,944	294,383,715	13,415,792	64,152,887	17,174,030	66,567	1,565,593	-	-	567,224,528
Period depreciation	10,821,297	27,706,471	715,364	6,967,794	2,314,901	-	23,404	-	-	48,549,231
Disposals	(1,944)	(5,815,398)	(277,219)	(413,422)	(82,214)	-	(1,755)	-	-	(6,591,952)
Exchange rate effect	6,408	12,578	535	6,608	-	-	-	-	-	26,129
Transfers / write-off c)	(2,449,586)	(258,569)	(33,072)	(9,493,648)	(52,868)	-	(887)	-	-	(12,288,630)
Closing balance	184,842,119	316,028,797	13,821,400	61,220,219	19,353,849	66,567	1,586,355	-	-	598,919,306
<b>Net book value</b>	1,198,797,414	329,399,333	3,564,892	32,805,390	8,629,441	-	125,190	131,447,290	35,127,836	1,739,896,786

**Tangible assets - June 2007**

	Land and buildings	Machinery and equipment	Transport equipment	Office equipment	Tools and fittings	Reusable containers	Other tangible assets	Tangible assets in progress a)	Advances on account of tangible assets b)	Total tangible
<b>Gross assets:</b>										
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 - Purchases	13,005,970	698,298	-	-	-	-	-	287,226	-	13,991,494
Changes in consolidation Perimeter - Disposals	(9,928,909)	-	-	-	-	-	-	-	-	(9,928,909)
Capital Expenditure	2,938,523	437,007	23,864	937,316	8,621	-	-	65,035,932	12,608,883	81,990,146
Disposals	(20,919,134)	(3,441,193)	(254,773)	(647,605)	(26,882)	(13,862)	(279,443)	(23,260)	-	(25,606,152)
Exchange rate effect	457,737	79,948	4,062	42,467	-	-	-	13,065	-	597,279
Transfers / write-off c)	17,290,709	31,900,274	298,534	1,726,501	1,411,811	-	2,384	(44,747,159)	(10,244,996)	(2,361,942)
Closing balance	1,030,633,547	508,717,909	15,418,088	98,204,962	9,712,925	66,567	1,729,063	49,968,744	19,511,486	1,733,963,291
<b>Amortisation and losses for accumulated impairment</b>										
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 - Purchases	126,232	37,635	-	-	-	-	-	-	-	163,867
Period depreciation	8,628,872	22,474,305	552,584	5,063,879	822,157	-	23,447	-	-	37,565,244
Disposals	(2,366,778)	(2,521,357)	(237,580)	(545,904)	(25,102)	(13,862)	(279,429)	-	-	(5,990,012)
Exchange rate effect	12,735	16,039	1,013	8,966	-	-	-	-	-	38,753
Transfers / write-off c)	(3,042)	(435,216)	(12,416)	(355,963)	(2,968)	-	(3,535)	-	-	(813,140)
Closing balance	135,113,070	244,017,014	12,314,669	62,309,112	5,338,622	66,567	1,564,553	-	-	460,723,607
<b>Net book value</b>	895,520,477	264,700,895	3,103,419	35,895,850	4,374,303	-	164,510	49,968,744	19,511,486	1,273,239,684

**Intangible assets - June 2008**

	Development costs	Industrial property and other rights	Software	Premiums paid for property occupation rights	Intangible assets in progress a)	Total intangible
<b>Gross assets:</b>						
Opening balance	469,507	88,603,953	107,561,601	13,863,815	16,263,339	226,762,215
Capital Expenditure	-	95,054	55,367	-	6,578,819	6,729,240
Disposals	-	(485)	-	-	(558,941)	(559,426)
Exchange rate effect	-	-	5,773	-	-	5,773
Transfers / write-off	-	275,350	5,453,606	(352,472)	(6,133,415)	(756,931)
Closing balance	469,507	88,973,872	113,076,347	13,511,343	16,149,802	232,180,871
<b>Amortisation and losses for accumulated impairment</b>						
Opening balance	241,993	5,175,682	53,824,561	12,960,714	-	72,202,950
Period depreciation	46,951	1,134,906	4,890,984	66,342	-	6,139,183
Disposals	-	(461)	-	-	-	(461)
Exchange rate effect	-	-	2,797	-	-	2,797
Transfers / write-off	-	-	(253)	(352,472)	-	(352,725)
Closing balance	288,944	6,310,127	58,718,089	12,674,584	-	77,991,744
<b>Net book value</b>	180,563	82,663,745	54,358,258	836,759	16,149,802	154,189,127

**Intangible assets - June 2007**

	Development costs	Industrial property and other rights	Software	Premiums paid for property occupation rights	Intangible assets in progress a)	Advances on account of intangible assets	Total intangible
<b>Gross assets:</b>							
Opening balance	464,840	83,989,039	98,303,747	13,908,707	13,319,370	275,000	210,260,703
Capital Expenditure	-	387,715	42,757	-	7,455,940	-	7,886,412
Disposals	-	-	-	-	(11,055)	-	(11,055)
Exchange rate effect	-	-	10,874	-	-	-	10,874
Transfers / write-off	3,450	1,128,694	2,368,272	-	(3,962,808)	(40,000)	(502,392)
Closing balance	468,290	85,505,448	100,725,650	13,908,707	16,801,447	235,000	217,644,542
<b>Amortisation and losses for accumulated impairment</b>							
Opening balance	148,308	3,329,177	44,882,011	12,736,678	-	-	61,096,174
Period depreciation	46,714	787,272	4,174,832	158,371	-	-	5,167,189
Disposals	-	-	-	-	-	-	-
Exchange rate effect	-	-	3,214	-	-	-	3,214
Transfers / write-off	-	(13,711)	(255,690)	-	-	-	(269,401)
Closing balance	195,022	4,102,738	48,804,367	12,895,049	-	-	65,997,176
<b>Net book value</b>	<b>273,268</b>	<b>81,402,710</b>	<b>51,921,283</b>	<b>1,013,658</b>	<b>16,801,447</b>	<b>235,000</b>	<b>151,647,366</b>

- a) Major amounts included in “Tangible and intangible assets in progress” refer to the following projects:

	30.06.2008	30.06.2007
Remodelling and expansion of stores	127,736,001	47,661,374
Installation licenses	4,721,144	4,065,548
Software projects	11,327,025	11,470,751
	<u>143,784,170</u>	<u>63,197,673</u>

- b) The most significant amounts under the caption “Advances on account of tangible assets” mainly refer to projects of Modelo and Continente stores for which advance payments were made;
- c) Transfers for the six months period ended 30 June 2008 include 15,680,523 Euro related to assets that were reclassified to the caption "Non current assets held for sale" (Note 27).

During the six months period ended 30 June 2008, the Group disposed land and buildings held by a Brazilian subsidiary SM – Medicamentos, Ltda which were classified under the caption "Non current assets held for sale" as at 31 December 2007. The disposal resulted in a gain of approximately 9 million Euro recorded in the caption “Other operating income”.

## 8. GOODWILL

During the periods ended 30 June 2007 and 2008, and for the year ended 31 December 2007, movements in goodwill, as well as in the corresponding impairment losses, were made up as follows:

	30.06.2008	30.06.2007	31.12.2007 after fair value adjustments (Note 6)
<b>Gross value:</b>			
Opening balance	507,475,415	63,980,187	63,980,187
Increase in acquisition costs (Note 6)	3,352,117	-	-
New companies in the consolidation perimeter	-	21,953	447,423,073
Increases	173,399	-	-
Decreases	-	(2,463,488)	(3,927,845)
Transfers	-	62,855	-
Closing balance	<u>511,000,931</u>	<u>61,601,507</u>	<u>507,475,415</u>
<b>Accumulated impairment losses (Note 20):</b>			
Opening balance	1,374,226	2,838,583	2,838,583
Increases	-	62,855	-
Decreases	-	-	(1,464,357)
Closing balance	<u>1,374,226</u>	<u>2,901,438</u>	<u>1,374,226</u>
<b>Net book value</b>	<u>509,626,705</u>	<u>58,700,069</u>	<u>506,101,189</u>

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

During the period, an adjustment to the goodwill value in the amount of (57,802,012) Euro was recorded resulting from the fair value estimates made to the accounts of the subsidiary Continente Hipermercados, S.A. (ex-Carrefour Portugal) acquired by the Group as at 31 December 2007.

Additionally, there were adjustments to the acquisition costs in the amount of 3,352,117 Euro, which implied the increase of goodwill in this acquisition (Note 6).

## 9. INVESTMENTS

As at 30 June 2008 and 2007 movements in this caption can be detailed as follows:

	30.06.2008		30.06.2007	
	Non current	Current	Non current	Current
<b><u>Investments in associated companies</u></b>				
Opening balance as at 1 January	39,082,244	-	17,823,351	-
Equity method effect	109,978	-	(467,924)	-
Closing balance as at 30 June	<u>39,192,222</u>	-	<u>17,355,427</u>	-
<b><u>Other financial investments</u></b>				
Opening balance at 1 January	785,486	56,093,108	33,804,781	33,211,904
Purchases over the six months period	-	5,219,106	-	181,185
Disposals over the six months period	-	-	(523,914)	(342,290)
Increase/(decrease) in fair value	-	1,418,421	594,687	644,851
Transfers	-	(1,182,312)	-	-
Closing balance as at 30 June	<u>785,486</u>	<u>61,548,323</u>	<u>33,875,554</u>	<u>33,695,650</u>
Accumulated impairment losses (Note 20)	(26,316)	-	(26,316)	-
Closing balance as at 30 June	<u>759,170</u>	<u>61,548,323</u>	<u>33,849,238</u>	<u>33,695,650</u>
<b><u>Derivative financial instruments</u></b>				
Fair value as at 1 January	-	1,115,629	-	49,458
Purchases over the six months period (Note 16)	-	1,513	-	9,773
Disposals over the six months period	-	(1,971)	-	(49,458)
Increase/(decrease) in fair value	-	995,074	-	-
Closing balance as at 30 June	-	<u>2,110,245</u>	-	<u>9,773</u>
<b><u>Advances on financial investments</u></b>				
Opening balance as at 1 January	240,000	-	900,000	-
Purchases over the six months period	-	-	660,000	-
Closing balance as at 30 June	<u>240,000</u>	-	<u>1,560,000</u>	-
	<u>40,191,392</u>	<u>63,658,568</u>	<u>52,764,665</u>	<u>33,705,423</u>

The caption "Other financial investments can be detailed as follows:

- 759,170 Euro (780,497 Euro on 30 June 2007), 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 it could not be measured reliably are recorded at acquisition cost less impairment losses.
- 56,094,121 Euro (66,190,192 Euro as of 30 June 2007) relates to deposited amounts on an Escrow Account which are invested in investment funds with superior rating and guarantee contractual liabilities assumed by the Group on the sale of Sonae Distribuição Brasil, S.A. and for which provisions were recorded (Note 20).

## 10. OTHER NON CURRENT ASSETS

As at 30 June 2008 and 31 December 2007, "Other non current assets" are detailed as follows:

	30.06.2008	31.12.2007
Loans granted to associated companies	1,020,112	1,015,475
Accounts receivable and other debtors	1,017,450	804,651
	<u>2,037,562</u>	<u>1,820,126</u>

The amount recorded under loans granted to associated companies bears interests at market rates and are not matured.

The amount recorded under accounts receivable and other debtors mainly refer to legal deposits made by a Brazilian subsidiary, for which the correspondent liabilities with no defined maturity are recorded in the caption "Other creditors" (Note 17).

## 11. OTHER CURRENT ASSETS

As at 30 June 2008 and 31 December 2007, "Other current assets" are made up as follows:

	30.06.2008	31.12.2007
Trade accounts receivable	48,014,976	45,180,966
Tax and contributions receivable	57,759,749	51,067,860
Other debtors	104,701,173	130,059,315
Advances to fixed assets suppliers	351,202	381,319
Other current assets	45,437,910	23,492,179
	256,265,010	250,181,639
Accumulated impairment losses (Note 20)	(23,551,644)	(21,392,259)
	<u>232,713,366</u>	<u>228,789,380</u>

The caption "Other debtors" is essentially composed by receivables related to: (i) debtor balances of suppliers in a total amount of 62,800,060 Euro (66,725,484 Euro in 31 December 2007); (ii) the amount of 14,576,053 Euro (the same amount as at 31 December 2007) described as Special Regime for the Settlement of Debts to the Tax Authorities and Social Security, which refers to taxes paid that are being disputed and subject to reimbursement claims. The Board of Directors believes that the outcome of these claims will be favourable to the Group; (iii) recoverable VAT, that was originated by property transactions, in a total amount of 3,071,596 Euro (2,887,859 Euro as at 31 de December 2007); (iv) a receivable amount of 8,911,391 Euro resulting from the disposal of a tangible asset held by a Brazilian subsidiary.

The caption "Other current assets" is essentially composed by receivable interests amounting to 121,103 Euro (741,938 Euro on 31 December 2007); an amount of 27,424,733 Euro commercial income (4,222,318 Euro on 31 December 2007); receivable commissions amounting to 2,382,401 Euro (6,865,234 Euro on 31 December 2007); 4,577,497 Euro of rents paid in advance (3,259,833 Euro on 31 de December 2007) and insurance paid in advance amounting to 3,924,444 Euro (2,058,068 Euro in 31 December 2007).

## 12. DEFERRED TAX

Deferred tax assets and liabilities as at 30 June 2008 and 31 December 2007 are made up as follows, taking into consideration the temporary differences that generated them:

	Deferred tax assets		Deferred tax liabilities	
	30.06.2008	31.12.2007 after fair value adjustments (Note 6)	30.06.2008	31.12.2007 after fair value adjustments (Note 6)
Fair value allocation on business combinations	3,380,211	5,439,039	12,788,737	12,788,737
Harmonisation adjustments (amortizations and depreciation)	67,230	70,513	29,980,579	29,290,837
Provisions and impairment losses not accepted for tax purposes	5,480,751	4,320,121	-	-
Write-off of tangible and intangible assets	9,037,827	9,517,092	-	-
Write-off of deferred costs	4,384	9,644	29,482	32,267
Valuation of financial derivatives	46,608	74,497	552,059	194,556
Reinvestment of capital gains	-	-	2,366,783	2,394,039
Revaluation of tangible fixed assets	-	-	2,491,307	2,523,410
Exchange differences not included for tax purposes	-	-	1,217,540	44,754
Tax losses carried forward	8,332,063	8,010,720	-	-
Others	-	283,633	-	-
	<u>26,349,074</u>	<u>27,725,259</u>	<u>49,426,487</u>	<u>47,268,600</u>

As at 30 June 2008 and 31 December 2007, the carried forward tax losses in accordance with tax returns and income tax estimates of the group companies that recorded the corresponding deferred tax assets, considering an exchange rate at that dates, had the following expiration dates:

	30.06.2008			31.12.2007		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limit time use						
Generated in 2002	11,492,655	2,873,163	2008	12,423,840	3,105,960	2008
Generated in 2003	9,170,433	2,292,608	2009	9,065,672	2,266,418	2009
Generated in 2004	1,567,260	391,815	2010	1,567,260	391,815	2010
Generated in 2005	7,341,506	1,835,377	2011	7,341,506	1,835,377	2011
Generated in 2006	387,074	96,768	2012	387,074	96,768	2012
Generated in 2007	1,298,126	324,532	2013	1,257,530	314,382	2013
Generated in 2008	2,071,201	517,800	2014	-	-	2014
	<u>33,328,255</u>	<u>8,332,063</u>		<u>32,042,882</u>	<u>8,010,720</u>	
Without limited time use	-	-		-	-	
	<u>33,328,255</u>	<u>8,332,063</u>		<u>32,042,882</u>	<u>8,010,720</u>	

The deferred tax assets arising from the tax losses carried forward were evaluated and were only recorded if it was probable that taxable profits would occur in the future which may be offset against available tax losses or against deductible temporary differences. This evaluation was based on Sonae Distribuição companies' business plans, periodically reviewed and updated, and available and identified tax planning opportunities.

As at 30 June 2008 there are tax losses carried forward in the amount of 71,414,598 Euro (91,117,181 Euro as of 31 December 2007) for which no deferred tax assets were recognized for prudential reasons.

	30.06.2008			31.12.2007		
	Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limit time use						
Generated in 2002	1,707,189	426,797	2008	1,814,987	453,747	2008
Generated in 2003	200,291	50,073	2009	200,291	50,073	2009
Generated in 2004	329,687	82,422	2010	329,687	82,422	2010
Generated in 2005	2,771,308	692,827	2011	36,519,737	9,129,934	2011
Generated in 2006	161,837	40,459	2012	161,837	40,459	2012
Generated in 2007	30,196,615	7,549,154	2013	24,379,231	6,094,809	2013
Generated in 2008	4,707,788	1,176,947	2014	-	-	2014
	<u>40,074,715</u>	<u>10,018,679</u>		<u>63,405,770</u>	<u>15,851,444</u>	
With limit time different from the above mentioned	23,733,021	6,754,599		19,571,433	5,619,101	
Without limited time use	7,606,862	2,586,333		8,139,978	2,767,592	
	<u>71,414,598</u>	<u>19,359,611</u>		<u>91,117,181</u>	<u>24,238,137</u>	

### 13. CASH AND CASH EQUIVALENTS

As at 30 June 2008 and 31 December 2007 cash and cash equivalents can be detailed as follows:

	30.06.2008	31.12.2007
Cash at hand	5,716,810	5,723,805
Bank deposits	42,321,836	62,094,598
Treasury applications	34,997	35,087
Cash and cash equivalents on the balance sheet	<u>48,073,643</u>	<u>67,853,490</u>
Bank overdrafts (note 15)	(16,378,571)	(3,584,549)
Cash and cash equivalents on the cash flow statement	<u>31,695,072</u>	<u>64,268,941</u>

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

**14. SHARE CAPITAL**

As at 30 June 2008, 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 income, with a nominal value of 1 Euro each.

As at 30 June 2008, the subscribed share capital was distributed as follows:

Entity	%
Sonae, SGPS, S.A.	74.98
Sonae Investments, BV	15.93
Own Shares	9.09

As at 30 June 2008, Efanor Investimentos, SGPS, S.A. and its subsidiaries held 52.94% of the share capital of Sonae, SGPS, S.A..

**15. LOANS**

As at 30 June 2008 and 31 December 2007, borrowings can be detailed as follows:

	30.06.2008				31.12.2007			
	Book value		Face value		Book value		Face value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank loans	105,004,454	249,000,000	105,004,454	249,000,000	80,250,354	-	80,250,354	-
Bonds	99,928,611	1,001,088,962	100,000,000	1,006,925,000	-	1,100,672,731	-	1,106,925,000
Bank overdrafts (Note 13)	16,378,571	-	16,378,571	-	3,584,549	-	3,584,549	-
	<u>221,311,636</u>	<u>1,250,088,962</u>	<u>221,383,025</u>	<u>1,255,925,000</u>	<u>83,834,903</u>	<u>1,100,672,731</u>	<u>83,834,903</u>	<u>1,106,925,000</u>
Other loans	24,953	267,948	24,953	267,948	36,229	276,330	36,229	276,329
Derivatives financial instruments (Note 16)	175,879	-	-	-	281,123	-	-	-
	<u>200,832</u>	<u>267,948</u>	<u>24,953</u>	<u>267,948</u>	<u>317,352</u>	<u>276,330</u>	<u>36,229</u>	<u>276,329</u>
Obligations under finance leases	5,079,617	4,717,445	5,079,617	4,717,445	6,783,670	5,554,636	6,783,670	5,554,636
	<u>226,592,085</u>	<u>1,255,074,355</u>	<u>226,487,595</u>	<u>1,260,910,393</u>	<u>90,935,925</u>	<u>1,106,503,697</u>	<u>90,654,802</u>	<u>1,112,755,965</u>

The repayment schedule of face value of borrowings, (including bank loans and obligations under finance leases) can be summarized as follows:

	30.06.2008	31.12.2007
2008	124,745,075	90,654,802
2009	103,432,822	103,146,003
2010	67,656,861	67,370,839
2011	82,260,183	82,065,244
2012	350,173,179	350,042,467
2013	155,036,229	155,036,229
+2014	<u>604,093,639</u>	<u>355,095,183</u>
	<u>1,487,397,988</u>	<u>1,203,410,767</u>

**Bonds**

Bond loans can be detailed 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 the reimbursed value.

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

After the reimbursement, the loan was 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 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, either by initiative of the issuer or the bond holders.

Bonds – SONAE DISTRIBUIÇÃO - 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 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 16<sup>th</sup> 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 30 June 2008 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 were attributed by a 12 years period, with a grace period of 3 years redemption after attribution. The grants will be redeemed in half-yearly instalments, occurring the first six months after the grace period. At present, 24,953 Euro are classified as “Other loans – currents”.

Bank loans

This caption includes: i) the issue of short term commercial paper in the amount of 105,000,000 Euro which bears interests at normal market rates; ii) the issue of commercial paper in the amount of 249,000,000 Euro classified as non-current as it concerns to commercial paper contracts which issuances are committed by financial institutions for a period greater than 12 months.

**16. DERIVATIVES**
Exchange rate derivatives

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

As at 30 June 2008, the fair value of the exchange rate derivatives, calculated taking into consideration the present market value of equivalent financial instruments, is estimated as follows:

	<u>30.06.2008</u>	<u>31.12.2007</u>
Assets (Note 9)	1,513	1,971
Liabilities (Note 15)	<u>(175,879)</u>	<u>(281,123)</u>
	<u>(174,366)</u>	<u>(279,152)</u>

Gains or losses for the year arising from changes in the fair value of derivative financial instruments amounted 104,876 Euro, were recorded directly in the income statement in the caption "Net Operating Expenses".

Fair value of derivatives

The fair value of the derivatives is detailed as follows:

	<u>Assets (note 9)</u>		<u>Liabilities (note 15)</u>	
	<u>30.06.2008</u>	<u>31.12.2007</u>	<u>30.06.2008</u>	<u>31.12.2007</u>
Hedging derivatives	2,108,732	1,113,658	-	-
Other derivatives	1,513	1,971	175,879	281,123
	<u>2,110,245</u>	<u>1,115,629</u>	<u>175,879</u>	<u>281,123</u>

Interest rate derivatives

As at 30 June 2008, the derivatives used by the Group essentially refer mainly to swaps. These were negotiated to hedge the interest rate risk inherent to bank loans borrowed by the Group. According to the accounting policies adopted, these derivatives fulfil the requirements to be classified as hedging instruments.

Its fair value amounts to:

	<u>30.06.2008</u>	<u>31.12.2007</u>
Assets	2,110,245	1,113,658
Liabilities	<u>(175,879)</u>	-
	<u>1,934,366</u>	<u>1,113,658</u>

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.

Counterparts issuing derivative financial instruments are selected based on its financial strength and credit risk established by internationally recognized rating agencies. These counterparts are nationally and internationally recognized first class financial institutions.

**17. OTHER NON CURRENT LIABILITIES**

As at 30 June 2008 and 31 December 2007 "Other non current liabilities" were made up as follows:

	<u>30.06.2008</u>	<u>31.12.2007</u>
Participating companies (Note 22)	10,000,000	10,000,000
Other non current trade accounts payable	858,760	830,596
Share-based payments (Note 18)	567,241	1,872,010
	<u>11,426,001</u>	<u>12,702,606</u>

As at 30 June 2008 and 31 December 2007, 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 assets" (Note 10).

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

**18. SHARE BASED PAYMENT PLANS**

In 2008 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 acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle its responsibilities in cash instead of shares. The option can only be exercised if the employee still works for the Sonae Group on the vesting date.

Liabilities arising from deferred performance bonuses as at 30 June 2008 and 31 December 2007 are made up as follows:

	Year of grant	Vesting year	Number of participants	Fair value	
				<u>30.06.2008</u>	<u>31.12.2007</u>
<u>Shares</u>					
	2005	2008	38	-	2,690,269
	2006	2009	40	865,263	1,958,101
	2007	2010	40	731,974	1,699,820
	2008	2011	42	1,207,526	-
<u>Total</u>				<u>2,804,763</u>	<u>6,348,190</u>

The amount recorded in the financial statements as at 30 June 2008 and 31 December 2007, related to the responsibilities incurred from the date in which each plan was granted until the mentioned dates, can be presented as follows:

	<u>30.06.2008</u>	<u>31.12.2007</u>
Recorded as Other non current liabilities (Note 17)	567,241	1,872,010
Recorded as Other current liabilities (Note 19)	721,053	2,690,269
Recorded in profit and loss in previous years	(2,735,184)	(628,007)
Recorded in Staff costs	(1,446,890)	3,934,272

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

**19. OTHER CURRENT LIABILITIES**

As at 30 June 2008 and 31 December 2007 the caption "Other current liabilities" can be detailed as follows:

	30.06.2008	31.12.2007 after fair value adjustments
Suppliers	690,150,583	836,947,665
Participated and participating companies	68	408,665
a) Other accounts payable	38,363,704	35,591,505
Fixed assets suppliers	39,809,451	42,253,608
Taxes and contributions payables	22,134,379	44,222,307
b) Accrued costs	136,625,497	145,383,430
Deferred income	2,416,947	2,084,213
Share-based payments (Note 18)	721,053	2,690,269
	<u>930,221,682</u>	<u>1,109,581,662</u>

- a) The caption "Other accounts payable" includes an amount of 19,983,558 Euro (18,348,279 Euro as of 31 December 2007) related to means of payments withheld by clients, namely, vouchers, gift cards and discount coupons, which were granted under the loyalty project "Cartão Cliente" and not yet used.
- b) The caption Accrued costs includes: i) personnel costs amounting to 72,623,452 Euro (65,894,919 Euro as at 31 December 2007); ii) accrued interests of 18,157,348 Euro (18,887,751 Euro as at 31 December 2007); iii) advertising costs of 9,000,562 Euro (19,792,292 Euro as at 31 December 2007); iv) other external supplies and services amounting to 19,489,511 Euro (21,134,152 Euro as at 31 December 2007); v) rents of 7,166,457 Euro (5,146,700 Euro as at 31 December 2007); vi) Real Estate Municipality tax of 3,691,306 Euro (3,658,053 Euro as at 31 December 2007); and vii) import expenses in the amount of 3,054,450 Euro (4,099,190 Euro as at 31 December 2007).

**20. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES**

Movements in "Provisions and impairment losses" for the six months period ended 30 June 2008 and 2007 were as follow:

Captions	31.12.2007	Opening balance after fair value adjustments (Note 6)	Increases	Decreases a)	30.06.2008
Accumulated impairment losses on investments (Note 9)	26,316	26,316	-	-	26,316
Accumulated impairment losses on goodwill (Note 8)	1,374,226	1,374,226	-	-	1,374,226
Accumulated impairment losses on trade accounts receivable (Note 11)	12,771,387	12,771,387	830,337	(144,452)	13,457,272
Accumulated impairment losses on other debtors (Note 11)	8,620,872	8,620,872	1,483,568	(10,068)	10,094,372
Accumulated impairment losses - inventories	16,095,728	16,095,728	8,028,441	(8,072,187)	16,051,982
Provisions	18,486,207	21,456,707	-	(321,218)	21,135,489
	<u>57,374,736</u>	<u>60,345,236</u>	<u>10,342,346</u>	<u>(8,547,925)</u>	<u>62,139,657</u>

Captions	31.12.2006	Increases	Decreases	30.06.2007
Accumulated impairment losses on investments (Note 9)	474,728	-	(448,412)	26,316
Accumulated impairment losses on goodwill (Note 8)	2,838,583	62,855	-	2,901,438
Accumulated impairment losses on trade accounts receivable (Note 11)	11,167,140	158,456	(302,926)	11,022,670
Accumulated impairment losses on other debtors (Note 11)	6,463,190	23,074	(144,559)	6,341,705
Accumulated impairment losses - inventories	11,542,472	339,243	(487,010)	11,394,705
Provisions	22,117,496	1,742,107	(603,878)	23,255,725
	<u>54,603,609</u>	<u>2,325,735</u>	<u>(1,986,785)</u>	<u>54,942,559</u>

- a) Decrease includes 475,569 Euro, related to the effect of changes in the foreign exchange rate in opening balances.

Impairment losses are deducted from the corresponding asset carrying amount.

The caption "Provisions" includes 14,477,594 Euro (14,628,032 Euro as of 31 December 2007) relating to contingencies assumed by the company, on the sale of the subsidiary Sonae Distribuição Brasil, S.A. in 2005. This provision is being used as obligations arise.

This caption also includes an amount of 2,600,000 Euro relating to contingent liabilities that arose to the Group from the acquisition of Continente Hipermercados, S.A. and that concern to judicial claims waiting for an outcome, and 370,500 Euro related to guarantees granted by this subsidiary company.

## 21. CONTINGENT ASSETS AND LIABILITIES

	<u>30.06.2008</u>	<u>31.12.2007</u>
Guarantees rendered:		
related to tax claims	120,721,363 a)	79,895,859
related to local and municipal claims	19,323,768	11,687,093
Others	39,717,187 b)	45,649,202

a) Includes guarantees amounting to 91,442,670 Euro (46,603,916 Euro on 31 December 2007) and 23,989,339 Euro (27,869,675 Euro on 31 December 2007) related to appeals against additional corporate Income Tax and VAT assessments, respectively.

b) Includes guarantees of 30,103,294 Euro (35,800,646 Euro on 31 December 2007) related to VAT reimbursement requests.

During the period ended 31 December 2007, Sonae Capital Brasil, Ltda., rendered a guarantee in the amount of 26,111,620 euro (BRL 65,570,840) related to a tax claim that is being judged in a Brazilian tax court concerning corporate income tax.

As a consequence of the sale of a subsidiary company in Brazil, the Group guaranteed to 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) 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, amounted to nearly 24 million Euros. 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, using the Brazilian Real exchange rate as at 31 December 2007.

During the first half of 2008 there were no relevant changes in the above mentioned contingencies.

No provision was recorded in order to face possible risks arising from these processes, as the Board of Directors understands that they will be solved without arising additional liabilities to the Group.

**22. RELATED PARTIES**

Balances and transactions with related parties as of 30 June 2008 and 31 December 2007 are detailed as follows:

<b>Transactions</b>	Sales and services rendered		Purchase and services attained		Interest income		Interest expense	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Parent company	299,157	181,102	312,179	233,430		638,672	176,862	
Associated companies	782,678	279,773	4,973,031	1,746,312	24,282	165,202		
Participated companies	23,462,639	23,364,267						
Participating companies	127,491	124,548	25,852	38,101			239,279	202,619
Other related parties <sup>1</sup>	7,137,945	8,295,539	41,389,658	46,012,940		155,711		41,969
	<u>31,809,910</u>	<u>32,245,229</u>	<u>46,700,720</u>	<u>48,030,783</u>	<u>24,282</u>	<u>959,585</u>	<u>416,141</u>	<u>244,588</u>

  

<b>Transactions of fixed assets</b>	Purchase of assets		Disposal of assets	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Parent company			50,000	523,913
Associated companies				18,760
Participated companies			25	-
Other related parties <sup>1</sup>	9,387,010	30,412,796	8,610	37,043,731
	<u>9,387,010</u>	<u>30,412,796</u>	<u>58,635</u>	<u>37,586,404</u>

  

<b>Balances</b>	Accounts receivable		Accounts payable		Loans			
	30.06.2008	31.12.2007	30.06.2008	31.12.2007	Payable		Receivable	
					30.06.2008	31.12.2007	30.06.2008	31.12.2007
Parent company	441,639	108,794	192,729	499,045				
Associated companies	1,067,310	919,474	894,031	692,339				
Participated companies	10,160,230	12,090,910					1,000,000	1,000,000
Participating companies (Note 17)	38,273	317,726	261,276	432,656	10,000,000	10,000,000	20,112	15,475
Other related parties <sup>1</sup>	8,693,878	8,945,791	20,138,419	29,801,268				
	<u>20,401,330</u>	<u>22,382,695</u>	<u>21,486,455</u>	<u>31,425,308</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,020,112</u>	<u>1,015,475</u>

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

Other related parties 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.

The recorded amounts as Loans Payable from participating companies refer to loans obtained from shareholders of subsidiary companies, which bear interests at market rates.

**23. INCOME TAX**

Income tax for the six months period ended 30 June 2008 and 2007 is detailed as follows:

	30.06.2008	30.06.2007
Current tax	3,210,607	4,244,943
Deferred tax	(3,693,766)	(1,037,741)
	<u>(483,159)</u>	<u>3,207,202</u>

**24. EARNINGS PER SHARE**

Earnings per share for the period were calculated taking into consideration the following amounts:

	2nd Quarter 2008	30.06.2008	2nd Quarter 2007	30.06.2007
<b>Net profit</b>				
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	30,186,443	39,426,657	34,398,261	49,076,515
Net profit taken into consideration to calculate diluted earnings per share	30,186,443	39,426,657	34,398,261	49,076,515
<b>Number of shares</b>				
Weighted average number of shares used to calculate basic earnings per share	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Weighted average number of shares used to calculate the diluted earnings per share	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
<b>Earning per share (basic and diluted)</b>	0.03	0.04	0.03	0.05

**25. DIVIDENDS**

In the Shareholders Annual General Meeting held on 31 March 2008, the payment of a gross dividend amounting to 85,000,000 was approved.

**26. SEGMENT INFORMATION**

The contribution of the major segments for the six months period ended 30 June 2008 and 2007 can be detailed as follows:

	30.06.2008				30.06.2007			
	Turnover	EBITDA	EBIT	Sales area [.000m <sup>2</sup> ]	Turnover	EBITDA	EBIT	Sales area [.000m <sup>2</sup> ]
Food retail brands	1,309,363,840	94,009,078	54,082,821	462	1,076,191,215	78,210,240	48,746,534	356
Non food retail brands	493,503,461	21,336,866	6,363,751	263	415,367,367	19,366,911	7,751,165	209
Real estate assets with income	3,553,610	3,170,786	1,913,261	-	3,583,566	17,101,871	16,036,949	-
Real estate assets without income	-	9,045,295	8,994,772	-	-	83,353	22,306	-
Others a)	72,970,694	(907,086)	(1,467,463)	-	-	(1,143,056)	(1,404,112)	-
	1,879,391,605	126,654,939	69,887,142	725	1,495,142,148	113,619,319	71,152,842	565

a) Includes gas stations and consolidation adjustments

**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

**Others**

Amounts that, by their nature, cannot be allocated to any other segments, such as financial investments, which for the final value of capital employed, make up almost the entire total.

**Operating Cash-flow (EBITDA)**

Operating results – amortisations and depreciations – provisions and impairment losses – reversal of impairment losses

**Operating Results (EBIT)**

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

27. SUBSEQUENT EVENTS

Resulting from the acquisition of the exclusive control of Carrefour (Portugal) and according to the terms imposed by the decision of non-opposition by the Portuguese Competition Authority (“Autoridade da Concorrência”), Sonae Distribuição assumed several commitments, which included the obligation to dispose assets in the regions of Coimbra and Portimão.

In the fulfilment of those commitments, on the 14<sup>th</sup> of July 2008, Sonae Distribuição signed with Auchan, a contract for the disposal of Modelo of Eiras and Lagoa, as well as a tangible asset (Land) in Condeixa.

On the 22<sup>nd</sup> July 2008, the Group announced the agreement established with RAR Group to join both group’s travel operations, Geotur and Star, creating a new company which will be held in equal parts and with joint management. The operation is still waiting for a decision of non-opposition from the Portuguese Competition Authority (“Autoridade da Concorrência”).

On the 23<sup>rd</sup> July 2008 the Group announced that proposals for the acquisition of the licensed project of Viana do Castelo were being accepted and that Banco Português de Investimento (BPI) had been instructed and given authority to lead the disposal process.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 28th July 2008.

29. 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 as adopted by the European Union for interim financial reporting purposes (IAS 34). In the event of discrepancies, the Portuguese language version prevails.

Matosinhos, 28 July 2008



# **INDIVIDUAL FINANCIAL STATEMENTS**

**30 JUNE 2008**

SONAE DISTRIBUIÇÃO, SGPS, S.A.

COMPANY BALANCE SHEETS AS AT 30 JUNE 2008 AND 2007 AND AS AT 31 DECEMBER 2007

(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 21)

ASSETS	Notes	IFRS		
		30-06-2008	30-06-2007	31-12-2007
<b>NON CURRENT ASSETS:</b>				
Tangible and intangible assets	5	16.674	524.064	147.779
Investments	4	2.186.732.635	1.888.535.250	2.009.050.391
Deferred tax assets	6	-	994	304
Other non current assets	7	583.597.524	673.046.129	774.196.909
Total non current assets		<u>2.770.346.833</u>	<u>2.562.106.437</u>	<u>2.783.395.383</u>
<b>CURRENT ASSETS</b>				
Other current assets	8	953.818.257	580.704.441	757.053.529
Derivatives	9	2.108.731	-	1.113.658
Cash and cash equivalents	10	77.448	110.053.827	48.033
Total current assets		<u>956.004.436</u>	<u>690.758.268</u>	<u>758.215.220</u>
<b>TOTAL ASSETS</b>		<u><u>3.726.351.269</u></u>	<u><u>3.252.864.705</u></u>	<u><u>3.541.610.603</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY:</b>				
Share capital	11	1.100.000.000	1.100.000.000	1.100.000.000
Legal Reserves		99.300.000	95.000.000	95.000.000
Reserves and retained earnings	12	821.344.635	824.976.791	825.514.961
Net profit for the period		242.859.085	56.760.113	84.137.774
<b>TOTAL EQUITY</b>		<u>2.263.503.720</u>	<u>2.076.736.904</u>	<u>2.104.652.735</u>
<b>LIABILITIES:</b>				
<b>NON CURRENT LIABILITIES</b>				
Loans	13	1.250.088.962	593.285.061	1.100.672.731
Deferred tax liabilities	6	553.380	77.485	233.406
Total non current liabilities		<u>1.250.642.342</u>	<u>593.362.546</u>	<u>1.100.906.137</u>
<b>CURRENT LIABILITIES</b>				
Loans	13	124.932.000	301.074.426	2.809
Other current liabilities	14	87.273.207	281.690.829	336.048.922
Total current liabilities		<u>212.205.207</u>	<u>582.765.255</u>	<u>336.051.731</u>
<b>TOTAL LIABILITIES</b>		<u>1.462.847.549</u>	<u>1.176.127.801</u>	<u>1.436.957.868</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3.726.351.269</u></u>	<u><u>3.252.864.705</u></u>	<u><u>3.541.610.603</u></u>

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 THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2008 AND 2007

(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 21)

	Notes	IFRS			
		2008		2007	
		2 <sup>nd</sup> Quarter <sup>1</sup>	30-06-2008	2 <sup>nd</sup> Quarter <sup>1</sup>	30-06-2007
Operating income:					
Services rendered		849.876	1.691.147	(3.218.394)	1.541.462
Other operating income		394.279	467.933	629.559	2.341.520
Total operating income		<u>1.244.155</u>	<u>2.159.080</u>	<u>(2.588.835)</u>	<u>3.882.982</u>
Operating expenses:					
External supplies and services		(282.795)	(619.280)	(401.626)	(781.955)
Staff costs		3.111	(269.659)	(998.744)	(1.501.403)
Amortization and depreciation	5	(71.276)	(141.995)	(70.824)	(141.647)
Other operating expenses		(430.057)	(741.420)	(562.895)	(1.348.434)
Total operating expenses		<u>(781.016)</u>	<u>(1.772.354)</u>	<u>(2.034.089)</u>	<u>(3.773.439)</u>
Net operating profit / (loss)		463.139	386.726	(4.622.924)	109.543
Financial Income		21.221.470	44.615.676	17.380.128	32.828.869
Financial Loss		(19.740.327)	(40.497.778)	(12.786.540)	(21.422.644)
Net financial profit		<u>1.481.143</u>	<u>4.117.898</u>	<u>4.593.588</u>	<u>11.406.225</u>
Profit / (loss) related to investments	17	-	236.300.137	(4.517.005)	49.345.486
Profit / (loss) before income tax		<u>1.944.282</u>	<u>240.804.761</u>	<u>(4.546.341)</u>	<u>60.861.254</u>
Income tax		<u>3.128.275</u>	<u>2.054.324</u>	<u>(3.523.873)</u>	<u>(4.101.141)</u>
Net profit / (loss) for the period	18	<u>5.072.557</u>	<u>242.859.085</u>	<u>(8.070.214)</u>	<u>56.760.113</u>
Earnings / (loss) per share	18	<u>0,01</u>	<u>0,24</u>	<u>(0,01)</u>	<u>0,06</u>

<sup>1</sup> Prepared in accordance with "IAS 34 - Interim Financial Reporting" and not subject to independent review

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 SIX MONTHS PERIODS ENDED 30 JUNE 2008 AND 2007

(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 21)

	Share Capital	Legal Reserves	Own Shares	Reserves and retained earnings	Net profit/loss	Total Equity
Balance as at 1 January 2007	1.100.000.000	90.200.000	(205.000.000)	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	-	75.535.955	(80.335.955)	-
Dividends distributed	-	-	-	(75.000.000)	-	(75.000.000)
Changes in reserves:						
Own shares hand over	-	-	205.000.000	-	-	205.000.000
Merger	-	-	-	(81.095.866)	-	(81.095.866)
Net profit / (loss) for the six months period ended 30 June 2007	-	-	-	-	56.760.113	56.760.113
Others	-	-	-	-	-	-
Balance as at 30 June 2007	<u>1.100.000.000</u>	<u>95.000.000</u>	<u>-</u>	<u>824.976.791</u>	<u>56.760.113</u>	<u>2.076.736.904</u>
Balance as at 1 January 2008	1.100.000.000	95.000.000	-	825.514.961	84.137.774	2.104.652.735
Appropriation of net profit of 2007						
Appropriation of net profit / (loss) of 2007	-	4.300.000	-	79.837.774	(84.137.774)	-
Dividends distributed	-	-	-	(85.000.000)	-	(85.000.000)
Changes in reserves:						
Changes in fair value	-	-	-	1.349.523	-	1.349.523
Deferred tax due to changes in fair value	-	-	-	(357.624)	-	(357.624)
Net profit / (loss) for the six months period ended 30 June 2008	-	-	-	-	242.859.085	242.859.085
Others	-	-	-	-	-	-
Balance as at 30 June 2008	<u>1.100.000.000</u>	<u>99.300.000</u>	<u>-</u>	<u>821.344.635</u>	<u>242.859.085</u>	<u>2.263.503.720</u>

The accompanying notes are part of these financial statements

The Board of Directors,

**COMPANY STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2008 AND 2007**

(Amounts expressed in euro)

(Translation of financial statements originally issued in Portuguese - Note 21)

	<u>Notes</u>	<u>30-06-2008</u>	<u>30-06-2007</u>
<b><u>OPERATING ACTIVITIES:</u></b>			
Cash receipts from trade debtors		3.779.774	20.482.538
Cash payments to trade suppliers		1.102.635	1.056.503
Cash paid to employees		1.386.725	1.977.080
Net cash flow generated by operations		<u>1.290.414</u>	<u>17.448.955</u>
Income tax paid / (received)		(23.995.509)	121.861
Other cash receipts / payments from operating activities		(756.261)	(2.460.781)
Net cash flow from operating activities (1)		<u>24.529.662</u>	<u>14.866.313</u>
<b><u>INVESTING ACTIVITIES:</u></b>			
Cash receipts related to:			
Investments		23.817.756	97.008.064
Tangible and Intangible assets		-	40.000
Interests and similar income		36.308.605	25.444.113
Dividends		236.300.137	18.193.658
Loans granted		1.511.907.555	1.285.331.902
Others		-	75.000.000
		<u>1.808.334.053</u>	<u>1.501.017.737</u>
Cash payments related to:			
Investments		(201.500.000)	(152.976.629)
Tangible and Intangible assets		(169)	(42)
Loans granted		(1.529.344.580)	(1.568.823.637)
Others		-	(4.969.473)
		<u>(1.730.844.749)</u>	<u>(1.726.769.781)</u>
Net cash used in investing activities (2)		<u>77.489.304</u>	<u>(225.752.044)</u>
<b><u>FINANCING ACTIVITIES:</u></b>			
Cash receipts related to:			
Loans obtained		<u>2.529.014.350</u>	<u>1.528.099.889</u>
		<u>2.529.014.350</u>	<u>1.528.099.889</u>
Cash payments related to:			
Loans obtained		(2.510.958.350)	(1.166.036.090)
Interest and similar charges		(35.046.131)	(14.867.803)
Dividends		(85.000.000)	(75.000.035)
		<u>(2.631.004.481)</u>	<u>(1.255.903.928)</u>
Net cash used in financing activities (3)		<u>(101.990.131)</u>	<u>272.195.961</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>28.835</u>	<u>61.310.230</u>
Cash and cash equivalents at the beginning of the period	10	45.224	50.030.583
Cash and cash equivalents - effects of the merger		-	(1.301.944)
Cash and cash equivalents at the end of the period	10	<u>74.059</u>	<u>110.038.869</u>

The accompanying notes are part of these financial statements

The Board of Directors,

SONAE DISTRIBUIÇÃO, SGPS, S.A.
NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2008

(Amounts expressed in euro)

(Translation of notes to the company financial statements originally issued in Portuguese – Note 21)

**1. INTRODUCTION**

SONAE DISTRIBUIÇÃO, SGPS, S.A. (“the Company” or “Sonae Distribuição”, previously named Modelo Continente, SGPS, S.A.) is a Portuguese corporation, whose head office is in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Matosinhos, Portugal.

Its main activity is the management of investments (Note 4).

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES**

Annual financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

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

The accounting policies adopted are consistent with those described in the file of the annual financial statements for the year ended 31 December 2007.

**3. CHANGES IN ACCOUNTING POLICES AND CORRECTION OF ERRORS**

During the period there were neither changes in accounting policies nor correction of errors.

**4. INVESTMENTS**

As at 30 June 2008 and 31 December 2007, the detail of investments is as follows:

Company	30.June.2008		31.December.2007	
	% held	Closing Balance	% held	Closing Balance
Investments in equity:				
Bertimóvel - Sociedade Imobiliária, S.A.	100.00%	1,375,000	100.00%	875,000
Edições Book.it - S.A.	100.00%	1,000,000	-	-
Canasta - Empreendimetos Imobiliários, S.A.	100.00%	1,579,375	100.00%	1,579,375
Chão Verde - Sociedade de Gestão Imobiliária, S.A.	100.00%	2,244,591	100.00%	2,244,591
Citorres - Sociedade Imobiliária, S.A.	100.00%	477,848	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.	100.00%	231,318,722	100.00%	231,318,722
Cumulativa - Sociedade Imobiliária, S.A.	100.00%	2,095,191	100.00%	2,095,191
Difusão - Sociedade Imobiliária, S.A.	100.00%	50,000	100.00%	50,000
Fozimo - Sociedade Imobiliária, S.A.	100.00%	24,940	100.00%	24,940
Fozmassimo - Sociedade Imobiliária, S.A.	100.00%	6,264,902	100.00%	6,264,902
Fundo de Investimento Imobiliário Imosonae Dois (a)	100.00%	158,410,389	100.00%	182,228,145

Company	30.June.2008		31.December.2007	
	% held	Closing Balance	% held	Closing Balance
Investments in capital shares:				
IGI - Investimento Imobiliário, SA	100.00%	114,495,350	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	100.00%	109,000
Imoconti - Sociedade Imobiliária, S.A.	100.00%	50,000	100.00%	50,000
Imoestrutura - Sociedade Imobiliária, S.A.	100.00%	24,940	100.00%	24,940
Imomuro - Sociedade Imobiliária, S.A.	100.00%	539,940	100.00%	539,940
Imoresultado - Sociedade Imobiliária, S.A.	100.00%	109,736	100.00%	109,736
Imosistema - Sociedade Imobiliária, S.A.	100.00%	280,000	100.00%	280,000
Infocfield - Informática, S.A.	10.00%	530,459	10.00%	530,459
Marcas MC, zRt	100.00%	72,784,761	100.00%	72,784,761
MJLF - Empreendimentos Imobiliários, S.A.	100.00%	1,719,397	100.00%	1,719,397
Modalfa - Comércio e Serviços, S.A.	10.00%	27,933	10.00%	27,933
Modelo Continente - Operações de Retalho, SGPS, S.A.	100.00%	1,050,000,000	100.00%	1,050,000,000
Modelo Continente Hipermercados, S.A.	56.00%	174,990,240	56.00%	174,990,240
Modelo Continente Seguros - Sociedade de Mediação, Lda	75.00%	161,250	75.00%	161,250
Modelo.Com - Vendas por Correspondência, S.A.	100.00%	12,637,016	100.00%	12,637,016
Predicomercial - Promoção Imobiliária, S.A.	100.00%	6,372,293	100.00%	6,372,293
Selífa - Sociedade de Empreendimentos Imobiliários, S.A.	100.00%	1,408,379	100.00%	1,408,379
Sempre à Mão - Sociedade Imobiliária, S.A.	100.00%	125,000	100.00%	125,000
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.	100.00%	550,000	100.00%	550,000
Sociloures - Sociedade Imobiliária, S.A.	100.00%	10,000,000	100.00%	10,000,000
Soflorin, B.V. (b)	100.00%	257,309,037	100.00%	57,309,037
Sonae Capital Brasil, S.A.	37.00%	23,334,858	37.00%	23,334,858
Sonae Retalho Espanha, S.A.	100.00%	2,549,831	100.00%	2,549,831
Sonaegest - Soc. Gest. de Fundos de Investimentos, S.A.	20.00%	159,615	20.00%	159,615
Sondis Imobiliária, S.A.	100.00%	49,940	100.00%	49,940
Sontária - Empreendimentos Imobiliários, S.A.	100.00%	10,600,000	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
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	100.00%	50,000
Valor N, S.A.	100.00%	2,087,315	100.00%	2,087,315
Worten - Equipamentos para o Lar, S.A.	10.00%	462,494	10.00%	462,494
		<b>2,225,301,132</b>		<b>2,047,618,888</b>
Impairment of equity investments (Note 15)		<b>(38,568,497)</b>		<b>(38,568,497)</b>
		<b>2,186,732,635</b>		<b>2,009,050,391</b>

- (a) The change relates to income received from a real estate investment fund as distribution of gains originated prior to its acquisition.
- (b) During the period the company subscribed a capital increase of 200,000,000 euro in this subsidiary.

**5. TANGIBLE AND INTANGIBLE ASSET**

Movements in tangible and intangible assets during the six months period ended 30 June 2008, as well as depreciations, are made up as follows:

<b>Intangible Assets:</b>				
	Opening Balance	Increases	Decreases	Closing Balance
<b>Gross Assets:</b>	31-12-2007			30-06-2008
Industrial property and other rights	1,401,602	11,026	-	1,412,628
Software	479	-	-	479
Intangible assets in progress	136	-	136	-
	<u>1,402,217</u>	<u>11,026</u>	<u>136</u>	<u>1,413,107</u>
<b>Accumulated Depreciations and Impairment Losses</b>	31-12-2007		Write-off/ Reversals	30-06-2008
Industrial property and other rights	1,261,255	140,718	-	1,401,973
Software	479	-	-	479
	<u>1,261,734</u>	<u>140,718</u>	<u>-</u>	<u>1,402,452</u>
<b>Tangible Assets:</b>				
	Opening Balance	Increases	Decreases	Closing Balance
<b>Gross Assets:</b>	31-12-2007			30-06-2008
Machinery and equipment	2,464	-	-	2,464
Transport equipment	19,062	-	-	19,062
Office equipment	24,805	-	-	24,805
Other tangible assets	679	-	-	679
	<u>47,010</u>	<u>-</u>	<u>-</u>	<u>47,010</u>
<b>Accumulated Depreciations and Impairment Losses</b>	31-12-2007		Write-off/ Reversals	30-06-2008
Machinery and equipment	657	123	-	780
Transport equipment	19,062	-	-	19,062
Office equipment	19,316	1,154	-	20,470
Other tangible assets	679	-	-	679
	<u>39,714</u>	<u>1,277</u>	<u>-</u>	<u>40,991</u>
<b>Total Net Assets:</b>	Opening Balance	Increases	Decreases	Closing Balance
	31-12-2007			30-06-2008
Intangible Assets	140,483	(129,692)	136	10,655
Tangible Assets	7,296	(1,277)	-	6,019
	<u>147,779</u>	<u>(130,969)</u>	<u>136</u>	<u>16,674</u>

**6. DEFERRED TAX**

Deferred tax assets and liabilities as of 30 June 2008, 2007 and 31 December 2007, taking into consideration the temporary differences that generated them, can be detailed as follows:

	30.June.2008		30.June.2007		31.December.2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Financial instruments	-	551,657	-	-	-	194,034
Write off of Intangible Assets	-	-	994	-	304	-
Differences between amortizations for accounting and tax purposes	-	1,723	-	77,485	-	39,372
Tax losses carried forward	-	-	-	-	-	-
	<u>-</u>	<u>553,380</u>	<u>994</u>	<u>77,485</u>	<u>304</u>	<u>233,406</u>

**7. OTHER NON CURRENT ASSETS**

As of 30 June 2008, 2007 and 31 December 2007, the caption "Other non current assets" is detailed as follows (Note 20):

	30.June.2008	30.June.2007	31.December.2007
Loans to group companies	583,597,524	673,046,129	774,196,909

These loans bear interests at market rates.

**8. OTHER CURRENT ASSETS**

As of 30 June 2008 and 31 December 2007, the caption "Other current assets" is detailed as follows:

	30.June.2008	31.December.2007
Trade debtors	-	3,540,891
Group companies	886,004,028	734,444,255
Other debtors	7,496,750	7,101,105
Tax and contributions receivable	15,410,089	9,916,188
Deferred costs	793,663	599,972
Accrued income	44,113,727	1,451,118
	953,818,257	757,053,529

- a) The caption "Group companies" includes: (i) the amount of 300,076,410 euro related to short term loans to group companies; (ii) the amount of 4,791,404 euro related to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Group of Companies; (iii) the amount of 580,632,391 euro related to the payment on account due to Continente Hipermercados, S.A. (ex-Carrefour) acquisition performed by Sonae Distribuição on behalf of Modelo Continente Hipermercados, S.A. – Subsidiary in Spain; (iv) the amount of 351,144 euro related to payments on account of tax income made by Sonae Distribuição on behalf of group companies taxed in accordance with Special Regime for Taxing Group of Companies; (v) the amount of 152,679 euro related to other accounts receivable from group companies.
- b) The caption "Other debtors" includes approximately 5,790,800 euro, related to tax claims of tax assessments paid to tax authorities. No provision or impairment was recorded in order to face possible losses as it is understood by the Board of Directors that the outcome of these claims will be favourable to the Company.

**9. DERIVATIVES**
Interest rate derivatives

As of 30 June 2008 and 31 December 2007, the fair value of interest rate derivatives, calculated based on present market value of equivalent financial instruments is estimated as follows:

	30.June.2008	31. December.2007
Assets	2,108,731	1,113,658

## 10. CASH AND CASH EQUIVALENTS

As of 30 June 2008 and 31 December 2007, the caption "Cash and cash equivalents" can be detailed as follows:

	30.June.2008	31.December.2007
Bank deposits	42,451	13,036
Treasury applications	34,997	34,997
Cash and cash equivalents on the balance sheet	<u>77,448</u>	<u>48,033</u>
Bank overdrafts (Note 13)	(3,389)	(2,809)
Cash and cash equivalents on the statement of cash flow	<u>74,059</u>	<u>45,224</u>

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

## 11. SHARE CAPITAL

As of 30 June 2008 and 2007 and 31 December 2007, the share capital, which is fully subscribed and paid for, is made up of 1,100,000,000 ordinary shares with a nominal value of 1 euro each.

As of 30 June 2008, the subscribed share capital was distributed as follows:

<u>Entity</u>	<u>%</u>
Sonae, SGPS, S.A.	74,98
Sonae Investments, B.V.	15,93
Soflorin, B.V. (a)	<u>9,09</u>

(a) Soflorin, B.V. is entirely owned by the company, therefore the shares held by the subsidiary are considered own shares.

## 12. RESERVES

	30.June.2008	31.December.2007
Legal Reserves	<u>99,300,000</u>	<u>95,000,000</u>
	99,300,000	95,000,000
Reserves and retained earnings:		
Reserves under the artº 324 of the CSC	205,000,000	205,000,000
Hedging reserves	1,530,069	538,170
Other reserves	<u>614,814,566</u>	<u>619,976,791</u>
	<u>821,344,635</u>	<u>825,514,961</u>
	<u>920,644,635</u>	<u>920,514,961</u>

As of 30 June 2008 the company held 99,300,000 euro of legal reserves. According to Portuguese Commercial Law (Portuguese Company's Act, "Código das Sociedades Comerciais") these reserves cannot be distributed except upon dissolution of the company, but can be used to absorb losses after all other reserves have been used up, or to increase capital.

As a result of the acquisition of own shares in 2006, free reserves in the same amount as their acquisition cost were made unavailable in accordance with article 324 of Portuguese Company's Act ("Código das Sociedades Comerciais"). This reserve cannot be used until the referred own shares are extinct or disposed to a Company outside the group.

**13. LOANS**

As of 30 June 2008 and 31 December 2007, loans are made up as follows:

	30.June.2008				31.December.2007			
	Book Value		Nominal Value		Book Value		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank loans	25,000,000	249,000,000	25,000,000	249,000,000	-	-	-	-
Bank overdrafts	3,389	-	3,389	-	2,809	-	2,809	-
Bond loans	99,928,611	1,001,088,962	100,000,000	1,006,925,000	-	1,100,672,731	-	1,106,925,000
	124,932,000	1,250,088,962	125,003,389	1,255,925,000	2,809	1,100,672,731	2,809	1,106,925,000

**Bond loans**

Bond loans can be detailed 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, i.e., in one payment on 3 August 2010, the maturity dates of the loan, except if 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 the reimbursed value. On the 3rd August 2007, the Company partially reimbursed the bonds, according to the issuing conditions. The amount reimbursed per bond was 755 Euro plus a premium of 0.94375 Euro. After the reimbursement, the loan was 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 dates of the 10th coupon.

Early redemption is not possible, either by initiative of the issuer or the bondholders.

**Bonds - SONAE DISTRIBUIÇÃO - 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 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 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 12<sup>th</sup> coupon payment (10 September 2013);

50% on the date of the 16<sup>th</sup> 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.

Bank loans

Includes:

a) Issuances of commercial paper totalling 274,000,000 euro which includes the amount of 249,000,000 euro classified as non-current as it concerns to commercial paper agreements which issuances are committed by financial institutions.

b) The amount of 3,389 euro refers to a bank overdraft (Note 10).

**14. OTHER CURRENT LIABILITIES**

As of 30 June 2008 and 31 December 2007, the caption "Other current liabilities" can be detailed as follows:

	<u>30.June.2008</u>	<u>31.December.2007</u>
Suppliers	122,767	104,307
Group companies	57,464,777	310,274,622
Other creditors	3,964,562	3,965,364
Tax and contributions payable	237,860	1,184,698
Accrued expenses	25,483,241	20,519,931
	<u>87,273,207</u>	<u>336,048,922</u>

- a) The caption "Group companies" refers mainly to: (i) payable amount of 52,196,500 euro relating to a short term loan from group companies; (ii) the amount of 5,256,290 euro relating to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Groups of Companies; (iii) the amount of 11,987 euro relating to other debts from other companies.

**15. IMPAIRMENT LOSSES**

Movement in accumulated impairment losses over the period ending 30 June 2008 is as follows:

<u>Caption</u>	<u>Opening Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Closing Balance</u>
Impairment investment losses	38,568,497	-	-	38,568,497
	<u>38,568,497</u>	<u>-</u>	<u>-</u>	<u>38,568,497</u>

**16. CONTINGENT ASSETS AND LIABILITIES**

As of 30 June 2008 and 31 December 2007 contingent assets and liabilities are made up as follows:

	<u>30.June.2008</u>	<u>31.December.2007</u>
Guarantees given:		
on tax claims	54,270,330	18,821,550
on municipal claims	-	289,380
	<u>54,270,330</u>	<u>19,110,930</u>

No provision has been recognized for these tax additional assessments, to which some guarantees were made, as the Board of Directors expects their outcome to be favourable to the Company with no additional liability.

**17. INVESTMENTS NET INCOME**

As of 30 June 2008 and 2007 Investments net income is made up as follows:

	<u>30.June.2008</u>	<u>30.June.2007</u>
Dividends	236,300,137	18,193,658
Gains on sale of investments	-	35,728,616
Losses on sale of investments	-	(5,454,530)
Impairment losses on Investments	-	(3,422,506)
Impairment losses reversion	-	4,300,248
	<u>236,300,137</u>	<u>49,345,486</u>

**18. EARNINGS PER SHARE**

Earnings per share for the period were calculated taking into consideration the following amounts:

	<u>30.June.2008</u>	<u>30.June.2007</u>
<b>Net profit</b>		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	242,859,085	56,760,113
Net profit taken into consideration to calculate diluted earnings per share	<u>242,859,085</u>	<u>56,760,113</u>
<b>Number of shares</b>		
Weighted average number of shares used to calculate basic Earnings per share	1,000,000,000	1,000,000,000
Weighted average number of share used to calculate the diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b><u>Earnings per share (basic and diluted)</u></b>	<u>0.24</u>	<u>0.06</u>

In the Annual General Meeting held on 31 March of 2008 the payment of dividends amounting to 85,000,000 euro was approved.

**19. APPROVAL OF THE FINANCIAL STATEMENTS**

The accompanying financial statements were approved by the Board of Directors and authorized for issue on the 28<sup>th</sup> July of 2008.

**20. INFORMATION REQUIRED BY LAW**
**Art 5, item 4 of Decree-Law 3318/94**

During the six month period ended on 30 June 2008, shareholders' loan agreements were signed with the following companies:

Modelo Continente Hipermercados, S.A.  
 Sonae Retalho España, S.A.  
 Soflorin, B.V.  
 Sonvecap, B.V.

During the six months period ended on 30 June 2008, treasury application agreements were signed with the following companies:

Continente Hipermercados, S.A.  
 Edições Book.it – S.A.  
 Estêvão Neves – Hipermercados da Madeira, S.A.  
 Global S – Hipermercados, Lda.  
 Imoresultado – Sociedade Imobiliária, S.A.  
 Modelo Continente Hipermercados, S.A., Sucursal en España  
 NA – Equipamentos para o Lar, S.A.  
 Nova Equador P.C.O Eventos Sociedade Unipessoal, Lda.  
 Sempre à Mão – Sociedade Imobiliária, S.A.  
 Sonae, SGPS, S.A.  
 Valor N, S.A.

As of 30 June 2008, 2007 and 31 December 2007, the receivable balances related to the agreements mentioned above were as follows:

Current (Note 8) and non current (Note 7) granted loans:

Companies	30.June.2008	30.June.2007	31.December.2007
Bertimóvel - Sociedade Imobiliária, S.A.	16,110,000	14,878,000	15,934,000
Canasta - Empreendimentos Imobiliários, S.A.	2,904,000	3,103,000	3,006,000
Carnes Continente - Indústria e Distribuição de Carnes, S.A.	76,000	-	-
Chão Verde - Sociedade de Gestão Imobiliária, S.A.	2,769,584	2,887,584	2,791,584
Citorres - Sociedade Imobiliária, S.A.	3,860,000	3,959,000	3,973,000
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	250,000	183,000	214,000
Contimobe - Imobiliária de Castelo Paiva, S.A.	75,164,000	85,830,000	75,909,000
Continente Hipermercados, S.A.	98,050,000	-	-
Cumulativa - Sociedade Imobiliária, S.A.	3,030,000	3,084,000	3,056,000
Difusão - Sociedade Imobiliária, S.A.	28,591,000	19,922,000	25,527,000
Efanor - Industria de Fios, S.A.	4,831,000	-	1,253,000
Equador & Mendes - Agência Viagens e Turismo, Lda	960,000	-	213,000
Estevão Neves - Hipermercados da Madeira, S.A.	5,165,000	-	-
Fozimo - Sociedade Imobiliária, S.A.	2,067,000	2,036,000	1,932,000
Global S - Hipermercados, Lda	166,310	-	735,000
IGI - Investimento Imobiliário, S.A.	219,275,000	137,578,000	183,902,000
Igimo - Sociedade Imobiliária, S.A.	585,000	624,000	595,000
Iginha - Sociedade Imobiliária, S.A.	14,506,500	14,980,755	14,277,500
Imoconti - Sociedade Imobiliária, S.A.	18,923,222	19,706,400	18,761,222
Imoestrutura - Sociedade Imobiliária, S.A.	573,000	650,000	621,000
Imomuro - Sociedade Imobiliária, S.A.	4,211,897	4,281,897	4,106,897
Imoresultado - Sociedade Imobiliária, S.A.	399,000	375,000	388,000
Imosistema - Sociedade Imobiliária, S.A.	4,537,000	4,634,000	4,565,000
Infocfield - Informática, S.A.	11,044,000	-	5,000,000
MJLF - Empreendimentos Imobiliários, S.A.	3,922,000	3,926,000	3,981,000
Modalfa - Comércio e Serviços, S.A.	13,609,000	-	11,139,000
Modelo.Com - Vendas por Correspondência, S.A.	6,000	-	-
Modelo Continente Hipermercados, S.A.	153,031,600	493,635,100	103,322,000
Modelo Continente Hipermercados, S.A., Sucursal en España	580,634,391	-	-
Modelo Hiper - Imobiliária, S.A.	480,500	-	-
Modelo Continente Seguros - Sociedade de Mediação, Lda	2,928,000	-	1,400,000
Nova Equador P.C.O Eventos Sociedade Unipessoal, Lda	149,000	-	-
Nova Equador Internacional - Agência de Viagens e Turismo, Lda	-	-	176,000
Peixes Continente - Indústria e Distribuição de Peixes, S.A.	29,000	-	-
Pharmacontinente - Saúde e Higiene, S.A.	8,276,000	61,000	4,854,000
Predicomercial - Promoção Imobiliária, S.A.	11,760,000	11,705,000	10,950,000
Selifa - Sociedade de Empreendimentos Imobiliários, S.A.	4,089,000	4,434,000	4,189,000
Sempre à Mão - Sociedade Imobiliária, SA	20,128	90,000	17,128
Sesagest - Projectos e Gestão Imobiliária, S.A.	48,883,183	50,753,000	47,354,000
Socijofra - Sociedade Imobiliária, S.A.	8,303,000	8,403,000	8,131,000
Sociloures - Sociedade Imobiliária, S.A.	33,519,347	33,085,000	31,635,347
Soflorin, B.V.	70,000	33,885,330	34,276,568
Solaris Supermercados, S.A	886,000	-	1,171,000
Sonae Retalho España, S.A.	235,002	13,002	13,002
Sondis Imobiliária, S.A.	20,543,159	21,719,159	20,278,159

Companies	30.June.2008	30.June.2008	31.December.2007
Sontária - Empreendimentos Imobiliários, S.A.	3,632,502	3,759,502	3,639,502
Sonvecap, B.V.	-	150,976,000	150,976,000
Sportzone - Comércio de Artigos de Desporto, S.A.	28,923,000	5,411,000	23,336,000
Star - Viagens e Turismo, S.A.	16,000	-	-
Tlantic Portugal - Sistemas de Informação, S.A.	2,000	-	4,000
Todos os Dias - Comércio Ret. e Expl. de Centros Comerciais, S.A.	434,000	940,000	1,067,000
Worten - Equipamentos para o Lar, S.A.	21,876,000	39,058,000	7,000,000
	<u>1,464,306,325</u>	<u>1,180,566,729</u>	<u>835,669,909</u>

As of 30 June 2008, 2007 and 31 December 2007, the payable balances related to the agreements mentioned above were as follows:

Loans obtained – Short term (Note 14):

Companies	30.June.2008	30.June.2007	31.December.2007
Bikini - Portal de Mulheres, S.A.	(3,794,000)	-	(3,250,000)
Carnes Continente - Indústria e Distribuição de Carnes, S.A.	(8,437,000)	-	(526,000)
Edições Book.it - S.A.	(999,000)	-	-
Efanor - Design e Serviços, S.A.	(988,500)	-	(701,000)
Estevão Neves - Hipermercados da Madeira, S.A.	-	-	(6,448,000)
Fozmassimo - Sociedade Imobiliária, S.A.	(2,648,000)	(4,915,000)	(4,670,000)
Infocfield - Informática, S.A.	-	-	(2,076,000)
Marcas MC, ZRT	(17,377,000)	(5,440,000)	(10,178,000)
Modelo.Com - Vendas por Correspondência, S.A.	-	(3,665,000)	-
Modelo Continente Hipermercados, S.A.	-	-	(25,124,500)
Modelo Continente - Operações de Retalho, SGPS, S.A.	(12,164,200)	(238,492,000)	(216,459,000)
Modelo Hiper - Imobiliária, S.A.	-	(1,759,000)	(40,000)
Nova Equador Internacional - Agência de Viagens e Turismo, Lda	(205,000)	-	-
Inventory - Acessórios de Casa, S.A.	(1,114,800)	-	(1,161,000)
Peixes Continente - Indústria e Distribuição de Peixes, S.A.	(445,000)	-	(639,000)
Sonvecap, B.V.	(3,590,000)	-	-
Valor N, S.A.	(434,000)	-	-
Worten - Equipamentos para o Lar, S.A.	-	-	(36,868,000)
	<u>(52,196,500)</u>	<u>(254,271,000)</u>	<u>(308,140,500)</u>

## 21. NOTE ADDED TO TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union for interim financial reporting purposes (IAS 34). In the event of discrepancies, the Portuguese language version prevails.

Matosinhos, 28 July 2008

**LIMITED REVIEW REPORT PREPARED BY THE AUDITOR REGISTERED WITH  
CMVM ON HALF-YEAR FINANCIAL INFORMATION**

(Translation of a report originally issued in Portuguese  
In case of discrepancies the Portuguese version prevails)

**Introduction**

1. In accordance with the Securities Market Code, we hereby present our Limited Review Report on the financial information of Sonae Distribuição, S.G.P.S., S.A. (“Company”) for the half-year ended 30 June 2008 included in: the Report of the Board of Directors, the consolidated and company Balance Sheets (that reflect a total of 3,299,395,210 Euro and 3,726,351,269 Euro, respectively, and a consolidated and company equity of 805,519,111 Euro and 2,263,503,720 Euro respectively, including a consolidated net profit attributable to Equity holders of 39,426,657 Euro and a company net profit of 242,859,085 Euro), the consolidated and company Statements of profit and loss by nature, cash flows and changes in equity for the half-year then ended and the related notes.
2. The amounts in the consolidated and company financial statements, as well as the additional financial information, are in accordance with the accounting records of the Company and its subsidiaries.

**Responsibilities**

3. The Company’s Board of Directors is responsible for: (i) the preparation of consolidated and company financial information that present a true and fair view of the financial position of the Company and of the companies included in the consolidation and the consolidated and company results of their operations, changes in equity and cash flows; (ii) the preparation of historical financial statements in accordance with International Financial Reporting Standards as adopted by the European Union for the purposes of interim financial reporting (IAS 34) and that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria; (iv) the maintenance of an appropriate internal control system; and (v) informing any significant facts that have influenced their operations, financial position or results.
4. Our responsibility is to review the financial information contained in the above mentioned documents, namely verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a moderate assurance, professional and independent report on that financial information based on our work.

**Scope**

5. The objective of our work was to obtain moderate assurance as to whether the above mentioned financial information is free of material misstatement. Our work was performed in accordance with the Auditing Standards issued by the Portuguese Institute of Statutory Auditors, was planned in accordance with that objective, and consisted essentially of enquiries and analytical procedures with the objective of reviewing: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting principles used, taking into consideration the circumstances and the consistency of their application; (iii) the applicability, or not, of the going concern concept; (iv) the presentation of the financial information; and (v) whether, in all material respects, the consolidated and company financial information is complete, true, timely, clear, objective and licit as required by the Securities Market Code.
6. Our work also included verifying that the consolidated and company financial information included in the Report of the Board of Directors is consistent with the other above mentioned financial information.

7. We believe that our work provides a reasonable basis for issuing the present limited review report on the half-year financial information.

**Opinion**

8. Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated and company financial information for the half-year ended 30 June 2008 referred to in paragraph 1 above of Sonae Distribuição, SGPS, S.A. is not exempt from material misstatement that affects its conformity with International Financial Reporting Standards as adopted by the European Union for the purposes of interim financial reporting and that, in terms of the definitions included in the Auditing Standards referred to in paragraph 5 above, it is not complete, true, timely, clear, objective and licit.

Porto, 28 July 2008

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